TRAFFORD COUNCIL

Report to:	**Accounts & Audit Committee 19th June 2019** **Executive 15th July 2019** **Council Meeting 17th July 2019**
Report for:	**Information**
Report of:	**The Executive Member for Finance and Investment and the Corporate Director of Finance and Systems**

Treasury Management Annual Performance 2018/19 Report

Summary

This report outlines the treasury management activities undertaken during 2018/19 and the key issues are as follows:

- All legislative and regulatory requirements, including all treasury management prudential indicators have been complied with;
- The average level of external debt and interest rate payable for 2018/19 was £175.4m and 3.97% compared to 2017/18 when the respective figures were £118.4m & 5.11%;
- The average level of all investments for 2018/19 was £86.7m with a rate of return of 1.06%, for 2017/18 this was £77.6m and 0.82% respectively;
- Budget savings of £(0.6)m in net treasury management costs were achieved in the main from a loan restructuring exercise and delays in the uptake of new borrowing.

Recommendations

That the Accounts & Audit Committee and Executive advise the Council to note:

- That no prudential and treasury indicators were breached during 2018/19;
- The Treasury Management activities undertaken in 2018/19;

Contact person for background papers:
Graham Perkins – Senior Accountant - Extension: 4017

Background papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Relationship to GM Policy or Strategy Framework	Not applicable
Financial	The treasury management net outturn was £2.6m which was £(0.6)m below the original budget set of £3.2m. The main reason for this saving was due to reduced interest payable from a loan restructuring exercise together with delay in the uptake of new borrowing.
Legal Implications:	All actions undertaken during the year were in accordance with legislation, MHCLG Guidance, CIPFA Prudential Code and CIPFA Treasury Management Code of Practice.
Equality/Diversity Implications	Not applicable
Sustainability Implications	Not applicable
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities. The Council's in-house treasury management team continually monitor to ensure that the main risks associated with this function of adverse or unforeseen fluctuations in interest rates are avoided and security of capital sums are maintained at all times.
Health and Safety Implications	Not applicable

Executive Summary

This report has been prepared in accordance with current legislation and Codes of Practice and highlights the treasury management activities undertaken during 2018/19.

Economic position (Section 2)

- The UK economic growth in 2018 was the 3rd fastest of the G7 countries.
- MPC raised the Bank Rate from 0.50% to 0.75% in August 2018, the first rise since November 2017.
- The 29 March 2019 deadline for the UK to leave the EU passed without an agreement and deadline for this is extended to 31 October 2019.

Debt (Section 4)

- Total loan debt rose from £164.4m 31.03.2018 to £220.7m at 31.03.2019 an increase of £56.3m comprising of:
  - New loans totalling £60.4m taken from the PWLB to fund the capital programme - details of these can be found at paragraph 4.14,
  - Natural loan repayments totalling £4.1m.
- The £20m RBS loan was restructured generating annual savings in loan interest of £0.48m – details for this can be found at paragraph 4.11 – 4.13.
- Loan interest totalling £6.6m was paid of which £1.1m was wholly funded from rental income received from the Council’s Commercial asset programme.
- Average rate of interest payable was 3.97% in 2018/19 and compared to 5.11% in 2017/18 a fall of 1.14%.
- Level of under-borrowing is £30.9m at 31.03.2019 which represents a minor increase of £0.2m from the 31.03.18 closing position of £30.7m – details on this can be found at paragraph 4.10.

Investments (See Section 5)

- Total level of investments rose from £73.2m 31.03.2018 to £77.9m at 31.03.2019 a movement of £4.7m due to monies being received ahead of spend.
- The Rate of Return for all investments in 2018/19 was 1.06% which was 0.55% or £0.48m above the recognised performance indicator of 7-day LIBID and 0.07% or £81k above budget.
- Weighted average life of investments at 31.03.19 was 3.75months.
- All investments were repaid on time without issue and undertaken in accordance with the approved strategy.

Prudential Indicators and limits (Section 7 and Appendix E)

No breaches to any of these limits occurred.

1. BACKGROUND

1.1 In accordance with regulations issued under the Local Government Act 2003, the Council is required to produce an annual report outlining the previous year's actual treasury management activities undertaken and prudential and treasury indicators.

1.2 This report has been produced in order to comply with all legislation together with the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

1.3 During 2018/19, the Accounts & Audit Committee together with the Executive and Council received the following three reports:

- annual treasury management strategy for the year ahead (issued February 2018);
- mid-year update report (issued November 2018);
- annual outturn report describing the activity undertaken (June 2019 i.e. this report).

1.4 Details of the outturn position for treasury activities and highlights of the Council's compliance with the policies previously approved are detailed within this report enabling Members to fulfil their regulatory responsibility for the review and scrutiny of treasury management policies and activities.

1.5 I can confirm that prior scrutiny of all the above treasury management reports has been undertaken by the Accounts & Audit Committee before they were reported to Council.

1.6 Figures in this report are based on the actual amounts borrowed and invested and as such will differ from those stated in the final accounts which are shown in compliance with International Financial Reporting Standards.

1.7 For reference a list of abbreviations used within the report has been provided and can be found in Appendix F.

1.8 This report comprises of the following sections:

- Major Economic Headlines 2018/19 (Section 2);
- Treasury Position (Section 3);
- Borrowing Position (Section 4);
- Investment Position (Section 5);
- Related Treasury Issues (Section 6);
- Prudential and Performance indicators (Section 7);
- 2018/19 Summary Outturn position (Section 8)
- Appendices.

2. MAJOR ECONOMIC HEADLINES 2018/19

2.1 A brief summary of the main events which occurred during 2018/19 are highlighted below for reference;

UK

- Despite weak economic growth in the first and last quarters of 2018, a pick-up in quarters 2 and 3 ensured annual growth of 1.4% was generated making the UK the third fastest growing country in the G7.
- In August the MPC at its monthly meeting raised Bank Rate by 0.25% from 0.50% to 0.75%, the first increase since November 2017 with any further movements currently put on hold until the uncertainties over Brexit become clear.

- CPI continued to fall reaching a new low of 1.8% in January 2019 before rising marginally to 1.9% in February where it remained in March. The February 2019 Bank of England inflation report continues to predict that CPI will, over the next couple of years continue to be marginally above its target rate of 2%.
- The unemployment rate continues to fall and in February 2019 was 3.9%, down 0.3% from its opening position of 4.2% in April 2018, the lowest level since 1975.
- The UK had been due to leave the EU on 29 March 2019, however as a result of Members of Parliament rejecting on three separate occasions the proposed withdrawal agreement reached between the EU and UK, a further six-month extension until 31 October 2019 has now been implemented.

USA

- In response to President Trump's substantial easing of fiscal policy in 2018 the overall economic growth for the year was 2.9% which was marginally below the target of 3.0%.
- The FOMC in December 2018 increased for the 4th time in 2018 the Central Rate by 0.25% to 2.25% – 2.50% a level deemed by the financial markets to be the peak.
- Unemployment fell marginally from an opening position of 3.9% in April 2018 to 3.8% in March 2019.
- CPI fell from its opening position of 2.5% in April 2018 to a 2.5 year low of 1.5% in February 2019 before finishing at 1.9% in March.

EU

- Economic growth in the EU for 2018 was 1.8% down from the 2017 figure of 2.3% and this trend is expected to continue with the 2019 growth forecasted to be 0.9%.
- The ECB left both the refinancing rate at 0.0% and its deposit rate at -0.4% a level of where both rates have been since March 2016 and are expected to remain throughout 2019.
- During 2018 the CPI increased marginally from an opening position of 1.2% in April to 1.4% in March 2019 with the unemployment rate falling from 8.4% to 7.8%.

Japan

- Consistent and significant GDP growth continues to be a problem with the annual growth figure for 2018 being 1.0% compared to 1.7% in 2017.
- CPI despite huge monetary and fiscal stimulus remains below the government's target of 2% falling by 0.1% to 0.5% in March 2019 from an opening position in April 2018 of 0.6%.

China

- The economy grew by 6.6% in 2018 compared to 6.9% in 2017 and was the lowest growth rate since 1990 despite repeated rounds of central bank stimulus.

World outlook

- World markets are currently apprehensive over the major economies weakening levels of growth for 2019 although it is generally thought that a recession will be avoided.

2.2 Within the 2018/19 treasury management strategy a forecast for interest rates was provided and from this it was expected that a minor increase in rates would occur. As highlighted in the table below this movement did take place and a more detailed analysis detailing how investment rates moved during the course of 2018/19 is provided for reference at Appendix A;

	2018/19	1 April 2018	31 March 2019	2018/19
	Forecast Average	Actual	Actual	Actual Average
	%	%	%	%
Bank Rate	0.58	0.50	0.75	0.67
Investment Rates 3 month 1 Year	 0.50 0.90	 0.59 0.88	 0.72 0.94	 0.68 0.94
Loan Rates 5 Year 25 Year	 1.50 3.00	 1.89 2.57	 1.57 2.40	 1.84 2.65

3. TREASURY POSITION

3.1 The Council's investment, debt and cash flow positions are managed by the in-house Treasury Management team who ensure that:

- All investments placed have been done so in accordance with the criteria stipulated within the current Investment strategy,
- All borrowing has been carried out in accordance with the Council's current Debt strategy and Prudential Indicators (Authorised Limits and Operational boundary),
- At all times adequate liquidity of funds are maintained to ensure all payments can be made on time thereby preserving the Council's reputation and
- All of the above transactions are carried out in accordance with the current Scheme of Delegation.

3.2 In order to achieve these objectives, well established procedures and controls both through Member reporting and officer activity are in place and this was further confirmed when the Council's Audit & Assurance Service issued its annual report following their 2018/19 audit which stipulated that for the 12th year in succession, the treasury management service offered a High Level of Assurance, the highest level obtainable.

3.3 The table below shows the loan and investment positons at the beginning and end of 2018/19 for reference:

	31 March 2019			31 March 2018		
	Principal (£m)	Total (£m)	Interest Rate %	Principal (£m)	Total (£m)	Interest Rate %
DEBT						
Fixed rate:						
-PWLB	181.0			103.3		
-Market	24.7	205.7	3.26	21.1	124.4	3.69
Variable rate:						
-PWLB	0.0			0.0		
-Market	15.0	15.0	4.24	40.0	40.0	5.73
Total debt		**220.7**	**3.33**		**164.4**	**4.19**
CFR (to finance past capital expenditure)		**251.6**			**195.1**	
Over/ (under) borrowing		**(30.9)**			**(30.7)**	
INVESTMENTS						
- Fixed rate	45.3		1.07	30.8		0.78
- Variable rate	32.6		1.44	42.4		1.03
Total investments		**77.9**	**1.22**		**73.2**	**0.92**

Note – Details regarding the movement in debt are provided at paragraph 4.14 for reference.

3.4 Whilst the above table details the position as at the beginning and end of 2018/19, the average position for 2018/19 & 2017/18 were as follows:

	2018/19		2017/18	
	Principal	Interest Rate	Principal	Interest Rate
Average Debt	£175.4m	3.97%	£118.4m	5.11%
Average Investment	£86.7m	1.06%	£77.6m	0.82%

4. BORROWING POSITION

4.1 As highlighted in paragraph 3.1 above, part of the Council's treasury management activities is to address any potential borrowing required to be taken in order to fund the capital expenditure programme.

4.2 The in-house treasury management team organises the Council's cash position to ensure that sufficient cash is available to meet its spending plans together with its cash flow requirements. A part of this process may involve the take up of new loans from external bodies, such as the Government through the PWLB or the money markets. Before any new borrowing is taken out however consideration to utilising any temporary cash resources which may be available within the Council is undertaken and if this is deemed to be the best option, will be applied.

4.3 The Council's underlying need to borrow for capital expenditure is the CFR and this indicates the level of the Council's indebtedness. The CFR represents capital spend not yet paid for by revenue or other resources of the Council incurred from current and prior years' activities.

4.4 To safeguard the Council’s finances, the level of CFR is not allowed to rise indefinitely and statutory controls are in place to ensure that any borrowing on capital assets is charged to revenue over their useful life. This annual revenue charge is the MRP and this reduces the CFR and effectively is a repayment of borrowing.

4.5 The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts) or
- charging more than the statutory revenue charge MRP each year through a VRP.

4.6 The Council’s 2018/19 MRP Policy, (as required by CLG Guidance), was approved by Members as part of the Treasury Management Strategy report for 2018/19 on 21 February 2018.

4.7 During 2018/19 the Council borrowed £60.4m from the PWLB to fund new capital expenditure which mainly related to the Council’s commercial investment programme. All borrowing was undertaken in conjunction with the information obtained from the Council’s advisors LAS, with all loan servicing costs being met from the existing revenue provision within the Medium Term Financial Plan or from a proportion of the investment returns generated from the Council’s commercial investment programme.

4.8 All loans were taken at competitive rates of interest thereby ensuring value for money to the local taxpayers was achieved with details of the loans taken being shown at paragraph 4.14 below for reference.

4.9 Whilst £60.4m of new external loans were taken from the PWLB to fund a proportion of the Councils capital borrowing requirement, the policy adopted in previous years of temporarily using cash supporting the Council’s reserves, balances and cash flow was also applied in 2018/19. This action was undertaken in conjunction with advice obtained from the Council’s external advisers LAS and offers a prudent approach due to the low level of investment returns available when compared to borrowing rates.

4.10 The policy of not taking up the Council’s full borrowing requirement by running down cash balances, has served well over the last few years and as a guide if the under-borrowed position of £30.9m as at 31 March 2019 as highlighted at paragraph 3.3 had been taken for 25 years, an additional net £484k per year in loan interest would be payable (£30.9m x 2.385% = £737k interest payable less £30.9m x 0.82% = £253k loss of investment interest).

4.11 During 2018/19 whilst no rescheduling of the Council’s existing PWLB debt portfolio was undertaken due to the high breakage costs (premium) payable, an approach was received in Autumn 2018 from the RBS offering the Council an opportunity to repay the £20m LOBO loan on discounted terms.

4.12 In addition to the principal of £20m and outstanding loan interest of £0.3m, an early termination penalty totalling £11.7m was required in order to extinguish this debt. This was a much discounted level of premium which made the opportunity attractive. Had the original conditions of the loan agreement been applied then the termination penalty should have been in the region of £33m, a saving of £21.3m.

4.13 In order to take advantage of this situation and in conjunction with advice obtained from the Council’s advisors LAS, discussions with the Executive Member for Finance and Corporate Director of Finance and Systems took place and from which the decision was taken to repay the original RBS loan at a rate of interest of 7.26% and replace it with a loan from the PWLB at a rate of 2.66%.

4.14 From the table at paragraph 3.3 it can be seen that the level of external debt increased during 2018/19 from the opening position of £164.4m to close at £220.7m and this was as a result of the following transactions;

Lender	Principal – (Repayment) / New	Average Interest rate	Notes
PWLB	£(2.7)m	5.502%	Natural maturity.
SALIX Finance	£(1.4)m	0.000%	Loan used to part fund the LED Street Lighting Programme.
RBS	£(20.0)m	7.26%	Repaid and replaced with PWLB loan
PWLB (taken November 18)	£20.0m	2.660%	Loan taken to replace the RBS LOBO loan
PWLB (taken December 18)	£13.9m	2.800%	Loan taken to fund commercial investment.
PWLB (taken December 18)	£12.0m	2.45%	Loans taken to reduce the under borrow position.
PWLB (taken December 18)	£9.0m	2.460%	Loans taken to fund capital programme schemes.
PWLB (taken March 19)	£25.5m	2.430%	Loans taken to fund commercial investments.
Total	£56.3m		

4.15 From the total debt outstanding of £220.7m, £0.7m is administered on behalf of Greater Manchester Probation Service which leaves £220.0m in respect of the Council's own long term requirement and a maturity profile of the Council's debt can be found at Appendix B & C for reference.

4.16 During 2018/19 the Corporate Director of Finance and Systems continued to monitor interest rate movements in the financial markets and caution was adopted with the treasury operations.

4.17 Interest payable on general debt spend totalled £5.5m which was £(0.7)m less than budget and this saving was due to;

- New debt being taken later in the year than originally forecasted thereby saving interest of (£0.22)m and
- Restructuring of the £20m RBS LOBO loan (£0.48)m.

For debt taken out to fund the acquisition of the Council's commercial property portfolio, loan interest totalling £1.1m was paid and this was fully funded from the rental income received.

4.18 During the course of the year no borrowing for more than, or in advance of the Council's needs, purely in order to profit from the investment of the extra sums borrowed and no temporary borrowing was required in order to fund the Council's day to day cash flow requirements.

5. INVESTMENT POSITION

5.1 The Council's investment policy is governed by the MHCLG guidance and this was incorporated within the annual investment strategy approved by Council on 21 February 2018. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

5.2 Using this information the Council's in-house treasury management team is able to produce an approved lending list in order to ensure investments are only placed with low risk institutions. Funds are invested for a range of periods from overnight to 3 years dependant on cash flow requirements with counterparty limits also being set out in the approved investment strategy ensuring that an excessive level of funds are not placed in a single counterparty.

5.3 I can confirm that during the year all investment activity conformed to the approved strategy and that the approved limits within the Annual Investment Strategy were not breached.

5.4 The Council will, in line with previous years, aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity.

5.5 During the course of the year investment rates remained weak rising marginally after the MPC increased the Bank Rate in August.

5.6 In 2018/19 the Council maintained an average balance of £81.7m of internally managed funds earning an average rate of return of 0.82% which generated £666k in investment interest. This return was £70k above the agreed budget figure of £596k and 0.31% or £250k above the performance indicator of the average 7-day LIBID rate of 0.51%.

5.7 With regards to the Council's long term investments, in 2015, £5m was placed into the CCLA Property Fund for a minimum period of 5 years which after entry costs had been deducted of £0.3m, enabled 1,643,872 units to be purchased in the fund. At 31 March 2019 the value of these units, were £5.04m and this compares to the valuation at 31 March 2018 of £4.97m, an increase of £0.07m.

5.8 Annualised returns generated from the CCLA property fund in 2018/19 (net of fees) were 4.92% and this compares with that achieved in 2017/18 of 4.65%.

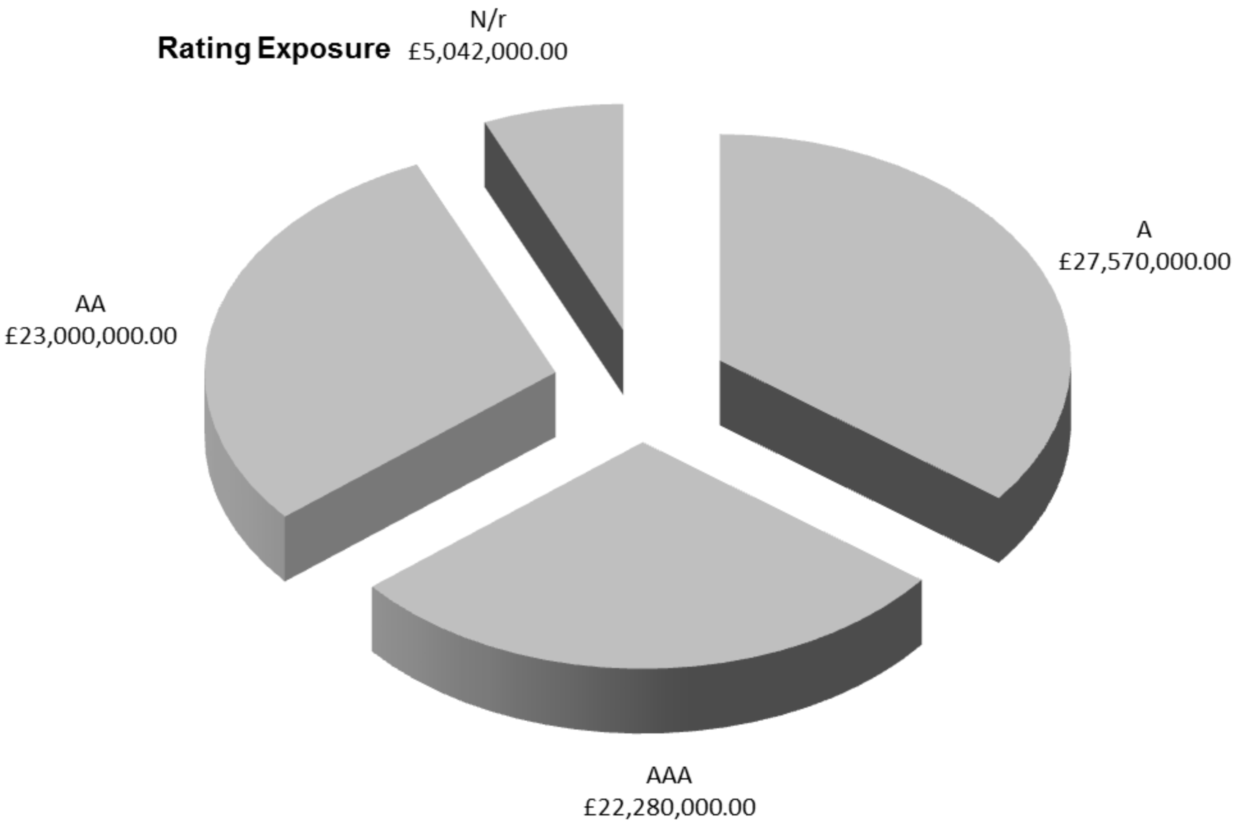
5.9 When the rates of return for both short and long term investments are combined, this produces an average level invested of £86.7m, generating a rate of return of 1.06% worth £916k which is 0.55% and £0.48m above the performance indicator of the average 7-day LIBID rate of 0.51%.

5.10 During the continuing climate of low interest rates the ability to generate a satisfactory level of return without exposing the Council's funds to high levels of risk remains challenging. Whenever new opportunities to generate additional investment income become known, these are thoroughly investigated in order to ensure that they will be suitable for the Council to pursue without committing it to any unnecessary risk.

5.11 The Council's main bank account with Barclays, is non-interest bearing and consequently if no investments were undertaken by the in-house team, the Council would lose the opportunity to generate £916k of income.

5.12 Levels of funds available to be invested on a daily temporary basis are subject to a number of factors with the main one of being due to timing issues of large payments (precepts / levies / salaries / etc.), receipt of grants and progress on the Capital Programme.

5.13 The graph below provides a breakdown of the Council's investments placed as at 31 March 2019 by long term credit rating and further information detailing the make-up of this can be found at Appendix C & D;



6. RELATED TREASURY ISSUES

6.1 A major change to the CIPFA Code of Practice on Local Authority Accounting for 2018/19 was the implementation of IFRS 9. As a result of this, a significant change to how the Council's shareholding in MAH Ltd and its pooled investment with CCLA are categorised in the Council's Statement of Accounts was required. As a consequence of this reclassification any changes in the values of these holdings would impact on the Council's revenue budget however the following action is to be applied:

- MAH Ltd - the Code of Practice allow for councils with shareholdings to elect at the outset, to treat this type of investment so that any movement in values do not impact on the revenue budget. The Council has elected to adopt this option.
- CCLA pooled investment - the MHCLG has agreed a temporary override for English Local Authorities for a five year period starting on 1 April 2018 and the Council will use the statutory override to account for any changes in the value on its pooled investments.

Further details on the impact of the IFRS 9 are disclosed in the Council's Statement of Accounts at Note 18.

6.2 Local Authority Mortgage Scheme - the Council participated in the national Local Authority Mortgage Scheme using the cash backed option with Lloyds bank by advancing £2m in 2012/13 and a further £1m in 2013/14 at an interest rate of 4.41% and 2.70% respectively. All funds have now been repaid.

7. PRUDENTIAL AND PERFORMANCE INDICATORS

7.1 It is a statutory duty for the Council to determine and keep under review the Council's Prudential Indicators as approved within the Treasury Management Strategy for 2018/19.

7.2 During the year ended 31 March 2019, the Council has operated within these indicators which are shown in Appendix E for reference.

8. 2018/19 SUMMARY OUTTURN POSITION

8.1 Activities undertaken as part of the treasury management function are subject to many factors beyond the Council's control which have an impact on actual performance e.g. worldwide economic and political events, unforeseen interest rate movements. The table below reflects the summarised outturn position compared to that originally forecasted for reference;

	Budget £000	Outturn £000
DEBT		
Interest & Premium	6,683	6,117
MRP	2,650	1,818
Sub-total	**9,333**	**7,935**
INVESTMENTS		
Investment Interest & other net interest receipts	(969)	(1,060)
MAH Ltd – (airport share dividend & loan income)	(5,281)	(7,267)
Contribution to MAH reserve	0	2,038
Sub-total	**(6,250)**	**(6,289)**
RESERVES		
Contribution to / (from) Interest Smoothing Reserve	158	980
Sub-total	**158**	**980**
TOTAL	**3,241**	**2,626**

Note: The above figures reflect;

- Interest saved as a result of the Council's £20m variable rate which during 2018/19 was 7.26% being replaced in November 2018 with a loan at an interest rate of 2.66%;
- All associated debt costs from borrowing undertaken to fund the Councils Commercial Investment Programme are self-financing i.e. paid for from the income stream generated from the investment.;
- An additional share dividend was received from the Manchester Airport Holdings Ltd as a result of stronger trading operations;

8.2 The contribution to the Smoothing Reserve is due to in-year savings in the debt charges associated with new investment. This is in part due to borrowing being taken up part way through the year. The reserve will therefore be required in future years and is also held for future cash implications arising from:-

- Potential adverse changes in investment interest rates and
- Non-treasury management activities which have an impact on cash flows.

Other Options

This report has been produced in order to comply with Finance Procedure Rules and relevant legislation and provides an overview of the treasury management transactions undertaken during 2018/19.

Consultation

Advice has been obtained from Link Asset Services, the Council’s external advisors.

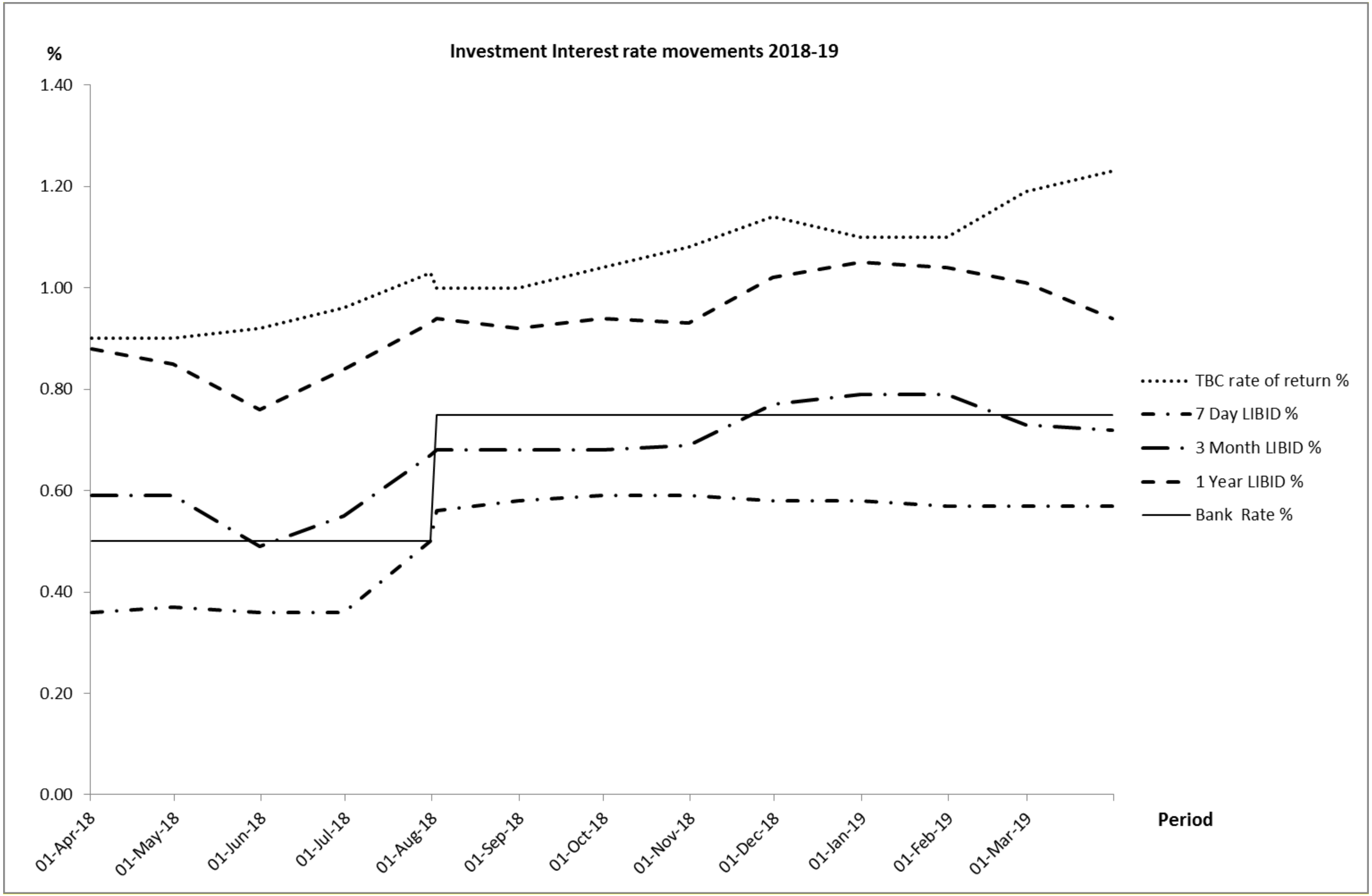
Reasons for Recommendation

The report has been produced in order to meet the requirements of the Council’s Financial Procedure Rules which incorporate the requirements of both the CIPFA Prudential Code for Capital Finance and the CIPFA Code of Practice on Treasury Management.

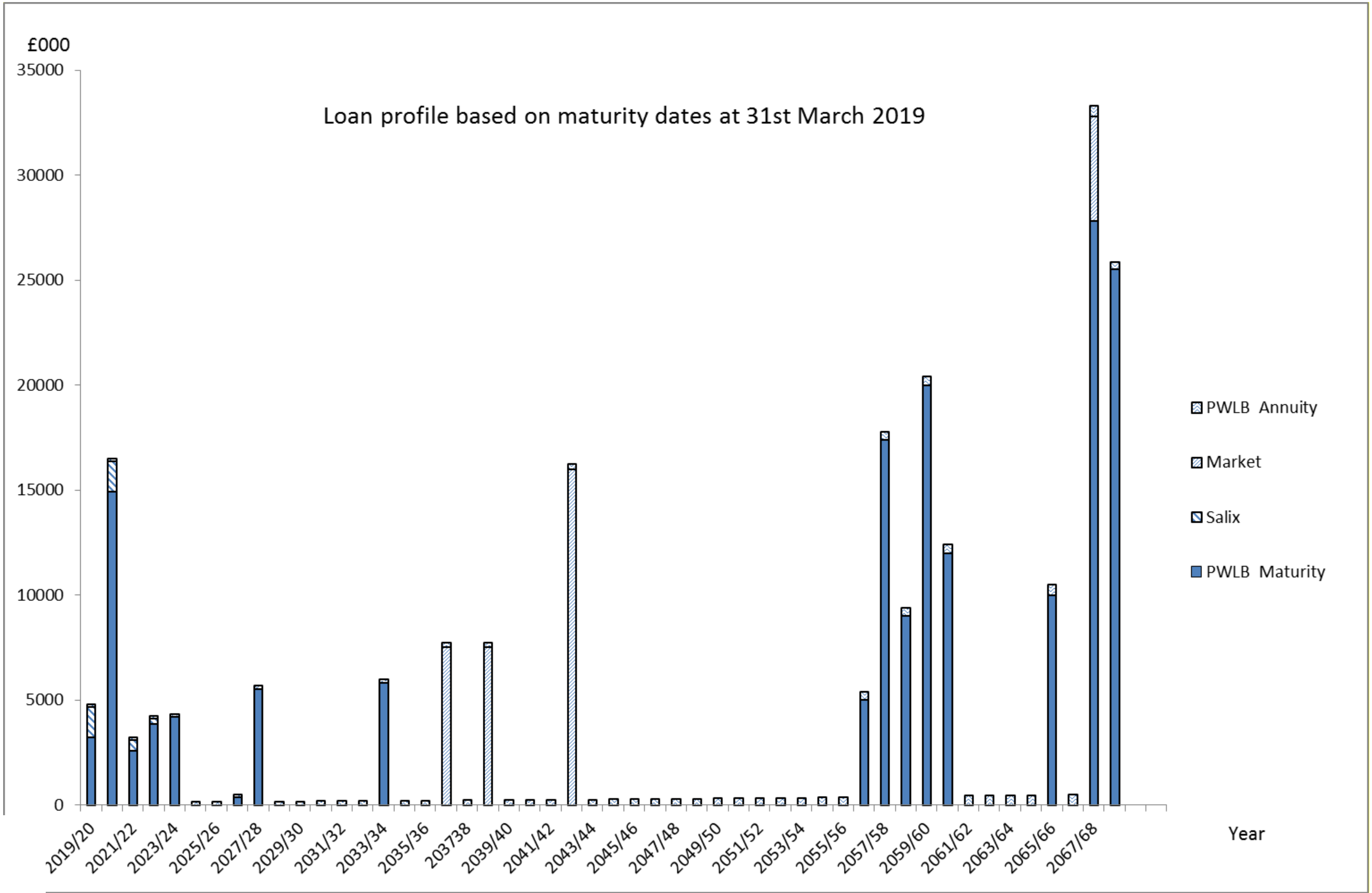
Finance Officer Clearance *…GB …*

Legal Officer Clearance ...DS......

Corporate Director’s signature pp .. G. Bentley ....


Investment Interest rate movements 2018-19
%
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0.00
01-Apr-18
01-May-18
01-Jun-18
01-Jul-18
01-Aug-18
01-Sep-18
01-Oct-18
01-Nov-18
01-Dec-18
01-Jan-19
01-Feb-19
01-Mar-19
Period
TBC rate of return %
7 Day LIBID %
3 Month LIBID %
1 Year LIBID %
Bank Rate %

Appendix A


£000
Loan profile based on maturity dates at 31st March 2019
PWLB Annuity
Market
Salix
PWLB Maturity
Year
35000
30000
25000
20000
15000
10000
5000
0
2019/20
2021/22
2023/24
2025/26
2027/28
2029/30
2031/32
2033/34
2035/36
203738
2039/40
2041/42
2043/44
2045/46
2047/48
2049/50
2051/52
2053/54
2055/56
2057/58
2059/60
2061/62
2063/64
2065/66
2067/68

Appendix B

Appendix C

Maturity Profile

Debt portfolio:

	31 March 2019 (£m)	31 March 2018 (£m)
Under 12 months	4.8	4.0
12 months and within 24 months	16.5	4.7
24 months and within 5 years	11.8	23.6
5 years and within 10 years	6.7	10.0
10 years and above	180.9	122.1
Total	**220.7**	**164.4**

Investment portfolio:

	31 March 2019 (£m)	31 March 2018 (£m)
Instant Access	22.3	30.3
Up to 3 Months	19.6	13.0
3 to 6 Months	12.0	10.9
6 to 9 Months	11.5	2.0
9 to 12 months	7.5	9.5
Over 1 year	5.0	7.5
Total	**77.9**	**73.2**

Appendix D

Breakdown of Investments

Counterparty	Amount (30 Sept 2018) £	Amount (31 March 2019) £	Long Term Credit Rating
Money Market Fund			
Amundi	11,500,000	410,000	AAA
Federated Investors	6,050,000	8,860,000	AAA
Legal & General	1,400,000	100,000	AAA
Invesco Aim	140,000	2,910,000	AAA
Aberdeen (formerly Standard Life)	400,000	10,000,000	AAA
Sub total	*19,490,000*	*22,280,000*	
Notice Accounts			
Barclays Bank	5,000,000	2,500,000	A
Santander UK Bank	4,800,000	2,800,000	A
Sub total	*9,800,000*	*5,300,000*	
Term Deposit			
Australia and New Zealand Bank	0	12,000,000	AA
Birmingham City Council	3,000,000	0	AA
Close Brothers Bank	7,500,000	10,000,000	A
Commonwealth Bank of Australia	2,000,000	0	A
Development Bank of Singapore	9,000,000	3,000,000	AA
Flintshire Council	0	2,000,000	AA
Goldman Sachs Bank	7,000,000	0	A
Greater Manchester Combined Authority	0	3,000,000	AA
Lincoln City Council	0	3,000,000	AA
Lloyds Bank	14,670,000	10,270,000	A
National Bank of Abu Dhabi	2,500,000	0	
Santander UK Bank		2,000,000	A
Sub total	*45,670,000*	*45,270,000*	
Property Funds			
Church Commissioners Local Authority	4,991,946	5,041,755	Not rated
Sub total	*4,991,946*	*5,041,755*	
Total	**79,951,946**	**77,891,755**	

The above table shows the level of investments placed as at 31 March 2019 and 30 September 2018, the last time Members were provided with this information.

Appendix E

Prudential Indicators for 2018/19

Indicator	Indicator set by Council	Actual
Authorised Borrowing Limit Maximum level of external debt, including other long term liabilities (PFI & leases) undertaken by the authority including any temporary borrowing - this is a statutory limit under Section 3(1) of the Local Government Act 2003.	£475.5m	£220.7m
Operational Boundary Calculated on a similar basis as the authorised limit but represents the expected level of external debt & other long term liabilities (PFI & leases) excluding any temporary borrowing – this is not a limit.	£460.5m	£220.7m
Upper limits on fixed interest rates **Maximum** limit of net fixed interest rate exposure - debt less investment	£5.1m	£4.5m
Upper limits on variable interest rates **Maximum** limit of net variable interest rate exposure – debt less investment	£2.2m	£0.6m
Gross Debt and the Capital Financing Requirement – this reflects that over the medium term, debt will only be taken for capital purposes. During 2018/19 the Corporate Director of Finance and Systems can confirm that this indicator was complied with.		
Maturity structure of fixed rate borrowing These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.		
Under 1 year (this includes the next call date for Market loans)	30%	9%
1 year to 2 years	30%	8%
2 years to 5 years	30%	5%
5 years to 10 years	30%	3%
10 years to 20 years	30%	4%
20 years to 30 years	30%	8%
30 years to 40 years	30%	16%
40 years and above	90%	47%
Maximum principal funds invested exceeding 364 days (including Manchester Airport Holdings Ltd shares) - (These limits are set to reduce the need for early sale of an investment)	£90m	£57.7m

Performance Indicators for 2018/19

Indicator	Target	Actual
Security – potential default rate of the Council's investment portfolio based on default rates from the 3 main credit rating agencies – inclusion is recommended by CIPFA.	Max 0.07%	Max 0.012% (31 March 2019)
Liquidity – investments available within 1 week notice	£15m min.	Achieved
Liquidity – Weighted Average Life of investments	6 months	3.75 months (31 March 2019)
Yield – Investment interest return to exceed 7 day **L**ondon **I**nterbank **BID** rate (exclude CCLA)	Average 7 day LIBID 0.51%	Average rate of return for 2018/19 was 0.82%
Origin of investments placed - maximum investments to be directly placed with non-UK counterparties.	UK institutions 100% Non UK institutions 40%	Min 76% Max 24%

APPENDIX F

ABBREVIATIONS USED IN THIS REPORT

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.

CCLA: Church Commissioners Local Authority - manage investments for charities, religious organisations and the public sector

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 index – 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.

ECB: European Central Bank - the central bank for the Eurozone

EU: European Union

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.

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.

IFRS 9: is an International Financial Reporting Standard (**IFRS**) published by the International Accounting Standards Board (IASB). It addresses the accounting for financial instruments and contains three main topics: classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

LAS: Link Asset Services – independent organisation which provides advice and guidance on all treasury matters including government legislation.

LIBID: the London Interbank Bid Rate is the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend).

LOBO: Lender Option Borrower Option – form of money market instrument which gives the lender the option to review interest rates on predetermined dates which in turn gives the borrower on the occasion of a movement in interest rate the option to accept the revised levels or repay the loan without penalty.

MAH Ltd: Manchester Airport Holdings Limited - is a holding company which is owned by the ten metropolitan borough councils of Greater Manchester and an Australian investment fund IFM Investors.

MHCLG: the Ministry of Housing, Communities and Local Government -the Government department that directs local authorities in England.

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).

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

RBS: -Royal Bank of Scotland.

UK: United Kingdom.

USA: United States of America.

VRP: a voluntary revenue provision to repay debt, in the annual budget, which is additional to the annual MRP charge, (see above definition)