

POLICY & RESOURCES CABINET BOARD

27TH JULY 2012

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 REPORT

1. Purpose of Report

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

2. Background

Bank base rates continue to be at an all time low of 05/% (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 10th July 2012.

	Equal Instalments Of Principal		Annuity		Maturity	
	Previous 7 June 12	Current 10 July 12	Previous 7 June 12	Current 10 July 12	Previous 7 June 12	Current 10 July 12
	%	%	%	%	%	%
5-5.5 years	1.44	1.34	1.44	1.34	1.92	1.82
10-10.5 years	1.92	1.82	1.93	1.83	2.83	2.77
20-20.5 years	2.83	2.77	2.93	2.86	3.75	3.73
35-35.5 years	3.61	3.56	3.78	3.74	4.08	4.14
49.5-50 years	3.93	3.95	4.05	4.10	4.05	4.14

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 net general fund budget totals £16.437m

	2012/13 Budget £'000
Debt Charges	17,047
Investment Income	
- Total	-740
- Allocated to other funds	130
- General Fund	-610
Net General Fund	16,437

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

4. **Borrowing**

No new loans have been arranged and this is in line with the Treasury Management Strategy for 2012/13.

5. **Investment Income**

In line with the Council's Investment Strategy, the 2012/13 budget for investment income is £740k and income generated to date for the financial year is estimated at £874k. 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, Santander UK, 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 recover of monies from investments in Icelandic related banks:

Table 1 – Original Investments

Bank	Original Investment £'000	Outstanding Investment £'000	Current Outstanding Investment £'000
Glitnir	2,000	2,000	0
Heritable	9,000	6,557	2,443
KSF	3,000	2,253	747
Landsbanki Islands HF	6,000	2,629	3,371
	20,000	13,439	6,561

Table 2 – Investments Held in Escrow Accounts – Icelandic Kroner

Bank	Investment (Sterling Equivalent) £'000	Amount Repaid £'000	Outstanding Investment £'000
New Glitnir	384	0	384
New Landsbanki	44	0	44
	428	0	428

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 3%.

There have been no changes to report on the Icelandic Investments since the last report.

Appendix

None

List of Background Papers

Treasury Management Files

PWLB Notice Number

Wards Affected

All

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