

Treasury Management Activity for 2011/12 April - August

1 Introduction

- 1.1 This Treasury Statement details the activity of the Treasury function in the current financial year until the end of August.

2 Portfolio Position

- 2.1 Loans Outstanding as at 31/08/11

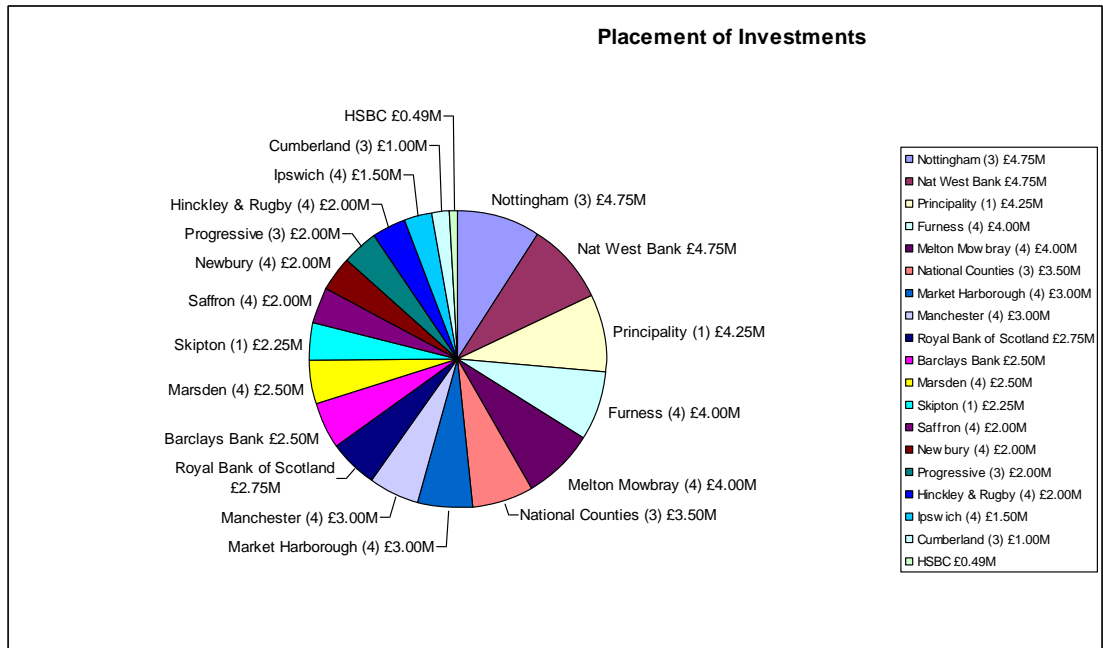
	Amount £	Average Interest Rate %	Cumulative Rate %
Public Works Loans Board	1,986,573	8.2019	8.8646
Over 1 year	1,000,000	10.1250	10.10
"Disregarded" Debt	-	-	-
Temporary Loans 364 Days and under	-	-	-
	<u>2,986,573</u>	<u>8.8458</u>	<u>8.5277</u>

- 2.2 Investments as at 31/08/11

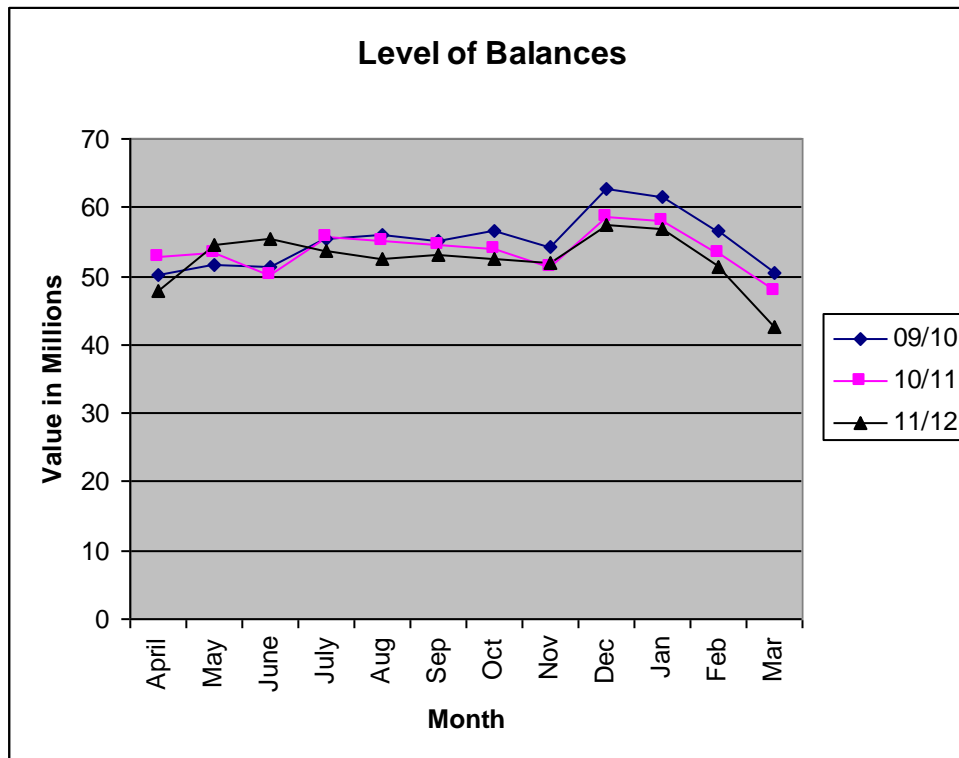
	Amount £	Average Interest Rate %
Managed by NHDC		
Banks	5,235,000	0.84
Building Societies	1,000,000	1.35
NHDC Total	6,235,000	1.34
Managed by Sterling		
Banks	2,750,000	1.75
Building Societies	20,250,000	2.27
Sterling Total	23,000,000	2.25
Managed by Tradition		
Banks	2,500,000	2.50
Building Societies	20,500,000	2.41
Tradition Total	23,000,000	2.41
TOTAL	<u>52,235,000</u>	<u>2.32</u>

- 2.2.1 The pie chart below shows the spread of investment balances as at 31st August. The figures shown are in millions whilst the figure in brackets denotes the value of the building societies total assets:

- (1) Building Societies with Assets over £4.5bn
- (2) Building Societies with Assets between £2.5bn - £4.5bn
- (3) Building Societies with Assets between £1.0bn - £2.5bn
- (4) Building Societies with Assets between £0.3bn - £1.0bn



2.2.2 The graph below shows the level of investment balances. As can be seen, the level of balances is falling each year, as the Council spends part of its 'usable' reserves, but the 'flow' follows a similar pattern year on year. The level is dependant on cashflow. The level of balances increased in June and December as no precept is paid to Herts County Council in those months.



3.0 Loans Received and Loans Repaid 1st April 2011 to 31st August 2011

3.1 Loans Received

No new loans were taken during the period.

3.2 Loans Repaid

Month	AMOUNT £	TERM	LENDER	RATE %
April	2,000,000	10 days	Skipton Bldg Soc	0.6
April	57	Annuity	PWLB	3.125
July	57,808	Annuity	PWLB	Various
	<u>2,057,865</u>			

3.2.1 The total of loan repayments during the year is £2,152,320. This is made up of the temp. loan of £2M which was borrowed to cover a shortfall in cash flow in March, and the balance is PWLB.

3.2.2 The table below shows the maturity profile for PWLB loans:

Maturing within	£	Average Rate %
Up to 1 Year	152,320	4.675
Over 1 but not over 2 Years	627,177	8.151
Over 2 but not over 5 Years	749,585	8.001
Over 5 but not over 10 Years	110,336	6.483
Over 10 but not over 15 Years	99,756	6.893
Over 15 but not over 20 Years	55,046	8.512
Over 20 but not over 25 Years	218	4.12
Over 25 but not over 30 Years	0	0.000
Over 30 but not over 35 Years	250,000	11.500
Total	<u>2,044,438</u>	

4 Interest Paid and Received 1st April 2011 to 31st August 2011

4.1 Interest Paid

4.1.1 The table below details interest paid to 31st August.

Lender	Date of Loan	Interest Paid	Int Rate %	Loan O/std 31/08/11 %
	£			
Skipton Building Soc	22/03/10	329	0.6	-
PWLB	Various	<u>34,377</u>	Various	<u>1,986,573</u>
		<u>34,706</u>		<u>1,986,573</u>

4.1.2 The total interest payable during the year is approximately £265,750. This is made up of £164,171 PWLB, £101,250 Lobo and £329 temp. loan.

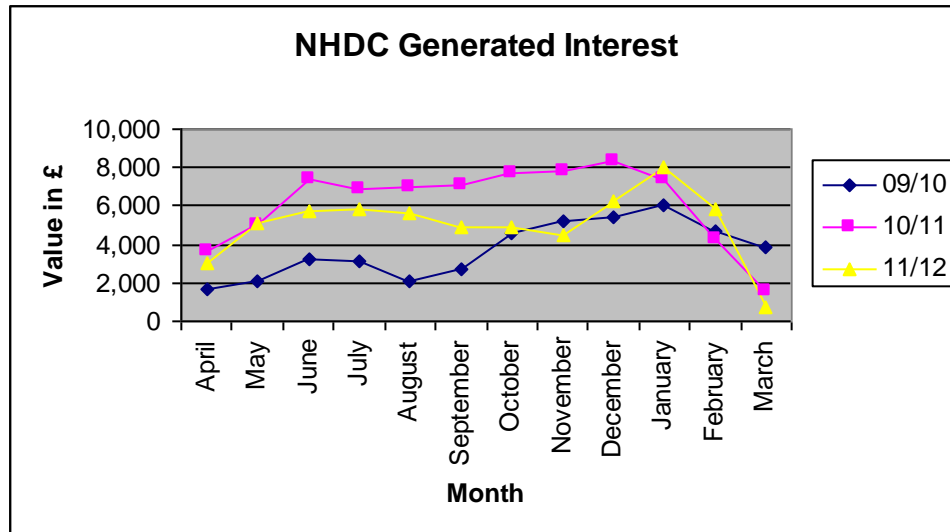
4.2 Interest Received

4.2.1 The tables below details the total interest generated from investments between 1st April 2011 and the 31st August 2011 and average interest rates.

	Interest Accrued to 31 st Aug	Interest Rec'd AUG
NHDC	3,338	22,071
Sterling	111,088	78,329
Tradition	145,708	72,052
Total	<u>260,134</u>	<u>172,452</u>

(Cabinet 27/09/11)

- 4.2.2 The graph below shows the level of interest generated from NHDC deals. The level of interest generated in house has fallen dramatically since 2008/09. This is attributable to a couple of factors. Interest rates have collapsed so where as the average interest rate achieved in house in 2008/09 was 4.92% the average rate for the first five months of the year in 2011/12 was 0.96%. This is coupled with a reduction in the level of balances available to invest which means deals can only be made for very short periods of time to meet cash flow requirement and hence these deals attract low interest rates.



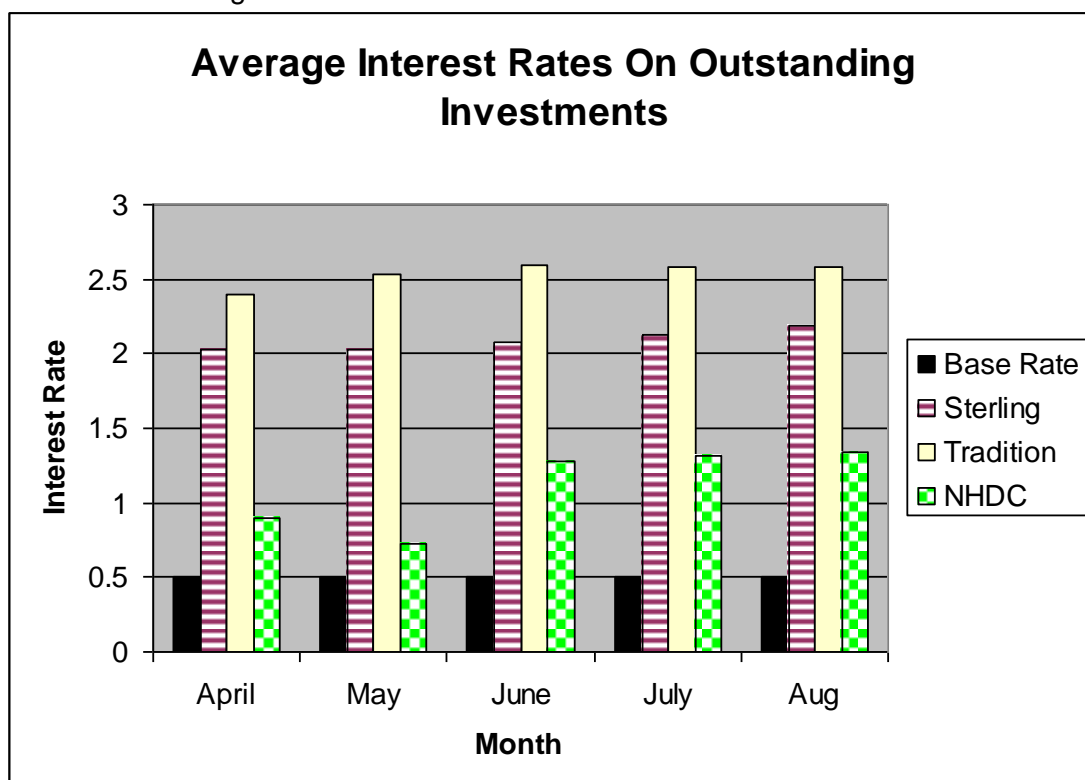
	Ave Int Rate
	Deals made
	April - Aug
	%
NHDC	0.96
Sterling	2.64
Tradition	2.26

- 4.2.3 Sterling compare the average interest rate achieved against the average 3 Month LIBID rate. This was 0.67%
- 4.2.4 Tradition compare the average interest rate achieved against the average 7 Day Notice rate. This was 0.4%.
- 4.2.5 NHDC manage the day to day cash flow of the Council. Investments are matched to expenditure commitments 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 rates when they arise. Thus NHDC being restricted to very short deals to meet the cashflow demands yield lower rates than longer deals. Interest rates remained constant during the first five months. The month rate stayed at 0.47%, the 6 month rate remained at 1.0% and the year rate was 1.5% for the five month period.
- 4.2.6 The Nat West Liquidity Call Account had an average balance of £5.56M during the first five months of the year, receiving 0.9% interest. As can be seen from the rates in 4.2.5 this is a competitive rate for short term funds. Therefore instead of placing investments on fixed term deposits, the majority of In House cash was placed on the Call account to achieve a better rate of interest.
- 4.2.7 The total interest generated from investments is expected to be in the region of £1.09M which is an increase of £0.088M on the original estimate. This is

(Cabinet 27/09/11)

mainly attributable to the cash managers achieving a higher level of interest on new deals than was budgeted. The original estimate was based on a rate of 1.75% for new deals but as can be seen in 4.2.2, Sterling have achieved 2.64% and Tradition 2.26%. The latest estimate is based on new Cash Manager deals having a rate of 2.0%.

- 4.2.8 The maximum value of investments placed for longer than 364 days is £20M. At the end of August, Sterling had £4.75M of investments with maturities longer than 364 days still to run. Tradition had £3.5M.
- 4.2.9 The total interest expected to be received in 2012/13 is approximately £0.86M. This has been calculated assuming the Cash Managers will get 1.75% on new deals.
- 4.2.10 Base rate started the year at 0.5% and has remained constant through the year so far. The graph below shows the average rate of interest on outstanding Investments.



- 4.2.11 As can be seen from the graph, the average rate of interest on outstanding investments for NHDC is consistently lower than that of the Cash Managers. This is because the investments made by NHDC during the year are to meet cash flow requirements and are therefore made for short periods. At present, rates in the shorter periods are lower than the longer periods. The Cash Managers have more long term investments and the turnover of investments is small in comparison to NHDC. The average rate for NHDC increased in June when £1M was invested for eight months at 1.35%.
- 4.2.12 Tradition's average rate has increased as maturing investments have been replaced with a higher interest rate.
- 4.2.13 Sterling's average rate rose towards the end of the period as maturing investments were replaced with longer term investments at a higher interest rate.

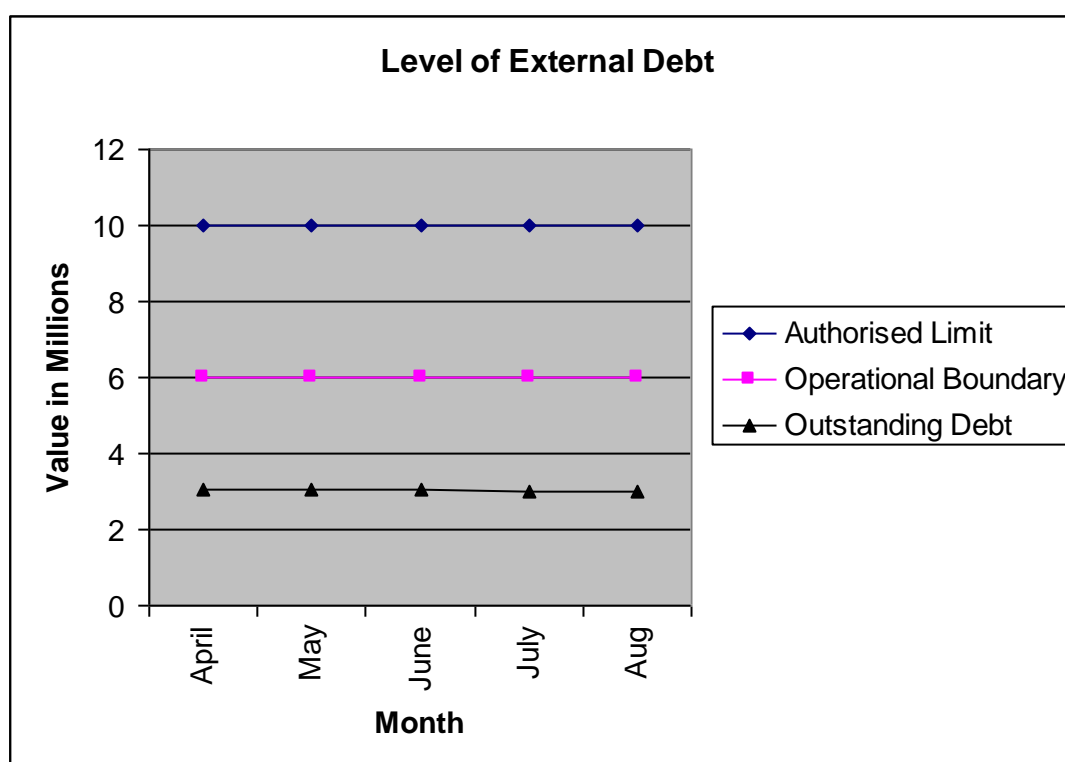
5 Treasury Limits and Financial Indicators

5.1 Authorised Limit and Operational Boundary

5.1.1 The Authorised Limit should reflect a level of borrowing which could be afforded but may not be sustainable. It is set to establish the outer boundary of the Authority's borrowing.

5.1.2 The Operational Boundary focuses on the day to day treasury management activity. It is a means by which the Authority manages its external debt to ensure that it remains within the Authorised Limit.

5.1.3 The graph below shows the Authorised Limit and the Operational Boundary as set at the start of the year and compares this to the level of debt outstanding throughout the first five months.



5.1.4 As can be seen from the graph, the level of debt is significantly lower than both the approved limits. This is because the limits were set to allow sufficient scope to borrow for Capital projects should the need arise. To date, there has not been a need to borrow any additional funds.

5 Operational Leasing

5.1 No operational lease agreements were entered into in the first five months.

6 Assessment

6.1 Each year treasury management is subject an audit review, for 2010/11 treasury management received a substantial to full level of assurance.