REPORT TO:		CABINET; COUNCIL	
DATE:		9 FEBRUARY 2022; 24 FEBRUARY 2022	
PORTFOLIO:		Cllr Joyce Plummer – Resources	
REPORT AUTHOR:		David Donlan – Head of Accountancy Services Amanda Martin – Principal Accountant	
TITLE OF REPORT:		PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT & INVESTMENT STRATEGY 2022/23 – 2024/25 MINIMUM REVENUE PROVISION POLICY STATEMENT 2022/23. TREASURY MANAGEMENT POLICY STATEMENT 2022/23. TREASURY MANAGEMENT PRACTICES 2022/23 CAPITAL STRATEGY 2022/23	
EXEMPT REPORT (Local Government Act 1972, Schedule 12A)	**No**	The report does not contain exempt information under the Local Government Act 1972, Schedule 12A and all information can be disclosed under the Freedom of Information Act 2000.	
KEY DECISION:	**No**	If yes, date of publication:	

1. PURPOSE OF REPORT

1.1 To set out the Council's policy and objectives with respect to treasury management, to explain how it will achieve its objectives and manage its activities; and to agree an investment strategy for 2022/23.

2 RECOMMENDATIONS

2.1 Cabinet are requested to recommend Council to:

(i) adopt the prudential indicators and limits detailed in the report
(ii) approve the treasury management strategy, and associated indicators, as set out in section 8 of the report
(iii) approve the investment strategy as set out in section 13 of the report
(iv) approve that the Minimum Revenue Provision (MRP) for year 2022/23 – Appendix 1
(v) approve the Treasury Management Policy Statement 2022/23 – Appendix 2
(vi) approve the Treasury Management Practices Statement 2022/23 – Appendix 3
(vii) approve the Capital Strategy 2022/23 – Appendix 4

3 REASONS FOR RECOMMENDATIONS

3.1 Treasury management is defined as:

The management of the Council's investment and cash flows, its banking, money market and capital market transactions;

The effective control of the risks associated with these activities;

And the pursuit of optimum performance consistent with those risks.

3.2 The Council is required to operate a balanced budget which means that cash raised during the year will meet cash expenditure. Part of treasury management is to ensure the cash flow is properly planned with cash available when needed. Surplus monies are invested in line with the Council's low risk preferences.

3.3 The second function of treasury management is funding the Council's capital plans. The plans give a guide to the future borrowing need of the Council. The management of this longer term cash flow may involve arranging long or short term loans or using longer term cash flow surpluses. Occasionally outstanding debt may be restructured to reduce Council risk or meet cost objectives.

3.4 The report has been prepared in line with the Treasury Management Code and Guidance (2017) written by The Chartered Institute of Public Finance & Accountancy (Cipfa). In the case of local authorities in England and Wales, the Code is significant under the provisions of the Local Government Act 2003. This requires local authorities 'to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify'. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 in paragraph 24 require local authorities to have regard to this guidance. Acceptance of this report fulfills those obligations.
CIPFA published revised codes on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year.

4 THE PRUDENTIAL CODE AND PRUDENTIAL INDICATORS

4.1 The Prudential Code is a professional code that sets out the framework for self-regulation of capital spending and financing. This allows councils to invest in capital projects without any limit as long as such investment is affordable, prudent and sustainable. The Code was produced by Cipfa.

4.2 The Code requires the Council to agree and monitor a minimum number of prudential indicators (including limits and statements). They relate to affordability, prudence, capital expenditure, external debt and treasury management.

4.3 The indicators are purely for internal use and are not designed to be used as comparators between councils.

5 CAPITAL EXPENDITURE AND THE CAPITAL FINANCING REQUIREMENT

5.1 There is currently no specific restriction by the Government on Local Authorities' capital investment, subject to reserve powers. The Government has withdrawn the use of Capital Grants for capital expenditure purposes since 1st April 2011 as part of its measures to reduce public sector expenditure. Hyndburn Council's future financial plans assume no reliance on any direct capital grants from Government; expenditure will be funded by external funding, section 106 monies, capital receipts and contributions from revenue.

5.2 The projections in these tables are based on current continuing operations and no assumptions have been included for availability of new external finance for capital schemes or assessment for major organisational restructure.

ESTIMATED CAPITAL EXPENDITURE

	2020/21 Actual £000	2021/22 Revised Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
General Fund	3,026	7,993	38,594	1,701	1,701

The programme for 2022/23 reflects additional grant funding available to be used for the Town Centre plus the rejuvenation of the Leisure Estate. The programme in 2023/24 and beyond is reducing due to the reduction in external funding and capital receipts which are available.

5.3 The Capital Financing Requirement (CFR) represents the Council's outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure, which has not immediately been paid for, will increase the CFR.

5.4 The movement in the CFR over the next three years is dependent on capital expenditure decisions. The CFR is currently reducing due to the payment of Minimum Revenue Provision (MRP), a statutory annual revenue charge, which broadly reduces the borrowing need.
However, potentially, HBC will have to borrow up to £5m to fund the costs of the Leisure Estate.
The borrowing costs using current PWLB rates would increase CFR by approximately £111k pa over a 30 year period.

5.5 The limiting factors on the Councils ability to finance additional capital expenditure are:

- Whether the revenue resource is available to support in full the implications of both resource and running costs.
- Use of Government reserve powers.

5.6 The Council's expectations for the CFR in the next three years are shown in the table below. The table also shows the expected external debt for each year. This may increase if the borrowing costs in 5.4 are required.

5.7 A key risk for these indicators is that the level of government support and other funding sources may change.

5.8 If and when borrowing is used to finance the Authority's additional spend, the full cost of the borrowing will be included within the revenue budget and forecasts.

	2020/21 Actual £000	2021/22 Revised Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Capital Financing Requirement					
CFR – General Fund	9,528	9,446	8,776	8,414	8,383
External Debt					
Borrowing	9,595	9,595	9,595	9,595	9,595
Other Long Term Liabilities	670	942	612	577	859
Total Debt 31st March	10,265	10,537	10,207	10,172	10,454

Borrowing outstanding as at year-end 2020/21 and 2021/22 is based on, respectively, the Council's actual /revised estimated gross borrowing. The borrowing amount is also within the Operational Boundary (as defined below).
The above table does not reflect potential £5m borrowing re Leisure Estate as final confirmation of the required value is not currently available.

Other long-term liabilities relate to finance leases.

6 MINIMUM REVENUE PROVISION

6.1 Local Authorities are required each year to set aside an amount within their accounts to meet the cost of borrowings. This is historically known as the minimum revenue provision (for capital).

6.2 The MRP system was revised in March 2008 by regulation, which provides a duty on local authorities to make a prudent provision in respect of their debt levels rather than following a nationally set amount. In the statutory guidance issued by the Department for Communities & Local Government (DCLG), authorities were asked to prepare an Annual Minimum Revenue Provision (MRP) policy for approval by the Council. The four options are set out in (Appendix 1).

6.3 For year 2021/22, the Council's Budget has provided for MRP to be calculated on the regulatory basis (option 1). This will continue for 2022/23 for all current outstanding borrowing.

6.4 If and when the Council reconsiders the options (3) or (4), estimated life periods will be determined on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure.

6.5 The Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the DCLG guidance would not be appropriate.

7 AFFORDABILITY PRUDENTIAL INDICATORS

7.1 Within the prudential code framework, the Council is required to assess the affordability of the capital investment plans. These provide an indication of the impact of capital investment plans on the Councils overall finances.

7.2 **Actual and Estimates of the ratio of financing costs to net revenue stream**
This indicator identifies the ratio of financing costs as a percentage of the net revenue budget.

Ratio of Financing Costs to net revenue stream

	2020/21 Actual £000	**2021/22 Revised Estimate £000**	**2022/23 Estimate £000**	**2023/24 Estimate £000**	**2024/25 Estimate £000**
General Fund	4%	4%	4%	4%	4%

It £5m borrowing was required financing costs attributable to general fund would increase to 5.25% for 2022/23 and future years.

8 TREASURY MANAGEMENT STRATEGY 2022/23 – 2024/25

8.1 The importance of treasury management has increased as a result of the freedoms provided by the Prudential Code. Treasury Management covers the borrowing and investment activities and the effective management of associated risks; and the activities are strictly regulated by statutory requirements and a professional code of practice (CIPFA Code of Practice on Treasury Management in public services, as revised or supplemented by CIPFA from time to time).

8.2 This strategy covers the:

- current treasury position;
- expected movement in interest rates;
- Council's borrowing and debt strategy;
- Treasury Management indicators;
- Debt re-scheduling; and the
- Council's investment strategy.

8.3 Current Treasury Position

	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
External Debt Debt at 1st April Other long-term liabilities	 9,595 670	 9,595 942	 9,595 612	 9,595 577	 9,595 859
Actual Gross Debt at 31st March	10,265	10,537	10,207	10,172	10,454
The Capital Financing Requirement	9,528	9,446	8,776	8,414	8,383
Under / (Over) Borrowing	(727)	(1,091)	(1,431)	(1,758)	(2,071)

8.3.1 The current position of the treasury function, and its expected change in the future, introduces risk to the Council from an adverse movement in interest rates. The Prudential Code is constructed on the basis of affordability, part of which is related to borrowing costs and investment returns.

8.3.2 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. In general the requirement is that CFR exceeds gross debt. However in 2021/22 and future years the gross debt will exceed CFR. This will be due to the annual payment of Minimum Revenue Provision. The remaining debt would attract excessive premiums if it were prematurely repaid.

8.3.3 The requirement to have CFR exceed gross debt centers around providing an assurance that borrowing is not taking place for revenue purposes. However, as the Council is not borrowing any additional funds at this time, this is not an issue.

8.4 **Expected movement in interest rates**

8.4.1 The Council appointed Link Asset Services as treasury advisor to the Council and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Link's view of the movement in interest rates.

	Qtr 1 2022	Qtr 2 2022	Qtr 3 2022	Qtr 4 2022	Qtr 1 2023	Qtr 2 2023	Qtr 3 2023	Qtr 4 2023	Qtr 1 2024	Qtr 2 2024	Qtr 3 2024
Base Rate	0.25%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%
5 yr PWLB	1.50%	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.80%	1.90%	1.90%	1.90%
10 yr PWLB	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%	2.00%	2.10%	2.10%	2.10%
25 yr PWLB	1.90%	2.00%	2.10%	2.10%	2.20%	2.20%	2.20%	2.30%	2.30%	2.40%	2.40%
50 yr PLWB	1.70%	1.80%	1.90%	1.90%	2.00%	2.00%	2.00%	2.10%	2.10%	2.20%	2.20%

8.4.2 Link has also provided comprehensive economic forecasts which are available for inspection if required.

8.5 **Borrowing and Debt Strategy 2022/23 – 2024/25**

8.5.1 The Prudential Code and the uncertainty over future interest rates increases the risks associated with the treasury strategy. As a result the Council needs to take a cautious approach to its treasury strategy.

8.5.2 Borrowing interest rates have been reduced so far in 2021/22 and have remained low. Bank rate is expected to increase in the forecast table above and economic recovery is expected to be gradual and therefore prolonged. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when the authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

8.5.3 The borrowing strategy for 2022/23 should be set to take short dated borrowings at any time in the financial year. Short term borrowing is expected to be cheaper than long term borrowing and will therefore be attractive throughout the financial year compared to simply taking long term fixed rate borrowing.

8.5.4 The borrowing strategy will be to borrow on fixed rate terms rather than variable.

9 EXTERNAL DEBT OVERALL LIMITS

9.1 There are two Prudential Indicators which control the overall level of borrowing. These are:

- The authorised limit
- The operational boundary

9.2 The authorised limit represents the Councils total borrowing limit, covering short and long term debt. It is the **maximum level** of borrowing which the authority is expected to experience at any point within the year, inclusive of headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003 and needs to be set by Members and later (if necessary) revised by Members.

9.3 The operational boundary is the **anticipated level** of external debt during the course of the year. This indicator is primarily an internal monitoring tool that provides a warning of the potential breach of the Authorised Limit for External Debt; and it also informs whether the plans regarding capital expenditure are on target and whether cash flows are proceeding as planned.

Authorised limit for external debt	**2021/22 Revised Estimate £000**	**2022/23 Estimate £000**	**2023/24 Estimate £000**	**2024/25 Estimate £000**
Borrowing	35,000	35,000	35,000	35,000
Other long term liabilities	0	0	0	0
Total	35,000	35,000	35,000	35,000
Operational boundary for external debt				
Borrowing	20,000	20,000	20,000	20,000
Other long term liabilities	0	0	0	0
Total	20,000	20,000	20,000	20,000

9.4 The Authorised Limit includes the borrowing requirement for unexpected cash movements, which is permitted under the Code. Examples of unexpected cash movements include service delivery failure, or possible clawback of government monies.

10 EXTERNAL v INTERNAL BORROWING

	2020/21 Actual £000	**2021/22 Probable outturn** £000	**2022/23 Estimate** £000	**2023/24 Estimate** £000	**2024/25 Estimate** £000
Actual external Debt	10,265	10,537	10,207	10,172	10,454
Cash balances	43,411	39,088	50	50	50
Net Debt	(33,146)	(28,551)	10,157	10,122	10,404

10.1 The Council currently has a difference between gross debt and net debt (after deducting cash balances) of £28.551m.
In 2022/23 and beyond it is assumed that during this period of uncertainty, all current

investments will be repaid and used for cash flow purposes. There will be no surplus cash held in investments at 31st March.

10.2 The general aim of this treasury management strategy is to reduce the difference between the two debt levels in order to reduce the credit risk incurred by holding investments. However, measures previously taken have already reduced substantially the level of credit risk so another factor which will be carefully considered is the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.

10.3 The next financial year is expected to continue to be one of historically abnormally low Bank Rate, at least for most of the financial year.

10.4 Against this background caution will be adopted with the 2022/23 treasury operations. The Deputy Chief Executive will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision making body.

11 LIMITS ON ACTIVITY

11.1 The aim of the prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest or borrowing decisions which could impact negatively on the Council's overall financial position.

11.2 The proposed local limit of 100% on variable rate loan debt, as shown in the following table, relates to the potential situation where maturing fixed rate is not replaced.

Treasury Management Indicators

	2021/22 Upper	**2022/23 Upper**	**2023/24 Upper**
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates	100%	100%	100%
Maximum principal sums invested for over 365 days	£3m	£3m	£3m

11.3 The Council must set upper and lower limits for the maturity structure of its borrowings.

Proposed limits for Maturity Structure of Borrowing

Period to maturity of debt	**Upper Limit**	**Lower Limit**
Under 12 months	43%	0%
12 months and within 24 months	0%	0%
24 months and within 5 years	0%	0%
5 years and within 10 years	0%	0%
10 years and above	57%	0%

The maturity in the under 12 month period relates to Lender Option, Borrower Option (LOBO) loans. From 2011/12 the maturity date of a LOBO is now deemed to be the next call date. The LOBO's have six monthly call dates.

12 DEBT RESCHEDULING

12.1 CIPFA issued an updated Statement of Recommended Accounting Practice (SORP 2007) incorporating, for financial instruments, Financial Reporting Standard 25 (Presentation & Disclosure), FRS 26 (Recognition & Measurement) and FRS 29 (replacement disclosure requirements). This presented major potential changes in the treatment of the valuation of debt and investments, the calculation of interest and the treatment of premiums and discounts arising from debt rescheduling. The SORP removed the ability to spread premiums and discounts arising under debt rescheduling over the life of replacement borrowing.

In the main, the above mentioned financial reporting standards have converged with international standards for 2011/12 and onwards reporting.
In exceptional circumstances the Deputy Chief Executive may approve rescheduling under emergency powers, e.g. where swift action is required to secure favourable rates.

This action would be reported to Cabinet.

13 INVESTMENT STRATEGY

13.1 The Council will have regard to the MHCLG revised guidance on Local Government Investments; and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance notes revised in 2017. The Council's investment priorities are:-

- The security of capital
- The liquidity of its investments

The Council will also aim to achieve optimum return on its investments commensurate with proper levels of security and liquidity.

13.2 The borrowing of monies purely to invest or on-lend and make a return is unlawful and the Council does not engage in the activity.

13.3 If the Council is in a position where it has surplus funds for a period of time, competitive quotations will be sought from a range of institutions with a view to making a temporary investment. Investments will be placed with the most cost-effective institution, taking dealing costs into account. The Council uses the services of City brokers to identify the optimum investment opportunities.

13.4 The Council uses the credit ratings available from the three major credit rating agencies; Fitch, Moodys and Standard & Poor, to derive its lending criteria. All credit ratings will be monitored weekly. The Council is alerted to changes in Credit ratings through its use of the Link Asset Services Ltd creditworthiness service. The creditworthiness service uses a sophisticated modeling approach with credit ratings from all three credit rating agencies. If a downgrade results in the counterparty no longer meeting the Councils minimum criteria, its further use as a new investment will be withdrawn immediately. If required new counterparties which meet the criteria are added to the list. The Credit ratings are supplemented by use of Credit Default Swap (CDS) spreads which give an early warning of likely changes in credit ratings.

13.5 Fully Nationalised Banks in the UK have credit ratings which do not conform to the credit criteria usually used by local authorities to identify banks which are of high credit worthiness. In particular, as they are no longer separate institutions in their own right, it is impossible for Fitch to assign to them an individual rating for their stand alone financial strength. Accordingly, Fitch have assigned an F rating which means that at a historical point of time, this bank has failed and is now owned by the Government. However, these institutions are now recipients of an F1+ short term rating as they effectively take on the credit worthiness of the Government itself i.e. deposits made with them are effectively being made to the government. They also have a support rating of 1; in other words, on both counts, they have the highest rating possible.

The other situation which could arise is where the Bank hasn't been fully nationalised but receives support from the UK Government, in which case the individual rating is E i.e. the Fitch definition is "A bank which requires external support".

13.6 Investment instruments identified for use in the financial year are classified as 'Specified' and 'Non-Specified' Investments. Counterparty limits will be as set through the Council's Treasury Management Practices.

13.7 Specified Investments are sterling investments of not more than one-year maturity. These are low risk assets and the possibility of loss of principal or investment income is very low. The investments are defined as:

1. The UK Government (such as the Debt Management Office, UK Treasury Bills or a gilt with less than one year to maturity).
2. A local authority, parish council or community council.
3. An investment scheme that has been awarded a high credit rating by a credit rating agency such as Standard and Poor, Moody's or Fitch.
4. Pooled Investment Vehicles (such as Money Market Funds) that have been awarded a high credit rating by a credit rating agency.
5. A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society).

13.8 Non Specified Investments include any other type of investment (i.e. not defined as specified above). These are sterling investments with:

1. Securities admitted to the Official List of the Stock Exchange, which are guaranteed by the UK Government (such as supranational bonds).
2. Gilt edged securities with a maturity of greater than one year.
3. Institutions not meeting the basic security requirements under the specified investments.
4. A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society), for deposits with a maturity of more than one year.

At the present time, the Council has no immediate plans to invest in non specified investments, in order to maintain the high security and liquidity of Council funds.

14 TREASURY MANAGEMENT PRACTICES (TMP)

CIPFA recommend that all of the following TMPs should be adopted, with the schedules where appropriate to the scope and nature of the treasury management activities undertaken:

TMP1 Risk Management

The Deputy Chief Executive will implement and monitor all arrangements for the identification, management and control of treasury management risk, reporting at least annually on this; relevant issues include liquidity risk management, interest rate risk management, security of investments, refinancing risk management, legal and regulatory risk management, fraud error and corruption issues, market risk management.

TMP2 Best Value and Performance Measurement

Commitment to best value and performance measurement in treasury management activities.

TMP3 Decision-making and Analysis

Full records to be maintained.

TMP4 Approved Instruments, Methods and Techniques

To list the instruments, methods and techniques that the authority will use to ensure that any risks involved are fully understood and evaluated.

TMP5 Organization, clarity, segregation of responsibilities, dealing arrangements.

Clear written statements of responsibilities, and arrangements for absence cover.

TMP6 Reporting requirements and management information arrangements

As a minimum, reports to be submitted to the Executive and Council on the strategy and plan to be pursued in the coming year, and on performance in the past year.

TMP7 Budgeting, accounting and audit arrangements

To be fully documented.

TMP8 Cash and cash flow management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the Deputy Chief Executive and aggregated for cash flow and investment management purposes. Cash flow projections to be prepared on a regular and timely basis.

TMP9 Money laundering

Where appropriate, to be alert to the possibility of money laundering, and to maintain procedures for verifying and recording the identity of counterparties etc.

TMP10 Staff training and qualifications

Recognising the importance of ensuring that staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them.

TMP11 Use of external service providers

Recognising the potential value of employing external providers of treasury management services in order to access specialist skills and resources, subject to evaluation of costs and benefits and proper documentation.

TMP12 Corporate governance

Commitment to the pursuit of proper corporate governance and the key recommendations of this Code; accordingly, the treasury management function to be undertaken with openness and transparency, honesty, integrity and accountability.

A full description of each TMP is at appendix 3.

15 POLICY ON THE USE OF EXTERNAL SERVICE PROVIDERS

The Council uses Link Asset Services, as its external treasury management advisor.

The Council recognises that responsibility for treasury management remains with the organisation at all times and will ensure that undue reliance is not placed upon external service providers.

It also recognises there is value in employing external providers of treasury management services in order to acquire specialist skills and resources.

16 TREASURY MANAGEMENT STRATEGY IN-YEAR AND YEAR-END REPORTING

As well as the half-year update report to Cabinet , treasury management features, when appropriate, in revenue budget monitoring reports during the year; and the annual outturn of treasury management and indicators is reported to Cabinet as soon as practicable after the year end. In addition, in light of the revised code of practice, the Resources Overview and Scrutiny Committee was given by the Full Council, from March 2010 via addition to terms of reference, a role to monitor and review the Council's treasury management strategy and policies; and changes made to the Financial Procedures Rules include for that.

17 IMPLICATIONS

Issue	**Comments**
Financial Implications (including any future financial implications for the Council)	There are none arising directly from this report.
Legal and human rights implications	The Local Government Act 2003 (part 1) and associated regulations gave statutory recognition to the Prudential Code. Therefore there is a statutory backing to the background and local purpose of the report. Treasury Management activities of local authorities are prescribed by statute – the source of powers is, in England & Wales, the 2003 Act. 'Statutory Guidance' on investment is given by the MHCLG to local authorities.
Assessment of Risk	There are inherent risks in capital finance and treasury management. When appropriate the risks are identified and assessed as part of the various recommendations made on Prudential Capital Finance and in the Council's Treasury Management Strategy. Risks arising from Financial Instruments are also described and addressed in the Statement of Accounts' related note.
Equality and diversity implications *A Customer First Analysis should be completed in relation to policy decisions and should be attached as an appendix to the report.*	There are no specific implications for customers' equality and diversity arising directly from the recommendations in this report.

18 LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

List of Background Papers:

- Part 1 of the Local Government Act 2003 and related regulations
- The Prudential Code for Capital Finance in Local Authorities (CIPFA 2017)
- CIPFA Code of Practice on Treasury Management in Public Services (revised 2017)
- The Council's Policy Statement on Treasury Management (Full Council February 2021)
- The Councils Policy Statement on Treasury Management (Full Council February 2021)
- Capital Programme reports
- Revenue Budget reports.

19 FREEDOM OF INFORMATION

The report does not contain exempt information under the Local Government Act 1972, Schedule 12A and all information can be disclosed under the Freedom of Information Act 2000.

Appendix 1

Minimum Revenue Provision Policy Statement 2022/23

Options in statutory guidance

Option 1: Regulatory method

Under the previous MRP regulations, MRP was set at a uniform rate of 4% of the adjusted CFR (i.e. adjusted for "Adjustment A") on a reducing balance method (which in effect meant that MRP charges would stretch into infinity). This historic approach must continue for all capital expenditure incurred in years before the start of this new approach. It may also be used for new capital expenditure up to the amount which is deemed to be supported by Government through the 'SCE allocation' (supported capital expenditure).

Option 2: Capital Financing Requirement method

This is a variation on Option 1 which is based upon a charge of 4% of the aggregate CFR without any adjustment for Adjustment A, or certain other factors which were brought into account under the previous statutory MRP calculation. The CFR is the measure of an authority's outstanding debt liability as depicted by their balance sheet.

Option 3: Asset Life method.

Under this option, it is intended that MRP should be spread over the estimated useful life of either an asset created, or other purpose of the expenditure.
There are two methods of calculating charges under option 3:
a. equal instalment method – equal annual instalments;
b. annuity method – annual payments gradually increase during the life of the asset.

Option 4: Depreciation Method

Under this option, MRP charges are to be linked to the useful life of each type of asset using the standard accounting rules for depreciation (but with some exceptions) i.e. this is a more complex approach than option 3.

Appendix 2

Treasury Management Policy Statement 2022/23

Hyndburn Borough Council defines its treasury management activities as follows:-

1. The management of the authority's 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. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.