Audit Committee – 25 November 2022

Subject:	Treasury Management 2022/23 - half yearly update
Corporate Director:	Clive Heaphy - Finance and Resources and Section 151 Officer
Portfolio Holder:	Sam Webster - Finance and Resources
Report author and contact details:	Jacqueline Mundy, Senior Accountant – Treasury Management 0115 876 3724 Jacqueline.mundy@nottinghamcity.gov.uk
Other colleagues who have provided input:	Members of Treasury Management Panel: Clive Heaphy, Corporate Director of Finance and Resources Debbie Middleton, Interim Director of Finance and Deputy 151 Officer Jean Stevenson, Interim Finance Team Leader – Technical Team Jo Worster, Strategic Finance Team Leader Jacqueline Mundy, Senior Accountant – Treasury Management

Subject to call-in: ☐ Yes ☒ No
Key Decision: ☐ Yes ☒ No

Type of expenditure: ☐ Revenue ☐ Capital

Total value of the decision: Nil

Wards affected: All

Date of consultation with Portfolio Holder: Throughout the year

Relevant Council Plan Key Outcome:

Clean and Connected Communities	☒
Keeping Nottingham Working	☒
Carbon Neutral by 2028	☒
Safer Nottingham	☒
Child-Friendly Nottingham	☒
Healthy and Inclusive	☒
Keeping Nottingham Moving	☒
Improve the City Centre	☒
Better Housing	☒
Financial Stability	☒
Serving People Well	☒

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

This report sets out details of treasury management actions and performance from 1 April 2022 to 30 September 2022. In summary:

- No new long-term borrowing has been undertaken in the period to 30 September 2022, the balance of external loans debt has decreased by £14.1m and is below the forecast within the Voluntary Debt Reduction Policy (section 4.3);
- The average interest rate payable on the debt portfolio increased slightly from 3.431% at 31 March 2022 to 3.433% at 30 September 2022 (section 4.3);
- no debt rescheduling had been undertaken to 30 September 2022 (section 4.4);
- the average return on investments to 30 September 2022 was 1.85% against a benchmark rate of 1.22% (SONIA) (section 4.7);
- there has been compliance with Prudential Indicators for 1 April to 30 September 2022 (section 4.8);

Does this report contain any information that is exempt from publication? No	
Recommendation:	
1	To note the treasury management actions taken in 2022/23 to 30 September 2022.

1. **Reasons for recommendations**

1.1 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. The Code also requires that the reports be considered by relevant scrutiny or executive committees, and that the City Council approves any changes to the treasury management strategy.

2. **Background**

2.1 **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.

2.2 **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."

2.3 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.

2.4 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 2022/23 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy and prudential indicators;
- A review of the Council's investment portfolio for 2022/23;
- A review of the Council's borrowing strategy for 2022/23;
- A review of any debt rescheduling undertaken during 2022/23;
- A review of compliance with Treasury and Prudential Limits for 2022/23

3. Other options considered in making recommendations

3.1 No other options were considered as the report is required by the Treasury Management Code of Practice.

4. Treasury Management Activity to 30 September 2022

4.1 The Economy and Interest Rates During 2022/23

<u>Growth and Inflation</u>

The UK economy grew by 0.2% q/q in Q1 2022/23, though this remains below pre-pandemic levels. This means the UK economy has so far avoided recession. There are signs of economic activity losing momentum as production falls and energy prices continue to rise.

The Monetary Policy Committee (MPC) expect inflation to rise to 11% at the close of 2022. CPI inflation eased to 9.9% y/y in August, having been 10.1% in July, but domestic price pressures showing little sign of abating in the near-term and future inflation is likely to stay above 10% over the coming months.

The Monetary Policy Committee (MPC) Bank Rate rose by 100bps over quarter 2, taking Bank Rate to 2.25% with further rises to come. Our external advisors Link expect the Monetary Policy Committee (MPC) to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government's fiscal loosening, the tight labour market and inflation expectations means they expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5.00%).

The Consumer Price Index inflation % (CPI) has eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%.

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	27.09.22											
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

Appendix B shows the money market interest rates, the PWLB borrowing rates for the half-year to 30 September 2022 and a forward view for PWLB loan rates.

4.2 **Local Context**

4.2.1 The Treasury Management Strategy Statement (TMSS), for 2022/23 was approved by Full Council on 22 March 2022. 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 2022.

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 31/03/2022 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £1,382m.

The CFR is forecast to decrease by £11.7m to £1,353.4m by 31/03/2023 against the original CFR estimate for 31/03/2022 of £1,365.1m 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	**2022/23 Original Estimate £m**	**2022/23 Revised Estimate £m**
Total Capital Expenditure	223.73	184.03
Financed by:		
Capital Receipts	27.241	28.1
Capital Grants & Contributions	113.655	92.959
Internal Funds/Revenue (inc.Major Repairs Reserve	40.885	39.83
Resources	7.138	0
Total Financing	**188.919**	**160.9**
Borrowing Requirement	**34.811**	**23.1**

Note to table: Original estimate was Q3 2021/22 used for the 2022/23 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 2022/23. 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 30/9/2022 the Council has reduced the balance of external loans by £8.1m since the balance at 31/3/2022 due to monthly repayments of principle and interest on the outstanding loans. The Council does not expect to increase borrowing in the 2nd half of 2022/23 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 2022 showing the value of debt and the average interest rate payable on the debt.

TABLE 2: DEBT PORTFOLIO					
	31-Mar-22		30-Sep-22		Change
DEBT	**£m**	**Average Interest %**	**£m**	**Average Interest %**	**£m**
PWLB borrowing	849.71	3.385	841.6	3.39	-8.1
Market loans	49.0	4.348	49.0	4.348	-
Temporary borrowing & other	2.232	0.768	2.232	0.768	0.0
TOTAL LOANS DEBT	**900.94**	**3.431**	**892.832**	**3.433**	**-8.1**
Other inc PFI	170.2		164.2		-6.0
TOTAL DEBT	**1071.1**		**1057.0**		**-14.1**

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 30/09/2022, the Council had £1,057m of external borrowing including £164.2m 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 2022 was £312m. This meant that c.27% 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 2021-22 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.

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.

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	1,382.88	**(51.32)**
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 currently being investigated. As interest rates rise there may be opportunities to repay debt early without incurring substantial costs. No debt rescheduling has therefore been undertaken to date in the current financial year. However, we continue to look for opportunities in the second half of the 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 as in the current interest rate environment lenders may be more likely 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 2022/23. The HRA element of the CFR was £300.8m as at 31 March 2022 and was fully financed at an average rate of 4.49%. This includes £53.2m of long term fixed rate loans from the General Fund (known as internal loans). The HRA CFR is forecast to be £303.9m by 31 March 2023 and the HRA interest charge for 2022/23 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.

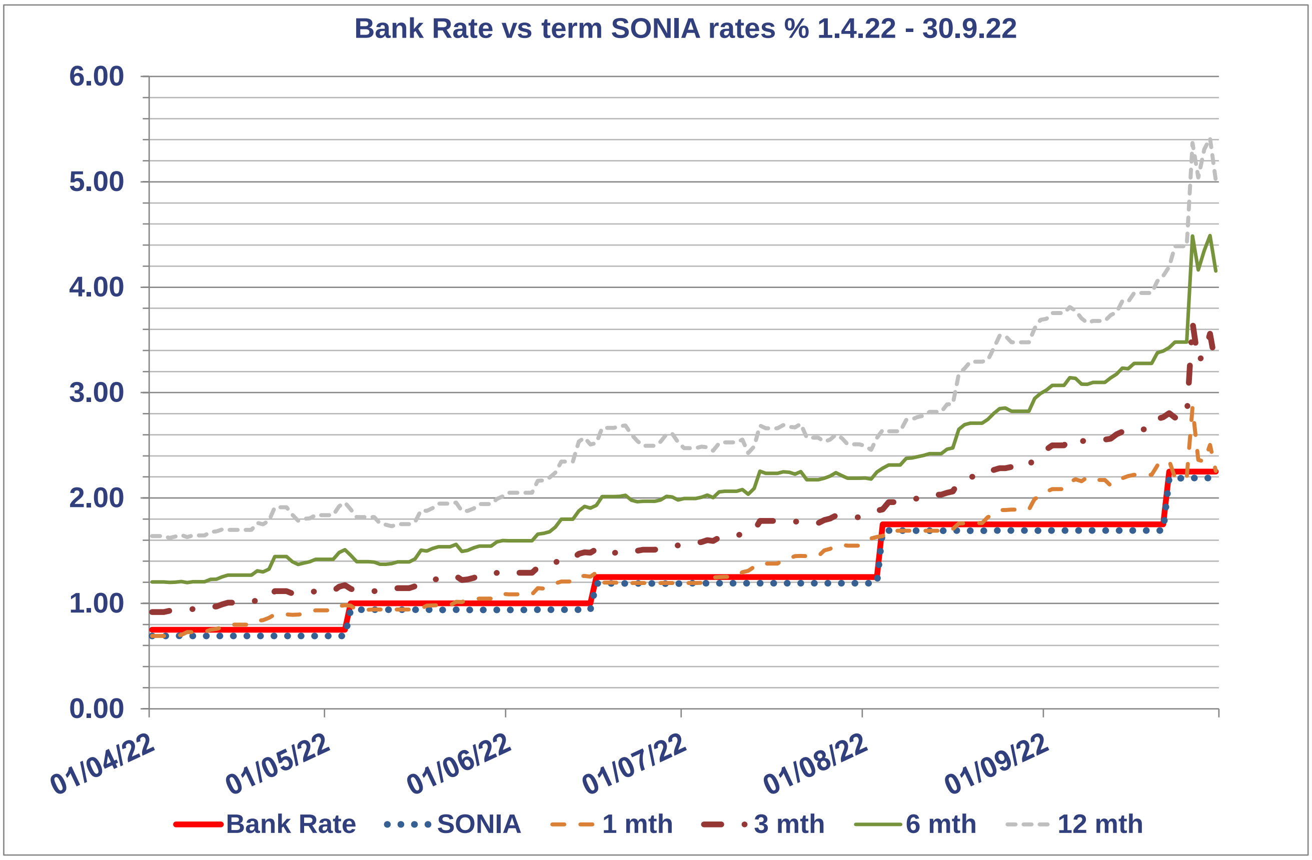
4.7.2 As shown by the interest rate forecasts in section 4.1, it is now possible to earn greater levels of interest rates as all short-term money market investment rates have risen substantially. Given this environment and the fact that Bank Rate may rise several times before 31 March 2023, investment returns are expected to increase in the second half of the year.

4.7.3 **Creditworthiness**: Following the Government's fiscal event on 23rd September, both S&P and Fitch have placed the UK sovereign debt rating on Negative Outlook, reflecting a downside bias to the current ratings in light of expectations of weaker finances and the economic outlook.

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 2022/23 was £391.6m. 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 increased government funding and delays to forecast spending on the capital programme.

4.7.5 **Investment rates during half year ended 30th September 2022:** As shown below the rates use the traditional market method for calculating SONIA period % rates and shows the upward trend in levels this year.



QUARTER ENDED 30/9/2022						
	Bank Rate	**SONIA**	**1 mth**	**3 mth**	**6 mth**	**12 mth**
High	2.25	2.19	2.86	3.67	4.49	5.41
High Date	22/09/2022	30/09/2022	26/09/2022	26/09/2022	29/09/2022	29/09/2022
Low	0.75	0.69	0.69	0.92	1.20	1.62
Low Date	01/04/2022	28/04/2022	01/04/2022	01/04/2022	07/04/2022	04/04/2022
Average	1.28	1.22	1.39	1.70	2.12	2.62
Spread	1.50	1.50	2.17	2.75	3.29	3.79

4.7.6 **Investment performance year to date as at 30th September:** The Council held £385.7m of investments as at 30 September 2022 (£367.2m at 31 March 2022) and the investment portfolio yield for the half year was 1.85% against a benchmark (Ave. SONIA) of 1.22%.

The Council outperformed the benchmark by 27 bps. The budgeted investment return for 2022/23 is £100k, and performance for the year to date is £2m above budget mainly due to rising interest rates and the higher than expected balances available for investment. These balances are expected to reduce towards the end of 2022/23.

LIBID as benchmark has been replaced with sterling overnight index average % (SONIA) during 2022.

4.7.7 **Appendix A** provides details of the Council's external investments at 30 September 2022, analysed between investment type and individual counterparties showing the current Fitch long-term credit rating.

Table 4 below summarises investment activity by type in 2022/23.

Table 4:Investment Portfolio	Balance on 01/04/2022 £m	Balance on 30/09/2022 £m	Avg Rate/Yield (%) as at 30/09/2022
Short term investments (call account, deposits):			
Banks and Building Societies with ratings of A- or higher	151.97	174.8	2.06
Local Authorities	142	85	1.16
Long Term Investments	9.9	9.9	1.08
Money Market Funds	64.3	116	1.98
Total Investments	**368.17**	**385.7**	**1.849**
Increase/(Decrease) in Investments £m		17.53	

4.7.8 **Approved limits**: The approved limits within the Annual Investment Strategy have not been breached during the first 6 months of 2022/23.

4.8 **Compliance with Prudential Indicators**

4.8.1 This report confirms compliance with the Prudential Indicators for 2022/23 set on 22 March 2022 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:

	2021/22 £m	2022/23 £m	2023/24 £m
Upper limit on variable interest rate exposure	300	300	300
Actual	33.0	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:

	2021/22 £m	2022/23 £m	2023/24 £m
Limit on principal invested beyond year end	100	100	100
Actual	10	30	

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 2022/23.

	2022/23 Original Estimate £m	**Current Position**	**2022/23 Revised Estimate £m**
Borrowing	890	892.8	892.8
Other long term liabilities*	158.2	158.2	158.2
Total Debt (year end position)	**1,046.3**	**1051.0**	**1,051.0**
Operational Boundary for external debt	**1365.1**	**1365.1**	**1365.1**
Authorised limit for external debt	**1395.1**	**1395.1**	**1395.1**

'* 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). The balance on this reserve at 30 September 2022 is **£16.426m**.

Recent review of the Treasury reserves concluded that **£10.221m** could be released from the Treasury reserves that had totalled at **£26.647**. This was transferred to the Corporate Resilience Reserve during September 2022.

Based on the 6 months to 30 September 2022 there are no expected loss impairments expected in 2022/23 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 31 March 2022 was 4.23, (Likelihood = unlikely, Impact = minor) and is a lower rating than as at 31 March 2021, but it remains over the targeted risk rating of 2.94 (Likelihood = remote, Impact = minor). The risk rating reflects reduced risks around the capital programme, impacts of Covid-19, working from home arrangements and the changes to the PWLB lending arrangements. The Treasury Management Working Group of senior Finance Managers with responsibility for Treasury Management (including Section 151 Officer and deputy 151 Officer) meet to manage this risk register 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. There will be a requirement to apply the principles from the publication date with full adoption expected from 2023/24.

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. **Consideration of Risk**

5.1 **Covered throughout the report.**

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

6.1 Treasury management payments comprise interest charges and receipts and provision for repayment of debt. A proportion of the City Council's debt relates to capital expenditure on council housing and this is charged to the HRA. The remaining costs are included within the treasury management section of the General Fund budget. The General Fund Treasury Management budget is £49.53m for 2022/23.

6.2 Value for Money: The Management of borrowing and investments is undertaken in conjunction with our appointed advisors, with the aim of minimising net revenue costs, maintaining an even debt maturity profile and ensuring the security and liquidity of investments.

Jacqueline Mundy/Jean Stephenson, Technical Accounting - 26 October 2022

7. **Legal colleague comments**

Legal Comments to follow.

8. **Other relevant comments**

8.1 None.

9. **Crime and Disorder Implications**

9.1 N/A.

10. **Social value considerations**

10.1 N/A.

11. **Regard to the NHS Constitution**

11.1 N/A.

12. **Equality Impact Assessment (EIA)**

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

No ☒

13. **Data Protection Impact Assessment (DPIA)**

13.1 Has the data protection impact of the proposals in this report been assessed?

No ☒

14. **Carbon Impact Assessment (CIA)**

14.1 Has the carbon impact of the proposals in this report been assessed?

No ☒

15. **List of background papers relied upon in writing this report**

15.1 None.

16. **Published documents referred to in this report**

16.1 Treasury Management Strategy 2022/23 and Capital Investment Strategy 2022/23 (including the Voluntary Debt Reduction Policy)
16.2 Nottingham City Council Recovery & Improvement Plan
16.3 Money Market and PWLB loan rates
16.4 Treasury Management in the Public Services Code of Practice 2017–CIPFA
16.5 Prudential Code 2017-CIPFA
16.6 Treasury Management in the Public Services Guidance Notes 2018 – CIPFA
16.7 Statutory guidance on local government investments 3rd Edition 2018
16.8 Statutory guidance on Minimum Revenue Provision (MRP) 2018