

## **Report to the Cabinet**

**Report reference: C-034-2018/19**

**Date of meeting: 7 February 2019**



**Epping Forest  
District Council**

**Portfolio: Business Support**

**Subject: Treasury Management Strategy Statement 2019/20**

**Responsible Officer: Peter Maddock (01992 564602)**

**Democratic Services: Adrian Hendry (01992 564246)**

### **Recommendations/Decisions Required:**

**That Cabinet considers and, after amendment where necessary, recommend the following to Council for approval:**

- (a) Treasury Management Strategy Statement 2019/20;**
- (b) Minimum Revenue Provision (MRP) Strategy;**
- (c) Treasury Management Prudential Indicators for 2019/20 to 2021/22;**
- (d) The rate of interest to be applied to any inter-fund balances; and**
- (e) Treasury Management Policy Statement.**

### **Executive Summary**

The Council is required to approve the Treasury Management Strategy and Prudential Indicators and a statement on the Minimum Revenue Provision (MRP) before the start of each financial year.

The strategies will be scrutinised by the Audit and Governance Committee on 28 January 2019 and an update will be provided to Council on 21 February to cover any suggestions or proposed amendments.

### **Reasons for Proposed Decision:**

The proposed decision is necessary to ensure we comply with CIPFA Code of Practice on Treasury Management.

### **Other Options for Action:**

Members could ask for additional information about the Treasury Management Strategy, or could decide that alternative indicators are required.

## Introduction

1. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). There is a requirement for Council to approve its treasury and investment strategy and prudential indicators each year.
2. The Strategy was prepared in line with advice from our treasury advisors Arlingclose. The attached report at Appendix 1 shows the Treasury Management Strategy Statement 2019/20.
3. There have been no major changes to the strategy from the current strategy approved in February 2018. However, Members should be aware of the following:

## Minimum Revenue Provision

4. Each year the Council has to approve at Full Council its statement on the Minimum Revenue Provision (MRP). In previous years the Council has been debt free and therefore, we did not have to provide MRP in our accounts. The Council took on debt of £185.5m in 2012 and this would normally require a local authority to charge MRP to the General Fund. CLG have produced regulations to mitigate this impact, whereby we can ignore the borrowing incurred in relation to the Housing Self-financing when calculating MRP and therefore, (for MRP purposes only) we are classed as debt free and do not have to make provision for MRP. However, the Council may undertake additional borrowing before or after additional capital spending. This will require MRP in the year following and it is currently anticipated that a charge of £514,000 will be required in 2019/20 (see Appendix D).

## Inter-fund balances

5. The Council has inter-fund borrowed for many years between the General Fund and Housing Revenue Account and the interest charge made between the funds has been based on the average interest earned on investment for the year. Under regulations issued by CIPFA, it is now required that the interest rate applicable to any inter-fund borrowing should be approved by Full Council before the start of the financial year. As the Council has been undertaking inter-fund borrowing for many years, it is proposed to continue to use the average interest earned for the year on investments as the rate for any inter-fund borrowing.

## Policy Statement

6. The Treasury Management Policy Statement is a high level statement setting out how the Council's Treasury function will be undertaken. The Policy Statement was last updated as part of the 2018/19 Treasury Strategy. The Policy is attached at Appendix G for Cabinet to consider, no amendments are currently proposed.

## Current Investments

7. The Council's investments are all denominated in UK sterling and the treasury officers receive regular information from our treasury advisors on the latest position on the use of Counterparties.

8. The latest information supplied is as follows:

**UK Banks and building societies:**

- (i) A maximum maturity limit of between 100 days and 6 months is now applicable;
- (ii) A maximum maturity limit of 6 months to Santander UK, Bank of Scotland, Lloyds TSB, HSBC Bank plc, Handelsbanken, Standard Chartered, Nationwide Building Society, Coventry Building Society and Close Brothers;
- (iii) A maximum maturity limit of 100 days applies to Barclays plc, Goldman Sachs, Royal Bank of Scotland Group and most building societies

**European Banks:**

- (i) A maximum maturity limit of 6 months applies to all European banks on our list;

**Non European Banks:**

- (i) A maximum maturity limit of 6 months applies to Australian and Canadian banks that are on our list.

**Money Market Funds:**

- (i) A maximum exposure limit of £5m per MMF.

9. As at 31 December the Council had an investment portfolio of £20.7m, this will vary from day to day, depending on the cash flow of the authority. A breakdown of this portfolio by Country and length of time remaining on investments are shown in the two tables below.

<b>Country of counterparty</b>	<b>£m</b>
United Kingdom	18.2
Luxembourg	2.5
<b>Total</b>	<b>20.7</b>
<b>Current maturity profile of investments</b>	<b>£m</b>
Overnight (Call / Money Market Fund)	6.7
Up to 7 days	5.0
7 days to 1 month	3.0
1 month to 3 months	6.0
3 months and above	0.0
<b>Total</b>	<b>20.7</b>

**Resource Implications:**

Interest rates have continued to be low, and whilst there are restrictions on counterparties and investments have been short term the Council has held more surplus cash during the year than expected which has increased the estimated interest income for 2018/19. Interest earnings for 2019/20 will reduce as balances are invested in capital projects rather than

short term deposits. No significant change in interest rates is anticipated over the medium term.

**Legal and Governance Implications:**

The Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2009/10 or since);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the ODPM (now DCLG) has issued Investment Guidance to structure and regulate the Council's investment activities.

Under section 21(1) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8 November 2007.

**Safer, Cleaner and Greener Implications:**

None.

**Consultation Undertaken:**

The Council's external treasury advisors provided the framework for this report and have confirmed that the content satisfies all regulatory requirements.

**Background Papers:**

None.

**Risk Management:**

As detailed in the appendices, a risk aware position is adopted to minimise the chance of any loss of the capital invested by the Council.

## Equality Impact Assessment

1. Under s.149 of the Equality Act 2010, when making decisions, Epping District Council must have regard to the Public Sector Equality Duty, i.e. have due regard to:
  - eliminating unlawful discrimination, harassment and victimisation, and other conduct prohibited by the Act,
  - advancing equality of opportunity between people who share a protected characteristic and those who do not,
  - fostering good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.
2. The characteristics protected by the Equality Act are:
  - age
  - disability
  - gender
  - gender reassignment
  - marriage/civil partnership
  - pregnancy/maternity
  - race
  - religion/belief
  - sexual orientation.
3. In addition to the above protected characteristics you should consider the cross-cutting elements of the proposed policy, namely the social, economic and environmental impact (including rurality) as part of this assessment. These cross-cutting elements are not a characteristic protected by law but are regarded as good practice to include.
4. The Equality Impact Assessment (EqIA) document should be used as a tool to test and analyse the nature and impact of either what we do or are planning to do in the future. It can be used flexibly for reviewing existing arrangements but in particular should enable identification where further consultation, engagement and data is required.
5. Use the questions in this document to record your findings. This should include the nature and extent of the impact on those likely to be affected by the proposed policy or change.
6. Where this EqIA relates to a continuing project, it must be reviewed and updated at each stage of the decision.
7. **All Cabinet, Council, and Portfolio Holder reports must be accompanied by an EqIA.** An EqIA should also be completed/reviewed at key stages of projects.
8. To assist you in completing this report, please ensure you read the guidance notes in the Equality Analysis Toolkit and refer to the following Factsheets:
  - Factsheet 1: Equality Profile of the Epping Forest District

- Factsheet 2: Sources of information about equality protected characteristics
- Factsheet 3: Glossary of equality related terms
- Factsheet 4: Common misunderstandings about the Equality Duty
- Factsheet 5: Frequently asked questions
- Factsheet 6: Reporting equality analysis to a committee or other decision making body

## Section 1: Identifying details

Your function, service area and team: **Treasury Management, Finance, Resources**

If you are submitting this EqlA on behalf of another function, service area or team, specify the originating function, service area or team: **N/A**

Title of policy or decision: **Treasury Management Strategy Statement**

Officer completing the EqlA: **Tel: 01992 564387 Email: jbell@eppingforestdc.gov.uk**

Date of completing the assessment: **18 January 2019**

## Section 2: Policy to be analysed

2.1	Is this a new policy (or decision) or a change to an existing policy, practice or project? <b>Update to existing policy.</b>
2.2	Describe the main aims, objectives and purpose of the policy (or decision):  <b>This report sets out the parameters for the prudent and efficient management of the Council's treasury management activities.</b>  What outcome(s) are you hoping to achieve (i.e. decommissioning or commissioning a service)?  <b>Provision of an effective and efficient treasury management service.</b>
2.3	Does or will the policy or decision affect: <ul style="list-style-type: none"> <li>• service users</li> <li>• employees</li> <li>• the wider community or groups of people, particularly where there are areas of known inequalities?</li> </ul> <b>No</b>  Will the policy or decision influence how organisations operate? <b>No</b>

2.4	Will the policy or decision involve substantial changes in resources? <b>No</b>
2.5	Is this policy or decision associated with any of the Council's other policies and how, if applicable, does the proposed policy support corporate outcomes?  <b>The annual Treasury Management Strategy Statement is required as part of the overall budget process.</b>

### Section 3: Evidence/data about the user population and consultation<sup>1</sup>

As a minimum you must consider what is known about the population likely to be affected which will support your understanding of the impact of the policy, e.g. service uptake/usage, customer satisfaction surveys, staffing data, performance data, research information (national, regional and local data sources).

3.1	What does the information tell you about those groups identified? <b>N/A – the recommendations do not lead to any changes in service provision to the public.</b>
3.2	Have you consulted or involved those groups that are likely to be affected by the policy or decision you want to implement? If so, what were their views and how have their views influenced your decision? <b>N/A – see above.</b>
3.3	If you have not consulted or engaged with communities that are likely to be affected by the policy or decision, give details about when you intend to carry out consultation or provide reasons for why you feel this is not necessary: <b>N/A – see above.</b>

### Section 4: Impact of policy or decision

Use this section to assess any potential impact on equality groups based on what you now know.

Description of impact	Nature of impact Positive, neutral, adverse (explain why)	Extent of impact Low, medium, high (use L, M or H)
Age	<b>Neutral. This report sets out the parameters for treasury management. There will be no change in service delivery to the public and so no impact arises.</b>	Low

Disability	<b>Neutral for the reasons given above.</b>	Low
Gender	<b>Neutral for the reasons given above.</b>	Low
Gender reassignment	<b>Neutral for the reasons given above.</b>	Low
Marriage/civil partnership	<b>Neutral for the reasons given above.</b>	Low
Pregnancy/maternity	<b>Neutral for the reasons given above.</b>	Low
Race	<b>Neutral for the reasons given above.</b>	Low
Religion/belief	<b>Neutral for the reasons given above.</b>	Low
Sexual orientation	<b>Neutral for the reasons given above.</b>	Low

## Section 5: Conclusion

		Tick Yes/No as appropriate	
5.1	Does the EqIA in Section 4 indicate that the policy or decision would have a medium or high adverse impact on one or more equality groups?	No <input checked="" type="checkbox"/>	The Treasury Management Strategy Statement does not impact on the delivery of any services to the public.
		Yes <input type="checkbox"/>	If 'YES', use the action plan at <b>Section 6</b> to describe the adverse impacts and what mitigating actions you could put in place.

## Section 6: Action plan to address and monitor adverse impacts

What are the potential adverse impacts?	What are the mitigating actions?	Date they will be achieved.
N/A	N/A	N/A



## **Section 7: Sign off**

**I confirm that this initial analysis has been completed appropriately.  
(A typed signature is sufficient.)**

Signature of Head of Service: Peter Maddock

Date: 18/01/19

Signature of person completing the EqlA: John Bell

Date: 18/01/19

### **Advice**

Keep your director informed of all equality & diversity issues. We recommend that you forward a copy of every EqlA you undertake to the director responsible for the service area. Retain a copy of this EqlA for your records. If this EqlA relates to a continuing project, ensure this document is kept under review and updated, e.g. after a consultation has been undertaken.