

POLICY & RESOURCES CABINET BOARD

28th APRIL 2011

FINANCE & CORPORATE SERVICES

**REPORT OF THE HEAD OF FINANCIAL SERVICES
– H. JENKINS**

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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 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 13th April 2011.

	Equal Instalments Of Principal		Annuity		Maturity	
	Previous 8 Mar 11	Current 13 Apr 11	Previous 8 Mar 11	Current 13 Apr 11	Previous 8 Mar 11	Current 13 Apr 11
	%	%	%	%	%	%
5-5.5 years	2.81	2.80	2.83	2.82	3.78	3.79
10-10.5 years	3.78	3.79	3.86	3.87	4.86	4.87
20-20.5 years	4.86	4.87	5.01	5.01	5.35	5.36
35-35.5 years	5.30	5.32	5.36	5.37	5.36	5.36
49.5-50 years	5.37	5.38	5.36	5.36	5.30	5.30

3. General Fund 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. The 2011/12 Budget report will be presented at the next meeting.

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

3.1 Debt Charges

No new loans have been arranged and this in line with the Treasury Management Strategy for 2010/11 and 2011/12.

3.2 Investment Income

In line with the Council's Investment Strategy, the 2010/11 budget for investment income totalled £860,000. The total investment income actually generated amounts to £1.063m. 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 an investment with Sheffield MBC and Glasgow City Council.

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

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

Further repayments are expected during 2011/12. The initial ruling in the court cases re Glitnir and Landsbanki in Iceland have confirmed that Local Authority deposits are to be viewed as preferential creditors, although this is subject to appeal.

List of Background Papers

PWLB Notice

Wards Affected

All

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