

**Executive Board  
22 February 2022**

<b>Subject:</b>	Treasury Management Strategy 2022/23 and Capital Strategy 2022/23
<b>Corporate Director(s)/Director(s):</b>	Clive Heaphy, Interim Corporate Director for Finance and Resources and Section 151 Officer
<b>Portfolio Holder(s):</b>	Councillor Sam Webster, Portfolio Holder for Finance and Resources
<b>Report author and contact details:</b>	Glyn Daykin, Senior Accountant – Treasury Management <a href="mailto:glyn.daykin@nottinghamcity.gov.uk">glyn.daykin@nottinghamcity.gov.uk</a>  Thomas Straw, Senior Accountant – Capital Programme <a href="mailto:thomas.straw@nottinghamcity.gov.uk">thomas.straw@nottinghamcity.gov.uk</a>
<b>Other colleagues who have provided input:</b>	Lisa Kitto, Finance Strategic Lead Susan Risdall, Technical Team Leader Jo Worster, Strategic Finance Team Leader
<b>Subject to call-in:</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<b>Key Decision:</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <b>Criteria for Key Decision:</b> (a) <input type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision <b>and/or</b> (b) Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<b>Type of expenditure:</b> <input type="checkbox"/> Revenue <input type="checkbox"/> Capital	
<b>Total value of the decision:</b> Nil	
<b>Wards affected:</b> All	
<b>Date of consultation with Portfolio Holder(s):</b> Throughout the budgeting process	
<b>Relevant Council Plan Key Outcome:</b>	
Clean and Connected Communities	<input checked="" type="checkbox"/>
Keeping Nottingham Working	<input checked="" type="checkbox"/>
Carbon Neutral by 2028	<input checked="" type="checkbox"/>
Safer Nottingham	<input checked="" type="checkbox"/>
Child-Friendly Nottingham	<input checked="" type="checkbox"/>
Healthy and Inclusive	<input checked="" type="checkbox"/>
Keeping Nottingham Moving	<input checked="" type="checkbox"/>
Improve the City Centre	<input checked="" type="checkbox"/>

Better Housing  
Financial Stability  
Serving People Well



**Summary of issues (including benefits to citizens/service users):**

This report covers the Treasury Management Strategy (TMS) 2022/23 and the Capital Strategy for 2022/23. The TMS sets out the Treasury Management, Treasury Investment, Borrowing and Debt Repayment strategies for 2022/23 and includes the associated Prudential Indicators and Treasury Management Policy Statement. The Capital Strategy for 2022/23 sets out the framework for the Council's capital investment and financing decisions aligned to the Council's corporate priorities over the medium term and includes the voluntary Debt Reduction Policy Statement and Debt Policy.

**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 financial or business affairs of any particular person (including the authority holding that information) 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 report includes commercially sensitive details that, if published, would adversely impact the Council's position in future trading.

**Recommendation(s):**

1. To recommend for approval by the full City Council at its meeting on 7 March 2022 the overall Treasury Management Strategy for 2022/23 (Appendix 1), and, in particular:
  - (a) the strategy for debt repayment (Minimum Revenue Provision Statement) in 2022/23 (section 5.2);
  - (b) the Borrowing Strategy including the Debt Policy (section 3.4);
  - (c) the Investment Strategy for 2022/23 (section 4);
  - (d) the Prudential Indicators and Limits for 2022/23 to 2024/25 (section 5.1); and
  - (e) the current Treasury Management Policy Statement (section 5.3).
2. To recommend for approval by the full City Council at its meeting on 7 March 2022 the Capital Strategy 2022/23 (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 Part 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 on the 17th December 2020. 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 published the Nottingham City Council Recovery & Improvement Plan 2021 – 2024. This plan has now been refreshed, renamed as the Together for Nottingham plan and was approved at a meeting of Full Council on the 10 January 2022. As part of this plan the Capital Strategy and this Treasury Management Strategy continue with the aim to support the Council returning to financial and operational stability.

2.3 The borrowing and debt management strategies intended to provide a sound framework for managing debt, to reduce the Council's future overall borrowing requirement (known as the Capital Financing Requirement (CFR)) and to reduce the level of debt held by the Council. The CFR is forecast to reduce by around £248m in the period 2022/23 to 2026/27 as covered by these strategies. This represents an improved position against the original forecast in debt reduction policy reported 12 months ago.

2.4 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.

2.5 The Treasury Management Strategy (TMS) 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 2022/23, the Debt Repayment Strategy, the Prudential Indicators and the associated treasury policies.

- 2.6 The Investment Strategy for 2022/23 includes some changes to counterparty and investment limits as detailed in section 4.1 of Appendix 1.
- 2.7 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.
- 2.8 The Together for Nottingham plan acknowledges that a well-managed capital programme is a critical contributor to the overall financial recovery of the City Council and recommends a review of the capital programme which will look to stabilise the current programme and put it on a sustainable footing for the longer term. Development of an effective Capital Strategy and a strengthened governance and control framework supports the Council in achieving this. Implementation of the Plan is a key priority of the Council and the Capital Strategy forms a key component part.

Key continuing activities include: -

- A full review of the capital programme to remove de-prioritised schemes and add in future liabilities (for example around EnviroEnergy and the former Broadmarsh Shopping Centre).
  - Compliance with the Council's Debt Reduction Policy to reduce Council debt to a sustainable level.
  - A maturing of the capital prioritisation process and the separation of spending and funding decisions.
  - Providing a strengthened Governance and Control Framework and ensuring that this is put into practice across the Council.
- 2.9 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 requirements of these codes (as updated in 2017) as part of its Treasury Management Policy Statement and its Capital Strategy. The update to the codes released in December 2021 will be formally adopted before the commencement of financial year 2023/24 as required by the guidance.
- 2.10 The Treasury Management Strategy and the Capital Strategy will be considered by Audit Committee on 25 February 2022, as part of the scrutiny process required by the CIPFA Code of Practice. Any comments that require a change to the various strategies will be reflected in the reports to be considered by Full Council on the 7 March 2022.

### **3. Other options considered in making recommendations**

- 3.1 To do nothing: the approval of a Treasury Management Strategy and Capital Strategy is a requirement of the CIPFA code, so this option is rejected. The Department of Levelling Up, Housing and Communities (DLUHC) formerly known as 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. Consideration of Risk**

- 4.1 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.
- 4.2 Risk inherent in the capital programme are mitigated through the strict implementation of the Capital Strategy, the Voluntary Debt Reduction Policy and the governance from the Capital Board. A key example of this is the capital principle that the Council will not commit to schemes until the resources such as capital receipt have been secured.

#### **5. Finance colleague comments (including implications and value for money/VAT)**

- 5.1 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.
- 5.2 The Treasury Management forecast outturn for 2021/22 is reflected within the Corporate Budget report on this agenda. The Treasury Management budget (the cost of servicing our debt) for 2022/23 is based on the financial implications of the various proposed strategies, as detailed in Appendix 1. The budget estimate of £53.953m is included within the 2022/23 budget and Medium Term Financial Outlook (MTFO).
- 5.3 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 Sue Risdall, Team Leader – Technical Accounting, on 31 January 2022.

#### **6. Legal colleague comments**

- 6.1 This report seeks authority to agree the Treasury Management Strategy Statement 2022/23 and the Capital Strategy for 2022/23 for approval by Full Council.
- 6.2 The City Council has power to invest in accordance with section 12 of the Local Government Act 2003 ('the Act').
- 6.3 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.

- 6.4 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 in accordance with this provision.
- 6.5 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.

Advice provided by Dionne Screamon, Senior Solicitor (Contracts and Commercial), on 2 February 2022.

## **7. Equality Impact Assessment (EIA)**

- 7.1 An EIA is not required as the report does not contain proposals for a new or changing policy, service or function.

## **8. Data Protection Impact Assessment (DPIA)**

- 8.1 A DPIA is not required because the strategies within this decision do not themselves require a Data Protection Impact Assessment. Capital projects within the Capital Programme will be individually assessed as appropriate.

## **9. Carbon Impact Assessment (CIA)**

- 9.1 A CIA is not required because the Capital Plan includes the Council’s target of being Carbon Neutral by 2028, however, when individual projects are developed and approved these project will be subject to CIAs.

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

- 10.1 None.

## **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 Strategic Council Plan 2021-2023
- 11.10 Together For Nottingham plan
- 11.11 Non-Statutory Review of Nottingham City Council, led by Max Caller CBE, on behalf of MHCLG/DLUHC