

## AUDIT COMMITTEE

### REPORT OF THE DIRECTOR OF FINANCE AND CORPORATE SERVICES – HYWEL JENKINS

5<sup>TH</sup> DECEMBER 2014

#### SECTION B - 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 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.

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 9.15am on 12<sup>th</sup> November 2014:

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 2 October 2014	Current 12 November	Previous 2 October 2014	Current 12 November	Previous 2 October 2014	Current 12 November

		<b>2014</b>		<b>2014</b>		<b>2014</b>
	%	%	%	%	%	%
5-5.5 years	2.19	2.06	2.20	2.07	2.80	2.64
10-10.5 years	2.80	2.64	2.83	2.67	3.43	3.29
20-20.5 years	3.43	3.29	3.50	3.36	3.93	3.83
35-35.5 years	3.85	3.74	3.94	3.84	4.02	3.93
49.5-50 years	4.01	3.91	4.03	3.94	4.00	3.91

### 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.

<b>2013/14 Actual £'000</b>		<b>2014/15 Original Budget £'000</b>
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.	
<b>17,193</b>	<b>Subtotal Expenditure</b>	<b>16,890</b>
	<b>Investment Income</b>	
(778)	- Total	(654)
189	- less allocated to other funds	200
<b>(589)</b>	<b>Subtotal Income</b>	<b>(454)</b>
<b>16,604</b>	<b>Net General Fund</b>	<b>16,436</b>

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

### 4. Investment Income

- 4.1 In line with the Council's Investment Strategy, the 2014/15 Original Budget for investment income is £654k; treasury management investment income generated on investments made to date is £564k
- 4.2 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, RBS and Nationwide BS.
- 4.3 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.

- 4.4 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:

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

#### Icelandic Bank Update

- 4.5 Members should note the following position in relation to the recovery of monies from investments in Icelandic related banks.
- 4.6 There have been no further dividends received since the last report. The tables below show the amounts outstanding.

**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>
Heritable	9,000	8,597	403
KSF	3,000	2,516	484
<b>Total</b>	<b>14,000</b>	<b>13,113</b>	<b>887</b>

**Table 2 – Investments Held in Escrow Accounts – Icelandic Kroner**

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

- 4.7 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%.

- 4.8 Members should note that the creditors of the old Glitnir Bank have challenged the original basis of settling the preferential creditors debts. Discussions are ongoing within the Icelandic Legal process in relation to this which may impact on some of the £387k referred to in the table above.

### **List of Background Papers**

Treasury Management Files

PWLB Notice Number 440/14

### **Officer Contact**

For further information on this report item, please contact:

Mr David Rees – Head of Financial Services

Tel. No. 01639 763634

E-mail: d.rees1@npt.gov.uk

Mr Huw Jones – Chief Accountant - Capital, Treasury, FIS and Projects

Tel. No: 01639 763575

E-mail: h.jones@npt.gov.uk

Mr Chris Rees – Senior Accountant

Tel. No: 01639 763590

E-mail: c.rees@npt.gov.uk