



## Notice of meeting of

### Executive Member For Corporate Services and Advisory Panel

<b>To:</b>	Councillors Healey (Chair), Jamieson-Ball (Executive Member), Looker (Opposition Spokesperson), Pierce and R Watson
<b>Date:</b>	Tuesday, 24 July 2007
<b>Time:</b>	5.30 pm
<b>Venue:</b>	Guildhall

## 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 23 July 2007**, if an item is called in *before* a decision is taken, *or*

**4:00 pm on 26 July 2007**, 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 8 June 2007.

### **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 23 July 2007, at 5.00 pm.**

**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:**

#### **ITEMS FOR DECISION**

#### **4. Guildhall Repair and Maintenance, Disabled Access and Minor Improvement Needs (Pages 7 - 34)**

The report outlines the findings of a building survey of the Guildhall complex and considers the short, medium and long term strategy for the building.

#### **5. Treasury Management Annual Report & Review of Prudential Indicators (Pages 35 - 86)**

This report updates the Executive Member on Treasury Management performance for 2006/07 compared against the budget taken to Council on 01 March 2006.

#### **ITEMS FOR INFORMATION**

#### **6. Presentation on FMS (Financial Management System) Project (Pages 87 - 92)**

The purpose of this report and presentation is to provide Members with an update on progress and plans for the FMS Project.

#### **URGENT BUSINESS**

#### **7. Any Other Matters which the Executive Member decides are urgent under the Local Government Act 1972.**

Democracy Officer:

Name: Tracy Johnson

Contact details:

- Telephone – (01904) 551031
- E-mail – [tracy.johnson@york.gov.uk](mailto:tracy.johnson@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);
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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.

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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

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City of York Council

Minutes

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MEETING	EXECUTIVE MEMBER FOR CORPORATE SERVICES AND ADVISORY PANEL
DATE	8 JUNE 2007
PRESENT	COUNCILLORS HEALEY (CHAIR), JAMIESON-BALL (EXECUTIVE MEMBER), LOOKER (OPPOSITION SPOKESPERSON), PIERCE AND R WATSON

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### 1. **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.

Councillor Healey declared a personal non-prejudicial interest in agenda items 4 (Future Agenda for Corporate Services EMAP) and 5 (Resources Directorate Year End Performance and Financial Outturn – 2006/07) as an employee in the IT industry.

Councillor Pierce declared a personal non-prejudicial interest in agenda item 6 (Information Management Annual Report 2006/07) as he had requested information from the Council under the provisions of the Freedom of Information Act on three occasions.

### 2. **Minutes**

RESOLVED: That the minutes of the meeting of the Executive Member for Corporate Services and Advisory Panel held of 20 March 2007 be approved and signed by the Chair and the Executive Member as a correct record.

### 3. **Public Participation**

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

### 4. **Future Agenda for Corporate Services EMAP**

Members received a report which provided an outline of the business currently scheduled for meetings of the Executive Member for Corporate Services and Advisory Panel during the forthcoming year, June 2007 – April 2008.

The Director of Resources reported that the Audit & Risk Management Medium Term Business Plan 2007/08-2009/10 (item 9 in Annex 1) was no longer required as it would be picked up in the service plans and that the Directorate Training Programme Final Proposals (item 10 in Annex 1) was also no longer required. He also proposed that the Financial Management System (FMS) Project Update Report (item 16 in Annex 1) be replaced

with a presentation to the July meeting, to allow Members to have input prior to the tendering process, and that the October meeting be cancelled.

Members noted that the Corporate Procurement Policy was also pending for consideration and would provisionally be programmed for the July meeting.

Members commented that the December and January meetings had light agendas, but that there were still several months for other business to become necessary for those meetings.

#### Advice of the Advisory Panel

That the Executive Member be advised:

- (i) That the future content of agendas, as amended above, and frequency of Executive Member for Corporate Services and Advisory Panel meetings be noted and it be agreed that the meeting scheduled for 30 October 2007 be cancelled.

#### Decision of the Executive Member

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

REASON: There may not be sufficient business to sustain six further full Executive Member for Corporate Services and Advisory Panel meetings.

### **5. Resources Directorate Year End Performance And Financial Outturn - 2006/07**

Members received a report which combined performance and financial information for the Resources Directorate for 2006/07. The performance element covered key and Council Plan indicators and projects, and the financial aspect dealt with capital, revenue and Treasury Management variances.

The Director of Resources reported that improvements had been made in almost all performance indicators, including key staff indicators relating to sickness and appraisals.

The net expenditure for the Directorate was £3,053k compared to a budget of £4,922k, which represented a total underspend of £1,869k. This was a variance of 3.1% compared to the gross budget of £60,122k. Paragraph 88 of the report set out a number of requests for carry forwards due to slippage in projects primarily within Information Technology & Telecommunications (IT&T) and Financial Services.

The Director of Resources advised Members that the key challenges for the future involved the delivery of major projects, such as [easy@york](#), the administrative accommodation project and job evaluation, and addressing areas where there were still performance problems.



The Assistant Director (Property Services) provided an update on progress with the administrative accommodation project and answered Members' questions. He advised that a programme of consultation with Members and officers for the next 6 months was currently being developed.

With regards to the Customer First statistics for telephone calls, Members highlighted the need for improved indicators of the customer experience when contacting the Council and the Assistant Director (Public Services) confirmed that this was under consideration. In relation to the COLI68 indicator, Members suggested that the indicator should be split to separate urgent and outstanding repairs. The Assistant Director (Property Services) advised that the indicator had now been changed by the government and would be reported in more detail in future.

Members suggested that a report regarding the Yorkshire Purchasing Organisation (YPO) and the Council's relationship with it should be brought to a future meeting and the Director of Resources confirmed that this would be scheduled for September.

#### Advice of the Advisory Panel

That the Executive Member be advised:

- (i) That the year end financial situation be noted;
- (ii) That the improvement in performance achievements and comments on these be noted;
- (iii) That the carry forward request be agreed to go forward to the Executive for approval;
- (iv) That the accounting approach of using revenue reserves for dealing with the Property Trading account be recommended to the Executive for approval.

#### Decision of the Executive Member

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

REASON: In accordance with budgetary and performance monitoring procedures.

### **6. Information Management Annual Report 2006/07**

Members received a report which advised them of activity in the area of Information Management during 2006/07.

Members queried whether the process for dealing with Freedom of Information Act requests needed to be more formal and it was suggested that response performance by directorate be included in future reports, to

indicate if problems with late responses were arising in particular directorates.

Advice of the Advisory Panel

That the Executive Member be advised:

- (i) That the report be noted.

Decision of the Executive Member

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

REASON: To demonstrate continuing recognition of records and information management as a corporate function in accordance with the Records Management Code of Practice.

**7. Corporate Procurement Strategy 2007-2010**

Members received a report which advised them of the progress made to date on the preparation of the Corporate Procurement Strategy (CPS) 2007-2010 and sought approval to refer the Strategy to the Executive for formal consideration and approval in accordance with the requirements of the Constitution, subject to any amendments agreed by the Executive Member and Advisory Panel.

Members welcomed the draft CPS and the medium term action plan, attached as Annex A, commented on its scope and content, and suggested some minor changes to the wording of the foreword.

Advice of the Advisory Panel

That the Executive Member be advised:

- (i) That the draft Corporate Procurement Strategy (CPS) and medium term action plan, attached to it as Annex A, be endorsed and referred to the Executive for consideration and formal approval.

Decision of the Executive Member

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

REASON: To allow the draft CPS and medium term action plan to be referred to the Executive for consideration and formal approval.

## **8. Corporate Procurement Team Workplan 2007/08**

Members received a report which set out the key deliverables of the Corporate Procurement Team's (CPT) workplan for 2007/08 and reviewed progress against the procurement three year action plan for 2004/2007.

### Advice of the Advisory Panel

That the Executive Member be advised:

- (i) That the progress made against the three year action plan and national procurement strategy milestones as set out in paragraphs 6-12 of the report be noted;
- (ii) That the Corporate Procurement Team's workplan, as set out in paragraphs 12-13 and Annex C of the report, be noted.

### Decision of the Executive Member

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

REASON: (i) To raise awareness of the progress made to date in delivering the three year action plan;

(ii) To ensure the effective and efficient delivery of all procurement activities and functions across the Council, optimise scarce resources, support the delivery of the Corporate Procurement Strategy and secure full compliance with all regulatory requirements and Council policy.

## **9. Corporate Procurement Manual**

Members received a report which advised them of the development of a best practice corporate procurement manual for use by practitioners across the organisation, to be issued further to the provisions of the Council's Financial Regulations & Procurement Rules.

Copies of the manual, which formed Annex A of the report, had been circulated to Members separately and it was also available to view on the Council's website.

Members suggested that a note be included at the end of the manual explaining what to do if a mistake was made and also that the manual be cross-referenced with the Financial Regulations. They also noted that Financial Regulations allowed verbal quotes to be accepted for goods and services valued between £5k and £30k and suggested that electronic quotes should be used instead.

### Advice of the Advisory Panel

That the Executive Member be advised:

- (i) That the Corporate Procurement Manual, circulated as Annex A of the report, be noted.

Decision of the Executive Member

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

REASON: To provide a best practice guide to the effective management of procurement practice at the Council.

C JAMIESON-BALL  
Executive Member

P HEALEY  
Chair of Advisory Panel  
The meeting started at 5.00 pm and finished at 6.40 pm.



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**Executive Member for Corporate Services and  
Advisory Panel**

24th July 2007

Report of the Corporate Landlord

**GUILDHALL REPAIR AND MAINTENANCE, DISABLED ACCESS  
AND MINOR IMPROVEMENT NEEDS**

**Summary**

1. The report outlines the findings of a building survey of the Guildhall complex. The report focuses upon repair and maintenance, disabled access and minor improvements recommended to support and enhance current use of the building. In doing this the Corporate Landlord considers both the short term and the medium to long term strategy for his building.

**Background**

2. Two recent surveys completed by Atkins inform the findings of this report a Quinquennial structural report with over view of building services was completed in March 2007 and an Access Audit to assess Disability Discrimination Act (DDA) compliance was completed in April 2007.

**Guildhall History** (from Quinquennial report)

3. The Guildhall is built on the site of an earlier guildhall or "common hall". The present Guildhall dates from 1446 when building works commenced on site and was completed in 1503 The Guildhall itself comprises aisled hall 29 by 13 metres on plan, divided into six bays with tall octagonal timber piers and a roof with arched braces and bosses
4. It is constructed of Tadcaster magnesian limestone with a lead sheet roof set behind battlemented parapets. The windows contain leaded glass with a feature stained glass window at the west end by the notable C20th stained glass artist, Harry Harvey. At the west end of the hall is an adjoining single storey chamber known as the Inner Chamber. The chamber retains a number of early features including a mid-C15th roof with carved timber bosses and timber panelling of 1679.
5. Below the north aisle of the hall is Common Hall Lane, a long passage to the river, the arched entrance of which is visible from the riverside, set below the Inner Chamber.

6. Adjoining the Guildhall to the north and facing on to the river are the council offices. Built in 1888 to 1891 by the City Surveyor *E.G. Mowbey* and his successor *Alfred Creer* these variously two and three storeyed buildings successfully continue the Gothic design of the Guildhall with Perpendicular style windows and battlemented parapets. The principle elevations are constructed of stone whilst to the rear walls are predominantly of brick. The northern most block with its corner tower is a later addition of c. 1900. The northern part of the complex comprises a two storey brick built wing, known as the "Guildhall Annex". This is industrial in character and has been converted to provide office accommodation. The southern part of the complex comprises an early two-storey addition to the southwest corner, stone faced to the river, brick to the side, which now accommodates the Committee Rooms. Adjoining this is a south range comprising the, "Safe", and the Members' Offices.
7. The other buildings within the complex are variously of stone and brick, under pitched roofs of variously Westmorland and Welsh slate and clay plain tile. The Inner Chamber and adjoining flat roofs are of asphalt. Stone has been used in the construction of the principle elevations, with brick elsewhere. This approach was presumably a financial consideration, brick being less costly than stone. However, the later clearance and redevelopment of neighbouring properties has subsequently revealed previously hidden elevations, giving a heterogeneous appearance to the building most especially when viewed from the southwest.
8. The Guildhall was substantially damaged during an air raid in 1942, which saw the total loss of the original roof and timber columns and extensive damage to the southwest committee rooms. A programme of restoration and rebuilding commenced in 1956 with the building re-opened by Queen Elizabeth, the Queen Mother on 21 June 1960.
9. To the north of the site are a group of free-standing pre-fabricated buildings known as the, "Hutments", which were formerly occupied by the Post Office and are now used for storage.
10. The Guildhall is a Grade 1 listed building that stands within an Area of Archaeological Importance.

### **Now & Next**

11. The historic context and importance of the Guildhall complex to the City, call for its planned upkeep and a strategy for its future use and management.
12. It is the council's statutory duty to maintain the Guildhall complex, including all elements within its curtilage, under Listed Building legislation and any change to the building that is not on a like for like basis requires Consent. It is also of course a statutory duty to provide buildings that meet DDA requirements. This report covers planned maintenance, minor works (relatively) to facilitate DDA and certain options to enhance the current use of the accommodation, over the next few years.

13. The quinquennial report identifies items of structure, fabric and fittings that require attention or repair and sets out priorities for action. The priorities are:

**Priority 1** – Urgent work that will prevent immediate closure of premises and/or address an immediate high risk to the health and safety of the occupants and/or remedy a serious breach of legislation.

**Priority 2** – Essential work required within two years that will prevent serious deterioration of the fabric or services and/or address a medium risk to the health and safety of occupants and/or remedy a less serious breach of legislation.

**Priority 3** – Desirable work required within three to five years that will prevent deterioration of the fabric or services and/or address a low risk to the health and safety of the occupants and/or remedy a minor breach of legislation.

**Priority 4** – Long term required outside the five year planning period that will prevent deterioration of the fabric or services.

**Priority M** – Items of maintenance.

**Priority O** – Items to be kept under observation / requiring further specialist inspection or requiring special access to inaccessible areas.

14. The summary below is supported by more detailed information at annex A. Note that all figures are order of cost only, subject to more detailed investigations, but inclusive of fee allowance.

**Table 1: Maintenance and upkeep of structure and building services (refer to Annex A)**

Priority 1 (immediate, 07/08)

General building repairs. New light fittings to Guildhall	£80,000
Specialist surveys	£7,500
	£87,500

Priority 2

General repairs, including waterfront	£336,000
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Priority 3

General building repairs. Boiler replacement.	£360,000
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Priority 4

General building repairs	£23,000
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<b>Total</b>	<b>£806,500</b>
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15. The access audit raised a number of significant areas of concern, particularly with regards to signage, external areas and other safety related matters such as trip hazards and inadequate lighting. The report proposes a number of management recommendations and physical works both short and long term. See Table 2 and annex B for more detailed information. Some of the issues

raised will require future consultation with local user groups to ensure a 'reasonable' approach is applied.

**Table 2: Improvements to support current uses**

Access Priority 1 Issue may prevent access / service may be delivered in an undignified way / significant health and safety issue.	£82,500
Access Priority 2 – May make it difficult to gain access independently, although likely to be possible with assistance / recommendation of significant benefit.	£131,500
Access Priority 3 – Potential improvement, unlikely to prevent access	<u>£2,300</u>
<b>Total</b>	<b><u>£216,200</u></b>

16. There is approximately 60 staff working within the Guildhall complex. The public rooms having bookings up to a year ahead. There are, however, shortcomings in facilities in certain areas that limit the use of the building. The following enhancement to services would potentially extend use of the building, such as:

- Power supply for energy heavy functions
- Toilet accommodation in public areas
- IT provision and internet access to Meeting Rooms
- Enhanced security, e.g. CCTV to monitor public areas and improve security against break ins and vandalism.

**Table 3: enhancing current use**

Enhance general toilet provision	£34,000
Upgrade incoming mains to serve main hall lettings	£40,000
Additional power outlets to Guildhall	£6,000
Upgrade Committee Room lighting and IT routes	£12,000
New sound system	£6,000
CCTV to cover entrances, external spaces and public spaces	£26,000
Upgrade heating to main hall	<u>£82,000</u>
<b>Total</b>	<b><u>£206,000</u></b>

17. In order to determine possible enhancements required, the future use and commercial potential of the Guildhall need to be considered along with its availability and openness to the community and the character and style of its use. There is no business plan in place for the Guildhall.



18. Any fundamental change to the future utilisation of the Guildhall complex is outside the scope of this report and subject to further consideration as part of the Council's overall accommodation strategy.

### **Consultation**

19. Consultation and advice has been sought from specialist Conservation Architects, Building Surveyors and Building Services Engineers engaged through the Councils framework agreement with Atkins. Internal advice on current maintenance and building issues has been gained from within the Property Services team. Current operational use and comments on building effectiveness to meet current needs has been gained from the Civic Services Officer within the Chief Executive's team.

### **Options and Analysis**

20. Listed Building and DDA legislation set legally enforceable standards. To do nothing is not an option.
21. The building will continue in its present use for at least three years. Any change in use will not be implemented until after the completion of the Administration Accommodation project and relocation of staff to the new Hungate Building in 2010.
22. Members will need to consider the short-term strategy (3 years) and the medium to long-term strategy for the Guildhall complex.

### **Short-term strategy**

23. To consider the three identified needs of this building complex
  - Repair and Maintenance, including health & safety
  - DDA requirements
  - Minor improvements to support current levels of use
24. Options for Repair and Maintenance:
  - A - Priority 1 works only
  - B - Priority 1 and 2 works
  - C – Priority 1 and a selection of those listed under priority 2 in annex A
25. Options for DDA requirements
  - A – Priority 1 works only
  - B – Priority 1 and 2 works

- C – A selection of works from those listed under priority 1 and 2 in annex B
26. Options for minor improvements to support current levels of use
- A – Do nothing
  - B – Do all of the works identified in Table 3
  - C – Do a selection of works from those listed in Table 3, above

**Medium to Long-term strategy**

27. The Corporate Landlord to review, consider and present options for the future use and management of the Guildhall following the completion of the new Administration Accommodation at Hungate.
28. The review should include:
- Understanding the legal obligations resting with the council as owner of this listed building
  - Understanding the constraints upon use and adaptation of the existing buildings
  - Future needs of the council for accommodation over and above that which will be provided in the new building at Hungate
  - The suitability of the Guildhall complex to meet any of those identified needs
  - Ownership and interest
  - Opportunities for development of that area of the City that includes the Guildhall complex and the contribution the buildings could make to that development.
29. To prepare a business plan that takes account of the review and includes a medium to long-term plan for investment in this building complex.

**Corporate Priorities**

30. The upkeep of The Guildhall will support the appearance of this important Grade 1 listed building within an Area of Archaeological importance.
- Improve the actual and perceived condition and appearance of the City's streets, housing estates and publicly accessible spaces
  - Improve our focus upon the needs of customers and residents in designing and providing services

## Financial Implications

31. The Admin Accom business case includes a capital expenditure budget of £110k to be spent in 2007/08 and a further £500k to be spent in 2009/10, just prior to the completion of the new office accommodation at Hungate. The maximum value of work highlighted in this report is £1,229k, £619k more than £610k available in the business case. Table 4 summarises the various options and compares them to the available budget. Option C for each type of works shows the minimum and maximum potential spend. If the Executive Member were to recommend all the works then there would be a budget shortfall of £233.5k against the available budget.

		<b>Repairs &amp; Maintenance</b>	<b>DDA Requirements</b>	<b>Minor Improvements</b>	<b>Total</b>	<b>Budget</b>	<b>Budget Surplus/ (Deficit)</b>
		£000	£000	£000	£000	£000	£000
Option A (Priority 1)		87.50	82.50	0.00	<b>170.00</b>	610.00	<b>440.00</b>
Option B (Priority 1 & 2)		423.50	214.00	206.00	<b>843.50</b>	610.00	<b>-233.50</b>
Option C (Mixture)	Min	87.50	82.50	0.00	<b>170.00</b>	610.00	<b>440.00</b>
	Max	423.50	214.00	206.00	<b>843.50</b>	610.00	<b>-233.50</b>

**Table 4 – Financial Summary of Proposed Options**

32. Additional funding could be bid for through the Council's Capital Resource Allocation Model (CRAM) process, although it is not envisaged that there will be many surplus capital funds over the next few years and a lot of other capital priorities. Alternatively if some of the enhancement works would enable more lettings at higher rates then the additional income could be used to finance additional capital investment through prudential borrowing. Typically £10k of income would finance £100k of borrowing. Any advance of borrowing would be subject to a detailed business case.

## Other Implications

- **Human Resources (HR)** – There are no HR implications.
- **Equalities** - Implications are as laid out in the report
- **Legal** – Listed Building and DDA legislation set legally enforceable standards.
- **Crime and Disorder** – There are no crime and disorder implications.
- **Information Technology (IT)** – There are no IT implications.
- **Property** - Implications are as laid out in the report
- **Other** - None identified

## **Risk Management**

33. Refer to appraisal at Annex C

## **Recommendations**

34. The Advisory Panel advises the Executive Member:

- To direct the Corporate Landlord to review, consider and present options for the future use and management of the Guildhall following the completion of the new Administration Accommodation at Hungate, and that the review should include the issues identified in the body of this report
- To direct the Corporate Landlord to prepare a business plan that takes account of the review and includes a medium to long-term plan for investment in this building complex.
- To recommend Option A as their preferred option for responding to identified repair and maintenance needs.

*Reason: To discharge the council's immediate and statutory maintenance requirements until the Corporate Landlord presents the report on the medium to long term strategy of the building.*

- To recommend Option A as their preferred option for responding to identified DDA needs.

*Reason: To discharge the council's immediate and statutory DDA requirements until the Corporate Landlord presents the report on the medium to long term strategy of the building.*

- To recommend the upgrading of the incoming mains and additional power sockets to the main hall as their preferred option for responding to identified minor improvement needs.

*Reason: To improve the health and safety and user experience of the Guildhall. Other enhancements should be deferred until the medium to long term strategy of the building has been agreed.*

**Author:**  
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**Head of Strategic Business & Design, Property Services**  
01904 553379

**Chief Officer Responsible for the report:**  
**Neil Hindhaugh**  
**Assistant Director Property Services**

10-07-07

*Peter Appleby*  
*Design Manager*  
*Property Services*  
*Dept Name*  
01904 553340

**Specialist Implications Officer(s)**

*Financial*  
*Name* Tom Wilkinson  
*Title* Corporate Finance Manager  
*Tel No.* 551187

**Wards Affected:** *List wards or tick box to indicate all*

All  *tick*

**For further information please contact the author of the report**

**Background Papers:**

Quinquennial Inspection Report & Photographs  
Disability Access Audit Report

**Annexes:**

Annex A – Condition  
Annex B – Access  
Annex C – Risk Management

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## Guildhall Repair and Maintenance, Disabled Access and Minor Improvement Needs

### Annex A – Condition

#### Priority 1 Works

Description	Value
<u>Boundary wall to east of South Range</u> Structural engineering advice to eroded brickwork	£6,750
<u>Committee Rooms (south west corner of complex)</u> Establish structural monitoring	£2,500
<u>Guildhall</u> Seek structural engineering advice regarding timber columns	£6,750
New light fittings	£10,000
<u>Entrance Courtyard</u> Access improvements	£6,750
<u>Council Chamber and Offices</u> Repair roof Inspect parapet gutter to establish if leaking into Council Chamber, repair as appropriate Inspect central valley gutter, repair as appropriate Seek structural engineering advice regarding stair hall ceiling beam	) ) ) ) ) £39,150
<u>Guildhall Annex (north range)</u> Overhaul eaves gutter Seek structural engineering advice regarding crack at 1 <sup>st</sup> floor level and carryout necessary repairs	) ) ) £4,100
<u>General Maintenance Works</u> Review health and safety measures to stairs (gap between spindles exceeds legislation)	£4,000
	<b>£80,000</b>

**Priority 2 Works**

Description	Value
<u>South Range (Safe)</u>	
Improve rainwater disposal on south side, including below ground drainage / soak away.	)
Repoint open joints / crack in walls	)
Remove vegetation	)
	£27,645
<u>South Range (Member Offices)</u>	
Renew rainwater goods	)
Repair flat roof	)
Attend to rainwater disposal / drainage	)
	£43,395
<u>Committee Rooms (south west corner of complex)</u>	
Repoint cracks	
	£23,145
<u>Guildhall</u>	
Lead burning repairs to roof	)
Repair flat roof	)
	£12,860
<u>Entrance Courtyard</u>	
Repoint and monitor boundary wall	
	£12,860
<u>Toilet Out-shut/ Bin Store</u>	
Repair rainwater goods	)
Repair concrete beams	)
Repair / demolish bin store structure	)
	£10,925
<u>Guildhall Annex (west block – river frontage)</u>	
Replace missing air brick	
	£645
<u>Hutments</u>	
Overhaul rainwater goods	)
Repair roof-lights	)
	£6,430
<u>General Maintenance Works</u>	
Cold bridging, isolate window from window. Renew plaster and redecorate.	
	£19,285
New sanitary fittings, cubicles, floor coverings and decorations required	
	£38,570
Redecorate, continual programme on a 5 year cycle	
	£45,000
Waterfront decorations and repair including special scaffold	
	£95,240
	<b>£336,000</b>



**Priority 3 Works**

Description	Value
<u>South Range (Member Offices)</u>	
Recover roofs with existing slates (repair dormers, renew lead detailing)	£48,750
<u>The Guildhall</u>	
Stone work repairs	£35,000
<u>Entrance Courtyard</u>	
Provide interpretation and way-marking	£6,750
<u>Inner Chamber</u>	
Repair parapet stonework )	
Window repairs and redecoration )	£35,700
<u>Council Chamber and Offices</u>	
Repair window mullion	£4,900
Repair window glazing	£15,450
<u>Guildhall Annex (west block – river frontage)</u>	
Overall roof )	
Renew leadwork to roof lights )	£67,450
<u>Guildhall Annex (north range)</u>	
Repair / render localised brickwork south side	£13,500
<u>General Maintenance Works</u>	
Renew floor coverings	£47,250
New sound system	£5,250
Boiler Replacement	£80,000
	<b>£360,000</b>

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## Guildhall Repair and Maintenance, Disabled Access and Minor Improvement Needs

### Annex B – Access

#### Access Priority 1

Issue	Disabilities affected	Action recommended	Priority	Category	Cost
No directional signage within the local viciting to assist visitors in finding the site.	All	Management policy to provide suitable directions with all correspondence.	1	B	Nil
Visitors may experience difficulties in reaching the site from surrounding area.	All	Management policy to provide assistance from the vicinity on a pre-arranged basis.	1	B	Nil
Inadequate identification signage.	All	Provide new site identification signage - to Mansion House.	1	C	Covered in R87.
Existing pathways are paved. Routine maintenance will be required.	All	Management policy to inspect and maintain pathways in safe condition.	1	A	Nil
Existing metal inspection chamber covers slip hazard when wet.	All	Replace or treat existing metal covers on access route.	1	A	£ 600
Existing steps to courtyard not compliant, no handrails, nosing's or tactile warnings.	All	Consider reconstruction to meet BS8300 as part of external works programme initiated for other purposes.	1	D	Nil
Existing steps to courtyard not compliant, no handrails, nosing's or tactile warnings.	All	If R14 is un-likely in the foreseeable future then short term works to provide non-slip nosing's and handrails should be undertaken.	1	C	£ 2,500
Existing steps to courtyard have no tactile warnings.	Visually impaired.	If R14 is un-likely to occur in the foreseeable future then short term works to provide tactile warnings should be undertaken.	1	A	£ 1,500
Circulation space in front of reception is not adequate.	Mobility impaired.	Rearrangement of existing furniture.	1	B	Nil

Issue	Disabilities affected	Action recommended	Priority	Category	Cost
No tactile way finding available.	Visually impaired.	A management policy to provide assistance to visually impaired visitors, or if frequent visitors tactile map and tour.	1	B	Nil
Existing information leaflet racks are too high.	Wheelchair users and people of short stature.	Duplicate all leaflets in lower level provision.	1	B	£ 100
Existing circulation space within corridor is adequate at time of inspection.	Mobility impaired.	Management policy to maintain circulation space as per section 9.0	1	B	Nil
Existing stage could be a hazard to people with visual impairments.	Visually impaired.	Management policy to ensure people are aware of the stage and assistance offered.	1	B	Nil
Artificial lighting within the Main Hall is unlikely to be adequate.	All	Test outside of daylight and upgrade as required.	1	B	Covered in R80.
Existing circulation space within the hall is adequate at time of inspection.	Mobility impaired.	Management policy to maintain circulation space as per section 9.0	1	B	Nil
Two of the existing Committee Rooms are on the 1st floor, one of these has no access for mobility impaired.	Mobility impaired.	Management policy to prioritise the ground floor meeting rooms for events with known attendees with disabilities.	1	B	Nil
Existing lighting provision to Committee Rooms inadequate.	All	Management policy to provide task lighting as required.	1	B	Nil
Existing circulation space within Committee Rooms inadequate.	Mobility impaired.	Management policy to maintain circulation space as per section 9.0	1	B	Nil
Existing Council Chamber seating is difficult to access.	Mobility impaired.	Management policy to provide portable seating and / or assistance as required.	1	B	Nil
Existing lobby providing access to G/G/10 is smaller than current standards.	Mobility impaired.	Management policy to ensure that the door to the lobby is held open, subject to fire safety requirements.	1	B	Nil
Existing circulation space within ground floor offices.	Mobility impaired.	Manage existing space and furniture in accordance with guidance given in section 9.	1	B	Nil

Issue	Disabilities affected	Action recommended	Priority	Category	Cost
The Leaders office is not accessible to people using wheelchairs.	Mobility impaired.	Management Policy to ensure a suitable rooms is available for meeting etc.	1	B	Nil
Existing platform lift to stair offers limited access due to its size and weight capacity. Only available on assisted basis and weight restricted.	Mobility impaired.	Replace existing platform lift.	1	C	£ 25,000
Existing timber ramp is not compliant. Potential hazard.	Mobility impaired.	Remove existing ramp and provide platform lift.	1	A	£ 30,000
Existing timber ramp is not compliant. Potential hazard.	Mobility impaired.	If R68 can-not be implemented, remove existing ramp and provide portable ramp on assisted basis.	1	A	£ 1,000
Existing doors provide less than 750mm clear width.	Mobility impaired.	Replace existing doors.	1	C	£ 4,000
Existing accessible WC's fail to meet current standards.	All	Refurbishment of existing accessible WC's.	1	A	Cost covered in R77.
Internal signage does not provide way finding for people with disabilities.	Visually impaired.	Managed as set out in R32.	1	B	Nil
Existing emergency egress provision includes a number of barriers.	All users.	Escape strategy review in light of issues raised within this report. Provisional sum allowed for upgrades following review.	1	A	£ 7,500
Existing slope between Guildhall and annexe is a hazard.	All users.	Provide contrast and warning sign.	1	A	£ 250
Specific assessment of individuals needs as and when arises.	All users.	Appropriate technical advice be sought in conjunction with occupational health and fire safety advisors	1	C	Nil

## Access Priority 2

Issue	Disabilities affected	Action recommended	Priority	Category	Cost
Site information signage, opening times etc is not ideal.	All	Provide new / modified signage as part of site wide scheme	2	C	Covered in R87.
Printed information does not follow RNIB guidelines.	Visually impaired.	Management policy to ensure all notices are in accordance with RNIB clear print guidelines.	2	B	Nil
Practical issues with conveying printed signs to people without sight.	Visually impaired.	Management policy to convey all public notices to access / disability groups for dissemination.	2	B	Nil
Accessible parking bay may be misused. Also signed as staff only.	Mobility Impaired.	Management policy to ensure it is available for use. Replacement of sign as part of R87.	2	B	Nil
Existing external lighting is not adequate.	All	External lighting review / works to upgrade.	2	C	£ 12,000
Lighting to external steps inadequate.	All	Works to provide minimum 100 lux at tread level as part of R12.	2	C	Nil
Existing ramp - handrails.	Mobility Impaired, self propelled wheelchair users.	Works to provide new handrails to the ramp.	2	C	£ 1,000
Ramp gradient too steep and lack of adequate turning circles at bottom, by current standards.	Mobility impaired, users of large wheelchairs.	As part of external works initiated for other purposes, re-construct ramp to meet as many of the requirements of BS8300 as possible.	2	D	£ 10,000
Existing ramp inadequate lighting.	All	Works to provide minimum 100 lux at floor level as part of R12.	2	C	Nil

Issue	Disabilities affected	Action recommended	Priority	Category	Cost
Long sloped access route from arch through courtyard.	Mobility impaired.	Management policy to advise users of its presence and offer assistance.	2	B	Nil.
Long sloped access route from arch through courtyard.	Mobility impaired / ambulant disabilities.	Provide handrails through archway, subject to maximum vehicle width.	2	C	£ 1,500
Secondary entrance available is of benefit to wheelchair users.	Mobility impaired.	Management policy to advise users of committee rooms 1 & 2 are available.	2	B	Nil
Secondary entrance- lack of external lighting.	All	Works to provide external lighting as part of R12.	2	C	Nil
Drainage gratings - not compliant.	All	Works to provide new drainage gratings.	2	C	£ 500
Main entrance does not have signage.	All	Provide new sign as part of R87.	2	C	Nil
Main entrance lighting is not likely to be adequate.	All	Works to provide external lighting as part of R12.	2	C	Nil
Reception counter induction loop is not clearly identified.	Hearing impaired.	Provide new induction loop sign to reception counter and make staff aware of facility.	2	B	£ 50
Reception' sign is in poor location.	All	Re-locate sign to provide better contrast and suitable height.	2	C	£ 100
Existing decoration scheme to corridor provides inadequate contrast.	Visually impaired.	Provide suitable contrast as part of next programmed redecoration.	2	D	Nil
Existing corridor adjacent to Council Chamber does not have seating.	Ambulant disabled.	Provide seating in accordance with guidance.	2	C	£ 1,000
Existing Hall entrance doors and lobby doors do not meet current standards, are heavy and too close together.	All	Management policy to ensure doors are held open or assistance is provided when in use.	2	B	Nil
Lighting issues within the main hall.	All	Management policy to offer seating which is not affected by the natural light to people who require it / task lighting to be offered.	2	B	Nil

Issue	Disabilities affected	Action recommended	Priority	Category	Cost
Hearing enhancement within the Main Hall. No system evident.	Hearing impaired.	Consider the provision of a hearing enhancement system. See R86.	2	C	£ 7,500
Existing lighting provision to Committee Rooms inadequate.	All	Test outside of daylight hours and upgrade as required / allowed. Undertake with R80.	2	C	Covered by R80.
Not all Committee Rooms equipped with Hearing enhancement systems.	Hearing impaired.	Consider the provision of additional hearing enhancement systems. See R86.	2	C	£ 4,000
Existing lighting within Council Chamber may not be adequate.	All	Test the existing provision and upgrade where required / possible. Provide task lighting where lighting level not achieved after upgrades. Cost covered in R80.	2	C	Covered by R80.
Circulation space within the Council Chamber is limited.	Mobility impaired.	Management policy to ensure that the spaces which are suitable are made available.	2	B	Nil
No evidence of any hearing enhancement system within the Council Chamber.	Hearing impaired.	Provide a hearing enhancement system. See R86.	2	C	£ 3,000
Existing ground floor offices not quipped with induction loops.	Hearing impaired.	Provide induction loops, interim solution see R86.	2	D	£ 5,000
Existing handrail to main stone stair (S1) is not adequate.	Ambulant disabled / visually impaired.	Provide new continuous handrail with suitable section	2	C	£ 2,500
Existing timber stair (S2) has inadequate handrail.	Ambulant disabled.	Provide additional handrail.	2	C	£ 800
Existing stone stair - lack of contrasting nosing's.	Visually impaired.	Next redecoration scheme to paint string in contrast to stair.	2	D	Nil
Existing timber stair - lack of contrasting nosing's.	Visually impaired.	Provide stair with contrasting nosing's.	2	C	£ 1,500
Existing steps within the main hall have no contrasting / non-slip nosing's.	All	Provide resin nosing's to steps within Main Hall.	2	C	£ 1,000
Internal steps have not been provided with handrails.	Ambulant disabled.	Provide all internal steps with handrails.	2	C	£ 1,500



Issue	Disabilities affected	Action recommended	Priority	Category	Cost
Internal lighting to steps is unlikely to provide the 100lux required.	All	Test and upgrade lighting to steps as part of R80.	2	C	Covered in R80.
Existing double leaf door sets do not provide 750mm per leaf.	Mobility impaired.	Manage existing double doors to allow access. Use magnetic hold opens linked to fire alarm if required.	2	B	Nil
Existing door furniture is not suitable for people with dexterity related problems.	Manual dexterity.	Provide assistance, replace with suitable alternatives as part of routine maintenance.	2	D	Nil
Existing door closers require too much force to operate.	All	Regular maintenance and adjustment to ensure suitable operating pressure, with replacement of those which can-not be adjusted sufficiently. Provisional sum allowed for replacement of some.	2	B	£ 3,000
Existing door on circulation route to WC does not have adequate zones of vision.	Wheelchair users and people of short stature.	Provide additional vision panel at low level. To be in keeping with existing.	2	C	£ 1,000
Existing non-wheelchair accessible WC's.	All	Upgrade to provide paddle type fittings and handrails to existing facilities.	2	C	£ 2,000
Existing accessible WC adjacent to the Annexe is currently staff only.	All	Review existing policy regarding use of the facility.	2	B	Nil
Existing accessible WC adjacent Annexe may be made available.	All	If R76 can-not be implemented then consider forming an accessible WC within existing office G/G/8.	2	D	£ 20,000
Lighting provisions require maintenance and future works to lighting should consider people with disabilities.	All	Management policy to maintain existing fittings and ensure all future works consider the needs of people with disabilities.	2	B	Nil
Existing internal lighting within the site is unlikely to meet current standards.	All	Test and upgrade as required / permissible.	2	C	£ 30,000

Issue	Disabilities affected	Action recommended	Priority	Category	Cost
Existing internal lighting within the site is unlikely to meet current standards.	All	Management policy to provide task lighting as required.	2	B	Nil
Existing decoration scheme provides less than adequate contrast.	Visually impaired.	Ensure next programmed redecoration provides suitable contrast.	2	D	Nil
Existing decoration scheme provides less than adequate contrast.	Visually impaired.	Ensure staff are aware of the issues and provide assistance as required.	2	B	Nil
Acoustic properties generally.	Visually impaired / hearing impaired.	Management policy to ensure that any significant refurbishment works include for acoustic design.	2	B	Nil
A number of facilities have not been provided with hearing enhancement systems.	Hearing impaired.	Provide hearing enhancement systems, subject to site survey by specialist.	2	C	Cost covered on location by location basis.
A number of facilities have not been provided with hearing enhancement systems.	Hearing impaired.	Provide mobile hearing enhancement system as interim measure for above.	2	C	£ 1,500
Existing external signage scheme is not adequate.	All	Provide a comprehensive external signage scheme to site.	2	C	£ 5,000
Internal signage does provide way finding for people with disabilities.	Visually impaired.	In the long term any replacement signage scheme should review the feasibility of providing independent way finding.	2	D	Nil
General upgrades and refurbishments of staff areas offer opportunity to be pro-active.	All users.	A policy to ensure all proposed works consider the needs of people with disabilities.	2	B	Nil

### Access Priority 3

Issue	Disabilities affected	Action recommended	Priority	Category	Cost
Accessible parking bay is lacking rear safety zone, in less than ideal location and slightly undersized.	Mobility Impaired.	Re-line to meet current standards when existing markings are worn.	3	D	£ 1,500
Existing concrete pathway cracked and potential trip hazard.	All	Consider its replacement / making good as part of external works programme. Priority subject to risk assessment as recommended.	3	D	As part of external works scheme.
Existing timber slatted benches can cause discomfort to people with skin conditions.	People with skin conditions.	At end of lifespan, ensure replacement is not of slatted construction.	3	D	Nil
Reception counter has a glazed screen which reduces visibility.	All	Remove glazed screen and provide additional counter surface.	3	C	£ 500
Existing Council Chamber seating is difficult to access.	Mobility impaired.	Works to make the existing facilities accessible should an opportunity arise.	3	D	Nil
Existing kitchen and WC to Leaders Office is not equipped for use by people with disabilities.	Dexterity related / ambulant disabled.	Equip facility when next re-furbished.	3	D	Nil
Internal steps not compliant.	All	Re-construct steps / modify steps should an opportunity arise.	3	D	Nil

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## Annex C

<b>Repair and Maintenance</b>	<b>OPTION A</b>	<b>OPTION B</b>	<b>OPTION C</b>
<b>Options</b>	<i>Priority 1 works only</i>	<i>Priorities 1 &amp; 2 works</i>	<i>Priority 1 and a selection of works from Priority 2</i>
<b>Pro's and Cons</b>	Discharges immediate liability but short term only. Priority 2 items will become urgent within the three years	Discharges immediate liability and addresses main priorities for upkeep of building over three years	Discharges immediate liability and addresses some of the main priorities for upkeep of the building over three years
<b>Officer recommendation</b>	Could only be recommended as part of a short term strategy, pending the implementation of a medium to long-term strategy that included significant investment in the building from year 4 onwards	Could be recommended, on the basis that any significant medium to long-term investment is unlikely in the foreseeable future.	Could be recommended, on the basis that any significant medium to long-term investment is unlikely in the foreseeable future. .
<b>Financial Implications</b>	£87,500 Subject to normal procurement safeguards	£423,500 Subject to normal procurement safeguards.	Between £87,500 and £423,500 Subject to normal procurement safeguards.
<b>Risks</b>	Priority 2 works would deteriorate and/or fail, cause risk to life and limb or place the council in breach of legislation during the three year period with further and additional expenditure incurred	The council's risk would be limited to the unforeseen or the unexpected deterioration of priority 3 works requiring attention during the three years.	Priority 2 works not undertaken could deteriorate and/or fail, cause risk to life and limb or place the council in breach of legislation during the three year period with further and additional expenditure incurred
<b>Legal Implications</b>	Listed Building and DDA legislation set legally enforceable standards. Do nothing is not an option.		

<b>DDA requirements</b>	<b>OPTION A</b>	<b>OPTION B</b>	<b>OPTION C</b>
<b>Options</b>	<i>Priority 1 works only</i>	<i>Priorities 1 &amp; 2 works</i>	<i>A selection of works from Priority 1 &amp; 2</i>
<b>Pro's and Cons</b>	Increases level of compliance and deal with essentials. Still not fully accessible.	High level of compliance within an historic and listed building, particularly in the public areas	Provides members with a choice between option A and B and focuses on those things that support short term use.
<b>Officer recommendation</b>	A minimum requirement	Desirable but not essential	Appropriate to current use and meeting minimum requirements
<b>Financial Implications</b>	£82,500	£131,500	Between £82,500 and £131,500
<b>Risks</b>	Anything but full compliance leaves the council open to challenge	Limited risk of challenge and is a reasonable approach to needs within an historic and listed building	Limited risk of challenge based upon current use and is a reasonable approach to needs within an historic and listed building
<b>Legal Implications</b>	DDA legislation sets legally enforceable standards.		

<b>Minor Improvements</b>	<b>OPTION A</b>	<b>OPTION B</b>	<b>OPTION C</b>
<b>Options</b>	<i>Do nothing</i>	<i>Do all of the works listed in Table 3</i>	<i>Do a selection of works listed in Table 3</i>
<b>Pro's and Cons</b>	Not responding to customer needs	Meeting all building needs and most of customer needs for the short term use balanced against budget constraints and not knowing the medium to long term strategy	Meeting some of the building needs and some of the customer needs for short term use whilst awaiting the outcome of the review to establish the medium to long term strategy
<b>Officer recommendation</b>	Difficult to do nothing when needs have been identified	Defer decision on some elements until strategy known (option c)	Recommended
<b>Financial Implications</b>	£0	£206,000	Between £0 and £206,000
<b>Risks</b>	Reputation as a result of not responding, customer dissatisfaction	Must be sure that short term expenditure is not seen as wasteful ahead of longer term strategy	Not pleasing everyone
<b>Legal Implications</b>	The building should be fit for purpose, not doing this work should limit the activities within the buildings, failure to limit those activities may leave the council at risk of being sued in the event of an accident		

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## **Meeting of Executive Member for Corporate Services and Advisory Panel**

**24 July 2007**

Report of the Director of Resources

## **Treasury Management Annual Report & Review of Prudential Indicators**

### **Summary of Report**

1. This report updates the Executive Member on Treasury Management performance for 2006/07 compared against the budget taken to Council on 01 March 2006. The report highlights the economic environment over the 2006/07 financial year and in relation to this reviews treasury management performance covering:
  - Short-term investments,
  - Long-term borrowing,
  - Venture Fund,
  - Treasury Management Outturn and
  - The Prudential Indicators.

### **Background**

2. The Treasury Management in the Public Services Code of Practice recommends that Local Authorities annually review and update where necessary their Treasury Management Policy Statement and Practices. These updated documents are attached in Annex E and F.

### **Consultation**

3. The majority of this report is for information and reporting on the performance of the treasury management function. Members through the budget process set the level of budget and expected performance of the Councils treasury management function.

### **Options/Analysis**

4. The majority of this report is for information however the Executive Member is requested to approve the adoption of the revised Treasury Management Policy and Practices set out in Annexes E and F, as required by CIPFA in its Treasury Management in the Public Services Code of Practice. Adopting the

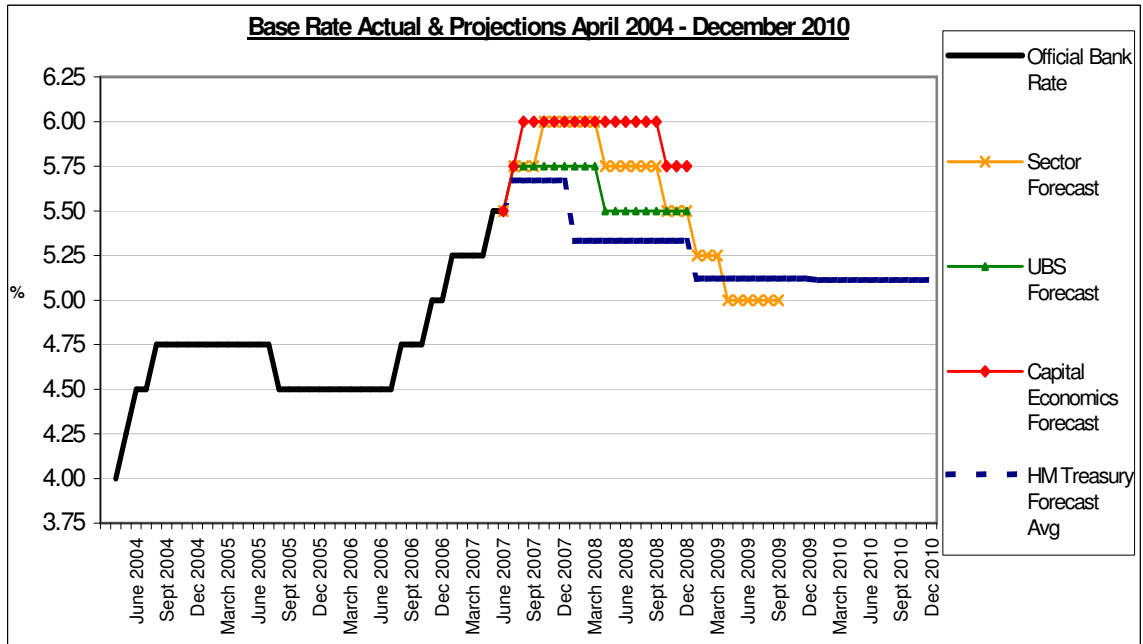
Policy and Practices and approval by an Executive Member is recognised as best practice and failure to adopt can result in an adverse Comprehensive Performance Assessment (CPA) score.

### **Corporate Priorities**

5. Effective treasury management is concerned with the management of the Council's cash flows, it's 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. By effectively managing its treasury activities the Council will meet its Corporate Strategy Priority of "Improve efficiency and reduce waste to free-up more resources".

### **Economic Background**

6. 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 2006/07 at 4.5%, having been unchanged at this level since August 2005. The Bank of England Inflation Report of May 2006 marked a watershed in as much as the Monetary Policy Committee (MPC) switched from a loosening bias on interest rates to a tightening bias. Previous expectations of cuts in Bank Rate in 2006 were replaced by the reverse expectation i.e. at least one, if not two increases of 0.25% by the end of 2006. Bank Rate accordingly rose to 4.75% in August 2006 and then to 5.0% in November.
  - b. This was then followed by another rate increase in January to 5.25% which was not anticipated by the financial markets and forecasters and immediately sparked inferences that the MPC had had access to some bad news on the inflation front, which was not available to the markets at that time, before it took that decision. These fears were indeed confirmed soon after by the news that CPI (Consumer Price Inflation) had risen sharply to 3.0% in December, a whisker away from the MPC having to write a letter of explanation to the Chancellor (if it had gone over 3.0%). Figure 1 shows the actual base rate movements since 2004/05 with predictions from economic commentators for 2007/08.



**Figure 1 – Base Rates 2004- 2010 as at June 07**

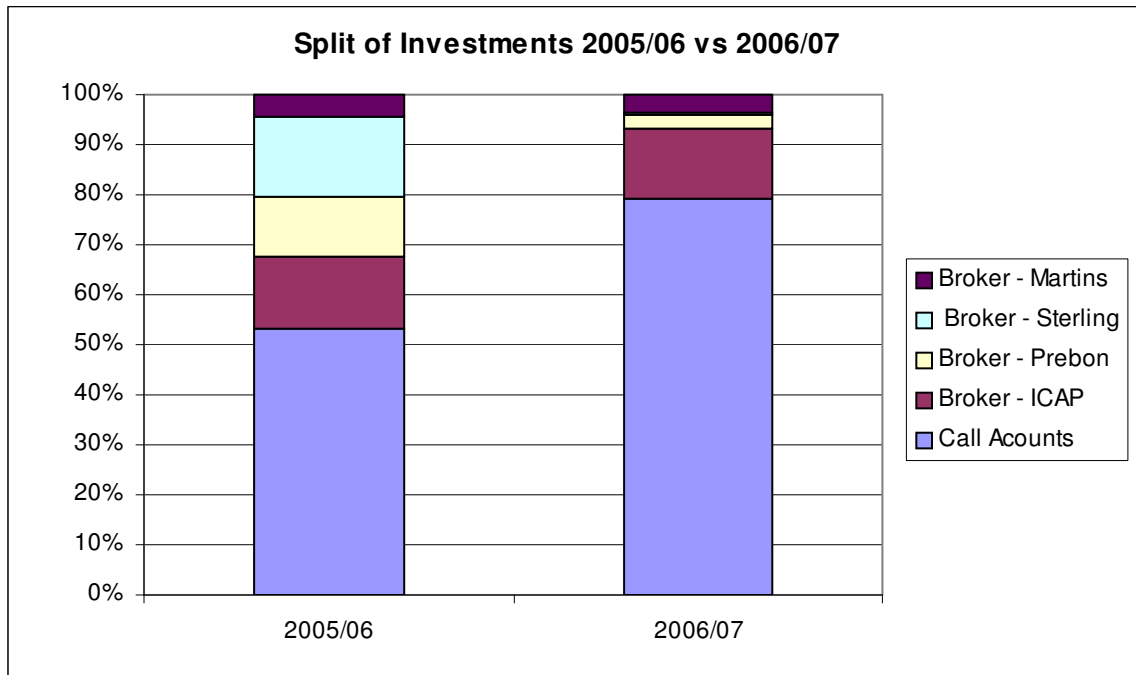
- c. With regard to longer term borrowing the Public Works Loans Board (PWLB) 45-50 year rate started the year at 4.20% and fell to a low of 4.05% several times in late September to early November. The high point for 45-50 year was 4.50% in late March 2007 before finishing the year at 4.45%. The sustained rise in long term rates in Q4 2006 and Q1 2007 was underpinned by the rise in world inflationary expectations over the medium to long term.
- d. Money Market rates have been volatile for the latter part of the year with two of the base rate increases being unforeseen by the money markets. Due to the volatility, longer term rates (3 months to 364 days) have been favourable at various points throughout the year but have been difficult to pick off due to the uncertainty regarding the short term direction of interest rates.
- e. A number of institutions keen to accept Local Authority investments have been offering competitive interest rate on call accounts, paying Bank of England Base Rate as a minimum on all balances held with them. Such competitive rates have seen these accounts earn higher returns than money placed on the money markets for periods up to 1 and 2 months. This has seen the Council take advantage of such rates actively operating 4 accounts:
  - i. Bank of Scotland 7 day notice base plus account is the best performing call account offering between 0.03% to 0.29% (averaging 0.12%) above base rate.
  - ii. Anglo Irish Star call account paying on average 0.04% above base rate.
  - iii. Abbey National call account paying base rate.

- iv. Bank of Scotland call account paying base rate.
- f. These accounts are the most competitive on the market with the Treasury Management team actively seeking the best deals available with authorised counterparties.

### Short Term Investments

7. The Council's average balance available for investment has increased significantly from £27.6m in 2005/06 to £44.6m in 2006/07. The reasons for this are:
  - A high level of capital receipts received in 2006/07 was an increase of £10.4m on 2005/06 levels.
  - Early receipt of £2.8m of capital grants which were not applied in 2006/07.
  - General fund under spend of c £3m
  - Capital programme slippage of c£7m against start budget
  - An increase in Housing Revenue Account working balances
  - £0.5m Dedicated Schools Grant surplus
  - Surplus on collection fund of c£1m.
8. The day to day cash balances varied in relation to the Council's receipts and payments cycles. Cash balances reduce at the end of the month due to the monthly payroll and increase at the beginning and mid point of the month with the receipt of Council Tax and Non Domestic Rates. Annex A shows the movement in daily cash balances over the year. All surplus cash balances were invested with authorised counterparties in accordance with the Council's Treasury Policy Statement. Trading Activity during the year generated an excess of £2.184m of interest earned over interest payable, equivalent to a 4.90% rate of return. This is 0.06% better than the average 7 day London Inter-Bank Bid Rate (LIBID) of 4.84%, the standard benchmark for short term cash management.
9. Taking into account the direct costs of dealing, the in-house team achieved a net trading surplus of £2.165m. This is equivalent to a return of 4.86%, which is 1.04% above the average rate paid by the bank on credit balances held in the Council's accounts, as shown in Annex B. The bottom line value added by the Council's money market trading activities is estimated at £0.462m.
10. During the year, the Council has made 144 investments totalling £306m, compared with 133 totalling £254m in 2005/06. This increase is due to proactive management of the Council's accounts with treasury management officers achieving returns above the levels of the standard call accounts with

the Council's investments. The overall investment pattern has changed slightly with 79% of investments being made into the call accounts compared to 53% in 2005/06. This reflects the higher returns that call accounts have been offering with 7 day notice call account returns beating money market investments for periods up to 1 month. This is illustrated in figure 2:



**Figure 2 – Split of Investments by broker used**

11. Additional information is provided in Annex C about the scale of money market activities for 2006/07 and the relative uses made of different types of lending institutions and the various Council brokers.
12. The Council has made 30 investments via the money market brokers during 2006/07. Of these 8 have been for a week or less with 12 being for a period of 3 months or over. Table 1 gives details of investments for periods greater than 3 months.

Financial Institution	Base Rate at time	Rate of Interest	Value	Start Date	Duration (days)
Bank of Ireland	4.5%	4.69%	£3.0m	04/04/06	364
Irish Intercontinental Bank	4.5%	4.86%	£3.0m	15/05/06	273
Nationwide Buildings Soc	4.5%	4.87%	£2.0m	28/06/06	275
Nationwide Buildings Soc	4.5%	4.90%	£2.0m	03/07/06	364
Bank of Ireland	4.5%	4.97%	£3.0m	20/07/06	364
Irish Intercontinental Bank *	4.75%	4.70%	£3.0m	08/09/06	364
Clydesdale Bank PLC	4.75%	5.285%	£1.5m	18/09/06	364
Clydesdale Bank PLC	5.00%	5.50%	£2.0m	22/12/06	364
Irish Intercontinental Bank	5.50%	5.70%	£2.5m	02/03/07	364
Clydesdale Bank PLC	5.25%	5.665%	£2.5m	09/03/07	364

Irish Intercontinental Bank	5.25%	5.745%	£2.5m	21/03/07	364
Nationwide Buildings Soc	5.25%	5.805%	£4.0m	30/03/07	364

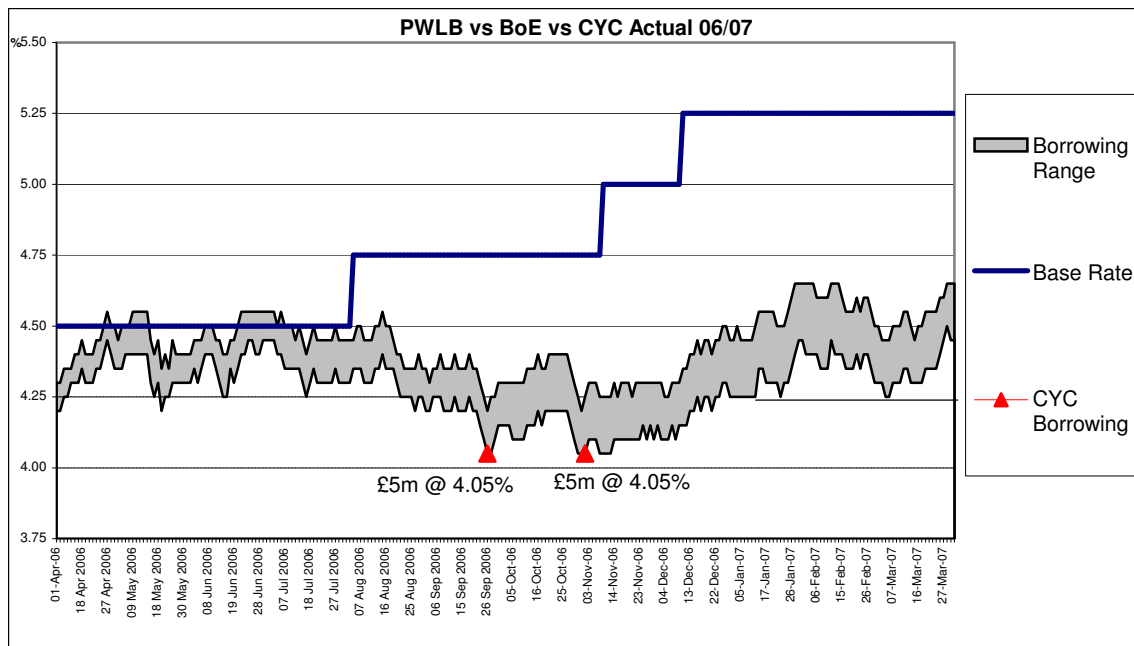
**Table 1 - Council fixed term investments over 3 months in duration**

\* Forward deal arranged in 05/06 financial year becoming live in 06/07. The decision to enter into this forward investment was taken due to economic forecasters predicting rates to be in the region of 4.0 – 4.5% at the date of the investment becoming live. It represented a small proportion of the investment portfolio being at a fixed rate of interest to hedge against a reduction in the base rate.

13. Due to the relatively low number of deals this year, it has been decided not to complete a full annual review of the brokers. Informal feedback received from the dealing team indicate all brokers continue to provide a satisfactory service to the Council. It is intended to retain all four brokerage organisations.

### **Long term Borrowing**

14. 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 gives the Council more flexibility in respect of how much and when it borrows. Under the Prudential Code, Councils are free to borrow up to a level that is deemed prudent, affordable and sustainable and within their prudential indicator limits.
15. The Council's borrowing strategy is to borrow from the PWLB when the rates are low and hold back on borrowing when rates are high following advice from the Councils treasury management advisors (Sector Treasury Services). The Council set a trigger point for taking long term borrowing of 4.25% during 2006/07. Long term borrowing rates started the year around the 4.25% mark fluctuating throughout the year between 4.05% and 4.45%.
16. The Councils long term borrowing started the year at £93.4m with two new loans being taken out in September and November. The two additional loans totalling £10m were taken at the two yearly low points of 4.05% in September and November. Figure 3 shows the PWLB rates (the grey area showing rates between 25 and 50 years) for 2006/07.



**Figure 3 – PWLB rates vs. Bank of England vs. CYC borrowing levels**

17. No loans were repaid during 2006/07 and the borrowing at the end of the year was £103.4m. Table 2 summarises the movement in total Council borrowings during the year.

	Date	£	Prevailing Base Rate	Weighted %	Year of Maturity
<b>Total Debts as at 1/4/06</b>		<b>93,364,956</b>	<b>4.50%</b>	<b>4.692%</b>	
Plus New Loans	26 Sept 2006	5,000,000	4.75%	4.05%	2051/52
	02 Nov 2006	5,000,000	4.75%	4.05%	2053/54
Less Loans Repaid		0			
<b>Total Debts as at 31/03/07</b>		<b>103,364,956</b>	<b>5.25%</b>	<b>4.630%</b>	

**Table 2 – Movement In Long Term Borrowing 2006/07**

18. All of the new borrowing decisions were taken in light of the maturity structure of the Council's current long term borrowing. Prudential indicator 9 sets the permitted maturity structure of borrowing. The two loans of £5m each were taken over 44 and 46 year periods allowing the most competitive rate to be gained and to reflect the long term of the assets that it would be financing, namely the new Civic building. Figure 4 illustrates the 2006/07 and 2007/08 maturity profiles of the Council's outstanding loans.

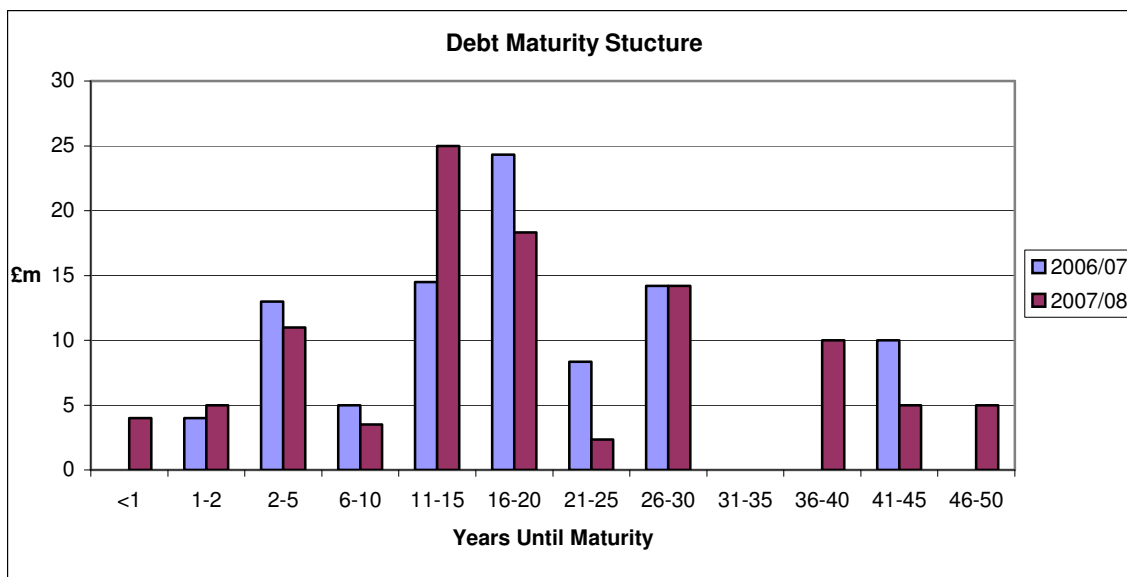


Figure 4 – Debt Maturity Profile 06/07 vs 07/08

19. As a result of the borrowing undertaken in-year, the average rate of interest on the Council's long term borrowing has fallen from 4.69% in 2006/07 to 4.63%. This is 1.56% lower than the latest available average long term borrowing rate (source Sector 2005/06) for unitary authorities of 6.19%. The long term borrowing rates are expected to be around the 4.50% level for the latter part of the 2007/08 financial year having seen rates as high as 4.85% in the early stages of 2007/08. Figure 5 shows the Council's long term borrowing compared to the national average and other unitary authorities.

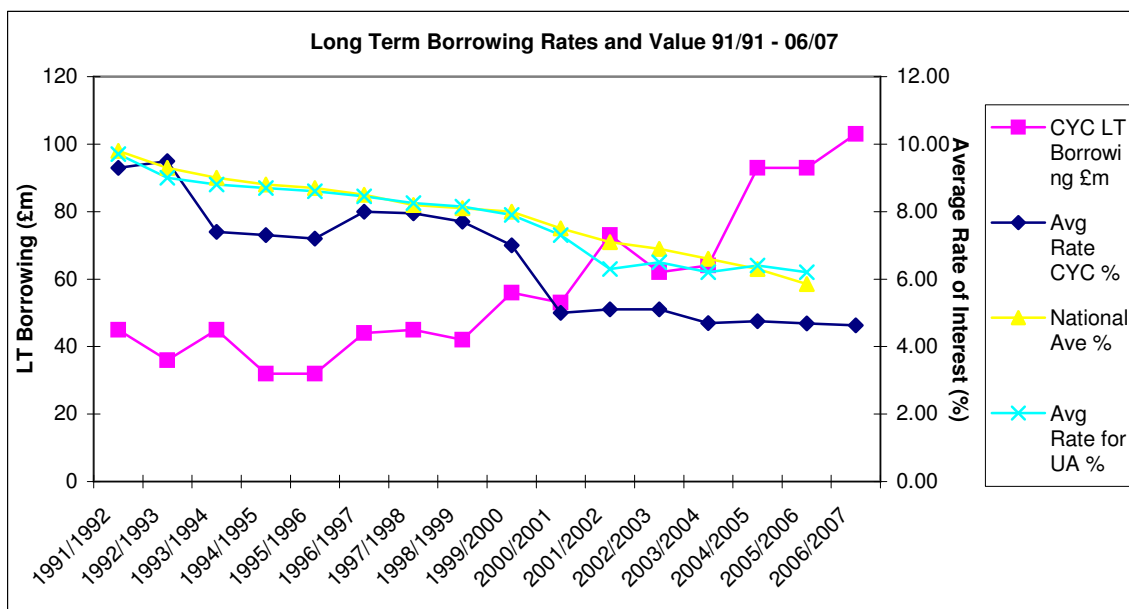


Figure 5 – CYC borrowing vs National Average vs Unitary Authority



## Debt Restructure

20. No debt restructures occurred during 2006/07. The council is still benefiting from restructures made in previous years which have considerably lowered the average debt interest rate in comparison with other unitary authorities.

## Venture Fund

21. The Venture Fund is used to provide short to medium term investment for internal projects which provide a robust new revenue stream or recognisable budget reductions and contribute to operational benefits or policy objectives. The movements on the Venture Fund in the year are shown in table 3.

	£'000
<b>Balance at 1 April 2006</b>	<b>852</b>
New Loan Advances	(801)
Loan Repayments Received	1,155
Net Interest Received	0
Repayment 05/06 transfer to fund capital programme	405
<b>Balance at 31 March 2007</b>	<b>1,611</b>

**Table 3 – Venture Fund Movement 2006/07**

22. New loan advances were made in 2006/07 for Oakland's Partnership Scheme, Assets in Good Repair and LPSA2 scheme in the main with repayments being received from a total of 13 schemes.

23. The repayment of the 2005/06 transfer for funding the capital programme relates to the shortfall in capital receipts in 2005/06 which left the Council with having to borrow to fund the programme. This option would have incurred a statutory minimum revenue provision charge of 4% of any borrowing taken. The option was therefore taken to borrow from internal earmarked reserves thus avoiding minimum revenue provision (MRP) charges. The £405k repayment represents the part reversal of this transaction in 2006/07 due to the higher level of capital receipts realised in 2006/07.

## Financial Implications – Budget Outturn

24. Treasury Management activity is contained within the Corporate Budget, which was approved prior to outturn at £6,740k for 2006/07. The outturn is £6,280k, this results in an under spend of £460k which has been reported as part of the overall outturn report in June. The principal elements that contribute towards this surplus are shown briefly in table 4 below.

	Outturn £,000
Increase in average balances	+89
Increase in Interest rates	+70
Delay in Borrowing	+131
IT Leasing and Prudential Borrowing	+143
Minor Budget Variations	+27
<b>TOTAL</b>	<b>+460</b>

**Table 4 – Treasury Management Outturn 2006/07**

### Review of the Prudential Indicators

25. In accordance with the Prudential Code, the Prudential Indicators set by full Council on 1 March 2006 must be reviewed. Full detail on the indicators are given in Annex D, but some of the key points are:

- Size of the Capital Programme (Indicator 1) – The indicator set for the size of the 2006/07 Capital Programme was an estimate of £50.1m and the outturn was £48.5m. Despite representing an under spend of £1.6m against original budget it was the Council's largest ever capital spend. The under spend was comprised in the main of schemes being re-profiled into 2007/08 financial year.
- Net revenue Stream (indicator 2) – This indicator represents how much borrowing for the capital programme will cost as a percentage of the net revenue stream. The General Fund indicator is 5.27% compared to 6.09%, with the reduction being mainly attributable to the high level of cash balances in 2006/07 which reduce the Councils net debt position at the year end. The Housing Revenue Account (HRA) version of the indicator is 3.02% compared to 3.39%, the difference is again due to higher than anticipated cash balances serving to reduce the HRA net debt position.
- Capital Financing Requirement (CFR) (Indicator 5) – The Council's CFR (underlying need to borrow) at outturn was £84.4m a decrease of £11.6m against an estimated figure of £96m. The reduction is due in the main to an increased level of capital receipts and the application of cash backed financing rather than borrowing.
- Authorised Limit / Operational Boundary (Indicator 6) – The Council took on additional debt of £10m through two loans of £5m leaving the Council's total level of debt at a level of £103.4m. With the Council's Operational Boundary set at £144.2m and the Authorised limit set at £165.7m it can be seen that neither limit has been exceeded.
- Details of all the Prudential Indicators can be found in Annex D.

### Human Resources Implications

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

### **Equalities**

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

### **Legal Implications**

28. 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**

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

### **Information Technology Implications**

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

### **Property Implications**

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

### **Risk Management**

32. The treasury function is a high risk area because of the level of large money transactions that take place. As a result of this there are strict procedures set out as part of the Treasury Management Practices statement attached in Annex F.

### **Recommendations**

33. Members are requested to advise the Executive Member to:

- Note the 2006/07 performance of the Treasury Management activity, movements on the Venture Fund and the Treasury Management Outturn.
- Note the movements in the Prudential Indicators
- Approve the revised Treasury Management Policy and Practices statement as set out in Annexes E and F.

Reason: In order to comply with the CIPFA Treasury Management in Public Services Code of Practice.

**Contact Details**

**Author:**

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**Wards Affected:**

**Specialist Implication Officers:**

None

**Chief Officer Responsible for the report:**

Peter Steed  
Head of Finance

Tel 551127

Report  Date 06/07/07  
Approved

All

For further information please contact the author of the report

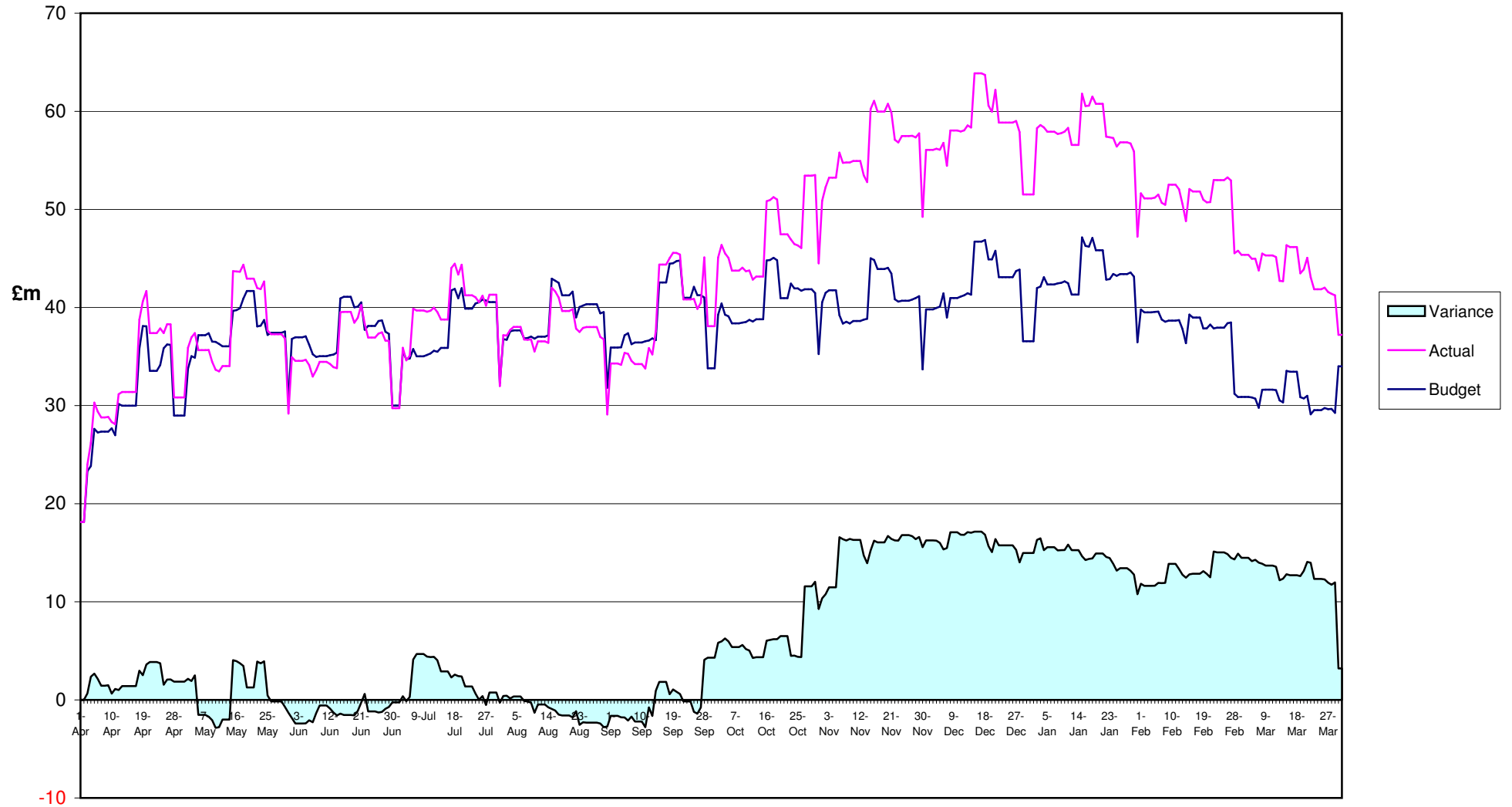
**Background Papers**

Cash-flow Model 06/07, Investment Register 06/07, PWLB Debt Register, Capital Financing Requirement 06/07 outturn, Venture Fund 06/07, Prudential Indicators 06/07, Statistics 06/07.

**Annexes**

- Annex A – Cash Balances Graph
- Annex B – Surplus on Money Market Trading
- Annex C – Money Markets Trading Statistics
- Annex D – Prudential Indicators 06/07
- Annex E – Treasury Management Policy Statement
- Annex F – Treasury Management Practices Paper

**2006/07 Cashflow Balances - Budget v Actual (inc variance)**



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**Surplus on Money Market Trading Activity  
for 2006/07**

	£	Rate of Return %
<b>Interest received from trading</b>	<b>2,184,284</b>	
Less: Interest paid on temporary borrowing	0	
Gross trading surplus	<b>2,184,284</b>	<b>4.90%</b>
Less: Estimated direct running costs		
- Staff	13,350	
- IT Equipment	700	
- Brokers fees	0	
- Subscriptions	4,000	
- Bank Charges	973	
Total	<b>19,023</b>	
Net Trading Surplus	<b>2,165,261</b>	<b>4.86%</b>
Less: Added value adjustment for notional Bank interest	1,703,495	<b>3.82%</b>
Notional Value Added by Trading	<b>461,766</b>	<b>1.04%</b>
<b>Average Balance for the period</b>	<b>£44,594,114</b>	
<b>Average 7 day LIBID</b>		<b>4.84%</b>

Note: The added value adjustment reduces the net trading surplus by the amount that would have been achieved if the daily cash balance had simply been invested with the bank.

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**Money Market Trading Statistics  
Financial Year 2006/07**

2005/06		<b>Institutions Lent To</b>		2006/07	
No of Deals	%		No of Deals	%	
71	53%	<i>UK Banks</i>	52	36%	
1	1%	<i>Building Societies</i>	6	4%	
0	0%	<i>Local Authorities</i>	0	0%	
61	46%	<i>International Institutions</i>	86	60%	
<b>133</b>	<b>100%</b>	<b><i>All Institutions</i></b>	<b>144</b>	<b>100%</b>	

2005/06		<b>Brokers Used</b>		2006/07	
No of Deals	%		No of Deals	%	
18	14%	<i>Garban Intercapital</i>	20	14%	
16	12%	<i>Prebon Yamane</i>	4	3%	
21	16%	<i>Sterling Brokers</i>	1	1%	
7	5%	<i>Martins</i>	5	3%	
71	53%	<i>Direct Dealing</i>	114	79%	
<b>133</b>	<b>100%</b>	<b><i>All Brokers</i></b>	<b>144</b>	<b>100%</b>	

2005/06		<b>Maturity of Deals</b>		2006/07	
No of Deals	%		No of Deals	%	
32	24%	<i>Overnight</i>	4	3%	
8	6%	<i>up to 1 week</i>	4	3%	
11	8%	<i>1 week - 1 month</i>	5	3%	
5	4%	<i>1 month - 3 months</i>	5	3%	
6	5%	<i>over 3 months</i>	12	8%	
71	53%	<i>Business Reserve</i>	114	79%	
<b>133</b>	<b>100%</b>	<b><i>All Deals</i></b>	<b>144</b>	<b>100%</b>	

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PRUDENTIAL INDICATORS		2006/07 Budget	2006/07 Outturn
1)	<b>Capital Expenditure</b>	£'000	£'000
	Non - HRA	42,099	40,485
	HRA	8,001	8,041
	<b>TOTAL</b>	<b>50,100</b>	<b>48,526</b>
2)	<b>Ratio of financing costs to net revenue stream</b>		
	Non - HRA	6.09%	5.27%
	HRA	3.39%	3.02%
3)	<b>Incremental impact of capital investment decisions - Council Tax</b>	£ p	£ p
	Increase in Council Tax (band D) per annum	19.35	8.15
4)	<b>Incremental impact of capital investment decisions - Hsg Rents</b>	£ p	£ p
	Increase in average housing rent per week	0.00	0.00
5)	<b>Capital Financing Requirement as at 31 March</b>		
	Non - HRA	81,622	68,758
	HRA (applies only to housing authorities)	14,399	15,669
	<b>TOTAL</b>	<b>96,021</b>	<b>84,427</b>
6a)	<b>Authorised Limit for external debt -</b>		
	borrowing	165,700	165,700
	other long term liabilities	0	0.000
	<b>TOTAL</b>	<b>165,700</b>	<b>165,700</b>
6b)	<b>Operational Boundary for external debt -</b>		
	borrowing	144,200	144,200
	other long term liabilities	0	0
	<b>TOTAL</b>	<b>144,200</b>	<b>144,200</b>
7)	<b>Adoption of the CIPFA Code of Practice for Treasury Management in Public Services</b>		
	Treasury Management Policy Statement	✓	✓
	12 Treasury Management Practices	✓	✓
	Policy Placed Before Council	✓	✓
	Annual Review Undertaken	✓	✓
8a)	<b>Upper limit for fixed interest rate exposure</b>		
	Net outstanding principal sums re fixed rate borrowing / investments	150%	150%
	Actual Net outstanding principal sums re fixed rate borrowing / investments	n/a	117%
8b)	<b>Upper limit for variable rate exposure</b>		
	Net outstanding principal sums re variable rate borrowing / investments	20%	20%
	Actual Net outstanding principal sums re variable rate borrowing / investments	n/a	-17%
9)	<b>Upper limit for total principal sums invested for over 364 days</b>	25%	£0
	Current Investments over 364 days	0%	£0
10)	<b>Maturity structure of fixed rate borrowing as at the end of 2006/07</b>	lower limit	upper limit
	under 12 months	0%	10%
	12 months and within 24 months	0%	10%
	24 months and within 5 years	0%	25%
	5 years and within 10 years	0%	25%
	10 years and above	20%	90%

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## TREASURY MANAGEMENT POLICY STATEMENT

The Council has adopted the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice 2001 as described in section 4 of that Code.

Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:

- a treasury management policy statement (TMPS), stating the policies and objectives of its treasury management activities.
- suitable treasury management practices (TMP), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs.

The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Executive Member – Corporate Services and for the execution and administration of treasury management decisions to the Director of Resources who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

The Council defines the policies and objectives of its treasury management activities as follows: -

1. The Council defines its treasury management activities as:

The management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.
3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

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**TREASURY MANAGEMENT  
PRACTICES**

***Schedules***

***July 2007***





## TREASURY MANAGEMENT PRACTICES – SCHEDULES

This section contains the schedules which set out the details of how the Treasury Management Practices (TMPs) are put into effect by this organisation

	<b>Page</b>
<b>TMP 1 Treasury risk management</b>	<b>4</b>
<b>TMP 2 Best value and performance measurement</b>	<b>11</b>
<b>TMP 3 Decision-making and analysis</b>	<b>13</b>
<b>TMP 4 Approved instruments, methods and techniques</b>	<b>15</b>
<b>TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements</b>	<b>17</b>
<b>TMP 6 Reporting requirements and management information arrangements</b>	<b>21</b>
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## TMP1 RISK MANAGEMENT

### 1.1 LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that cash not be available when it is required. This can jeopardise the ability of the Council to carry out its functions or disrupt those functions being carried out in the most cost effective manner. The Council will therefore have sufficient stand by facilities to ensure that there is always sufficient liquidity to deal with unexpected occurrences. It will also seek to ensure that its cash flow forecasting gives as accurate a picture as possible of the ebbs and flows in income and expenditure and the resulting residual daily cash balances.

#### **1.1.1 Amounts of approved minimum cash balances and short-term investments**

The Treasury Management section shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day . Borrowing or lending shall be arranged in order to achieve this aim.

#### **1.1.2 Details of:**

a. Standby facilities

At the end of each financial day any unexpected surplus funds are retained in the Council's main bank account. The bank contract pays a favourable rate of 1% below base rate for credit balances should they arise. No more than £300k should be held in the account with overdraft at no more than £300k.

b. Bank overdraft arrangements

A £2m overdraft at 1% over base rate has been agreed as part of the banking services contract. The overdraft is assessed on a group basis for the Council's accounts.

c. Short-term borrowing facilities

The Council accesses temporary loans through approved brokers on the London money market. The approved borrowing limit for short term debt is £21.5m, this is the difference between the Authorised Limit and the Operational Boundary for External Debt.

d. Insurance/guarantee facilities

There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

e. Special payments

Notice to be given to the Corporate Finance Manager for all special payments above £100,000 to be transferred on the day of notification.

### 1.2 INTEREST RATE RISK MANAGEMENT

Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council will seek to minimise this risk by seeking expert advice on forecasts of interest rates from treasury management consultants and agreeing with them its strategy for the coming year for the investment and debt portfolios. It will also determine appropriate limits and trigger points as set out below. These limits and strategy are set out in the annual Treasury Management Strategy Statement . This strategy will be periodically reviewed during the relevant year to see whether any modifications are required in the light of actual movements in interest rates.

1.2.1. Details of approved interest rate exposure limits (Performance Indicator 8)

1.2.2 Trigger points and other guidelines for managing changes to interest rate levels (contained in the annual Treasury Management Strategy Statement)

1.2.3 Upper limit for fixed interest rate exposure (Performance Indicator 8 - 150%)

1.2.4 Upper limit for variable interest rate exposure (Performance Indicator - 20%)

**1.2.5 Policies concerning the use of instruments for interest rate management.**

- a. forward dealing  
Consideration will be given to dealing from forward periods dependant upon market conditions. When forward dealing with a maturity of more than 2 years forward then the approval of the Director of Resources is required.
- b. callable deposits  
The Council will use callable deposits as part as of its Annual Investment Strategy (AIS). The credit criteria and maximum periods are set out in the Authorised Counterparties for Temporary Investment list. The list is a live document that is updated for changes in credit ratings as advised by the Council's Treasury Management Advisors. The list can be found in daily cash flow sheets folder. The borrowers option should also be taken to prevent the lock in on rates.
- c. LOBOS (borrowing under lender's option/borrower's option)  
Use of LOBOs are considered as part of the annual borrowing strategy. Any LOBO borrowing must be explicitly approved by the Director of Resources.

**1.3 EXCHANGE RATE RISK MANAGEMENT**

Exchange rate risk is the risk that unexpected changes in exchange rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council has a minimal exposure to exchange rate risk as it has no powers to enter into loans or investments in foreign currency for treasury management purposes. It will also seek to minimise what risk it does have by using the below policies.

**1.3.1 Approved criteria for managing changes in exchange rate levels**

The Council from time to time may receive or pay a transaction in a foreign currency. The sums involved are minimal. Currently in the case of both receipts and payments the Council takes no risk in the transaction with a sterling equivalent either requested or paid. If in the future there are regular income and expenditure flows in the same foreign currency a specific foreign currency account facility will be negotiated with the main bank contract.

**1.4 INFLATION RISK MANAGMENT**

Inflation risk is the risk that unexpected changes in inflation expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council has minimal exposure to inflation risk as inflation has not been at high levels for the last decade and is not currently expected to return to such levels in the foreseeable future.

**1.4.1.Details of approved inflation exposure limits for cash investments/debt** - During the current period of low and stable worldwide inflation there is little requirement for an active consideration of the impact of inflation. The key consideration is that investments reap the highest real rate of return, with debt costing the lowest real cost, consistent with other risks mentioned within this section.

**1.5 CREDIT AND COUNTERPARTY RISK MANAGMENT**

Credit and counter-party risk is the risk of failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially one due to deterioration in its creditworthiness, which causes the Council an unexpected burden on its capital or revenue resources.

As a holder of public funds, the Council recognises its prime responsibility to always put first the preservation of the principal of the sums which it invests. Consequently, it will optimise returns commensurate with the management of the associated risk. The Council adopts Sectors' Counterparties schedule as its approved Authorised Counterparties for Temporary Investment list.

**1.5.1. CRITERIA TO BE USED FOR CREATING/ MANAGING APPROVED COUNTERPARTY LISTS/LIMITS**

The Council will determine through its Annual Investment Strategy the credit criteria for various investment instruments in the 'Specified' and 'Non-Specified' Investments categories.

**1.5.2. APPROVED METHODOLOGY FOR CHANGING LIMITS AND ADDING / REMOVING COUNTERPARTIES**

Credit ratings for individual counterparties can change at any time. The dealing desk officer is responsible for applying approved credit rating criteria for selecting approved counterparties.

**1.5.3. FULL INDIVIDUAL LISTINGS OF COUNTERPARTIES AND COUNTERPARTY LIMITS**

The Treasury Management and Capital Team maintain a full individual list of approved counterparties and counterparty limits and can be found on L:/Document/RFITE/Capital & Treasury/Dealing Desk/Authorised Counterparties & Brokers.doc

**1.6 REFINANCING RISK MANAGEMENT**

Refinancing risk is the risk that when loans or other forms of capital financing mature, that they cannot be refinanced where necessary on terms that reflect the assumptions made in formulating revenue and capital budgets.

**1.6.1. DEBT/OTHER CAPITAL FINANCING, MATURITY PROFILING, POLICIES AND PRACTICES**

The Council will establish through its Prudential Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- a) the generation of cash savings at minimum risk;
- b) to reduce the average interest rate;
- c) to amend the maturity profile and /or the balance of volatility of the debt portfolio.

Rescheduling will be reported to the Executive Member for Corporate Services as part of the regular monitoring treasury management updates following its action.

**1.6.2. PROJECTED CAPITAL INVESTMENT REQUIREMENTS**

The Director of Resources will prepare a three year plan for capital expenditure for the Council. The capital plan will be used to prepare a three year revenue budget for all forms of financing charges.

Under the new capital financing system, the definition of capital expenditure and long term liabilities used in the Prudential Code will follow recommended accounting practice (SORP).

**1.6.3. POLICY CONCERNING LIMITS ON AFFORDABILITY AND REVENUE CONSEQUENCES OF CAPITAL FINANCING.**

In considering the affordability of its capital plans, the Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax *and (in the case of the HRA)*, housing rent levels. It will also take into account affordability in the longer term beyond this three year period. (Note: paragraph 30 of the Prudential Code gives examples of matters relevant to the consideration of affordability, although this is not an exhaustive list. )

The Council will use the definitions provided in the Prudential Code for borrowing (83), capital expenditure (84), debt (86), financing costs (87), investments (88), net borrowing (89), net revenue stream (90), other long term liabilities (91).

#### **1.6.4 CAPITAL RECEIPTS GENERATED BY THE HRA**

75% of capital receipts generated by the Housing Revenue Account will be pooled, i.e. paid to the Secretary of State, with the exception of 'qualifying disposals' such as land where 100% can be retained providing it is allocated to meeting the decent homes standard and large and small scale voluntary transfers of housing to social registered landlords.

#### **1.6.5 PFI, Partnerships, ALMOs and guarantees**

The Council entered in to a 30 year Schools PFI deal with Sewell Education York Limited in January 2005. Under the terms of the contract any refinancing is at the discretion of the provider, with any financial benefits been shared equally between the Council and Sewell.

### **1.7 LEGAL AND REGULATORY RISK MANAGEMENT**

Legal and regulatory risk is the risk that either the Council, or a third party which it is dealing with in its treasury management activities, acts outside of its legal powers or regulatory requirements and as a result the Council incurs loss.

#### **1.7.1. REFERENCES TO RELEVANT STATUTES AND REGULATIONS**

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. These are:

- CIPFA Prudential Code for Capital Finance in Local Authorities
- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- Guidance on Investments ODPM 12.3.2004
- Guidance on Housing Capital Receipts Pooling ODPM 23.3.2004
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Allocation of financing costs to the HRA – annual determination by Secretary of State
- Definition of HRA capital expenditure - Local Government and Housing Act 1989 section 74 (1)
- CIPFA's Treasury Management Codes of Practice 2001 and 1996
- CIPFA Guide for Chief Financial Officer on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 1995
- LAAP Bulletin 55 CIPFA's Guidance on Local Authority Reserves and Balances
- The Non Investment Products Code (NIPS) - (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
- Financial Services Authority's Code of Market Conduct
- SORP – Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice

- PWLB annual circular on Lending Policy
- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations
- The Council's Scheme of Delegated Functions

### **1.7.2. PROCEDURES FOR EVIDENCING THE COUNCIL'S POWERS/AUTHORITIES TO COUNTERPARTIES**

The Council's powers to borrow and invest are contained in legislation as set out below:

Investing: Local Government Act 2003, section 12

Borrowing: Local Government Act 2003, section 1

In addition, it will make available on request the following: -

- a. the scheme of delegation of treasury management activities which is contained in the Financial Regulations which states which officers carry out these duties
- b. the document which sets which officers are the authorised signatories.

### **REQUIRED INFORMATION ON COUNTERPARTIES**

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Council's treasury advisers (Sector) based upon credit ratings supplied by credit rating agencies, Moody's and Fitch.

### **1.7.3 STATEMENT ON THE COUNCIL'S POLITICAL RISKS AND MANAGEMENT OF SAME.**

#### **1.7.3.1 Director of Resources**

The Director of Resources shall take appropriate action with the Council, the Chief Executive and the Leader of the Council to respond to and manage appropriately political risks such as change of majority group, leadership in the Council, change of Government etc.

#### **1.7.3.2 Monitoring Officer**

The monitoring officer is the Head of Democratic and Legal Services; the duty of this officer is to ensure that the treasury management activities of the Council are lawful.

#### **1.7.3.3 Chief Financial Officer**

The Chief Financial Officer is the Director of Resources; the duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if he has concerns as to the financial prudence of its actions or its expected financial position.

### **1.8 FRAUD, ERROR AND CORRUPTION, AND CONTINGENCY RISK MANAGEMENT**

Fraud, error and corruption risk is the risk that the Council may fail to employ adequate systems, procedures and other arrangements which identify and prevent losses through such occurrences. The Council will therefore:-

- a) seek to ensure an adequate division of responsibilities and maintain at all times an adequate level of internal check which minimises such risks.
- b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
- c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.
- d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

## **DETAILS OF SYSTEMS AND PROCEDURES TO BE FOLLOWED, INCLUDING INTERNET SERVICES**

### **Authority**

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans and investments are negotiated by the Director of Resources
- Loan procedures are defined in the Council's Financial Regulations.

### **Procedures**

- Electronic banking procedures (Instructions for Dealers Procedure File – Treasury Management)
- Procedures for making CHAPS payments. (Hexagon/HSBCnet Payment File – Treasury Management)

### **Investment and borrowing transactions**

- A detailed register of all loans and investments is maintained in the Investment Register and Debt Register (PWLB) – Location: Capital & Treasury\ Dealing Desk\ Cash flow\ 0708\ IR0708 & Capital & Treasury\ LT Debt\ PWLB Royal Debt\ PWLB.
- A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the organisation.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the Corporate Finance Manager for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Corporate Finance Manager for resolution.

### **Regularity and security**

- Lending is only made to institutions on the Approved List of Counterparties.
- The Cash Flow Model and Investment Register system prompts the dealing officer that money borrowed or lent is due to be repaid.
- All loans raised and repayments made go directly to and from the bank account of approved counterparties.
- Counterparty limits are set for every institution that the Council invests with.
- Brokers have a list of named officials authorised to agree deals..
- There is a separation of duties in the section between dealers and the checking and authorisation of all deals.
- The Council's bank holds a list of Council officials who are authorised signatories for treasury management transactions.
- No member of the treasury management dealing team is an authorised signatory.
- The Cash Flow model and Investment Register system is backed up daily .
- There is £5m single transaction insurance cover for employees involved in loans management and accounting.

### **Checks**

- The bank reconciliation is carried out quarterly from the bank statement to the financial ledger.
- The Cash Flow Model, Investment Register and Debt Register system balances are proved to the balance sheet ledger codes at the end of each quarter and at the financial year end.
- Budget monitoring is produced every quarter when a review is undertaken against the budget for interest earnings and debt costs.

### **Calculations**

- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Cash Flow Model/ Investment Register.

- The Debt Register calculates periodic interest payments of PWLB and other long term loans. This is used to check the amount paid to lenders.
- Average weighted capital loans fund interest rates are calculated by the Debt register and Investment register.
- These interest and expense rates are then used to calculate the principal, interest and debt management expense charges to the Loans Fund and the Housing Revenue Account recharge.

### **1.8.1. EMERGENCY AND CONTINGENCY PLANNING ARRANGEMENTS**

#### **Disaster Recovery Plan**

The authority has in place procedures for continued operations in the event of offices being unusable or the event of the Electronic Banking System failing. These can be found in Instructions for Dealers Procedure File – Treasury Management.

Daily cash flow management can take place from a remote terminal using either the HSBCnet online banking facility or by contacting HSBC by telephone. All members of the treasury management team are familiar with this plan and new members will be briefed on it.

All computer files relating to the daily cash flow management are backed up on the server, onto compact disk and periodically to a separate memory key to enable files to be accessed from remote sites.

These procedures are in addition to the Corporate ITT disaster recovery plans.

### **1.8.2. INSURANCE COVER DETAILS.**

#### **Fidelity insurance**

The Council has 'Fidelity' insurance cover with Zurich. This covers the loss of cash by fraud or dishonesty of employees.

This cover is limited to £5m for any one event with no excess.

#### **Professional Indemnity Insurance**

The Council also has a 'Professional Indemnity' insurance policy with Zurich which covers loss to the Council from the actions and advice of its officers which are negligent and without due care. This cover is limited to £1m for any one event with an excess of nil for any one event.

## **1.9 MARKET VALUE OF INVESTMENTS RISK MANAGEMENT**

Market risk is the risk of fluctuations in the principal value of the Council's investments.

### **1.9.1. DETAILS OF APPROVED PROCEDURES AND LIMITS FOR CONTROLLING EXPOSURE TO INVESTMENTS WHOSE CAPITAL VALUE MAY FLUCTUATE (GILTS, CDS, etc.)**

These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Treasury Management Strategy Statement. CYC does not enter into investments where capital values may fluctuate.



## **TMP 2 BEST VALUE AND PERFORMANCE MEASUREMENTS**

### **2.1 EVALUATION AND REVIEW OF TREASURY MANAGEMENT DECISIONS**

The Council has a number of approaches to evaluating treasury management decisions: -

- a. Fortnightly tactical reviews and forward looking meetings carried out by the treasury management team
- b. biannual reviews with our treasury management consultants
- c. quarterly budget monitoring and statistical analysis
- d. annual review as reported to committee
- e. comparative reviews
- f. strategic, scrutiny and efficiency best value reviews
- g. quarterly Member reports

#### **2.1.1 Periodic reviews during the financial year**

The senior dealing officer holds a treasury management review meeting with the treasury management dealing team every two weeks to review actual activity against the Treasury Management Strategy Statement and cash flow forecasts. This will include :

- a. Total investments including average rate and maturity profile
- b. Changes to the above from the previous review and against the TMSS.
- c. Projected cash balances and planned activity

The minutes of the meetings are produced and circulated to all relevant staff.

#### **2.1.2 Reviews with our treasury management consultants**

The treasury management team holds reviews with our consultants every 6 months to review the performance of the investment and debt portfolios.

#### **2.1.3 Annual Review after the end of the financial year**

An Annual Treasury Report is submitted to the Council each year after the close of the financial year which reviews the performance of the debt and investment portfolios. This report contains the following: -

- a. total debt at the beginning and close of the financial year and average interest rates
- b. borrowing strategy for the year compared to actual strategy
- c. investment strategy for the year compared to actual strategy
- d. explanations for variance between original strategies and actual
- e. debt rescheduling done in the year
- f. actual borrowing and investment rates available through the year
- g. comparison of return on investments to the investment benchmark
- h. compliance with Prudential Indicators

#### **2.1.4 Comparative reviews**

When data becomes available, comparative reviews are undertaken to see how the performance of the authority on debt and investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential Indicators are locally set). Data used will be sourced from: -

- CIPFA Treasury Management statistics published each year for the last complete financial year
- CIPFA Benchmarking Club

### **2.2 BENCHMARKS AND CALCULATION METHODOLOGY:**

#### **2.2.1 Debt management**

- Average rate on all external debt
- Average rate on external debt borrowed in previous financial year

- Average rate on internal borrowing
- Average period to maturity of external debt
- Average period to maturity of new loans in previous year

### **2.2.2 Investment.**

The performance of investment earnings will be measured against the following benchmarks: -

- a. in house investments
  - i) 7 day LIBID un compounded
  - ii) 3 month LIBID compounded quarterly

Performance will also be measured against other local authority funds with similar benchmark and parameters managed by other fund managers every six months.

## **2.3 POLICY CONCERNING METHODS FOR TESTING BEST VALUE IN TREASURY MANAGEMENT,**

### **2.3.1 Frequency and processes for tendering**

Tenders are normally awarded on a 3 year basis with the option to extend for 2 years, if approved by the Executive Member for Corporate Services. The process for advertising and awarding contracts will be in line with the Council's Contract Standing Orders.

### **2.3.2 Banking services**

The Council's banking arrangements are to be subject to competitive tender every 4 years with an option to extend for 2 further years if approved by the Director of Resources unless it is considered that there will be changes in the volume of transactions in the foreseeable future which renders a shorter period appropriate. If tendering is not considered appropriate a specialist banking company must be appointed to ensure that the terms offered represent value for money.

### **2.3.3 Money-broking services**

The Council will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. The Council will in addition make deposits directly with institutions where it is financially advantageous to do so.

An approved list of brokers is established which takes account of both prices and quality of services. The Council currently has 4 brokers on its approved list.

### **2.3.4 Consultants'/advisers' services**

This Council's policy is to appoint full-time professional treasury management and leasing consultants and separate leasing advisory consultants.

### **2.3.5 Policy on External Managers (Other than relating to Superannuation Funds)**

The Council's policy is not to appoint external investment fund managers.

## **TMP 3 DECISION-MAKING AND ANALYSIS**

### **3.1 FUNDING, BORROWING, LENDING, AND NEW INSTRUMENTS/TECHNIQUES:**

#### **3.1.1 Records to be kept**

The Treasury section has a spreadsheet based cash flow model system in which all investment and loan transactions are recorded. Full details of the system are covered in the user manual. The following records will be retained : -

- Daily cash balance forecasts
- Money market rates obtained by telephone from brokers
- Dealing slips for all money market transactions
- Brokers' confirmations for investment and temporary borrowing transactions
- Confirmations from borrowing /lending institutions where deals are done directly
- PWLB loan confirmations
- PWLB debt portfolio schedules.
- Certificates for market loans, local bonds and other loans

#### **3.1.2 Processes to be pursued**

- Cash flow analysis.
- Debt and investment maturity analysis
- Ledger reconciliation
- Review of opportunities for debt restructuring
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer best value)
- Performance information (e.g. monitoring of actuals against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns, etc).
- Breakeven sensitivity analysis.

#### **3.1.3 Issues to be addressed.**

##### ***3.1.3.1. In respect of every treasury management decision made the Council will:***

- a) Above all be clear about the nature and extent of the risks to which the Council may become exposed
- b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- c) Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping
- d) Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded
- e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

**3.1.3.2 In respect of borrowing and other funding decisions, the Council will:**

- a) Evaluate economic and market factors to form a view on future interest rates so as to determine the manner and timing of decisions to borrow;
- b) Consider the sources of borrowing, alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use;
- c) Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships to minimise costs and risks;
- d) Consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets;
- e) Seek to reduce the overall level of financing costs / smooth maturity profiles through debt restructuring.

**3.1.3.3 In respect of investment decisions, the Council will:**

- a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions;
- b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital;
- c) Determine appropriate credit policy limits and criteria to minimise the Council's exposure to credit and other investment risks.

## **TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

### **4.1 APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION**

- borrowing;
- lending;
- debt repayment and rescheduling;
- consideration, approval and use of new financial instruments and treasury management techniques;
- managing the underlying risk associated with the Council's capital financing and surplus funds activities;
- managing cash flow;
- banking activities;
- leasing.

### **4.2 APPROVED INSTRUMENTS FOR INVESTMENTS**

The Annual Investment Strategy details the approved instruments for investments

### **4.3 APPROVED TECHNIQUES**

- Forward dealing
- LOBOs – lenders option, borrower's option borrowing instrument
- The use of structured products such as callable deposits

### **4.4 APPROVED METHODS AND SOURCES OF RAISING CAPITAL FINANCE**

Finance will only be raised in accordance with the Local Government Act 2003, and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	●	●
EIB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Leasing (not operating leases)	●	●
Deferred Purchase	●	●
<b>Other Methods of Financing</b>		
Government and EC Capital Grants		
Lottery monies		
PFI/PPP		
Operating leases		

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Director of Resources has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers

Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

#### **4.5 INVESTMENT LIMITS**

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument (see also Sector Treasury Management counterparties list and investment matrices).

#### **4.6 BORROWING LIMITS**

See the Treasury Management Strategy Statement and Prudential Indicators.

## **TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS**

### **5.1 LIMITS TO RESPONSIBILITIES / DISCRETION AT COUNCIL/EXECUTIVE LEVELS**

- a) The full Council will set the Prudential Indicators and revise them as and when necessary.
- b) The Executive and then the full Council will receive and review reports on treasury management policies, practices and activities, the annual treasury management strategy and annual report on debt rescheduling.
- c) The Director of Resources will be responsible for amendments to the Council's adopted clauses, treasury management policy statement and treasury management practices.
- d) The Executive will consider and approve the Treasury Management Budget.
- e) The Executive will approve the segregation of responsibilities.
- f) The Director of Resources will receive and review external audit reports and put recommendations to the Audit and Governance Committee.

### **5.2 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES**

5.2.1 The following duties must be undertaken by separate officers: -

Dealing	Bank Statement Reconciliation Reconciliation of cash control account Negotiation and approval of deal. Receipt and checking of brokers confirmation note against loans diary.
Accounting Entry	Processing of accounting entry
Authorisation/Payment of Deal	Entry onto system. Approval and payment.

### **5.3 TREASURY MANAGEMENT ORGANISATION CHART**

	Director of Resources I	Authorisation <£15m
	Head of Finance I	
	Corporate Finance Manager I	Authorisation <£8m
	Corporate Accountant I	<u>Dealing</u>
Financial Analyst	Senior Accounting Technician	Trainee Accountant + Trainee Technician

**5.4 STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST****5.4.1. Director of Resources**

The Director of Resources will:

- a) Submit budgets and budget variations in accordance with Financial Regulations and guidance.
- b) In setting the prudential indicators, the Director of Resources will be responsible for ensuring that all matters are taken into account and reported to the Council so as to ensure the Council's financial plans are affordable, prudent and sustainable in the long term.
- c) Establish a measurement and reporting process that highlights significant variations from expectations.
- d) Submit treasury management reports as required the Executive and to full Council.
- e) Review the performance of the treasury management function and promote best value reviews.
- f) Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- g) Ensure the adequacy of internal audit, and liaising with external audit.
- h) Recommend on appointment of external service providers in accordance with council standing orders.

1. The Director of Resources has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
2. The Director of Resources may delegate his power to borrow and invest to members of his staff. The Treasury Management Corporate Finance Manager, Corporate Accountant, Senior Accounting Technician, along with other specified trained officers within the treasury Management team must conduct all dealing transactions. All transactions over the value of £5m must be countersigned by at least two signatories.
3. The Director of Resources will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
4. Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Director of Resources to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.
5. It is also the responsibility of the Director of Resources to ensure that the Council complies with the requirements of The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

**5.4.2 Head of Finance**

The Head of Finance will:

- a) Make reports to the Council under S114 of the Local Government Finance Act 1988 if the Director of Resources considers the Council is likely to get into a financially unviable situation.
- b) Recommend clauses, treasury management policy / practices for approval, reviewing the same on a regular basis, and monitoring compliance.

**5.4.3 Corporate Finance Manager**

The responsibilities of this post will be: -

- a) Execution of transactions and conduct of other day to day activities in accordance with the Treasury Management Practices.
- b) Adherence to agreed policies and limits.
- c) Managing the overall treasury management function.
- d) Supervising treasury management staff.



- e) Ensuring appropriate segregation of duties
- f) Monitoring performance on a day-to-day basis.
- g) Submitting management information reports to the Head of Finance and Director of Resources.
- h) Maintaining relationships with third parties and external service providers and reviewing their performance.

#### **5.4.4 The Head of the Paid Service – the Chief Executive**

The responsibilities of this post will be: -

- a) Ensuring that the system is specified and implemented
- b) Ensuring that the Director of Resources reports regularly to the full Council on treasury policy, activity and performance.

#### **5.4.5 The Monitoring Officer – the Head of Legal Services**

The responsibilities of this post will be: -

- a) Ensuring compliance by the Director of Resources with the treasury management policy statement and treasury management practices and that they comply with the law.
- b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- c) Giving advice to the Director of Resources when advice is sought.

#### **5.4.6 Internal Audit**

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and treasury management practices.
- b) Reviewing division of duties and operational practice.
- c) Assessing value for money from treasury activities.
- d) Undertaking probity audit of treasury function.

### **5.5 ABSENCE COVER ARRANGEMENTS**

The Council establishes the dealing desk work plan in advance and currently has 4 officers fully trained to deal. In the event of the person due to be dealing being off one of the 3 other officers can cover. At any one time there are two dealing officers in on a given day.

### **5.6 DEALING LIMITS**

The following posts are authorised to deal: -

- Simon Wiles (£15m)
- James Drury (£15m)
- Peter Steed (15m)
- Tom Wilkinson (£8m)
- Janet Lornie (£8m)
- Steve Morton (£8m)

### **5.7 LIST OF APPROVED BROKERS**

A list of approved brokers is maintained within the Treasury Team and a record of all transactions recorded against them. See TMP 11.1.2.

### **5.8 POLICY ON BROKERS' SERVICES**

It is this Council's policy to rotate business between brokers providing the best deal is taken i.e if two brokers are offering the same rate.

### **5.9 POLICY ON TAPING OF CONVERSATIONS**

It is not this Council's policy to tape brokers conversations

**5.10 DIRECT DEALING PRACTICES**

The Council will consider dealing direct with counterparties if it is appropriate and the Council believes that better terms will be available. At present, most deals are arranged through brokers. There are certain types of accounts and facilities, however, where direct dealing is required, as follows;

- Business Reserve Accounts:
- Call Accounts:
- Money Market Funds.

**5.11 SETTLEMENT TRANSMISSION PROCEDURES**

A formal letter signed by an agreed bank signatory setting out each transaction must be sent to the local authority's bankers where preliminary instructions have been given by telephone. For payments a transfer will be made through the CHAPS system to be completed by 3.00 pm on the same day. The Council uses the CHAPS system supplied by HSBC, authorized limits are set up in line with authorized signatory limits with the bank.

**5.12 DOCUMENTATION REQUIREMENTS**

For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, counterparty standard settlement instruction detail, interest rate, dealing date, payment date(s), broker.

**5.13 ARRANGEMENTS CONCERNING THE MANAGEMENT OF THIRD-PARTY FUNDS.**

The Council holds a number of trust funds. The cash in respect of these funds is held in the Council's bank account but transactions are separately coded. Interest is given on credit balances at the average rate for internal balances for the year.

## **TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGMENTS**

### **6.1 ANNUAL TREASURY MANAGEMENT STRATEGY STATEMENT**

6.1.1 The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Executive and then to the full Council for approval before the commencement of each financial year.

6.1.2 The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, the Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.

6.1.3 The Treasury Management Strategy Statement is concerned with the following elements:

- Prudential Indicators
- current treasury portfolio position
- borrowing requirement
- prospects for interest rates
- borrowing strategy
- investment strategy
- debt rescheduling
- any extraordinary treasury issue

6.1.4 The Treasury Management Strategy Statement will establish an interest rate position based on the view of future interest rate movements (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

### **6.2 POLICY ON INTEREST RATE EXPOSURE**

6.2.1 The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential Indicators.

6.2.2 The Director of Resources is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Director of Resources shall submit the changes for approval to the full Council.

### **6.3 ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY**

An annual report will be presented to the Executive Member for Corporate Services at the earliest practicable meeting after the end of the financial year, but in any case by the end of July. This report will include the following: -

- a. a comprehensive picture for the financial year of all treasury policies, plans, activities and results;
- b. transactions executed and their revenue (current) effects;
- c. report on risk implications of decisions taken and transactions executed;
- d. monitoring of compliance with approved policy, prudential limits, practices and statutory / regulatory requirements;
- e. monitoring of compliance with powers delegated to officers;
- f. degree of compliance with the original strategy and explanation of deviations;
- g. explanation of future impact of decisions taken on the organization;
- h. measurements of performance;
- i. report on compliance with CIPFA Code recommendations.

**6.4 MANAGEMENT INFORMATION REPORTS**

Management information reports will be prepared every 3 months by the Corporate Finance Manager and will be presented to the Director of Resources.

These reports will contain the following information: -

- a) A summary of transactions executed and their revenue effect (current effects);
- b) measurements of performance including effect on loan charges/investment income;
- c) degree of compliance with original strategy and explanation of variances.
- d) Any non compliance with Prudential limits or other treasury management limits.

**6.5 PERIODIC MONITORING COMMITTEE REPORTS**

The Executive Member Corporate Services will receive and consider a half yearly review of treasury management activities during the period including details of any debt rescheduling undertaken.

## **TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

### **7.1 STATUTORY/REGULATORY REQUIREMENTS**

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices. The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Council's treasury management activities.

### **7.2 ACCOUNTING PRACTICES AND STANDARDS**

Due regard is given to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in Great Britain.

### **7.3 SAMPLE BUDGETS / ACCOUNTS / PRUDENTIAL INDICATORS**

The Corporate Finance Manager will prepare a three year medium term financial plan with Prudential Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Corporate Finance Manager will exercise effective controls over this budget and monitoring of performance against Prudential Indicators, and will report upon and recommend any changes required in accordance with TMP6.

### **7.4 LIST OF INFORMATION REQUIREMENTS OF EXTERNAL AUDITORS.**

- Reconciliation of loans outstanding in the financial ledger to Treasury Management records
- Maturity analysis of loans outstanding
- Certificates for new long term loans taken out in the year
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges from the Investment Register and Debt Register.
- Calculation of CFR and adjustment A
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential Indicators
- Review of observance of limits set by Prudential Indicators
- Calculation of the Minimum Revenue Provision

### **7.5 Budget Monitoring Report**

In addition to the quarterly budget monitoring statistics presented to the Director of Resources (as set out in section 6.4) the authority produces the following reports:

- three Corporate Monitoring Reports in line with the Corporate Monitoring Cycle
- Half yearly and outturn report on Treasury Management Performance

These reports are intended to highlight any variances between budgets and spend in order that the Council can assess its financial position. Details of treasury management activities are included within this report.

## **TMP 8 CASH AND CASH FLOW MANAGEMENT**

### **8.1 ARRANGEMENTS FOR PREPARING/SUBMITTING CASH FLOW STATEMENTS**

Cash flow projections are prepared annually (for three full financial years), monthly and daily. The annual and monthly cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

### **8.2 BANK STATEMENTS PROCEDURES**

The Council receives a daily download of account balances, account statements and key transactions from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc.

Balances are checked daily with a formal bank reconciliation to the ledger being undertaken on a quarterly basis by a member of the treasury management team.

### **8.3 PAYMENT SCHEDULING AND AGREED TERMS OF TRADE WITH CREDITORS**

Our policy is to pay creditors within 30 days of the invoice date and this effectively schedules the payments in order to comply with BVPI 8.

### **8.4 ARRANGEMENTS FOR MONITORING DEBTORS / CREDITORS LEVELS**

The exchequer manager is responsible for monitoring the levels of debtors and creditors. Details are passed to the treasury team on a monthly basis to assist in updating the cash flow models. Daily details of payment runs are also provided.

### **8.5 PROCEDURES FOR BANKING OF FUNDS**

All money received by an officer on behalf of the Council will without unreasonable delay be passed to the Chief Cashier to deposit in the Council's banking accounts.

### **8.6 PRACTICES CONCERNING PREPAYMENTS TO OBTAIN BENEFITS**

The Council has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the Director of Resources following a cost benefit appraisal of prepayment proposals. For material sums a formal report would be taken to the Executive.

## TMP 9 MONEY LAUNDERING

### **9.1 PROCEDURES FOR ESTABLISHING IDENTITY / AUTHENTICITY OF LENDERS**

The Council does not accept loans from individuals.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FSA website on [www.fsa.gov.uk](http://www.fsa.gov.uk).

When repaying loans, the procedures in 9.2 will be followed to check the bank details of the recipient.

### **9.2 METHODOLOGIES FOR IDENTIFYING DEPOSIT TAKERS**

In the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that are on its approved lending list. These will be authorised deposit takers under the Financial Services and Markets Act 2000. The FSA register can be accessed through the FSA website on [www.fsa.gov.uk](http://www.fsa.gov.uk).

All transactions will be carried out by CHAPS for making deposits or repaying non PWLB loans. PWLB loan repayments are taken via Direct Debit on specified dates.

### **9.3 PROCEEDS OF CRIME ACT 2002 (POCA)**

Please find below an explanation of the current responsibilities of local authorities:-

*The Proceeds of Crime Act 2002 imposes an obligation on any person or other body that undertakes a regulated activity as defined by the Act to report any incident that leads them to suspect that an individual or other body is making transactions with the proceeds of any criminal activity. This is an extension of the obligations previously imposed principally on financial services organisations and employees under money laundering legislation. The money laundering legislation, as reinforced by the FSA guidance, made it clear that an organisation had to nominate a money laundering reporting officer, MLRO, through whom suspicious transactions had to be reported and it was incumbent on the MLRO to decide if these transactions had to be reported to the National Criminal Investigation Service (NCIS), being the police body charged with dealing with these matters.*

*The question therefore arises as to whether organisations now caught under the provisions of the Proceeds of Crime Act (POCA) have to also nominate a MLRO. There is nothing that states that an MLRO has to be nominated and indeed, a number of organisations that are caught by POCA would not have a direct regulator to notify. However, it is equally clear that such organisations must have a process in place whereby employees can alert management of activities that may fall under POCA and that process must make it clear to whom an internal report has to be made. Therefore, whether called an MLRO or not, under their internal processes organisations need to appoint a senior officer (F.D., Treasurer, Head of Legal) to whom suspicions must be reported and who is responsible for deciding whether to pass the report to NCIS.*

*NCIS*

*PO BOX 8000*

*LONDON SE11 5EN*

*[www.ncis.co.uk](http://www.ncis.co.uk)*

The Corporate Finance Manager is conversant with the requirements of the Proceeds of Crime Act 2002 and will train the following staff in being diligent to be alert for suspicious transactions: -

- treasury management
- other as appropriate

The Council has appointed Chief Monitoring Officer to be the responsible officer to whom any suspicions that transactions involving the Council may include a party who is involved in criminal activity. Suspicious transactions will be investigated as far as the Council is in a position to do so or it is appropriate for the Council to do so, and if doubts remain, these transactions will then be reported to the National Criminal Investigation Service.



## **TMP 10 STAFF TRAINING AND QUALIFICATIONS**

The Council recognises the importance that all treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a Professional Development Review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the Corporate Finance manager to ensure that all staff under his / her authority receive the necessary training.

### **10.1 DETAILS OF APPROVED TRAINING COURSES**

Treasury management staff will go on courses provided by our treasury management consultants, CIPFA, money brokers etc.

### **10.2 RECORDS OF TRAINING RECEIVED BY TREASURY STAFF**

The Corporate Finance Manager will maintain records on all staff and the training they receive.

### **10.3 STATEMENT OF PROFESSIONAL PRACTICE (SOPP)**

1. Where the Director of Resources is a member of CIPFA, there is a professional need for the Director of Resources to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.
2. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

## TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

### 11.1 DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS, ADVISERS

#### 11.1.1 Banking services

- a) Name of supplier of service is the HSBC Bank.
- b) The branch address is:  
13 Parliament Street  
York  
Tel :- Chris Bennett 08455849498
- c) Contract commenced January 2004 and runs for 4 years until December 2007.
- d) Cost of service is variable depending on schedule of tariffs and volumes
- e) Payments due monthly

#### 11.1.2 Money-broking services

The Council will use money brokers for temporary borrowing and investment and long term borrowing. It will seek to give an even spread of business amongst the approved brokers wherever possible.

The performance of brokers is reviewed by the Director of Resources every quarter to see if any should be taken off the approved list and replaced by another choice and will make appropriate recommendations to change the approved brokers list to the Corporate Finance Manager.

Name of broker	Tel. no.
Garban Inter-Capital	02075323550
Prebon-Marshall Yamane	02072007393
Martin Brokers	01312267401
Sterling	02074072593

#### 11.1.3 Consultants'/advisers' services

##### Treasury Consultancy Services

The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to remove/put on its approved lending list etc.

The performance of consultants will be reviewed by the Corporate Finance Manager every 6 months to check whether performance has met expectations.

- a) The name of the supplier of this service is Sector Treasury Services Limited
- b) The address is:  
17 –19 Rochester Row London SW1P 1 QTTel: 0870 1916800
- c) Contract commenced 01/04/2007 and runs for 3 years 31/03/2010.
- d) Cost of service is £11,500.00 per year.
- e) Payments due one year in arrears on 31<sup>st</sup> March.

##### Leasing Consultancy Services

- a) The name of the supplier of this service is Sector Treasury Services Limited.
- b) The address is:  
Innovation Court  
New Street  
Basingstoke  
Hampshire  
RG21 7JB

Tel: 0870 1916800

- c) Contract started on the 27th July 2004 and will run until 30<sup>th</sup> March 2009.
- d) Fee is agreed at 0.5% of the capital cost of drawdown for a standard drawdown or 1% for a drawdown taken via the call off facility.

#### **11.1.6 Credit rating agency**

b. The Council receives a credit rating service through its treasury management consultants, the costs of which is included in the consultant's annual fee

#### **11.2 PROCEDURES AND FREQUENCY FOR TENDERING SERVICES**

Procedures for tendering are in line with the Councils Financial Regulations 2006.

## **TMP 12 CORPORATE GOVERNANCE**

### **12.1 LIST OF DOCUMENTS TO BE MADE AVAILABLE FOR PUBLIC INSPECTION**

- a. The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.
- b. It has adopted the CIPFA Code of Practice on Treasury management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.
- c. The following documents are available for public inspection: -
  - Treasury Management Policy Statement
  - Treasury Management Strategy Statement [includes Prudential Indicators and Annual Investment Strategy]
  - Annual Treasury Report
  - Annual accounts
  - Annual budget
  - 3 Year Capital Plan
  - Minutes of Council / Cabinet / committee meetings



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**Meeting of Executive Member for Corporate Services and Advisory Panel****24 July 2007****Report of the Director of Resources****FMS (Financial Management System) Project****Summary**

1. The purpose of this report is to provide Members with an update on progress and plans for the FMS Project.

**Background**

2. The current FMS is provided by Civica and is called Powersolve.
  - a) Powersolve was implemented in 1994 and has provided reliable service over the years
  - b) Regular users in the accounting teams have been very satisfied with its performance. However, it is an old fashioned system that is difficult for infrequent users (such as budget managers) to find their way around.
  - c) The display options are limited, with options to display far fewer lines on a screen than more modern systems. This means more working across screens, more copying of data to paper for reference reasons and more time wasted.
  - d) There are no additional display options for the visually disabled.
  - e) Searching and Reporting functions are limited and complicated. This has led to a number of work a rounds producing off-line spreadsheets and ad-hoc reports.
  - f) The complicated nature of the system has meant that training has become very variable and inefficient practices have become the norm.
  - g) The suppliers tell us that the current Powersolve System is now at the end of its life. In order to ensure full business continuity in a modern council environment, we must replace the system.
  - h) A Development Plan Bid for a straightforward replacement was approved in 2004/2005 and details are contained in the Background Papers section.

- i) A further draft bid has been submitted for 2008/2009. This is to enable interfaces to be created with various applications sending and receiving data from FMS, to allow integration with the Council's document management system ([Anite@work](mailto:Anite@work)), and to allow further business process reengineering to be carried out.
3. As part of the FMS Replacement Project implementation is expected to produce:
    - a) A system that is User Friendly, has a Graphical User Interface, improved Search and Reporting functions and much improved navigation using both a mouse and the keyboard.
    - b) A system that uses current technology, simplifying support and training, and ensuring the business continuity needs are fully catered for.
    - c) An integrated system with improved automation of interfaces between other CYC systems that share common data with FMS.
    - d) A system that operates in real-time where appropriate.
    - e) Standardised Business Processes to use best practice across the Council, particularly in the areas of eProcurement (Purchasing and Invoicing).
    - f) Improved cross council reporting and management as a result of better information flows and superior reporting functions.
    - g) The management of Workflow via the system, in areas where complex document flows have been identified and the opportunity for improving business processes exists. This will also help to reduce paper flowing around the business, potentially reducing paper usage and costs.
    - h) A more modern system that is more flexible and scalable, should the Council structure or needs change in the future.

### **Consultation**

3. The Project team have consulted with people across the Council to agree the Requirements for the replacement FMS. This consultative process has been used to create a detailed FMS Requirements document that has been used in the Invitation to Tender (ITT) sent out to suppliers.

We continue to keep in touch with representative from each Directorate, via meetings and email. We also keep the wider user base and interested parties informed of progress, through our regular Newsletter.

### **Options**

4. There are no options for the Executive Member to consider at this time.

## **Analysis**

5. We are currently analysing the available options via the EC Procurement Process. We will return to the Executive Member for final approval when the evaluation of the options is completed and a Supplier has been selected.

## **Corporate Priorities**

6. The Council's Vision Statement has 13 strategic priorities to deliver. The following are the key priorities that the implementation of a new Financial Management System will contribute to:
  - a) Improve efficiency and reduce waste to free-up more resources.
  - b) Improve the way the Council and its partners work together to deliver better services for the people who live in York.
  - c) Improve our focus on the needs of customers and residents in designing and providing services.
  - d) Improve leadership at all levels to provide clear, consistent direction to the organisation.
7. The project objectives have been defined to support the four key priorities identified above. The Objectives of the Project are:
  - a) To provide a system using current technology that is intuitive and user friendly, requiring a minimum amount of training to enable users to be effective in their roles.
  - b) To meet the demands of the Council and customers for functionality, reliability, scalability, availability, ongoing development and growth.
  - c) To provide accurate and up-to-date financial information to managers to enable the Council to be more proactive in its decision-making process.
  - d) To enable managers to identify efficiency savings in expenditure to free up more resources for improvements in front line services, as highlighted by the Gershon Agenda.
  - e) To identify and meet the E-Procurement requirements of the Council and improve the cost effectiveness and management of the purchase to pay cycle.
  - f) To provide an efficient process for the capture of collective data, interfacing where appropriate with the Council's devolved site systems containing financial data.
  - g) To maximise the cost effectiveness of services provided and received, interfacing where appropriate with the Council's suppliers and partners.

- h) To identify and meet financial reporting requirements across the Council for strategic, corporate, legislative, performance and management purposes.

## **Implications**

- 8. Implications of this project are detailed below:

- a) **Financial**

The ITT development plan provides a budget for the purchase and installation of a new system. It is expected that the budget is sufficient to enable the implementation of the system. In addition to this the project team have been funded from reserves at a cost of £300k over three years.

### **Human Resources (HR)**

There are no HR Implications as a result of the replacement of FMS, however any Business Process Re-organisation we are able to carry out, may result in some changes to ways of working.

- b) **Equalities**

There are no Equalities implications as a result of the successful conclusion of the project.

- c) **Legal**

This procurement is being carried out under the EU Procurement Rules. We are taking expert advice from the Resources Procurement Team throughout the process, to ensure there are no implications as a result of this process.

Legal implications with the contract will be considered by the Procurement Team and by the Council's Legal Team prior to any agreement being signed.

- d) **Crime and Disorder**

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

- e) **Information Technology (IT)**

IT are fully involved in the project, with representatives on the Project Board and the Project Team. IT requirements and standards have been considered and will continue to be reviewed to ensure the new system will run on the Council's IT Infrastructure. This should minimise the potential implications of the replacement of the current system.

Implications of an error are additional spending on hardware, software and training, should the Council's Infrastructure and Support be unable to run the new system without upgrades (beyond those to be included as part of the project).



f) **Property**

There are no property issues with the acquisition of the new FMS as its operation will be site independent.

g) **Other**

There are no other known implications.

**Risk Management**

9. Risks and Issues are being recorded in the corporate Risk management System called Magique. This is monitored across the Council by Resources Risk Management.

**Recommendations**

10. That the Advisory Panel advise the Executive Member:
- 1) To note the progress made to date on the FMS Project and support the continuation of this project.

Reason: This needs to be done to ensure full business continuity and to facilitate improvements in the way we work as a Council as set out in the Corporate Priorities.

**Contact Details**

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Peter Steed  
Head Of Finance

**Report Approved**

**Date** 10/7/07

**Co-Author:** Tom Wilkinson  
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**Specialist Implications Officer(s)** List information for all  
None

**Wards Affected:** List wards or tick box to indicate all

**All**

**For further information please contact the author of the report**

**Background Papers:**

2004/2005 Bid entitled Financial Management System Replacement in the IT&T DEVELOPMENT PLAN 2004/5 - ITT Reference 04RE10.

**Annexes**

None