

POLICY & RESOURCES CABINET BOARD

11th NOVEMBER 2010

FINANCE & CORPORATE SERVICES

**REPORT OF THE HEAD OF FINANCIAL SERVICES
– H. JENKINS**

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SECTION A – MATTERS FOR DECISION

ITEM 1

EXTENSION TO BANK CONTRACT

1. Purpose of Report

The purpose of this report is to obtain Members approval to extend the Council's bank contract from 31st March 2011 to the end of January 2012.

2. Background

The Welsh Purchasing Consortium is entering into a framework arrangement for banking services for the 16 local authorities for completion in early 2011. This will allow the Council to carry out a mini tender exercise with approved institutions in compliance with OJEU requirements.

3. Proposal

In order to benefit from this substantial piece of work, it is proposed that the existing bank contract with Santander Bank (previously Alliance & Leicester) be extended from March 2011 to January 2012. The new contract will then commence during January 2012.

4. Recommendation

It is recommended that Members approve the extension of the existing bank contract with Santander Bank to January 2012.

Reason for Proposed Decision

To formally extend the existing contract.

List of Background Papers

Bank Contract files

Wards Affected

All

Officer Contact

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COMPLIANCE STATEMENT

EXTENSION OF BANK CONTRACT

Implementation of Decision

The decision is proposed for implementation after the three-day call in period.

Sustainability Appraisal

Community Plan Impacts

Economic Prosperity	-	neutral
Education & Lifelong Learning	-	neutral
Better Health & Well Being	-	neutral
Environment & Transport	-	neutral
Crime & Disorder	-	neutral

Other Impacts

Welsh Language	-	neutral
Sustainable Development	-	neutral
Equalities	-	neutral
Social Inclusion	-	neutral

Consultation

There is no requirement under the Constitution for external consultation on this item.

SECTION B – MATTERS FOR INFORMATION

ITEM 2

TREASURY MANAGEMENT MONITORING 2010/11

1. Purpose of Report

This report sets out treasury management action and information since the previous report.

2. Rates of Interest

Bank base rates continue to be at an all time low of 0.5% (since 5th March 2009) and detailed below are the changes in the bank base rate since April 2008.

Effective Date	Bank Rate
10 April 2008	5.00%
08 October 2008	4.50%
06 November 2008	3.50%
04 December 2008	2.00%
08 January 2009	1.50%
05 February 2009	1.00%
05 March 2009 to date	0.50%

The following table provides examples of external borrowing costs as provided by the Public Works Loans Board as at 26th October 2010.

	Equal Instalments of Principal		Annuity		Maturity	
	Current 26Oct10	Previous 20Jul10	Current 26Oct10	Previous 20Jul10	Current 26Oct10	Previous 20Jul10
	%	%	%	%	%	%
5- 5.5 years	2.09	1.51	2.10	1.52	2.91	2.44
10-10.5 years	2.91	2.44	2.97	2.52	4.17	3.62
20-20.5 years	4.17	3.62	4.34	3.79	4.94	4.30
35-35.5 years	4.85	4.23	4.98	4.32	5.10	4.34
49.5-50 years	5.04	4.34	5.09	4.34	5.08	4.31

3. Treasury Management Budget

The following table sets out the treasury management budget for 2010/11 and consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income. The net general fund budget totals £15.351m.

	2010/11 Budget £'000
Debt Charges	
- Total	18,360
- HRA	2,349
- General Fund	16,011
Investment Income	
- Total	-860
- HRA	-100
- Other	-100
- General Fund	-660
Net General Fund	15,351

3.1 Debt Charges

No new loans have been arranged and this is in line with the Treasury Management Strategy for 2010/11.

3.2 Investment Income

In line with the Council's Investment Strategy, the total budgeted income from investment income totals £860,000. Investments to date with approved institutions has generated an income return for 2010/11 of £839,000. This sum will increase as and when future investments are made during the remainder of the financial year. Members should note that all investments are classified as 'specified' i.e. up to 12 months and are currently with the major banks or building societies including Barclays, Lloyds Group, Nationwide, Bank Santander, Clydesdale and RBS.

Members should note the following position in relation to the recovery of monies from the "Icelandic Investments":

Bank	Original Investment £m	Outstanding Investment £m
Glitnir	2.0	2.0
Heritable	9.0	4.9
KSF	3.0	1.6
Landsbanki Islands HF	6.0	6.0
	20.0	14.5

Included in the above is the recovery of £378,000 received on 18th October 2010 for Heritable Bank. Further repayments are expected before 31st March 2011. The court cases re Glitnir and Landsbanki in Iceland are in progress. The Council remains a preferential creditor pending the outcome of these cases.

4. Compliance with Treasury Management Strategy

- 4.1. All investment transactions have been made in accordance with the Treasury Management Strategy and in compliance with the Prudential and Treasury Management Limits approved by Members in March 2010 and as updated in September 2010.

List of Background Papers

PWLB notice 339/10

Wards Affected

All

Officer Contact

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