

## **AUDIT COMMITTEE**

**10 JANUARY 2023**

### **TREASURY MANAGEMENT STRATEGY 2023/24**

Report from: Phil Watts, Chief Finance Officer  
Author: Jonathan Lloyd, Finance Business Partner – Technical Accounting

#### **Summary**

This report presents the Council's Treasury Management Strategy for the 2023/24 financial year. The Treasury Management Strategy incorporates within it the Treasury Management Policy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy.

#### **1. Budget and policy framework**

- 1.1. Audit Committee is responsible for the scrutiny of the Council's Treasury Management, Investment Strategy and Minimum Revenue Provision Policy Statement. The Constitution also specifies the role of Cabinet in implementing and monitoring treasury management policies and practices.
- 1.2. Following consideration by Audit Committee, Cabinet will consider the Strategy on 7 February 2023 taking into account this Committee's comments.
- 1.3. Final approval of the policy and the setting of prudential indicators is a matter for Council on 23 February 2023.

#### **2. Background**

- 2.1. 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 initially before considering investment return.
- 2.2. The second main function of the treasury management service is the funding of the Council's capital plans. 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 debt previously drawn may be restructured to meet Council risk or cost objectives.

- 2.3. Medway Council defines its treasury management activities as: *“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”*.

### 3. Treasury Management Strategy 2023/24

- 3.1. The Strategy (Appendix A) has been prepared in line with CIPFA’s Local Authority Treasury Management Code, and sets out the Council’s borrowing requirement and strategy, its strategy in respect of investments, provides details of the Council’s current portfolio position and sets out the prudential and treasury indicators that will be used to monitor and measure treasury performance. A Diversity Impact Assessment has been undertaken on the Strategy, as set out in Appendix B to the report.

- 3.2. In particular following specific changes are set out in the strategy:
- A limit of £100m has applied from 2020/21 for fixed rate loans to subsidiaries. Members are requested to increase this limit to £125m to reflect increased requirements at Medway Development Company. The interest rate set on such loans will take account of market rates, the security offered, the risk of default, and the requirements to comply with State Aid rules.
  - Members are requested to approve an increase in the monetary limit for borrowing at variable rates excluding LOBOs (which includes all loans maturing within 12 months) from £100m to £150m. Significant amounts of capital receipts are expected in the next few years which makes longer term borrowing less appropriate.

### 4. Risk management

- 4.1. Risk and the management thereof is a feature throughout the strategy and in detail within the Treasury Management Practices 1. (Appendix C).

### 5. Financial and legal implications

- 5.1. The finance and legal positions are set out throughout the Treasury Management Strategy itself. In order to achieve a balanced budget, the authority relies upon generating maximum interest from its investments whilst minimising the exposure to risk. In order to achieve this, investments are only placed with institutions which meet the criteria set out within this report. Investment durations do not exceed those as advised by Link Asset Services credit ratings which are associated with the specific institutions. Where the authority is required to borrow to meet the needs of the authority, officers will seek advice from Link Asset Services on timings and options in order to ensure the best deal for the authority.

## 6. Recommendation

- 6.1. The Committee is requested to consider this report, note its contents and pass any comments on for consideration by the Cabinet and recommendation to Full Council for approval.

### Lead officer contact

Jonathan Lloyd, Finance Business Partner – Corporate Services  
Telephone No: 01634 332787 Email: [jonathan.lloyd@medway.gov.uk](mailto:jonathan.lloyd@medway.gov.uk)

### Appendices

Appendix A - Treasury Management Strategy 2023/24  
Appendix B - Diversity Impact Assessment Screening Form  
Appendix C - Treasury Management Practices

### Background papers

None