

AUDIT COMMITTEE – 22 FEBRUARY 2019

Title of paper:	TREASURY MANAGEMENT STRATEGY 2019/20 AND CAPITAL & INVESTMENT STRATEGY 2019/20	
Director(s)/ Corporate Director(s):	Laura Pattman, Strategic Director of Finance	Wards affected: All
Report author(s) and contact details:	Glyn Daykin, Senior Accountant - Treasury Management Tel: 0115 8763724 Thomas Straw, Senior Accountant – Capital Programmes Tel: 0115 8763659	
Other colleagues who have provided input:	Members of Treasury Management Panel: Laura Pattman, Strategic Director of Finance Theresa Channell, Head of Corporate Finance Susan Risdall, Technical Team Leader Jo Worster, Strategic Finance Team Leader	
<p><u>Exempt information:</u> An appendix to this report is exempt from publication under paragraph number 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to the organisation and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p> <p>It is not in the public interest to disclose this information because the information contained within the appendix is commercially sensitive and relates to the terms of financing of third party organisations. If made available this could result in a commercial disadvantage to the Council and the third party organisations.</p>		
Recommendation(s):		
1	To consider and comment on the Treasury Management Strategy for 2019/20, attached as Appendix 1 , and, in particular: <ol style="list-style-type: none"> a. the Strategy for Debt Repayment (Minimum Revenue Provision) in 2019/20 (section 5.2); b. the Treasury Investment Strategy for 2019/20 (section 4); c. the Prudential Indicators and limits for 2019/20 to 2021/22 (section 5.1); d. the Treasury Management Policy Statement (section 5.3). 	
2	To consider and comment on 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;

1.3 The Treasury Management Code of Practice and Prudential Code 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, and given the interrelationship of treasury management and capital planning, the requirements of both codes will best be met by aligning the scrutiny of both Treasury Management and Capital Strategies. It is considered that the City Council's Audit Committee is the most appropriate body for this function.

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 Treasury Management Strategy Statement (TMSS) as set out in **Appendix 1** 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 Treasury Management budget for 2019/20 is £54.610m and is based on the financial implications of the various proposed strategies, as detailed in Appendix 1, and has been included within the Medium Term Financial Plan (MTFP).
- 2.4 The Capital Strategy as set out in **Appendix 2** 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.
- 2.5 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.
- 2.6 The approval of the Treasury Management Strategy 2019/20 and Capital Strategy 2019/20 will be considered by Full Council on the 4 March 2019.

3 BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

- 3.1 PWLB records, working papers
- 3.2 Nottingham City Council Project Management Handbook

4 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 4.1 Money Market and PWLB loan rates
- 4.2 Treasury Management in the Public Services Code of Practice 2017–CIPFA
- 4.3 Prudential Code 2017-CIPFA
- 4.4 Treasury Management in the Public Services Guidance Notes 2018 - CIPFA
- 4.5 Statutory guidance on local government investments 3rd Edition 2018
- 4.6 Statutory guidance on Minimum Revenue Provision (MRP) 2018
- 4.7 Treasury Green Book
- 4.8 Corporate Asset Management Plan
- 4.9 The Council Plan 2015-2019