

APPENDIX 5

Treasury Management

Activity during first six months of 2012/13

Investments

Investments during the period are summarised in the table below:

	Santander	Bank of Scotland	Money Market Fund	Landisbanki	Total
	£000	£000	£000	£000	£000
Opening balance	3,200	0	0	3,000	6,200
Investments made in the period	3,200	23,800	11,000		38,000
Withdrawals / transfers in the period	(3,200)	(22,500)	(8,000)		(33,700)
Investments maturing during the period	(3,200)				(3,200)
Closing Balance	0	1,300	3,000	3,000	7,300

The investments have been made in accordance with the Council's Treasury Management Strategy.

The Council remains a creditor for its investments in Landisbanki. The latest updates associated with this are:

- A partial payment of £388,663.41 was received on the 29/05/2012

The performance of the investments in the first six months is shown below. Please note this excludes the interest being accrued on the Iceland Investment:

	2nd Quarter
Interest generated	£16,103.24
Average rate of interest	0.54%
Bank of England base rate	0.50%

Interest rates offered by most institutions remain very low.

Borrowing

Long Term

No PWLB borrowing has been undertaken in the first six months of 2012/13.

The overall Public Works Loans Board debt therefore remains at £107.100m.

Parish Councils are able to investments their available cash balances with the Council. This has to be treated as borrowing by the Council and at the end of September 2012 a sum of £362,155 is borrowed.

Short Term

No short term temporary borrowing has been undertaken in the first half year.

Interest Charges

Officers continue to utilise available internal balances, reserves and positive cash flows as a means to finance capital expenditure. This has the impact of reducing sums available for investments but also reduces the need for external borrowing. The interest rate the Council receives on investments is around 0.54% whereas external borrowing over the medium term attracts interest charges of around 3.25%. Avoiding the external borrowing interest rates at the expense of investment income saves the Council around 2.71% (3.25% less 0.54%) which for every £1m equates to interest saved of £27,100 per year.

Compliance with Treasury Limits

During the first six months the Council continued to operate within the treasury limits set out in the Borrowing and Investment Strategy.

	Approved Amount	Actual
Authorised Borrowing Limit	£132,115,000	£107,462,000
Operational Boundary	£127,155.000	£107,462,000

The Council is significantly below these limits so is now in the process of lowering the control totals. This recommendation is contained in the half year Treasury Management report to Council.