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Nottingham City Council

You are hereby summoned to attend a meeting of **CITY COUNCIL**
at Council House, Old Market Square on Monday, 7 March 2016 at 2.00 pm to transact the following business

AGENDA		**Pages**
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3	**QUESTIONS FROM CITIZENS**	To Follow
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7	**QUESTIONS FROM COUNCILLORS - TO THE CITY COUNCIL'S LEAD COUNCILLOR ON THE NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY**	To Follow
8	**QUESTIONS FROM COUNCILLORS - TO A MEMBER OF EXECUTIVE BOARD, THE CHAIR OF A COMMITTEE AND THE CHAIR OF ANY OTHER CITY COUNCIL BODY**	To Follow
9	**DECISIONS TAKEN UNDER THE URGENCY PROCEDURES** Report of the Leader.	19 - 24
10	**CONSTITUTIONAL AMENDMENTS** Report of the Leader.	25 - 28
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12	**TO CONSIDER A REPORT OF THE DEPUTY LEADER ON THE BUDGET 2016/17**	To Follow

IF YOU NEED ANY ADVICE ON DECLARING AN INTEREST IN ANY ITEM ON THE AGENDA, PLEASE CONTACT james.welbourn@nottinghamcity.gov.uk (GOVERNANCE OFFICER), IF POSSIBLE BEFORE THE DAY OF THE MEETING

CITIZENS ARE ADVISED THAT THIS MEETING MAY BE RECORDED BY MEMBERS OF THE PUBLIC. ANY RECORDING OR REPORTING ON THIS MEETING SHOULD TAKE PLACE IN ACCORDANCE WITH THE COUNCIL'S POLICY ON RECORDING AND REPORTING ON PUBLIC MEETINGS, WHICH IS AVAILABLE AT WWW.NOTTINGHAMCITY.GOV.UK. INDIVIDUALS INTENDING TO RECORD THE MEETING ARE ASKED TO NOTIFY THE GOVERNANCE OFFICER SHOWN ABOVE IN ADVANCE.

Please note that questions for Council are received after the agenda has been published. Questions will be published as a supplementary agenda by 5pm on Friday 4 March 2016.

Dated 26 February 2016
Corporate Director for Resilience
To: All Councillors of Nottingham City Council

MINUTES OF THE MEETING OF THE CITY COUNCIL

held at the the Council House, Old Market Square

on 18 January 2016 from 14.00 - 16.36

ATTENDANCES:

✓ Councillor Jackie Morris (Lord Mayor)	
✓ Councillor Merlita Bryan	✓ Councillor Carole-Ann Jones
✓ Councillor Liaqat Ali	✓ Councillor Alex Norris
✓ Councillor Jim Armstrong	✓ Councillor Gul Nawaz Khan
✓ Councillor Cat Arnold	✓ Councillor Neghat Nawaz Khan
✓ Councillor Leslie Ayoola	✓ Councillor Ginny Klein
✓ Councillor Ilyas Aziz	✓ Councillor Dave Liversidge
✓ Councillor Alex Ball	✓ Councillor Sally Longford
✓ Councillor Steve Battlemuch	✓ Councillor Carole McCulloch
✓ Councillor Eunice Campbell	✓ Councillor Nick McDonald
Councillor Graham Chapman	✓ Councillor David Mellen
✓ Councillor Azad Choudhry	✓ Councillor Toby Neal
✓ Councillor Alan Clark	✓ Councillor Brian Parbutt
✓ Councillor Jon Collins	✓ Councillor Anne Peach
✓ Councillor Josh Cook	✓ Councillor Sarah Piper
✓ Councillor Georgina Culley	✓ Councillor Andrew Rule
✓ Councillor Michael Edwards	✓ Councillor Mohammed Saghir
✓ Councillor Pat Ferguson	✓ Councillor David Smith
✓ Councillor Chris Gibson	✓ Councillor Wendy Smith
✓ Councillor Brian Grocock	Councillor Chris Tansley
✓ Councillor John Hartshorne	✓ Councillor Dave Trimble
✓ Councillor Rosemary Healy	✓ Councillor Jane Urquhart
Councillor Nicola Heaton	✓ Councillor Marcia Watson
✓ Councillor Mohammed Ibrahim	✓ Councillor Sam Webster
✓ Councillor Patience Uloma Ifediora	Councillor Michael Wildgust
Councillor Corall Jenkins	✓ Councillor Malcolm Wood
✓ Councillor Glyn Jenkins	✓ Councillor Linda Woodings
✓ Councillor Sue Johnson	✓ Councillor Steve Young

✓ Indicates present at meeting

57 APOLOGIES FOR ABSENCE

Councillor Graham Chapman – work commitments
Councillor Nicola Heaton – leave
Councillor Corall Jenkins – work commitments
Councillor Chris Tansley – work commitments
Councillor Michael Wildgust – unwell

58 DECLARATIONS OF INTERESTS

Councillors Brian Parbutt and Alex Norris declared interests in agenda item 11 – Pay Policy Statement, as they are employed by Trade Unions. They left the chamber for consideration of this item.

Councillor Chris Gibson declared an interest in agenda item 11 – Pay Policy Statement, as he has a close relative employed by Nottingham City Council. He left the chamber for consideration of this item.

Councillors Alan Clark, David Liversidge, John Hartshorne, Steve Battlemuch, Michael Edwards and Leslie Ayoola declared interests in agenda item 12 – Motion in the name of Councillor Alan Clark, as they are City Council appointed Board Members of EnviroEnergy and/or Robin Hood Energy. These interests were not felt to be sufficient to require them to leave the chamber; they remained in the chamber and took part in the debate of the motion.

59 QUESTIONS FROM CITIZENS

None.

60 PETITIONS FROM COUNCILLORS ON BEHALF OF CITIZENS

Councillor Carole Jones presented a petition signed by 55 households in Girton Road and Valmont Road, requesting a parking survey, with a view to putting suitable parking restrictions in place.

61 TO CONFIRM THE MINUTES OF THE LAST MEETING OF COUNCIL HELD ON 9 NOVEMBER 2015

Subject to the minutes from 9 November 2015 being amended to reflect that Councillor Steve Young was in attendance, Councillor Jim Armstrong was absent due to leave rather than illness, and that the Conservative group voted against item 51 – Amendments to the Constitution, the minutes were agreed as a correct record and signed by the Lord Mayor.

62 TO RECEIVE OFFICIAL COMMUNICATIONS AND ANNOUNCEMENTS FROM THE LEADER OF THE COUNCIL AND/OR THE CHIEF EXECUTIVE

The Chief Executive reported the following official communications:

The Creative Quarter was awarded the prestigious European Enterprise Promotions Awards in November 2015, recognising the outstanding contribution the project has

made to the independent businesses in the Creative Quarter area. Being recognised in this way demonstrates the significant impact the project has made since 2013, and lends international recognition to the project and city following the award.

The former head of Equalities at Nottingham City Council, Chandran Owen, has died aged 62 of pancreatic cancer. Chandran was born in India, then lived and worked in Africa, before settling in Britain, where he worked for equality and social justice. In 1990 he started working for Nottingham City Council. During his time as head of equality, diversity and translation services, from 1994 until his retirement in 2004, he promoted mediation as an integral part of the process of reconciliation and resolution. In 1995 he became a magistrate, and completed 20 years of service.

The former Lord Mayor and Honorary Alderman, Ivy Florence Matthews, passed away on 7 December 2015. Ivy was elected to the City Council in 1962 for the St Albans Ward and served on the Health Committee, Social Services Committee and was appointed Chair of the Environment Committee in 1979 and again in 1983. Ivy Matthews served as Deputy Lord Mayor in 1975, 1983, 1984 and 1987 and served as Lord Mayor in 1975. In 1991, she was appointed an Honorary Alderman.

Councillor Eunice Campbell spoke in tribute to Chandran Owen, and the Lord Mayor spoke in tribute to Councillor Ivy Matthews.

A minute's silence was held.

63 QUESTIONS FROM COUNCILLORS - TO THE CITY COUNCIL'S LEAD COUNCILLOR ON THE NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY

None.

64 QUESTIONS FROM COUNCILLORS - TO A MEMBER OF EXECUTIVE BOARD, THE CHAIR OF A COMMITTEE AND THE CHAIR OF ANY OTHER CITY COUNCIL BODY.

Landlord HMO Licensing Costs

Councillor Georgina Culley asked the following question of the Portfolio Holder for Housing:

On what basis is this Council charging landlords for the Council's accommodation costs, IT, HR and legal costs when landlords have applied for HMO licences which have not been issued by the Council?

Councillor Jane Urquhart replied as follows:

Thank you Lord Mayor, and thank you Councillor Culley for your question. As has become a bit familiar to us in this chamber, it sounds slightly as if there's some casework going on in full Council, however, the answer to this question is actually very very simple. The basis on which we charge the fees that we do for HMO licences is because that's the legislative arrangement that's in place.

So the current HMO licence fee includes all costs recoverable under the Housing Act 2004, so the legislation says that that is the way we can recover our costs, and Local Government Association advice also sends us down this route. I'm sure that currently Councillor Culley's got some very good routes in to challenge the Local Government Association should she wish to, as we know which party that's controlled by at the moment.

So the advice from both of those sources, from the legislation and from the LGA toolkit, is to include costs such as accommodation, HR, IT and legal costs. We often hear from the Tories here, and nationally, about how we ought to not put too many burdens on the Council Tax payer, and how it's very important that Council Tax payers aren't unduly burdened. Well, this system does not burden them at all, because the licensing scheme is self-funding, in accordance with the guidance.

So the fee, of course, is an application fee. It's not dependent on the satisfactory grant of a licence. Because clearly, whether or not a licence is granted, is dependent on a whole range of factors, and there is significant work involved whether or not the licence is indeed granted. So again, within the legislation and the guidance, there's not a requirement for us to refund or reimburse all or part of a fee if the applicants circumstances change or the application is no longer proceeded with. However, in some circumstances, where no licence has yet been issued, we will consider matters on a case by case basis, and we will exercise discretion to waive part of the fee, effectively therefore giving a refund. This could occur, for example, if the applicant decides to sell the property part way through the licensing application period, and in such circumstances, we would of course have incurred some costs in the application process up until that point. And we may decide in those circumstances to give a refund, however, it remains both legitimate and reasonable to retain the element of the fee reflecting the work that has gone on thus far.

So, it's the legislative position, and we act in accordance with the LGA guidance. So I would say, that if Councillor Culley feels the legislation is wrong, she's probably got the ear of the relevant minister better than I have, and so I'm sure she will take that up in the right areas. If she thinks the LGA guidance is incorrect, again, I'm sure she's got the ear of the Chair of the LGA to take up that issue too. Of course, HMO licensing is a really important thing for us in the City, because it's part of the priority that we give to keep HMOs in a decent condition. And I would also hope for support from our local Conservatives on that issue, whilst we know that nationally, Conservatives are not so supportive in keeping private rented accommodation in a decent condition.

<u>Joint Ward Walks</u>

Councillor Andrew Rule asked the following question of the Leader:

Is the portfolio holder aware of the directive given to the Neighbourhood Services Department preventing councillors from minority parties from taking part in Ward Walks with members of the Labour Group and in any event, do they feel that aside from the directive being undemocratic and at odds with the "New Politics" espoused by their National Leader, that the increased work and resource this will place on Neighbourhood Services in arranging separate walks for opposition councillors is a completely unnecessary utilisation of resources?

Councillor Jon Collins replied as follows:

Thank you Lord Mayor, and can I thank Councillor Rule for his question. Councillors are elected as individuals, and as a result, Council and its officers need to be able to respond on that basis when Councillors look to undertake their ward responsibilities or to address constituents' issues. Furthermore, as Councillors undertake their duties alongside work, care, or other commitments, coordinating ward activities between a ward's Councillors isn't always easy or convenient. I am not aware of any directive preventing joint or ward activity, or joint ward walks, and indeed, from my perspective it helps when Councillors between and within party groups decide to cooperate and work together, and I'm sure it's something that, where possible, we would like to encourage.

City of Literature

Councillor Rosemary Healy asked the following question of the Portfolio Holder for Leisure and Culture:

Would the Portfolio Holder for Leisure and Culture agree with me that Nottingham being named a City of Literature is to be welcomed?

Councillor Dave Trimble replied as follows:

Thank you Lord Mayor. Nottingham being named a UNESCO City of Literature should indeed be welcomed by all with a stake in this City. The City and the County have a fabulous heritage of writers, with Byron, Lawrence and Sillitoe, the latter of whom I had the honour of being my guest at the Goose Fair dinner; an absolutely fantastic man.

All of these authors were at the cutting edge of writing in their day, and all of them with a fantastic rebellious streak which sits very beautifully alongside our plans for a new Rebellion Gallery at Nottingham Castle.

Many people contributed and helped Nottingham to secure this fabulous accolade. A massive amount of research was carried out and collected from almost every corner, and every organisation within the City. It was then very much a collective effort, with many partners working day and night, and this was then submitted to be scrutinised by UNESCO, in order to obtain the awarding of the City of Literature status.

It's important that I acknowledge the funding awarded by the Arts Council England, the University of Nottingham, Nottingham Trent University, the Creative Quarter, One Nottingham, and the City Council, that made this bid possible. Plus, the enormous in-kind support given by Bromley House Library, Writing East Midlands, Nottingham Writers' Studio, the Left Lion, Nottingham Playhouse, and the Nottingham Post. In particular, I'd like to give a huge thanks to Pippa Hennessy who helped project manage the bid, and the City of Literature Chair David Belbin. They both put an enormous amount of work into this achievement. Can I also thank Councillor Cat Arnold, my Portfolio Holder assistant, and an author in her own right, who sat on the external partnership board, as well as Sharon Scaniglia, who gave valuable officer support from the City Council.

It’s also important to recognise the help and assistance given by current writers and authors in the City, such as Stephen Lowe, Michael Eaton, John Harvey, and William Ivory, or Billy Ivory as he was known when he was the goalie for the Trip to Jerusalem football team. How things change!

Nottingham Express Transit, or NET, also deserve a mention. They named 2 trams after Byron and Lawrence in Phase 1, and at my request they eagerly agreed to name further trams in Phase 2, hence we have William Ivory, Stephen Lowe, and Alan Sillitoe with trams named after them, making a total of 5 trams named after authors from the City, which was actually part of the bid as well, so that went in to UNESCO.

As important as the past and the present are, there’s also the future that we need to look to, and it’s absolutely right that UNESCO require libraries as an integral part of the process. We have invested in our libraries in the Meadows, Bulwell, St Anns, and Hyson Green, and we’ve got others in the pipeline that we’re investing in too. And I think it’s really interesting that such a well-respected worldwide organisation as UNESCO, have in place a policy to encourage British cities, amongst other cities from around the world, to invest in libraries, 165 years after the first Public Libraries Act was enacted in parliament. I think that’s really important and very interesting too.

We also need to look at improving the literacy of children in our City schools. We need to use it for that, and we need to encourage the writers and authors of the future, as part of that City of Literature status.

Nottingham has now joined just nineteen other cities across the world, which includes Edinburgh, Dublin, Melbourne, Prague, Heidelberg, Granada, and Barcelona. Lord Mayor, Barcelona is very much a favourite city of mine; there is culture literally around every single corner, and I’ve visited it very many times. I was there last summer, on the night that they won the Champions League Cup Final, and there must have been about a million people on the streets. On 6 June I watched that match in a bar crammed full of Barcelona fans. Our group made friends with a group of Barcelona fans in that bar. 6 months later, on 12 December, our group received an email. It said "hello. This is Kolja from Barcelona." It was not in that accent I don't think! "This is Kolja from Barcelona, you may not remember me. We celebrated FC Barcelona winning the match together; I dare say we had great fun. Today I saw that both Nottingham and Barcelona are now part of the UNESCO Creative Cities network. This is really good news for our cities." He didn't know that I was a City Councillor, he still doesn't know, he doesn't know that his email is being read out in public in this chamber, and I've not heard from him or been in touch with him since, but I will take that recommendation for Nottingham anytime and anywhere.

Indeed, as a result of Nottingham gaining the City of Literature status, we're already seeing many websites and social media sites naming Nottingham as the city to visit. The status of Nottingham becoming a UNESCO City of Literature is a fantastic opportunity. It enables this city to raise our profile to a higher stage, and I believe that it’s already been welcomed by very many. Lord Mayor, it would be quite nice if the opposition embraced it, and formally welcomed it too. Thank you.

Nottingham as a Top 10 City for Investment

Councillor Leslie Ayoola asked the following question of the Portfolio Holder for Jobs, Growth and Transport:

Could the Portfolio Holder please tell us what steps the council have taken that has helped in getting Nottingham named as a top 10 location for business investment?

Councillor Nick McDonald replied as follows:

Lord Mayor, thank you, and can I thank Councillor Ayoola for this question. We are of course delighted to be named by Grant Thornton as one of the top 10 places for attracting foreign direct investment – although by no means complacent. What is particularly pleasing, is that achieving that target is a manifesto commitment. And I have to say, when we wrote that commitment, we thought it would take a few years to achieve. To be already in the top 10 cities for foreign direct investment is excellent news, I think therefore we will need to revise our targets upwards, and to paraphrase one of our city's great figures, the legendary Brian Clough, I'm not going to say we should be the best city in the UK for foreign investment, but I would like us to be in the top 1.

Ok, so why are we an attractive city for foreign investment, and why are we ranked so highly? Well our strengths lie in the fact that we have a high quality offer, in relation to skills, existing business base, infrastructure and connectivity, also for a relatively low cost. Put simply, we can offer a lot of what a city like London can offer, but for a lower cost. For investors, particularly foreign investors for whom the 1.5 hour journey to London is not a significant distance, that is compelling. And just as our many Nottingham business have for many years sold that offer to their customers, so as a city we can sell that offer to investors looking to invest in our city and create jobs.

But what has been of particular importance for the last couple of years is that we started to make much stronger efforts to sell that offer, and to actively win investment in a way that we hadn't done before. We've worked hard to ensure that our offer has reached key business advisors and intermediaries, through a sustained campaign of engagement. And I have to say, we have worked hard on this issue, and I commend all the officers who work very hard on the Inward Investment team, and for the creation of the Growth Hub from 2013 onwards. We've welcomed some major investors into Nottingham – such as Now:Pensions, Verus Precision and Parexel. And through those investments we've created and safeguarded over 1,000 jobs. 1,000 jobs is a big thing, it's a significant thing for those people, and for our city's economy.

It should be noted that our significant investment in infrastructure also gives the city its edge. It gives it increased profile, improves its attractiveness, and it has further enabled our ability to compete with other cities. So those long term decisions that we've taken together as a Council to invest in that infrastructure ultimately pay off.

What does the future hold? Well we must not slow down the pace of our efforts to promote our city as a place for growth in any way. And that means we must continue to do all we can to market Nottingham, to attract investors to our city, and to reach

out and attract foreign investors into our city. Because a city like Nottingham must be expansive, it must be ambitious, it must build international alliances if it is to be successful. We must also always do that with a clear eye on the benefits we obtain for Nottingham from any activity we undertake. Everything we do on this agenda, everything we do economically at all, must be seen through the prism of jobs and growth, and if it doesn't deliver jobs and growth, we shouldn't be doing it.

So, we are continuing to drive forward a programme to boost our ability to attract investment through the creation of Marketing Nottingham, joining the Inward Investment team with the Business Tourism team to give a greater voice and consistency of our message nationally and internationally. We're actively delivery a pro-active campaign in China, India and Germany, and we're working more closely with local businesses to support their export ambitions. These are the right things to do to, and as the Grant Thornton report shows, they are delivering results.

Robin Hood Card

Councillor Glyn Jenkins asked the following question of the Portfolio Holder for Jobs, Growth and Transport:

Can the Portfolio Holder for Job, Growth and Transport please inform the chamber as to what benefits the new Robin Hood Card will give to the citizens of Nottingham?

Councillor Nick McDonald replied as follows:

Can I thank Councillor Jenkins for his question. We were extremely pleased and proud to introduce the Robin Hood smartcard before Christmas; the first city outside of London to introduce an integrated pay-as-you-go smartcard like this. And I think that says a lot about Nottingham's continued ability to stay ahead of the pack with regards to the transport system, and a lot about the continued commitment and investment of this council, by which of course I mean this Labour Group, to prioritise transport in Nottingham over many years, in fact a number of decades.

So can I start by thanking all of my colleagues for their hard work in helping to deliver this important step forward for Nottingham. All of the members of Executive have been big proponents of all of this work. And can I particularly thank my colleague Councillor Urquhart, whose tireless work doing the transport brief before I took over it formed the bedrock for the developments we're now seeing, who spent many hours I know developing the thinking and strategy behind an integrated ticket for Nottingham. But further, I'd like to thank our partners: Nottingham City Transport, Trent Barton, and Tramlink, who've been willing to come together to make this work. And I must say, I've been delighted since I took over the brief a few months ago, with the way in which we're all working together. I think they absolutely get the importance of transport to Nottingham, I think they absolutely get the need to work in collaboration. That doesn't mean there aren't challenges, and of course we need to work through those challenges. But I think we all know where we need to get to, and all of us are committed to getting there.

So why is the integrated ticket important? Well, let's start with the technical stuff, and Lord Mayor and my colleagues may spot that this is the bit that my officers wrote! The Robin Hood card integrates all main bus and tram operators onto one flexible

smartcard. So that means, in effect, it allows public transport users of all the main forms of public transport in the city to use a single card. Now that, you may argue, is not new. The difference with the Robin Hood card, is that users are charged for the trips they make from an electronic purse. They don't have to decide in advance which ticket to purchase; this is automatically worked out afterwards. That means you don't have to plan your day when you buy your ticket, you can make that decision as you see fit, and know that the card you have will allow you on to whatever form of public transport you need to use.

There is also a daily fare cap for travellers on each operator and across more than one operator. These are set at least 10% less than the price of buying a ticket by cash. Once a cap is reached, the user is not charged any more. Over the next year, these caps will be extended to cover weekly and monthly travel – giving even greater flexibility. So it really is very much like an Oyster card, and it really is a smartcard that allows the transport system in Nottingham to operate in an integrated way. Not only that, but the Robin Hood card can be purchased and topped up at over 60 machines around the City, meaning users don't have to queue up at a travel centre, and more machines will come on stream over the next year.

The objective of the Robin Hood Card is to make public transport easier and simpler to use, integrating across operators, and that's important, because it means more people get on a bus or get on a tram, and that helps all of these operators, it means they do better and can invest more in the network. It also means that people choose not to get in their cars every time, it means that congestion is driven down, it means that air quality is improved, it means a greener cleaner city. It also means a more community orientated city, with people sat not in their cars, but together on public transport, and I genuinely believe that public transport is fundamental to the success of cities, and to our city of Nottingham. I genuinely believe that high quality public transport, green transport infrastructure, communal transport methods, publicly owned transport, is what marks out successful cities. And we should be very proud of that, because that's what we have in Nottingham. We have the best bus network, the best bus operators outside London. We made the tough decision to hold onto our bus company several decades ago, and by God, what a good decision that was when you see the sort of service people have to put up with in other comparative cities. We have the best tram system, and one day soon I hope we will have the best tram network in the UK – an amazing transport system.

The building of that infrastructure has helped build our economy and it's helped our labour market. The operation of that transport system helps our city operate better day after day. It brings people together: it connects us, literally, but in a deeper way too. An integrated ticket that boosts the number of people who use it, that allows people the flexibility to use transport in that way, that makes the whole network feel like a single network, and that is absolutely fundamental. Now I don't pretend for a second there isn't more to do, clearly there is; our network needs to integrate more closely. As we regenerate our city we have to find the right balance between making our city navigable for public transport users, pedestrians, cyclists, and car users as well, and we will. But we have a lot to be proud of, and the Robin Hood smartcard is just one further step towards the sort of European transport infrastructure system that I think Nottingham should aim for. And I use the word European very deliberately, because the European model is, I believe, absolutely the model that Nottingham

should be aiming for. This is yet another important step, and one that could not have been taken without the hard work of this Council.

Properties fit for human habitation

Councillor Toby Neal asked the following question of the Portfolio Holder for Housing:

Does the Portfolio Holder agree with me that private sector landlords should be legally bound to ensure that their properties are fit for human habitation? And does she not think it outrageous that Conservative MPs would vote to deny Nottingham tenants the right to live in safe accommodation?

Councillor Jane Urquhart replied as follows:

Thank you Lord Mayor, and thanks Councillor Neal for your question. Councillors won't, I'm sure, particularly from the things I said earlier in response to Councillor Culley's question, be surprised to hear that yes of course I agree that private sector landlords should be legally bound to ensure their properties are fit for human habitation. It's fairly basic, isn't it - that a house, that is a dwelling, should be fit for human habitation? That's pretty much what you would hope and expect.

So the amendment to the Housing and Planning Bill that was voted down by the Conservatives last week would have made it a requirement that a rented home should be fit for human habitation before it is rented out and then should maintained as such. It would have given legal rights to tenants to take action themselves against their landlord where properties were in an unfit condition without necessarily having to complain to the local authority. If that basic requirement was in place it would mean that landlords would be required to be far more pro-active in ensuring that their homes met those minimum standards, rather than being able to get away with renting poor quality homes to tenants who are often vulnerable and find it difficult to deal with the officialdom that we present as the only organisation that can tackle these issues.

So at present, although there is a concept of being "fit for human habitation" existing in law, it only applies to properties rented out at levels that have not been updated since 1957. I suspect that some of the things that were considered acceptable then might not be now. So there is, in effect, no current or meaningful requirement for a home to be let or maintained at a minimum fit condition.

So, of course, this is of great concern to us in Nottingham. At the current time, unsafe conditions and disrepair in the private rented sector are addressed by the local authority using the Health and Housing Safety Rating System under the 2004 Housing Act. This of course relies on us as a local authority, for enforcement, and depends on local authorities having the resource and capacity to enforce effectively.

Now in Nottingham I'm proud of our proactive stance on this, and we will continue to be proactive in this area. Wouldn't it have been so much better if the government could have helped us with this problem, rather than leaving it to us, as they often do, to pick up not only the pieces and the effects of that disrepair, but the costs as well?

65 DECISIONS TAKEN UNDER THE URGENCY PROCEDURES

The Leader submitted a report on decisions taken under urgency procedures, as set out on pages 23 to 30 of the agenda.

RESOLVED to note the urgent decisions taken as follows:

(1) urgent decisions (exempt from call-in)

Decision reference number	Date of decision	Subject	Value of decision	Reasons for urgency
2225	03/11/2015	This Girl Can Swim	£161,490.00	Acceptance of funding was required within a month of being awarded. Exemption from call in was required in order to allow for approval to be granted and completion of relevant paperwork after the funding being awarded.
2226	04/11/15	Approval for additional, independent capacity to undertake focussed work within the Education Directorate	up to £13,200	It was imperative that an investigation into Denewood was conducted swiftly
2233	06/11/15	Commercial Opportunity for Energy Services	Exempt	In order to meet the submission target date within tight timescales.
2234	09/11/15	Approval of the costs of an Adults Care Package	Exempt	Retrospective decision
2236	10/11/15	Approval of the costs of an Adults Care Package	Exempt	Retrospective decision
2239	12/11/15	Continuation of the Neutral Vendor Solution	£2,000,000 over 6 months	Imminent end of existing contract and need to agree new contract
2241	13/11/15	Approval of the costs of an Adults Care Package	Exempt	Retrospective decision

Decision reference number	Date of decision	Subject	Value of decision	Reasons for urgency
2257	25/11/15	Approval of the costs of an adult care package	Exempt	Retrospective decision
2258	25/11/15	Approval of the costs of an adult care package	Exempt	Retrospective decision
2260	26/11/15	Approval of the costs of an Adults Care Package	Exempt	Retrospective decision
2261	26/11/15	Approval of the costs of a placement for a child in care	Exempt	Retrospective decision
2264	30/11/15	Broadmarsh Car Park	Exempt	Nottingham City Council is obliged to complete the refurbishment of the car park in a timely manner and within Intu's specification.
2267	04/12/15	Skills Hub	£2.825m	To enable immediate release of funding
2269	07/12/15	Procurement of Radio System	£200,000	To enable infrastructure installation to proceed immediately on site.
2271	09/12/15	Approval of the costs of a placement for a child in care	Exempt	Retrospective decision
2279	18/12/15	Funding for legal support	Exempt	Delay would jeopardise engagement of the expertise and experience required of both a particular barrister and a solicitor previously involved in the case.
2280	18/12/15	Broadmarsh Car Park - Emergency Works	£110,000	Retrospective decision, works started due to imminent health and safety risk.
2281	18/12/15	Approval of the costs of an Adults Care Package	Exempt	Retrospective decision

Decision reference number	Date of decision	Subject	Value of decision	Reasons for urgency
2282	18/12/15	Approval of the costs of an Adults Care Package	Exempt	Retrospective decision
2283	21/12/15	Property Investment Acquisition - Nottingham	Exempt	Tight timescales in order to exchange
2287	23/12/15	Corporate travel and accommodation contract	£925,000	Due to time limitations re outstanding November invoices
2289	23/12/15	Property Investment Acquisition - Nottingham	Exempt	To avoid delay in acquisition

(2) key decisions (special urgency procedures)

Date of decision	Subject	Value of decision	Decision Taker	Reasons for special urgency
24/11/2015	Voluntary Sector Grant Aid - Area Based and Communities of Identity Grants from 2016 onwards	£2,024,761.00	Deputy Leader of the Council	Notice was originally given for this decision to be taken at the 14 October meeting of the Commissioning and Procurement Sub Committee. This meeting was inquorate, so no decision could be taken. The decision cannot wait till the November meeting due to tight timescales with the application process.
12/11/2015	Continuation of the Neutral Vendor Solution	Exempt	Leader of the Council	The decision is urgent and the business cannot be deferred because the current contract ends on 16th October 2015. Lengthy discussions have taken place with Procurement and Legal and given the timelines, we now require an urgent decision
06/11/2015	Commercial Opportunity for Energy	Exempt	Leader of the Council	The decision is considered urgent in order to meet the submission

Date of decision	Subject	Value of decision	Decision Taker	Reasons for special urgency
	Services			target date within tight timescales.
04/12/2015	Skills Hub	£175,000.00 (plus potential exposure of up to £2,650,000.00)	Leader of the Council	The business cannot be deferred as this would delay the immediate release of funding for the project, as well as impacting negatively on delivery.

66 CITY OF NOTTINGHAM COUNCIL TAX SUPPORT SCHEME

The Leader presented a report on the Council Tax support scheme, as set out on pages 31 to 46 of the agenda.

RESOLVED to retain the Council Tax Support Scheme currently in operation, for the 2016/17 financial year, having regard to the Council's Public Sector Equality Duty and noting the Equality Impact Assessment in Appendix 1 to the report.

67 PAY POLICY STATEMENT 2016/17

Councillor Liversidge presented a report on the Pay Policy Statement, as set out on pages 47 to 112 of the agenda.

RESOLVED to:

(1) approve and endorse the Council's pay policy statement for 2016/17;

(2) note that the statement may need to be amended in-year for any necessary changes the Council may wish to adopt, with any such changes presented to Full Council for approval.

68 MOTION

Moved by Councillor Alan Clark, seconded by Councillor Michael Edwards:

"In the light of worldwide agreement on climate change in Paris, this Council considers that the UK Government has given a clear and perverse signal in its recent approach to renewables by:

- Blocking solar in rural areas
- Cutting industrial solar subsidy
- Cutting biomass subsidy
- Scrapping the Green Deal
- Introducing a carbon tax on renewable energy
- Increasing the tax on small cars
- Making clear its support for hydrocarbon mineral extraction

and

- Creating uncertainty about the future of “green collar” jobs

This Council believes that it is giving the correct signals by:

- Establishing a company to sell energy at the cheapest possible price to all types of customers
- Co-operating to rollout smart meters to help consumers manage costs
- Promoting solid wall insulation across all tenures
- Cutting air pollution by using more electric vehicles
- Installing many more solar panels
- Expanding district heating
- Supporting a low carbon Nottingham

and

- Maintaining our premier position as the most energy self-sufficient city in the UK”

RESOLVED to carry the motion.

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CITY COUNCIL – 7 MARCH 2016

REPORT OF THE LEADER

DECISIONS TAKEN UNDER URGENCY PROCEDURES

1 SUMMARY

1.1 As required by the Council's Constitution, this report informs Council of urgent decisions taken under provisions within both the Overview and Scrutiny Procedure Rules and Access to Information Procedure Rules.

2 RECOMMENDATIONS

2.1 To note the urgent decisions taken, as detailed in the appendix.

3 REASONS FOR RECOMMENDATIONS (INCLUDING OUTCOMES OF CONSULTATION)

3.1 To ensure compliance with the procedures detailed in the Council's Constitution.

4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

4.1 None.

5 BACKGROUND

5.1 Call-in and Urgency (Overview and Scrutiny) Procedure Rules: Councillors will be aware that the call-in procedure does not apply where the decision taken is urgent. A decision is urgent if any delay likely to be caused by the call-in process would seriously prejudice the Council's or the public's interests. Part 4, paragraph 15, of the Constitution requires that where a decision is taken under the urgency procedure, that decision needs to be reported to the next available meeting of Council, together with the reasons for urgency. The urgency procedure requires that the Chair of the Overview and Scrutiny Committee must agree both that the decision proposed is reasonable in all the circumstances and that it should be treated as a matter of urgency. In the absence of the Chair, the Vice-Chair's consent is required. In the absence of both, the Chief Executive or his nominee's consent is required. Details of the decisions made where the call–in procedure has not applied due to urgency are set out in Appendix 1.

5.2 Special Urgency – Access to Information Procedure Rules: The Local Authorities Executive Arrangements (Access to Information) (England) Regulations 2012 introduced a requirement for 28 clear days public notice to be given of all proposed key decisions. Where it is not possible to give the full 28 days notice, but there is time to give at least 5 clear days notice, then the General Exception procedure (as set out in Part 4 of the Constitution, paragraph 13 of the Access to Information Procedure Rules) applies. Where 5 clear days notice is also not possible, the above regulations provide for a Special Urgency Procedure (Part 4 of the Constitution, paragraph 14).

5.3 An urgent key decision may only be taken under the Special Urgency procedure where the decision taker has obtained agreement that the decision is urgent and cannot reasonably be deferred from:

(i) the Chair of the Overview and Scrutiny Committee or
(ii) if there is no such person, or if the Chair of the Overview and Scrutiny Committee is unable to act, the Lord Mayor (as Chair of the Council) or
(iii) where there is no Chair of either the Overview and Scrutiny Committee or Lord Mayor, the Sheriff (as Vice Chair of Council).

Once agreement has been sought and as soon as reasonably practicable, the decision maker must publish a notice at the Council's offices and on the Council's website that the decision is urgent and cannot reasonably be deferred.

5.4 In addition the procedure requires that the Leader submits quarterly reports to Council containing details of each executive decision taken during the period since the last report where the making of the decision was agreed as a case of special urgency (paragraph 16.2, Part 4 of the Constitution).

5.5 Details of key decisions taken under the special urgency procedures are set out in appendix 2.

6 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY)

6.1 None.

7 RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS, CRIME AND DISORDER ACT IMPLICATIONS AND EQUALITY AND DIVERSITY IMPLICATIONS)

7.1 None.

8. EQUALITY IMPACT ASSESSMENT (EIA)

8.1 An EIA is not required as the report does not relate to new or changing services or policies.

9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

9.1 None.

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

10.1 The City Council's Constitution

10.2 The delegated decisions and committee reports detailed in the appendix to this report.

COUNCILLOR JON COLLINS
LEADER OF THE COUNCIL

APPENDIX 1

URGENT DECISIONS (EXEMPT FROM CALL-IN)

Decision reference number	Date of decision	Subject	Value of decision	Decision Taker	Consultee on urgency	Reasons for urgency
2299	12/01/16	Integrated Property Asset Management System	£198,200	Leader of the Council and Portfolio Holder for Strategic Regeneration, Development and Community Sector	Chair of Overview and Scrutiny	Due to tight implementation timescales
2323	04/02/16	The Improvement of Libraries Wi-Fi Services	£96,600	Portfolio Holder for Leisure and Culture	Chair of Overview and Scrutiny	The project must be completed by end March 2016 and any delays could jeopardise the funding.
2332	26/02/16	Funding of delivery of project reviewing terms and conditions of service	Exempt	Portfolio Holder for Resources and Neighbourhood Regeneration	Chair of Overview and Scrutiny	Urgent need to recruit and engage external legal advice.
2334	11/02/16	Building Services Project - Project Management	£63,360	Portfolio Holder for Planning and Housing	Chair of Overview and Scrutiny	Urgent payment to consultant
2346	23/02/16	Amber Hill - construction of eight new homes	£998,959	Portfolio Holder for Planning and Housing	Chair of Overview and Scrutiny	With demolition of the Amber Hill garage site expected 2nd December 2015, a quick decision will enable continuity for construction works and minimise costs and support the programme schedule.

Decision reference number	Date of decision	Subject	Value of decision	Decision Taker	Consultee on urgency	Reasons for urgency
* Executive Board Minute 82	23/02/16	Medium Term Financial Plan (MTFP) 2016/17 – 2019/20	Over £1million	Executive Board	Chair of Overview and Scrutiny	The Council's budget has to be approved at the full Council meeting on 7 March 2016 and the report dispatch date is before the call-in period has ended.

* Also referenced in Appendix 2.

APPENDIX 2

KEY DECISIONS – SPECIAL URGENCY PROCEDURE

Date of decision	Subject	Value of decision	Decision Taker	Reasons for special urgency
23/02/16	Medium Term Financial Plan (MTFP) 2016/17 – 2018/19	Over £1million	Executive Board	Would negatively impact on financial planning for the Council.
23/02/16	Proposed review of current arrangements for services to pregnant teenagers/teenage parents	£400,000 per year	Executive Board	Would negatively impact on the progress of arrangements which are to be put in place.

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CITY COUNCIL – 7 MARCH 2016

REPORT OF THE LEADER OF THE COUNCIL

CONSTITUTIONAL AMENDMENTS

1 SUMMARY

1.1 The Local Government Act 2000 requires Council to keep its constitution up to date. Amendments to be reported and/ or agreed are outlined below.

1.2 Councillors may wish to make reference to the current constitution, Version 7.18, which can be viewed on line via the following link: http://www.nottinghamcity.gov.uk/article/24275/Nottingham-City-Councils-Constitution. Councillors may request a paper copy for their sole use by contacting Constitutional Services on 0115 8764312.

2 RECOMMENDATIONS

2.1 To note the following changes to Executive delegations already approved by the Leader of the Council:

a) amendment of delegation 274 (a) to reflect a new authorisation process for Child Care Packages as outlined in paragraph 5.2;
b) changes to Executive Portfolios as outlined in paragraphs 5.3 – 5.5;
c) Amendment of the scheme of delegation to enable Corporate and Strategic Directors to sub-delegate the countersigning of Portfolio Holder delegated decisions to colleagues at Head of Service level or above as outlined in paragraphs 5.5 – 5.6.

2.2 To note (in relation to Executive matters) and approve (in relation to non-executive matters) the amendment to the scheme of delegation in Part 2 of the Constitution clarifying how variations to delegated authority are authorised as outlined in paragraph 5.7.

2.3 To approve the change to the Health and Wellbeing Board Commissioning Sub-Committee Terms of Reference as outlined in paragraph 5.8.

2.4 To approve changes to the Officer Employment Procedure Rules (Standing Orders on Employment Matters)) and the Terms of Reference for Appointments and Conditions of Service Committee and Full Council, as outlined in paragraph 5.9 and 5.10.

3 REASONS FOR RECOMMENDATIONS

3.1 The Local Government Act 2000 requires Council to keep its Constitution up to date.

4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

4.1 The Constitution ensures clarity of rights and duties to enable the Council to conduct its business lawfully and in line with Council policy. Not to update the Constitution is therefore not an option.

5 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

5.1 The Constitution needs to be updated periodically to reflect changes in legislation and to ensure clarity of rights and duties. Since previous Constitutional Amendment reports to Council local decisions have been taken or are proposed which need to be reflected in the current version of the Constitution.

5.2 **Children's Care Packages – Delegation number 274a**
In order to ensure efficient and appropriate approval levels for children's care packages new levels of delegation have been approved. These require an amendment to delegation number 274a in the scheme of delegation in part 2 of the Constitution. The new levels of authority are as follows:

a) Corporate Director - £3501 to £4500 per week/ £93,652 to £182,000 per year
b) Director - £1801 to 3500 per week/ £93,652 to £182,000 per year
c) Head of Service - £482 to £1800 per week/ £25,052 to £93,600 per year
d) Service Manager - £115 to £481 per week/ £6052 to £25,000 per year
e) Team Manager - £0 to £115 per week/ £0 to £6052 per year

Council is asked to note this amendment.

5.3 **Changes to Executive Portfolios**
Following a change to portfolio responsibilities, Council is asked to note that amendments will be made to Section Seven (Formal Roles and Responsibilities) of Part Two of the Constitution transferring responsibility for the Community Sector from the Portfolio Holder for Adults, Health and the Community Sector to the Portfolio Holder for Strategic Regeneration and Development. Responsibility for Reputation and Communications will transfer from the Portfolio Holder for Resources and Neighbourhood Regeneration to the Portfolio Holder for Adults, Health and the Community Sector.

5.4 To reflect the above changes the title of the Portfolio Holder for Adults, Health and the Community Sector will be amended to no longer refer to the community sector.

5.5 **Counter-Signing of Portfolio Holder Decisions**
To support efficient decision making and appropriate level of sign off for delegated decisions Council is asked to note the amendment of the Scheme of Delegation in part 2 of the Constitution to enable Corporate and Strategic Directors to sub-delegate the counter-signing of Portfolio Holder Decisions to colleagues at Head of Service Level or above if they feel this is appropriate.

5.6 Council is asked to note that Paragraph 4, i) of the scheme will be amended to read as follows:
"If it is a Portfolio Holder decision, it should be made in conjunction with a colleague who has delegated authority to counter-sign decisions and whose remit covers the subject of the decision. This authority cannot be delegated below Head of Service level and more senior colleagues may decide to reserve this authority to themselves. The colleague counter-signing a decision is wholly responsible for ensuring that they hold the required level of authority to do so. The delegated decision making form recording the decision must be authorised by both parties within 10 working days of each other."

5.7 **Variation to Delegated Authority**
Council is asked to note (in relation to Executive matters) and approve (in relation to non-executive matters) an amendment to the scheme of delegation in Part 2 of the

Constitution clarifying how variations to delegated authority are authorised. It is proposed that the following text is added to paragraph 10 of the scheme:

"Variation from Delegated Authority

Where authority has been delegated to implement an approved decision but the need for variation from the approved decision is subsequently identified, depending on the value of the variation, approval for the variation may be required. The financial thresholds identified above that applied to the original decision apply to the level of authority required to authorise the variation. The colleague (Head of Service or above) responsible for managing the implementation of the decision is responsible for identifying any variation to the original decision, seeking the appropriate level of approval for the variation and liaising with the briefing Portfolio Holder where the variation requires officer approval."

5.8 **Health and Wellbeing Board Commissioning Sub-Committee Terms of Reference**

Following the establishment of this sub-committee, in the summer of 2015, the Health and Wellbeing Board has reviewed the frequency with which it needs to meet and agreed to reduce the number of meetings from bi-monthly to quarterly. Council is asked to approve the reflection of this in the sub-committee's terms of reference.

5.9 **Full Council and Appointments and Conditions of Service Committee Terms of Reference**

Paragraph 3 of schedule 1 to the Local Authorities (Standing Orders) Regulations 1993 states that every appointment of a Chief Officer shall be made by the authority. Furthermore, Paragraph 1(b) of Schedule 2 (authorised variations to prescribed Standing Orders) to the 1993 Regulations state that standing orders may provide that any chief officer may be appointed by a committee or sub-committee of the authority, or a relevant joint committee. It is proposed that the Constitution (Standing Orders) is amended in accordance with Paragraph 1(b) of Schedule 2 to the 1993 Regulations so that an appointment of a Chief Officer can be made by the Appointments and Conditions Service Committee.

5.10 Council is asked to approve an amendment to the Appointment and Conditions of Service Terms of Reference in Part 2 of the Constitution as follows:

"To undertake the appointment process (long listing, short listing and formal interviews) (or to appoint a politically balanced panel to undertake long listing and, short listing) in respect of the Chief Officers (as referred to in paragraph 1(a) of the Officer Employment Procedure Rules (Standing Orders on Employment Matters)), subject to having ascertained the views of the Executive Board in accordance with Standing Orders~~, to make recommendations to Council;~~

To approve the appointment of Chief Officers (as referred to in paragraph 1(a) of the Officer Employment Procedure Rules (Standing Orders on Employment Matters))

6 FINANCE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY)

6.1 The proposals in the report have no significant financial implications for the Council.

7 LEGAL AND PROCUREMENT COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

7.1 The Council would be in breach of its statutory duty if it did not update its constitution and it is essential that there is clarity for councillors, colleagues, partners and citizens about rights and duties.

8 EQUALITY IMPACT ASSESSMENT (EIA)

8.1 Has the equality impact of the proposals in this report been assessed?

No ☒

An EIA is not required because the report does not contain proposals or financial decisions.

9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

9.1 None

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

10.1 The Council's Constitution version 7.18

COUNCILLOR JON COLLINS
LEADER OF THE COUNCIL

CITY COUNCIL - 7 MARCH 2016

REPORT OF THE DEPUTY LEADER AND PORTFOLIO HOLDER FOR RESOURCES AND NEIGHBOURHOOD REGENERATION

TREASURY MANAGEMENT 2016/17 STRATEGY

1 SUMMARY

1.1 This report seeks approval for a series of strategies relating to treasury management in 2016/17. The strategies were considered as part of a number of reports on the 2016/17 budget process. They were submitted for endorsement to Executive Board on 23 February 2016 and were also considered by Audit Committee, as part of its scrutiny role, on 26 February 2016.

1.2 A copy of the Executive Board report has been circulated separately. Full details of the strategies and other material referred to below are shown within that document. The specific strategies included are:

- the overall treasury management strategy for 2016/17 (Appendix 1, pages 1-13);
- the strategy for debt repayment (Minimum Revenue Provision) in 2016/17 (Appendix 4, page 20 - 21);
- the Housing Revenue Account Treasury Management Strategy for 2016/17 (within Appendix 1, pages 1 - 13);
- The investment strategy for 2016/17 (Appendix 1, pages 7 - 11)
- The borrowing strategy for 2016/17 (Appendix 1, pages 5 – 7)

1.3 Approval is also required for the Prudential Indicators and limits from 2014/15 to 2018/19 (Appendix 3, pages 16 - 19).

2 RECOMMENDATIONS

2.1 To approve the 2016/17 treasury management strategy document, including the strategy for debt repayment and the investment strategy, as detailed in Appendix 1;

2.2 To approve the Prudential Indicators and limits from 2014/15 to 2018/19, as detailed in Appendix 3 (pages 16 - 19).

3 REASONS FOR RECOMMENDATIONS

3.1 Approval of a Treasury Management Strategy is a legal requirement.

3.2 A Treasury Management Strategy will ensure compliance with the Code of Practice on Treasury Management in Public Services (the Code).

4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

4.1 The approval of a treasury management strategy, including Prudential Indicators, is a requirement of the adopted Code. The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted the portfolio holder, believes that the

proposed strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications can be found in Appendix 7.

5 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

5.1 Treasury management is the management of the Council's cash flows, including borrowings and investments. It is regulated by CIPFA's Treasury Management Code of Practice.

5.2 Treasury Management is the subject of robust governance arrangements including legislation, government guidance, codes of practice and financial regulations. The approval of a strategy relating to treasury management, including a strategy for debt repayment and investment, is good practice and ensures that the City Council complies with the governance framework

5.3 The strategy for debt repayment (Appendix 4) often referred to as Minimum Revenue Provision (MRP) arises because there is statutory requirement for local authorities to set aside some of their revenue resources as provision for reducing the underlying need to borrow (Capital Financing Requirement - CFR), i.e. the borrowing taken out in order to finance capital expenditure.

Since 1 April 2007, MRP requirements have been relaxed significantly and the set aside is no longer a prescribed amount. There is freedom for authorities to consider an annual profiling of MRP which best fits the prudent management of their own financial circumstances, providing they meet the basic test of "prudence" which is to repay debt over the life of the benefit or the period implied by the associated grant.

It is proposed that the methodology for calculating MRP on capital expenditure financed from borrowing prior to April 2007 is changed from the 'Regulatory Method' to a fixed, straight line method (equal instalment) over a period of up to 50 years commencing in 2016/17. Whilst it is acknowledged that this method is not specifically recommended in the Guidance for pre April 2007 debt, it is considered prudent by the Section 151 Officer.

The proposal to change the MRP policy was included in the public consultation on the council's budget proposals in January 2016 and no significant issues were raised to suggest there was not support for this proposal.

5.4 Prudential Indicators for the forthcoming and following two financial years must be set before the beginning of that year. They may be revised at any time, following due process, with any changes to the current indicators being approved at a meeting of Full Council.

5.5 On 23 February 2016, Executive Board considered a report seeking endorsement of the proposed treasury management strategy for 2016/17. Scrutiny of the strategy was addressed by a meeting of the Audit Committee on 26 February 2016. Any changes to the proposed 2016/17 strategy as a result of those two meetings will be reported verbally.

6 FINANCE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY)

6.1 Net treasury management expenditure comprises interest charges, interest receipts and a revenue provision for debt repayment. A proportion of the Council's debt relates to capital expenditure on council housing and from 1 April 2012 separate arrangements have been established for the HRA. The remaining costs are included within the treasury management section of the General Fund budget, although there remain a number of recharges between the General Fund and the HRA. Table 1 summarises the proposed budget for 2016/17:

TABLE 1: TREASURY MANAGEMENT - REVENUE BUDGET POSITION	
DESCRIPTION	**BUDGET 2016/17 £m**
External interest	28.033
Less: HRA interest	(12.351)
Debt repayment provision	31.545
General Fund expenditure	**47.227**
Investment interest	(0.463)
Prudential borrowing recharge	(1.557)
NET GENERAL FUND POSITION	**45.207**

6.2 The above figures are included in the City Council's 2016/17 budget, which has also been submitted for approval on this agenda.

7 LEGAL AND PROCUREMENT COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

7.1 Risk management plays a fundamental role in treasury activities, due to the value and nature of transactions involved. The management of specific treasury management risks is set out in the Manual of Treasury Management Practices and Procedures and a risk register is prepared for the treasury function.

7.2 The key Strategic Risk relating to treasury management is SR17 'Failure to protect the Council's investments'. The current rating for this risk is 4.86 (Likelihood is rated unlikely, Impact is rated moderate). Details of the current Risk Management Action Plan are provided in the Executive Board report (Appendix 6).

8 EQUALITY IMPACT ASSESSMENT (EIA)

8.1 An EIA is not required as the report does not relate to new or changing policies or services.

9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

9.1 PWLB records, economic and interest rate forecasts, working papers and Department for Communities and Local Government – Capital Finance Guidance on Minimum Revenue Provision.

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

10.1 Executive Board report 23 February 2015 – Treasury Management 2016-17 Strategy.

10.2 Audit Committee report 26 February 2015 – Treasury Management 2016/17 Strategy.

COUNCILLOR GRAHAM CHAPMAN
DEPUTY LEADER OF THE COUNCIL AND PORTFOLIO HOLDER FOR RESOURCES AND NEIGHBOURHOOD REGENERATION

Appendix 1

NOTTINGHAM CITY COUNCIL

TREASURY MANAGEMENT STRATEGY 2016/17

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Executive Board 23 February 2016
Audit Committee 26 February 2016
City Council 7 March 2016

Introduction

In March 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

External Context

Economic background: Domestic demand has grown robustly, supported by sustained real income growth and a gradual decline in private sector savings. Low oil and commodity prices were a notable feature of 2015, and contributed to annual CPI inflation falling to 0.1% in November. Wages are growing at 2.4% a year, and the unemployment rate has dropped to 5.2%. Mortgage approvals have risen to over 70,000 a month and annual house price growth is around 4.5%. These factors have boosted consumer confidence, helping to underpin retail spending and hence GDP growth, which was 2.1% a year in the third quarter of 2015. Although speeches by the Bank of England's Monetary Policy Committee (MPC) members sent signals that some were willing to countenance higher interest rates, the MPC held policy rates at 0.5% for the 82nd consecutive month at its meeting in December 2015. Quantitative easing (QE) has been maintained at £375bn since July 2012.
The outcome of the UK general election, which was largely fought over the parties' approach to dealing with the deficit in the public finances, saw some big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics. Uncertainty over the outcome of the forthcoming referendum could put downward pressure on UK GDP growth and interest rates.
China's growth has slowed and its economy is performing below expectations, reducing global demand for commodities and contributing to emerging market weakness. Financial markets have reacted extremely negatively on concerns that the Chinese slowdown will present a significant drag on global growth. US domestic growth has accelerated but the globally sensitive sectors of the US economy have slowed. Strong US labour market data and other economic indicators suggested recent global turbulence has not knocked the American recovery off course, although activity has weakened a little. The Federal Reserve raised policy rates at its meeting in December as expected, but accompanying statements suggested that the tightening cycle will be gradual and very much data dependent. In contrast, the European Central Bank finally

embarked on QE in 2015 to counter the perils of deflation and undertook further monetary easing late in the year.

Credit outlook: The varying fortunes of different parts of the global economy are reflected in market indicators of credit risk. UK Banks operating in the Far East and parts of mainland Europe have seen their perceived risk increase, while those with a more domestic focus continue to show improvement. The sale of most of the government's stake in Lloyds and the first sale of its shares in RBS have generally been seen as credit positive.
Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the UK, USA and Germany. The rest of the European Union will follow suit in January 2016, while Australia and Switzerland are well advanced with their own plans. Meanwhile, changes to the UK Financial Services Compensation Scheme and similar European schemes in July 2015 mean that most private sector investors are now partially or fully exempt from contributing to a bail-in. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain stubbornly low.

Interest rate forecast: The Authority's treasury advisor Arlingclose projects the first 0.25% increase in UK Bank Rate in the third quarter of 2016, rising by 0.5% a year thereafter, finally settling at or below 2% several years' time. Persistently low inflation, subdued global growth and potential concerns over the UK's position in Europe mean that the risks to this forecast are weighted towards the downside.

A shallow upward path for medium term gilt yields is forecast, as continuing concerns about the Eurozone, emerging markets and other geo-political events weigh on risk appetite, while inflation expectations remain subdued. Arlingclose projects the 10 year gilt yield to rise from its current 1.8% level by around 0.3% a year. The uncertainties surrounding both the timing of UK and US interest rate rises, and the fallout from slower Chinese growth are likely to prompt short-term volatility in gilt yields.

A more detailed economic and interest rate forecast provided by the Arlingclose is attached at Appendix 2.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.80%, and that new long-term loans will be borrowed at an average rate of 3.50%.

Local Context

The Council currently has £698.6m of borrowing and £110.0m of investments. This is set out in further detail at Appendix 9. Forecast changes in these sums and the estimated future borrowing requirement are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31.3.15 Actual £m	**31.3.16 Estimate £m**	**31.3.17 Estimate £m**	**31.3.18 Estimate £m**	**31.3.19 Estimate £m**
General Fund CFR	679.4	938.2	1036.8	1087.5	1051.1
HRA CFR	281.3	280.8	284.2	284.8	292.0
Total CFR	**960.7**	**1219.0**	**1321.0**	**1372.3**	**1343.1**
Less: Other debt liabilities *	-103.5	-236.3	-226.0	-216.2	-208.7
Borrowing CFR	**857.2**	**982.7**	**1095.0**	**1156.1**	**1134.4**
Less: External borrowing **	688.9	673.8	658.3	642.4	608.0
Internal borrowing	**168.3**	**308.9**	**436.7**	**513.7**	**526.4**
Less: Usable reserves	-250.9	-251.4	-212.5	-204.2	-201.6
Less: Working capital	-133.5	-133.5	-133.5	-133.5	-133.5
Investments or (New borrowing)	**216.1**	**76.0**	**-90.7**	**-176.0**	**-191.3**

* finance leases and PFI liabilities that form part of the Council's debt
** shows only loans to which the Council is committed and excludes optional refinancing

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, subject to holding a minimum investment balance of £30m.
The Council has an increasing CFR due to the capital programme, and a reducing amount of investments and will therefore be required to borrow up to £191.3m over the forecast period.

The 2014/15 investments include £100m raised from the Public Works Loan Board (PWLB) in 2012/13 to finance a required capital contribution for the Nottingham Express Transit (NET) Phase 2 scheme. This borrowing was raised in advance of need, to take advantage of low interest rates and the cash was expended in August 2015.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2016/17.

Borrowing Strategy

The Council currently holds £698.6m of loans (excluding £238.9m PFI debt), an increase of £9.7m on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Council expects to borrow up to £90.7m in 2016/17. The Council may also commit to borrow additional sums at fixed rates to pre-fund future years' requirements, to reduce its level of internal borrowing or for additional capital schemes that are not yet in the capital program approval providing this does not exceed the authorised limit for borrowing of £1,081 million.

Objectives: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Borrowing decisions are also influenced not only by the absolute level of borrowing rates but also the relationship between short and long-term interest rates in order to achieve best value for money for the Council.

There are short term cost benefits in using internal resources or to borrow short-term loans for some of the council's overall borrowing requirement.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of short-term/internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine the amount that the Council borrows at long-term fixed rates in 2016/17 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council may arrange forward starting loans during 2016/17, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

Sources: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and its successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Nottinghamshire County Council Pension Fund)

- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Council has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as the European Investment Bank (EIB), local authority loans and bank loans, that may be available at more favourable rates. The Council may also look to do a formal funding selection exercise via Arlingclose that will seek proposals from a wide range of banks and organisations that are interested in lending to local authorities.

European Investment Bank (EIB): The EIB is the world's largest multilateral development bank. The Bank is a not for profit institution and has a relatively low cost of funding which now represents an attractive funding source for authorities with a sufficiently large capital programme. The product range allows a more sophisticated approach to risk management incorporating forward starting loans, sculpted repayment profiles and a mix of fixed and floating rate debt can be utilised to complement the existing debt portfolio.

LGA Bond Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report.

LOBOs: The Council holds £49m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £34m of these LOBOS have options during 2016/17, and although the Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

Short-term and Variable Rate loans: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

Debt Rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Forward Starting Loans: In order to minimise the risk of the uncertainty of future interest rates, we will consider the use of 'Forward Starting loans' to fix the rate of interest for a specific loan where the cash will be taken at a set future date. These will be considered where it clearly demonstrates a reduction in the overall financial risk the council is exposed to commensurate to the financial impact of the deal.

Investment Strategy

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £91m and £258m, but investment balances are expected to continue to reduce towards a minimum balance of £30m in the forthcoming year as surplus cash will continue to be used to meet borrowing requirements.

Objectives: Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.

Strategy: Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council aims to avoid credit risk by further reducing the balances invested and then to diversify into more secure asset classes during 2016/17. Around 60% of the Council's surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit and money market funds. This further diversification will therefore represent a continuation of the new strategy adopted in 2015/16.

Approved Counterparties: The Council may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a
AAA	£10m 5 years	£15m 20 years	£15m 50 years	£10m 20 years
AA+	£10m 5 years	£15m 10 years	£15m 25 years	£10m 10 years
AA	£10m 4 years	£15m 5 years	£15m 15 years	£10m 10 years
AA-	£10m 3 years	£15m 4 years	£15m 10 years	£10m 10 years
A+	£10m 2 years	£15m 3 years	£15m 5 years	£10m 5 years
A	£10m 13 months	£15m 2 years	£15m 5 years	£10m 5 years
A-	£10m 6 months	£15m 13 months	£15m 5 years	£10m 5 years
None	n/a	n/a	£15m 25 years	n/a
Pooled funds	£10m per fund			

This table must be read in conjunction with the notes below:-

Lloyds Bank: The Council's own bank, will be subject to the limits in table 2 for investment balances, but also accommodate necessary short-term cash management balances for periods of up to 4 days with no maximum sum.

Credit Rating: Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development

banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus corporate bonds, commercial paper, equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified Investments: The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
    - the UK Government,
    - a UK local authority, parish council or community council, or
    - a body or investment scheme of "high credit quality".

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£50m
Total investments without credit ratings or rated below A-	£10m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£10m
Total non-specified investments	£50m

Investment Limits: The Council's revenue reserves available to cover investment losses are forecast to be c.£161 million on 31st March 2016. In order that no more than 10% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £15 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£15m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£15m per group
Any group of pooled funds under the same management	£30m per manager
Negotiable instruments held in a broker's nominee account	£75m per broker
Foreign countries	£20m per country
Registered Providers	£30m in total
Unsecured investments with Building Societies	£30m in total
Money Market Funds	£75m in total

Other Items

There are a number of additional items that the Council is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

Liquidity Management: The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

Policy on Use of Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Policy on Apportioning Interest to the HRA: On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured and interest transferred between the General Fund and HRA at the average 3 month UK Government Treasury Bill interest rate to reflect a credit risk free return.

Investment Training: The needs of the Council's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.
Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Investment Advisers: The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The current contract is due to expire in March 2017 and so during 2016/17 the council will seek to go through a re-tender exercise for future services.

Investment of Money Borrowed in Advance of Need: The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. Consideration will be given to the use of forward starting loans as an alternative where appropriate. These risks will be managed as part of the Council's overall management of its treasury risks. The total amount borrowed will not exceed the authorised borrowing limit of £1,081 million. The maximum period between borrowing and

expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

Management of Risk: Risk management plays a fundamental role in treasury activities, due to the value and nature of transactions involved. Appendix 6 details the specific risks identified in respect of treasury management within the Council and the adopted Risk Management Action Plan. This Plan is reviewed at regular intervals at meetings of the Treasury Management Panel.

Arlingclose Economic & Interest Rate Forecast December 2015

Underlying assumptions: Underlying assumptions:

- The global economy is facing a period of slower growth, as China reorients slowly towards domestic demand. Lower demand for raw materials will depress growth in mainly developing countries where extraction is the primary industry and countries particularly reliant on exports will also face more challenging conditions.
- Countries with stronger domestic demand, such as the UK and US, will be able to weather a temporary global slowdown, helped by lower commodity prices. However, persistently slower growth will have economic repercussions for these countries.
- Additional US monetary policy tightening will be gradual and not pre-planned. The US economy will absorb the rise in interest rates without choking off growth.
- UK economic growth will slow further but remain within the long term trend range. Economic growth softened in Q3 2015 but remained reasonably robust at 2.3% year-on-year.
- Inflation is currently very low and will likely remain so over the next 12 months, on the back of low commodity prices and expectations that UK monetary policy will be tightened (strengthening sterling). The CPI rate will to rise towards the end of 2016.
- Domestic demand is key for UK growth. Household spending has been and will remain the key driver of GDP growth through 2016. Consumption will continue to be supported by real wage and disposable income growth.
- On the back of strong consumption, business investment has strengthened, which should drive some productivity growth. However the outlook for business investment may be tempered by the looming EU referendum, increasing uncertainties surrounding global growth and recent financial market shocks.
- Annual average earnings growth was 2.4% (including bonuses) in the three months to October. With low inflation, real earnings and income growth continue to run at relatively strong levels and could feed directly into unit labour costs and households' disposable income. Improving productivity growth should support pay growth in the medium term and may alleviate the wage pressure on companies. The development of wage growth is one of the factors being closely monitored by the MPC.
- Longer term rates will be tempered by international uncertainties and weaker global inflation pressures.

Forecast:

- We have maintained our projection for the first rise in Bank Rate in Q3 2016. Risks remain weighted to the downside. We project a slow rise in Bank Rate. The appropriate level for Bank Rate will be lower than the previous norm and will be between 2 and 3%.
- We project medium term gilt yields on a shallow upward path in the medium term, with interest rate and inflation expectations remaining subdued.

- The uncertainties surrounding UK and US monetary policy, and global growth weakness, are likely to continue to prompt short term volatility in gilt yields.

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50
Arlingclose Central Case	**0.50**	**0.50**	**0.50**	**0.75**	**0.75**	**1.00**	**1.00**	**1.25**	**1.25**	**1.50**	**1.50**	**1.75**	**1.75**
Downside risk				-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.25	-1.25
3-month LIBID rate													
Upside risk	0.20	0.30	0.30	0.30	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	**0.55**	**0.60**	**0.70**	**0.80**	**0.95**	**1.05**	**1.15**	**1.30**	**1.40**	**1.55**	**1.65**	**1.80**	**1.85**
Downside risk		-0.20	-0.30	-0.45	-0.55	-0.65	-0.80	-0.90	-1.05	-1.10	-1.20	-1.20	-1.20
1-yr LIBID rate													
Upside risk	0.25	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.45
Arlingclose Central Case	**1.10**	**1.20**	**1.35**	**1.45**	**1.55**	**1.70**	**1.80**	**1.95**	**2.00**	**2.10**	**2.15**	**2.15**	**2.15**
Downside risk	-0.15	-0.25	-0.35	-0.50	-0.60	-0.70	-0.85	-0.95	-1.10	-1.15	-1.25	-1.25	-1.25
5-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	**1.50**	**1.55**	**1.60**	**1.70**	**1.80**	**1.90**	**2.00**	**2.10**	**2.20**	**2.25**	**2.30**	**2.35**	**2.35**
Downside risk	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
10-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	**2.00**	**2.05**	**2.10**	**2.20**	**2.30**	**2.40**	**2.50**	**2.60**	**2.65**	**2.70**	**2.75**	**2.80**	**2.80**
Downside risk	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
20-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	**2.45**	**2.50**	**2.55**	**2.55**	**2.60**	**2.65**	**2.70**	**2.75**	**2.80**	**2.85**	**2.90**	**2.95**	**2.95**
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.65	-0.75	-0.85	-0.95	-1.05	-1.10	-1.15	-1.20	-1.20
50-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	**2.45**	**2.50**	**2.55**	**2.60**	**2.65**	**2.70**	**2.75**	**2.80**	**2.85**	**2.90**	**2.95**	**3.00**	**3.00**
Downside risk	-0.25	-0.35	-0.45	-0.50	-0.60	-0.70	-0.80	-0.90	-1.00	-1.05	-1.10	-1.15	-1.15

Appendix 3

PRUDENTIAL INDICATORS 2014/15 – 2018/19					
	2014/15 Act £m	**2015/16 Est £m**	**2016/17 Est £m**	**2017/18 Est £m**	**2018/19 Est £m**
1. PRUDENCE INDICATORS					
i) Capital Expenditure					
General Fund	123.5	249.9	194.7	134.7	37.0
HRA	60.0	54.6	74.2	50.2	40.2
	183.5	**304.5**	**268.9**	**184.9**	**77.2**
ii) CFR at 31 March					
General Fund	576.2	701.9	810.9	871.3	842.4
HRA	281.3	280.8	284.2	284.8	292.0
PFI-related debt	103.2	236.3	226.0	216.2	208.7
	960.7	**1,219.0**	**1,321.1**	**1,372.3**	**1343.1**
iii) External Debt at 31 March					
Borrowing	688.0	680.7	755.2	819.3	815.0
Other (PFI debt)	103.2	236.3	226.0	216.2	208.7
Gross debt	**791.2**	**917.0**	**981.2**	**1035.5**	**1,023.7**
2. AFFORDABILITY INDICATORS					
i) Ratio of financing costs to net revenue stream					
General Fund		14.62%	14.61%	18.91%	19.03%
HRA		11.90%	12.02%	12.23%	12.71%
ii) Impact of capital investment decisions			**£s**	**£s**	**£s**
Council Tax Band D (per annum)			16.38	47.65	40.01
HRA rent (per week)			0.05	0.23	0.19
		£m	**£m**	**£m**	**£m**
iii) Authorised limit for external debt		1,091.6	1,081.2	1,135.5	1,123.7
iv) Operational Boundary for ext. debt		1,041.6	1,041.2	1,095.5	1,083.7
v) HRA limit on indebtedness					
HRA CFR		280.8	284.2	284.8	292.0
HRA Debt Cap (CLG prescribed)		319.8	319.8	319.8	319.8
Difference - headroom		**39.0**	**35.5**	**35.0**	**27.8**
3. TREASURY MANAGEMENT INDICATORS					
i) Upper limit on variable interest rate exposure	-97.1	250.0	250.0	250.0	250.0
ii) Upper limit on fixed interest rate exposure	571.2	800.0	800.0	800.0	800.0
iii) Fixed Debt maturity structure					
- under 12 months	8%	0-25%	0-25%	0-25%	0-25%
- 12 months to 2 years	3%	0-25%	0-25%	0-25%	0-25%
- 2 to 5 years	10%	0-25%	0-25%	0-25%	0-25%
- 5 to 10 years	19%	0-50%	0-50%	0-50%	0-50%
- 10 to 25 years	35%	0-50%	0-50%	0-50%	0-50%
- 25 to 40 years	22%	0-25%	0-25%	0-25%	0-25%
- 40 years and above	3%	0-75%	0-75%	0-75%	0-75%
iv) Sums invested for >364 days					
- in-house limit	£10.0m	£50m	£50m	£20m	£20m
v) Adoption of the *CIPFA Code of Practice for Treasury Management*	YES				
vi) Credit risk	Provided in Appendix 1,				

NOTES TO THE SCHEDULE OF PRUDENTIAL INDICATORS

1) **Prudence Indicators**

i) *'Estimate of total capital expenditure'* – a "reasonable" estimate of total capital expenditure to be incurred in the next 3 financial years, split between the General Fund and the HRA.

- This estimate takes into account the current approved asset management and capital investment strategies.

ii) *'Capital financing requirement' (CFR)* – this figure constitutes the aggregate amount of capital spending which has not yet been financed by capital receipts, capital grants or contributions from revenue, and represents the underlying need to borrow money long-term. An actual figure at 31 March each year is required, together with estimates for the next three financial years.

- This approximates to the previous Credit Ceiling calculation and provides an indication of the total long-term debt requirement.
- The figure includes an estimation of the total debt brought 'on-balance sheet' in respect of PFI schemes and finance leases.

iii) *'External debt'* - the actual level of gross borrowing (plus other long-term liabilities, including the notional debt relating to on-balance sheet PFI schemes and leases) calculated from the balance sheet, with estimates for the next three financial years.

2) **Affordability Indicators**

i) '*Ratio of financing costs to net revenue stream'* – expresses the revenue costs of the Council's borrowing (interest payments and provision for repayment) as a percentage of the total sum to be raised from government grants, business rates, council and other taxes (General Fund) and rent income (HRA). From 1 April 2012, the General fund income figure includes revenue raised from the Workplace Parking Levy.

- These indicators show the impact of borrowing on the revenue accounts and enable a comparison between years to be made. The increase in the General Fund ratio reflects the falling grant from government and the impact of existing and proposed capital expenditure.

ii) *'Incremental impact of capital investment decisions'* – expresses the revenue consequences of future capital spending plans to be met from unsupported borrowing and not financed from existing budget provision, on both the level of council tax and weekly housing rents.

- This is a key indicator, which provides a direct link between the capital programme and revenue budget and enables the revenue impact of additional unsupported capital investment to be understood.

iii) *'Authorised limit for external debt'* – this represents the maximum amount that may be borrowed at any point during the year. An estimate for the next three financial years is required.

- This figure allows for the possibility that borrowing for capital purposes may be undertaken early in the year, with a further sum to reflect any

temporary borrowing as a result of adverse cash flow. This represents a 'worst case' scenario.

iv) *'Operating boundary for external debt'* – this indicator is a working limit and represents the highest level of borrowing is expected to be reached at any time during the year - It is recognised that this operational boundary may be breached in exceptional circumstances.

v) *'HRA limit on indebtedness'* – from 1 April 2012, a separate debt portfolio has been established for the HRA. The CLG have imposed a 'cap' on the maximum level of debt for individual authorities and the difference between this limit and the actual HRA CFR represents the headroom available for future new borrowing.

3) **Treasury Management Indicators**

i) *'Upper limit on variable interest rate exposure'* - is set to control the Authority's exposure to interest rate risk. The upper limits on variable rate interest rate exposures, expressed as the amount of net principal borrowed for the next three financial years are required.

- A high level of variable rate debt presents a risk from increases in interest rates. This figure represents the maximum permitted exposure to such debt.

ii) *'Upper limit on fixed interest rate exposure'* - is set to control the Authority's exposure to interest rate risk. The upper limits on fixed interest rate exposures, expressed as the amount of net principal borrowed for the next three financial years are required.

- Fixed rate borrowing provides certainty for future interest costs, regardless of movements in interest rates.

iii) *'Upper and lower limits with respect to the maturity structure of the Council's borrowing'* – this shows the amount of fixed rate borrowing maturing in each period, expressed as a percentage of total fixed rate borrowing.

- This indicator is designed to be a control over having large amounts of fixed rate debt falling to be replaced at the same time.

iv) *'Total sums invested for periods of greater than 364 days* – a limit on investments for periods longer than 1 year. A three-year estimate is required.

- This indicator is designed to protect the liquidity of investments, ensuring that large proportions of the cash reserves are not invested for long periods.

v) *The adoption of the CIPFA Code of Practice for Treasury Management in the Public Services'.* This is not a numerical indicator, but a statement of good practice.

- The Council adopted the Code on 18 February 2002. Revised Codes, issued in 2009 and 2011, have subsequently been incorporated within the Council's strategy and procedures.

vi) *Credit risk* – The Council monitors a range of factors to manage credit risk, detailed in its annual Treasury Management Strategy.

Annual Minimum Revenue Provision Statement 2016/17

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* (the CLG Guidance) most recently issued in 2012.

The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG Guidance requires the Council to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement only incorporates options recommended in the Guidance as well as locally determined prudent methods.

- For capital expenditure incurred before 2007/08, and for supported capital expenditure incurred on or after that date, MRP policy will be to charge 2% of the balance at 31 March 2016 on a straight line basis so the whole debt is repaid after 50 years. Starting in 2016/17 this represents a prudent adaptation to Option 1 in the guidance.

- For unsupported capital expenditure incurred after 2007/08, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments *or* as the principal repayment on an annuity, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. *(Option 3 in the guidance)*

- For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

- Where loans are made to other bodies for their capital expenditure, MRP will be charged in line with the principal repayment profile in the 3rd party agreement.

- No MRP will be charged in respect of assets held within the Housing Revenue Account.

- Voluntary MRP may be made at the discretion of the Director of Finance.

- Capital receipts maybe voluntarily set-aside to clear debt and replace with future prudential borrowing to temporarily reduce the MRP charge. This use of capital receipts will be at the discretion of the Director of Finance.

Capital expenditure incurred during 2016/17 will not be subject to a MRP charge until 2017/18.

NOTTINGHAM CITY COUNCIL TREASURY MANAGEMENT POLICY STATEMENT

The following treasury management policy statement was formally adopted by the City Council on 5 March 2012.

1. INTRODUCTION AND BACKGROUND

1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.

1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.3 The Council (i.e. full Council) will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

1.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Executive Board and for the execution and administration of treasury management decisions to the Chief Financial Officer, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

1.5 The Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

2.1 The Council defines its treasury management activities as:

"The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the

risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management."

2.4 The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

2.5 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Council's investments followed by the yield earned on investments remain important but are secondary considerations.

Appendix 6

Risk Management Action Plan (RMAP)

Likelihood	
1	Remote
2	Unlikely
3	Possible
4	Likely
5	Almost Certain

Likelihood (L)					
5	5	10	15	20	25
4	4	8	12	16	20
3	3	6	9	12	15
2	2	4	6	8	10
1	1	2	3	4	5
	1	2	3	4	5
	Impact (I)				

Impact	
1	Negligible
2	Minor
3	Moderate
4	Major
5	Catastrophic

Low Seriousness	Medium Seriousness	High Seriousness

Summary Business Risk: SRR17 – Failure to protect the Council's investments			
Owned by: DCEX/CD - Resources	Completed by: DCEX/CD – Resources and Treasury Management Panel	Completed: November 2015	Next Review: February 2016
Prevailing Summary risk Threat Level (LxI)	4.86 (average) (2.00 x 2.43)	Target summary Risk Threat Level	3.47 (average) (1.43 x 2.43)
Summary risk mitigation effectiveness (Effective, yet to secure improvement, may not be enough)		Effective	

Risks under risk management:

Risk Ref:	Description	Current Risk Rating Score (LxI)	Target Risk Rating Score (LxI)
1	Inappropriate investment strategy (TMP 1.1, 1.2, 1.3, 1.8, 3, 4 & 11)	1 x 4 = 4	1 x 3 = 3
2	Inappropriate borrowing strategy (TMP 1.2, 1.3, 1.5 & 1.8)	3 x 1 = 3	3 x 1 = 3
3	Revenue implications of capital program not accurately reflected in the MTFP (TMP 7)	3 x 3 = 9	1 x 3 = 3
4	MRP Policy is Inappropriate (TMP 7)	2 x 2 = 4	1 x 3 = 3
5	Poor cash management (TMP 1.2, 1. 8)	1 x 3 = 3	1 x 3 = 3
6	Colleague fraud (TMP 1.7 & 5)	2 x 2 = 4	1 x 2 = 2
7	Failure to comply with CIPFA Code of Practice and/or respond to changes in relevant legislation (TMP 1.6)	2 x 2 = 4	2 x 2 = 4

Current Management Action / Controls Acting on Risk? Delete as applicable: Some								
Risk Ref.	Current Management/actions in place	Adequacy of action/control to mitigate risk	Additional management action/ controls	Responsibility for additional action		Critical success factors of additional actions	Key Dates	
				CD	D/ HoS		Additional controls complete	Progress review frequency
1	• Continued use of external advisors – Arlingclose contract renewed from April '13 to March '17 • Use of counterparties list based on range of formal credit ratings and wider market intelligence and advice • Limits set for amounts and time periods with individual institutions • Counterparty limits amended as and when required and future investments suspended if deemed appropriate • TM and investment strategy reviewed and amended as required • Quarterly review of	EFFECTIVE	• Maintain current arrangements • Internal audit plan includes 16 scheduled audit days per annum.	GO	GW	• Monthly check by S151 officer of current investments. • Latest Internal Audit report findings give "High assurance on controls" (March 15) • Weekly meetings with portfolio holder • TM Panel meets regularly to review the overall position. • Implementation	Ongoing Ongoing Ongoing Ongoing Ongoing	Ongoing As received Weekly Quarterly As required

Page 58	the investment portfolio carried out at TM Panel meetings. • Monitoring of wider economic environment provided by advisors, with amendments to the existing strategy, as required. • Regular reviews of interest rate forecasts • Up to date knowledge of existing and developing investment products through regular attendance at seminars and workshops • CFO action under delegation (and in consultation with portfolio holder) to respond quickly to emerging issues.					of amendments to the investment strategy when appropriate • TM colleagues work with advisors and colleagues to keep abreast of wider economic conditions and respond accordingly.	Ongoing	Quarterly
2	• Identification and monitoring of annual borrowing requirement • Monitoring of PWLB	EFFECTIVE	• Capital programme review completed	GO	GW TC	• Sufficient resources identified to cover capital expenditure and	Ongoing	Quarterly

Page 59	borrowing rates • Use of alternative loan products as appropriate • Regular review of arrangements and possibilities • Review of capital programme, informing new capital strategy. • Retention of strong external advisors • Establishment and maintenance of a liability benchmark, to monitor Minimum Revenue Provision against debt and Capital Financing Requirement • Opportunities for rescheduling identified and implemented		• Maintain existing arrangements • Continued strong performance of external advisors			cash flows • Continued regular review by TM Panel.	Ongoing	Quarterly
3	• Treasury Costs in MTFP based on latest capital program and balance sheet forecasts • Regular review of capital program • Monitor Interest rate forecasts	ONGOING	• Continued support from external advisors	GO	GW	• Continued regular review by TM Panel	At TM Panel meetings	Quarterly

	• Retention of strong external advisors • Support Corporate Finance Team to develop systems to monitor and control investment strategy income streams required to repay debt							
4	• Benchmark other Local Authorities MRP policies • Attendance of Treasury/Finance workshops on MRP policy reviews • Fully review the current MRP policy in the light of prevailing and forecast circumstances • Incorporate new policy and financial implications into MTFP	ONGOING		GO GO	GW GW	• Continued regular review by TM Panel. • Changes to policy included in TM Strategy Report	At TM Panel meetings Annual TM strategy	At least Quarterly Annual

5	• Use of cash forecasting models, with regular monitoring and updates undertaken • Track record is sound • Continuous adaptation of model in the light of prevailing and forecast circumstances • Require to incorporate the cash implications of the funding streams on investment strategy projects	ONGOING	• Maintain existing arrangements	GO	GW	• Continued regular review by TM Panel	TM Panel meetings	Quarterly
	• System of delegation and approved processes • Separation of duties between treasury management dealing and accounting • Use of professional indemnity insurance • Governance checks in place – e.g.: review by s151 officer and TM Panel in place and satisfactory outcomes to date	EFFECTIVE	• Periodic system tests • Maintain existing arrangements – to be changed if testing identifies any issues • Maintenance of an updated Treasury Management Manual of Procedures and Practices	GO	GW	• Satisfactory outcome of internal audit review • Continuing satisfactory outcome of checks by s151 officer and system tests. • TM Panel review is robust	Internal audit reports Ongoing TM Panel meetings TM Panel meetings	Quarterly Ongoing Ongoing

7	• Formal adoption of Code in place since inception. • Updates are reflected in annual review of TM and Investment Strategies • Review of requirements to take place as early as possible • Training on accounting issues • Regular attendance at treasury management workshops and seminars • Provide councillor training to ensure adequate scrutiny of Treasury activities	EFFECTIVE	• Existing arrangements to continue • LAAP bulletin updates to be identified through specific closedown action note	GO	GW	• Continued application of current arrangements • Revisions are promptly and accurately reflected • Satisfactory internal audit review outcome • Robust appraisal by TM Panel	Ongoing Annual TM and investment strategy Audit report TM Panel meetings	Ongoing Annual Annual At least quarterly

Other Options Considered

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted the portfolio holder, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses will be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses will be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs will be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain

GLOSSARY OF TREASURY MANAGEMENT TECHNICAL TERMS	
TERM	**DEFINITION**
Bank Rate	The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate".
Capital Expenditure	Expenditure on the acquisition, creation or enhancement of capital assets.
Capital Financing Requirement (CFR)	The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.
Certainty Rate (PWLB)	A 0.20% discount offered on new loans from PWLB in return for submission of information on future borrowing requirements.
Certificates of Deposit	Tradeable debt instrument issued by financial institution with fixed interest rate and maturity.
CNAV	See Money Market Funds
Credit Default Swaps	A financial instrument for swapping the risk of debt default; the buyer effectively pays an insurance premium against the risk of default.
Credit Rating	A formal opinion issued by a registered rating agency of a counterparty's (or a country's) future ability to meet its financial liabilities; these are opinions only and not guarantees.
Debt maturity	The date when an investment or loan is scheduled to be repaid.
Debt maturity profile	An analysis of the maturity dates of a range of loans/investments.
Diversification	The spreading of investments among different types of assets or between markets in order to reduce risk.
European Investment Bank (EIB)	A non-profit bank created by the European Union principally to make or guarantee loans to EU members for projects contributing to regional development within the Union. Funding is raised through the issuance of bonds, guaranteed by member states.
Funding For Lending Scheme	A Government/Bank of England scheme to provide banks with cheaper funding with the aim of increasing banks' overall net lending activity.
Government Gilts	Bonds issued by the UK Government. They take their name from 'gilt-edged': being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.
Int. Financial Accounting Standards (IFRS)	Guidelines and rules set by the International Accounting Standards Board that companies and organisations follow when compiling financial statements.
Minimum Revenue Provision	An annual provision that the Council is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets
Money Market Funds (MMF)	Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.
MMFs - CNAV	Constant Net Asset Value - a term used in relation to the value of a unit share in a pooled fund. The value of a share is always £1.
MMFs or Pooled Funds - VNAV	Variable Net Asset Value - a term used in relation to the value of a unit share in a pooled fund. A proportion of the assets may be valued at market value, rather than purchase price, reducing the value of the share on a temporary basis.
Negotiable Instruments	Term used for instruments such as Certificates of Deposits, Covered Bonds, Medium Term Notes and Corporate Bonds, where it is possible to realise the investment on the secondary market before maturity.
Non-Specified Investments	Term used in the CLG guidance. It includes any investment for periods greater than one year or those with bodies that do not have a high credit rating, use of which must be justified.

Pooled funds	Funds in which several investors collectively hold units or shares. The assets in the fund are held as part of a pool.
Premiums and Discounts	A penalty or payment arising from the premature repayment of debt. The calculation is dependent on the relative level of interest rates for the existing loan and current market rates.
Private Finance Initiative	A way of funding major capital investments, without immediate recourse to the public purse. Private consortia are contracted to design, build, and in some cases manage new projects. Contracts can typically last for 30 years, during which time the asset is leased by a public authority.
Prudential Code	Developed by CIPFA as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.
Prudential Indicators	Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators.
PWLB	Public Works Loans Board. A statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.
Quantitative Easing	The process used by the Bank of England to directly increase the quantity of money in the economy. The Bank buys assets from private sector institutions and credits the seller's bank account. The seller has more money in their bank account, while their bank holds a claim against the Bank of England (known as reserves). The end result is more money out in the wider economy.
Revenue Expenditure	Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.
Specified Investments	Term used in the CLG Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than 1 year. UK government, local authorities and bodies that have a high credit rating.
Supranational Bonds	Debt issued by international organisations such as the World Bank, the Council of Europe and the European Investment Bank
Term Deposits	Deposits of cash with terms attached relating to maturity and rate of return (interest).
Treasury Bills	Government-issued short-term loan instrument
Treasury Management Code	CIPFA's Code of Practice for Treasury Management in the Public Services.
Unsupported Borrowing	Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.

Appendix 9 – Existing Investment & Debt Portfolio Position

	At 31 December 2015 **Actual Portfolio £m**	**Average Rate %**
External Borrowing:		
PWLB – Fixed Rate	566.470	4.16
PWLB – Variable Rate	54.295	0.66
Local Authorities	27.100	0.42
LOBO Loans	49.000	4.35
Bonds/Stock	0.621	3.00
Other	1.164	0.50
Total External Borrowing	**698.650**	**3.75**
Other Long Term Liabilities:		
PFI	236.662	
Finance Leases	2.204	
Total Gross External Debt	**937.516**	
Investments:		
Short-term investments	100.034	0.58
Long-term investments	10.000	1.40
Pooled Funds	10.000	0.70
Total Investments	**110.034**	**0.72**
Net Debt	**827.428**	