



# CABINET

29 August 2012

**A Meeting of the CABINET will be held on Wednesday, 5th September, 2012, 6.00 pm in Committee Room 1 Marmion House, Lichfield Street, Tamworth**

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## A G E N D A

### NON CONFIDENTIAL

**1 Apologies for Absence**

**2 Corporate Update**

Title: Police and Crime Commissioner

Presenter: Anthony Goodwin (Chief Executive)

**3 Minutes of the Previous Meeting (Pages 1 - 4)**

**4 Declarations of Interest**

*To receive any declarations of Members' interests (personal and/or personal and prejudicial) in any matters which are to be considered at this meeting.*

*When Members are declaring a personal interest or personal and prejudicial interest in respect of which they have dispensation, they should specify the nature of such interest. Members should leave the room if they have a personal and prejudicial interest in respect of which they do not have a dispensation.*

**5 Matters Referred to the Cabinet in Accordance with the Overview and Scrutiny Procedure Rules**

None

**6 Quarter 1 2012/13 Performance Report (Pages 5 - 38)**

(Report of the Leader of the Council)

**7 Business Rates Pooling** (Pages 39 - 50)

(Report of the Portfolio Holder for Core Services and Assets)

**8 Annual Report on the Treasury Management Service and Actual Prudential Indicators 2011/12** (Pages 51 - 64)

(Report of the Portfolio Holder for Core Services and Assets)

Yours faithfully

A handwritten signature in black ink, appearing to be 'A. Oates', written over a circular stamp or mark.

**Chief Executive**

*People who have a disability and who would like to attend the meeting should contact Democratic Services on 01827 709264 or e-mail [committees@tamworth.gov.uk](mailto:committees@tamworth.gov.uk) preferably 24 hours prior to the meeting. We can then endeavour to ensure that any particular requirements you may have are catered for.*

To Councillors: D Cook, R Pritchard, L Bates, S Claymore, S Doyle, M Greatorex and J Oates



## **MINUTES OF A MEETING OF THE CABINET HELD ON 15th AUGUST 2012**

PRESENT: Councillors R Pritchard, S Doyle and J Oates

The following officers were present: John Wheatley (Executive Director Corporate), Anica Goodwin (Director - Transformation/Corporate Performance), Andrew Barratt (Director - Assets and Environment), Stefan Garner (Director of Finance), Robert Mitchell (Director - Communities, Planning and Partnerships), Sarah McGrandle (Head of Environmental Management) and Karen Taylor (Head of Benefits)

### **39 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors D Cook, S Claymore and M Greateorex and Anthony Goodwin (Chief Executive).

### **40 MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 25 July 2012 were approved and signed as a correct record.

*(Moved by Councillor Jeremy Oates and seconded by Councillor S Doyle)*

### **41 DECLARATIONS OF INTEREST**

There were no Declarations of Interest.

### **42 MATTERS REFERRED TO THE CABINET IN ACCORDANCE WITH THE OVERVIEW AND SCRUTINY PROCEDURE RULES**

None

### **43 LOCALISM ACT 2011**

The report of the Leader of the Council, presented by the Deputy Leader, setting out the Council's approach to the implementation of the key part of the Localism Act 2011, the Community Right to challenge set out in Part 5 Chapter 2, was considered.

- RESOLVED:** That the guidance document and the decision and notification timetables required under sections 82 to 84 of the Localism Act 2011 as relating to the Community Right to Challenge which are set out below be approved:-
- 1 Expressions of interest under the Community Right to Challenge duties be accepted only between 1 June and 30 June, commencing 2013, and;
  - 2 Expressions of interest under the Community Right to Challenge duties for services already delivered by a third party as set out in the contracts register be accepted, and;
  - 3 Determination of these expressions will take no more than 26 weeks from the close of the period (30 June) and follow generally the process outlined in Appendix 1, and;
  - 4 The minimum period between the date of our decision to accept an expression of interest and the date on which the procurement exercise will begin is 12 weeks. The maximum period is 26 weeks, however depending on the complexity of the EOI on the services involved this period may be waived and the relevant body notified accordingly, and;
  - 5 The guidance document and the decision and notification periods on the Council's website as required by the legislation be published, and;
  - 6 Authority to make any necessary policy amendments be delegated to the Chief Executive and the Leader of the Council
- (Moved by Councillor R Pritchard and seconded by Councillor S Doyle)*

#### **44 ANNUAL REVIEW 2011/12**

The Report of the Leader of the Council, presented by the Deputy Leader, informing Cabinet of the contents of the Annual Review was considered.

- RESOLVED:** That the Annual Review be approved so that it can be published without delay.

*(Moved by Councillor R Pritchard and seconded by Councillor J Oates)*

#### **45 LOCALISING SUPPORT FOR COUNCIL TAX**

The Report of the Portfolio Holder for Core Services and Assets seeking a decision from Cabinet, further to the presentation given on 25 July, of the preferred consultation option for a Local Council Tax Support scheme was considered.

- RESOLVED:** That:

- 1 Option 3b from the updated appendices, protecting pensioners, severely disabled claimants and those with disabled children only based on max 75% liability, be approved, and;
- 2 Tamworth Borough Council consults the public on this option.  
*(Moved by Councillor R Pritchard and seconded by Councillor S Doyle)*

#### **46 WRITE OFFS 01/04/2012 – 30/06/2012**

The Report of the Portfolio Holder for Core Services and Assets providing members with details of write offs from 01 April 2012 to 30 June 2012 was considered.

**RESOLVED:** That the amount of debt being written off be endorsed.

*(Moved by Councillor R Pritchard and seconded by Councillor J Oates)*

#### **47 CONSIDERATION OF ISSUES AND OPTIONS ARISING FROM THE CEMETERY GATES PETITION**

The Report of the Portfolio Holder for Environment and Waste Management setting out the various options in response to a petition to reinstate the locking and unlocking of all cemetery gates all year round, before a preferred option is put forward at full Council in September 2012 was considered.

**RESOLVED:** That a Friends of Cemetery Group be set up to open and close the cemetery gates on a regular basis for a 12 month trial period.

*(Moved by Councillor S Doyle and seconded by Councillor R Pritchard)*

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Leader

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5<sup>th</sup> September 2012

**REPORT OF THE LEADER OF THE COUNCIL**

**Quarter One 2012/13 Performance Report**

**EXEMPT INFORMATION**

Not Applicable.

**PURPOSE**

This report aims to provide Cabinet with a performance and financial health-check.

**RECOMMENDATIONS**

That Cabinet endorse the contents of this report.

**EXECUTIVE SUMMARY**

This report provides information on;

1. The corporate plan scorecard of performance indicators\*,
2. High level corporate plan actions,
3. Performance management framework,
4. Corporate risks,
5. Financial matters.

\*The scorecard of performance indicators is currently being reviewed with Corporate Management Team. This is scheduled to be completed in time for quarter two reporting.

**RESOURCE IMPLICATIONS**

None, directly arising from this report.

**LEGAL/RISK IMPLICATIONS BACKGROUND**

Not applicable.

**SUSTAINABILITY IMPLICATIONS**

Not applicable.

**BACKGROUND INFORMATION**

See attached document

**REPORT AUTHOR**

John Day

**LIST OF BACKGROUND PAPERS**

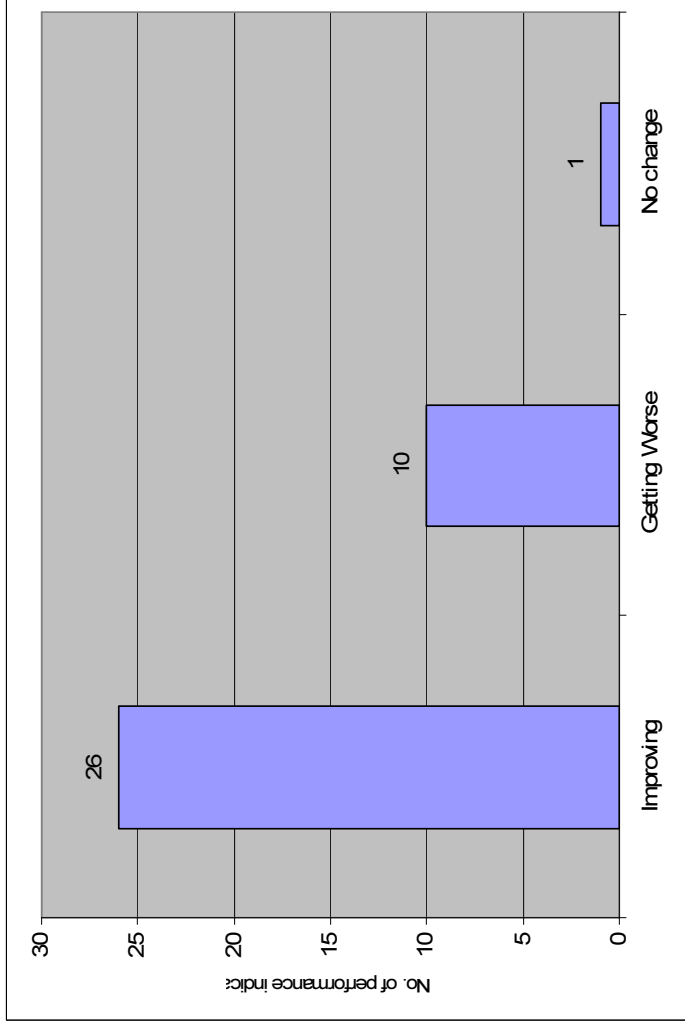
**APPENDICES**











**1. Corporate plan scorecard of performance indicators**

The charts below show the numbers of performance indicators and whether they are improving, getting worse or have stayed the same.





**To create and sustain a thriving local economy and make Tamworth a more aspirational and competitive place to do business –  
To Aspire and Prosper in Tamworth –**








### 1a. Raise the aspiration and attainment levels of young people




Performance Indicator	Last Update	Current Value	Frequency of collection	Performance improving or declining	Performance against target (where target is known)
Achievement of 5 or more A*- C grades at GCSE or equivalent including English and Maths	2010/11	49.8%	Years		
Key stage 2 - Percentage of pupils attaining English & Maths level 4 & above	2010/11	68.1%	Years		
Percentage of 18 -24 year olds in receipt of Job Seekers Allowance	June 2012	7%	Months		
The percentage of 16 - 19 year olds not in any full-time or part time form of education, employment or training	May 2012	4.36%	Months		

### 1b. Create opportunities for business growth through developing and using skills and talent







Performance Indicator	Last Update	Current Value	Frequency of collection	Performance improving or declining	Performance against target (where target is known)
Percentage of working age population with NVQ2+	2011/12	57.8%	Years	↓	Getting Worse 
Percentage of working age population with no qualifications	2011/12	12.3%	Years	↑	Improving 
Percentage of working age population with NVQ3+	2011/12	39.7%	Years	↑	Improving 
Percentage of working age population with NVQ4+	2011/12	13.2%	Years	↓	Getting Worse 

### 1c. Promote private sector growth and create quality employment locally



Performance Indicator	Last Update	Current Value	Frequency of collection	Performance improving or declining	Performance against target (where target is known)
Percentage of working age population claiming Job Seekers Allowance	Q1 2012/13	3.1%	Quarters	↑	Improving 
Overall Employment rate (working-age) (Tamworth)	Q4 2011/12	59.6%	Quarters	↓	Improving 
New business registration rate per 10,000 resident population aged 16 and above (Tamworth)	2010/11	40.3	Years	↓	Getting Worse 
Worklessness level	Q3 2011/12	14.6%	Quarters	↑	Improving 
Unfilled jobcentre vacancies	June 2012	441	Months	↓	Improving 

Performance Indicator	Last Update	Current Value	Frequency of collection	Performance improving or declining	Performance against target (where target is known)
Total number of jobs	2009/10	30,000	Years	➔	
Job Density	2009/10	0.6	Years	➔	
Median gross weekly earnings for employees working in the area	2011/12	£439.60	Years	➔	

**1d. Brand and market “Tamworth” as a great place to “live life to the full”**

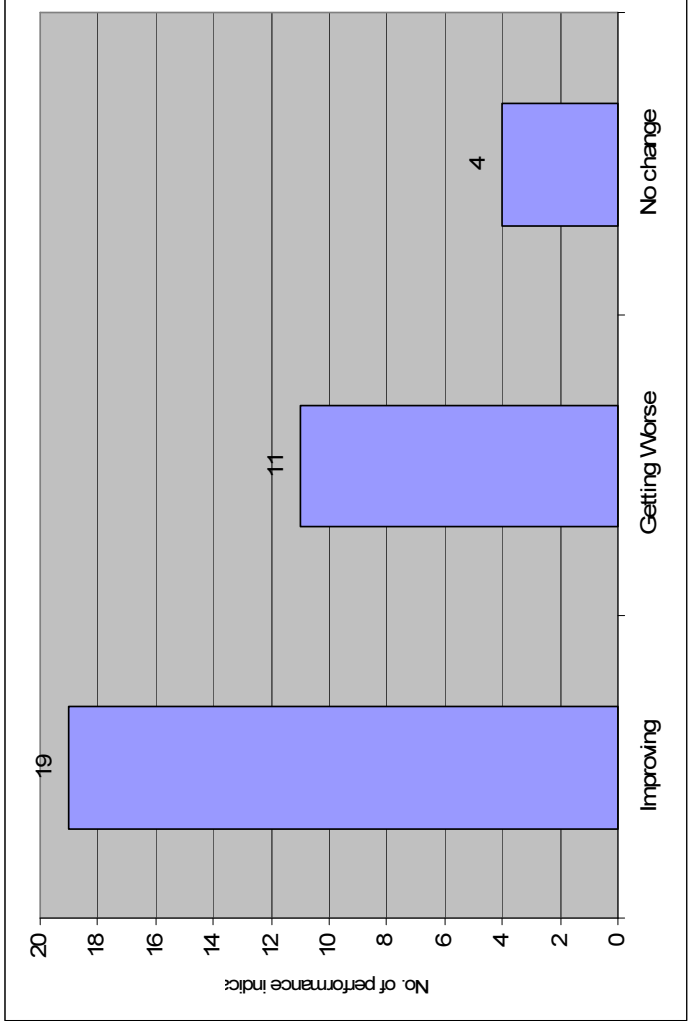
Performance Indicator	Last Update	Current Value	Frequency of collection	Performance improving or declining	Performance against target (where target is known)
The occupancy levels of Town Centre retail outlets	Q1 2012/13	91%	Quarters	↑	Improving 
The footfall for Town Centre	H2 2011/12	5,768	Half Years	↓	Getting Worse 
Overall/general satisfaction with local area (Tamworth)	2011/12	86.2%	Years	↑	Improving 
Tamworth Information Centre Interactions	June 2012	927	Months	↓	Getting Worse 
Reader attendance at Tamworth Market - Tuesdays	H1 2011/12	75	Half Years	↑	Improving 
Reader attendance at Tamworth Market - Saturdays	H1 2011/12	56	Half Years	↑	Improving 

**1e. Create the physical and technological infrastructure necessary to support the achievement of this primary outcome**





Performance Indicator	Last Update	Current Value	Frequency of collection	Performance improving or declining	Performance against target (where target is known)
Processing of planning applications: Major applications (Tamworth)	Q1 2012/13	66.00%	Quarters	↑	Improving 
Processing of planning applications: Minor applications (Tamworth)	Q1 2012/13	96.00%	Quarters	↑	Improving 

Performance Indicator	Last Update	Current Value	Frequency of collection	Performance improving or declining	Performance against target (where target is known)
Processing of planning applications: Other applications (Tamworth)	Q1 2012/13	97.29%	Quarters	↑	Improving
Percentage of residents satisfied with the authorities parks and open spaces	2011/12	76.7%	Years	↑	Improving
Satisfaction with cleanliness of streets	2011/12	54.4%	Years	↑	Improving
Net additional homes provided (Tamworth)	Q1 2012/13	69	Quarters	↑	Improving
Satisfaction of business with local authority regulation services (Tamworth)	2010/11	84%	Years	↑	Improving
Percentage of household waste sent for reuse, recycling and composting (Tamworth)	2011/12	50.20%	Quarters	↑	Improving
Increase in the number of local sites where active conservation management has been implemented from 5 in 2009/10 to 8 by 2013	2011/12	7	Years	▬	No Change
Improved street and environmental cleanliness - Litter	2012	3.23%	Months	↑	Improving
Improved street and environmental cleanliness - Detritus	2012	5.88%	Months	↑	Improving
Improved street and environmental cleanliness - Graffiti	2012	2.82%	Months	↑	Improving
Satisfaction with household waste collection	2011/12	84.2%	Years	↑	Improving
The number of enforcement actions for fly tipping in the month	May 2012	0	Months	↓	Getting Worse
Improved street and environmental cleanliness - Dog Fouling	March 2012	2.61%	Months	↑	Improving

**To be healthier and safer in Tamworth -  
To create a safe environment in which local people can reach their full potential and live longer, healthier lives**









## 2a. Address the causes of poor health in children and young people











Performance Indicator	Last Update	Current Value	Frequency of collection	Performance improving or declining	Performance against target (where target is known)
Obesity in primary school age children in Year 6: Obese	2010/11	20.4%	Years	➔	Getting Worse 
Proportion of children in poverty	2009/10	20.7%	Years	➔	Getting Worse 
Infant Mortality per 1,000	2009/10	6.8	Years	➔	Improving 
Physically active children	2009/10	61.2%	Years	➔	Improving 





**2b. Improve the health and well being of older people by supporting them to live active, independent lives**






Performance Indicator	Last Update	Current Value	Frequency of collection	Performance improving or declining	Performance against target (where target is known)
Adult participation in sport and active recreation (Tamworth)	2012/13	20.7%	Years	↑	Improving 
Male life expectancy	2009/10	78.7	Years	↑	Improving 
Female life expectancy	2009/10	82.7	Years	↑	Improving 
Infant mortality rate per 100,000 population aged under 75	2009/10	271.37	Years	↓	Improving 
Obesity - adults	2007/08	30.7%	Years	↓	Getting Worse 
The percentage of physically active adults	2010/11	9.3%	Years	↓	Getting Worse 

**2c. Reduce the harm and wider consequences of alcohol abuse on individuals, families and society**

Performance Indicator	Last Update	Current Value	Frequency of collection	Performance improving or declining	Performance against target (where target is known)
Increasing and higher risk drinking	2008/09	22.7%	Years		 Getting Worse
Estimated problem drug users	2009/10	409	Years		 No Change
Percentage of Adults Smoking	2010/11	24.9%	Years		 Improving
Alcohol attributable mortality per 100,000 population - Males	2009/10	45	Years		 Getting Worse
Alcohol attributable mortality per 100,000 population - Females	2009/10	12	Years		 Improving




**2d. Implement 'Total Place' solutions to tackling crime and ASB in designated localities**

Performance Indicator	Last Update	Current Value	Frequency of collection	Performance improving or declining	Performance against target (where target is known)
Incidents of Anti-Social Behaviour	June 2012	505	Months		 Improving





















Performance Indicator	Last Update	Current Value	Frequency of collection	Performance improving or declining	Performance against target (where target is known)
Perceptions of anti-social behaviour (on line place survey)	2011/12	30%	Years	↑	Improving 
Percentage of people who feel that the council and police are dealing with local concerns about anti-social behaviour and crime issues (on line place survey)	2011/12	58.8%	Years	↑	Improving 
Percentage of people feeling safe after dark (on line place survey)	2011/12	63.1%	Years	↑	Improving 
Percentage of people feeling safe during the day (on line place survey)	2011/12	92.6%	Years	↑	Improving 
Percentage of people who felt fearful of being a victim of crime in the last 12 months	H2 2011/12	9%	Half Years	↓	Getting Worse 

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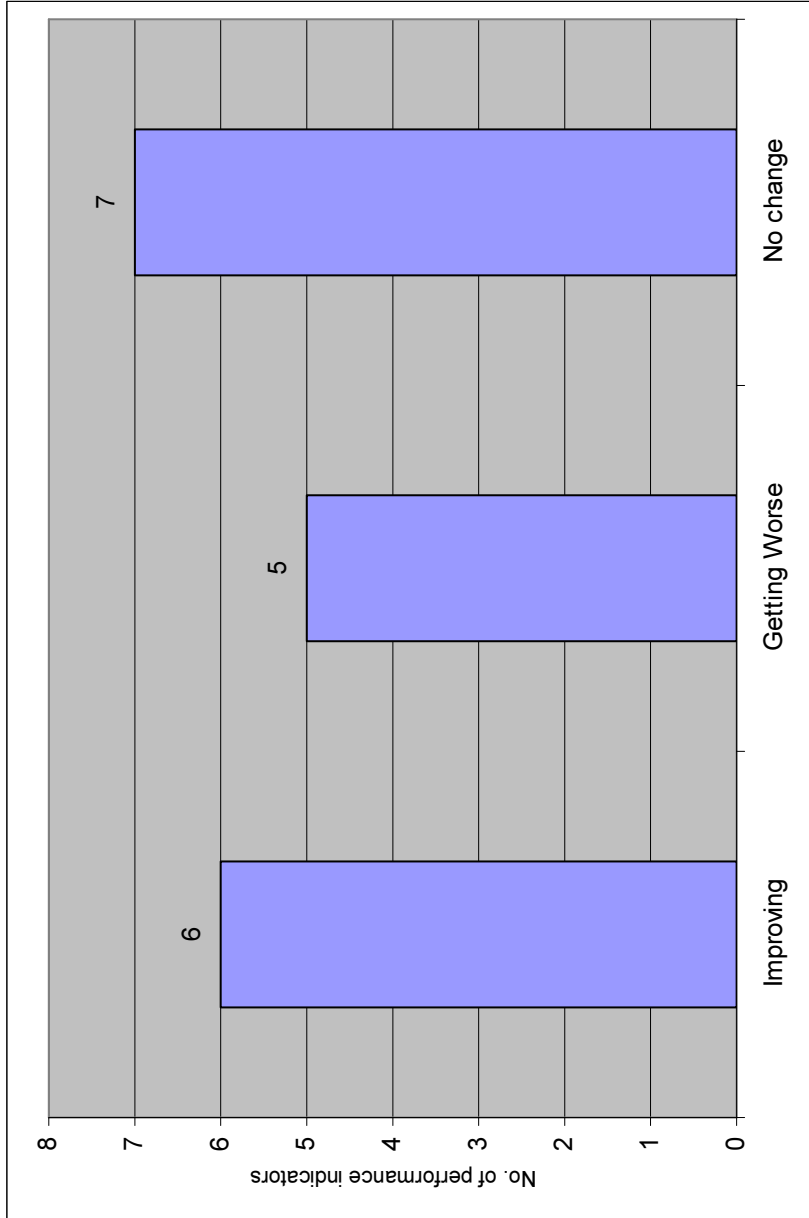
### 3.6. Develop innovative early interventions to tackle youth crime and ASB
















Performance Indicator	Last Update	Current Value	Frequency of collection	Performance improving or declining	Performance against target (where target is known)
First time entrants to the Youth Justice System aged 10-17 per 100,000 10 - 17 population	2010/11	51	Years	↓	Getting Worse 
Percentage of arrests of people aged between 10 and 17 years old	2011/12	13%	Years	↑	Improving 
Young offenders receiving a community resolution order	2009/10	60	Years	↓	Getting Worse 







## 2f. Create an integrated approach to protecting those most vulnerable in our local communities

Performance Indicator	Last Update	Current Value	Frequency of collection	Performance improving or declining	Performance against target (where target is known)
Number of homelessness cases prevented as a result of casework	June 2012	25	Months		Getting Worse 
Where possible, 30% of all new homes delivered will be affordable	2011/12	10.81%	Years		Getting Worse 
% non-decent council homes (Tamworth)	2011/12	.0%	Years		No Change 
Disabled Facilities Adaptations completed	Q4 2011/12	144	Quarters		Improving 
The number of referrals made by Tamworth HEAT	June 2012	157	Months		Improving 
The number of empty homes brought back into use each year	Q1 2012/13	9	Quarters		Improving 
Meet and maintain licensing programme for Houses in Multiple Occupation (HMO's)	2011/12	100%	Years		No Change 
Average number of days taken to re-let local authority housing (Standard Empty Homes)	June 2012	12	Months		Improving 
Local authority tenants' satisfaction with landlord services	2010/11	75.20%	Years		Improving 
The number of Council properties adapted to meet the needs of disabled people	2011/12	74	Years		No Change 

**Approachable, Accountable and Visible**



Performance Indicator	Last Update	Current Value	Frequency of collection	Performance improving or declining	Performance against target (where target is known)
Spending maintained within approved budget and without significant underspends	March 2012	1.65%	Months	↑	Improving 
Percentage of calls answered within 20 seconds - Corporately	Q1 2012/13	90.5%	Quarters	↓	Getting Worse 
Achievement of upper quartile performance for Non-Domestic Rate collection	2010/11	98.4%	Years	↑	Improving 
Maintain accreditation against ISO20000	2011/12	Yes	Years	▬	No Change 
Maintain accreditation against ISO27001	2011/12	Yes	Years	▬	No Change 
Freedom of Information Requests Responded To Within legislative timescales	February 2012	100%	Months	▬	No Change 
Draft Statement of Accounts to be prepared by 30th June each year	2011/12	Yes	Years	▬	No Change 
Achievement of upper quartile performance for Council Tax collection	2010/11	98%	Years	↑	Getting Worse 
To have satisfactory arrangements to secure economy, efficiency and effectiveness in our use of resources	2010/11	Yes	Years	▬	No Change 
Achievement of an unqualified audit opinion on the financial statements	2010/11	Yes	Years	▬	No Change 
Budget, Council Tax and Rent set by 11th March each year	2011/12	Yes	Years	▬	No Change 
Visiting Marmion House - Resolution at first point of contact	Q1 2012/13	94%	Quarters	↓	Getting Worse 
Percentage of people who feel they can influence decisions in their locality (Tamworth)	2011/12	47.8%	Years	↑	Improving 
Usage of the "Tell us" scheme	July 2012	68	Months	↑	Improving 
Increase voter turnout	2012/13	27.16%	Years	↓	Getting Worse 




Performance Indicator	Last Update	Current Value	Frequency of collection	Performance improving or declining	Performance against target (where target is known)
Increase the percentage of residents year on year who express satisfaction with council services (on line place survey)	2011/12	76.6%	Years		 Improving
The percentage of canvas forms returned	2011/12	95.6%	Years		 Improving
Increase the number of eligible voters	Q1 2012/13	58,341	Quarters		 Getting Worse

## 2. High Level Corporate Plan Actions




A new feature of this report is an update on those high level actions/projects or initiatives that fall into the categories not on track but in control or not on track and not in control.

Updates on all the other high level actions/projects or initiatives can be viewed via Covalent at .

<http://www.covalentcpm.com/CovalentWebModule/CovalentWidget?c=179&id=1546>

<b>New council brand</b>	<i>Jane Eason</i>	<b>Project Status</b>	Priority Action/Project/Initiative not on track but is in control		<b>Progress</b>
			<b>Planned Start Date</b>	<b>Due Date</b>	
Latest Status Update	31-Jul-2012 Initially designs were presented to members of Cabinet who took guidance from the controlling group, these ideas were refused.		01-Apr-2012	01-Apr-2013	0%
<b>Increase occupancy of commercial and industrial premises and also the longevity/quality of the letting</b>	<i>Paul Weston</i>	<b>Project Status</b>	Priority Action/Project/Initiative not on track but is in control		<b>Progress</b>
Latest Status Update	06-Jul-2012 The occupancy of commercial premises is excellent given the current economic climate but the quality and length of the lettings is an area outside of our control.		01-Apr-2012	31-Mar-2013	25%
<b>Exploitation of external service delivery</b>	<i>Gareth Youlden</i>	<b>Project Status</b>	Priority Action/Project/Initiative not on track but is in control		<b>Progress</b>
Latest Status Update	04-Jul-2012 As part of the Support Services Options Appraisal, it was agreed to source additional customers external to TBC. To date, there have been none identified, however this is reviewed on a quarterly basis		01-Apr-2012	02-Apr-2013	0%



<b>Exploitation of GIS</b>	<i>Jon McDevitt</i>	<b>Project Status</b>	Priority Action/Project/Initiative not on track but is in control		<b>Progress</b>
Latest Status Update	04-Jul-2012 The GIS (Geographical Information Systems) exploitation is included within the scope of the Corporate Change Programme. As the new CRM (Customer Relationship Management) System is implemented (anticipated November 2012), the GIS system will be interfaced to become the main source of information		<b>Planned Start Date</b>	<b>Due Date</b>	0%
			01-Apr-2012	31-Mar-2015	
<b>Democratic engagement: Public engagement</b>	<i>Jane Hackett</i>	<b>Project Status</b>	Priority Action/Project/Initiative not on track but is in control		<b>Progress</b>
Latest Status Update	02-Jul-2012 Discussions on making use of survey monkey to engage with public and democratic process.		<b>Planned Start Date</b>	<b>Due Date</b>	15%
			01-May-2012	31-May-2013	
<b>Legal: Legal Spend Review</b>	<i>Jane Hackett</i>	<b>Project Status</b>	Priority Action/Project/Initiative not on track but is in control		<b>Progress</b>
Latest Status Update	02-Jul-2012 Had one meeting of group tasks given to various group members to find out cost of legal support		<b>Planned Start Date</b>	<b>Due Date</b>	20%
			01-Mar-2012	30-Sep-2012	

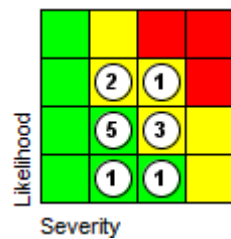
### 3. Performance Management Framework

During the first quarter, all items were on track with the exception of completed PDRs, only 5% had been returned to Organisational Development by 30<sup>th</sup> June 2012.

### 4. Corporate Risk register

The Corporate Risk register is reviewed and updated by the Corporate Management Team.

There are currently thirteen risks on the Corporate Risk Register, none of which are high risks and the “heat map” below indicates the current position of their risk status.



## 5. Financial Health check

### Executive Summary

This section to the report summarises the main issues identified at the end of June 2012. Details relating to the summary including Directorate commentaries can be obtained from Phil Thomas, Corporate Accountancy Extension 239.

Summary action sheets showing agreed action points to address issues raised are attached at **Appendix A**.

### General Fund

#### Revenue

- The General Fund has a favourable variance against budget at period 3 of £198k.
- The projected full year position identifies a projected unfavourable variance against budget of £147k or a 1.65% overspend to budget.
- This projection has highlighted several budget areas for concern (detailed at **Appendix B** and within the report). Though we are a quarter of the way through the year and projections may change, ongoing investigations into these areas have been initiated to mitigate the levels of the deficits.
- A balance of £161k was held in the General Contingency Budget at the end of June 2012.

#### Capital

- Capital expenditure incurred was £316k compared to a profiled budget of £1.004m.
- It is predicted that £2.436m will be spent by the year-end compared to a full year budget of £3.010m (this includes re-profiled schemes from 2011/12 of £1.168m).
- A summary of Capital expenditure is shown at **Appendix D**.

#### Treasury Management

- At the end of June 2012 the Authority had £23m invested in the money markets (excluding the £1.86m which is classified as sums at risk invested in Icelandic Banks). The average rate of return on these investments is 1.17% though this may change through the year if market conditions ease. At this point, it is anticipated that our investments will earn approximately £220k which is no variance to budget.

- Borrowing by the Authority stood at £65.060m at the end of June 2012, all being long term loans from the Treasury Public Works Loans Board. The average rate payable on these borrowings equates to 4.47%. At this point it is projected that interest payments will be £2.911m compared to a budget of £3.032m, as not all the budgeted borrowing was taken.
- A more detailed summary of the Treasury Management situation, detailing our current lending and borrowings, together with the situation with our Icelandic investments, can be found at **Appendix E**.

## Balances

Balances on General Fund are projected to be in the region of £3.804m at the year-end from normal revenue operations compared to £3.441m projected within the 2012/13 budget report.

There is also currently a balance unallocated of £259k within the Repairs and Renewals Fund.

## Housing Revenue Account (HRA)

### Revenue

- The HRA has a favourable variance against budget at Period 3 of £657k.
- The projected full year position identifies a favourable variance against budget of £79k. Individual significant budget areas reflecting the variance are detailed at **Appendix B** and within the body of the Report.

### Capital

- Housing Capital expenditure of £284k has been incurred as at the end of Period 3 compared to a profiled budget of £37k.
- It is predicted that £7.570m will be spent by the year-end compared to the full year budget of £7.570m (including £4k re-profiled from 2011/12);
- A summary of Capital expenditure is shown at **Appendix D**.

## Balances

- Balances on the Housing Revenue Account are projected to be in the region of £3.446m at the year-end compared to £3.588m projected within the 2012/13 budget report.

## Balance Sheet Reporting

In order to improve the information provided regarding the financial standing of the Council at the end of the period, **Appendix C** shows an extract of the Council's balance sheet. This includes movements in balances from the start of the year in areas such as Long Term Investments and Debtors, Current Assets and Liabilities, Long Term Liabilities and Financing and Earmarked Reserves held. At this stage the table is being developed as an improvement to the reporting process, and as such reflects a 'snapshot' at this point in time.

## FINANCIAL HEALTHCHECK REPORT – QUARTER 1, PERIOD 3 JUNE 2012

This section of the report highlights the main issues identified, Corporate Management Team and Members are asked to note the contents of the report and agree action points to address the issues raised.

### Issues Identified

The financial performance review has focussed on the following key areas, on which further work is being undertaken:

- Review of the actual activity to budget for the period;
- A projection of the actual activity to budget for the year;
- Identification of potential issues for action;
- This is the first monitoring report of the year and issues regarding budget profiles and previous year's accruals may distort the reported figures to some extent, though the majority of these issues will have been adjusted for manually.

### General Fund – Revenue

- The position at the end of June 2012 shows a favourable situation of £198k underspend.
- The projected full year position identifies an unfavourable variance against budget of £147k.

Significant items currently identified relating to overspends/under achievement of income are,

- Tamworth Golf Course - £88k. Given the difficult trading at the Golf Course it is prudent to budget for a reduction in the budgeted income based on recent history and the current temporary rental agreement. This will be managed and reported on throughout the year.
- Outside Car Parks - £40k. Under achievement of income based on current usage, 12.5% reduction in occupancy levels compared to last years figures, which would appear to be in line with national trends.
- Benefits - £34k. Estimated overspend based on claimant activity recorded in the DWP claim as at the end of June.
- Industrial Properties - £32k. Under achievement of income based on current level of occupation.
- Public Spaces - £23k. Overspend due to salaries budgetary funding shortfall (vacancy allowance).
- Asset Management – Admin - £13k. Overspend due to salaries budgetary funding shortfall (vacancy allowance).
- Cemeteries - £13k. Reduction in income.

- Street Wardens - £12k. Overspend due to salaries budgetary funding shortfall (vacancy allowance)
- Assembly Rooms - £16k. Bar £11k based on 2011/12 outturn. It is hoped that some savings can be made elsewhere to offset this in part. Salaries £5k overspend due to salaries budgetary funding shortfall (vacancy allowance).

Significant items mitigating the financial impact of the above and contributing to the period position,

- Treasury Management - £119k. Underspend due to new borrowing below budgeted amount.
- Environmental Health - £26k. Underspend due to two vacant posts; part of budget is being used to pay for consultants and sickness cover.
- Commercial Property Management - £24k. Over recovery of rental income based on current level of occupation.

### **General Fund – Capital**

- The position at the end of June shows an underspend to profiled budget of £688k, mainly due to slippage on spend compared to predicted expenditure profiles at this early stage of the year.
- The projected full year position identifies a projected net under-spend of £121k. This is the Home Repairs Works in Default Scheme as no external funding is available for this scheme, therefore not predicting any spend unless alternative funding can be found.

### **Housing Revenue Account – Revenue**

- The position at the end of June shows a favourable situation of £657k.
- The projected full year position identifies a favourable variance against budget of £79k.

**Significant items currently identified relating to overspends/under achievement of income are,**

- Garage Rents - £67k. Rental income shortfall due to the continuing increase in voids. A number of garage sites are currently being considered for re-development for social housing.

**Significant items mitigating the financial impact of the above and contributing to the predicted outturn position,**

- Rents - £150k. Projected outturn over recovery against budget partly due a quicker turnaround of void properties reducing overall void levels.

## **Housing Revenue Account – Capital**

- The position at the end of June shows an over spend to profiled budget of £247k, which appears to be a profiling variance.

The projected outturn is showing no variance to budget at this stage.

REF	ACTIVITY	OPTIONS	AGREED ACTION	ACTION BY / WHEN	PROGRESS
1	<b>FINANCIAL ISSUES</b>				
1.1	Budget Monitoring & Control		Managers have been commissioned by CMT to review budgets by the end of September to identify potential actions to mitigate projected overspending and to restrict spend to essential areas.	Directors & Budget Holders	Ongoing
1.2	Forward Look: – Medium Term Financial Strategy (MTFS)		Investigation into significant variances, to identify reasons for the changes and implement 'lessons learned' to reduce the risk of future occurrences.	Findings incorporated within Budget Review Group's provisional consideration for the impact on 2013/14 (onwards) financial planning.	BRG will be given report on outturn situation for considerations for the MTFS



## Appendix B

	YTD Outturn	Projected Outturn	
	Period 03	Period 03	
GENERAL FUND	Over/(Under) Spends £000's	Over/(Under) Spends £000's	Comments
<b>CHIEF EXECUTIVE'S OFFICE</b>			
<i>Head of Customer Services</i>			
<b>Customer Services</b>			
Staffs Connects Contribution	6	0	2011-12 contribution in excess of amount accrued. Underspend against budget to date, plus receipt of £7k credit against previous bills
Line Rental Main Switchboard	(9)	0	
<b>Other minor non-significant variances</b>	7	0	
<b>CHIEF EXECUTIVE'S OFFICE</b>	4	0	
<b>EXECUTIVE DIRECTOR CORPORATE SERVICES</b>			
<b>Electoral Process</b>			
Rents	(6)	0	Underspend against year to date budget
Printing & Stationery	8	0	Overspend against year to date budget
Election Staff	(9)	0	Underspend against year to date budget
<i>Head of Benefits</i>			
<b>Benefits</b>	29	34	Based on position as at end June
<i>Head of Internal Audit</i>			
<b>Internal Audit</b>			
External Support	10	0	Commitment raised in advance of profiled budget
<i>Director of Technology &amp; Corporate Programmes</i>			
<b>ICT and Transformation</b>			
Salaries	8	0	Overspend partly due to shortfall in salaries budgetary funding
Communications	(7)	0	Underspend against profiled year to date budget
Hardware Maintenance	(6)	0	Underspend against profiled year to date budget
Software Maintenance	8	0	Overspend against profiled year to date budget
Application Software	(6)	0	Underspend against profiled year to date budget
<i>Director of Finance</i>			
<b>Corporate Core</b>			
Subscriptions - Corporate	(8)	(5)	Underspend against budget
<b>Corporate Finance</b>			
Audit Fee	7	0	Overspend against profiled year to date budget
Government Grants	(73)	0	Includes receipt £84k New Burdens grant re localised Council Tax benefit, which was not budgeted
<b>Treasury Management</b>			
External Interest Payable	(32)	(121)	New borrowing below budgeted amount
Misc Interest & Dividends	(8)	0	
<b>Other minor non-significant variances</b>	(18)	2	
<b>EXECUTIVE DIRECTOR CORPORATE SERVICES</b>	(103)	(90)	
<b>ASSETS AND ENVIRONMENTAL SERVICES</b>			
<b>Commercial Property Management</b>			
Rental Income	(26)	(20)	Based on current level of occupation

GENERAL FUND	Over/(Under) Spends £000's	Over/(Under) Spends £000's	Comments
<b>Industrial Properties</b>			
Rental Income	27	40	Based on current level of occupation
Provision for Bad debts	(12)	(12)	Saving as at end of the period, however potential for full requirement by year end position will be closely monitored and updated throughout the year
<b>Outside Car Parks</b>			
Fees & Charges	12	40	Based on current usage - position will be closely monitored and updated throughout the year
<b>Environmental Health</b>			
Salaries	(12)	(23)	2 vacant posts. Part of budget is being used to pay for consultants and sickness cover
<b>Cemeteries</b>			
Fees and Charges	11	10	Reduction in income - position will be closely monitored and updated throughout the year
<b>Public Spaces</b>			
Salaries	3	15	Overspend due to salaries budgetary funding shortfall (vacancy allowance)
<b>Street Wardens</b>			
Salaries	3	12	Overspend due to salaries budgetary funding shortfall (vacancy allowance)
<b>Other minor non-significant variances</b>	24	54	
<b>ASSETS AND ENVIRONMENTAL SERVICES</b>	30	116	
<b>HOUSING &amp; HEALTH</b>			
<b>Homelessness</b>			
Bed & Breakfast Cost	(6)	0	Prevention schemes have reduced use of Bed & Breakfast accommodation
Bed & Breakfast Income	7	0	Reduced income offset by reduced expenditure
<b>Homelessness Prevention Schemes</b>			
Repossession Prevention	(50)	0	Demand led scheme, grant funded
<b>Homelessness Strategy</b>			
Homelessness Prevention	(24)	0	Projects utilising the grant funding have been identified and approved
Repossession Prevention	(36)	0	Demand led scheme, grant funded
<b>Health Agenda</b>			
Health Promotions Joint Funding	(9)	0	
<b>Other minor non-significant variances</b>	(31)	0	
<b>HOUSING &amp; HEALTH</b>	(149)	0	
<b>COMMUNITIES, PLANNING &amp; PARTNERSHIPS</b>			
<b>Development Control</b>			
Fees & Charges Planning Apps	19	0	It is too early to say if this trend will continue as new legislation relating to fee setting is to be introduced in the Autumn.
<b>DD - Communities, Planning &amp; Partnerships</b>			
Salaries	2	9	Overspend due to salaries budgetary funding shortfall (vacancy allowance)
<b>Partnership Support &amp; Development</b>			
Salaries	0	4	Overspend due to salaries budgetary funding shortfall (vacancy allowance)
<b>Tamworth Golf Centre</b>			
Bad Debt Provision	8	8	Based on debts in respect of 2011/2012
Contract	19	80	Given the difficult trading at the Golf Course it is prudent to budget for a reduction in the budgeted income based on recent history and the current temporary rental agreement. This will be managed and reported on throughout the year.
<b>Assembly Rooms</b>			
Salaries	1	5	Overspend due to salaries budgetary funding shortfall (vacancy allowance)

GENERAL FUND	Over/(Under) Spends £000's	Over/(Under) Spends £000's	Comments
<b>Assembly Rooms Bar</b>			
Bar Sales	4	10	Based on 2011/12 out turn. It is hoped that some savings can be made else where to offset this in part.
<b>Assembly Rooms 3rd Party Tickets</b>			
Performers Fees	18	0	Profile Issue
Split Profit Event Ticket Sale	(10)	0	Profile Issue
Admission Fees	(18)	0	Profile Issue
<b>Community Leisure Management</b>			
Salaries	2	7	Overspend due to salaries budgetary funding shortfall (vacancy allowance)
<b>Community safety</b>			
Salaries	(2)	(5)	employee on maternity leave & others not in pension fund although budgeted for
<b>Other minor non-significant variances</b>	(23)	3	
<b>COMMUNITIES, PLANNING &amp; PARTNERSHIPS</b>	20	121	
<b>GENERAL FUND</b>	<b>(198)</b>	<b>147</b>	

HOUSING REVENUE ACCOUNT	Over/(Under) Spends £000's	Over/(Under) Spends £000's	Comments
<b>HOUSING &amp; HEALTH</b>			
<b>General - Operations</b>			
Software Maintenance & Improvements	(12)	0	Ongoing upgrades to Orchard system are expected to use full budget
<b>Repairs Contract</b>			
Payments for Temporary Staff	12	0	Cost of additional staff to be recharged to Capital scheme/Repairs contract
<b>HRA Summary</b>			
Contribution to the Repairs Account	(476)	0	Multiple Contracts, of which the Responsive Repairs contract is currently £389K underspent, and the Misc budget and Gas contract are currently underspent by £49K & £12K respectively.
Provision for Bad Debts	(138)	0	Provision based on current level of arrears which are expected to rise due to the impact of the welfare reforms
Item 8 Debit			
Rents	(37)	(150)	Projected outturn over recovery against budget partly due a quicker turnaround of void properties reducing overall void levels
Garage Rents	17	67	Rental income shortfall due to the continuing increase in voids. A number of garage sites are currently being considered for re-development for social housing
<b>Other minor non-significant variances</b>	(23)	4	
<b>HOUSING REVENUE ACCOUNT</b>	<b>(657)</b>	<b>(79)</b>	

## Appendix C

### Balance Sheet Extract Period 3, June 2012

		Balance as at 01/04/12	Balance as at 30/06/12	Movement in Year to Date
<b>Investments</b>				
<i>(Excluding Icelandic 'Sums at Risk')</i>	Short Term	15,682,000	22,999,000	+ 7,317,000
	Long Term	0	0	+ 0
<b>Debtors</b>	General Fund Invoices Outstanding	452,206	461,037	+ 8,831
	<i>less</i> bad debt provision for invoices Outstanding	(77,114)	(89,349)	- 12,236
	HRA Invoices Outstanding	3,260	14,713	+ 11,453
	<i>less</i> bad debt provision for invoices Outstanding	(2,776)	(3,313)	- 537
	Housing provision for Bad Debts	(869,730)	(868,931)	+ 799
	Benefit Government debtor	787,864	1,047,811	+ 259,947
<b>Creditors</b>	Invoices received not paid	(1,190,620)	(68,145)	+ 1,122,475
	Accruals	(624,175)	(171,125)	+ 453,051
<b>Reserves</b>		(7,710,782)	(8,163,483)	- 452,701
<b>Capital Receipts</b>	General Fund	(1,151,839)	(1,159,839)	- 8,000
	Housing	(623,882)	(709,673)	- 85,792
<b>Collection Fund</b>				
<b>CTAX</b>	Arrears	1,377,881	1,337,173	- 40,707
	Credits & Prepayments	(633,983)	(262,517)	+ 371,466
<b>NNDR</b>	Arrears	1,309,787	1,269,044	- 40,743
	Credits & Prepayments	(544,008)	(541,061)	+ 2,947
<b>Housing</b>				
<b>HRA RENT</b>	Arrears	1,017,828	1,170,234	+ 152,406
	Prepayments	(282,331)	(255,847)	+ 26,484
<b>Homelessness</b>	Arrears	196,637	202,582	+ 5,945
	Prepayments	(9,365)	(9,545)	- 180

**CAPITAL PROGRAMME 2012-13 SUMMARY**  
**Period 3 - Ledger Info @ 14/08/12**

Directorate	Budget b/f from 11/12	12/13 Predicted Spend	12/13 Project Budget (Incl b/f from 11/12)	Predicted Re-profile to 13/14	12/13 Resultant Variance	YTD Actuals	YTD Accruals	YTD Actuals + Accruals	YTD Budget	YTD Variance
	£	£	£	£	£			£	£	£
CORPORATE SERVICES	119,140	371,140	371,140	0	0	61,536.00	511.37	62,047.37	182,140	(120,093)
COMMUNITY SERVICES	1,048,590	2,064,620	2,638,790	453,500	(120,670)	163,123.33	91,273.82	254,397.15	822,290	(567,892)
<b>GENERAL FUND TOTALS</b>	<b>1,167,730</b>	<b>2,435,760</b>	<b>3,009,930</b>	<b>453,500</b>	<b>(120,670)</b>	<b>224,659.33</b>	<b>91,785.19</b>	<b>316,444.52</b>	<b>1,004,430</b>	<b>(687,985)</b>
HOUSING REVENUE ACCOUNT	3,690	7,569,870	7,569,870	0	0	280,342.14	4,129.24	284,471.38	37,155	247,318
<b>TOTAL APPROVED CAPITAL</b>	<b>1,171,420</b>	<b>10,005,630</b>	<b>10,579,800</b>	<b>453,500</b>	<b>(120,670)</b>	<b>505,001.47</b>	<b>95,914.43</b>	<b>600,915.90</b>	<b>1,041,585</b>	<b>(440,667)</b>
Specific Project Contingencies	130,000	0	130,000	0	(130,000)	0.00	0.00	0.00	130,000	(130,000)
<b>TOTAL (incl spec' contingencies)</b>	<b>1,301,420</b>	<b>10,005,630</b>	<b>10,709,800</b>	<b>453,500</b>	<b>(250,670)</b>	<b>505,001.47</b>	<b>95,914.43</b>	<b>600,915.90</b>	<b>1,171,585</b>	<b>(570,667)</b>
GF General Contingency	40,000	0	40,000	0	(40,000)	0.00	0.00	0.00	40,000	(40,000)
HRA General Contingency	0	0	250,000	0	(250,000)	0.00	0.00	0.00	0	0
Invest To Save Contingency	160,000	0	160,000	0	(160,000)	0.00	0.00	0.00	160,000	(160,000)
<b>ALL CAPITAL</b>	<b>1,501,420</b>	<b>10,005,630</b>	<b>11,159,800</b>	<b>453,500</b>	<b>(700,670)</b>	<b>505,001.47</b>	<b>95,914.43</b>	<b>600,915.90</b>	<b>1,371,585</b>	<b>(770,667)</b>

## Treasury Management Update – Period 3 - 2012/2013

### Investments held as at 30<sup>th</sup> June 2012:

Borrower	Deposit £m	Rate %	From	To	Notice
Lloyds TSB	1.00	2.10	05/10/2011	03/10/2012	-
Lloyds TSB	2.00	2.15	04/11/2011	02/11/2012	-
Lloyds TSB	1.00	2.25	14/11/2011	12/11/2012	-
Bank of Scotland	2.00	3.10	06/03/2012	13/02/2013	
Barclays Bank	2.00	0.91	02/04/2012	02/07/2012	
Barclays Bank	1.00	0.95	15/05/2012	15/08/2012	
Barclays Bank	1.00	0.70	15/06/2012	14/09/2012	
DMADF	1.00	0.25	29/06/2012	05/07/2012	
Nat West	2.00	0.80	-	-	On call
Nat West	2.00	0.95	-	-	30 days
Deutsche Bank - MMF	4.00	0.55*	-	-	On call
Ignis - MMF	4.00	0.69*	-	-	On call
<b>Total</b>	<b>23.00</b>	<b>1.17 (avg)</b>			

\* Interest rate fluctuates daily dependant on the funds investment portfolio; rate quoted is approximate 7 day average.

### External Borrowing as at 30<sup>th</sup> June 2012:

<b><u>Borrowing from PWLB</u></b>				
<b><u>Loan Number</u></b>	<b><u>Rate</u></b>	<b><u>Principal</u></b>	<b><u>Start</u></b>	<b><u>Maturity</u></b>
468372	11.625%	1,000,000	29/03/1990	18/08/2015
468478	11.750%	2,000,000	23/04/1990	18/02/2017
475875	8.875%	1,200,000	29/04/1995	25/04/2055
478326	8.000%	1,000,000	17/10/1996	17/10/2056
479541	7.375%	1,000,000	28/05/1997	28/05/2057
479950	6.750%	2,000,000	02/10/1997	03/09/2057
481087	5.625%	3,000,000	22/06/1998	22/06/2058
481641	4.500%	1,400,000	09/10/1998	09/10/2058
483694	4.875%	92,194	21/12/1999	18/10/2059
484204	5.125%	2,000,000	20/04/2000	18/10/2015
488835	5.000%	2,000,000	01/07/2004	01/07/2034
490815	4.250%	1,000,000	24/11/2005	24/05/2031
494265	4.430%	2,000,000	21/01/2008	01/01/2037
494742	4.390%	700,000	15/08/2008	15/08/2058
500759	3.520%	5,000,000	28/03/2012	28/03/2053
500758	3.510%	5,000,000	28/03/2012	28/03/2054
500757	3.510%	5,000,000	28/03/2012	28/03/2055
500761	3.510%	5,000,000	28/03/2012	28/03/2056
500755	3.500%	5,000,000	28/03/2012	28/03/2057
500756	3.500%	3,000,000	28/03/2012	28/03/2058
500753	3.500%	1,000,000	28/03/2012	28/03/2059
500760	3.490%	5,000,000	28/03/2012	28/03/2060

500762	3.490%	5,000,000	28/03/2012	28/03/2061
500754	3.480%	5,668,000	28/03/2012	28/03/2062
Total		<b>65,060,194</b>		

**ICELANDIC BANKING SITUATION (30/06/2012)**

	Deposit with;	Ref Number	Date Invested	Amount	%
1	GLITNIR	1696	10/10/2007	1,000,000	
	GLITNIR	1715	31/08/2007	1,000,000	
	GLITNIR	1754	14/12/2007	1,000,000	
	Total Principal			3,000,000	
	Estimated of Contractual or Interest due to point of administration (subject to currency exchange rate fluctuations)			140,911	
	Total of Claim			3,140,911	
	Repayments Received to date			(2,554,432)	81.33
	<b>Outstanding at 30/06/2012</b>			<b>586,479</b> *	

Partial repayment received on the 15th March 2012 in GBP/EUR/USD/NOK. The balance is currently being held in Icelandic Krone (ISK). Release of these funds is dependent on a change in Icelandic Law which currently does not allow the distribution of ISK outside the country. \*Interest will accrue on these funds until the date of final settlement and may also change due to exchange rate fluctuations..

- Best case recovery 100%

2	Heritable Bank	1802	12/09/2008	500,000	
	Heritable Bank	1803	15/09/2008	1,000,000	
	Total Principal			1,500,000	
	Interest due at point of administration 07/10/2008			5,127	
	Total of Claim			1,505,127	
	Repayments Received to date			(1,079,348)	71.71
	<b>Outstanding at 30/06/2012</b>			<b>425,779</b>	

- Current indications project an 85% recovery of our investments

3	Singer & Friedlander	1716	31/08/2007	1,000,000	
	Singer & Friedlander	1740	31/10/2007	1,000,000	
	Singer & Friedlander	1746	14/01/2008	1,000,000	
	Total Principal			3,000,000	
	Interest due at point of administration 08/10/2008			175,256	
	Total of Claim			3,175,256	
	Repayments Received to date			(2,317,937)	73.00
	<b>Outstanding at 30/06/2012</b>			<b>857,319</b>	

- Current indications project an 82% recovery of our investments

<b>Summary</b>					
	Total Principal			7,500,000	
	Interest			321,294	
	Total of Claim			7,821,294	
	Repayments Received to date			(5,951,717)	76.10
	<b>Outstanding at 30/06/2012</b>			<b>1,869,577</b>	

1 Registered Bank in Iceland - In Administration under Icelandic Law

2 Registered Bank in UK - In Administration in UK by Ernst & Young Under English Law

3 Registered Bank in UK - In Administration in UK by Ernst & Young Under English Law

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## CABINET

5<sup>th</sup> September 2012

### Report of the Portfolio Holder for Core Services & Assets

#### **BUSINESS RATES POOLING**

##### **PURPOSE**

In order to comply with the revised deadline of 10<sup>th</sup> September, 2012 set by the Department for Communities & Local Government (DCLG), Cabinet are required to make an executive decision in respect of the option to 'pool' Business Rates with other Local Authorities.

The revised deadline relates to those Local Authorities that have expressed an interest in more than one 'pool' (this includes Tamworth Borough Council) however; the original deadline of 19<sup>th</sup> October, 2012 as set out in the Statutory Consultation remains in respect of the final decision. All pooling arrangements will, if approved, be effective from 1<sup>st</sup> April, 2013.

##### **RECOMMENDATIONS**

Cabinet are recommended to:

1. Agree to engage in a Business Rates pooling arrangement to be effective from 1<sup>st</sup> April, 2013;
2. Indicate their preferred pooling arrangement i.e. Greater Birmingham & Solihull Local Enterprise Partnership OR Staffordshire & Stoke on Trent Local Enterprise Partnership; and
3. Indicate their preferred pooling option

##### **EXECUTIVE SUMMARY**

The Local Government Resource Review (LGRR) is considering ways to give councils greater financial autonomy and provide stronger incentives to support economic growth. The Government is committed to implementing the reforms suggested in the review by 2013/14. This inevitably requires major changes to the existing Government formula grant system.

Proposals are included in a draft Local Government Finance Bill, currently going through Parliament, for the retention of a proportion of the business rates revenue generated in a local area by the relevant local authorities.

Business rates retention is intended to provide incentives for local authorities to drive economic growth, as the authorities will be able to retain a share of the growth that is generated in business rates revenue in their areas, as opposed to the current system where all business rates revenues are held centrally.

A local business rates retention scheme will lead to various changes including;

- Authorities will be required to take the risk on any reductions in business rates income up to a predetermined level (7.5% to 10% below their baseline);
- Authorities will be able to share in any future increases in business rates income above a baseline and provide a real incentive to promote growth;
- The current formula grant system for funding local authorities will cease from 2013/14 onwards;
- A replacement resource distribution system with Authorities either receiving a “Top Up” to their business rates income or being required to pay over a “Tariff” from their business rates income to central Government.
- An Increase in the expectations of the Business Community which follow on from increased links between business rates income and the funding for Local Authority Services.

The Local Government Finance Bill also allows local authorities to form pools for the purposes of business rates retention. It is expected that pooling will offer local authorities an opportunity to retain more of the rates generated in their local areas and could allow them to use that additional revenue more effectively to drive future economic growth, which in turn should increase future business rates yield.

When authorities decide to enter into a pooling arrangement, a single funding baseline and single business rates baseline will be calculated for the whole pool, meaning that a combined tariff and levy is applied to the pool’s rates revenue as opposed to this being applied to each individual authority. This can deliver collective benefits for those involved in the pool. If a pool is dissolved then the member authorities would revert to their individual baselines, tariffs and levies.

There are a number of reasons why Local Authorities (LAs) could choose to pool. These include:

- cementing the working relationships / economic strategy;
- recognises the interdependence of the LAs;
- reduces the impact of the volatility of business rates income over a region by spreading the risk;
- potential tool to promote growth and job creation
- supports a holistic approach to investment / inward investment; and
- to gain a financial advantage – through retention of the levy element which otherwise would be paid to Central Government.

However, it should be noted that the safety net would not apply to authorities within a pooling arrangement – but the pool should provide funds to mitigate against such losses. In order to benefit from a safety net, the Council would have to experience a fall in business rates of between 7.5% - 10% of the funding baseline currently forecast at £2.4m (equating to £180k - £240k).

Members need to be mindful in coming to their preferred option of the following:

- a) Financial impact & benefit to the authority;
- b) Deliverability of growth estimates put forward & caveats outlined;
- c) Impact of the decision on pooling on other potential decisions & future funding streams.

Should the Council elect to pool the retained business rates, there are currently two pooling options as outlined within options A and B below. External working groups relating to both pooling options were established and involved local authority Financial Directors discussing the various approaches, potential benefits and financial implications and modelling projections arising from the ability to pool business rates from 1<sup>st</sup> April 2013.

### **Option A - the Greater Birmingham & Solihull Local Enterprise Partnership Pool (GBSLEP)**

A report produced by the GBSLEP Financial Directors is scheduled to be presented to the LEP Chief Executives on 30 August 2012. It identifies three options for distribution of the pooled resources:

#### **1) No Loss – Share Proceeds of Reduced Levy Payments**

Under the no loss approach each LA would retain the growth income that they would have received had no pool existed. The governance arrangements of the pool/political decisions would then prescribe how the additional business rates (levy) retained could be allocated across the pool. This would involve distributing windfall funding only.

The latest update proposes the use of 25% of the avoided levy payments to be set aside as a contingency fund – the first call on this will be to fund safety net payments. The remaining 75% will be allocated by the Executive Body.

From the modelling work undertaken with the lead authority, Birmingham City Council, the recently released CLG business rates pooling model has been populated with our estimates of growth. This suggests that the total retained levy could be:

<b>Year (Option 1)</b>	<b>Retained Levy (Most likely) £m</b>	<b>Retained Levy (Worse case) £m</b>
2013/14	1.1	0.3
2014/15	3.2	0.7
2015/16	6.2	1.1
2016/17	8.6	1.4
2017/18	10.1	1.4
2018/19	11.8	1.8
2019/20	13.7	2.1

#### **2) No Loss – Shared Benefit of Growth**

Under a shared benefit of growth approach each LA would, in the first year (2013/14), be allocated the funding that would it would have received had no pool existed. Any levy payments avoided would then be invested by the pool to facilitate growth. The proceeds of growth and retained levy could, in subsequent years, either be distributed

across the pool or, be specifically allocated to facilitate further growth. This would involve distributing a combination of windfall funding and core funding.

From the modelling work undertaken the total funding under this option could be:

Year (Option 2)	Retained Levy (Most likely) £m	Retained Levy (Worse case) £m
2013/14	5.4	0.4
2014/15	13.9	1.5
2015/16	25.3	2.7
2016/17	34.3	4.5
2017/18	41.8	3.6
2018/19	49.7	4.7
2019/20	58.3	5.9

These figures include growth above inflation together with the levy savings.

### 3) Fixed Percentage Distribution

Under a fixed percentage distribution approach, in 2013/14 each LA would retain the income from business rates that they would have received in 2013/14 had no pool existed. Future years funding allocations could then be allocated according to this baseline ratio of funding. This would involve distributing a combination of windfall funding and core funding as included within the above forecasts.

#### Commentary on the options:

The consensus from the Finance Directors represented is that option 1 would be preferred – subject to confirmation of the distribution mechanism for the levy savings. The benefit being that any growth generated locally will be retained locally – so authorities will be no worse off in times of austerity & funding constraints.

It is anticipated that the Chief Executives at their meeting on 30<sup>th</sup> August will be asked to decide upon which option to progress – including confirmation of the distribution mechanism.

#### Option B - the Staffordshire and Stoke on Trent Business Rates Pool (SSBRP)

The tables below show the prospective growth rates assuming a ‘most likely’ and best/worse case scenario as provided by each District authority followed by the potential financial consequences of pooling. The results have been based on a Society of County Treasurers (SCT) model which is comparative with alternative models.

Growth scenario	2013/14 average	2014/15 average	2015/16 average	2016/17 average
“Best case”	1.53%	1.61%	2.60%	2.49%
“Worst case”	-0.44%	-0.81%	-1.50%	-0.28%
“Most likely”	1.39%	1.41%	0.55%	1.68%

Growth scenario	Predicted Total Benefit / Loss from the Pool			
	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
<b>SCT Model Results</b>				
"Best case"	1.397	2.395	4.603	7.151
"Worst case"	-0.334	-0.939	-1.820	-1.926
"Most likely"	1.014	1.960	3.016	4.615

The exact details of the scheme are still awaited from DCLG and consequently, all Local Authorities are in a similar position in terms of understanding the precise benefits of pooling.

The SSBRP have stated that the proposed financial principles underpinning a pooling arrangement should have three component parts to manage the levy savings;

- A **contingency** to provide a safety net to mirror the Government's arrangements so that no one is 'worse off' being in the pool compared to being outside the pool – 20%.
- A **local incentive** (so that Districts keep a share of their own 'levy' savings) – 40%;
- Retention of a **central investment fund** to support future economic growth – 40%;

Furthermore, they have also recommended that as a starting point the split between the three component parts are 20%:40%:40%. Authorities will be able to influence the distribution of the central investment fund and contingency through representation / votes at the Staffordshire Economic Consortium.

The proportions are recommended so that after setting aside a contingency sum, there is an equal split between the amount retained locally in each billing area and that which is earmarked to central investment fund to support key projects across the whole county. In practice the pool would need to initially decide how much was required to be placed into the contingency and so the local incentive/fund shares may be higher or lower but they would be split equally.

#### **Commentary on Both Pooling Options:**

From the financial estimates detailed above, the GBSLEP projects levy savings of c.£19m over 4 years compared to c.£11m from the SSBRP.

Year (Option 1)	GBSLEP Option 1 (preferred) (Most likely) £m	SSBRP  (Most likely) £m
2013/14	1.1	1.0
2014/15	3.2	2.0
2015/16	6.2	3.0
2016/17	8.6	4.6
2017/18	10.1	n/a
2018/19	11.8	n/a
2019/20	13.7	n/a

A key issue is around the expectation / delivery of Growth and whether there is more chance of growth potential with one pool over the other – especially as there may be a viability issue where some Authorities will have to decide to pool with one pool over another.

Indications are that should Lichfield and Tamworth not join the SSBRP pool, the impact may result in reduced benefits from the levy savings, so in sharing the levy savings according to proposed splits (40/40/20) the overall impact is that the central investment fund and contingency may receive no contribution.

Governance issues still need to be resolved / formalised – especially around termination arrangements.

The key impact for members’ consideration is which pool shows greater reward / opportunity and of course greater opportunity re Business Growth. The following table summarises a weighted assessment of the potential benefits based on current information on which Pooling arrangement best delivers in line with the evaluation criteria, as detailed at **Appendix B**:

Evaluation Criteria	Financial impact & benefit to the authority	Deliverability of growth estimates put forward & caveats outlined	Impact of the decision on pooling on other potential decisions & future funding streams
Cementing the working relationships / economic strategy;	GBSLEP	GBSLEP	GBSLEP
Recognises the interdependence of the LAs;	GBSLEP	GBSLEP	GBSLEP/SSBRP
Reduces the impact of the volatility of business rates income over a region by spreading the risk;	GBSLEP	GBSLEP	
Potential tool to promote growth and job creation supports a holistic approach to investment / inward investment;	GBSLEP	GBSLEP	GBSLEP
To gain a financial advantage – through retention of the levy element which otherwise would be paid to Central Government.	GBSLEP	GBSLEP	

It should be reiterated that the proposals focus on the distribution of business tax revenues, rather than changes to the system of taxation. Businesses will see **no change** in the way they pay business rates or the way the tax is set. Rate setting powers will remain under the control of central government and the process for revaluations will be unchanged.

## **RESOURCE IMPLICATIONS**

The Local Government Resource Review including the retention of business rates will have potentially significant implications for the Council. The system will incorporate the savings required as part of the Comprehensive Spending Review but will also provide a financial incentive to councils generating business growth.

As part of this arrangement it is expected that many of the financial risks associated with collection of business rates will also be transferred to councils, although a safety net is to be put in place to deal with significant shocks (for Authorities which decide not to pool).

The DCLG letter to the Lead Pool Authorities requests that certain information is provided by September 10th 2012, including that those authorities who have expressed an interest in more than one Pool are required to decide which Pool they will chose.

The October deadline presented us with some challenges, given that we will still be making a decision using significant assumptions on many of the variables involved. The September deadline effectively pulls this deadline forward by one month, because the decision on which pool to commit to has to be based on the financial implications and prospects for each authority and each Pool. So not only is this a complex decision for each Council, but the decision by each potential Pool member can effect the financial position of the Pool as a whole.

Requesting that a decision be made by September 10th 2012 fails to recognise the complexity of the financial equation involved.

## **LEGAL & RISK IMPLICATIONS**

As the proposals focus on the distribution of business tax revenues, rather than changes to the system of taxation it is not perceived that there will be any direct legal implications.

Risks associated with the business rates retention scheme include;

- a) The risk associated with the collection of business rates is clearly passing to the Authority although the new system has a 'safety net' component so that authorities are compensated if their rates income falls below 7.5% or 10% (the government has yet to decide the specific figure of their baseline spending) - if real terms business rates income across the Authorities fall, a pool has no advantage and indeed individual Districts could lose out on 'safety net' payments;
- b) The key driver of whether a pool is advantageous is whether there will be sustained positive real growth in business rates across the Authorities included;
- c) There is also a risk in relation to the uncertainty over inbuilt changes to the new system. For example it is understood the system is due to be 'reset' after a period of time e.g. 5 -7 years and there is no clear idea of how the benefit of the additional rates income generated in intervening time would be dealt with. There is a risk that any interim benefit will be lost after the reset although equally authorities might benefit from a 'needs' reset;

- d) Financial information included within the report is based on the best estimates / interpretation of the proposals available, as provided through discussions with the GBSLEP & Staffordshire Consortium;
- e) Uncertainties over financial decision making as the baseline is still unknown with a lack of time for more meaningful modelling following further consultation released during July 2012;
- f) Financial information based on modelling data under current interpretation of proposals which could change before the scheme is finalised;
- g) Impact on potential growth modelling will be impacted by the baseline figures – critical for forecasting the level of growth / levy shares;
- h) Forecasts are based on predicted growth but any levy surplus will be subject to actual growth achieved (given current economic conditions);
- i) Political considerations & impact of decisions on pooling for partners, stakeholders and other Local Authorities;
- j) The Draft Bill is still progressing through Parliament & subject to change;
- k) The proposed apportionment of levy for distribution will mean 60% will be out of the Councils' control in line with voting rights for districts & therefore a potential likelihood is that this could favour others as there is no commitment as to where it will go.

An update report may be required as a result of ongoing discussions between the parties involved.

**Report Author:** John Wheatley, Executive Director Corporate Services,  
Tel. 01827 709252

**Background Papers:**

Local Government Resource Review – Proposals for Business Rates Retention

Appendices

Appendix A – Copy of DCLG Letter dated 13 August 2012

Appendix B – Benefit Weighted Evaluation Assessment





Department for  
Communities and  
Local Government

Lead Pool Authorities

Via email

Our Ref:

Your Ref:

13 August 2012

Dear Lead Authority,

**Pooling: Expression of Interest**

Thank you for submitting an Expression of Interest for pooling business rates. I have had conversations with a number of you already and I will be contacting all of you shortly to discuss progress towards the October deadline. In advance of those discussions I wanted to set out our expectations in terms of handling the key activities over this period of development.

As the Pooling Prospectus makes clear, the Government's view is that rather than trying to impose a uniform model from the centre, it is for the members of the pool to determine how best a pool might work. This will allow pools to develop which reflect both the unique characteristics of the area and will best serve the local authorities' aspirations. Having lodged an Expression of Interest, the task is now for you to develop the detailed proposal which can be signed off by relevant Chief Executives and section 151 Officers and submitted to us by 19 October.

There is a lot of detail to be worked through in order for this deadline to be achieved. Our presumption is therefore that there is a serious intent behind the Expressions of Interest and that work is already underway on establishing the operational details which will underpin the final proposal. For this to be the case, we would expect local authorities to have undertaken some modelling of the potential financial impacts of pooling and that discussions have started on the governance arrangements, including dissolution of the pool, and the allocation of resources between pool members. Again, we are not seeking to be prescriptive here; the onus is on the members of the pool to create a model which is appropriate for them. However, it is critical that pool members satisfy themselves that they are content with the governance structure, how benefits and risk will be shared, the decision making arrangements and the dissolution process.

As you will be aware, before a designation of a pool of authorities can be made, the Department must consult such other parties as are likely to be affected by a designation

Department for Communities and Local Government  
Zone D1  
5th Floor  
Eland House  
Bressenden Place  
London  
SW1E 5DU

Tel 0303 444 3810  
Email [elizabeth.cowie@communities.gsi.gov.uk](mailto:elizabeth.cowie@communities.gsi.gov.uk)

(for example, neighbouring authorities) on your pooling proposals in September, to provide them with an opportunity to highlight any perceived benefits or disadvantages to them, before final decisions on designation of your pool are taken. We envisage that this consultation will take the form of a letter sent to all of the relevant parties, which would set out the proposed membership of the pool and your consideration of the potential impacts it may have on other bodies, and invite them to send views on the proposal to the Department.

We will therefore need the following information from you as soon as possible and **by no later than 10 September**, to include in the consultation:

- a firm list of the pool members. The only restrictions we have set in terms of the membership of the pool are that the pool must cover the whole of the local authority area and that a local authority can only be a member of one pool. Some local authorities have been identified in more than one pool. Where this is the case the relevant local authorities must quickly decide which pool they wish to be part of.
- your consideration of the impacts the pool may have on other parties, including neighbouring authorities (and, where this has identified potential adverse impacts, any steps you have taken or will take to mitigate them). For the consultation to be effective this must provide sufficient detail for those consulted to reach an informed view on the proposal. This need not be full details of your governance arrangements – since issues such as the distribution of the resources within the pool will not impact on non-members – it should set out clearly all aspects of your proposal that may affect other bodies.

We shall then be seeking responses to the consultation no later than 28 September.

Whilst full details of your governance arrangements need not be included in the consultation, you will understand that before consulting, the Department will need to satisfy itself that you are on track to deliver a fully signed off proposal by all members of the pool by 19 October. To provide us with this reassurance, we would therefore also welcome sight of your emerging governance arrangements and the process for securing signatures from each of the councils as soon as possible and by no later than **10 September**. I will of course be more than happy to discuss draft governance arrangements as you work them up over the coming weeks.

Yours sincerely,

**Elizabeth Cowie**

Department for Communities and Local Government  
Zone D1  
5th Floor  
Eland House  
Bressenden Place  
London  
SW1E 5DU

Tel 0303 444 3810  
Email [elizabeth.cowie@communities.gsi.gov.uk](mailto:elizabeth.cowie@communities.gsi.gov.uk)

## Benefit Weighted Evaluation Assessment

Evaluation Criteria	Financial impact & benefit to the authority		Deliverability of growth estimates put forward & caveats outlined		Impact of the decision on pooling on other potential decisions & future funding streams	
	GBSLEP	SSBRP	GBSLEP	SSBRP	GBSLEP	SSBRP
Cementing the working relationships / economic strategy;	High	Medium	Medium	Low	High	Medium
Recognises the interdependence of the LAs;	Medium	Low	Medium	Low	Medium	Medium
Reduces the impact of the volatility of business rates income over a region by spreading the risk;	High	Medium	Medium	Low		
Potential tool to promote growth and job creation supports a holistic approach to investment / inward investment;	High	Medium	Medium	Low	High	Medium
To gain a financial advantage – through retention of the levy element which otherwise would be paid to Central Government.	High	Medium	Medium	Low		

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## CABINET

DATE OF COMMITTEE  
5<sup>th</sup> September 2012

### REPORT OF THE PORTFOLIO HOLDER FOR CORE SERVICES AND ASSETS

#### ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2011/12

#### EXEMPT INFORMATION

None

#### PURPOSE

The Annual Treasury report is a requirement of the Council's reporting procedures. It covers the Treasury activity for 2011/12, and the actual Prudential Indicators for 2011/12.

The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes in accordance with Regulations issued under the Local Government Act 2003.

#### RECOMMENDATIONS

**That Council be asked to,**

- 1. Approve the actual 2011/12 Prudential Indicators within the report and shown at APPENDIX 1;**
- 2. Accept the Treasury Management stewardship report for 2011/12.**

#### EXECUTIVE SUMMARY

This report covers Treasury operations for the year ended 31<sup>st</sup> March 2012 and summarises:

- the Council's Treasury position as at 31<sup>st</sup> March 2012;
- performance measurement.

The key points raised for 2011/12 are:

- The Economy and Interest Rates
- Treasury Position as at 31 March 2012
- The Strategy for 2011/12
- The Council's Borrowing Requirement and Debt
- Borrowing Rates in 2011/12
- Borrowing Outturn for 2011/12
- Investment Rates in 2011/12
- Investment Outturn for 2011/12
- Performance Measurement
- Icelandic Bank Defaults.

The Treasury Function has achieved the following favourable results:

- The Authority has complied with the professional codes, statutes and guidance;
- There are no issues to report regarding non-compliance with the approved prudential indicators;

- Excluding the Icelandic investments (currently identified 'at risk') the Council maintained an average investment balance externally invested of £17.32m and achieved an average return of 1.25% (budgeted at £22.7m 1.13%);

These results compare favourably with the Council's own Benchmarks of the average 7 day and the 3 month LIBID rates for 2011/12 of 0.48% and 0.82% respectively, and above the CIPFA Treasury Benchmarking Club average rate of 1.19%. This is not considered to be a poor result in light of the current financial climate, our lower levels of deposits/funds and shorter investment timelines due to Banking sector uncertainty, when compared to other Authorities;

- The closing weighted average internal rate on borrowing has reduced from 6.61% to 6.55%;
- The Treasury Management Function has achieved an outturn investment income of £218k compared to a budget of £256k, the shortfall being due to the exceptional circumstances that have continued over the year.

During 2011/12 the Council complied with its legislative and regulatory requirements.

The Executive Director Corporate Services confirms that no borrowing was undertaken within the year and the Authorised Limit was not breached.

At 31<sup>st</sup> March 2012, the Council's external debt was £65.060m (£20.392 at 31<sup>st</sup> March 2011) and it's external investments totalled £15.699m (£12.990m at 31<sup>st</sup> March 2011) this excludes £1.66m Icelandic Banking sector deposits that were 'At Risk' at the year end (£5.16m at the 31<sup>st</sup> March 2011).

## **RESOURCE IMPLICATIONS**

There are no financial implications or staffing implications arising from the report.

## **LEGAL/RISK IMPLICATIONS BACKGROUND**

The Council is aware of the risks of passive management of the Treasury Portfolio and with the support of Sector, the Council's current Treasury advisers, has proactively managed its debt and investments over this very difficult year.

## **SUSTAINABILITY IMPLICATIONS**

None

## **CONCLUSIONS**

That Members approve the above recommendations, following consideration of the information contained within the report.

## **BACKGROUND INFORMATION**

### **1. Introduction and Background.**

This Council is required by regulations issued under the Local Government Act 2003 to produce an Annual Treasury Management review of activities and the actual prudential and treasury indicators for 2011/12. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2011/12 the minimum reporting requirements were that the full Council should receive the following reports:

- an Annual Treasury Strategy in advance of the year (Council 22<sup>nd</sup> February 2011);
- a Mid - Year (minimum) Treasury Update Report (Council 13<sup>th</sup> December 2011);
- an Annual Review following the end of the year describing the activity compared to the strategy (this report).

In addition, the Cabinet has received quarterly treasury management updates as part of the Financial Healthcheck Reports.

Recent changes in the regulatory environment place a much greater onus on members for the review and scrutiny of the Treasury Management Policy and Activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council also confirms that it has complied with the requirement under the Code for Scrutiny of Treasury Management Reports by the Audit and Governance Committee. Member training on treasury management issues was undertaken in February and October 2010 in order to support Members' scrutiny role.

### **2. The Economy and Interest Rates.**

The financial year 2011/12 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk. The original expectation for 2011-12 was that Bank Rate would start gently rising from Quarter 4 2011. However, GDP growth in the UK was disappointing during the year under the weight of the UK austerity programme, a lack of rebalancing of the UK economy to exporting and weak growth in our biggest export market - the EU. The EU sovereign debt crisis grew in intensity during the year until February when a second bailout package was eventually agreed for Greece. Weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing by £75bn in October and another £50bn in February. Bank Rate therefore ended the year unchanged at 0.5% while CPI inflation peaked in September at 5.2% but then fell to 3.4% in February, with further falls expected to below 2% over the next two years.

Gilt yields fell for much of the year, until February, as concerns continued building over the EU debt crisis. This resulted in safe haven flows into UK gilts which, together with the two UK packages of quantitative easing during the year, combined to depress PWLB rates to historically low levels.

#### **Investment rates:**

Risk premiums were also a constant factor in raising money market deposit rates for periods longer than 1 month. Widespread and multiple downgrades of the ratings of many banks and sovereigns, continued Eurozone concerns, and the significant funding issues still faced by many financial institutions, meant that investors remained cautious of longer-term commitment.

### 3. Overall Treasury Position as at 31 March 2012.

At the beginning and the end of 2011/12 the Council's treasury position was as follows\*:

GENERAL FUND	31 March 2011 Principal £m	Rate/ Return %	Average Life Years	31 March 2012 Principal £m	Rate/ Return %	Average Life Years
Total debt	0	0	0	0	0	0
CFR	3.833			1.606		
Over / (under) borrowing	(3.833)			(1.606)		
Total investments	10.693	1.33	0.32	12.060	1.25	0.22
Net debt	(10.693)			(12.060)		

HOUSING REVENUE ACCOUNT	31 March 2011 Principal £m	Rate/ Return %	Average Life Years	31 March 2012 Principal £m	Rate/ Return %	Average Life Years
Total debt	20.392	6.61	32.66	65.060	6.55	37.44
CFR	23.395			68.063		
Over / (under) borrowing	(3.003)			(3.003)		
Total investments	4.573	1.33	0.32	5.150	1.25	0.22
Net debt	15.819			59.910		

\*As a result of adopting the two pool financing option of the Housing Self Financing Reform, the Authority is required to separate the General Fund (GF) and Housing Revenue Account (HRA) financing.

In terms of its Capital Financing Requirement (CFR) the Authority has maintained the split as determined by the Local Government Act 2003, however, external borrowing (some of which was taken in the early 1990's) and external investments have not been 'earmarked' against one fund or the other, but pooled in line with the previous capital financing code.

Under the new arrangements, it was determined that the Authority's existing external debt of £20.392m would be all classified as HRA debt and would be added to the £44.668m new borrowing undertaken as part of the new financing structure. This means that although General fund has a small CFR of £1.606m, this is financed notionally from internal resources and is not earmarked against any specific external borrowing. With regard to investments, by identifying the value of each funds balances, reserves etc. at the year end, this will provide a basis of a notional split of investments for calculation purposes.

### 4. The Strategy for 2011/12.

The expectation for interest rates within the strategy for 2011/12 anticipated low but rising Bank Rate (starting in Quarter 4 of 2011) with similar gradual rises in medium and longer term fixed borrowing rates over 2011/12.

Variable or short-term rates were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

The actual movement in gilt yields meant PWLB rates fell sharply during the year and to



historically very low levels.

This was caused by a flight to quality into UK gilts from EU sovereign debt and also from shares as investors became very concerned about the potential for a Lehmans type meltdown of financial markets if the Greek debt crisis were to develop into a precipitous default and exit from the Euro.

### 5. The Borrowing Requirement and Debt.

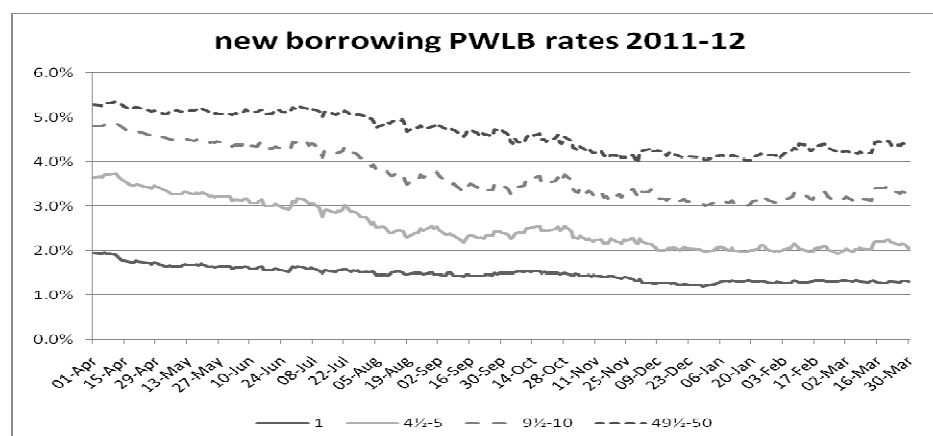
The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

The implementation of Housing Finance Reform at the end of the year abolished the Housing Subsidy system financed by central government and, consequently, all housing debt has been reallocated nationally between housing authorities. The result of this reallocation is that this Council made a capital payment to the Department of Communities and Local Government of £44.7m. Towards the end of the year the Authority also received a repayment of £2.1m from the administrators of the Icelandic bank Glitnir HLF. As the Authority obtained a capitalisation approval for this sum and increased the General Fund CFR in 2009/10, it is prudent to reverse this element of the capitalisation. This, together with the revised annual MRP contribution, results in a net increase in the CFR of £42.5m with new borrowing specifically for the HRA of £44.7m at the end of the year which was financed by new external borrowing. There has been no impact on HRA revenue finances in 2011/12 due to compensating adjustments being made in the HRA determination.

	31 March 2011 Actual £m	31 March 2011 Original £m	31 March 2012 Actual £m
CFR General Fund	3.833	3.639	1.606
CFR HRA	23.395	23.395	68.063
Total CFR	27.228	27.034	69.669

### 6. Borrowing Rates in 2011/12.

PWLB borrowing rates - the graph below shows how PWLB rates fell to historically very low levels during the year.



## 7. Borrowing Outturn for 2011/12

Borrowing – the Authority borrowed a total of £44.668m for the Housing Revenue Account in 2011/12 from the Public Works Loans Board to finance the Housing Self Financing requirement. The following loans were taken during the year:

Principal	Loan Type	Interest Rate	Years	Maturing
5,000,000	Fixed	3.52%	41	28/03/2053
5,000,000	Fixed	3.51%	42	28/03/2054
5,000,000	Fixed	3.51%	43	28/03/2055
5,000,000	Fixed	3.51%	44	28/03/2056
5,000,000	Fixed	3.50%	45	28/03/2057
3,000,000	Fixed	3.50%	46	28/03/2058
1,000,000	Fixed	3.50%	47	28/03/2059
5,000,000	Fixed	3.49%	48	28/03/2060
5,000,000	Fixed	3.49%	49	28/03/2061
5,668,000	Fixed	3.48%	50	28/03/2062

The above Borrowing requirement in respect of the Housing Self Financing Reform was not included within the budget assumptions for 2011/12 due to the late passage of the legislation through Parliament. Borrowing in year of £7.1m assumed within the base budget to align the Authority's borrowings to its CFR was deferred, as a result of new financing regime and the revised strategy to postpone borrowing to avoid the cost of holding investments and counterparty risk.

No new borrowing was undertaken in year, in respect of the General Fund.

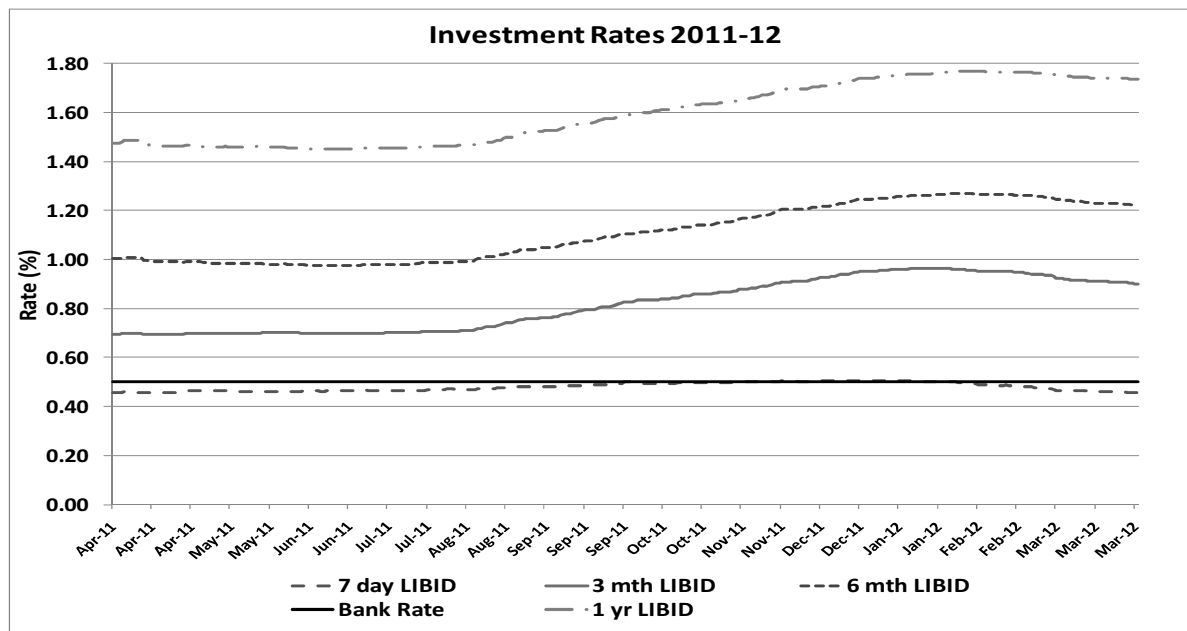
### Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

## 8. Investment Rates in 2011/12

The tight monetary conditions following the 2008 financial crisis continued through 2011/12 with little material movement in the shorter term deposit rates. However, one month and longer rates rose significantly in the second half of the year as the Eurozone crisis grew. Bank Rate remained at its historic low of 0.5% throughout the year while market expectations of the imminence of monetary tightening were gradually pushed further and further back during the year to the second half of 2013 at the earliest.

Overlaying the relatively poor investment returns were the continued counterparty concerns generated by the Eurozone sovereign debt crisis.



## 9. Investment Outturn for 2011/12.

Investment Policy – the Council’s investment policy is governed by CLG guidance, which has been implemented in the annual investment strategy approved by the Council on 22<sup>nd</sup> February 2011. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

The Council maintained an average balance of £17.4m of internally managed funds which earned an average rate of return of 1.25%.

This compares with a budget assumption of interest earned of £256k based on average investment balances of £22.8m at 1.13% investment return

### Performance Management;

This service had set the following local performance indicators:

- *To Maximise investment returns by ensuring that the average balance held in the Council’s current accounts (non-interest earning) is maintained below £5,000;*

The actual average balance held in the current accounts for 2011/12 was £2,219 cr (in hand) (£4,459 cr in hand in 2010/11);

The net loss of interest for 2011/12 (loss of investment interest on un-invested balances less any overdraft interest incurred) was £64 compared to £19 for 2010/11 (approximately 18p per day);

- *Average external interest receivable in excess of 3 month LIBID rate;*

Whilst the assumed benchmark for local authorities is the 7 day LIBID rate, a higher target is set for internal performance.

The actual return of 1.25% compared to the 3 month LIBID of 0.817% (0.433% above target).

## CIPFA Benchmarking Club;

The Council is a member of the CIPFA Treasury Management Benchmarking Club which is a means to assess our performance for the year against other members. Our average return for the year (as mentioned above) was 1.25% compared to the group average of 1.19% (information from CIPFA Benchmarking Report 2011/12) excluding the impaired investments in Icelandic banks.

This can be analysed further into the following categories:

Category	Average Balance Invested £ m		Average Rates Received %	
	Tamworth Borough Council	CIPFA Benchmarking Club	Tamworth Borough Council	CIPFA Benchmarking Club
Investments < 365 days Managed in-house	9.5	46.1	1.57	1.21
Investments > 365 days Managed in-house	0.5	19.9	1.91	2.53
Notice Accounts	4.9	25.4	0.84	0.83
DMADF	0	6.6	0	0.25
CD's Gilts and Bonds	0	43.4	0.00	3.29
Callable and Structured Deposits	0	19.7	0.00	1.75
Money Market Funds	2.4	21.3	0.70	0.72
<b>All Investments Managed in-house</b>	<b>17.4</b>	<b>105.3</b>	<b>1.25</b>	<b>1.19</b>

The data above displays that despite the Council being a small investor in the markets, performance is marginally better when compared with other members of the benchmarking club.

The graphs reproduced at **APPENDIX 2** highlight Tamworth's investment performance compared to other members of the benchmarking club.

## 10. Icelandic Bank Defaults

The Authority currently has the following investments 'at risk' in Icelandic banks;

Bank	Original Deposit £m	Accrued Interest £m	Total Claim £m	Reduction due to Exchange rate fluctuations £m	Repayments Received @ 31/03/2012 £m	Balance Outstanding	Anticipated Total Recovery %
Glitnir	3.000	0.232	3.232	0.092	2.554	0.586	100
Kaupthing Singer & Friedlander	3.000	0.175	3.175	0.000	2.000	1.175	83.5
Heritable	1.500	0.005	1.505	0.000	1.022	0.483	88
<b>TOTALS</b>	<b>7.500</b>	<b>0.412</b>	<b>7.912</b>	<b>0.092</b>	<b>5.577</b>	<b>2.243</b>	

At the current time, the process of recovering assets is still ongoing with the administrators. In the cases of Heritable Bank plc and Kaupthing, Singer and Friedlander Ltd, the administrators have made a number of dividend payments to date, with further payments and updates anticipated during 2012/13.

Following the successful outcome of legal test cases in the Icelandic Supreme Court, the Administrators have committed to a full repayment and the authority received a significant sum in late March 2012. However, due to Icelandic currency restrictions, elements of our deposits which are held in Icelandic Krona have been held back pending changes to Icelandic law. This sum has been placed in an interest bearing account and negotiations are continuing for their early release.

Members will be periodically updated on the latest developments of these efforts.

## **REPORT AUTHOR**

Phil Thomas 709239

## **LIST OF BACKGROUND PAPERS**

- Local Government Act 2003
- Statutory Instruments: 2003 No 3146 & 2007 No 573
- CIPFA Code of Practice on Treasury Management in Public Services
- Treasury Management Strategy & Prudential Indicators (Council 22<sup>nd</sup> February 2011)
- Treasury Outturn Report 2010/11 (Council 13/09/2011)
- CIPFA Treasury Benchmarking Club Report 2012

## **APPENDICES**

Appendix 1 : Prudential & Treasury Indicators 2011 / 12

Appendix 2 : Benchmarking Data

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## Prudential and Treasury Indicators

PRUDENTIAL INDICATORS	2010/11	2011/12	2011/12
<i>Extract from budget and rent setting report</i>	<b>Actual</b>	<b>Original</b>	<b>Actual</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Capital Expenditure</b>			
Non - HRA	1.273	1.998	0.627
HRA	4.352	4.298	49.206
TOTAL	5.625	6.296	49.833
<b>Net Borrowing Requirement - General Fund/HRA*</b>			
Brought Forward 1st April	8.616	8.810	7.399
Carried Forward 31st March	7.399	8.627	47.850
In Year Borrowing Requirement	(1.217)	(0.183)	40.451
<b>Net Debt</b>	7.402	9.028	47.850
<b>Capital Financing Requirement - General Fund</b>	3.833	3.639	1.606
<b>Capital Financing Requirement - HRA</b>	23.395	23.395	68.063
<b>Annual Change in Capital Financing Requirement</b>			
Non - HRA	(0.195)	(0.194)	(2.227)
HRA	0	0	44.668
TOTAL	(0.195)	(0.194)	42.441
<b>Incremental Impact of Capital Financing Decisions</b>	<b>£:p</b>	<b>£:p</b>	<b>£:p</b>
Increase in Council Tax (Band D) per Annum	3.52	1.04	1.04
Increase in Average Housing Rent per Week	0.45	0.07	0.07
<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>%</b>	<b>%</b>	<b>%</b>
Non - HRA	3.52	1.04	21.94
HRA	0.45	0.07	(3.48)

\* Previous years figures are not maintained in a format that enables an accurate split between General fund and the HRA

Table 2. TREASURY MANAGEMENT INDICATORS	2010/11	2011/12	2011/12
	<b>actual</b>	<b>original</b>	<b>actual</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Authorised Limit for external debt -</b>			
borrowing	32,800	33,100	83,600
other long term liabilities	3,000	3,000	3,000
TOTAL	35,800	36,100	86,600
<b>Operational Boundary for external debt -</b>			
borrowing	27,300	27,600	72,750
other long term liabilities	0	0	0
TOTAL	27,300	27,600	72,750
<b>Actual external debt</b>	20,392	20,392	65,060
<b>Upper limit for fixed interest rate exposure</b>			
Net principal re fixed rate borrowing / investments	11,797	14,570	14,570
<b>Upper limit for variable rate exposure</b>			
Net principal re variable rate borrowing / investments	2,278	2,737	2,737
<b>Upper limit for total principal sums invested for over 364 days</b> (per maturity date)	3,500	3,500	3,500

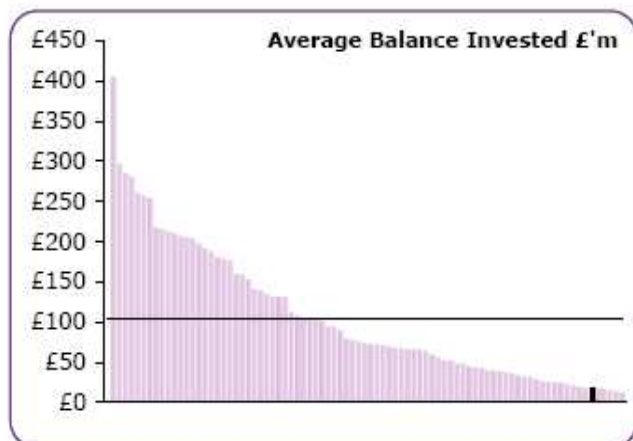
Table.3 Maturity structure of fixed rate borrowing during 2011/12 for General Fund and HRA	upper limit %	lower limit %
under 12 months	20	0
12 months and within 24 months	20	0
24 months and within 5 years	25	0
5 years and within 10 years	75	0
10 years and above	100	0

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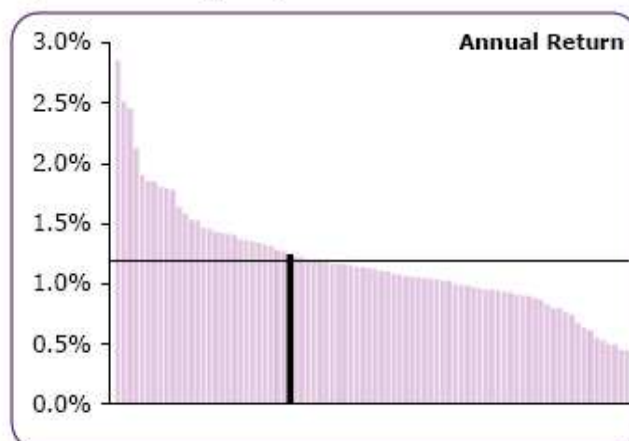


Benchmarking Data

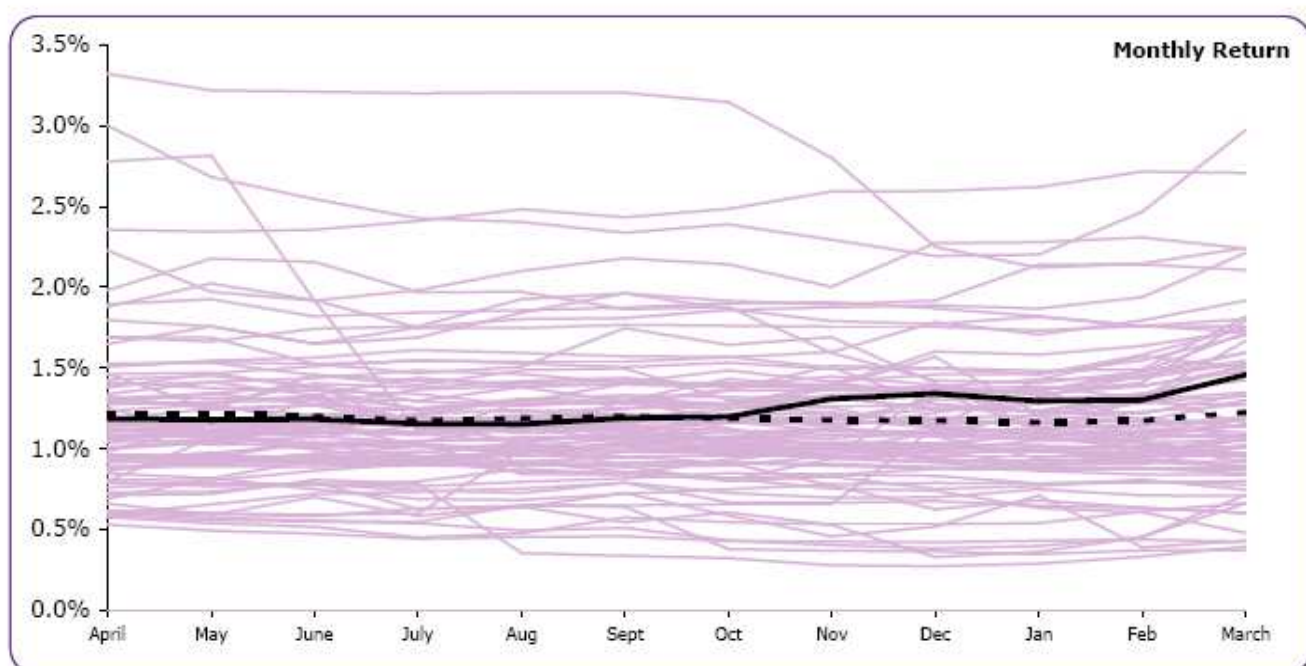
**COMBINED IN-HOUSE INVESTMENTS (excluding impaired investments)**



Tamworth 17.4 Avg 105.3

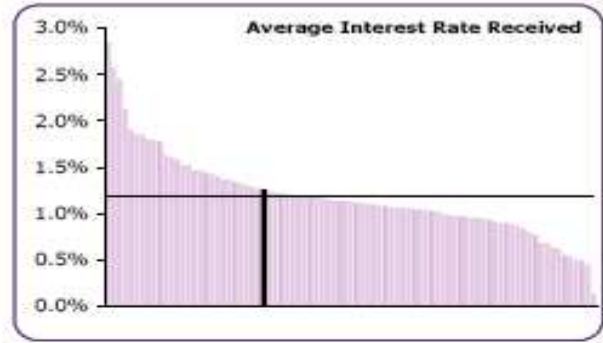
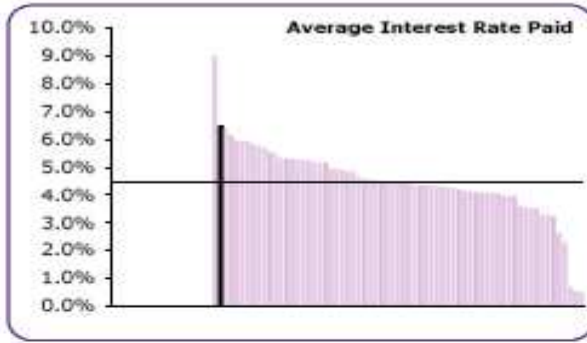


Tamworth 1.25% Avg 1.19%



Monthly Return (April 11 - March 12)													
	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	Year
Av Bal £'m	15.72	16.30	16.65	17.57	18.03	17.92	19.00	18.21	18.23	19.08	17.12	15.16	17.42
Earned £'k	15.3	16.3	16.2	17.2	17.6	17.5	19.3	19.6	20.8	21.0	17.7	18.8	217.4
% Return	1.19%	1.18%	1.18%	1.16%	1.15%	1.19%	1.20%	1.31%	1.34%	1.30%	1.30%	1.46%	1.25%
<i>Average</i>	1.21%	1.21%	1.20%	1.18%	1.19%	1.20%	1.19%	1.18%	1.17%	1.16%	1.17%	1.23%	1.19%
<i>Margin</i>	-0.02%	-0.03%	-0.02%	-0.02%	-0.03%	-0.01%	0.01%	0.13%	0.17%	0.13%	0.13%	0.23%	

## Interest Analysis 2011/12



### Annual Average Investment

	Authority			Group Total		
	Av. Balance £'m	Interest £'k	Rate	Balance £'m	Interest £'k	Average Rate
Variable rate	7.4	58.6	0.79%	3,567	33,134	0.85%
Short-term fixed	9.5	149.1	1.57%	4,244	51,295	1.20%
Long-term fixed	0.5	9.7	na	1,136	27,967	2.50%
Externally Managed	0.0	0.0	na	329	5,089	1.84%
<b>Total</b>	<b>17.4</b>	<b>217.4</b>	<b>1.25%</b>	<b>9,276</b>	<b>117,486</b>	<b>1.19%</b>

### Annual Average Borrowing

	Authority			Group Total		
	Av. Balance £'m	Interest £'k	Rate	Balance £'m	Interest £'k	Average Rate
Variable rate	0.0	0.0	na	717	17,946	1.15%
Short-term fixed	0.0	0.0	na	417	3,208	1.02%
Long-term fixed	20.9	1,347.1	6.45%	13,070	578,184	4.87%
LOBO	0.0	0.0	na	2,998	129,921	4.47%
<b>Total</b>	<b>20.9</b>	<b>1,347.1</b>	<b>6.45%</b>	<b>17,202</b>	<b>729,258</b>	<b>4.49%</b>