



NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

CABINET

REPORT OF THE DIRECTOR OF FINANCE – HUW JONES

11th December 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 level reduce back down to the Bank of England's target of 2% - the first time it has been at this since July 2021. Since May it has dropped further.
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 1st August 2024 where they reduce the base rate to 5%.

5. They are currently projecting base rates as follows:

- Dec-24: 4.50%
- Mar-25: 4.00%
- Jun-25: 3.50%
- Sep-25: 3.25%

6. The following table provides examples of external borrowing costs as provided by the Public Works Loans Board (certainty rate) as at 21st October 2024:

| | Equal Instalments of Principal | | Annuity | | Maturity | |
|---------------|--------------------------------|-----------------|------------------|-----------------|------------------|-----------------|
| | Previous 30Jul24 | Current 21Oct24 | Previous 30Jul24 | Current 21Oct24 | Previous 30Jul24 | Current 21Oct24 |
| | % | % | % | % | % | % |
| 5-5.5 years | 4.84 | 4.67 | 4.83 | 4.66 | 4.67 | 4.64 |
| 10-10.5 years | 4.67 | 4.64 | 4.67 | 4.66 | 4.88 | 4.93 |
| 20-20.5 years | 4.88 | 4.93 | 4.97 | 5.02 | 5.31 | 5.24 |
| 35-35.5 years | 5.25 | 5.28 | 5.33 | 5.37 | 5.33 | 5.37 |
| 49.5-50 years | 5.35 | 5.39 | 5.34 | 5.38 | 5.15 | 5.16 |

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.

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

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

Borrowing

8. The following loan agreement has been entered into since the last report:

| Date | Lender | Amount of Loan £'000 | Type | Interest Rate % | Term of Loan (Yrs) |
|-------------|---------------|-------------------------------------|---------------|----------------------------|-----------------------------------|
| 01/08/24 | PWLB | 5,000 | Maturity Loan | 4.56 | 5.5 |

Investments

9. The following are a list of investments as at 30th September 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 th Mar 2023 | 27 th Mar 2026 | 4.30% |
| Medway Council | £5,000,000 | Fixed | 10 th Feb 2023 | 10 th Feb 2027 | 4.35% |
| DMO | £7,800,000 | Fixed | Various | Various | 4.91% - 4.94% |
| Santander | £10,000,000 | Call Account | N/A | N/A | 5.00% |
| Lloyds | £5,600,000 | Call Account | N/A | N/A | 4.88% |

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 £1.2m. 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 410/24

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Specified Investments

| | Minimum 'High' Credit Criteria | Funds Managed | Max Amount | Max Duration |
|--|---------------------------------------|----------------------|-------------------|----------------------|
| Term deposits | | | | |
| 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 |
| Callable deposits | | | | |
| 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.