

# Financial Resilience – Strategy Statement 2021 to 22 and Treasury Management Code of Practice

<b>Report number:</b>	<b>FRS/WS/21/002</b>	
<b>Report to and date(s):</b>	<b>Financial Resilience Committee</b>	18 January 2021
	<b>Performance and Audit Scrutiny Committee</b>	28 January 2021
	<b>Cabinet</b>	9 February 2021
	<b>Council</b>	23 February 2021
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**Decisions Plan:** This item is included in the Decisions Plan.

**Wards impacted:** All wards.

**Recommendation:** It is recommended that, the Financial Resilience Sub-Committee:

- 1. Make recommendations via the Performance and Audit Scrutiny Committee to Cabinet and Council regarding the approval of the Financial Resilience Strategy Statement 2021 to 2022 (as set out in Appendix 1); and**

- 2. Make recommendations via the Performance and Audit Scrutiny Committee to Cabinet and Council regarding the approval of the Treasury Management Code of Practice (as set out in Appendix 2).**

## **1. Treasury Management Strategy Statement**

- 1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice requires that, prior to the start of each financial year, the Council formally approve a Treasury Management Policy Statement and Investment Strategy which sets out its treasury management policy and strategy for the forthcoming year.
- 1.2 The purpose of this report is to present those strategy statements to the Financial Resilience Sub-Committee for consideration.

## **2. Treasury Management Code of Practice**

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) recommend that all Councils adopt a Treasury Management Code of Practice based on the treasury management practices published by CIPFA and guidance issued in their Code of Practice (**Appendix 2**).
- 2.2 Adherence to the principles of the CIPFA Code should ensure that Treasury Management activities within the Council are effectively managed and adequately controlled.

## **3. Treasury Advisors**

- 3.1 The Council currently uses Arlingclose Ltd as its treasury advisors.
- 3.2 The Treasury Management Strategy Statement and Code of Practice have been compiled in line with advice from Arlingclose.

## **4. Borrowing Strategy**

- 4.1 The Council currently holds £4 million of loans, consistent with previous years, as part of its strategy for funding previous years' capital programmes. The Council expects to externally borrow £38 million in 2021 to 22. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £105.97 million.
- 4.2 The overall objective is to strike a balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. This will lead to a mixture of short term and longer term borrowing to take place, with advice being taken over the most advantageous mix with the view to keeping future interest costs low, even if this causes some additional cost in the short term.

4.3 The different sources of borrowing can be found in the Treasury Management Strategy Statement at **Appendix 1**.

## 5. Investment Strategy - Counterparty Ratings

5.1 The Council uses the Arlingclose credit rating method in conjunction with information available from other industry sources to identify suitable counterparties for investments. The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the limits shown.

5.2 Approved investment counterparties and limits:

<b>Credit Rating</b>	<b>Banks Unsecured</b>	<b>Banks Secured</b>	<b>Pooled Funds</b>
AAA	£6,000,000 5 years	£12,000,000 20 years	£12,000,000 20 years
AA+	£6,000,000 5 years	£12,000,000 10 years	£12,000,000 15 years
AA	£6,000,000 4 years	£10,000,000 5 years	£10,000,000 15 years
AA-	£6,000,000 3 years	£10,000,000 4 years	£10,000,000 10 years
A+	£6,000,000 2 years	£8,000,000 3 years	£8,000,000 5 years
A	£6,000,000 13 months	£8,000,000 2 years	£8,000,000 5 years
A-	£6,000,000 6 months	£6,000,000 13 months	£6,000,000 5 years
None	£6,000,000 6 months	n/a	£1,000,000 5 years
<b>UK Government</b>	£Unlimited, 50 Years		
<b>Other UK Local Authorities</b>	Using Arlingclose Rating Formula (Per iDeal trade platform) Gold - £12,000,000 - 5 years Silver - £10,000,000 - 5 years Bronze - £8,000,000 - 5 years		

## 6. Interest Rate Projections

6.1 The following table shows the revised interest rate based on the current economic climate that form part of the Council's treasury strategy for interest receivable on investments.

	<b>Previous Strategy</b>	<b>New Strategy</b>
2021 to 22	0.65%	0.25%
2022 to 23	0.75%	0.25%
2023 to 24	0.75%	0.25%

- 6.2 Projections have been revised down due to the reduction in Bank of England Base rate to 0.10 per cent, and the historically low levels of interest currently available in the market.
- 6.3 The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

## **7. Appendices referenced in this report**

- 7.1 Appendix 1 – Treasury Management Strategy Statement 2021 to 2022  
Appendix 2 – Treasury Management Code of Practice.

## **8. Background documents associated with this report**

- 8.1 None