
TREASURY MANAGEMENT ANNUAL REPORT AND OUTTURN
PRUDENTIAL INDICATORS 2011/12

SUMMARY REPORT

Purpose of the Report

1. This report provides important information regarding the regulation and management of the Council's borrowing, investments and cash-flow. It is a requirement of the Council's reporting procedures and covers treasury activity for 2011/12. The report also seeks approval of the Prudential Indicators results for 2011/12 in accordance with the Prudential Code.

Summary

2. The financial year 2011/12 again presented exceptional circumstances with regard to treasury management. Continued uncertainty in the aftermath of the 2008 financial crisis prolonged the extremely cautious approach, investments continued to be made only where there was low counterparty risk. For Darlington Borough Council this manifested itself in the continuing reliance on internal borrowing (reducing external investments and using the money to pay for capital expenditure rather than borrowing) This in turn had a positive effect on the MTFP's financing costs as investment rates are lower than borrowing rates.
3. However, new borrowing of £33.300M was taken for Housing Self-Financing, this comprised of ten new loans each of £3.330M for an average of 30years with an average fixed interest rate of 3.49%. One further loan of £4.750M was taken which replaced another loan maturing for the same amount.
4. During 2011/12 the Council complied with its legislative and regulatory requirements. The need for borrowing was only increased for capital purposes.
5. At 31 March 2012, the Council's external debt was £112.161M which includes £33.300M borrowed for Housing Self-Financing. The average interest rate of 3.22% paid on this debt remained the same as the previous year. Investments totalled £11.095M at 31st March 2012 (£19.390M at 31 March 2011) earning interest of 0.77% on short term investments and 1.74% on longer term investments.
6. Financing costs have been reduced during the year and a saving of £0.560M achieved from the original MTFP as a result of a mixture of reduced debt costs both principal and interest arising from the continued reliance on internal borrowing, the timing of capital expenditure and increased income from investments.

Recommendation

7. It is recommended that:
 - (a) The outturn 2011/12 Prudential Indicators within this report and those in **Appendix 1** be noted.
 - (b) The Treasury Management Annual Report for 2011/12 be noted.
 - (c) This report to be forwarded to Cabinet and Council, in order for the 2011/12 Prudential Indicators to be noted.

Reasons

8. The recommendations are supported by the following reasons:
 - (a) In order to comply with the Prudential Code for Capital Finance in Local Authorities.
 - (b) To inform members of the Performance of the Treasury Management function.
 - (c) To comply with the requirements of the Local Government Act 2003.

Paul Wildsmith
Director of Resources

Background Papers

1. Accounting Records
2. Annual Investment Strategy 2011/12
3. Prudential Indicators and Treasury Management Strategy Report 2011/12

Elaine Hufford : Extension 2447

S17 Crime and Disorder	This report has no implications for crime and disorder
Health and Well Being	There are no issues relating to health and wellbeing which this report needs to address
Carbon Impact	There are no issues relating to carbon impact
Diversity	There are no specific implications for diversity
Wards Affected	The proposals affect all wards
Groups Affected	The proposals do not affect any specific group
Budget and Policy Framework	The report does not change the Council's budget or Policy framework but needs to be considered by Council
Key Decision	This is not an Executive decision
Urgent Decision	This is not an Executive decision
One Darlington: Perfectly Placed	The proposals in the report support delivery of the Sustainable Community Strategy through appropriate and effective deployment of the Councils Resources
Efficiency	The report outlines movements in the national economic outlook that has enabled officers to take advantage of changing interest rates to benefit the Revenue MTFP.

MAIN REPORT

Information and Analysis

9. This report summarises:
 - (a) Capital expenditure and financing for 2011/12
 - (b) The Council's underlying borrowing need
 - (c) Treasury position at 31 March 2012
 - (d) Prudential indicators and compliance issues
 - (e) The economic background for 2011/12
 - (f) A summary of the Treasury Management Strategy agreed for 2011/12
 - (g) Treasury Management activity during 2011/12
 - (h) Performance and risk benchmarking
10. Throughout this report a number of technical terms are used, a glossary of terms can be found at the end of this report.

The Council's Capital Expenditure and Financing 2011/12

11. The Council undertakes capital expenditure on long term assets, which is financed either,
 - (a) immediately through capital receipts, capital grants, contributions and from revenue; or
 - (b) by borrowing.
12. Part of the Council's treasury activities is to address this borrowing need, either through borrowing from external bodies, or utilising temporary cash resources within the Council. The wider treasury activities also include managing the Council's cashflow, its previous borrowing activities and the investment of surplus funds. These activities are structured to manage risk foremost and then optimise performance.
13. Capital Expenditure forms one of the prudential indicators that are used to regulate treasury activity. The implementation of housing finance reform at the end of the year abolished the housing subsidy system financed by central government and, consequently, all housing debt has been reallocated nationally between housing authorities. The result of this reallocation is that this Council made a capital payment to the Department of Communities and Local Government (DCLG) of £33.300M and as a consequence will no longer pay annually into the subsidy system. Table 1 shows total capital expenditure and how this was financed, compared with what was expected to be spent and how this would have been financed. Actual expenditure was £7.998M less than planned, resulting in £2.513M less borrowing being required.

Table 1 – Capital Expenditure and Financing

	2010/11	2011/12		
	Outturn £m	Revised Estimate £m	Outturn £m	Variance £m
General Fund Capital Expenditure	19.219	22.956	17.966	-4.990
HRA Capital Expenditure	10.203	15.439	12.931	-2.508
HRA Self Financing		33.800	33.300	-0.500
Total Capital Expenditure	29.422	72.195	64.197	-7.998
Resourced by:				
Capital Receipts	1.240	1.303	0.361	-0.942
Capital Grants	17.484	23.080	19.196	-3.884
Capital Contributions	0.637	0.558	1.114	+0.556
Revenue	-	5.410	4.195	-1.215
Total Resources	19.362	30.351	24.866	-5.485
Borrowing needed to finance 2011/12 expenditure	10.061	41.844	39.331	-2.513

The Council's Underlying Borrowing Need

14. The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). The figure is a gauge for the Council's debt position. It represents 2011/12 and prior years net capital expenditure which has not yet been paid for by revenue or other resources.
15. The General Fund element of the CFR is reduced each year by a statutory charge to the revenue accounts called the Minimum Revenue Provision (MRP). The total CFR can also be reduced each year through a Voluntary Revenue Provision (VRP).
16. The Council's CFR for the year is shown in table 2 below, and represents a key prudential indicator. The CFR outturn for 2011/12 is £2.544M below the approved indicator.

Table 2 - Capital Financing Requirement

	2010/11	2011/12		
	Outturn £m	Approved Indicator £m	31 March Actual £m	Variance £m
Opening Balance	136.070	141.561	141.561	
Add Capital Expenditure financed by borrowing	10.061	8.044	6.031	-2.013
Add Housing Self Financing		33.800	33.300	-0.500
Add adjustment for the inclusion of on balance sheet leases under IFRS	1.851			
Less MRP / VRP Including PFI and Leases	-6.421	-6.097	-6.128	-0.031
		-		
Closing balance	141.561	177.308	174.764	-2.544

Treasury Position at 31 March 2011

17. Whilst the measure of the Council’s underlying need to borrow is the CFR, the Director of Resources can manage the Council’s actual borrowing position by:
- (a) borrowing to the CFR level; or
 - (b) choosing to utilise some temporary cash flows instead of borrowing (“under borrowing”); or
 - (c) borrowing for future increases in CFR (borrowing in advance of need, the “over borrowed” amount can be invested).
18. The financial reporting practice that the Council is required to follow (the Statement of Recommended Practice (SORP)), changed in 2007/08. Financial instruments (borrowing and investments etc) must now be reported in the Statement of Accounts in accordance with national Financial Reporting Standards. The figures in this report are based on actual amounts borrowed and invested and so will differ from those in the Statement of Accounts.
19. The Council’s total debt outstanding at 31 March 2012 was £112.161M which includes £33.300M for Housing Self financing. In addition to this a liability of £21.864M relating to the PFI scheme and Finance Leases brings the total to £134.025M. The Council’s revised CFR position was estimated to be £177.308M however the actual out turn position was slightly lower at £174.764M. When comparing this to our actual borrowing of £134.025M this meant that the Council was “under borrowed” by £40.739M this “under borrowed” amount was financed by internal borrowing i.e. the amount invested externally was reduced to cover this. The treasury position at the 31 March 2012, including investments compared with the previous year is shown in table 3 below.

Table 3 – Summary of Borrowing and Investments

Treasury Position	31 March 2011		31 March 2012	
	Principal £m	Average Rate %	Principal £m	Average Rate %
Fixed Rate Debt Market and Public Works Loan Board (PWLB)	80.860	3.22	112.161	3.22
Total Debt	80.860	3.22	112.161	3.22
Cashflow Investments	13.390	0.97	3.095	0.77
Capital Investments	6.000	1.79	8.000	1.74
Total Investments	19.390		11.095	
Net borrowing position	61.470		101.066	

Prudential Indicators and Compliance Issues

20. Some prudential indicators provide an overview while others are specific limits on treasury activity. These indicators are shown below:
21. **Net Borrowing and the CFR** – Over the medium term the Council’s external borrowing, net of investments, must only be for capital purposes. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2011/12 plus the expected changes to

the CFR over 2012/13 and 2013/14. Table 4 highlights the Council's net borrowing position against CFR. The Council has complied with this prudential indicator.

Table 4 – Net Borrowing Compared with CFR

	31 March 2011 Actual £m	31 March 2012 Approved Indicator £m	31 March 2012 Actual £m
Net Borrowing Position	61.470	99.860	101.066
CFR Excluding PFI & leases	117.472	155.410	152.899
CFR	141.561	177.308	174.764

22. **The Authorised Limit** – The Authorised Limit is the “Affordable Borrowing Limit” required by section 3 of the Local Government Act 2003. The Council does not have power to borrow above this level.
23. **The Operation Boundary** – The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary are both acceptable, subject to the Authorised Limit not being breached.
24. **Actual financing costs as a proportion of net revenue expenditure** - This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue expenditure.

Table 5 – Key Prudential Indicators

	Actual 2010/11 £M	Original Approved Limits 2011/12 £M	Revised Approved Limits 2011/12 £M	Actual Total Liabilities Borrowing + PFI/ leases 2011/12 £M
Approved Indicator – Authorised Limit	126.717	128.362	150.368	
Approved Indicator – Operational Boundary	104.883	116.693	136.698	134.025
Financing costs as a percentage of net revenue expenditure	4.21%	4.68%	4.13%	4.12%

25. At 31 March 2012 the total liabilities of £134.025M were below both the Authorised Limit and the Operational Boundary.
26. A further six prudential indicators are detailed in **Appendix 1**.

Economic Background for 2010/11

27. A summary of the general economic conditions that have prevailed through 2011/12 provided by Sector, the Council's treasury management advisors is attached at **Appendix 2**.

Summary of the Treasury Management Strategy agreed for 2011/12

28. The revised Prudential Indicators anticipated that during 2011/12 the Council would need to borrow £8.044M to finance part of its capital programme.
29. The Annual Investment Strategy stated that the use of specified (usually less than 1 year) and non-specified (usually more than 1 year) investments would be carefully balanced to ensure that the Council has appropriate liquidity for its operational needs. In the normal course of the Council's business it is expected that both specified and non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.
30. Longer term instruments (greater than one year from inception to repayment) will only be used where the Council's liquidity requirements are safeguarded. An estimate of long term investments (over 1 year) were included in the report on the Prudential Indicators update these were as follows £10M for 2011/12, £10M for 2012/13 and £10M for 2013/14. However in view of the prevailing interest rates and counterparty risk no investments were made for longer than 1 year.

Treasury Management Activity during 2011/12

Debt Position

31. **Borrowing** – Ten new loans each of £3.330M totalling £33.300M were taken to cover our payment to the Department for Communities and Local Government (DCLG) for Housing Self Financing. These were fixed rate PWLB Loans for 25 to 35 years with an average rate of interest rate of 3.49%.
32. **Rescheduling** – No loans were rescheduled during 2011/12.
33. **Repayment** - 2 loans totalling £6.750M were due for repayment during 2011/12, one loan of £4.750M was replaced with a fixed PWLB loan for 10 years at an interest rate of 3.19%.
34. **Summary of Debt Transactions** – The overall position of the debt activity resulted in no change to the average consolidated interest rate of 3.22% compared to the previous year.

Investment Position

35. **Investment Policy** – the Council's investment policy for 2011/12 is governed by the DCLG Guidance which has been implemented in the annual investment strategy for 2011/12 approved by Council on 3 March 2011.
36. The investment activity during the year conformed to the approved Strategy and the Council had no liquidity difficulties.
37. Investments held by the Council consist of temporary surplus balances, capital receipts and other funds.

Table 6 - Temporary Surplus Cash Balances

	Original Budget 2011/12	Approved Revised Budget 2011/12	Actual 2011/12
Monthly Average level of Investments	£16.600M	£15.000M	£15.200M
Average Rate of Return on Investment	1%	0.67%	0.77%
Interest Earned	£0.166M	£0.100M	£0.117M

Table 7 - Capital Receipts and Funds

	Original Budget 2011/12	Approved revised Budget 2011/12	Actual 2011/12
Monthly Average level of Investments	£10.00M	£10.000M	10.125M
Average Rate of Return on Investment	1.8%	1.00%	1.74%
Interest Earned	£0.180M	£0.100M	£0.177M

38. In addition to the above further investment income was due from Durham County Council relating to the Council's holding in Newcastle International Airport Ltd (NIAL), which was transferred from Durham County Council towards the end of 2003/04. NIAL has not declared a dividend for 2011 however £9,787 is due to Darlington Borough Council for interest on loans relating to 2011/12.

Performance and Risk Benchmarking

39. A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance and these are shown in **Table 10**. Discrete security and liquidity benchmarks are new requirements to the member reporting. These were first set in the Treasury Strategy report of the 25th February 2010.
40. The following reports the current position against the benchmarks originally approved.
41. Security – The Council's maximum security risk benchmarks for the current portfolio of investments, when compared to historic default tables was set as follows:
- 0.077% historic risk of default when compared to the whole portfolio**
42. The investment portfolio was maintained within this overall benchmark during this year to date as shown in **Table 8**.

Table 8

Maximum	Benchmark 2011/12	Actual June 2011	Actual August 2011	Actual October 2011	Actual March 2012
Year 1	0.077%	0.006%	0.006%	0.006%	0.005%
Year 2	0.056%	0.000%	0.000%	0.000%	0.000%
Year 3	0.077%	0.000%	0.000%	0.000%	0.000%

43. The counterparties that we use are all high rated therefore our actual risk of default based on the ratings attached to counterparties is virtually nil.

44. Liquidity – In respect of this area the Council set liquidity facilities/ benchmark to maintain

- (a) Bank Overdraft £0.500M/
- (b) Liquid short term deposits of at least £3.000M available within a weeks notice.
- (c) Weighted Average Life benchmark is expected to be 0.4 years with a maximum of 1years.

45. Liquidity arrangements have been adequate for the year to date as shown in Table 9.

Table 9

	Benchmark	Actual June 2011	Actual August 2011	Actual October 2011	Actual March 2012
Weighted Average life	0.4 to 1 years	0.29 years	0.18 years	0.36 years	0.35 years

46. This is a new benchmark that may need to be adjusted over time and depending on the economic financial outlook. It was set expecting that some investments would be made for more than 1 year, but because of the current economic climate new investments are just being made up to 1 year so the actual weighted average life is lower than expected.

47. The Council are at present holding some investments in Money Market Funds, which allow withdrawal without notice, these are currently paying above base rate these reduce the weighted average life of our investments without sacrificing yield.

48. Yield - In respect of this area performance indicators relating to interest rates for borrowing and investments were set with reference to comparative interest rates. For borrowing, the indicator is the average rate paid during the year compared with the previous year. Investment rates are compared with a representative set of comparative rates.

Table 10 – Performance Compared With Indicators

Borrowing	Average overall rate paid compared to previous years	2010/11 3.22%	2011/12 3.22%
Investments		Average comparative rates	DBC
Short term	Cash flow investment rate returned against comparative average rate	0.39%	0.77%
Long term	Capital investment rate returned against comparative average rates	1.10%	1.74%
Comparative rates used to compare DBC performance:			
-		Short Term Investments	Long Term Investments
Comparative Rates			
Local Authority 2 day rate		0.35%	
Local Authority 7 day rate		0.35%	
Local Authority 6 month rate			1.17%
Local Authority 12 month rate			1.66%
London Inter Bank Bid (LIBID) 7 day rate		0.48%	0.48%
Average		0.39%	1.10%

49. As can be seen from the table, the actual investment rate achieved for both short and longer term investments exceeds the average of comparative rates for both short term and longer term investments. This is essentially because a number of our investments were placed when interest rates have been higher.

Risk

50. The Council’s treasury management activities are regulated by a variety of professional codes, statutes and guidance:-

- (a) The Local Government Act 2003(the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity.
- (b) The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2011/12).
- (c) Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act.
- (d) The SI requires the Council to undertake any borrowing activity with regard to the CIFPA Prudential Code for Capital Finance in Local Authorities.
- (e) The SI also requires the Council to operate the overall treasury function with regard to the CIPFA code of Practice for Treasury Management in Public Services.

- (f) Under the Act the Department for Communities and Local Government has issued Investment Guidance to structure and regulate the Council's investment activities.
- (g) Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8 November 2007.

51. The Councils Treasury Management function has complied with all of the relevant statutory and regulatory requirements, which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable and its treasury practices demonstrate a low risk approach.
52. Officers of the Council are aware of the risks of passive management of the treasury portfolio and, with the support of Sector the Council's advisers, have proactively managed the debt and investments over the year.

Treasury Management Budget

53. There are three main elements within the Treasury Management Budget :-
- (a) Long Term capital investments interest earned – a cash amount of £10.125M which earns interest and represents the Council's revenue and capital balances, unused capital receipts, reserves and provisions.
 - (b) Cashflow interest earned – since becoming a unitary council in 1997, the authority has consistently had positive cashflow. Unlike long term capital investments it does not represent any particular sum but it is the consequence of many different influences such as receipts of grants, the relationship between debtors and creditors, cashing of cheques and payments to suppliers.
 - (c) Debt servicing costs – This is the principal and interest costs on the Council's long term debt to finance the capital programme.

Table 11 Changes to the treasury Management Budget 2011/12

	£M	£M
Original Treasury Management Budget 2011/12		3.970
Less Reduced Repayment of Principal	-0.312	
Less Reduced interest payments made on debt	-0.300	-0.612
Add reduced interest from Investments (See Tables 6 and 7)		+0.052
Outturn Treasury Management Budget 2011/12		3.410

Conclusion

54. The Council's treasury management activity during 2011/12 has been carried out in accordance with Council Policy and within legal limits. Financing costs have been reduced during the year and a saving of £0.560M achieved from the original MTFP this is as a result of a number of actions taken throughout the year to manage the financing costs in the changing economic climate.

Outcome of Consultation

55. No formal consultation has been undertaken regarding this report.

Additional Prudential Indicators not reported in the body of the report

		2010/11 Actual	2011/12 Approved Indicator	2011/12
1	Incremental impact of capital investment decisions on the Band D Council tax	£0.15	Nil	Nil
2	Incremental impact of capital investment decisions on the housing rent levels	Nil	Nil	Nil
3	Upper limits on fixed interest rates (<i>against maximum position</i>)	80%	100%	93%
4	Upper limits on variable interest rates (<i>against maximum position</i>)	25%	40%	7%
5	Maturity structure of fixed rate borrowing (<i>against maximum position</i>)			
	Under 12 months	8%	25%	1%
	12 months to 2 years	7%	40%	6%
	2 years to 5 years	4%	60%	-
	5 years to 10 years	0%	80%	4%
	10 years and above	81%	100%	89%
6	Maximum Principal funds invested greater than 364 days	£0.0M	£10M	£0.0M

The Economic Background 2011/12

Sovereign Debt Crisis

1. 2011/12 was the year when financial markets were apprehensive, fearful of the potential of another Lehman's type financial crisis, prompted by a precipitous Greek Government debt default. At almost the last hour, the European Central Bank (ECB) calmed market concerns of a liquidity crisis among European Union (EU) banks by making available two huge three year credit lines, totalling close to €1 trillion at 1%. This also provided a major incentive for those same banks to then use this new liquidity to buy EU sovereign debt yielding considerably more than 1%.
2. A secondary benefit of this initiative was the bringing down of sovereign debt yields, for the likes of Italy and Spain, below unsustainable levels. The final aspects in the calming of the EU sovereign debt crisis were two eleventh hour agreements: one by the Greek Government of another major austerity package and the second, by private creditors, of a "haircut" (discount) on the value of Greek debt that they held, resulting in a major reduction in the total outstanding level of Greek debt. These agreements were a prerequisite for a second EU/IMF bailout package for Greece which was signed off in March.
3. Despite this second bailout, major concerns remain that these measures were merely a postponement of the debt crisis, rather than a solution, as they did not address the problem of low growth and loss of competitiveness in not only Greece, but also in other EU countries with major debt imbalances. These problems will, in turn, also affect the financial strength of many already weakened EU banks during the expected economic downturn in the EU. There are also major questions as to whether the Greek Government will be able to deliver on its promises of cuts in expenditure and increasing tax collection rates, given the hostility of much of the population. In addition, an impending general election in May 2012 will deliver a democratic verdict on the way that Greece is being governed under intense austerity pressure from the northern EU states.

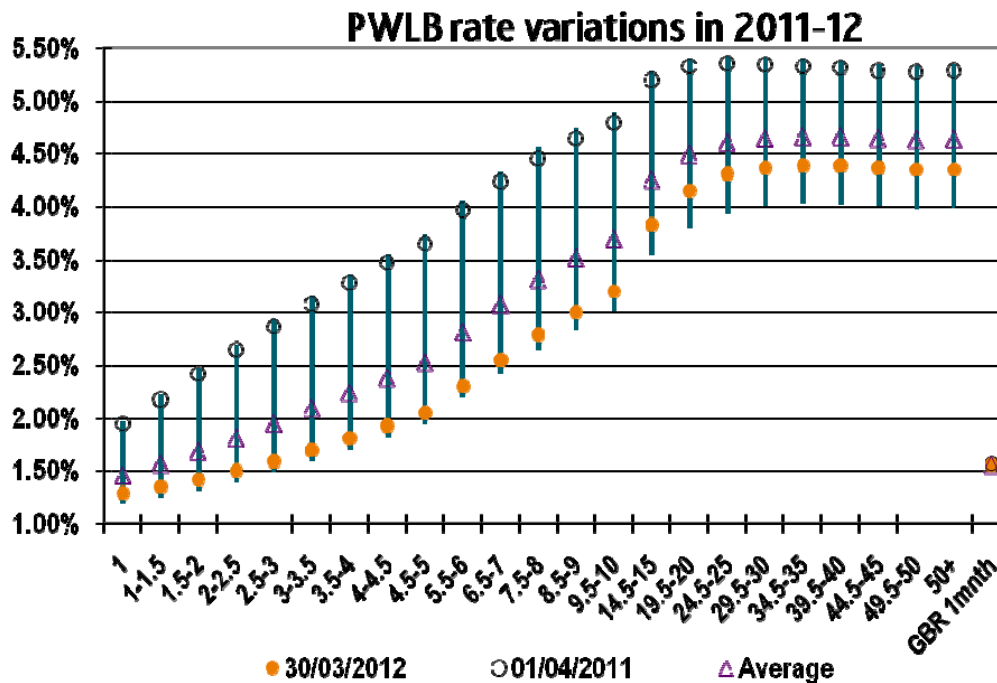
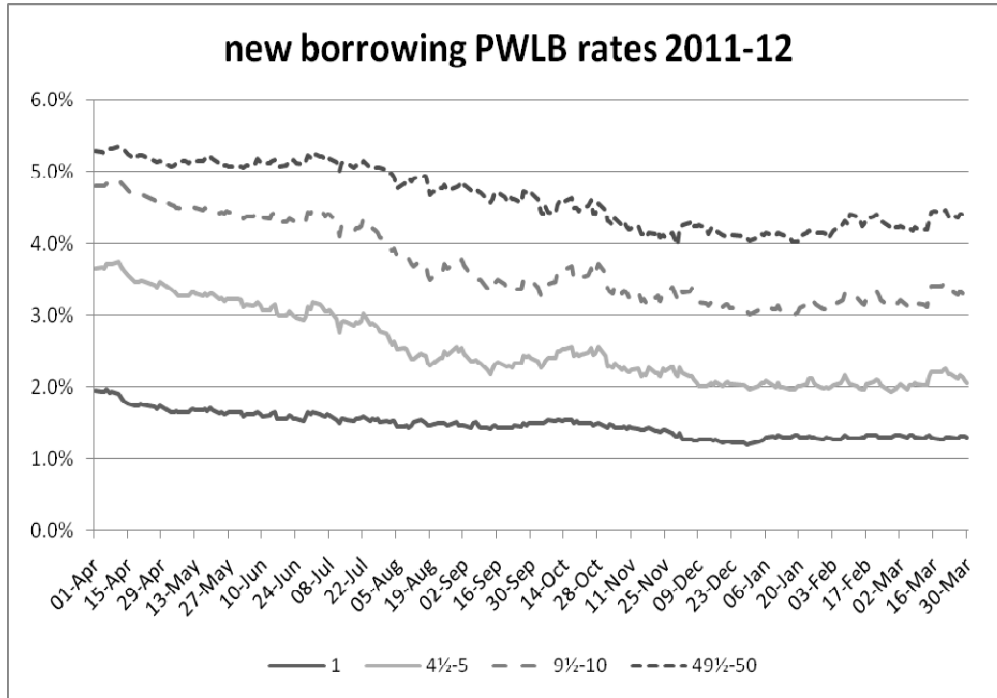
UK Economy

4. The UK coalition Government maintained its tight fiscal policy stance against a background of warnings from two credit rating agencies that the UK could lose its AAA credit rating. Key to retaining this rating will be a return to strong economic growth in order to reduce the national debt burden to a sustainable level, within the austerity plan timeframe. The USA and France lost their AAA ratings from one rating agency during the year.
5. UK growth proved mixed over the year. In quarter 2, GDP growth was zero, but then quarter 3 surprised with a return to robust growth of 0.6% q/q before moving back into negative territory (-0.3%) in quarter 4. The year finished with prospects for the UK economy being decidedly downbeat due to a return to negative growth in the EU in quarter 4, our largest trading partner, and a sharp increase in world oil prices caused by Middle East concerns. However, there was also a return of some economic optimism for growth outside the EU and dovish comments from the major western central banks: the Fed in America may even be considering a third dose of quantitative easing to boost growth.

6. UK CPI inflation started the year at 4.5% and peaked at 5.2% in September. The fall out of the January 2011 VAT increase from the annual CPI figure in January 2012 helped to bring inflation down to 3.6%, finishing at 3.5% in March. Inflation is forecast to be on a downward trend to below 2% over the next year.
7. The Monetary Policy Committee agreed an increase in quantitative easing (QE) of £75bn in October on concerns of a downturn in growth and a forecast for inflation to fall below the 2% target. QE was targeted at further gilt purchases. The MPC then agreed another round of £50bn of QE in February 2012 to counter the negative impact of the EU debt and growth crisis on the UK.
8. Gilt yields fell for much of the year, until February, as concerns continued building over the EU debt crisis. This resulted in safe haven flows into UK gilts which, together with the two UK packages of QE during the year, combined to depress PWLB rates to historically low levels.
9. Bank Rate was unchanged at 0.5% throughout the year while expectations of when the first increase would occur were steadily pushed back until the second half of 2013 at the earliest. Deposit rates picked up in the second half of the year as competition for cash increased among banks.
10. Risk premiums were also a constant factor in raising money market deposit rates for periods longer than 1 month. Widespread and multiple downgrades of the credit ratings of many banks and sovereigns, continued Euro zone concerns, and the significant funding issues still faced by many financial institutions, meant that investors remained cautious of longer-term commitment.

Borrowing Rates in 2011/12

11. PWLB borrowing rates - the graphs and table for PWLB maturity rates below show, for a selection of maturity periods, the high and low points in rates, the average rates, spreads and individual rates at the start and the end of the financial year.



PWLB BORROWING RATES 2011/12 for 1 to 50 years									
	1	1.5-2	2.5-3	3.5-4	4.5-5	9.5-10	24.5-25	49.5-50	1 month variable
01/04/2011	1.950%	2.420%	2.870%	3.280%	3.650%	4.800%	5.360%	5.280%	1.570%
31/03/2012	1.290%	1.420%	1.590%	1.810%	2.050%	3.200%	4.310%	4.350%	1.560%
HIGH	1.970%	2.470%	2.930%	3.350%	3.730%	4.890%	5.430%	5.340%	1.590%
LOW	1.190%	1.320%	1.500%	1.710%	1.940%	3.010%	3.940%	3.980%	1.560%
Average	1.466%	1.693%	1.958%	2.243%	2.533%	3.702%	4.610%	4.635%	1.561%
Spread	0.780%	1.150%	1.430%	1.640%	1.790%	1.880%	1.490%	1.360%	0.030%
High date	06/04/2011	06/04/2011	06/04/2011	06/04/2011	11/04/2011	11/04/2011	11/04/2011	11/04/2011	05/04/2011
Low date	29/12/2011	30/12/2011	30/12/2011	27/02/2012	27/02/2012	30/12/2011	18/01/2012	30/11/2011	15/04/2011

Glossary of Terms

Specified Investments	Investments in Banks and Building Societies with a high credit rating for periods of less than 1 year
Non-Specified Investments	Investments in un rated Building Societies and any investments in Banks and Building Societies for more than 1 year.
Operational Liquidity	Working Cashflow
Capital Financing Requirement	The authority's underlying need to borrow for capital purposes
Authorised Limit	Maximum amount of borrowing that could be taken in total.
Operational Boundary	The expected amount of borrowing assumed in total.
PWLB	Public Works Loan Board. The Governments lending body to Local Authorities
Discount	Amount payable by the PWLB when loans are repaid if the current loan rate is less than the rate borne by the original debt
Yield Curve	Is a graph that shows the relationship between the interest rate paid and length of time to repayment of a loan.