

Agenda Item 34.

TITLE	Treasury Management Annual Report 2014-15
FOR CONSIDERATION BY	The Executive on 30 July 2015
WARD	None specific
DIRECTOR	Graham Ebers, Director Finance and Resources
LEAD MEMBER	Anthony Pollock, Executive Member for 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 is asked to:

- 1) note that this report was presented to the Audit Committee on 23 June 2015;
- 2) approve and recommend to Council:
 - a) the Treasury Management Annual Report for 2014/2015; and
 - b) the actual 2014/2015 prudential indicators within the report.

SUMMARY OF REPORT

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

Background

The 'Treasury Management Annual Report' is a requirement of the Council's reporting procedures. It covers the treasury activity during 2014/2015 and the actual Prudential Indicators for 2014/15.

The report highlights the Council's treasury position as at 31 March 2015, sets out the treasury management decisions taken during 2014/15 and shows that the council has complied with its strategy and the prudential indicators that were set in February 2014. 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). The Director of Finance and Resources confirms that no new external borrowing has been undertaken in 2014/15 and the statutory borrowing limit (the authorised limit), was not breached during the year.

The financial year 2014/15 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk.

Taking the above into account the in-house team were still able to achieve an average rate of return of 3.7% on investments (including internal loans) compared to the fund managers average rate of 0.6%.

As at 31st March 2015 the Non- HRA external debt was £46.6m
The HRA External Debt as at 31st March 2015 was £85.0m
The HRA has an internal loan of £8.9m from the council general fund.

During a fair valuation (completed by Capita Asset Services) our debt portfolio was valued at £163.6m compared to the actual principal of £131.6m. This means that if we were to refinance our loan portfolio it would cost an additional £31.96m. This demonstrates that the treasury function has achieved favourable rates and durations of loans when financing its capital programme.

In 2014/2015 the council took the opportunity to use internal funds for capital expenditure in recognition of the unfavourable gap between investment returns and borrowing costs (See below).

Investment rate	1.00% 1 year	libor rate	@ 31 st March 2015
Borrowing rate	1.32% 1 year	PWLB loan rate	@ 31 st March 2015

Analysis of Issues

Prudential and Treasury Indicators		2014/15 Actual £'000
Capital expenditure		
	Non-HRA	38,774
	HRA	6,561
Total		45,335
Capital Financing Requirement:		
	Non-HRA	102,540
	HRA	93,876
Total		196,416
External debt		
	Non-HRA	46,584
	HRA	85,018
Total		131,602
Investments		
	Fund Managers	169
	In house	278
	Wokingham Housing Limited	19
	Housing Revenue Account	399
Total		865

The Director of Finance and Resources confirms that as at 31st March 2015 there have been no breaches of the treasury strategy during 2014-15.

List of Appendices:

The full Annual Treasury Management Report for 2014/15 is shown in Appendix A.

The Councils Prudential and Treasury Indicators are shown in Appendix B

The Councils Current Loan Portfolio Appendix C –(including HRA)

The Councils Counter Party Limits at the 31st March 2015 are shown in Appendix D

The Councils Current Investments at the 31st March 2015 are shown in Appendix E

A 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?
2014-15	£45.34m 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
--

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

Contact Martin Jones	Service Finance & Resources
Telephone No 0118 9746877	Email martin.jones@wokingham.gov.uk
Date 21 July 2015	Version No.2