

**POLICY & RESOURCES CABINET BOARD**

**25<sup>th</sup> MARCH 2011**

**DIRECTORATE OF FINANCE & CORPORATE SERVICES**

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

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**PART 1 - Doc.Code: PRB-250311-REP-FS-HJ**

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## SECTION B – MATTER FOR INFORMATION

### ITEM 1

#### TREASURY MANAGEMENT

##### 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 5<sup>th</sup> March 2009) and detailed below are the changes in the bank base rate since April 2008.

<b>Effective Date</b>	<b>Bank Rate</b>
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 8<sup>th</sup> March 2011.

	<b>Equal Instalments Of Principal</b>		<b>Annuity</b>		<b>Maturity</b>	
	<b>Current 8 Mar 11</b>	<b>Previous 31 Jan 11</b>	<b>Current 8 Mar 11</b>	<b>Previous 31 Jan 11</b>	<b>Current 8 Mar 11</b>	<b>Previous 31 Jan 11</b>
	%	%	%	%	%	%
5-5.5 years	2.81	2.71	2.83	2.73	3.78	3.73
10-10.5 years	3.78	3.73	3.86	3.81	4.86	4.86
20-20.5 years	4.86	4.86	5.01	5.01	5.35	5.39
35-35.5 years	5.30	5.34	5.36	5.42	5.36	5.45
49.5-50 years	5.37	5.44	5.36	5.45	5.30	5.39

### 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.

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

#### 3.1 Debt Charges

No new loans have been arranged and this in line with the Treasury Management Strategy for 2010/11. Following the transfer of the Council Housing Stock to NPT Homes on the 4<sup>th</sup> March 2011, the Council has repaid PWLB debt of £32.791m plus premium of £3.659m. This sum has been refunded by WAG as part of the transfer settlement arrangements.

### 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 have generated an income return for 2010/11 of £1.037m. 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. The Council also has an investment with Sheffield MBC.

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

<b>Bank</b>	<b>Original Investment £m</b>	<b>Outstanding Investment £m</b>
Glitnir	2.0	2.00
Heritable	9.0	4.42
KSF	3.0	1.36
Landsbanki Islands HF	6.0	6.00
	<b>20.0</b>	<b>13.78</b>

Further repayments are expected during 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.

#### **List of Background Papers**

PWLB Notice

#### **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](mailto:h.jenkins@npt.gov.uk)

Mr. Mark Davies – Chief Accountant (Corporate Capital and Risk Management)

Tel. No. 01639 763602

E-mail: [m.davies4@npt.gov.uk](mailto:m.davies4@npt.gov.uk)