



Notice of meeting of

Executive Member For Corporate Services and Advisory Panel

To:	Councillors Healey (Chair), Moore (Executive Member), Pierce (Vice-Chair), Firth and Gunnell
Date:	Tuesday, 9 December 2008
Time:	5.30 pm
Venue:	The Guildhall, York

AGENDA

Notice to Members - Calling In:

Members are reminded that, should they wish to call in any item on this agenda, notice must be given to Democracy Support Group by:

10:00 am on Monday 8 December 2008, if an item is called in *before* a decision is taken, *or*

4:00 pm on Thursday 11 December 2008, if an item is called in *after* a decision has been taken.

Items called in will be considered by the Scrutiny Management Committee.

1. **Declarations of Interest**

At this point, members are asked to declare any personal or prejudicial interests they may have in the business on this agenda.

2. Minutes (Pages 1 - 6)

To approve and sign the minutes of the meeting of the Executive Member for Corporate Services and Advisory Panel held on 21 October 2008.

3. Public Participation

At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the Executive Member's remit can do so. The deadline for registering is Monday 8 December 2008, at 5.00 pm.

4. Forward Plan Update (Pages 7 - 16)

To receive an update on the Resources Directorate items which are listed on the Forward Plan.

<p>Executive Member to consider the advice of the Advisory Panel upon the following items of business and to make a decision on those items or to note the information as required:</p>
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ITEMS FOR INFORMATION

5. Resources Directorate Monitor 2 Performance and Finance Report - 2008/09 (Pages 17 - 36)

This report combines performance and financial information for the Resources Directorate for Monitor 2, 2008/09.

6. Treasury Management Second Monitor Report (Pages 37 - 52)

This report updates the Executive Member and Advisory Panel on the Treasury Management performance for the period 1 April to 31 October 2008 compared against the budget presented to Council on 21 February 2008.

URGENT BUSINESS

7. Any Other Matters which the Chair decides are urgent under the Local Government Act 1972.

Democracy Officer:

Name: Jayne Carr

Contact details:

- Telephone – (01904) 552030
- E-mail – jayne.carr@york.gov.uk

For more information about any of the following please contact the Democracy Officer responsible for servicing this meeting:

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details are set out above.

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If you would, you will need to:

- register by contacting the Democracy Officer (whose name and contact details can be found on the agenda for the meeting) **no later than 5.00 pm** on the last working day before the meeting;
- ensure that what you want to say speak relates to an item of business on the agenda or an issue which the committee has power to consider (speak to the Democracy Officer for advice on this);
- find out about the rules for public speaking from the Democracy Officer.

A leaflet on public participation is available on the Council's website or from Democratic Services by telephoning York (01904) 551088

Further information about what's being discussed at this meeting

All the reports which Members will be considering are available for viewing online on the Council's website. Alternatively, copies of individual reports or the full agenda are available from Democratic Services. Contact the Democracy Officer whose name and contact details are given on the agenda for the meeting. **Please note a small charge may be made for full copies of the agenda requested to cover administration costs.**

Access Arrangements

We will make every effort to make the meeting accessible to you. The meeting will usually be held in a wheelchair accessible venue with an induction hearing loop. We can provide the agenda or reports in large print, electronically (computer disk or by email), in Braille or on audio tape. Some formats will take longer than others so please give as much notice as possible (at least 48 hours for Braille or audio tape).

If you have any further access requirements such as parking close-by or a sign language interpreter then please let us know. Contact the Democracy Officer whose name and contact details are given on the order of business for the meeting.

Every effort will also be made to make information available in another language, either by providing translated information or an interpreter providing sufficient advance notice is given. Telephone York (01904) 551550 for this service.

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Holding the Executive to Account

The majority of councillors are not appointed to the Executive (38 out of 47). Any 3 non-Executive councillors can 'call-in' an item of business from a published Executive (or Executive Member Advisory Panel (EMAP)) agenda. The Executive will still discuss the 'called in' business on the published date and will set out its views for consideration by a specially convened Scrutiny Management Committee (SMC). That SMC meeting will then make its recommendations to the next scheduled Executive meeting in the following week, where a final decision on the 'called-in' business will be made.

Scrutiny Committees

The purpose of all scrutiny and ad-hoc scrutiny committees appointed by the Council is to:

- Monitor the performance and effectiveness of services;
- Review existing policies and assist in the development of new ones, as necessary; and
- Monitor best value continuous service improvement plans

Who Gets Agenda and Reports for our Meetings?

- Councillors get copies of all agenda and reports for the committees to which they are appointed by the Council;
- Relevant Council Officers get copies of relevant agenda and reports for the committees which they report to;
- Public libraries get copies of **all** public agenda/reports.

City of York Council

Committee Minutes

MEETING	EXECUTIVE MEMBER FOR CORPORATE SERVICES AND ADVISORY PANEL
DATE	21 OCTOBER 2008
PRESENT	COUNCILLORS HEALEY (CHAIR), MOORE (EXECUTIVE MEMBER), PIERCE (VICE-CHAIR), GUNNELL AND MORLEY (SUB FOR CLLR FIRTH)
APOLOGIES	COUNCILLOR FIRTH

20. CHAIR'S REMARKS

The Chair welcomed Cllr Moore to the meeting as the newly appointed Executive Member for Corporate Services.

21. DECLARATIONS OF INTEREST

Members were invited to declare at this point in the meeting any personal or prejudicial interests they might have in the business on the agenda. No interests were declared.

22. MINUTES

RESOLVED: That the minutes of the meeting held on 9 September 2008 be approved and signed by the Chair and Executive Member as a correct record.

23. PUBLIC PARTICIPATION

It was reported that there had been no registrations to speak at the meeting under the Council's Public Participation Scheme.

24. FORWARD PLAN UPDATE

Members received an update on the Resources Directorate items currently listed on the Forward Plan.

Members referred to the IT Strategy 2007-2012 and the IT Development Plan 2009/10, listed as items 1 and 2, and requested copies of these reports to enable them to feed in their comments.¹

Action Required

1. Copy of IT reports to be emailed to EMAP members.

SA

25. CORPORATE CUSTOMER STRATEGY

Members considered a report which presented the draft Corporate Customer Strategy, setting out a proposed 'vision' for the future delivery of efficient, customer focused services.

The draft Strategy was attached as Annex A to the report, together with a revised Customer Complaints and Feedback Policy. The Strategy was intended to revise and replace the former Customer Access Strategy, reflecting the development of the customer service agenda within local government and building upon the work of the [easy@york](#) project. The revised Policy would replace the current Complaints Policy, which was outdated and did not reflect the importance of using customer feedback to help shape future service delivery. Both documents had already been considered by the Executive at their meeting on 7 October and approved as the basis for further consultation prior to consideration of a final version in December 2008.

Members' views were invited on the draft Strategy and the consultation plan outlined in paragraph 17 of the report.

Members questioned and commented on the following points:

- Page 22 under heading 'Designed for you' to read "We will engage with **our** customers"
- Requested confirmation that there would be feedback to consultees post consultation;
- Questioned necessity and use of information collected on the Equalities and Diversity form;
- Explanation requested of Customer Insight No. 1. Customer Identification, Annex 5, page 75 of 'We have an in-depth understanding of the characteristics of our current and potential customer groups based on recent and reliable information';
- The inclusion of a question 'Was the complaint dealt with to your satisfaction?' in the Monitoring the Customer Feedback Procedure in Appendix 2 of the report, page 57;
- Questioned any risk to the Strategies success with the Council HQ delays?

One Member expressed concern at the language used in the Strategy and stated that he felt by reshaping the vision that this could lead to a deterioration and an impersonal customer service. He also suggested that a shortened version of the Strategy would be more appropriate for consultation.

Officers confirmed that the aim of the Strategy was to identify areas of excellence and to improve on them and that this also involved taking account of any feedback received.

Advice of the Advisory Panel

That the Executive Member be advised to note the above points on the Draft Customer Strategy and the outline consultation plan.¹

Decision of the Executive Member

RESOLVED: That the advice of the Advisory Panel be accepted and endorsed.

REASON: To ensure that Members views are taken into account when shaping the Corporate Customer Strategy.

Action Required

1. Members feedback on the Strategy to be noted. SA

26. NATIONAL NON-DOMESTIC RATES, SUNDRY DEBTORS, COUNCIL TAX & OVERPAID HOUSING BENEFIT AND CAR PARK CHARGES - ACCOUNTS SUBMITTED FOR WRITE-OFF

Members considered a report which provided details of irrecoverable accounts under £2,000 that had been written off under delegated authority in the current financial year, up to September 2008.

A total of £357,866 had been written off to date, comprising:

- £41,748 under national non-domestic rates
- £17,178 under sundry debtors
- £249,158 under council tax
- £49,782 under overpaid housing benefit.

Details were set out in paragraph 4 of the report. It was noted that the values for write-off fell well within the provision made for bad debt in the Council's accounts.

Officers stated that the following amendments were required to the report:

- Page 81, in the table, the fifth heading amend from 'Total in 07/08' to 'Total in **08/09**'.
- Paragraph 18, page 83, the reference to para. 30 amend to read para.16.

Members questioned the staffing levels and resource costs involved in following up these debts.

Following further discussion

Advice of the Advisory Panel

- (i) That the Executive Member be advised to note the amount of £357,866 of accounts valued at less than £2,000 written off in the 2008/09 financial year under the Head of Finance's delegated authority;
- (ii) That Officers be thanked for their successful and effective work in keeping arrears at a low level.

Decision of the Executive Member

RESOLVED: That the advice of the Advisory Panel be accepted and endorsed.

REASON: For information, and to enable the Executive Member to monitor action taken under delegated powers.

27. UPDATE ON GERSHON EFFICIENCY SAVINGS

Members considered a report which provided an update on progress made against the Gershon efficiency targets, in light of the final 2007/08 out-turn, and outlined the steps being taken to ensure that the Council achieved the harder targets.

The Gershon efficiency agenda was a three-year national programme aimed at delivering a cumulative saving of £6.45 billion within local government by the end of 2007/08. The final out-turn position was set out in paragraph 11 of the report. This showed that the 3 year target of £8.8m had been achieved, plus additional efficiencies of £2.136m.

The Council was now working towards a more formalised and structured way of managing the efficiency agenda. Action to date included the establishment of an invest to save fund to pump prime efficiency projects and the planned appointment of a private sector partner to bring in additional capacity and skills to drive through efficiency savings. Positive steps were being taken to review operations to ensure they were performing as efficiently as possible, and the Council would continue to strive to meet the harder efficiency targets.

In answer to Members questions regarding the additional efficiencies found, Officers confirmed that, in reality, most Authorities had achieved greater efficiencies in order to balance their budgets but that they this sum would be carried forward towards the City of York's 2008/09 efficiency target of £4.2m.

Members also referred to the procurement process currently underway to appoint a private sector partner to work with the Council to bring in additional capacity and skills to drive through the efficiency savings. They questioned how the partner would be used, fee levels and the risks involved. Members requested feedback on the procurement process to a future EMAP meeting.¹

Advice of the Advisory Panel

- (i) That the Executive Member be advised to note the progress against the Gershon efficiency targets and the steps being taken to ensure that the Council achieves the harder targets;
- (ii) That all staff be thanked for their efforts in achieving the efficiency savings made throughout the Authority.

Decision of the Executive Member

RESOLVED: That the advice of the Advisory Panel be accepted and endorsed.

REASON: To update the Executive Member on progress against the Gershon efficiency targets

Action Required

1. Report on the procurement process to be prepared for a future EMAP meeting. SA

CLLR P HEALEY, Chair

CLLR R MOORE, Executive Member

[The meeting started at 5.30 pm and finished at 6.40 pm].

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CITY OF YORK COUNCIL - RESOURCES FORWARD PLAN

	TITLE OF REPORT	RESPONSIBLE DIVISION/ REPORT AUTHOR	FOR DECISION/ INFORMATION	FIRST DEADLINE FOR REPORTS TO DIRECTOR & CHAIR OR EARLIEST DISTRIBUTION DATE	RMT/QCG/CMT DATE	EMAP/ AUDIT & GOVERNANCE COMMITTEE	EBS	EXEC	COMMENTS/ GENERATED BY
1	Publication Scheme	Robert Beane			CMT 10/12/2008				CMT Forward Plan
2	Changing Focus on Performance Data	Peter Lowe			CMT 10/12/2008				CMT Forward Plan
3	Conservative Budget Reviews	Ian Floyd/Steve Morton/Charlie Croft/Neil Hindhaugh	To update Members on the reviews of Leisure, Commercial Property, Subsidised Transport and Procurement & Shared Services		CMT 10/12/2008		EBS 16/12/2008	EXEC 23/12/2008	Report at the Author's Request

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4	Audit & Governance Training Session (Taster Sessions on Risk/Financial Reporting/Internal Audit/External Audit/Performance/CAA/ UoR)					Audit & Governance Committee Early January			
5	Risk Management Quarterly Monitoring Report	Audit & Risk Management David Walker	To provide CMT and Members with progress on managing the agreed key corporate risks	22/11/08	CMT 03/12/2008	Audit & Governance Committee 13/01/2009			Business Cycle
6	Shared Service Report	Audit & Risk Management Max Thomas		24/12/08		Audit & Governance Committee 13/01/2009			Business Cycle
7	Back to Front Office' Audit Commission Report	Audit & Risk Management Pauline Stuchfield		24/12/08		Audit & Governance Committee 13/01/2009			Business Cycle
8	Follow Up of Audit Commission Recommendations	Audit & Risk Management Max Thomas		24/12/08		Audit & Governance Committee 13/01/2009			Business Cycle

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9	Use of Resources Action Plan	Audit & Risk Management Pauline Stuchfield/ Peter Lowe		24/12/08		Audit & Governance Committee 13/01/2009			Business Cycle
10	Publication Scheme	Audit & Risk Management Robert Beane		24/12/08		Audit & Governance Committee 13/01/2009			Business Cycle
11	Progress Report on Final Accounts	AD Corporate Finance		24/12/08		Audit & Governance Committee 13/01/2009			Business Cycle
12	Second Corporate Finance and Performance Monitor	Finance/Janet Lornie PIT/Peter Lowe	Provision of the latest forecast of the council's financial and performance position. Actions may be required to agree proposed amendments to plans, mitigation for identified issues and financial adjustments (such as allocations from contingency and virements) which are reserved to the Executive.	05/12/08	CMT 17/12/2008		EBS 13/01/2009	EXEC 20/01/2009	Business Cycle

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13	Second Capital Monitor	Finance Louise Branford-White	Provision of the latest forecast of the council's financial and performance position. Actions may be required to agree proposed amendments to the capital programme and financial adjustments which are reserved to the Executive.	05/12/08	CMT 17/12/2008		EBS 13/01/2009	EXEC 20/01/2009	Business Cycle
14	Resources Directorate Plan	Ian Floyd	To consult and involve Members on the revised strategy document which sets out the medium and long term objectives and priorities of the directorate	01/01/09		Corporate EMAP 20/01/2009			Business Cycle
15	Revenue Budget 2008/09 to 20010/11	Finance Steve Morton	To consolidate the budget proposals from Directorate EMAPs and consider added corporate issues with a view to setting the Council's budget.	22/01/09	CMT 04/02/2009		EBS 10/02/2009	EXEC 16/02/2009	Council 2602/2009

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16	Capital Budget 2008/09 to 2010/11	Finance Louise Branford-White	To consider the capital budget proposals from Directorate EMAPS and consider corporate funding of the programme	22/01/09	CMT 04/02/2009		EBS 10/02/2009	EXEC 16/02/2009	Council 2602/2009
17	Treasury Management Policy 2008/09 to 2010/11	Finance Louise Branford-White	To conform to statutory requirements to set the Council's Treasury Management Policy & Strategy and Performance Indicators for the period to 2010	22/01/09	CMT 04/02/2009		EBS 10/02/2009	EXEC 16/02/2009	Council 2602/2009

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18	Bids for Funding from the Council's Venture Fund	Finance Louise Branford-White	To provide Members with the views of the Venture Fund Panel on a number of bids which are requesting funding from the Venture Fund. The Venture Fund is a source of funding to provide short to medium term financing for capital and/or revenue projects which will reduce the Council's net budgeted expenditure and support and/or achieve the overall goals of the Authority. Members are requested to approve (where appropriate) the advance of funds from the Venture Fund.	22/01/09	CMT 04/02/2009		EBS 10/02/2009	EXEC 16/02/2009	Business Cycle
19	Risk Management Policy Statement and Strategic Framework'	Audit & Risk Management David Walker/Claire Rogers	Members are asked to approve the new Risk Management Policy Statement and Strategic Framework'	06/02/09	CMT 18/02/2009		EBS 24/02/2009	EXEC 03/03/2009	At the Request of the Author

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20	Accounts Submitted for Write Off	Audit & Risk Management David Walker	Mid-year submission of accounts for write-off by the Executive Member and details of write-offs made by delegated authority to the Head of Finance.	28/02/09		Corporate EMAP 17/03/2009			Business Cycle
21	Resources Service Plans, including Revenue & Capital Budget Proposals 2009/10 to 2011/12	ARM/Finance Pauline Stuchfield/Patrick Looker	A report to set before Members detail of the Services provided by Resources Directorate in relation to key drivers, critical success factors, current performance, budget proposals and future direction.	28/02/09		Corporate EMAP 17/03/2009			Business Cycle
22	Risk Management Quarterly Monitoring Report	Audit & Risk Management David Walker	To provide CMT and Members with progress on managing the agreed key corporate risks	06/03/08	CMT 18/03/2008	Audit & Governance Committee 31/03/2009			Business Cycle
23	Update on Use of Resources Action Plan	Audit & Risk Management Pauline Stuchfield/ Peter Lowe		06/03/08		Audit & Governance Committee 31/03/2009			Business Cycle

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24	Draft Internal Audit Plan	Audit & Risk Management Max Thomas		06/03/08		Audit & Governance Committee 31/03/2009			Business Cycle
25	Draft Audit & Inspection Plan	Alastair Newall Audit Commission		06/03/08		Audit & Governance Committee 31/03/2009			Business Cycle
26	Annual Audit Letter	Alastair Newall Audit Commission		06/03/08		Audit & Governance Committee 31/03/2009			Business Cycle
27	Draft Annual Governance Statement	Audit & Risk Management Pauline Stuchfield		06/03/08		Audit & Governance Committee 31/03/2009			Business Cycle
28	Special Half Day Session to take Members through the Draft Accounts	AD Corporate Finance				Audit & Governance Committee June 2009			Business Cycle
29	Draft Statement of Accounts	AD Corporate Finance				Audit & Governance Committee June 2009			Business Cycle

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30	Risk Monitor/Annual Report	Audit & Risk Management David Walker/Claire Rogers			CMT June 2009	Audit & Governance Committee June 2009			Business Cycle
31	Internal Audit Plan	Audit & Risk Management Max Thomas				Audit & Governance Committee June 2009			Business Cycle
32	Internal Audit Annual Report	Audit & Risk Management Max Thomas				Audit & Governance Committee June 2009			Business Cycle
33	Information Management Outturn Report	Audit & Risk Management Robert Beane				Audit & Governance Committee June 2009			Business Cycle
34	Breaches & Waivers Annual Report	Audit & Risk Management Max Thomas				Audit & Governance Committee June 2009			Business Cycle

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Executive Member for Corporate Services 9 December 2008 and Advisory Panel

Report of the Director of Resources

RESOURCES DIRECTORATE MONITOR 2 PERFORMANCE AND FINANCE REPORT - 2008/09

Summary

1. This report combines performance and financial information for the Resources Directorate for Monitor 2, 2008/09.

Background

2. This document is in a revised and more summarised format than previous Monitor reports and deals with three main issues. First there is a budget overview, covering both revenue and capital budgets. Secondly there is an overview of key Directorate Performance Indicators, and finally there is information in relation to progress against Directorate priorities.

Budget Overview – Revenue Budget

3. The Projected outturn position for the Resources Directorate for 2008/09 based on the second review to 31 October 2008 is an underspend of £421k. The table below summarises this position, and Annex 1 provides further details.

2007/08 Outturn variance	Service area	2008/09 Expenditure Budget	2008/09 Income Budget	2008/09 Net Budget	Monitor 1 variance	Projected outturn March 2009	Variance for the year based on Monitor2
£'000		£'000	£'000	£'000	£'000	£'000	£'000
-170	Director	419	23	396	-25	342	-54
-608	Public Services	43,939	41,767	2,172	30	2,164	-8
-332	Financial services	2,002	1,783	219	26	247	28
76	Performance, Audit & Risk Mgt	4,413	4,198	215	-63	174	-41
-250	IT&T	5,950	5,898	52	-260	-274	-326
-82	Easy Project	3,090	1,402	1,688	-9	1,668	-20
-1,366	Total	59,813	55,071	4,742	-301	4,321	-421

Note that '+' indicates an increase in expenditure, or shortfall in income and '-' indicates a reduction in expenditure or an increase in income.

Director -£54k

4. There is an underspend of £10k arising from the temporary vacancy of the Directors Post, being offset against recruitment costs. In addition budgets held within the Resources Development Fund amounting to £44k are not expected to be spent.

Public Services -£8k

Benefits subsidy -£201k

5. As previously reported there have been reductions in subsidy loss due to fewer eligible overpayment errors, especially in those cases where fraudulent claims have been made. In addition we continue to achieve 100% subsidy on local Authority Error overpayments.

Benefits administration +£266k

6. Additional staff costs have been incurred implementing the benefits restructure due to the embargo on staff changes and delays in progressing the Pay and Grading review. There has also been expenditure on training staff on revised procedures. There is a planned review of benefits overpayments which will incur additional staff costs this year, in order to generate future years savings.

York Contact Centre -£28k

7. The council tax administration and recovery teams have now been integrated with the contact centre and previously reported staff overspends are being reduced through integration of the staff teams. The staff overspend is being offset against an over-achievement of income on court costs associated with the recovery of council tax and NNDR outstanding debts. There is a planned review of the single persons discount which will incur additional staff costs this year, in order to generate future years savings.

Support services -£45k

8. This underspend is primarily due to the position of Systems Support and Development Manager being held vacant, which is to be reviewed as part of the Resources restructure.

Financial Services +£28K

Exchequer +£17k

9. Within the Creditors section staff shortages have meant that additional cover has been needed to keep up with work demands. A shortfall in the claims fees recovered has resulted in an overspend in Debtors.

FMS Project +£14.5k

10. This overspend relates to additional salary, software & licensing costs.

Performance, Audit & Risk Management -£41K

Audit & Fraud +£15K

11. There are cost pressures associated with covering long term sickness combined with additional legal fees which have arisen as a result of two significant fraud prosecution cases currently progressing through the courts. Some of the additional costs are being offset by holding staff vacancies.

DA Fees - £20K

12. As previously reported the annual DA fees for 2008/09 are expected to be lower than provided for, although there have recently been some additional costs added associated with the Annual Governance report.

13. There are several other minor variances within this service primarily associated with staffing vacancies.

IT&T -£326k

14. Savings totalling £166k have been realised through CYC undertaking technical work "in house" rather than through external suppliers as originally costed.

15. Resourcing implications within Directorates have resulted in a number of development projects either not being completed within year as planned or being deferred completely until 2009/10. This has contributed £155k to the total ITT projected underspend.

Easy Project -£20k

16. A range of issues have resulted in amendments to the Programme's plans, and therefore the budget profile is being reviewed. This project is being funded from LPSA Grants of £1.39m and future efficiency savings being delivered by the Easy Programme. The projected underspend reflects in year salary savings and minor variances from the Phase 1 programme.

Budget Overview - Capital

17. The capital budget for Resources now comprises of the projects from the IT Development Plan only, and is dealt with under revenue in the IT&T paragraph.

Performance Indicators:

18. Set out in **Annex 2** are key performance measures for the Directorate. Areas to note include:

- Time taken to process housing benefit/council tax this has decreased by two days from the 19 days reported in 2007/8 based on a slightly different definition of this measure.
- % Invoices paid on time – this has increased from around 93% to 95%. This is part of a general trend for improvement across all directorates, especially over the last four months. It may be the result of a request to review procedures to ensure prompt payment which was sent out earlier this year.
- Housing benefit overpayments recovered as % identified in year – this has increased from 58% to 70%. This is due to a 42% decrease in the value of overpayments created in the year so far.
- The percentage of calls answered within 20 seconds has increased from 93% to 96%.
- We have aligned our requirement to record and report against NI 14 (the proportion of customer contacts that are of low or no value to the customer) in the definition service areas to reflect our priorities for service improvements within Phase 2 of the Easy @ York Programme. We are looking to procure a standalone product which will be implemented during January and March 2009 to enable our first report to be submitted in April 2009. No baseline or targets have been set for this indicator and the DCLG have stated it will not be used as a "comparator" indicator, which the Audit Commission supports

Progress against key Directorate Priorities

19. The progress against the detailed Directorate Priorities is set out in **Annex 3**. Key issues to note include:

- a) FMS replacement – good progress being made, with the implementation date of 1 April 2009.

- b) Preparation for Use of Resources/CAA – action plan being drawn up, corporate steering group in place for CAA.
- c) Resources Restructure – final proposals agreed, subject to report going to Staffing Matters and Urgency Committee in December 2008.
- d) Corporate Efficiency programme – selection of Performance Partner, with a view to commencement of scoping study early 2009, and a three year programme of efficiency reviews commencing thereafter.
- e) Budget Monitoring – review almost completed, with a view to revised finance and performance monitoring arrangements being introduced in part early 2009, and full implementation from April 2009.
- f) Final Accounts – good progress is being made in relation to responding to previous Auditor comments regarding the completion of the Accounts.
- g) Easy Programme – work is going well but five streams are now running concurrently and this has stretched resources. The delay in the Admin Accom project means that a revised plan will be necessary to make sure that the programme continues in the new HQ.
- h) Income collection and debt management – as part of Resources restructure these are brought together and are a priority area for improvement.

Staff and Customer Statistics

- 20. Statistics relating to staff performance and customer service will be reported at the end-of-year monitor in June 2009.

Consultation

- 21. None required

Options

- 22. This report is primarily for information only and therefore no options available.

Corporate Priorities

- 23. This report supports the priorities of the Corporate Strategy as follows:
 - Improve our focus on the needs of customers and residents in designing and providing services
 - Improve the way the Council and it's partners work together to deliver better services for the people who live in York

- Improve efficiency and reduce waste to free up more resources

Implications

Financial

24. There are no financial implications other than those laid out within this report

Other Implications

25. There are no significant human resources, equalities, legal, crime and disorder, information technology or property implications within the report.

Risk Management

26. Risk Management is a key issue and risks in this report have been highlighted in the various different service areas. This section will be expanded upon in future reports.

Recommendations

27. The Advisory panel is asked to note and comment on the financial and service performance reported, and advise the Executive Member to:
- Note the current financial situation
 - Note performance, achievements and comments
28. Reason – in accordance with budgetary and performance monitoring procedures

Contact Details

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Ian Floyd
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Resources

Report Approved **Date** 27-11-08

Specialist Implications Officers: None other than those included in the report

Wards Affected: N/A

All

For further information please contact the author of the report

Background Papers:

None

Annexes:

Annex 1 - Financial Revenue annex

Annex 2 – Key performance indicators

Annex 3 – Directorate Priorities

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Summary of Variances for the Resources Directorate

Monitor 2 2008/09

Service area	Budget 08/09 £'000's	Actual to October 2008 £'000's	Monitor 2 Anticipated Outturn £'000's	Monitor 2 Variance £'000's	Comments
Director of Resources	396	136	342	(54)	Underspend from the temporary vacancy of the Director's position, offset against recruitment costs,-£10k. Within this budget there is the Resources Development Fund, for which there are currently no anticipated spending plans, -£44k.
Public Services					
Benefits subsidy	(174)	(1,779)	(375)	(201)	This variance is due to there being fewer than budgeted eligible overpayment errors, especially those cases where fraudulent claims have been made. In addition we continue to achieve 100% subsidy on Local Authority error overpayments.
Benefits Administration	1,724	578	2,020	266	There are additional staffing costs of +£262k mainly on the use of agency staff. This is as a result of the delayed implementation of the benefits restructure, and additional backfill of staff while attending training sessions. There have also been additional costs of +£30k incurred on office equipment and telephony necessary for benefits restructure. A further £30k of additional staff costs are being invested reviewing overpayments which will deliver savings next year. There is an underspend against administration grants awarded for the introduction of the Local Housing Allowance and Employment Support Allowance. The total of the grants awarded was £178k, of which there is an underspend of -£59k. The balance of +£3k is made up of several minor overspends.
York Contact Centre	581	309	523	(28)	There is an overspend on staffing budgets within YCC of +£98k. This is due to an unachieved savings target, and an under-recovery of income from planning. Council Tax and NNDR administration and Recovery teams have offsetting staff underspend of -£97k. There is an over-achievement of income of -£95k on court costs from the recovery of Council Tax and NNDR debts, which is offset against additional court fees of +£13k. There have been additional one-off costs of +£13k incurred on office equipment and telephony due to the council tax team moving into the Contact Centre. An additional +£30k will be spent on a review of the single persons discount to generate future year savings. The balance of +£10k is made up of several minor overspends.
Support Services	41	183	(4)	(45)	There is an underspend due to the position of Systems Support and Development Manager being held vacant and which is being reviewed as part of the Resources restructure.
Total for Public Services	2,172	(709)	2,164	(8)	

Service area	Budget 08/09 £'000's	Actual to October 2008 £'000's	Monitor 2 Anticipated Outturn £'000's	Monitor 2 Variance £'000's	Comments
Strategic Finance					
Exchequer Total	()	(5)	17	17	There is an overspend on staff costs due to temporary staff covering long term sickness and maternity leave. In addition there is a shortfall in the claims fees being recovered.
Strategic Finance	(26)	(115)	(30)	(4)	Staff vacancies earlier in the year are offsetting additional costs being incurred on temporary staff cover.
FMS Project Team	245	116	260	15	This overspend relates to additional salary, software & licensing costs.
Total	219	(4)	247	28	
Performance, Audit, Risk Management					
Audit & Fraud	137	78	152	15	There are cost pressures associated with covering long term sickness within the Audit team, +£20k. Additional legal fees are being incurred on prosecutions, +£23k. Vacant staff posts and general underspends within the Fraud team are generating offsetting underspends, -£28k.
Risk Management	7	63	(4)	(11)	There is a small staff underspend and additional income from the legal framework.
Head of Service	82	5	46	(36)	As previously reported the annual DA fees for 2008/09 are anticipated to be lower than expected, although there have been some additional costs associated with the Annual Governance report, -£19k. There is a part year staff vacancy in the trainee programme, and the AD post has been vacant for a short period, -£17k.
Performance	(11)	(10)	(20)	(9)	This underspend is from the Head of Service staff vacancy.
Total	215	136	174	(41)	
I T & T	52	(629)	(274)	(326)	Refer to separate sheet
Easy Project	1,688	1,022	1,668	(20)	This variance reflects staff underspends due to delays in recruitment.
TOTAL	4,741	(48)	4,321	(421)	

INFORMATION TECHNOLOGY & TELECOMMUNICATIONS - April 2008 - October 2008**MAJOR VARIANCES ABOVE £30K**

<u>Social Care System replacement programme</u>	-£166k
Technical Integration work now undertaken in house rather than 3rd party supplied at substantially reduced cost. Further integration work required in 2009/10 estimated at £60K	
<u>Single Assessment Process</u>	-£48k
Directorate does not have resource to implement the project in year	

CANCELLED PROJECTS

<u>Looked After Children Computer System (LACCS) and Children's Assessment Framework (CAF) Database</u>	-£8k
Systems no longer in use	

SLIPPED/DEFERRED PROJECTS

<u>Asset Management System</u>	-£15k
Final acceptance linked to FMS project . Due 2009/10	
<u>Highways Upgrade</u>	-£9k
Review of Business case being undertaken	
<u>Continuing Professional Development Solution</u>	-£10k
Anticipated late delivery of software from supplier	
<u>Linking of Integrated Children's System and Pupils Database</u>	-£13k
Delays due to technical difficulties regarding product installation	
<u>Planning & regs Data Integration</u>	-£5k
Directorate does not have resource to implement the project in year	
<u>Register Building Control</u>	-£18k
Awaiting decision from HM Government re Web content requirements	
<u>Children's Centre Database</u>	-£11k
Directorate does not have resource to implement the project in year	
<u>Raise Ongoing Development</u>	-£6k
Delayed implementation due to supplier resource implications	
<u>Adult social services mobile working</u>	-£20k
Awaiting customer specification	

MISCELLANEOUS UNDERSPENDS AND INCOME

<u>Additional Income</u>	-£25k
Sales of services that are outside of the annual Service Level Agreement and associated internal recharges	
<u>Revised Accruals</u>	-£9k
Telephone fraud charges accrued 07/08 of £20k. Robust negotiations with the supplier have resulted in a substantial reduction in liabilities due to acceptance of shared risk argument.	
<u>General Underspends</u>	-£56k
There are a number of cost centres currently forecasting small underspends.	
<u>Warden Call</u>	-£19k
New supplier and solution delivered for reduced costs. Further integration work in 2009/10	

INVESTMENT APPROVED BY THE CORPORATE IT STRATEGY GROUP

<u>EDRMS</u>	+£18k
Purchase FLARE interface to allow for early adoption of the service	
<u>Biztalk Middleware Solution</u>	+£18k
Establish a development and test environment to enable testing of new application interfaces (e.g. FMS and e-recruitment)	
<u>Additional Developer Resource</u>	+£40k
Fund additional development resource to support the easy@york programme including the Intranet replacement project	
<u>NI 14 Tool</u>	+£10k
Purchase tool to enable collation of avoidable contact data. This is a Central Government requirement from January 09	
<u>Content Management System (CMS) Upgrade</u>	+£26k
System and database upgrade to V5.7. Required to ensure website code quality and accessibility standards do not compromise CYC's ability to meet mandated compliance ratings	

-£326k

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Resources Key Performance Indicators

Annex 2

Code	Indicator definition	2006/07 outurn	2007/08 outurn	2008/09 Perf at 30 Sept	Forecast outurn	Target 2008/09	On target
ARM 1	Number of Housing Benefit and Council Tax Benefit fraud investigations completed per year		524	171	380	535	No
ARM 2	Number of HB and CTB prosecutions and sanctions per year		48	19	50	51	Yes
ARM 3	Total value of fraudulent benefits payments detected by the local authority each year		£527,275	£138.3K	£300K	£400k	No
BVPI 4	% of complainants satisfied with the handling of their complaint	33%		available Jan	available Jan		
BVPI 8	% of invoices for commercial goods and services that were paid by the authority within 30 days of such invoices being received by the authority.	93.29%	92.96%	97.78%	95%	95%	Yes
BVPI 9	% of council tax collected	96.80%	97.32%	56.99%	97.40%	56.80% part year target	Yes
CT 1	Council Tax reduction in prior year's balances		18.21%	25.20%	42.00%	21.00% stage target	Yes
BVPI 10	% of non-domestic rates (NNDR) due for the financial year which were received by the authority	98.20%	98.34%	61.47%	98.40%	62.35% part year target	No
BR 1	Non Domestic Rates reduction in prior year's balances		-8.44%	28.92%	30.00%	N/A	N/A
BVPI 12	Staff days lost due to sickness per FTE in Resources	10.38	10.99	4.76	9.6	9	Yes
BVPI 79bi	The amount of Housing Benefit overpayments (HB) recovered as a percentage of all HB overpayments.	70.33%	60.85%	70.40%	78%	78%	Yes
BVPI 79bii	HB overpayments recovered as a percentage of the total amount of HB overpayment debt outstanding at the start of the year, plus amount of HB overpayments identified during the year.	22.89%	22.71%	14.60%	30%	30%	Yes
BVPI 79biii	Housing Benefit (HB) overpayments written off as a percentage of the total amount of HB overpayment debt outstanding at the start of the year, plus amount of HB overpayments identified during the year.	7.12%	5%	2%	7.50%	7.50%	Yes
CG2	% of phone calls answered within 20 seconds	88.63%	92.82%	96.16%	95%	95%	Yes
	% of phone calls answered within 20 seconds In YCC	n/a	92.35%	94.50%	95%	95%	Yes

Code	Indicator definition	2006/07 outurn	2007/08 outurn	2008/09 Perf at 30 Sept	Forecast outurn	Target 2008/09	On target
CG3	% of letters replied to within 10 working days		100%	98.49%	99%	100%	Yes
CG4	% of visitors seen by an officer within 10 minutes	99.12%	99%	98.10%	99%	100%	Yes
CG5	% of visitors referred to the correct officer within 10 minutes	100%	100%	100%	100%	100%	Yes
CM 11	% of stage 3 complaints responded to and problem solved within 10 working days	100%	100%	100%	100%	100%	Yes
CM10	% of stage 2 complaints responded to and problem solved within 10 working days	100%	80%	100%	100%	100%	Yes
COLI 58	Staff Turnover (Directorate target to be within +/- 2% of the Corporate target 14.5%)	7.20%	7.60%	4.20%	7.90%	12.5 - 14.5 %	Yes
COLI 71	% of time the Council's major IT systems/network infrastructure is available	99.96%	99.88%	99.92%	99.70%	99.40%	Yes
CP11	Number of RIDDOR accidents amongst staff	0	0	0	0	0	Yes
NPI 14	Avoidable contact: The average number, of customer contacts per received customer request see Note in report (para 20)	n/a	n/a	n/a	n/a		
NPI 153	Working age people claiming out of work benefits in the worst performing neighbourhoods (supplied by Job Centre Plus)	n/a	n/a	n/a	n/a		
NPI 173	People falling out of work and on to incapacity benefits (supplied by Job Centre Plus)	n/a	n/a	n/a	n/a		
NPI 179	Value for money – total net value of on-going cash-releasing value for money gains that have impacted since the start of the 2008-9 financial year (measured at year end)	n/a	n/a	n/a	£1923k	£1923K	Yes
NPI 180	Changes in Housing Benefit/ Council Tax Benefit entitlements within the year	n/a	n/a	378.6 per 1000 caseload	1000 per 1000 caseload	1000 per 1000 caseload	Yes - see note 1 below
NPI 181	Time taken to process Housing Benefit/Council Tax Benefit new claims and change events DWP DSO	n/a	19 days - see note 2	17 days	17 days	18 days	Yes

Note 1 - NI 180 is based on data from the HBMS data extract files submitted after 1 June 2008 rather than the full Single HB Extract files due to technical issues at the DWP and so will be under-reporting changes

Note 2 - there are now some differences as to what constitutes a change so not a strict comparison

DIRECTORATE PRIORITIES PROGRESS

ANNEX 3

	<u>Action</u>	<u>Responsibility</u>	<u>Timing</u>	<u>Comment</u>
<u>People</u>	Improve Performance Management	RMT	Scorecard-based reporting from April 08	The new Director has, along with RMT, reviewed performance management arrangements, which are reflected in this monitoring report.
	Develop & Implement a Departmental Communications Plan	D or R	August 2008	No specific plan, however communications is discussed weekly at Resources Management Team, and any relevant items are then communicated to all staff. In addition there are regular staff meetings. The new Director is of the view that this arrangement is adequate at present.
	Restructure Directorate.	D of R	Dec 2008	This target was changed slightly in light of a change in the Director. A report has gone to Staffing and Urgency committee.

<u>Systems/ Processes</u>	FMS Implementation	AD Corporate Finance	November 2008	Progress steady, debtors now on track for testing in mid December, GL Chart of Accounts under review. Creditors on track. Training needs still to be evaluated and change management impact to be assessed.
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		Determine way forward for new HR/Payroll system and begin implementation	AD Corporate Finance	March 2009	Following the transfer of Payroll into HR this responsibility no longer lies within Resources. ITT and the easy@york team will continue to play an active part in the delivery of the project which is entering the procurement phase.
		Identify & implement a Resources wide business review & change programme prior to Hungate move	RMT	December 2009	Deferred following the delay on the Admin Accom Project
		Develop a new IT Strategy for 2008-2012	Easy Programme Director	July 2008	Considered by Exec December 2008
		Develop Plans for an Organisational Change Programme	Easy@york Programme Director	July 2008	Proposals for a change programme were incorporated within the Single Improvement Plan, and will now be taken forward as part of the Efficiency Process.
		Develop a Competition Strategy	AD Audit & Risk Management	June 2008	Resources being identified for completion now before end March 2009

	<u>Finance & Assets</u>	Deliver the Corporate Efficiency Programme	D of R	March 2010	Selection of the Performance Partner has been completed. A new approach to efficiency will be developed with the Performance Partner, beginning early next year.
		Produce a comprehensive	AD Corporate	March 2009	Web Portal filing of working papers

		project plan to ensure that the Statement of Accounts and the supporting working papers are produced for approval by the end of June 2009, including monitoring and the QA process	Finance		and Statement of Accounts under development for implementation fully for 2008/9 financial year. Plan under development for discussion with DA. Consultation ongoing with SAMS.
		Undertake a review of Budget and Performance Monitoring in order to streamline presentation on a corporately consistent basis, reporting monthly to CMT and quarterly to Executive	AD Corporate Finance/AD Audit and Risk Management	March 2009	On track, pilot Directorate/EMAP report developed for Resources for Monitor 2, to be rolled out for Monitor 3. Corporate reporting format to be reviewed by CMT.
	<u>Governance</u>	Embed Risk Management across the Organisation	AD Audit & Risk Management	April 2008	Member and CMT reporting improved. DMT monitoring processes being established including escalation arrangements. Member training undertaken.
		Identify and implement a Programme of Improvements to comply with CAA and CPA Use of Resources (UoR)	AD Audit & Risk Management	June 2008	CAA Steering Group established. First U of R workshop held. Action Plan under construction and further workshops to be planned.
	<u>Customer</u>	Implement easy@york phase 1 & 2 within Resources and across the whole organisation.	Easy Programme Director	September 2010	In progress. Delays to implementation of Benefits phase are having continued impact upon the overall timeline. Work is going well but 5 streams are now running concurrently and Neighbourhood Services and HASS are both struggling to resources the work

					streams to the current timetable. The delay in Admin Accom means a revised plan will be necessary in the next quarter to make sure that the programme continues into the new HQ.
		Develop & Implement new customer standards and services through better understanding of customers and more efficient service provision Progress on Customer Strategy	Easy Programme Director	March 2009	Customer Strategy out to consultation due for sign off by Exec March 2009.

	<u>Organisational Development</u>	Improve approach to absence management: Number of days lost to all sickness per fte Number of days lost to short-term illness per fte	RMT	2008-9 targets 9 5	Current ytd is 4.76 per fte, Current ytd is 2.32 fte, on track to be lower than the corporate target
		Continue to achieve target of 95% for the number of appraisals carried out	RMT	95%	Year end target
		Continue to improve telephone answering in York Customer Centre (YCC) to >90%	Easy Programme Director	95%	Averaging between 90-95%

		EDRMS Development	Easy Programme Director		System configured. Scanning team established and due for first roll out in January 2009. Plans for full roll-out in development.
		Pay & Grading Implications	RMT		Issues being addressed following ballot result
		Improve the Financial Strategy	AD Corporate Finance		Ongoing work, with view to revised financial strategy early 2009
		Corporate Strategy Refresh	AD A&RM		First phase workshops completed and priority actions identified. PIs and SMART actions being developed
		Develop a Business Model Handbook	AD A&RM		Currently planning timescales
		Develop Monitoring for the SIP	RMT		Currently planning timescales
		Integrate Council Tax/Benefits into the YCC	Easy Programme Director	Jan 09	Council Tax now fully integrated into the YCC. Benefits service running from different location but managed by head of YCC. Ongoing improvements will be made during the year.
		Develop a Coordinated Approach to Income Collection/Debt Management	AD A&RM		Income Collection/Debt Management Structure being combines from 1 December 2008

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Executive Member for Corporate Services and Advisory Panel**9 December 2008**

Report of the Director of Resources

Treasury Management Second Monitor Report**Summary of Report**

1. This report updates the Executive Member and Advisory Panel on the Treasury Management performance for the period 1 April to 31 October 2008 compared against the budget presented to Council on 21 February 2008.
2. The report highlights the economic environment for the first seven months of the 2008/09 financial year and in relation to this reviews treasury management performance covering:
 - Short-term investments,
 - Long-term borrowing,
 - Venture Fund,
 - Treasury Management Budget.

Background

3. The Council's treasury management function is responsible for the effective management of the Council's cash flows, its banking, money market and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
4. The Council approved the Treasury Management budget, Strategy and Prudential Indicators on 21st February 2008. This resulted in an approved treasury management budget of £6.937m for 2008/09.

Consultation

5. This report is for information and reporting on the performance of the treasury management function. The budget was set in light of the prevailing expenditure plans and economic conditions, based on advice from the Council's Treasury Management advisors.

Corporate Priorities

6. The Council has a priority to ensure value for money and efficiency of its services. Treasury Management maximises the interest earned from surplus cash balances and minimises the interest payable by the Council on its debt structure.

Economic Background and Analysis

7. The Council's short term investment and long term borrowing decisions have been affected by the following economic conditions:
 - a. The Bank of England base rate started 2008/09 at 5.25%. The Monetary Policy Committee (MPC) responded to the weakening outlook for economic activity by cutting interest rates to 5% in April. Growing inflation fears led the financial markets to price in the possibility that the next move in interest rates would be upwards, with markets expecting that interest rates would be raised to 6% by next summer. The second quarter of 2008 saw a change in sentiment with the financial crisis plumbing new depths as policymakers stepped up their response to problems, the credit crunch took its toll on economic activity, pressures on households intensified, companies cut more jobs, public finances deteriorated, inflation concerns faded and the global economy faltered. A number of financial institutions on both sides of the Atlantic failed with Lehman Brothers allowed to collapse contributing to the intensification of the problems in the money markets.
 - b. More evidence that the credit crunch was taking its toll on the economy was revealed later in the second quarter. The Bank of England's Credit Conditions Survey found that lenders reduced the availability of credit to both households and firms in the second quarter, and expected to do the same in the third quarter. Problematically for the MPC Consumer Price Index (CPI) inflation rose from 3.3% in May to a new record high of 4.7% in August. Most of this reflected the hefty increases in gas and electricity prices announced by the major suppliers in August and September. Some of the increase did reflect the rise in core CPI inflation, from 1.2% in March to 2.0% in August with the outlook suggesting CPI inflation would rise further in September, perhaps to 5.0%, as the last of the utility price hikes fed into the index. However with petrol prices starting to fall, it became increasingly likely that CPI inflation would drop sharply back towards the 2% target rate next year.
 - c. The MPC acted in October cutting 0.5% off of the BoE base rate taking it to 4.5% as 2 year inflation expectations diminished significantly partly reflecting a marked decline in energy and other commodity prices.
 - d. Despite CPI rising to 5.2% in September the MPC acted again in November cutting 1.5% off of the base rate to take the rate down to a level of 3%, the lowest since 1955. The MPC minutes documented the reasons as being the global banking system experiencing its most

serious disruption for almost a century and while the measures taken on bank capital, funding and liquidity in several countries, had begun to ease the situation, the availability of credit to households and businesses was likely to remain restricted for some time. As a consequence, money and credit conditions have tightened sharply.

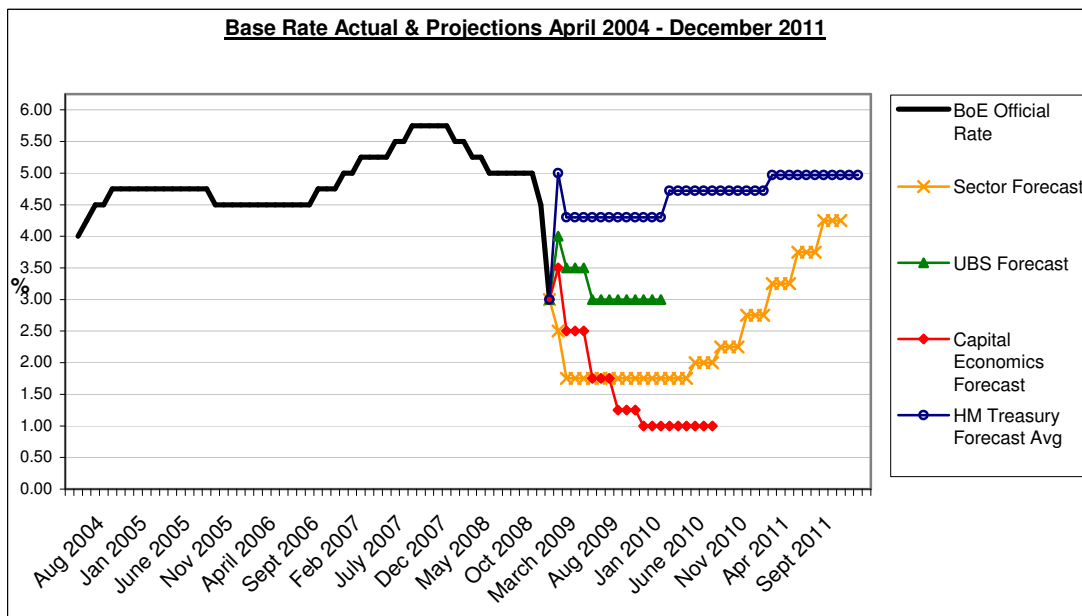


Figure 1 - Base Rate 2004 –2011 as at October 2008

- e. With regard to long term borrowing, the Public Works Loan Board (PWLB) 45-50 year rate started the year at 4.43%. Rates have risen steadily from this low point up to a high of 4.82% in mid October with rates dropping back to a level of 4.49% by mid November.
- f. Investment rates have risen since the beginning of the financial year when the 1 year rate was at 5.81% (1 month rate at 5.80%) to a level of 6.00% and (6.00%) by the end of the October. Rates peaked at 6.55% in the 1 year and 6.15% in the 1 month range.
- g. A number of large UK banks keen to accept Local Authority investments have continued to offer competitive rates on call accounts paying Bank of England base rate as a minimum. Towards the start of the year some call accounts were paying rates equivalent or higher than could be achieved through 1 to 2 months fixed term money market investments. The Council has taken advantage of such accounts and actively operates 6 call accounts:
 - i. Bank of Scotland 7 day notice base plus account has been between 0.31% and 1.63% (averaging 0.58%) above base during the period.
 - ii. Alliance and Leicester call account has been between 0.40% and 1.10% (averaging 0.59%) above base rate.
 - iii. Yorkshire Bank call account fixed at 0.30% above base rate.

- iv. Allied Irish Bank UK call account has been between 0.25% and 0.35% (averaging 0.27%).
- v. Abbey call account has been between 0.18% and 0.22% (averaging 0.22%)
- vi. Anglo Irish Star call account fixed at 0.05% above base rate.

Investment Policy

- 8. The treasury management team has taken a prudent approach with regard to placing deposits with institutions in order to effectively control the associated risks. Decisions continue to be made using officers professional judgement based on credit ratings supplied by Moody and Fitch along with suggested colour matrices from Sector Treasury Services. All information supplied by Sector (including the Fitch and Moody credit ratings) is only used as a factor to assist in the making of the Councils investment decisions and is not used as a sole basis for any decision. The Treasury Management team does not regard the advice or information received as a substitute for the exercise of its own judgement.
- 9. The treasury team continues to assess credit ratings on a daily basis taking into account short and long term issuer default ratings, individual ratings and support levels as well as sovereign ratings for each country. The approved counterparty list (a list of approved investment institutions) is therefore updated on a daily basis when necessary and is one of the key treasury management documents used daily by the treasury team.
- 10. From a treasury management perspective the Council has not been adversely effected by the wide spread problems experienced in the economy as a result of the credit crunch. No investments were held in any of the Icelandic Banks at the time of their collapse due to the Council removing Icelandic based institutions from the approved counterparty list on 2 April 2008. From this point onward no further deposits were placed with these institutions.

Short Term Investments

- 11. The Councils average cash balances available for investment for the first 7 months of the year has been £60.134m, a £8.424m decrease compared to the same period in 2007/08 (£68.558m). The reasons for the decrease are:
 - a) Restructuring £13.8m of Council borrowing into lower interest rate debt and achieving this by holding a open position for a duration (not refinancing until some months later).
 - b) Significant increase in stage payments in relation to the Councils larger capital schemes such as Joseph Rowntree School.
- 12. Trading activity during the first seven months earned interest of over £2.021m, equivalent to a 5.75% rate of return. This is 0.69% better than

the average 7 day London Inter-Bank Deposit rate (LIBID) of 5.06% and 0.80% higher than the average base rate for the period.

13. Taking into account the direct cost of dealing the in-house team achieved a net trading surplus of £2.006m. This is equivalent to a return of 5.72%, which is 1.76% above the average rate paid by the bank on credit balances held in the Council's main bank account. The bottom line added by the Council's money market trading activities taking off the direct cost of dealing is estimated at £617k.

14. During the first 7 months of the financial year the Council has made 85 investments totalling £215m, compared with 104 investments totalling £238m for the same period in 2007/08. This small decrease in activity is due to the slightly lower average cash balances compared to previous years and investing for longer term durations. Proactive management of the bank accounts has resulted this year in a decrease in the percentage of money market transactions from 48% in 2007/08 to 15% in 2008/09. This reflects two things, firstly core cash has been placed in longer term investments toward the beginning of the 2008/09 financial year to take advantage of higher rates in anticipation of the cut in interest rates therefore leading to fewer shorter term deposits being placed. Secondly the requirement for a higher level of cash to be kept liquid to cover the projected spending activity. Figure 2 shows the split of money market investments between the Council's four money market brokers.

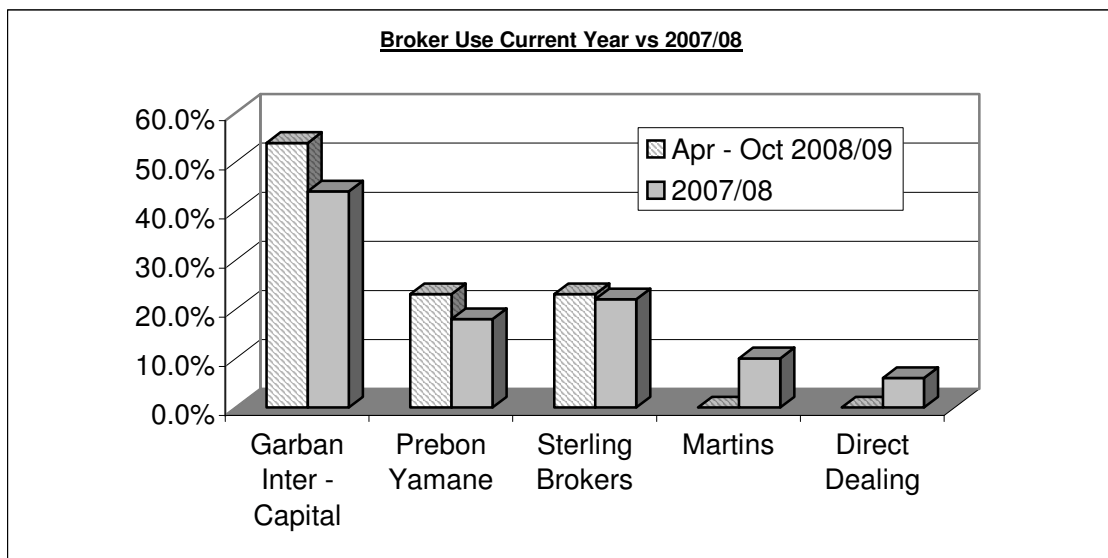


Figure 2 – Money Market Investments by broker used

15. The Council has made 13 investments via the money market brokers during the first 7 months of 2008/09. Of these only 1 has been for a month or less with 12 being for a period of greater than one month. Annex A gives details of investments made in this year for periods greater than 1 month. Annex B provides a list of all institutions the

Council currently has money invested with in fixed term fixed rate deposits.

16. Figure 3 shows the investments for periods over 1 month in duration in comparison to the range of rates (between 1 month and 1 year) being offered on the money markets at the time investments were made.

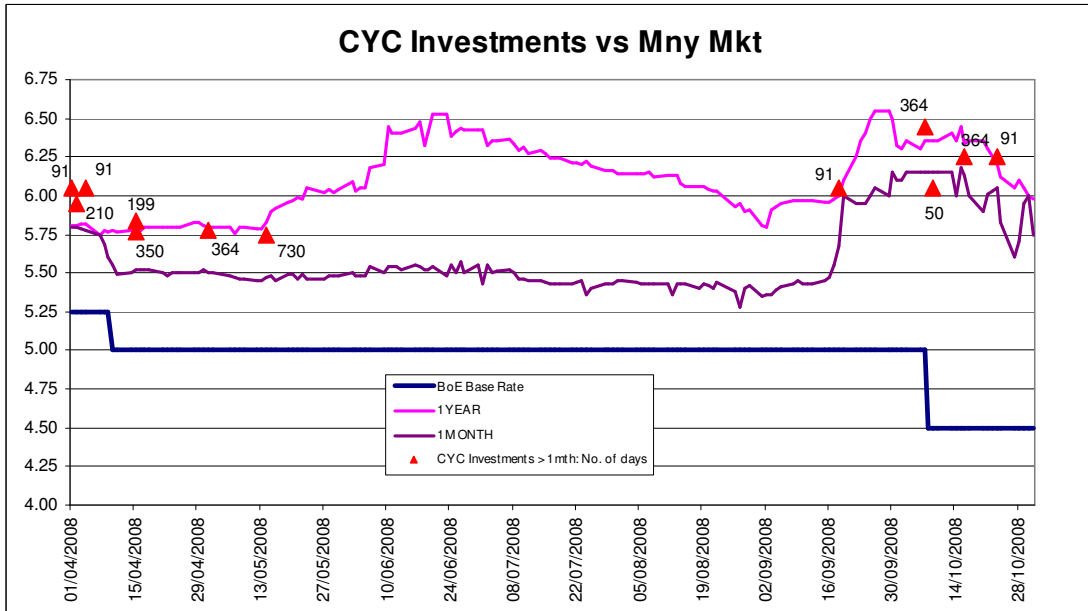


Figure 3 CYC Investments vs Money Market Rates

Long Term Borrowing

17. The Council is allowed to borrow to invest in capital projects, and all borrowing is therefore secured against its asset base. The majority of Council borrowing is funded by the Government through the Revenue Support Grant (RSG), which provides the Council with revenue funding to allow it to meet the interest and repayment costs of borrowing. The introduction of the Prudential Code in April 2004 has given the Council the flexibility to borrow without Government support. Under the Code Councils are free to borrow up to a level that is deemed prudent, affordable and sustainable and within their prudential indicator limits.
18. The Council's long term borrowing started the year at a level of £104.4m. One loan of £5m with a maturity date in May was duly repaid.
19. Treasury officers made the decision to restructure £13.8m of higher interest rate loans (all at 4.875%) into lower rate replacement loans. £13.8m was repaid on the 30 May 2008 generating a discount (a payment to the Council) of £85k. Treasury management officers took the decision to wait before refinancing in the expectation of Public Works Loan Board (PWLB) interest rate falling in the current economic climate. On 15 August two loans totalling £8m (both of 49.5 year duration) were taken at a rate of 4.39% with a further £4m (35 years duration) again at a rate of 4.39% being taken on 7 October.

20. A further £4.5m at a rate of 3.91% (5.5 year duration) was taken to meet the remaining refinancing requirement and also to match the Councils level of borrowing to the Capital Finance Requirement (the Councils underlying need to borrow for capital expenditure purposes). All loans taken are of fixed term duration, with the principal amount borrowed repaid at the maturity date and interest payments made bi-annually.

21. The Council's borrowing strategy is to borrow from the PWLB when rates are low and hold off from taking new borrowing when rates are high following advice taken from the Councils contracted treasury management advisors (Sector Treasury Services) subject to cash flow constraints. Long term borrowing rates started the year at a level of 4.43% and have since fluctuated between 4.36% and 4.82%. Figure 4 shows the PWLB rates (the grey area showing rates between 25 and 50 years) since April 2006 and details when the new borrowing took place.

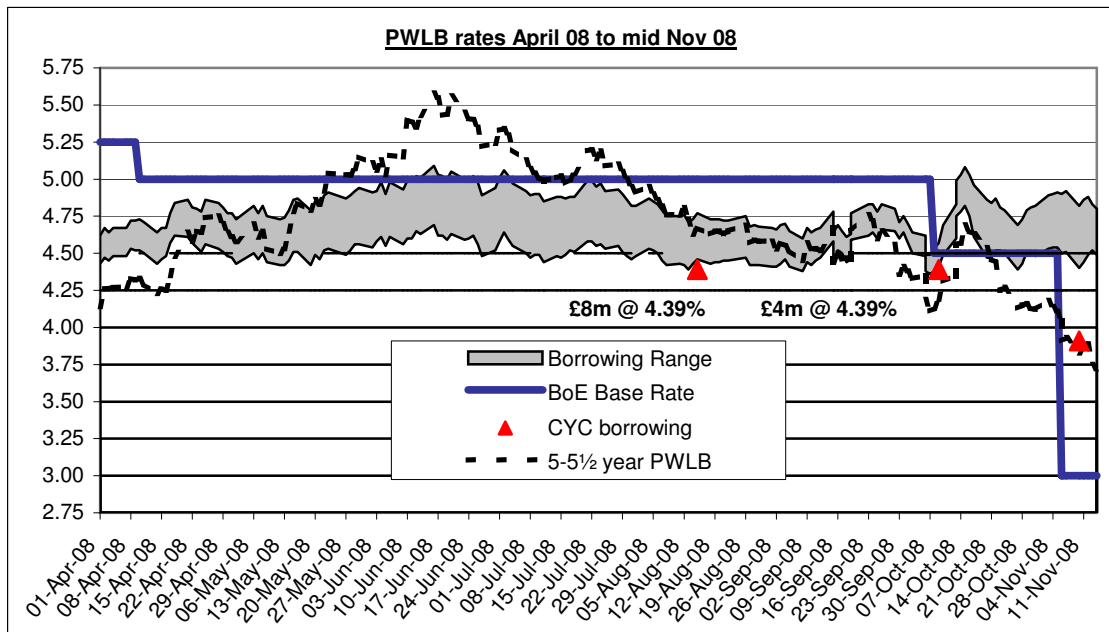


Figure 4 – PWLB rates vs CYC Borrowing Levels

22. Figure 5 illustrates the 2008/09 maturity profiles of the Council's debt portfolio updated to reflect the borrowing this year.

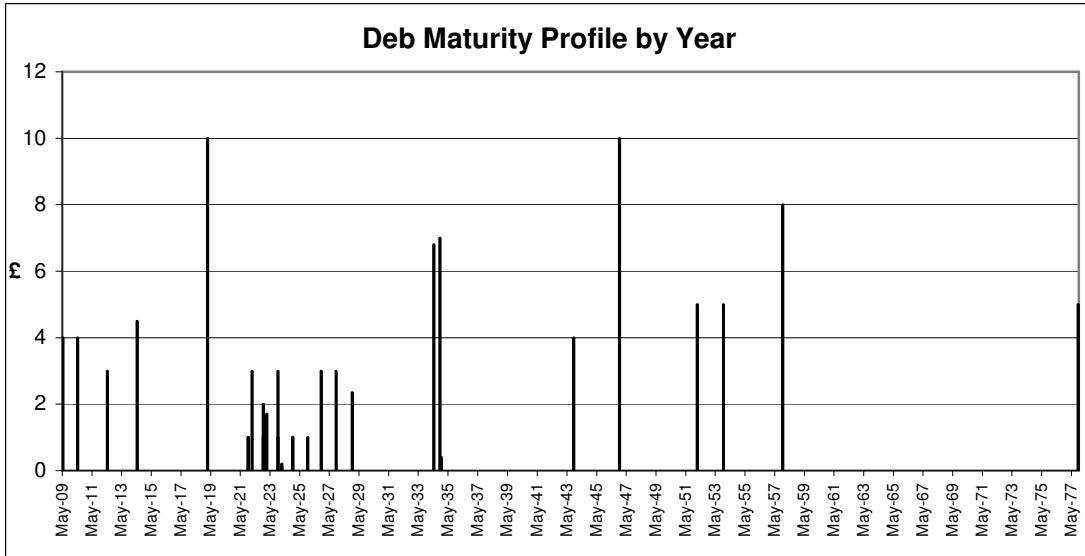


Figure 5 – Debt Maturity Profile 08/09

23. The average rate of interest on the Council's long term borrowing is 4.55%. This is 0.12% lower than the average long term borrowing rate for unitary authorities of 4.67% and 1.13% lower than the national average for all Local Authorities of 5.68% (source CIPFA Treasury Management Statistics 2006/07). Figure 6 provides an illustration of the Councils position relative to comparators since 1991/92.

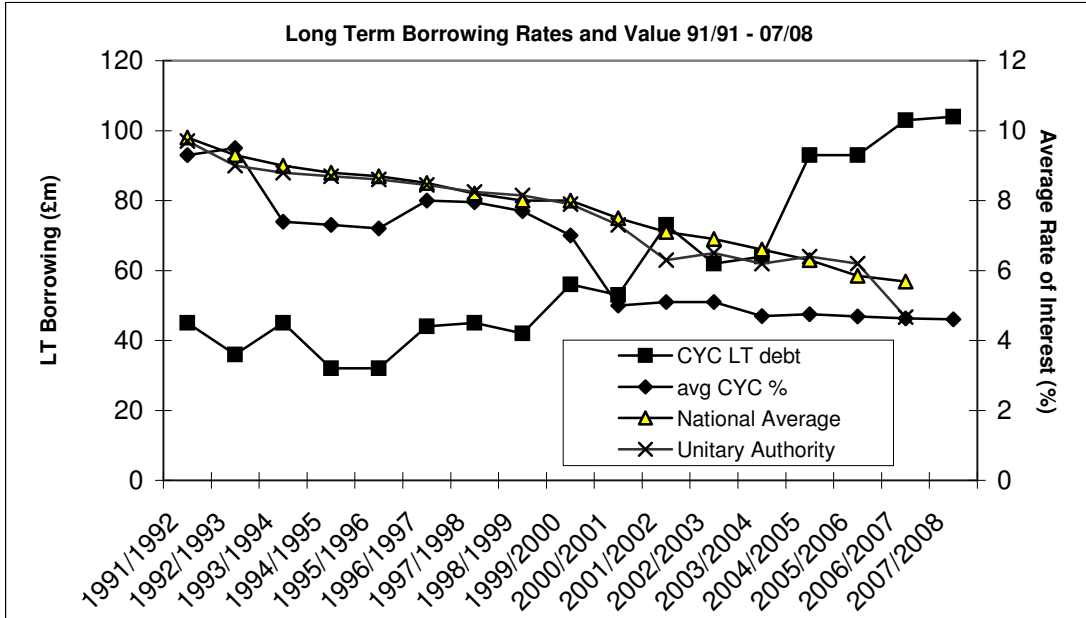


Figure 6 – CYC borrowing vs. National Average vs. Unitary Authority

Venture Fund

24. The Venture Fund is used to provide short to medium term investment for internal projects which provide new revenue streams or generate budget savings and contribute to operational benefits of policy

objectives. The projected movements on the Venture Fund for the year are shown in table 1.

	£'000
Balance at 1st April 2008	2,729
New Loan Advances	(0)*
Loan Repayments	399
Net Interest Received	31
Balance at 31st March 2008	3,159

Table 1 – Projected Venture Fund Movement 2008/09

25. The asterisk above indicates there are approvals for the loan advancements of £1,210k for Local Public Service Agreement 2 (a temporary loan until the government allocation is received) and £96k for Assets in Good Repair however the specific level of funds required has not yet been requested. If the two amounts were advanced in full the balance would be £1,853k. Repayments are received from a total of 8 schemes.

Treasury Management Budget

26. Treasury Management activity is contained within the Corporate Budget and has a current approved budget of £6,937k. The projected outturn is £5,648k resulting in a estimated under spend of £1,289k. Table 2 details the individual components that make up this under spend.

	(Under)/Over Spend £000
Reduction in financing expenditure	(518)
Provision to repay debt	240
Increase in interest receivable	(978)
Minor Budgets	(33)
Total Under spend	(1,289)

Table 2 – Treasury Management Budget 2008/09

27. The expected Treasury Management under spend is driven by the two main areas listed above:

- a) The reduction in financing expenditure is due to a number of factors. Firstly due to the early repayment of debt as highlighted above no interest payments needed to be made until the replacement loans were taken, in addition the restructure will save £77k per annum serving to reduce the annual interest payable on the Councils debt.. Secondly, the original financing budget was based on the requirement to borrow up to a level of £110m based on specific large capital programme schemes requiring financing, due to delays the overall level of borrowing will be lower in year thus producing an under spend.

- b) The increase in interest receivable is due to the continued dislocation between money market rates and base rate. The budget was set on the basis of interest rates returning to a level that reflected base rate (as historically they have), however as highlighted above rates have been as much as 1.95% above base. This continued dislocation was not forecast at the time when the budget was set. Opening cash balances proved to be higher than expected and is attributable to significant capital programme slippage of c£6m in 07/08 along with a revenue under spend of c£6m.

Prudential Indicators Update

28. Previously the Prudential Indicators have been reported as part of this report. This approach has been reviewed and owing to much of the information that feeds into the Prudential Indicators being the output of the Capital Monitoring Report then in order to provide Members with the most timely information the indicators will be reported as part of the Capital Monitor to the Executive on the 20 January 2009.

Human Resources Implications

29. There are no HR implications as a result of this report.

Equalities

30. There are no equalities implications as a result of this report.

Legal Implications

31. Treasury Management activities have to conform to the Local Government Act 2003, which specifies that the Council is required to adopt the CIPFA Prudential Code and work to its Treasury Management Policy and Treasury Management Practices. As a result the Council can only invest and borrow from approved institutions as set out in sections 1 and 12 of the Act.

Crime and Disorder Implications

32. There are no crime and disorder implications as a result of this report.

Information Technology Implications

33. There are no IT implications as a result of this report.

Property Implications

34. There are no property implications as a result of this report.

Risk Management

35. The treasury management function is a high risk area because of the level of large money transactions that take place. As a result of this there are procedures as set out in the Treasury Management Practices statement that aim to reduce the risk associated with high volume high value transactions.

Recommendations

36. Members are requested to:

- Note the performance of the Treasury Management Activity;
- Note the projected underspend of £1.289m.

Reason – to ensure the continued performance of the Council's Treasury Management function.

Contact Details

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Report Approved ✓ Date 25/11/08

Wards Affected:

All ✓
None

Specialist Implication Officers:

None

For further information please contact the author of the report

Background Papers

Cash-flow Model 08/09, Investment Register 08/09, PWLB Debt Register, Capital Financing Requirement 08/09 , Venture Fund 08/09, Statistics 08/09.

Annexes

Annex A – Investments over 1 month in duration
Annex B – Councils Current Investment Outstanding

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CYC Investments over 1 month

Annex A

Financial Institution	Base Rate at time	Rate of Interest	Value	Start Date	Duration (days)
HERITABLE BANK	5.25%	6.050%	£4.0m	01/04/08	91
FIRST ACTIVE	5.25%	5.950%	£3.0m	02/04/08	120
BRADFORD & BINGLEY	5.25%	6.050%	£3.0m	04/04/08	91
ALLIED IRISH BANKS	5.00%	5.840%	£2.0m	15/04/08	199
DEPFA BANK PLC	5.00%	5.770%	£2.0m	15/04/08	350
ULSTER BANK LTD UK	5.00%	5.780%	£3.0m	01/05/08	364
NATIONWIDE B SOC	5.00%	5.750%	£4.0m	14/05/08	730
EBS	5.00%	6.050%	£3.0m	18/09/08	91
ULSTER BANK LTD UK	5.00%	6.450%	£3.0m	07/10/08	364
BARCLAYS	4.50%	6.050%	£3.0m	09/10/08	50
BARCLAYS	4.50%	6.250%	£3.0m	16/10/08	364
CHELSEA BS	4.50%	6.250%	£3.0m	23/10/08	91

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Financial Institution	Start Date	Maturity Date	Duration	Value £	Rate of Interest %	Country
ULSTER BANK LTD UK	19-Dec-07	17-Dec-08	364	3,000,000	5.75	UK
ULSTER BANK LTD UK	20-Dec-07	18-Dec-08	364	3,000,000	5.68	UK
DEXIA BANK BELGIUM	25-Jan-08	25-Jan-09	366	5,000,000	5.38	BELGIUM
DEPFA BANK PLC	25-Feb-08	23-Feb-09	364	3,000,000	5.48	REP OF IRELAND
DEPFA BANK PLC	20-Mar-08	19-Mar-09	364	3,000,000	5.75	REP OF IRELAND
DEPFA BANK PLC	26-Mar-08	25-Mar-09	364	3,000,000	5.81	REP OF IRELAND
DEPFA BANK PLC	28-Mar-08	27-Mar-09	364	3,000,000	5.81	REP OF IRELAND
DEPFA BANK PLC	15-Apr-08	31-Mar-09	350	2,000,000	5.77	REP OF IRELAND
ULSTER BANK LTD UK	1-May-08	30-Apr-09	364	3,000,000	5.78	UK
NATIONWIDE B SOC	14-May-08	14-May-10	730	4,000,000	5.75	UK
EBS BUILDING SOCIETY	18-Sep-08	18-Dec-08	91	3,000,000	6.05	REP OF IRELAND
ULSTER BANK LTD UK	7-Oct-08	6-Oct-09	364	3,000,000	6.45	UK
BARCLAYS	9-Oct-08	28-Nov-08	50	3,000,000	6.05	UK
BARCLAYS	16-Oct-08	15-Oct-09	364	3,000,000	6.25	UK
CHELSEA BUILDING SOCIETY	23-Oct-08	22-Jan-09	91	3,000,000	6.25	UK
SKIPTON BUILDING SOCIETY	4-Nov-08	30-Jan-09	87	3,000,000	6.01	UK

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