



Essex Police, Fire and Crime Commissioner Fire and Rescue Authority

Decision Report

Please ensure all sections below are completed

Report reference number: 037-21

Government security classification Official – not protectively marked

Title of report: ECFRS – Treasury Management Strategy 2021-2022

Area of county / stakeholders affected: Countywide

Report by : Austin Page – Financial Accounting and Compliance Manager

Date of report: 23 July 2021

Enquiries to: Neil Cross (Chief Financial Officer)

1. Purpose of the report

Approval is sought of the Treasury Management Strategy 2021-2022.

2. Recommendations

It is recommended that the Essex Police, Fire and Crime Commissioner approves the Treasury Management Strategy 2021-22 which reflects:

- That the Authority has a current level of investments of £12m. The level of investments starts to reduce in 2022/23 to £3.1m and will further reduce to £0.8m by 2024/25. The reduction in investments is a result of the cashflow impact from a reduction in the level of General, Earmarked and Capital Receipts Reserve
- That the Authority is not expected to borrow in the next four years
- That Loans of £24.5m are held against an approved limit of £40m of debt. The Authority is unable to repay loans early without significant penalties

The investment strategy recommendation is to maintain an investment portfolio of high credit quality investments with a liquid maturity profile.

The authority currently invests in Money Market Funds (MMFs) and it is recommended that the following guidelines are adopted given the changing economic climate:

- Investment exposure of no more than 0.5% of the total MMF (if a government MMF then this can be 2%).
- Investment exposure is diversified, as far as practical, over multiple MMF's, with a maximum of £3m being invested in a specific fund.
- Overall exposure to MMF's as a whole is limited to 50% of total investments held at any time.

The authority investment does not currently meet these guidelines and therefore it is recommended to have adjusted the MMF investments to be in line with this guidance no later than 30 September 2021.

Despite no level of borrowing being expected, it is important that cashflow is closely monitored given that the level of investments is expected to fall. It is recommended that:

- Quarterly cash flow reporting is introduced through the Performance and Resources Board, as part of the Financial Pack.
- This will also include reporting on the key treasury management indicators.

3. Benefits of the proposal

- Fulfil the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code
- Allow for the effective management of the Authority's cash flows, borrowing and investments, and the associated risks

4. Background and proposal

Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

The Authority has engaged with Arlingclose, treasury management advisors, to provide support in producing this strategy. All decisions relating to treasury management are the responsibility of the Authority.

The Authority is included within a joint collaborative procurement with Essex Police to tender for collaborative treasury management advice in future years.

5. Alternative options considered and rejected

Alternative investment strategies are considered in the Treasury Management strategy:

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shortertimes	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater

Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however, long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

6. Strategic priorities

The Treasury Management Strategy is an important part of the Authority's overall strategic financial planning, as it helps to inform and support delivery of the Medium-Term Financial Strategy. Adopting a Treasury Management Strategy will deliver on the priorities in the Fire and Rescue Plan, which includes making the best use of our resources and ensures we are transparent with our cashflow, borrowing and investments.

7. Operational implications

The Treasury Management Strategy sets out the operational limits on borrowing and investments. It also gives guidance on approved counterparties and sets out prudential indicators which allows the Authority to benchmark its performance.

8. Financial implications

As 31 March 2021, the Authority held loans of £24.5m and investments of £12m. The Strategy minimises the Authority's exposure to financial risk, such as credit loss, and ensures sufficient cash is held to meet its commitments.

The Authority receives interest in respect of the investments that it can make in accordance with the guidelines set out in the Treasury Management Strategy. The amount of interest is expected to remain low in 2021-22, given the expectation around Bank Base rates

9. Legal implications

Ministry of Housing, Communities and Local Government (MHCLG) guidance under the Local Government Act 2003 requires local authorities to have regard to the CIPFA Code.

10. Staffing implications

There are no direct staffing implications arising from this decision.

11. Equality and Diversity implications

This decision will not have a differential impact on any of the following protected groups as defined within the Equality Act 2010:-

<i>Race</i>		<i>Religion or belief</i>	
<i>Sex</i>		<i>Gender reassignment</i>	
<i>Age</i>		<i>Pregnancy & maternity</i>	
<i>Disability</i>		<i>Marriage and Civil Partnership</i>	
<i>Sexual orientation</i>			

12. Risks

A Treasury Management Strategy is an important control measure in ensuring medium-term financial strategies are affordable and sustainable. It will enable the service to manage a reasonable level of unexpected financial pressures that may arise. It will also ensure that the service is able to continue with innovation and transformational improvement whilst at the same time ensuring that expenditure is not withheld unnecessarily.

Making investments in the Authority's own name means that the Authority bears the risk of any counter party failure. This risk will be managed in accordance with the Treasury Management Strategy.

13. Governance Boards

Service Leadership Team – 11 May 2021
PFCC Strategic Board – 15 June 2021

14. Background papers

Appendix 1 – Treasury Management Strategy.

Decision Process (037-21)

Step 1A - Chief Fire Officer Comments

(The Chief Fire Officer is asked in their capacity as the Head of Paid Service to comment on the proposal.)

.....I support this recommendation

Sign:  Date:.....26/7/21.....

Step 1B – Consultation with representative bodies

(The Chief Fire Officer is to set out the consultation that has been undertaken with the representative bodies)

...N/A.....

Step 2 - Statutory Officer Review

The report will be reviewed by the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority’s (“the Commissioner’s”) Monitoring Officer and Chief Finance Officer prior to review and sign off by the Commissioner or their Deputy.

Monitoring Officer

Sign: 

Print: ..Darren Horsman ..Deputy.MO

Date: . 27.7.2021

Chief Finance Officer

Sign: 

Print:Neil Cross.....

Date: . . . 26/7/21

Step 3 - Publication

Is the report for publication? YES

The Treasury Management Strategy will be published on the ECFRS Website.

If 'NO', please give reasons for non-publication *(Where relevant, cite the security classification of the document(s). State 'none' if applicable)*

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If the report is not for publication, the Monitoring Officer will decide if and how the public can be informed of the decision.

Step 4 - Redaction

If the report is for publication, is redaction required:

- | | | |
|---|-------------------|----|
| 1 | Of Decision Sheet | NO |
| 2 | Of Appendix | NO |

If 'YES', please provide details of required redaction:

.....
.....

Date redaction carried out:

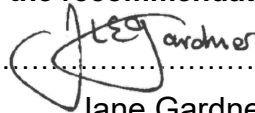
If redaction is required, the Chief Finance Officer or the Monitoring Officer are to sign off that redaction has been completed.

Sign: Print:

Date signed:

Step 5 - Decision by the Police, Fire and Crime Commissioner or Deputy Police, Fire and Crime Commissioner

I agree the recommendations to this report:

Sign:  (~~PFCC~~ / DPFCC)

Print: Jane Gardner Date signed: 9 August 2021