

POLICY AND RESOURCES CABINET BOARD

REPORT OF THE HEAD OF FINANCIAL SERVICES – DAVE REES

9th APRIL 2015

MATTERS FOR INFORMATION

WARDS AFFECTED - ALL

TREASURY MANAGEMENT MONITORING 2014/15

1. Purpose of Report

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

2. Rates of Interest

- 2.1 Bank base rates remain at 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%

- 2.2 The following table provides examples of external borrowing costs as provided by the Public Works Loans Board on 25th March 2015:

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 10 February 2015	Current 25 March 2015	Previous 10 February 2015	Current 25 March 2015	Previous 10 February 2015	Current 25 March 2015
	%	%	%	%	%	%
5-5.5 years	1.78	1.63	1.79	1.63	2.22	2.06
10-10.5 years	2.22	2.06	2.23	2.08	2.72	2.59
20-20.5 years	2.72	2.59	2.76	2.63	3.24	3.14
35-35.5 years	3.15	3.04	3.24	3.13	3.34	3.26
49.5-50 years	3.34	3.25	3.36	3.27	3.31	3.22

3. General Fund Treasury Management Budget

- 3.1 The following table sets out the treasury management budget for 2014/15 and consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income.

2013/14 Actual £'000		2014/15 Original Budget £'000
15,017	Principal and Interest charges	16,890
2,176	Contribution to Treasury Management Equalisation Reserve to fund SSIP and other Capital Programme over the next 3 years.	
17,193	Subtotal Expenditure	16,890
	Investment Income	
(778)	- Total	(654)
189	- less allocated to other funds	200
(589)	Subtotal Income	(454)
16,604	Net General Fund	16,436

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

4. Borrowing

4.1 No long term borrowing has been arranged since the previous report.

5.1 Investment Income

In line with the Council's Investment Strategy, the 2014/15 Original Budget for investment income is £654,000; the treasury management investment income generated on investments projected for the year amounts to £656,000

Members should note that the majority of 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, Royal Bank of Scotland and Nationwide Building Society.

5.2 The Council policy will allow investments up to a maximum of £25m for periods of more than 1 year and up to 5 years, and this will be considered when decisions on investing surplus funds are made.

5.3 No additional long term investments have been carried out since the last report. The Council currently has £10m invested for periods in excess of 12 months:

Counterparty	Value £'000	Period	Maturity	Rate %
Eastbourne Borough Council	4,000	4.5 Years	June 18	2.2%
Peterborough City Council	6,000	5 Years	Dec 18	2.1%
TOTAL	10,000			

Icelandic Bank Update

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

5.5 The tables below show the amounts outstanding.

Table 1 – Original Investments

Bank	Original Investment	Amount of Principal Repaid	Current Outstanding Investment
	£'000	£'000	£'000
Heritable	9,000	8,597	403
KSF	3,000	2,546	454
Total	12,000	11,143	857

Table 2 – Investments Held in Escrow Accounts – Icelandic Kroner

Bank	Investment (Sterling Equivalent) £'000	Amount Repaid £'000	Outstanding Investment £'000
New Glitnir	387	0	387

- 5.6 Some of the investments matured by the old Glitnir Bank 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 bank are held in an Escrow Account in the name of the local authority and generating interest in excess of 4%.
- 5.7 Members should note that the ordinary creditors of the old Glitnir Bank challenged the original basis of settling the preferential creditors' debts and this has resulted in the Icelandic Courts determining that the March 2012 settlement should have been paid on the basis of exchange rates payable at payment date rather than those the rates that applied as at April 2009. The LGA has led on discussions to settle this issue and agreement has now been reached to repay the liability in sterling which for this Council amounts to £23,206.01. This sum was paid on 30th March 2015. Members should note that this Council has therefore recovered some £27k more than the original deposit in Glitnir.

List of Background Papers

Treasury Management Files

PWLB Notice Number 117/15

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