

<b>TITLE</b>	<b>Treasury Management Strategy 2016/17</b>
<b>FOR CONSIDERATION BY</b>	Council on 18 February 2016
<b>WARD</b>	None specific
<b>DIRECTOR</b>	Graham Ebers, Director of Finance and Resources
<b>LEAD MEMBER</b>	Anthony Pollock, Executive Member for Economic Development and Finance

**OUTCOME / BENEFITS TO THE COMMUNITY**

Effective and safe use of our resources to deliver service improvements and service continuity through capital investments.

**RECOMMENDATION**

Council is recommended to approve the following:

- 1) the Capital Prudential indicators, 2016/17- 2018/19;
- 2) the Borrowing Strategy 2016/17;
- 3) the Annual Investment Strategy 2016/17;
- 4) the Treasury Indicators: limits to borrowing activity 2016/17;
- 5) flexible use of Capital Receipts; and
- 6) note a review of counterparties and the consideration of risk versus return is being reviewed and will be reported back to executive to in the year for consideration.

**SUMMARY OF REPORT**

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available, when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity and security initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital programme. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any previously borrowed funds (Debt) may be restructured to meet Council risk or cost objectives.

## Background

This report sets out the statutory statements that Council are required to approve before the start of the financial year, relating to treasury operations.

These include: -

- The capital plans (including prudential indicators). These show how the council will stay within its prudential indicators for the period of the strategy.
- A minimum revenue provision (MRP) policy. This represents the principal element of outstanding loans which must be charged to revenue each year.
- The treasury management strategy. This comprises the key guidelines by which the council both borrows and lends money.
- An investment strategy (the parameters on how investments are to be managed). This sets out how the council will decide how and where to invest surplus funds.
- Flexible use of capital receipts strategy – As part of the Local government settlement 2016/17 the use of capital receipts on revenue items was relaxed for saving generated projects. This will contain a schedule of any the revenue projects which meet the criteria and capital receipts funding is available.

The report gives an overview of the UK and world economic outlook including a detailed forecast on interest rates.

## Analysis of Issues

It still being assessed whether external borrowing in 2016-17 will need to be increased or the council will take the opportunity to use internal funds to fund the capital programme (Internal Borrowing).

The capital expenditure for 2016/17 is estimated at £140.7m. This includes an estimated carry forward from 2015/16 of £56.0m

The capital programme shows a large increase in expenditure This is in order to meet the investment ambitions of the council.

## 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)	£140.7m Expenditure £0.4m 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)			

<b>Other financial information relevant to the Recommendation/Decision</b>
None

<b>Cross-Council Implications</b>
Budgets and strategies are clearly monitored and do not impact on other Council services and priorities

<b>List of Background Papers</b>
Appendix A Treasury management strategy report 2016/17

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