

AUDIT COMMITTEE:

2 APRIL 2019

**TREASURY PERFORMANCE REPORT – POSITION AT 28
FEBRUARY 2019**

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 10.1

Appendix 1 of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.

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 28 February 2019.

Background

3. Appendix 1 provides the Committee with position statements on investments and borrowing at 28 February 2019.

Performance

4. At 28 February 2019, investments total £78.5 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 £709 million, with the average rate being 4.57%. Subject to the timing of external borrowing, 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 is £67 million. The final figure for 2018/19 is dependent on the level of capital expenditure, external grant funding and any further external borrowing undertaken in March 2019.

7. The Council is awaiting formal notification from Welsh Government in respect to the removal of the Housing Revenue Account borrowing cap. This is expected by 31 March 2019.

Investments

8. 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.
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 2019 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 last report for December 2018 and this report, a further £4 million of external borrowing has been undertaken.
13. As set out in the Council's Treasury Management Strategy for 2019/20, considered by audit committee and approved by Council in February 2019, further external borrowing is required to be undertaken to meet the Council's projected borrowing requirement. Significant uncertainty remains 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 will be undertaken, following approval by the Corporate Director Resources, to meet future requirements where opportunities arise to do so at favourable rates.

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.

Reason for Report

15. To provide Audit Committee Members with a performance position statement at 28 February 2019.

Legal Implications

16. No direct legal implications arise from this report.

Financial Implications

17. 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

18. That the Treasury Performance Report for 28 February 2019 be noted.

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES
2 April 2019

The following appendix is attached
Appendix 1 – Cardiff Council Treasury Management Performance Report – 28 February 2019