

EXECUTIVE BOARD – 19 FEBRUARY 2019

Subject:	TREASURY MANAGEMENT STRATEGY 2019/20 AND CAPITAL & INVESTMENT STRATEGY 2019/20
Corporate Director(s)/Director(s):	Laura Pattman, Strategic Director for Finance
Portfolio Holder(s):	Councillor Graham Chapman, Deputy Leader/Portfolio Holder for Resources and Neighbourhood Regeneration
Report author and contact details:	Theresa Channell, Head of Strategic Finance tel:01158763649 email:theresa.channell@nottinghamcity.gov.uk
Subject to call-in:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Key Decision:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Criteria for Key Decision:	
(a)	<input type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision
and/or	
(b)	Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input type="checkbox"/> No
Type of expenditure:	<input type="checkbox"/> Revenue <input type="checkbox"/> Capital
Total value of the decision:	Nil
Wards affected:	All
Date of consultation with Portfolio Holder(s):	Throughout the budget process
Relevant Council Plan Key Theme:	
Strategic Regeneration and Development	<input checked="" type="checkbox"/>
Schools	<input checked="" type="checkbox"/>
Planning and Housing	<input checked="" type="checkbox"/>
Community Services	<input checked="" type="checkbox"/>
Energy, Sustainability and Customer	<input checked="" type="checkbox"/>
Jobs, Growth and Transport	<input checked="" type="checkbox"/>
Adults, Health and Community Sector	<input checked="" type="checkbox"/>
Children, Early Intervention and Early Years	<input checked="" type="checkbox"/>
Leisure and Culture	<input checked="" type="checkbox"/>
Resources and Neighbourhood Regeneration	<input checked="" type="checkbox"/>
Summary of issues (including benefits to citizens/service users):	
This report covers the Treasury Management Strategy Statement 2019/20 and the Capital Strategy for 2019/20.	
The Treasury Management Strategy Statement (TMSS) sets out the Treasury Management, Treasury Investment and Debt Repayment strategies for 2019/20 and includes the associated Prudential Indicators and Policy Statement.	
The Capital Strategy sets out the framework for the council's capital investment and financing decisions aligned to the City Council's corporate priorities over the medium term.	
Exempt information:	Appendix A, Register of service and commercial investments.
Recommendation(s):	
<p>1 To endorse and recommend for approval by the City Council at its meeting on 4 March 2019 the overall Treasury Management Strategy for 2019/20 (Appendix 1), and, in particular:</p> <p>a. the strategy for debt repayment (Minimum Revenue Provision) in 2019/20 (section 5.2);</p> <p>b. the Investment Strategy for 2019/20 (section 4);</p> <p>c. the prudential indicators and limits for 2019/20 to 2021/22 (section 5.1);</p> <p>d. adopt the current Treasury Management Policy Statement (section 5.3).</p>	

2 To endorse and recommend for approval by the City Council at its meeting on 4 March 2019 the Capital & Investment Strategy 2019/20 (**Appendix 2**).

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 new requirement for Nottingham City Council, the strategy has 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 (INCLUDING OUTCOMES OF CONSULTATION)

- 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 Treasury Management Strategy Statement (TMSS) 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 2019/20, the Debt Repayment Strategy, the Prudential Indicators and the associated treasury policies.
- 2.3 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. This strategy requires approval by Full Council.
- 2.2 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 current requirements of these codes as part of its Treasury Management Policy Statement and its Capital Strategy.

- 2.3 The Treasury Management Strategy and the Capital Strategy will be considered by Audit Committee on 22 February 2019, as part of the scrutiny process required by the CIPFA Code of Practice.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 3.1 The approval of a Treasury Management Strategy and Capital Strategy is a requirement of the CIPFA code. The 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 FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

- 4.1 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 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
- 4.2 The Treasury Management forecast outturn for 2018/19 is reflected within the Corporate Budget report elsewhere on this agenda. The budget for 2019/20 is based on the financial implications of the various proposed strategies, as detailed in Appendix 1. The budget estimate of £54.610m is included within the Medium Term Financial Plan (MTFP).
- 4.3 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 Strategy defines how the associated cash flows from this borrowing requirement are to be managed.
- Comments provided by Glyn Daykin, Senior Accountant Treasury Management, dated 31 January 2019.

5 LEGAL AND PROCUREMENT COLLEAGUE COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

- 5.1 None other than those set out in the body of the report. Comments provided by Malcolm Townroe, Director of Legal & Governance, dated 9 February 2019.

6 STRATEGIC ASSETS & PROPERTY COLLEAGUE COMMENTS (FOR DECISIONS RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE)

- 6.1 None.

7 SOCIAL VALUE CONSIDERATIONS

- 7.1 N/A

8 REGARD TO THE NHS CONSTITUTION

8.1 N/A

9 EQUALITY IMPACT ASSESSMENT (EIA)

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

No



An EIA is not required because:

An EIA is not needed as the report does not contain proposals for new or changing policies, services, or functions.

10 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)

10.1 PWLB records, working papers

10.2 Nottingham City Council Project Management Handbook

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 Council Plan 2015-2019