

Agenda Item 87.

TITLE	Treasury Management -Mid Year Report
FOR CONSIDERATION BY	The Executive on Thursday, 31 January 2019
WARD	None Specific;
LEAD OFFICER	Deputy Chief Executive – Graham Ebers
LEAD MEMBER	Executive Member for Finance, HR and Corporate Resources - Anthony Pollock

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

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 2018/19 was approved by Audit committee on the 7th November 2018;
- 2) note the mid-year Treasury Management report for 2018/19;
- 3) note the actual 2018/19 prudential indicators within the report;
- 4) recommend the report to Council for approval.

EXECUTIVE SUMMARY

This report summarises the Treasury Management operations during the first six months of 2018/19. It is presented for the purpose of monitoring and review, in accordance with Council's treasury management practices.

As at 30 September 2018 the Council is forecast to exceed its investment return budget and there have been no external loans taken out in the first six months.

The Deputy Section 151 Officer confirms that as at 30 September 2018 there have been no breaches of the treasury management strategy 2018/19.

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 the council's 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 Monitoring

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 2018 external debt was:

- General fund (Non-Housing Revenue Account): £65.5m
- Housing Revenue Account: £79.8m.

Capital Expenditure Monitoring

As at 30th September 2018, full year capital expenditure are estimated as follows;

- General fund (Non- Housing Revenue Account): £131.1m
- Housing Revenue Account: £4.4m.

Further information on capital monitoring can be found in the quarterly capital monitoring report.

As at 30th September 2018, full year investment returns are estimated as follows;

- Returns on investments (external and internal companies): £3.4m

Appendices

The full Treasury Management strategy Mid-Year report for 2018/19	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 2018	Appendix D
Glossary of Terms	Appendix E

BUSINESS CASE (Including Options and Evidence of Need)

N/A

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)	£181.9m External Loans £3.4m 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)	To be determined through the Medium term financial plan		Capital and Revenue

Other Financial Information

N/A

Stakeholder Considerations and Consultation

N/A

Resourcing and Timeline for Next Steps

N/A

Timeline for Review and Evaluation

N/A

List of Background Papers

Appendices A – F

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