

## MID YEAR TREASURY MANAGEMENT MONITORING REPORT 2013/14

### 1. Capital Financing Requirement (CFR), External Debt and Operational Boundary

The CFR and Operational Boundary estimates are shown below:

Prudential Indicator	Opening Position 2013/14	Current Position	Forecast end of year
Capital Financing Requirement	£3.0m	£6.0m	£8.5m
<b>External Debt / The Operational Boundary</b>			
Long Term Borrowing	£10.0m	£6.0m	£10.0m
Short Term Borrowing	£3.0m	£0.0m	£3.0m

#### Limits to Borrowing Activity

The first key control over the treasury activity is a Prudential Indicator (PI) to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. As the Council is currently not debt free, this control will always need to be checked and confirmed that it is being met.

### 2. The Authorised Limit

This PI, which is required to be set and revised by Members, controls the overall level of borrowing and represents the limit beyond which borrowing is prohibited. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised Limit For External Debt	2013/14 Original Indicator	Current Borrowing Position	2013/14 Revised Indicator
Long & Short Term Borrowing	£13.0m	£6.0m	£13.0m

### 3. Interest Rate Movements and Expectations

The information relating to the interest rate movements and future expectations is shown within the Treasury Management Strategy Statement 2014/15 – 2016/17.

#### 4. Current Investment Position

This information is reported in the Members Information Bulletins. The Council held £45.4m of investments at 30 September 2013 and the list of investments and counterparties is shown below:

Sector	Country	Up To One Year
<b>Banks</b>	UK	£29.9m
<b>Building Societies</b>	UK	£2.0m
<b>Debt Management Office *</b>	UK	£13.5m

\* Includes £6.0m invested on behalf of Hertfordshire Local Enterprise Partnership (Growing Places Fund) for the Health Campus project.

#### List of Investments as at 30 September 2013:

Counterparty	Principal £
Clydesdale Bank	3,000,000
Co-Operative Bank	3,900,000
Deutsche Bank	3,000,000
Lloyds Bank	1,000,000
Lloyds Bank	2,000,000
Lloyds Bank	2,000,000
Nat West Bank	2,000,000
Nat West Bank	3,000,000
Nat West Bank	5,000,000
Santander Bank	5,000,000
Nationwide Building Society	2,000,000
Debt Management Office*	3,000,000
Debt Management Office*	3,000,000
Debt Management Office	3,000,000
Debt Management Office	4,500,000
<b>Total</b>	<b>45,400,000</b>

\* Includes £6.0m invested on behalf of Hertfordshire Local Enterprise Partnership (Growing Places Fund) for the Health Campus project.

The Council has no sums invested for greater than 364 days.

The revised budget position for investment income, on an accruals basis, is:

Investment Income	2013/14 Original Estimate	2013/14 Latest Estimate	2013/14 Revised Estimate
Interest Receivable	£0.270m	£0.270m	£0.200m

The following reports the current position against the benchmarks originally approved.

**5. Security**

The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, was set as follows:

0.01% Historic risk of default when compared to the whole portfolio.

Note: The benchmarks are an average risk of default measure, and would not constitute an expectation of loss against a particular investment. The benchmarks are embodied in the criteria for selecting cash investment counterparties and these will be monitored and reported to Members. As this data is collated, trends and analysis will be collected and reported. Where counterparty is not credit rated a proxy rating will be applied.

The Director of Finance can report that the investment portfolio was maintained within this overall benchmark during this year to date.

**6. Liquidity**

The Council set liquidity facilities / benchmarks to maintain:

- Bank overdraft - £0.5m;
- Liquid short term deposits of at least £2m available with a week's notice;
- Weighted Average Life benchmark is expected to be 0.5years, with a maximum of 10 years.

The Director of Finance can report that liquidity arrangements were adequate during the year to date.

**7. Yield**

Local measures of yield benchmarks are:

- Investments – returns 0.12% above average bank rate.

The Director of Finance can report that return up to 30 September 2013 averaged 0.56%, against a benchmark rate of 0.62%. The actual investment interest rate is therefore -0.06% (10%) below the benchmark rate.