

TITLE	Treasury Management Mid-Year Report 2020-21
FOR CONSIDERATION BY	The Executive on Thursday, 28 January 2021
WARD	None Specific;
LEAD OFFICER	Deputy Chief Executive - Graham Ebers
LEAD MEMBER	Executive Member for Finance and Housing - John Kaiser

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

Effective borrowing and investments to optimise the resource position for the Council and provide strong financial standing.

RECOMMENDATION

That the Executive:

- 1) note Appendix A, the Treasury Management Mid-Year report which was agreed at Audit Committee on 23rd November 2020;
- 2) note all approved indicators set out in the treasury management strategy have been adhered to and that prudent and safe management has been maintained;
- 3) note the table below which shows the net benefit per council tax payer, from the income generated less the financing costs on all borrowing to date equates to £7.20 which is 0.47% of the average band D council tax charge. This credit provides income to the Council to invest in its priority services;
- 4) note this report and recommend to Council.

EXECUTIVE SUMMARY

This report provides a summary of the Treasury Management operations during the first six months of 2020/2021. It is presented for the purpose of monitoring and review, in accordance with Council's treasury management practices. The Council adhered to all agreed prudential indicators. This includes ensuring the necessary liquidity to deliver on the day-to-day operations of the Council. There are two aspects of treasury performance: debt management which relates to the Council's borrowing and cash investment which relates to the investment of cash balances.

Appendix A is the Treasury Management Mid-Year report which was agreed at Audit Committee on 23rd November 2020. Key highlights to note from this report are:

- **The annual cost of servicing this borrowing that falls to the local taxpayer is £7.52 per council tax band D property for 2020/21.**
- **Net indebtedness after cash balances is £83m at end of September.**
- **Realisable asset value of £496m at end of September, meaning an asset to net indebtedness ratio cover of 6:1.**

Cost of Financing Debt

The table below shows the gross financing costs of servicing the external borrowing. Gross financing costs reflect the annual interest costs payable and an amount for Minimum Revenue Provision (MRP). To understand the true cost of this, it is important to take into account the income from treasury investments, contributions from 'invest to save' schemes, income from investment / commercial properties which all contribute to reducing the annual cost of this financing.

Furthermore, for completeness and transparency, the table from Appendix A (shown below) has been extended to show the additional income the Council receives from our assets which contributes towards the funding of key services the Council provide. This is the income over and above the amount used to contribute towards the financing costs of the borrowing.

	£,000	£,000
	App A	
General Fund - Financing Cost (including MRP provision)	£7,784	£7,784
<u>Less</u> contributions towards financing costs from following areas:		
- Treasury investments	(£815)	
- Commercial investments	(£2,820)	
- Town centre regeneration	(£2,536)	
- Housing companies	(£568)	
- Invest to save schemes	(£503)	
	(£7,242)	
Net Annual Financing Cost	£542	
<u>Include</u> additional income over and above the contributions shown above:		
- Commercial investments as at 30 Sep 20	(£1,061)	
- Town centre regeneration*	(£0)	
		(£1,061)
Net Annual Benefit to the taxpayer		(£519)
Net Annual Benefit £,000		£519
Divide by Council Tax Base (no. of band D equivalent properties)		72,036.5
Benefit per band D property - £		£7.20

* Income from this investment goes to repay its costs. When the scheme is fully operational, the surplus income is expected to be c£2m per annum. Over the fulness of time when debt is fully repaid, the surplus will be in the region of £5m - £6m per year.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	See other financial information	Yes	Revenue
Next Financial Year (Year 2)	Not applicable	Yes	Revenue
Following Financial Year (Year 3)	Not applicable	Yes	Revenue

Other Financial Information

- net benefit per council tax payer, from the income generated less the financing costs on all borrowing to date equates to £7.20 which is 0.47% of the average band D council tax charge. This income is used by the Council to continue to provide priority services for the borough residents.
- total external general fund debt is £324m and the Councils net indebtedness after cash balances is £83 million.
- the Council's realisable asset value of £496m, of which its commercial assets is estimated at £192m.

Stakeholder Considerations and Consultation

None

Public Sector Equality Duty

This is a report on the performance of the Treasury service of the Council and is not requesting any funding or service changes that would impact on any members of the community and thus has no equalities impact.

Climate Emergency – This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030

Not applicable

List of Background Papers

None

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