



**NEATH PORT TALBOT COUNTY BOROUGH COUNCIL**  
**GOVERNANCE AND AUDIT COMMITTEE**  
**REPORT OF THE CHIEF FINANCE OFFICER – HUW JONES**  
**12<sup>th</sup> October 2023**

**Matter for Monitoring**

**Wards Affected - All**

**TREASURY MANAGEMENT MONITORING 2023/24 AS AT 30<sup>th</sup>  
JUNE 2023**

**Purpose of Report**

1. This report sets out treasury management action and information for 2023/24.
2. This report has already been considered by the Cabinet at their meeting on 20<sup>th</sup> September 2023.

**Rates of Interest**

3. Over the past 18 months, 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 March 2022 the interest rates have increased as per below:

<b>Effective Date</b>	<b>Bank Rate</b>
16 <sup>th</sup> March 2022	0.75%
5 <sup>th</sup> May 2022	1.00%
16 <sup>th</sup> June 2022	1.25%
4 <sup>th</sup> August 2022	1.75%
22 <sup>nd</sup> September 2022	2.25%
3 <sup>rd</sup> November 2022	3.00%
15 <sup>th</sup> December 2022	3.50%
2 <sup>nd</sup> February 2023	4.00%
23 <sup>rd</sup> March 2023	4.25%
11 <sup>th</sup> May 2023	4.50%
22 <sup>nd</sup> June 2023	5.00%

5. The following table provides examples of external borrowing costs as provided by the Public Works Loans Board (certainty rate) as at 26<sup>th</sup> July 2023:

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 20Jan23	Current 26Jul23	Previous 20Jan23	Current 26Jul23	Previous 20Jan23	Current 26Jul23
	%	%	%	%	%	%
5-5.5 years	4.20	5.62	4.20	5.60	4.13	5.29
10-10.5 years	4.12	5.26	4.12	5.22	4.26	5.07
20-20.5 years	4.26	5.07	4.32	5.11	4.58	5.29
35-35.5 years	4.55	5.27	4.59	5.28	4.44	5.14
49.5-50 years	4.57	5.27	4.48	5.17	4.25	4.97

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

6. The following table sets out details of the treasury management budget for 2023/24 along with outturn figures for 2022/23. 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>2022/23 Outturn £'000</b>		<b>2023/24 Original Budget £'000</b>
21,646	Principal and Interest charges	20,732
	<b>Investment Income</b>	
(1,523)	- Total	(1,500)
577	- less allocated to other funds	375
<b>(946)</b>	<b>Subtotal Income</b>	<b>(1,125)</b>
0	Contribution from General Reserves	0
0	Contribution to General Reserves	0
(186)	Contribution to/(from) treasury management reserve	0
<b>20,514</b>	<b>Net General Fund</b>	<b>19,607</b>

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

## Borrowing

7. There below table shows the new loan agreements entered into since the last quarterly report to Cabinet.

<b>Counterparty</b>	<b>£</b>	<b>Description</b>	<b>Period</b>
City of Edinburgh Council	£10m	Temporary loan to fund short term cash flow issue at year end	20 <sup>th</sup> March23 – 12 <sup>th</sup> April 23
Middlesbrough Council	£4m	Temporary loan to fund short term cash flow issue at year end	17 <sup>th</sup> March 23 – 27 <sup>th</sup> March 23

## Investments

8. The following are a list of investments as at 30<sup>th</sup> June 2023:

<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	25 <sup>th</sup> May 2023	24 <sup>th</sup> Nov 2023	5.24%
Santander UK	£5,000,000	Fixed	20 <sup>th</sup> Jan 2023	20 <sup>th</sup> Jul 2023	4.15%
Cambridgeshire C.C.	£5,000,000	Fixed	6 <sup>th</sup> Dec 2021	6 <sup>th</sup> Dec 2023	0.40%
Plymouth City Council	£5,000,000	Fixed	8 <sup>th</sup> Sep 2022	7 <sup>th</sup> Sep 2023	3.05%
South Ayrshire Council	£5,000,000	Fixed	27 <sup>th</sup> Mar 2023	27 <sup>th</sup> Mar 2026	4.30%
Medway Council	£5,000,000	Fixed	10 <sup>th</sup> Feb 2023	10 <sup>th</sup> Feb 2027	4.35%
DMO	£20,600,000	Fixed/ Overnight	N/A	N/A	4.50% - 4.88%
Santander	£10,000,000	Call Account	N/A	N/A	4.50%

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 £1.5m, income for the financial year to date totals £578k. This target will be reviewed throughout the year and adjusted if necessary with any variances going into/out of the Treasury Management reserve.

11. Members should note that the short-term investments are classified as 'specified' i.e. up to 12 months and are currently deposited with DMO, Local Authorities, Goldman Sachs International Bank, and Santander Bank.
12. The Council policy allows long-term investments up to a maximum of £25m for periods of more than 1 year and up to 5 years. The Council has two investments in this category which are both made to other Local Authorities.

### **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 281/23

## **Officer Contact**

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**Specified Investments**

	<b>Minimum 'High' Credit Criteria</b>	<b>Funds Managed</b>	<b>Max Amount</b>	<b>Max Duration</b>
<b>Term deposits</b>				
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
<b>Callable deposits</b>				
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.