

POLICY & RESOURCES CABINET BOARD

18TH APRIL 2013

FINANCE & CORPORATE SERVICES

REPORT OF THE HEAD OF FINANCIAL SERVICES – DAVID REES

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SECTION B – MATTERS FOR INFORMATION

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TREASURY MANAGEMENT MONITORING 2012/13

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 3rd April 2013.

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 20 Feb 13	Current 3 Apr 13	Previous 20 Feb 13	Current 3 Apr 13	Previous 20 Feb 13	Current 3 Apr 13
	%	%	%	%	%	%
5-5.5 years	1.55	1.15	1.56	1.15	2.23	1.68
10-10.5 years	2.23	1.68	2.27	1.70	3.36	2.74
20-20.5 years	3.36	2.74	3.49	2.85	4.26	3.71
35-35.5 years	4.12	3.56	4.30	3.74	4.58	4.06
49.5-50 years	4.43	3.90	4.56	4.02	4.57	4.04

3. General Fund Treasury Management Budget

The following table sets out the treasury management budget for 2012/13 and consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income. The budget reduction between the original and revised budgets has been reported to Members previously.

	2012/13 Original Budget £'000	2012/13 Revised Budget £'000
Debt Charges	17,037	16,791
Investment Income		
- Total	-780	-1,040
- less allocated to other funds	170	200
- General Fund (net)	-610	-840
Net General Fund	16,427	15,951

NB: Other funds include Trust Funds, Social Services Funds, Schools Reserves, Bonds etc.

4. Borrowing

Since the last report the Authority has drawn down £223,000 of funding from the Regional Investment Fund for Wales (RIFW) to support the Neath Town Centre Regeneration Project.

The RIFW is providing up to a maximum of £13m in loan funding to support the first phase of the redevelopment which includes the purchase of the Magistrates Court building, construction of a new multi storey car park and retail space and demolition of the existing car park.

5. Investment Income

In line with the Council's Investment Strategy, the 2012/13 Revised Budget for investment income is £1.040m, treasury management investment income to the end of the financial year totals £1.043m.

Members should note that all investments are classified as 'specified' i.e. up to 12 months and are currently with the major banks including HSBC, Barclays, Lloyds Group, Bank Santander, Clydesdale, and RBS.

Icelandic Bank Update

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

There have been no further dividends received since the last report. The next dividend is expected to be received in July 2013 from the Administrators of Heritable Bank.

Table 1 – Original Investments

Bank	Original Investment	Amount of Principal Repaid	Current Outstanding Investment
	£'000	£'000	£'000
Glitnir	2,000	2,000	0
Heritable	9,000	7,066	1,934
KSF	3,000	2,346	654
Landsbanki Islands HF	6,000	2,995	3,005
	20,000	14,407	5,593

In addition to the amounts listed above, an additional £50k was received in relation to the Glitnir Bank settlement. This £50k was in respect of interest due on the original investment.

Table 2 – Investments Held in Escrow Accounts – Icelandic Kroner

Bank	Investment (Sterling Equivalent) £'000	Amount Repaid £'000	Outstanding Investment £'000
New Glitnir	387	0	387
New Landsbanki	47	0	47
	434	0	434

Some of the investments matured by the old Glitnir and Landsbanki banks have resulted in cash being held in the form of Icelandic Kroner. In line with Icelandic law, the Kroner is not tradable and can only be spent within Iceland. The Local Government Association is pursuing ways of transferring these investments to realise repayments into Sterling. These new investments with the new banks are held in Escrow Accounts in the name of the local authority and generating interest in excess of 4%.

List of Background Papers

Treasury Management Files
PWLB Notice Number 127/13

Appendix

None

Wards Affected

All

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Officer Contact

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