

**AUDIT COMMITTEE:**

**22 JANUARY 2019**

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

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 9.1**

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**Appendix 1 of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.**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. 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 December 2018.

**Background**

3. Appendix 1 provides the Committee with position statements on investments and borrowing at 31 December 2018.

**Performance**

4. At 31 December 2018, investments total £72 million. The estimated level of interest receivable from treasury investments is £530,000 including interest earned on behalf of other entities. This is compared to a budget of £275,000. The forecast is based on current levels of investments and cash flow forecasts.
5. Borrowing is £705 million, with the average rate being 4.58%. The total interest forecast to be payable is £32.2 million compared to a budget of £32.4 million. This includes interest payable by the Housing Revenue Account. The variance is due to deferral of the timing of additional external borrowing in 2018/19.
6. Based on the above forecasts, the projected level of internal borrowing at 31 March 2019 as at Month 9 is £70 million.

## Investments

7. Pages 2 and 3 of the Performance Report considers 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.
8. 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.
9. 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.
10. 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

11. Since the last report for October 2018, Long term borrowing of £10.2 million was taken in line with our strategy to take up to £20m of borrowing by 31 March 2019.
12. As set out in the Council's Treasury Management Strategy for 2018/19, considered by audit committee and approved by Council in February 2018, further external borrowing is required in 2018/19 and future years. There is currently a significant amount of economic uncertainty in the financial markets primarily as a result of economic concerns, international trade issues and in the UK uncertainty in relation to Brexit. Whilst market movements cannot be predicted, further borrowing may be undertaken, following approval by the Corporate Director Resources, to meet future requirements if opportunities arise to do so at favourable rates.
13. 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.

## **Lender Option borrower Option Loans (LOBO's)**

14. At a previous Audit Committee meeting it was noted that a number of local authorities had been made offers by the providers of their LOBO loans for the repayment and cancelation of loans. It should be noted that apart from the option to increase rates the Council's loans are comparable to PWLB loans and have no other complications such as variation in interest or complex terms.
15. Whilst we have not had any such approaches the Council itself has made enquiries as to whether our loan providers would consider early repayment. This is not something that they are willing to consider without payment of a significant premium totalling £37.7 million. This is not deemed financially beneficial to the Council given the current levels of interest rates but will be reviewed in future.

## **Reason for Report**

16. To provide Audit Committee Members with a performance position statement at 31 December 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 December 2018 be noted.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
**10 January 2019**

*The following appendix is attached*

Appendix 1 – Cardiff Council Treasury Management Performance Report – 31 December 2018