

# CARDIFF COUNCIL CYNGOR CAERDYDD

**AUDIT COMMITTEE:**

**10 SEPTEMBER 2019**

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## TREASURY PERFORMANCE REPORT – POSITION AT 31 JULY 2019

### REPORT OF CORPORATE DIRECTOR RESOURCES

**AGENDA ITEM: 9.1**

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**Appendix 1 of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.**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 31 July 2019.

#### **Background**

3. Appendix 1 provides the Committee with position statements on investments and borrowing at 31 July 2019.

#### **Performance**

4. At 31 July 2019, investments total £97.4 million. The budgeted level of interest receivable from treasury investments is circa £700,000 based on current cash flow and interest rate assumptions.
5. Borrowing is £721.2 million, with the average rate being 4.53%. The total interest forecast to be payable is shown as 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 £57 million, however this is subject to the level of capital expenditure and funding of that expenditure at the end of the year as the timing and quantum of external borrowing.
7. At a future meeting of audit committee, officers will present the outcome of a review in respect to compliance of the Council's treasury management activities with regulations and professional codes of practice as well as benchmarking of treasury activities.

## 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. It should be noted that Coventry Building Society will be removed from the lending list on maturity of deposits.
  - **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. 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. Maturing loans of £3.51 million have been repaid.
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.
14. The internal borrowing assumption above, initially assumes £10 million of PWLB loans would be borrowed during the next few months. However significant uncertainty remains in the UK financial markets primarily in relation to Brexit. This has a beneficial impact in reducing available borrowing rates as such rates are based on government gilt yields. Uncertainty has resulted in borrowing rates across all periods being less than 2%. For this reason, opportunities may be taken to increase the level

of borrowing given the need to fund the Council's approved long term capital programme which includes the Housing Revenue Account.

15. Whilst market movements cannot be predicted, further borrowing opportunities will be undertaken in accordance with delegations to the Corporate Director Resources to lock in to current low rates. This will be reviewed regularly with treasury management advisors as current uncertainties continue.

### **Reason for Report**

16. To provide Audit Committee Members with a performance position statement at 31 July 2019.

### **Legal Implications**

17. No direct legal implications arise from this report.

### **Financial Implications**

18. 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**

19. That the Treasury Performance Report for 31 July 2019 be noted.

**CHRISTOPHER LEE**  
**CORPORATE DIRECTOR RESOURCES**  
**10 September 2019**

*The following appendix is attached*

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