

# CARDIFF COUNCIL CYNGOR CAERDYDD

**AUDIT COMMITTEE:**

**21 JANUARY 2020**

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## TREASURY PERFORMANCE REPORT – POSITION AT 31 DECEMBER 2019

### REPORT OF CORPORATE DIRECTOR RESOURCES

**AGENDA ITEM: 9.1**

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**Appendix 1 and 2 of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.**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 seeking 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.
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 2019 – Appendix 1
3. Audit committee received a Treasury Management benchmarking report collated by officers in November 2019. This can support members in understanding the Council's investments and borrowing position. In November 2019, the Committee also received an independent Compliance, Evidence, Delivery and Review (CEDR) report of the Treasury Function. This report provides a management response and sets timescales and actions for any improvements identified.

#### Performance

4. At 31 December 2019, investments total £123 million. The forecast level of interest receivable from treasury investments is circa £1 million based on current cash flow and interest rate assumptions. This is primarily as a result of timing of cash flows as well as interest on funds held on behalf of others.
5. Borrowing is £730.5 million, with the average rate being 4.49%. The total interest forecast to be payable on borrowing at 31 December 2019 is marginally lower than that initially budgeted, £32.8 million and includes interest payable by the Housing Revenue Account.

6. The forecast level of internal borrowing at 31 March 2020 is £56 million, however this is subject to the level of capital expenditure and funding of that expenditure at the end of the year as well as the timing and quantum of external borrowing. This forecast will be updated in the final Treasury Management Strategy proposed for 2020/21 as part of the budget proposals.

## **Investments**

7. Pages 2 and 3 of Appendix 1 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 2019 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.
  - **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. During the year to date, Welsh Government Repayable Loan funding of £2.810 million at nil interest has been received and is to be used specifically for town centre regeneration schemes in Butetown and Grangetown. In addition £10m of long term PWLB loans have been taken towards part of the Council's overall borrowing requirement. Maturing loans of £4.2 million have been repaid.

## **Compliance, Evidence, Delivery and Review (CEDR) of Treasury Function**

12. The purpose of the CEDR report was to undertake an independent examination of the following: -

- **Compliance:** do your policies / procedures comply with the CIPFA Code of Practice on Treasury Management, the CIPFA Prudential Code and Welsh Government investment guidance?
  - **Evidence:** can you provide evidence to internal / external scrutiny that the above is the case?
  - **Delivery:** how do your policies, procedures and level of staffing impact on the delivery of your treasury function?
  - **Review:** following the outcomes of this health check will you review your processes and approach to how you do treasury management?
13. It looked independently at the team's skills, compliance with best practice, required regulations and professional guidance. Appendix 2 sets out a management response to the findings and suggested areas of improvement identified in this report.

### **Reason for Report**

14. To provide Audit Committee Members with a performance position statement at 31 December 2019 as well as other information following an assessment of the effectiveness of the Treasury Function.

### **Legal Implications**

15. No direct legal implications arise from this report.

### **Financial Implications**

16. Treasury management activities undertaken by the Council are governed by a range of policies, codes of practice and legislation. This report has no direct financial implications.

### **RECOMMENDATIONS**

17. That the Treasury Performance Report for 31 December 2019 as well as the management response to improvement actions be noted.

**CHRISTOPHER LEE**  
**CORPORATE DIRECTOR RESOURCES**  
**21 January 2020**

*The following appendices are attached*

Appendix 1 – Cardiff Council Treasury Management Performance Report – 31 December 2019

Appendix 2 – Compliance, Evidence, Delivery and Review (CEDR) of Treasury Function - Management Response