

Public Document Pack



Executive Board Sub Committee

Thursday, 4 November 2010 10.00 a.m.
Marketing Suite, Municipal Building

A handwritten signature in black ink, appearing to read 'David W R'.

Chief Executive

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

PART 1

Item	Page No
1. MINUTES	
2. DECLARATION OF INTEREST	
Members are reminded of their responsibility to declare any personal or personal and prejudicial interest which they have in any item of business on the agenda no later than when that item is reached and, with personal and prejudicial interests (subject to certain exceptions in the Code of Conduct for Members), to leave the meeting prior to discussion and voting on the item.	
3. TRANSPORTATION PORTFOLIO	
(A) PROPOSED WAIVER OF STANDING ORDERS (PROCUREMENT 3.1 - 3.6) FOR A SINGLE COMPANY QUOTE/TENDER CONTRACT	1 - 6

*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, 18 November 2010*

Item	Page No
4. RESOURCES PORTFOLIO	
(A) TREASURY MANAGEMENT 2010/11 2ND QTR JULY - SEPT	7 - 13

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.

REPORT TO: Executive Board Sub Committee

DATE: 4th November 2010

REPORTING OFFICER: Strategic Director – Environment and Economy

SUBJECT: Proposed Waiver of Standing Orders (Procurement 3.1-3.6) for a Single Company Quote/Tender Contract

WARDS: Boroughwide

1.0 PURPOSE OF THE REPORT

To seek a waiver on this occasion of tendering Procurement Standing Orders to allow the Operational Director (Highways, Transportation and Logistics) to enter into a contract for survey, maintenance and improvement works on Public Rights of Way with a single company without tendering.

2.0 RECOMMENDATION: That

- 1) the Operational Director (Highways, Transportation and Logistics) be authorised to award a contract for survey, maintenance and improvement works on Public Rights of Way (PROW) to the contractor GROUNDWORK MERSEYSIDE covering the financial years 2010/11 and 2011/12 for a period from 4th November 2010 to 4th November 2011, to be funded from the approved capital and revenue budgets for PROW maintenance and improvements for these years, and**
- 2) that in light of the exceptional circumstances, namely the combination of functions that Groundwork bring to the service as referred to in this report, and in accordance with Procurement SO 1.8.2, Standing Orders 3.1-3.6 be waived on this occasion.**

3.0 SUPPORTING INFORMATION

- 3.1** Groundwork Merseyside (a company limited by guarantee and registered in England, Company Registration No. 4344089, Charity Registration No. 1090395) is one of Merseyside's largest environmental charities and its stated purpose is to *'build sustainable communities in areas of need through joint environmental action'*. For a number of years, the Council have worked very closely with Groundwork Merseyside (formally Mersey Valley Partnership / Groundwork Mersey Valley) who have carried out a significant amount of work on the Public Rights of Way network in Halton. This approach has been beneficial to the Council as work is carried out by Groundwork utilising their experience and expertise and

adopting methods of work that save Council officer's time and involvement in the detailed design and planning of these environmental improvement works.

- 3.2 The arrangement also brings with it a number of additional social benefits through supported employment for people with learning disabilities within Halton. In seeking a waiver of Standing Orders the aim is to ensure that these social benefits continue to be achieved, whilst also ensuring that the most cost effective procurement method is used to minimise costs across all elements of Public Rights of Way management.
- 3.3 Until April 2009 Groundwork was grant aided by the Council, and in return they informally provided the Council with consultancy advice, including liaison with landowners on obstruction or access issues. When this grant ceased a Service Level Agreement (SLA) was entered into, to provide a similar service on a more formal basis. This Service Level Agreement runs for up to 4 years and is currently in its second year.
- 3.4 In addition to the services provided under the SLA, which enables the identification of a minor works and maintenance programme, Groundwork have previously designed and implemented minor repair and improvement schemes. Changes to Procurement Standing Orders now require all works between £1,000 and £50,000 to be subject to three competitive quotations. This brings the majority of minor works on Public Rights of Way, previously carried out by Groundwork, into this category. It is anticipated that the revenue and capital works budgets over the next 12 months (during the financial years 2010/11 and 2011/12) will be spent in three main areas: i) surveys to identify areas of the network which are not easy to use; ii) maintenance works to control vegetation, provide adequate surfaces and repair infrastructure; and iii) improvement works to provide better surfaces and infrastructure such as gates/steps/boardwalks. There are significant advantages to the Council in continuing to procure these minor works through Groundwork, as follows:
 - Expertise and experience – Groundwork have carried out this work since 1997, and due to their good contact network and relations with farmers/landowners they are usually able to resolve issues quickly and without the need for enforcement action by the Council. Groundwork have enabled any emergency issues such as Foot and Mouth etc to be efficiently dealt with.
 - Groundwork Merseyside provide volunteering opportunities and a structured training programme for people from Halton with learning disabilities, through Supported Employment - which increases social inclusion for those with learning disabilities by helping them find work or training. It also means less reliance on expensive day care provision and more emphasis on specialist service provision. This is discussed in the Rights of Way Improvement Plan (ROWIP) (Para 5.2.9/10). The

incorporation of these opportunities into their work requires specialist approaches to issues such as Health and Safety Procedures.

- Future Jobs Fund – Groundwork have a number of employees (who are residents of Halton) under this scheme which enables the employee to gain additional experience. Their salary is paid for by the Government which results in direct savings to Halton in the costs of undertaking works on Public Rights of Way.
- Additional funding – Groundwork are able to lever additional funding for many projects. In these cases the Council only pay the funding match rather than the full cost of works and Groundwork deal with all elements of the funding application and reporting. Recent schemes include Footpath 4 Daresbury Firs, Gorse Lane and Timberland Trail.
- Groundwork can supply a whole package identifying (via the SLA) and delivering (via Capital/Revenue works budgets) small scale maintenance and improvement works, with little intervention being required from Council officers on the design and management of works.
- Direct identification, design, site management. Due to the unique way Groundwork operate, and the scale of most rights of way schemes, one person is usually responsible for the identification of schemes, and management of the construction on site. This means a saving to the Council by negating the need to produce detailed designs and works specifications to enable a number of quotations to be sought. This also means that the person managing on site has a detailed knowledge of the legal basis of Public Rights of Way and can make sound decisions on any changes required without day to day involvement of Council officers. Quality is assured through progress meetings between Council and Groundwork staff to discuss problems, specifications etc.
- The improvement and maintenance works typically being carried out are on unmetalled paths and involve construction of new timber structures. Groundwork have significant experience in this type of work, which is outside the normal scope of road works and landscape contractors and is not covered within the schedule of rates of our existing term maintenance contractors.
- Groundwork are listed as 'partners' for delivery on many items in the ROWIP implementation plan actions (M1, H5/6, A, T13/14, and CB)

3.5 Alternative options have been considered:

- (1) Existing term contracts have been examined but do not have sufficient scope of works for all minor works to Public Rights of Way. Term contractors would not be able to provide all of the benefits listed above, and we would need to negotiate additional payment with them to cover such items.

- (2) Quotations could be sought through the Due North system. However, detailed designs and specifications would need to be produced in advance, for each type of work and for the management and administrative aspects of Public Rights of Way maintenance and improvements. This would place a significant extra demand on officer time and costs, and delay the implementation of the ROWIP.

4.0 BUSINESS CASE

4.1 Value for Money and Competition

4.1.1 To ensure value for money without competitive quotations the rates provided by Groundwork will be scrutinised and, where applicable, compared with existing comparable rates for small scale highway improvements. Where possible rates provided for works peculiar to Public Rights of Way will be compared to those paid by neighbouring local authorities. Where significant discrepancies exist these works will either be negotiated further with Groundwork, or failing agreement these items will be excluded and alternative methods of delivery explored. This process will also need to take account of the added benefits that Groundwork bring as listed in 3.4 above.

4.1.2 Groundwork also bring added value through:

- knowledge and expertise in the design and management of works on site, the Rights of Way network and landowners
- enabling of volunteers (900 person hours in the last financial year) and those on Supported Employment and Future Jobs Fund schemes
- leverage of additional funding
- a whole package of identifying and delivering work, saving Council officer time in design, management and dealing with legal issues
- experience in the type of works required
- partnership approach

4.2 Transparency

4.2.1 Transparency will be ensured by the recently introduced requirements for the Council to publish all of its individual expenditure over £500. The Freedom of Information Act also provides a mechanism for those who may have an interest to scrutinise the procurement methods used. This is in addition to the Council's own internal audit procedures.

4.3 Propriety and Security

- 4.3.1 The Council's usual integrity clauses will be built into the contract document and only staff with a need to know will have information about the contract.

4.4 Accountability

- 4.4.1 Accountability would remain with the Operational Director (Highways, Transportation and Logistics) who will be awarding the contract, and can be subject to scrutiny by internal/external audit and the Environment and Urban Renewal Policy and Performance Board.

4.5 Position of the Contract under the Public Contracts Regulations 2006

- 4.5.1 The contract would be exempt, as it is a works contract and will not exceed the EU procurement threshold of £3,927,260.

5.0 POLICY IMPLICATIONS

- 5.1 The proposed recommendation will assist the Council in continuing to meet its Local Transport Plan and Rights of Way Improvement Plan (ROWIP) policies, for example ROWIP policy R19 regarding community participation.

6.0 OTHER IMPLICATIONS

- 6.1 The costs of the works under the proposed contract will be met through existing Public Rights of Way capital and revenue budgets.

7.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

7.1 Children and Young People in Halton

The Supported Employment and Future Jobs Fund schemes which are enabled by Groundwork, assist young people in finding work or training.

7.2 Employment, Learning and Skills in Halton

The recommendation would ensure that Halton people, including those with learning disabilities, continue to benefit from opportunities under the Supported Employment and Future Jobs Fund schemes. This also helps with social inclusion by helping them to find work or training opportunities.

7.3 A Healthy Halton

Continued enhancement of the Rights of Way network helps encourage physical activity.

7.4 A Safer Halton

There are no direct implications for this priority.

7.5 Halton's Urban Renewal

The recommendation will help implement environmental improvements and aid social inclusion for those working on the construction, including volunteers.

8.0 RISK ANALYSIS

There is some risk that certain aspects of works carried out by Groundwork will not be at the cheapest rate available. However it is proposed to manage this risk by comparing its submitted rates with other rates available to the Council, and negotiating the rates or sourcing elsewhere for those aspects where there is a significant difference. This risk must also be weighed against the additional benefits that Groundwork bring.

9.0 EQUALITY AND DIVERSITY ISSUES

The recommendation would have a positive impact on equality and diversity as delivery of schemes through Groundwork will result in employment or training for members of society who may otherwise be excluded.

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

Document	Place of Inspection	Contact Officer
Rights of Way Improvement Plan	Rutland House	Jonathan Farmer

REPORT TO: Executive Board Sub-Committee

DATE: 4th November 2010

REPORTING OFFICER: Operational Director – Finance

TITLE: Treasury Management 2010/11
2nd Quarter: July - September

WARDS:

1.0 PURPOSE OF REPORT

- 1.1 The purpose of the 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 second quarter of 2010/11 saw

- Activity indicators suggest that the recovery had faded sharply from the previous quarter (1st April to 30th June).
- The pace of recovery in retail spending had slowed, but the recovery in spending off the high street gathered pace.
- Further doubt had been cast on the sustainability of the recovery in the labour market.
- The recovery in the housing market had faltered.
- Disappointment that the public finances were not on a clearly improving trend.
- The UK's trade deficit had widened further, despite the continued weakness of the sterling.
- CPI inflation had fallen at a slower pace than in the previous quarter.

Activity indicators have suggested that the recovery has lost considerable pace since real GDP (Gross Domestic Product) expanded by only 1.2% in the second quarter of 2010. The data suggests that GDP growth will slow to around 0.2% by the end of the year (well below the long term average of about 0.5%).

The recovery off the high street may have picked up but the recovery in retail spending through shops seemed to have deteriorated as retail sales volumes fell by 0.5% on the previous month.

Further doubt has been cast on the sustainability of the recovery in the labour market. The ILO measure of employment was around 8,000 lower in the 3 months to July although employment actually rose by 286,000 over the same period.

The recovery in the housing market had also begun to falter. 47,400 mortgages for new house purchases were approved in August on the Bank of England's official measure. The Nationwide house price index fell by 0.5% and 0.8% in July and August respectively, before rising by 0.1% in September.

August's public finance figures severely dented hopes that the fiscal position was on an improving trend. The public borrowing figure of £15.9bn in August was nearly £2bn larger than at the same time a year ago. The figure left a cumulative borrowing total in the first five months of the fiscal year at £58.1bn, around £4bn below last years equivalent figure of £61.9bn.

The UK's trade deficit widened further despite the continued weakness in sterling. The trade in goods deficit rose from £7.5bn to £8.7bn in July which was the largest deficit on record.

CPI (Consumer Price Inflation) fell from 3.2% to 3.1% in July and remained unchanged in August. An easing in clothes deflation and a pick-up in food and drink inflation were responsible for preventing CPI falling further. The Bank of England had suggested that inflation would fall below the 2% target and remain there at the two-year policy horizon. The MPC (Monetary Policy Committee) voted to maintain the outstanding stock of asset purchases under quantitative easing (QE) at £200bn.

3.2 Economic Forecast

The following forecast has been provided by Sector:

	NOW	Dec10	Mar11	Jun11	Sep11	Dec11	Mar12	Jun12	Sep12	Dec12	Mar13	Jun13
Sectors Bank Rate View	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	2.00%	2.50%	3.00%	3.25%
5yr PWLB	1.88%	2.20%	2.20%	2.40%	2.60%	2.80%	3.00%	3.30%	3.60%	3.80%	4.10%	4.40%
10yr PWLB	3.14%	3.30%	3.30%	3.40%	3.70%	3.90%	4.00%	4.30%	4.40%	4.60%	4.60%	4.90%
25yr PWLB	4.04%	4.20%	4.30%	4.30%	4.40%	4.50%	4.70%	4.70%	4.80%	5.00%	5.00%	5.00%
50yr PWLB	4.10%	4.20%	4.30%	4.30%	4.40%	4.50%	4.70%	4.70%	4.80%	5.00%	5.00%	5.00%

The data suggests that Bank rate will remain at 0.50% for at least the next 12 months, rising to 0.75% in September 2011 and to 3.25% by June 2013.

5 year and 25 year PWLB rates will begin to rise in December 2010 increasing steadily to 4.40% and 5.00% respectively by June 2013.

It is difficult to say with confidence exactly how long the UK economic recovery is likely to take. There are huge uncertainties in all economic forecasts due to the major difficulties in forecasting the areas of:

- The speed of the recovery in the US and EU;
- The degree to which the coalition governments austerity programmes dampen economic growth;
- The speed of rebalancing the UK economy towards exporting;
- The potential for more quantitative easing and its timing in the UK and US;
- The speed of the banks return to profitability and balance sheet stability;
- The potential for future sovereign EU debt crisis impacting on financial markets and the global economy.

The overall balance of risks is weighted to the downside and there is some risk of a double dip recession.

3.3 Short Term Rates

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

	Start	July		August		September	
		Mid	End	Mid	End	Mid	End
	%	%	%	%	%	%	%
Call Money (Market)	0.55	0.55	0.55	0.55	0.55	0.55	0.55
1 Month (Market)	0.57	0.57	0.57	0.57	0.57	0.57	0.57
3 Month (Market)	0.73	0.73	0.74	0.73	0.73	0.72	0.73

3.3 Longer Term Rates

	Start	July		August		September	
		Mid	End	Mid	End	Mid	End
	%	%	%	%	%	%	%
1 Year (Market)	1.46	1.46	1.48	1.46	1.46	1.47	1.47
10 Year (PWLb)	3.64	3.71	3.62	3.41	3.13	3.39	3.22
25 Year (PWLb)	4.29	4.35	4.40	4.19	3.91	4.20	3.96

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

3.5 Temporary Borrowing/Investments

Turnover during period

	No. Of Deals Struck	Turnover £m
Short Term Borrowing	1	6.25
Short Term Investments	44	72.52

Position at Month End

	July £m	August £m	September £m
Short Term Borrowing	6.25	0	0
Short Term Investments	35.95	24.35	25.15

During the period, short term investments have been used to meet expenditure in the early and middle parts of the year, rather than choosing to borrow at additional cost. This has resulted in a reduction of short term investments held at the end of each month. There was 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	344	0.42	2.46
Quarter 3	273			
Quarter 4	275			

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.

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 0.61% and the 6 month rate was 0.90%.

3.6 Policy Guidelines

Interest Rate Exposure – complied with.

Approved Counterparty List – The council actively reviews the creditworthiness of counterparties within its approved lendlist. A deposit was placed with Natwest, the council's own bank, which exceeded the deposit limit by £1.6 million for 1 day in July.

This decision was taken based on the council's priority towards the security and liquidity of funds it deposits as opposed to the potential yield generated from investing funds on the money market at a higher risk.

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

4.0 POLICY IMPLICATIONS

4.1 During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Councils Treasury Management Strategy Statement and in compliance with the Councils Treasury Management Practices. The Prudential and Treasury Indicators are shown in appendix 1.

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.

Appendix 1: Prudential and Treasury Indicators as at 30th September 2010

Prudential Indicator	2010/11 Indicator	Q2 - Actual
Capital Financing Requirement (CFR)	£99.9m	
Gross Borrowing		£22.0m
Investments		£25.2m
Net Investments		£3.2m
Authorised limit for external debt	£84.7m	£22.0m
Operational boundary for external debt	£79.7m	£22.0m
Upper Limit on interest rate exposure on fixed rate debt	£59.75m	£10.0m
Upper Limit on interest rate exposure on Variable rate debt	£59.75m	£10.0m
Principal Sums invested >364 days		
12 months to 2 years	60%	0%
2 years to 3 years	30%	0%
Maturity Structure of new borrowing		
Under 12 Months	50%	0%
12 months to 2 years	75%	0%
2 years to 5 years	75%	0%
5 years to 10 years	75%	0%
10 years above	75%	0%