

AUDIT COMMITTEE

REPORT OF THE HEAD OF FINANCIAL SERVICES – DAVE REES

24th SEPTEMBER 2015

MATTERS FOR MONITORING

WARDS AFFECTED - ALL

TREASURY MANAGEMENT MONITORING 2015/16

1. Purpose of Report

- 1.1 This report sets out treasury management action and information reported recently to Policy and Resources Cabinet Board (3rd September 2015) which also needs to be reviewed by the Audit Committee. The report has been updated to reflect a further dividend received from Heritable Bank.

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 as at 18th August 2015:

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 29th June 2015	Current	Previous 29th June 2015	Current	Previous 29th June 2015	Current
	%	%	%	%	%	%
5-5.5 years	1.79	1.89	1.79	1.90	2.35	2.39
10-10.5 years	2.35	2.39	2.38	2.41	2.98	2.95
20-20.5 years	2.98	2.95	3.04	3.00	3.46	3.45
35-35.5 years	3.39	3.38	3.47	3.45	3.49	3.44
49.5-50 years	3.53	3.51	3.52	3.49	3.40	3.36

3. General Fund Treasury Management Budget

- 3.1 The following table sets out the treasury management budget for 2015/16 and consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income.

2014/15 Outturn Position £'000		2015/16 Original Budget £'000
16,964	Principal and Interest charges	17,230
246	Contribution to Treasury Management Equalisation Reserve to fund SSIP and other Capital Programme over the next 3 years.	
17,210	Subtotal Expenditure	17,230
	Investment Income	
(806)	- Total	(614)
227	- less allocated to other funds	210
(579)	Subtotal Income	(404)

16,631	Net General Fund	16,826

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

4. Borrowing

4.1 The following borrowing has been arranged with the PWLB:

Date of Advance	Loan Reference	Amount	Interest Rate	Term	Type	Maturity date
30 July 2015	504279	£9.0m	3.12%	48 years	Maturity Loan	1 July 2063

5. Investment Income

5.1 In line with the Council's Investment Strategy, the 2015/16 Original Budget for investment income is £614,000; treasury management investment income generated on investments made to date is £427,000.

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 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 Since the last report a further dividend of £364,159 has been paid out by the administrators of the former Heritable Bank. 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	8,961	39
KSF	3,000	2,546	454
Total	12,000	11,507	493

Table 2 – Investments Held in Escrow Accounts – Icelandic Kroner

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

As previously reported the Local Government Association and Local Authorities are looking at how best to repatriate the amount held in Icelandic Kroner.

List of Background Papers

Treasury Management Files
PWLB Notice Number 317/15

Appendix

None

Wards Affected

All

Officer Contact

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