SUBJECT: MID-YEAR TREASURY REPORT 2019/20	
MEETING:	**Audit Committee**
DATE:	**28th November 2019**
DIVISION/WARDS AFFECTED:	**Whole Authority**

1 PURPOSE:

1.1 To provide an interim mid-year update on treasury management activity for the first 6 months of 2019/20 in accordance with the Authority's Treasury Management Strategy Statement for 2019/20.

2 RECOMMENDATIONS:

2.1 That Members review the treasury management activities in the first half of 2019/20 using this report and discuss with officers any changes to the process that should be considered for incorporation into the 2020/21 Treasury Management Strategy Statement.

3 SUMMARY:

3.1 Sections 4 to 13 are based on a template provided by Arlingclose, the Authority's Treasury Management advisors with figures and other details specific to Monmouthshire County Council provided by the Authority's treasury management team.

3.2 In March 2005 the Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports to allow scrutiny of the treasury management process. The Cipfa Code requires the Authority to have regard to the security & liquidity of its investments before seeking additional returns (see 8.2).

3.3 The Authority's treasury management strategy for 2019/20 was approved at Council on the 7th March 2019. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

3.4 The 2017 Prudential Code requires the Authority to have a Capital Strategy approved by full Council, laying out how to best meet the wide range of objectives the Authority has with limited capital resources. This was approved by Council on the 19th September 2019 and will be updated annually.

3.5 The Treasury Management Code which was revised in 2017/18 now covers non-treasury investments as well as treasury investments requiring Authorities to show how they provide due diligence on these investments in the same way as it does for Treasury investments (see Section 9). The Authority has not increased its holding of non-treasury investments in the first half of 2019/20 but is still looking to spend the full balance of the approved £50m by the end of 2020/21.

3.6 The first 6 months of 2019/20 has been another 6 months of economic uncertainty for the UK due to the extension of the Brexit deadline and a deepening slowdown in Europe. Politics abroad has also continued to be a big driver of financial markets for example with continuing tensions between the US and China. The Bank of England maintained rates at 0.75% to support the economy.

3.7 Gilt interest rates fell partly due to this uncertainty so the Authority took out £7m of long term borrowing to lock in some longer term benefit from these low rates, a good decision with hindsight as PWLB rates rose by 1% in October 19.

3.8 At the 31st March 2019 the Authority had a borrowing CFR (Capital Financing Requirement) of £183.9m and gross external borrowing of £178.3m. As detailed in 5.3, gross borrowing increased marginally up to £180.1m in the 6 months to the 30th September but net borrowing fell from £158.0 m to £148.9m due to a short term increase in investments.

3.9 The Authority continues to hold a minimum of £10m of investments to meet the requirements of a professional client under the Mifid II regulations (Markets in financial instruments directive) – see section 8. The investment in strategic pooled funds has now been increased from £2m to £3m. These funds have returned income of £63,000 in the first 6 months of the year. Capital losses of £45,000 including a one off £39,000 will be absorbed by the surplus held in the Financial Instruments revaluation reserve.

3.10 As shown in section 10, the Authority is forecasting a saving of £243,000 for 2019/20 in the areas of interest payable and interest receivable against a total net budget of £4.0m.

3.11 A new indicator of interest rate risk is detailed at 12.3. It is the % rise in net revenue expenditure which would be caused by a hypothetical increase in interest rates of 1%. This indicator showed an increase of £75,000 to £316,000 from March 19 to September 19.

3.12 As reported in Sections 11 to 12, the Authority complied with the Cipfa code of practice on treasury management and the 2019/20 Treasury management strategy, during the year.

4 EXTERNAL CONTEXT

4.1 **Economic background:** UK Consumer Price Inflation (CPIH) fell to 1.7% year/year in August 2019 from 2.0% in July, weaker than the consensus forecast of 1.9% and below the Bank of England's target. The most recent labour market data for the three months to July 2019 showed the unemployment rate edged back down to 3.8% while the employment rate remained at 76.1%, the joint highest since records began in 1971. Nominal annual wage growth measured by the 3-month average excluding bonuses was 3.8% and 4.0% including bonuses. Adjusting for inflation, real wages were up 1.9% excluding bonuses and 2.1% including.

4.2 The Quarterly National Accounts for Q2 GDP confirmed the UK economy contracted by 0.2% following the 0.5% gain in Q1 which was distorted by stockpiling ahead of Brexit. Only the services sector registered an increase in growth, a very modest 0.1%, with both production and construction falling and the former registering its largest drop since Q4 2012. Business investment fell by 0.4% (revised from 0.5% in the first estimate) as Brexit uncertainties impacted on business planning and decision-making.

4.3 Politics, both home and abroad, continued to be a big driver of financial markets over the last quarter. Boris Johnson won the Conservative Party leadership contest and committed to leaving the EU on 31st October. Mr Johnson prorogued Parliament which led some MPs to put forward a bill requiring him to seek a Brexit extension if no deal was in place by 19th October. The Supreme Court subsequently ruled Mr Johnson's suspension of Parliament unlawful. The bill however was passed into law and Mr Johnson obtained an extension from the EU to the 31st January 2020.

4.4 Subsequent to the initial drafting of this report, Mr Johnson successfully negotiated a deal with the EU and MP's accepted the deal in principal but required more time before they would vote formerly on the deal. Following that decision the Government proposed a general election, which will now be on the 12th December. As the political parties still hold radically different views on Brexit, this has brought more / prolonged political uncertainty.

4.5 Tensions continued between the US and China with no trade agreement in sight and both countries imposing further tariffs on each other's goods. The US Federal Reserve cut its target Federal Funds rates by 0.25% in September to a range of 1.75% - 2%, a pre-emptive move to maintain economic growth amid escalating concerns over the trade war and a weaker economic environment leading to more pronounced global slowdown. The euro area Purchasing Manager Indices (PMIs) pointed to a deepening slowdown in the Eurozone. These elevated concerns have caused key government yield curves to invert, something seen by many commentators as a predictor of a global recession. Market expectations are for further interest rate cuts from the Fed and in September the European Central Bank reduced its deposit rate to -0.5% and announced the recommencement of quantitative easing from 1st November.

4.6 The Bank of England maintained Bank Rate at 0.75% and in its August Inflation Report noted the deterioration in global activity and sentiment and confirmed that monetary policy decisions related to Brexit could be in either direction depending on whether or not a deal is ultimately reached by 31st October.

4.7 **Financial markets:** After rallying early in 2019, financial markets have been adopting a more risk-off approach in the following period as equities saw greater volatility and bonds rallied (prices up, yields down) in a flight to quality and anticipation of more monetary stimulus from central banks. The Dow Jones, FTSE 100 and FTSE 250 are broadly back at the same levels seen in March/April.

4.8 Gilt yields remained volatile over the period on the back of ongoing economic and political uncertainty. From a yield of 0.63% at the end of June, the 5-year benchmark gilt yield fell to 0.32% by the end of September. There were falls in the 10-year and 20-year gilts over the same period, with the former dropping from 0.83% to 0.55% and the latter falling from 1.35% to 0.88%. 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.65%, 0.75% and 1.00% respectively over the period.

4.9 This fall in gilt yields, accompanied by an increase in borrowing by Local Authorities from the PWLB, prompted the PWLB to increase its lending rates by 1% from the 9th October 2019. PWLB rates are set with reference to gilts so that the new PWLB rates in October 19 closely resemble the rates in place a year earlier when gilt yields were 1% higher. Normal movements in PWLB rates result from changes to the rates on gilts. This rise, relative to gilts, was highly unusually being overnight and immediate so no ameliorating action could be taken.

4.10 Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth remains a global risk. The US yield curve remains inverted with 10-year Treasury yields lower than US 3-month bills. History has shown that a recession hasn't been far behind a yield curve inversion. Following the sale of 10-year Bunds at -0.24% in June, yields on German government securities continue to remain negative in the secondary market with 2 and 5-year securities currently both trading around -0.77%.

4.11 Credit background: Credit Default Swap (CDS) spreads rose and then fell again during the quarter, continuing to remain low in historical terms. After rising to almost 120bps in May, the spread on non-ringfenced bank NatWest Markets plc fell back to around 80bps by the end of September, while for the ringfenced entity, National Westminster Bank plc, the spread remained around 40bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 34 and 76bps at the end of the period.

4.12 There were minimal credit rating changes during the period. Moody's upgraded The Co-operative Bank's long-term rating to B3 and Fitch upgraded Clydesdale Bank and Virgin Money to A-.

5 LOCAL CONTEXT

5.1 On 31st March 2019, the Authority had net borrowing of £158.0m arising from its revenue and capital income and expenditure. 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. See Table 1 below.

Table 1: Balance Sheet Summary

	31.3.19 Actual £m
General Fund CFR	186.3
Less: *Other debt liabilities	(2.4)
Loans CFR	**183.9**
External borrowing	**(178.3)**
Internal (over) borrowing	5.6
Less: Usable reserves	18.1
Less: Working capital	7.9
Net (investments)	**(20.4)**

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

5.2 The Authority pursued its strategy of keeping borrowing and investments below their underlying levels (by £5.6m), sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

5.3 The treasury management position at 30th September 2019 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.19 Balance £m	Movement £m	30.9.19 Balance £m	30.9.19 Rate %
Long-term borrowing	106.6	6.2	112.8	3.1
Short-term borrowing	71.7	(4.4)	67.3	0.85
Total borrowing	**178.3**	**1.8**	**180.1**	
Long-term investments	0.0	0.0	0.0	N/A
Pooled Funds	2.0	1.0	3.0	5.2
Short-term investments	9.0	8.3	17.3	0.7
Cash and cash equivalents	9.3	1.6	10.9	Incl above
Total investments	**20.3**	**10.9**	**31.2**	**1.1%**
Net borrowing	**158.0**	**(9.1)**	**148.9**	

5.4 £7.0m of new long term PWLB borrowing was taken out in September 2019 to take advantage of low PWLB rates and reduce the Authority's interest rate exposure. Net borrowing fell due to less demand for cash in the short term but as the decision to take out additional PWLB borrowing was a fairly short term decision, there was a resulting temporary increase in gross borrowing and therefore in investments which are planned to fall in the next quarter.

6 BORROWING STRATEGY DURING THE PERIOD

6.1 At 30th September 2019 the Authority held £180.1m of loans, an increase of £1.8m from 31st March 2019, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 30th September are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.19 Balance £m	Net Movement £m	30.9.19 Balance £m	30.9.19 Weighted Average Rate %	30.9.19 Weighted Average Maturity (years)
Public Works Loan Board	85.6	3.8	89.4	3.2	16.1
WG Interest free loans	4.7	0.0	4.7	0.0	7-12
Banks (LOBO)	13.6	0.0	13.6	4.8	22.3
Local authorities (short-term)	68.5	(2.0)	66.5	0.87	0.4
Local authorities (long-term)	5.9	0.0	5.9	Incl above	Incl above
Total borrowing	178.3	1.8	180.1		

6.2 The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

6.3 In the 2019/20 Treasury Strategy, the Authority forecast its CFR to be increasing by £21m through 2019/20 due to its 2019/20 budgeted capital programme funded by borrowing. A significant part of this CFR increase related to budgeted acquisitions of property investments. Long term borrowing required to fund these will be taken out once any such deals have been entered into.

6.4 With short-term interest rates remaining much lower than long-term rates, the Authority considered it to be more cost effective in the near term to continue with the practice of using short-term loans instead of long term loans up to 50% of total net borrowing excluding those relating to Property investments. As this 50% limit was seen to be approaching and long term PWLB rates were low, £7.0m PWLB maturity loans were acquired in September split between 5 and 10 year maturity. The resulting movement in long and short term loans is shown in table 3 above.

6.5 **LOBO loans:** The Authority continues to hold £13.6m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the year. If a bank did exercise this option, the Authority's position would be to repay and replace with PWLB loans which are cheaper.

7 OTHER DEBT ACTIVITY

7.1 Total debt other than borrowing stood at £2.4m on 30th September 2019, taking total gross debt to £180.1m. The most significant elements are the outstanding liability brought on balance sheet relating to the Monnow Vale PFI scheme (£0.7m) and Welsh Government Funds held by Monmouthshire CC pending lending onto external parties (£1.3m).

8 TREASURY INVESTMENT ACTIVITY

8.1 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the first half year, the Authority's investment balances ranged between £10 and £37 million. Of this £7-8 million is invested in longer term investments to achieve higher returns while at the same time meeting the Authority's minimum investment balance of £10 million to satisfy the requirements under the Mifid II directive. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.19 Balance £m	Net Movement £m	30.9.19 Balance £m	30.9.19 Income Return %	30.9.19 Weighted Average Maturity Days
Banks & building societies (unsecured) Government (incl. local authorities) Money Market Funds	4.0 12.9 1.5	4.0 0.4 5.4	8.0 13.3 6.9	| 0.7% |	62 11 Overnight
Multi asset income Pooled Funds Property Pooled Funds	2.0 0.0	0.5 0.5	2.5 0.5	5.2%	NA NA
Total investments	**20.4**	**10.8**	**31.2**		

8.2 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority'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.

8.3 Credit risk associated with investments is managed by placing deposits with banks with a credit rating A- or above & keeping duration within advised levels (£8m), using Government backed counterparties (£13.3m) and by diversification within the investment instrument (£9.9m). The risk of low returns is managed by lending for longer durations (£4m) and strategic pooled funds (£3m).

8.4 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house including money market funds, excluding pooled funds

	Credit Score #	Credit Rating	Bail-in Exposure %	Weighted Average Maturity (days) *	Rate of Return %
31.03.2019	**3.84**	**AA-**	**35**	**36**	**0.69**
30.09.2019	**3.81**	**AA-**	**46**	**24**	**0.62**
Similar LAs	4.46	AA-	52	96	0.78
All LAs	4.28	AA-	62	28	0.83

Weighted average maturity # *Lower values are a higher credit worthiness

8.5 £3m of the Authority's investments are held in externally managed strategic pooled funds, either multi-asset or property based where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated an income return of £63,000 in the first 6 months of the year. Due to total capital losses of £45,000, the resultant total return was £18,000. £39,000 of these losses were due to the bid offer spread on units purchased in year in the property fund which is a one off loss at purchase date. Total capital gains of £46,000 were brought forward from 2018/19 in the Financial Instruments revaluation reserve which will absorb the total loss so far. Gains and losses going through this reserve will not affect the Council Fund until units are sold by which time it is probable that the losses from the bid/offer spread would have been reversed. The average return for these funds during the first 6 months was 3.4% total return made up of a 5.2% income return less a 1.8% capital loss (0.5% excluding the one off bid offer spread). The income return will be fed through the Council fund and can be used to support services.

8.6 Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down over months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates.

8.7 **Readiness for Brexit:** At the 30th September, the scheduled leave date for the UK to leave the EU was 31st October 2019 and there remained little political clarity as to whether a deal would be agreed by that date and there was a possibility that the exit date would be pushed back yet again. As 31st October approached the Authority ensured there were enough accounts open at UK-domiciled banks and Money Market Funds to hold sufficient liquidity required in the near term and that its account with the Debt Management Account Deposit Facility (DMADF) remained available for use in an emergency.

8.8 The Welsh Government is consulting on proposed changes to its Statutory Guidance on Local Government Investments to be effective from the 2020/21 financial year. This involves a complete re-write along the lines of the guidance issued last year by the Ministry of Housing, Communities and Local Government (MHCLG) for local authorities in England. The definition of investments is widened to include "all of the financial and non-financial assets a local authority has invested money into primarily or partially for the purpose of generating a surplus including investment property" providing it has been made using the power to invest contained in the Local Government Act 2003. In addition, loans to wholly-owned companies or associates, to a joint venture, or to a third party count as investments, irrespective of the purpose or legal power used. The deadline for responses to the consultation was 30th September.

9 NON-TREASURY INVESTMENTS

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.

9.2 At the 30th September, the Authority held £34m of such non-financial asset investments:

- Oak Grove Solar Farm £5.3m NBV
- Castlegate Business Park & service loan £7.7m NBV
- Newport Leisure Park & service loan £21.0m NBV

9.3 The rest of the Authority's Investment Properties have been held for over a decade and are retained purely for income or capital gain and at 31st March 2019 consisted of:

- Agricultural Properties £26.4m NBV
- Industrial Properties and Retail Units £2.7m NBV

9.4 These investments generated approximately £1m of investment income in 2018/19 for the Authority after taking account of direct costs. In comparison to the total expenditure budget for the Authority for 2019/20 of £161m, this net income is important but not highly significant. £50m of new investments in Commercial Property was approved by council for 2018/19-2020/21. So far £31m of this budget has been spent.

10 Treasury Performance

10.1 The Authority measures the financial performance of its treasury management activities in terms of its impact on the revenue budget as shown in table 6 below.

Table 6: Performance

Interest Payable	Forecast @ Month 6 £'000	2019/20 Budget £'000	Over/ (Under)	Explanation
PWLB	2,798	2,916	(118)	£50k - rate on variable rate PWLB loan is less than budgeted, £85k – budgeted loan used to fund Newport leisure park less £17k - additional LT loans taken out to reduce int rate risk
Market loans	652	652	0	On target
Short term loans	584	616	(32)	Better ST borrowing rates than budgeted
Total Interest payable on borrowing	**4,034**	**4184**	**(150)**	

Interest Receivable	Forecast @ Month 6 £'000	2019/20 Budget £'000	Over/ (Under)	Explanation
Invested cash short term	(111)	(85)	(26)	Increase in rates following increase in Bank of England base rate plus higher levels of cash investments held
Pooled Funds	(123)	(120)	(3)	About 4% return on investment
Finance lease income	(64)	0	(64)	Interest element of lease payments not budgeted
Income from Investments	**(298)**	**(205)**	**(93)**	
Net Over/ (Under)spend	**3,736**	**3,979**	**(243)**	

11 COMPLIANCE

11.1 The Chief Finance Officer reports that all treasury management activities undertaken during the reporting period complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

11.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 8 below.

Table 7: Debt Limits

	Maximum In period	30.9.19 Actual	2019/20 Operational Boundary	2019/20 Authorised Limit	Complied? Yes/No
Borrowing	180.1	180.1	189.7	220.0	**Yes**
PFI, Finance Leases & other LT liabilities	2.4	2.4	3.0	4.5	**Yes**
Total debt	**182.5**	**182.5**	**192.7**	**224.5**	**Yes**

11.3 Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Table 8: Investment Limits

Investment type	Half year Maximum	2019/20 Limit	Complied? Yes/No
Local Authorities per counterparty	nil	£2m or 10%	**Yes**
Banks per counterparty, rating A- or above	£2m	£2m	**Yes**
Money Market Funds	£2m	10% and £2m	**Yes**
Any group of strategic pooled funds under the same management	£1m	£2m	**Yes**
Limit per non-UK country	nil	£4m	**Yes**
Investments over 1 year	nil	£6m	**Yes**
Non-specified investments other than pooled funds	nil	£6m	**Yes**

12 TREASURY MANAGEMENT INDICATORS

12.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.

12.2 **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating / 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.

	30.9.19 Actual	2019/20 Target	Complied?
Portfolio average credit rating / score	AA-/3.84	A-/ 5.0	**Yes**

12.3 **Interest Rate Exposures**: This indicator informs the reader of the value of the impact of a 1% rise in interest rates on the revenue account for the 12 months starting the 30th September 2019 and compares that impact to that calculated when the treasury strategy was set. For the impact of a 1% fall in rates reverse the direction of the movement.

12.4 Please note that this indicator does not relate specifically to the 1% increase in PWLB rates noted in 4.9. This indicator relates mainly to short term loans or variable rate loans which the Authority currently acquires from the Market place rather than the PWLB. Our existing PWLB variable rate loan was not affected by the increase in rates although it could not be replaced at such a good rate through the PWLB at maturity.

Interest rate risk indicator	30.9.19 level	31/3/19 Level	+ve impact is punitive
Forecast impact on revenue over the next 12 months of a 1% rise in interest rates	**£316,000**	**£241,000**	**£75,000**

12.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates plus 1%. The punitive impact of £75,000 is mainly due to an increase in short term borrowing levels. Although not set as a limit, 10% of the Council fund balance, £690,000 is a useful comparator for this potential call on reserves.

12.6 To supplement this indicator, the treasury team also set a limit on the ratio of net variable rate debt to total net debt. £13.5m of PWLB variable rate debt is included in variable, whereas £13.6m of LOBO loans which could be called in under one year are classed as fixed as they are unlikely to be called and could be replaced with PWLB loans at a lower rate if this occurred.

Limit on net variable rate debt as a % of total net debt	Actual 30th September 2019 £m		Limit £m
	All debt & investments	Excluding debt for Property Investments	
Variable rate debt	81.4	80.4	
Variable rate investments #	28.2	28.2	
Net variable rate debt	53.2	52.2	
Fixed rate debt	98.8	68.8	
Fixed rate investments	0.0	0.0	
Net fixed rate debt	98.8	68.8	
% net variable rate debt to total net debt	**35.0%**	**43.1%**	**50%**

#This table excludes Strategic Pooled Fund investments as they do not contain significant interest rate risk

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

Refinancing risk indicator	Actual 30th Sept 2019 £m / %		Lower limit	Upper limit
Under 12 months – LOBO loans	£13.6	7.5%	0%	60%
Under 12 months – short term loans	£66.5	36.9%		
Under 12 months – maturing LT loans	£1.3	0.7%		
Under 12 months – variable rate LT loans	£13.5	7.5%		
12 months and within 24 months – other	£10.8	6.0%	0%	20%
24 months and within 5 years	£12.5	6.9%	0%	40%
5 years and within 10 years	£14.1	7.8%	0%	30%
10 years and above	£47.8	26.5%	0%	100%

12.8 Time periods start on the 30th September 2019. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

12.9 **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2019/20	2020/21	2021/22
Actual principal invested beyond year end	**£0m**	**£0m**	**£0m**
Limit on principal invested beyond year end	**£6m**	**£6m**	**£6m**
Complied?	**Yes**	**Yes**	**Yes**

13 OUTLOOK FOR THE REMAINDER OF 2019/20

13.1 The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased dramatically.

13.2 There appears no near-term resolution to the trade dispute between China and the US, a dispute that the US appears comfortable exacerbating further. With the 2020 presidential election a year away, Donald Trump is unlikely to change his stance.

13.3 Parliament appears to have frustrated UK Prime Minister Boris Johnson's desire to exit the EU on 31st October. The probability of a no-deal EU exit in the immediate term has decreased, although a no-deal Brexit cannot be entirely ruled out for 2019 and the risk of this event remains for 2020. The risk of a general election in the near term has, however, increased.

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

13.5 Our treasury advisor Arlingclose expects Bank Rate to remain at 0.75% for the foreseeable future but there remain substantial risks to this forecast, dependant on Brexit outcomes and the evolution of the global economy. Arlingclose also expects gilt yields to remain at low levels for the foreseeable future and judge the risks to be weighted to the downside and that volatility will continue to offer longer-term borrowing opportunities.

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Cas	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75