

Title of report: Treasury Management Strategy 2023/24-2026/27 and Minimum Revenue Provision Review

Meeting: Scrutiny Management Board

Meeting date: Monday 9 January 2023

Report by: Head of Strategic Finance

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

To consider and note the Treasury Management Strategy for 2023/24 to 2026/27 and Minimum Revenue Provision (MRP) Policy Review prepared by the Council's external Treasury Management advisors: Link Group.

Recommendation(s)

That:

- a) **The board is asked to note the report and supporting appendices.**

Alternative options

1. The Board could choose not to review the Treasury Management Strategy and MRP Policy but this is not recommended as the Board has a role to undertake in scrutiny in relation to Treasury Management activity and the budget planning process.

Key considerations

2. The Treasury Management Strategy for 2023/24 to 2026/27, attached at appendix A, includes the proposed borrowing and investment strategy, the council's expected minimum revenue

provision and the associated prudential indicators which demonstrate that the council's proposed capital investment budget is affordable, prudent and sustainable.

3. Minimum Revenue Provision (MRP) is the minimum amount which a Council must charge to its revenue budget each year, to set aside a provision for repaying external borrowing (loans). This is an annual revenue expense in a Council's budget and is a statutory requirement.
4. The council is required to determine a prudent level of MRP, having regard to the MRP Guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG); since renamed the Department for Levelling Up, Housing and Communities (DLUHC).
5. Whilst the Guidance suggests methods for the calculation of MRP that DLUHC consider to be prudent, it is for the council to determine a prudent repayment based on its own individual circumstances, considering the medium and long-term financial plans, current budgetary pressures, future capital expenditure plans and funding needs.
6. The MRP Policy Review, attached at appendix B, presents a review of the capital financing requirement calculation, MRP Policy provision, and capital expenditure and financing, prepared by the council's external Treasury Management advisors: Link Group as at January 2022.
7. It considers the council's current method for calculating MRP and assesses the impact of the alternative options which may be used to calculate a prudent MRP charge. It is estimated that savings of up to £6 million could be delivered through the implementation of alternative options in the method that the council uses to calculate the annual amount of MRP. The impact of the alternative approaches is noted in detail in sections 4 and 5 at Appendix B.

Community impact

8. In accordance with the adopted code of corporate governance, the council is committed to promoting a positive working culture that accepts, and encourages constructive challenge, and recognises that a culture and structure for scrutiny are key elements for accountable decision making, policy development and review. Topics selected for scrutiny should have regard to what matters to residents.

Environmental Impact

9. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
10. Whilst this document will not detail specific environmental impacts, consideration is always made to minimising waste and resource use in line with the council's Environmental Policy.

Equality duty

11. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
10. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

Resource implications

11. Contained in the report and appendices.

Legal implications

12. The Local Government Finance Act 1992 requires a council to set a balanced budget. To do this the council must prepare a budget that covers not only the expenditure but also the funding to meet the proposed budget. The budget has to be fully funded and the income from all sources must meet the expenditure.
13. Best estimates have to be employed so that all anticipated expenditure and resources are identified. If the budget includes unallocated savings or unidentified income then these have to be carefully handled to demonstrate that these do not create a deficit budget. An intention to set a deficit budget is not permitted under local government legislation.
14. Local government legislation requires the council's S151 officer to make a report to the full Council meeting when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals. This is done so that members will have authoritative advice available to them when they make their decisions.
15. The council's budget and policy framework rules require that the chairpersons of a scrutiny committee shall take steps to ensure that the relevant committee work programmes include any budget and policy framework plan or strategy, to enable scrutiny members to inform and support the process for making Cabinet proposals to Council.

Risk management

16. The council continually assesses the various investment and treasury management risks as part of routine monitoring activity and with the support of its treasury advisors: Link Group.

Consultees

17. The council's constitution states that budget consultees should include parish councils, health partners, the schools' forum, business ratepayers, council taxpayers, the trade unions, political groups on the council, the scrutiny committees and such other organisations and persons as the leader shall determine.

18. The Treasury Management Strategy informs the budget setting process and medium term financial strategy. Local budget consultation events were held in December 2032 with an online public consultation from Thursday 15 December 2022 until Tuesday 3 January 2023.

Appendices

- Appendix A Treasury Management Strategy 2023/24 to 2026/27 – to follow
- Appendix B Minimum Revenue Provision Review (Link Group) – to follow (Exempt)

Background papers

None identified.