

# NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

## CABINET

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

13<sup>th</sup> February 2019

#### 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.
- 1.2 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 15<sup>th</sup> January 2019:

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 09Oct18	Current 15Jan19	Previous 09Oct18	Current 15Jan19	Previous 09Oct18	Current 15Jan19
	%	%	%	%	%	%
5-5.5 years	1.84	1.83	1.84	1.83	2.11	1.97
10-10.5 years	2.11	1.97	2.12	1.98	2.52	2.33
20-20.5 years	2.52	2.33	2.55	2.36	2.55	2.79
35-35.5 years	2.82	2.72	2.85	2.77	2.79	2.75
49.5-50 years	2.88	2.83	2.86	2.82	2.70	2.67

### 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 not entered into any loans since the last quarterly monitoring report.

#### **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 is projected to be approximately £435k. Any income received in excess of the budget will normally be transferred into the treasury management equalisation reserve at year end, however it is expected that by year end the income generated and cost of new loans will allow circa £100k underspend on this budget and be made available to underpin the 2018-19 net budget outturn position.

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.

### **12. Recommendations**

It is recommended that members note the contents of this report for information

### **Appendices**

13. None

### **List of Background Papers**

Treasury Management Files  
PWLB Notice Number 020/19

### **Officer Contact**

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