

# CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD

**AUDIT COMMITTEE: 23 MARCH 2015**

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## **TREASURY PERFORMANCE REPORT AS AT 28 FEBRUARY 2015**

### **REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 7.1**

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**Appendix 1 of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972**

#### **Reason for this Report**

1. To provide Audit Committee Members with performance information and a position statement on Treasury Management as at 28 February 2015 and highlight key changes from the previous report received as at 31 December 2014.

#### **Background**

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

#### **Performance**

3. Interest income on investments and external interest payable remains as forecast in the Month 9 budget monitoring report. External interest payable reflects 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 external borrowing during the year, the level of internal borrowing at 31 March 2015 is projected to be £25 million. This is based on progress of capital schemes and changes in assumptions around funding of capital schemes for the year ending 31 March 2015. The completed internal audit review of Treasury Management processes has shown no significant risk areas to address.

#### **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 investment list details each investment, the interest rate, the start date and maturity date. It also links this back to the credit criteria

approved by Council in February 2015 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 28 February 2015, the total level of borrowing is £472 million. With loans to the value of circa £2 million to be repaid in the last month of the year, without any further borrowing, the forecast level of external borrowing at 31 March 2015 is £470 million. There is unlikely to be further borrowing in 2014/15.
9. In conjunction with the Council's treasury advisors we will in 2015/16 consider the Welsh Government's proposal for local authorities to take borrowing for 21<sup>st</sup> Century Schools projects at what is termed the Project Rate. This rate is 0.40% less than the quoted PWLB rates.
10. The next Audit Committee will receive reports on benchmarking of treasury activities as well as confirmation of the final position reached and treasury management implications of the Housing Revenue Account Subsidy System 'buy out' which is still expected to take place on 2 April 2015.

## **Reason for Report**

11. To provide Audit Committee Members with an update on the treasury management position as at 28 February 2015.

## **Legal Implications**

12. 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**

13. 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**

14. That the Treasury Performance Report for 28 February 2015 be noted.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
**6 March 2015**

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