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Chief Executive

Date: 24 October 2014

Hinckley & Bosworth
Borough Council

A Borough to be proud of

**To: Members of the Finance, Audit & Performance
Committee**

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

Mr PAS Hall
Mrs L Hodgkins
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 Montfort Suite - Hub on **MONDAY, 3 NOVEMBER 2014** at **6.30 pm** and your attendance is required.

The agenda for the meeting is set out overleaf.

Yours sincerely

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

Rebecca Owen
Democratic Services 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 *.
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)
Report of the External Auditor.
7. FEES & CHARGES UPDATE (Pages 15 - 20)
Report of the Deputy Chief Executive (Corporate Direction).
8. TREASURY MANAGEMENT (Pages 21 - 32)
Report of the Deputy Chief Executive (Corporate Direction).
9. PERFORMANCE REPORT FOR STREETSCENE & ENVIRONMENTAL HEALTH (Pages 33 - 38)
Report of the Deputy Chief Executive (Community Direction).
10. HOUSING REPAIRS UPDATE
Report of the Deputy Chief Executive (Corporate Direction).
11. AGED DEBT UPDATE (Pages 39 - 42)
12. BUSINESS RATES UPDATE (Verbal Report)
13. WORK PROGRAMME (Pages 43 - 44)
14. 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

15 SEPTEMBER 2014 AT 6.30 PM

PRESENT: Miss DM Taylor - Chairman
Mr JS Moore – Vice-Chairman

Mr PR Batty, Mrs R Camamile, Mrs L Hodgkins (for Mr PAS Hall), Mr R Mayne and Mr K Morrell

Officers in attendance: Sanjiv Kohli, Rebecca Owen, Katherine Plummer and Julie Stay

145 APOLOGIES AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillor Mr Hall, with the substitution of Councillor Hodgkins authorise in accordance with Council Procedure Rule 4.

146 MINUTES OF PREVIOUS MEETING

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

RESOLVED – the minutes of the meeting held on 4 August 2014 be confirmed and signed by the Chairman.

147 DECLARATIONS OF INTEREST

No declarations were made at this stage.

148 STATEMENT OF ACCOUNTS 2013/14 AND ANNUAL GOVERNANCE STATEMENT

Members were presented with the Statement of Accounts and Annual Governance Statement along with a report which detailed material or notable changes. Members were reminded that training had been provided on the Statement the previous week. In response to members' questions, the following was noted:

- The special expenses reserve had increased due to previous underspends and now operated on the same basis as general fund reserves in maintaining a 10% reserve. This reserve would be used to fund the Green Space Delivery Plan
- The line in the accounts regarding a reserve for Hinckley Club for Young People had been removed in the 14/15 budget
- Section 106 monies not drawn down would be claimed back, but if the developer had, in the meantime, been liquidated, legal advice would be sought on how to progress
- The authority had not been successful in securing grant funding for the leisure centre – officers agreed to provide the member with details of applications made but refused
- The waste management reserve had initially been set up to cover improvements but the landscape had changed and more recently the County Council had indicated they would accelerate cuts to recycling credits
- Other cuts by the County Council in areas such as Young People and Community Safety would have an impact on HBBC.

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

149 REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260)

Alison Breadon of PricewaterhouseCoopers presented the ISA 260 and explained their risk based approach, the review of any new issues or those which require an element of judgement and the checking for material inaccuracies. It was explained that any inaccuracies below £25,000 were discussed with officers but not reported. Concern was expressed, however, that at the time of issuing the ISA 260, the decisions to fund the moveable floor in the new leisure centre had not been made, and that this decision would have a significant impact on the future finances of the authority. It was explained that such decisions which benefit a small number of people but have a serious impact on the financial standing of the authority may attract public attention when the accounts were opened up to public scrutiny.

RESOLVED – the ISA 260 be endorsed.

150 REVENUE AND CAPITAL OUTTURN - 1ST QUARTER 2014/15

Members were updated on the outturn position and were informed that there were some unknown issues, such as whether business rates would be retained at the year end and whether there would be a number of business rate appeals which would result in a cost to the authority. It was highlighted that the underspend on Housing Repairs was mostly due to timing and work in progress, and also that there had been a reduction in rental income due to void properties.

A member expressed concern that several residents had complained to him that they had been told the reason they had had to wait over six months for repairs to council owned properties was because the council “couldn’t afford” to do the work. It was agreed that if this message was being sent out, it was unacceptable. A report on housing repairs, including the budget position and waiting list, was requested for the next meeting of the Committee.

RESOLVED –

- (i) The report be noted;
- (ii) A report on housing repairs be brought to the next meeting.

151 INTERNAL AUDIT PROGRESS REPORT

Tim Ridout of CW Audit presented the Internal Audit progress report, highlighting the increase in the number of days (due to carry forward of unused days from the previous year) and where these days would be used.

Discussion ensued regarding the Section 106 process and work undertaken to improve monitoring of monies received, drawn down and clawed back by the developer, and further work required. It was hoped that the new process would look in more detail at delivery to also ensure that the provision made was delivered to an acceptable standard.

Mr Ridout provided an update on the Electoral Registration audit which had looked at the council’s approach to implementing individual electoral registration (IER) and had recommended restarting some meetings which had not been convened, keep risk registers up to date, and looking to work with partners to share data.

A member drew attention to the section of the reports about homelessness in light of recent media attention regarding care leavers being placed in bed & breakfast accommodation, and following discussion it was requested that a report be taken to the Scrutiny Commission regarding homelessness, including a definition of homeless.

RESOLVED –

- (i) The report be noted;
- (ii) A report on homelessness be presented to a future meeting of the Scrutiny Commission.

Councillor Batty left the meeting at 7.40pm.

152 PERFORMANCE & RISK MANAGEMENT FRAMEWORK

Members were presented with an update on the Performance & Risk Management Framework. They agreed to continue to receive this reports in addition to the regular service review reports.

153 FINANCE, AUDIT & PERFORMANCE UPDATE - CORPORATE SERVICES

The service review report for Corporate Services was presented to members and it was reported that there had been no performance slippage and sickness absence was improving. Some discussion ensued regarding sickness absence and it was explained that the increase the previous year had been due to a few cases of long term sickness which had distorted the figures. So far this year sickness absence was well below target, which was mostly due to some long term cases being closed. The closer monitoring of sickness and return to work procedures was explained to members and it was confirmed that the sickness absence framework was embedded in the authority and managers were aware that they were responsible.

154 BUDGET STRATEGY 2015/16

The Committee received a report outlining the budget strategy for 2015/16 which set out the context and challenges. Discussion ensued regarding grants to parishes and it was reiterated that the continuation of council tax support grants to parish councils should continue, but withdrawing the payment of a portion of the New Homes Bonus to parishes would be reconsidered in light of budget constraints for the borough council.

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

RESOLVED – Council be RECOMMENDED to withdraw the allocation of 25% of New Homes Bonus to parish councils in full from 2015/16.

155 WORK PROGRAMME

The work programme was considered and noted.

156 MATTERS FROM WHICH THE PUBLIC MAY BE EXCLUDED

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

RESOLVED – in accordance with section 100A(4) of the Local Government Act 1972, the public be excluded from the following item of business on the grounds that it involves the disclosure of exempt

information as defined in paragraphs 2, 3, 7 and 10 of Part I of Schedule 12A of that Act.

157 FRAUD UPDATE

Members were reminded of the fraud self-assessment that had been undertaken which had identified improvements required with regard to detecting and preventing fraud. It was noted that a joint bid with other Leicestershire authorities had been submitted to the DCLG for funding to support corporate fraud.

Members confirmed that they were happy with the style and content of the report and would like to receive it on a six-monthly basis.

RESOLVED – the report be noted and endorsed.

(The Meeting closed at 8.05 pm)

CHAIRMAN

Hinckley and Bosworth Borough Council

Annual Audit Letter - DRAFT

2013/14

Government and
Public Sector
October 2014
Page 5

Contents

Introduction	1
Audit Findings	3
Final Fees	6

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 2013/14 audit work for members of the Authority.

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

- Audit opinion for the 2013/14 financial statements, incorporating conclusion on the proper arrangements to secure economy, efficiency and effectiveness in its use of resources (September 2014).
- Report to those charged with Governance (ISA (UK&I) 260) (September 2014).
- Annual Certification Report (to those charged with governance) (March 2014).

The matters reported here are the most significant for the Authority

Scope of Work

The Authority 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 Authority's statutory accounts for the year ending 31 March 2014.</p> <p>We issued an unqualified audit opinion on the statutory accounts on 23 September 2014.</p>
Report to the National Audit Office on the accuracy of the consolidation pack the Authority 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 £350m.</p> <p>Therefore, in line with the Audit Commission's guidance, we performed limited consistency checks and confirmed 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 Authority 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: 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> <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 Authority'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 23 September 2014.</p>

Audit Findings

Accounts

We audited the Authority's accounts in line with approved Auditing Standards and issued an unqualified audit opinion on 23 September 2014.

We have already reported the detailed findings from our audit work within our Report to Those Charged with Governance (ISA (UK&I) 260). This report was presented to the Audit Committee on 15 September 2014. We wish to draw the following points, included in that report, to your attention in this letter:

- The Authority prepared its accounts on a timely basis and a first draft of the accounts was available at the start of the audit;
- We did not identify any significant issues with respect to the effectiveness of the Authority's internal controls;
- We reviewed the reasonableness of the assumptions underlying the pension liability and concluded that we were comfortable with the assumptions adopted;
- We reviewed the reasonableness of the assumptions underlying the business rates appeals provision (which was a new provision in the 2013/14 financial year) and concluded that we were comfortable with the assumptions adopted; and
- There were two misstatements and one audit adjustment above our de minimis reporting threshold which were corrected by management in the final set of accounts. There were no uncorrected misstatements.

Use of Resources

We carried out sufficient, relevant work in line with the Audit Commission's guidance, so that we could conclude on your arrangements to secure economy, efficiency and effectiveness in your use of the Authority'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 issued an unqualified conclusion on the ability of the organisation to secure proper arrangements to secure economy, efficiency and effectiveness in its use of resources. However, we found the following matters which we wish to bring to your attention:

Bus Station Redevelopment – the Crescent

The Crescent is a new retail and leisure complex that is currently being built on the former bus station site. This is a key corporate priority for the Authority.

We reviewed the arrangements put in place by the Authority to monitor progress of the development and found no issues to report.

The Authority will purchase Block C from the developer which is the leisure block of the Crescent planned to accommodate a cinema and restaurants.

The Authority is managing the value for money risks associated with the purchase of Block C as part of the redevelopment, through a lettings focused strategy. The aim is to secure 100% occupancy of Block C which will deliver both rental income and business rates into the future. A considerable amount of interest in the properties in Block C has already been received from potential occupants.

Leisure Centre

On 21 January 2014, the Authority appointed Places for People Leisure Management Ltd (formerly named DC Leisure) to build and run a new Leisure Centre at the former Council offices site.

Significant consultation was undertaken during the procurement process and an independent leisure expert advised on the selection process.

Arrangements to monitor construction of the Leisure Centre have been established with involvement of both Estates and Finance.

It was identified by the building contractor that additional work will be required on the grounds which will add a further cost. This cost will be fully funded from reserves.

A late amendment to the specification of the swimming pool was made in September 2014. This is estimated to incur additional costs of approximately £81,118 per annum (over a 20 year period).

The Authority has reviewed the impact of the additional costs in the context of its overall financial position in future periods and has increased its savings target to £464,260 for 2015/16. The most significant proposal to meet the savings target is the ending of all payments of New Homes Bonus to parish councils and the special expenses area from 2015/16 which is estimated to reduce the savings target by £300,000. This was approved by the Council on 23 September 2014.

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. The audited pack was submitted on 24 September 2014. We found no areas of concern to report in this context.

Certification of Claims and Returns

We presented our most recent Annual Certification Report for 2012/13 to those charged with governance in March 2014. We certified three claims worth £53.4 million. In one case a qualification letter was required to set out the issues arising from the certification of the claim relating to the Authority'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 Authority. These details were also set out in our Annual Certification Report for 2012/13.

We will issue the Annual Certification Report for 2013/14 in February 2015.

Summary of Recommendations

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

Final Fees

Final Fees for 2013/14

We reported our fee proposals in our 2013/14 Audit Plan.

Our actual audit fees were in line with our proposals at £64,980.

Our fee for the certification of claims and returns is yet to be finalised for 2013/14 and will be reported to those charged with governance in February 2015 within the 2013/14 Annual Certification Report.

We carried out a fraud awareness workshop and carried out tax work which fell outside of the Code of Audit Practice requirements. Our proposed and actual fee for the fraud workshop was £1,000, and for the tax work was £8,800.

We assessed the threats and safeguards around our independence as the Authority's external auditors and agreed with the Authority how the risks could be mitigated. We reported this assessment to you in our 2013/14 Audit Plan which we presented to you in March 2014.

Our fees charged were therefore:

	2013/14 outturn	2013/14 fee proposal	2012/13 final outturn
Audit work performed under the Code of Audit Practice			
- Statement of Accounts	64,980*	64,980	64,980
- Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources			
- Whole of Government Accounts			
Certification of Claims and Returns	To be confirmed	23,400	28,474
Non Audit Work	9,800	9,800	2,300

* It is noted that separate to the amount charged the Authority received a £6,678 rebate directly from the Audit Commission.



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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**FIANNCE, AUDIT AND PERFORMANCE COMMITTEE –
3RD NOVEMBER 2014**

**FEES AND CHARGES REVIEW – FOLLOW UP
REPORT OF DEPUTY CHIEF EXECUTIVE – CORPORATE DIRECTION**

WARDS AFFECTED: ALL WARDS

1. PURPOSE OF REPORT

1.1 To provide, as requested, an update to the committee on those areas highlighted by internal audit in their fees and charges benchmarking report. It should be noted that approval of fees and charges is an Executive function.

2. RECOMMENDATION

2.1 That the committee consider the responses from officers regarding those areas highlighted by internal audit where the Council does not currently charge.

2.2 That in considering this information, the committee considers whether any of the charges should be referred to Executive and/or Scrutiny Commission for consideration.

3. BACKGROUND TO THE REPORT

3.1 As part of their 2014/2015, Internal Audit Plan, the Council's internal auditors (CW Audit Services) undertook a review of arrangements in relation to the setting of the Council's current fees and charges. As part of this review, CW Audit benchmarked current fees and charges against other Local Authorities to establish where they may be the potential to raise additional charges.

3.2 A copy of the final internal audit report is appended to this report for reference.

3.3 The internal audit report was review by Finance, Audit and Performance Committee at their meeting in August 2014. A follow up report was requested to provide more detail to the committee on those service areas where the Council does not currently charge but other in the benchmarking group do. These areas were identified as follows:

- Off Street Charges – Sundays
- Housing – Inspection of variation
- Housing – Variation of license details
- Housing – Variation to HMO License
- Pre application advice – domestic
- Pest control – domestic rats
- Garden bin replacement and collection
- General waste – bin replacement

3.4 Each of the areas above have been considered below:

Area	Council's currently charging in Benchmarking group	HBBC Consideration
Off street parking charges	<ul style="list-style-type: none"> • Boston • City of Lincoln 	Councils who make a charge for Sunday parking tend to have a larger retail offer. Sunday opening for

– Sundays	<ul style="list-style-type: none"> • East Lindsey 	<p>retail units is still in its infancy in Hinckley and the introduction of a charge is likely to be challenged by the Town Centre Partnership / Hinckley BID. The risk of the impact on demand and trading in the town would have to be considered, along with the charging regime in the new Crescent development.</p> <p>If members wish to consider it then the charges which apply the rest of the week could be applied, or alternatively a fixed tariff all day e.g. 50p all day.</p>
Housing – Inspection of variation	<ul style="list-style-type: none"> • City of Lincoln • Oadby and Wigston 	<p>Work is currently being performed in all cases to ensure that the fixed price charged for license applications is reflective of the actual cost of the service. There is an intention to introduce this from 2015/2016.</p>
Housing – Variation of license details	<ul style="list-style-type: none"> • City of Lincoln • Oadby and Wigston • Rushcliffe 	<p>Whilst some Councils are charging for variations to licenses, a number of tribunals have considered that such a charge is potential unlawful and therefore this risk should be considered before implementing any charge.</p>
Housing – Variation to HMO License	<ul style="list-style-type: none"> • Boston • City of Lincoln • Oadby and Wigston • Rushcliffe 	<p>Whilst some Councils are charging for variations to licenses, a number of tribunals have considered that such a charge is potential unlawful and therefore this risk should be considered before implementing any charge.</p>
Pre application advice – domestic	<ul style="list-style-type: none"> • City of Lincoln • East Lindsey • Melton • Oadby and Wigston • North Kesteven • Rushcliffe • South Kesteven • West Lindsey 	<p>A review of the Council's pre-application charging schedule is currently underway with the intention of introducing a charge from 1st April 2015 (pending Executive approval) which strikes a balance between cost recovery, encouraging discussions and promoting regeneration. Currently Councils in the benchmarking group charge between £36 and £125 per application and it is envisaged that a “menu” of options will be provided.</p> <p>There are currently approximately 10 requests for pre-application advice per month. Based on the average cost across the benchmarking group (£73) this could generate £8,760 income for the Council per annum (assuming demand remains static). This calculation has been provided for indicative purposes as the actual cost of the service for the Council would need to be considered in setting a charge.</p>
Pest control – domestic rats	<ul style="list-style-type: none"> • Blaby • Melton • Oadby and Wigston • North Kesteven (outsourced) • Rushcliffe 	<p>A trial charge for rat treatments was introduced in April 2006 at £30, which provoked considerable member and public concern and a drop of 42% in treatments carried out. The number of complaints to Environmental Health increased requiring additional investigations by pollution section officers as residents refused to pay and implicated other addresses. The free treatment was reinstated in July 2006. Executive consider charging for rats in Sept 2011 and agreed to continue the current policy.</p> <p>If a modest charge of £25 per treatment was introduced and assuming a drop of 40% in the number of treatments this would result in an income of approximately £6,125 per annum. If a higher charge of £50 was introduced and there was a 60% fall off in demand then income of £8,140 would be</p>

		<p>generated.</p> <p>Rat treatments at commercial premises are currently already charged at a “time and materials charge” (minimum of £69) and contracts are quoted on an individual basis. The Council has 23 annual commercial contracts which generate £9,620 per annum. Commercial companies also provide this service and the current. The Council currently uses one such organization when demand is high and they charge £34 per rat treatment carried out.</p>
Green Waste Collection	<ul style="list-style-type: none"> • City of Lincoln • South Kesteven • West Lindsey • Blaby • Melton • Charnwood • East Lindsey • Ruscliffe 	<p>Detailed consideration has been given to charging for this service on a number of occasions by the Executive.</p> <p>In preparing this, the following scenarios have been provided acknowledging any associated impact on demand:</p> <ul style="list-style-type: none"> • Scenario 1: £25 charge (£20 direct debit), 40% take up, income of £405,000. 29,462 properties would need to pay for the service to cover the total cost of the green waste collection service. • Scenario 2: £30 charge (£20 direct debit), 40% take up, income of £486,000. 22,681 properties would need to pay for the service to cover the total cost of the green waste collection service. <p>There will be costs to administer payments / bin collections etc. There is potential to reduction the number of collection crews if take up is low.</p> <p>The withdrawal by Leicestershire County Council of recycling credits for green waste collections will result in a £320,000 reduction in funding for the green waste collection service from 2015/16. Should LCC remove recycling credits on dry recycling then this would result in a further £500,000 reduction in funding (a charge cannot be made to residents for dry recycling collections).</p>
General waste – bin replacement	<ul style="list-style-type: none"> • Blaby • Boston • City of Lincoln • Melton 	<p>The current cost of a bin is £17 plus delivery. Approximately 2005 bins are estimated to be delivered annually, generating potential income of £34,085 (assuming constant demand).</p> <p>There are a number of risks associated with charging for bin replacement. By providing the bin free of charge the Council is able to control the amount of waste we collect (and therefore encourage recycling), provide secure storage of refuse thus keeping the environment clean, and to providing a safe collection system for our staff. There is a risk that charging for bins would mean an increase in litter and pollution, health and safety issues for staff</p>

		and increased pressure on customer services in administering complaints and queries. It should also be noted that legal advice should be taken in introducing this charge to ensure that statutory responsibilities are met.
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4. FINANCIAL IMPLICATIONS [KP]

4.1 Provided in the body of the report.

5. LEGAL IMPLICATIONS [EH]

5.1 Some preliminary advice on the potential charges is given below, however it should be noted that prior to any final decision being made on each individual charge the full legal implications in relation that area should be considered.

5.2 Amendment to parking charges would need to be made via the Parking Order. This is currently under review with a view to a new parking order being produced. Until they are brought in to effect through the order (or a variation to an order) the charges are not able to be levied. It should also be noted that, in relation to the Town Centre, there is provision in the draft contract for the Management Fee of the Leisure Centre to be adjusted should parking charges increase or change so as to affect the income to the leisure centre.

5.3 In relation to the charging for waste receptacles this is permitted under the Environmental Protection Act 1990. Section 46 states that the local authority can define the kind, number and sizes of waste receptacles. The local authority has the option to provide the receptacles free of charge, propose a single payment or periodical payments for such receptacles or require the occupier to provide them.

5.4 In relation to the proposed charges in relation to housing and HMOs s63 of the Housing Act 2004 allows a charge for a licence to be imposed, however challenges have been successfully brought against charges for variations. This would need further consideration prior to any charges being agreed as it is may be that Council does not have the authority to impose such charges.

5.5 Were any charges to be formally proposed there would need to be a consideration of the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 which would apply to some of these services and charges. This regulates the right to cancel and receive refunds and the Council is bound by these regulations.

6. CORPORATE PLAN IMPLICATIONS

Providing value for money and pro-active services

7. CONSULTATION

No direct consultation has taken place on the contents of this report as it is for noting.

8. RISK IMPLICATIONS

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

8.2 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.

- 8.3 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
Generation of fees and charges provides income to the Council and therefore allows the objectives contained within the Medium Term Financial Strategy to be met.	Ongoing budget monitoring of level of income and an annual review of fees and charges.	Sanjiv Kohli

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

- 9.1 Appropriate discretionary reliefs for relevant groups are considered as part of the fees and charges process.

10. CORPORATE IMPLICATIONS

- 10.1 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: Internal Audit Report
Fees and Charges booklet

Contact Officer: Katherine Plummer, Head of Finance x5609
Executive Member: Cllr Keith Lynch

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1. **PURPOSE OF REPORT**

To inform the Select Committee of the Council's Treasury Management activity to the second quarter of 2014/15.

2. **RECOMMENDATION**

- a, That the Select Committee note the investment performance for the first six months;
- b, Note the proposed ratings changes highlighted in Appendix B.

3. **BACKGROUND TO THE REPORT**

At its meeting in February 2014 the Council approved the Council's Treasury Management Policy for the year 2014/15 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 quarter of 2014/15 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**

- After strong UK GDP in 2013, (2013 annual rate 2.7%), and 0.7% in Q1 and 0.9% in Q2 2014 (annual rate 3.2% in Q2), it appears likely that growth will continue through 2014 and into 2015 although at a slower rate. Forward surveys for the services, construction sectors and manufacturing, are encouraging. Overall strong growth has resulted in unemployment falling much faster through the initial threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015 and 2016. Unemployment

is therefore expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years.

- Also encouraging has been the sharp fall in inflation (CPI), reaching 1.5% in July, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly 1%. The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19. However, monthly public sector deficit figures have disappointed so far this year.
- In September, the U.S. Federal Reserve continued with its monthly \$10bn reductions quantitative easing. First quarter GDP figures were depressed by exceptionally bad winter weather, but quarter 2 rebounded strongly to 4.6%.
- The Eurozone (EZ) is facing an increasing threat from deflation. In September, the inflation rate fell further, to reach 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB did take some rather limited action in June and September to loosen monetary policy in order to promote growth

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, 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 2014 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 2014 the Council held the following investments totalling £16,498,000 details as given in the table below

Counterparty	Investment Date	Maturity Date	Amount	Interest Rate
Coventry BS	09/09/14	09/10/14	500,000	0.4100
Coventry BS	29/09/14	29/10/14	1,000,000	0.4100
Hinckley & Rugby	18/09/14	20/10/14	2,000,000	0.4000
Hsbc Call account	29/09/14	01/10/14	348,000	0.3500
Nationwide BS	04/09/14	06/10/14	1,000,000	0.4300
Nationwide BS	11/09/14	13/10/14	1,000,000	0.4300
Nationwide BS	15/09/14	15/10/14	1,000,000	0.4300
Newcastle BS	18/09/14	20/10/14	500,000	0.3700

Newcastle BS	22/09/14	22/10/14	500,000	0.3700
Nottingham BS	01/09/14	01/10/14	500,000	0.4000
Principality BS	01/09/14	01/10/14	1,650,000	0.4100
Skipton BS	15/09/14	15/10/14	1,500,000	0.4000
Tin Hat Partnership	25/09/14	31/07/15	1,000,000	7.5000
West Bromwich BS	01/09/14	01/10/14	2,000,000	0.4400
Yorkshire BS	01/09/14	01/10/14	2,000,000	0.3000

Details of all investments held from April 2014 to September 2014 are included in Appendix A

Details of the weighted average investment to September 2014 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 14 to Sep 14	9,407,203	12	0.8876	0.3444	0.3471	0.3694

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 0.6220% compared against 0.3629%).

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 £19.162m 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 1.62% so if the Council was fully funded with short term money and was receiving investment income of 0.35% there would be a cost of £201,000 pa. With 20 year rates at about 4.27% the

additional cost would be £628,000pa. 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:-

Total Amount borrowed to Sep 2014	£8,000,000
Less Total Amount repaid in year	£7,000,000
Amount outstanding at September 2014	£1,000,000
The average amount borrowed was	£915,068
Average period of loans	107 Days
Number of occasions	2
Average rate of interest paid	0.3987%

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

4. Rating Agency Changes

- 4.1 After the banking crisis in the 2008 the government decided to look at the regulations that underpin investment banking. As a result the government has decided to stop underpinning support for the “investment/casino” element of the investment market. These changes are designed to give more stability and lower the risk for taxpayers. From 2016 this will result in the ratings agencies changing the way institutions are rated. The attached briefing note (Appendix B) summaries these changes.

5. **FINANCIAL IMPLICATIONS (IB)**

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

5. **LEGAL IMPLICATIONS (MR)**

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

15/08/14	Sterling	0.30	22/08/14	1,000,000	West Brom BS	7	57.53	22/08/14	
15/08/14	Sterling	0.43	15/09/14	1,000,000	Nationwide BS	31	365.21	15/09/14	
15/08/14	Sterling	0.40	15/09/14	1,500,000	Skipton BS	31	509.59	15/09/14	
15/08/14	Hsbc	0.35	18/08/14	2,504,000	Hsbc Call account	3	72.03	18/08/14	
18/08/14	Sterling	0.25	19/08/14	1,000,000	West Brom BS	1	6.85	19/08/14	
18/08/14	Direct	0.40	18/09/14	2,000,000	Hinckley & Rugby	31	679.45	18/09/14	
18/08/14	Hsbc	0.35	19/08/14	2,562,000	Hsbc Call account	1	24.57	19/08/14	
19/08/14	Hsbc	0.35	20/08/14	902,000	Hsbc Call account	1	8.65	20/08/14	
20/08/14	Hsbc	0.35	21/08/14	1,511,000	Hsbc Call account	1	14.49	21/08/14	
21/08/14	Sterling	0.38	22/09/14	500,000	Newcastle BS	32	166.58	22/09/14	
21/08/14	Hsbc	0.35	22/08/14	1,314,000	Hsbc Call account	1	12.60	22/08/14	
22/08/14	Hsbc	0.35	26/08/14	1,456,000	Hsbc Call account	4	55.85	26/08/14	
26/08/14	Hsbc	0.35	27/08/14	1,564,000	Hsbc Call account	1	15.00	27/08/14	
27/08/14	Hsbc	0.35	28/08/14	1,519,000	Hsbc Call account	1	14.57	28/08/14	
28/08/14	Sterling	0.41	29/09/14	1,000,000	Coventry BS	32	359.45	29/09/14	
28/08/14	Hsbc	0.35	29/08/14	2,479,000	Hsbc Call account	1	23.77	29/08/14	
29/08/14	Hsbc	0.35	02/09/14	2,434,000	Hsbc Call account	4	93.36	02/09/14	
01/09/14	Direct	0.25	02/09/14	1,600,000	DMO	1	10.96	02/09/14	
01/09/14	Direct	0.25	08/09/14	1,800,000	DMO	7	86.30	08/09/14	
01/09/14	Sterling	0.30	01/10/14	2,000,000	Yorkshire BS	30	493.15		2,000,000
01/09/14	Sterling	0.41	01/10/14	1,650,000	Principality BS	30	556.03		1,650,000
01/09/14	Sterling	0.40	01/10/14	500,000	Nottingham BS	30	164.38		500,000
01/09/14	Sterling	0.44	01/10/14	2,000,000	West Brom BS	30	723.29		2,000,000
02/09/14	Direct	0.25	03/09/14	1,400,000	DMO	1	9.59	03/09/14	
02/09/14	Hsbc	0.35	04/09/14	2,534,000	Hsbc Call account	2	48.60	04/09/14	
03/09/14	Sterling	0.35	10/09/14	500,000	Nottingham BS	7	33.56	10/09/14	
03/09/14	Sterling	0.32	10/09/14	500,000	Skipton BS	7	30.68	10/09/14	
03/09/14	Direct	0.25	11/09/14	500,000	DMO	8	27.40	11/09/14	
04/09/14	Direct	0.25	05/09/14	1,000,000	DMO	1	6.85	05/09/14	
04/09/14	Sterling	0.43	06/10/14	1,000,000	Nationwide BS	32	376.99		1,000,000
04/09/14	Hsbc	0.35	05/09/14	2,504,000	Hsbc Call account	1	24.01	05/09/14	
05/09/14	Hsbc	0.35	08/09/14	1,804,000	Hsbc Call account	3	51.90	08/09/14	
08/09/14	Direct	0.25	11/09/14	1,000,000	DMO	3	20.55	11/09/14	
08/09/14	Hsbc	0.35	09/09/14	2,454,000	Hsbc Call account	1	23.53	09/09/14	
09/09/14	DMO	0.25	11/09/14	1,000,000	DMO	2	13.70	11/09/14	
09/09/14	Sterling	0.41	09/10/14	500,000	Coventry BS	30	168.49		500,000
09/09/14	Hsbc	0.35	10/09/14	2,604,000	Hsbc Call account	1	24.97	10/09/14	
10/09/14	DMO	0.25	11/09/14	1,000,000	DMO	1	6.85	11/09/14	
10/09/14	Hsbc	0.35	11/09/14	2,729,000	Hsbc Call account	1	26.17	11/09/14	
11/09/14	Sterling	0.43	13/10/14	1,000,000	Nationwide BS	32	376.99		1,000,000
11/09/14	Hsbc	0.35	12/09/14	1,829,000	Hsbc Call account	1	17.54	12/09/14	
12/09/14	Hsbc	0.35	15/09/14	1,559,000	Hsbc Call account	3	44.85	15/09/14	
15/09/14	Sterling	0.35	22/09/14	1,500,000	Nottingham BS	7	100.68	22/09/14	
15/09/14	Sterling	0.32	22/09/14	500,000	Skipton BS	7	30.68	22/09/14	
15/09/14	Sterling	0.43	15/10/14	1,000,000	Nationwide BS	30	353.42		1,000,000
15/09/14	Sterling	0.40	15/10/14	1,500,000	Skipton BS	30	493.15		1,500,000
15/09/14	Hsbc	0.35	17/09/14	2,559,000	Hsbc Call account	2	49.08	17/09/14	
17/09/14	Hsbc	0.35	18/09/14	2,659,000	Hsbc Call account	1	25.50	18/09/14	
18/09/14	DMO	0.25	24/09/14	1,000,000	DMO	6	41.10	24/09/14	
18/09/14	Direct	0.40	20/10/14	2,000,000	Hinckley & Rugby	32	701.37		2,000,000
18/09/14	Sterling	0.37	20/10/14	500,000	Newcastle BS	32	162.19		500,000
18/09/14	Hsbc	0.35	19/09/14	2,159,000	Hsbc Call account	1	20.70	19/09/14	
19/09/14	Hsbc	0.35	22/09/14	1,959,000	Hsbc Call account	3	56.35	22/09/14	
22/09/14	Sterling	0.37	22/10/14	500,000	Newcastle BS	30	152.05		500,000
22/09/14	Hsbc	0.35	23/09/14	1,681,000	Hsbc Call account	1	16.12	23/09/14	
23/09/14	Hsbc	0.35	24/09/14	1,332,000	Hsbc Call account	1	12.77	24/09/14	
24/09/14	Hsbc	0.35	25/09/14	2,399,000	Hsbc Call account	1	23.00	25/09/14	
25/09/14	Direct	7.50	31/07/15	1,000,000	Tin Hat Partnership	187	38,424.66		1,000,000
25/09/14	Hsbc	0.35	26/09/14	895,000	Hsbc Call account	1	8.58	26/09/14	
26/09/14	Hsbc	0.35	29/09/14	436,000	Hsbc Call account	3	12.54	29/09/14	
29/09/14	Sterling	0.41	29/10/14	1,000,000	Coventry BS	30	336.99		1,000,000
29/09/14	Hsbc	0.35	01/10/14	348,000	Hsbc Call account	2	6.67		348,000
				396,935,000			83,501.91		16,498,000

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Briefing Note

Credit Rating Changes

Background

Continuing regulatory changes in the banking sector are designed to see greater stability and lower risk. In future this will result the Governments support being reduced should an institution fail within its investment arm. This note briefs members on the proposed changes that the Council will have to adopt to its Treasury Management Policy.

Impact

This withdrawal of sovereign support is anticipated to have an effect on ratings applied to institutions. The result of this is that sovereign support will become redundant for the “investment/casino” element of the banking sector. Sovereign support will continue for domestic and commercial banking.

Part of the credit score that underpins a rating is based on underlying sovereign support (i.e the government stepping in when there is a banking crisis). This underlying sovereign support will be withdrawn. Therefore the methodology used by ratings agencies to assess risk will change.

This will result in the key ratings used to monitor counterparties **being short term and long term ratings only**. Viability, financial strength and support ratings currently applied will effectively become redundant.

This change will not reflect deterioration in the credit environment, rather a change of method in response to regulatory changes.

As with current practice, ratings will not be the sole determinant of the quality of an institution. It is also important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate.

Regulatory Adherence

Officers will continue to ensure the Council’s investment policy has regard to the CLG’s Guidance on Local Government Investments and the revised CIPFA Treasury Management in Public Services Code of Practice.

The revision will be approved as part of the Treasury Management and Prudential Indicator report which will be presented to Council in February 2015.

Ilyas Bham
Group Accountant

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FINANCE, AUDIT AND PERFORMANCE UPDATE – STREET SCENE SERVICES AND ENVIRONMENTAL HEALTH
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

WARDS AFFECTED: ALL WARDS

1. PURPOSE OF REPORT

- 1.1 To provide the committee with an update on the financial, performance and risk position of Street Scene Services and Environmental Health Service as at 30 September 2014

2. RECOMMENDATION

- 2.1 That members note the contents of this report

3. BACKGROUND TO THE REPORT

Financial Performance

- 3.1 The financial performance from 1st April 2014 – 30th September 2014 has been detailed in Appendix 1. As at 30 September 2014, Street Scene Services has under spent against the profiled budget (taking into account timing differences) by £188,043. Environmental Health had overspent by £6,789 against a budget of £286,135. In addition Street Scene services are forecasting an under spend of £102,000 to the year end due to temporary vacancies arising from staff changes.
- 3.2 Details of variances over £25,000 have been provided in Appendix 1.

Performance

- 3.3 Performance against performance indicators for Street Scene Services and Environmental Health from 1st April 2014 – 30 September 2014 has been detailed in Appendix 2, along with explanation where indicators have not been met. 5 out of 9 of indicators are currently meeting target.

Risk Management

- 3.4 The risk register for Street Scene Services contains 7 risks for 2014/2015. No net red (high) risks exist. For Environmental Health there are 9 service risks with no red risks at present
- 3.5 In addition, the following corporate risks are deemed to impact Street Scene Services and Environmental Health. An update on these risks and corresponding actions are provided below

Risk	Risk failure leads to:	Net Risk Level	Review commentary	Risk Owner
Loss of external funding	Unable to deliver MTFs. Risk needs to be treated to reduce the impact of the change in LCC	9	LCC have advised they will cease funding for green waste recycling collections. Consultation to be undertaken with residents to determine if	Caroline Roffey

	funding.		service should cease, or if a charge should be made for those wishing to continue using the service.	
Environmental targets	Failure to reduce contamination in dry recycling collections will result in increased collection costs and necessitate a return to multiple containers for dry recycling collections	6	Project recycle right is reducing the amount of waste and non target material collected. If current results continue as project continues then service should meet the TEEP standard and therefore dual stream collections can continue. Risk of increased cost from collections has been reduced by this action.	Caroline Roffey
Ash die back disease	Loss of ash trees on HBBC property, pressure on green space budgets, loss of biodiversity, and impact on green waste recycling (infected leaves)	2	Disease not yet established in mature tree stock and no change in guidance from DEFRA. Impact will be spread over several years therefore low in each financial year. Likelihood reduced to medium due to current slow spread of disease.	Caroline Roffey
Mallory Park – Legal Action	May result in high legal costs. Possible damages from injunction if not successful. Reputational loss due to criticism over councils handling of the issue	5	The Noise Notice served on Mallory Park new operators 10.6.14 is currently on appeal and due for hearing in 2015. New notice for 2015 discussed at 24 Sept Executive. Delegated to Executive Lead and CX to serve subject to planning application for attenuation measures. Resident group likely to complain to LGO. Operator may appeal new notice leading to further costs.	Rob Parkinson

4. FINANCIAL IMPLICATIONS [KP]

4.1 Contained within the *Financial Performance* section of the report

5. LEGAL IMPLICATIONS [EH]

5.1 The report is for noting only, therefore there are no legal implications arising directly from this report. Legal implications will be fully considered in relation to further reports where decisions are proposed in light of this information.

6. CORPORATE PLAN IMPLICATIONS

6.1 All budgets, performance indicators and risks are mapped against the appropriate corporate plan implication.

7. CONSULTATION

7.1 No direct consultation

8. RISK IMPLICATIONS

- 8.1 Covered within the *Risk Management* section of the report
9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS
- 9.1 Covered as appropriate in the body of the report
10. CORPORATE IMPLICATIONS
- 10.1 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: Caroline Roffey x5782
Executive Member: Councillor Bill Crooks

Appendix 1 – Financial Performance

Financial performance for Environmental Health Service								
	Estimate to Date	Actual to Date	Variance to Date	Timing Diff	Variance exc Timing	Explanations >£25k	Forecast variance	Explanations >£25k
	£	£	£	£	£		£	
DSO Grounds Maintenance	-66,723	-58,729	-7,994	-8,000	6			
Allotments	2,872	46	2,826	0	2,826			
Cemeteries	68,965	64,647	4,318	0	4,318			
Parks	279,193	269,784	9,409	9,000	409			
Recycling	340,250	311,795	28,455	-25,000	53,455	Recycling - Agency savings of £16k, recycling improvements £16k, minor budget variations £5k, additional glass and plastics related income £16k.	36,000	Year End - There is an expected year end pressure on a recycling contract for (£100k) which is planned to offset by recycling improvement budgets £40k and higher than originally expected tonnage-related income collection £70k. Also, it is expected that glass and plastics related income will continue to grow and exceed budget by £26k.
Refuse Collection	383,469	279,593	103,876	55,000	48,876	Refuse - Current under spend due to salary savings £5k, agency £5k, fuel savings £25k, general materials £10k and other minor variations £3k.	15,000	
Street Cleansing	331,762	318,029	13,733	0	13,733			
Waste Business Improvements	458	23,678	-23,220	-23,000	-220			

Car Parks	6,323	-69,051	75,374	-3,000	78,374	Car Parks - £48k additional LCC season ticket income received, £15k additional pay and display income , £14k NNDR savings from Bus Station Development, (£8k Additional Street lighting invoice), £9 Other minor variations	51,000	Year End - £48k LCC season ticket income, £14k NNDR reimbursement for bus station redevelopment car parks (£7k) Street lighting invoice, (£4k) Additional one off signage.
Total	1,346,569	1,139,794	206,775	5,000	188,043		102,000	

Financial performance for Environmental Health Service

Page 37

	Estimate to Date	Actual to Date	Variance to Date	Timing Diff	Variance exc Timing	Explanations >£25k	Forecast variance	Explanations >£25k
	£	£	£	£	£		£	
Dog Warden Service	15,516	15,753	-237	0	-237	n/a	0	n/a
Environmental Health	216,245	226,526	-10281	-3,000	-7,281		0	
Land Drainage	8,026	8,516	-490	0	-490		0	
Licenses	1,612	7,412	-5800	-3,000	-2,800		0	
Pest Control	7,261	3,915	3346	2,000	1,346		0	
Environmental Initiatives	1,769	527	1,242	0	1,242		0	
Sustainable Development	15,980	16,418	-438	0	-438		0	
Health & Safety	19,726	17,856	1870	0	1,870		0	
Total	286,135	296,924	-10,789	-4,000	-6,789		0	

Appendix 2 – Performance Indicators

Reference		Target	Current Performance	Comments
Street Scene Indicators				
LGM1	Grounds maintenance sites meeting quality criteria	76.5%	76.3%	Shrub pruning / hedge trimming undertaken in Autumn will normally increase scores.
R&R1a	Number of justified missed bins	900	333 to end of August 2014	Strong performance. If continues as at present year end estimate would be 799 missed bins (HBBC empty 2.47 million bins a year)
NI192	Percentage of household waste sent for reuse, recycling and composting	51%	52.49% to end of August 2014	Indicator is validated by Defra. Back allocation from recycling recovered at Cotesbach MBT added at year end.
LI 195	Assessment of street cleanliness surveys	540	258	Strong performance. Indicator measures improvement of cleanliness at sites identified as needing to be cleaner. Amber would be 270.
NI191	Residual household waste per household	450kg	120kg at Q1	The amount of residual waste being generated is increasing but percentage being recycled is being maintained. Thought to be a result of the improving economic climate.
LHE41	Number of Local authority parks with green flag	1	1	Hollycroft Park has now received a green flag award for 5 consecutive years.
Environmental Health Indicators				
LI184	Food establishments broadly compliant with food hygiene law	90%	89%	Expect to meet target by year end
LHE32b	Hackney Carriage Driver Licences issued within 60 days	96%	94%	Delays with third party CRB checking causes occasional exceedances.
LHE32a	Licences issued in 30 days	98%	98.9%	On target to meet

NB Annual indicators not included unless data available.



SUNDRY DEBTS – QUARTER 2 2014/2015

REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

WARDS AFFECTED: ALL WARDS

1. PURPOSE OF REPORT

1.1 To inform members of the position on sundry debts as at 30th September 2014.

2. RECOMMENDATION

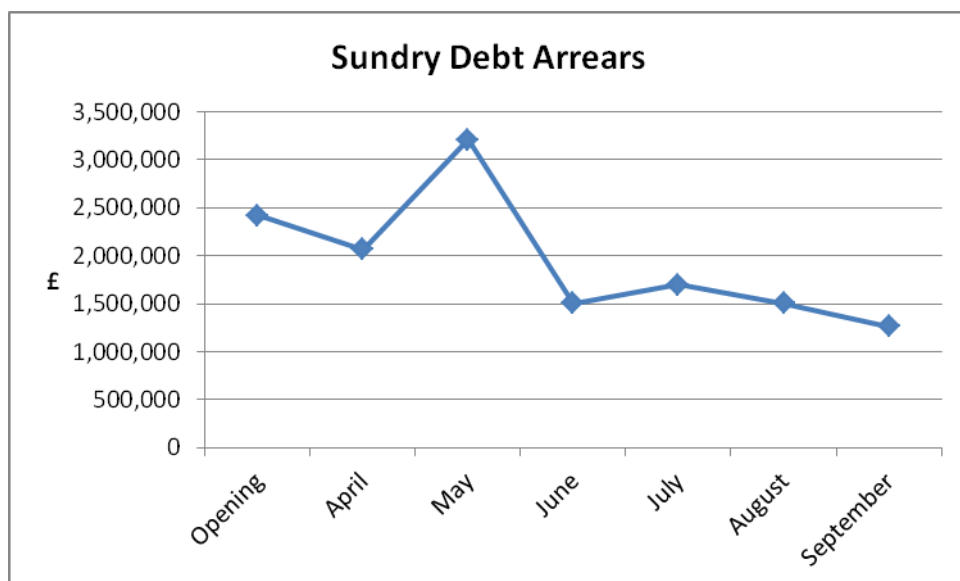
2.1 That the committee note the current aged debt position for sundry debts

3. BACKGROUND TO THE REPORT

3.1 As at 30th September 2014 there were 1,721 sundry debt invoices outstanding with a value of £1,264,013¹ (an average balance of £734.46). This balance can be broken down by age as follows:

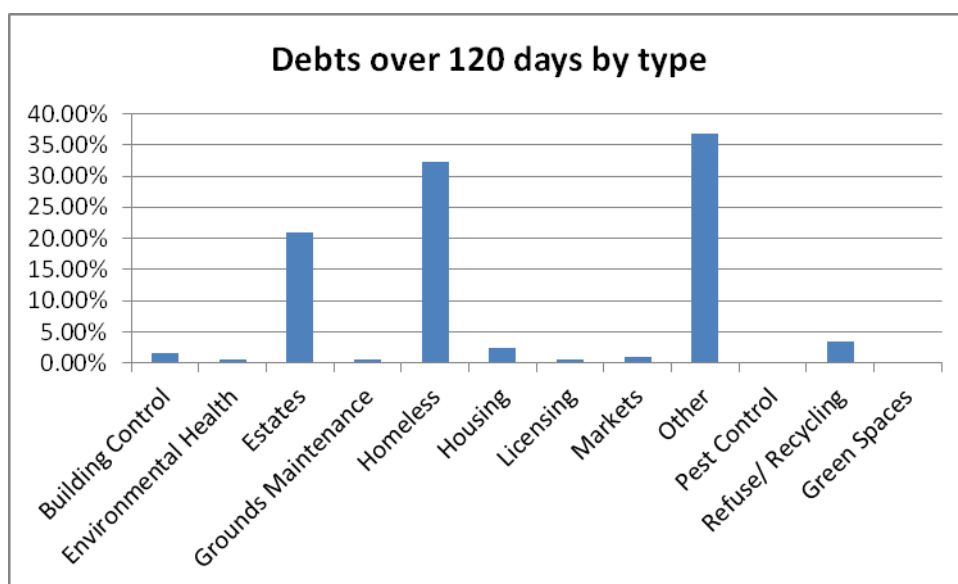
Credits and Refunds	Not Yet Due	< 30 Days	30 - 59 Days	60 - 89 Days	90 - 119 Days	> 120 Days	Total Debt
£	£	£	£	£	£	£	£
-3,686	26,644	418,107	216,283	270,589	17,727	318,347	1,264,013

3.2 The value of aged debt has been mapped for 2014/2015 for information. The value of debt continues to decrease following review of debt recovery procedures.



¹ Note, this balance does not include an invoice raised for the CPO amounts due from Tin Hat Partnership as these will be paid through the Council's solicitors and offset by a corresponding payment

- 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 2013/2014 was £82,150
- 3.4 The split of the current debt position over 120 days by type of debt is detailed below. As indicated, 36% of the debt is classified as “other”. Of this amount £22,000 relates to an interest charge on a capital receipt which is not legally enforceable and therefore has been written off in October. 32% relates to monies due from Homelessness Bonds. The provision of these bonds is funded by the Council’s Homelessness Prevention Grant which is provided by the DCLG annually. Whilst efforts are made to recover these amounts through ongoing contact with tenants by housing and revenues and benefits officers, legal action is not generally taken in these cases. This is on the basis that it is unlikely that the debtor will also be able to pay the additional charges levied and also to uphold the “sentiment” of the Council’s Anti Poverty Strategy.



4. FINANCIAL IMPLICATIONS (KP)

Raised in the body of the report.

5. LEGAL IMPLICATIONS (MR)

Under the Limitation Act 1980 the Council must bring action to recover such debts 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.	Katherine Plummer

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 13

Date of Meeting	Reports to be considered
3 rd November	<ul style="list-style-type: none">• Treasury Management 2nd Quarter• Aged debt 2nd Quarter 2014/2015• Business Rates and Pooling update 2nd Quarter 2014/2015• Annual Audit Letter 2013/2014 (PwC)• Service Review update – Street scene Services and Environmental Health
12 th January	<ul style="list-style-type: none">• Internal Audit Block Report (CWAudit)• Performance Management and Risk Framework 2nd Quarter 2014/2015• Service Review update - Resources (Finance, Asset Management, ICT, Revs and Bens)
23 rd February	<ul style="list-style-type: none">• Treasury Management 3rd Quarter• Outturn 3rd Quarter• Aged debt 3rd Quarter 2014/2015• Business Rates and Pooling update 3rd Quarter 2014/2015• Internal Audit Plan 2015/2016 (CW Audit)• External Audit Plan 2014/2015 (PwC)• Annual Grants Certification Report 2013/2014 (PwC)• Service Review update - Housing and Community Safety
13 th April	<ul style="list-style-type: none">• Internal Audit Block Report (CWAudit)• Fraud and Corruption update• Performance Management and Risk Framework 3rd Quarter 2014/2015• Service Review Update - Cultural Services

Note: The draft 2015/2016 budgets will be considered on 29 January by the Scrutiny Commission, with FAP members invited to take full part in the debate.

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