

City Council – 8 March 2021

Report of the Portfolio Holder for Finance, Growth and the City Centre

Treasury Management Strategy 2021/22 and Capital Strategy 2021/22

1 Summary

- 1.1 This report seeks approval for a series of strategies relating to treasury management and capital investment in 2021/22. The strategies were considered as part of a number of reports on the 2021/22 budget process. They were submitted for endorsement to Executive Board on 23 February 2021.
- 1.2 The Treasury Management Strategy 2021/22 and Capital Strategy 2021/22 are attached as appendices A and B respectively. An document relating to the Capital Strategy that is exempt from publication can be viewed in the Executive Board papers. Full details of the strategies and other material referred to below are shown within those documents. The specific strategies included are:
- the overall Treasury Management Strategy for 2021/22 (Appendix 1);
 - the Debt Repayment Strategy (Minimum Revenue Provision) in 2021/22 (Appendix 1, section 5.2);
 - the Treasury Management Investment Strategy for 2021/22 (Appendix 1, section 4)
 - the Borrowing Strategy for 2021/22 including the Debt Policy (Appendix 1, section 3)
 - the Treasury Management Policy Statement (Appendix 1, section 5.3)
 - the Capital Strategy for 2021/22 (Appendix 2) including the Voluntary Debt Reduction Policy Statement (Capital Strategy Appendix B).
- 1.3 Approval is also required for the Prudential Indicators and limits from 2021/22 to 2023/24 (Appendix 1, section 5.1).

2 Recommendations

- 2.1 To approve the 2021/22 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 2021/22 to 2023/24, as detailed in Appendix 1, section 5.1.
- 2.3 To adopt the current Treasury Management Policy Statement, as detailed in Appendix 1, section 5.3.
- 2.4 To approve the 2021/22 Capital Strategy document including the Voluntary Debt Reduction Policy Statement, as detailed in Appendix 2 and Appendix B of the Capital Strategy.

3 Reasons for recommendations

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

3.2 A Treasury Management Strategy, Policy Statement and a Capital Strategy will ensure compliance with the Code of Practice on Treasury Management in Public Services and the Prudential Code.

4 Other options considered in making recommendations

4.1 The approval of a Treasury Management Strategy is a legal requirement. The Ministry of Housing, Communities and Local Government (MHCLG) 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.

5 Background (including outcomes of consultation)

5.1 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.

5.2 Following the review the Council has published the Nottingham City Council Recovery and 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.

5.3 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.

5.4 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.

5.3 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.

5.4 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 of 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.

5.5 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.

5.6 The Treasury Management Strategy 2021/22 and the Capital Strategy 2021/22 will be considered by Audit Committee on 26 February 2021, as part of the scrutiny process required by the CIPFA Code of Practice.

6 Finance colleague 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.

6.2 The Treasury Management forecast outturn for 2020/21 is reflected within the Corporate Budget report elsewhere 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 estimate of £56.150m is included within the Medium Term Financial Plan (MTFP).

6.3 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 Strategy defines how the associated cash flows from these capital plans are to be managed.

Comments provided by Glyn Daykin, Senior Accountant Treasury Management, dated 28 January 2021.

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

7.1 This report seeks authority to approve the Treasury Management Strategy Statement 2021/22 and the Capital Strategy for 2021/22. The City Council has power to invest 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

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 for new or changing policies, services, or functions

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 Executive Board Report dated 23 February 2021 – Treasury Management Strategy 2021/22 and Capital Strategy 2021/22

10.2 Money Market and PWLB loan rates

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

10.4 Prudential Code 2017-CIPFA

10.5 Treasury Management in the Public Services Guidance Notes 2018 – CIPFA

10.6 Statutory guidance on local government investments 3rd Edition 2018

10.7 Statutory guidance on Minimum Revenue Provision (MRP) 2018

10.8 Treasury Green Book

10.9 Corporate Asset Management Plan

10.10 The Council Plan 2019-2023

10.11 The Nottingham City Council Recovery and Improvement Plan 2021 – 2024

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

Councillor Sam Webster

Portfolio Holder for Finance, Growth and the City Centre