

GLOSSARY OF TECHNICAL TERMS

Approved Investment Counterparties – a lending list constructed by the Chief Financial Officer comprising time, type, sector and specific counterparty limits, formulated using a suitable criteria for assessing and monitoring the credit risk of investment counterparties.

7-Day LIBID (London Inter-Bank Bid) rate – the rate generally used as the benchmark for internal and external investment performance. It is the interest rate at which banks in London are prepared to accept short-term deposits.

Gilt Market – Registered British government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent.

LOBO (Lender Option, Borrower Option) – a long-term loan from the money market. These loans are taken out at an initial fixed interest rate for an initial fixed period (usually between one and five years). At the end of this initial period the lender has the option to change the interest rate payable on a semi annual basis, the borrower then has the option either to accept the new interest rate or repay the loan.

Maturity Loan – A maturity loan from the PWLB consists of half-yearly payments of interest only with a single repayment of principal at the end of the term.

Money Market – the majority of investment transactions are carried out on the Money Market through Brokers, although direct dealing with counterparties is also permitted. All staff involved in dealing must be aware of the principles set down in the London Code of Conduct for Principals and Broking Firms in Wholesale Markets.

Provision for Credit Liabilities (PCL) – amounts set aside in order to repay principal of borrowed money or to meet liabilities due under credit arrangements or (as a substitute for new borrowing) to defray expenditure which is being capitalised under the authorisation of a credit approval (abolished from 1/4/04)

Public Works Loan Board (PWLB) – An independent statutory body who consider loan applications from local authorities and other prescribed bodies. Loans are provided by Act of Parliament drawn from the National Loans Fund.

PWLB Quota – an authority's annual PWLB loan entitlement (abolished from 1/4/04) based on the sum of credit approvals for the year and repayments of principal amounts due in the year. Quota loans are issued at one of two sets of interest rates:

- **PWLB Lower Quota loans** – loans that form the part of the quota remaining after deducting the authorities PCL unapplied at the end of the previous financial year. These loans at interest rates close to the cost of Government borrowing.
- **PWLB Higher Quota loans** – loans at interest rates close to but just below market rates (abolished from 1/4/04).

Rescheduling – the rescheduling of long-term loans with the following aims:

- the generation of cash savings at minimum risk;
- in order to help fulfil the borrowing strategy; and
- in order to enhance the balance of the long-term portfolio (amend the maturity profile and/or the balance of volatility).