

Decision by Portfolio Holder



Report reference: FIN-001-2017/18

Date of report: 18 December 2017

**Epping Forest
District Council**

Portfolio: Finance

Author: J Whittaker (Ext 4603)

Democratic Services: J Leither

Subject: Treasury Management Advice

Decision:

- 1) To waive the Procurement Rules relating to the Total Contract Value (TCV) in Appendix 1 (Contracts exceeding £50,001 and Minimum No. of Tenders) and;
- 2) To negotiate and enter into a new contract for Treasury Management Advice with Arlingclose Ltd.

ADVISORY NOTICE:

*A Portfolio Holder may not take a decision on a matter on which he/she has declared a Pecuniary interest.
A Portfolio Holder with a non-pecuniary interest must declare that interest when exercising delegated powers.*

I have read and approve/~~do not approve~~ (delete as appropriate) the above decision:

Comments/further action required:

Signed: Cllr G Mohindra

Date: 21st December 2017

Non-pecuniary interest declared by Portfolio Holder/ conflict of non-pecuniary interest declared by any other consulted Cabinet Member:

N/A

*Dispensation granted by Standards Committee:
Yes/No or n/a*

N/A

Office use only:

Call-in period begins: 5th January 2018

Expiry of Call-in period: 11th January 2018

***After completion, one copy of this pro forma should be returned to
Democratic Services IMMEDIATELY***

Reason for decision:

The TCV of the proposed contract falls within Category 2 of the Procurement Rules Appendix 1 and requires the Council to obtain a minimum of three tenders. However, since the consolidation in the market, there are only two suppliers to fully comply with our requirements.

The other main supplier in the market, Capita, did not bid the last time the Council went out for competitive tenders. The tender document required a series of disclosures to aid transparency and Capita did not want to provide this information.

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With the expectation that Capita would again decline to tender, the Council believe that no demonstrable material benefit will be obtained from inviting competitive tenders as per Section 19.2 of the Procurement Rules Policy Documentation. Therefore it is appropriate to negotiate a contract with the current supplier.

Options considered and rejected:

A procurement exercise could be run for the Treasury Management Advice for the two main suppliers in the market, Capita and Arlingclose. This is not recommended as the Council believe there will not be a material benefit to this process and would create unnecessary costs and delays.

Another option would be to not award the contract to Arlingclose. This would not be recommended as the 2017-18 Mid-Term Treasury report highlights the Council's borrowings (as at 30.9.2017) to be in excess of £185.5 million with further short-term borrowing expected in the near future. The Council's current investments at this date total £30.1 million. Therefore, external advice is necessary to ensure the optimum management of both borrowing and investments.

With the above in mind, if the decision was made not to award the contract to Arlingclose the Council could recruit a Treasury and Debt Management Advisor and have this specialism in-house. This again is not recommended for a number of reasons including:

- The pool of specialists working for an external company would be more beneficial to the Council than having a single employee working on the large portfolio.
- The salary, including on-costs, for the time period of the contract is expected to be higher than the contract price paid to Arlingclose.
- Further costs to the Council, including advisory services, would still be incurred.

Background Report:

1. The Council's ability to remain debt free was ended with the imposition of self-financing for the Housing Revenue Account and the requirement to take on £186 million of borrowing.
2. The current debt portfolio of £186 million needs active management and the consideration of opportunities to re-schedule or re-finance loans within the overall portfolio. Current and future investments including the Langston Road Retail Park, the Council's Housebuilding Programme and loans to Biffa and Places for People has meant there is an expectation of short-term borrowing in the near future.
3. There is volatility in interest rates and gilt yields due to a number of recent domestic and geopolitical events. The state of the UK market after the EU referendum hinges on the progress of the Brexit negotiations; whilst the tensions between the US and North Korea has wiped off nearly \$1 trillion from the global equity markets.
4. 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 risk are therefore central to the Authority's treasury management strategy. At this time it is crucial to have reliable advice readily available. Both officers and Members have previously expressed satisfaction with the service provided by Arlingclose.
5. As the contract price exceeds £50,001 and falls within Category 2 the policy requires a minimum of three contractors to be invited to tender. As with the previous tendering process of this contract in 2015 and 2012, the consolidation in the market has meant that there would be difficulty in meeting the relevant Procurement Rules set out in the Tendering Requirements (previously Contract Standing Orders C6 and C7).

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6. For the reason set out above it is evident that no demonstrable benefit will be obtained from inviting competitive tenders. Therefore it is appropriate to negotiate and enter into a new contract with Arlingclose.

Resource Implications: The annual cost of the Treasury Management Advice is less than £30,000 and it is intended to enter into a three year contract.

Legal and Governance Implications: The decision involves a waiver of the Procurement Rules, which normally requires a minimum of three contactors to be invited to tender where the Total Contract Value is between £50,001- £250,000.

Safer, Cleaner and Greener Implications: None

Consultation Undertaken: Not applicable

Background Papers: 2017/18 Mid-Term Treasury Report

Impact Assessments:

Risk Management:

The Council currently hold a borrowing and investment portfolio maintained using the advice of external contractors for Treasury Management. If a decision was made to change advisers or do without advice it would leave the Council with a significant risk of financial loss.

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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

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Section 1: Identifying details

Your function, service area and team: **Finance**

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 Advice**

Officer completing the EqlA: **Tel: 01992 564603 Email:jwhittaker@eppingforestdc.gov.uk**

Date of completing the assessment: **8 December 2017**

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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? No
2.2	<p>Describe the main aims, objectives and purpose of the policy (or decision):</p> <p>This report summarises the Council's requirements for Treasury Management Advice.</p> <p>What outcome(s) are you hoping to achieve (i.e. decommissioning or commissioning a service)?</p> <p>The aim for this report is to waive Procurement Rules relating to Total Contract Value and enter into negotiations with Arlingclose for Treasury Management Advice.</p>
2.3	<p>Does or will the policy or decision affect:</p> <ul style="list-style-type: none">• service users• employees• the wider community or groups of people, particularly where there are areas of known inequalities? <p>No</p> <p>Will the policy or decision influence how organisations operate?</p> <p>No</p>
2.4	Will the policy or decision involve substantial changes in resources? No
2.5	<p>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?</p> <p>The Council are currently in a contract for Treasury Management Advice which ends in 2018. This decision will follow the conclusion of the current contract and will support the Council's corporate aims by managing the borrowing and investment portfolio.</p>

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Section 3: Evidence/data about the user population and consultation¹

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? N/A – the recommendations do not lead to any changes in service provision to the public.
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? N/A – see above.
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: N/A – see above.

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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	Neutral. This report summarises the need for treasury management advice. There will be no change in service delivery to the public and so no impact arises.	Low
Disability	Neutral for the reasons given above.	Low
Gender	Neutral for the reasons given above.	Low
Gender reassignment	Neutral for the reasons given above.	Low
Marriage/civil partnership	Neutral for the reasons given above.	Low
Pregnancy/maternity	Neutral for the reasons given above.	Low
Race	Neutral for the reasons given above.	Low
Religion/belief	Neutral for the reasons given above.	Low
Sexual orientation	Neutral for the reasons given above.	Low

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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 negotiation of the Treasury Management contract does not impact on the delivery of any services to the public.
		Yes <input type="checkbox"/>	If 'YES', use the action plan at Section 6 to describe the adverse impacts and what mitigating actions you could put in place.

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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

**Initialed as original copy by
Portfolio Holder:**

Section 7: Sign off

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

Signature of Head of Service: Bob Palmer

Date: 13/12/17

Signature of person completing the EqIA: James Whittaker

Date: 08/12/17

Advice

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