Audit Committee – 26 November 2021

Title of paper:	Treasury Management 2021/22 Half Yearly Update	
Director(s)/ Corporate Director(s):	Clive Heaphy, Interim Corporate Director of Finance & Resources and S151 Officer	**Wards affected:** All
Report author(s) and contact details:	Glyn Daykin, Senior Accountant – Treasury Management email: glyn.daykin@nottinghamcity.gov.uk	
Other colleagues who have provided input:	Members of Treasury Management Panel: Clive Heaphy, Interim Corporate Director of Finance and Resources and S151 Officer Lisa Kitto, Deputy 151 Officer and Finance Strategic Lead Susan Risdall, Technical Team Leader Jo Worster, Strategic Finance Team Leader	
Does this report contain any information that is exempt from publication? No		
Recommendation(s):		
1.	To note the treasury management actions taken in 2021/22 to 30 September 2021.	

1 Executive Summary

1.1 The Audit Committee holds the responsibility to provide effective scrutiny of treasury management policies and practices. The 2021/22 Treasury Management Strategy was approved by Full Council on 8 March 2021. This report sets out details of treasury management actions and performance from 1 April 2021 to 30 September 2021. The key points are:-

- No new long-term borrowing has been undertaken in the period to 30 September 2021, the balance of external loans debt has decreased by £22.814m to £909.919m which is ahead of the original forecast within the Voluntary Debt Reduction Policy (section 4.3);
- The average interest rate payable on the debt portfolio increased from 3.379% at 31 March 2021 to 3.433% at 30 September 2021 (section 4.3);
- no debt rescheduling had been undertaken to 30 September 2021 (section 4.4);
- the average return on investments to 30 September 2021 was 0.147% against a benchmark rate of -0.08% (7-day LIBID) (section 4.7);
- there has been compliance with Prudential Indicators for 1 April to 30 September 2021 (section 4.8);
- CIPFA released the stage 2 consultation on proposed changes to the Prudential Code and Treasury Management Code with the final updated guidance expected to be issued by the end of 2021 (see section 4.11.1)

2. Reasons for recommendations

2.1 To ensure that Councillors are kept informed of the actions taken by the Chief Finance Officer (CFO) under delegated authority. The currently adopted Treasury Management Code of Practice requires the CFO to submit at least three reports on treasury management each year; a policy and strategy statement for the ensuing financial year, a 6-monthly progress report and an outturn report after the end of the financial year.

2.2 The CIPFA Prudential Code requires local authorities to nominate a body within the organisation to be responsible for scrutiny of treasury management activity. It is considered that the City Council's Audit Committee is the most appropriate body for this function. In undertaking this function, the Audit Committee holds the responsibility to provide effective scrutiny of treasury management policies and practices.

3. Background

3.1 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities have been required to prepare a Capital Strategy which is to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

3.2 Treasury Management

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

"The management of the local authority's borrowing, 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."

3.3 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the Full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead. Receipt by Executive Board of a Mid-year Review Report and an Annual Report, covering activities during the previous year.

- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

3.4 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first part of the 2021/22 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, and prudential indicators;
- A review of the Council's investment portfolio for 2021/22;
- A review of the Council's borrowing strategy for 2021/22;
- A review of any debt rescheduling undertaken during 2021/22;
- A review of compliance with Treasury and Prudential Limits for 2021/22

4. Treasury Management Activity to 30 September 2021

4.1 The Economy and Interest Rates During 2021/22

Growth and Inflation

The recent product and labour shortages appears to be holding back activity which may prevent GDP from returning to its pre-pandemic peak until next year and is adding to the upwards pressure on inflation.

The Monetary Policy Committee (MPC) expect inflation to rise to 4% at the close of 2021. Although it is expected that most of the shortages are to be temporary there is concern that underlying price pressures in the economy are looking more likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.

The Monetary Policy Committee (MPC) kept Bank Rate unchanged at 0.10% and made no changes to the quantitative easing (QE) programme due to finish this year at a total of £895bn. The MPC agreed that "some modest tightening of monetary policy over the forecast period was likely to be necessary to be consistent with meeting the inflation target sustainably in the medium term".

The Consumer Price Index inflation % (CPI) has increased 2.30% to 3.00% in the 6 months to 30 September 2021.

Forecast Interest rates

The Council's treasury advisor, Link Group, has provided the following forecast. (PWLB rates are certainty rates):

Link Group Interest Rate View 29.9.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*

Appendix B shows the money market interest rates, the PWLB borrowing rates for the half-year to 30 September 2021 and a forward view for PWLB loan rates.

4.2 Local Context

4.2.1 The Treasury Management Strategy Statement (TMSS), for 2021/22 was approved by Full Council on 8 March 2021. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved as at 30 September 2021.

4.2.2 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources based on robust financial modelling, the capital expenditure will give rise to a borrowing need.

4.2.3 At 31/03/2021 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £1,411.6m.
The CFR is forecast to decrease by £8.9m to £1,402.7m by 31/03/2022 against the original CFR estimate for 31/03/2022 of £1,415.2m with reductions due to slippage and the Voluntary Debt Reduction Policy (VDRP) review of the capital program which included the delay/cancellation of some major schemes.

Table 1 below shows the original and expected financing arrangements of the capital programme. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This borrowing need may also be supplemented for maturing debt and other treasury requirements.

TABLE 1: CAPITAL EXPENDITURE	2021/22 Original Estimate £m	2021/22 Revised Estimate £m
Total capital expenditure	**181.841**	**173.11**
Financed by:		
Capital receipts	**12.516**	**10.866**
Capital grants & Contributions	**83.663**	**85.303**
Internal Funds / Revenue (inc. Major Repairs Reserve)	**43.372**	**35.859**
Total financing	**139.551**	**132.028**
Borrowing requirement	**42.290**	**41.082**

Note to table: Original estimate was Q3 2020/21 used for the 2021/22 Treasury Management Strategy Report.

4.2.4 The decrease in estimated capital expenditure is due to slippage on capital projects including expenditure originally forecast to have been incurred in 2020/21. The associated financing of these schemes has also moved to the same forecast period as the expenditure.

4.3 Borrowing

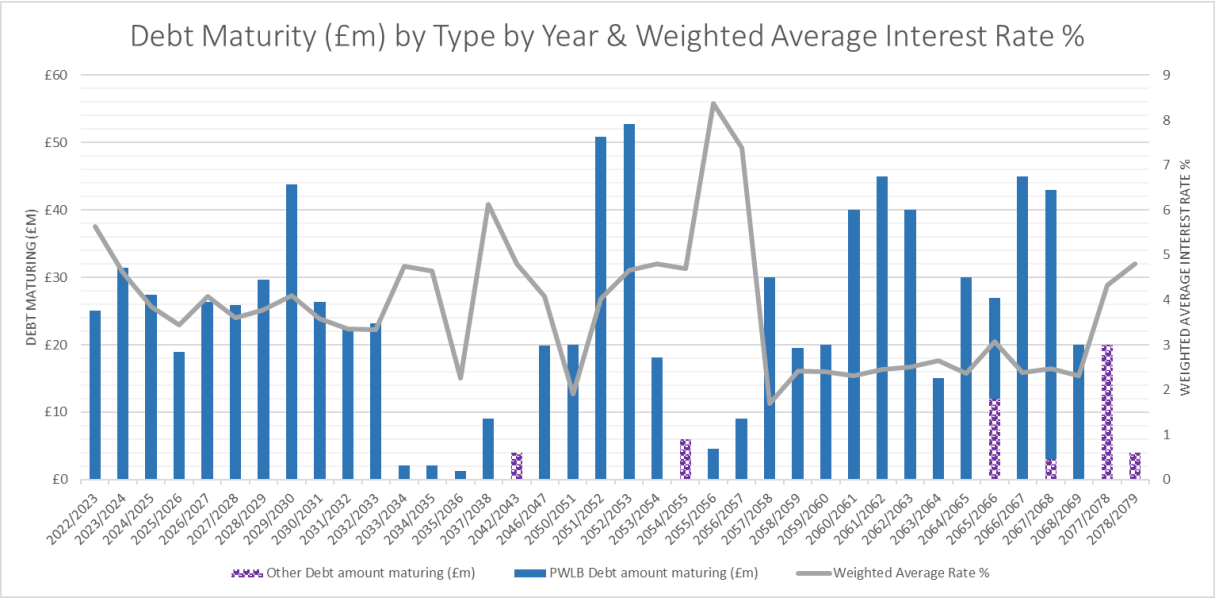
4.3.1 To finance the CFR the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

4.3.2 At 30/9/2021 the Council has reduced the balance of external loans by £22.8m since the balance at 31/3/2021 due to loans being repaid on maturity without replacement. The Council does not expect to increase borrowing in the 2nd half of 2021/22 based on the revised capital program and forecast cash flow requirements. As described in the Voluntary Debt Reduction Policy the level of external loans is expected to continue to reduce as existing loans mature without replacement. The CFR reduces due to the reductions in the capital program and as the council makes its approved minimum revenue provision (MRP) against prior years capital expenditure financed by borrowing.

4.3.3 **Table 2** summarises the Council's outstanding external debt at 30 September 2021 showing the value of debt and the average interest rate payable on the debt.

TABLE 2: DEBT PORTFOLIO					
	01-Apr-21		30-Sep-21		Change
DEBT	**£m**	**Average Interest %**	**£m**	**Average Interest %**	**£m**
PWLB borrowing	866.5	3.387	858.7	3.390	-7.8
Market loans inc LOBO	49.0	4.348	49.0	4.348	0
Temporary borrowing	17.2	0.219	2.2	0.100	-15.0
TOTAL LOANS DEBT	**932.7**	**3.379**	**909.9**	**3.433**	**-22.8**
Other inc PFI	181.3		175.7		-5.6
TOTAL DEBT	**1,114.0**		**1,085.6**		**-28.4**

The graph below shows the debt portfolio's maturity profile by loan type and the weighted average interest rates that are associated with the maturities in each period. This maturity profile is summarised in the Prudential Indicator for the Maturity Structure for Borrowing table shown in **section 4.8.3**.



4.3.4 At 30/09/2021, the Council had £1,085.6m of external borrowing including £175.7m of Private Finance Initiative (PFI) and lease liabilities. The Council continues to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, subject to holding a minimum investment balance of around £30m.

The Council's internal borrowing position at 31 March 2021 was £297.5m. This meant that c.24% of the overall capital borrowing need including prior year capital expenditure, but excluding PFI liabilities (known as the Underlying Borrowing Requirement or Loans Capital Financing Requirement), was not funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as a temporary measure.

The strategy of using internal borrowing avoids interest payable on external borrowing in the short term until actual new borrowing is taken or the borrowing requirement reduces. For example £300m borrowing would cost around £7m per year using an interest rate of 2.33% and a 25 year maturity loan profile (2.33% was average PWLB rate for 2020-21 for 25 years loans which broadly represents the debt portfolio's weighted average life).

The council expects to retain this internal borrowing position as a prudent and cost effective approach in view of the reducing CFR and the current economic climate but will continue to monitor this against the upside risk to gilt yields. A c.£10m reserve is maintained to smooth the impact of reducing the internal borrowing position should this be required to mitigate the risk of unexpected increases to interest rates.

The continuation of this existing strategy will further support managing the council's cost of financing in the coming years and supports the aims of the VDRP in reducing the Council's debt levels.

4.3.5 **Compliance with the Voluntary Debt Reduction Policy**

Table 3 below reflects the reductions in capital expenditure financed by borrowing and the capital receipt strategy in the forecast Capital Financing Requirement and external loans debt in the medium term. The table shows the forecast positions at year end.

Table 3: VDRP Forecast Refresh			
Debt Measurement	**VDRP Original Forecast £m**	**Qtr2 Actual & Forecast £m**	**Movement (Under) / Over £m**
CFR			
2020/21	1,443.50	1,411.60	**(31.90)**
2021/22	1,434.20	1,402.84	**(31.37)**
2022/23	1,390.60	1,350.56	**(40.04)**
2023/24	1,337.30	1,305.31	**(31.99)**
2024/25	1,272.50	1,243.92	**(28.58)**
External Debt			
2020/21	981.60	932.80	**(48.80)**
2021/22	991.00	900.94	**(90.06)**
2022/23	986.20	887.54	**(98.66)**
2023/24	954.80	864.46	**(90.34)**
2024/25	927.40	840.01	**(87.40)**

4.4 **Debt rescheduling**

Debt rescheduling opportunities have been very limited in the current economic climate given the PWLB continued to operate a spread of approximately 1% between "premature repayment rate" and "new loan" rates so the premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the debt portfolio and therefore unattractive for debt rescheduling activity. Market Loan rescheduling opportunities are very limited and unattractive due to the premiums chargeable on early repayments. No debt rescheduling has therefore been undertaken to date in the current financial year.

4.5 **Lender's Option Borrower's Options (LOBO) Loans**

The Council holds £34.000m of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £14.000m of these LOBO loans have options during the year, none have been exercised by the lender. The Council acknowledges there is an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options.

4.6 **Housing Revenue Account (HRA) Treasury Management Strategy**

4.6.1 From 1 April 2002, the Council's HRA was allocated a separate debt portfolio based on the appropriate proportion of the Councils existing debt at that time.

4.6.2 No further HRA loans have been taken in the first half of 2021/22. The HRA element of the CFR was £298.0m as at 31 March 2021 and was fully financed at an average rate of 4.49%. This includes £53.161m of long term fixed rate loans from the General Fund (known as internal loans). The HRA CFR is forecast to be £303.3m by 31 March 2022 and the HRA interest charge for 2021/22 is expected to be c.£13.076m.

4.6.3 In October 2018 the Government announced the HRA debt cap was to be abolished, but the now notional cap has been retained as a useful indicator. Any capital expenditure financed by borrowing would need to comply with the requirements of the

CIPFA prudential code including ensuring the scheme was affordable, sustainable and in proportion to the resources available.

4.7 **Investments**

4.7.1 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity. The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and within the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also where cash flow forecasts permit to seek out value available in longer periods with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

4.7.2 As shown by the interest rate forecasts in section 4.1, it is now impossible to earn the level of interest rates commonly seen in previous decades as all short-term money market investment rates have only risen weakly since Bank Rate was cut to 0.10% in March 2020 until the MPC meeting on 24th September 2021 when 6 and 12 month rates rose in anticipation of Bank Rate going up in 2022. Given this environment and the fact that Bank Rate may only rise marginally, or not at all, before mid-2023, investment returns are expected to remain low.

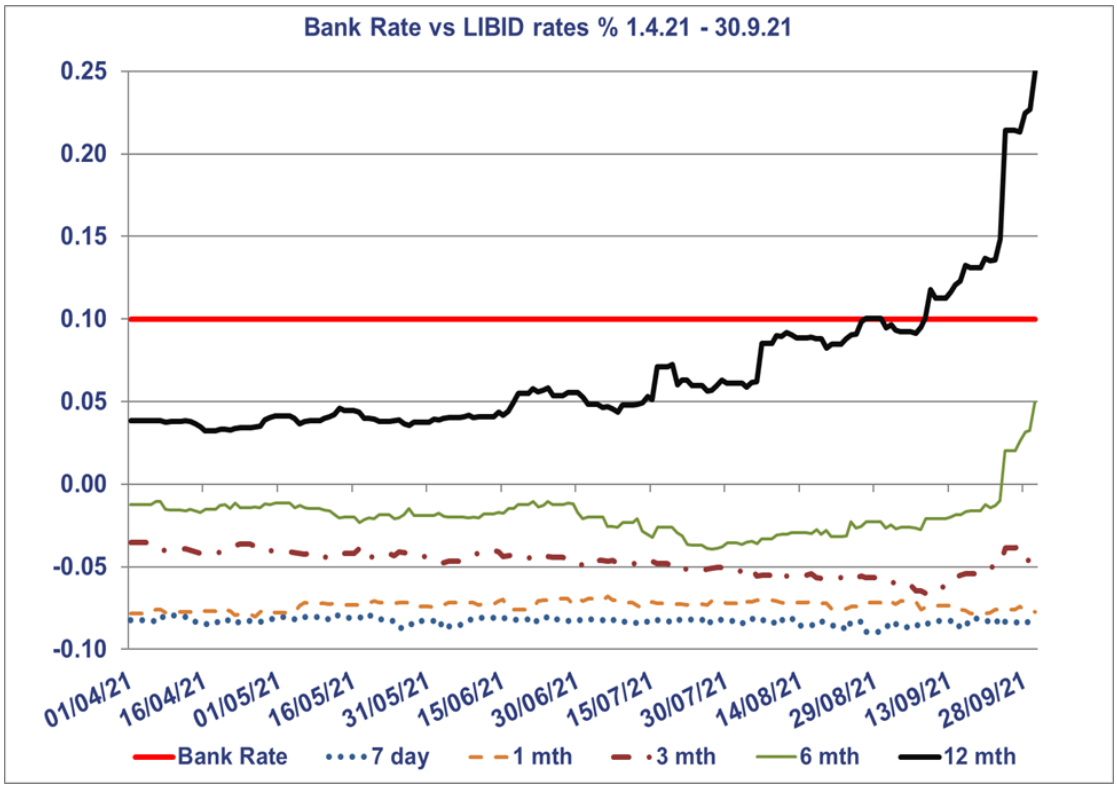
4.7.3 **Creditworthiness**: Significant levels of downgrades to Short and Long Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Credit Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Credit Outlooks being reversed.

Although CDS prices (these are market indicators of credit risk) for banks (including those from the UK) spiked at the outset of the pandemic in 2020, they have subsequently returned to near pre-pandemic levels. However, sentiment can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

The current investment counterparty criteria selection (including minimum long-term counterparty credit rating of A- across rating agencies Fitch, S&P and Moody's) approved in the TMSS is meeting the requirement of the treasury management function.

4.7.4 **Investment balances:** The average level of funds available for investment purposes during the first half of 2021/22 was £230.9m. This was significantly higher than anticipated but is expected to fall in the next 6 months. The increased investment balances has been seen across most local authorities and in part was due to Covid related Government Grants and receipts of upfront funding for schemes with other cash balances being mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

4.7.5 **Investment rates during half year ended 30th September 2021:** As shown below the rates use the traditional market method for calculating LIBID period % rates and given the ultra-low levels this year, this produces negative rates across some periods.



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.10	-0.08	-0.07	-0.04	0.05	0.25
High Date	01/04/2021	09/04/2021	06/07/2021	01/04/2021	30/09/2021	30/09/2021
Low	0.10	-0.09	-0.08	-0.07	-0.04	0.03
Low Date	01/04/2021	27/08/2021	26/04/2021	08/09/2021	27/07/2021	16/04/2021
Average	0.10	-0.08	-0.07	-0.05	-0.02	0.07
Spread	0.00	0.01	0.01	0.03	0.09	0.22

4.7.6 **Investment performance year to date as at 30th September:** The Council held £246.7m of investments as at 30 September 2021 (£150.6m at 31 March 2021) and the investment portfolio yield for the half year was 0.145% against a benchmark (Average 7-day LIBID) of -0.08%.

The Council outperformed the benchmark by 22 bps. The budgeted investment return for 2021/22 is £0.133m, and performance for the year to date is £0.109m above budget mainly due to the higher than expected balances available for investment. These balances are expected to reduce significantly by the end of 2021/22.

LIBID as benchmark is likely to be replaced with sterling overnight index average % (SONIA) in 2022 with details to be provided once they are available.

4.7.7 **Appendix A** provides details of the Council's external investments at 30 September 2021, analysed between investment type and individual counterparties showing the current Fitch long-term credit rating.

Table 4 below summarises investment activity by type in 2021/22.

Table 4: Investment Portfolio	Balance on 01/04/2021 £m	Balance on 30/09/2021 £m	Avg Rate / Yield (%) Avg days to maturity as at 30/09/2021
Short term Investments (call accounts, deposits)			
- Banks and Building Societies with ratings of A- or higher	20.0	89.8	0.19% / 126
- Local Authorities	85.0	79.0	0.18% / 151
Long term Investments	10.0	9.9	0.37% / 651
Money Market Funds	35.6	68.0	0.02% / 1
Total Investments	**150.6**	**246.7**	**0.15% / 122**
- Increase/ (Decrease) in Investments £m		96.065	

4.7.8 **Approved limits**: The approved limits within the Annual Investment Strategy have not been breached during the first 6 months of 2021/22.

4.8 Compliance with Prudential Indicators

4.8.1 This report confirms compliance with the Prudential Indicators for 2021/22 set on 8 March 2021 as part of the Council's Treasury Management Strategy Statement.

4.8.2 The Council measures and manages its exposures to treasury management risks using the following additional indicators.

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The limits on variable rate interest rate exposures are:

	2020/21 £m	2021/22 £m	2022/23 £m
Upper limit on variable interest rate exposure	350	300	300
Actual	48.1	33.0	

4.8.3 **Maturity Structure of Borrowing**: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Lower	Upper	Actual
Under 12 months	0%	25%	1%
12 months and within 24 months	0%	25%	3%
24 months and within 5 years	0%	25%	9%
5 years and within 10 years	0%	25%	17%
10 years and within 25 years	0%	50%	7%
25 years and within 40 years	0%	50%	32%
40 years and above	0%	50%	31%

4.8.4 **Principal Sums Invested for Periods Longer than 365 days**: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2020/21 £m	2021/22 £m	2022/23 £m
Limit on principal invested beyond year end	100	100	100
Actual	10	10	

4.8.5 **Operational Boundary and Authorised Limit for External Debt**: The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

The table below shows the expected debt position during 2021/22.

	2021/22 Original Estimate £m	**Current Position £m**	**2021/22 Revised Estimate £m**
Borrowing	992.0	909.9	900.9
Other long term liabilities*	170.7	175.7	170.7
Total debt (year end position)	**1,162.7**	**1,085.6**	**1,071.6**
Operational Boundary for external debt	**1,415.2**	**1,415.2**	**1,415.2**
Authorised limit for external debt	**1,445.2**	**1,445.2**	**1,445.2**

'* Includes PFI and Leases liabilities

4.9 **Treasury Management Reserve**

4.9.1 The Treasury Management Reserve is maintained to smooth the impact of any volatility in treasury management revenue charges in any one year including new technical accounting entries relating to IFRS 9 (which stipulates the treatment of expected loss model based impairments on Treasury related investments and capital investments such as loans to third parties and financial guarantees).

A reserve is maintained for interest equalisation specifically to balance the risk of having to secure new long term loans at higher interest rates than anticipated including the unwinding of the internal borrowing position detailed in section 4.3.

The balance on these reserves at 30 September 2021 is **£22.163m**. There is a **£4.024m** budget transfer to the MRP Transformation of Services reserve as part of the planned 2021/22 transfer as per the prior year decision to change MRP policy.

Based on the 6 months to 30 September 2021 there are no expected loss impairments expected in 2021/22 in relation to treasury investments.

4.10 **Risk Management**

4.10.1 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 maintained for the treasury function.

4.10.2 The treasury management risk register's overall risk rating at 30 September 2021 was 5.33, Likelihood = unlikely, Impact = moderate is a reduced rating against the 31 March 2020 rating, but remains over the targeted risk rating. The risk rating reflects risks around not achieving the aims in the Voluntary Debt Reduction Policy, the impacts of Covid-19, the working from home arrangements and the changes to the PWLB lending arrangements. The Treasury Management working group continue to manage this risk and take appropriate actions as required.

4.11 **Other Issues**

4.11.1 CIPFA have released proposed changes to the current Treasury Management Code and Prudential Code. Both sets of proposed changes are now in stage 2 period of consultation which closes on 16 November 2021, with a planned publication of the revised guidance expected by the end of 2021. There will be a requirement to apply the principles from the publication date with full adoption expected from 2022/23.

The Treasury Management Code key proposals – update to the Treasury management practices (TMP) TMP10 training requirements; TMP 12 Corporate Governance; and amendments to Maturity Structure of Borrowing indicator. To introduce Investment Management Practices (IMPs) for reporting on investments which are not for treasury management purposes.

The Prudential Code key proposals – revision to Borrowing in Advance of Need criteria, including in respect of primarily yield generating investments; inclusion of proportionality in key capital expenditure objectives; process and governance sections to incorporate further changes in respect of commercial activity; three new prudential indicators – External Debt to Net Revenue Stream (NRS), Income from Commercial and Service Investment to NRS, Liability Benchmark; Proposal to abolish Gross Debt to Capital Financing Requirement indicator.

The implications of the revised guidance once published will be reported to councillors at the next opportunity.

5. **Background papers other than published works or those disclosing exempt or confidential information**

5.1 None

6. **Published documents referred to in compiling this report**

6.1 Treasury Management Strategy 2021/22 and Capital Investment Strategy 2021/22 (including the Voluntary Debt Reduction Policy)

6.2 Nottingham City Council Recovery & Improvement Plan

6.3 Money Market and PWLB loan rates

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

6.5 Prudential Code 2017-CIPFA

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

6.7 Statutory guidance on local government investments 3rd Edition 2018

6.8 Statutory guidance on Minimum Revenue Provision (MRP) 2018