

# CARDIFF COUNCIL CYNGOR CAERDYDD

**AUDIT COMMITTEE:**

**26 JANUARY 2021**

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## TREASURY PERFORMANCE REPORT – POSITION AT 31 DECEMBER 2020

### REPORT OF CORPORATE DIRECTOR RESOURCES

**AGENDA ITEM: 11.1**

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**Appendix 1 of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.**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 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 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 31 December 2020, investments total £141.4 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 have been higher than normal in this period for a number of reasons as set out in previous reports to Committee 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 9 of the financial year is circa £370,000. 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 negative at minus 0.06% average for the year, with little or no return currently being received on new deposits.

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 for the year 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 £19 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.
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. Loans undertaken in year to date include to be undertaken during the year include a loan received from Welsh Government to implement a private sector housing leasing scheme (£0.5 million). Planned borrowing in the last quarter includes a further loan from Welsh Government in respect of town centre regeneration (£1.2 million) as well as replacement borrowing

for £20 million of maturing short term loans, in order to secure an element of the Council's overall long term borrowing requirement.

### **Reason for Report**

14. To provide Audit Committee Members with a performance position statement at 31 December 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 31 December 2020 be noted.

**CHRISTOPHER LEE**  
**CORPORATE DIRECTOR RESOURCES**  
**26 January 2021**

*The following appendices are attached*  
Appendix 1 – Cardiff Council Treasury Management Performance Report – 31 December 2020