

Public Document Pack



Executive Board Sub Committee

Thursday, 24 January 2008 10.00 a.m.
Marketing Suite, Municipal Building

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

Chief Executive

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

PART 1

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1. MINUTES	
2. DECLARATION OF INTEREST	
Members are reminded of their responsibility to declare any personal or personal and prejudicial interest which they have in any item of business on the agenda no later than when that item is reached and (subject to certain exceptions in the Code of Conduct for Members) to leave the meeting prior to discussion and voting on the item.	
3. CORPORATE SERVICES PORTFOLIO	
(A) REVIEW OF TREASURY MANAGEMENT POLICY STATEMENT (INSTITUTIONS APPROVED FOR INVESTMENT)	1 - 12

*Please contact Gill Ferguson on 0151 471 7395 or e-mail gill.ferguson@halton.gov.uk for further information.
The next meeting of the Committee is on Thursday, 7 February 2008*

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

REPORT TO: Executive Board Sub-Committee

DATE: 24th January 2008

REPORTING OFFICER: Operational Director – Financial Services

SUBJECT: Review of Treasury Management Policy Statement (Institutions Approved for Investment)

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

- 1.1 The Authority operates a Treasury Management Policy in accordance with the recommendation of the Chartered Institute of Public Finance and Accountancy's Code of Practice.
- 1.2 One element of the policy deals with the Council's policy on lending.
- 1.3 This area was last subject to review in January 2006.

2.0 RECOMMENDED: That the list of institutions shown at Appendix C be accepted.

3.0 SUPPORTING INFORMATION

- 3.1 The Authority has always had a clear policy of lending at minimum risk to its capital, and as such has operated its lending function within a specific list of borrowers each with individual limits, which specify the maximum amount to be lent to each counterparty linked to the period of the investment. The current list is attached at Appendix A.

The list is reviewed every two years or so, to pick up changing circumstances such as the size of the council's investment portfolio, new financial instruments, changes in the financial climate, mergers and takeovers within the approved list etc.

- 3.2 Overview

At the time of the last review the council was investing a sum of around £30m. The current level is around £50m, but with a negative cash flow anticipated before the year-end, which will reduce this figure to an estimated level of around £35 to £40m for the financial year 2008/9.

The current counterparty lending limits are therefore set a little on the low side, resulting in deals being split into smaller sizes and with multiple counterparties so as to keep within the individual counterparty limits. Generally speaking there is nothing wrong with this as it means that the authority is spreading its risk. The downside however is it

means that you cannot always secure the best rates available in the market. This is the price of achieving the extra level of security, and this should be borne in mind when looking at the comparative performance indicators at the year end.

The Council's requirements from the market, the counterparties that are interested in dealing with local authorities and the instruments that can be used are constantly changing. These are the main factors influencing this review of the counterparty lending list. The different types of organisations and the present economic climate are briefly discussed in the following paragraphs.

3.3 Flight to Quality

The last few months has seen a significant change in the relationship between counterparties who use the inter bank market. The collapse of the sub prime debt market in America has had knock on effects throughout the banking sector as each organisation has examined its own exposure to the debt and has been forced to make significant charges in their accounts.

This has led to banks being extra careful about who they are prepared to lend to in the short term and this flight to quality led to the situation which caught out Northern Rock. The mortgage bank, who although not directly involved in the sub prime problem suddenly found that it could not borrow from its usual sources in the autumn, was forced to go to the Bank of England to refinance its maturing loans. This situation was compounded by the withdrawal of deposits by investors who were unsure of the long term future of the bank and decided to move their cash elsewhere.

In mid November it looked as if the situation was beginning to sort itself out, and that the action taken by the Federal Bank of America and the European Central Bank in pumping extra cash into a tight market was working. However the 31st December is an important time of the year for a lot of banks and building societies as they present their annual financial statements, and with liquidity high on the agenda, cash has been in short supply again. This pushed short rates nearly 1% above the base rate; putting the market back to the situation it was in when the sub prime issues first broke.

The Monetary Policy Committee decision to cut rates by a quarter percent has had little effect so far, and the market remains nervous about further disclosures and credit quality issues. The stage managed intervention of the Federal Bank, the European Bank and the Bank of England in mid December to pump extra liquidity into the money market was initially welcomed but then questioned as to its motives and relatively small size. It does seem to have to have been successful in calming the market.

However many economists think that the worst of the situation may well be to come as more detail emerges about the scale of the exposure to the losses in the American mortgage market. Notable triple 'A' rated names such as UBS, Citibank & Morgan Stanley have needed to raise massive sums by way of extra equity from sovereign wealth funds. It is easy to see why interbank lending has dried up as the major banks do not feel comfortable with lending to each other.

3.4 The Role of the Rating Agencies

One traditional measure of organisations creditworthiness has been its credit rating. Independent organisations like Moody's and Fitch examine statements of account and issue credit ratings as appropriate. In theory this allows cross sector comparisons to be made without detailed knowledge of individual organisations. However, these ratings have been criticised of late as being too backward looking and slow to react to changing circumstances.

Our own selection of counterparties refers to credit ratings as and when they are available. However they should not be taken as an absolute guide to counterparty's current creditworthiness. An explanation of and guide to the Fitch credit ratings is attached at Appendix B.

3.3 Building Society Sector

There has been little change in the sector. Due to the continued high percentage increases in house prices the balance sheet size of the individual societies has increased across the board and this has resulted in several societies moving into higher brackets within our table, and one new society being added to the lowest tier. Those changing or coming in are marked with an asterisk.

Overall the sector continues to shrink as societies merge to form larger, more effective trading units. This does continue to have the effect of diluting the degree of mutuality previously held by this sector. Some societies are still not credit rated. However, with their strong asset base most people feel that they are a relatively safe investment.

The lending of smaller sums to the smaller societies seems an appropriate level of control for this sector. Consideration could be given to having the cut off set at say £2bn or £3bn to eliminate the very smallest societies but it is by no means certain that this would give significantly higher levels of security in this sector. The elimination of the smallest societies would also result in more cash being lent to the larger organisations and the risk which that entails.

3.4 Bank Sector

Banks operate in high-risk areas by lending money to organisations that can and do default; as such they are subject to capital losses, particularly in times of recession. Since the last review some banks have seen their credit ratings downgraded. The flight to quality issue mentioned above has hit this sector hard in the past few months.

'British Banks'

Although there is no such thing as a 'British owned' bank anymore, this group covers the traditional group of household names associated with the British banking sector, previously known as the clearing banks.

Some of these banks, despite being household names, do not have particularly good credit ratings. Since the last review the Bristol & West Plc has changed its trading name to that of its parent company the Bank of Ireland (reported to Exec Board sub meeting 19th July 2007) and they have been retained on the list.

A particular problem with this sector is their appetite for cash. Most of these banks transact at a much larger level (£10m to £50m) than is normal for a local authority, which by and large tends to deal in smaller sizes (£0.5m to £5.0m at Halton) and for shorter periods.

Halton's size and type of transaction does not interest them normally due to its high maintenance level (i.e. regular turnover) but of late with the short supply of cash in the market they are actively approaching authorities to see if deals can be done. This interest however is likely to be a short lived and the ability of this sector to provide full coverage for our money is doubtful. Although they will always give a quote for any money on offer, quite often the rate is poor and it is very much a take it or leave it situation.

With this in mind, the council's treasury advisor Sector has provided a list of banks, which can be considered for addition to our list. Their rating list is towards the top end of the market and as such make perfect sense to add to our list, however the downside is that they are the group of banks mentioned above, who do not transact in small denominations for short periods and as such would not help to provide a suitable counterparty as quite often they would not be interested in taking the council's money.

Several other banks have been looked at or have approached the council with a view to being placed on the counterparty list and they have been listed along with their current credit rating as potential new counterparties.

'Foreign Banks'

The Authority has never included any foreign owned bank on its lending list. It is an area, which many other authorities have used and are comfortable with. Most of the banks from Sector's additional list fall into this category and carry very good credit ratings. Following discussions with the money brokers who facilitate the market each day only two banks from the list deal on a regular basis with local authorities. They are marked as potential additions to the list.

Limits

Due to the risk associated within the banking sector the banks have been divided into two groups, with the total limit per bank for the higher credit rated banks being set at £10m whilst the total limit for the banks in the lower group has been set at £7.5m.

3.5 Local Authorities

No changes proposed. Leave as lend to any other Authority.

3.6 Central Government – Debt Management Account Deposit Facility (DMADF)

The Government, through the Bank of England, has always offered a short term lending service to the money market to help with liquidity. It now also offers a borrowing service. The service started in April 2002. Halton registered its interest and was accepted, and members agreed to the fund being added to its lending list. They provide on a daily basis indicative interest rates on which they are looking to borrow. Unfortunately the rates are not particularly attractive and we have never dealt with them. However they are retained on the list as a solid placing for funds in a falling market.

3.7 Private Sector – Money Market Funds (MMF)

At the last review MM funds were considered but members decided not to add them to our counterparty list. The ability to invest in these instruments followed a relaxation of the regulations controlling Local Authority investments. They are commercially run pooled investments.

It is a requirement that the fund is 'AAA' rated before an Authority can use it.

They have been in existence for around seven years and are quite diverse in their size and sector coverage. They operate by pooling cash and lending it to a range of companies who themselves are considered a good credit risk. Their structure is designed to minimise risk and the size of the pooled sums allows instant access to your cash

without destabilising the fund. The security of size in the market place tends to smooth out variations (spikes) in interest rates as the cash can be placed in a variety of maturity dates. They are actively managed by money market professionals and usually offer good rates in falling market conditions.

The best funds are 'AAA' credit rated.

There was a steady flow of cash from local authorities into these funds over the years but still a fairly significant resistance to them despite fairly intense lobbying by the fund managers.

Halton has been approached by a variety of funds that were keen for the Council to invest its surplus funds on a temporary basis.

The main advantages offered by this type of fund are that of security by virtue of size and ease of access. Halton's cash would be added into the pool and an average rate of return is paid to all members on that day. The investment is not with the lead name (fund manager), but with a whole range of other organisations using a variety of financial instruments.

The Authority has monitored with the aid of Sector (our Treasury Management Advisors) a selection of these funds over the past two years. A list of the funds, which have approached the Council, is shown below (they are all 'AAA' rated);

ABN AMRO Global Liquidity Funds Plc-Sterling Fund
BGI Sterling Liquidity First Fund
HSBC Global Liquid Funds Plc-Sterling Liquidity Fund
JP Morgan Fleming Liquidity Funds-Sterling Liquidity Fund
Royal Bank of Scotland International Money Market Funds Limited-Sterling Class Fund
Standard Life Investments (Global Liquidity Fund) Plc-Sterling Sub Fund
Scottish Widows Investment Partnership- Global Liquidity Fund

There are a significant number of other funds in the market place.

The return offered by this type of fund can be very competitive especially in a falling market. However the Council itself has a good track record of returning a higher than average yield on it's investments and bearing in mind all the funds concerned charge management fees it is felt that it is unlikely that the funds would offer added value.

3.8 The proposed new lendlist for approval is attached as Appendix C

4.0 POLICY IMPLICATIONS

4.1 None.

5.0 OTHER IMPLICATIONS

5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

There are no direct implications on the Council's priorities. However, the treasury management function ensures that cash is available to fund all the Council's activities.

6.2 Employment, Learning and Skills in Halton

There are no direct implications on the Council's priorities. However, the treasury management function ensures that cash is available to fund all the Council's activities.

6.3 A Healthy Halton

There are no direct implications on the Council's priorities. However, the treasury management function ensures that cash is available to fund all the Council's activities.

6.4 A Safer Halton

There are no direct implications on the Council's priorities. However, the treasury management function ensures that cash is available to fund all the Council's activities.

6.5 Halton's Urban Renewal

There are no direct implications on the Council's priorities. However, the treasury management function ensures that cash is available to fund all the Council's activities.

7.0 RISK ANALYSIS

7.1 None.

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

Document	Place of Inspection	Contact Officer
Sector's advice	1st Floor, Municipal Building	J. Viggers

List approved at meeting in January 2006

HALTON BOROUGH COUNCIL

INSTITUTIONS/LIMITS APPROVED FOR EXTERNAL INVESTMENTS

	Society Assets £m	3mth/12mth	FITCH				MOODY'S					
			LT	ST	Ind.	Support	LT	ST	FSR			
Building Society												
Group A (Assets >£10bn)												
Nationwide BS	108037	10/7.5	AA-	F1+	A/B	2	Aa3	P1	B			
Britannia BS	23231	10/7.5	A+	F1	B	3	A2	P1	C+			
Portman BS	15512	10/7.5	A	F1	B	3	A2	P1	C+	promoted from Group B		
Yorkshire BS	14945	10/7.5	A+	F1	B	3	A2	P1	C+			
Group B (Assets >£5bn <£10bn)												
Coventry BS	9443	7.5/5	A	F1	B	3	A2	P1	C+			
Chelsea BS	8843	7.5/5	A	F1	B	3	A3	P1	C			
Skipton BS	7870	7.5/5	A	F1	B	3	A3	P1	C			
Leeds & Holbeck BS	6147	7.5/5	*			3	A3	P1	C	promoted from Group C		
West Bromwich BS	5040	7.5/5	*			3				promoted from Group C		
Group C (Assets >£1bn <£5bn)												
Derbyshire BS	4397	5/2.5				3	A3	P1	C			
Cheshire BS	4373	5/2.5				3	A3	P1	C			
Principality BS	4048	5/2.5	A	F1	B	3	A3	P1	C+			
Newcastle BS	3271	5/2.5	A	F1	B	3	A3	P1	C			
Norwich & Peterborough BS	3262	5/2.5				3	A3	P1	C			
Stroud & Swindon BS	2290	5/2.5										
Nottingham BS	2189	5/2.5										
Dunfermline BS	2046	5/2.5					A3	P1	C			
Scarborough BS	1442	5/2.5										
Progressive BS	1142	5/2.5	*							NB Addition to list		
Cumberland BS	1096	5/2.5	*							NB Addition to list		
Lambeth BS	1077	5/2.5	*							NB Addition to list		
Kent Reliance BS	1030	5/2.5	*							NB Addition to list		
Bank												
Abbey Plc		10/7.5	AA-	F1+	B	2	Aa3	P-1	B			
Alliance & Leicester		10/7.5	AA-	F1+	B	3	Aa3	P-1	B			
Barclays		10/7.5	AA+	F1+	A/B	1	Aa1	P-1	A-			
Bradford & Bingley		10/7.5	A	F1	B	3	A1	P-1	B			
Bristol & West plc	*	10/7.5	AA-	F1+	B	1	Aa3	P-1	C+	NB Addition to list		
Cooperative		10/7.5	A	F1	B	3	A3	P-1	C			
HBOS		10/7.5	AA+	F1+	A/B	1	Aa2	P-1	B+			
HSBC		10/7.5	AA	F1+	A/B	1	Aa2	P-1	B+			
LloydsTSB		10/7.5	AA+	F1+	A	1	Aaa	P-1	A			
Northern Rock		10/7.5	A+	F1	A/B	3	A1	P-1	B-			
R B of Scotland/Natwest SIBA		10/7.5	AA+	F1+	A/B	1	Aa1	P-1	A-			
Local Authorities												
Any		5/5	Not usually rated, although several larger council's are.									
Central Government												
Debt Management Account Deposit Facility		5/2.5							Aaa			
Managed Funds												
ABN AMRO Global Liquidity Funds Plc-Sterling Fund		5/2.5							Aaa			New
BGI Sterling Liquidity First Fund		5/2.5							Aaa			New
HSBC Global Liquid Funds Plc-Sterling Liquidity Fund		5/2.5							Aaa			New
JP Morgan Fleming Liquidity Funds-Sterling Liquidity Fund		5/2.5							Aaa			New
Royal Bank of Scotland International Money Market Funds Limited-Sterling Class Fund		5/2.5							Aaa			New
Standard Life Investments (Global Liquidity Fund) Plc-Sterling Sub Fund		5/2.5							Aaa			New
Scottish Widows Investment Partnership- Global Liquidity Fund		5/2.5							Aaa			New

A brief explanation of the ratings used in the other appendices.

Moody's

Short-Term Ratings

Moody's short-term ratings are opinions of the ability of issuers to honour short-term financial obligations. Ratings may be assigned to issuers, short-term programs or to individual short-term debt instruments. Such obligations generally have an original maturity not exceeding thirteen months, unless explicitly noted.

Moody's employs the following designations to indicate the relative repayment ability of rated issuers:

P-1

Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

P-2

Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

P-3

Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.

Long-Term Deposit Ratings

Long-term deposit ratings employ the same alphanumerical rating system as that for long-term issuer ratings.

Aaa

Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.

Aa

Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A

Obligations rated A are considered upper-medium grade and are subject to low credit risk.

Baa

Obligations rated Baa are subject to moderate credit risk. They are considered medium grade and as such may possess certain speculative characteristics.

Ba

Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.

B

Obligations rated B are considered speculative and are subject to high credit risk.

Within each generic group from Aa to Caa, Moody's use an append numerical modifier to fine tunes the rating as level 1,2 or 3. i.e within the Aa group you can have Aa1, Aa2 and Aa3, rated in that order.

Fitch

International Short-Term Credit Ratings

The following ratings scale applies to foreign currency and local currency ratings. A Short-term rating has a time horizon of less than 13 months for most obligations, or up to three years for US public finance, in line with industry standards, to reflect unique risk characteristics of bond, tax, and revenue anticipation notes that are commonly issued with terms up to three years. Short-term ratings thus place greater emphasis on the liquidity necessary to meet financial commitments in a timely manner.

F1

Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

F2

Good credit quality. A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.

F3

Fair credit quality. The capacity for timely payment of financial commitments is adequate; however, near term adverse changes could result in a reduction to non-investment grade.

International Long-Term Credit Ratings

International Long-Term Credit Ratings (LTCR) may also be referred to as Long-Term Ratings. When assigned to most issuers, it is used as a benchmark measure of probability of default and is formally described as an Issuer Default Rating (IDR). The major exception is within Public Finance, where IDRs will not be assigned as market convention has always focused on timeliness and does not draw analytical distinctions between issuers and their underlying obligations. When applied to issues or securities, the LTCR may be higher or lower than the issuer rating (IDR) to reflect relative differences in recovery expectations. The following rating scale applies to foreign currency and local currency ratings:

Investment Grade

AAA

Highest credit quality. 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for payment of financial

commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA

Very high credit quality. 'AA' ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A

High credit quality. 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

BBB

Good credit quality. 'BBB' ratings indicate that there are currently expectations of low credit risk. The capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity. This is the lowest investment grade category

Bank Individual Ratings

Individual Ratings are assigned only to banks. Individual Ratings, which are internationally comparable, attempt to assess how a bank would be viewed if it were entirely independent and could not rely on external support. These ratings are designed to assess a bank's exposure to, appetite for, management of and capacity to absorb risk and thus represent Fitch's view on the likelihood that it would run into significant difficulties such that it would require support.

The principal factors we analyse to evaluate the bank and thus to determine these ratings take into account profitability and balance sheet integrity (including capitalisation), franchise, management, operating environment and prospects. Consistency is an important consideration. Others include a bank's size (in terms of equity capital) and diversification (in terms of involvement in a variety of activities in different economic and/or geographical sectors).

Individual Rating Definitions

A

A very strong bank. Characteristics may include outstanding profitability and balance sheet integrity, franchise, and management, operating environment or prospects.

B

A strong bank. There are no major concerns regarding the bank. Characteristics may include strong profitability and balance sheet integrity, franchise, and management, operating environment or prospects.

C

An adequate bank, which, however, possesses one or more troublesome aspects. There may be some concerns regarding its profitability and balance sheet integrity, franchise, and management, operating environment or prospects.

List for approval January 2008

HALTON BOROUGH COUNCIL
INSTITUTIONS/LIMITS APPROVED FOR EXTERNAL INVESTMENTS

Building Society	Note	Society Assets £m	3mth/12mth	FITCH				MOODY'S				
				LT	ST	Ind.	Support	LT	ST	FSR		
Group A (Assets >£10bn)												
Nationwide BS	1	159893	10/7.5	AA-	F1+	A/B	2	Aa2	P-1	B		
Britannia BS		30645	10/7.5	A+	F1	B	3	A2	P-1	C+		
Yorkshire BS		18862	10/7.5	A+	F1	B	3	A2	P-1	C+		
Coventry BS	*	12281	10/7.5	A	F1	B	3	A2	P-1	C+	Moved From Group B	
Chelsea BS	*	11080	10/7.5	A	F1	B	3	A2	P-1	C+	Moved From Group B	
Skipton BS	*	10113	10/7.5	A	F1	B	3	A2	P-1	C+	Moved From Group B	
Group B (Assets >£5bn <£10bn)												
Leeds BS	* 2	8142	7.5/5				3	A3	P-1	C		
West Bromwich BS	*	7164	7.5/5	A	F1	B	3	A2	P-1	C	Additional Moodys rating	
Derbyshire BS	*	6019	7.5/5				3	A2	P-1	C	Moved From Group C	
Group C (Assets >£1bn <£5bn)												
Principality BS		4812	5/2.5	A	F1	B	3	A2	P-1	C+		
Cheshire BS		4706	5/2.5				3	A2	P-1	C		
Newcastle BS		4297	5/2.5	AA-	F1+	A/B	2	Aa2	P-1	B		
Norwich & Peterborough BS		3671	5/2.5				3	A2	P-1	C		
Stroud & Swindon BS		2804	5/2.5									
Nottingham BS		2617	5/2.5									
Dunfermline BS		2745	5/2.5					A2	P-1	C		
Scarborough BS	*	1735	5/2.5					A3	P-2	C1	Additional Moodys rating	
Progressive BS		1333	5/2.5									
Cumberland BS		1285	5/2.5									
Kent Reliance BS		1615	5/2.5									
National Counties	*	1033	5/2.5								New addition	
Bank												
(rating AA or better)												
Barclays Plc			10/7.5	AA+	F1+	A/B	1	Aa1	P-1	B+		
Dexia Bank Plc (Belgium)			10/7.5	AA+	F1+	B	1	Aa1	P-1	B-	New addition	
HBOS Treasury Services Plc			10/7.5	AA+	F1+	A/B	1	Aa2	P-1	B+		
HSBC Plc			10/7.5	AA	F1+	A/B	1	Aa1	P-1	B		
LloydsTSB Plc			10/7.5	AA+	F1+	A	1	Aaa	P-1	B+		
National Westminster Plc	3		10/7.5	AA+	F1+	A/B	1	Aaa	P-1	B+		
R B of Scotland Plc			10/7.5	AA+	F1+	A/B	1	Aaa	P-1	B+		
Ulster Bank Plc	3		10/7.5	AA	F1+	B	1	Aa2	P-1	C+	New addition	
(rating less than AA)												
Abbey Plc			7.5/5	AA-	F1+	B	2	Aa3	P-1	C+		
Alliance & Leicester Plc			7.5/5	AA-	F1+	B	3	Aa3	P-1	B		
Allied Irish Banks Plc (Ireland)			7.5/5	AA-	F1+	B	1	Aa2	P-1	B-	New addition	
Anglo Irish Banks Plc (Ireland)			7.5/5	A+	F1+	B	3	Aa2	P-1	C+	New addition	
Bank of Ireland Plc			7.5/5	AA-	F1+	B	1	Aa2	P-1	B-		
Bradford & Bingley Plc			7.5/5	A	F1	B	3	A1	P-1	C+		
Cooperative Plc			7.5/5	A	F1	B	3	A2	P-1	C		
Depfa Bank Plc (Ireland)			7.5/5	AA-	F1+	N/R	1	Aa3	P-1	C+	New addition	
Northern Rock Plc			7.5/5	A-	F1	C/D	1	Aa3	P-1	C-		
Standard Chartered Bank Plc			7.5/5	A+	F1	B	3	A2	P-1	C+	New addition	
Local Authorities												
Any			5/5	Not usually rated, although several larger council's are.								
Central Government												
Debt Management Account Deposit Facility			5/2.5					Aaa				
Managed Funds												
Not to be used following this review												

* Highlights those banks or societies changing group, newly rated or addition to previous list

1 Includes Assets of Portman B.S. (merged in August 2007)

2 The Leeds Building Society was formerly known as the Leeds & Holbeck Building Society

3 National Westminster and Ulster Banks are subsidiaries of the Royal Bank of Scotland

AGENDA ITEM NO.

REPORT TO: Executive Board Sub-Committee

DATE: 24th January 2008

REPORTING OFFICER: Operational Director – Financial Services

SUBJECT: Treasury Management 2007/08
3rd Quarter: October-December

WARDS:**1.0 PURPOSE OF REPORT**

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

2.0 RECOMMENDED: That the report be noted.**3.0 SUPPORTING INFORMATION****3.1 Short Term Rates**

The base rate fell from 5.75% to 5.50% on 6th December 2007.

This decrease reverses the trend of five consecutive increases stretching back to August 2006. The Monetary Policy Committee voted 9-0 in favour of the cut, suggesting that although they have concerns about inflation, they also have other pressing issues to consider. Falling house prices, the credit crunch, and a possible recession paint a tricky financial climate to negotiate.

The orchestrated injection of cash into the interbank money market in mid December by the European Central bank, the American Federal Bank and the Bank of England, seems to have had the desired effect of reducing the interbank interest rates and generally calming the market down, at least in the short term. It is not clear yet, however, if the intervention has been sufficient to encourage the banks to start lending cash to each other again, one of the problems at the heart of the current turmoil.

	Start	October		November		December	
		Mid	End	Mid	End	Mid	End
	%	%	%	%	%	%	%
Call Money (Market)	6.50	5.80	5.80	5.80	6.00	5.60	6.00
1 Month (Market)	6.10	6.02	5.97	5.90	6.05	6.55	6.00
3 Month (Market)	6.20	6.25	6.20	6.25	6.55	6.45	6.00

3.2 Longer Term Rates

Longer term rates were unaffected by the turmoil in the short market and by and large eased over the period. At present the rates are not attractive for new longer term borrowing.

	Start	October		November		December	
		Mid	End	Mid	End	Mid	End
	%	%	%	%	%	%	%
1 Year (Market)	6.10	6.20	6.10	5.90	5.90	5.95	5.70
10 Year (PWLB)	5.20	5.25	5.05	4.88	4.73	4.93	4.72
25 Year (PWLB)	5.00	4.95	4.85	4.66	4.60	4.72	4.56

The PWLB rates are for "lower quota" entitlements.

3.3 Temporary Borrowing/Investments

Turnover during period

	No. Of Deals Struck	Turnover £m
Short Term Borrowing	1	0.75
Short Term Investments	50	67.30

A number of longer deals were undertaken in November and early December in anticipation of a possible cut in interest rates, which was widely forecast for January. The cut in mid December now makes these deals look even better as they have secured a higher investment rate for the council well into the next financial year.

Position at Month End

	October £m	November £m	December £m
Short Term Borrowing	0.75	Nil	Nil
Short Term Investments	37.60	51.35	49.50

The Authority received the large capital receipt it has been waiting for in November. This is reflected in the large increase in the level of investments, some of which, as mentioned above, have been secured into future periods.

Investment Income Forecast

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

	Cumulative Budget £'000	Cumulative Actual £'000	Cumulative Target Rate %	Cumulative Actual Rate %
Quarter 1	470	477	5.43	5.28
Quarter 2	923	1,047	5.66	5.46
Quarter 3	1,332	1,752	5.66	5.62
Quarter 4	1,650			

The additional income generated from the capital receipt mentioned above means that investment income will exceed the target despite falling interest rates.

3.4 Longer Term Borrowing/Investments

The Authority did not borrow any longer term money, but did undertake a significant level of longer term investments. In total £22.5m was placed during the quarter, in 10 separate investments, for periods ranging from three months to two years. The interest rates varied from 5.95% to 6.66%. The placing of the money has secured an excellent rate of return with a good spread of risk and smooth maturity profile.

3.5 Policy Guidelines

Interest Rate Exposure – complied with.

Approved Counterparty List – There is a separate report, updating members on counterparties, on this agenda.

Borrowing Instruments – complied with.

Prudential Indicators – complied with:

- Operational Boundary for external debt;
- Upper limit on interest rate exposure on fixed rate debt;
- Upper limit on interest rate exposure on variable rate debt;
- Maturity structure of borrowing as a percentage of fixed rate borrowing;
- Total principal sums invested for periods longer than 364 days;
- Maturity Structure of New Fixed rate Borrowing during 2005/06.
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4.0 **POLICY IMPLICATIONS**

4.1 None.

5.0 **OTHER IMPLICATIONS**

5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

None.

6.2 Employment, Learning and Skills in Halton

None.

6.3 A Healthy Halton

None.

6.4 A Safer Halton

None.

6.5 Halton's Urban Renewal

None.

7.0 RISK ANALYSIS

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

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 There are no issues under this heading.

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

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

REPORT TO: Executive Board Sub Committee

DATE: 24th January 2008

REPORTING OFFICER: Strategic Director Environment

SUBJECT: Widnes Waterfront Development Zone Linear Park Railway Tracks

WARDS: Riverside

1.0 PURPOSE OF THE REPORT

- 1.1 To seek approval to waive Standing Orders and permit the disposal of the surplus rail tracks and level crossing gates at the proposed Widnes Waterfront Linear Park to the Llangollen Railway Society.

2.0 RECOMMENDATION: That

- (1) approval be granted to waive part 7.9 of Standing Orders relating to Finance and Part 5 of the Procurement Standing Orders in relation to the disposal of the railway tracks, level crossing gates and ancillary equipment and materials at the proposed Widnes Waterfront Linear Park; and**
- (2) Approval is granted to Llangollen Railway Society to remove the railway tracks and level crossing gates for use at the Llangollen Railway and Museum.**

3.0 SUPPORTING INFORMATION

Background

- 1.1 Widnes Waterfront Economic Development Zone (the "EDZ") is 200 acres of low quality former industrial land located on the banks of the River Mersey to the south of Widnes Town Centre. The site currently includes 44 hectares of vacant and derelict land, the legacy of the areas declining chemical industry sector.
- 1.2 The EU, Central Government, North West Regional Development Agency (NWDA) and Halton Borough Council have designated the EDZ as a regeneration site of high priority. Funding to bring this land back into full economic use is available until March 31st 2009 using

European Funding under Priority 3 of the North West England Objective 2 Programme, Northwest Development Agency Funds plus Halton Borough Council monies.

- 1.3 In order to address the area's problems the Widnes Waterfront Masterplan, which was approved by Executive Board on 22nd May 2003, set out the vision and objectives for the EDZ.
- 1.4 One of the projects within the Masterplan is the creation of a Linear Park on a disused rail siding which runs west to east across the EDZ from Earle Road to Tanhouse Lane. The Linear Park will be created as part of the wider landscaping scheme being implemented throughout the Widnes Waterfront and will include a combined footpath/cycleway. An application for planning permission has been submitted.
- 1.5 Negotiations have been on-going with Network Rail for four years regarding acquisition of the site by Halton Borough Council. This has finally been agreed and is now with solicitors.
- 1.6 £665,000 worth of funding for this project has been secured from the Northwest Development Agency (350K), ERDF (£204K) and Neighbourhood Renewal Funds (£111K). There are claw-back provisions in place from all of these funding bodies should there be any income generated from the site.
- 1.7 The Council will take possession of the site with a considerable amount of old rail in situ. Property Services have estimated that the scrap value of the rail tracks between £12,000 and £15,000 with the purchaser paying the Council's legal costs and their own removal costs. The gates are deemed to have no value.
- 1.8 Widnes Regeneration Ltd. have previously disposed of some redundant level crossing gates (from the former Blue Circle Cement plant fronting onto the east side of Tanhouse Lane) to the Llangollen

Railway Society, a charitable organisation which is restoring the former Llangollen Railway between Ruabon and Corwen in North Wales. They currently run services between Llangollen and Carrog and are extending the line to Corwen.

- 1.9 While the proposed Linear Park scheme incorporates a short length of track in recognition of the heritage of the site, the remainder of the rail is surplus to requirements. It is therefore proposed that rather than merely disposing of the rail for scrap, it be offered to the Llangollen Railway Society for re-use. They have inspected the rail and would welcome the opportunity to recover it at their cost for re-use. They have also indicated that they would appreciate the level crossing gates which are in place at the Tanhouse Lane end of the site, the matching pair to those which they have previously been gifted.
- 1.10 All the funding bodies for the scheme have agreed that if the rail tracks and level crossing gates are donated to the Llangollen Railway Society they will waive their rights to claw-back of the scrap value.

4.0 POLICY IMPLICATIONS

4.1 The Council adopted the Widnes Waterfront Masterplan in May 2003 (EXB 77).

4.2 The Widnes Waterfront Masterplan is included in the Council's Corporate Plan, the Halton Partnership and HBC Urban Renewal Strategy and Action Plan and supports the Council's Urban Renewal corporate priority.

5.0 OTHER IMPLICATIONS

5.1 The rail tracks need to be removed as quickly as possible after completion of the land acquisition from Network Rail to allow the landscaping works to start on site immediately and to be completed

within the ERDF funding timescale. The Llangollen Railway Society is fully aware of these requirements.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

None known.

6.2 Employment, Learning and Skills in Halton

Overall the EDZ will assist on providing job opportunities for local people and will go some way in addressing the level of unemployment in Halton.

6.3 A Healthy Halton

Walking and cycling can offer a safe and affordable means of accessing key services and thereby can overcome many of the transport barriers often faced by people who do not own or have access to cars.

6.4 A Safer Halton

The linear park project will provide much-needed environmental improvements to the area.

6.5 Halton's Urban Renewal

The linear project will create a high quality green space which will act as a catalyst to attract developers and new businesses to the Widnes Waterfront area by creating an attractive, well-accessed and serviced area which provides a safe and attractive environment for employees and visitors.

7.0 RISK ANALYSIS

7.1 Securing ownership of the former sidings was one of the key components in the delivery of the Widnes Waterfront Masterplan approved by the Council in May 2003 (EXB 77). This is expected to be completed by the end of January 2008 and was the subject of a report to Executive Board Sub on 18th October 2007. After four years of negotiations with agreement now having been reached with Network Rail and the Office of the Rail Regulator, it is highly unlikely that the deal will not go through.

7.2 If the Llangollen Railway Society is unable to remove the tracks in time for the landscaping works to take place, the rail could be disposed of in the usual way. They are fully aware of the council's deadlines, intend to use a company which is fully compliant with the relevant Health and Safety requirements when dealing with rail installations and are fully insured for all risks.

8.0 IMPLEMENTATION DATE

8.1 Immediately on completion of the acquisition of the site early in 2008.

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

Document	Place of Inspection	Contact Officer
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REPORT TO: Executive Board Sub Committee

DATE: 24th January 2008

REPORTING OFFICER: Operational Director (Highways,
Transportation and Logistics)

SUBJECT: Purchase of Passenger Transport Vehicle
Communications Equipment

WARDS: Boroughwide

1.0 PURPOSE OF THE REPORT

- 1.0 To inform Executive Board Sub Committee of the decision taken by the Operational Director (Highways, Transportation and Logistics) to award the contract for the supply of new passenger transport vehicle communications equipment to the IKI Group Ltd. In doing so the Operational Director (Highways, Transportation and Logistics) accepted a tender, which was not the lowest price and, in accordance with SO3.2, now advises the Board of the circumstances surrounding this decision.

2.0 RECOMMENDATION:

- (1) **Executive Board Sub Committee note the award of the contract for the supply of a new passenger transport vehicle communications equipment system to the IKI Group Ltd for £61,375.**

3.0 SUPPORTING INFORMATION

- 3.1 The recently completed Best Value Review of Transport and Accessibility identified the need to improve the availability and quality of accessible 'door to door' passenger transport services within the Borough. The report recommended the following improvements to achieve this aim: -
- Purchase of a new Integrated Passenger Booking and Vehicle Scheduling Software System (following best practice in other parts of the UK and mainland Europe);
 - Better integration of the passenger vehicle fleets operated by Halton Borough Council, Halton Community Transport and other operators;
 - Introduction of a single identifiable branding for 'door to door' services within the Borough; and

- Introduction of a single telephone booking number with calls routed through Halton Borough Council's Halton Direct Link call centre.
- 3.2 Members will recall that Executive Board Sub Committee approved the purchase of a new integrated passenger booking and vehicle scheduling system from Logical Transport Ltd when they met on the 7th June 2007. This additional equipment is required to more efficiently communicate duties to a wide range of operational passenger transport vehicles (including the Council's own Fleet vehicles and those operated by Halton Community Transport) on a real time basis, and will be linked to the scheduling software through GPS technology.
- 3.2 Tender documents were issued to the following potential suppliers based on an Open List system: -
- Logical Transport Ltd;
 - The IKI Group Ltd;
 - Mobisoft (UK) Ltd; and
 - Trapeze Software UK Ltd.
 - AMT
 - Kappa Lambda Squared Ltd
 - Shaunsoft
 - TAGtronics Ltd
- 3.3 Completed tenders were subsequently received from two suppliers:-
- Logical Transport Ltd; and
 - The IKI Group Ltd.
- 3.5 The two submitted tenders were then evaluated using a predetermined assessment criteria (which was included with the tender documents – based on price and quality criteria), with each tender being assessed out of a maximum possible score of 100 points. The greatest weighting (maximum of 60 points) was placed on how each supplier met the clear system specification set out in the tender (60%) and 35% of the score was assessed on tendered cost (maximum 35 points).
- 3.6 Both suppliers were then required to give a formal 30 minute presentation of their proposals to a panel of Halton Borough Council's officers drawn from the IT Business Management Team and Transport Co-ordination Team. This represented the remaining 5% of the assessment scoring criteria.

4.0 RESULTS OF TENDER APPRAISAL

- 4.1 The results of the tendering assessment procedure are detailed in Figure One below:

Figure 1:- Scoring Assessment for the passenger transport vehicle communications equipment

Tenderer	Score – Price (Maximum 35 points)	Score – System Requirements (Maximum 65 points)	Score – Quality of Presentation (Maximum 5 points)	Total Score (Maximum 215 points)
1	32	60	5	97
2	35	50	1	86

4.2 The Company, which is identified as tenderer 1 in Figure 1, is the IKI Group Ltd. Good references have been obtained from other organisations (including local authorities) who are currently using the system, and a site visit was organised to view the system in operation successfully at Lancashire County Council.

5.0 Funding

5.1 Funding was identified in the Halton Local Transport Plan during 2007/8 of £70,000 towards the purchase and installation costs of the new proposed passenger transport vehicle communications equipment. This is part of a larger ongoing project relating to the modernisation of door to door passenger transport services in the Borough. It has been agreed that 60% of the contract costs (£41,325) will be paid during the current financial year. The remaining £28,675 from this year's Capital Programme has been utilised for associated software and hardware upgrades needed to operate the system. It is proposed that the retention sum of (£20,050) be funded from the 2007/8 capital programme.

5.2 The purchase and installation of the new system has commenced and will be fully operational by the end of March 2008.

6.0 POLICY IMPLICATIONS

6.1 The purchased equipment will be used as part of a key project being funded as part of the Halton Local Transport Plan 2006/7 – 2010/11.

7.0 RISK ANALYSIS

7.1 Comprehensive checks were carried out into the technical capabilities of the proposed new system, along with full Company credit checks of the chosen supplier, which all proved satisfactory. In addition, the retention of 40% of the cost of the equipment will help ensure that any problems are addressed.

8.0 EQUALITY AND DIVERSITY ISSUES

- 8.1 The proposed new system (along with other complementary improvements being developed as part of the Halton Local Transport Plan and Halton Access Plan) will significantly improve the quality and availability of accessible transport services for all sections of the community within Halton, especially vulnerable adults and young people, disabled people, those residents on low income and people with learning disabilities.

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

Document	Place of Inspection	Contact Officer
Tender Documents; Appraisal Report; and Halton Local Transport Plan 2006/7 – 2010/11	Transport Co- ordination (Rutland House, Halton Lea)	David Hall Tel 0151 4717514 david.hall@halton.gov.uk