

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

CABINET

REPORT OF THE HEAD OF FINANCIAL SERVICES – DAVID REES

1st August 2018

Matter for Information

Wards Affected - All

TREASURY MANAGEMENT MONITORING 2018/19

1. Purpose of Report

- 1.1 This report sets out treasury management action and information. This information will be reported quarterly to Cabinet to coincide with the cycle of budget monitoring reports. This supersedes the previous arrangement of reporting to Policy and Resources Cabinet Board.

This report will also be forwarded to the next Audit Committee in line with the Council's Treasury Management Practices Scrutiny arrangements.

2. Rates of Interest

- 2.1 The Monetary Policy Committee (MPC) voted on the 2nd November 2017 to increase the bank rate to 0.50%. The reason given for this rise was to try to halt the recent rises in the rate of inflation.

Effective Date	Bank Rate
4th December 2008	2.00%
8th January 2009	1.50%
5th February 2009	1.00%
5th March 2009	0.50%
4th August 2016	0.25%
2nd November 2017	0.50%

2.2 The following table provides examples of external borrowing costs as provided by the Public Works Loans Board as at 18th July 2018:

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 5Apr18	Current 18Jul18	Previous 5Apr18	Current 18Jul18	Previous 5Apr18	Current 18Jul18
	%	%	%	%	%	%
5-5.5 years	1.70	1.78	1.71	1.78	1.92	1.98
10-10.5 years	1.92	1.98	1.93	1.99	2.30	2.35
20-20.5 years	2.30	2.35	2.33	2.38	2.61	2.70
35-35.5 years	2.58	2.66	2.60	2.69	2.50	2.63
49.5-50 years	2.63	2.73	2.60	2.71	2.36	2.53

3. General Fund Treasury Management Budget

3.1 The following table sets out details of the treasury management budget for 2018/19 along with outturn figures for 2017/18. The budget consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income.

2017/18 Outturn £'000		2018/19 Original Budget £'000
18,011	Principal and Interest charges	19,203
	Investment Income	
(527)	- Total	(400)
192	- less allocated to other funds #	110
(335)	Subtotal Income	(290)
	Contribution from General Reserves	(340)
594	Contribution to/(from) treasury management reserve	
18,270	Net General Fund	18,573

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

4. Borrowing

- 4.1 The Council has entered into the following loan, borrowing is undertaken to fund the Capital Programme. In this instance there was a significant dip in interest rates which the Council took advantage of.

Date Arranged	Lender	Amount	Interest Rate	Period (Years)	Type	Maturity Date
29 th May 2018	PWLB	£10m	2.25%	50 yr	Maturity	1 st Jan 2068

5. Investment Income

- 5.1 In line with the Council's Investment Strategy, the 2018/19 original budget for investment income is £400k, actual investment income for the financial year to date total's £231k. It continues to be a challenge to generate investment income with rates particularly low as a result of a delay in the much discussed Bank of England Interest Rate rise.

Members should note that the majority of investments are classified as 'specified' i.e. up to 12 months and are currently deposited with Local Authorities, UK banks including, Lloyds Group, Close Brothers and Santander Bank.

- 5.2 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. The Council has no such investments.

Financial Impact

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

Equality Impact Assessment

7. An equality impact assessment was not required for this report.

Workforce Impacts

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

Legal Impacts

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

Risk Management

10. There are no new risk management issues arising from this report. 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

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

Appendices

12. None

List of Background Papers

Treasury Management Files
PWLB Notice Number 277/18

Officer 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 and Corporate
Tel. No. - 01639 763575
E-mail - h.jones@npt.gov.uk