

Executive Board – 23 February 2021

Subject:	Treasury Management Strategy 2021/22 and Capital Strategy 2021/22
Corporate Director(s)/Director(s):	Clive Heaphy, Strategic Director of Finance and S151 Officer
Portfolio Holder(s):	Sam Webster, Portfolio Holder for Finance, Growth and the City Centre
Report author and contact details:	Theresa Channell, Head of Strategic Finance and Deputy S151 Officer Tel: 0115 8764157 Email : theresa.channell@nottinghamcity.gov.uk
Other colleagues who have provided input:	Members of Treasury Management Panel: Clive Heaphy, Strategic Director of Finance Theresa Channell, Head of Strategic Finance Susan Risdall, Technical Team Leader Jo Worster, Strategic Finance Team Leader Glyn Daykin, Senior Accountant – Treasury Management
Subject to call-in:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Key Decision:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Criteria for Key Decision:	
(a) <input type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision	
and/or	
(b) Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input type="checkbox"/> No	
Type of expenditure:	<input type="checkbox"/> Revenue <input type="checkbox"/> Capital
Total value of the decision: Nil	
Wards affected: All	
Date of consultation with Portfolio Holder(s): Throughout the budget process	
Relevant Council Plan Key Theme:	
Nottingham People	<input checked="" type="checkbox"/>
Living in Nottingham	<input checked="" type="checkbox"/>
Growing Nottingham	<input checked="" type="checkbox"/>
Respect for Nottingham	<input checked="" type="checkbox"/>
Serving Nottingham Better	<input checked="" type="checkbox"/>
Summary of issues (including benefits to citizens/service users):	
<p>This report covers the Treasury Management Strategy Statement 2021/22 and the Capital Strategy for 2021/22.</p> <p>The Treasury Management Strategy Statement (TMSS) sets out the Treasury Management, Treasury Investment, Borrowing and Debt Repayment strategies for 2021/22 and includes the associated Prudential Indicators, Debt Policy and Treasury Management Policy Statement.</p> <p>The Capital Strategy sets out the framework for the Council's capital investment and financing decisions aligned to the City Council's corporate priorities over the medium term and includes the voluntary Debt Reduction Policy Statement.</p>	

Exempt information:

An appendix to the report is exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to the Register of service and commercial investments and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because the register shown in Appendix A contains commercially sensitive information that maybe used by competitors and harm future negotiations.

Recommendation(s):

- 1 To recommend for approval by City Council at its meeting on 8 March 2021 the overall Treasury Management Strategy for 2021/22 (Appendix 1), and, in particular:
 - a. the strategy for debt repayment (Minimum Revenue Provision Statement) in 2021/22 (section 5.2);
 - b. the Borrowing Strategy including the Debt Policy (section 3.4);
 - c. the Investment Strategy for 2021/22 (section 4);
 - d. the Prudential Indicators and Limits for 2021/22 to 2023/24 (section 5.1);
 - e. adopt the current Treasury Management Policy Statement (section 5.3).
- 2 To recommend for approval by City Council at its meeting on 8 March 2021 the Capital Strategy 2021/22 (Appendix 2) including the Voluntary Debt Reduction Policy Statement (Appendix B).

1 Reasons for recommendations

- 1.1 Approval of a Treasury Management Strategy is a legal requirement, to comply with:
 - Financial Regulations and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management by submitting a policy and strategy statement for the ensuing financial year;
 - guidance issued by the Secretary of State under section 15(1) (a) of the Local Government Act 2003 in approving, at Council, an Annual Investment Strategy before 1 April;
 - guidance issued by the Secretary of State under section 21 (1A) of the Local Government Act 2003 which requires the preparation of an annual statement of the Council's policy on making a Minimum Revenue Provision (MRP) for the repayment of debt.
- 1.2 The approval of a Capital Strategy is required to comply with:
 - The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the Code of Practice on Treasury Management;
 - regulations requiring the Council to have regard to the Code are issued under section 1 of the Local Government Act 2003;
 - guidance issued by the Secretary of State under section 15(1) (a) of the Local Government Act 2003 in approving, at Council, an Annual Investment Strategy before 1 April.

2 Background (including outcomes of consultation)

- 2.1 The Government commissioned a non-statutory review of the Council in November 2020 with the findings being published in December. The published review highlighted the level of risk and planned further borrowing within the capital programme, the high level of debt held by the Council and the reduction in the balances of reserves held which further reduces budget flexibility.
- 2.2 Following the review the council has published the Nottingham City Council Recovery & Improvement Plan 2021 – 2024 and as a part of this the Capital Strategy and this Treasury Strategy have been reviewed with the aim to support the Council returning to financial and operational stability. The Council's capital financing requirement is forecast to reduce by **£188m** in the period 2020/21 to 2025/26 as covered by these strategies.
- 2.3 Treasury management is a term used to describe the management of an organisation's borrowing, investments and other financial instruments, their associated risks and the pursuit of optimum performance or return consistent with those risks.
- 2.4 The Treasury Management Strategy Statement (TMSS) sets the strategic context, within the Council's planning cycle, for how treasury management activity will take place. The various aspects of the strategy require approval by Full Council these include the Treasury Management and Treasury Investment strategies for 2021/22, the Debt Repayment Strategy, the Prudential Indicators and the associated treasury policies.
- 2.5 The Capital Strategy provides the Council with a framework in which capital investment and financing decisions can be aligned with the Council's corporate priorities over the medium term and includes the Voluntary Debt Reduction Policy Statement. This strategy requires approval by Full Council.
- 2.6 The Recovery and Improvement Plan acknowledges that a sustainable capital programme, and the strategy and controls to shape and manage it, is a critical contributor to the overall financial recovery of the City Council and as such a revised Capital Strategy together with a Voluntary Debt Reduction Policy has been developed. These are important strategies and will support the delivery of the plan. Key activities include: -
 - A full review of the capital programme to remove de-prioritised schemes and add in future liabilities
 - Revised Debt Management Strategy aligned with the Capital strategy with an aim paying down debt over time.
 - Creating a revised Capital Strategy incorporating a prioritisation process.
 - Delivering a strengthened Governance and Control Framework and ensuring that this is put into practice across the Council.
- 2.7 The treasury management and capital functions are governed by provisions set out under Part 1 of the Local Government Act 2003, whereby the Council must

have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice. The Council formally adopts the current requirements of these codes as part of its Treasury Management Policy Statement and its Capital Strategy.

- 2.8 The Treasury Management Strategy and the Capital Strategy will be considered by Audit Committee on 26 February 2021, as part of the scrutiny process required by the CIPFA Code of Practice.

3 Other options considered in making recommendations

- 3.1 The approval of a Treasury Management Strategy and Capital Strategy is a requirement of the CIPFA code. The Ministry of Housing, Communities & Local Government (MHCLG) Guidance and the CIPFA Code do not prescribe any particular strategies for local authorities to adopt. The Chief Financial Officer, having consulted the portfolio holder, believes that the proposed strategies represent an appropriate balance between risk management and cost effectiveness.

4 Finance colleague comments (including implications and value for money/VAT)

- 4.1 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 Housing Revenue Account (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.
- 4.2 The Treasury Management forecast outturn for 2020/21 is reflected within the Corporate Budget report on this agenda. The budget for 2021/22 is based on the financial implications of the various proposed strategies, as detailed in Appendix 1. The budget estimate of £56.150m is included within the 2021/22 budget and Medium Term Financial Outlook (MTFO).
- 4.3 The financial implications of the two strategies are intrinsically linked, as the Capital Strategy defines the capital expenditure plans of the Council including the element that is to be financed by borrowing. The Treasury Management Strategy defines how the associated cash flows from this borrowing requirement are to be managed.

Comments provided by Glyn Daykin, Senior Accountant Treasury Management, dated 27 January 2021.

5 Legal and Procurement colleague comments (including risk management issues, and legal, Crime and Disorder Act and procurement implications)

- 5.1 This report seeks authority to agree the Treasury Management Strategy Statement 2021/22 and the Capital Strategy for 2021/22 for approval by Full Council. The City Council has power in accordance with section 12 of the Local Government Act 2003 ('the Act').

Section 12 provides a power for local authorities to invest for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs. "Investment" also covers loans made by a local authority to one of its wholly-owned companies or associates, to a joint venture or to a third party. In accordance with section 15 of the Act, local authorities are required to "have regard" to "such guidance as the Secretary of State may issue". Statutory guidance on local authority investments has been issued by the Secretary of State.

That guidance sets out key principles to be followed by Local Authorities. One such key principle is transparency and which requires the publication of the Local Authority's Investment Strategy. The Investment Strategy is required to be approved by Full Council hence the requirement for this report. In addition Local authorities are required to have regard to the current editions of the CIPFA codes by regulations 2 and 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146] as amended.

Comments provided by Andrew James – Team Leader, Commercial, Employment and Education 22nd February 2021

6 Strategic Assets & Property colleague comments (for decisions relating to all property assets and associated infrastructure)

6.1 None

7 Social value considerations

7.1 N/A

8 Regard to the NHS Constitution

8.1 N/A

9 Equality Impact Assessment (EIA)

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

No



An EIA is not required as the report does not contain proposals for new or changing policies, services, or functions.

10 List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

10.1 PWLB records, working papers

10.2 Nottingham City Council Project Management Handbook

11 Published documents referred to in this report

11.1 Money Market and PWLB loan rates

11.2 Treasury Management in the Public Services Code of Practice 2017–CIPFA

11.3 Prudential Code 2017-CIPFA

- 11.4 Treasury Management in the Public Services Guidance Notes 2018 - CIPFA
- 11.5 Statutory guidance on local government investments 3rd Edition 2018
- 11.6 Statutory guidance on Minimum Revenue Provision (MRP) 2018
- 11.7 Treasury Green Book
- 11.8 Corporate Asset Management Plan
- 11.9 The Council Plan 2019-2023
- 11.10 Nottingham City Council Recovery & Improvement Plan
2021 – 2024
- 11.11 Non-Statutory Review of Nottingham City Council, led by Max Caller CBE, on
behalf of MHCLG