



NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

REPORT OF THE HEAD OF FINANCE – HUW JONES

11th JANUARY 2021

Matter for Information

Wards Affected - All

TREASURY MANAGEMENT MONITORING 2020/21

Purpose of Report

1. This report sets out treasury management action and information for the third quarter of 2020/21. The report is for information and will also be considered by Cabinet at their meeting of 13th January 2021.

Rates of Interest

2. The global outbreak of coronavirus has forced the UK Government to take drastic steps to stem the economic impact and this resulted in the Bank of England reducing the bank base rate.
3. During a special meeting of the Bank of England's Monetary Policy Committee on 10th March 2020, the Bank of England cut the rate from 0.75% to 0.25%, effective from 11th March, with a further reduction to 0.10% following shortly after on 19th March. The bank warned that the pandemic will result in a "sharp and large" economic shock.

The following table details the changes in bank rate:

Effective Date	Bank Rate
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 nd August 2018	0.75%
11 th March 2020	0.25%
19 th March 2020	0.10%

4. The following table provides examples of external borrowing costs as provided by the Public Works Loans Board as at 4th January 2021:

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 07Oct20	Current 04Jan21	Previous 07Oct20	Current 04Jan21	Previous 07Oct20	Current 04Jan21
	%	%	%	%	%	%
5-5.5 years	1.75	0.88	1.75	0.88	1.81	0.95
10-10.5 years	1.81	0.95	1.81	0.95	2.15	1.24
20-20.5 years	2.15	1.24	2.16	1.25	2.64	1.70
35-35.5 years	2.57	1.63	2.60	1.65	2.64	1.70
49.5-50 years	2.79	1.75	2.79	1.75	2.53	1.56

General Fund Treasury Management Budget

5. The following table sets out details of the treasury management budget for 2020/21 along with outturn figures for 2019/20. The budget consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income.

2019/20 Outturn £'000		2020/21 Original Budget £'000
19,925	Principal and Interest charges	19,720
	Investment Income	
(497)	- Total	(400)
147	- less allocated to other funds	130
(350)	Subtotal Income	(270)
(301)	Contribution from General Reserves	(170)
	Contribution to General Reserves	
	Contribution to/(from) treasury management reserve	
19,274	Net General Fund	19,280

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

Borrowing

6. There has been no new loan agreements entered into since the last quarterly report.

Investments

7. The following are a list of investments as at 31st December 2020:

<u>Counterparty</u>	<u>Value (£)</u>	<u>Investment type</u>	<u>Investment start</u>	<u>Investment maturity</u>	<u>Interest rate</u>
Lloyds Bank	£10,000,000	95 Day Call Account	27 th August 2020	25th	0.20%
Birmingham City Council	£5,000,000	Fixed	30 th November 2020	28 th May 2021	0.21%

<u>Counterparty</u>	<u>Value (£)</u>	<u>Investment type</u>	<u>Investment start</u>	<u>Investment maturity</u>	<u>Interest rate</u>
Glasgow City Council	£10,000,000	Fixed	24 th September 2020	24 th June 2021	0.30%
Santander	£19,200,000	Call Account	N/A	N/A	0.10%

8. Please note – the Council’s investment criteria (TMP2 - appendix 1) allows for a maximum investment for an F1 rated counterparty to be £15m. Santander are currently an F1 rated counterparty – however, the policy also allows for this to be temporarily exceeded in exceptional circumstances. Member should note that during the COVID pandemic, this balance has been exceeded. The maximum amount placed with Santander was £117m on 9 June 2020 and the current balance invested as at 4th January 2021 (i.e. at time of writing this report) is £26.8m.

Investment Income

9. In line with the Council’s Investment Strategy, the 2020/21 original budget target for investment income is £400k, income for the financial year to date totals £153k. Due to the very low interest rates at present with base rate at 0.1%, it is highly unlikely that the investment income target will be met. Any unachieved income will be met from the treasury management equalisation reserve at year end, subject to the Council’s overall financial position.
10. 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.
11. 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

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

Integrated Impact Assessment

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

Valleys Communities Impacts

14. No implications

Workforce Impacts

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

Legal Impacts

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

Risk Management

17. 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

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

Recommendation

19. It is recommended that Audit Committee Members note the contents of this report.

Appendices

20. None

List of Background Papers

21. PWLB Notice Number 001/21

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Specified Investments

	Minimum 'High' Credit Criteria	Funds Managed	Max Amount	Max Duration
Term deposits				
Term deposits - Debt Management Office	N/A	In-house	Unlimited	1 year
Term deposits – local, police and fire authorities	N/A	In-house	£10m	1 year
Term deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F1+, F1	In-house	£20m	1 year
Term deposits – UK banks/Building Societies	Fitch short-term rating F1+	In-house	£20m	1 year
Term deposits – UK banks/Building Societies	Fitch short-term rating F1	In-house	£15m	6 months or 185 days
Callable deposits				
Callable deposits – Debt Management Agency deposit facility	N/A	In-house	Unlimited	
Callable deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F1+, F1	In-house	£20m	
Callable deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F2	In-house	£10m	
Callable deposits - UK banks/Building Societies	Fitch short-term rating F1+ or F1	In-house	£15m *	
Term deposits – non UK banks	Fitch short-term rating F1+	In-house	£5m	6 months or 185 days

* Where necessary this limit may be temporarily exceeded with the Authority's bankers only.