

## **Glossary of terms**

**Authorised Limit** – Represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desirable, could be afforded in the short term, but is not sustainable in the longer term.

**Boundary Limit** – Is an estimate of the authorised limit but reflects an estimate of the most likely, prudent, but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements.

**Capital Financing Requirement (CFR)** - reflects the Council's underlying need to borrow for a capital purpose. It shows the total estimated capital expenditure that has not been resourced from capital or revenue sources. This requirement will eventually be met by revenue resources through the Minimum Revenue Provision mechanism.

**CIPFA Prudential Code** - is a professional code of practice to support local authorities in taking capital investment decisions. Local authorities determine their own programmes for capital investment in fixed assets that are central to the delivery of quality local public services in accordance with the Prudential Code.

**Consumer price index (CPI)** - measures changes in the price level of a market basket of consumer goods and services purchased by households.

**Department for Communities and Local Government (DCLG)** - Is a ministerial department, supported by 11 agencies and public bodies. They are working to create great places to live and work, and to give more power to local people to shape what happens in their area.

**European Central Bank (ECB)** - The central bank for the euro and administers monetary policy of the eurozone, which consists of 19 EU member states and is one of the largest currency areas in the world.

**Fair value** - Is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price

**FED** - The Federal Reserve System (also known as the Federal Reserve, and informally as the Fed) is the central banking system of the United States.

**Financing Cost to Net Revenue Stream**-The percentage of the revenue budget set aside each year to service debt financing costs.

**Funding for Lending Scheme (FLS)** – was launched by the Bank and HM Treasury on 13 July 2012. The FLS is designed to incentivise banks and building societies to boost their lending to the UK real economy.

**Gilt** - is a UK Government liability in sterling, issued by HM Treasury and listed on the London Stock exchange.

**Gross domestic product (GDP)** - is the market value of all officially recognized final goods and services produced within a country in a given period of time (usually the fiscal year).

**Local Authority Lender Option Borrower Option (LOBO)** - The underlying loan facility is typically very long-term - for example 40 to 60 years - and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates, such as every 5 years.

**Local enterprise partnerships** - Are partnerships between local authorities and businesses. They decide what the priorities should be for investment in roads, buildings and facilities in the area.

**London Interbank Bid Rate** - the rate at which banks will bid to take deposits in Eurocurrency from each other. The deposits are for terms from overnight up to five years.

**Monetary Policy Committee (MPC)** - Interest rates are set by the Bank's Monetary Policy Committee. The MPC sets an interest rate it judges will enable the inflation target to be achieved.

**Minimum Revenue Provision (MRP)** - Is a provision the council has set-aside from revenue to repay loans arising from capital expenditure financed by Borrowing.

**Private Finance Initiative (PFI)** - This is funding public infrastructure projects with private capital.

**Public Works Loan Board (PWLB)** - is a statutory body operating within the Debt Management Office, an Executive Agency of HM Treasury.

**PWLB certainty rate** - A reduced interest rate from PWLB to principal local authorities, which provided required information to government on their plans for long-term borrowing and associated capital spending.

**Quantitative easing (QE)** - A government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market. Quantitative easing increases the money supply by flooding financial institutions with capital, in an effort to promote increased lending and liquidity.

**Voluntary Revenue Provision (VRP)** – This a discretionary provision to reduce the unfinanced capital expenditure (Borrowing) by additional loan repayments.