

TITLE	Treasury Management Mid-Year Report 2020-21
FOR CONSIDERATION BY	Council on Thursday, 18 March 2021
WARD	None Specific;
LEAD OFFICER	Monitoring Officer/Deputy Chief Executive and Director of Resources & Assets - Andrew Moulton/Graham Ebers

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

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

RECOMMENDATION

Council is recommended to note:

- 1) Appendix A, the Treasury Management Mid-Year report which was agreed at Audit Committee on 23rd November 2020;
- 2) All approved indicators set out in the Treasury Management Strategy have been adhered to and that prudent and safe management has been maintained

and;
- 3) That the Council's Chief Finance Officer is able to appraise Council of any supplementary information considered to be relevant to their consideration

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 2020.
- Realisable asset value of £496m at end of September 2020, meaning an asset to net indebtedness ratio cover of 6:1.

In passing on the report to Executive in January the Council's Chief Finance Officer provided the Executive with further information in the covering report. This introduced the surplus income (above the cost of borrowing) into the calculation of the impact on local taxpayers. This had the effect of turning the small deficit of £7.52 per council tax D property into a small surplus of £7.20 and thereby further improving the contextual information in which the Prudential Indicators had already been noted by Audit Committee.

The report was originally scheduled to be noted at the 18th February Council meeting. However, in response to a Member point of order which queried the Constitutional position, the Mayor agreed to defer the item to the March meeting.

The report, therefore, provides information from the Council's Monitoring Officer which sets out the Constitutional position and confirms that, through the presentation of this report for the Council to note, the Audit Committee has discharged its duties appropriately.

In addition, the Chief Financial Officer (CFO), has provided a statement to explain the broader context in terms of the impact of the Council's borrowing on the Council Taxpayer.

BACKGROUND (Monitoring Officer)

1. The Treasury Management Mid-Year Report presented to and agreed by the Audit Committee at its meeting of 23 November 2020 has led to some concerns being raised about the Constitutional remit of the Audit Committee and the involvement of the Executive in considering the report of the Audit Committee on its route to Council.
2. The purpose of this background note from the Monitoring Officer is to clarify the Constitutional position.

GOVERNANCE FRAMEWORK

3. The Audit Committee is a Committee of the Council. Its remit with regard Treasury Management is set out in the Constitution, specifically in the following paragraphs:-

4.4.3.1 j

To agree the Treasury Management Strategy and Policies prior to recommendations being made to the Executive and Council.

4.4.3.1 k

To monitor treasury management decisions to ensure compliance with the approved Treasury Management Strategy.

4. In addition, the Council's Financial Regulations (section 12 of the Constitution) state:-

12.1.13.5

Director Corporate Services (Chief Finance Officer) shall provide a mid-year and annual report to the Audit Committee, prior to being approved by Council, on the exercise of the treasury management powers delegated, treasury management performance and on any material departure from the code of practice.

5. Finally, the Council's Local Code of Corporate Governance (approved by Council in November 2020 and included as an annex to Section 9 of the Constitution) states under the heading of "robust internal control":-

Ensure an audit committee which is independent of the executive and accountable to the governing body:

- *Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and,*
- *That its recommendations are listened to and acted upon.*

AUDIT COMMITTEE RESOLUTION

6. The minutes of the Audit Committee meeting of 23 November 2020 record the following:-

RESOLVED: That the Audit Committee:

- 1) support this report and recommend it to Executive.

- 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 that the net cost per council tax payer for the financing of all borrowing to date equates to £7.52 which is 0.4% of the average Band D council tax charge.
- 4) note that the total external general fund debt is £324m, which reduces to £83m after taking into account cash balances (net indebtedness).
- 5) note the Council's realisable asset value of £496m, of which its commercial assets is estimated at £192m.

7. **For the purposes of this report, it is emphasised that Council is being asked to note the same report (i.e. Appendix A) as was considered and agreed by the Audit Committee. Therefore, the Audit Committee has properly discharged its duties under the Council's Constitution.**

EXECUTIVE RESPONSIBILITY FOR TREASURY MANAGEMENT

8. Paragraph 5.1.10f) of the Constitution states that the Executive shall be responsible for: "the implementation and monitoring of Treasury Management Policies and practices."
9. Also, under "specific responsibilities of Executive Members," paragraph 5.2.12.10 states the Executive Member for Finance and Housing is "responsible for overseeing and monitoring the Treasury Management Strategy and alerting the Executive to issues of concern."

CHIEF FINANCIAL OFFICER (CFO) STATEMENT

10. Paragraphs 1-9 above deal with the Constitutional and Governance issues raised by a Member under a point of order at the Council meeting of 18 February 2021. The purpose of my comments are to clarify the financial position being presented.
11. The primary purpose of the Treasury Management Mid-Year report is to provide assurance that the Prudential Indicators (borrowing limits) have not been breached. This assurance was provided to Audit Committee on 23 November 2020 and was duly noted. Given the level of interest and commentary around borrowing levels and its impact on Council Taxpayers, I thought it was important that I introduced an additional schedule to show this. This schedule is therefore put forward to provide a useful and reassuring context, it is not a Prudential Indicator that is required to be monitored and adhered to.
12. In the report presented to Audit Committee on 23 November 2020, the cost of borrowing associated with income generating activities was deducted in arriving at the cost falling on the Council Taxpayer. This resulted in a relatively small loss of £7.52 per Band D.
13. In passing this report to Executive on 28 January 2021, my covering report showed the impact on the Council Taxpayer if the income from the borrowing activities was introduced, as opposed to simply taking out the cost of this borrowing. Because the income exceeds the associated cost of borrowing (by approximately £1m), the impact on the Council Taxpayer improves from a cost of £7.52 per band D, to a

credit of £7.20 (as shown on pages 114-115 of the public reports pack for the Executive meeting of 28 January 2021).

14. This supplementary information provided to Executive and subsequently Council had no impact on the Prudential Indicators presented and noted by the Audit Committee as not being in breach. It did, however, show to Executive that the impact on the Council Taxpayer was even better than reported to Audit Committee, if the income from borrowing activities 'over and above' the costs of the associated borrowing was taken into account. It therefore provided Executive with an even greater level of contextual assurance in which to consider the Audit Committee's noting of adherence to the Prudential Indicators.

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 implications	Yes	Revenue
Next Financial Year (Year 2)	Nil	Yes	Revenue
Following Financial Year (Year 3)	Nil	Yes	Revenue

Other Financial Information

None in addition to that already reported in the main body, including the respective calculations for the impact on the Council Taxpayer (Band D)

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

Contact Andrew Moulton	Service Governance Services
Telephone 07747 77298	Email andrew.moulton@wokingham.gov.uk

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