

By: John Simmonds, Cabinet Member for Finance & Business Support  
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To: Governance & Audit Committee – 18 April 2012

Subject: **TREASURY MANAGEMENT QUARTERLY REPORT**

Clarification: Unrestricted

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Summary: To report an update on treasury management issues.

## **FOR ASSURANCE**

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### **INTRODUCTION**

1. This Committee is charged with responsibility for oversight of the Council's treasury management arrangements and receives a quarterly report.

### **STATEMENT OF DEPOSITS**

2. A statement of deposits as at 30 March is attached in Appendix 1. This is circulated to members of Treasury Advisory Group every Friday.

### **MONTHLY PERFORMANCE REPORT**

3. A performance report is produced monthly for Treasury Advisory Group. The February report is attached in Appendix 2.

### **SUMMARY OF DEVELOPMENTS**

4. Treasury Advisory Group met on 7 December where the focus was the Treasury Strategy and again on 22 March.
5. From 22 February the 9 February Council counterparty decisions were implemented. This reintroduced the "systemically" important UK banks and Nationwide Building Society. Since then we have placed £35m in a RBS call account (earning 1.25%), £35m in a Nat West call account earning 1.15% and £27.5m in a Bank of Scotland call account earning 0.75%. The full year effect of this additional income compared with using the Debt Management Office earning 0.25% is £802,500. On 14 March Arlingclose recommended increasing the maximum duration of deposits to 6 months for HSBC and Standard Chartered, 100 days for the other counter parties and 35 days for Santander. At

the time of writing this report a decision is pending on whether to resume use of Santander but for overnight money only.

6. The Council is continuing to hold off new borrowing given the low rates we can get for deposits and critically the Council's cash flow is proving to be highly resilient although they will decline particularly in the latter part of the year. The biggest borrowing decision relates to £77m of short term borrowing which matures this year. This is the last tranche of a major debt refinancing undertaken 3 years ago which saved the Council £15m. By deferring new borrowing to refinance this £77m of debt for 6 months the saving to the Council at current rates is £1.6m. With the caveat that longer term rates may have gone up when we come to refinance, or they may be less.
7. Current recoveries from Icelandic banks are £30.2m consisting of:
  - Heritable dividends 67.9p in £ or £12.5m
  - Landsbanki first 2 dividends of £5.3m, around one-third, with at least 1 more significant dividend this year following the sale of Iceland Foods.
  - Glitnir paid a dividend of £12.4m on 16 March and in addition £2.6m is held in Icelandic kroner in interest bearing accounts in Iceland. The Icelandic kroner is currently not convertible but we are pursuing options to address this.

## **RECOMMENDATION**

8. Members are asked to note this report for assurance.

**Nick Vickers**  
**Head of Financial Services**