

**POLICY & RESOURCES CABINET BOARD**

**30<sup>th</sup> MAY 2013**

**FINANCE & CORPORATE SERVICES**

**REPORT OF THE HEAD OF FINANCIAL SERVICES – DAVID REES**

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## **SECTION A – MATTERS FOR DECISION**

### **ITEM 1**

#### **BANK TENDER ARRANGEMENTS**

##### **1. Purpose of Report**

- 1.1 The purpose of this report is to seek Members approval to go out to tender to procure banking Services from 1<sup>st</sup> January 2014 and for the Head of Financial Services to use his delegated powers to approve the Invitation to Tender documentation.

##### **2. Bank Contract**

- 2.1 The Council's banking contract is currently with Santander.
- 2.2 The spend on the contract is approximately £107,000 a year; a five year contract will bring the cost over the threshold which requires the Council to advertise in the European Journal.
- 2.3 To enable a new contract to start on the 1<sup>st</sup> January 2014, there will need to be an OJEU notice on Exchange Wales (Sell to Wales site) by the 24<sup>th</sup> June at the latest to meet the timetable set out by the European Directive. At the same time the advert is broadcast in the Official Journal of the European Union.

##### **3. Recommendation**

- 3.1 That approval is given for the Head of Financial Services to use his delegated powers to approve the invitation of tender documentation.

##### **Reason for Proposed Decision**

To agree arrangements for the ongoing provision of banking services due to the timescale.

**Wards Affected**

All

**List of Background Papers**

Bank Contract renewal 2013 file.

**Officer Contact**

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## COMPLIANCE STATEMENT

(a) **Implementation of Decision**

The decision proposed is for immediate implementation subject to the consent of the relevant Scrutiny Chair ( and is not therefore subject to the call-in procedure )

(b) **Sustainability Appraisal**

Community Plan Impacts:

	Economic Prosperity	No impact
	Education and Lifelong Learning	No impact
	Better Health and Well Being	No impact
	Environment and Transport	No impact
1.	Crime and Disorder	No impact

Other Impacts:

	Welsh Language	No impact
	Sustainable Development	No impact
	Equalities	No impact
	Social Inclusion	No impact

(c) **Consultation**

There has been no requirement under the Constitution for external consultation on this item.

**SECTION B - MATTERS FOR INFORMATION**

**ITEM 1**

**TREASURY MANAGEMENT MONITORING 2013/14**

**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 14<sup>th</sup> May 2013.

	<b>Equal Instalments of Principal</b>		<b>Annuity</b>		<b>Maturity</b>	
	<b>Previous 3 Apr 13</b>	<b>Current 14 May 13</b>	<b>Previous 3 Apr 13</b>	<b>Current 14 May 13</b>	<b>Previous 3 Apr 13</b>	<b>Current 14 May 13</b>
	%	%	%	%	%	%
5-5.5 years	1.15	1.29	1.15	1.29	1.68	1.84
10-10.5 years	1.68	1.84	1.70	1.86	2.74	2.86
20-20.5 years	2.74	2.86	2.85	2.97	3.71	3.77
35-35.5 years	3.56	3.63	3.74	3.80	4.06	4.13
49.5-50 years	3.90	3.96	4.02	4.10	4.04	4.10

### 3. General Fund Treasury Management Budget

The following table sets out the treasury management budget for 2013/14 and consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income.

	<b>2013/14 Original Budget £'000</b>
<b>Debt Charges</b>	17,466
<b>Investment Income</b>	
- Total	(1,250)
- less allocated to other funds	210
- General Fund (net)	(1,040)
<b>Net General Fund</b>	<b>16,426</b>

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

### 4. Borrowing

Since the last report the authority hasn't carried out any borrowing.

### 5. Investment Income

In line with the Council's Investment Strategy, the 2013/14 Original Budget for investment income is £1.250m, treasury management investment income to date totals £137k.

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, 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**

<b>Bank</b>	<b>Original Investment</b>	<b>Amount of Principal Repaid</b>	<b>Current Outstanding Investment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
	<b>20,000</b>	<b>14,407</b>	<b>5,593</b>

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**

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

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 183/13

## **Appendix**

None

## **Wards Affected**

All

## **Officer Contact**

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