

## Audit Committee – 26 February 2021

<b>Title of paper:</b>	Treasury Management Strategy 2021/22 and Capital Strategy 2021/22	
<b>Director(s)/ Corporate Director(s):</b>	Clive Heaphy, Strategic Director of Finance and S151 Officer	<b>Wards affected:</b> All
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<b>Other colleagues who have provided input:</b>	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	
<b>Exempt information:</b> An appendix to this report is exempt under paragraph 3 Information relating to the financial or business affairs of any particular person (including the authority holding that information). It is not in the public interest to disclose this information because it contains commercially sensitive information that may be used by competitors and harm future negotiations		
<b>Recommendation(s):</b>		
<b>1</b>	To consider and comment on the Treasury Management Strategy for 2021/22, attached as <b>Appendix 1</b> , and, in particular: a. the Strategy for Debt Repayment (Minimum Revenue Provision Statement) in 2021/22 ( <b>section 5.2</b> ); b. the Borrowing Strategy including the Debt Policy ( <b>section 3.4</b> ) c. the Treasury Management Investment Strategy for 2021/22 ( <b>section 4</b> ); d. the Prudential Indicators and limits for 2021/22 to 2023/24 ( <b>section 5.1</b> ); e. the Treasury Management Policy Statement ( <b>section 5.3</b> ).	
<b>2</b>	To consider and comment on the Capital Strategy 2020/21 ( <b>Appendix 2</b> ) including the Voluntary Debt Reduction Policy Statement ( <b>Appendix B</b> ).	

### 1 Executive Summary

- 1.1 The Audit Committee holds the responsibility to provide effective scrutiny of treasury management policies and practices. The approval of a Treasury Management Strategy by Full Council is a legal requirement. This report covers the Treasury Management Strategy Statement 2021/22 and the Capital Strategy for 2021/22 ahead of the seeking approval at Full Council on 8 March 2021.
- 1.2 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.
- 1.3 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.

- 1.4 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.
- 1.5 The Government commissioned a non-statutory review of the Council in November 2020 with the findings being published on the 17th 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.

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.

## **2 Reasons for recommendations**

- 2.1 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.
- 2.2 The Capital Strategy is a new requirement, the strategy has 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.
- 2.3 The Treasury Management Code of Practice and Prudential Code are both adopted by the Council. There is a requirement for authorities to nominate a body within the organisation to be responsible for scrutiny of treasury management activity, policies and practices, and given the interrelationship of treasury management and capital planning, the requirements of both codes will best be met by aligning the scrutiny of both Treasury Management and Capital strategies. It is considered that the City Council's Audit Committee is the most appropriate body for this function.

## **3 Background**

- 3.1 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.
- 3.2 The Treasury Management Strategy Statement (TMSS) as set out in **Appendix 1** 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 Borrowing Strategy, the Debt Policy, the Prudential Indicators and the associated treasury policies.
- 3.3 The Treasury Management budget for 2021/22 is £56.150m and is based on the financial implications of the various proposed strategies, as detailed in Appendix 1, and has been included within the Medium Term Financial Plan (MTFP).
- 3.4 The Capital Strategy as set out in **Appendix 2** 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. This strategy requires approval by Full Council.
- 3.5 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.
- 3.6 The Treasury Management Strategy 2021/22 and Capital Strategy 2021/22 will be considered by Executive Board on the 23 February 2021 and considered for approval by Full Council on the 8 March 2021.

#### **4 Background papers other than published works or those disclosing exempt or confidential information**

- 4.1 PWLB records, working papers
- 4.2 Nottingham City Council Project Management Handbook

#### **5 Published documents referred to in compiling this report**

- 5.1 Money Market and PWLB loan rates
- 5.2 Treasury Management in the Public Services Code of Practice 2017–CIPFA
- 5.3 Prudential Code 2017-CIPFA
- 5.4 Treasury Management in the Public Services Guidance Notes 2018 - CIPFA
- 5.5 Statutory guidance on local government investments 3rd Edition 2018
- 5.6 Statutory guidance on Minimum Revenue Provision (MRP) 2018
- 5.7 Treasury Green Book
- 5.8 Corporate Asset Management Plan
- 5.9 The Council Plan 2019-2023
- 5.10 Executive Board Report dated 23 February 2021 – Treasury Management Strategy 2021/22 and Capital Strategy 2021/22
- 5.11 Nottingham City Council Recovery & Improvement Plan 2021 – 2024

5.12 Non-Statutory Review of Nottingham City Council, led by Max Caller CBE, on behalf of MHCLG