



## **NEATH PORT TALBOT COUNTY BOROUGH COUNCIL**

### **CABINET**

## **REPORT OF THE CHIEF FINANCE OFFICER – HUW JONES**

**13<sup>th</sup> December 2023**

### **Matter for Monitoring**

**Wards Affected - All**

## **TREASURY MANAGEMENT MONITORING 2023/24 AS AT 30<sup>TH</sup> SEPTEMBER 2023**

### **Purpose of Report**

1. This report sets out treasury management action and information for 2023/24.
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 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%
3 <sup>rd</sup> August 2023	5.25%

5. The following table provides examples of external borrowing costs as provided by the Public Works Loans Board (certainty rate) as at 17<sup>th</sup> October 2023:

	<b>Equal Instalments of Principal</b>		<b>Annuity</b>		<b>Maturity</b>	
	<b>Previous 26Jul23</b>	<b>Current 17Oct23</b>	<b>Previous 26Jul23</b>	<b>Current 17Oct23</b>	<b>Previous 26Jul23</b>	<b>Current 17Oct23</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
5-5.5 years	5.62	5.37	5.60	5.36	5.29	5.18
10-10.5 years	5.26	5.17	5.22	5.16	5.07	5.30
20-20.5 years	5.07	5.30	5.11	5.39	5.29	5.68
35-35.5 years	5.27	5.63	5.28	5.70	5.14	5.63
49.5-50 years	5.27	5.70	5.17	5.64	4.97	5.47

### **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 has been no new loans taken out since the last report.

## **Investments**

8. The following are a list of investments as at 30<sup>th</sup> September 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%
Goldman Sachs International Bank	£5,000,000	Fixed	5 <sup>th</sup> July 2023	5 <sup>th</sup> October 2023	5.50%
Cambridgeshire C.C.	£5,000,000	Fixed	6 <sup>th</sup> Dec 2021	6 <sup>th</sup> Dec 2023	0.40%
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%
Middlesborough Borough Council	£5,000,000	Fixed	12 <sup>th</sup> Sep 2023	12 <sup>th</sup> Dec 2023	5.45%
Somerset Council	£5,000,000	Fixed	29 <sup>th</sup> Sep 2023	29 <sup>th</sup> Dec 2023	5.45%
DMO	£6,800,000	Fixed/ Overnight	N/A	N/A	5.17% - 5.245%
Santander	£7,700,000	Call Account	N/A	N/A	5.25%
Lloyds	£7,800,000	Call Account	N/A	N/A	5.14%

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 £1.1m. 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, Lloyds 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 395/23

## **Officer Contact**

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## Appendix 1

### 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.