

# Financial Resilience – Strategy Statement 2023 to 2024 and Treasury Management Code of Practice

<b>Report number:</b>	<b>FRS/WS/23/002</b>	
<b>Report to and date(s):</b>	<b>Financial Resilience Committee</b>	16 January 2023
	<b>Performance and Audit Scrutiny Committee</b>	26 January 2023
	<b>Cabinet</b>	7 February 2023
	<b>Council</b>	21 February 2023
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**Decisions Plan:** This item is included in the Cabinet Decisions Plan.

**Wards impacted:** All

**Recommendation:** It is recommended that, the Performance and Audit Scrutiny Committee:

- 1. Make recommendations to Cabinet and Council regarding the approval of the Treasury Management Strategy Statement 2023 to 2024 (as set out in Appendix 1) to Report number FRS/WS/23/002; and**
  
- 2. Make recommendations to Cabinet and Council regarding the approval of the Treasury Management Code of Practice (as set out in Appendix 2) to Report number FRS/WS/23/002.**

## 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.
- 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.
- 2.3 Following two rounds of consultation, a new Treasury Management Code of Practice was published on 20 December 2021, and changes from this code have been incorporated into the Treasury Management Strategy for 2023 to 2024. The key changes in the code are around knowledge and skills, as well as the inclusion of some extra treasury management prudential indicators – mainly around the liability benchmark.

## 3. Treasury Advisors

- 3.1 The Council currently uses Arlingclose Ltd as its treasury advisors.
- 3.2 The Treasury Management Strategy Statement (**Appendix 1**) and Code of Practice (**Appendix 2**) have been compiled in line with advice from Arlingclose.

## 4. Borrowing Strategy

- 4.1 The Council currently holds £13.75 million of loans, a decrease of £0.25 million on previous years (due to the annual repayment of the PWLB loan), as part of its strategy for funding previous years' capital programmes. The Council expects to externally borrow in 2023 to 2024 to fund parts of its capital programme. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £99.71 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>
2023 to 2024	0.25%	3.25%
2024 to 2025	0.25%	2.25%
2025 to 2026	0.25%	1.50%

- 6.2 Projections have increased from previous levels due to the increases in the Bank of England Base Rate during the 2022 to 2023 financial year. These levels drop in the future years due to uncertainty of the current economic climate.

## 7. Appendices attached to this report

- 7.1 Appendix 1 – Treasury Management Strategy Statement 2023 to 2024  
Appendix 2 – Treasury Management Code of Practice 2023 to 2024