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| TITLE | Treasury Management Mid-Year Report 2016-17 |
| FOR CONSIDERATION BY | Executive on 26 January 2017 |
| WARD | None specific |
| DIRECTOR | Graham Ebers, Director of Corporate Services |
| LEAD MEMBER | Anthony Pollock, Executive Member for Economic Development and Finance |

OUTCOME / BENEFITS TO THE COMMUNITY

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

RECOMMENDATION

The Executive are asked to:

- 1) note the mid-year Treasury Management report for 2016/17;
- 2) note the actual 2016/17 prudential indicators within the report;
- 3) recommend the report to Council for approval.

SUMMARY OF REPORT

This report summarises the Treasury Management operations during the first six months of 2016/17. It is presented for the purpose of monitoring and review, in accordance with Council's treasury management practices.

As at 30th September 2016 the Council is forecast to exceed its investment return budget by 12% and there has been no external loan taken out in the first six months. The Director of Finance and Resources confirms that as at 30th September 2016 there have been no breaches of the treasury strategy 2016/17.

Background

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans or using longer term cash flow surpluses. On occasion, any debt previously drawn may be restructured to meet Council risk or cost objectives.

Analysis of Issues

External Debt

In the first six months external debt did not increase as the Council took the opportunity to use internal funds and other sources to fund the capital programme. As at 30th September 2016 external debt was:

- General fund (Non- Housing Revenue Account): £46.6m
- Housing Revenue Account: £85.0m.

Capital Expenditure forecast year end outturn

As at 30th September 2016:

- General fund (Non- Housing Revenue Account) external debt: £84.6m
- Housing Revenue Account: £5.9m.

Investment forecast year end outturn

As at 30th September 2016:

- Returns on investments (external and internal companies): £1.6m

Appendices

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| The full Treasury Mid-Year report for 2016/17 | Appendix A |
| The Council's Prudential indicators | Appendix B |
| The Council's Current Loan Portfolio | Appendix C |
| The Council's Current Investments as at 30 th September 2016 | Appendix D |
| A Glossary of Terms | Appendix E |

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? |
|-----------------------------------|---|---|---------------------|
| Current Financial Year (Year 1) | £150.2m External Loans £1.6m Return on Investments | Yes | Capital and Revenue |
| Next Financial Year (Year 2) | To be determined through the Medium term financial plan | | Capital and Revenue |
| Following Financial Year (Year 3) | N/A | | |

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| Other financial information relevant to the Recommendation/Decision |
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| Cross-Council Implications |
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| List of Background Papers |
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| Date 12 January 2017 | Version No. 2 |

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