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| <b>TITLE</b>                | <b>Treasury Management - Mid Year Report</b> |
| <b>FOR CONSIDERATION BY</b> | The Executive on Thursday, 20 February 2020  |
| <b>WARD</b>                 | None Specific;                               |
| <b>LEAD OFFICER</b>         | Deputy Chief Executive - Graham Ebers        |
| <b>LEAD MEMBER</b>          | Deputy Leader of the Council - John Kaiser   |

## **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 is asked:

- 1) to recommend to Council the mid-year position on the treasury management portfolio;
- 2) to note that the Council has worked within approved parameters;
- 3) to note the forecast outturn saving of £500k (an over achievement on investments £390k, and saving on debt charges of £110k).

## **SUMMARY**

This report provides Executive with a summary review of Treasury Management activities during the first six months of 2019/20 and will detail any breaches of the agreed treasury management strategy and also any proposed in-year amendments to the strategy. The Treasury function supports the provision of all Council services through timely management of the Council's cash flow and through its debt and investment portfolio.

The mid-year report reviews the performance of the treasury management function and forms part of the formal reporting arrangements required by the CIPFA Code of Practice for Treasury Management.

### Investments:

As at 30 September 2019 the council held investments of £101.8m with an average rate of return of 0.99%. The average rate excluding loans to subsidiaries as at September 2019 was at the rate of return of 0.67% which is very positive when compared to the 7-day average London Interbank Bid (LIBID) rate of 0.57% as at the 30 September 2019. All Council investments are placed with regard to security, liquidity and yield and in that order.

In accordance with the updated strategy set by Council in February 2019, the Council has taken advantage of the permission to increase the investment duration with other local authorities for up to two years; this has generated better rates of returns at the date of investment.

As at 30 September 2019 the Council has earned £1.866 million in interest (received and accrued). The Council's treasury team forecasts a full year return (received and accrued) of £4.024 million against a budget of £3.634 million

### Debt:

As permitted by the Treasury and Capital strategy, the Council has increased its external borrowing by £10 million; this takes the total external borrowing to £211.2 million. This is still below the agreed limit (operational boundary for debt) of £492 million (increased by £125 million) set out in the borrowing strategy approved by Council on the 21<sup>st</sup> February 2019.

During the first six months of the year through a combination of good cash flow management, additional income and phasing of the capital expenditure, the Council's treasury team has managed to keep additional borrowing at £10 million, saving on debt financing cost, this will continued to be monitored for the last six months and any new borrowing will be taken in line with the strategy parameters.

The forecast of debt financing costs for the full year is £7.340 million, against a budget of £7.447 million.

The following table demonstrates budget monitoring for both debt and returns on investments

|                        | Budget<br>£'000 | Forecast<br>£'000 | Varaince<br>£'000 |
|------------------------|-----------------|-------------------|-------------------|
| Returns on investments | (3,634)         | (4,024)           | (390)             |
| Debt charges           | 7,447           | 7,337             | (110)             |
| <b>Sub Total</b>       | <b>3,813</b>    | <b>3,313</b>      | <b>(500)</b>      |

### Prudential Indicators

The Director of Corporate Services confirms that as at 30 September 2019 the council has worked within the treasury strategy 2019/20

## FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

*The Council continues to face severe financial challenges over the coming years as a result of reductions to public sector funding and growing pressures in our statutory services. It is estimated that Wokingham Borough Council will be required to make budget reductions of approximately £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)   | External borrowing as at 30th September 2019: £211.2m<br>Treasury Investments held as at 30th September 2019 £101.8m | Yes   | Revenue & Capital   |
| Next Financial Year (Year 2)      | To be determined through the Medium term financial plan  | Yes   | Revenue & Capital   |
| Following Financial Year (Year 3) | To be determined through the Medium term financial plan  | Yes   | Revenue & Capital   |

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|------------------------------------|
| <b>Other Financial Information</b> |
| None                               |

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| <b>Stakeholder Considerations and Consultation</b> |
| N/A  |

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| <b>Public Sector Equality Duty</b>                            |
| An Equality Impact Assessment is not required for this report |

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| <b>List of Background Papers</b> |
| None                             |

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