ANNUAL TREASURY MANAGEMENT REVIEW 2022/23

Annex 2: Abbreviations and Definitions

Basis Point	One hundredth of one percentage point so, for example, 100 basis points (otherwise known as bps or bips) is 1%.
CE	Capital Economics - is the economics consultancy that provides Link Group, Treasury Solutions, with independent economic forecasts, briefings and research.
CFR	Capital Financing Requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.
CIPFA	Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.
CPI	Consumer Price Inflation – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.
DLUHC	The Department for Levelling Up, Housing and Communities - the Government department that directs local authorities in England.
ECB	European Central Bank - the central bank for the Eurozone.
EU	European Union.
EZ	Eurozone - those countries in the EU which use the euro as their currency.
Fed	The Federal Reserve, often referred to simply as "the Fed," is the central bank of the United States. It was created by Congress to provide the nation with a stable monetary and financial system.
FOMC	The Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing policy. It is composed of 12 members -- the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.
FTSE 100	The Financial Times Stock Exchange 100 Index - a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalisation.

GDP	Gross Domestic Product – a measure of the growth and total size of the economy.
G7	The group of seven countries that form an informal bloc of industrialised democracies--the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom--that meets annually to discuss issues such as global economic governance, international security, and energy policy.
Gilts	Gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a coupon and is at a rate that is fixed for the duration until maturity of the gilt (unless a gilt is index linked to inflation). While the coupon rate is fixed, the yields will change inversely to the price of gilts, i.e. a rise in the price of a gilt will mean that its yield will fall.
HRA	Housing Revenue Account.
ILO	International Labour Organisation
IMF	International Monetary Fund - the lender of last resort for national governments which get into financial difficulties.
MPC	The Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.
MRP	Minimum Revenue Provision - a statutory annual minimum revenue charge to reduce the total outstanding CFR (the total indebtedness of a local authority).
PFI	Private Finance Initiative – capital expenditure financed by the private sector i.e. not by direct borrowing by a local authority.
PWLB	Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.
QE/QT	Quantitative Easing (QE) – is an unconventional form of monetary policy where a central bank creates new money electronically to buy financial assets, like government bonds (but may also include corporate bonds). This process aims to stimulate economic growth through increased private sector spending in the economy and also aims to return inflation to target. These purchases increase the supply of liquidity to the economy; this policy is employed when lowering interest rates has failed to stimulate economic growth to an acceptable level and to lift inflation to target. Once QE has achieved its objectives of stimulating growth and inflation, QE will be reversed by selling the bonds the central bank had previously purchased, or by not replacing debt that it held which matures. This is called quantitative tightening (QT). The aim of this reversal is to ensure that inflation does not exceed its target once the economy recovers from a sustained period of depressed growth and inflation. Economic growth, and increases in inflation, may

threaten to gather too much momentum if action is not taken to 'cool' the economy.

RPI	The Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – CPI. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.
SONIA	The Sterling Overnight Index Average. Generally, a replacement set of indices (for LIBID) for those benchmarking their investments. The benchmarking options include using a forward-looking (term) set of reference rates and/or a backward-looking set of reference rates that reflect the investment yield curve at the time an investment decision was taken.
S&P 500	Standard & Poor's 500 Index - a share index of 500 of the largest companies listed on US stock exchanges
TMSS	The annual Treasury Management Strategy Statement report that all local authorities are required to submit for approval by the full council before the start of each financial year.
VRP	A Voluntary Revenue Provision to repay debt, in the annual budget, which is additional to the annual MRP charge (see above definition).