

TREASURY ACTIVITY FOR 2010/11

1 Loans

1.1 Loans outstanding as at 31/03/11

| | 31/03/10 Balance Outstanding £ | 31/03/11 Balance Outstanding £ | Movement In Year £ |
|------------------------------------|---|---|-----------------------------------|
| Public Works Loans Board | 2,208,733 | 2,044,438 | (164,295) |
| Over 1 year | 1,000,000 | 1,000,000 | - |
| "Disregarded" Debt | - | - | - |
| Temporary Loans 364 Days and under | - | 2,000,000 | 2,000,000 |
| | <u>3,208,733</u> | <u>5,044,438</u> | <u>1,835,705</u> |

1.2 Loans increased by £1,835,705. This increase is due to a short fall in cash available at the end of March. £2,000,000 was borrowed on 22nd March for ten days at an interest rate of 0.6% (repaid on 1st April). Total interest paid on the loan was £328.77. The reduction in PWLB is due to principal repayments and loans maturing.

1.3 Interest payments totaled £275,154. This is £57,193 less than the previous year and is due to the falling balance of outstanding debt. The average rate of interest paid on loans for the year was 7.842% for PWLB and 9.63% for other loans.

1.4 The standard policy for the year was to utilize capital receipts' rather than take out new borrowing. On occasions it was necessary to use the Council's overdraft facility for small amounts.

1.5 The overall borrowing limit for 2010/11, as required by the Prudential Code, was approved by Council on 25th February 2010 (minute 81). The Operational Boundary was £10.0M and the Authorised Limit was £15.0M. The Authorised limit was not exceeded during the year. The operational Boundary for 2011/12 is £6.0M with a £10M Authorised Limit.

1.6 The limits set for interest rate exposure were adhered to during the year.

2 Investments

2.1 The table below is a summary of where investments were held at the 31st March;

| | Investments At 31/03/10 £ | Investments At 31/03/11 £ |
|--------------------|--|--|
| Banks | 6,750,000 | 7,100,000 |
| Building Societies | 43,645,000 | 39,750,000 |
| Local Authorities | - | 1,000,000 |
| | <u>50,395,000</u> | <u>47,850,000</u> |

- 2.2 The balance of investments at year end was £47.85M The average daily balance for the year was £55.3M with balances varying between £46.2M and £61.0M.
- 2.3 £1.0M of interest was generated from investments during the year. This is slightly more than the estimated interest of £0.995M by £0.005M. The original estimate of £1.551M was revised down to £0.974M in the first quarter to take account of the sustained low base rate. Available rates picked up slightly in the second and third quarters so the estimate was revised back up to £0.995M.
- 2.4 Cash balanced were split between the two Cash Managers and the in house team. At the start of the year the Cash Managers each had £23M to invest with the balance invested by NHDC. The Cash Managers ended the year with £23M each. The tables below detail the total interest generated from investments during 1st April 2010 to the 31st March 2011 and average interest rates achieved.

| | Interest Accrued to 31 st March | Interest Rec'd March | Total Interest For Year |
|--------------|---|-------------------------|----------------------------|
| NHDC | 3,074 | 75,162 | 78,236 |
| Sterling | 138,250 | 333,482 | 471,732 |
| Tradition | 196,343 | 253,145 | 449,488 |
| Total | 337,667 | 661,789 | 999,456 |

| | Ave Int Rate Deals made in 1 st Qrt | Ave Int Rate Deals made in 2 nd Qrt | Ave Int Rate Deals made in 3 rd Qrt | Ave Int Rate Deals made in 4 th Qrt | Ave Int Rate for Year. |
|-----------|--|--|--|--|---------------------------|
| NHDC | 0.87 | 0.86 | 0.83 | 0.81 | 0.84 |
| Sterling | 1.47 | 1.77 | 2.26 | 1.52 | 1.72 |
| Tradition | 2.07 | 1.97 | 1.10 | 2.74 | 2.13 |

- 2.5 Sterling compare the average interest rate achieved against the average 3 Month LIBID rate. This was 0.6%. Commission charged by Sterling for the year was £11,500.
- 2.6 Tradition compare the average interest rate achieved against the average 7 Day Notice rate. This was 0.36%. Commission charged by Tradition for the year was £14,375.
- 2.7 NHDC manage the day to day cash flow of the Council. Investments are matched to expenditure and are usually for short periods of time. Sterling and Tradition are not constrained in the same way and are able to take advantage of higher longer term rates. This is reflected in the average interest rates achieved during the year.
- 2.8 The Bank of England base rate remained at 0.5% for the whole financial year.
- 2.9 The strategy of both Cash Managers was to spread the investments over a range of time periods. The logic being that when rates start to pick up, short-term investments could be converted into longer term and hence take advantage of higher rates.

- 2.10 Sterling achieved a higher level of interest than Tradition. Sterling didn't place any long term deals in the 1st quarter, £2.75M in the 2nd, £1.0M in the third and none in the 4th. In contrast, Tradition placed £2.0M long in the 1st quarter, £2.5M in the 2nd, none in the 3rd and £2.0M in the 4th.
- 2.11 Rates achieved depend greatly on timing and the maturity of deals. 364 day rates started the year at 1.3% and rose slightly during the year to 1.5% at the year end.
- 2.12 All investments were within the limits detailed in the Treasury Strategy Statement. Each Cash Manager placed deals longer than 364 days and none of the overall limits imposed with each institution were exceeded.

3 Cashflow

- 3.1 Precept payments made to Hertfordshire County Council and the Hertfordshire Police Authority were £62.88M. These were paid on time by 10 installments.
- 3.2 23 payments were made to the ODPM for Revenue Support Grant, National Non-Domestic Rates and Neighbourhood Renewal Fund. These totaled £27.0M.
- 3.3 There was a temporary blip to cash flow in the last couple of weeks of March when it was necessary to borrow £2million for 10 days to ensure there was adequate cash available to cover all payments. This was caused by two large contractor invoices falling to be paid in the same month when it had been expected in the cash forecast the invoices would be spread over the year.

4 2011/12

- 4.1 Council approved the 2011/12 Treasury Strategy on 11th Nov. 2010. This was amended on 10th February 2011 to increase the amount permitted to be invested for longer than 364 days from £15M to £20M.
- 4.2 The budgeted investment interest figure for 2011/12 is £1M. This is based on the Cash Managers achieving an average of 1.75% on new deals and in-house investments receiving 0.87%. The level of interest is dependent on capital receipts and any fluctuation in capital spend. The anticipated level of interest will be reviewed in the first quarter budget monitoring report.
- 4.3 The level of investments placed with Cash Managers will be reviewed during the year to ensure there are sufficient funds available in house to meet cashflow requirements.