

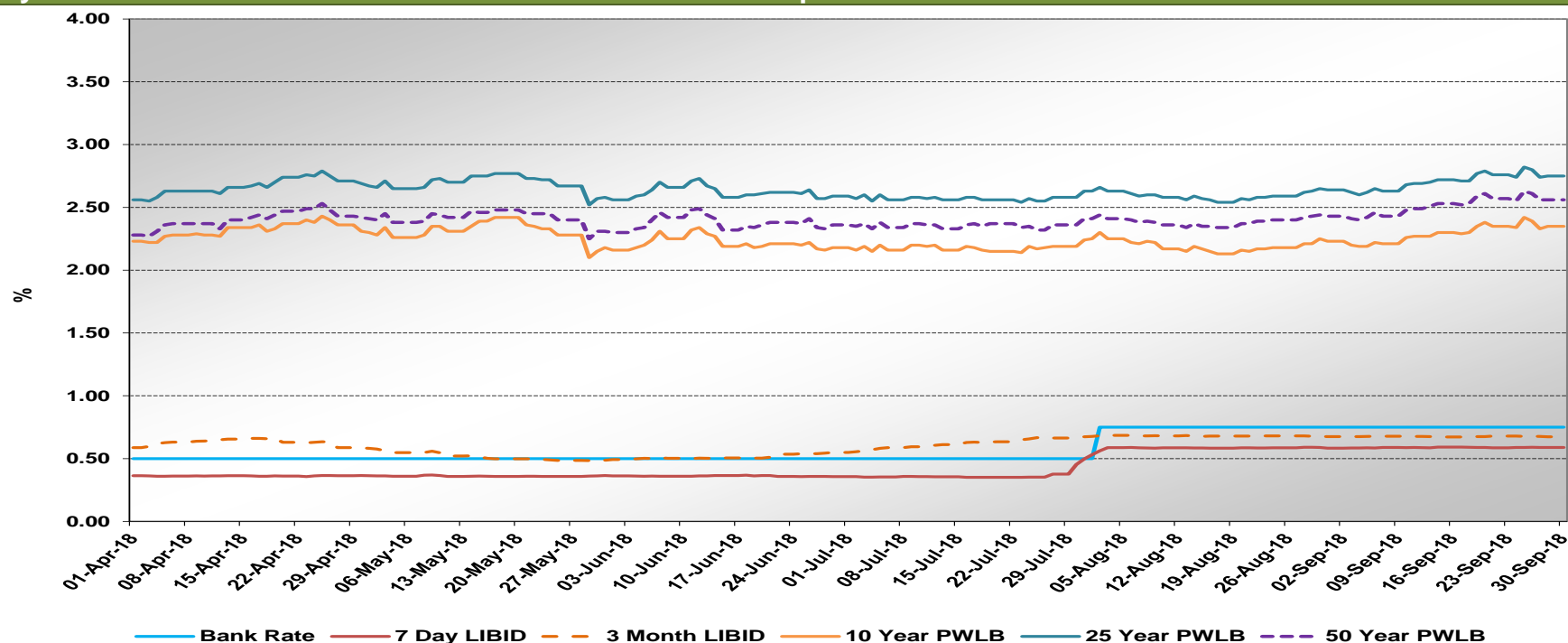
## Quarter 2 Treasury Management Bulletin Report at 30<sup>th</sup> September 2018 – Lincolnshire County Council

### Interest Rate Forecast at Time of Strategy 2018/19 – March 2018

**Short Term Rates:** 0.75% by March 2018

**Long Term Rates:** Up by 0.30% by March 2018

### Key Interest Rate Movement 2018/19 Over Period To 30<sup>th</sup> September 2018



### Key Economic Data

	Qtr 1	Qtr2	Annual Forecast	Direction of Travel
UK GDP	0.1%	0.4%	1.3%	Down
CPI Inflation	2.4%	2.7%	2.1%	Up
Base Rate	0.50%	0.75%	0.75%	Up



### Threats To Economy

- **Brexit negotiations at an impasse** – possible disruption to growth and rates increasing quicker than expected.
- **Break up of EU** - possible disruption to growth and rates increasing quicker than expected.
- **US tariff increases** – possible threat to world growth.

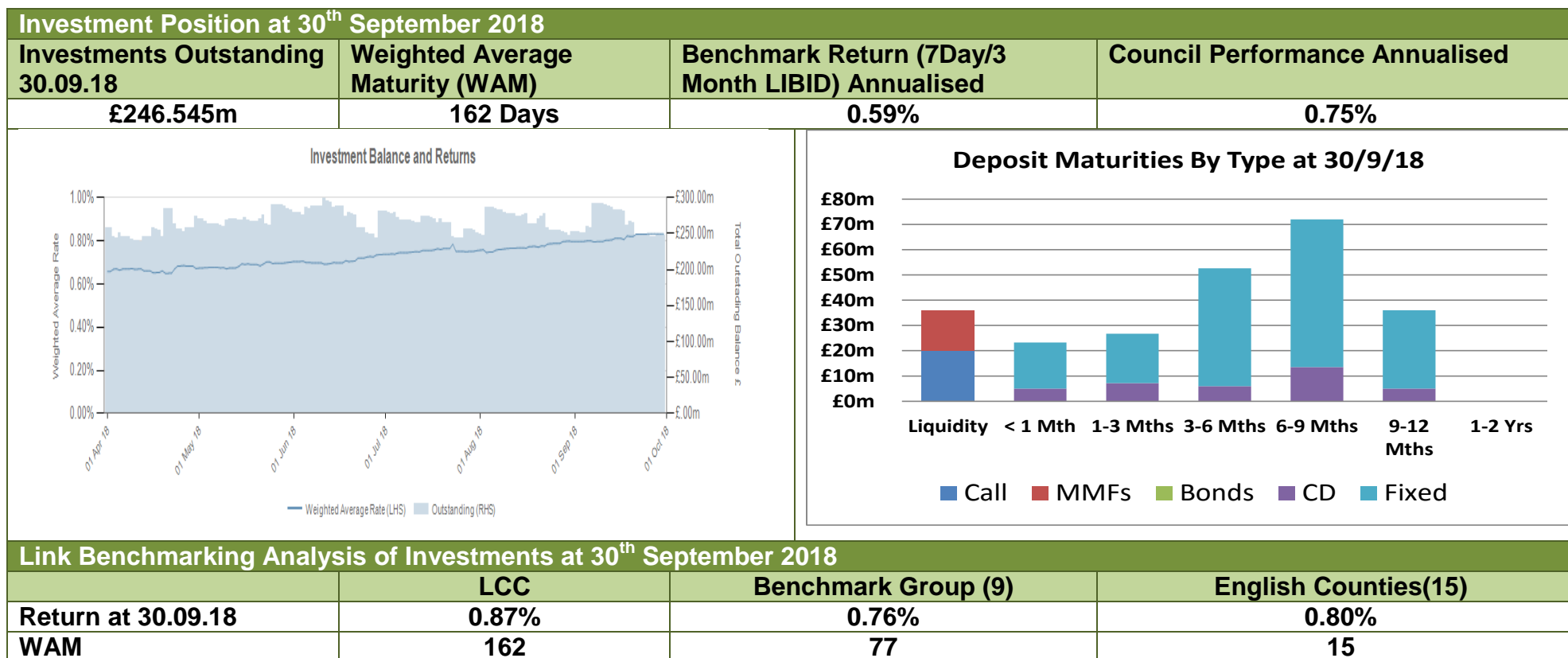
### Latest Interest Forecast from Link Asset Services- Nov 2018

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-21
Bank Base Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
12 Month LIBID	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
10 yr PWLB Rate	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25 yr PWLB Rate	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50 yr PWLB Rate	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

### Investment Strategy / Authorised Lending List Changes During Quarter 2 to 30.9.2018

Counterparty	Action	Reason
BNP Paribas	Increase Limit To £20m/365 Day from £15m/6 Mth	Improvement in Watch/Outlook Ratings
Departure from Lending List	£2m Investment with RBS Non Ring Fenced Bank no longer on Lending List matures on 27 <sup>th</sup> November 2018. No Concern	





### Temporary Borrowing for Liquidity Purposes at 30<sup>th</sup> September 2018

£5m temporary borrowing was outstanding at 30<sup>th</sup> September 2018, at an interest rate of 0.45%, held for liquidity purposes.



## Long Term Borrowing Position at 30<sup>th</sup> September 2018

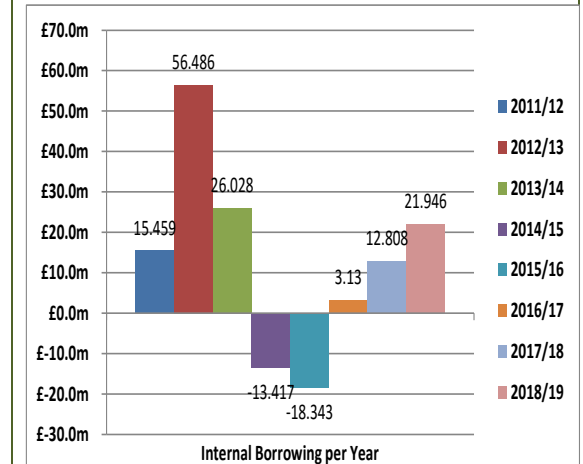
### External Borrowing Position 30/09/2018 and Forecast for 2018/19

Borrowing Position 1/4/2018	£461.391m	4.09%
Debt Repaid to 30/9/2018	-£ 24.820m	
<b>Borrowing Position 30/9/2018</b>	<b>£436.571m</b>	<b>4.12%</b>
Further action required in 2018/19:		
New Borrowing Requirement	£106.970m	
Further Debt Repayments	-£10.677m	
Projected Borrowing at 31/3/19	£532.864m	
Authorised Limit For External Debt	£651.751m	

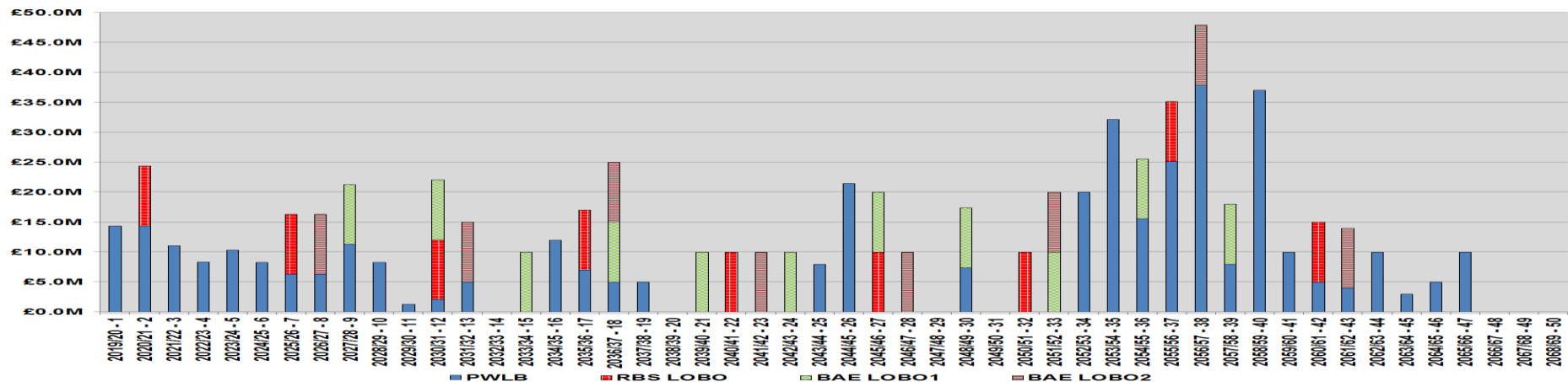
### Borrowing Requirement Position at 30/09/2018

Capital Programme Funded By:	£122.151m
Borrowing Requirement Less Internal Borrowing	£110.826m <u>(£21.946m)</u> £88.880m
Plus Maturing Debt in Excess of MRP	<u>£18.090m</u>
<b>Borrowing Requirement 2018/19</b>	<b>£106.970m</b>

### Internal Borrowing Position at 30/09/2018 –Total £106.97m



## Long Term Borrowing Maturity Profile At 30<sup>th</sup> September 2018 (External Borrowing)





### Prevailing Treasury Management Issues

Prudential Indicator Limits 2018/19	No Limits have been breached to 30 <sup>th</sup> September 2018
Capital Strategy	A requirement of the new Prudential Code 2017, this will pick up the affordability and risk profile of the non-treasury investment activity of the Council, including new Prudential Indicators for non-treasury investment and borrowing activity. It will be issued in line with the Budget Reporting Cycle for 2019/20.
International Financial Reporting Standard (IFRS) 9	Effective from 2018/19, it reclassifies financial assets held by the Council on its Balance Sheet, some of which will have to be held a fair value instead of historic cost, such as Money Market Funds, and introduces an Expected Credit Loss model. The Government have just announced a 5 Year Statutory Override to mitigate the impact of this new reclassification of Financial Assets on Councils accounts.
Treasury Management Member Training	Training will be provided for Members on Treasury Management, including the Capital Strategy, on 31 <sup>st</sup> January 2019, in the afternoon after the OSMB Meeting. This will be delivered with the help of Link Asset Services.



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