



NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

CABINET

REPORT OF THE HEAD OF FINANCE – HUW JONES

22nd September 2021

Matter for Monitoring

Wards Affected - All

TREASURY MANAGEMENT MONITORING 2021/22

Purpose of Report

1. This report sets out treasury management action and information for 2021/22 as at 31st August 2021.
2. This report will also be forwarded to the next Audit Committee in line with the Council's Treasury Management Practices Scrutiny arrangements.

Rates of Interest

3. 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.
4. 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% |

5. The following table provides examples of external borrowing costs as provided by the Public Works Loans Board (certainty rate) as at 15th September 2021:

| | Equal Instalments of Principal | | Annuity | | Maturity | |
|---------------|---------------------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|
| | Previous 09Jul21 | Current 15Sep21 | Previous 09Jul21 | Current 15Sep21 | Previous 09Jul21 | Current 15Sep21 |
| | % | % | % | % | % | % |
| 5-5.5 years | 0.96 | 1.05 | 0.96 | 1.05 | 1.16 | 1.23 |
| 10-10.5 years | 1.16 | 1.23 | 1.16 | 1.24 | 1.56 | 1.57 |
| 20-20.5 years | 1.56 | 1.57 | 1.58 | 1.59 | 1.96 | 1.87 |
| 35-35.5 years | 1.91 | 1.84 | 1.93 | 1.86 | 1.94 | 1.80 |
| 49.5-50 years | 1.99 | 1.89 | 1.98 | 1.88 | 1.81 | 1.66 |

General Fund Treasury Management Budget

6. The following table sets out details of the treasury management budget for 2021/22 along with outturn figures for 2020/21. The budget consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income.

| 2020/21 Outturn £'000 | | 2021/22 Original Budget £'000 |
|--------------------------------------|--|--|
| 19,884 | Principal and Interest charges | 20,083 |
| | Investment Income | |
| (251) | - Total | (200) |
| 18 | - less allocated to other funds | 75 |
| (233) | Subtotal Income | (125) |
| (169) | Contribution from General Reserves | (291) |
| | Contribution to General Reserves | |
| (200) | Contribution to/(from) treasury management reserve | |
| 19,282 | Net General Fund | 19,667 |

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

Borrowing

7. There have been no new loan agreements entered into since the last quarterly report.

Investments

8. The following are a list of investments as at 15th September 2021:

| <u>Counterparty</u> | <u>Value (£)</u> | <u>Investment type</u> | <u>Investment start</u> | <u>Investment maturity</u> | <u>Interest rate</u> |
|-----------------------|------------------|------------------------|-------------------------------|-------------------------------|----------------------|
| Aberdeenshire Council | £5,000,000 | Fixed | 25 th January 2021 | 24 th January 2022 | 0.18% |
| Derbyshire C.C. | £5,000,000 | Fixed | 30 th April 2021 | 29 th April 2022 | 0.20% |

| <u>Counterparty</u> | <u>Value (£)</u> | <u>Investment type</u> | <u>Investment start</u> | <u>Investment maturity</u> | <u>Interest rate</u> |
|----------------------------------|------------------|------------------------|------------------------------|--------------------------------|----------------------|
| Goldman Sachs International Bank | £5,000,000 | Fixed | 23 rd June 2021 | 23 rd December 2021 | 0.135% |
| Goldman Sachs International Bank | £5,000,000 | Fixed | 17 th August 2021 | 17 th February 2022 | 0.165% |
| Nationwide Building Society | £5,000,000 | Fixed | 20 th August 2021 | 22 nd November 2021 | 0.05% |
| Santander | £63,200,000 | Call Account | N/A | N/A | 0.10% |

9. Please note – the Council’s investment criteria (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. Members 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 15th September 2021 (i.e. at time of writing this report) is £63.2m.

Investment Income

10. In line with the Council’s Investment Strategy, the 2021/22 original budget target for investment income is £200k, income for the financial year to date totals £56k. Due to the very low interest rates at present with base rate at 0.1%, this budget will be constantly reviewed and any unachieved income will be met from the treasury management equalisation reserve at year end, subject to the Council’s overall financial position.
11. 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 Goldman Sachs International Bank, Nationwide Building Society and Santander Bank.

12. 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

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

Integrated Impact Assessment

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

Valleys Communities Impacts

15. No implications

Workforce Impacts

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

Legal Impacts

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

Risk Management

18. 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. There are some risks associated with the investment with the Council's bankers, Santander, exceeding the £15m limit as approved in the policy. However, given that

Santander are a major bank, that the investment is mainly placed 'on call' meaning that it can be recalled the following day. This means that this investment is a reasonable risk for the council to take at present. This will be continuously monitored, alternative investment sought and reported to members as part of the future quarterly monitoring reports.

Consultation

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

Recommendation

20. It is recommended that members note the contents of this monitoring report.

Appendices

21. Appendix 1 - Specified Investment Criteria

List of Background Papers

22. PWLB Notice Number 356/21

Officer Contact

Mr Huw Jones – Head of Finance
E-mail - h.jones@npt.gov.uk

Mr Ross Livingstone – Group Accountant – Capital and Corporate
E-mail – r.livingstone@npt.gov.uk

Appendix 1

Specified Investment Criteria

| | 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.