



## NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

### AUDIT COMMITTEE

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

25<sup>th</sup> September 2019

#### Matter for Information

#### Wards Affected - All

#### TREASURY MANAGEMENT MONITORING 2019/20

#### 1. Purpose of Report

This report sets out treasury management action and information recently reported to Cabinet (31<sup>st</sup> July 2019) which also needs to be reviewed by the Audit Committee. It also contains details of external borrowing undertaken subsequent to Cabinet receiving this report.

#### 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 4<sup>th</sup> July 2019:



	Equal Instalments of Principal		Annuity		Maturity	
	Previous 29Mar19	Current 04Jul19	Previous 29Mar19	Current 04Jul19	Previous 29Mar19	Current 04Jul19
	%	%	%	%	%	%
5-5.5 years	1.48	1.28	1.48	1.28	1.57	1.30
10-10.5 years	1.57	1.30	1.58	1.30	1.89	1.58
20-20.5 years	1.89	1.58	1.91	1.60	2.36	2.10
35-35.5 years	2.29	2.02	2.34	2.07	2.30	2.09
49.5-50 years	2.40	2.16	2.38	2.16	2.23	2.02

### 3. General Fund Treasury Management Budget

- 3.1 The following table sets out details of the treasury management budget for 2019/20 along with outturn figures for 2018/19. The budget consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income.

2018/19 Outturn £'000		2019/20 Original Budget £'000
19,094	Principal and Interest charges	19,644
	<b>Investment Income</b>	
(509)	- Total	(300)
195	- less allocated to other funds	110
<b>(314)</b>	<b>Subtotal Income</b>	<b>(190)</b>
(340)	Contribution from General Reserves	(180)
134	Contribution to General Reserves	
	Contribution to/(from) treasury management reserve	
<b>18,574</b>	<b>Net General Fund</b>	<b>19,274</b>

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



#### 4. **Borrowing**

- 4.1 Audit Committee Members should note that since this report was presented to Cabinet external borrowing has been undertaken as detailed below. The reason for the borrowing was to take advantage of historically low rates of interest:

<b>Loan Amount</b>	<b>Term</b>	<b>Interest Rate</b>	<b>Loan Type</b>	<b>Maturity Date</b>
£10,000,000	49 years	1.70%	PWLB Fixed Rate Maturity	1st Jan 2069

#### 5. **Investment Income**

- 5.1 In line with the Council's Investment Strategy, the 2019/20 original budget for investment income is £300k, actual investment income for the financial year to date total's £87k. 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 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.

#### 6. **Financial Impact**

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

#### 7. **Integrated Impact Assessment**

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

#### 8. **Valleys Communities Impacts**

No implications

#### 9. **Workforce Impacts**

There are no workforce impacts arising from this report.



10. **Legal Impacts**

There are no legal impacts arising from this report.

11. **Risk Management**

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.

12. **Consultation**

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

13. **Recommendations**

It is recommended that Audit Committee Members note the contents of this report for information

14. **Appendices**

None

**List of Background Papers**

PWLB Notice Number 256/19

**Officer Contact**

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