



NEATH PORT TALBOT COUNTY BOROUGH COUNCIL
GOVERNANCE AND AUDIT COMMITTEE
REPORT OF THE CHIEF FINANCE OFFICER – HUW JONES
18th February 2022

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.
2. This report is for information, it was also considered by the Cabinet on 9th February 2022.

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. After the Bank of England cut the rate from 0.75% to 0.25% then to 0.10% in March 2020, their Monetary Policy Committee decided in their meeting on 16th December 2021, that they will increase the rate back up to 0.25% to help try and hit their 2% inflation target to help sustain growth and employment.

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%
16 th December 2021	0.25%

5. The following table provides examples of external borrowing costs as provided by the Public Works Loans Board (certainty rate) as at 18th January 2022:

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 30Nov21	Current 18Jan22	Previous 30Nov21	Current 18Jan22	Previous 30Nov21	Current 18Jan22
	%	%	%	%	%	%
5-5.5 years	1.25	1.66	1.25	1.66	1.39	1.80
10-10.5 years	1.39	1.80	1.39	1.81	1.64	2.02
20-20.5 years	1.64	2.02	1.65	2.03	1.80	2.19
35-35.5 years	1.80	2.18	1.81	2.19	1.58	2.03
49.5-50 years	1.76	2.17	1.73	2.14	1.37	1.85

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 has been now new loan agreements entered into since the last quarterly report to Cabinet on 15th December 2021.

Investments

8. The following are a list of investments as at 31st December 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>
Cambridgeshire C.C.	£5,000,000	Fixed	6 th December 2021	6 th December 2023	0.40%
East Ayrshire C.C	£5,000,000	Fixed	13 th December 2021	13 th December 2022	0.45%
North Ayrshire C.C	£5,000,000	Fixed	13 th December 2021	13 th June 2022	0.08%
Goldman Sachs International Bank	£5,000,000	Fixed	23 rd December 2021	17 th February 2022	0.165%
Goldman Sachs International Bank	£5,000,000	Fixed	17 th August 2021	17 th February 2022	0.165%
Santander	£13,000,000	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.

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 £95k. Due to the low interest rates at present with base rate at 0.25%, this budget will be constantly reviewed and any unachieved income will be met from the treasury management equalisation reserve at year end.

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 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.

Consultation

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

Recommendation

20. It is recommended that Members of the Governance and Audit Committee note the contents of this monitoring report.

Appendices

21. Appendix 1 - Specified Investments

List of Background Papers

22. PWLB Notice Number 022/22

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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.