

This report ensures the council demonstrates best practice in accordance with CIPFA's recommendations in their Code of Practice for Treasury Management, by keeping members informed of treasury management activity.

1. The UK Economy

1.1. The slow progress made with the Brexit negotiations continue to have an impact on UK markets:

- Growth in 2017 had been relatively weak (+0.3% for quarter one, +0.3% for quarter two and +0.4% for quarter three), however it grew by 0.8% in real terms in quarter four (Oct to Dec) 2017 compared with the same quarter a year ago
- On 02/11/17 the Bank of England raised the base rate from 0.25% to 0.50% - the first rate rise in over a decade. There was a further rise in August 2018 to 0.75%.
- Consumer price inflation (CPI) has fallen back to 2.2% from a recent high of 2.8% during autumn 2017 resulting in the April 2018 figure of being the lowest observed since January 2017.

2. The Council's Investments

2.1 At 30 June 2018 the council held the following investments:

Investment	Term	Maturity Date	Interest Rate	Amount £m
<u>Instant Access Money Market Funds:</u>				
Federated	N/A	N/A	0.54%	5.00
Standard Life	N/A	N/A	0.53%	5.00
Insight	N/A	N/A	0.46%	0.89
Invesco	N/A	N/A	0.50%	5.00
<u>95 Day Notice Bank Accounts:</u>				
Santander	N/A	13/08/18	1.00%	5.00
<u>Fixed Term Deposits:</u>				
Bracknell Forest Council	182 days	28/08/18	0.67%	5.00
Leeds City Council	123 days	25/09/18	0.50%	5.00
Total			0.62%	30.89

2.2 The council continues to select counterparties suitable for investment based on the credit worthiness service provided by their treasury advisors, Capita Asset Services. The service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies. The modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system to which Capita Asset Services allocate a series of colour coded bands with suggested maximum durations for investments as shown below;

- Yellow 5 years
- Dark pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- Light pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months

- Green 100 days
- No colour not to be used

2.3 The council has earned interest on its investments as follows:

Month	Average amount invested		Average rate of interest earned		Amount of interest earned / Forecast £000	Budget £000	(Surplus) /Deficit £'000
	Actual / Forecast £m	Budget £m	Actual / Forecast %	Budget %			
Apr-18	26.7	30	0.51	0.5	11	12	1
May-18	35.9	30	0.56	0.5	17	12	(5)
Jun-18	33.9	30	0.56	0.5	18	12	(6)
Jul-18	25.0	25	0.50	0.5	10	10	-
Aug-18	25.0	25	0.50	0.5	10	10	-
Sep-18	20.0	20	0.50	0.5	8	8	-
Oct-18	20.0	20	0.50	0.5	8	8	-
Nov-18	15.0	15	0.50	0.5	6	6	-
Dec-18	15.0	15	0.50	0.5	6	6	-
Jan-19	15.0	15	0.50	0.5	6	6	-
Feb-19	10.0	10	0.50	0.5	4	4	-
Mar-19	10.0	10	0.50	0.5	4	4	-
Total					108	98	(10)

2.4 Income earned has been higher than expected as the interest rate earned on investments has been slightly higher than budgeted.

2.5 In addition to investment income the council earns interest on the provision of loan finance to the waste disposal PFI provider, this is expected to generate loan interest payable to us of £2.6m in 2018/19, this will be recharged through the waste disposal PFI arrangement.

3. The Council's Borrowing

Short-term borrowing

3.1 The council is continuing its policy of mainly using short-term borrowing from other local authorities for short-term liquidity needs. These short-term interest rates are significantly below levels available from other sources avoiding a large cost of carry when comparing fixed interest debt to current (variable) investment rates.

3.2 The council can only borrow up to its Capital Financing Requirement, which represents the need to borrow for capital spend, and cannot borrow beyond this to finance the revenue budget.

3.3 At the end of June 2018 there were no short-term loans outstanding.

Long-term borrowing

3.4 At 30 June 2018 the council held long term borrowing of £142.3m. Rates are monitored and discussed with our treasury advisors to determine the timing of securing any new long term borrowing.

3.5 The current capital financing budget position is summarised below:

Summary of Borrowing Budget	Budget	Forecast	(Surplus) /Deficit
	£m	£m	£m
Minimum revenue provision	7.8	7.8	-
Interest payable on all loans	6.1	5.9	(0.2)
Total	13.9	13.7	(0.2)

4. Summary of forecast outturn

4.1 The current net treasury forecast outturn is expected to be a surplus (underspend) of £0.2m due to the expectation of no new long-term borrowing being required in 2018/19.