Non-Executive Report of the: **AUDIT COMMITTEE** 8th November 2016	TOWER HAMLETS
Report of: Zena Cooke, Corporate Director of Resources	**Classification:** Unrestricted
Mid - Year Review and Activities of Treasury Management Strategy and Investment Strategy for 2016/17	

Originating Officer(s)	Bola Tobun, Investment & Treasury Manager
Wards affected	All wards

Summary

This report reviews progress on the Treasury Management and Investment Strategy that was approved by Full Council on 24 February 2016 as prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (Revised 2011).

The report reviews how the Treasury Management team has managed the Council's cash balances, investments, borrowings and treasury related risks. The report also sets out the economic environment and how this has impacted on investment returns.

The key messages from this report are that:

- All treasury management activities were executed by authorised officers within the parameters agreed by the Full Council.
- All investments were made to counterparties on the Council's approved lending list and within agreed limits.
- There was no short-term or long-term borrowing raised during the period to 30 September 2016.
- From the beginning of financial to 30 September 2016, the Council earned an average investment return of 0.77% on short term lending, outperforming the rolling average 7 Day LIBID rate of 0.29%.

Recommendations

The Audit Committee is asked to recommend the report to the Council:

To Note -

- The treasury management activities and performance against targets for the six months to 30 September 2016.

- The Council's investment balance of £406.85m as at 30 September 2016 of which £131.62m was invested with money market funds (MMF) and £105m invested with UK Banks and Building Societies as set out in Appendix 1.
- The Council's position on prudential indicators as set out in Appendix 2.

1. REASONS FOR DECISIONS

1.1 The Local Government Act 2003 and the Local Authorities (Capital Financing and Accounting) Regulations 2003 requires that regular reports be submitted to Council/Committee detailing the council's treasury management activities.

1.2 The Council also agreed as part of the Treasury Management Strategy Statement to receive a number of reports. Furthermore, the CIPFA Treasury Management Code of Practice requires that Full Council/Committee should receive a Mid-Year Report reviewing Treasury Management/Investment.

2. ALTERNATIVE OPTIONS

2.1 The Council is bound by legislation to have regard to the CIPFA Treasury Management (TM) Code. The Code requires that the Council should receive a mid-year report reviewing treasury management and investment.

2.2 If the Council were to deviate from those requirements, there would need to be some good reason for doing so. It is not considered that there is any such reason, having regard to the need to ensure that Members are kept informed about treasury management activities and to ensure that these activities are in line with the investment strategy approved by the Council

3. DETAILS OF REPORT

3.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2011) has been adopted by the Council.

3.2 One of the requirements of the Code is that Full Council/Committee should receive an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-Year Review Report and an Annual Outturn Report (stewardship report) covering activities during the previous year.

3.3 The Treasury Management Strategy, Investment Strategy and Minimum Revenue Provision reports were included in the Budget Pack that was presented to Full Council on 24 February 2016. The 2015/16 Outturn report was approved by Full Council on 21 September 2016.

3.4 This mid - year report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- An economic update for the first six months of 2016/17.
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy, which constitutes the following:
    - The Council's borrowing strategy for 2016/17.
    - The Council's investment strategy for 2016/17.

- The Council's investment portfolio for 2016/17.
- The Council's capital expenditure (prudential indicators).
- A review of compliance with Treasury and Prudential Limits for 2016/17.

3.5 AN ECONOMIC UPDATE FOR THE FIRST SIX MONTHS OF 2016/17

3.5.1 UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were strong but 2015 was disappointing at 1.8%, though it still remained one of the leading rates among the G7 countries. Growth improved in quarter 4 of 2015 from +0.4% to 0.7% but fell back to +0.4% (2.0% y/y) in quarter 1 of 2016 before bouncing back again to +0.7% (2.1% y/y) in quarter 2. The referendum vote for Brexit in June this year delivered an immediate shock fall in confidence indicators and business surveys, pointing to an impending sharp slowdown in the economy.

3.5.2 The Bank of England meeting on August 4th addressed this expected slowdown in growth by a package of measures including a cut in Bank Rate from 0.50% to 0.25%. The Inflation Report included an unchanged forecast for growth for 2016 of 2.0% but cut the forecast for 2017 from 2.3% to just 0.8%.

3.5.3 The Inflation Report also included a sharp rise in the forecast for inflation to around 2.4% in 2018 and 2019. CPI has started rising during 2016 as the falls in the price of oil and food twelve months ago fall out of the calculation during the year and, in addition, the post referendum 10% fall in the value of sterling on a trade weighted basis is likely to result in a 3% increase in CPI over a time period of 3-4 years. However, the MPC is expected to look thorough a one off upward blip from this devaluation of sterling in order to support economic growth, especially if pay increases continue to remain subdued and therefore pose little danger of stoking core inflationary price pressures within the UK economy.

3.6. INTEREST RATE FORECASTS

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Bank rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.25%	0.25%	0.25%	0.25%	0.50%
5yr PWLB rate	1.00%	1.00%	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%	1.20%	1.30%
10yr PWLB rate	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.80%
25yr PWLB rate	2.30%	2.30%	2.40%	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.60%
50yr PWLB rate	2.10%	2.10%	2.20%	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	2.30%	2.40%

3.6.1 Capita Asset Services undertook a quarterly review of its interest rate forecasts after the MPC meeting of 4th August cut Bank Rate to 0.25% and gave forward guidance that it expected to cut Bank Rate again to near zero before the year end. The above forecast therefore includes a further cut to 0.10% in November this year and a first increase in May 2018, to 0.25%, but no further increase to 0.50% until a year later.

3.6.2 The overall longer run trend is for gilt yields and PWLB rates to rise, notwithstanding gently. An eventual world economic recovery may also see investors switching from the safe haven of bonds to equities. However, we have been experiencing exceptional levels of volatility in financial markets which have caused significant swings in PWLB rates. Capita PWLB rate forecasts are based on the Certainty Rate (minus 20 bps).

3.7 TREASURY MANAGEMENT STRATEGY STATEMENT

3.7.1 The Treasury Management Strategy Statement (TMSS) for 2016/17 was approved by the Council on 24 February 2016, and it comprised the following:

- Borrowing Strategy
- Minimum Revenue Provision
- Annual Investment Strategy
- Treasury Management Policy statement; and
- Prudential Indicators for Treasury Management

3.7.2 The underlying TMSS approved previously requires revision in the light of economic and operational movements during the year. The proposed changes and supporting detail for the changes are set out below and attached as Appendix 2:

Prudential Indicator	***2016/17 Original £m***	***2016/17 Revised £m***
Authorised Limit	312.344	313.381
Operational Boundary	292.344	293.381
Capital Financing Requirement	267.344	268.381

Borrowing Strategy

3.7.3 The Council's approved borrowing strategy was approved by the full council 24 February 2016. The strategy remains appropriate to meet the Council's financing needs for its capital programme and loan redemptions.

Debt Portfolio

	31 March 2016 Principal £'000	Average rate %	30 September 2016 Principal £'000	Average rate %
Fixed Rate Funding:				
-PWLB	10,325	7.10	10,325	7.10
-Market	0,000		17,500	4.34
Total Fixed Rate Funding	10,325	7.10	27,825	5.36
Variable Rate Funding:				
-PWLB	-		-	
-Market	77,500	4.32	60,000	4.32
Total Variable Rate Funding	77,500	4.32	60,000	4.32
Total Loans	***87,825***	***4.65***	***87,825***	***4.65***

Other Long Term Liabilities	*42,039*		*42,039*	
Total Borrowing	***129,864***		***129,864***	
CFR	*262,588*		*262,588*	
Over/ (under) borrowing	***(132,724)***		***(132,724)***	

3.7.4 The table above sets out the Council's debt as at the beginning of the financial year and 30 September 2016. There is no change to outstanding balance.

3.7.5 During this financial year, two variable rate, market loans have been reclassified as fixed rate market loans. This is because on the 22nd June 2016, Barclays Bank decided to waive their right to change the applicable interest rate of loans. As a result of this waiver, the loans effectively become fixed rate loans at their current interest rates of 4.25% for the £4.5m loan with maturity date of 23/09/2077 and 4.37% for the £13m loan with maturity date of 23/09/2077. And also the risk that the rates will be changed in the future is no longer there.

3.7.6 As at the 30 September 2016, no PWLB loans (Public Works Loans Board) matures.

3.7.7 **Borrowing Requirement**: The Council has an approved borrowing requirement of £13 million towards financing the 2016/17 Capital Programme. This has changed to £14.6m.

3.7.8 Over the next three years, forecasts indicate that investment rates are expected to be below long term borrowing rates. This would indicate that value could best be obtained by avoiding new external borrowing and by using internal cash balances to finance new capital expenditure or to replace any maturing external debt. This would maximise short term savings.

3.7.9 Hence, there has been no new borrowing during the reporting period 01 April 2016 to 30 September 2016. Total debt outstanding, stands at £129.864m, against estimated CFR of £268.381m for 2016/17, resulting in an under-borrowing position of £138.517m

3.7.10 **Debt Rescheduling:** The debt portfolio is periodically reviewed to see if cashflow benefits can be obtained from rescheduling debt. In the current interest rate environment, PWLB repayment rates are generally not favourable and any rescheduling undertaken would incur a large cash penalty payment, thus limiting opportunities. The portfolio will be kept under review and advice sought from Capita Asset Services as appropriate.

3.7.11 No debt rescheduling was undertaken during the first six months of 2016/17.

3.8 Minimum Revenue Provision

3.8.1 The Council has a statutory requirement to repay an element of accumulated General Fund capital expenditure each year through a revenue charge known as the Minimum Revenue Provision (MRP). The Council is required to approve each year a Minimum Revenue Provision Policy Statement and make prudent provision. Revenue Provision to repay General Fund capital expenditure debt for 2016/17 is £6.7 million and has been calculated in accordance with the policy statement.

3.8.2 With regard to assets financed under the Public Finance Initiative (PFI) and finance leases that were brought on balance sheet as a result of the accounting changes brought about by the requirement to report in accordance with International Financial Reporting

Standards, mitigating regulations allow that MRP be contained within the existing revenue charge so that the effect on the General Fund is neutral.

3.9 Annual Investment Strategy.

3.9.1 The Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:

- Security of capital
- Liquidity; and
- Yield

3.9.2 **Security**: The Council has in place creditworthiness criteria, which the officers had strictly adhered to when making investment decisions during the first six months of 2016/17. Monetary and duration limits are applied to manage counterparty exposure risk. Global markets have remained uncertain and the Council continues to implement an operational investment strategy which tightens the controls already in place within the approved investment strategy. Investment processes are constantly monitored and are regularly reviewed by the Investment and Treasury Manager, Chief Accountant and the Corporate Director of Resources.

3.9.3 **Liquidity**: The Council is required to have available, or have access to, adequate resources to enable it at all times to have the level of funds which are necessary for the achievement of its service objectives. Cashflow modelling is used to meet this requirement. The liquidity of the investment portfolio is monitored regularly.

3.9.4 For debt management purposes the Council has in place overdraft facilities with the Council's banker, the Royal Bank of Scotland plc, and also has access to the PWLB and the money market to fund capital projects. Internal balances are available to temporarily fund capital expenditure. Whilst this will help reduce the need to invest any surplus cash, this must be balanced against the future requirement to replace these balances, and ensure that sufficient cash is available to meet the Council's liquidity requirements.

3.9.5 **Yield:** The Council has a good record in managing its investment portfolio and seeks to obtain the best return (yield) available on its investments, but it adheres at all times to the approved investment criteria. The Council compares the return on its investments against the seven day London Interbank Bid (LIBID) rate, which is the local authority benchmark.

3.9.6 Despite the challenging investment environment, as at 30 September 2016 the return on the Council's investments was 0.77%, which compares very favourably against 0.29%, the average seven day LIBID rate for the reporting period. Officers will continue to work to maintain and strengthen the Council's investment policy and will refer back to the Full Council with any modification thought to be beneficial to the efficient and effective management of the Council's funds.

3.9.7 Credit rating information is supplied by Capita Asset Services, our treasury advisers, on all active counterparties that comply with the criteria as shown at Appendix 3. Any counterparty failing to meet the Council's criteria would be omitted from the counterparty (dealing) list. Any credit rate changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing and also used to update the counterparty list.

3.9.8 During the first six months of the year, no short-term or long-term borrowing activities but investments activities have been in line with the Strategy, with no deviations.

3.10 **INVESTMENT PORTFOLIO 2016/17**

1) In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in longer periods with prudently analytical selected credit rated financial institutions, using the adopted creditworthiness criteria as approved by the Full Council including sovereign credit rating overlay approach.
2) Investment rates available in the market have been broadly uncertain during the reporting period and have even gone lower than the previously reported low levels as a result of the MPC to cut rate to 0.25% with other extraordinary measures such as also expanding the Quantitative Easing (QE) programme to £435bn. The level of funds available for investment purposes during the year has been fluctuating between £350m £480m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.
3) The Council's budgeted investment return for 2016/17 was £2.7m, with average rate of return 0.9% for average portfolio balances of £300m.

Investment performance for Mid-Year ended 30 September 2016

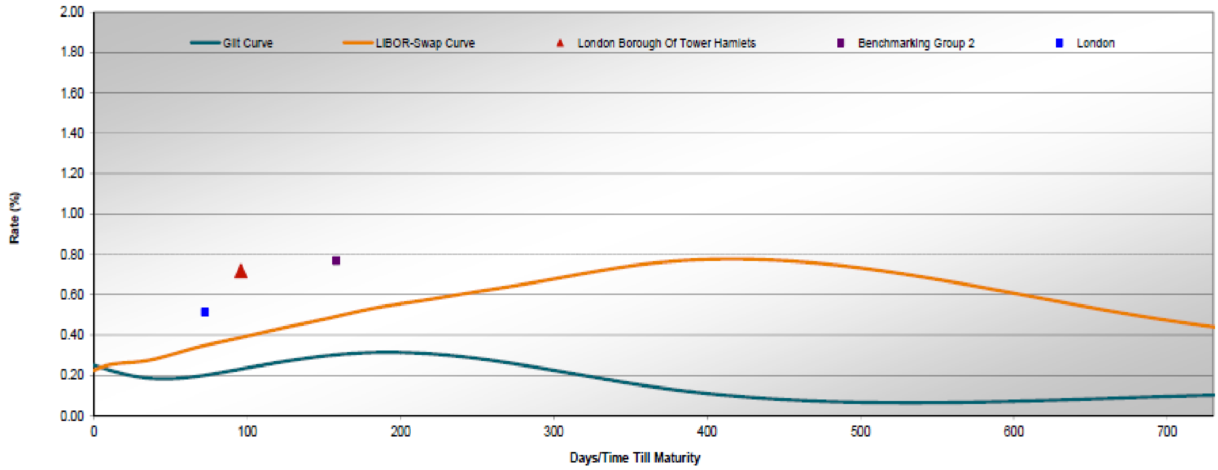
Period	Benchmark Return	LBTH Performance	Over/(Under) Performance	Investment Interest Earned £m
Full Year 2015/2016	0.35%	0.82%	0.47%	3.560
Qtr. 1 2016	0.36%	0.76%	0.40%	N/A
Qtr. 2 2016	0.23%	0.78%	0.55%	N/A
2016/17 Year to Period	0.29%	0.77%	0.48%	1.850

4) As illustrated above, the Council held £406.62m of investments as at 30 September 2016 and the investment portfolio yield for the first six months of the year is 0.77% against a benchmark of 0.29%, outperforming the benchmark by 48 bps. The investment interest earned as at 30th September was £1.85m; this was due to the large investment portfolio balances the Council is currently running with, the average investment portfolio balance of £416m as at 30th September 2016.
5) It has not been possible to re-invest matured investments at favourably rates due to the ultralow interest rate environment as Bank of England base rate is currently 0.25% with a further cut forecast at 0.10% before the calendar year end.

INVESTMENT BENCHMARKING CLUB

6) LBTH participates in a benchmarking club to enable officers to compare the Council's treasury management, investment returns against those of similar authorities. The model below shows the performance of benchmark club members given the various levels of risks taken as at 30 September 2016. The Performance of Tower Hamlets is above the Model Weighted Average Rate of Return (WARoR) but below the performance of our benchmark comparators and the London benchmark.

Returns Comparable Against the Risk-Free Rate and LIBOR Curve



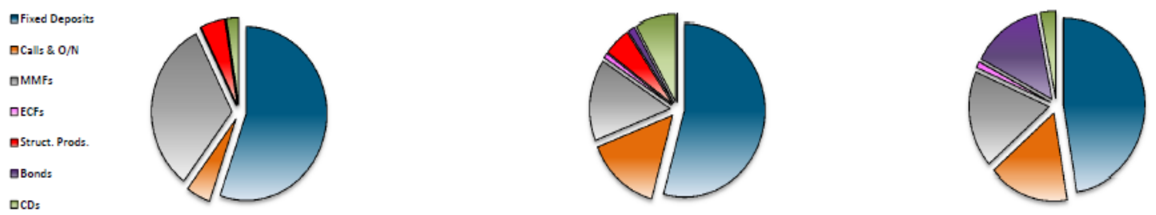
	WARoR	WAM	WATT	WARisk	Gilt	LIBOR-Swap	Difference Gilt	Difference LIBOR-Swap	Model Bands	Performance
London Borough Of Tower Hamlets	0.72%	96	248	3.4	0.23%	0.39%	0.49%	0.33%	0.65% - 0.77%	Inline
Benchmarking Group 2	0.77%	158	331	3.5	0.30%	0.49%	0.47%	0.28%	0.71% - 0.83%	Inline
London	0.51%	72	148	3.1	0.20%	0.35%	0.31%	0.17%	0.50% - 0.62%	Inline

London Borough Of Tower Hamlets

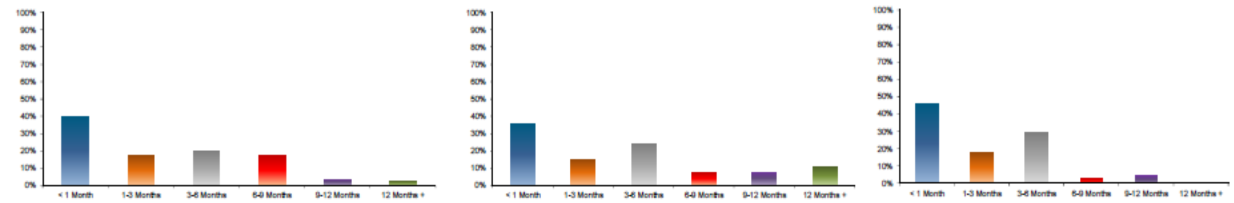
Summary Sheet

	London Borough Of Tower Hamlets	Benchmarking Group 2 (15)	London (20)
		Basic Portfolio Characteristics	
WARoR	0.72%	0.77%	0.51%
WAM	96	158	72
WATT	248	331	148
WA Credit Risk	3.4	3.5	3.1
Model WARoR	0.71%	0.77%	0.56%
Difference	0.01%	0.00%	-0.05%
Model Band	0.65% - 0.77%	0.71% - 0.83%	0.50% - 0.62%
Performance	Inline	Inline	Inline

Asset Breakdown



Maturity Profiles



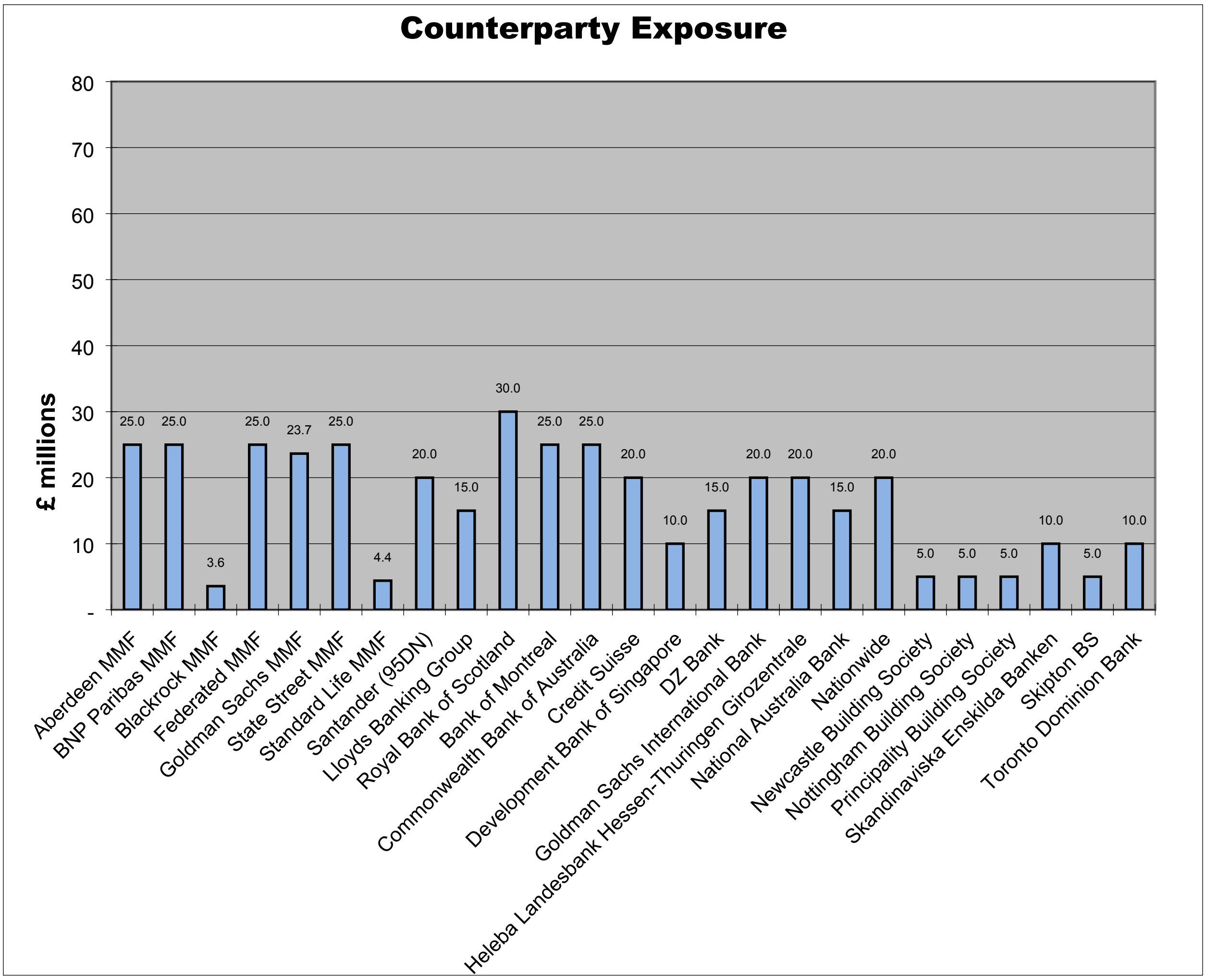
7) The return on LBTH investment is commensurate with the Council's risk appetite as set out in the Investment Strategy which is reflected in the above data.

8) The outstanding investments of £406.62m include Pension Fund working capital of some £7.78m which is being invested and will continue to be invested in accordance with the Council's Treasury Management Strategy agreed by Full Council, under the delegated authority of the Corporate Director of Resources to manage within agreed parameters.

9) The table below shows the amount of investments outstanding at the end of September 2016, split according to the financial sector.

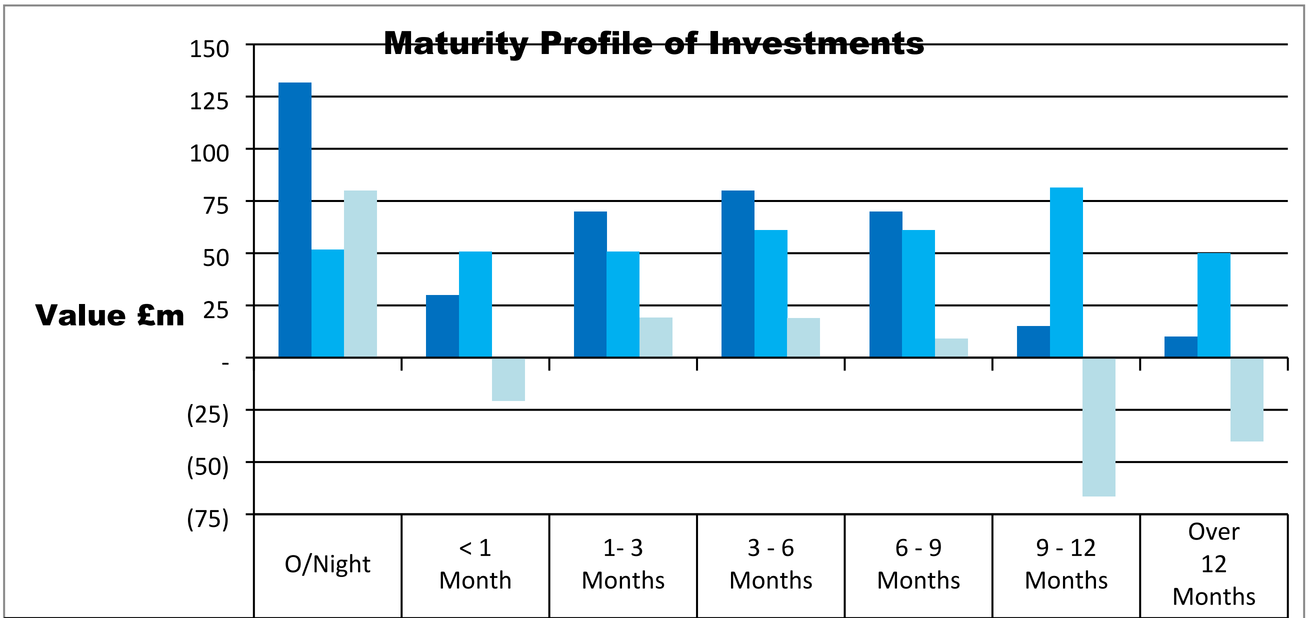
FINANCIAL SECTOR	£m	%
Banks in the UK	65.00	15.98
Building Societies in the UK	40.00	9.84
Banks in the Rest of the World	170.00	41.81
Money Market Funds	131.62	32.37
Investments Outstanding as at 30/09/2016	**406.62**	**100.00**

10) The below chart shows the deposits outstanding with authorised counterparties as at 30th September 2016, of which 7.38% were with part-nationalised banks (RBS Groups).



11) The chart below illustrates the maturity profile of investments at the end of September 2016 with the detailed list of investments attached as Appendix 1 of this report.

Maturity Structure of Investments



	O/Night	< 1 Month	1- 3 Months	3 - 6 Months	6 - 9 Months	9 - 12 Months	Over 12 Months
£m Portfolio Value	131.62	30.00	70.00	80.00	70.00	15.00	10.00
Portfolio Target £	51.66	50.83	50.83	60.99	60.99	81.32	50.00

12) We have £131.62m as overnight deposits, and this is essentially all Money Market Funds. The Weighted Average Maturity (WAM) for outstanding investment (excluding MMF) is 144 days for the month of September and including MMF is 96 days. This is the average number of outstanding days to maturity of each deal from 30 September 2016.

13) **Compliance with Treasury and Prudential Limits** - It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

14) For the financial year to reporting period the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The prudential and treasury Indicators are shown in Appendix 2.

General Activities Update

15) UK Sovereign Rating - Standard & Poor have downgraded the UK Sovereign rating to AA from AAA with outlook remains negative, Fitch downgraded to AA from AA+ with outlook, changed to negative from stable, Moody's affirmed the rating at Aa1 with outlook changed to negative from stable. This is due to weaker economic and fiscal outlook.

16) In light of the recent changes in the UK sovereign rating, the Council did not exclude UK from its sovereign rating overlay criteria and still invest in UK banks and building societies. At the individual/entity level, investment counterparties still need to meet stringent criteria as laid out in the current investment strategy.

17) Section 7.27 of the council treasury management strategy for 2016/17, TMSS annex A, was revised at the full council meeting of September 2016, by revising the maximum nominal value of overall investments that the council should hold for more than 1 year and less than 5 years from £50m to £100m (that is Investments with maturity over a year) The prudential indicator figure of £100m was therefore approved.

18) The Council also changed the monetary limit and duration of investments more than one year for part nationalised bank from the original strategy limits of £25m and 3 years to £50m and 5 years duration. This is to empower the council the flexibility of placing more deposits with institution part owned by the government and be in a position to received decent return from the transaction.

3.11 <u>The Council's Capital Position (Prudential Indicators)</u>

3.11.1 Prudential Indicator for Capital Expenditure - This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at February Council. The programme has been revised to take account of updated profiles; new schemes approved in-year and new capital grant receipts.

Capital Expenditure by Service	**2016/17 Original Estimate £m**	**2016/17 Revised Estimate £m**
Adult Services	*5.046*	*7.442*
Children's services	*31.875*	*18.119*
Building Schools for the Future		*0.290*
Communities, Localities and Culture	*12.348*	*11.372*
Development & Renewal (Excluding HRA)	*5.676*	*3.628*
Housing	*139.045*	*95.298*
Corporate General Fund Provision for Schemes under development	*34.000*	
Total Non - HRA	89.475	77.362
HRA	138.315	92.991
Total	**227.790**	**170.353**

3.11.2 Changes to the Financing of the Capital Programme

The table below draws together the main strategic elements of the capital expenditure plans, highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision).

Capital Expenditure	2016/17 Original Estimate £m	2016/17 Revised Estimate £m
Total Spend	**227.790**	**170.353**
Financed By:		
Capital receipts	45.449	21.821
Capital Grants, Developers & SC	131.073	67.280
Major Repairs Allowance	32.860	40.160
Capital Reserves	3.400	
Revenue	2.000	23.527
Total Financing	**214.980**	**155.788**
Supported	0.000	0.000
Unsupported	13.010	14.565
Total Borrowing Need	**13.010**	**14.565**

3.11.3 Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary are detailed in the below table. The Capital Financing Requirement has been amended in line with the borrowing requirement to support the 2016/17 approved capital programme.

	2015/16 Actual £m	2016/17 Original Estimate £m	2016/17 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement			
CFR – Non-HRA	192.913	187.096	186.813
CFR – HRA	69.675	80.248	81.567
Total CFR	262.588	267.344	268.381
Net movement in CFR		**4.756**	**5.793**
Prudential Indicator – External Debt / the Operational Boundary			
Borrowing	245.549	251.510	252.547
Other long term liabilities	42.039	40.834	40.834
Total debt 31 March	**287.588**	**292.344**	**293.381**

Limits to Borrowing Activity

3.11.4 The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for

2016/17 and next two financial years. This allows some flexibility for limited early borrowing for future years.

	2015/16 Actual £m	2016/17 Original Estimate £m	2016/17 Revised Estimate £m
Gross borrowing	129.864	139.780	141.335
Less investments	479.302	300.000	350.000
Net borrowing / (Investments)	(349.438)	(160.220)	(208.665)
CFR (year - end position)	**262.588**	**267.344**	**268.381**

3.11.5 The Corporate Director, Resources reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

3.11.6 A further prudential indicator limits the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and can only be set and revised by Members. It reflects the level of borrowing which though not needed, could be afforded in the short term but unsustainable long term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2016/17 Original Indicator	2016/17 Revised Indicator
Borrowing*	292.344	293.381
Headroom	20.000	20.000
Other long term liabilities	0.000	0.000
Total	**312.344**	**313.381**

* Includes PFI schemes and finance leases etc.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1 The comments of the Corporate Director of Resources are incorporated in the report.

5. LEGAL COMMENTS

5.1 The Local Government Act 2003 provides a framework for the capital finance of local authorities. It provides a power to borrow and imposes a duty on local authorities to determine an affordable borrowing limit. It provides a power to invest. Fundamental to the operation of the scheme is an understanding that authorities will have regard to proper accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in carrying out capital finance functions.

5.2 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require the Council to have regard to the CIPFA publication “Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes” (“the Treasury Management Code”) in carrying out capital finance functions under the Local Government Act 2003. If after having regard to the Treasury Management Code the Council wished not to follow it, there would need to be some good reason for such deviation.

5.3 It is a key principle of the Treasury Management Code that an authority should put in place “comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities”. Treasury management activities cover the management of the Council’s investments and cash flows, its banking, money market and capital market transactions, the effective control of risks associated with those activities and the pursuit of optimum performance consistent with those risks. It is consistent with the key principles expressed in the Treasury Management Code for the Council to review performance against the strategies and policies it has adopted.

5.4 The Treasury Management Code requires as a minimum that there be a practice of regular reporting on treasury management activities and risks to the responsible committee and that these should be scrutinised by that committee. Under the Council’s Constitution, the audit committee has the functions of monitoring the Council’s risk management arrangements and making arrangements for the proper administration of the Council’s affairs and for the proper stewardship of public funds.

5.5 When discharging its treasury management functions, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don’t. Information is contained in section 15 of the report relevant to these considerations.

6. ONE TOWER HAMLETS CONSIDERATIONS

6.1 Interest on the Council’s cash flow has historically contributed significantly towards the budget. This Council’s ability to deliver its various functions, to meet its Community Plan targets and to do so in accordance with its obligations under the Equality Act 2010 may thus be enhanced by sound treasury management.

7. BEST VALUE (BV) IMPLICATIONS

7.1 Assessment of value for money is achieved through:

- Monitoring against benchmarks
- Operating within budget

7.2 For example, investment returns exceeded the LIBID benchmark up to the end of September 2016 and the treasury function operated within budget for financial year 2016/17.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

8.1 There are no Sustainable Actions for A Greener Environment implications.

9. RISK MANAGEMENT IMPLICATIONS

9.1 Any form of investment inevitably involves a degree of risk. To minimise risk the investment strategy has for example a restriction exposure of council cash balances to non-UK banks or institutions only with sovereign rating of AAA, with prudent short term rating or strong long term rating of individual institution.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

10.1 There are no crime and disorder reduction implications arising from this report.

Linked Reports, Appendices and Background Documents: None

Appendices
Appendix 1: Investment Portfolio as at 30th September 2016
Appendix 2: 2016-17 Revised Prudential and Treasury Management Indicators
Appendix 3: Counterparty List
Appendix 4: Glossary

Local Government Act, 1972 Section 100D (As amended)

List of "Background Papers" used in the preparation of this report
Capita Treasury Advisory Services - Investment Reports & Benchmarking club report

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Appendix 1

Investments Outstanding at 30 September 2016

Maturity	Counterparty	From	Maturity	Amount £m	Rate
Overnight	Aberdeen MMF		**MMF**	25.00	
	BNP Paribas MMF		**MMF**	25.00	
	Blackrock MMF		**MMF**	3.57	
	Federated MMF		**MMF**	25.00	
	Goldman Sachs MMF		**MMF**	23.65	
	Standard Life MMF		**MMF**	4.40	
	State Street MMF		**MMF**	25.00	
	SUB TOTAL			**131.62**	
<1 Month	DZ Bank	04/07/2016	04/10/2016	10.00	0.51%
	Skandinaviska Enskilda Banken	05/10/2015	05/10/2016	5.00	0.92%
	DZ Bank	05/04/2016	05/10/2016	5.00	0.68%
	Goldman Sachs International Bank	23/10/2015	24/10/2016	10.00	1.00%
	SUB TOTAL			**30.00**	
1 - 3 Months	Heleba Landesbank Hessen-Thüringen	12/11/2015	11/11/2016	5.00	1.04%
	Principality Building Society	11/11/2015	11/11/2016	5.00	1.08%
	Goldman Sachs International Bank	12/11/2015	14/11/2016	10.00	0.95%
	Credit Suisse	20/11/2015	18/11/2016	10.00	1.03%
	Credit Suisse	25/11/2015	25/11/2016	10.00	1.00%
	Skandinaviska Enskilda Banken	07/12/2015	07/12/2016	5.00	0.85%
	Development Bank of Singapore	08/06/2016	08/12/2016	5.00	0.62%
	Bank of Montreal	15/03/2016	15/12/2016	10.00	0.72%
	Commonwealth Bank of Australia	15/12/2015	15/12/2016	5.00	0.91%
	Development Bank of Singapore	15/06/2016	15/12/2016	5.00	0.62%
	Heleba Landesbank Hessen-Thüringen	12/11/2015	11/11/2016	5.00	1.04%
	SUB TOTAL			**70.00**	
3 - 6 Months	Santander (95DN)		Call - 95N	20.00	1.10%
	Bank of Montreal	06/04/2016	06/01/2017	10.00	0.75%
	Royal Bank of Scotland	10/01/2014	09/01/2017	5.00	1.74%
	National Australia Bank	12/04/2016	12/01/2017	10.00	0.74%
	National Australia Bank	19/04/2016	19/01/2017	5.00	0.75%
	Bank of Montreal	19/04/2016	19/01/2017	5.00	0.74%
	Commonwealth Bank of Australia	23/02/2016	21/02/2017	5.00	0.90%
	Heleba Landesbank Hessen-Thüringen	26/02/2016	27/02/2017	5.00	0.92%
	Commonwealth Bank of Australia	14/03/2016	14/03/2017	10.00	0.92%
	Skipton BS	23/03/2016	23/03/2017	5.00	1.02%
	SUB TOTAL			**80.00**	
6 - 9 Months	Nationwide	12/04/2016	12/04/2017	5.00	0.95%
	Lloyds Banking Group	14/04/2016	13/04/2017	5.00	1.05%
	Lloyds Banking Group	15/04/2016	13/04/2017	5.00	1.05%
	Nationwide	15/04/2016	13/04/2017	10.00	0.97%
	Nationwide	22/04/2016	21/04/2017	5.00	0.95%
	Newcastle Building Society	28/04/2016	28/04/2017	5.00	1.15%
	Lloyds Banking Group	29/04/2016	28/04/2017	5.00	1.05%
	Royal Bank of Scotland	05/05/2015	05/05/2017	5.00	1.45%
	Royal Bank of Scotland	08/05/2015	08/05/2017	5.00	1.45%
	Nottingham Building Society	09/05/2016	09/05/2017	5.00	1.03%
	Commonwealth Bank of Australia	12/05/2016	12/05/2017	5.00	0.99%
	Heleba Landesbank Hessen-Thüringen	03/05/2016	03/06/2017	10.00	1.01%
	SUB TOTAL			**70.00**	

9 - 12 Months	Toronto Dominion Bank	16/08/2016	15/08/2017	10.00	0.61%
	Royal Bank of Scotland	19/08/2016	19/08/2017	5.00	0.86%
	SUB TOTAL			**25.00**	
Maturity	**Counterparty**	**From**	**Maturity**	**Amount £m**	**Rate**
> 12 Months	Royal Bank of Scotland	30/01/2015	30/01/2018	5.00	1.20%
	Royal Bank of Scotland	30/04/2015	30/04/2018	5.00	0.90%
	SUB TOTAL			**10.00**	
	GRAND TOTAL			**406.62**	

Appendix 2

2016-17 Revised Prudential and Treasury Management Indicators

Prudential Indicators	2015/16	2016/17	2016/17	2017/18	2018/19
Extract from Estimate and rent setting reports	**Actual**	**Original Estimate**	**Revised Estimate**	**Estimate**	**Estimate**
	£m	£m	£m	£m	£m
Capital Expenditure					
Non – HRA	26.620	89.475	77.362	47.149	10.616
HRA	66.359	138.315	92.991	70.301	87.217
TOTAL	**92.979**	**227.790**	**170.353**	**117.450**	**97.833**
Ratio of Financing Costs To Net Revenue Stream					
Non – HRA	0.30%	0.33%	0.00%	0.00%	0.00%
HRA	3.70%	3.69%	4.42%	4.43%	8.16%
	£m	£m	£m	£m	£m
Gross Debt and Capital Financing Requirement					
Gross Debt	129.864	139.780	141.335	124.452	192.323
Capital Financing Requirement	262.588	267.344	268.381	259.644	321.946
Over/(Under) Borrowing	(132.724)	(127.564)	(127.046)	(135.192)	(129.624)
In Year Capital Financing Requirement					
Non – HRA	0.145	0.150	0.355	0.000	0.000
HRA	0.000	12.860	14.210	0.000	70.999
TOTAL	**0.145**	**13.010**	**14.565**	**0.000**	**70.999**
Capital Financing Requirement as at 31 March					
Non - HRA	192.913	187.096	186.813	180.394	174.011
HRA	69.675	80.248	81.567	79.250	147.935
TOTAL	**262.588**	**267.344**	**268.381**	**259.644**	**321.946**
Incremental Impact of Financing Costs (£)					
Increase in Council Tax (band D) per annum	67.317	101.444	73.130	80.534	84.610
Increase in average housing rent per week	5.176	5.261	6.452	6.550	12.102

Treasury Management Indicators	2014/15	2015/16	2015/16	2016/17	2017/18
	Actual	**Original Estimate**	**Revised Estimate**	**Estimate**	**Estimate**
	£m	£m	£m	£m	£m
Authorised Limit For External Debt -					
Borrowing & Other long term liabilities	245.720	323.828	292.349	326.700	327.089
Headroom	20.000	20.000	20.000	20.000	20.000
TOTAL	**265.720**	**343.828**	**312.349**	**346.700**	**347.089**
Operational Boundary For External Debt -					
Borrowing	206.310	285.356	253.877	289.192	290.786
Other long term liabilities	39.410	38.472	38.472	37.508	36.303
TOTAL	**245.720**	**323.828**	**292.349**	**326.700**	**327.089**
Gross Borrowing	**136.700**	**162.789**	**127.117**	**159.979**	**157.416**
HRA Debt Limit*	**184.381**	**192.000**	**192.000**	**192.000**	**192.000**
Upper Limit For Fixed Interest Rate Exposure					
Net principal re fixed rate borrowing / investments	**100%**	**100%**	**100%**	**100%**	**100%**
Upper Limit For Variable Rate Exposure					
Net interest payable on variable rate borrowing / investments	**20%**	**20%**	**20%**	**20%**	**20%**
Upper limit for total principal sums invested for over 364 days (per maturity date)	**£50m**	**£50m**	**£50m**	**£50m**	**£50m**

Maturity structure of new fixed rate borrowing during 2015/16	Upper Limit	Lower Limit
under 12 months	10%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	80%	0%
10 years and above	100%	0%

Appendix 3

List of Approved Counterparties for Lending for London Borough of Tower Hamlets.

Any values highlighted in yellow have undergone a change in the past 14 days.

Counterparty		Fitch Ratings	Long Term	Short Term	Moodys Ratings	Long Term	Short Term	S&P Ratings	Long Term	Short Term
Australia		SB	AAA		SB	Aaa		NO	AAA	
Banks	Australia and New Zealand Banking Group Ltd.	SB	AA-	F1+	NO	Aa2	P-1	NO	AA-	A-1+
	Commonwealth Bank of Australia	SB	AA-	F1+	NO	Aa2	P-1	NO	AA-	A-1+
	Macquarie Bank Ltd.	SB	A	F1	SB	A2	P-1	SB	A	A-1
	National Australia Bank Ltd.	SB	AA-	F1+	NO	Aa2	P-1	NO	AA-	A-1+
	Westpac Banking Corp.	SB	AA-	F1+	NO	Aa2	P-1	NO	AA-	A-1+
Canada		SB	AAA		SB	Aaa		SB	AAA	
Banks	Bank of Montreal	SB	AA-	F1+	NO	Aa3	P-1	SB	A+	A-1
	Bank of Nova Scotia	SB	AA-	F1+	NO	Aa3	P-1	SB	A+	A-1
	Canadian Imperial Bank of Commerce	SB	AA-	F1+	NO	Aa3	P-1	SB	A+	A-1
	National Bank of Canada	SB	A+	F1	NO	Aa3	P-1	SB	A	A-1
	Royal Bank of Canada	NO	AA	F1+	NO	Aa3	P-1	NO	AA-	A-1+
	Toronto-Dominion Bank	SB	AA-	F1+	NO	Aa1	P-1	SB	AA-	A-1+
Denmark		SB	AAA		SB	Aaa		SB	AAA	
Banks	Danske A/S	SB	A	F1	PO	A1	P-1	SB	A	A-1
Germany		SB	AAA		SB	Aaa		SB	AAA	
Banks	DZ BANK AG Deutsche Zentral-Genossenschaftsbank	SB	AA-	F1+	SB	Aa1	P-1	SB	AA-	A-1+

	Landesbank Berlin AG				PO	Aa3	P-1			
	Landesbank Hessen-Thueringen Girozentrale	SB	A+	F1+	SB	Aa3	P-1	SB	A	A-1
	Landwirtschaftliche Rentenbank	SB	AAA	F1+	SB	Aaa	P-1	SB	AAA	A-1+
	NRW.BANK	SB	AAA	F1+	SB	Aa1	P-1	SB	AA-	A-1+
Netherlands		SB	AAA		SB	Aaa		SB	AAA	
Banks	ABN AMRO Bank N.V.	SB	A+	F1	SB	A1	P-1	SB	A	A-1
	Bank Nederlandse Gemeenten N.V.	SB	AA+	F1+	SB	Aaa	P-1	SB	AAA	A-1+
	Cooperatieve Rabobank U.A.	SB	AA-	F1+	SB	Aa2	P-1	SB	A+	A-1
	ING Bank N.V.	SB	A+	F1	SB	A1	P-1	SB	A	A-1
	Nederlandse Waterschapsbank N.V.				SB	Aaa	P-1	SB	AAA	A-1+
Singapore		SB	AAA		SB	Aaa		SB	AAA	
Banks	DBS Bank Ltd.	SB	AA-	F1+	NO	Aa1	P-1	SB	AA-	A-1+
	Oversea-Chinese Banking Corp. Ltd.	SB	AA-	F1+	NO	Aa1	P-1	SB	AA-	A-1+
	United Overseas Bank Ltd.	SB	AA-	F1+	NO	Aa1	P-1	SB	AA-	A-1+
Sweden		SB	AAA		SB	Aaa		SB	AAA	
Banks	Nordea Bank AB	SB	AA-	F1+	SB	Aa3	P-1	NO	AA-	A-1+
	Skandinaviska Enskilda Banken AB	SB	AA-	F1+	SB	Aa3	P-1	SB	A+	A-1
	Svenska Handelsbanken AB	SB	AA	F1+	SB	Aa2	P-1	NO	AA-	A-1+
	Swedbank AB	SB	AA-	F1+	SB	Aa3	P-1	NO	AA-	A-1+
Switzerland		SB	AAA		SB	Aaa		SB	AAA	
Banks	Credit Suisse AG	SB	A	F1	SB	A1	P-1	SB	A	A-1
	UBS AG	SB	A+	F1	SB	Aa3	P-1	SB	A+	A-1
United Kingdom										

		N O	AA		N O	Aa1		NO	AA	
AAA rated and Government backed securities	Debt Management Office									
Banks	Bank of Scotland PLC	SB	A+	F1	SB	A1	P-1	NO	A	A-1
	Close Brothers Ltd	SB	A	F1	SB	Aa3	P-1			
	Co-operative Bank PLC (The)	SB	B	B	PO	Caa 2	NP			
	Goldman Sachs International Bank	PO	A	F1	SB	A1	P-1	P W	A	A-1
	HSBC Bank PLC	SB	AA-	F1 +	N O	Aa2	P-1	NO	AA-	A-1+
	Lloyds Bank Plc	SB	A+	F1	SB	A1	P-1	NO	A	A-1
	Santander UK PLC	PO	A	F1	N O	Aa3	P-1	NO	A	A-1
	Standard Chartered Bank	SB	A+	F1	N O	Aa3	P-1	PO	A	A-1
	Sumitomo Mitsui Banking Corporation Europe Ltd	N O	A	F1	SB	A1	P-1	SB	A	A-1
	UBS Ltd.	SB	A+	F1	SB	A1	P-1	SB	A+	A-1
	Ulster Bank Ltd	SB	BBB +	F2	PO	A3	P-2	SB	BBB	A-2
Building Society	Coventry Building Society	SB	A	F1	N O	A2	P-1			
	Cumberland Building Society									
	Leeds Building Society	SB	A-	F1	N O	A2	P-1			
	National Counties Building Society									
	Nationwide Building Society	PO	A	F1	N O	Aa3	P-1	NO	A	A-1
	Newcastle Building Society	SB	WD	WD						
	Nottingham Building Society				N O	Baa1	P-2			
	Principality Building Society	SB	BBB +	F2	SB	Baa3	P-3			
	Progressive Building Society									
	Skipton Building Society	SB	A-	F1	PO	Baa2	P-2			

	West Bromwich Building Society				SB	B1	NP			
	Yorkshire Building Society	SB	A-	F1	SB	A3	P-2			
Nationalised and Part Nationalised Banks	National Westminster Bank PLC	SB	BBB +	F2	PO	A3	P-2	SB	BBB +	A-2
	The Royal Bank of Scotland Plc	SB	BBB +	F2	PO	A3	P-2	SB	BBB +	A-2

Advisory notes:

Local Authorities - £20 Million per LA

Money Market Funds- £25 Million per Fund

Standard Banks up to 3 - 5 years - £25 Million or 1 year - £30 Million

Part Nationalised Banks 5 years - £50 Million or 1 year - £70 Million

Appendix 4

Glossary

Asset Life	How long an asset, e.g. a Council building is likely to last.
Borrowing Portfolio	A list of loans held by the Council.
Borrowing Requirements	The principal amount the Council requires borrowing to finance capital expenditure and loan redemptions.
Capitalisation direction or regulations	Approval from central government to fund certain specified types of revenue expenditure from capital resources.
CIPFA Code of Practice on Treasury Management	A professional code of Practice which regulates treasury management activities.
Capital Financing Requirement (CFR)	Capital Financing Requirement- a measure of the Council's underlying need to borrow to fund capital expenditure.
Certificates of Deposits	A certificate of deposit (CD) is a time deposit, a financial product. CDs are similar to savings accounts in that they are insured and thus virtually risk free; they are "money in the bank." They are different from savings accounts in that the CD has a specific, fixed term (often monthly, three months, six months, or one to five years) and, usually, a fixed interest rate. It is intended that the CD be held until maturity, at which time the money may be withdrawn together with the accrued interest.
Commercial paper	Commercial paper is a money-market security issued (sold) by large corporations to obtain funds to meet short-term debt obligations (for example, payroll), and is backed only by an issuing bank or corporation's promise to pay the face amount on the maturity date specified on the note. Since it is not backed by collateral, only firms with excellent credit ratings from a recognized credit rating agency will be able to sell their commercial paper at a reasonable price. Commercial paper is usually sold at a discount from face value, and carries higher interest repayment rates than bonds
Counterparties	Organisations or Institutions the Council lends money to e.g. Banks; Local Authorities and MMF.
Corporate bonds	A corporate bond is a bond issued by a corporation. It is a bond that a corporation issues to raise money effectively in order to expand its business. The term is usually applied to longer-term debt instruments, generally with a maturity date falling at least a year after their issue date.
Covered bonds	A covered bond is a corporate bond with one important enhancement: recourse to a pool of assets that secures or "covers" the bond if the originator (usually a financial institution) becomes insolvent. These assets act as additional credit cover; they do not have any bearing on the contractual cash flow to the investor, as is the case with Securitized assets.
Consumer Prices Index & Retail Prices Index (CPI & RPI)	The main inflation rate used in the UK is the CPI. The Chancellor of the Exchequer bases the UK inflation target on the CPI. The CPI inflation target is set at 2%. The CPI differs from the RPI in that CPI excludes housing costs. Also used

	is RPIX, which is a variation of RPI, one that removes mortgage interest payments.
Credit Default Swap (CDS)	A kind of protection that can be purchased by MMF companies from insurance companies (for their investment) in exchange for a payoff if the organisation they have invested in does not repay the loan i.e. they default.
Credit watch	Variety of special programs offered by credit rating agencies and financial institutions to monitor organisation/individual's (e.g. bank) credit report for any credit related changes. A credit watch allows the organisation/individuals to act on any red flags before they can have a detrimental effect on credit score/history.
Credit Arrangements	Methods of Financing such as finance leasing
Credit Ratings	A scoring system issued by credit rating agencies such as Fitch, Moody's and Standard & Poors that indicate the financial strength and other factors of a bank or similar institution.
Creditworthiness	How highly rated an institution is according to its credit rating.
Debt Management Office (DMO)	The DMO is an agency of the HM Treasury which is responsible for carrying out the Government's Debt Management Policy.
Debt Rescheduling	The refinancing of loans at different terms and rates to the original loan.
Depreciation Method	The spread of the cost of an asset over its useful life.
Gross domestic product (GDP)	Gross domestic product (GDP) is a measure of the size of an economy. It is defined as "an aggregate measure of production equal to the sum of the gross values added of all resident, institutional units engaged in production (plus any taxes, and minus any subsidies, on products not included in the value of their outputs)" by the OECD. GDP estimates are commonly used to measure the economic performance of a whole country or region, but can also measure the relative contribution of an industry sector.
Gilt	Gilt-edged securities are bonds issued by certain national governments. The term is of British origin, and originally referred to the debt securities issued by the Bank of England, which had a gilt (or gilded) edge. Hence, they are known as gilt-edged securities, or gilts for short. Today the term is used in the United Kingdom as well as some Commonwealth nations, such as South Africa and India. However, when reference is made to "gilts", what is generally meant is "UK gilts," unless otherwise specified.
Interest Rate exposures	A measure of the proportion of money invested and what impact movements in the financial markets would have on them.
The International Monetary Fund (IMF)	is an intergovernmental organisation which states its aims as to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce

	poverty around the world.
Impaired investment	An investment that has had a reduction in value to reflect changes that could impact significantly on the benefits expected from it.
LIBID	The London Interbank Bid Rate – it is the interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Market Loans	Loans from banks available from the London Money Market including LOBOS (Lender Option, Borrowing Option) which enable the authority to take advantage of low fixed interest for a number of years before an agreed variable rate comes into force.
Money Market Fund (MMF)	A 'pool' of different types of investments managed by a fund manager that invests in lightly liquid short term financial instruments with high credit rating.
Monetary Policy Committee (MPC)	Committee designated by the Bank of England, whose main role is to regulate interest rates.
Minimum Revenue Provision (MRP)	This is the amount which must be set aside from the revenue budget each year to cover future repayment of loans.
Non Specified Investments	Investments deemed to have a greater element of risk such as investments for longer than one year
The Organisation for Economic Co-operation and Development (OECD)	The Organisation for Economic Co-operation and Development (OECD) is an international economic organisation of 34 countries, founded in 1961 to stimulate economic progress and world trade. It is a forum of countries describing themselves as committed to democracy and the market economy, providing a platform to compare policy experiences, seeking answers to common problems, identify good practices and coordinate domestic and international policies of its members.
Premium	Cost of early repayment of loan to PWLB to compensate for any losses that they may incur
Prudential Indicators	Set of rules providing local authorities borrowing for funding capital projects under a professional code of practice developed by CIPFA and providing measures of affordability and prudence reflecting the Council's Capital Expenditure, Debt and Treasury Management.
PWLB	Public Works Loan Board, a statutory body whose function is to lend money to Local Authorities (LAs) and other prescribed bodies. The PWLB normally are the cheapest source of long term borrowing for LAs.
Specified Investments	Investments that meet the Council's high credit quality criteria and repayable within 12 months.
Supranational bonds	Supranational bonds are issued by institutions that represent a number of countries, not just one. Thus, organisations that issue such bonds tend to be the World Bank or the European Investment Bank. The issuance of these bonds are for the purpose of promoting economic development
Treasury bills (or T-bills)	Treasury bills (or T-bills) mature in one year or less. Like

	zero-coupon bonds, they do not pay interest prior to maturity; instead they are sold at a discount of the par value to create a positive yield to maturity. Many regard Treasury bills as the least risky investment available.
Unrated institution	An institution that does not possess a credit rating from one of the main credit rating agencies.
Unsupported Borrowing	Borrowing where costs are wholly financed by the Council.