

POLICY & RESOURCES CABINET BOARD

16th FEBRUARY 2012

DIRECTORATE OF FINANCE & CORPORATE SERVICES

**REPORT OF THE HEAD OF FINANCIAL SERVICES
– HYWEL JENKINS**

INDEX OF REPORT ITEMS

PART 1 - Doc.Code: PRB-160212-REP-FS-HJ

SECTION B – MATTER FOR INFORMATION		
Report Item	Page Nos	Wards Affected
1. Treasury Management Report	2-4	All

PART 2
SECTION B – MATTERS FOR INFORMATION

ITEM 1

TREASURY MANAGEMENT MONITORING 2011/12

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 1st February 2012.

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 14 Dec 11	Current 1 Feb 12	Previous 14 Dec 11	Current 1 Feb 12	Previous 14 Dec 11	Current 1 Feb 12
	%	%	%	%	%	%
5-5.5 years	1.56	1.54	1.57	1.54	2.17	2.10
10-10.5 years	2.17	2.10	2.20	2.13	3.25	3.14
20-20.5 years	3.25	3.14	3.37	3.25	4.03	3.87
35-35.5 years	3.92	3.76	4.05	3.88	4.25	4.10
49.5-50 years	4.16	4.00	4.23	4.08	4.19	4.06

3. General Fund Treasury Management Budget

The following table sets out the treasury management budget for 2011/12 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 £16.270m.

General Fund	2011/12 Budget £'000
Debt Charges	17,210
Investment Income	
- Total	-1,140
- Allocated to Balances	200
- General Fund	-940
Net General Fund	16,270

4. Borrowing

No new loans have been arranged and this in line with the Treasury Management Strategy for 2011/12.

5. Investment Income

In line with the Council's Investment Strategy, the 2011/12 budget for investment income is £1.14m and income generated to date totals £1.05m. Due to the downward grading changes in credit rating values for the various banks it is likely by year end that actual investment income will be circa £1.1m some £40,000 less than originally envisaged. Members should note that all investments are classified as 'specified' i.e. up to 12 months and are currently with the major banks including Barclays, Lloyds Group, Bank Santander, RBS and the Nationwide Building Society. The Council also has a number of investments with Local Authorities.

Members should note the following position in relation to the recovery of monies from investments in Icelandic related banks:

Bank	Original Investment £m	Current Outstanding Investment £m
Glitnir	2.0	2.000
Heritable	9.0	2.789
KSF	3.0	1.056
Landsbanki Islands HF	6.0	6.000
	20.0	11.845

The Supreme Court in Iceland have now applied the positive decision on the test cases to Local Authority creditors, which will result in the Authority expecting a part repayment by the end of February in relation to Glitnir and Landsbanki at a later date. Arrangements have been made with Santander in order to receive these monies in various denominations and then convert to sterling.

A further payment of £304k was received in relation to Heritable Bank on 23rd January 2012

List of Background Papers

Treasury Management Files
PWLB Notice Number 044/12

Appendix

None

Wards Affected

All

Officer Contact

For further information on this report item, please contact:

Mr. Hywel Jenkins - Head of Financial Services
Tel. No. 01639 763646
E-mail: h.jenkins@npt.gov.uk