Public Document Pack

HALTON BOROUGH COUNCIL

Executive Board Sub Committee

Thursday, 9 September 2010 10.00 a.m.
Marketing Suite, Municipal Building

David W R

Chief Executive

ITEMS TO BE DEALT WITH
IN THE PRESENCE OF THE PRESS AND PUBLIC

PART 1

Please contact Gill Ferguson on 0151 471 7395 or e-mail gill.ferguson@halton.gov.uk for further information.

The next meeting of the Committee is on Thursday, 23 September 2010

In accordance with the Health and Safety at Work Act the Council is required to notify those attending meetings of the fire evacuation procedures. A copy has previously been circulated to Members and instructions are located in all rooms within the Civic block.

Agenda Item 3a

REPORT TO:	Executive Board Sub Committee
DATE:	9th September 2010
REPORTING OFFICER:	Strategic Director Environment & Economy
SUBJECT:	Applications for Twinning Grant
WARDS:	Norton South & Halton View

1.0 PURPOSE OF THE REPORT

1.1 The purpose of this report is to give details of two applications being made to the Town Twinning Grant Fund.

2.0 RECOMMENDATION:

(1) That a grant of £1000 be awarded to St Martin's Catholic Primary School to visit the school of the Anhui Province in Tongling.

(2) That a grant of £1000 be awarded to Warrington Road Nursery School to visit the school of the Anhui Province in Tongling.

3.0 SUPPORTING INFORMATION

3.1 In April 1996, Halton Borough Council set up a Grant Fund to assist in enabling all members of the community to access and gain benefit from the Council's International Links.

3.2 Since 1996, a number of groups have accessed the fund to undertake exchange visits to Marzahn-Hellersdorf in Germany; Leiria in Portugal; Usti-nad-Labem in the Czech Republic; and Tongling City in China, including the Halton Swimming Team; Halton Youth Service; PHAB; St. Chad's School, and Fairfield High School who have previously hosted teachers and pupils from Tongling. These links have resulted in a number of reciprocal visits from each town.

3.3 Participants in previous exchanges have found that the benefits of learning about another culture and language are immense. A wide range of activity in the Borough has been facilitated by the provision of grant aid and has given an opportunity to those who would not otherwise be able to participate.

3.4 Two applications for the Town Twinning Grant scheme have been received; one from St Martin's Catholic Primary School on behalf of their school, St Bede's Junior School and St John Fishers Primary

School; the other from Warrington Road Nursery School on behalf of their school, Lunt's Heath Primary School and Simms Cross Primary School. Each group consist of three head teachers who wish to visit the school of the Anhui Province in Tongling.

3.5 The visit will provide an opportunity to continue the educational twinning project which began five years ago. The groups has been invited to Tongling to continue the primary education twinning programme, including sharing of practice in the support services particularly in primary years.

3.6 Each application has identified a total cost of £4,920 to allow 3 head teachers to participate in the visit. This total is broken down as follows:

- Travel costs of £890 per person x 3 which totals £2,670
- Travel costs and subsistence en route of £200 per person x 3 which totals £600
- Accommodation costs of £400 per person x 3 which totals £1,200
- Insurance costs of £40 per person x 3 which totals £120
- Entrance fees to local attractions of £80 per person x 3 which totals £240
- Other costs (cost of taxi) of £30 per person x 3 which totals £90

3.7 The head teachers will also be using their own funds to contribute to the trip.

4.0 POLICY IMPLICATIONS

4.1 The application is in line with the Borough's European Strategy, in particular the promotion of international links, which seeks to offer the opportunity to participate to the whole population of Halton.

4.2 The application will also make a major contribution to Halton's Strategic Priority of supporting Children and Young People in Halton.

5.0 OTHER IMPLICATIONS

5.1 In reaching a decision concerning the level of grant to be awarded, Members are requested to note that the twinning grant budget is usually oversubscribed. Also, after the reduction in European funding in 2006 the Council is placing emphasis on developing economic (transnational), as well as cultural and social twinning links, and as a result, there will be added pressure on the budget in this financial year.

5.2 Members are also advised that the guidance given to applicants is that any grant awarded will be dependant upon the location visited. Grants normally support up to a maximum 50% of the total costs of the project.

5.3 Warrington Road Nursery School has previously had grants in 2003, 2005 and 2008; however, St Martin's Primary School has not previously submitted an application form.

5.4 The maximum grant that a group can be awarded each financial year is dependant upon the location visited.

5.5 The financial implications on the grant budget so far for the 2010/2011 budget is:

Total Budget for 2010/2011	£11,890
Spent to date	£2,000
Total of this application request	£2,000
Remaining Balance	£7,890

Our advice is that these applications be approved as they can be accommodated within the current budget.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 **Children and Young People in Halton**

Teachers who have taken part in previous town twinning exchanges have found that the benefits to pupils of learning about another culture and language are immense.

7.0 RISK ANALYSIS

7.1 Measures are in place to minimise risks to the delivery of the project. For example, as part of the terms and conditions of grant, applicants are required to complete a risk assessment proforma

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 The project focuses on promoting the Council's priorities in Children & Young People in Halton.

9.0 IMPLEMENTATION DATE

9.1 The trip will take place between 9th and 20th October 2010.

10.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

None under the meaning of the Act.

Agenda Item 3b

REPORT TO: Executive Board Sub-Committee

DATE: 9th September 2010

REPORTING OFFICER: Strategic Director, Environment and Economy

SUBJECT: Potential project for European LIFE funding

WARDS: Borough-wide

1.0 PURPOSE OF THE REPORT

1.1 A call for funding applications by the European Union was announced during May 2010 under the LIFE+ Nature and Biodiversity heading. Some initial preparatory work through a partnership approach identified a potential project addressing the long term management of the Upper Mersey Estuary using an ecosystem services approach. This has resonance with the Mersey Gateway environmental mitigation scheme and with other environmental initiatives connected to the estuary. As the submission date for the application occurred between Executive Board Sub-committee meetings, a briefing note was circulated to the chair and vice-chair of the Sub-committee in early August. This report details the progress that has been made to date since then and seeks approval to proceed with developing the application.

2.0 RECOMMENDED: That

(1) **Members approve the partnership approach taken to progress a LIFE funding application for the long term management of the Upper Mersey Estuary.**

(2) **Officer time within Environment & Economy continues to develop the concept and to secure external funding sources to potentially draw down 500,000 €.**

(3) **The Strategic Director, Environment and Economy, be authorised to take all the necessary actions to progress the preparatory work into a successful application.**

3.0 SUPPORTING INFORMATION

3.1 LIFE+ Nature and Biodiversity is a European funding programme aimed at delivering the requirements of the Habitats Directive designed to halt the loss of biodiversity in the member states. As such, it is quite a specific source of funding with very specific guidelines. However, previous work on the Mersey Estuary for the Mersey Gateway public inquiry and the Biodiversity seminar in December 2009; the current Artery of Life project; ongoing research work with the University of

Salford and Wild About Halton projects has given a head start in drawing up a proposal.

3.2 The proposal is for a demonstration project to develop an ecosystem services approach to the long term management of the Upper Mersey Estuary (UME), with a number of conservation actions on the ground, including an improvement to 171 hectares of saltmarsh and reedbed. The chosen location is highly suited to the LIFE criteria, as it is adjacent to the already European-designated Mersey Estuary Special Protection Area (SPA) and links the urban centres of Warrington, Widnes and Runcorn. There are significant pressures on the UME including climate change, flooding and population growth, and the need for conservation as part of the North West Inland Fisheries Conservation Authority (NW IFCA) which comes into being from April 2011. As such, the area could be managed to provide significant ecosystem services and benefits in terms of biodiversity, carbon storage, sea defence, flood protection, leisure, recreation and tourism. These issues bring in other interested parties and an initial partnership has emerged including the Environment Agency, Forestry Commission, Warrington Borough Council and Cheshire Wildlife Trust. There is also scope to bring in private landowners who own large areas of land in the project area, such as Fiddlers Ferry, INEOS and Peel Holdings.

3.3 The vision is to facilitate the creation of a biodiverse rich area and demonstrate how such management delivers enhanced ecosystem services above the current baseline. A map of the proposed area is in Appendix 1.

3.4 The proposal offers a number of advantages:

a. If the LIFE+ bid is successful, up to 50% of funding will come from Europe and will bring in at least 500,000 €.
b. It is attractive to a number of strategic policy areas for Halton and for Warrington, at national, regional and local level
c. It can be an aid to the developing Mersey Gateway environmental mitigation work and its links to wider environmental regeneration initiatives in the estuary
d. Supports the objectives of the NW IFCA as referred to above. It is important to be aware that the area could change radically in the future as a result of trends of climate change and increased flooding leaving a gap in fisheries and environmental management in this area

3.5 It is proposed to submit an application by 1st September in order to get feedback on the work carried out so far, and to help address the issue of providing a suitable level of match funding. To date, the match funding elements come from partner contributions in kind, such as officer time from the Mersey Gateway team to deliver the saltmarsh environmental mitigation scheme. Any shortfall in this approach will be sought from external sources: it is likely an application will be made to the Heritage Lottery Fund as the concept of ecosystem services fits in well with the criteria for their biodiversity grant stream and with the promotion of 2010 as International Year of Biodiversity.

Development of the Project

3.6 The ecosystem services approach to management is being championed by DEFRA and Natural England, and contact has been made with these agencies. Halton also has an established academic base to the concept through our current work with the University of Salford, and through the PhD saltmarsh management research project for the Mersey Gateway on Widnes Warth.

3.7 The partnership to develop this LIFE bid includes the University of Salford, Environment Agency, Forestry Commission, The Mersey Forest, Cheshire Wildlife Trust and the Centre for Ecology and Hydrology (CEH). Warrington Borough Council are also a partner but were unable to be present at the first two meetings. The Environment Agency, North Western Sea Fisheries Committee and Mersey Forest are not to be beneficiary partners but are interested in the project and have offered to provide a letters of support.

3.8 The concept fits in well with the approach taken to the Mersey Gateway mitigation scheme, by providing a defining framework for the specific Biodiversity Management Plan which the Concessionaire has to deliver. The Mersey Gateway Environmental Trust, currently in the process of registration with Companies House, could also have a part to play as a key long term delivery mechanism to initiate, develop, and monitor science based research projects in conjunction with academic institutions over a 25 – 30 year period.

3.9 To date, the officer time within the Mersey Gateway team spent on developing the concept has been complementary to the Mersey Gateway environmental mitigation package.

Financial Implications/ Submission deadline

3.10 The technical side of the application has been prepared in conjunction with External Funding, European and Regional Affairs who have used their expertise to develop the financial package of capital and in-kind contributions. National support in submitting the application is provided to all applicants by a consultancy, Beta Technology.

3.11 A pragmatic view has been taken on the funding package required for the tight September 1st submission deadline. Two partner meetings took place in July, followed by one in August and it was agreed to proceed to the submission stage while acknowledging there is still work to be done on finding match funding contributions. If the application is not successful, it will still automatically generate feedback for use in any future submissions or in the event that alternative sources of funding may be more fruitful.

3.12 It is known that some potential applications from elsewhere are unlikely to be submitted in September due to the loss of match funding commitments from bodies such as Regional Development Agencies. It is thought that any application that can put together a secure financial package is likely to have less than normal competition.

3.13 An update on the 1st September submission or otherwise will be verbally reported at the Sub-Committee meeting.

4.0 POLICY IMPLICATIONS

4.1 The Mersey Gateway project is a key priority for the Council, which will deliver benefits locally and across the wider region.

4.2 The demonstration project will also progress Halton's commitment to landscape-scale improvements to the Mersey Estuary, using ecological rather than administrative boundaries, as in the case of the Mersey Gateway Environmental Trust.

4.3 The Artery of Life project, which began in 2009 is scheduled to be completed in 2013. This proposed LIFE project will provide a continuation of this important work to reconnect people back to nature using the estuary as our greatest natural asset.

5.0 OTHER IMPLICATIONS

5.1 Section 41 of the Natural Environment and Rural Communities Act places greater responsibility upon public sector bodies to consider biodiversity in the work they do.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 **Children and Young People in Halton.** There will be opportunities under the cultural ecosystem service to contribute to Key Objective E: To ensure that all children and young people in Halton have positive futures after school by embracing life-long learning, employment opportunities and enjoying a positive standard of living.

6.2 **Employment, Learning and Skills in Halton.** There will be an indirect contribution through training and vocational opportunities through Key Objective B: To develop a culture where learning is valued and to raise skill levels throughout the adult population and in the local workforce.

6.3 **A Healthy Halton.** There will be opportunities for biodiversity activities to contribute to Key Objective C: To promote a healthy living environment and lifestyles to protect the health of the public, sustain individual good health and well-being, and help prevent and efficiently manage illness.

6.4 **A Safer Halton.** There will be opportunities to contribute to Key Objective C: To create and sustain better neighbourhoods that are well designed, well built, well maintained, safe and valued by the people who live in them, reflecting the priorities of residents.

6.5 **Halton's Urban Renewal.** There will be opportunities to contribute to Key Objective E To enhance, promote and celebrate the quality of the built and natural environment in Halton. The long term management of the estuary can further improve the Borough's image. In particular, in Area of Focus 12, examples of future planned activity include "Creating local nature reserves and wild spaces that support the Council's efforts to deliver urban renewal and a better quality of life in Halton." The Mersey Gateway nature reserve will be a main delivery mechanism for this Area of Focus.

7.0 RISK ANALYSIS

7.1 If all the match funding elements cannot be secured, the application will be rejected. A follow-up call for a further round of LIFE applications is expected in May 2011 and a re-submission would give more time to both develop the concept and to put together a sound financial package, by which the decision on the Mersey Gateway by the Secretary of State will be announced.

7.2 There is no immediate effect on the delivery of front line services: this is a demonstration project with long term benefits.

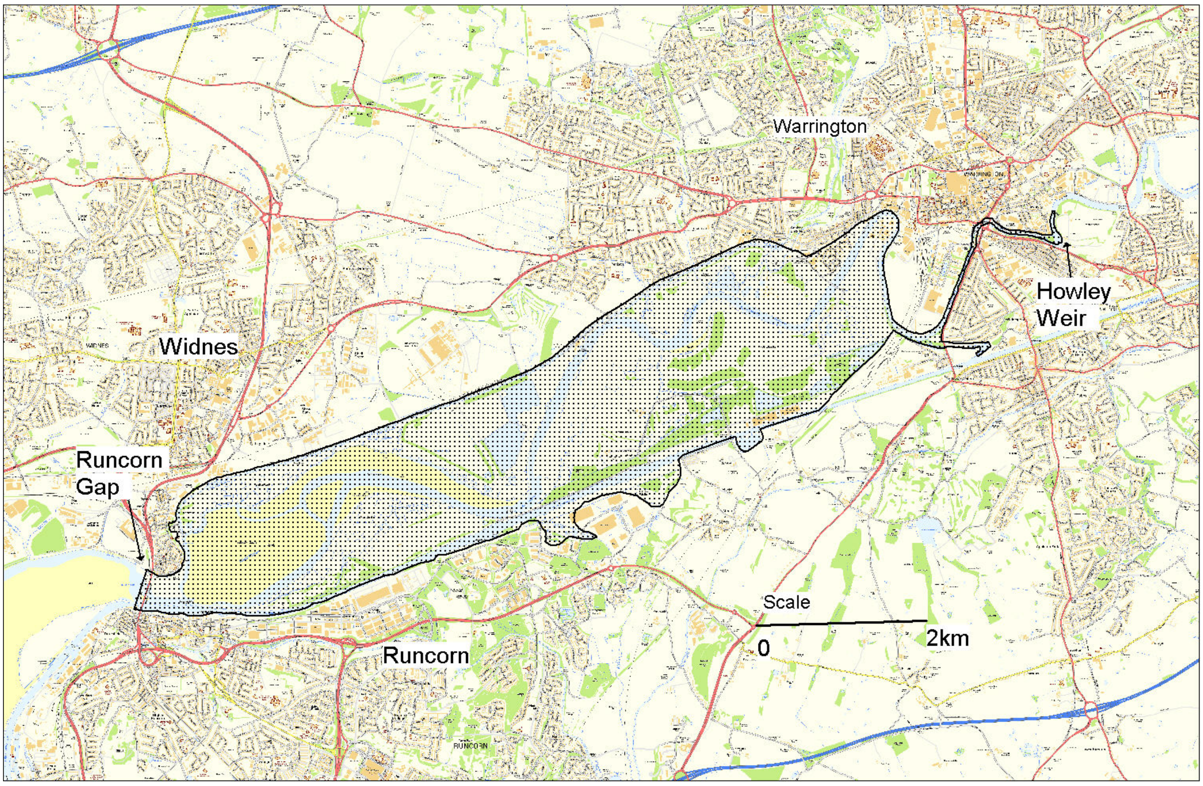
8.0 EQUALITY AND DIVERSITY ISSUES

8.1 Biodiversity initiatives provide an opportunity to improve accessibility to services, education and employment for all.

9.0 BACKGROUND PAPERS

None under the meaning of the Act.

APPENDIX 1 LOCATION OF PROJECT AREA



Agenda Item 4a

REPORT TO:	Executive Board Sub-Committee
DATE:	9th September 2010
REPORTING OFFICER:	Operational Director – Finance
TITLE:	Treasury Management 2009/10
WARDS:	

1.0 PURPOSE OF REPORT

1.1 To review treasury management during 2009/10 in accordance with the Halton Borough Council's Treasury Management Policy Statement.

2.0 RECOMMENDED: That the report be noted.

3.0 SUPPORTING INFORMATION

3.1 The annual review is attached in the Appendix. The 2009/10 financial year started with markets still badly disrupted following the effects of 2008, which saw one financial institution after another collapsing or being taken over in the wake of the credit crunch. The impact was felt the most in the UK following the collapse of the Icelandic banks and the near collapse of three major UK banks which received significant central government support. 2009/10 witnessed the real economy suffering from a lack of credit, short and medium term interest rates at record lows and a great deal of anxiety as to how or when recovery would start to take place.

3.2 During 2009, the Monetary Policy Committee (MPC) embarked on a programme of Quantitative Easing (QE) aimed at pumping liquidity into the economy to stimulate growth. The programme reached £200bn in November 2009. Bank rate set by the MPC remained at an all time low of 0.5% for the whole year.

4.0 POLICY IMPLICATIONS

4.1 Credit ratings are one method used by Halton Borough Council to assess the credit worthiness of counterparties on its approved list for short term investments. Following the events of 2008 and 2009, many of the Authority's approved counterparties remain on credit watch or fell below the minimum criteria specified in the Treasury Management Policy (TMP). These restrictions placed a heavy burden on the Council to find a suitable counterparty to invest deposits with whilst maintaining priority towards Security, Liquidity and Yield.

5.0 OTHER IMPLICATIONS

5.1 The Treasury Management function has consistently contributed to the budget and helped fund local services. In 2009/10, Treasury Management generated £0.282m additional investment income by locking in investments during 2008.

5.2 The remaining long term investments are due to mature in the latter part of 2010/11. As a consequence, it is anticipated that investment income will reduce significantly in 2010/11 as investment rates will continue to generate significantly less returns on investment.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 **Children and Young People in Halton**

None.

6.2 **Employment, Learning and Skills in Halton**

None.

6.3 **A Healthy Halton**

None.

6.4 **A Safer Halton**

None.

6.5 **Halton's Urban Renewal**

None.

7.0 RISK ANALYSIS

7.1 The main risks associated with Treasury Management are security of investment and volatility of return. To combat this, the Authority operates within a clearly defined Treasury Management Policy and an annual Borrowing and Investment Strategy which sets out the control framework.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 There are no issues under this heading.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
Working papers	Financial Management Division	M. Lloyd

APPENDIX

Treasury Management – Annual Review 2009/10

1.0 Introduction and Background

1.1 Treasury management in local government is regulated by the 2009 CIPFA Code of Practice on Treasury Management in Local Authorities (the Code). Halton Borough Council has adopted the Code and fully complies with its requirements. The primary requirement of the Code is the formulation and agreement by full Council of a Treasury Policy Statement which sets out Council, Executive Board Sub-Committee, Business Efficiency Board and Operational Director – Finance responsibilities, delegation and reporting arrangements.

1.2 A requirement of the Council's Treasury Policy Statement is the reporting to the Executive Board Sub-Committee of both the expected treasury activity for the forthcoming financial year (the annual Treasury Strategy Statement) and subsequently the results of the Council's treasury management activities in that year (this annual treasury report).

1.3 Treasury Management is defined as "The management of the Local Authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimal performance consistent with those risks.

1.4 This annual report covers:

- The current treasury position;
- Performance Measurement;
- The Borrowing Strategy for 2009/10 (Appendix A & B);
- The Borrowing Outturn for 2009/10;
- Compliance with Treasury limits and Prudential Indicators;
- The Investment Strategy for 2009/10;
- The Investment Outturn for 2009/10;
- Debt Rescheduling;
- Other issues.

2.0 Current Portfolio Position

2.1 Halton Borough Council's debt and investment position at the beginning and end of the year was as follows:

	31st March 2010				31st March 2009		
	Principal £m	£m	Rate %	Life Yrs	Principal £m	Rate %	Life Yrs
Fixed Rate Funding							
- PWLB	10.00		3.70	47	10.00	3.70	48
- Market	10.00	20.00	4.42	0-57	10.00	4.42	0-58
Variable Rate Funding							
- PWLB	0.00				10.00		
- Market	2.00	2.00	0.32		10.70	1.78	
Total Debt		**22.00**	**2.20**		**40.70**	**2.90**	
Investments							
- In House	16.10		4.65		39.00	6.17	
- With Managers	0.00	16.10			0.00		
Total Investments		**16.10**	**4.65**		**39.00**	**6.17**	

3.0 Performance Measurement

3.1 One of the key changes in the revision of the Code was the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide (as used in the table above).

CIPFA has however issued draft indicators, although accompanied by a cautionary note. In effect, these represent a potential range of statistics which will not give a definitive set of indicators, but will rather aid comparison with neighbouring authorities treasury structures. The use of benchmarks for investments may be inappropriate for those Local Authorities with relatively small cash balances, such as Halton.

4.0 The Prospect for Interest Rates for 2009/10.

Section 4.0 is reproduced from the Treasury Management Strategy approved by Executive Board on 12th February 2009.

See Appendix A

5.0 Capital Borrowings and the Borrowing Portfolio Strategy

Section 5.0 is reproduced from the Treasury Management Strategy approved by Executive Board on 12th February 2009.

See Appendix B

6.0 Outturn for 2009/10

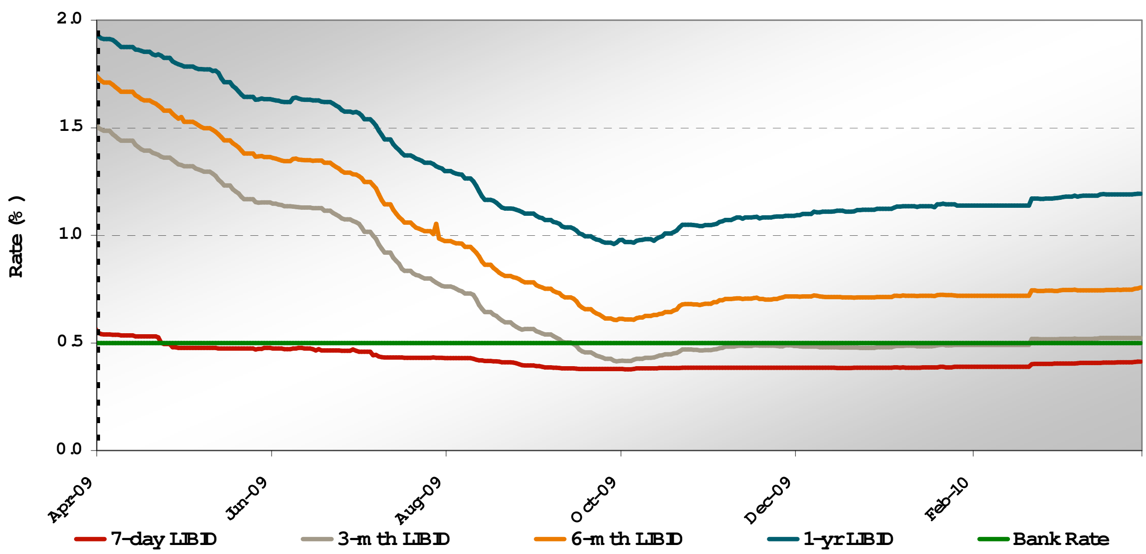
6.1 The Economy and Interest Rates

During 2009/10, the Monetary Policy Committee (MPC) was focused on helping the economy to turn around from plunging into the deepest and longest recession the UK economy had experienced for many years.

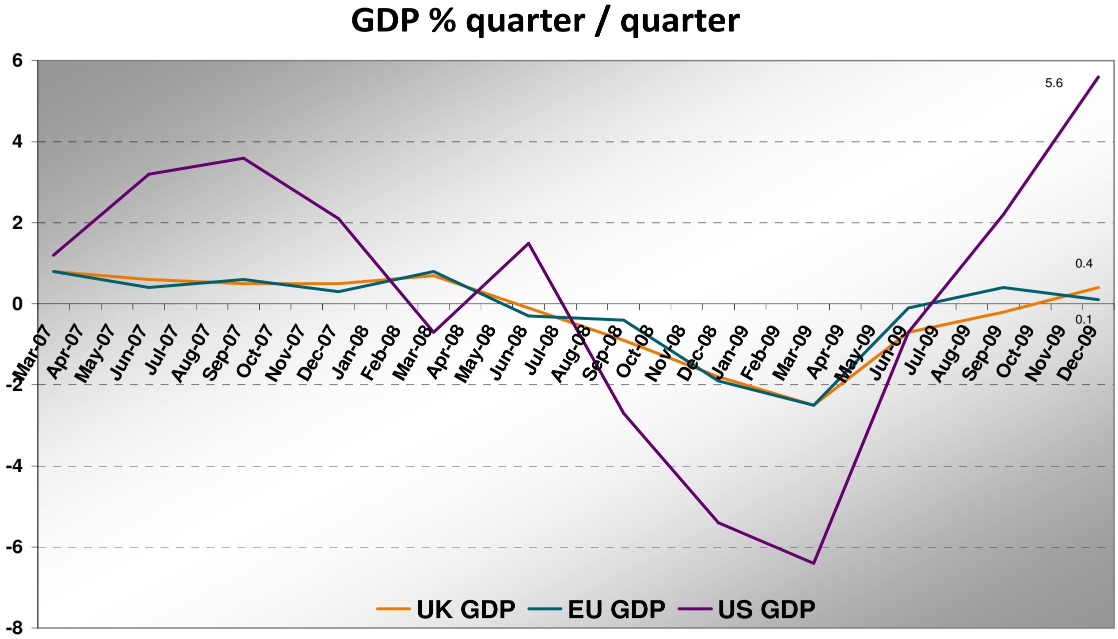
Despite keeping the Bank Rate at an unprecedented historical low of 0.5% all year, the MPC also had to resort to extreme measures in terms of pumping liquidity into the economy through Quantitative Easing (QE) by purchasing £200bn gilts and corporate bonds. This had the effect of boosting prices for gilts and corporate bonds and therefore bringing down yields, reducing borrowing costs for both the corporate and public sector.

It was notable that the increase in money supply in the economy generated by this programme brought the credit crunch induced spread between Bank Rate and 3-month LIBID (investment rate that depositors could earn) down from 0.95% at the beginning of the financial year to zero during August 2009.

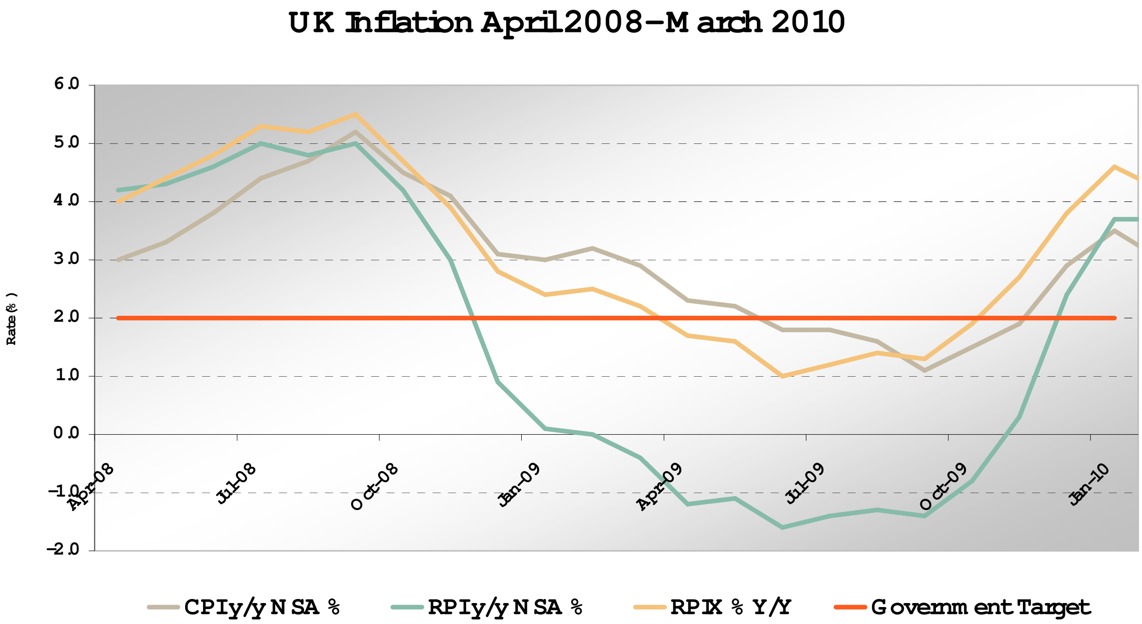
Investment Rates 2009-10



The dominant focus in 2009/10 was on quarterly GDP growth figures. The recession bottomed out in quarter 1 of 2009. There was then major disappointment that the end of the recession failed to materialise in quarter 3 2009, but the forth quarter of 2009 did then see economic growth return at +0.4%.



Inflation had not been a major concern of the MPC as it fell back below the 2% target level from June to November. However, it did spike upwards to reach 3.5% on the back of the unwinding of the temporary cut in VAT to 15% on 1 January 2010. This was not seen as a cause for alarm as this spike was expected to fall out of the inflation index and inflation was forecast by the Bank of England to fall back under target by the end of 2010.



The financial year ended with markets gradually gaining in confidence and optimism that the economy was indeed on the path to recovery, although it appeared to be fragile, and with some residual risk that there could still be a double dip recession. The optimism was further enhanced by a return to strong economic growth in the US towards the end of 2009. The year also saw a major resurgence in share prices in the US, UK and Europe from a very depressed level in March 2009 on the back of the rise in optimism.

7.0 Borrowing and Investment Rates in 2009/10

12-month rate: this started the year at a credit crunch enhanced rate of 1.85% and fell steadily until reaching 0.85% in September. Since then, it has risen to finish the year at 1.15% as the market looked ahead to when the MPC would have to start raising Bank Rate from its then current rate of 0.50%

5-year (and 10-year) PWLB rate: this started the year at 2.54% (3.36%) and then fell to a low for the year of 2.47% (3.30%) on the following day, before then rising sharply to hit a peak of 3.29% (4.15%) in July. From there it fell until reaching 2.54% (3.55%) in October and then rose back up to a peak of 3.13% (4.42%) in January. It finished the year at 2.89% (4.19%).

25-year (and 50-year) PWLB rate: This started the year at 4.28% (4.57%) and then peaked in the 4.70's during June – August (4.85% June) before falling back to a bottom of 4.07% (4.18%) in October. From there, it rose again towards the end of the year to return to the 4.70's and peaked at 4.83% in February (4.79% March). It finished the year at 4.67% (4.70%).

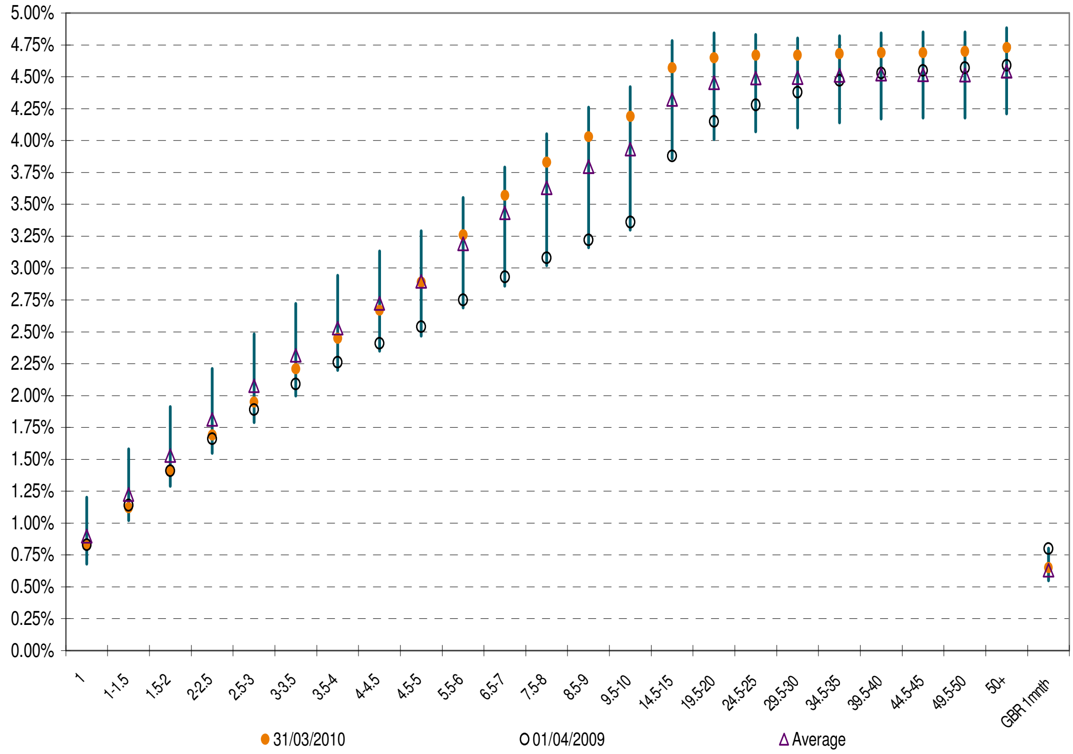
8.0 Borrowing Outturn 2009/10

8.1 As comparative performance indicators, average PWLB maturity loan interest rates for 2009/10 were:

1 year	0.90%	*(2008/9 3.26%)*
9.5 - 10 year	3.93%	*(2008/9 4.47%)*
24.5 - 25 year	4.49%	*(2008/9 4.57%)*
49.5 – 50 year	4.51%	*(2008/9 4.44%)*
1 month variable	0.63%	*(2008/9 3.68%)*

The graph below shows the range (high and low points) in rates for each maturity period during the year, and individual rates at the start and end of the financial year:

PWLB Rates 2009/10



8.2 Debt Performance

As highlighted in 2.1, the average debt portfolio interest rate has moved over the course of the year from 2.90% to 2.20% (although the long term core rate stayed the same at 4.06%). The strategy for the year was to fund borrowing from surplus cash unless rates were particularly attractive when the Council would draw longer term fixed rate debt.

8.3 There was no new long term borrowing transactions in the year.

9.0 Compliance with Treasury Limits

9.1 During the financial year, the Council operated within the treasury limits set out in the Council's Treasury Policy Statement and Treasury Strategy Statement.

10.0 Temporary Investments Strategy

Section 10.0 is reproduced from the Annual Investment Strategy approved by Executive Board on 12th February 2009.

See Appendix C

11.0 Investment Outturn for 2009/10

11.1 Halton Borough Council manages its investments in-house and invests with the institutions listed in the Council's approved lending list. The Council invests for a range of periods from overnight to 3 years, dependant on the Council's cash flows, counterparty limits and the interest rates on offer.

11.2 Detailed below is the result of the investment strategy undertaken by the Council:

	Average Investment Level	Rate of Return (gross of fees)	Rate of Return (net of fees)	Benchmark Return
Internally Managed	£37.890m	4.27%	N/A	0.42%

11.3 The benchmark for internally managed funds is the average 7-day LIBID rate sourced from the Financial Times.

11.4 During 2008, the Council locked in a number of investments at a significantly higher rate of return than the LIBID benchmark rate.

12.0 Debt Rescheduling

12.1 The post housing stock transfer debt situation has left Halton Borough Council in a unique situation. It has a low level of external debt at £20m, £10m of which is locked into an excellent rate of 3.70% for a long period. It is unlikely that this debt would be rescheduled as it provides a cornerstone of the debt portfolio for future years.

13.0 Other Issues

13.1 Counterparties

Due to the high level of uncertainty in the money markets during the year, Halton Borough Council was particularly careful in monitoring the suitability of the organisations on its approved investment counterparty list. There have been a number of counterparties who have been suspended from the list due to their credit rating not meeting the minimum requirements set out in the Annual Investment Strategy.

Halton Borough Council places the security of capital as its number one priority. As a direct consequence, it is expected that there will be a declining level of investment income during the remainder of 2010/11, as various long term fixed rate deposits mature.

Halton Borough Council has never had the Icelandic Banks on its counterparty list and was therefore unaffected by their default in October 2008.

Appendix A

4.0 PROSPECTS FOR INTEREST RATES

4.1 The Council appointed Sector Treasury Services as a treasury adviser to the Council and part of their service is to assist the Council to formulate a view on interest rates. Appendix A draws together a number of current City forecasts for short term or variable (the base rate or repo rate) and longer fixed interest rates.

4.2 Sector View: Interest rate forecast – 6th December 2008

	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009	Q/E1 2010	Q/E2 2010	Q/E3 2010	Q/E4 2010	Q/E1 2011	Q/E2 2011	Q/E3 2011	Q4 2011	Q1 2012
	%	%	%	%	%	%	%	%	%	%	%	%	%
Bank Rate	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.25	1.75	2.50	3.25	3.75	4.00
5 yr PWLB Rate	2.50	2.25	2.15	2.15	2.15	2.45	2.80	3.15	3.65	3.95	4.20	4.45	4.60
10 yr PWLB Rate	3.10	2.75	2.55	2.55	2.55	2.85	3.25	3.65	4.15	4.40	4.70	4.75	4.85
25 yr PWLB Rate	4.00	3.95	3.95	3.95	4.00	4.15	4.35	4.45	4.60	4.85	4.95	5.00	5.05
50 yr PWLB Rate	3.85	3.80	3.80	3.80	3.85	3.90	4.00	4.25	4.40	4.70	4.80	4.95	5.00

Sector's current interest rate view is that Bank Rate: -

- will fall from current levels because of the intensifying global recession
- Starting 2009 at 2.00%, Bank Rate is forecast to fall to 0.5% in Q1 2009
- It is then expected to remain there until starting to rise gently up from Q2 2010 till it reaches 4.0% in Q1 2012.
- There is downside risk to these forecasts if the recession proves to be deeper and more prolonged than currently expected.

4.3 Economic background

Introduction

- The sub prime crisis of early 2008 was supplanted by the banking crisis of autumn 2008. The world banking system came near to collapse and governments around the world were forced to recapitalise and rescue their major banks. The resulting dearth of lending from banks anxious to preserve capital led to economic forecasts being sharply reduced and recession priced into markets. This in turn led to sharp falls in oil and other commodity prices with the result that inflation, which in the UK was running at over 5%, became yesterday's story and recession fears drove interest rate sentiment and policy. A co-ordinated global interest rate cut of 50bp took place on 8th October 2008. Forecasts in the UK were for further sharp cuts in interest rates as recession hove into view.

International

- Early in 2008 the US economy was being badly affected by the housing market slump. Interest rates were at 2% and inflation was being dragged higher by the inexorable rise in commodity prices. The ECB was very concerned about rising inflation and less about the state of the economy.

- The second quarter of 2008/9 was torn between inflation worries on the one hand, with oil rising towards $150 per barrel, and the deteriorating economic outlook on the other.

- In the second and third quarters of the year the financial crisis erupted and escalated as the world became aware of the extent of the sub-prime fiasco and the impact it was having on institutions that had invested in these issues.

- In September Fannie Mae/Freddie Mac (the mortgage banks) and AIG, the insurance giant, had to be bailed out by the US Federal Government.

- Then in mid September, Lehman Bros., the investment bank, was allowed to fail. This triggered a domino effect with other banks and financial institutions having to be rescued or supported by governments around the world.

- After the collapse into receivership of the Icelandic banks in early October, other countries then started to feel the strain and a number had to approach the IMF for support.

- Eventually even the Asian 'Tiger' economies were affected, including India and China, and it became clear that the crisis had become a global one and no country was insulated from it.

- The financial crisis had therefore precipitated an economic crisis and there was a co-ordinated global interest rate cut with the Fed, ECB and MPC all cutting rates by 50bp on 8th October. The Fed subsequently cut rates again by 50bp to 1% on 29th October and again on 16 December to a band of 0.0% to 0.25% in an attempt to stave off the oncoming recession. Inflation was yesterday's problem.

- On 4th November the USA elected Barack Obama as President with little immediate financial impact.

- The ECB reduced rates again on 6th November by 50bp and by its biggest ever cut of 75bp on 4 December to reach 2.5%.

United Kingdom

- GDP: growth was already slowing in 2008 from 2007 before the full impact of the credit crunch was felt. Earlier in 2008 GDP was 2.3% whereas in the autumn the figure fell back to -0.3% and was then expected to continue to be negative going into 2009.

- Wage inflation remained relatively subdued as the Government kept a firm lid on public sector pay. Private sector wage growth was kept in check by the slowing economy.

- Growth slowed across the economy and unemployment rose throughout the year with forecasts of 2 million unemployed by the end of the financial year and continuing to increase thereafter through 2010.

- Notwithstanding the pressures on household finances consumer spending still continued at a reasonable clip although the trend was slowing as the year progressed.

- Bank lending came to a virtual standstill in the autumn as the credit crunch tightened its grip and various banks internationally had to be rescued, or supported, by their governments.

- The Government and Bank of England supplied massive amounts of liquidity to the banking market in an attempt to reignite longer interbank lending.

- The Government took action in September to either supply finance itself to recapitalise some of the major clearing banks or to require the others to strengthen their capital ratios by their own capital raising efforts. This was so that these banks would be seen to have sufficient reserves to last through the coming recession with its inevitable increase in bad loans etc.

- The housing market also came to a virtual standstill as lenders demanded larger deposits and higher fees. House sales and prices both dropped sharply.

- Government finances deteriorated as income from taxation dropped as the economy slowed and the cost of the bailout of the banks was added to the deficit.

- U.K. equity prices declined sharply in the 3rd and 4th quarters as the impending recession was priced into the markets. Prices hit five year lows and volatility was extremely high.

- The story of 2008 has been the credit crunch, the banking crisis and the change in economic outlook from slow growth to outright recession. After the initial concerns about the impact of the credit crunch in the earlier part of 2008 it appeared as though the storm had been weathered. The MPC had been very concerned about CPI inflation, which had been rising sharply on the back of higher commodity and food prices. Bank Rate reached a peak of 5.75% in July 2007 after which cuts of 0.25% occurred in December 2007 and February and April 2008 before the major cuts in the autumn. The economic data had been indicating a slowing economy for some while but it was not sufficiently weak to force the MPC into another cut. It was the strength of the banking crisis, pre-empted by the collapse of Lehmans in New York that eventually drove the MPC to cut interest rates by 50bp on October 8th in concert with the Federal Reserve, the ECB and other central banks. It was then appreciated that the economic downturn would be much more severe than previously thought and interest rates were subsequently slashed by 150bps on 6 November and by a further 100bps on 4 December and 50 bps on 8 January 2009.

- The LIBOR spread over Bank Rate has also been a feature, and a concern, of 2008/9. Because of the credit fears and the reluctance of lenders to place cash for long periods 3 month LIBOR (this is the London Inter Bank Offer Rate – the rate at which banks will lend to one another) has been substantially higher than Bank Rate. This has meant that the MPC's power over monetary policy has been eroded by the widening of this spread between LIBOR and Bank Rate and it has therefore had a limited ability to bring relief to hard pressed borrowers through lower interest rates. However, the power of the Government over the semi nationalised clearing banks has had considerable impact in enforcing pro rata reductions to the 150 bps Bank Rate cut in November on some borrowing rates.

- The Government has abandoned its 'golden rule'. The pre Budget Report on 14 November revealed the Government's plans for a huge increase in Government borrowing over coming years as a result of falling tax revenues and also due to tax cuts and increases in Government expenditure in the short term designed to help stimulate economic growth to counter the recession.

Appendix B

5.0 CAPITAL BORROWINGS AND THE BORROWING PORTFOLIO STRATEGY

5.1 The Sector forecast is as follows.

(These forecasts are based around an expectation that there will normally be variations of +/- 25bp during each quarter around these average forecasts in normal economic and political circumstances. However, greater variations can occur if should there be any unexpected shocks to financial and/or political systems.) These forecasts are for the PWLB new borrowing rate: -

- The 50 year PWLB rate is expected to remain around current levels of about 3.80 - 3.90% until Q2 2010 when it is forecast to rise to 4.00%. The rate then edges up gradually to reach 5.00% at the end of the forecast period.

- The 25 year PWLB rate is expected to drop to 3.95% in Q1 2009 and stay around there until starting to rise in Q1 2010 and then to eventually reach 5.05% at the end of the forecast period.

- The 10 year PWLB rate is expected to drop to 2.55% in Q3 2009 but then to start rising again in Q2 2010 to eventually reach 4.85% at the end of the forecast period.

- The 5 year PWLB rate is expected to fall to a floor of 2.15% during Q3 2009. The rate then starts rising in Q2 2010 to eventually reach 4.60% at the end of the forecast period.

This forecast indicates, therefore, that there is a range of options available for borrowing strategy for 2009/10. Variable rate borrowing is expected to be cheaper than long term borrowing and will therefore be attractive throughout the financial year compared to simply taking long term fixed rate borrowing. Under 10 year PWLB rates are expected to be substantially lower than longer term PWLB rates so this will open up a range of choices for new borrowing for authorities that want to spread their debt maturities away from a concentration in long dated debt. Rates are expected to be slightly lower at the middle to end of the year than earlier on so it may be advantageous to borrow later in the year.

For authorities wishing to minimise their debt interest costs, the main strategy is therefore as follows:

- For authorities wanting to focus on the very cheapest PWLB borrowing, the under 10 year rates will provide significantly cheaper rates than longer term borrowing. Under 5 year rates are also expected to be significantly lower than 5-10 year rates. Rates are expected to be slightly lower at the middle to end of the year than earlier on so it may be advantageous to borrow later in the year.

- For authorities wanting to lock into historically low long term rates, there is expected to be little difference between 25 year and 50 year rates. However, despite the minimally more expensive new borrowing rates expected in the 25 – 30 year period later in the year, these could be seen as being much more attractive than 50 year borrowing as the spread between the PWLB new borrowing and early repayment rates is considerably less. This then maximises the potential for debt rescheduling at a later time by minimising the spread between these two rates.

- This strategy would also mean that after some years of focusing on borrowing at or near the 50 year period, local authorities would be able to undertake borrowing in a markedly different period and so achieve a better spread in their debt maturity profile.

- When long term PWLB rates fall back to the central forecast rate of about 3.95%, borrowing should be made at any time in the financial year. A suitable trigger point for considering new fixed rate long term borrowing, therefore, would be 3.95%. The central forecast rate will be reviewed in the light of movements in the slope of the yield curve, spreads between PWLB new borrowing and early payment rates, and any further changes that the PWLB may introduce to their lending policy and operations.

- Consideration will also be given to borrowing fixed rate market loans at 25 – 50 basis points below the PWLB target rate if they become available again.

External v. internal borrowing

- The next financial year is expected to be a time of historically abnormally low Bank Rate. This opens up an opportunity for authorities to fundamentally review their strategy of undertaking external borrowing.
- For those authorities with investments in excess of their borrowing requirement over the next year and access to the cash from maturing investments within the financial year, then consideration also needs to be given to the potential merits of internal borrowing.
- As long term borrowing rates are expected to be higher than rates on the loss of investment income and look likely to be so for the next couple of years or so, authorities may prefer to avoid all new external borrowing in the next financial year in order to maximise savings in the short term.
- The running down of investments also has benefits of reducing exposure to interest rate and credit risk.

Against this background caution will be adopted with the 2009/10 treasury operations. The Director of Finance will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to Executive Board Sub-Committee at the next available opportunity.

Sensitivity of the forecast – In normal times the main sensitivities of the forecast are likely to be the two scenarios below. The Council officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:

- *if it were felt that there was a significant risk of a sharp rise in long and short term rates,* perhaps arising from a greater than expected increase in world economic activity or further increases in inflation, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

- *if it were felt that there was a significant risk of a sharp fall in long and short term rates,* due to e.g. growth rates weakening, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term funding will be considered.

However, after the freezing of some local authority investments by Icelandic banks now in receivership, many local authorities are currently concerned about the safety of investments and the ability of authorities to rely on credit ratings as a basis for ensuring that investments can be undertaken safely, especially for longer periods of time. The approach of this authority is therefore to be extra vigilant in reviewing its counterparties, especially for larger deals and to minimise the risk by spreading investments across the whole range of counterparties.

Appendix C

10.0 ANNUAL INVESTMENT STRATEGY

10.1 Investment Policy

The Council will have regard to the ODPM's Guidance on Local Government Investments ("the Guidance") issued in March 2004 and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are:

(a) the security of capital; and

(b) the liquidity of its investments.

The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the approved lending list.

Specified v non specified investments

There has been an increasing number of innovative investment products being marketed over the past few years. The have arisen due to the relatively low interest rate environment which has prevailed during this period. The initial guidance from the ODPM focused on high security and more particularly credit risk. This approach however does not deal with market risk, which is the sudden adverse movement in interest rates. In some products this could lead to a significant diminution of the maturity value below that of the original sum invested.

Because of this it has been suggested that if any investment other than a straight cash deposit is envisaged the following tests are applied ;-

1. the working of the product is fully understood;

2. the degree of risk exposure the product carries is identified;

3. the level of risk fits within the parameters set by the authority;

4. the product complies with the CIPFA Code of Practice on Treasury Management (prime focus on security and best value applied to optimise returns).

The Council has in the main used straightforward cash deposits, with both fixed and variable rates, but always with options to repay if the counterparty wanted to change the terms and agreement couldn't be reached. The issue therefore still boils down to credit risk and this is handled through the counterparty weighted rankings and prudential indicators which limit the amount that can be placed with non rated organisations at any one time.

Specified Investments:

All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' rating criteria where applicable (i.e. credit rated counterparties).

	Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	--	In-house
Term Deposits – UK Government	--	In-house
Term Deposits – Other LAs	--	In-house
Term Deposits – Banks and Building Societies	On Approved List and Rated AA or above	In-house

If forward deposits are to be made, the forward period plus the deal period should not exceed one year in aggregate.

Non-Specified Investments:

A maximum of 30% will be held in aggregate in non-specified investments for 2-3 years and 60% in 1 to 2 years. This group is to include non credit rated organisations.

	Minimum Credit Criteria	Use	Max % of Total Investments	Max. Maturity Period
Term deposits – UK government (with maturities in excess of 1 year)	-	In-house	30% 60%	2-3 years 1-2 years
Term deposits – other LAs (with maturities in excess of 1 year)	-	In-house	30% 50%	2-3 years 1-2 years
Term deposits – banks and building societies (with maturities in excess of 1 year)	On Approved List and less than AA or Unrated.	In-house	30% 60%	2-3 years 1-2 years

The Council uses Moody's ratings to derive its criteria. Where a counterparty does not have a Moody's rating, the equivalent Fitch rating will be used. All credit ratings will be monitored on a regular basis. The Council is alerted to changes in credit ratings through its use of the Sector creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

10.2 Investment Strategy

In-house funds: The Council's in-house managed funds have during the past twelve months (January to December) been in the value range of £40.00m to £54.20m with a core balance of around £20m which is available for investment over a longer (say) 2-3 year period. The current balance is £54.05m. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

The Council already has investments that span the financial year e.g. longer-dated deposits, which were taken out at various peaks of the last rate cycles as shown below.

	Amount (£000)	Maturity	Rate (%)
Cumberland BS	1,000	29/04/2009	5.87
Cumberland BS	500	29/04/2009	5.87
Nationwide BS	2,500	18/05/2009	6.20
West Bromwich BS	2,500	11/08/2009	6.25
Stroud & Swindon BS	2,500	18/08/2009	6.22
HBOS Treasury Services	5,000	04/09/2009	6.35
Nationwide BS	10,000	27/10/2009	5.85
Nationwide BS (ex Cheshire BS)	2,500	02/11/2009	6.15
Dunfermline BS	2,500	07/12/2009	6.56
Newcastle BS	2,500	07/06/2010	6.53
Northern Rock Plc	2,500	23/07/2010	6.41
Skipton BS	5,000	03/11/2010	6.15

It is unlikely therefore that further long dated investments will be undertaken until these investments mature or rates improve.

The interest rate outlook is particularly relevant to the performance of the Council's investment portfolio. Appendix 'A' shows quite clearly that all economic forecasters are predicting further rate cuts in the next financial year. The timing and severity of the cuts may be different but the trend is the same. It is difficult to argue against this message as the pressure of a recession in the USA will impact on Europe and our own economy will come under pressure. The Council has already placed as much of it's current portfolio into fixed rate, fixed period deals as it feels it can do within it's current risk spread policy and will adopt a policy of running down it's investments as they mature during 2008/9 whilst waiting for the opportune time to borrow to fund it's long term capital projects. This policy should minimise the impact of falling investment rates.

For its cash flow generated balances, the Council will seek to utilise its business reserve accounts and short-dated deposits (1-3 months) in order to benefit from the compounding of interest.

End of year Investment Report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

Appendix D

Interest Rate Forecasts

The data below shows a variety of forecasts published by a number of institutions. The first three are individual forecasts including those of UBS and Capital Economics (an independent forecasting consultancy). The final one represents summarised figures drawn from the population of all major City banks and academic institutions.

The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

1. INDIVIDUAL FORECASTS

Sector interest rate forecast – 6 December 2008

	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009	Q/E1 2010	Q/E2 2010	Q/E3 2010	Q/E4 2010	Q/E1 2011	Q/E2 2011	Q/E3 2011	Q/E4 2011	Q/E1 2012
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.75%	2.50%	3.25%	3.75%	4.00%
5yr PWLB rate	2.50%	2.25%	2.15%	2.15%	2.15%	2.45%	2.80%	3.15%	3.65%	3.95%	4.20%	4.45%	4.60%
10yr PWLB rate	3.10%	2.75%	2.55%	2.55%	2.55%	2.85%	3.25%	3.65%	4.15%	4.40%	4.70%	4.75%	4.85%
25yr PWLB rate	4.00%	3.95%	3.95%	3.95%	4.00%	4.15%	4.35%	4.45%	4.60%	4.85%	4.95%	5.00%	5.05%
50yr PWLB rate	3.85%	3.80%	3.80%	3.80%	3.85%	3.90%	4.00%	4.25%	4.40%	4.70%	4.80%	4.95%	5.00%

Capital Economics interest rate forecast –18 December 2008

	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009	Q/E1 2010	Q/E2 2010	Q/E3 2010	Q/E4 2010
Bank Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
5yr PWLB rate	1.65%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%
10yr PWLB rate	2.65%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%
25yr PWLB rate	4.15%	4.00%	3.80%	3.65%	3.65%	3.65%	3.65%	3.65%
50yr PWLB rate	4.05%	3.95%	3.85%	3.75%	3.75%	3.75%	3.75%	3.75%

UBS interest rate forecast (for quarter ends) – 12 December 2008

	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009
Bank rate	0.50%	0.50%	0.50%	0.75%
10yr PWLB rate	3.75%	4.15%	4.35%	4.65%
25yr PWLB rate	4.25%	4.55%	4.85%	5.05%
50yr PWLB rate	4.30%	4.65%	5.00%	5.25%

2. SURVEY OF ECONOMIC FORECASTS

HM Treasury – December 2008 summary of forecasts of 23 City and 12 academic analysts for Q4 2008 and 2009. Forecasts for 2010 – 2012 are based on 21 forecasts in the last quarterly forecast – November 2008.

BANK RATE FORECASTS		quarter ended		annual average Bank Rate		
	actual	Q4 2008	Q4 2009	ave. 2010	ave. 2011	ave. 2012
Median	2.00%	2.00%	1.00%	3.11%	3.97%	4.49%
Highest	2.00%	4.50%	4.00%	4.70%	5.00%	5.25%
Lowest	2.00%	2.00%	0.50%	1.00%	2.25%	3.00%

Appendix E

Central Bank Rate Movements

	UK	UK	UK	US	EU	UK	US	ECB
	MPC	MPC Minutes	Inflation Report	FOMC	ECB	Bank Rate	Fed. Rate	Refi Rate
2008								
Jan	-	-		22		5.50%	3.50%	4.00%
Jan	9-10	23		29-30	10	5.50%	3.00%	4.00%
Feb	6-7	20	13	21 (mins)	7	5.25%	3.00%	4.00%
Mar	5-6	19		18	6	5.25%	2.25%	4.00%
Apr	9-10	23		29-30	10	5.00%	2.00%	4.00%
May	7-8	21	14		8	5.00%	2.00%	4.00%
Jun	4-5	18		24-25	5	5.00%	2.00%	4.00%
Jul	9-10	23			3	5.00%	2.00%	4.25%
Aug	6-7	20	13	5	7	5.00%	2.00%	4.25%
Sep	3-4	17		16	4	5.00%	2.00%	4.25%
Oct	8-9	22		28-29	2	4.50%	1.50%	3.75%
Nov	5-6	19	12		6	3.00%	1.00%	3.25%
Dec	3-4	17		16	4	2.00%	0-0.25%	2.50%
2009								
Jan	7-8	21		27-28 (7 mins)	15	1.50%	0-0.25%	2.00%
Feb	4-5	18	11		5	1.00%	0-0.25%	2.00%
Mar	4-5	18		17	5	0.50%	0-0.25%	1.50%
Apr	8-9	22		28-29	2	0.50%	0-0.25%	1.25%
May	6-7	20	13		7	0.50%	0-0.25%	1.00%
Jun	3-4	17		23-24	4	0.50%	0-0.25%	1.00%
Jul	8-9	22			2	0.50%	0-0.25%	1.00%
Aug	5-6	19	12	11	6	0.50%	0-0.25%	1.00%
Sep	9-10	23		22	3	0.50%	0-0.25%	1.00%
Oct	7-8	21			8	0.50%	0-0.25%	1.00%
Nov	4-5	18	11	3-4	5	0.50%	0-0.25%	1.00%
Dec	9-10	23		15	3	0.50%	0-0.25%	1.00%
2010								
Jan	6-7	20		27	14	0.50%	0-0.25%	1.00%
Feb	3-4	17	10		4	0.50%	0-0.25%	1.00%
Mar	3-4	17		16	4	0.50%	0-0.25%	1.00%

Appendix F

The following Prudential indicators are relevant for the purposes of setting an integrated treasury management strategy.

No.	PRUDENTIAL INDICATOR EXTRACT FROM BUDGET	2008/09 Actual £	2009/10 Original £	2009/10 Actual £
7	**Capital Financing Requirement as at 31 March**			
	Non - HRA	62.88	79.40	60.15

No.	TREASURY MANAGEMENT INDICATORS	2008/09 Actual £	2009/10 Estimate £	2009/10 Actual £
10	**Authorised Limit for external debt -**			
	Borrowing	40.70	73.40	22.00
	Other Long Term Liabilities	0.00	0.00	0.00
	TOTAL	40.70	73.40	22.00
11	**Operational Boundary for external debt -**			
	Borrowing	40.70	68.40	22.00
	Other Long Term Liabilities	0.00	0.00	0.00
	TOTAL	40.70	68.40	22.00
12	**Upper limit for fixed interest rate exposure**			
	Expressed as:			
	Net Principal re Fixed Borrowing / Investments	20.00	51.30	3.90
		(50%)	(75%)	(18%)
13	**Upper limit for variable rate exposure**			
	Expressed as:			
	Net Principal re Variable Borrowing / Investments	20.70	51.30	2.00
	Net Interest re Variable Rate Borrowing / Investments	(51%)	(75%)	(9%)
14	**Maturity Structure for New Fixed Rate Borrowing during 2009/10**	Upper	Upper	Upper
	Under 12 months	0%	50%	0%
	12 months and within 24 months	0%	75%	0%
	24 months and within 5 years	0%	50%	0%
	5 years and within 10 years	0%	50%	0%
	10 years and above	0%	75%	0%

15	**Upper limit for Total Principal Sums invested for over**	**%**	%	%
	Up to 1 year (per maturity date)	78	100	62
	Up to 2 years (per maturity date)	22	60	0
	2+ years (per maturity date)	5	30	0

16	**Maturity Structure of New Fixed Rate Borrowing in Previous year**
	None taken in 2009/10

Agenda Item 4b

REPORT TO:	Executive Board Sub-Committee
DATE:	9th September 2010
REPORTING OFFICER:	Operational Director – Finance
TITLE:	Treasury Management 2010/11 1st Quarter: April – June
WARDS:	Borough-wide

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to update the Sub Committee about activities undertaken on the money market as required by the Treasury Management Policy.

1.2 CIPFA issued the revised Code of Practice for Treasury Management in November 2009. The revised code suggests members should be informed of Treasury Management activities at least twice a year, but preferably quarterly. This report therefore ensures Halton Borough Council is embracing Best Practice in accordance with CIPFA's revised Code.

2.0 RECOMMENDED: That the report be noted.

3.0 SUPPORTING INFORMATION

3.1 Economic Background

The following has been provided by Sector, the Council's Treasury Management advisors:

The first quarter of 2010/11 saw:

- The new coalition government enacted a fiscal squeeze set to be the most severe since the end of the 1930's, through its Emergency Budget on the 22nd June 2010.
- Activity indicators suggested that the recovery picked up a little pace in the first quarter.
- High street spending recovered after a weak start to the year.
- The labour market showed some tentative signs of improvement.
- The UK's trade position deteriorated, despite the weak pound.
- Consumer Price Index (CPI) inflation remained above target; the measure of underlying inflation fell.
- The Monetary policy Committee (MPC) maintained Quantitative Easing and kept Bank Rate on hold at 0.5%.
- The recovery in the US remained fairly strong, but remained weak in the euro-zone.

The key development of the first quarter was the Emergency Budget delivered on 22nd June 2010 which unveiled plans to severely tighten fiscal policy – central government influencing the economy through spending and revenue collection mechanisms. The Office for Budget Responsibility forecast that cyclically adjusted net borrowing – the portion of borrowing that will not disappear with economic growth – will fall from 8.7% of GDP in the fiscal year just gone to 0.8% in 2014-15.

The Budget directed the bulk of the fiscal tightening at households and the public sector instead of private companies. Key measures within the Budget included a rise in the standard rate of VAT from 17.5% to 20%, to take effect in January 2011. Plans for social security payments were also scaled back. However, the burden on lower income households was partly offset by an increase in the income tax personal allowance by £1,000 to £7,475 from April 2011, from which high earners will not benefit.

Inflationary pressures have finally begun to ease. CPI inflation rose from 3.4% to a peak of 3.7% in April, before falling back down to 3.4% in May. Temporary factors such as the rise in the rate of VAT to 17.5% in January and the rise in oil prices last year, continued to support above-target inflation.

The MPC continued to keep Bank Rate on hold at 0.5% and to maintain its stock of asset purchases. The Bank of England's quarterly Inflation Report in May also projected inflation to be below the 2% target at the two year horizon, suggesting that rates will remain on hold for a considerable period. Some members of the MPC expressed concern that the recent bout of high inflation could lead to a permanent shift in inflation expectations if it persisted much longer.

3.2 Economic Forecast

The following forecast has been provided by Sector:

	NOW	Sep10	Dec10	Mar11	Jun11	Sep11	Dec11	Mar12	Jun12	Sep12	Dec12	Mar13
Sectors Bank Rate View	**0.50%**	0.50%	0.50%	0.75%	0.75%	1.00%	1.50%	2.00%	2.25%	2.75%	3.00%	3.50%
5yr PWLB	**2.29%**	2.50%	2.60%	2.80%	2.95%	3.20%	3.45%	3.80%	4.15%	4.40%	4.50%	4.65%
10yr PWLB	**3.58%**	3.80%	3.85%	4.00%	4.20%	4.40%	4.50%	4.70%	4.75%	4.90%	4.90%	5.05%
25yr PWLB	**4.31%**	4.45%	4.50%	4.55%	4.70%	4.80%	4.90%	5.05%	5.1%	5.20%	5.25%	5.25%
50yr PWLB	**4.29%**	4.45%	4.55%	4.60%	4.75%	4.85%	4.95%	5.05%	5.25%	5.25%	5.30%	5.30%

The forecast is based on moderate economic recovery and MPC inflation forecast being below target in two year's time.

The first Bank Rate increase is expected to be in 2011; and to reach 3.50% by March 2013.

There is considerable uncertainty in all forecasts due to the difficulties of forecasting the timing and amounts of QE reversal, the tough cuts outlined in the Emergency Budget and the speed of recovery of banks profitability and balance sheet position etc.

The balance of risks is weighted to the downside with the risk remaining of a double dip recession.

3.3 Short Term Rates

The bank base rate remained at 0.5% throughout the quarter.

		April		May		June	
	Start	Mid	End	Mid	End	Mid	End
	%	%	%	%	%	%	%
Call Money (Market)	0.50	0.54	0.55	0.55	0.55	0.55	0.55
1 Month (Market)	0.50	0.55	0.55	0.56	0.57	0.57	0.57
3 Month (Market)	0.60	0.65	0.68	0.70	0.71	0.73	0.73

3.4 Longer Term Rates

		April		May		June	
	Start	Mid	End	Mid	End	Mid	End
	%	%	%	%	%	%	%
1 Year (Market)	1.40	1.33	1.37	1.39	1.42	1.46	1.46
10 Year (PWLB)	4.26	4.31	4.20	4.02	3.83	3.80	3.64
25 Year (PWLB)	4.67	4.70	4.62	4.54	4.38	4.38	4.29

The PWLB rates are for new loans in the "lower quota" entitlements. Market rates are based on LIBOR rates published at the middle and end of each month.

3.5 Temporary Borrowing/Investments

Turnover during period

	No. Of Deals Struck	Turnover £m
Short Term Borrowing	3	10.70
Short Term Investments	23	50.03

Position at Month End

	April £m	May £m	June £m
Short Term Borrowing	0	0	0
Short Term Investments	18.35	26.60	27.78

During the period, short term investments have been used to meet expenditure in the early part of the year, rather than choosing to borrow at additional cost. Short term investments have increased during the quarter with no short term borrowings outstanding at the end of the quarter.

Investment Income Forecast

The forecast income and outturn for the quarter is as follows:

	Cumulative Budget £'000	Cumulative Actual £'000	Cumulative Target Rate %	Cumulative Actual Rate %
Quarter 1	175	192	0.42	3.01
Quarter 2	251			
Quarter 3	273			
Quarter 4	275			

The Council's investment position has resulted from delays in the capital programme. As a result, investment income for the period is above budget profile.

The target rate is based on the 7-day LIBID rate. For comparison purposes the 1 month average rate was 0.44%, 3 month rate was 0.57% and the 6 month rate was 0.83%. The Actual rate exceeds the benchmark rate reflecting previous actions taken, to lock in a large proportion of the investment portfolio into longer dated fixed rate investments. When these investments unwind, the Council will not generate the same amount of income it has experienced in previous years.

3.6 Policy Guidelines

Interest Rate Exposure – complied with.
Approved Counterparty List – complied with.
Borrowing Instruments – complied with.
Prudential Indicators – complied with:

- Operational Boundary for external debt;
- Upper limit on interest rate exposure on fixed rate debt;
- Upper limit on interest rate exposure on variable rate debt;
- Maturity structure of borrowing as a percentage of fixed rate borrowing;
- Total principal sums invested for periods longer than 364 days;
- Maturity structure of new fixed rate borrowing

The Council continues to update its approved counterparty list to reflect the changes in credit worthiness of the organisations it lends to in line with its Treasury Management Practices.

4.0 POLICY IMPLICATIONS

4.1 None

5.0 OTHER IMPLICATIONS

5.1 None

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 **Children and Young People in Halton**

None

6.2 **Employment, Learning and Skills in Halton**

None

6.3 **A Healthy Halton**

None

6.4 **A Safer Halton**

None

6.5 **Halton's Urban Renewal**

None

7.0 RISK ANALYSIS

7.1 The main risks with Treasury Management are security of investment and volatility of return. To combat this, the Authority operates within a clearly defined Treasury Management Policy and annual borrowing and investment strategy, which sets out the control framework.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 There are no issues under this heading.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

9.1 There are no background papers under the meaning of the Act.

Agenda Item 4c

REPORT TO: Executive Board Sub Committee

DATE: 9th September 2010

REPORTING OFFICER: Operational Director – Finance

SUBJECT: Spending as at 30th June 2010

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To report the Council's overall revenue and capital spending position as at 30th June 2010.

2.0 RECOMMENDED: That the report be noted.

3.0 SUPPORTING INFORMATION

Revenue Spending

3.1 Appendix 1 presents a summary of spending against the revenue budget for each Department, up to 30th June 2010. In overall terms, revenue expenditure is below the budget profile, however, this is only a guide to eventual spending.

3.2 Spending on employees is below the budget profile. This is partly due to delays in filling vacancies following the organisational restructuring from 1st April 2010, particularly in Departments such as ICT and Support Services. In addition, the budget included 1.0% for the pay award, however, the employers have offered a zero increase.

3.3 Expenditure on Childrens Agency Placements is below budget profile, due to the continuing greater use of within-Borough foster care placements.

3.4 Community Care expenditure is significantly below budget. This is mainly due to costs of continuing health care being met by the Primary Care Trust (PCT). However, the criteria for continuing health care is currently being reviewed by the PCT which may result in future costs falling to the Community Care budget.

3.5 Income levels are largely in line with budget, as the impact of the economic downturn upon income levels was taken into account when setting the 2010/11 budget. Collection rates for both Council Tax and Business Rates are marginally higher than last year despite the economic downturn and continue to be above the average for North West councils.

3.6 Overall net spending across Departments is below the budget profile at this stage. Nevertheless, it is important that budget managers continue to closely monitor and control spending and income. It is worth noting that in the current climate, budget underspends will help and therefore spending should be limited to the absolutely essential.

Capital Spending

3.7 A summary of capital spending is shown in Appendix 2. Capital spending to 30th June 2010 totalled £4.4m, which is 60% of the planned spending of £7.3m at this stage. However, this only represents 9% of the total capital programme of £50.5m (which assumes a 20% slippage between years).

3.8 The main areas of programme slippage to date are in respect of, Mersey Gateway advance land acquisitions, Silver Jubilee bridge maintenance, Castlefields regeneration and Housing.

3.9 The Capital Programme was developed in a different financial climate and should be reviewed to ensure schemes are absolutely essential.

Balance Sheet

3.10 The Council's Balance Sheet is monitored regularly in accordance with the Reserves and Balances Strategy which forms part of the Medium Term Financial Strategy. The key reserves and balances have been reviewed and are considered prudent and appropriate at this stage in the financial year.

3.11 A significant number of equal pay claims have been lodged with the Council as part of the national single status agreement. A small number of claims are in the process of being settled. The majority however, are being considered by our legal advisers and will result in a significant cost falling on the Council, although the timescales are as yet uncertain. A reserve has been established over recent years, although it is not certain whether this will be sufficient to meet the future cost of such claims.

Local Strategic Partnership (LSP)

3.12 Spending against LSP funded schemes to 30th June 2010 totalled £0.4m which is 21% of the planned spending of £2.1m at this stage and 5% of the total available funding of £8.3m.

4.0 POLICY AND OTHER IMPLICATIONS

4.1 None.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 There are no direct implications, however, the revenue budget and capital programme support the delivery and achievement of all the Council's priorities.

6.0 RISK ANALYSIS

6.1 There are a number of financial risks within the budget. However, the Council has internal controls and processes in place to ensure that spending remains in line with budget. In preparing the 2010/11 budget, a register of significant financial risks was prepared which will be updated and monitored throughout the year.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None.

8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1072

8.1 There are no background papers under the meaning of the Act.

APPENDIX 1

Revenue Expenditure to 30th June 2010

Directorate / Department	Annual Budget £'000	Budget To Date £'000	Actual Spend £'000	Variance To Date £'000	Actual Including Committed Items £'000
Children and Families Services	9,570	852	590	262	2,741
Children's Organisation and Provision	7,955	-4,478	-4,728	250	-3,150
Learning and Achievement Services	11,875	1,744	1,727	17	1,223
Children and Young People	**29,400**	**-1,882**	**-2,411**	**529**	**814**
Environment & Regulatory Services	13,195	3,267	3,297	(30)	3,328
Highways, Transportation & Logistics	12,935	2,264	2,190	74	3,224
Employment, Economic Regeneration & Business Development	6,407	2,638	2,664	(26)	7,354
Environment and Economy	**32,537**	**8,169**	**8,151**	**18**	**13,906**
Human Resources	2,137	183	156	27	160
Policy & Performance	3,575	1,005	971	34	1,086
Legal and Democratic Services	2,573	684	678	6	708
Finance	7,069	10,321	10,253	68	10,327
ICT and Support Services	7,565	2,047	1,890	157	1,968
Financial Arrangements	-8,286	1,202	1,161	41	1,161
Resources	**14,633**	**15,442**	**15,109**	**333**	**15,410**
Community	12,605	2,838	2,803	35	4,524
Catering and Stadium	1,399	363	345	18	517
Prevention and Commissioning	21,221	4,103	3,881	222	4,197
Complex Needs	7,163	1,538	1,494	44	1,652
Enablement	4,098	1,080	1,084	(4)	1,331
Adults and Community	**46,486**	**9,922**	**9,607**	**315**	**12,221**
	123,056	**31,651**	**30,456**	**1,195**	**42,351**

APPENDIX 2

Capital Expenditure to 30th June 2010

Directorate	Actual Expenditure to Date £'000	2010/11 Cumulative Capital Allocation				Capital Allocation 2011/12 £'000	Capital Allocation 2012/13 £'000
		Quarter 1 £'000	Quarter 2 £'000	Quarter 3 £'000	Quarter 4 £000		
Children & Young People	**1,627**	**2,340**	**4,679**	**7,019**	**9,359**	**602**	**0**
Environment & Economy							
Environment & Regulatory Services	237	494	989	1,484	1,979	425	0
Highways, Transportation & Logistics	1,463	2,369	14,737	22,106	29,475	42,757	23,848
Employment, Economic Regeneration & Business Development	678	620	7,240	10,860	16,481	9,936	0
Total	**2,378**	**3,483**	**22,966**	**34,450**	**47,935**	**53,118**	**23,848**
Adults & Community							
Community	0	78	157	235	313	0	0
Catering & Stadium	1	8	15	23	30	30	30
Prevention & Commissioning	200	1,020	2,041	3,061	4,081	444	0
Enablement	0	41	82	122	163	0	0
Total	**201**	**1,147**	**2,295**	**3,441**	**4,587**	**474**	**30**
Resources							
Legal & Democratic Services	0	0	0	0	0	120	120
ICT & Support Services	132	299	598	897	1,196	1,100	1,100
Total	**132**	**299**	**598**	**897**	**1,196**	**1,220**	**1,220**
Sub-Total	**4,338**	**7,269**	**30,538**	**45,807**	**63,077**	**55,414**	**25,098**
Slippage (20%)					-12,615	-11,083	-5,020
						12,615	11,083
Total	**4,338**	**7,269**	**30,538**	**45,807**	**50,462**	**56,946**	**31,161**

Agenda Item 4d

REPORT TO:	Executive Board Sub-Committee
DATE:	9th September 2010
REPORTING OFFICER:	Strategic Director – Resources
SUBJECT:	Discretionary Non-Domestic Rate Relief
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is for members to consider 2 applications for discretionary non-domestic rate relief, under the provisions of the Local Government Finance Act 1988.

2.0 RECOMMENDATIONS: That

Under the provisions of Section 47, Local Government Finance Act 1988, discretionary rate relief be granted to the following organisations at the percentage indicated, for the period from 1st April 2010 or the commencement of liability, whichever is the later, to 31st March 2013:

Runcorn Residents Federation	**100%**
Tenants and Residents Organisations of England	**20%**

3.0 SUPPORTING INFORMATION

3.1 Under the provisions of Section 47 of the Local Government Finance Act 1988, the Authority is allowed to grant discretionary rate relief to organisations that are either a charity or a non-profit making organisation. This relief may also be awarded to Community Amateur Sports Clubs. A summary of the applications follows and a list of the associated figures are attached in Appendix 1.

<u>Runcorn Residents Federation</u>
Part Ground Floor, Jackson House, Second Avenue, Runcorn

Runcorn Residents Federation is a 'not for profit' organisation aiming to improve the conditions of life in Runcorn and to foster a community sprit. The group encourages combined and co-ordinated action on all matters of common interest, specifically targeting affordable rent levels and the provision of social housing. The Federation plays an active and participatory role with housing associations and the Council.

The premises are primarily used as a community office for the organisation, whilst also providing information and offering training and education to residents.

Runcorn Residents Federation is not a registered charity and does **not** qualify for mandatory rate relief. Consequently, the application is for discretionary rate relief only. The organisation was awarded 100% rate relief, when their previous application was considered for the former premises in Whitchurch Way, Runcorn.

Cost to Taxpayer (25%) 2010/2011 £ 724.50

Tenants and Residents Organisations of England
First Floor, Jackson House, Second Avenue, Runcorn

TAROE is a non-profit making company, limited by guarantee. It is an organisation with charitable aims, meaning that any profits generated are re-invested for the benefit of members. The company is governed by a voluntary board of directors, drawn from the membership and aims to provide a national organisation for tenants in the regulated housing sector, in order to further the interests of tenants, residents groups and associated bodies.

The premises are used as an administrative base for the organisation, from where it provides advice and assistance, initiates, develops and implements plans policies and procedures, whilst representing the views of those within the social housing sector across England. The company employs 3 people, all of which are resident within the Runcorn area.

As TAROE is not a registered charity, it does **not** qualify for mandatory rate relief. The application is for 100% discretionary rate relief. This organisation was previously awarded 20% rate relief, when the liability for all of Jackson House was held by TAROE.

Cost to Taxpayer (25%) 2010/2011 £ 1,060.88 (100%)

4.0 POLICY IMPLICATIONS

4.1 Members are required by the regulations to consider each application on its own merit. Any recommendations provided are given **for guidance only** and are consistent with previous decisions and Council policy.

5.0 OTHER IMPLICATIONS

5.1 75% of any discretionary rate relief granted to organisations receiving mandatory rate relief must be met by the Council Taxpayer, whilst 25% must be met if mandatory rate relief has **not** been awarded. Appendix

1 identifies the cost to the Council Taxpayer for each application. All the applicants provide support and/or education to the community, which is consistent with the Council's Corporate Plan.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 **Children and Young People in Halton**
None Applicable.

6.2 **Employment, Learning and Skills in Halton**
Both organisations offer advice, education and training to residents.

6.3 **A Healthy Halton**
None applicable.

6.4 **A Safer Halton**
None applicable.

6.5 **Halton's Urban Renewal**
None applicable.

7.0 RISK ANALYSIS

7.1 There are no key risks associated with the proposed action.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 The applicants offer their services to all sections of the community, without any prejudice.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

9.1

Document	Place of Inspection	Contact Officer
Application forms and supporting evidence	Kingsway House, Caldwell Road, Widnes	Phil Murphy, Business Rates Manager

APPENDIX 1

Ratepayer	Address	Annual Rates 20010/11 £	Actual Rates Liability 2010/2011 £	Mandatory Rate Relief Awarded	Actual Rates Payable 2010/2011 £	Discretionary Rate Relief Claimed	Annual Cost of Relief to HBC 2010/2011 £	Actual Cost of Relief to HBC 2010/2011 £
Runcorn Residents Federation	Part Ground Floor, Jackson House, Second Avenue, Runcorn	2,898.00	2,898.00	Nil	2,898.00	100%	724.50	724.50
Tenants and Residents Organisations of England	First Floor, Jackson House, Second Avenue, Runcorn	4,243.50	4,243.50	Nil	4,243.50	100%	1,060.88	1,060.88

REPORT TO: Executive Board Sub Committee

DATE: 9 September 2010

REPORTING OFFICER: Strategic Director, Resources

SUBJECT: Extension of Contracts and Waiver of Standing Orders

WARDS: Borough-Wide

1.0 PURPOSE OF THE REPORT

To request the Executive Board Sub Committee agree to waive standing orders and agree to extend the current Northgate@work & Northgate's Docs on Line contract for a further 5 years.

2.0 RECOMMENDED:

(1) That the Operational Director, Finance in consultation with the Portfolio Holder for Resources be authorised to extend the contract for the scanning and indexing of images for the Revenues and Benefits Division to the contactor Northgate Information System at a cost over 5 years of £240,000, and the annual maintenance contract for a cost over 5 years of £30,725.

(2) That, for the purposes of Contract Standing Order 1.6, approval be given on this occasion to the waiver of Standing Orders 3.1 to 3.7 and Procurement Standing Order 4 in light of the exceptional circumstances under the following provisions:

- **Standing order 1.6a, as Northgate is the only provider of a remote scanning and indexing service.**
- **Standing order 1.6c, as the existing system has been operating successfully for 10 years and any new supplier would involve the Council in substantial set up and installation costs.**
- **Standing order 1.6d, as Halton Borough Council has been a reference site for Northgate@work. Due to this relationship Halton Borough Council has been able to negotiate favourable terms for the extension of the contract, which would not be available on the open market.**

- **Standing Orders 1.6e as the provision of a remote scanning and indexing of documents can only be provided by Northgate Docs on Line.**

3.0 SUPPORTING INFORMATION

3.1 Business Case:

The Revenues & Benefits Division successfully implemented Anite@work (now know as Northgate@work), a document managing and workflow system, in January 2001. The contract was extended in 2006 and the current contract expires in January 2010. It is an integral part of the work process of the Division. Northgate@work is the market leader in the supply of document imaging systems to local government, in particular in the field of Revenues and Benefits.

One of the advantages of Northgate@work is they offer a remote scanning and indexing service. This service has been used successfully during the course of the Northgate@work contract and is only offered by Northgate. In 2001 it was determined that it was more cost effective for the Council to outsource this specialist operation and provision was made in the budget to accommodate this service. As the Northgate@work contract is to be extended then it is necessary to extend the Docs on Line contract at the same time.

Anite are registered under SCAT and Northgate have agreed that we can renew using SCAT protocol.

Other factors for recommending Northgate include:

Value for Money

- Northgate are the market leader to Revenues & Benefits with over 155 sites nationally.
- Northgate are our existing supplier. Staff across Revenues & Benefits are fully trained in the use of the system. Any new system would involve in depth training with associated costs,
- Due to the fact that Halton has been used as a reference site for Northgate, favourable terms have been negotiated which ensure value for money.
- The system is compatible with the Councils' Home Working policy.
- The system supports staff working in various locations e.g. Job Centre Plus, and Housing Offices
- A study has already been undertaken to ensure that the system can be rolled out as part of the IT strategy for a corporate document imaging system.
- The adoption of a new system would involve the Council in significant additional costs in the setting up of a new system, data mapping and staff training.

- The new Doc on Line contract is on more favourable terms and will achieve a saving on existing costs.

Transparency

- The contract will be subject to Scrutiny. In addition arrangements are subject to the Freedom of Information Act and both internal and external audit procedures.

Propriety and Security

- Standard integrity clauses will be built into the contract document and only relevant staff will have information about the terms of the contract.

Accountability

- Accountability would remain with Operational Director Finance and be subject to our own internal and external audit scrutiny.

Position of the contract under the Public Contract Regulations 2006

- This contract is for a Schedule 3 Part B service. In these circumstances the reduced controls under the Public Procurement Regulations will apply.

4.0 POLICY IMPLICATIONS

None.

5.0 OTHER IMPLICATIONS

None

6.0 RESOURCE IMPLICATIONS

6.1 The cost of the project is covered by existing budgets.

7.0 RISK ANALYSIS

7.1 By extending the contract with Northgate the risk to a disruption in service has been reduced by the following:

- Existing supplier has been used successfully for ten years.
- No conversion of information is necessary.
- No staff training on a new system is necessary.

8.0 EQUALITY AND DIVERSITY ISSUES

None

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
Northgate proposal to Halton Council for the extension of the existing Docs on Line service and existing Northgate@work	Kingsway House	Peter McCann Head of Revenues & Benefits

Agenda Item 5a

REPORT TO:	Executive Board Sub Committee
DATE:	9 September 2010
REPORTING OFFICER:	Strategic Director, Adults & Community
SUBJECT:	Beers, Wines and Spirits Contract
WARD(S)	Borough-wide

1.0 **PURPOSE OF THE REPORT**

1.1 To request an extension to the existing contract arrangements which finish at the end of October 2010 for a further 8 months, up to June 2011, which will allow Halton Borough Council to participate in a new Collaborative Framework Agreement with ESPO (Eastern Shires Procurement Organisation) and Stockport Metropolitan Borough Council.

2.0 **RECOMMENDATION:**

i) That this report is accepted.

ii) Procurement Standing Orders Part 3 are waivered

3.0 **SUPPORTING INFORMATION**

3.1 Halton Borough Council has an annual spend of £245,000 Beers, Wines and Spirits, which is split between The Stobart Stadium Halton £228,000 and the Brindley Arts Centre £17,000 per annum

3.2 The stadium and The Procurement Centre of Excellence have worked together to scope the marketplace and identify an alternative source of supply that will deliver value for money and increase revenue for the authority, whilst addressing efficiency savings around the tender procedure.

A variety of tendering opportunities have been identified that would be open for the Council to participate in. These have been benchmarked against our current contract prices to assist with our decision on which procurement route to take.

3.3 The first option was a Framework Agreement let by ESPO (Eastern Shires Procurement Organisation) which is open to Local Authorities to utilise without conducting a separate tender procedure as it has already been through competition and complied with EU Public Procurement Regulations 2006. This Framework Agreement is open up to May 2011, with a further 1 year option of supply until

May 2012.

The framework agreement provided supply options from two approved suppliers, Carlsberg and Heineken. Review meetings where arranged with both providers and a price comparison conducted on a core basket or goods purchased over the past 12 months by the council. Unfortunately both price offers were not competitive against existing prices and would not deliver any efficiency savings but increase the annual spend by £14,394.00 as a minimum.

Current HBC	**Total**	**£141,909.00**
ESPO Heineken	Total	£156,303.00
ESPO Carlsberg	Total	£195,776.00

3.4 The second option identified Stockport Metropolitan Borough Council as a collaborative opportunity for Halton Borough Council to work with, as their existing contract arrangement expires in January 2011.

As the lead representing AGMA (Associated Greater Manchester Authorities) Stockport Council where also preparing to approach the market to conduct a new tender procedure for their requirements for Beer, Wines and Spirits.

Stockport were willing to lead on the Framework Agreement and include Halton Borough Council as a named member on the contract. In line with the Council's E-Tendering facility The Chest , which is hosted by Due North, Stockport and the other AGMA authorities are also committed to using this approach to E-Tendering, this would reduce duplication of documents and allow on-line collaboration between the authorities during the tendering procedure.

Efficiency savings would also be gained from Halton Borough Council not having to manage the tender procedure independently as this would be done by Stockport Council.

3.5 Feedback of our intention to collaborate with Stockport was provided to ESPO, as a result ESPO have approached us with an alternative option of collaboration.

3.6 ESPO have offered to decline the extension period on their existing contract and lead a new tender procedure to include Halton Borough Council, Stockport/AGMA and both existing and any new Local Authorities that may wish to participate in the new Framework Agreement.

This collaborative opportunity will improve the market profile of the framework by increased aggregated volumes, opportunities of supply to a wider customer base of Local Authorities which will attract key suppliers within this supply chain to influence the market and stimulate competition to deliver improved efficiency savings.

Efficiency savings would also be gained from Halton Borough Council not having to manage the tender procedure independently from reduced resource and time preparing the documentation as this would be done by ESPO.

4.0 **POLICY IMPLICATIONS**

4.1 None identified.

5.0 **IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

5.1 **Children & Young People in Halton**

None identified.

5.2 **Employment, Learning & Skills in Halton**

None identified.

5.3 **A Healthy Halton**

None identified.

5.4 **A Safer Halton**

None identified.

5.5 **Halton's Urban Renewal**

None identified.

6.0 **RISK ANALYSIS**

6.1 Halton could tender independently, however, there is no guarantee this would result in lower costs and there is greater potential to work collaboratively to be more financially efficient as well as providing greater contract security through a partnership with other organisations.

7.0 **EQUALITY AND DIVERSITY ISSUES**

7.1 It is essential that the Council addresses equality issues, in particular those regarding age, disability, gender, sexuality, race, culture and religious belief, when considering its contract arrangements.

Contract arrangements will be applied through a transparent and equitable process.

There are no specific equality and diversity issues. Contractors will be expected to comply with current legislation.

8.0 **LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

None.

REPORT TO:	Executive Board Sub Committee
DATE:	9th September 2010
REPORTING OFFICER:	Strategic Director, Adults and Community
SUBJECT:	Castlefields Village Square – Local Lettings Policy
WARD(S):	Halton Castle

1.0 PURPOSE OF REPORT

1.1 To seek the Boards views on a proposal by Plus Dane Housing Association to introduce a local lettings policy to allocate the new rental properties being constructed as part of the Castlefields Village Square redevelopment.

2.0 RECOMMENDED – that the Board support the introduction of a local lettings policy as set out in the report.

3.0 SUPPORTING INFORMATION

3.1 As part of the regeneration of the Castlefields area, plans include for the demolition of the existing local shopping centre and the creation of a new village square comprising shop units, a new health centre, new community centre and 16 flats above the shops. This represents a significant financial investment by a range of partners, with the intention to offer a vibrant new focus to the local community.

3.2 Plus Dane is the developer of the shops and flats. Mindful of the need to do everything possible to protect this investment and the new facilities for the long term benefit of the community, and of the anti social behaviour problems often associated with local centres and flats over shops particularly, Plus Dane is proposing to introduce a local lettings policy. This would apply only to the 16 new flats due to be constructed above the new shops, and not the wider estate.

3.3 Local lettings policies are widely used by social landlords, operating under formal guidance issued by the former Housing Corporation, as one of a range of tools used to stabilise problem areas and create sustainable neighbourhoods. Appendix 1 is a copy of Plus Dane's overarching policy framework governing the use of local lettings policies and sets out the consultation, implementation and monitoring process, and the safeguards in terms of regular monitoring, analysis and review.

3.4 Appendix 2 sets out the local context of why Plus Dane wants to introduce a local policy for the Castlefields village square area, and the proposed criteria to be used to select new tenants. Essentially it introduces two additional criteria on top of the normal qualifications, in that applicants must be over 25 years of age and must either be working or engaged in voluntary work within the community.

3.5 On this occasion the proposal to introduce a local lettings policy is not so much a response to an existing problem, but a risk based approach to prevent a problem from occurring given their experience of problems with other flats over shops.

3.6 Plus Dane has asked the Council to comment on its proposals as part of a wider consultation exercise, to inform any decision ultimately taken by the Association's Senior Management Team. The proposal was considered by the Environment and Urban Renewal PPB on the 16th June 2010, which resolved to advise the Executive Board Sub of its support for the proposal.

4.0 POLICY IMPLICATIONS

4.1 None for the Council.

5.0 OTHER IMPLICATIONS

5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 **Children and Young People in Halton**

None identified.

6.2 **Employment, Learning and Skills in Halton**

None identified.

6.3 **A Healthy Halton**

None identified.

6.4 **A Safer Halton**

If Plus Dane's risk assessment is correct, the proposal for a local lettings policy should reduce the potential for anti social behaviour in the locality.

6.5 **Halton's Urban Renewal**

The successful redevelopment of the Castlefields local shopping centre is key to the regeneration of the area, and a proportionate approach to reducing the risk of crime to secure the scheme's success has to be weighed against the use of additional criteria for the selection of tenants.

7.0 RISK ANALYSIS

7.1 None identified.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 This approach will seek to provide choice and diversity, promote inclusion and access. The Policy will be monitored to ensure it complies with the appropriate Council equality strategies.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	**Place of inspection**	**Contact Officer**
Report to Environment and Urban Renewal PPB 16th June 2010.	Runcorn Town Hall	Housing Strategy Manager

Local Lettings Framework

TABLE OF CONTENTS

1. Management Information

Date Framework approved	January 2010
Replacing/Updating	New
Next Review Date	
Drafted by	Noreen Fallon
Responsible Director	Jackie Perry
Circulation list	Available to all staff electronically on NiNet

2. Framework Statement

We continuously seek sustainable solutions to improve people's lives and to create safe and pleasant neighbourhoods. We also have a responsibility under the Anti Social Behaviour Act 2003 to introduce policies aimed at preventing incidents of Anti Social Behaviour. Local lettings and the use of Starter Tenancies in geographical neighbourhoods are two of the ways of meeting this responsibility. As a landlord we realise the requirement to balance the needs of new tenants and the interests of existing tenants.

This framework aims to:

- set out when adjustments will be made to the main Lettings Policy to meet specific local issues;
- comply with current legislation and good practice including the Anti Social Behaviour Act 2003;
- develop a consistent approach to the management of our neighbourhoods;
- contribute to sustainable, diverse and balanced communities.

3. Framework Aims and Key Objectives

Our aim and objectives of this framework are summarised as follows:

- to operate a Local Lettings framework to help tackle identified areas of low demand and Difficult to Let areas.
- to maintain the stability of established areas.
- to create balanced communities that residents choose to live in.
- to comply with all relevant legal requirements and to fulfil all agreed contractual obligations with Local Authorities and other Registered Social providers.
- to address issues of Anti Social Behaviour and harassment.
- to protect the interests of existing tenants by seeking to prevent or reverse social decline.
- to encourage community stability and cohesion.

4. Links to Group Values and Business Plan

This framework links to our 7 customer promises and the business plan objective of Homes, Neighbourhoods and Enterprise by aiming to:

- ensure our homes and neighbourhoods do not fall into decline due to demand and anti social behaviour issues;

- improve community safety by addressing particular issues related to specific areas;
- create great places to live through cohesive balanced communities;
- ensure maximum investment is received on existing homes by reducing costs due to criminal damage.

5. Local Lettings

The option to use local lettings policies can only be used with prior consent of the Senior Management Team in defined geographical areas or categories. In the main, the majority of the lettings policy will apply but local lettings will include additional criteria that will be considered when lettings properties in order to address specific local issues within a neighbourhood.

Where such a framework is adopted there must be:

- evidence of anti social behaviour. This can be repair costs relating to criminal damage due to ASB, evidence of decline in neighbourhood e.g tenancy turnover and any other crime / ASB related figures.
- clear aims and objectives which have been agreed in advance by the Neighbourhood Director.
- a limited time period for use, set at the outset;
- an Equality Impact Assessment completed for all areas proposed;
- consultation with the Local Authority and other RSLs working within the neighbourhood to ensure that applicants meeting the criteria on their lists are not excluded;
- monitoring, review and reporting systems in place;

5.1 Evidencing need for Local Letting Agreements

When seeking to introduce local letting agreements, a report must be submitted to the Senior Management team covering the following.

- Stock turnover levels
- Average relet times for the area compared to average relet time for the area as a whole
- Current demand for the area
- Number of refusals before a property is accepted
- Number of ASB cases within the area
- Repair costs related to ASB damage
- Indices of deprivation

The procedure to be followed for approval of Local Letting Agreements is summarised at Appendix 1.

5.2 Sensitive Lets

For cases where 'one off' sensitive lets need to be made, consent should be sought from the Neighbourhood Director. When considering a sensitive let, the balance within the community and any problems that they have previously experienced should be considered. The criteria may include:

- a mix of household sizes to give a balanced community;
- age of the potential tenant;
- employment status, or
- convictions.

The reason such criteria would be used is to aid neighbourhood sustainability and for the benefit of those residents who have experienced serious ASB in the past.

6. Service Standards

The following standards, agreed with customers are in place for this framework:

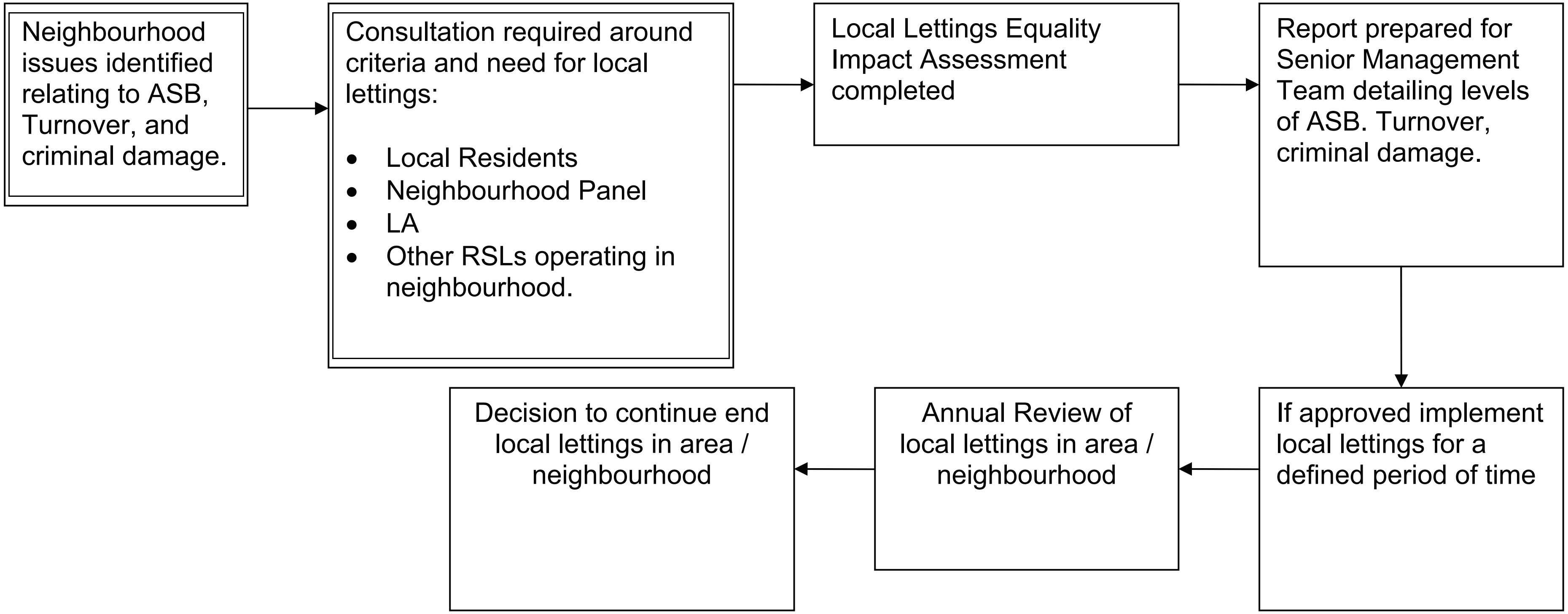
- All local lettings will be reviewed annually with a formal review of the impact of the policies reported 3 yearly to the Managing Director with delegated Board approval to agree local lettings.
- Consultation will take place in the neighbourhood prior to the introduction of a local lettings policy.

7. Performance Management

For this policy, the following KPIs are in place:

- Measures of levels of ASB
- Property turnover
- Average relet times
- Repair costs due to criminal damage.

8. Local Lettings Process Map



Appendix 1 - Local Lettings Procedure

1. **Clear Objectives**
Each Officer involved in the introduction of local lettings must be able to demonstrate the need to adopt this approach. To do this, a detailed report must be produced for Senior Management Team for approval. A template for the report setting out the data required to support the implementation is set out in Appendix 2.

2. **Control Measures**
In order to establish the need for Local Letting agreements, various measures will need to be looked at. There must be evidence of the need to protect the interest of existing residents, or help prevent social decline. This will involve evidence of management problems (e.g. no waiting list for a period, tenancy turnover rates, incidents of Anti-social behaviour), which may be supported, by evidence derived from further investigations via questionnaires. These will be dependent upon the nature and scope of each individual Local Lettings agreement.

3 **Consultation**
Before developing a local lettings agreement, consultation is required with customers and the relevant Local Authority. This will need to take place in a range of forms dependent upon the nature of the individual Local Letting agreement. Local Authorities must always be consulted in particular regard to nomination rights.

Consideration should also be given as to whether there are particular development / planning agreements in existence that may require 'change of use' permission. An Equality Impact Assessment must be carried out in order to assess the adverse impact the agreement may have on customers.

4. **Approval**
Local Lettings agreements must be approved by the Neighbourhood Director.

5. **Monitoring and Review of Local Lettings agreements**
At the outset, a time period should be agreed for each Local Letting agreement, however in some cases, such as an age restriction scheme, these may not be time limited as once approved would remain the same e.g. over 55 schemes.

The use of Local lettings policies should be reviewed each year by the neighbourhood teams. See Appendix 3. A review of the impact of the policies should be reported, at least every 3 years to the Managing

Director with Board delegated authority and the Neighbourhood Panels for a decision on whether to continue.

Appendix 2– Report for approval of local lettings

Senior Management Team

Neighbourhoods

Contact Tel: Email:

Local Letting Area

1 Purpose

The purpose of this paper is to seek approval for a local letting scheme in (insert area) to help us achieve a balanced community, sustainable tenancies and reduce the level of anti social behaviour.

2 Background

(Here, set the scene of reasons why local lettings are required along with a breakdown of the area profile)
Include:

- location of properties
- description of properties - how many units
- Age profile of residents
- Average length of tenancies

3 Supporting Data & Evidence

Here, set out the supporting evidence. Include:

- Stock turnover levels
- Average relet times for the area compared to average relet time for the area as a whole
- Current demand for the area
- Number of refusals before a property is accepted
- Number of ASB cases in the areas
- Repair costs related to ASB damage
- Indices of deprivation

4 Conclusion

(Review period to be included)

5 Links to Business Objectives

The proposed local lettings framework links to our 7 customer promises and the business plan objective of Homes, Neighbourhoods and Enterprise by aiming to:

- ensure our homes and neighbourhoods do not fall into decline due to demand and anti social behaviour issues;
- improve community safety by addressing particular issues related to specific areas;
- create great places to live through cohesive balanced communities;
- ensure maximum investment is received on existing homes by reducing costs due to criminal damage.

6 Financial Implications

7 Risk Appraisal

8 Customer & Stakeholder Involvement

Here say …. In developing this local lettings area, we have consulted with XXXXX – include all who have been consulted. We need to demonstrate that we have consulted as wide as possible.

9 Equality Impact Assessment

Within this section you should:

- confirm that an EIA has taken place and that residents attended the session;
- detail the outcome of the screening process and whether a full EIA was completed;
- detail any adverse impact identified for any groups;
- confirm what actions have been agreed to react to any adverse impact

10 Environmental Impact

Within this section include the intended environmental impact of the local lettings policy

Appendix 3 – Annual Monitoring Report

Senior Management Team

plus dane group

Neighbourhoods

Contact Tel: Email:

Annual Monitoring Outcome of Local Letting Area

1. Purpose

The purpose of this paper is to review the use of the local letting scheme in (insert area) set up to help us achieve a balanced community, sustainable tenancies and reduce the level of anti social behaviour.

2. Background

Summarise here the reasons why the local lettings agreement was introduced.

3. Current Position

Provide details on the current, has the neighbourhood stabilised is there evidence of this? Include year of year comparative indicators

Evidence Date	Previous year data	Current position
Stock turnover levels		
Average relet times for the area compared to average relet time for the area as a whole		
Current demand for the area		
Number of refusals before a property is accepted		
Number of ASB cases in the areas		
Repair costs related to ASB damage		

Appendix 4 – Local Letting Areas

Existing Local Lettings
Plus dane Merseyside have a number of neighbourhoods / schemes where local lettings apply. These neighbourhoods have been identified and the policy introduced to either address low demand or to address social decline and neighbourhood issues including Anti Social Behaviour. In neighbourhoods were there is low demand properties can be marketed outside of the normal lettings process and in these cases Liverpool City Council do not require us to seek approval for local lettings.

Sensitive Lettings - Local Marketing
Plus dane have marketed the following properties outside of property pool due to low demand and neighbourhood issues including social decline. This approach was discussed with Liverpool City Council who supported the proposal due to low demand and sustainability issues.

Merseyside

- Haigh Street Flats – Criteria for these flat is 25 with local connections and employed or working on a voluntary basis. The block had previously experienced high instances of anti social behaviour and was eventually emptied and some refurbishment work with extra security measures carried out.
- Field Street – Due to demand issues due to high levels of anti social behaviour sensitive lettings have been carried out in Field Street. Adverts state local connections due to high turnover in the street.
- 4 Bed Estate Everton - A degree of under occupation can be considered to help promote a more balanced community.
- Sunningdale (Halebank) – Local lettings have been carried out here on the 14 new build units to assist with the decant programme in Castlefields. The properties came into Plus Dane ownership in July 2008. This is a private Barratt estate with the rest of the properties being privately owned.

Cheshire – Local Connection Agreement – Macclesfield & Langley
Within the Langley and Macclesfield area applicants are nominated by CPP and must demonstrate a local connection to the village. In addition, the parish council must be consulted on the vacancy.

Starter Tenancies
Starter tenancies have been introduced on a geographical basis to address Anti Social Behaviour issues. The starter tenancy policy outlines the consultation process for the introduction of starter tenancies in a neighbourhood.
Starter Tenancies have been introduced in the following neighbourhoods:

Merseyside

- Windermere Green (agreed at stock transfer)
- West Everton
- Bedford Street South
- Bedford Queens
- Westmorland
- Runcorn
- Pinehurst
- Hornby stock L13
- Gemini / Capricorn Close Bootle
- New Servite non sheltered stock

Cheshire

Congleton:	Bromley Farm Estate Brunswick Street Flats
Ellesmere Port:	Hallwood Walk
Winsford	Saville Court

APPENDIX 2

Village Square - Castlefields

The village square plans consist of a mixed development of flats, commercial shop units, a health centre and community centre.

Above the shop units there will be 16 two bedroom flats. Historically where Plus Dane has managed flats above shops there have been problems related to anti social behaviour which has affected demand. This was evident in Kirkby where the flats were eventually demolished.

Halton Housing Trust (HHT) currently manages the waiting list that was originally held by the local authority. The Trust has confirmed that there is healthy demand for two bedroom flats, however this demand is mainly from single men.

We currently manage 6 blocks of 1 bedroom flats at Tanhouse and currently allocate vacant units in the blocks from our waiting list and nominations from HHT. The majority of the applicants/nominations are single men and we have encountered anti social behaviour (ASB) problems in and around Tanhouse. Since April 2008 we have had 8 ASB cases reported on the Brow, 7 of these cases relating to Tanhouse. There has also been criminal activity reported to the Police which has included a stabbing and a physical assault.

Stock turnover has also been affected for the period April 2008 to December 2009. We have relet 18 properties in Tanhouse which equates to 51% of stock in relation to the 35 units. This is a high turnover when compared to the rest of the neighbourhood were we have had 9 lettings in the same period, just 8.2% of the 109 units on the Brow.

Plus Dane therefore proposes the introduction of a local lettings policy for the 16 new units to mitigate potential problems and safeguard the significant investment being made in the new accommodation and local centre.

Local Lettings Criteria

It is proposed that the following criteria are adopted:

- Age – over 25
- Status – Employed or working voluntarily within the community

The Castlefields estate has high levels of unemployment and therefore the employment status criteria will help to address this.

Marketing

Plus Dane currently holds a waiting list and applicants on the list meeting the above criteria will be considered. Plus Dane will also consider other marketing measures if required e.g. lettings boards, local press or estate agents.

Following the implementation of a sub regional Choice Based Letting system Plus Dane will also advertise the properties through CBL highlighting the criteria.