

INVESTMENTS HELD AS AT 31ST MARCH 2018

Counterparty	Start Date	Maturity Date	Rate of Interest %	Amount £m
FIXED DEPOSITS				
LLOYDS BANK	16/04/2015	16/04/2018	1.49	30.0
LLOYDS BANK	26/05/2016	25/05/2018	1.48	10.0
GOLDMAN SACHS	02/08/2017	01/08/2018	0.93	10.0
GOLDMAN SACHS	18/08/2017	17/08/2018	0.79	5.0
GOLDMAN SACHS	19/09/2017	18/09/2018	0.95	5.0
SKIPTON BUILDING SOCIETY	03/11/2017	02/11/2018	0.92	10.0
LLOYDS BANK	19/11/2015	19/11/2018	1.82	5.0
LANCASHIRE COUNTY COUNCIL	18/12/2015	18/12/2018	1.50	10.0
CLOSE BROTHERS	02/03/2018	01/03/2019	1.15	20.0
RBS	09/10/2017	09/04/2019	1.00	20.0
LLOYDS BANK	29/07/2016	31/07/2019	1.34	2.5
PLACES FOR PEOPLE HOMES LTD	16/08/2017	16/08/2019	1.60	10.0
HYDE HOUSING ASSOCIATION	22/08/2017	22/08/2019	1.30	10.0
LLOYDS BANK	18/08/2016	19/08/2019	1.14	7.5
LLOYDS BANK	05/12/2016	05/12/2019	1.37	25.0
TOTAL FIXED INVESTMENTS				180.0
OTHER FUNDS				
STANDARD LIFE (IGNIS) LIQUIDITY FUND				15.0
INSIGHT STERLING LIQUIDITY FUND				7.5
CCLA LOCAL AUTHORITY PROPERTY FUND	30/01/2014			40.0
STANDARD LIFE - DIVERSIFIED GROWTH FUND	22/12/2014			5.0
NEWTON - DIVERSIFIED GROWTH FUND	22/12/2014			5.0
FIDELITY MULTI-ASSET INCOME FUND	12/07/2017			30.0
PROJECT BECKENHAM LOAN	09/06/2017			2.3
TOTAL INVESTMENTS				284.8

INVESTMENTS HELD AS AT 31ST MARCH 2018

	Start Date	Maturity Date	Rate of Interest %	Amount £m	Total £m	Limit £m	Remaining £m
<u>UK BANKS</u>							
LLOYDS BANK	16/04/2015	16/04/2018	1.49	30.0			
LLOYDS BANK	26/05/2016	25/05/2018	1.48	10.0			
LLOYDS BANK	19/11/2015	19/11/2018	1.82	5.0			
LLOYDS BANK	29/07/2016	31/07/2019	1.34	2.5			
LLOYDS BANK	18/08/2016	19/08/2019	1.18	7.5			
LLOYDS BANK	05/12/2016	05/12/2019	1.37	25.0	80.0	80.0	0.0
GOLDMAN SACHS INTERNATIONAL BANK	03/08/2016	01/08/2018	0.93	10.0			
GOLDMAN SACHS INTERNATIONAL BANK	18/08/2016	17/08/2018	0.79	5.0			
GOLDMAN SACHS INTERNATIONAL BANK	19/09/2017	18/09/2018	0.95	5.0	20.0	20.0	0.0
SKIPTON BUILDING SOCIETY	03/11/2017	02/11/2018	0.92	10.0	10.0	10.0	0.0
CLOSE BROTHERS	02/03/2018	01/03/2019	1.15	20.0	20.0	30.0	10.0
RBS	09/10/2017	09/04/2019	1.00	20.0	20.0	80.0	60.0
<u>LOCAL AUTHORITIES</u>							
LANCASHIRE COUNTY COUNCIL	18/12/2015	18/12/2018	1.50	10.0	10.0	15.0	5.0
<u>HOUSING ASSOCIATIONS</u>							
PLACES FOR PEOPLE HOMES LTD	04/12/2014	16/08/2019	1.60	10.0	10.0	10.0	0.0
HYDE HOUSING ASSOCIATION	18/12/2015	22/08/2019	1.30	10.0	10.0	10.0	0.0
<u>OTHER INVESTMENTS</u>							
STANDARD LIFE (IGNIS) LIQUIDITY FUND	25/01/2010			15.0	15.0	15.0	0.0
INSIGHT STERLING LIQUIDITY FUND	15/06/2009			7.5	7.5	15.0	7.5
CCLA LOCAL AUTHORITY PROPERTY FUND	30/01/2014			40.0			
STANDARD LIFE - DIVERSIFIED GROWTH FUND	22/12/2014			5.0			
NEWTON - DIVERSIFIED GROWTH FUND	22/12/2014			5.0			
FIDELITY MULTI-ASSET INCOME FUND	12/07/2017			30.0	80.0	100.0	20.0
PROJECT BECKENHAM LOAN	09/06/2017			2.3	2.3	2.3	0.0
TOTAL INVESTMENTS				284.8	284.8		

Prudential and Treasury Indicators – Actual 2017/18

Prudential and Treasury Indicators are relevant for the purposes of setting an integrated treasury management strategy and require the approval of the Council. The table below shows the actual performance in relation to the indicators in 2016/17 and compares the actual in 2017/18 with the original estimates approved in March 2017 and with the revised estimates (“probable”) reported in the mid-year review in December 2017. Further details on capital expenditure outturn were reported to the Executive on 21st May 2018.

The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The revised Code (published in 2009 and updated in 2011 and 2017) was adopted by full Council on 15th February 2010.

PRUDENTIAL INDICATORS	2016/17	2017/18	2017/18	2017/18
	actual	estimate	probable	actual
Total Capital Expenditure	£53.0m	£77.0m	£67.0m	£40.3m
Ratio of financing costs to net revenue stream	0%	0%	0%	0%
Net borrowing requirement (net investments for Bromley) brought forward 1 April carried forward 31 March	£261.1m £269.9m	£255.0m £241.1m	£269.9m £246.7m	£269.9m £284.8m
in year borrowing requirement /movement in net investments	£8.8m	-£13.9m	-£23.2m	£14.9m
Capital Financing Requirement as at 31 March	£3.1m	£2.2m	£2.3m	£2.3m
Incremental impact of capital investment decisions Increase in council tax (band D) per annum	£ p -	£ p -	£ p -	£ p -

TREASURY MANAGEMENT INDICATORS	2016/17	2017/18	2017/18	2017/18
	actual	estimate	probable	actual
Authorised Limit for external debt - borrowing	£30.0m	£30.0m	£30.0m	£30.0m
other long term liabilities	£30.0m	£30.0m	£30.0m	£30.0m
TOTAL	£60.0m	£60.0m	£60.0m	£60.0m
Operational Boundary for external debt - borrowing	£10.0m	£10.0m	£10.0m	£10.0m
other long term liabilities	£10.0m	£20.0m	£20.0m	£20.0m
TOTAL	£20.0m	£30.0m	£30.0m	£30.0m
Actual external debt	£3.1m	£2.2m	£2.3m	£2.3m
Upper limit for fixed interest rate exposure	100%	100%	100%	100%
Upper limit for variable rate exposure	20%	20%	20%	20%
Upper limit for total principal sums invested for more than 364 days beyond year-end dates	£170.0m	£170.0m	£170.0m	£170.0m

Further Information on the Economic Background during 2017/18 (provided by Link Asset Services)

GDP growth in the second half of 2017 came in stronger than expected, while in the new year there was evidence that wage increases had started to rise. The **8 February MPC meeting** minutes therefore revealed another sharp hardening in MPC warnings focusing on a reduction in spare capacity in the economy, weak increases in productivity, higher GDP growth forecasts and a shift of their time horizon to focus on the 18 – 24 month period for seeing inflation come down to 2%. (CPI inflation ended the year at 2.7% but was forecast to still be just over 2% within two years.) This resulted in a marked increase in expectations that there would be another Bank Rate increase in May 2018 and a bringing forward of the timing of subsequent increases in Bank Rate. This shift in market expectations resulted in **investment rates** from 3 – 12 months increasing sharply during the spring quarter.

PWLB borrowing rates increased correspondingly to the above developments with the shorter term rates increasing more sharply than longer term rates. In addition, UK gilts have moved in a relatively narrow band this year, (within 25 bps for much of the year), compared to **US treasuries**. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the Fed raising rates by 0.25% in June, December and March, making six increases in all from the floor. The effect of these three increases was greater in shorter terms around 5 year, rather than longer term yields.

As for **equity markets**, the FTSE 100 hit a new peak near to 7,800 in early January before there was a sharp selloff in a number of stages during the spring, replicating similar developments in US equity markets.

The major UK landmark event of the year was the inconclusive result of the **general election** on 8 June. However, this had relatively little impact on financial markets. However, **sterling** did suffer a sharp devaluation against most other currencies, although it has recovered about half of that fall since then. Brexit negotiations have been a focus of much attention and concern during the year but so far, there has been little significant hold up to making progress.

The **manufacturing sector** has been the bright spot in the economy, seeing stronger growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, the manufacturing sector only accounts for around 11% of GDP so expansion in this sector has a much more muted effect on the average total GDP growth figure for the UK economy as a whole.

EU. Economic growth in the EU, (the UK's biggest trading partner), was lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of quantitative easing to stimulate growth. However, growth eventually picked up in 2016 and subsequently gathered further momentum to produce an overall GDP figure for 2017 of 2.3%. Nevertheless, despite providing this massive monetary stimulus, the ECB is still struggling to get

inflation up to its 2% target and in March, inflation was still only 1.4%. It is, therefore, unlikely to start an upswing in rates until possibly towards the end of 2019.

USA. Growth in the American economy was volatile in 2015 and 2016. 2017 followed that path again with quarter 1 at 1.2%, quarter 2 3.1%, quarter 3 3.2% and quarter 4 2.9%. The annual rate of GDP growth for 2017 was 2.3%, up from 1.6% in 2016. Unemployment in the US also fell to the lowest level for 17 years, reaching 4.1% in October to February, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has been the first major western central bank to start on an upswing in rates with six increases since the first one in December 2015 to lift the central rate to 1.50 – 1.75% in March 2018. There could be a further two or three increases in 2018 as the Fed faces a challenging situation with GDP growth trending upwards at a time when the recent Trump fiscal stimulus is likely to increase growth further, consequently increasing inflationary pressures in an economy which is already operating at near full capacity. In October 2017, the Fed also became the first major western central bank to make a start on unwinding quantitative easing by phasing in a gradual reduction in reinvesting maturing debt.

Chinese economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus and medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

Japan. GDP growth has been improving to reach an annual figure of 2.1% in quarter 4 of 2017. However, it is still struggling to get inflation up to its target rate of 2% despite huge monetary and fiscal stimulus, although inflation has risen in 2018 to reach 1.5% in February. It is also making little progress on fundamental reform of the economy.