APPENDIX A

TREASURY MANAGEMENT POSITION FOR THE FIRST QUARTER OF 2018/19

A1. SUMMARY OF TREASURY MANAGEMENT INDICTORS

The Council's debt at 30 June was as follows:

Prudential Indicator	Limit £m	Actual £m
Authorised Limit - the maximum amount of borrowing permitted by the Council	660	627
Operational Boundary - the maximum amount of borrowing that is expected	645	627

The maturity structure of the Council's fixed rate borrowing was

	Under 1 Year	1 to 2 Years	3 to 5 Years	6 to 10 Years	11 to 20 Years	21 to 30 Years	31 to 40 Years	41 to 50 Years
Lower Limit	0%	0%	0%	0%	0%	0%	0%	0%
Upper Limit	10%	10%	10%	20%	30%	30%	30%	40%
Actual	1%	1%	4%	7%	24%	11%	25%	27%

The maturity structure of the Council's variable rate borrowing was

	Under 1 Year	1 to 2 Years	3 to 5 Years	6 to 10 Years	11 to 20 Years	21 to 30 Years	31 to 40 Years	41 to 50 Years
Lower Limit	0%	0%	0%	0%	0%	0%	0%	0%
Upper Limit	10%	10%	10%	20%	30%	30%	30%	10%
Actual	2%	2%	7%	12%	24%	26%	27%	0%

The Council's sums invested for periods longer than 365 days at 30 June 2018 were:

	Limit £m	Quarter 1 Actual £m
Maturing after 31/3/2019	158	108
Maturing after 31/3/2020	133	75
Maturing after 31/3/2021	110	27

The Council's interest rate exposures at 30 June 2018 were:

	Limit £m	Actual £m
Fixed Interest - Borrowing and (Lending)	454	292
Variable Interest - Borrowing and (Lending)	(289)	(155)

A2. GOVERNANCE

The Treasury Management Policy Statement, Annual Minimum Revenue Provision for Debt Repayment Statement and Annual Investment Strategy approved by the City Council on 20 March 2018 provides the framework within which treasury management activities are undertaken.

A3. COMBINED BORROWING AND INVESTMENT POSITION (NET DEBT)

On 30 June 2018 the Council had gross debt including finance leases and private finance initiative (PFI) schemes of £627m and gross investments of £421m giving rise to a net debt of £206m. The current high level of investments has arisen from the Council's earmarked reserves and borrowing in advance of need to take advantage of low borrowing rates thus securing reduced funding costs for the Council's capital programme. The current high level of investments does increase the Council’s exposure to credit risk, ie. the risk that an approved borrower defaults on the Council’s investment. In the interim period when investments are high in advance of capital expenditure being incurred, there is also a short term risk that the rates (and therefore the cost) at which money has been borrowed will be greater than the rates at which those loans can be invested. The difference between current borrowing and investment rates is 0.63%. Securing cheap funding for the capital programme will provide longer term savings through reduced borrowing costs.

A4. BORROWING ACTIVITY

The Council employs Link Asset Services to provide interest rate forecasts. The forecast overall longer run trend is for gilts and Public Works Loans Board (PWLB) rates to rise, albeit gently, with 25 year rates expected to rise from their current 2.8% to 3.5% by December 2020.

The Council has not undertaken any new borrowing in 2018/19.

The Council aims to have a reasonably even maturity profile so that the Council does not have to replace a large amount of borrowing in any particular year when interest rates might be high. The maturity profile of the Council's borrowing is within the limits contained in the Council's Treasury Management Policy (see paragraph A1).

A5. INVESTMENT ACTIVITY

Investment rates followed a falling trend in the first two months of 2018/19. Appendix B shows the actual market rates available for the first quarter of 2018/19. Base rate is not forecast to rise to more than 0.75% this year and then to only rise slowly.

The Council's cash investments have increased by £2.7m from £418.7m at 1 April 2018 to £421.4m at 30 June 2018. The average return on the Council's investments for the first quarter of 2018/19 was 1.03%. This compares with 0.90% for 2017/18. The Council’s budgeted investment return for 2018/19 is £3.1m and performance for the year to date is £0.3m above budget. This was due to obtaining better interest rates and having more cash to invest than had been anticipated. The Council's investments were within the Council's Treasury Management Policy.

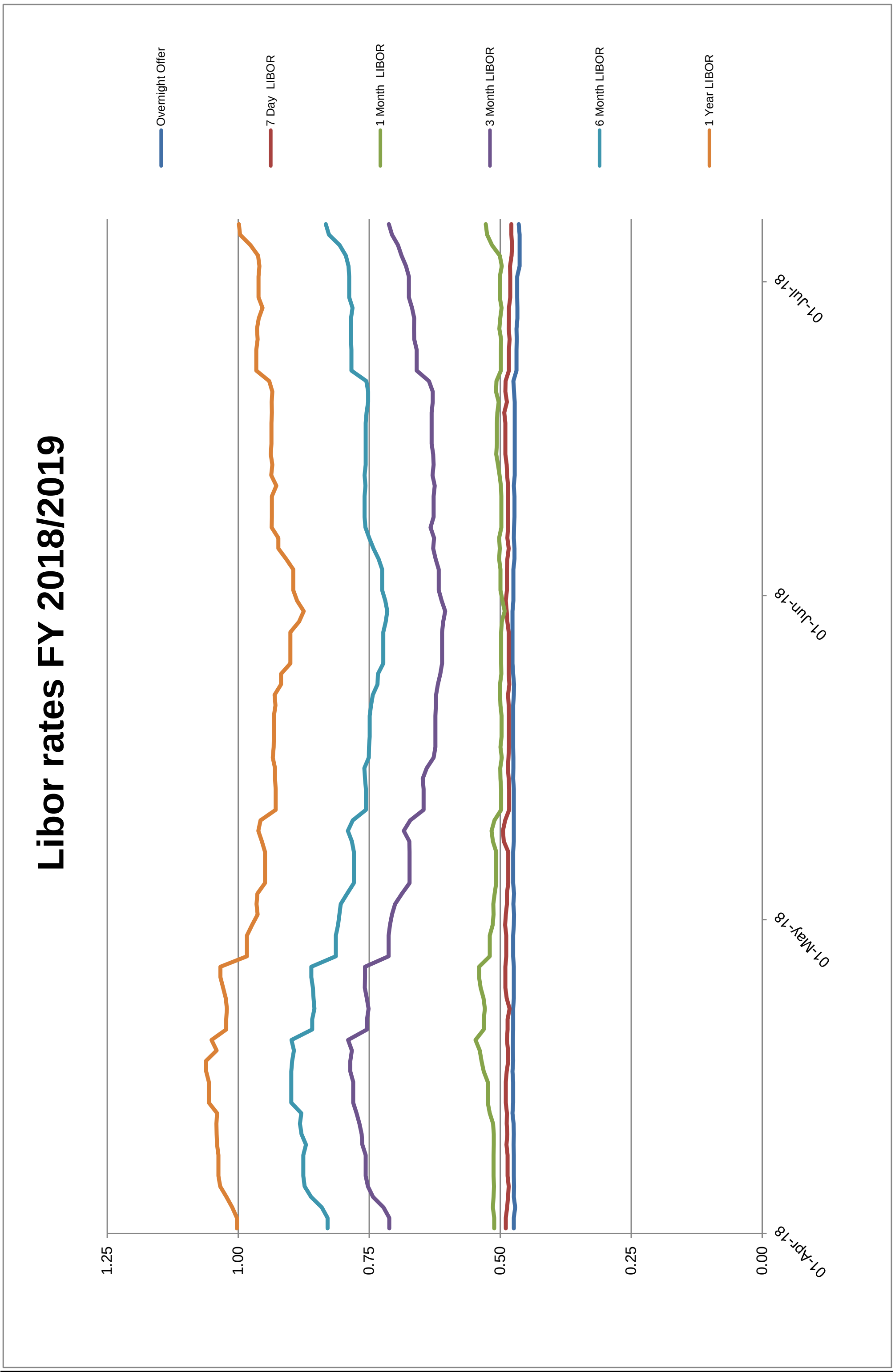
A summary of the Council's investment portfolio is contained in Appendix C. The investment returns shown are as at to 30 June 2018 and are not the cumulative returns over the first quarter of 2018/19. Investment returns shown are influenced by the date upon which investments were made and the length of the investment in addition to the nature of the investment.

A6. INTEREST RATE EXPOSURES

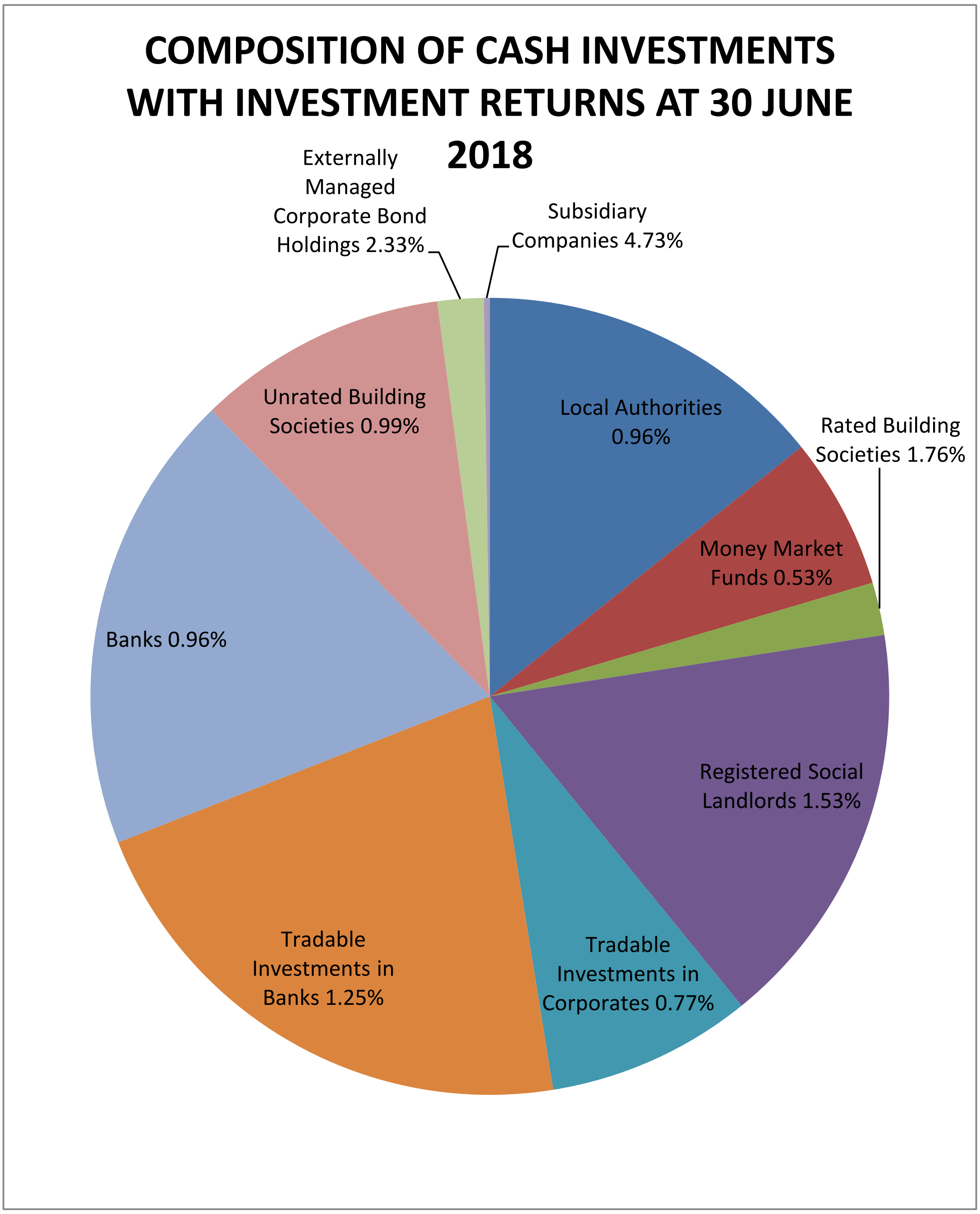
Fixed interest rates avoid the risk of budget variances caused by interest rate movements, but prevent the Council from benefiting from falling interest rates on its borrowing or rising interest rates on its investments. The Council's net fixed interest rate borrowing at 30 June was £292m which was within the limit set in the Treasury Management Policy of £454m. Variable interest rates expose the Council to the benefits and dis-benefits of interest rate movements and can give rise to budget variances. The Council's net variable interest rate investments at 30 June were £155m which was within the limit set in the Treasury Management Policy of £289m.

APPENDIX B

Libor rates are London inter-bank offer rates and give an indication of the rates available in the London money market



APPENDIX C



Money market funds are instant access investments in AAA rated pooled funds.

Some investments in banks and corporates (commercial companies) are tradable. This means that the Council can sell the investments at any time to a third party. This contrasts with bank and building society term deposits which can only be repaid by the bank or building society.

The Council has some externally managed corporate bond holdings. These consist of tradable debt issued by commercial companies.