

CARDIFF COUNCIL CYNGOR CAERDYDD

AUDIT COMMITTEE:

17 NOVEMBER 2020

TREASURY PERFORMANCE REPORT – POSITION AT 30 SEPTEMBER 2020

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 8.1

Appendix 1 of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.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 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 30 September 2020 – Appendix 1
3. Audit committee received a Treasury Management benchmarking report collated by officers in November 2019 which can support members in understanding the Council's investments and borrowing position.

Performance

4. At 30 September 2020, investments total £165.8 million. The investments arise as a result of timing of cash flows for the Council, but also include funds held on behalf of others primarily the Capital Cardiff Region City Deal. The level of cash balances at the start of the year diminish as the year progresses, however average cash balances are higher than normal in this period for a number of reasons as set out in the report to Audit Committee in September 2020 including those to mitigate against availability of funds at the start of the Covid 19 crisis.
5. The forecast level of interest receivable in 2020/21 from treasury investments as at Month 6 of the financial year is circa £380,000. This is based on current cash flow and interest rate assumptions and is lower than the initial estimate as a result of reduction in bank base rate since Covid 19 for new investments. The benchmark London Interbank Bid Rate (LIBID) for seven days is currently negative at minus 0.05%.

6. The level of borrowing is £828.2 million, with the average rate being 4.11%. The total interest forecast to be payable on borrowing at 31 July 2020 is £34.1 million and includes interest payable by the Housing Revenue Account.
7. The forecast level of internal borrowing at 31 March 2021 is £24 million, i.e. where temporary cash balances held by the Council are used to pay for capital expenditure. This is subject to the level of capital expenditure and funding of that expenditure at the end of the year as well as the quantum of external borrowing undertaken during the year.

Investments

8. 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.
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 2020 by a colour coding which indicates the perceived strength of the organisation.
10. In order to support the treasury team to manage the level of funds and to mitigate against counterparty risk, the Council activated its use of the HM Treasury Debt Management Office (DMO) account at the end of March 2020. Opportunities continue to be considered to move away from retaining investment balances in the DMO and investing in deposits that result in a higher return, albeit at historically low levels.
11. 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.
12. 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 the UK Government.

Borrowing

13. No new loans have been undertaken during the year to date. Loans for specific capital projects from Welsh Government and Salix are being considered subject to approval of those projects. This included loans for

energy efficiency and distribution projects as well as town centre loan schemes which may be received during the remainder of the year. Current assumptions are that the only loans that will be replaced are £20 million of short term maturing loans in January 2021, initially taken towards the acquisition of the Red Dragon Centre.

Reason for Report

14. To provide Audit Committee Members with a performance position statement at 30 September 2020.

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 30 September 2020 be noted.

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES
9 November 2020

The following appendices are attached
Appendix 1 – Cardiff Council Treasury Management Performance Report – 30 September 2020