



## **NEATH PORT TALBOT COUNTY BOROUGH COUNCIL**

### **CABINET**

## **REPORT OF THE DIRECTOR OF FINANCE – HUW JONES**

**11<sup>th</sup> September 2024**

### **Matter for Monitoring**

**Wards Affected - All**

### **TREASURY MANAGEMENT MONITORING 2024/25**

#### **Purpose of Report**

1. This report sets out treasury management action and information for 2024/25.
2. This report will also be forwarded to the next Governance and Audit Committee in line with the Council's Treasury Management Practices Scrutiny arrangements.

#### **Rates of Interest**

3. After a higher level of inflation over the past couple of years, in May we saw this rate reduce back down to the Bank of England's target of 2% - the first time it has been at this since July 2021.
4. Our Treasury Management advisors, Link Group, sets out a view that once it is evident that the Bank of England has been successful in controlling the level of inflation, they expect interest rates will start to fall. This started on 1<sup>st</sup> August 2024 where they reduced the base rate to 5%.

5. They are currently projecting base rates as follows:

- Sep-24: 5.00%
- Dec-24: 4.50%
- Mar-25: 4.00%
- Jun-25: 3.50%

6. The following table provides examples of external borrowing costs as provided by the Public Works Loans Board (certainty rate) as at 30<sup>th</sup> July 2024:

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 24Jan24	Current 30Jul24	Previous 24Jan24	Current 30Jul24	Previous 24Jan24	Current 30Jul24
	%	%	%	%	%	%
5-5.5 years	4.87	4.84	4.86	4.83	4.62	4.67
10-10.5 years	4.61	4.67	4.60	4.67	4.83	4.88
20-20.5 years	4.83	4.88	4.93	4.97	5.29	5.31
35-35.5 years	5.24	5.25	5.32	5.33	5.28	5.33
49.5-50 years	5.33	5.35	5.29	5.34	5.11	5.15

## General Fund Treasury Management Budget

7. The following table sets out details of the treasury management budget for 2024/25 along with outturn figures for 2023/24. The budget consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income.

<b>2023/24 Outturn £'000</b>		<b>2024/25 Original Budget £'000</b>
21,213	Principal and Interest charges	20,863
	<b>Investment Income</b>	
(3,436)	- Total	(2,200)
1,056	- less allocated to other funds	940
<b>(2,380)</b>	<b>Subtotal Income</b>	<b>(1,260)</b>
0	Contribution from General Reserves	0
774	Contribution to General Reserves	0
0	Contribution to/(from) treasury management reserve	0
<b>19,607</b>	<b>Net General Fund</b>	<b>19,603</b>

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

## Borrowing

8. There were no new loans taken out since the last monitoring report in relation to this quarter.

## Investments

9. The following are a list of investments as at 30<sup>th</sup> June 2024:

<u>Counterparty</u>	<u>Value (£)</u>	<u>Investment type</u>	<u>Investment start</u>	<u>Investment maturity</u>	<u>Interest rate</u>
South Ayrshire Council	£5,000,000	Fixed	27 <sup>th</sup> Mar 2023	27 <sup>th</sup> Mar 2026	4.30%
Medway Council	£5,000,000	Fixed	10 <sup>th</sup> Feb 2023	10 <sup>th</sup> Feb 2027	4.35%
Mid and West Wales Fire Authority	£2,500,000	Fixed	15 <sup>th</sup> Jan 2024	15 <sup>th</sup> Jul 2024	5.65%
DMO	£4,600,000	Fixed	N/A	N/A	5.19%
Santander	£9,500,000	Call Account	N/A	N/A	5.25%
Lloyds	£9,200,000	Call Account	N/A	N/A	5.14%

10. Please note – the Council's investment criteria (appendix 1) allows for a maximum investment for an F1 rated counterparty to be £15m. Santander are currently an F1 rated counterparty – however, the policy also allows for this to be temporarily exceeded in exceptional circumstances.

## Investment Income

11. In line with the Council's Investment Strategy, the 2024/25 original budget target for investment income is £2.2m, income for the financial year to date totals £535k. This target will be reviewed throughout the year and adjusted if necessary with any variances going into/out of the Treasury Management reserve.

12. Members should note that the short-term investments are classified as 'specified' i.e. up to 12 months and are currently deposited with DMO, Local Authorities, Lloyds Bank and Santander Bank.

13. The Council policy allows long-term investments up to a maximum of £25m for periods of more than 1 year and up to 5 years. The Council has two investments in this category which are both made to other Local Authorities.

## **Financial Impact**

14. All relevant financial information is provided in the body of the report.

## **Integrated Impact Assessment**

15. There is no requirement to undertake an Integrated Impact Assessment as this report is for monitoring purposes.

## **Valleys Communities Impacts**

16. No implications

## **Workforce Impacts**

17. There are no workforce impacts arising from this report.

## **Legal Impacts**

18. There are no legal impacts arising from this report.

## **Risk Management**

19. Borrowing and investment decisions are made in line with the Council's Treasury Management Policy. The Council has appointed Link Asset Services to provide support and advice in relation to this policy.

## **Consultation**

20. There is no requirement under the Constitution for external consultation on this item.

## **Recommendation**

21. It is recommended that Members note the contents of this monitoring report.

## **Appendices**

22. Appendix 1 - Specified Investments

## **List of Background Papers**

23. PWLB Notice Number 294/24

## **Officer Contact**

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**Specified Investments**

	<b>Minimum 'High' Credit Criteria</b>	<b>Funds Managed</b>	<b>Max Amount</b>	<b>Max Duration</b>
<b>Term deposits</b>				
Term deposits - Debt Management Office	N/A	In-house	Unlimited	1 year
Term deposits – local, police and fire authorities	N/A	In-house	£10m	1 year
Term deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F1+, F1	In-house	£20m	1 year
Term deposits – UK banks/Building Societies	Fitch short-term rating F1+	In-house	£20m	1 year
Term deposits – UK banks/Building Societies	Fitch short-term rating F1	In-house	£15m	6 months or 185 days
<b>Callable deposits</b>				
Callable deposits – Debt Management Agency deposit facility	N/A	In-house	Unlimited	
Callable deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F1+, F1	In-house	£20m	
Callable deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F2	In-house	£10m	
Callable deposits - UK banks/Building Societies	Fitch short-term rating F1+ or F1	In-house	£15m *	
Term deposits – non UK banks	Fitch short-term rating F1+	In-house	£5m	6 months or 185 days

\* Where necessary this limit may be temporarily exceeded with the Authority's bankers only.