

POLICY & RESOURCES CABINET BOARD

17th NOVEMBER 2011

DIRECTORATE OF FINANCE & CORPORATE SERVICES

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

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SECTION B – MATTERS FOR INFORMATION

ITEM 1

1. Purpose of Report

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

2. Rates of Interest

2.1 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% |

2.2 The following table provides examples of external borrowing costs as provided by the Public Works Loans Board as at 19th September 2011.

| | Equal Instalments Of Principal | | Annuity | | Maturity | |
|---------------|-----------------------------------|---------------------|------------------------|---------------------|------------------------|---------------------|
| | Previous 19 Sept 11 | Current 7 Nov 11 | Previous 19 Sept 11 | Current 7 Nov 11 | Previous 19 Sept 11 | Current 7 Nov 11 |
| | % | % | % | % | % | % |
| 5-5.5 years | 1.80 | 1.79 | 1.80 | 1.79 | 2.42 | 2.39 |
| 10-10.5 years | 2.42 | 2.39 | 2.45 | 2.42 | 3.49 | 3.40 |
| 20-20.5 years | 3.49 | 3.40 | 3.63 | 3.51 | 4.37 | 4.12 |
| 35-35.5 years | 4.24 | 4.02 | 4.41 | 4.15 | 4.66 | 4.33 |
| 49.5-50 years | 4.52 | 4.25 | 4.63 | 4.32 | 4.63 | 4.27 |

3. General Fund Treasury Management Budget

- 3.1 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

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

5. Investment Income

- 5.1 In line with the Council's Investment Strategy, the 2011/12 budget for investment income is £1.14m and income generated to date totals £0.9m. 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, Clydesdale, RBS and the Nationwide Building Society. The Council also has a number of investments with Local Authorities.
- 5.2 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 | 2.00 |
| Heritable | 9.0 | 3.093 |
| KSF | 3.0 | 1.056 |
| Landsbanki Islands HF | 6.0 | 6.00 |
| | 20.0 | 12.149 |

5.3 The Supreme Court in Iceland has upheld the District Court decision that the “test cases” be awarded preferential creditor status. The final step is for the Supreme Court to confirm that they will apply that ruling to the “non-test” cases (we are one of these). In the meantime we are exploring the potential mechanism by which we can receive the monies in various denominations and their convert to sterling. The distribution from Landsbanki for the test cases could start to arrive from mid November on.

6. Downgrading of UK banks

During the last couple of weeks, several of the large banks including the clearing banks have had their credit ratings lowered which has impacted on the Authority’s ability to place money with those institutions.

As a consequence a separate report for consideration by Council is currently being prepared as the governance of such matters can only be approved by full Council.

List of Background Papers

Treasury Management Files
PWLB Notice

Appendix

None

Wards Affected

All

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