

**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**

AUDIT COMMITTEE:

22 MARCH 2016

**TREASURY PERFORMANCE REPORT AS AT 29 FEBRUARY
2016**

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 7.1

Appendix 1 of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972

PORTFOLIO: CORPORATE AFFAIRS

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices.
2. This report has been prepared to provide Audit Committee Members with performance information and a position statement on Treasury Management as at 29 February 2016 and highlight key changes from the previous report received as at 31 December 2015.

Background

3. The report attached at Appendix 1 provides the Committee with a snapshot of treasury performance together with position statements on investments and borrowing.

Performance

4. Forecast interest income on investments and external interest payable remain at levels previously reported. Assumptions around external interest payable reflect an underspend due to deferral of the timing of borrowing in the current financial year. Without any further borrowing during the year, the level of internal borrowing at 31 March 2016 is projected to be £50 Million, however this is dependant on timing and funding of capital expenditure and completion of the Council's Outturn position.

Investments

5. Pages 2 and 3 of the Performance Report consider the position on investments. The charts on the Performance Report show the position at a point in time and investments continue to be closely monitored.

6. The current investments list details each investment, the interest rate, the start date and maturity date. It also links this back to the credit criteria by a colour coding which indicates the perceived strength of the organisation.
7. The balance of investments is at a point in time and will fluctuate depending on the timing of income and expenditure e.g. payments to suppliers, receipt of grants, capital receipts etc.
8. The charts that surround this table provide additional information and the key areas to highlight are shown below.
 - **Counterparty Exposure** displays actual investment against the maximum permitted directly with an organisation – This demonstrates that the council is not exceeding any exposure limits.
 - **Remaining Maturity Profile of Investments.** Maturities of investments have been spread to achieve a balanced profile.
 - **Investments by Institution.** This expresses the investments held with different institutions as a percentage of the total. It can be seen that investments remain diversified over a number of organisations.
 - **Geographic Spread of Investments** as determined by the country of origin of relevant organisations. All countries are rated AA and above as per the council's approved criteria.
 - **Investments by Financial Sector.** The majority of investments are with banks.

Borrowing

9. The December report indicated that £11 million of the eligible £12.975 million of preferential rate (Project Rate) PWLB borrowing to be undertaken by the end of 2015/16 was drawn down. The balance of £1.975m was taken in February 2016 at the average rate and period set out in the report. As part of the WG Vibrant and Viable places scheme, an interest free loan of £0.5 Million was received from WG Financial flexibilities funding and used towards providing a loan towards the Tramshed development in Grangetown.
10. At 29 February 2016, the total level of borrowing is £666.3 million. No further PWLB borrowing is planned to be undertaken during the remainder of the year.

Interest Rate Forecasts

11. The latest interest rate forecasts from the Council's Treasury advisors has pushed back the timing of the start of increases in Bank Rate towards the start of 2017. The pace of increases thereafter is assumed to remain slow and gradual.

Training

12. It is important to ensure that Committee members have the necessary information and skills to carry out their responsibility for scrutiny. Officers have provided an introductory training session previously supported by the Council's Treasury advisors and have also met individually with members

of the committee to provide on to one information and background which you may have found useful. Where members feel they need further information or support either individually, on a collective basis, or via further specific reports to committee similar to the benchmarking information provided previously we would be happy to arrange where feasible.

Reason for Report

13. To provide Audit Committee Members with an update on the treasury management position as at 29 February 2016.

Legal Implications

14. No direct legal implications arise from this report.

Financial Implications

15. Treasury management activities undertaken by the Council are governed by a range of policies, codes of practice and legislation. This report indicates the treasury management position at one point in time and makes a number of assumptions in forecasts which will be updated in future reports. The report provides a tool for indicating to Members the treasury position. Future reports will highlight main changes since this report.

RECOMMENDATIONS

16. That the Treasury Performance Report for 29 February 2016 be noted.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
4 March 2016

The following appendix is attached

Appendix 1 – Cardiff Council Treasury Management Performance Report