

Non-Executive Report of the: Audit Committee 23 July 2019	 TOWER HAMLETS
Report of: Neville Murton, Corporate Director, Resources	Classification: Unrestricted
Treasury Management Report for 2018-19	

Originating Officer(s)	Katherine Ball, Strategic Finance Manager
Wards affected	All Wards

Executive Summary

This Report is produced in accordance with the CIPFA Treasury Management Code of Practice and covers the financial year ended 31st March 2019. The Treasury Management Strategy Statement and the Treasury Prudential Indicators, for 2018-19 were approved by the Council on 21st February 2018 as required by the Local Government Act 2003.

Investment returns fluctuate in line with the bank of England base rate. Base rate is maintained at 0.75%. The Council has substantial sums of money invested and is therefore exposed to financial risks including the loss of invested funds and the impact of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy. Risk includes interest rate fluctuations and change to inflation.

The investment income budget set for 2018-19 was £4m with income of £4.259m received. For the 2018-19 budget, £100m of investments were set aside for investment in pooled funds. To date £76m has been invested. Equity markets fell very sharply over the 3 months to 31 December 2018; and investment in pooled funds was paused due to high market volatility.

A return of 1.16% overall was achieved in 2018-19 which was 0.08 bps below the average for similar LAs, and 0.27bps lower than the 1.43% average for all LAs return. The 7 day London Interbank Bid Rate (LIBID) is the performance measure for the Council's investment returns. For this reporting year, this rate was 0.51%. For this reporting period the investments portfolio returned 1.16%; this was below the benchmarking average of 1.24%. More detail can be found in section 3.6.

The credit worthiness of investments has remained at AA- over the year.

Prudential Indicators (PI) and Treasury Management (TM) indicators have been fully complied with.	Over the reporting period, all treasury management (TM) activities have been carried out in accordance with the approved limits and the prudential indicators (PI) set out in the Council's Treasury Management Strategy statement.
--	---

Recommendations:

The Audit Committee is recommended to:

1. Note the contents of the treasury management activities and performance against targets for the year ending 31 March 2019.
2. Note the Council's investments as set out in Appendix 1. The balance outstanding as at 31 March 2019 was £383.150m, which includes £6m pension fund cash awaiting investment.

1. REASONS FOR THE DECISIONS

- 1.1 The Local Government Act 2003 and the Local Authorities (Capital Financing and Accounting) Regulations 2003 require that regular reports be submitted to the relevant Council Committee detailing the Council's treasury management activities.
- 1.2 This report updates members on both the borrowing and investment decisions made by the Corporate Director, Resources under delegated authority in the context of prevailing economic conditions and considers the Council's Treasury Management performance.
- 1.3 The regular reporting of treasury management activities assists Members to scrutinise officer decisions and monitor progress on the implementation of its investment strategy as approved by Council

2. ALTERNATIVE OPTIONS

- 2.1 The Council is bound by legislation to have regard to the Treasury Management (TM) Code. The Code requires that the Council or a sub-committee of the Council (Audit Committee) should receive regular monitoring reports on treasury management activities. If the Council were to deviate from those requirements, there would need to be good reason for doing so.

3. DETAILS OF THE REPORT

- 3.1** The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require local authorities to have regard to the Treasury Management Code. The Treasury Management code requires that the Council or a sub-committee of the Council (Audit Committee) should receive regular monitoring reports on treasury management activities and risks.
- 3.2** Treasury management is defined as “the management of the Council’s investments and cash flows; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. Within reason, the Council can vary its treasury management strategy having regard to its own views about its appetite for risk in relation to the financial returns required.
- 3.3** The Treasury Management Strategy, Investment Strategy and Minimum Revenue Provision reports were included in the Budget Pack that was presented to Council on 21 February 2018.

3.4 ECONOMIC COMMENTARY FROM THE TREASURY ADVISER ARLINGCLOSE

- 3.4.1** After spiking at over \$85/barrel in October 2018, oil prices fell back sharply by the end of the year, declining to just over \$50 in late December before steadily climbing toward \$70 in April 2019. UK Consumer Price Inflation (CPI) for February 2019 was up 1.9% year/year, just above the consensus forecast but broadly in line with the Bank of England’s February Inflation Report. The most recent labour market data for the three months to January 2019 showed the unemployment rate fell to a new low 3.9% while the employment rate of 76.1% was the highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.4% as wages continue to rise steadily and provide some upward pressure on general inflation. Once adjusted for inflation, real wages were up 1.4%.
- 3.4.2** After rising to 0.6% in the third calendar quarter from 0.4% in the second, fourth quarter economic growth slowed to 0.2% as weaker expansion in production, construction and services dragged on overall activity. Annual GDP growth at 1.4% continues to remain below trend. Following the Bank of England’s decision to increase the Bank Rate to 0.75% in August, no changes to monetary policy have been made since.
- 3.4.3** The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the 2.25%-2.50% range in December. However, a recent softening in US data caused the Fed to signal a pause in hiking interest rates at the last Federal Open Market Committee (FOMC) meeting in March.
- 3.4.4** With the 29th March 2019, the original EU ‘exit day’ now been and gone, having failed to pass a number of meaningful votes in Parliament, including shooting down Theresa May’s deal for the third time, MPs voted by a majority of one (313 to 312) to force the prime minister to ask for an extension to the Brexit process beyond 12th April in order to avoid a no-deal scenario. Recent talks between the Conservative and Labour parties to try to reach common ground on a deal which may pass a vote

by MPs have yet to yield any positive results. The EU must grant any extension and its leaders have been clear that the terms of the deal are not up for further negotiation. The ongoing uncertainty continues to weigh on sterling and UK markets.

3.4.5 While the domestic focus has been on Brexit's potential impact on the UK economy, globally the first quarter of 2019 has been overshadowed by a gathering level of broader based economic uncertainty. The US continues to be set on a path of protectionist trade policies and tensions with China in particular, but with the potential for this to spill over into wider trade relationships, most notably with the EU. The EU itself appeared to be show signs of a rapid slowdown in economic growth with the major engines of its economy, Germany and France, both suffering misfires from downturns in manufacturing alongside continued domestic/populist unrest in France. The International Monetary Fund downgraded its forecasts for global economic growth in 2019 and beyond as a consequence.

3.5 INTEREST RATE FORECAST FROM ARLINGCLOSE

3.5.1 The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US.

3.5.2 There appears no near-term resolution to the trade dispute between China and the US. The US has also targeted other countries. With the 2020 presidential election a year away, Donald Trump is unlikely to want to display perceived weakness in trade negotiations to his supporters.

3.5.3 The resignation of Theresa May has created greater uncertainty with regard to Brexit. Boris Johnson is the favourite to become Prime Minister and appears to favour exiting the EU on 31st October. It is unlikely the UK will be able to negotiate a different withdrawal deal before the deadline. **We remain of the belief that policymakers are unlikely to raise Bank Rate unless there is some certainty to the withdrawal arrangement.**

3.5.4 While the potential for divergent paths for UK monetary policy remain in the event of a withdrawal agreement, **the weakening external environment severely limits the potential upside for movement in Bank Rate.**

3.5.5 UK economic growth is slowing after a relatively strong Q1 2019. Q2 growth is likely to be sluggish, with the ONS already reporting a monthly contraction in GDP for April and PMI data signalling broadly stagnant business conditions. The MPC has downgraded its growth forecast for 2019.

3.5.6 Inflation remains around target. The tight labour market risks medium-term domestically-driven inflationary pressure. Slower global growth should reduce the prospect of externally driven inflationary pressure, although political turmoil could push up oil prices.

3.5.7 Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

- 3.5.8 We have altered our central forecasts in response to the external and political risks facing the UK economy.
- 3.5.9 Bank Rate is expected to remain at 0.75% for the foreseeable future. There are substantial risks to both sides of this forecast, dependant on Brexit outcomes and the evolution of the global economy.
- 3.5.10 Gilt yields have fallen to recent lows. Resolution of global political uncertainty would see yields rise but volatility arising from both economic and political events will continue to offer longer-term borrowing opportunities.

3.6 TREASURY MANAGEMENT STRATEGY 2018-19

- 3.6.1 The Treasury Management Strategy was approved on 21 February 2018 by Council. The Strategy comprehensively outlined how the treasury function would operate throughout the financial year 2018-19 including the limits and criteria for selecting institutions to be used for the investment of surplus cash and the council's policy on long-term borrowing and limits on debt. The Council complied with the strategy throughout the reporting period and all investments were made to counterparties within the Council's approved lending list.
- 3.6.2 On 31st March 2019, the Council had net investments of £309m arising from its revenue and capital income and expenditure, a decrease on 2018 of £47m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31 st March 2018 Actual £m	Movement over the Year £m	31 st March 2019 Actual £m
General Fund CFR	226.815	44.081	270.896
HRA CFR	83.820	1.083	84.903
Total CFR	310.635	45.164	355.799
Less: Other debt liabilities *	-34.957	-24.917	-59.874
Borrowing CFR	275.678	20.247	295.925
<i>External borrowing</i>	84.966	-10.670	74.296
<i>Internal borrowing</i>	190.712	30.917	221.629
Less: Usable reserves	-515.673	-5.981	-521.654
Less: Working capital	-159.819	-96.881	-256.700
Net (investments)	-355.854	-47.000	-308.854

* finance leases, PFI liabilities and transferred debt that form part of the Council's total debt

3.6.3 The Council's current strategy is to maintain borrowing and investments below their underlying levels, known as internal borrowing, in order to reduce risk and keep interest costs low. The balance sheet summary position at 31 March 2019 is shown in Table 1 above, with the treasury management position as at 31 March 2019 shown in Table 2 below. The extent of internal borrowing which stood at £222m at the end of the financial year 2018-19 is the difference between the Borrowing CFR (£296m) and the level of external borrowing (£74m).

Table 2: Treasury Management Summary

	31.03.18 Balance £m	Movement over the Year £m	31.03.19 Balance £m	31.03.19 Rate %
Long-term borrowing	84.966	(10.670)	74.296	3.25
Short-term borrowing	Nil	Nil	Nil	Nil
Total borrowing	84.966	(10.670)	74.296	3.25
Long-term investments	67.000	6.000	73.000	
Short-term investments	291.000	(17.500)	273.500	
Cash and cash equivalents**	82.820	(46.170)	36.650	
Total investments	440.820	(57.670)	383.150	1.16
Net investments	355.854	(47.000)	308.854	

**excluding pension fund balance of £24.8m as at 31/03/2018

Borrowing Strategy for the year ending 31st March 2019

3.6.4 The Council held £74.296m of external loans at 31st March 2019 which is £10.670m lower than 31st March 2018 position of £84.966m. The borrowing position as at 31st March 2018 is shown in Table 3 below.

Table 3: Borrowing Position

	31.03.19 Balance £m	31.03.19 Rate %
Public Works Loan Board	56.796	2.92
Banks (fixed-term)	17.500	4.34
Total borrowing	74.296	3.25

3.6.5 The Council redeemed £60m of its LOBO (Lender's Option Borrower's Option) loans during 2018-19 and partly re-financed this through PWLB loans.

3.6.6 The Council takes a low risk approach to its borrowing strategy. This means that the principal objective when borrowing has been to strike an appropriate balance between securing low interest costs and achieving cost certainty over the period for which funds

are required. The secondary objective is to have flexibility to renegotiate loans should the Council's long-term plans change.

Investment Activity

- 3.6.7 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. The investment position at the year end is shown in Table 4 below.
- 3.6.8 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Investments Outstanding & Maturity Structure

- 3.6.9 The table below shows the amount of investments outstanding at the end of March 2019 split according to the financial sector.

Table 4 Outstanding Investments by financial sector

Financial Sector	31.03.18 Balance £m	Movement over the Year £m	31.12.19 Balance £m	% Portfolio
UK Banks	50.000	(25.000)	25.000	6.5
UK Building Societies	15.000	(15.000)	0.000	0.0
Government (incl. local authorities)	278.000	(100.000)	145.500	37.9
Oversea Banks	85.000	15.000	100.000	26.1
Money Market Funds	12.820	(3.92)	36.650	9.6
Pooled Investment Funds:	0.000	76.000	76.000	19.8
<i>Cash plus funds</i>	<i>0.000</i>	<i>20.000</i>	<i>20.000</i>	
<i>Short-dated bond funds</i>	<i>0.000</i>	<i>18.000</i>	<i>18.000</i>	
<i>Strategic bond funds</i>	<i>0.000</i>	<i>9.000</i>	<i>9.000</i>	
<i>Equity Income funds</i>	<i>0.000</i>	<i>13.000</i>	<i>13.000</i>	
<i>Property funds</i>	<i>0.000</i>	<i>5.000</i>	<i>5.000</i>	
<i>Multi asset income funds</i>	<i>0.000</i>	<i>11.000</i>	<i>11.000</i>	
Total investments	440.820	(52.920)	383.150	

3.6.10 The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Given the increasing risk and falling returns from short-term unsecured bank investments, the Council has diversified into more secure and/or higher yielding asset classes by allocating £100m for strategic pooled investments and currently £76m has been invested as shown in Table 4 above.

Performance Report

- 3.6.11 The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in Table 5 below. The Council's budgeted investment return for 2018-19 is **115bps** (1.15%) with average cash balance of £350m. This is based on placing £100m in pooled investments during 2018-19. There was a delay in placing these investments because of investment market sentiment over historically expensive investment values.
- 3.6.12 £76m was invested in pooled funds as at 31st December 2018 with a further £24m on hold due to severe market volatility and accidental changes to pooled funds investment regulation by the Government. It is worth noting that due to the nature of these funds, returns will fluctuate from year to year. The risk profile of these investments was discussed with the Committee as this is important, in order to achieve expected higher returns, there is the expectation and need to accept higher levels of risk (market volatility).
- 3.6.13 The investment performance for the reporting period is **116bps**. Investment income of £4.26m was generated in 2018-19.

Table 5: Investment performance for financial year to 31st March 2019

Period	LBTH Internal Return	External Fund Return	LBTH Total Return	Benchmark Return	Over/(Under) Performance
Full Year 2017-2018	0.78%	0.00%	0.78%	0.36%	0.42%
Quarter 1	0.72%	0.00%	0.72%	0.46%	0.26%
Quarter 2	0.88%	1.17%	1.01%	0.55%	0.46%
Quarter 3	0.96%	-0.62%	0.71%	0.59%	0.12%
Full Year 2018-19	0.97%	1.97%	1.16%	1.24%	(0.08%)

3.7 Investment Benchmarking

3.7.1 LBTH participates in a benchmarking club being run by Arlingclose to enable officers to compare the Council's treasury management / investment returns against those of similar authorities. The model takes into account a combination of credit, duration and returns achieved over the duration, and it includes data from 145 local authorities. The progression of risk and return metrics are shown in Table 6 below.

Table 6: Investment Benchmarking

	Tower Hamlets		12 London & Metropolitan Average	145 Local Authorities (LAs) Average
	31.03.2018	31.03.2019		
Internal Investments	£464.8m	£307.2m	£80.4m	£52.8m
External Funds	£0.0m	£75.2m	£12.3m	£12m
Average Credit Score	4.28	3.96	4.31	4.20
Average Credit Rating	AA-	AA-	AA-	AA-
Number of Counterparties & Funds	37	38	12	13
Proportion Exposed to Bail-in	26%	20%	45%	55%
Proportion Available within 7 days	16%	12%	49%	42%
Proportion Available within 100 days	54%	51%	62%	65%
Average Days to Maturity	161	108	149	29
Internal Investment Return	0.68%	0.97%	0.93%	0.85%
External Funds - Income Return	-	1.97%	2.49%	3.64%
Total Investments - Total Return	0.68%	1.16%	1.24%	1.43%

3.7.2 It can be seen that as at 31st March 2019 LBTH investment portfolio was delivering 0.97%, outperforming the benchmarking average of 0.93% and also the average return for 145 LAs of 0.85%, whilst for total return for total investments LBTH generated 1.16%, underperforming by 8bps against the average return for 12 London Boroughs, and Metropolitan Boroughs of 1.24%, and also underperforming by 27bps against the average return for 145 LAs of 1.43%.

3.7.3 It can be seen from Table 6 that the external managed investment returns had deteriorated due to a severe fall in Equity markets over the 3 months to 31 December 2018. With the external pooled funds exhibiting capital loss of some £2.5m hence the valuation of the portfolio was £73.5m instead of the invested amount of £76m.

3.7.4 Based on the advice received from Arlingclose the investment portfolio credit worthiness has improved from A+ to AA- and the proportion of investments exposed to bail-in has reduced from 26% to 20%, this proportion is less than half of the benchmark average of 55%.

3.7.5 It can also be seen from the above table that the number of counterparties the Council had as at 31st March 2019 was 38, this was more than double the benchmarking average of 13. This shows the Council is managing the counterparty risk and concentration risk of the investments portfolio by investing with many quality institutions and local authorities.

3.8 Compliance Report

3.8.1 All treasury management activities undertaken from the beginning of the financial year 2018-19 to the current reporting period complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

3.8.2 Compliance with the authorised limit and operational boundary for external debt is set out in table 7 below.

Table 7: Debt Limits

	31.03.18 Actual £m	2018-19 Forecast £m	31.03.19 Actual £m	2018-19 Operational Boundary £m	2018-19 Authorised Limit £m	Complied
Borrowing	84.966	95.000	74.296	297.150	307.150	
PFI & finance leases	63.872	40.000	61.181	33.415	43.415	
Total debt	148.838	135.000	135.477	330.565	350.565	✓

3.8.3 The Council measures and manages its exposures to treasury management risks using a range of indicators.

3.8.4 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating and credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	30.12.18 Actual	31.03.19 Actual	2018/19 Target	Complied
Portfolio average credit rating	AA-	AA-	A-	✓

3.8.5 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	30.12.18 Actual	31.03.19 Actual	2018/19 Target	Complied

Total cash available within 3 months	£8.9m	£124.150m	£75m	✓
Total sum borrowed in past 3 months without prior notice	nil	nil	nil	✓

3.8.6 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	30.12.18 Actual	31.03.19 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	£0.669m	£1.004m	10%	0%	✓
12 months and within 24 months	£1.004m	£1.004m	30%	0%	✓
24 months and within 5 years	£1.004m	£3.580m	40%	0%	✓
5 years and within 10 years	£3.580m	-	80%	0%	✓
10 years and above	£48.709m	£51.209m	100%	0%	✓

3.9 Non Treasury Investments

3.9.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. For English Authorities: This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return

4. EQUALITIES IMPLICATIONS

4.1 There are no equality implications directly resulting from this report.

5. OTHER STATUTORY IMPLICATIONS

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

Best Value Implications

- 5.2 The Treasury Management Strategy and Investment Strategy and the arrangements put in place to monitor them should ensure that the Council optimises the use of its monetary resources within the constraints placed on the Council by statute, appropriate management of risk and operational requirements.
- 5.3 Assessment of value for money is achieved through:
- Monitoring against benchmarks
 - Operating within budget

Risk Management

- 5.4 There is inevitably a degree of risk inherent in all treasury activity.
- 5.5 The Investment Strategy identifies the risk associated with different classes of investment instruments and sets the parameters within which treasury activities can be undertaken and controls and processes appropriate for that risk.
- 5.6 Treasury operations are undertaken by nominated officers within the parameters prescribed by the Treasury Management Policy Statement as approved by the Council.
- 5.7 The Council is ultimately responsible for risk management in relation to its treasury activities. However, in determining the risk and appropriate controls to put in place the Council has obtained independent advice from Capita Treasury Services who specialise in Council treasury issues

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 This report provides an update on Treasury Management activities for the 2018-19 financial year.
- 6.2 The Council held an outstanding internally managed investments portfolio of £383.150m as at 31 March 2019. This portfolio earned an average rate of return of 1.16%, however inflation is currently eroding the value of this asset.
- 6.3 The Council adopted a new approach to its investment activities in line with approvals given in the 2018-19 Treasury Management Strategy and its MTFS to increase the level of investment income it generates. The Council had an investment income target of £4m for 2018-19 and generated investment income of £4.259m.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The Local Government Act 2003 provides a framework for the capital finance of local authorities. It provides a power to borrow and imposes a duty on local authorities to determine an affordable borrowing limit. It provides a power to

invest. Fundamental to the operation of the scheme is an understanding that authorities will have regard to proper accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in carrying out capital finance functions.

- 7.2 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require the Council to have regard to the CIPFA publication “Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes” (“the Treasury Management Code”) in carrying out capital finance functions under the Local Government Act 2003.
- 7.3 This noting report of the Corporate Director, Resources advises the Committee of the Council’s borrowing and investment activities for the quarter ending 31st December 2017 and is consistent with the key principles expressed in the Treasury Management Code. The Corporate Director, Resources has responsibility for overseeing the proper administration of the Council’s financial affairs, as required by section 151 of the Local Government Act 1972 and is the appropriate officer to advise in relation to these matters.
- 7.4 When considering its approach to the treasury management matters set out in the report, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don’t (the public sector equality duty)

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix 1 – Investments Outstanding at 31st March 2019
- Appendix 2 – Glossary

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

- Arlingclose Ltd - Treasury Management Benchmarking Report and Quarter 4 2018/19 and Treasury Management Outturn Report Template

Officer contact details for documents:

Katherine Ball, x0997, Mulberry Place

Appendix 1: Investments Outstanding as at 31st March 2019

Time to Maturity	Counterparty	From	Maturity	Amount £m	Rate
Overnight	Amundi MMF*		MMF	1.150	
	Aviva MMF		MMF	25.000	
	Insight MMF		MMF	0.250	
	Standard Life MMF		MMF	10.250	
	SUB TOTAL			36.650	
< 1 Month	Argyll & Bute Council	18/03/2019	15/04/2019	7.500	0.95%
	Development Bank of Singapore	10/10/2018	10/04/2019	10.000	0.95%
	Development Bank of Singapore	18/01/2019	18/04/2019	10.000	0.96%
	SUB TOTAL			27.500	
1 - 3 Months	Australia & New Zealand Banking Group	23/05/2018	22/05/2019	20.000	0.95%
	Commonwealth Bank of Australia	23/05/2018	22/05/2019	20.000	0.95%
	Toronto Dominion Bank	05/07/2018	0./07/2019	20.000	0.95%
	Wrexham County Borough Council	03/09/2018	03/06/2019	20.000	1.05%
	Payden & Rygel Sterling Reserve Fund (POOLED)			10.000	
	Royal London Enhanced Cash Plus Y (POOLED)			10.000	
		SUB TOTAL			100.000
3 - 6 Months	Santander	00/01/1900	CALL 95	20.000	0.00%
	Bank of Montreal	12/07/2018	12/07/2019	10.000	0.96%
	Birmingham City Council	28/08/2018	27/08/2019	20.000	1.08%
	Bournemouth Borough Council	25/09/2018	25/09/2019	20.000	0.75%
	Dumfries & Galloway	20/08/2018	20/08/2019	5.000	1.20%
	Canadian Imperial Bank of Commerce	12/07/2018	11/07/2019	10.000	0.95%
	Police and Crime Commissioner	22/01/2019	05/07/2019	10.000	1.05%
	Surrey County Council	26/09/2018	25/09/2019	20.000	1.15%
	Royal Bank of Scotland	19/08/2018	19/08/2019	5.000	0.96%
		SUB TOTAL			120.000
6 - 9 Months	Thurrock Borough Council	08/11/2018	08/11/2019	20.000	1.05%
	Newry, Mourne & Down District Council	25/10/2018	25/10/2019	6.000	1.15%
		SUB TOTAL			26.000
9 - 12 Months	Isle of Wight Council	07/02/2018	07/02/2020	2.000	1.05%
	Middlesbrough Council	26/01/2018	27/01/2020	10.000	1.08%
	East Ayrshire Council	12/03/2019	12/03/2020	5.000	1.20%
	SUB TOTAL			17.000	
> 12 Months	CCLA Lamit Property Fund (POOLED)			5.000	
	CCLA Diversified Income Fund (POOLED)			5.000	
	Payden Absolute Return Bond Fund (POOLED)			10.000	
	Threadneedle Global Equity Income Fund Z (POOLED)			3.000	
	Threadneedle Strategic Bond Fund Z (POOLED)			5.000	
	Threadneedle Sterling Short-Dated Corporate Bond Fund (POOLED)			8.000	
	Investec Fund Series I Diversified Income (POOLED)			6.000	
	Schroder Income Maximiser Fund (POOLED)			3.000	
	M & G Global Dividend Fund (POOLED)			2.000	
	M & G Optimal Income Fund (POOLED)			2.000	
	M & G UK Income Distribution Fund (POOLED)			3.000	
	M & G Strategic Corporate Bond Fund (POOLED)			4.000	
		SUB TOTAL			56.00

*MMF balance includes £6m of Pension Fund cash awaiting investments

Appendix 2 – Glossary

Asset Life	How long an asset, e.g. a Council building is likely to last.
Bail-in	A bail-in is rescuing a financial institution on the brink of failure by making its creditors and depositors take a loss on their holdings rather than the government or taxpayers
Bail-out	A bailout is a colloquial term for the provision of financial help to a corporation or country which otherwise would be on the brink of failure or bankruptcy.
Borrowing Portfolio	A list of loans held by the Council.
Borrowing Requirements	The principal amount the Council requires to borrow to finance capital expenditure and loan redemptions.
Capitalisation direction or regulations	Approval from central government to fund certain specified types of revenue expenditure from capital resources.
CIPFA Code of Practice on Treasury Management	A professional code of Practice which regulates treasury management activities.
Capital Financing Requirement (CFR)	Capital Financing Requirement- a measure of the Council's underlying need to borrow to fund capital expenditure.
Certificates of Deposits	A certificate of deposit (CD) is a time deposit, a financial product. CDs are similar to savings accounts in that they are insured and thus virtually risk free; they are "money in the bank." They are different from savings accounts in that the CD has a specific, fixed term (often monthly, three months, six months, or one to five years) and, usually, a fixed interest rate. It is intended that the CD be held until maturity, at which time the money may be withdrawn together with the accrued interest.
Commercial paper	Commercial paper is a money-market security issued (sold) by large corporations to obtain funds to meet short-term debt obligations (for example, payroll), and is backed only by an issuing bank or corporation's promise to pay the face amount on the maturity date specified on the note. Since it is not backed by collateral, only firms with excellent credit ratings from a recognized credit rating agency will be able to sell their commercial paper at a reasonable price. Commercial paper is usually sold at a discount from face value, and carries higher interest repayment rates than bonds
Counterparties	Organisations or Institutions the Council lends money to e.g. Banks; Local Authorities and MMF.
Corporate bonds	A corporate bond is a bond issued by a corporation. It is a bond that a corporation issues to raise money effectively in order to expand its business. The term is usually applied to longer-term debt instruments, generally with a maturity date falling at least a year after their issue date.
Covered bonds	A covered bond is a corporate bond with one important enhancement: recourse to a pool of assets that secures or "covers" the bond if the originator (usually a financial

	institution) becomes insolvent. These assets act as additional credit cover; they do not have any bearing on the contractual cash flow to the investor, as is the case with Securitized assets.
Consumer Prices Index & Retail Prices Index (CPI & RPI)	The main inflation rate used in the UK is the CPI. The Chancellor of the Exchequer bases the UK inflation target on the CPI. The CPI inflation target is set at 2%. The CPI differs from the RPI in that CPI excludes housing costs. Also used is RPIX, which is a variation of RPI, one that removes mortgage interest payments.
Credit Default Swap (CDS)	A kind of protection that can be purchased by MMF companies from insurance companies (for their investment) in exchange for a payoff if the organisation they have invested in does not repay the loan i.e. they default.
Credit watch	Variety of special programs offered by credit rating agencies and financial institutions to monitor organisation/individual's (e.g. bank) credit report for any credit related changes. A credit watch allows the organisation/individuals to act on any red flags before they can have a detrimental effect on credit score/history.
Credit Arrangements	Methods of Financing such as finance leasing
Credit Ratings	A scoring system issued by credit rating agencies such as Fitch, Moody's and Standard & Poors that indicate the financial strength and other factors of a bank or similar Institution.
Creditworthiness	How highly rated an institution is according to its credit rating.
Debt Management Office (DMO)	The DMO is an agency of the HM Treasury which is responsible for carrying out the Government's Debt Management Policy.
Debt Rescheduling	The refinancing of loans at different terms and rates to the original loan.
Depreciation Method	The spread of the cost of an asset over its useful life.
Gilt	Gilt-edged securities are bonds issued by certain national governments. The term is of British origin, and originally referred to the debt securities issued by the Bank of England, which had a gilt (or gilded) edge. Hence, they are known as gilt-edged securities, or gilts for short. Today the term is used in the United Kingdom as well as some Commonwealth nations, such as South Africa and India. However, when reference is made to "gilts", what is generally meant is "UK gilts," unless otherwise specified.
Interest Rate exposures	A measure of the proportion of money invested and what impact movements in the financial markets would have on them.
The International Monetary Fund (IMF)	is an intergovernmental organisation which states its aims as to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high

	employment and sustainable economic growth, and reduce poverty around the world.
Impaired investment	An investment that has had a reduction in value to reflect changes that could impact significantly on the benefits expected from it.
LIBID	The London Interbank Bid Rate – it is the interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Market Loans	Loans from banks available from the London Money Market including LOBOS (Lender Option, Borrowing Option) which enable the authority to take advantage of low fixed interest for a number of years before an agreed variable rate comes into force.
Money Market Fund (MMF)	A ‘pool’ of different types of investments managed by a fund manager that invests in lightly liquid short term financial instruments with high credit rating.
Monetary Policy Committee (MPC)	Committee designated by the Bank of England, whose main role is to regulate interest rates.
Minimum Revenue Provision (MRP)	This is the amount which must be set aside from the revenue budget each year to cover future repayment of loans.
Non Specified Investments	Investments deemed to have a greater element of risk such as investments for longer than one year
Premium	Cost of early repayment of loan to PWLB to compensate for any losses that they may incur
Prudential Indicators	Set of rules providing local authorities borrowing for funding capital projects under a professional code of practice developed by CIPFA and providing measures of affordability and prudence reflecting the Council’s Capital Expenditure, Debt and Treasury Management.
PWLB	Public Works Loan Board, a statutory body whose function is to lend money to Local Authorities (LAs) and other prescribed bodies. The PWLB normally are the cheapest source of long term borrowing for LAs.
Specified Investments	Investments that meet the Council’s high credit quality criteria and repayable within 12 months.
Supranational bonds	Supranational bonds are issued by institutions that represent a number of countries, not just one. Thus, organisations that issue such bonds tend to be the World Bank or the European Investment Bank. The issuance of these bonds are for the purpose of promoting economic development
Treasury bills (or T-bills)	Treasury bills (or T-bills) mature in one year or less. Like zero-coupon bonds, they do not pay interest prior to maturity; instead they are sold at a discount of the par value to create a positive yield to maturity. Many regard Treasury bills as the least risky investment available.
Unrated institution	An institution that does not possess a credit rating from

	one of the main credit rating agencies.
Unsupported Borrowing	Borrowing where costs are wholly financed by the Council.