

Agenda Item 42.

TITLE	Treasury Management Annual Report 2015-16
FOR CONSIDERATION BY	Council on 22 September 2016
WARD	None specific
DIRECTOR	Graham Ebers, Director of Finance and Resources
LEAD MEMBER	Anthony Pollock, Executive Member for Economic Development Finance

OUTCOME / BENEFITS TO THE COMMUNITY

Effective and safe use of our resources to deliver service improvements and service continuity through capital investments.

RECOMMENDATION

Council is asked to:

- 1) note that this report was presented to the Audit Committee on 15 June 2016 and Executive on 28 July 2016;
- 2) approve:
 - a) the Treasury Management Annual Report for 2015/2016; and
 - b) the actual 2015/2016 prudential indicators within the report.

SUMMARY OF REPORT

Treasury Management is the management of the Council's investments, lending and cash flows, its banking, money market and borrowing transactions together with the effective control of the risks associated with those activities.

Background

The production of an annual 'Treasury Management Report' is a requirement of the Council's reporting procedures. This report covers the actual treasury activity which took place as well as the actual Prudential Indicators for 2015/16.

The report therefore highlights the Council's treasury position as at 31 March 2016, sets out the treasury management decisions taken during the year and reports progress against the strategy and prudential indicators which were set in February 2015. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are found in Appendix B. Other prudential and treasury indicators are to be found in the main body of this report (Appendix A).

Summary

As at 31st March 2016 the Non- HRA external debt was £47.2m

The HRA External Debt as at 31st March 2016 was £85.0m

The HRA has an internal loan of £8.9m from the Council.

In terms of external borrowing:

- PWLB Loans – No new loans were taken out in 2015/16;
- Market Loans (Lobo) – No new loans were taken out in 2015/16
- Local Enterprise partnership – £630,000 of interest free new loans were taken out in the year.

In 2015/16 the statutory borrowing limit (the authorised limit), was not breached during the year.

Although the financial year 2015/16 was a challenging investment environment with low investment returns and continuing heightened levels of counterparty risk the in-house team were able to achieve an average rate of return of 1.15% on investments (including internal loans) compared to the fund managers average rate of 0.6%.

Because of the unfavourable gap between investment returns and borrowing costs, during the year the council took the opportunity to use internal funds for capital expenditure.

Analysis of Issues

Prudential and Treasury Indicators		2015/16 Actual £'000
Capital expenditure		
	Non-HRA	42,237
	HRA	4,557
	Total	46,794
Capital Financing Requirement:		
	Non-HRA	118,582
	HRA	92,964
	Total	211,546
External debt		
	Non-HRA	47,214
	HRA	85,018
	Total	132,232
Return on Investments		
	Fund Managers	130
	In house	243
	Wokingham Housing Limited	399
	Housing Revenue Account	84
	Age concern	3
	Total	859

The Director of Finance and Resources confirms that as at 31st March 2016 there have been no breaches of the treasury strategy during 2015-16.

List of Appendices:

Full Annual Treasury Management Report for 2015/16 is shown in Appendix A.

Councils Prudential and Treasury Indicators are shown in Appendix B

Councils Current Loan Portfolio Appendix C –including HRA

Councils Counter Party Limits at the 31st March 2016 are shown in Appendix D

Councils Current Investments at the 31st March 2016 are shown in Appendix E

Glossary of Terms is shown in Appendix F.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
2015-16	£46.8m Expenditure £0.9m Return on Investments	Yes	Capital Revenue
Next Financial	N/A		
Following Financial Year (Year 3)	N/A		

Other financial information relevant to the Recommendation/Decision
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None

Cross-Council Implications

Budgets and strategies are clearly monitored and do not impact on other Council services and priorities

List of Background Papers

None

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