



## **NEATH PORT TALBOT COUNTY BOROUGH COUNCIL**

### **AUDIT COMMITTEE**

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

**4<sup>th</sup> December 2019**

#### **Matter for Monitoring**

#### **Wards Affected - All**

#### **TREASURY MANAGEMENT MONITORING 2019/20**

#### **Purpose of Report**

- 1 This report sets out treasury management action and information for the second quarter of 2019/20.
- 2 This report was agreed by Cabinet on 20<sup>th</sup> October 2019 and in line with the Council's Treasury Management Practices Scrutiny arrangements needs to be considered by the Audit Committee.

#### **Rates of Interest**

- 3 The Monetary Policy Committee (MPC) voted on the 2<sup>nd</sup> August 2018 to increase the bank rate to 0.75% and to date it has remained at that level.

<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%

- 4 The following table provides examples of external borrowing costs as provided by the Public Works Loans Board as at 9<sup>th</sup> October 2019:

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 04Jul19	Current 09Oct19	Previous 04Jul19	Current 09Oct19	Previous 04Jul19	Current 09Oct19
	%	%	%	%	%	%
5-5.5 years	1.28	2.10	1.28	2.10	1.30	2.02
10-10.5 years	1.30	2.02	1.30	2.02	1.58	2.25
20-20.5 years	1.58	2.25	1.60	2.26	2.10	2.74
35-35.5 years	2.02	2.67	2.07	2.70	2.09	2.71
49.5-50 years	2.16	2.79	2.16	2.79	2.02	2.62

- 5 The Public Works Loans Board announced on 9<sup>th</sup> October 2019 that they will increase their interest rate across the board (i.e. for all repayment periods) by 1%. This is due to the substantial number of Local Authorities borrowing at the previous record low rates. The above table includes the impact of those increases. This will mean that the cost of borrowing to Local Authorities will now be 1% higher compared to the rates prior to 9<sup>th</sup> October.

### **General Fund Treasury Management Budget**

- 6 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.

<b>2018/19 Outturn £'000</b>		<b>2019/20 Original Budget £'000</b>
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.

## Borrowing

- 7 The Council has entered into the following loan since the last quarterly monitoring report:

<b>Date</b>	<b>Amount of Loan £'000</b>	<b>Type</b>	<b>Interest Rate %</b>	<b>Term of Loan (Years)</b>
29/8/19	10,000	Maturity Loan	1.70	49.5

This loan will be used to fund the Council's Capital Programme.

## Investment Income

- 8 In line with the Council's Investment Strategy, the 2019/20 original budget target for investment income is £300k, actual investment income for the financial year to date total's £212k. Any income received in excess of the budget will normally be transferred into the treasury management equalisation reserve at year end

- 9 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.
- 10 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**

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

### **Integrated Impact Assessment**

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

### **Valleys Communities Impacts**

- 13 No implications

### **Workforce Impacts**

- 14 There are no workforce impacts arising from this report.

### **Legal Impacts**

- 15 There are no legal impacts arising from this report.

### **Risk Management**

- 16 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**

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

### **Recommendations**

- 18 It is recommended that Audit Committee members note the contents of this monitoring report.

### **Appendices**

- 19 None

### **List of Background Papers**

- 20 PWLB Notice Number 384/19

### **Officer Contact**

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