

# Financial Resilience – Strategy Statement 2024 to 2025 and Treasury Management Code of Practice

<b>Report number:</b>	<b>FRS/WS/24/002</b>	
<b>Report to and date(s):</b>	<b>Financial Resilience Sub-Committee</b>	15 January 2024
	<b>Performance and Audit Scrutiny Committee</b>	25 January 2024
	<b>Cabinet</b>	6 February 2024
	<b>Council</b>	20 February 2024
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**Decisions Plan:** This item is included in the 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 2024 to 2025 (as set out in Appendix 1); and**
- 2. Make recommendations 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.
- 1.3 The only significant change to the Treasury Management Strategy Statement for 2024 to 2025 is the addition of the UK Infrastructure Bank as a source of borrowing.

## **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 There are no significant changes to the Treasury Management Code of Practice for 2024 to 2025

## **3. Treasury Advisors**

- 3.1 The Council currently uses Arlingclose Ltd as its treasury advisors and has done since November 2018. The current contract ends in the 2024 to 2025 financial year, and a procurement exercise will be undertaken to retender.
- 3.2 The Treasury Management Strategy Statement & Code of Practice have been compiled in line with advice from Arlingclose.

## **4. Borrowing Strategy**

- 4.1 The Council currently (at 31 December 2023) holds £9.5 million of loans, an 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 2024 to 2025 to fund parts of its underlying need to borrow linked to its capital programme (past projects and future

projects). The Council may also borrow additional sums to pre-fund future years' requirements (to secure long term interest rate certainty), providing this does not exceed the authorised limit for borrowing.

- 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:

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	3 years	Unlimited	n/a
Local authorities & other government entities	3 years	£10m	Unlimited
Secured investments *	3 years	£10m	Unlimited
Banks (unsecured) *	13 months	£6m	Unlimited
Building societies (unsecured) *	13 months	£6m	£30m
Registered providers (unsecured) *	3 years	£5m	£10m
Money market funds *	n/a	£10m	Unlimited
Strategic pooled funds	n/a	£5m	£10m
Real estate investment trusts	n/a	£5m	£10m
Other investments *	3 years	£5m	£15m

This table must be read in conjunction with the notes below

**\* Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £5m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

## 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>
2024 to 2025	3.25%	4.00%
2025 to 2026	2.25%	3.00%
2026 to 2027	1.50%	2.50%

- 6.2 Projections have increased from previous levels due to the continued increases in the Bank of England Base Rate during the 2023 to 2024 financial year. These levels drop in the future years due to market expectations of slight reductions in base rate over the next couple of years.

## 7. Implications arising from the proposals

- 7.1 Financial – contained in the main body of this report.
- 7.2 Legal compliance – The council has is required to have a Treasury Management Strategy Statement and Code of Practice.
- 7.3 Personal data processing/equalities/crime and disorder/changes to existing policies/environment or sustainability/HR or staffing/external organisations – no significant implications arising directly from this report.

## 8. Appendices

Appendix 1 – Treasury Management Strategy Statement 2024 to 2025

Appendix 2 – Treasury Management Code of Practice