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HALTON BOROUGH COUNCIL

Executive Board Sub Committee

Thursday, 26 May 2011 10.00 a.m.
Marketing Suite, Municipal Building

David W R

Chief Executive

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

PART 1

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, 16 June 2011

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Agenda Item 3a

REPORT TO: Executive Board Sub-Committee

DATE: 26th May 2011

REPORTING OFFICER: Operational Director – Finance

TITLE: Treasury Management 2010/11
4th Quarter: January-March

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

The following information is provided by Sector, the Council's treasury management advisors.

3.1 Economic Background

The first quarter of 2011 saw:

- A fairly modest bounce-back in activity following the snow-related disruption in Q4 of 2010;
- Indicators of consumer spending weakened;
- Little improvement in conditions in the labour market;
- Public sector borrowing remained on track to slightly undershoot the fiscal plans;
- CPI inflation continued to rise and pipeline price pressures had increased;
- The Monetary Policy Committee moved closer to raising interest rates;
- UK equities underperformed and gilt yields increased;
- Economic growth picked up in the euro-zone, albeit from sluggish rates.

Output in the services sector rose by 1.3% month on month (m/m) in January. But given that output fell by 1.1% in December, the level of output was only a little above November's level, suggesting that the underlying growth rate in the sector is close to zero. Official construction data revealed that output in the sector fell by 7.7% m/m in January, following December's large 16.6% fall. However, the recovery in manufacturing had gathered further pace. Industrial production rose by 0.5% m/m in January.

There are signs that the recovery in consumer spending has run out of steam. The official measure of retail sales volumes rose by 1.5% m/m in January. Sales volumes fell by 0.8% in February, leaving the level of sales essentially unchanged on its level of six months ago. The GfK composite measure of consumer confidence was consistent with quarterly falls in overall household spending in all three months of the quarter. Meanwhile, data on the labour market have painted a mixed picture. On the one hand, employment rose by 36,000 in the three months to January. The weighted average of the employment balance of the CIPS surveys also rose in January and February, pointing to faster employment growth ahead. However, ILO unemployment rose by 37,000 in the three months to January.

Data on the housing market have perhaps suggested that house prices have found a floor. The Halifax measure rose by 0.8% m/m in January, although it then fell by 0.9% in February. The Nationwide measure has been stronger – it fell by 0.1% in January, but then rose by 0.7% in February and 0.5% in March.

The fiscal tightening intensified at the start of the year, with the hike in VAT in early January. The latest public finance figures have suggested that borrowing is still on track to undershoot the OBR's full-year forecast of £148.5bn in 2010/11, perhaps by £5bn. The Budget on 23rd March left the scale of the fiscal squeeze largely unchanged. Elsewhere, there are still few signs that the net trade boost to growth is coming through. However, the trade in goods and services deficit narrowed from £5.5bn to £3.0bn in January, but this was largely driven by temporary factors, such as a bounce-back in exports following December's snow and the imposition of a new tax on aircraft imports.

Meanwhile, inflation has continued to rise. CPI inflation rose from 3.7% to 4.0% in January and then to 4.4% in February. The rise in inflation did not just reflect higher food and energy costs – core inflation also rose from 2.9% to 3.4%. This probably reflected January's VAT rise, given anecdotal evidence suggesting that retailers passed on a larger proportion of this year's VAT rise onto consumers than last year's. Pipeline price pressures have also continued to build – in particular, oil prices have surged from around $95pb at the end of December to $115pb at the end of March. But high inflation still looks set to be temporary. Households' inflation expectations have not risen further – indeed, the YouGov/Citigroup measure of long term inflation expectations has fallen from 3.8% in December to 3.5% in March. And the annual rate of average earnings growth (exc. bonuses) was only 2.2% in January.

Nonetheless, the rise in inflation persuaded two more members of the Monetary Policy Committee (MPC) to start voting for rate hikes (Andrew Sentance was first joined by Martin Weale in January and then Spencer Dale in February). What's more, the Bank of England's February Inflation Report forecasts suggested that interest rates would need to rise broadly in line with the markets' expectations (then, for a 150bp rise in interest rates by the end of 2012) in order for inflation to hit the 2% CPI inflation target at the two year horizon. However, continued uncertainty about the underlying strength of the recovery persuaded the majority of MPC members to keep rates on hold at 0.5%. In financial markets, UK equities underperformed.

FTSE100 finished the quarter at around 5,950 – approximately the same level as at the end of 2010. 10-year gilt yields rose from 3.58% to 3.67% on the back of higher interest rate and inflation expectations. Meanwhile, sterling rose against the dollar from around $1.55 to $1.60, but fell from €1.16 to €1.13 against the euro. In the US, recent data has been mixed. On the one hand, the rise in both the US ISM manufacturing and non-manufacturing indices for February suggested that growth is picking up in the US economy. The unemployment rate has also fallen from 9.4% in December to 8.9% in February. But on the other hand, the rise in global food and energy prices appears to have weakened real consumer spending growth. Economic growth appears to have picked up in the euro-zone, albeit from sluggish rates. February's rise in the euro-zone composite PMI to its highest level since July 2006 left the index pointing to quarterly GDP growth of around 1%. Data on consumer spending in the region has also improved.

3.2 <u>Economic Forecast</u>

The following forecast has been provided by Sector:

Sector's Interest Rate View												
	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Sector's Bank Rate View	0.50%	0.75%	1.00%	1.00%	1.25%	1.50%	2.00%	2.25%	2.50%	3.00%	3.25%	3.25%
5yr PWLB Rate	3.70%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.50%	4.60%	4.70%	4.80%
10yr PWLB View	4.90%	4.90%	4.90%	4.90%	5.00%	5.10%	5.20%	5.20%	5.30%	5.40%	5.40%	5.50%
25yr PWLB View	5.40%	5.40%	5.40%	5.40%	5.50%	5.50%	5.50%	5.50%	5.60%	5.60%	5.70%	5.70%
50yr PWLB Rate	5.40%	5.40%	5.40%	5.40%	5.50%	5.50%	5.50%	5.50%	5.60%	5.60%	5.70%	5.70%

Sectors view is that an increase in Bank Rate as soon as May 2011 (or August 2011) is unlikely to be in line with what we know about the Governor of the Bank of England own views. He has commented that:

- Increases in Bank Rate can have no effect on limiting the inflation increase caused by the VAT hike in January.
- Increases in Bank Rate can also have no effect on limiting the inflation increase caused by increases in oil prices and other commodities imported from abroad.
- CPIY (CPIY excludes the effect of increases in indirect taxation) was only 2.8% in February i.e. is CPI the wrong target for the MPC as 'is an increase in indirect taxation inflation at all - rather than an increase in taxation?
- The UK growth forecast for 2011 was downgraded from 2.6% to 2.0% in the latest Inflation Report.
- It is illogical that employees will put their current jobs at risk (when there are already 2.5m unemployed) by asking employers for significant pay rises (but with a few possible exceptions where select small groups of employees have significant strike power to damage the economy).
- Increases in Bank Rate could rebound badly in damaging consumer confidence, economic recovery and growth after the hugely disappointing fall in growth in Q4 2010.

The MPC have TWO targets: inflation is the primary one but there is a secondary target of supporting the Government's policy on economic growth and employment.

The counter arguments of the hawks are:

- The forecast for inflation two to three years ahead has been upped (despite the growth forecast being lowered!).

- Those inflation forecasts are based on market expectations of timings of Bank Rate increases i.e. three increase in 2011 of 0.25% starting in May, without which the Bank's inflation forecasts would have been higher and above the 2% target two to three years ahead.

However, the counter arguments of the doves are:

- Economic statistics in the next few months could disappoint e.g. GDP growth down; unemployment rises significantly; bank lending growth is poor; the already weak consumer confidence and housing market weaken even further.

- We have a major programme of tax rises, benefit cuts and expenditure reductions which have barely begun to bite.

- We have no idea how much or how quickly rebalancing of the economy to exporting will happen; it could disappoint (though world growth is picking up at a very encouraging pace and the Fed, in January, revised upwards its growth forecast for 2011 from a band of 3.0% to 3.4% to 3.4% to 3.9%, [2012 3.5 – 4.4%, 2013 3.7 – 4.6%]).

- The balance of the above views is very delicate but Sector has moved the forecast for the first Bank Rate increase forward from Q4 2011 (November) to Q3 (August) on the basis that this reflects what the MPC is LIKELY to do rather than what the MPC OUGHT to do. The Sector view though, is that the MPC ought to hold off from increasing Bank Rate as long as possible in order to protect economic growth and that current inflation pressures are temporary and will fade.

What will be absolutely crucial during 2011 is what actually happens to UK growth and how much the economy succeeds in expanding exports and reducing imports. No one can be very confident as to how that will actually turn out. Also, many over stretched consumers may be increasingly fearful of impending increases in interest rates pushing the cost of servicing their debts up and so may focus their cash resources on saving or reducing their debt levels. This could also be a significant negative impact on UK economic growth.

Sector still maintain that the general trend beyond the next twelve months of gently rising gilt yields and PWLB rates is expected to remain unchanged as market fundamentals focus on the sheer volume of UK gilt issuance (and also US Treasury issuance) and the price of those new debt issues. Negative (or positive) developments in the EU sovereign debt crisis could significantly impact current safe haven flows of investor money into UK and US bonds and produce shorter term movements away from our central forecasts. However, Sector's revised forecasts are now building in the major shift in market sentiment that has occurred over the last three months whereby most of the gradual increase in gilt yields and PWLB rates Sector expected over the next few years back last August time, has now already occurred, i.e. increases have been much quicker than originally forecast.

As there are significant potential downside risks to these forecasts and to the pace of both UK and world recovery, Sector would suggest that authorities err on the side of caution when setting their investment budgets.

Any forecasts beyond a one year time horizon will be increasingly subject to being significantly amended as and when world events and financial markets change.

3.3 Short Term Rates

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

		January		February		March	
	Start	Mid	End	Mid	End	Mid	End
	%	%	%	%	%	%	%
Call Money (Market)	0.57	0.57	0.57	0.58	0.58	0.58	0.58
1 Month (Market)	0.59	0.60	0.60	0.61	0.61	0.61	0.62
3 Month (Market)	0.76	0.77	0.78	0.80	0.80	0.81	0.82

3.4 Longer Term Rates

		January		February		March	
	Start	Mid	End	Mid	End	Mid	End
	%	%	%	%	%	%	%
1 Year (Market)	1.51	1.52	1.53	1.57	1.58	1.58	1.60
10 Year (PWLB)	4.65	4.83	4.87	5.06	4.82	4.65	4.78
25 Year (PWLB)	5.23	5.41	5.45	5.50	5.38	5.27	5.31

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

3.5 Temporary Borrowing/Investments

Turnover during period

	No. Of Deals Struck	Turnover £m
Short Term Borrowing	5	11.00
Short Term Investments	32	54.20

Position at Month End

	January £m	February £m	March £m
Short Term Borrowing	0.00	0.00	0.00
Short Term Investments	21.30	20.30	9.55

Expenditure on the capital programme which included land acquisitions for the Mersey Gateway had the result of reducing investments held in March.

Investment Income Forecast

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

	Cumulative Budget £'000	Cumulative Actual £'000	Cumulative Target Rate %	Cumulative Actual Rate %
Quarter 1	175	192	0.42	3.01
Quarter 2	251	344	0.42	2.46
Quarter 3	273	426	0.43	2.17
Quarter 4	275	466	0.45	1.91

The Actual rate exceeds the benchmark rate reflecting previous actions taken, to lock in a large proportion of the investment portfolio into longer dated fixed rate investments. When these investments unwind, the Council will not generate the same amount of income it has experienced in previous years.

The target rate is based on the 7-day LIBID rate. For comparison purposes the 1 month average rate was 0.48%, 3 month rate was 0.67% and the 6 month rate was 0.97%.

3.6 Policy Guidelines

Interest Rate Exposure – complied with.
Borrowing Instruments – complied with.

Prudential Indicators – complied with:
- Operational Boundary for external debt;
- Upper limit on interest rate exposure on fixed rate debt;
- Upper limit on interest rate exposure on variable rate debt;

- Maturity structure of borrowing as a percentage of fixed rate borrowing;
- Total principal sums invested for periods longer than 364 days;
- Maturity structure of new fixed rate borrowing

4.0 POLICY IMPLICATIONS

5.0 OTHER IMPLICATIONS

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 **Children and Young People in Halton**

None

6.2 **Employment, Learning and Skills in Halton**

None

6.3 **A Healthy Halton**

None

6.4 **A Safer Halton**

None

6.5 **Halton's Urban Renewal**

None

7.0 RISK ANALYSIS

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

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 There are no issues under this heading.

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

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

Agenda Item 3b

REPORT TO:	Executive Board Sub Committee
DATE:	26 May 2011
REPORTING OFFICER:	Operational Director – Finance
SUBJECT:	Insurance Tender
WARDS:	Borough-wide

1.0 PURPOSE OF THE REPORT

1.1 The Council's insurance programme was subject to a long term agreement with Zurich Municipal (other than Personal Accident / Travel cover placed through Maven/Ace), which expired on 31 March 2011. It was therefore necessary to conduct a formal insurance tender exercise ahead of 1 April 2011 in order to comply with the requirements of the EC Procurement Directive and the Council's Procurement Standing Orders.

1.2 A tender exercise has been conducted under EC Procurement Procedures. A contract notice was published in OJEU on 29 September 2010. The tender was conducted using negotiated procedures and tender documents were provided to potential bidders on 23 December 2010.

1.3 In accordance with Procurement Standing Order 2.11, the Operational Director – Finance has accepted the successful tenders. This report is for information purposes.

2.0 RECOMMENDATION:

Members are asked to note:

1. **that the tenders have been accepted;**
2. **the names of the various tenderers;**
3. **the amounts of the tender figures; and**
4. **the changes to the Council's insurance programme.**

3.0 SUPPORTING INFORMATION

3.1 The tender evaluation process was undertaken in consultation with Council's appointed insurance broker, Aon. The structure of the programme was reviewed as part of the tender preparation process to ensure that it was aligned with current and future business needs. This resulted in a decision being taken to self-insure some minor risks including theft, deterioration of stock and some items of 'all risks'.

3.2 The response from the market was in line with expectations and a robust evaluation of the responses was undertaken with tenders evaluated on the basis of price and quality.

3.3 The tenders received were as follows:

- Risk Management Partners – Full programme
- Travelers – Full programme excluding Personal Accident / Travel, School Journey and Engineering
- Zurich Municipal – Full programme excluding Personal Accident / Travel
- QBE – Motor
- Aviva – Property, Motor, Engineering
- Maven / Ace - Personal Accident / Travel and School Journey / Excess Liability

3.4 A tender was also received from Royal & Sun Alliance after the quotation deadline and was therefore disqualified from the evaluation.

3.5 Following the tender evaluation, comparable premium costs for the Council's entire insurance programme are outlined below:

- Zurich Municipal / Maven package £1,021,287
- Travelers and other packages £901,323
- Risk Management Partners package £948,128

3.6 In accordance with Procurement Standing Order 2.11, the Operational Director – Finance has accepted the following tenders:

Company	Classes of Insurance	Premium
Travelers	Property Damage Business Interruption Money All Risks Works in Progress Fidelity Guarantee Employers' Liability Public Liability Officials' Indemnity Libel & Slander Land Charges Public Health Act Motor / Leased vehicles Computer	£851,002
HSB Engineering Insurance	Engineering inspection / insurance	£29,176
Risk Management Partners	Personal Accident / Travel and School Journey	£21,145
Total		**£901,323**

NB – All premiums are shown net of Insurance Premium Tax.

3.7 The contracts have been awarded on a three year basis with an option to extend for a further two years. Under the contract with Travelers the Council will also receive five free risk management consultancy days each year.

3.8 Subsequent to awarding the tenders, the following amendments have been made to the Council's insurance programme:

Class of Insurance	**Change in Cover**	**Additional Cost**
Terrorism	No previous cover in place Sum now insured is up to £150M for any one occurrence	£25,500
Employer's Liability	Increase sum insured from £25M to £30M	£1,900
Public Liability	Increase sum insured from £25M to £30M	£4,275
Officials' Indemnity	Increase sum insured from £1M to £5M	£3,800
Statutory pollution clean up	£1M limit	£2,423
Returning Officers Elections cover	£5M with nil excess	£1,188
Total		**£39,086**

4.0 POLICY IMPLICATIONS

There are no direct policy implications arising from this report.

5.0 FINANCIAL IMPLICATIONS

5.1 A forecast saving from the tender exercise of £70,000, which was accepted as part of the 2011/12 budget savings proposals, has been achieved.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 There are no direct implications for the Council's priorities arising from this report.

7.0 RISK ANALYSIS

7.1 A decision has been taken to self-insure some additional risks. This additional exposure is to be mitigated by an increased contribution to the Council's Insurance Fund.

7.2 Additional insurance cover has been taken out to protect the Council in regard to property damage as a result of terrorism. The sums insured for public liability, employer's liability and officials' indemnity have all been increased to reduce financial risk to the Council.

7.3 The tender evaluation process has taken account of the experience and quality of the tenderers. This provides assurance that the successful tenderers, whilst new to Halton, have appropriate expertise in providing insurance and other services to local authorities.

8.0 EQUALITY AND DIVERSITY ISSUES

None identified

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

None

Agenda Item 4a

REPORT TO:	Executive Board Sub Committee
DATE:	26 May 2011
REPORTING OFFICER:	Strategic Director, Communities
SUBJECT:	Shopmobility
WARD(S)	Borough-wide

1.0 **PURPOSE OF THE REPORT**

1.1 To report the use of the Chief Executive powers to enter into a Licence agreement with the Receivers of Halton Lea Shopping Centre in order that a Shopmobility service at Halton Lea can be provided.

2.0 **RECOMMENDATION**

i) That the Council notes that after consultation with the Leader and Members of the Executive Board Sub Committee, the Chief Executive has under delegated powers (Matters of Urgency, Constitution) expressed support for the Licence to be agreed as set out in 3.7

3.0 **SUPPORTING INFORMATION**

3.1 On the 1st April 2009 Warrington Disability Partnership (WDP) were appointed to run a Shop mobility service from Halton Lea on behalf of the Council. A grant of £33,670 was paid by the council to WDP for a period of 12 months. This was renewed for a further 12 months on 1st April 2010 at a cost of £34,015.

3.2 The service provides accessible transport in the form of motorised scooters and wheelchairs to enable those who suffer mobility problems to access the main shopping areas. The service provides equity for those suffering mobility problems, older people and the disabled. It enables people to be part of the community and to have continued independence. The target users are disabled people and people with short-term mobility difficulties within the Halton area and disabled people visiting Halton Lea.

3.3 The current service only operates at Halton Lea through a small yearly membership charge (£17) with free usage, thereafter, for 12 months. Day members pay a small visitor charge of £4.00. The scheme operates six days a week and opens Monday – Saturday 9am to 5pm. WDP own the equipment. Members may book equipment up to one week in advance. Day visitors may only book on the day of use WDP also promotes the different types of equipment available from retailers to promote independent living as well as general information and advice and signposting.

3.4 On 2nd December 2010 a report was presented to the Council's Executive Board Sub Committee which requested permission to tender for a Shopmobility service at Halton Lea. Only one tender was received from WDP, however even though WDP stated that they were prepared to continue the service they indicated that they would still require a similar level of subsidy.

3.5 Since then Officers have attempted to identify alternative options to continue operating this important service and the option of the Councils day services for disabled people has been actively considered. This is now a viable option and a worked up proposal has been developed, which is more cost effective than the costs submitted by WDP. Further cost reductions are possible when a Charitable partner has been agreed.

3.6 During the negotiations the Licensor at Halton Lea has agreed to waive the Licence fee and service charge for the location of the shopmobility service.

3.7 The premises have been offered on a monthly Licence at no cost to the Council save for Business Rates (approx £9000.00 per annum) and Building Insurance recharges (approx. £700 per annum). The unit is to be taken in its present condition and the Council will be responsible for some minor adaptations to comply with Health as Safety requirements.

3.8 2 scooters and 2 wheelchairs were historically the property of HBC and were returned to the Council. The additional 5 remaining scooters were purchased from WDP at a cost of £3,000 but this also included office equipment, shelving, desks etc. The scooters have been maintained by WDP who have service records. The scooters and recharging points are all to be included on councils PAT Testing schedules.

3.9 Appropriate insurance cover is in place.

4.0 POLICY IMPLICATIONS

4.1 If this is successful, it could provide potential job opportunities for disabled people in the future.

4.2 If successful, the Council could consider extending its model to Widnes Town Centre.

5.0 **FINANCIAL IMPLICATIONS**

5.1 The total cost for providing the service will be £14,915. If income of £5,500 is achieved the net cost will be £9,415.

5.2 Business rates of £8,778.25 need to be added however the service is confident of securing a voluntary/charitable status partnership, which will allow the department to absorb the business rates.

6.0 **IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

6.1 **Children & Young People in Halton**

Provide universal access to town and retail centres.

6.2 **Employment, Learning & Skills in Halton**

Ensure that retail and business premises in Halton are accessible and benefit from the spending power that people with mobility problems will bring.

6.3 **A Healthy Halton**

Contribute to the continued independence of people with mobility problems.

6.4 **A Safer Halton**

None identified.

6.5 **Halton's Urban Renewal**

Ensure that businesses are not disadvantaged or discouraged by limiting the accessibility of the boroughs retail areas.

8.0 **RISK ANALYSIS**

8.1 The impact that withdrawing the service would have on disabled people being able to access the town/shopping centres and associated services.

9.0 **EQUALITY AND DIVERSITY ISSUES**

9.1 The continued operation of shop mobility is an important part of enabling those with mobility problems, older people and the disabled to be part of the community and have continued independence.

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

Document	Place of Inspection	Contact Officer
2 December 2010 Executive Board Sub Committee Report	Municipal Building	Dwayne Johnson
28 September 2010 Chief Officers Management Team Report	Municipal Building	Dwayne Johnson
2 March 2010 Chief Officers Management Team Report	Municipal Building	Dwayne Johnson