

## **CABINET**

**29 SEPTEMBER 2015**

# **TREASURY MANAGEMENT STRATEGY MID-YEAR REVIEW REPORT 2015/2016 ADDENDUM REPORT**

Portfolio Holder: Councillor Alan Jarrett, Leader

Report from: Phil Watts, Chief Finance Officer

Author: Jonathan Lloyd, Principal Accountant  
Michael Turner, Democratic Services Officer

### **Summary**

To set out the comments and recommendations of the Audit Committee following their consideration of the Treasury Management Strategy Mid-Year Review Report 2015/2016.

## **1. Background**

- 1.1 Members considered a report regarding the mid year review of the Treasury Management Strategy 2015/16. The report also proposed a change to the strategy to include property funds in the list of approved investments.
- 1.2 With regard to the latter (The Local Authorities Property Fund), Members discussed the volatile state of the global economy and the unlikelihood of interest rates rising. This therefore meant that returns would continue to be very low when compared with the consistent and higher annual yields provided by property funds of the type proposed. The committee were generally supportive of the proposal, although one Member, whilst not against the idea in principle, queried whether this was the right time to make the change given the current economic instability. In order to ensure that the slightly higher risks presented by the product were managed, a £5m counter party limit for such investments was proposed. This was supported by the Committee and the Chief Finance Officer.
- 1.3 One Member expressed some concern as to whether the proposal could potentially be used to undermine the current Constitutional safeguards regarding the capital programme. The Chief Finance Officer replied that the fund was a local authority property fund approved by HM Treasury and confirmed that he would be able to make investments without recourse to Members. He added that direct investment in property and most other property funds would be deemed to be capital expenditure and would still be subject to

the safeguards in the Constitution referred to. The Local Authorities Property Fund was however exempt from these rules.

- 1.4 Some Members asked for further details about the scheme, such as annual and historic returns (over the last 20 years), the scheme's credit rating and which Councils participated in the scheme.
- 1.5 In response to a question, the Chief Finance Officer stated that whilst the proposal represented an increased risk it was a measured risk in light of the likely returns and given the modest sums proposed he did not feel it affected the Council's risk profile significantly.

The Committee agreed to:

- 1) note the report;
- 2) ask Cabinet to recommend to Council the mid-year review of the Treasury Management Strategy 2015/16, as set out the report;
- 3) ask Cabinet to recommend to Council that the Treasury Management Strategy be revised to add property funds to the list of non-specified investments, subject to a £5m counter-party limit for such investments;
- 4) ask the Chief Finance Officer to provide further details of the property fund scheme/product to Cabinet.

## **2. Chief Finance Officer's Response**

- 2.1 I would endorse the recommendations made by Audit Committee, however given the timescales between the Committee and Cabinet meetings I will resolve to provide the detailed information in relation to the CCLA Local Authorities Property Fund should Council be asked to approve the other recommendations on 15 October 2015.

### **Lead officer contact**

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