

CITY OF CARDIFF COUNCIL

CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE:

1 FEBRUARY 2016

TREASURY PERFORMANCE REPORT AS AT 31 DECEMBER 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Appendix 1 of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972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. 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 2015 and highlight key changes from the previous report received as at 31 October 2015.

Background

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

Performance

4. The report updates for the latest forecast for interest income on investments and external interest payable as at Month 9 of 2015/16, which remain at levels previously reported. Assumptions around external interest payable reflect an underspend due to deferral of the timing of borrowing in the current financial year. Without any further borrowing during the year, the level of internal borrowing at 31 March 2016 is projected to be £50 million, however this is dependant on timing and funding of capital expenditure and completion of the Council's Outturn position.

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 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 the council is 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 the council's approved criteria.
 - **Investments by Financial Sector.** The majority of investments are with banks.

Borrowing

9. As reported previously, the intention was to undertake new PWLB loans to reduce internal borrowing and to benefit from preferential rates (Project Rate) available for investment related to 21st Century School projects. WG have approved £12.975 million to be undertaken by the end of 2015/16.
10. Borrowing of £11 million was taken during December at the average rate and average period set out in the report. Accordingly, at 31 December 2015, the total level of borrowing is £667.3 million. The timing and quantum of the balance of borrowing will continue to be reviewed in conjunction with the Council's Treasury advisors.

Reason for Report

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

Legal Implications

12. No direct legal implications arise from this report.

Financial Implications

13. 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

14. That the Treasury Performance Report for 31 December 2015 be noted.

**CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
8 January 2016**

The following appendix is attached

Appendix 1 – Cardiff Council Treasury Management Performance Report