

**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**

AUDIT COMMITTEE:

30 November 2015

TREASURY PERFORMANCE REPORT AS AT 31 OCTOBER 2015

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 7.1

Appendix 1 of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972

PORTFOLIO: CORPORATE AFFAIRS

Reason for this Report

1. To provide Audit Committee Members with performance information and a position statement on Treasury Management as at 31 October 2015 and highlight key changes from the previous report received as at 31 August 2015.

Background

2. The report attached at Appendix 1 provides the Committee with a snapshot of treasury performance, position statements on investments and borrowing.

Performance

3. At 31 October 2015, investments total £49.7 million. Interest income on investments is as per budget, however external interest payable as per the forecast at Month 6 budget monitoring is forecast to be £1.2 million underspent. This is due to deferring the timing of external borrowing and utilising internal borrowing in the short term. Subject to progress on expenditure on the capital schemes during the year, a forecast for internal borrowing at 31 March 2016 is £47 million. This assumes £15 million of borrowing will be undertaken by the end of the year.
4. The Performance Report includes a new table in respect of forecasts of the Capital Financing Requirement (CFR) at the end of the year. A number of variables are required to be calculated and assumed when forecasting and calculating this figure, so it is subject to change and will be updated periodically in line with Budget Monitoring reports. The prime reason for inclusion of this forecast is to allow monitoring against the recently introduced Housing Revenue Account debt cap by Welsh Government, to ensure the Council is not at risk of incurring financial penalties as a result of breach.

Investments

5. Pages 2 and 3 of the Performance Report 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.
6. The current investments list details each investment, the interest rate, the start date and maturity date. It also links this back to the credit criteria approved by Council in February 2015 by a colour coding which indicates the perceived strength of the organisation.
7. 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.
8. 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

9. Apart from the £187 million borrowing, to undertake the HRA Settlement payment on 2 April 2015, no further borrowing has been undertaken during the year to date. £3.6 million of loans will mature in the remainder of the year and £15 million of new PWLB loans will be taken to reduce internal borrowing and to benefit from preferential rates (Project Rate) available for investment related to 21st Century School projects in 2015/16.

Reason for Report

10. To provide Audit Committee Members with an update on the treasury management position as at 31 October 2015.

Legal Implications

11. No direct legal implications arise from this report.

Financial Implications

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

13. That the Treasury Performance Report for 31 October 2015 be noted.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
30 November 2015

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

Draft