

Audit Committee – 24 February 2023

Title of paper:	Treasury Management Strategy 2023/24 and Capital Strategy 2023/24	
Director(s)/ Corporate Director(s):	Ross Brown, Corporate Director of Finance and Resources and Section 151 Officer	Wards affected: All
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Does this report contain any information that is exempt from publication? No		
Recommendation(s):		
1.	To consider the Treasury Management Strategy for 2023/24, attached as Appendix 1, and, in particular: <ul style="list-style-type: none"> a. the strategy in relation to debt repayment (Minimum Revenue Provision Statement) in 2023/24 (section 5.2); b. the Borrowing Strategy for 2023/24 (section 3.4); c. the Investment Strategy for 2023/24 (section 4); d. the Prudential Indicators and Limits for 2023/24 to 2025/26 (section 5.1); e. the current Treasury Management Policy Statement (section 5.3). 	
2.	To consider the Capital Strategy 2023/23 (Appendix 2) and in particular: <ul style="list-style-type: none"> a. the Voluntary Debt Reduction policy (Appendix B); b. the Flexible Use of Capital Receipt policy 2022/23 (Appendix C); c. the Flexible Use of Capital Receipt policy 2023/24 (Appendix C). 	

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 Capital Strategy is a requirement 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. Background

- 2.1 The Government commissioned a non-statutory review of the Council in November 2020 with the findings being published on the 17 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 was refreshed and renamed as the Together for Nottingham plan and was approved at a meeting of Full City Council on the 10 January 2022, with the refreshed plan approved at Full Council October 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 £195.5m in the period 2023/24 to 2026/27 as covered by these strategies.
- 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 2023/24, the Debt Repayment Strategy, the Prudential Indicators and the associated treasury policies.
- 2.6 The CIPFA Treasury Management Code 2021 introduces changes governing local authority investments from 2023/24 which are required to be incorporated into the Council's policies and strategies going forward. These are set out in section 1 of the Treasury Management Strategy and have the effect of tightening regulation and restriction applicable to authorities making investments for commercial return. There is particular focus in relation to local authorities needing to ensure that investments are proportionate to the Council's financial capacity and critically that local authorities must not borrow to invest primarily for financial return.
- 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 the Capital Programme has been reviewed to ensure it is in a fully funded and 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.
- 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 2021) as part of its Treasury Management Policy Statement and its Capital Strategy.

2.10 The Treasury Management Strategy and the Capital Strategy have been considered by Executive Board on 21 February 2023 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 6 March 2023.

3. Consideration of Risk

3.1 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.

3.2 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.

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 The Refreshed Strategic Council Plan 2021-2023
- 5.9 Together For Nottingham plan
- 5.10 Non-Statutory Review of Nottingham City Council, led by Max Caller CBE, on behalf of MHCLG/DLUHC