

AUDIT COMMITTEE: 26 JUNE 2018

**TREASURY PERFORMANCE REPORT – POSITION AT 31 MAY
2018**

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 10.1

Appendix 1 and 2 of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.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. 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 31 May 2018.
3. The report includes examples of benchmarking information that compares the Council's maturity profile of borrowing over set periods with that of other authorities where available.

Background

4. Appendix 1 provides the Committee with position statements on investments and borrowing at 31 May 2018. There is deemed to be little change for Audit Committee to note since the previous position statement for 28 February 2018 received by Audit Committee in March 2018.

Performance

5. At 31 May 2018, investments total £99.3 million. The budgeted level of interest receivable from treasury investments is £275,000 with this forecast for the year to be updated at Month 4 Budget Monitoring.
6. Borrowing is £692.8 million, with the average rate being 4.64%. The total interest forecast to be payable is shown as that initially budgeted, £32.4 million.
7. The budgeted level of internal borrowing at 31 March 2019 is £80 million. The projections for this and interest will be updated at Month 4 Monitoring to reflect assumptions re external borrowing planned to be undertaken in

2018/19. If borrowing is not undertaken or taken later in the year, then the value of interest expense will be less than budgeted.

Investments

8. Pages 2 and 3 of both Performance Reports 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.
9. The current investments list details each investment, the interest rate, the start date and maturity date. They also link this back to the credit criteria approved by Council in February 2018 by a colour coding which indicates the perceived strength of the organisation.
10. 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.
11. 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

12. Since the February 2018 performance report, £0.5 million of Salix loans have been repaid.
13. As set out in the Council's Treasury Management Strategy for 2018/19, further external borrowing is required in 2018/19, with initial estimates that the borrowing requirement would be £80 million i.e. the difference between the closing Capital Finance Requirement and the level of external borrowing with no new borrowing at 31 March 2019.
14. The timing and quantum of any new external borrowing will be considered in conjunction with the Council's treasury advisors, having regard to forecasts for interest rates and performance in delivering the capital programme. Updates would be provided in future reports to Committee.
15. Committee have previously raised concerns about the maturity profile of the Council's debt particularly in relation to a spike in the long term. The difficulty in repaying debt due to financial penalties currently in place by

PWLB have been previously noted. Whilst there are risks in comparing with other local authorities, Appendix 2 shows some benchmarking undertaken comparing maturity profiles of debt over different periods. This shows, that the Council's profile within bands of years is not too dissimilar to those used in comparison.

Reason for Report

16. To provide Audit Committee Members with a performance position statement at 31 May 2018.

Legal Implications

17. No direct legal implications arise from this report.

Financial Implications

18. Treasury management activities undertaken by the Council are governed by a range of policies, codes of practice and legislation. This report and appendices 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

19. That the Treasury Performance Report for 31 May 2018 be noted.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
20 June 2018

The following appendix is attached

Appendix 1 – Statement of investments as at 31 May 2018

Appendix 2 – Maturity profile of borrowing - Benchmarking