

# NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

## CABINET

### REPORT OF THE HEAD OF FINANCE – HUW JONES

31<sup>st</sup> October 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 2<sup>nd</sup> August 2018 to increase the bank rate to 0.75%. The reason given for this rise was to try to halt the rises in the rate of inflation.

<b>Effective Date</b>	<b>Bank Rate</b>
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 <sup>nd</sup> August 2018	0.75%

2.2 The following table provides examples of external borrowing costs as provided by the Public Works Loans Board as at 9<sup>th</sup> October 2018:

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 18Jul18	Current 09Oct18	Previous 18Jul18	Current 09Oct18	Previous 18Jul18	Current 09Oct18
	%	%	%	%	%	%
5-5.5 years	1.78	1.84	1.78	1.84	1.98	2.11
10-10.5 years	1.98	2.11	1.99	2.12	2.35	2.52
20-20.5 years	2.35	2.52	2.38	2.55	2.70	2.55
35-35.5 years	2.66	2.82	2.69	2.85	2.63	2.79
49.5-50 years	2.73	2.88	2.71	2.86	2.53	2.70

### 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
	<b>Investment Income</b>	
(527)	- Total	(400)
192	- less allocated to other funds	110
<b>(335)</b>	<b>Subtotal Income</b>	<b>(290)</b>
	Contribution from General Reserves	(340)
594	Contribution to/(from) treasury management reserve	
<b>18,270</b>	<b>Net General Fund</b>	<b>18,573</b>

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

## 4. Borrowing

- 4.1 The Council has entered into the following loans since the last report to members, 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
25 <sup>th</sup> September 2018	PWLB	£7m	2.63%	39 yrs	Maturity	1 <sup>st</sup> Jan 2058
25 <sup>th</sup> September 2018	PWLB	£2.8m	2.54%	29 yrs	Maturity	1 <sup>st</sup> Jan 2048

## 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 totals £316k. It continues to be a challenge to generate investment income with rates showing little improvement since the August bank 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 394/18

### **Officer Contact**

Mr Huw Jones – Head of Finance  
Tel. No. - 01639 763575  
E-mail - [h.jones@npt.gov.uk](mailto:h.jones@npt.gov.uk)

Mr Ross Livingstone – Group Accountant – Capital and Corporate  
Tel. No. - 01639 763624  
E-mail – [r.livingstone@npt.gov.uk](mailto:r.livingstone@npt.gov.uk)