

**HALTON BOROUGH COUNCIL**



*Municipal Building,  
Kingsway,  
Widnes.  
WA8 7QF*

*17 April 2007*

**TO: MEMBERS OF THE HALTON  
BOROUGH COUNCIL**

*You are hereby summoned to attend an Ordinary Meeting of the Halton Borough Council to be held in the Runcorn Town Hall on Wednesday, 25 April 2007 commencing at 6.30 p.m. for the purpose of considering and passing such resolution(s) as may be deemed necessary or desirable in respect of the matters mentioned in the Agenda.*

A handwritten signature in black ink, appearing to read 'David W. R.', is centered on the page.

*Chief Executive*

**-AGENDA-**

- 1. COUNCIL MINUTES**
- 2. APOLOGIES FOR ABSENCE**
- 3. THE MAYOR'S ANNOUNCEMENTS**
- 4. DECLARATIONS OF INTEREST**
- 5. LEADER'S REPORT**
- 6. MINUTES OF THE EXECUTIVE BOARD**
  - a) 8th February 2007
  - b) 22nd February 2007
  - c) 15th March 2007
  - d) 29th March 2007
- 7. MINUTES OF THE EXECUTIVE BOARD SUB-COMMITTEE**
  - a) 8th February 2007
  - b) 22nd February 2007
  - c) 15th March 2007
  - d) 29th March 2007
- 8. MINUTES OF THE EXECUTIVE (TRANSMODAL IMPLEMENTATION) SUB-BOARD**
  - a) 1st March 2007
- 9. QUESTIONS ASKED UNDER STANDING ORDER NO. 8**
- 10. MATTERS REQUIRING A DECISION BY THE COUNCIL**

**a) Executive Board Sub-Committee - 22nd February (ES88 refers) - Appointment of Mayor/Deputy Mayor 2007/08**

The Executive Board Sub-Committee considered a Part II report, exempt under Category 1 of the Local Government Act 1972, regarding the appointment of Mayor and Deputy Mayor for the 2007/08 Municipal Year.

RECOMMENDED: That

- (a) Councillor Hodgkinson be appointed Mayor for the 2007/08 Municipal Year; and
- (b) Councillor Cole be appointed Deputy Mayor for the 2007/08 Municipal Year.

**b) Executive Board Sub-Committee - 15th March (ES98 refers) - Treasury Management and Investment Strategy 2007/8**

The Executive Board Sub-Committee considered the attached report.

RECOMMENDED: That the Treasury Management and Investment Strategy be approved.

**c) Executive Board - 15th March (EXB93 refers) - Housing Capital Programme**

The Executive Board considered the attached report.

RECOMMENDED: That the proposed programme for 2007/08, as set out in Appendix A to the report, be approved.

**d) Executive Board - 29th March (EXB98 refers) - Gambling Act 2005 - Delegation**

The Executive Board considered the attached report.

RECOMMENDED: That authority be delegated to the Regulatory Committee to set fees under Section 212 Gambling Act 2005 in accordance with Section 154 Gambling Act 2005.

**11. MINUTES OF POLICY AND PERFORMANCE BOARDS AND THE BUSINESS EFFICIENCY BOARD**

- a) Children and Young People - Cream Pages
- b) Employment, Learning and Skills - Yellow Pages
- c) Healthy Halton - Grey Pages

- d) Safer Halton - Pink Pages
- e) Urban Renewal - Green Pages
- f) Corporate Services - Salmon Pages
- g) Business Efficiency Board - White Pages

**12. COMMITTEE MINUTES**

- a) Development Control - Pink Pages
- b) Regulatory - Blue Pages
- c) Appointments - White Pages

**REPORT TO:** Executive Board Sub-Committee

**DATE:** 15th March 2007

**REPORTING OFFICER:** Operational Director – Financial Services

**SUBJECT:** Treasury Management and Investment Strategy 2007/08

**WARD(S):** Borough-wide

#### **1.0 PURPOSE OF REPORT**

1.1 To agree a Treasury Management and Investment Strategy for 2007/08.

**2.0 RECOMMENDED: That the policies and strategies outlined in the report be accepted.**

#### **3.0 SUPPORTING INFORMATION**

3.1 This Treasury Strategy Statement details the expected activities of the Treasury function in the forthcoming financial year (2007/08). Its production and submission to the Executive Board Sub-Committee is a requirement of the CIPFA Code of Practice on Treasury Management.

3.2 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

3.3 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy; this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

3.4 The ODPM's guidance notes state that Authorities can combine the Treasury Strategy Statement and Annual Investment Strategy into one report. The Council has adopted this approach and the Annual Investment Strategy is therefore included as paragraph 8.

#### **4.0 POLICY IMPLICATIONS**

4.1 The successful delivery of the strategy will assist the Council in meeting its budget commitments.

**5.0 OTHER IMPLICATIONS**

5.1 None.

**6.0 RISK ANALYSIS**

6.1 The Authority operates its treasury management activity within the approved code of practice and supporting documents.

6.2 The aim at all times is to operate in an environment where risk is clearly identified and managed.

6.3 This strategy sets out clear objectives within these guidelines.

6.4 Regular monitoring is undertaken during the year and reported on a quarterly basis to the Executive Board Sub-Committee.

**7.0 EQUALITY AND DIVERSITY ISSUES**

7.1 None.

**8.0 REASON(S) FOR DECISION**

8.1 The Authority must have an approved annual strategy in place before the year commences.

**9.0 ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

9.1 None.

**10.0 IMPLEMENTATION DATE**

10.1 1st April 2007.

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

<b>Document</b>	<b>Place of Inspection</b>	<b>Contact Officer</b>
Working papers	Accountancy Section	J. Viggers

## **TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2007/08**

### **1.0 INTRODUCTION**

1.1 The suggested Treasury Management and Investment Strategy for 2007/08 covers the following aspects of the treasury management function and is based upon the Treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor.

- treasury limits in force which will limit the treasury risk and activities of the Council;
- Prudential Indicators;
- the current treasury position;
- the borrowing requirement;
- prospects for interest rates;
- the borrowing strategy;
- debt rescheduling;
- the investment strategy;
- any extraordinary treasury issues.

### **2.0 TREASURY LIMITS FOR 2007/08**

2.1 It is a statutory duty under S.3 of the Local Government Act 2003, and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit".

2.2 The Council must have regard to the Prudential Code when setting their Affordable Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax is 'acceptable'.

2.3 Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate those planned to be financed by both external borrowing and other forms of liability, such as credit arrangements. The affordable borrowing limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

### **3.0 PRUDENTIAL INDICATORS FOR 2007/08-2009/10**

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

No.	Prudential Indicator	2007/08 £	2008/09 £	2009/10 £
	(1) Extract from Budget			
3	Affordable Borrowing Increase in Council Tax B7 (Band D, per annum)	3.42	2.78	0.17
7	Capital Financing Requirement (as at 31 March) Non-HRA	£m 54.407	£m 64.181	£m 72.048

No.	Prudential Indicator	2007/08 £m	2008/09 £m	2009/10 £m
	(2) Treasury Management Prudential Indicators			
9	Authorised Limit for External Debt			
	Borrowing	55.06	65.43	74.93
	Other Long Term Liabilities	0.00	0.00	0.00
	TOTAL	55.06	65.43	74.93
10	Operational Boundary for External Debt			
	Borrowing	50.06	60.43	69.93
	Other Long Term Liabilities	0.00	0.00	0.00
	TOTAL	50.06	60.43	69.93
12	Upper Limit for Fixed Interest Rate Exposure Expressed as Net Principal re Fixed Borrowing/ Investments	37.54 (75%)	45.32 (75%)	52.44 (75%)
13	Upper Limit for Variable Rate Exposure Expressed as Net Principal re Variable Borrowing/ Investments Net Interest re Variable Rate Borrowing/ Investments	37.54 (75%)	45.32 (75%)	52.44 (75%)
14	Maturity Structure of New Fixed Rate Borrowing during 2006/07		Upper	Lower
	Under 12 months		50	0
	12 months and within 24 months		75	0
	24 months and within 5 years		50	0
	5 years and within 10 years		50	0
	10 years and above		75	0

No.	Prudential Indicator	2007/08		2008/09		2009/10	
		£m	%	£m	%	£m	%
15	Upper Limit for Total Principal Sums invested for over						
	Up to 1 year (per maturity date)	39.41	100	31.68	100	21.90	100
	Up to 2 years (per maturity date)	23.64	60	19.01	60	13.14	60
	2 Years+ (per maturity date)	21.90	30	13.14	30	6.57	30

#### 4.0 CURRENT PORTFOLIO POSITION

4.1 The Council's treasury portfolio position at 31st January 2007 comprised:

	Principal		Average Rate
	£m	£m	%
Fixed Rate Funding			
PWLB	10.00		3.70
Market	10.00	20.00	4.42
Variable Rate Funding			
PWLB	0.00		-
Market	0.00	0.00	-
Total Borrowing		20.00	4.06
Other Long Term Liabilities		0.00	
Total Debt		20.00	
Total Investments		30.85	5.03



## 5.0 BORROWING REQUIREMENT

5.1 The table below summarises the net borrowing requirement for the authority for the next three years based on the current level of supported borrowing indicated by the government for 2006/07.

	2006/07	2007/08	2008/09	2009/10
	£'000	£'000	£'000	£'000
New Borrowing	6,066	7,719	9,774	7,867
Alternative Financing Arrangements	-	-	-	-
Replacement Borrowing*	-	-	-	-
<b>TOTAL</b>	<b>6,066</b>	<b>7,719</b>	<b>9,774</b>	<b>7,867</b>

\*5.2 The £10m Lender's Option Borrower's Option (LOBO), currently with Euro Hypo bank is on 6 month options. As such it could fall to be replaced in any of the years.

## 6.0 PROSPECTS FOR INTEREST RATES

6.1 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.

6.2 Sector View: Interest rate forecast – January 2007

	Q/E1 2007	Q/E2 2007	Q/E3 2007	Q/E4 2007	Q/E1 2008	Q/E2 2008	Q/E3 2008	Q/E4 2008	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009	Q/E1 2010	Q/E2 2010	Q/E3 2010
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Bank Rate	5.50	5.50	5.25	5.00	5.00	4.75	4.75	4.75	4.75	4.75	5.00	5.00	5.00	5.00	5.00
5 yr Gilt Yield	5.25	5.25	5.00	4.75	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
10 yr PWLB Rate	5.00	5.00	4.75	4.75	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
25 yr PWLB Rate	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
50 yr PWLB Rate	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25

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

- peak at 5.50% in Q1 2007;
- fall to 5.00% in Q4 2007 and then to 4.75% in Q2 2008;
- before rising back to 5.00% in Q3 2009.

The risk to this forecast is to the downside in as much as the cuts in rates could occur earlier than our forecast suggests, although this will not necessarily affect the timing of the first upward move in Q1 2007.

6.3 Economic background

International

- The US, UK and EU economies have all been on the upswing of the economic cycle in 2005 and 2006 and so have been raising interest rates in order to cool their economies and to counter

inflationary pressures stimulated by high oil, gas and electricity prices which could feed through into increases in wage inflation, producer prices etc.;

- The US is ahead of the UK and EU in the business cycle and it looks as if the Fed. rate has probably already peaked at 5.25% whereas there is still an expectation in the financial markets of further increases in the EU and UK;
- The major feature of the US economy is a still steepening downturn in the housing market which is likely to drag consumer spending, and so the wider economy, down with it (e.g. house building, employment etc.). Falling house prices will also undermine household wealth and so lead to an increase in savings (which fell while house prices were rising healthily) and so conversely will lead to a fall in consumer expenditure;
- The Fed. may be reluctant and tardy to respond to the aforementioned downturn in the economy if inflationary pressures remain stubbornly high. This could exacerbate the downturn both in the US and the world economies;
- EU growth picked up strongly in the first half of 2006 and remained healthy in the second half. Growth to slow moderately in 2007 due to weaker US and global demand;
- Despite sharply increased energy prices, disinflationary pressures from falls in prices of manufactured goods from China and India have helped to keep headline inflation in the advanced economies to an average of around 3% and will fall as the energy effects go into reverse.

### United Kingdom

- GDP: the UK is on the upswing of the economic cycle from a low point reached in June 2005. Robust growth is expected to continue for a little longer but a modest cooling is expected in 2007 (2006 2.7%, 2007 2.2%) and to continue at below the trend rate of 2.5% thereafter;
- Recovery in consumer spending and retail sales has underpinned this upswing in GDP;
- The housing market has proved more robust than expected; house price inflation over 8% p.a.;
- Higher than expected immigration from Eastern Europe has strengthened growth and dampened wage inflation;

- The MPC's decision to raise Bank Rate in November 2006 and January 2007 were needed to bring CPI inflation down to the 2% target level two years ahead. The MPC has been concerned that short term price increases (CPI has been significantly above target since June 2006) could feed through into wage settlements in the current pay round and anchor inflation expectations at a higher level;
- Household income growth to recover in 2007 as inflation falls and pay rises. But extra income likely to go into a recovery of the savings rate, pension saving and servicing debt costs (as rates rise) rather than consumer expenditure;
- Public sector real increase in expenditure per annum to weaken to 2.5% over the next few years from 3% average over 2000-2005;
- The three increases in Bank Rate in August and November 2006 and then January 2007, are expected to dampen the housing market and increases in unsecured borrowing although one more increase in Bank Rate is forecast;
- World slowdown in growth in 2007 will dampen UK exports;
- OUTLOOK: Once inflation is back under control, Bank Rate will switch to a falling trend in late 2007 to counter above negative effects on the economy and growth.

## **7.0 CAPITAL BORROWINGS AND THE BORROWING PORTFOLIO STRATEGY**

### **7.1 The Sector forecast is as follows:**

- The 50 year PWLB rate is expected to remain flat at 4.25%. As the Sector forecast is in 25bp segments there is obviously scope for the rate to move around the central forecast by +/- 25bp without affecting this overall forecast;
- The 25-30 year PWLB rate is expected to stay at 4.50%. for the foreseeable future;
- The 10 year PWLB rate will fall from 5.00% to 4.75.% in Q3 2007 and then fall again to 4.50% in Q1 2008 and remain at that rate for the foreseeable future;
- 5 year PWLB rate will fall from 5.25% to 5.0% in Q3 2007 and continue falling until reaching 4.5% in Q1 2008 when it will remain at that rate for the foreseeable future.

7.2 This forecast indicates, therefore, that the borrowing strategy for 2007/08 should be set to take very long dated borrowing at any time in the financial year. Variable rate borrowing and borrowing in the five year area are expected to be more expensive than long term borrowing and will therefore be unattractive throughout the financial year compared to taking long term borrowing.

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

- With 50 year PWLB rate at 4.25%, borrowing should be made in this area of the market at any time in the financial year. This rate will be lower than the forecast rates for shorter maturities in the 5 year and 10 year area. A suitable trigger point for considering new fixed rate long term borrowing, therefore, would be 4.25%.

7.4 Against this background caution will be adopted with the 2007/08 treasury operations. The Operational Director – Financial Services 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.

7.5 Sensitivity of the forecast – 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.

## **8.0 ANNUAL INVESTMENT STRATEGY**

### **8.1 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 Investments:**

(All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum ‘high’ rating criteria where applicable)

	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	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.

	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	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.

## 8.2 Investment Strategy

In-house funds: The Council's in-house managed funds have during the past twelve months been in the value range of £32.5m to £49.1m with a core balance of around £20m which is available for investment over a longer (say) 2-3 year period. 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 including callable deposits, which were taken out at various peaks of the last rate cycles as shown below.

	Amount	Maturity	Rate
Chelsea BS	£2,500	22.07.07.	4.63
Stroud & Swindon BS	£2,500	23.07.07.	4.63
Northern Rock BS	£2,500	15.10.07.	5.33
Nationwide BS	£5,000	26.10.07.	5.30
Bristol & West BS	£2,500	05.12.07.	5.35
Nottingham BS	£2,000	21.01.08.	5.87
Chelsea BS	£2,500	22.01.08.	4.75
Newcastle BS	£2,500	05.06.08.	5.00
Northern Rock BS	£2,500	05.06.08.	5.13
Kent Reliance BS	£2,500	18.12.08.	5.53

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

Interest rate outlook: Sector is forecasting Bank Rate to peak at 5.5% in Q1 2007 before falling to 5.00% in Q4 2007 and then to trough at 4.75% in Q2 2008, remaining at that level before rising again to 5.00% in Q3 2009. Councils should, therefore, seek to lock in longer period investments at higher rates before this fall starts for some element of their investment portfolio which represents their core balances. For 2007/8 clients should budget for an investment return of 5.00%. The 'trigger points' will be kept under review and discussed with Sector so that investments can be made at the appropriate time.

The Council has identified 5.75% as an attractive trigger rate for 1-year lending and 5.65% for 2-3 year lending. The 'trigger points' will be

kept under review and discussed with Sector so that investments can be made at the appropriate time.

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.

## **9.0 DEBT RESCHEDULING**

9.1 As the first fall in Bank Rate is expected in Q4 2007, there will be a sharp difference between higher shorter term rates and cheaper long term rates in quarters 2 to 4 of 2007. Later on in 2007/08, this advantage will diminish once Bank Rate, and short term rates generally, start falling. There will therefore be opportunity during quarters 2 to 4 of 2007 to restructure shorter term debt into long term in order to optimise the potential savings achievable in the financial year 2007/08. Any positions taken via rescheduling will be in accordance with the strategy position outlined in paragraph 7 above.

9.2 In addition, the Council will actively give consideration during the year to taking advantage of small movements in PWLB rates to reduce the cost of existing debt in the portfolio by reborrowing at lower rates without making significant changes to the type of debt (fixed / variable) or maturity periods.

9.3 The reasons for any rescheduling to take place will include:

- the generation of cash savings at minimum risk;
- help fulfil the strategy outlined in paragraph 7 above; and
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

9.4 CIPFA issued a draft accounting standards document (SORP 2007) on 18 October 2006, and a final draft in November, which includes major potential changes in the treatment of the valuation of debt and investments, the calculation of interest and the treatment of premia and discounts arising from debt rescheduling. There will be a three month consultation period before proposals are finalised. It is also expected that these proposals, once finalised, may make necessary the issue of legislation by the Government to take effect from 1.4.2007 (the DCLG issued draft regulations in November / December 2006). The Authority's treasury management strategy will be reviewed once the

final decisions in this area are known to see whether any changes will be required in borrowing, investment or debt rescheduling strategies.

All rescheduling will be reported to the Executive Board Sub-Committee at the meeting following its action.



## APPENDIX A

## 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 – 15.1.07.

	Q/E1 2007	Q/E2 2007	Q/E3 2007	Q/E4 2007	Q/E1 2008	Q/E2 2008	Q/E3 2008	Q/E4 2008	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009	Q/E1 2010	Q/E2 2010	Q/E3 2010
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Bank Rate	5.50	5.50	5.25	5.00	5.00	4.75	4.75	4.75	4.75	4.75	5.00	5.00	5.00	5.00	5.00
5 yr Gilt Yield	5.25	5.25	5.00	4.75	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
10 yr PWL B Rate	5.00	5.00	4.75	4.75	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
25 yr PWL B Rate	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
50 yr PWL B Rate	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25

## Capital Economics interest rate forecast – 15.1.07.

	Q/E1 2007	Q/E2 2007	Q/E3 2007	Q/E4 2007	Q/E1 2008	Q/E2 2008	Q/E3 2008	Q/E4 2008
Base Rate	5.25%	5.50%	5.50%	5.25%	4.75%	4.50%	4.50%	4.50%
5 yr Gilt Yield	5.35%	5.05%	4.85%	4.65%	4.45%	4.55%	4.65%	4.75%
10 yr PWLB Rate	4.95%	4.75%	4.45%	4.45%	4.55%	4.65%	4.75%	4.85%
25 yr PWLB Rate	4.45%	4.35%	4.25%	4.25%	4.25%	4.35%	4.45%	4.55%
30 yr PWLB Rate	4.25%	4.15%	3.95%	4.05%	4.05%	4.15%	4.25%	4.35%
50 yr PWLB Rate	4.05%	3.95%	3.95%	4.05%	4.05%	4.15%	4.15%	4.25%

## UBS Economic interest rate forecast (for quarter ends) - 15.1.07.

	Q/E1 2006	Q/E2 2006	Q/E3 2006	Q/E4 2006	Q/E1 2007	Q/E2 2007	Q/E3 2007	Q/E4 2007
Base Rate	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%
10 yr PWLB Rate	4.85%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.90%
25 yr PWLB Rate	4.25%	4.25%	4.25%	4.30%	4.35%	4.40%	4.45%	4.55%
50 yr PWLB Rate	4.15%	4.15%	4.25%	4.35%	4.40%	4.45%	4.55%	4.65%

## 2. SURVEY OF ECONOMIC FORECASTS

HM Treasury – January 2007 (pre Bank Rate increase 15.1.07) summary of forecasts of 26 City and 14 academic analysts for Q4 2006 and 2007. (2008-2010 are as at November 2006 but are based on 18 forecasts)

	Bank Rate Actual	Quarter Ended		Annual Average Bank Rate		
		Q4 2006	Q4 2007	Average 2008	Average 2009	Average 2010
Indep. Forecasters BoE Base Rate	5.00%	4.96%	4.89%	4.86%	4.88%	4.85%
Highest Base Rate	5.00%	5.00%	6.00%	5.90%	5.60%	6.10%
Lowest Base Rate	5.00%	4.50%	4.00%	3.75%	4.00%	4.00%

**REPORT TO:** Executive Board

**DATE:** 15th March 2007

**REPORTING OFFICER:** Strategic Director Health and Community

**SUBJECT:** Housing Capital Programme

**WARD(S):** Boroughwide

## **1.0 PURPOSE OF REPORT**

1.1 To inform the Board of the forecast outturn for the 2006/07 housing capital programme, and to seek approval for the 2007/08 programme.

**2.0 RECOMMENDED – that the position regarding the 2006/07 programme be noted, and the proposed programme for 2007/08 as set out in the report and Appendix be recommended to Council for approval.**

## **3.0 INTRODUCTION**

3.1 The Appendix compares the approved 2006/07 programme with the forecast outturn position, and shows also the proposed programme for 2007/08.

3.2 Total resources available for 2006/07 amounted to £3.717m (although only £3.664m was programmed), whereas the projected spend is estimated at £1.662m. The reasons for variations to the programme are set out in section 4 below.

3.3 Section 5 of the report sets out the level of resources likely to be available in 2007/08 based on the forecast outturn for 2006/07, and a proposed programme of work is set out in the final column of the table in the Appendix.

## **4.0 2006/07 PROGRAMME - VARIATIONS**

4.1 Housing Grants – Whilst only committing schemes to the value of the budget, a small number of schemes have incurred substantial additional costs due to unforeseen major works. Examples of this include the need to rebuild external and party walls due to structural instability revealed when plaster is removed, piled foundations being necessary due to poor ground conditions, and the discovery of rot in roof timbers when the tiling is removed. Slippage on other projects means that this will not result in the overall budget being overspent.

4.2 Disabled Facilities Grants – The budget was increased by £25,000 in late summer following a successful bid to the Regional Housing Board for additional grant. Work to the budget value is committed/ordered, and failing delays caused by bad weather, should spend to target.

- 4.3 Energy Promotion – This project actually spent to budget but spend was offset by a credit due to an overpayment in 2005/06.
- 4.4 Castlefields Equity Release Loans – Last year’s budget report highlighted the difficulties being experienced in spending this “ring fenced” fund for its intended purpose, despite active marketing of the loans. Government Office has acknowledged these difficulties and agreed that £644,000 be vired to fund the additional costs of refurbishing the Riverview Gypsy site. Further discussions are planned with Government Office to determine how the uncommitted balance of approximately £549,000 can be spent. Proposals for committing this money will be presented to a future Board meeting.
- 4.5 Riverview Gypsy Site – Significant delays have been encountered in progressing this project, arising firstly from the need to secure resources to cover increased costs, and then to identify an alternative site to temporarily relocate residents during the works. It is now anticipated that work will start in April 2007 resulting in most of the financial commitment slipping to 2007/08.
- 4.6 Adaptations Initiative – Proposals to establish a term contract for the fast track supply, fitting and maintenance of stairlifts outside the DFG process has been more complex than envisaged, and spend will now slip to 2007/08.

**5.0 2007/08 PROPOSALS**

- 5.1 Based on the forecast outturn for this year’s programme, the following resources are likely to be available to finance works in 2007/08 -

	<u>£000’s</u>
B/fwd from 2006/07	2,055
New capital grant	889
DFG subsidy	385
DFG capital growth	300
 TOTAL	 3,629

- 5.2 The proposed programme of work shown in the Appendix maintains support for annual programmes such as housing grants (increased to reflect demand in 2006/07), disabled facilities grants (increased to start to tackle the backlog of applications) and energy efficiency.
- 5.3 It also makes provision for previously approved schemes with committed slippage from 2006/07, together with a contingency sum of just over £100,000.

**6.0 POLICY IMPLICATIONS**

- 6.1 None.

**7.0 OTHER IMPLICATIONS**

7.1 None.

**8.0 RISK ANALYSIS**

8.1 In relation to DFGs the spend required to secure the full Government subsidy allocation is £642,000. Failure to achieve this level may prejudice future allocations, but given existing commitment levels and waiting lists this should not be a problem, indeed the planned programme is well in excess of this figure.

**9.0 EQUALITY AND DIVERSITY ISSUES**

9.1 The proposed programme of work will help tackle the housing problems of some of those in greatest housing need.

**10.0 REASON FOR DECISION**

10.1 The proposed programme will enable the Council to make continued progress in addressing the priorities set out in its Housing, Homelessness, Private Sector Renewal and Supporting People strategies.

**11.0 ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

11.1 The strategies referred to in 10.1 have previously examined a range of options for meeting housing needs in the Borough, and the proposed programme of work is based on priorities already identified.

**12.0 IMPLEMENTATION DATE**

12.1 April 2007.

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

**Document**

**Place of inspection**

**Contact Officer**

Not applicable

**HOUSING CAPITAL PROGRAMME 2006/07/08 (£000s)**

	Original Budget 2006/07	Revised Budget 2006/07	Probable Outturn 2006/07	Proposed Budget 2007/08
Housing Grants/Loans	484	484	608	586
Disabled Facilities Grants	660	685	685	942
Home Link	10	10	10	10
Energy Promotion	75	35	35	75
Castlefields Equity Release Loans	1,343	1,358	165	549
West Bank Neighbourhood Renewal Assessment	11	27	27	0
Housing Needs Survey	8	7	8	0
Refurbishment of Riverview Gypsy site	891	838	37	1,269
Belvedere Repairs	87	87	87	0
Adaptations Initiative	95	92	0	92
Uncommitted				106
<b>TOTAL</b>	<b>3,664</b>	<b>3,623</b>	<b>1,662</b>	<b>3,629</b>

**REPORT TO:** Executive Board

**DATE:** 29 March 2007

**REPORTING OFFICER:** Strategic Director – Corporate and Policy

**SUBJECT:** Gambling Act 2005 - Delegation

**WARDS:** Boroughwide

## **1. PURPOSE OF REPORT**

To recommend the Council to delegate authority to the Regulatory Committee to set fees under section 212 Gambling Act 2005.

## **2. RECOMMENDED: That**

**The Executive Board recommend the Council to delegate authority to the Regulatory Committee its power to set fees under section 212 Gambling Act 2005 in accordance with section 154 Gambling Act 2005.**

## **3. SUPPORTING INFORMATION**

- 3.1 On 22 January 2007 the Regulatory Committee received a report on the Gambling Act 2005 which dealt with matters relating to powers and duties. The report detailed the matters which the legislation reserved exclusively either for full Council or for the Regulatory Committee.
- 3.2 Most fees under the Gambling Act 2005 are set by central government. However, section 212 of the Gambling Act 2005 enables Councils to set fee levels in limited circumstances. This function must be exercised by full Council unless the Council has delegated the function to the Regulatory Committee in accordance with section 154 Gambling Act 2005.
- 3.3 The Regulatory Committee resolved (Minute REG 19) that the Executive Board be requested to recommend the Council to delegate authority to the Regulatory Committee its power to set fees under section 212 Gambling Act 2005 in accordance with section 154 Gambling Act 2005.

## **4. POLICY IMPLICATIONS**

- 4.1 The Council is fully entitled to exercise a policy decision to delegate this particular function.

**5. OTHER IMPLICATIONS**

5.1 There are no other implications arising out of this report.

**6. LIST OF BACKGROUND PAPERS UNDER SECTION 100D LOCAL GOVERNMENT ACT 1972**

This report is based on Regulatory Committee Minute REG 19.