



NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

CABINET

REPORT OF THE CHIEF FINANCE OFFICER – HUW JONES

19th October 2022

Matter for Monitoring

Wards Affected - All

TREASURY MANAGEMENT MONITORING 2022/23

Purpose of Report

1. This report sets out treasury management action and information for 2022/23.
2. This report will also be forwarded to the next Governance and Audit Committee in line with the Council's Treasury Management Practices Scrutiny arrangements.

Rates of Interest

3. Over the past year, the cost of living has risen sharply. The speed of this increase is called the 'rate of inflation'. It is the job of the Bank of England to keep this rate around their target of 2%, however, it is currently above this – mainly due to the higher price of goods coming in from abroad along with the increase in the cost of energy.
4. To reduce the rate of inflation, the Bank of England increase their interest rates. Since December 2021 the interest rates have increased as per below:

Effective Date	Bank Rate
19 th March 2020	0.10%
16 th December 2021	0.25%
4 th February 2022	0.50%
16 th March 2022	0.75%
5 th May 2022	1.00%
16 th June 2022	1.25%
4 th August 2022	1.75%
22 nd September 2022	2.25%

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

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 18Jul22	Current 05Oct22	Previous	Current 05Oct22	Previous 18Jul22	Current 05Oct22
	%	%	%	%	%	%
5-5.5 years	2.73	4.93	2.73	4.93	2.70	4.96
10-10.5 years	2.70	4.96	2.70	4.95	3.05	4.87
20-20.5 years	3.05	4.87	3.12	4.88	3.51	5.04
35-35.5 years	3.49	5.02	3.51	5.04	3.60	4.80
49.5-50 years	3.49	5.01	3.43	4.86	3.31	4.52

General Fund Treasury Management Budget

6. The following table sets out details of the treasury management budget for 2022/23 along with outturn figures for 2021/22. The budget consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income.

2021/22 Outturn £'000		2022/23 Original Budget £'000
20,266	Principal and Interest charges	20,946
	Investment Income	
(167)	- Total	(200)
35	- less allocated to other funds	75
(132)	Subtotal Income	(125)
(291)	Contribution from General Reserves	(325)
	Contribution to General Reserves	
(176)	Contribution to/(from) treasury management reserve	
19,667	Net General Fund	20,496

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.

Investments

8. The following are a list of investments as at 30th September 2022:

<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	17 th Aug 2022	17 th Feb 2023	2.50%
Goldman Sachs International Bank	£5,000,000	Fixed	23 rd Jun 2022	23 rd Dec 2022	2.27%
Santander UK	£5,000,000	Fixed	20 th Jul 2022	20 th Jan 2023	2.28%
Nationwide Building Society	£5,000,000	Fixed	3 rd Aug 2022	3 rd Nov 2022	1.69%
Nationwide Building Society	£5,000,000	Fixed	15 th Aug 2022	15 th Nov 2022	1.80%
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%
Police and Crime Commissioner for Merseyside	£5,000,000	Fixed	5 th May 2022	4 th May 2023	1.20%
Cornwall Council	£5,000,000	Fixed	15 th Aug 2022	17 th Oct 2022	1.73%
Plymouth City Council	£5,000,000	Fixed	8 th Sep 2022	7 th Sep 2023	3.05%
DMO	£16,700,000	Fixed/ Overnight	N/A	N/A	1.800% - 1.975%
Santander	£9,100,000	Call Account	N/A	N/A	1.75%

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 2022/23 original budget target for investment income is £200k, income for the financial year to date totals £345k. The interest rate forecasts are higher than used in the original budget calculation, so we are suggesting a revised budget of £700k for the financial year. This additional income will lead to a removal of the budgeted reserve contribution with further balances being contributed into reserves.
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, Police, 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.

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 Investments

List of Background Papers

22. PWLB Notice Number 380/22

Officer Contact

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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.