

CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE:

19 JANUARY 2015

TREASURY PERFORMANCE REPORT AS AT 31 DECEMBER 2014

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Appendix 1 of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972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. To provide Audit Committee Members with performance information and a position statement on Treasury Management as at 31 December 2014 and highlight key changes from the previous report received as at 31 October 2014.

Background

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

Performance

3. The report updates for the latest forecast for interest income on investments and external interest payable at Month 8 budget monitoring. Whilst uncertain, assumptions around external interest payable reflect an underspend due to deferral of the timing of borrowing in the current financial year. Based on the forecast level of external borrowing, without any further borrowing during the year, the level of internal borrowing at 31 March 2015 is projected to be £25 million. The previous internal audit of the treasury function took place in March 2013 and a review is currently in process.

Investments

4. 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.

5. 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.
6. 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.
7. 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 we are 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 our approved criteria.
 - **Investments by Financial Sector.** The majority of investments are with banks.

Borrowing

8. Borrowing of £5 million was taken during October at the rate and period set out in the report. Accordingly, at 31 December 2014, the total level of borrowing is £476m. With loans to the value of circa £6 million to be repaid in the last quarter of the year, without any further borrowing, the forecast level of external borrowing at 31 March 2015 is £470m. The timing and quantum of further borrowing will continue to be reviewed in conjunction with the Council's Treasury advisors.

Reason for Report

9. To provide Audit Committee Members with an update on the treasury management position as at 31 December 2014.

Legal Implications

10. No direct legal implications arise from this report.

The Committee is reminded of its statutory functions, which are to:

- (a) review and scrutinise the authority's financial affairs,
- (b) make reports and recommendations in relation to the authority's financial affairs,
- (c) review and assess the risk management, internal control and corporate governance arrangements of the authority,
- (d) make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements,

- (e) oversee the authority's internal and external audit arrangements, and
- (f) review the financial statements prepared by the authority.
- (g) to seek assurances that the Council has complied with the Treasury Management Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks.

Financial Implications

11. 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

12. That the Treasury Performance Report for 31 December 2014 be noted.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
8 January 2015

The following appendix is attached
Appendix 1 – Cardiff Council Treasury Management Performance Report