

RECORD OF DECISION MADE UNDER DELEGATED AUTHORITY

*PART 1 – PUBLIC DOCUMENT

Any interest to declare/ or conflict and any dispensation granted [*if applicable*]

SERVICE DIRECTORATE: Resources

1. DECISION TAKEN

1.1 To approve the temporary change to the Investment Strategy to remove the limit on the balance that can be held in the Council's current account. This will be subject to review to reinstate the limit on (at least) a monthly basis by the Executive Member for Finance and IT and Chair of Finance. Audit and Risk Committee, in consultation with the Service Director: Resources.

1.2 To note that the limit has already been breached on a number of occasions between late March and now.

2. DECISION TAKER

David Scholes, Chief Executive in consultation with the Leader of the Council

3. DATE DECISION TAKEN:

9th April 2020

4. REASON FOR DECISION

In responding to Covid-19 the Council have received significant up-front grant funding and will also be required to make payments out at short notice (e.g. small business grants). There will also be greater uncertainty over the amount and timing of income that the Council will receive. To ensure that the Council has sufficient cash available, this decision is to agree a change to the Investment Strategy to remove the limit on the balance held in the Council's current account.

5. ALTERNATIVE OPTIONS CONSIDERED

To risk not having sufficient cash to pay staff, suppliers and make grant payments (especially small business grants).

6. CONSULTATION (INCLUDING THE EFFECT ON STAKEHOLDERS, PARTNERS AND THE PUBLIC)

Finance, Audit and Risk Committee were verbally informed at their meeting on 16th March that there was a risk of needing to breach the limit on the current account. The Committee understood the reasons for this. At the time it was not felt necessary to seek a formal change to the strategy but as the situation has developed it has become clear that this is the most practical way of managing the situation.

7. FORWARD PLAN

7.1 This decision is not a key Executive decision and has therefore not been referred to in the Forward Plan.

8. BACKGROUND/ RELEVANT CONSIDERATIONS

- 8.1. *The Treasury Strategy for 2020/21 (applicable from 1st April 2020) was approved by Council in February 2020. The Treasury Strategy for 2019/20 (applicable up to 31st March 2020) was approved by Council in February 2019.*
- 8.2 *The Council's Investment Strategy (for 2019/20 and 2020/21) details that the balance held in the Council's current account (held with Lloyds) should be kept below £5m. This limit (along with other limits in the Strategy) are put in place to manage the risk of security of funds through diversification. In normal situations, Officers are able to reliably estimate the likely cash inflows and outflows (and with the exception of unexpected receipts) will be able to adhere to the £5m limit.*
- 8.3 *The impacts of Covid-19 are that the Council has received a number of grants, some of which have been at short notice. The Small Business Grants will need to be paid out again as quickly as possible, but the exact timing of this is dependent on updates to the Business Rates software and the receipt of payment details from businesses. The other significant grants relate to Business Rate reliefs and Council Tax hardship which will need to be managed through the Collection Fund. The Council has received a high number of calls from residents seeking to defer payment of their Council Tax. The Council will still need to have sufficient funding to make precept payments to Hertfordshire County Council and the Police and Crime Commissioner.*
- 8.4 *The Council is also experiencing reductions in service income and increases in service costs and is expecting to see more. Immediate examples have included reduced parking income and the loss of income from the Town Hall.*
- 8.5 *The Cabinet Office have issued Procurement Policy Note 02/2020. This advises that Councils should pay their suppliers as quickly as possible and also continue to pay at normal amounts even if the level of service being provided has reduced.*
- 8.6 *Where Officers identify significant amounts of cash that are known not to be needed for a reasonable period (e.g. 1 week or more) then these are being placed with the Central Government Debt Management Office. However, it is not practical to do this for all amounts above £5m. In normal times the Council could borrow from the Public Works Loan Board if it were to have a short-term cashflow need. Currently the minimum loan offered by the PWLB is for one year, so that is not a practical option. The availability of borrowing from banks and other Local Authorities is also very limited. As a result of all the above the balance in the current account has been (and is expected to continue to be) above £5m. Therefore, Council are asked to note the previous breaches, and are asked to approve the removal of the limit going forward.*
- 8.7 *The decision does not propose an end date to this change due to the uncertainty as to how the current situation will end, and the transition to 'Business as Usual'. It is the absolute intention that the balance will be returned to normal as soon as is considered practical. The position on the Investment Strategy will continue to be reported to Finance, Audit and Risk Committee and Cabinet on a quarterly basis (or as practical in the current situation).*

9. LEGAL IMPLICATIONS

- 9.1 *Under paragraph 4.41(cc) of the Constitution, Full Council approves the Treasury Management Strategy. The Chief Executive has the ability to make urgent decisions in, for example, emergency situation such as the current covid-19 pandemic, as per 14.6.5(a)(iv) of the Constitution, in consultation with the Leader of Council [In cases of emergency or urgency (where possible in consultation with the Leader of the Council) to carry out any Council or Executive function, power or duty].*

9.2 *The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services and the Statutory Guidance on Local Government Investments requires that the Investment/ Treasury Strategy is approved by Council each year. This approval was provided at the meeting of Council on 6th February 2020 for 2020/21, and on 7th February 2019 for 2019/20. The Statutory Guidance states that “material changes” to the Strategy should go back to Full Council for approval. Given the breadth of coverage of the Strategy and that this change is only intended to be short-term, it is considered that under legislation this is not a “material change”. In normal circumstances the change would still be approved by Full Council, but given the current situation there is a need to use delegated urgency powers to make this change (as per Constitution 14.6.5 (a) (iv)).*

10. FINANCIAL IMPLICATIONS

10.1 *These are detailed in the body of the decision.*

11. RISK IMPLICATIONS

11.1. *It is considered that the risk of not being able to make payments on time due to not having sufficient cash is greater than the risk of having too much money in the current account. The risk of having too much money in the current account is that the Council is not as diversified as it would usually be. The impact of this risk would only come to fruition if Lloyds Bank was unable to keep trading. Even in that unlikely event, then (especially in the current situation) it would be expected that there would be some form of bail-out from Central Government.*

12. EQUALITIES IMPLICATIONS

12.1 *In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.*

12.2. *There are no equalities implications arising directly from this decision. Equalities implications will be considered where they are relevant in relation to any spend that is incurred.*

13. SOCIAL VALUE IMPLICATIONS

13.1 *The Social Value Act and “go local” policy do not apply to this decision.*

14. HUMAN RESOURCE IMPLICATIONS

14.1 *No human resources impacts arising from this decision.*

15. BACKGROUND PAPERS

15.1. *Investment Strategy 2020/21, Council, 6th February 2020*

15.2. *Investment Strategy 2019/20, Council, 7th February 2019*

16. APPENDICES

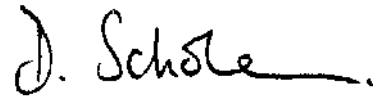
None

NOTIFICATION DATE

Date sent to all Members, put on website and appears in MIS – Thursday 9th April 2020

Signature of Executive Member Consulted ...Non-Executive decision

DateN/a.....

A handwritten signature in black ink that reads "J. Schöle" followed by a horizontal flourish.

Signature of Decision Taker ...

Non-Executive decision so call-in does not apply.