

**POLICY & RESOURCES CABINET BOARD**

**30<sup>th</sup> JULY 2010**

**FINANCE & CORPORATE SERVICES**

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

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**PART 1 - Doc.Code: PRB-300710-REP-FS-HJ**

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# ITEM 1

## TREASURY MANAGEMENT

### 1. Purpose of Report

To inform Members of treasury management activity for 2010/11.

### 2. Background and Interest Rates

The Council's Treasury Management Policy was approved by Council on the 3rd March 2010 and supplemented by further information in relation to the Treasury Management Budget and Scrutiny arrangements at the Policy & Resources meeting of the 1st April 2010.

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.

<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 to the Council as provided by the Public Works Loans Board as at 11<sup>th</sup> June 2010. Members should note though that in line with the Council's agreed policy, no new borrowing has been arranged during the financial year.

	Equal Instalments of Principal		Annuity		Maturity	
	Current 20July10	Previous 11June10	Current 20July10	Previous 11June10	Current 20July10	Previous 11June10
	%	%	%	%	%	%
5 to 5.5 years	1.51	1.61	1.52	1.63	2.44	2.64
10 to 10.5 years	2.44	3.64	2.52	2.72	3.62	3.81
20 to 20.5 years	3.62	3.81	3.79	3.97	4.30	4.35
35 to 35.5 years	4.23	4.31	4.32	4.37	4.34	4.41
49.5 to 50 years	4.34	4.39	4.34	4.41	4.31	4.40

### 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>
Debt Charges	
Total	18,360
- HRA	<u>2,349</u>
- <b>General Fund</b>	<b>16,011</b>
Investment Income	
Total	-860
- HRA	-100
- Other	<u>-100</u>
- <b>General Fund</b>	<b>-660</b>
<b>Net General Fund</b>	<b>15,351</b>

#### 3.1 Debt Charges

No new loans have been arranged and this is in line with the Treasury Management Strategy for 2010/11. However, as the closing balance for funding capital expenditure and the capital financing requirement as at 31st March 2010 drives the budget impact in the following year and this work is being progressed for the Statement of Accounts. Any changes impacting on the budget will be reported back to the Policy & Resources Cabinet Board by 30th September 2010 as part of the Annual Treasury Outturn Report.

## **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 is generating an income return for 2010/11 of £716,000, 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.

### **List of Background Papers**

PWLB Notice 200/10

### **Ward Affected**

All

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