

From CABINET held on 7 March 2023

Council Agenda Item 10 (Cabinet minute No 24)

Treasury Management Policy 2023/24

Recommendation (for Council)

RECOMMENDED

1. That the upper limit for principal sums invested for longer than 365 days contained in paragraph 4.6 of the attached Treasury Management Policy Statement be approved;
2. That the upper and lower limits on the maturity structure of borrowing contained in appendix 5.1 of the attached Treasury Management Policy Statement be approved;
3. That the attached Treasury Management Policy Statement including the Treasury Management Strategy and Annual Investment Strategy for 2023/24 be approved;
4. That the following changes compared to the previous Treasury Management Policy be noted:
 - (i) the inclusion of a new treasury management indicator for 2023/24 known as the liability benchmark. This graphically compares the Council's net loans requirement against its existing loan debt, showing the amount of borrowing required in future years.
 - (ii) medium and longer dated borrowing rates are high, but are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. With this in mind, the Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully drawn with loan debt as cash from the Authority's reserves, balances and cash flows has been used as a temporary measure. This is a change of emphasis from the 2022/23 Treasury Management Strategy which was approved at a time of low interest rates which were expected to increase. The 2022/23 Treasury Management Strategy placed more emphasis on having a predictable revenue cost of borrowing in the long-term. Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Director of Finance and Resources (Section 151 Officer) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances, always seeking to balance risk, certainty and cost.

- (iii) where state institutions own 50% or more of an entity and can exert significant influence over the counterparty through their shareholdings, the Council will in future avoid investments in such institutions where the state institution has a poor human rights record.
5. As set out in paragraph 1.5 of the Treasury Management Policy Statement, the Director of Finance and Resources (Section 151 Officer) and officers nominated by him have delegated authority to:
- (i) invest surplus funds in accordance with the approved Annual Investment Strategy;
 - (ii) borrow to finance short term cash deficits and capital payments from any reputable source within the authorised limit for external debt of £1,100m approved by the City Council on 28 February 2023;
 - (iii) reschedule debt to even the maturity profile or to achieve revenue savings;
 - (iv) to buy and sell foreign currency, and to purchase hedging instruments including forward purchases, forward options, and foreign exchange rate swaps to mitigate the foreign exchange risks associated with some contracts that are either priced in foreign currencies or where the price is indexed against foreign currency exchange rates
6. That the Director of Finance and Resources (Section 151 Officer) has the power to delegate treasury management operations to relevant staff;
7. That the Chief Executive, the Leader of the City Council and the Chair of the Governance and Audit and Standards Committee be informed of any variances from the Treasury Management Policy when they become apparent, and that the Leader of the City Council be consulted on remedial action (paragraph 1.2 of the Treasury Management Policy Statement).