

TMG 4 June 2024

Agenda

1. Quarterly TMG Update – Q1 2024 (Standing Item)
2. Draft Treasury Outturn Report 2023-24 for Governance and Audit Cttee
3. Market and Regulatory Update (Link Group)
4. Strategy Suitability Check (Standing Item)
5. ESG in a Treasury Management Context
6. AOB (Standing Item)

Attendance:

Harry Rayner – MEM Rosalind Binks – MEM Paul Stepto – MEM Alister Brady – MEM
MEM
Nick Buckland – KCC James Graham – KCC Geoff Hall – KCC Sola Adeniji – KCC
David Wheelan – Link Group Chris Jones – Link Group

Apologies:

Charlie Simkins – MEM Antony Hook - MEM

Discussion Summary:

- Quarterly TMG Update and & Draft Treasury Outturn Report 2023-24 presented by JG, highlighting the key aspects of treasury activity in the prior quarter and for the last financial year as a whole respectively. Due to the increase in interest rates, it was observed that investment income was higher than forecast. The valuations of strategic pooled funds had recovered somewhat over 2023-24, although these were still below purchase cost as at 31 March 2024 (total returns, inclusive of income, had been positive since inception and over 2023-24).
- Responding to a question, officers confirmed that KCC does not lever a fee on Medway Council for the management of Medway-related debt on KCC's balance sheet but noted that all debt servicing (interest) costs were incurred by Medway and not KCC.
- Members discussed the potential impact of the expiration of the IFRS 9 statutory override and officers confirmed that the Council would be required to recognise unrealised gains and losses (including the cumulative position as at the date of expiration) from 2025-26.
- Link presented an update on market conditions and regulatory developments. The advisor had updated their forecast for interest rates following the latest meeting of the Bank of England's rate-setting Monetary Policy Committee. Link now expect rates to decline more gradually over the medium term to 3.00% by September 2026. Members noted that there was uncertainty in the forecast and a risk that rates do not decline as quickly or as far as currently expected by Link. Officers stated that they took this uncertainty into consideration when preparing the treasury management strategy.
- Officers recommended that no changes were made to the current treasury management strategy, which contain sufficient flexibility to manage the Council's treasury position for the year ahead.
- The Group considered the relevance of environmental, social and governance (ESG) factors to treasury management in a local government context. Link set out the

regulatory context and officers presented some indicative analysis evidencing which ESG initiatives the Council's strategic pooled fund investment managers and covered bond issuers had subscribed to.

Actions Points:

Ref	Action	Status
1	Officers to send out ESG slides (as presented) to members.	Complete
2	Officers to meet with appointed fund managers to discuss how they manage ESG issues and to report findings to the TMG, including whether any of the current investments attracted a regulated sustainability label and whether the investment strategies adopted by the managers adopted any formal exclusion policies.	In progress
3	Officers to work with Link to update balance sheet analysis based on draft accounts for 2023-24.	Complete
4	Officers to incorporate interest rate sensitivity analysis into reporting to demonstrate impact of different interest rate environments on the Council's position.	In progress