

POLICY & RESOURCES CABINET BOARD

22nd MARCH 2012

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

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 7th March 2012.

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 1 Feb 12	Current 7 Mar 12	Previous 1 Feb 12	Current 7 Mar 12	Previous 1 Feb 12	Current 7 Mar 12
	%	%	%	%	%	%
5-5.5 years	1.54	1.59	1.54	1.59	2.10	2.14
10-10.5 years	2.10	2.14	2.13	2.17	3.14	3.22
20-20.5 years	3.14	3.22	3.25	3.34	3.87	4.05
35-35.5 years	3.76	3.94	3.88	4.07	4.10	4.24
49.5-50 years	4.00	4.17	4.08	4.23	4.06	4.17

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 £1.08m. 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, HSBC 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	4.179
	20.0	10.024

Since the last report a total of £1.821 m has been received in relation to Landsbanki, which was paid in Dollars, Euros and Sterling. An initial payment is now expected from Glitnir by 31st March which will also be paid in a range of currencies. Arrangements have been made with Santander in order to receive these monies in various denominations and then convert to sterling.

6. Banking Services Contract

The Council's current banking service contract is due to end on 1st June 2012. In order to ensure that an appropriate contract is re-tendered, it is proposed that the existing contract be extended until 10th January 2014. Members should note that the team involved in preparing the contract documentation will be concentrating on the Statement of Accounts by the end of June 2012 and then supporting the Audit of the Accounts to the end of September 2012. Following this work, they will gather and prepare contract specification and carry out the tender process during the spring of 2013. Should a change in banking services provider arise from the award of this contract, sufficient lead-in time will be necessary so that the Council can inform all relevant contacts of the new bank details.

List of Background Papers
Treasury Management Files
PWLB Notice Number 094/12

Appendix
None

Wards Affected
All

Officer Contact

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