

## Executive Board – 21 November 2023

<b>Subject:</b>	Annual Investment Strategy 2023/24 revision
<b>Corporate Director(s)/Director(s):</b>	Ross Brown, Corporate Director of Finance and Resources and Section 151 Officer
<b>Portfolio Holder(s):</b>	Councillor Audra Wynter - Portfolio Holder for Finance and HR
<b>Report author and contact details:</b>	Patrick Kilgallen, Interim Senior Accountant, Treasury Management 0115 8764753, Patrick.Kilgallen@nottinghamcity.gov.uk
<b>Other colleagues who have provided input:</b>	Members of Treasury Management Panel: Ross Brown, Corporate Director of Finance and Resources Shabana Kausar, Director of Finance Glenn Hammons, Interim Finance Team Leader – Technical Team Patrick Kilgallen, Interim Senior Accountant – Treasury Management
<b>Subject to call-in:</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Key Decision: <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 If Capital, provide the date considered by Capital Board Date:	
<b>Total value of the decision:</b>	
<b>Wards affected: All</b>	
<b>Date of consultation with Portfolio Holder(s):</b>	
<b>Relevant Council Plan Key Outcome:</b>	
Green, 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"/>	
Living Well in our Communities <input checked="" type="checkbox"/>	
Keeping Nottingham Moving <input checked="" type="checkbox"/>	
Improve the City Centre <input checked="" type="checkbox"/>	
Better Housing <input checked="" type="checkbox"/>	
Serving People Well <input checked="" type="checkbox"/>	
<b>Does this report contain any information that is exempt from publication?</b> No	
<b>Recommendation(s):</b>	
1 'To recommend to City Council the approval of revisions to the Annual Investment Strategy for 2023/24' attached as Appendix 1, and, in particular: a. the increase to counterparty limits;	

## **b. other technical changes.**

### **1. Reasons for recommendations**

- 1.1 The approval of a Treasury Management Strategy by Full Council is a legal requirement. The Annual Investment Strategy is incorporated into the Treasury Management Strategy and therefore also requires Full Council approval. This report sets out the proposed revisions to the Annual Investment Strategy for 2023/24, for endorsement to City Council by Executive Board.
- 1.2 The Annual Investment Strategy includes details on how the Council will invest its cash balances across different counterparties and financial instruments.
- 1.3 Approval of an Annual Investment 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 incorporating an Annual Investment Strategy.
  - 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 and any subsequent revisions to it.
- 1.4 The Treasury Management Code of Practice and Prudential Code (2021 editions) are both adopted by the Council. There is a requirement for authorities to nominate a body within the organisation to be responsible for scrutiny of treasury management activity, policies and practices. It is considered that the City Council's Audit Committee is the most appropriate body for this function. The Audit Committee considered revisions to the Annual Investment Strategy 2023/24 at its July 2023 meeting and these are now being brought to Executive Board for recommendation to City Council.
- 1.5 The Annual Investment Strategy was based on the TMS projections for investment balances of between £100m to £200m in 2023/24. At 31 March 2023 investment balances were £308m and they are expected to be in the range £300m to £400m in 2023/24. Therefore, in order for the Council to continue to invest with high quality counterparties paying the most competitive investment rates, the following changes are recommended:

<b>CounterParty Limits</b>	<b>Current</b>	<b>Revised</b>
	<b>£m</b>	<b>£m</b>
Banks and other institutions	20	30
Money Market Funds	30	40
Country	40	60

- 1.6 The AIS also clarifies that for UK banks split into ring-fenced and non-ring fenced banks then each entity will be treated separately for determining counterparty limits. This recognises that each entity is separately capitalised without recourse to each other unlike previously.
- 1.7 There is also a change to the interest earned by the HRA on its share of cash balances which will now be the average interest rate earned for the year on the Council's investments instead of the 3 month Treasury bill rate. This has the effect of

HRA and General Fund balances benefitting from the actual investment returns achieved by the Council.

- 1.8 The Treasury Panel reviewed these changes on 14 June 2023 and they have also been reviewed by the Council's treasury adviser Link Group.

## 2. **Background**

- 2.1 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.
- 2.2 The Annual Investment Strategy (AIS) as set out in **Appendix 1** sets the operational and strategic parameters for how treasury management activity will take place in the year.
- 2.3 The Treasury Management budget for 2023/24 includes a budget of £4.1m for investment income which is a product of the application of the AIS.
- 2.4 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.
- 2.5 The Treasury Management Strategy (TMS) 2023/24 was approved by Full Council on 6 March 2023 and revisions to it will be considered for approval by Full Council on 15 January 2024.

## 3. **Consideration of Risk**

- 3.1 Counterparty limits ensure the council diversifies its investment portfolio and this change allows the council to continue to invest with high quality counterparties without increasing credit risk materially.

## 4. **Best Value Considerations**

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

## 5. **Finance colleague comments**

- 5.1 Provided by Glenn Hammons Interim Technical Team Leader 8th of November 2023.
- 5.2 The counterparty change will ensure the council continues to invest with high quality counterparties and ensure security of investments without increasing credit risk materially.

## 6. **Legal colleague comments**

- 6.1 The legal framework setting out the requirement for an Annual Investment Strategy is set out in the body of the report. Approval of revisions to the Strategy are a matter for consideration and approval by Full Council. This report seeks endorsement from Executive Board to submit it to Full Council for such consideration and approval. In all other regards the report raises no significant legal issues and is supported.

Malcolm R. Townroe – Director of Legal and Governance – 10 November 2023.

## **7. Other relevant comments**

- 7.1 This is not applicable to this report

## **8. Crime and Disorder Implications (If Applicable)**

- 8.1 This is not applicable to this report

## **9. Social value considerations (If Applicable)**

- 9.1 This is not applicable to this report

## **10. Regard to the NHS Constitution (If Applicable)**

- 10.1 This is not applicable to this report

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

### **11.1 Has the equality impact of the proposals in this report been assessed?**

An EIA is not required because:

The content of this report does not disadvantage any protected groups in any way.

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

### **12.1 Has the data protection impact of the proposals in this report been assessed?**

A DPIA is not required because no individuals are affected by this report.

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

### **13.1 Has the carbon impact of the proposals in this report been assessed?**

A CIA is not required because there is no carbon impact arising from this report.

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

- 14.1 None

## **15. Published documents referred to in this report**

### **15.1**

- Treasury Management in the Public Services Code of Practice 2021–CIPFA

- Prudential Code 2021-CIPFA
- Treasury Management in the Public Services Guidance Notes 2021 - CIPFA
- Statutory guidance on local government investments 3rd Edition 2018
- Treasury Management Strategy 2023/24 Full Council 6 March 2023
- Annual Investment Strategy 2023/24 Revision – report to Audit Committee – 28 July 2023