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Chief Executive

Date: 01 November 2013



Hinckley & Bosworth
Borough Council

A Borough to be proud of

To: Members of the Finance, Audit & Performance Committee

Miss DM Taylor (Chairman)
Mr R Mayne (Vice-Chairman)
Mr PR Batty
Mrs R Camamile

Mr PAS Hall
Mr JS Moore
Mr K Morrell

Copy to all other Members of the Council

(other recipients for information)

Dear Councillor,

There will be a meeting of the **FINANCE, AUDIT & PERFORMANCE COMMITTEE** in the De Monfort Suite - Hub on **MONDAY, 11 NOVEMBER 2013 at 6.30 pm** and your attendance is required.

The agenda for the meeting is set out overleaf.

Yours sincerely

A handwritten signature in purple ink, appearing to read 'Helen Rishworth'.

Helen Rishworth
Communications & Democratic Accountability Officer

A G E N D A

1. APOLOGIES AND SUBSTITUTIONS
2. MINUTES OF PREVIOUS MEETING (Pages 1 - 4)
To confirm the minutes of the meeting of the Finance Audit & Performance Committee held on 16 September 2013.
3. ADDITIONAL URGENT BUSINESS BY REASON OF SPECIAL CIRCUMSTANCES
To be advised of any additional items of business which the Chairman decides by reason of special circumstances shall be taken as matters of urgency at this meeting.
4. DECLARATIONS OF INTEREST
To receive verbally from members any disclosures which they are required to make in accordance with the Council's code of conduct or in pursuance of Section 106 of the Local Government Finance Act 1992. **This is in addition to the need for such disclosure to be also given when the relevant matter is reached on the Agenda.**
5. QUESTIONS
To hear any questions in accordance with Council Procedure Rule 10.
6. ANNUAL AUDIT LETTER (Pages 5 - 14)
Annual Audit Letter attached.
7. SECOND QUARTER TREASURY MANAGEMENT REPORT (Pages 15 - 26)
8. HOUSING REPAIRS UPDATE (Pages 27 - 32)
9. SUNDRY DEBTS UPDATE (Pages 33 - 36)
Update report attached.
10. WORK PROGRAMME (Pages 37 - 38)
11. ANY OTHER ITEMS OF BUSINESS WHICH THE CHAIRMAN DECIDES HAVE TO BE DEALT WITH AS MATTERS OF URGENCY

Agenda Item 2

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

FINANCE, AUDIT & PERFORMANCE COMMITTEE

16 SEPTEMBER 2013 AT 6.30 PM

PRESENT: Miss DM Taylor - Chairman
Mr R Mayne – Vice-Chairman

Mr JG Bannister (for Mr JS Moore), Mr PR Batty, Mrs R Camamile and Mr K Morrell

Officers in attendance: Cal Bellavia, Katherine Bennett, Sanjiv Kohli and Rebecca Owen

167 APOLOGIES AND SUBSTITUTIONS

Apologies were submitted on behalf of Councillors P Hall and Moore, with the substitution of Councillor Bannister for Councillor Moore authorised in accordance with Council Procedure Rule 4.

168 DECLARATIONS OF INTEREST

No interests were declared at this stage.

169 MINUTES OF PREVIOUS MEETING

On the motion of Councillor Morrell, seconded by Councillor Camamile, it was

RESOLVED – the minutes of the meeting held on 10 June 2013 were confirmed as a correct record and signed by the Chairman.

170 STATEMENT OF ACCOUNTS 2012/13

The Committee was presented with the 2012/13 Statement of Accounts. During discussion, reference was made to the following:

- The total amount of Regional Growth funding expected;
- The allocation of pinch point funding;
- The possible reasons for the increase in sickness absence and steps being taken to improve.

It was moved by Councillor Mayne, seconded by Councillor Camamile and

RESOLVED – the Statement of Accounts 2012/13 be endorsed and RECOMMENDED to Council for approval.

171 ANNUAL GOVERNANCE STATEMENT 2012/13

Members received the 2012/13 Annual Governance Statement. It was moved by Councillor Camamile, seconded by Councillor Batty and

RESOLVED – the Annual Governance Statement be RECOMMENDED to Council for approval.

172 REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA260)

Alison Breadon of PricewaterhouseCoopers LLP presented the ISA260. During her presentation, Alison referred to:

- The thorough and lengthy accounts produced by the authority;
- The overall positive view;
- The good working relationship between the finance team and internal audit;
- The absence of unadjusted queries or deficiencies in internal control during the audit;
- The intention to issue an unqualified opinion on the use of resources;
- Satisfaction with the processing of RGF monies;
- The recommendation to include future investment in capital information.

It was noted that rewording was required regarding the financing of the bus station development on page 16 of the agenda, which should have read that the Council would retain 20% of the profit after the first £5m.

Concern was expressed regarding the pension fund and the provisions that were being made. It was stated that Leicestershire County Council were responsibility for carrying out the valuation and that the impending increase was as yet unknown. It was anticipated that the figure would be received in November.

On the motion of Councillor Camamile, seconded by Councillor Mayne, it was

RESOLVED – the ISA260 be endorsed.

173 AUDIT PROGRESS

Members were updated on the audit plan 2013/14, recent audit work and progress against action plans of previous audits. During discussion reference was made to:

- The link between the end of the current contract for leisure provision at Hinckley Leisure Centre and completion of a new leisure centre, and the good response to the tender process;
- The 'low risk' recommendation regarding risk management training and awareness;
- The need for a more robust way of identifying new corporate risks;
- Continuing concerns regarding purchases for which Orders had not been raised;
- The tenant recharge policy and consultation prior to possible implementation.

It was requested that a report be brought to the next meeting regarding the tenant recharge policy and the type of consultation that would be carried out and how the decision whether or not to implement it would be made.

It was moved by Councillor Camamile, seconded by Councillor Mayne and

RESOLVED –

- (i) the report be noted;
- (ii) a report on the tenant recharge policy be brought to the next meeting of the Committee.

(Councillor Bannister was absent for the vote).

174 CW AUDIT ANNUAL SATISFACTION SURVEY

CW Audit presented its customer satisfaction survey for information. It was moved by Councillor Batty, seconded by Councillor Mayne and

RESOLVED – the report be noted.

(Councillor Bannister was absent for the vote).

175 REVENUE & CAPITAL OUTTURN - 1ST QUARTER 2013/14

Members were informed of the revenue and capital outturn at the end of the first quarter of 2013/14. It was reported that the underspend recorded at the end of June was due to works in progress regarding Housing repairs and therefore a result of timing differences. Members were reassured that there was no backlog in housing repairs and that an underspend of £9,000 was forecast. It was noted that the HRA was also on track and any overspend showing was due to reverse accounting entries. It was moved by Councillor Bannister, seconded by Councillor Mayne and

RESOLVED – the report be noted.

176 PERFORMANCE & RISK MANAGEMENT FRAMEWORK

The Council's first quarter position for 2013/14 was provided to the Committee. It was highlighted that of the 47 indicators reported, only four were below target. With regard to benchmarking it was explained that the statutory benchmarking group had been disbanded, but that there appeared to be a new appetite for sharing indicators again now. On the motion of Councillor Morrell, seconded by Councillor Mayne, it was

RESOLVED – the report be noted.

177 LOCAL COUNCIL TAX REPORT & BUSINESS RATE RETENTION QUARTER 1 2013-14

The Committee was updated on the performance of Local Council Tax Support and Business Rates Retention schemes. With regard to council tax support, it was noted that there were 1600 people affected by the changes, yet the recovery rate was similar to that of standard council tax. It was reported that most authorities were achieving higher recovery rates than anticipated.

The need to consult on the level of council tax support to be provided in 2014/15 was discussed and it was noted that the transitional grant that the government had announced would also be taken into consideration in deciding the level of support. Members were reminded that the level of support would also impact on other preceptors, so this would also have to be taken into account. It was suggested that the hardship fund may have to be increased if the level of support was decreased.

With regard to business rate pooling, it was reported that the Leicestershire Pool had originally forecast a balance of £685,000 which had been reduced to £600,000 due to reduction in rates collected in some other districts since some schools had become academies and therefore been granted charitable status. It was stated that the threshold for the Pool being worthwhile was £400,000.

Discussion ensued regarding the benefits of being part of a 'pool' managed by a Local Enterprise Partnership versus the benefits of an officer group from the authorities involved managing the funds.

It was noted that this report would be a standing item at each meeting.

On the motion of Councillor Mayne, seconded by Councillor Morrell, it was

RESOLVED – the report be noted.

178 SUNDRY DEBTS UPDATE REPORT

The Committee was informed of the position with regard to sundry debts and debt recovery procedures as requested at the previous meeting. Members queried the patterns of debt and how the issues were being addressed. In response it was explained that Managers were being asked to talk to their customers about debt to try to reach a resolution.

179 WORK PROGRAMME

The work programme was considered and it was emphasised that meetings should be regular and that every effort should be made to attend training sessions.

(The Meeting closed at 8.11 pm)

CHAIRMAN

Hinckley and Bosworth Borough Council

Annual Audit Letter

2012/13

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Public Sector
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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of Responsibilities of Auditors and of Audited Bodies'. It is available from the Chief Executive of each audited body. The purpose of the Statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

An audit is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters.

Introduction

The purpose of this letter

This letter summarises the results of our 2012/13 audit work for members of the Finance, Audit and Performance Committee.

We have already reported the detailed findings from our audit work to the Council's Finance, Audit and Performance Committee in the following reports:

- Audit opinion for the 2012/13 financial statements incorporating our opinion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.
- Report to those charged with governance (ISA (UK&I) 260); and
- Annual Certification Report to those charged with governance for claims audited up until 31 December 2012.

The matters reported here are the most significant for the Council.

Scope of Work

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We met our responsibilities as follows:

Audit Responsibility	Results
Perform an audit of the accounts in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)).	<p>We completed an audit of the Council's statutory accounts for the year ending 31 March 2013.</p> <p>We issued an unqualified audit opinion on the statutory accounts on 25 September 2013.</p>
Report to the National Audit Office on the accuracy of the consolidation pack the Council is required to prepare for the Whole of Government Accounts.	<p>Hinckley and Bosworth Borough Council's income, expenditure, assets or liabilities did not exceed £300m.</p> <p>Therefore, in line with the Audit Commission's guidance, we issued a short form Assurance Statement, which concluded that the pension liability and property, plant and equipment disclosures were consistent between the audited statutory accounts and the Whole of Government Accounts Consolidation Pack.</p>
Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources.	<p>The Audit Commission guidance includes two criteria relating to the value for money conclusion:</p> <ul style="list-style-type: none"> • the organisation has proper arrangements in place for securing financial resilience; and • the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. <p>We determined a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.</p> <p>We issued an unqualified value for money conclusion.</p>

Audit Responsibility	Results
<p>Consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.</p>	<p>Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: "Delivering Good Governance in Local Government". The AGS was included in the Statement of Accounts.</p> <p>We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE "Delivering Good Governance in Local Government" framework and whether it is misleading or inconsistent with other information known to us from our audit work.</p> <p>We found no areas of concern to report in this context.</p>
<p>Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.</p>	<p>No matters arose during our audit that would require us to produce a public interest report.</p>
<p>Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.</p>	<p>No other actions were required to be taken in relation to our responsibilities under the Audit Commission Act.</p>

Audit Responsibility	Results
<p>Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.</p>	<p>We issued a completion certificate in line with the unqualified audit opinion on 25 September 2013.</p>

Audit Findings

Accounts

We audited the Council's accounts in line with approved Auditing Standards and issued an unqualified audit opinion on 25 September 2013.

We identified the following matters:

Disclosure Matters

As one might expect during any audit, some disclosure amendments were identified which were discussed and agreed with management.

The most significant of these was the change in accounting policy for the presentation of the collection fund debtors and creditors. Previously the balances were presented in the accounts on a net basis. To more effectively represent the nature of these transactions to readers of the accounts, these balances were presented on a gross basis in 2012/13. This change was purely presentational and had no impact on the Council's Comprehensive Income and Expenditure Statement and did not affect the net surplus or deficit for the year.

Accounting for grant monies

A key accounting judgement in the 2012/13 financial statements related to the Council's accounting for Regional Growth Funding and Fuel Poverty and Green Deal Funding.

Regional Growth Funding

The Council was awarded £19.4 million from the Government's Regional Growth Fund (RGF) to support the expansion of the A5 and infrastructure works around the

Hinckley and Bosworth Borough Council

Motor Industry Research Association (MIRA) Enterprise Zone, which is the automotive research and testing facility to the West of Hinckley. We identified a disclosure risk relating to how the Council disclosed these transactions in its accounts. In particular, we considered whether the Council is acting as principal (the Council holds primary responsibility) or an agent (the Council is acting as an intermediary) as recipient of this funding.

The Council completed its assessment of the arrangement and determined that it was acting as a principal in respect of the recognition of funds which cover expenditure incurred directly by the Council and as an agent for the expenditure incurred by MIRA and the monies transferred to MIRA from the grant funds.

We formed our own independent assessment of the Council's view of its role and were satisfied with the Council's accounting on this basis. We agreed with the Council the need to sufficiently disclose the basis for the chosen accounting treatment in the 2012/13 financial statements, providing the reader with additional information that would have been presented had all the grant monies been presented on a gross basis.

Fuel Poverty and Green Deal Funding

The Council also acts as the Accountable body for Fuel Poverty and Green Deal Funding budgets totalling £3,092,600. These funds are used by neighbouring local authorities and the Council itself.

The Council assessed that was acting as a principal in respect of the expenditure incurred directly by the Council and as an agent for the monies due to be passed on to other local authorities based on expenditure incurred by the other local authorities.

We formed an independent view on the Council's assessment and treatment of these monies and were satisfied with the Council's accounting treatment.

Accounting for Leicestershire Revenues and Benefits Partnership

The Leicestershire Revenues and Benefits Partnership is a joint arrangement between Hinckley and Bosworth Borough Council, Harborough District Council and North West Leicestershire District Council. It is not a separate legal entity; Hinckley and Bosworth Borough Council acts as the accounting body with decisions regarding the running of the Partnership being taken by a joint management board.

The Council accounts separately for the Partnership and does not include its results within the Council's financial statements. The Council's financial statements account only for its share of the Partnership's assets and liabilities. This is consistent with the Code of Practice on Local Authority Accounting.

We assessed two important judgements that the Council made in applying this accounting treatment:

- Firstly, the absence of a separate bank account for the Partnership (partnership monies are recorded separately on the ledger), and the assumption that the balancing figure in the ledger is the Partnership's bank balance, which is excluded from the Council's financial statements. This figure as at 31 March 2013 was cash balance of £104,235.

- Secondly, confirmation from the Council that the aggregate over-spend for the three partner councils in 2012/13 of £68,133 would not be disaggregated and recognised in each partner authority's financial statements.

Having considered these judgements and the immaterial nature of the amounts concerned, we accepted the Council's accounting treatment.

These matters are consistent with the Council's accounting treatment in 2011/12.

Use of Resources

We carried out sufficient, relevant work in line with the Audit Commission's guidance, so that we could conclude on whether the Council had in place, for 2012/13, proper arrangements to secure economy, efficiency and effectiveness in your use of the Council's resources.

In line with Audit Commission requirements, our conclusion was based on two criteria:

- the organisation has proper arrangements in place for securing financial resilience; and
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

To reach our conclusion, we carried out a programme of work that was based on our risk assessment. We considered:

Arrangements for securing financial resilience

During 2012/13 the Council updated its Medium Term Financial Strategy (MTFS) for the period 2012/13 to 2015/16 which was approved by Council in July 2013. The MTFS has been comprehensively refreshed and considers the Council's response to a number of developments and funding changes, including both internal and external funding pressures.

The largest impact upon the Council's finances comes from central government's plans to reduce local government funding by up to 28% by 2015. The MTFS considers the impact on the Council's finances as a result of these changes and incorporates a best case, forecast and worst case scenario to factor in a range of assumptions including the effect on council tax levels, local council tax scheme caps, and business rate levels.

As in previous years and in line with the current economic climate, the worst case scenario results in Council balances falling below what it has agreed as an acceptable level requiring the Council's Chief Officers to identify additional savings that could be implemented should this 'worst case' scenario arise. The Council has put in place various measures to ensure planned savings are achieved.

An HRA Investment Plan 2013-2018 was also prepared in conjunction with the MTFS. The plan details investment proposals for new and existing housing stock updated to reflect the move to self-financing which came into effect in April 2012.

The Council has a proven track record in recent years of reliably forecasting the scale of financial challenges, identifying strategies to address the challenges, including identifying significant savings plans, and implementing them successfully. The Council's new MTFS seeks to build upon its track record of developing and delivering a financial plan to secure the Council's continuing financial resilience.

At the same time, the Council continues to improve its arrangements to engage its staff in understanding the broader financial challenges faced in the medium term through recent workshops with finance and service managers.

Arrangements for challenging economy, efficiency and effectiveness

The Council continues to consult with service users on key priorities annually, as well as issuing other consultations during the year and ensures that Corporate Plan priorities continue to remain in line. Service Improvement Plans (SIPs) and the Performance Management Framework are used by service areas in assessing their delivery in the year and their future plans. Reports are issued to the Scrutiny Committee and the Finance, Audit and Performance Committee for review.

Variations to budget are investigated by the Council on a monthly basis as a means of identifying deviations from plan that could be a cause for concern. By carrying out this exercise monthly it allows the Council to identify and put right, on a timely basis, any service issues driving unfavourable variances. At the end of 2012, a significant under-spend was identified on the Housing Repairs service as part of budget monitoring. It was identified that this was primarily due to a backlog of repairs jobs in the Housing system due to some procedure failings identified within the service. In response to this, an Action Plan was swiftly put in place. By the end of the year, the backlog had been mostly cleared and the Council had received assurances that processes within the service were working more effectively.

Value for Money profile tools

The Audit Commission provide a host of value for money profile tools which include comparisons of the Council to its statistical nearest neighbours on a number of attributes

relating to economy, efficiency and effectiveness. The profile tools have been considered in forming our view on the Council's economy, efficiency and effectiveness. The profile tools indicate that the Council is a low spending authority which is consistent with prior period results.

We issued an unqualified conclusion on the Council's use of resources based on the two criteria referred to above.

Annual Governance Statement

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Whole of Government Accounts

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the Audit Commission. As the Council's income, expenditure, assets and liabilities were all below £300m, we issued a short form Assurance Statement on 25 September 2013 to the National Audit Office. No areas of concern were identified.

Certification of Claims and Returns

We presented our most recent Annual Certification Report for 2011/12 to the Finance, Performance and Audit Committee on 4 March 2013. We certified four claims worth £47 million. In two cases a qualification letter was required to set out the issues arising from the certification of the claim. The first was for the Council's Housing Revenue Account Subsidy Claim whereby amendments to the claim were required to correct opening and closing Capital Financing Requirement (CFR) balances included in the claim form for 2011/12. The claim was amended for these issues and there was no impact on the Authority's entitlement to subsidy.

The second was for the Council's Housing and Council Tax Benefits Scheme where our testing identified a number of errors in relation to the Authority's compliance with Housing and Council Tax Benefit regulations. For some of the errors it was possible to quantify them and make appropriate amendments to the claim form. Other matters were reported in our qualification letter to the Department for Work and Pensions. These matters had no material impact on the level of subsidy claimed by the Council.

We will issue our Annual Certification Report for 2012/13 in March 2014.

Summary of Recommendations

No recommendations were reported to the Finance, Audit and Performance Committee.

Final Fees

Final Fees for 2012/13

We reported our fee proposals in our 2012/13 Audit Plan.

Our actual audit fees were in line with our proposals at £64,540.

Our fee for certification of claims and returns is yet to be finalised for 2012/13 and will be reported to the Finance, Audit and Performance Committee in March 2014 within our 2012/13 Annual Certification Report.

	2012/13 outturn	2012/13 fee proposal	2011/12 final outturn
Audit work performed under the Code of Audit Practice (Includes our work on the Statement of Accounts, Use of Resources and the Whole of Government Accounts).	64,980	64,980	108,300
Certification of Claims and Returns	To be confirmed	23,500	47,810
Non Audit Work	2,300	2,300	2,500

Non Audit work

In April 2013 the Council asked us to perform specified tests on the accounting records it keeps for the Leicestershire Revenues and Benefits Partnership and for the results of this work to be reported to the Partnership's management committee. The fee for this work was £2,300 (+VAT).

Hinckley and Bosworth Borough Council

We assessed the threats and safeguards around our independence as the Council's external auditors and agreed with the Council how the risks could be mitigated.

Potential threat to independence

Safeguards in place

A self-review threat could arise if we were planning to rely on the results of the non-audit work for the external audit.

The scope of the non-audit engagement was to report factually on the findings from testing performed on an agreed number of transactions incurred by the Partnership. This was financial information that was not reviewed as part of the external audit.

A potential familiarity (or trust) threat could arise due to the engagement personnel being the same for the audit and non-audit work.

We used different engagement leaders for the non-audit and external audit work.



In the event that, pursuant to a request which Hinckley and Bosworth Borough Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Hinckley and Bosworth Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Hinckley and Bosworth Borough Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Hinckley and Bosworth Borough Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Hinckley and Bosworth Borough Council and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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REPORT NO FAP

FINANCE, AUDIT AND PERFORMANCE SELECT COMMITTEE – NOVEMBER 11TH 2013

REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION) RE: TREASURY MANAGEMENT TO 30 SEPTEMBER 2013

1. PURPOSE OF REPORT

To inform the Select Committee of the Council's Treasury Management activity during the first six months of 2013/14.

2. RECOMMENDATION

That the Select Committee note the report.

3. BACKGROUND TO THE REPORT

At its meeting in February 2013 the Council approved the Council's Treasury Management Policy for the year 2013/14 and delegated the oversight of the execution of the Policy to the Select Committee.

This report sets out the Treasury Management activities for the first half of 2013/14 and shows that they are in line with the limits set out in the Policy.

Treasury Management covers two main areas:-

1. The management of day to day cash flows by way of short term investing and borrowing. Longer term investment opportunities may arise depending on cash flow requirements.
2. Management of the Council's Long term debt portfolio which is used to finance capital expenditure that cannot be immediately funded by internal resources (e.g. by Capital Receipts).

3.1 Economic Background

- The quarter ended 30 September saw:
 - Indicators suggested that the economic recovery accelerated;
 - Household spending growth remained robust;
 - Inflation fell back towards the 2% target;
- After strong growth of 0.7% between April and June, it appears that UK GDP is likely to have grown at an even faster pace between July and September. Business surveys for July and August point to quarterly growth

of potentially over 1.0% in the third quarter of 2013. Similarly, the official data have continued to improve even though industrial production did not increase.

- Consumer spending continued to rise. The retail surveys paint a positive picture for household spending growth, with retail sales indicators showing stronger growth between July and September.
- The run of good news on the labour market continued, with the unemployment rate falling to 7.7% in July from 7.8% in June. Employment rose by 80,000 in the three months to July, supported by an even bigger rise in full-time employment. This meant that the ratio of full-time to part-time workers continued to rise. Despite this, the headline (3 month average of the annual) rate of pay growth fell from 2.2% in June to just 1.1% in July. This still remained well below the rate of CPI inflation at 2.7% in August, meaning real wages continued to fall.
- The cost of new credit has continued to fall, perhaps in response to the extension of the Bank of England's Funding for Lending Scheme (FLS) earlier this year.
- Demand in the housing market continued to grow at a fast pace, supported by the FLS and the Government's Help to Buy scheme, which provide equity loans to credit-constrained borrowers. The RICS housing market survey reported that new buyer enquiries hit their highest level on record in August. Mortgage approvals for new house purchase rose to their highest level since February 2008 in August. Consequently, house prices continued to rise, with the Halifax and Nationwide measures recording 6.2% and 3.5% y/y rises in August, respectively. ONS data, though, shows that in real terms only London experienced year-on-year price rises in July. All other regions saw modest falls.
- Although the government registered a surprise deficit in July (a month that normally delivers a surplus), in August net borrowing was 'just' £13.2bn, compared to £14.4bn in August 2012.
- The new Governor of the Bank of England, Mark Carney, took office in July. Alongside the August Quarterly Inflation Report, the Bank introduced its new policy of forward guidance in which the Monetary Policy Committee (MPC) pledged not to raise official interest rates, or reduce the size of the asset purchase facility, until the unemployment rate falls to 7%. At this point, the MPC would discuss whether or not to alter official policy. This guidance was subject to three 'knockouts' which, if breached, would invalidate the guidance. These are that the MPC forecasts inflation at or above 2.5% in 18-24 months' time, inflation expectations are no longer sufficiently well anchored or financial stability is threatened by the stance of monetary policy. On the MPC's current forecasts, the unemployment rate is most likely to reach 7% in late 2016.
- Financial markets however, continued to price in increases in Bank Rate by mid-2015.

- CPI inflation fell from a 2013 peak of 2.9% in June to 2.7% in August. The fall was primarily the result of a drop in the contribution from petrol prices and a reduction in core inflation from 2.3% in June to 2% in August. CPI inflation looks likely to have edged down again in September, perhaps to about 2.5%, reflecting a further fading of both energy prices and core inflation.
- The Federal Reserve (FED) unexpectedly decided not to taper its asset purchases in September. Its monthly purchases at \$85bn will continue until *“more evidence that [the economic recovery] will be sustained before adjusting the pace of its purchases.”* This came despite previous hints of tapering from the Fed and the fall in the unemployment rate in both July and August. It currently stands at 7.3%.
- Meanwhile, Eurozone business surveys suggested that the economy continued to expand in Q3, albeit at a moderate pace. There was also a general election in Germany in which the incumbent Chancellor, Angela Merkel, performed better than expected by winning 41.5% of the vote. She is now likely to form a coalition, but it remains to be seen what form this will take.

3.2 Investment Activity

The Council's investment strategy primary objectives are safeguarding the repayment of the principal and interest of its investments on time, then ensuring adequate liquidity, with the investment return being the final objective. Following the economic background above, officers are implementing an operational strategy which tightens the controls already in place in the approved investment strategy.

The Council's investment criteria, approved by Council in February 2013 are:-

- **Banks 1 - Good Credit Quality** – the Council will only use banks which:
 - i) Are UK banks; and/or
 - ii) Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AAA.

And have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):

 - i) **Short Term** – F1
 - ii) **Long Term** – A
 - iii) **Individual / Financial Strength** – C (Fitch / Moody's only)
 - iv) **Support** – 3 (Fitch only)
- **Banks 2 – Guaranteed Banks with suitable Sovereign Support** – In addition, the Council will use banks whose ratings fall below the criteria specified above if all of the following conditions are met:

- (a) wholesale deposits in the bank are covered by a government guarantee;
 - (b) the government providing the guarantee is rated “AAA” by all three major rating agencies (Fitch, Moody’s and Standard & Poors); and
 - (c) the Council’s investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.
- **Banks 3 - Eligible Institutions** - the organisation was considered an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008, with the necessary short and long term ratings required in Banks 1 above. These institutions were subject to suitability checks before inclusion.
 - **Banks 4** - The Council’s own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
 - **Bank Subsidiary and Treasury Operations** – the Council will use these where the parent bank has the necessary ratings outlined above.
 - **Building Societies** – the Council will use all Societies which:
 - i) meet the ratings for banks outlined above
Or are both:
 - ii) Eligible Institutions; and
 - iii) Have assets in excess of £500m.
 - **Money Market Funds** - AAA
 - **UK Government** (including gilts and the DMADF)
 - **Local Authorities, Parish Councils etc**
 - **Supranational institutions**

Funds for investment come from the following Sources

- a) Revenue Account Balances held by the Council
- b) Earmarked Reserves and Provisions
- c) Unapplied Capital Receipts
- d) Cash flow balances - income received before expenditure needs to be incurred

As at 30 September 2013 the Council held the following investments totalling £6,810,100

Counterparty	Investment Date	Maturity Date	Amount	Interest Rate
Hinckley & Rugby BS	19/09/2013	18/10/2013	2,000,000	0.4000
Hsbc Call Account	30/09/2013	02/10/2013	660,100	0.3500
Nationwide BS	02/09/2013	02/10/2013	1,000,000	0.3800
Newcastle BS	12/09/2013	14/10/2013	500,000	0.3800
Principality BS	23/09/2013	23/10/2013	1,650,000	0.4000
West Bromwich BS	16/09/2013	16/10/2013	1,000,000	0.4000

Details of all investments held from April 2013 to September 2013 are included in Appendix A

Details of the weighted average investment to September 2013 are shown in the table below together with the average overnight, 7 day and 1 month London Inter Bank Bid (LIBID) as a bench mark to the rates received by the Council.

Period	Weighted Average invested	Average period (days)	HBBC Average Return	Overnight LIBID	7 Day LIBID	1 Month LIBID
April 13 to Sept 13	5,576,344	9	0.3743	0.3547	0.3615	0.3672

The figures above show that the Council received a rate of return that is compatible with the returns available in the market.

It also shows that the weighted average period is within the maximum set of 0.5 years.

Due to current economic conditions officers have decided to limit investment to a one month excluding weekends, and not to invest with banks other than with the Council's Bank. This together with mergers of Building Societies has meant the Counter Party invest list of organisations has shrank. Average investments returns are however still higher then the comparable inter bank rate (return of 0.3743% compared against 0.3672%).

3.3 Borrowing Activities

Long term borrowing to finance Capital Expenditure

Excluding the HRA self financing element the Council has a Capital Financing Requirement of around for the current year is £19m which arises from previous decisions to incur Capital Expenditure that was not financed immediately by internal resources e.g. Capital Receipts or Grants giving rise to the need to borrow to finance the expenditure. This borrowing requirement can either be met by long or short term external borrowing or by internal borrowing i.e. using the cash behind the authority's balances and reserves and foregoing investment income. At the present time the interest payable on long term borrowing is significantly greater than the returns the Council could expect on its investments and therefore the Council has adopted a policy of being "underborrowed" with only £3.3m of long term loans on its books. One year loans from the PWLB currently cost 1.59% so if the Council was fully funded with short term money and was receiving investment income of 0.4% there would be a cost of £202,000 pa. With 20 year rates at about 4.27% the additional cost would be £670,000pa. In these circumstances the Council has not undertaken any long term borrowing in the current year and has relied on short term borrowing to meet cash flow needs.

Additionally, as part of the Self Financing HRA Settlement £67.652m has been borrowed from PWLB. Repayment options have been discussed with members and were presented to the Executive on 13th March 2012. Repayments for principal amounts for these loans will commence in 7 years time. The loan will be repaid in equal instalments of £2.9414m over 23 yrs.

3.4 Short Term Borrowing (to cover cash flow shortfalls).

Some short term borrowing took place to cover temporary cash flow shortfalls. The movements are as follows:-

Amount outstanding at 1 April 2013	£000
Plus Total Amount borrowed to September 2013	£1,650,000
Less Total Amount repaid in year	£1,650,000
Amount outstanding at 30 September	Nil
The average amount borrowed was	£25,342.47
Average period of loans	6 Days
Number of occasions	3
Average rate of interest paid	0.4284%

All borrowing was conducted with the Operational Limit set by the Council.

5. **FINANCIAL IMPLICATIONS (IB)**

Any variations to budgets resulting from borrowing investing activities are reported within the Outturn position.

5. **LEGAL IMPLICATIONS (AB)**

There are no legal implications arising directly from this report.

6. **CORPORATE PLAN IMPLICATIONS**

This report supports the following Corporate Aims

- Thriving Economy

7. **CONSULTATION**

None

8. **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based

on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Loss of investments due to failure of Counterparty	Ensure Counterparty is financially secure prior to lending by confining activity to institutions on a list of approved institutions based on credit ratings.	I Bham
	Ensure that lending is for appropriate periods and amounts as per Counterparty list	I Bham

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

Treasury management activities support all activities of the Borough Council and therefore impact on all areas of and communities within the Borough

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector implications

Background papers: Investment and borrowing records

Contact Officer: Ilyas Bham, Group Accountant ext 5924

Executive Member: Cllr Keith Lynch

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Appendix A

**TEMPORARY ADVANCES (INVESTMENT INCOME) 2013- 2014
SEPTEMBER 2013**

DATE	BROKER	RATE %	NOTICE	AMOUNT £	BORROWER	NO DAYS	INTEREST 2013/14	Bal
07/03/13	Sterling	0.3500	08/04/13	500,000	NewCastle BS	7	33.56	
18/03/13	Sterling	0.3400	18/04/13	1,650,000	Principality BS	17	261.29	
21/03/13	Direct	0.5000	19/04/13	2,000,000	Hinckley & Rugby	18	493.15	
01/04/13	Hsbc	0.3500	02/04/13	839,000	Hsbc Call Account	1	8.05	
02/04/13	Sterling	0.3800	22/04/13	2,000,000	Coventry BS	20	416.44	
02/04/13	Sterling	0.3000	22/04/13	1,500,000	Skipton BS	20	246.58	
02/04/13	Hsbc	0.3500	04/04/13	2,394,000	Hsbc Call Account	2	45.91	
04/04/13	Hsbc	0.3500	05/04/13	2,668,000	Hsbc Call Account	1	25.58	
05/04/13	Hsbc	0.3500	08/04/13	1,977,000	Hsbc Call Account	3	56.87	
08/04/13	Sterling	0.3500	08/05/13	500,000	NewCastle BS	30	143.84	
08/04/13	Hsbc	0.3500	09/04/13	2,102,000	Hsbc Call Account	1	20.16	
09/04/13	Hsbc	0.3500	10/04/13	2,227,000	Hsbc Call Account	1	21.35	
10/04/13	Hsbc	0.3500	11/04/13	2,431,000	Hsbc Call Account	1	23.31	
11/04/13	Sterling	0.3800	13/05/13	1,000,000	Nationwide BS	32	333.15	
11/04/13	Hsbc	0.3500	12/04/13	2,154,000	Hsbc Call Account	1	20.65	
12/04/13	Hsbc	0.3500	15/04/13	1,829,000	Hsbc Call Account	3	52.62	
15/04/13	Sterling	0.3800	15/05/13	1,000,000	Nationwide BS	30	312.33	
15/04/13	Sterling	0.3300	30/04/13	500,000	Skipton BS	15	67.81	
15/04/13	Hsbc	0.3500	16/04/13	2,845,000	Hsbc Call Account	1	27.28	
16/04/13	Hsbc	0.3500	17/04/13	2,701,000	Hsbc Call Account	1	25.90	
17/04/13	Hsbc	0.3500	18/04/13	2,813,000	Hsbc Call Account	1	26.97	
18/04/13	Sterling	0.3400	20/05/13	1,650,000	Principality BS	32	491.84	
18/04/13	Hsbc	0.3500	19/04/13	2,901,000	Hsbc Call Account	1	27.82	
19/04/13	Direct	0.4000	20/05/13	2,000,000	Hinckley & Rugby	31	679.45	
19/04/13	Hsbc	0.3500	22/04/13	2,076,000	Hsbc Call Account	3	59.72	
22/04/13	Hsbc	0.3500	23/04/13	1,196,000	Hsbc Call Account	1	11.47	
23/04/13	Hsbc	0.3500	24/04/13	660,000	Hsbc Call Account	1	6.33	
24/04/13	Hsbc	0.3500	25/04/13	786,000	Hsbc Call Account	1	7.54	
25/04/13	Hsbc	0.3500	26/04/13	273,000	Hsbc Call Account	1	2.62	
26/04/13	Hsbc	0.3500	29/04/13	583,000	Hsbc Call Account	3	16.77	
29/04/13	Hsbc	0.3500	30/04/13	1,567,000	Hsbc Call Account	1	15.03	
30/04/13	Hsbc	0.3500	01/05/13	357,000	Hsbc Call Account	1	3.42	
01/05/13	Sterling	0.4200	03/06/13	2,000,000	West Brom BS	33	759.45	
01/05/13	Sterling	0.3900	03/06/13	1,000,000	Coventry BS	33	352.60	
01/05/13	Hsbc	0.3500	02/05/13	1,757,000	Hsbc Call Account	1	16.85	
02/05/13	Hsbc	0.3500	03/05/13	2,498,000	Hsbc Call Account	1	23.95	
03/05/13	Hsbc	0.3500	07/05/13	2,462,000	Hsbc Call Account	4	94.43	
07/05/13	Hsbc	0.3500	08/05/13	2,580,000	Hsbc Call Account	1	24.74	
08/05/13	Sterling	0.3500	10/06/13	500,000	NewCastle BS	33	158.22	
08/05/13	Hsbc	0.3500	09/05/13	1,837,000	Hsbc Call Account	1	17.62	
09/05/13	Hsbc	0.3500	10/05/13	2,050,000	Hsbc Call Account	1	19.66	
10/05/13	Hsbc	0.3500	13/05/13	1,968,000	Hsbc Call Account	3	56.61	
13/05/13	Sterling	0.3700	24/05/13	1,000,000	Coventry BS	11	111.51	
13/05/13	Hsbc	0.3500	14/05/13	2,032,000	Hsbc Call Account	1	19.48	
14/05/13	Hsbc	0.3500	15/05/13	1,799,000	Hsbc Call Account	1	17.25	
15/05/13	Sterling	0.2500	20/05/13	3,000,000	DMA	5	102.74	
15/05/13	Hsbc	0.3500	16/05/13	2,873,000	Hsbc Call Account	1	27.55	
16/05/13	Hsbc	0.3500	17/05/13	2,955,000	Hsbc Call Account	1	28.34	
17/05/13	Hsbc	0.3500	20/05/13	2,385,000	Hsbc Call Account	3	68.61	
20/05/13	Direct	0.4000	20/06/13	2,000,000	Hinckley & Rugby	31	679.45	
20/05/13	Sterling	0.3900	20/06/13	1,650,000	Principality BS	31	546.53	
20/05/13	Hsbc	0.3500	21/05/13	2,826,000	Hsbc Call Account	1	27.10	
21/05/13	Hsbc	0.3500	22/05/13	2,644,000	Hsbc Call Account	1	25.35	
22/05/13	Hsbc	0.3500	23/05/13	2,674,000	Hsbc Call Account	1	25.64	
23/05/13	DMA	0.2500	28/05/13	1,500,000	DMA	5	51.37	
23/05/13	Hsbc	0.3500	24/05/13	1,220,000	Hsbc Call Account	1	11.70	
24/05/13	Hsbc	0.3500	28/05/13	2,162,000	Hsbc Call Account	4	82.93	
28/05/13	Hsbc	0.3500	29/05/13	106,000	Hsbc Call Account	1	1.02	
29/05/13	Hsbc	0.3500	30/05/13	295,000	Hsbc Call Account	1	2.83	
30/05/13	Hsbc	0.3500	31/05/13	419,000	Hsbc Call Account	1	4.02	

TEMPORARY ADVANCES (INVESTMENT INCOME) 2013- 2014

SEPTEMBER 2013

31/05/13	Hsbc	0.3500	03/06/13	472,000	Hsbc Call Account	3	13.58
03/06/13	Sterling	0.3900	03/07/13	2,000,000	Coventry BS	30	641.10
03/06/13	Sterling	0.3800	03/07/13	2,000,000	Nationwide BS	30	624.66
03/06/13	DMA	0.2500	03/07/13	1,200,000	DMA	30	246.58
03/06/13	Hsbc	0.3500	04/06/13	2,472,000	Hsbc Call Account	1	23.70
04/06/13	Hsbc	0.3500	05/06/13	2,457,000	Hsbc Call Account	1	23.56
05/06/13	Hsbc	0.3500	10/06/13	2,842,000	Hsbc Call Account	5	136.26
07/06/13	DMA	0.2500	08/07/13	500,000	DMA	31	106.16
10/06/13	Sterling	0.4000	10/07/13	500,000	NewCastle BS	30	164.38
10/06/13	Sterling	0.4000	10/07/13	1,000,000	NewCastle BS	30	328.77
10/06/13	Hsbc	0.3500	11/06/13	2,052,000	Hsbc Call Account	1	19.68
11/06/13	Hsbc	0.3500	12/06/13	1,970,000	Hsbc Call Account	1	18.89
12/06/13	Hsbc	0.3500	13/06/13	2,056,000	Hsbc Call Account	1	19.72
13/06/13	Hsbc	0.3500	14/06/13	2,128,000	Hsbc Call Account	1	20.41
14/06/13	Hsbc	0.3500	17/06/13	1,274,000	Hsbc Call Account	3	36.65
17/06/13	Hsbc	0.3500	18/06/13	3,000,000	Hsbc Call Account	1	28.77
18/06/13	DMA	0.2500	25/06/13	800,000	DMA	7	38.36
18/06/13	Hsbc	0.3500	19/06/13	2,830,000	Hsbc Call Account	1	27.14
19/06/13	Hsbc	0.3500	20/06/13	260,000	Hsbc Call Account	1	2.49
20/06/13	Direct	0.4000	19/07/13	2,000,000	Hinckley & Rugby	29	635.62
20/06/13	Sterling	0.4000	22/07/13	1,650,000	Principality BS	32	578.63
20/06/13	Hsbc	0.3500	21/06/13	308,000	Hsbc Call Account	1	2.95
21/06/13	Hsbc	0.3500	24/06/13	428,000	Hsbc Call Account	3	12.31
24/06/13	Hsbc	0.3500	25/06/13	460,000	Hsbc Call Account	1	4.41
26/06/13	Hsbc	0.3500	27/06/13	101,000	Hsbc Call Account	1	0.97
27/06/13	Hsbc	0.3500	28/06/13	273,000	Hsbc Call Account	1	2.62
28/06/13	Hsbc	0.3500	01/07/13	223,000	Hsbc Call Account	3	6.42
01/07/13	Direct	0.2500	02/07/13	2,000,000	DMA	1	13.70
01/07/13	Hsbc	0.3500	02/07/13	2,728,000	Hsbc Call Account	1	26.16
02/07/13	Hsbc	0.3500	03/07/13	312,000	Hsbc Call Account	1	2.99
03/07/13	Sterling	0.3900	05/08/13	2,000,000	Coventry BS	33	705.21
03/07/13	Sterling	0.3800	05/08/13	2,000,000	Nationwide BS	33	687.12
03/07/13	Hsbc	0.3500	04/07/13	1,800,000	Hsbc Call Account	1	17.26
04/07/13	Hsbc	0.3500	05/07/13	1,900,000	Hsbc Call Account	1	18.22
05/07/13	Hsbc	0.3500	08/07/13	2,042,000	Hsbc Call Account	3	58.74
08/07/13	Hsbc	0.3500	09/07/13	2,718,000	Hsbc Call Account	1	26.06
09/07/13	Hsbc	0.3500	10/07/13	2,649,000	Hsbc Call Account	1	25.40
10/07/13	Sterling	0.3800	12/08/13	500,000	NewCastle BS	33	171.78
10/07/13	Sterling	0.3500	12/07/13	1,000,000	NewCastle BS	2	19.18
10/07/13	Hsbc	0.3500	11/07/13	2,780,000	Hsbc Call Account	1	26.66
11/07/13	Hsbc	0.3500	12/07/13	3,000,000	Hsbc Call Account	1	28.77
12/07/13	Hsbc	0.3500	13/07/13	1,938,000	Hsbc Call Account	1	18.58
13/07/13	Hsbc	0.3500	14/07/13	2,825,000	Hsbc Call Account	1	27.09
14/07/13	Hsbc	0.3500	18/07/13	2,668,000	Hsbc Call Account	4	102.33
15/07/13	DMA	0.2500	22/07/13	1,600,000	DMA	7	76.71
18/07/13	Hsbc	0.3500	19/07/13	2,534,000	Hsbc Call Account	1	24.30
19/07/13	Direct	0.4000	19/08/13	2,000,000	Hinckley & Rugby	31	679.45
19/07/13	Hsbc	0.3500	22/07/13	2,186,000	Hsbc Call Account	3	62.88
22/07/13	Sterling	0.4000	22/08/13	1,650,000	Principality BS	31	560.55
22/07/13	Hsbc	0.3500	23/07/13	1,223,000	Hsbc Call Account	1	11.73
23/07/13	Hsbc	0.3500	24/07/13	1,173,000	Hsbc Call Account	1	11.25
24/07/13	Hsbc	0.3500	25/07/13	1,212,000	Hsbc Call Account	1	11.62
25/07/13	Hsbc	0.3500	26/07/13	671,000	Hsbc Call Account	1	6.43
26/07/13	Hsbc	0.3500	29/07/13	184,000	Hsbc Call Account	3	5.29
29/07/13	Hsbc	0.3500	30/07/13	1,014,000	Hsbc Call Account	1	9.72
30/07/13	Hsbc	0.3500	31/07/13	962,000	Hsbc Call Account	1	9.22
31/07/13	Hsbc	0.3500	01/08/13	1,032,000	Hsbc Call Account	1	9.90
01/08/13	Sterling	0.3800	02/09/13	1,000,000	Nationwide BS	32	333.15
01/08/13	Direct	0.2500	05/08/13	1,700,000	DMA	4	46.58
01/08/13	Hsbc	0.3500	02/08/13	2,808,000	Hsbc Call Account	1	26.93
02/08/13	Hsbc	0.3500	05/08/13	2,772,000	Hsbc Call Account	3	79.74
05/08/13	Sterling	0.4100	05/09/13	1,000,000	Coventry BS	31	348.22
05/08/13	DMA	0.2500	06/08/13	4,630,000	DMA	1	31.71
05/08/13	Hsbc	0.3500	07/08/13	2,974,000	Hsbc Call Account	2	57.04

TEMPORARY ADVANCES (INVESTMENT INCOME) 2013- 2014

SEPTEMBER 2013

07/08/13	Sterling	0.3800	09/09/13	1,000,000	Nationwide BS	33	343.56	
07/08/13	Hsbc	0.3500	08/08/13	2,310,000	Hsbc Call Account	1	22.15	
08/08/13	Hsbc	0.3500	09/08/13	2,410,000	Hsbc Call Account	1	23.11	
09/08/13	Hsbc	0.3500	12/08/13	2,042,000	Hsbc Call Account	3	58.74	
12/08/13	Sterling	0.3800	12/09/13	500,000	NewCastle BS	31	161.37	
12/08/13	Hsbc	0.3500	13/08/13	2,387,000	Hsbc Call Account	1	22.89	
13/08/13	Hsbc	0.3500	14/08/13	2,354,000	Hsbc Call Account	1	22.57	
14/08/13	Hsbc	0.3500	15/08/13	2,426,000	Hsbc Call Account	1	23.26	
15/08/13	DMO	0.2500	19/08/13	2,100,000	DMO	4	57.53	
15/08/13	Hsbc	0.3500	16/08/13	2,809,000	Hsbc Call Account	1	26.94	
16/08/13	Hsbc	0.3500	19/08/13	2,642,000	Hsbc Call Account	3	76.00	
19/08/13	Direct	0.4000	19/09/13	2,000,000	Hinckley & Rugby	31	679.45	
19/08/13	Hsbc	0.3500	20/08/13	2,233,000	Hsbc Call Account	1	21.41	
20/08/13	Hsbc	0.3500	21/08/13	1,964,000	Hsbc Call Account	1	18.83	
21/08/13	Hsbc	0.3500	22/08/13	2,016,000	Hsbc Call Account	1	19.33	
22/08/13	Sterling	0.4000	23/09/13	1,650,000	Principality BS	32	578.63	
22/08/13	Hsbc	0.3500	23/08/13	2,041,000	Hsbc Call Account	1	19.57	
23/08/13	Hsbc	0.3500	27/08/13	805,000	Hsbc Call Account	4	30.88	
27/08/13	Hsbc	0.3500	28/08/13	872,000	Hsbc Call Account	1	8.36	
28/08/13	Hsbc	0.3500	29/08/13	1,399,000	Hsbc Call Account	1	13.42	
29/08/13	Hsbc	0.3500	30/08/13	1,558,000	Hsbc Call Account	1	14.94	
30/08/13	Hsbc	0.3500	02/09/13	1,774,000	Hsbc Call Account	3	51.03	
02/09/13	Sterling	0.3800	02/10/13	1,000,000	Nationwide BS	30	312.33	1,000,000
02/09/13	DMO	0.2500	11/09/13	3,285,000	DMO	9	202.50	
02/09/13	Coventry	0.4000	25/09/13	1,000,000	Coventry BS	23	252.05	
02/09/13	Hsbc	0.3500	03/09/13	2,774,000	Hsbc Call Account	1	26.60	
03/09/13	Hsbc	0.3500	05/09/13	2,404,000	Hsbc Call Account	2	46.10	
05/09/13	Sterling	0.4000	27/09/13	1,000,000	Coventry BS	22	241.10	
05/09/13	Hsbc	0.3500	06/09/13	2,736,000	Hsbc Call Account	1	26.24	
06/09/13	Hsbc	0.3500	09/09/13	1,433,000	Hsbc Call Account	3	41.22	
09/09/13	Hsbc	0.3500	11/09/13	2,433,000	Hsbc Call Account	2	46.66	
11/09/13	Hsbc	0.3500	16/09/13	1,533,000	Hsbc Call Account	5	73.50	
12/09/13	Sterling	0.3800	14/10/13	500,000	NewCastle BS	32	166.58	500,000
16/09/13	Sterling	0.4000	16/10/13	1,000,000	West Brom BS	30	328.77	1,000,000
16/09/13	Hsbc	0.3500	20/09/13	2,733,000	Hsbc Call Account	4	104.83	
19/09/13	Direct	0.4000	18/10/13	2,000,000	Hinckley & Rugby	29	635.62	2,000,000
20/09/13	Hsbc	0.3500	23/09/13	133,000	Hsbc Call Account	3	3.83	
23/09/13	Sterling	0.4000	23/10/13	1,650,000	Principality BS	30	542.47	1,650,000
23/09/13	Hsbc	0.3500	24/09/13	187,000	Hsbc Call Account	1	1.79	
24/09/13	Hsbc	0.3500	25/09/13	100	Hsbc Call Account	1	0.00	
25/09/13	Hsbc	0.3500	26/09/13	393,100	Hsbc Call Account	1	3.77	
26/09/13	Hsbc	0.3500	27/09/13	553,100	Hsbc Call Account	1	5.30	
27/09/13	Hsbc	0.3500	30/09/13	911,100	Hsbc Call Account	3	26.21	
30/09/13	Hsbc	0.3500	01/10/13	660,100	Hsbc Call Account	1	6.33	660,100
				279,772,500			20,872.56	6,810,100

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**RE: HOUSING REPAIRS REVIEW UPDATE
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE
DIRECTION)**

WARDS AFFECTED: ALL WARDS

1. PURPOSE OF REPORT

To provide members with an update on the progress made against the Action Plan produced in response to the review of the Housing Repairs Service.

2. RECOMMENDATION

That members:

- Note and endorse the progress made to date.

3. BACKGROUND TO THE REPORT

3.1 In response to two independent reviews and a further internal financial review, an Action Plan was developed to address the issues identified within the Housing Repairs Service. Delivery against this Plan continues to be closely monitored.

3.2 This Plan was reported to members at the previous meeting and it was agreed that updates and significant variations to the plan would be reported back. This report will therefore set out some of the key areas of progress made to date. Progress against the plan will also be assessed as part of the next Internal Audit Review of Housing Repairs, along with testing of the improved controls and procedures.

3.3 There were 15 tasks within the Action Plan and all but four have been fully implemented. Updates against each action are provided below.

Key Task	Comments
Clear historical backlog of jobs through the Orchard System.	There had been an issue identified where jobs were not been completed in a prompt fashion with in the System and this was causing delays in the finance system also being updated. This has now been completed and the backlog has been cleared. Additional procedures were introduced to ensure this is now carried out regularly. This has resulted in more meaningful reporting of work in progress within the system Complete
Review structure and allocation of budgets.	The budgets were fully reviewed and revised accordingly. This included a cleansing exercise for some erroneous codes and also new budget lines have been created to enable more detailed financial reporting. A new methodology for budget monitoring was also developed between the service and the Finance Team which

Key Task	Comments
	<p>will include a more accurate forecast position. Specific targets have also being set, such as target cost per void property. Any variations from these are challenged accordingly.</p> <p>Complete</p>
<p>Work in Progress (WIP) within the Orchard System is to be analysed and monitored.</p>	<p>This is now done routinely as part of the performance management and budget monitoring process.</p> <p>Complete</p>
<p>Map existing processes for responsive repairs.</p>	<p>These have been done for existing and new processes.</p> <p>Complete</p>
<p>Update Service Procedures and Controls.</p>	<p>Day to day procedures have been reviewed, updated and implemented. These procedures require prompt delivery and closure of jobs on the system based upon new procedures adopted by the engineers. The review has also identified additional policies that were required, such as Acceptable Vehicle Usage and operational requirements regarding engineers availability.</p> <p>Complete (however also under constant review).</p>
<p>Review use of Schedule of Rates and Job Cost Data.</p>	<p>A review of the existing rates is being procured and due to be completed by end November. Changes were made to how job cost data was captured to ensure more efficient use of resources.</p> <p>Ongoing</p>
<p>System Training.</p>	<p>Training has been delivered on required systems / modules and this will remain under review as further systems and modules are implemented.</p> <p>Complete</p>
<p>Develop Procurement Plan.</p>	<p>This has been produced and delivery against it will be monitored alongside delivery of the overall Housing Investment Plan.</p> <p>Complete</p>
<p>Review Invoicing Procedures.</p>	<p>There had been a delay of approximately 2 months for invoices from materials suppliers which was having a negative impact on the accuracy of budget monitoring. This has now been resolved and invoices are now received on a timely basis weekly.</p> <p>Complete</p>

Key Task	Comments
Review staffing structure.	<p>The proposed structure introduces more defined client and contractor roles and should also create more resilience within the service. For example, at the moment, the surveyor roles are split and are either in Responsive Repairs or the Planned Maintenance Team. There is a greater pressure on the Responsive Team in terms of inspections and as part of the revised structure, all of the surveyors are within the same team within the client function and as such they will be required and able to cover for all inspections when required.</p> <p>Much of the Principal Repairs Officer's current role is back office administration relating primarily to voids work. Under the revised structure, as more of a contractor, this role will have much needed capacity for allocation of work and management of the engineers. The administration elements are more client related functions and as such will be undertaken by the surveyors.</p> <p>Complete</p>
Introduce Performance Management.	<p>A suite of performance indicators have been identified as part of our membership with Housemark. This data is currently being collated and input to Housemark for reporting and benchmarking. Once the baseline has been established, appropriate targets will be set.</p> <p>The indicator reported upon historically is the Customer Satisfaction level. This is obtained by issuing customer satisfaction questionnaires to all tenants once a job has been completed. At the moment (latest relating to September) is 95.23% against a target of 87% which is high performance. Work is also underway to understand more about which of our tenants typically respond to these questionnaires and the % of responses overall.</p> <p>Ongoing</p>
Review pre and post inspection regime.	<p>This has been done as part of the structure review in terms of who carries out the inspections and as part of the Orchard Browser Upgrade in terms of when inspections are typically required.</p> <p>Complete</p>
Complete "health check" of Orchard System and data.	<p>This is being done as part of the Orchard Browser Upgrade. All data and system processes are being updated as part of the upgrade work.</p> <p>Ongoing</p>
Consideration to diagnostic software.	<p>There is some functionality for this within the Orchard System. This is therefore now being done as part of the Orchard Browser Upgrade.</p> <p>Ongoing</p>
Manage risk of overspend.	<p>This is ongoing as part of the revised budget monitoring procedures and remains a strategic risk and is reflected as such on the Corporate Risk Register.</p> <p>Ongoing</p>

- 3.4 The service is also working extensively on delivery of the Stock Enhancements agreed as part of the Investment Strategy. This is a significant programme of work to be delivered over the new five years and needs to be resourced appropriately.
- 3.5 The service is working more closely with Housing Officers and the Housing Management service to be able to deliver a more tenant focussed service. This involves a number of measures.

4. FINANCIAL IMPLICATIONS (KP)

- 4.1 As at September 2013, the Housing Repairs revenue account is forecasting total savings of £50,000 to the end of 2014 due to salary savings identified in the service. The Capital Programme and associated work in progress continue to be monitored closely, with particular attention to the costs associated with processing voids. Any over commitment in this area can be met from the HRA contingencies budget of £252,970 which is currently underspent to this value.
- 4.2 Pending approval, the proposed re-structure of the housing repairs service will be factored into the base establishment budget for 2014/2015. At present this is expected to be cost neutral.
- 4.3 The cost of the systems advances required for this plan are included within the Capital budget for the Orchard system corporate upgrade which is held at £103,820 for 2013/2014.
- 4.4 Any savings identified from the above action plan will be transferred to the Housing Repairs account which had an audited opening balance as at 1st April 2013 of £242,000

5. LEGAL IMPLICATIONS (LH)

None arising directly from the report

6. CORPORATE PLAN IMPLICATIONS

The Housing Repairs Service significantly contributes to the delivery of “Creating a Vibrant Place to Work and Live”.

7. RISK IMPLICATIONS

It is the Council’s policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer’s opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

Management of Significant (Net Red) Risks		
Risk Description	Mitigating Actions	Owner
Variances to Housing Repairs Account	An improvement plan for the service has been developed.	Julie Kenny

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

None.

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background papers: None

Contact Officer: Julie Kenny Ext 5985
 Executive Member: Councillor KWP Lynch

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SUNDRY DEBTS UPDATE REPORT

REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

1. PURPOSE OF REPORT

1.1 To inform members of the position on sundry debts as at 31st September 2013. As agreed with members at the meeting held on 16th September, this information will be provided to this Committee at each meeting.

2. RECOMMENDATION

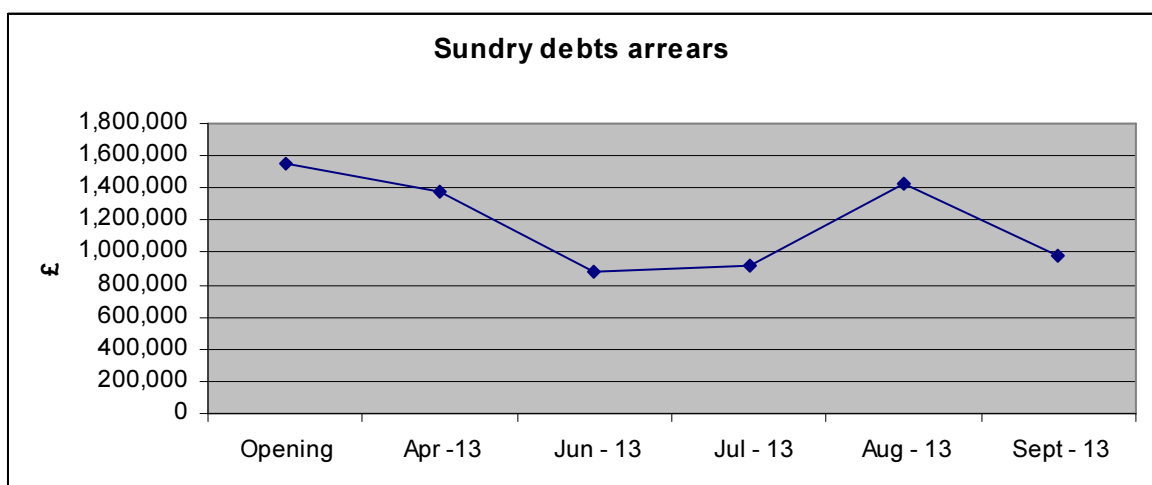
2.1 That the committee note the current aged debt position for sundry debts and the improvement made recovery of the balance during 2013/2014

3. BACKGROUND TO THE REPORT

3.1 As 30th September 2013 there were 953 sundry debt invoices outstanding with a value of £974,867 (an average balance of £1,023). This balance can be broken down by age as follows:

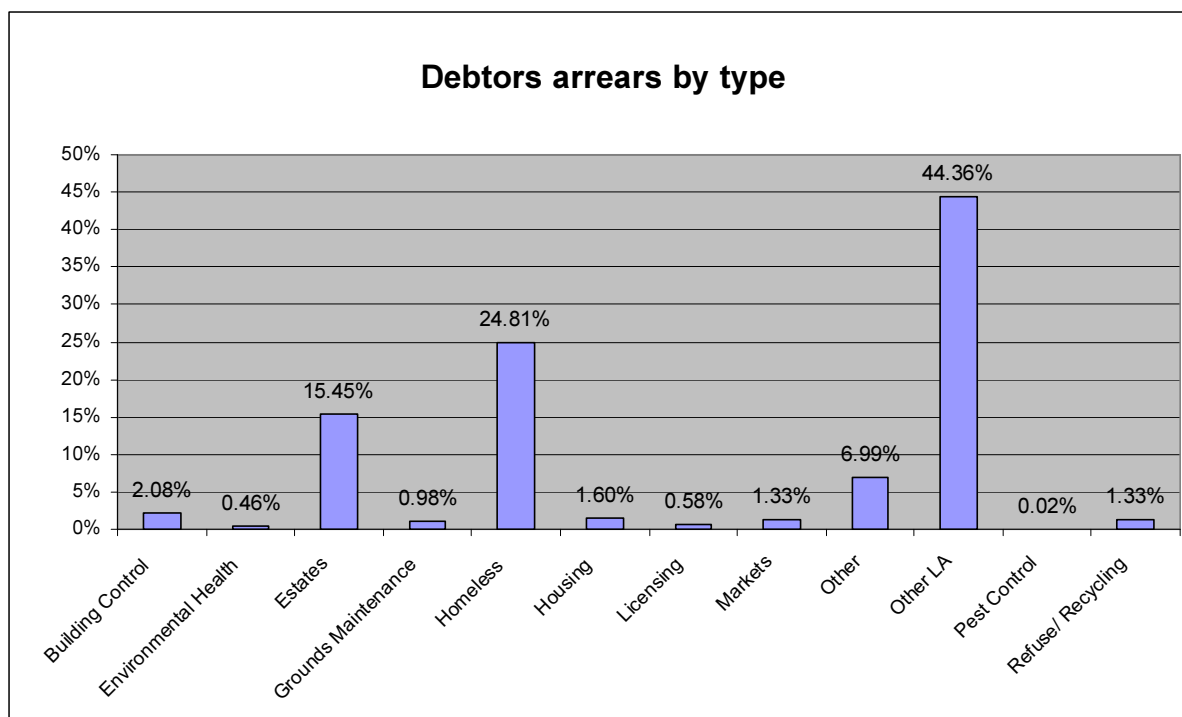
Credits & Refunds	Not Yet Due	< 30 Days	30 - 59 Days	60 - 89 Days	90 - 119 Days	> 120 Days	Total Debt
£	£	£	£	£	£	£	£
-984	9,146	412,305	148,339	148,685	18,169	239,206	974,867

3.2 The value of aged debt has been mapped month on month during 2013/2014 for information. Members should note the significant decrease in the value of debt both during the financial year and in the last calendar month. This is following revised debt recovery procedures that have been put in place which encourage the “owner” of the debt (i.e. the budget holder) to review debts on a regular basis and propose recovery action specific to that particular account rather than a generic approach.



Information was not gathered during May 2013 due to changes in team structure and training.

- 3.3 In order to ensure that the Council adopts a prudent approach to accounting for debt that might not be due, a “provision for doubtful debts” is made against the year end balance. The value of this provision for 2012/2013 was £77,766
- 3.4 The split of the current debt position by types of debt are detailed below. As indicated below, 44.36% of the debt relates to monies due from other Local Authorities. This is mainly in relation to the provision of ICT services through the Steria contract which are paid on a periodic basis.



4. **FINANCIAL IMPLICATIONS (KP)**

Raised in the body of the report.

5. **LEGAL IMPLICATIONS (AB)**

Debt recovery action will generally be raised as a small claim in the civil courts. Under the Limitation Act 1980 the Council must bring action to recover an aged debt by within six years of the date payment became due.

6. **CORPORATE PLAN IMPLICATIONS**

Sundry Debts contributes to delivery of all Corporate Plan objectives.

7. **CONSULTATION**

None.

8. **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the

information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Failure to recover debt owed to the Council	Robust recovery methods and monitoring.	Julie Kenny

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

Any future reviews of the Debt Recovery Strategy will be impact assessed to understand any impacts on our community (ie ability for those on lower incomes to pay)

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background papers: Civica Reports

Contact Officer: Katherine Plummer, Head of Finance. Ex 5609

Executive Member: Councillor Keith Lynch

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Agenda Item 10

FAP work programme 2013/14

Date of Meeting	Reports to be considered
11 November 2013	2 nd Quarter Treasury Management Report 2013/2014 Annual Audit Letter (PwC) Housing Repairs update Sundry debt update
6 January 2014	Audit Block Report (CW Audit) Draft Capital programme 2013/14 to 2016/17 2 nd Quarter Budget Monitoring 2013/2014 Risk Management Report (if not part of performance report) Update on Localisation of Council Tax Support and Business Rates Retention Performance Management Frame work
17 February 2014	Draft Budget proposals 2014/15 (General Fund and HRA) Capital Programme 2013/14 to 2016/17 Prudential Indicators and Treasury Policy report 2013/14 to 2016/17 Annual External Audit Plan 2012/13 (PwC)
31 March 2014	Audit Block Report (CW Audit) 3 rd Quarter Budget Monitoring 2013/2014 3 rd Quarter Treasury Management Report 2013/2014 Performance Management Frame work Annual Grants Certification Report (PwC) Draft Internal Audit Plan 2014/15 (CW Audit) Update on Localisation of Council Tax Support and Business Rates Retention
12 May 2013	Internal Audit Annual Report 2013/14 (CW Audit)

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