

Finance & Audit Scrutiny Panel

Town Hall, Colchester

18 November 2008 at 6:00pm

The Finance and Audit Scrutiny Panel deals with the review of service areas and associated budgets, and monitors the financial performance of the Council, and the operational performance of the Council. The panel scrutinises the Council's audit arrangements, including the annual audit letter and audit plans, and Portfolio Holder 'Service' decisions reviewed under the Call in procedure.

Information for Members of the Public

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Terms of Reference

Finance and Audit Scrutiny Panel

- To review all existing service plans and associated budget provisions against options for alternative levels of service provision and the corporate policies of the Council, and make recommendations to the Cabinet
- To have an overview of the Council's internal and external audit arrangements and in particular with regard to the annual audit plan, the audit work programme and progress reports, and to make recommendations to the Cabinet
- To monitor the operational and financial performance of the Council, and to make recommendations to the Cabinet in relation to operational performance, financial outturns, revenue and capital expenditure monitors
- To scrutinise the Audit Commission's annual audit letter
- To scrutinise progress made on best value action plans
- To scrutinise executive 'service' decisions made by Portfolio Holders and officers taking key decisions which have been made but not implemented referred to the Panel through the call-in procedure

The panel may a) confirm the decision, which may then be implemented immediately, b) refer the decision back to the decision taker for further consideration setting out in writing the nature of its concerns, or c) refer the matter to full Council in the event that the Panel considers the decision to be contrary to the Policy Framework of the Council or contrary to, or not wholly in accordance with the Budget.

**COLCHESTER BOROUGH COUNCIL
FINANCE & AUDIT SCRUTINY PANEL
18 November 2008 at 6:00pm**

Members

Chairman : Councillor Lissimore.
Deputy Chairman : Councillor Willetts.
Councillors Bentley, Bouckley, Goss, Harris, Maclean,
Manning, Offen, Oxford and Sykes.

Substitute Members : All members of the Council who are not Cabinet members or members of this Panel.

Agenda - Part A

(open to the public including the media)

Members of the public may wish to note that Agenda items 1 to 5 are normally brief and items 6 to 9 are standard items for which there may be no business to consider.

Pages

1. Welcome and Announcements

(a) The Chairman to welcome members of the public and Councillors and to remind all speakers of the requirement for microphones to be used at all times.

(b) At the Chairman's discretion, to announce information on:

- action in the event of an emergency;
- mobile phones switched to off or to silent;
- location of toilets;
- introduction of members of the meeting.

2. Substitutions

Members may arrange for a substitute councillor to attend a meeting on their behalf, subject to prior notice being given. The attendance of substitute councillors must be recorded.

3. Urgent Items

To announce any items not on the agenda which the Chairman has agreed to consider because they are urgent and to give reasons for the urgency.

4. Declarations of Interest

The Chairman to invite Councillors to declare individually any personal

interests they may have in the items on the agenda.

If the personal interest arises because of a Councillor's membership of or position of control or management on:

- any body to which the Councillor has been appointed or nominated by the Council; or
- another public body

then the interest need only be declared if the Councillor intends to speak on that item.

If a Councillor declares a personal interest they must also consider whether they have a prejudicial interest. If they have a prejudicial interest they must leave the room for that item.

If a Councillor wishes to make representations on an item on which they have a prejudicial interest they may do so if members of the public are allowed to make representations. In such circumstances a Councillor must leave the room immediately once they have finished speaking.

An interest is considered to be prejudicial if a member of the public with knowledge of the relevant facts would reasonably regard it as so significant that it is likely to prejudice the Councillor's judgement of the public interest.

Councillors should consult paragraph 7 of the Meetings General Procedure Rules for further guidance.

5. Minutes

1 - 5

To confirm as a correct record the minutes of the meeting held on 21 October 2008.

6. Have Your Say!

(a) The Chairman to invite members of the public to indicate if they wish to speak or present a petition at this meeting – either on an item on the agenda or on a general matter not on this agenda. You should indicate your wish to speak at this point if your name has not been noted by Council staff.

(b) The Chairman to invite contributions from members of the public who wish to Have Your Say! on a general matter not on this agenda.

7. Items requested by members of the Panel and other Members

(a) To evaluate requests by members of the Panel for an item

relevant to the Panel's functions to be considered.

(b) To evaluate requests by other members of the Council for an item relevant to the Panel's functions to be considered.

8. Referred items under the Call in Procedure

To consider any Portfolio Holder decisions, taken under the Call in Procedure.

The panel may a) confirm the decision, which may then be implemented immediately, b) confirm the decision back to the decision taker for further consideration setting out in writing the nature of its concerns, or c) refer the matter to full Council in the event that the panel considers the decision to be contrary to the Policy Framework of the Council or contrary to, or not wholly in accordance with the Budget.

9. Decisions taken under special urgency provisions

To consider any Portfolio Holder decisions taken under the special urgency provisions.

10. Work Programme 2008-09

See report from the Scrutiny Officer.

11. 2nd Quarter Internal Audit Assurance Report 6 - 17

See report from the Head of Resource Management.

12. Financial Monitoring Report, period April to September 2008 18 - 33

See report from the Head of Resource Management.

13. Capital Expenditure Monitor 2008/09 34 - 47

See report from the Head of Resource Management.

14. Treasury Management - Investment Policy 48 - 56

See report from the Head of Resource Management.

15. Exclusion of the public

In accordance with Section 100A(4) of the Local Government Act 1972 and in accordance with The Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000

(as amended) to exclude the public, including the press, from the meeting so that any items containing exempt information (for example confidential personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972).

FINANCE & AUDIT SCRUTINY PANEL

21 OCTOBER 2008

Present :- Councillor Sue Lissimore (Chairman)
Councillors John Bouckley, Martin Goss, Dave Harris,
Jon Manning, Gerard Oxford, Laura Sykes and
Dennis Willetts

Also in Attendance :- Paul Smith

Substitute Members :- Councillor Kevin Foster for Councillor Kevin Bentley
Councillor Jackie Garnett for Councillor Jackie Maclean
Councillor Nigel Hogg for Councillor Nigel Offen

31. Minutes

The minute for the meetings held on the 2 and 16 September 2008 was confirmed as a correct record.

32. Have Your Say!

Mr. Andy Hamilton addressed the panel saying he was concerned about the way the Council conducted business in secrecy, hiding the facts, and how information gets disclosed through the press. Mr. Hamilton said his feelings were reflected at this meeting by the report on the Financial Arrangements for Firstsite Newsite, to be taken in closed session. Mr. Hamilton said he believed there were discrepancies in the details of the Firstsite Newsite finances as disclosed in the 2006-07 Public Accounts, and to further conceal the current financial position would only create more problems than if the item was taken in open session.

Mr. Nick Chilvers addressed the panel saying that whilst he was not personally against the concept of a visual arts facility for Colchester, he believed the current project was out of proportion to the needs of Colchester in terms of size and cost, and that the suggested benefits to the Town were exaggerated. In suggesting questions that may be asked by the panel on the item of the Financial Arrangements for Firstsite Newsite, to be taken this evening in closed session, Mr. Chilvers said some comments by the public may be misinformed, but this is not surprising given that the public are not informed and become sceptical. Mr. Chilvers concluded by saying that given the current financial worries for local people there are now more important things than the Visual Arts Facility to consider, a project where nobody had covered themselves in glory, a project that was a public relations and financial disaster.

Councillor Dave Harris (in respect of being a current Member of Colchester Borough Homes) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)

Councillor Sue Lissimore (in respect of being a former Member of Colchester

Borough Homes) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)

33. Work Programme 2008-09

In response to Councillor Oxford, Mr. Ian Vipond confirmed that a piece of work was currently being undertaken on reviewing the remaining Decent Homes Programme, and he anticipated that this report would be completed shortly.

RESOLVED that;

- i) An update report on Treasury Management – Investments would be scheduled into the work programme for the meeting on 20 January 2009.
- ii) The Scrutiny Officer would review the work programme from the 20 January 2009 onwards, to even out the work load for each meeting.
- iii) The Scrutiny Officer confirmed that an additional meeting date, probably in late November / early December would be agreed with the panel and scheduled accordingly, to review the final report following the review of the Decent Homes Contract.
- iv) The Scrutiny Officer confirmed that a meeting date, to be agreed with the panel would be arranged to review the Financial Arrangements for Firstsite Newsite.

34. 1st and 2nd Quarter Risk Management Progress Report

Ms. Hayley McGrath, Audit and Risk Manager, attended the meeting for this item, and presented the 1st and 2nd Quarter Risk Management Progress Report.

In response to Councillor Willetts, Ms. McGrath explained the process for analysing risk, i.e. the probability of the risk occurring (a score of 1-3), multiplied by the impact of the risk occurring (a score of 1-3). Councillor Smith, Portfolio Holder for Resources and Business in response to Councillor Willetts said the assessment was based on likelihood and impact, so for instance, there maybe a view taken of a shortage of funds for a strategic risk, but the overall view is that should the risk occur this would not have a major impact. Councillor Smith said managing the risks can mitigate the score.

In response to Councillor Harris and Foster, Ms. McGrath confirmed that the Risk Register was regularly reviewed by the Executive and Heads of Service. Ms. Ann Wain, Executive Director said the Council did have a robust performance appraisal system in place and all members of staff are appraised annually with a six monthly follow-up review. Ms. Wain said the 'People Strategy' ensures the skills and capacity are appropriately based and identifies priority areas for improvement. Member Development Programmes and personal development and appraisal are in place to avoid vulnerability, and local salaries are benchmarked to ensure Colchester remains competitive.

In response to Councillor Goss, Ms. McGrath explained that the Strategic Risk Register was for the aims of Colchester Borough Council, that were high level issues, and for this reason did not show any great changes report on report. The Operational Risk Register concerned the day to day business of the Council. This register was currently under review and development, and the risks would feed into the reports to the panel shortly. Ms. McGrath said Councillor Goss's suggestion for clearer (traffic lights) scoring and identification would be considered.

RESOLVED that the panel commented and noted the 1st and 2nd Quarter Risk Management Progress Report.

35. Treasury Management - Investments

Mr Warboys, Head of Resource Management attended the meeting for this item and presented the report on Treasury Management – Investments.

In response to Councillor Lissimore, Mr. Warboys said there was no absolute guarantee that the Council would receive a return from the current investments with the Icelandic banks. Mr. Warboys said Colchester, along with 123 other local authorities with similar investments are in continual joint discussions with the Local Government Association, who are liaising with Government.

In response to Councillor Hogg, Mr. Warboys said officers manage all daily investment transactions, in strict compliance with Council policy. The Portfolio Holder did not get involved at this level. Mr. Plummer, Finance Manager, said officers continually monitor cash flow movements on a daily basis, and any surplus cash (from cash flows) is invested in line with the Council policy and to provide appropriate returns. Some reserves and balances are often subject to consideration of 'longer term' investment periods, and guidance on these investments is sought from the Treasury Management Advisors who offer a view. The policy and procedure undertaken by officers is within the policy guidelines agreed by Council and is of a similar general approach taken by other local authorities.

In response to Councillor Goss, Mr. Plummer said no comments were raised by any Councillors following speculative press comments in March 2008. On 2 May, Mr. Plummer said the Council had approximately £10-12 million invested in Icelandic banks (the figure was confirmed as being £12m), and confirmed that the Council had previously invested money in Northern Rock and the Bradford and Bingley Building Society, though all the investments made with these financial institutions were repaid on time.

In response to Councillor Foster, Mr. Warboys said that at the time of the investment there was no change to the Landsbanki Islands credit rating and that no advice had therefore be received to not invest in Icelandic banks. Changes in credit ratings had been received for other Icelandic banks and the Council had therefore removed them from the lending list.

In response to Councillor Willetts, Mr. Plummer said the Treasury Management Advisors are paid a 'flat rate fee', for a wide range of financial services, and are not paid any performance related fees. In response to Councillor Oxford, Mr. Warboys and Mr. Plummer confirmed that whilst they appreciated member's comments and concerns on the Icelandic investments, Sector Treasury Services, who provide the Council with credit ratings produced by Fitch, did not advise of any change in the credit ratings of Landsbanki Islands as the rating had not changed. Had such a change been made, the Council would have acted accordingly.

Councillor Smith, Portfolio Holder for Resources and Business, in response to Councillors Willetts and Foster said the Cabinet would be reviewing the Treasury Management Policy, given that lessons need to be learnt from recent events. The outcomes of this review are not yet known, but ways of mitigating against recent events will be addressed.

In response to Councillor Manning, Mr. Warboys confirmed that the Council's investments were spread, which in turn, spread the risk, though confirming the investments could be more widely spread.

Mr. Plummer confirmed that recent Government statements of support and comments from the Icelandic banks receivers were positive. The LGA statement said there had been no indication of councils investing recklessness and that councils may receive a share of the Icelandic funds seized by the Government.

The Chairman thanked officers for preparing a comprehensive report at short notice and responding to questions from the panel.

RESOLVED that the panel noted and commented on the current situation in respect of the Council's investments and specifically our outstanding deposits in the Icelandic bank, Landsbanki.

36. Firstsite:newsite

Mr. Ian Vipond, Executive Director, attended the meeting for this item and addressed the panel. Mr. Vipond in response to the comments concerning the confidentiality of the report said he recognised the need to be as open as possible given the genuine concerns of the public and the increase in project costs, a view endorsed by Councillor Hunt, Portfolio Holder for Customer Services and ICT.

Mr. Vipond said reports on contractual arrangements with third parties, by their nature, if they include details of contracts will inevitably be confidential. Likewise, if a report deals with issues putting forward tactics for future procurement it will inevitably be confidential to avoid publically exposing the Council's tactics before they are acted out.

In the context of the report on the Financial Arrangements for Firstsite Newsite, Mr. Vipond suggested that following the review of this item this evening, he would review the report to see what is genuinely confidential and then produce a public statement to be issued with the minutes of this meeting.

Following lengthy discussions on how this review should progress, members put forward three proposals, as follows;

Proposal 1, the panel would review this report, this evening in public, mindful that no part of the report considered confidential would be referred to, or discussed (FOUR voted FOR, FIVE voted AGAINST and TWO abstained). This proposal was therefore declined.

Proposal 2, the panel would review this item at a later date, to be confirmed, with as much information supplied within a non-confidential report, to be discussed in open session, and any confidential detail discussed on part B of the agenda (SIX voted FOR, FIVE voted AGAINST). This proposal was accepted by the panel.

The third proposal of continuing the meeting as originally planned was therefore not considered.

RESOLVED that;

- i) The panel agreed to review this item at a later date, to be confirmed, with as much information supplied within a non-confidential report, to be discussed in open session, and any confidential detail discussed on part B of the agenda.
- ii) The panel agreed that in future, when a report is drafted for scrutiny, officers should make every effort to provide a non-confidential report, to sit alongside a confidential report if needed, thereby allowing members of the public to see some written detail, hear an open debate, and have an opportunity to respond under 'Have Your Say'.



Finance & Audit Scrutiny Panel

Item

18 November 2008

Report of

Head of Resource Management

Author

Hayley McGrath
282461

Title

2nd Quarter Internal Audit Assurance Report

Wards
affected

Not applicable

**This report concerns Internal Audit Activity between
July and September 2008**

1. Actions Required

1.1 To note and comment upon the Council's performance relating to:

- Executing the 2nd quarter of the Internal Audit plan for 2008/09;
- Performance of internal audit by reference to national best practice benchmarks

2. Reason for Scrutiny

2.1 The Accounts and Audit Regulations 2003 require local authorities to maintain an adequate and effective system of internal audit.

2.2 Internal audit is a key element of the Council's corporate governance framework. Robust implementation of audit recommendations gives assurance to members and management that services are operating effectively, efficiently and economically and in accordance with legislative requirements and professional standards.

3. Key Messages

- The planned audit coverage is slightly lower than anticipated for the year so far, this is due to two audits being postponed until later in the year by the auditees.
- The assurance level for the Construction Industry Scheme audit has increased from 'no assurance' at the last audit in 2006 to 'substantial'.
- One audit carried out this quarter, Equity Share Scheme, has an increased assurance from 'limited' to 'substantial'
- One repeat audit, Risk Management, has a decreased assurance from 'substantial' to 'limited'.
- Two priority 2 recommendations and two priority 3 recommendations made this quarter (Museums merged service and the Environmental system) were not agreed by management.

4. Supporting Information

4.1 This report has been designed to show:

- Detailed information concerning audits finalised in the quarter
- Details of the effectiveness of the Internal Audit Provider to deliver the service

4.2 Using a risk-based approach, internal audit generate reports, for all audits, with recommendations to improve the effectiveness of the internal control framework and maximise potential for service improvement across the Council. The audit plan consists of a mix of regularity, systems and probity audits. Only systems audits generate an assurance level, these are categorised as follows:

- Full Assurance – a sound system of control
- Substantial Assurance – basically a sound system with some weaknesses
- Limited Assurance – weaknesses that may put the system objectives at risk
- No Assurance – control is generally weak leaving the system open to error or abuse

4.3 Internal Audit categorise recommendations according to their level of priority as follows:

- Priority 1 – Major issues for the attention of senior management
- Priority 2 – Other recommendations for local management action
- Priority 3 – Minor matters

4.4 Internal audit categorise the tracking of recommendations as follows:

- Fully implemented
- Partially implemented
- Not implemented

5. Performance Qtr 2 2008/09

5.1 Use of Audit Resources:

	Days	%
Audit days delivered – Q1	74	13
Audit days delivered – Q2	139	25
Remaining Days – per agreed Audit Plan*	353	62
	566	100

*The contracted number of audit days is 505 per annum, however there were an additional 61 days carried forward from last year.

5.2 Summary of Audits finalised during the quarter:

	Total No. of Reports		Level of Assurance – Systems Audits*				Change in Assurance Level – compared to last audit		
	Other	Systems	Full	Substantial	Limited	No	▲	▶ (or 1 st Audit)	▼
Audits finalised – Q2	2	4	-	4	-	-	2	2	-
From Q1	-	-	-	-	-	-	-	-	-
b/f from 2007/08	-	3	-	1	2	-	-	2	1
Work in progress –Q2	-	4							
From Q1	-	1							
b/f from 2007/08	-	2							

*Only systems audits are given an assurance level.

Please see Appendix 1 for a summary of results and outcomes of the 9 audits finalised in Quarter 2.

5.3 Comments on Audits finalised this Quarter

There are two audits finalised during the quarter where recommendations were not agreed. These were the Museums Merged Service and the Environmental System. The recommendations and auditee comments are detailed in appendix 1. The comments from the auditees have been reviewed and it is confirmed that it would not be practical to implement the recommendations.

The assurance level for Risk Management was reduced from substantial to limited. Although there are only 5 level 2 recommendations, which would normally constitute a substantial assurance, due to the importance of the system it was felt that limited was more appropriate. The recommendations relate to issues surrounding the operational risk registers and reporting. Work has already been carried out to resolve these issues and one of the recommendations, reporting arrangements, has already been fully implemented.

5.4 Status of all recommendations as at 30th September 2008 (Audits Finalised by Priority):

	Due Q1	Due Q2	Due Q3	Total Due	Fully Implemented	Partially Implemented (c/fwd)	Not Implemented (c/fwd)
Priority 1							
2008/09	0	0	0	0	0	0	0
2007/8	<u>2</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>1</u>
Total	2	0	0	2	1	0	1
Priority 2							
2008/09	8	17	0	25	23	2	0
2007/8	<u>34</u>	<u>8</u>	<u>0</u>	<u>42</u>	<u>14</u>	<u>25</u>	<u>3</u>
Total	42	25	0	67	37	27	3
Priority 3							
2008/09	2	6	0	8	5	3	0
2007/8	<u>4</u>	<u>1</u>	<u>0</u>	<u>5</u>	<u>4</u>	<u>1</u>	<u>0</u>
Total	6	7	0	13	9	4	0
Total							
2008/09	10	23	0	33	28	5	0
2007/8	<u>40</u>	<u>9</u>	<u>0</u>	<u>47</u>	<u>18</u>	<u>26</u>	<u>3</u>
Total	50	32	0	80	46	31	3
Percentage					57%	39%	4%

All recommendations from 2008/09, that are due, are included in the above table, including implemented, only *outstanding* recommendations from other years are included. All recommendations where auditee's have confirmed implementation but a follow-up audit has not been completed have been included as 'partially' implemented to ensure that they are monitored until they are confirmed by Internal Audit. The figures above do not include any recommendations that are not yet due for completion.

5.5 **Status of Outstanding Recommendations as at 30th September 2008 (Audits Finalised by Service):**

The 80 recommendations that are due (from the table above) are made up as follows:

	Customer Service Centre	Corporate Services	Environmental & Protective Services	Life Opportunities	Resource Management	Strategic Policy & Regeneration	Street Services
Priority 1							
2008/9	-	-	-	-	-	-	-
Other	-	<u>2</u>	-	-	-	-	-
Total	-	2	-	-	-	-	-
Priority 2							
2008/9	-	7	10	5	3	-	-
Other	<u>3</u>	<u>12</u>	<u>3</u>	<u>4</u>	<u>11</u>	<u>7</u>	-
Total	3	19	13	9	14	7	-
Priority 3							
2008/9	-	-	2	5	1	-	-
Other	<u>1</u>	<u>2</u>	-	-	-	<u>2</u>	-
Total	1	2	2	5	1	2	-
Total							
2008/9	-	7	12	10	4	-	-
Other	<u>4</u>	<u>16</u>	<u>3</u>	<u>4</u>	<u>11</u>	<u>9</u>	-
Total	4	23	15	14	15	9	0

Please see Appendix 2 for details of individual audits as at 30th September 2008. This details all audits undertaken in 2008/09 and 'outstanding' audits from previous years.

Comment:

The outstanding recommendations will continue to be closely monitored and progress will be reported to the panel each quarter.

5.6 **Performance of Internal Audit 2008/09 to date – Key Performance Indicators (KPIs):**

KPI	Target	Actual
Efficiency:		
Percentage of annual plan completed (to at least draft report stage)	50%	38%
Average days between exit meeting and issue of draft report	10 max	
Average days between receipt of management response and issue final report	10 max	
Quality:		
Meets CIPFA Code of Practice – per Audit Commission	Positive	Positive
Results of Client Satisfaction Questionnaires (Score out of 10)	7.8	8.5
Percentage of all recommendations agreed	95%	97%
Percentage of Priority 1 recommendations implemented	100%	
Percentage of Priority 2 & 3 recommendations implemented	90%	
Improved assurance for 2 nd & subsequent audit reviews – as a percentage of all recurring reviews	25%	30%

The key performance indicators show that the internal audit provider is successfully meeting or exceeding the majority of standards. One target that has not been met is the percentage of annual plan completed, this is due two audits being postponed to later in the year due to operational reasons.

6. Colchester Borough Homes

- 6.1 Colchester Borough Homes have their own agreed audit plan which is administered by the Council's auditors. The coverage of the plan, and the scope of the audits, is decided by Colchester Borough Homes and in general the audits do not affect the systems operated by the Council.
- 6.2 However there are a few audits that, whilst they are carried out for either Colchester Borough Homes or the Council, have a direct relevance and impact on the other organisation and in these circumstances it is appropriate that the results of the audit are reported to both organisations. These are known as joint audits.
- 6.3 There were no joint audits finalised in the second quarter.

7. External Audit

- 7.1 The last item to be received from the external auditors was the annual audit and inspection letter for 2006/07 which was reported to Accounts and Regulatory on 30th June 2008. No new audit reports were issued by external audit in the second quarter. As there are no outstanding external audit recommendations from previous reports, a separate monitoring report has not been presented this quarter.

8. Proposals

- 8.1 To note and comment upon the Council's progress and performance in implementing quarter 2 of the Internal Audit program for 2008/09.

9. Strategic Plan Implications

- 9.1 The audit plan has been set with due regard to the identified key strategic risks to the Council. The strategic risk register reflects the objectives of the strategic plan. Therefore the audit work confirms the effectiveness of the processes required to achieve the strategic objectives.

10. Risk Management Implications

- 10.1 The failure to implement recommendations may have an effect on the ability of the Council to control its risks and therefore the recommendations that are still outstanding should be incorporated into the risk management process.

11. Other Standard References

- 11.1 There are no direct Publicity, Financial, Consultation, Human Rights, Community Safety or Health and Safety implications as a result of this report.

Summary of Audits Finalised in Quarter 2:

221 – Environmental System	Days	Assurance	Priority of Recommendations			Agreed
			1	2	3	
	10	Substantial (first audit)	-	8	5	10

Scope of Audit: This review examined the following areas relating to the Environmental computer system:

- Logical Access Controls;
- System administration and support;
- User administration;
- Input Controls;
- Processing Controls;
- Output Controls;
- Interface Controls;
- Management Trail; and
- Back Up, Recovery and Contingency Planning

Key Outcomes: The recommendations resulting from this review are summarised as follows:

- In addition to the current procedure to identify and revoke leavers from the system, the application controllers should be notified by HR once leavers are identified. (3) Not agreed ***The number of users of APP is small in comparison to the number of employees within the Council. To monitor all leavers against the APP user database would involve a lot of time and wasted effort. The monthly review currently carried out is deemed to be adequate, as an individual that has left the authority would need to gain access to a networked PC to access APP and their access would be blocked at the network level.***
- The possibility to configure the system to be able to enforce a password combination of alphabetic and numeric characters is investigated with the supplier. The password reuse parameter should also be set to prevent users from recycling their passwords. (2)
- The roles defined within the application should be reviewed to determine whether they afford appropriate access permissions to users. (2)
- A periodic review of the user permissions on the application should be performed to ensure that all users are active and that their access is allocated in line with their job role. (2)
- Formal procedures should be established for the regular management review of system administration, Superuser and 3rd party / supplier activities on the system. (2)
- The possibility to configure the system to report on security violations should be investigated with the supplier. Once established these should be reviewed on a periodic basis. (2)
- Management locate and retain a copy of the contract with the supplier. This should be reviewed to ensure that it has been signed and is up to date. Formal procedures should also be established for monitoring the service provided against the Service Level Agreement (SLA) for support from the software supplier (3)
- Management review the configuration of input data formatting and consider establishing the following specific controls on the application system to help improve data quality: Configure range limits to check against future application dates accepted on the planning module; and make the following fields mandatory 'Application Type' and 'Application Details' (for the planning module), and 'Premises' (for the building & licensing modules). (2) not agreed. ***The supplier will not amend date fields or make fields mandatory as this would affect all companies they provide this software to.***
- Daily inputs to the Planning module should be reconciled. (3) Not Agreed ***Working practises are currently not available to achieve this.***
- Management draw up a schedule of reports on appropriate exceptions and errors on the system. A procedure should then be established for the regular review of such reports. (3)

- Management investigate the possibility to automate the license charge rates to link with their respective bands. (3)
- The audit trail facility is configured to report on the before and after images for modifications to the system as well as changes to master data. Data changes should be regularly reviewed by the system controllers where appropriate.(2)
- Effective Disaster Recovery (DR) and Business Continuity procedures and plans be developed and tested on an annual basis to ensure that in the event of a disaster, business can continue and the system servers can be recovered in a timely manner. Documented restore procedures should also be established and stored at the off site location. (2)

233 – Museums Merged Service	Days	Assurance	Priority of Recommendations			Agreed
			1	2	3	
	15	Limited (first audit)	1	10	-	10

Scope of Audit: The audit was designed to provide a review of the following areas

- Policies and procedures covering all sites are in place and have been made available to all relevant members of staff;
- Regular meetings are held between all parties to discuss relevant issues and resolve any problems;
- Income and stock are held in accordance with the Council's procedures;
- Cash sales are fully and promptly remitted to the Cash Office;
- Access to cashiers keys and buildings are controlled;
- Adequate museum inventories are maintained;
- Effective stock control, purchases and storage arrangements are in place;
- Deliveries are effectively checked and recorded on the appropriate system;
- Assurance is gained by management that exhibits are held securely and safely and adequate insurance arrangements are in place; and
- Management receive regular performance information on all sites.

Key Outcomes: The recommendations resulting from this review are summarised as follows:

- Procedures should be drafted covering the merged services and made available to staff.(2)
- The Museum Service should enquire of Resource Management as to whether they can have access to the general ledger and/or additional finance reports to enable them to reconcile takings on a daily basis.(1) Partially agreed – *The issue lies outside of the control of the service and has been discussed with the Cash Office.*
- Cashing up sheets should be independently checked and signed to evidence the check.(2)
- The reason for the refund should be annotated on the original receipt and the receipt should be retained on file. The refund should be signed by the two members of staff involved with the refund.(2)
- Complete records should be maintained of all hire bookings. In addition, bookings should be allocated unique reference numbers and the details of the booking recorded on a database.(2)
- A key register should be implemented for the Ipswich museums. The register should be reviewed on a regular basis to ensure that keys are only held by appropriate members of staff.(2)
- Regular checks should be undertaken to ensure that all Museum Object Entry Forms are held on file.(2)
- Whenever items are moved, the location of the item should be updated on MODES.(2)
- Stock transfers should be completed for items delivered to the outlets for sale.(2)
- Regular reviews should be undertaken of vending machine stock, takings, profitability, etc. In addition, as the machines operate on a dual-level pricing system, the Museums Service should investigate with the suppliers the availability of information in order for reconciliations to be undertaken(2) Not agreed ***There is not a practical way of reconciling stock with takings due to the dual pricing system and staff cards being topped up with credit.***
- Delivery notes should be checked on receipt of goods and signed by the officer who receives them. These should then be forwarded to the Resource Centre as notification that the order is complete. (2)

227 – Risk Management	Days	Assurance	Priority of Recommendations			Agreed
			1	2	3	
	10	Limited ▼	-	5	-	5

Scope of Audit: This review examined the following areas relating to Risk Management:

- Policies and procedures;
- Identification, recording, evaluation and assessment of risks;
- Elimination of potential risks;
- Informing senior management within the Council; and
- Management information and reporting.

Key Outcomes: The recommendations resulting from this review are summarised as follows:

- A consistent approach should be taken by all services in the preparation of risk registers. All registers should incorporate version details, action plans, target dates and assigned officers on all occasions.(2)
- The risk register in place for each of the Council's Services be subject to regular review by the Audit & Risk Manager and that the high level risks be reviewed by the Strategic Performance Management Board at appropriate intervals.(2)
- Action plans are produced by each service to address any risk management issues identified.(2)
- The new reporting arrangements, as set out in the current Risk Management Strategy, be adhered to. Monitoring should be completed to ensure that all of the processes detailed are completed on a timely basis.(2)
- Performance Monitoring be undertaken and reported to senior management as proposed in the RM Strategy.(2)

302 – Anchor Trust	Days	Assurance	Priority of Recommendations			Agreed
			1	2	3	
	3	Regularity	-	1	1	2

Scope of Audit: This review examined the following areas:

- Authorisation and payment of Anchor Trust administration fees on grants;
- Coding of payments to Anchor Trust;
- Documentation produced and maintained by Anchor Trust for grant works;
- Payments to contractors for grant works;
- Funding arrangement; and
- Management information.

Key Outcomes: The recommendations resulting from this review are summarised as follows:

- Management should ensure that the Anchor Trust fee amount is correctly calculated. (3)
- Management should ensure that the Anchor Trust produces regular quarterly reports in accordance with the term of the agreement. Furthermore, regular quarterly meetings should take place between the Anchor Trust Staying Put Manager and the Home Improvement Manager to discuss issues pertinent to the scheme.(2)

305 – Land Charges	Days	Assurance Substantial	Priority of Recommendations			
			1	2	3	Agreed
	7	▶	-	4	-	4

Scope of Audit: This review examined the following areas:

- All applications for Land Charges are processed promptly and fully accounted for;
- Liability for incorrect information given rests with the provider of that information;
- The correct charge is levied by the Council for the examination of the charges register; and
- All income collected is promptly banked and fully accounted for.

Key Outcomes: The recommendations resulting from this review are summarised as follows:

- Management should consider monitoring the time taken to process land searches on an annual basis.(2)
- Management should ensure that search fees are formally reviewed every year and evidence is retained.(2)
- Management should ensure that all receipts issued by the cash office are reconciled to the daily activity reports and retained by the Land Charges Manager.(2)
- It is recommended that an agreement should be put in place with Essex County Council's (ECC) Highways Department to ensure that they take full responsibility for the information that they supply.(2)

315 – Construction Industry Scheme	Days	Assurance Substantial	Priority of Recommendations			
			1	2	3	Agreed
	10	▲	-	2	-	2

Scope of Audit: This review examined the following areas:

- Contractor Registration and Obligations;
- Checking Sub-Contractors Employment Status and Verifying Them;
- Paying Sub-Contractors and Making Deductions under CIS;
- Paying over Deductions to HMRC;
- Deduction Statements and Monthly Returns; and
- Record Keeping under CIS.

Key Outcomes: The recommendations resulting from this review are summarised as follows:

- All staff should be reminded of the need to confirm whether purchase orders made via the procurement system are affected by the CIS scheme, thus confirming to Accounts Payable that sub-contractors are CIS registered and self employed, or otherwise. The Accounts Payable team should also advise relevant staff that they are able to offer advice should a query arise.(2)
- The deduction statements issued to sub-contractors should be reconciled to the total amount paid over to HMRC, post production, in order to ensure that all statements had been produced. Evidence of these reconciliations should be retained.(2)

326 – Decriminalised Parking	Days	Assurance Probity	Priority of Recommendations			
			1	2	3	Agreed
	5		-	-	-	-

Scope of Audit and Key Outcomes : Colchester Borough Council acts as an agent for Essex County Council for parking enforcement. The purpose of this audit is to verify the figures and calculation basis for the Income and Expenditure Statement of the Decriminalised Parking function for the 2007/08 financial year. Ensuring that there are adequate controls in place to give management assurance regarding accuracy and that there is an adequate audit trail with appropriate documentation. There were no errors in the figures and no recommendations were made.

320 – Equity Share Scheme	Days	Assurance Substantial ▲	Priority of Recommendations			Agreed
			1	2	3	
	5		-	1	-	1

Scope of Audit: The audit was designed to ensure that:

- All applicants for the schemes have been appropriately assessed for eligibility;
- The schemes are administered in accordance with internal policies and procedures;
- All receipts for income due have been received promptly and in full;
- The financial systems of the Authority have been correctly updated to reflect all transactions;
- Rents and other charges are processed accurately and in full; and
- The re-purchase of Equity Share properties by the Council is administered properly.

Key Outcomes: The recommendation resulting from this review is summarised as follows:

- Procedures detailing all of the processes to be followed in respect of the Equity Share Scheme should be developed. The procedures should be made available to all relevant members of staff. (2)

327 – Food Control	Days	Assurance Substantial ▶	Priority of Recommendations			Agreed
			1	2	3	
	7		-	7	-	7

Scope of Audit: The audit was designed to ensure that:

- All relevant food premises are identified, registered promptly and appropriately risk assessed;
- The database of premises provides accurate information to management;
- Food premises are inspected regularly, in accordance with their risk assessment;
- Officers are adequately trained and qualified to perform their duties;
- Any adverse reports are followed up on a timely basis and enforcement action is monitored to ensure compliance;
- All associated fees are collected promptly, including those for Council run training courses.

Key Outcomes: The recommendations resulting from this review are summarised as follows:

- Management should ensure that food businesses identified by Environmental Health Officers as part of informal visits are recorded and tracked. (2)
- Management should ensure that reports reviewed to identify potential food businesses are maintained and signed-off or initialled by the reviewer. (2)
- Management should implement a direct link between the central document database and the Environmental system to ensure that the Food Control Team have access to scanned inspection reports.(2)
- Management should review policies and procedures on a periodic basis. Policies and procedures should be dated, or an alternative version control mechanism should be implemented.(2)
- Management should reconcile income expected to the amounts of income actually received. (2)
- Management should ensure that budget monitoring is a standing agenda item within Environmental Protection Group meetings.(2)
- Management should establish formal targets, thereby facilitating the effective performance monitoring of the team on a monthly basis. Performance reports should indicate the performance of the team against the targets established by management.(2)

Status of Recommendations as at 31st September 2008

d	Service/Assignment	Priority			No. Agreed	Date Due	Implemented		Not Due	Comments
		P1	P2	P3			Total	Fully		
2008/09										
LO	Anchor Trust - Staying Put 302		1	1	2	9/30/2008	2			Awaiting confirmation by follow-up. Recommendations related to invoices and reports.
Res	Commercial & Invest Props 303		2		2	5/1/2008	2			Complete. Recommendations related to evidence of rent reviews and signing annual property inspections.
Corp	Land Charges 305		4		4	3/31/2009			4	Not due yet. Recommendations relate to performance and finance monitoring and Essex County responses.
Res	Petty Cash 306		1	1	2	6/30/2008	2			Complete. Recommendations relate to the revision of procedures and placing it on the hub.
LO	Transfer Incentive Scheme 307		6	4	10	8/1/2008	4	4		Awaiting confirmation by follow-up. Recommendations relate to policies and procedures, advertising, objectives, documents, budget statements and performance objectives.
EPS	Alcohol Licenses 308			1	1	5/31/2008	1			Complete. 1 recommendation regarding budget reports.
Corp	Best Value Perform Indicators 309				5	N/A	5			Complete - Recommendations relate to the compilation of the BVPI figures which are not on-going issues. Calculations have been amended to reflect the recommendations.
EPS	Building Control Fees 310		3	1	4	8/1/2008	3	1		Awaiting confirmation by follow-up. Recommendations relate to policies and procedures, advertising, objectives, documents, budget statements and performance objectives.
Corp	Construction Industry Scheme 315		2		2	9/30/2008	2			Awaiting confirmation by follow up. Recommendations relate to deduction statements and staff information
LO	Equity Share Scheme 320		1		1	12/31/2008			1	Not due yet. Recommendation relates to the development of procedures.
EPS	Food Control 327		7		7	31/09/2008	7			Awaiting confirmation by follow up. Recommendations relate to procedures, financial management and target setting.
		-	27	8	40		28	5	0	
		Priority			No. Agreed	Date Due	Implemented	Not Due	Comments	
		P1	P2	P3	Total	Fully	Part.	Not	Due	
2007/08										
LO	Financial Assistance Policy 205		4		4	2/15/2008		4		Awaiting confirmation by follow-up. Recommendations related to creating a formal policy, updating procedures, requiring 2 quotes for work and reconciliations.
SPR	Right to Buy 206		3	2	5	12/31/2007		4	1	Procedure not yet on the intranet. Remainder of recommendations related to policies, completion of forms and processing of payments.
EPS	Planning Fees & S106 Agree 208		3		3	3/31/2008		3		Resolution dependant on software supplier - relates to the production of system audit trails and changes to information. Also recommended that it should be ensured that S106 funds are used for purpose agreed.

d		Priority			No. Agreed	Date Due	Implemented		Not Due	Comments
		P1	P2	P3			Total	Fully		
Res	Council Mortgages	209	7		7	7/31/2007	6	1		Awaiting confirmation by follow-up. Recommendations related to reconciliations, procedural arrangements with the new contractors and management reporting
Res	Procurements - Marketplace	210	4		4	3/31/2008	2	1		Awaiting confirmation by follow-up. Recommendations related to delegating limits, system back-ups, order raising and staff usage.
Corp	Health & Safety <i>Annual Governance Statement Action</i>	219	5		7	12/31/2007	6	1		Revised procedures are currently being reviewed and need issuing to staff.
Corp	Environmental System	221	8	5	13	6/30/2008	10			Awaiting confirmation by follow-up. Recommendations relate to access controls, data quality and contract management.
Res	Risk Management	227	5		5	11/30/2008			5	Not Due yet. Recommendations related to reviewing operational registers, action plans and monitoring.
SPR	Firstsite:Newsite	229	4		4	8/31/2008	4			Awaiting confirmation by follow up. Recommendations relate to recording of tenders, negotiations, changes to the scheme and a
CSC	Cash Office Procedures	230	4	1	5	7/31/2008	4			Awaiting confirmation by follow-up. Recommendations relate to procedures, unders and overs, access rights and internet payments.
EPS	Museums - Merged Service	233	1	10	11	12/31/2008			10	Not due yet. Recommendations related to financial records, procedures and stock and asset control.
Corp	Reprographics Contract	235	9		9	10/31/2008			9	Not due yet. Recommendations relate to procures, spot checks, performance measures, customer questionnaires, VAT, contract meetings, insurance and performance bonds.
SPR	Renaissance Programme Management Arrangements	231	2	2	4	10/1/2008			4	Not due yet. Recommendations relate to document retention, scheme of delegation, workstation assessments and monitoring audit recommendations.
			2	68	10		16	28	4	28
	TOTAL FOR ALL YEARS		2	95	18		44	33	4	33

18 November 2008

Report of	Head of Resource Management	Author	Sean Plummer ☎ 282347
Title	Financial Monitoring Report – April to September 2008		
Wards affected	Not applicable		

The Panel is invited to review the financial performance of all General Fund services and the Housing Revenue Account for the first six months of 2008/09

1. Action required

- 1.1 The panel is asked to note the financial performance of General Fund Services and the Housing Revenue Account (HRA) in the first half of 2008/09.

2. Reason for scrutiny

- 2.1 Monitoring of financial performance is important to ensure that:
- Service expenditure remains within cash-limited budgets.
 - Potential variances at year-end are identified early so that remedial action can be taken to recover the position or 'recycle' any surplus budgets.
 - Performance targets are being met.
- 2.2 This report also gives the panel the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets.

3. Background and Summary Position

- 3.1 This report reviews the Council's overall position based on profiled income and expenditure for the six months to 30 September 2008, and also shows a projection of the outturn figures for the full year. All the information presented in respect of General Fund Services shows the position based on net 'direct costs'. The review of the Housing Revenue Account is different in that it shows all costs, both direct and indirect.
- 3.2 The projected outturn for the General Fund is currently a net overspend of £345k. This takes account of proposed mitigating action. The Housing Revenue Account is currently projected to be on budget.

4. General Fund – Position to 30 September 2008

Service Budgets

- 4.1 **Appendix A** summarises the Council-wide position by expenditure group and by Service Group. The net position shows a variance against profiled budget for General Fund Services (excluding benefits) of £119k (favourable). This comprises total expenditure being £1,104k lower than expected and less income than expected totalling £985k. **Appendix B** provides a more detailed view, breaking this information down by individual Service Groups.

4.2. Both Appendices A & B to the report include traffic light indicators. The thresholds are as follows:

- Green – Variance less than £50k and 5% of budget
- Amber – Variance greater than £50k **OR** 5% of budget
- Red – Variance greater than £50k **AND** 5% of budget

4.3. A number of factors have led to the position against profiled budgets. The main variances are as follows (F=favourable; A=adverse):

Expenditure

- **Employees.** £253k (F), due to vacancies. However, the budget also includes a savings target of £515k relating to staff turnover.
- **Premises.** £345k (F), mainly relating to repairs & maintenance, and utilities costs.
- **Transport.** £132k (A) mainly in respect of additional fuel costs
- **Supplies & Services.** £290k (F), includes budgets expected to be funded from grant income that may not be received, as well as a number of smaller variances.
- **Third Party Payments.** £147k (F), relating to the timing of grant payments.
- **Transfer Payments.** £202k (F), relating to concessionary fares bus tickets.

Income

- **Government Grant.** £176k (F), relating to Museums Hub grant income not yet allocated to specific projects.
- **Other Grants & Reimbursements.** £563 (A), includes income for the SOS bus and additional grant income, which are offset by outstanding debtor accruals for grant claims.
- **Customer & Client Receipts.** £609k (A), Includes under recoveries against land charges, licensing, car parking and PCN income, which are reduced by smaller over recoveries against a number of other areas.

4.4. Benefits payments are shown 'below the line' in **Appendix A** to avoid distorting the reported position for Service Groups. It is currently projected that this area will be on budget at year end, when the final subsidy claim is paid.

4.5. Corporate savings targets totalling £860k were built into the 2008/09 budget. The targets and position to date is shown below and indicates significant progress has been made, however, additional savings will be required to achieve all targets.

	Target	Identified for year to date
	£'000	£'000
Salary Budgets	515	217
Procurement Savings	227	134
Income Generation	70	2
Support Services Review	48	0
Total	860	353

5. Outturn Forecast / Risk Areas

5.1 FASP last reviewed the outturn forecast on 19 August 2008 at which time an overall net underspend of £123k was forecast. Since then more detailed work has been carried out regarding salaries forecasting, income projections and other significant budget areas. One of the main factors that are affecting the revised budget forecast is the general economic downturn and the resulting impact on income from areas such as planning, land charges and the inflationary impact on certain costs such as fuel.

5.2 The current forecast outturn is now a potential net overspend of £345k as summarised in the following table:-

	£'000	
Service budgets	1,392	See paras. 5.3 – 5.4 and Appendix C
Technical Items	(600)	See paras. 5.5 – 5.8
Mitigating action	(447)	See para 5.9.
Potential net overspend	345	

Service Budgets

5.3 The following table sets out the forecast outturn for all service areas. This shows a net forecast overspend of £1,392k

Service	Forecast outturn £'000
Corporate & Democratic Core	On budget
Executive Management Team	On budget
Corporate Management	105 over budget
Customer Service Centre	On budget
Environmental and Protective Services	574 over budget
Life Opportunities	70 over budget
Resource Management	69 over budget
Strategic Policy and Regeneration	On budget
Street Services	574 over budget
Total all services	1,392 over budget

5.4 Appendix C sets out details of all forecast variances against service budgets at the year-end totalling £1.392m. The main areas contributing to this position are summarised below and all linked to some extent by current economic conditions:-

- Reduced income from planning and building control fees £0.6m
- Reduced income from car parking (both on street and off street) £0.3m
- Additional fuel costs for Council vehicles £0.15m
- Reduced income from land charges £0.1m

Technical Items

Net Interest Earnings

5.5 The Central Loans and Investment Account (CLIA) comprises the Council's borrowing costs and investment income. The current forecast is that the net interest position will be circa £300k better than the budget. This forecast is primarily as a result of improved investment returns, partly caused by the on-going credit crunch factors, and also through securing low rate new borrowing.

5.6 Forecasting net interest involves making a number of assumptions in respect of cashflow and interest rate projections and as such the overall forecast needs to be treated with caution at this stage in particular given the remaining uncertainty over the Council's investments in Landsbanki and the general economic outlook.

Minimum Revenue Provision (MRP)

5.7. The Council is required to make a provision in its revenue budget to repay debt. This requirement (the MRP) used to be a statutory charge of 4% on the notional level of outstanding debt at the start of the financial year. However, we now also have the option, subject to certain criteria, of charging on an earmarked basis according to either the estimated life of the asset or by using standard accounting depreciation charges. In each of these two cases one change is that the annual charge will not commence until the new

asset comes into service, subject to the overriding rule that MRP under any option arises in the year after the new expenditure is incurred, or a new asset brought into service.

5.8. The revenue budget includes £300k in respect of the estimated MRP for the Community Stadium. Under the new guidance the Council do not now have to make this provision in 2008/09 as the Stadium was not operational at 1 April 2008.

5.9. Further steps have been identified to mitigate the net overspend on service budgets. The following table sets out these items totalling a potential £447k of savings:-

<i>Item</i>	<i>£'000</i>	<i>Comment</i>
Review of staff within development control	111	As set out at Appendix C income from planning fees is forecast to be significantly lower this year and likely to continue at lower levels into next year. In response to this reduced workload proposals have been implemented to freeze specific vacant posts and redeploy other staff into posts within the planning policy section. In total savings of £180k have been identified for this year of which £69k has been transferred and shown against the salary target.
Uncommitted Housing and Planning Delivery Grant (HPDG)	115	Cabinet has agreed use of HPDG, however, £115k remains uncommitted and could therefore be available to mitigate budget pressures
Saving re: agreed pay award being less than budget	60	Based on agreed pay award of 2.7%
2008/09 savings not re-allocated	61	Savings of £126k were agreed by Cabinet in September. Some of these savings were agreed to be transferred to support priorities including funding for 2 street wardens.
<i>The following item is less certain</i>		
Possible additional LABGI re 07/08	100	The Local Authority Business Growth Incentive (LABGI) scheme ended in 2007/08. However, the Government has held back some of the funding pending resolution of a number of appeals in respect of the scheme
Total	447	

Risks to current forecast

5.10. The 2008/09 Revenue Budget report that was approved by Council in February 2008 detailed potentially significant risk areas that had been identified during the budget process. In addition, Heads of Service have identified a number of both positive and negative risk areas. These take into account the actual expenditure and income position to 30 September 2008, known variances and forecast changes to 31 March 2009. The current position for the most key areas is detailed in **Appendix D**. The most significant items that may have an impact on the current forecast are:-

- changes to income projections, such as those for car parking
- increased energy costs
- extent to which corporate targets are achieved
- clarification of concessionary fares position

Summary position

- 5.11. The net forecast outturn shows a potential net overspend of £345k. As is common at this stage in the financial year there remain a number of risks and variables to this forecast. It should be noted that the Council general fund balances of £1.9m remain £0.2m higher than our current assessed prudent level. The level of general balances and other reserves will be assessed as part of the final budget proposals.
- 5.12. Senior Management Team is continuing to monitor the budget position on a monthly basis. This includes scrutiny of the budget position to date, any revisions to the forecast outturn, performance against corporate targets, changes to key risks areas and action necessary to mitigate budget pressures. Future monitoring statements to the Panel will provide more certainty as the year progresses. The next monitoring statement will be for the nine months to 31 December 08, and will be reported to the Panel on 24 February 2009. The current year's budget position will also be considered earlier alongside proposals for the 2009/10 budget which will be scrutinised by this Panel on 20 January 2009.

6. Housing Revenue Account

- 6.1 The Housing Revenue Account (HRA) is a complex account which is ring-fenced and affected by a number of variable factors. **Appendix E** shows that at the end of September 2008, the HRA is underspent by £514k compared to the budget for the same period. This is primarily due to lower expenditure on Repairs and Maintenance for the year to date (£335k) and higher rental income than anticipated (£148k). However, it should be noted that it is anticipated the year to date underspend will reduce as the financial year progresses, especially given the pressure facing the Repairs and Maintenance budgets. The projected outturn for the HRA is that it will be on budget. The main factors contributing to the variance to date are detailed in the following paragraphs.
- 6.2 A significant amount of Repairs and Maintenance expenditure relates to responsive repairs and works to void properties, therefore variations can occur throughout the year dependant on activity. It should be noted that not all of the costs from Inspace have been finalised relating to the service for the period April to June 2008. It is anticipated that this will be completed early in Quarter 3. Furthermore, there is an underspend relating to the interim maintenance service being provided by Colchester Borough Homes (CBH), which relates to the timing of expenditure. Now that the Deed of variation has been signed, CBH are required to provide a re-profile of expenditure as part of the interim arrangements, which should reduce the impact of monthly variations.
- 6.3 Rental income from dwellings is the major source of income to the HRA. During the budget setting process, assumptions are made on the number of reductions in the Housing stock through Right to Buy sales and the loss of rental income resulting from empty properties. These assumptions are prudent as any shortfall in income receivable during the year would have to be met from the HRA balance. There has been a marked reduction in the number of properties being sold over the last few years, which is a reflection of increasing house prices and affordability for tenants.
- 6.4 Any expenditure on the Housing Capital Programme (HIP) that exceeds the total resources available from the Major Repairs Allowance (MRA) for the year has to be met from the HRA in the form of a revenue contribution to capital (RCCO). As the actual financing requirement of the outturn capital programme is not known until the end of year position is established, it can have an impact on the HRA outturn that is difficult to forecast at this stage of the year.

7. Strategic Plan references

- 7.1 The priorities within the Strategic Plan are reflected in the Medium Term Financial Forecast. This makes assumptions regarding government grant and Council Tax income, and identifies where necessary savings will be found in order to achieve a balanced budget. The 2008/09 revenue budget was prepared in accordance with the Strategic Plan's priorities, in the context of the Council facing growing financial pressures. Budget monitoring enables the financial performance against these priorities to be assessed.

8. Financial implications

- 8.1 As set out above.

9. Risk management implications

- 9.1 Risk management is used throughout the budget cycle, and this is reflected in the strategic risk register. The 2008/09 revenue budget report that was approved by Council in February 2008 detailed a number of potentially significant risk areas that had been identified during the budget process. In addition, Heads of Service identify a number of both positive and negative risk areas during the year.

10. Other Standard References

- 10.1 Having considered consultation, publicity, equality, diversity and human rights, community safety, and health and safety implications, there are none that are significant to the matters in this report.

Background Papers

None

Forecast Outturn Variances

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Corporate Management				
Legal Services	(77)	150	73	Due in part to downturn on housing market and the higher proportionate increase in personal searches which are cheaper than full searches.
Democratic Services	-	(13)	(13)	Difference between a grant payment of £34k in respect of the 2005 Parliamentary Election, and the accrual of £21k.
Facilities	3	42	45	Lower Income due to impact of lift scheme + loss of income from CBH re cleaning changes.
Environmental & Protective Services				
Planning	-	548	548	Down-turn in the economy/building industry has reduced the number of Planning Applications from an average of 175 per month to a current level of 100. This report details mitigating action proposed to offset some of this reduced income.
Building Control	-	26	26	Down-turn in the economy/building industry,
Life Opportunities				
Bed and breakfast costs	75		75	Budget overspent at period 6 due to higher number of households in B & B than budgeted
Community Support and parks and recreation	(5)		(5)	Staff savings
Resource Management				
Estates	42	27	69	Reduced net rental income and unbudgetted NNDR costs.
Street Services				
Parking Services	70	294	364	Under recovery of car park income in respect of both on street and off street parking of £300k in total. Unbudgetted rental charge re: butt rd car park
			24	

Service Area	Variance			Comment
Street Care	(117)	-	(117)	Mainly £132K is in budget from funding to support recycling trials pledged by ECC and from recycling credits, this may no longer be forthcoming and so the budget has been frozen.
Recycling	152	166	318	Estimated £152K overspend for fuel costs. £100K funding was built into the budget from ECC, income may no longer be forthcoming so budget has been frozen (see street care above) Shortfall against recycling credits of circa £30k.
Community Operations	-	9	9	Minor change within Small Works Team income budget.
Total	143	1,249	1,392	

Key Risk Areas

Service / Item	Current Position / Comment
Corporate Management	
Facilities – Income	The updated forecast outturn position shows that income from functions will be under recovered at the end of the year due in part to the lift project restricting access to some function areas.
IT software licences	Ordnance Survey licences has been identified as a possible cost pressure this year. However, the service has indicated that this should be able to be contained within the budget
Environmental & Protective Services	
Planning income	Planning income is dependent on activity in the housing market and as such when there is an economic downturn income is affected. Extra income expected from Discharge of Conditions and Planning Fees are already well below the estimated budget. This also relies on buoyancy of housing market to sustain income levels. The current outturn forecast allows for a shortfall of income £0.5m
Building Control income	Relies on housing market to sustain income levels.
Life Opportunities	
Bed and Breakfast	Given the constant pressure facing the use of B&B accommodation, this is an area that is managed and monitored carefully. Currently, a forecast overspend of £75k is forecast.
Grounds Maintenance	Calculation of contract variation index (GM87) identifies increase in contract value of £88k in excess of anticipated figure. It is hoped that this will be managed within the service through discussion with contractor and lowering of the contract standard. Budget managers have been alerted to this pressure and a schedule has been drafted to identify how most of this can be contained within the overall budgets.
Sport & Leisure	Risk of energy bills increasing in the second part of the financial year. This depends on the rate achieved when the energy contract is renewed. (see cross-cutting areas below)
Resource Management	
Concessionary Fares	The Council has been working with other Essex authorities to try and agree changes to the funding arrangements with bus operators and the allocation of costs between authorities. If agreement between all parties can be reached we expect to achieve a reduction in costs for this year.
Strategic Policy & Regeneration	
Coastal Initiatives	Debtor for £27k remains outstanding from 2005/06. A letter is being drafted which will lead to the start of recovery of the outstanding amount.
Street Services	
Car Parking Income	The revised fees and charges for Parking Services were implemented with effect from 1 June 2008. The effect of this change and the impact of the renaissance programme will continue to be monitored closely. Currently a shortfall of income of £150k is forecast, however, detailed car park projections indicate the potential for lower income.
Penalty Charge Notices (PCN) Income	Risk that the revised charges for Penalty Charge Notices introduced by the Traffic Management Act may mean that income budgets will not be achieved as the face value of PCN's has been changed. The effect of the legislative change is being closely monitored. Currently a shortfall of £150k is forecast.

Service / Item	Current Position / Comment
Parking Services	It is likely that the Council will receive a rental charge for Butt Road car park. This charge was not budgeted because the car park is to be transferred to the Council as part of a Section 106 agreement. However, the trigger point for the release of the land is not likely to be reached in the current financial year. Discussions are ongoing to establish the likely liability but at present the projected outturn shows an estimated pressure for the year of £42k. There is also a risk that the charges could be applied retrospectively (from 1 June 2006) at an additional cost of approximately £78k.
Waste review	Income of £100k from Essex County Council (ECC) to support recycling trials, and additional income from recycling credits of £172k was built into the 08/09 budget. The income from ECC may no longer be forthcoming. Expenditure totalling £192k was built into the budget as a result, which has now been frozen. This leaves a figure of £80,000 which will need to be covered by an increase in recycling credits. Figures to date for the first 6 months indicate that we are achieving an increase in recycling, however, this may not reach the revised budget figure and therefore currently a net pressure of £30k has been shown in the outturn forecast.
Cross Cutting Pressures	
Energy and Fuel costs	<p>The revised forecast outturn within Street Services reflects additional fuel costs incurred to date and this particular cost pressure will be monitored over the coming months.</p> <p>We have recently received notification of the new energy prices for electricity and gas which show significant increases over current prices. We are currently estimating the impact of these new charges on budgets for the remainder of this year and also next year.</p>
Achievement of corporate targets	<p>The report sets out that significant progress has been made towards achieving most corporate savings targets such as procurement and salary savings. A plan of potential savings to deliver the remaining target in respect of procurement savings has been drafted.</p> <p>Currently, there remains a risk that targets in respect of support services and income may not be achieved due to a revised timetable to implement an e-procurement system and the downturn in the economy impacting on anticipated income from roundabout sponsorship. These will be considered in more detail shortly.</p> <p>All targets are monitored monthly by Senior Management Team.</p>

Budget Monitoring Summary - Period 6 2008/09

Current Period - September 2008

Full Year Position

Account Description	Note	Current Period - September 2008		Full Year Position		Variance (fav) / adv £'000	Variance %	
		Budget to Period 6 £'000	Actual to Period 6 £'000	Annual Budget £'000	Projected Outturn £'000			
By Subjective Group								
Employees		13,386	13,133	(253)	27,676	27,634	(42)	(0.15%)
Premises Related		4,645	4,300	(345)	7,870	8,116	246	3.13%
Transport Related		1,020	1,152	132	1,523	1,732	209	13.72%
Supplies & Services		4,990	4,700	(290)	10,197	9,998	(199)	(1.95%)
Third Party Payments		1,068	921	(147)	2,066	2,015	(51)	(2.47%)
Transfer Payments		1,382	1,180	(202)	2,860	2,860	-	-
Capital Financing Costs		5	6	1	146	146	-	-
Subtotal Expenditure		26,496	25,392	(1,104)	52,338	52,501	163	0.31%
Government Grant		(753)	(929)	(176)	(1,744)	(1,744)	-	-
Other Grants & Reimbursements		(1,929)	(1,366)	563	(3,846)	(3,717)	129	(3.35%)
Customer & Client Receipts		(10,216)	(9,607)	609	(19,682)	(18,582)	1,100	(5.59%)
Income-Interest		(2)	(4)	(2)	(23)	(23)	-	-
Other Account Transfers		(50)	(59)	(9)	(62)	(62)	-	-
Subtotal Income		(12,950)	(11,965)	985	(25,357)	(24,128)	1,229	(4.85%)
Total General Fund Services	A	13,546	13,427	(119)	26,981	28,373	1,392	5.16%
By Service Group								
Corporate & Democratic Core		159	126	(33)	323	323	-	-
Executive Management Team		179	66	(113)	904	904	-	-
Corporate Management		3,540	3,315	(225)	6,566	6,671	105	1.60%
Customer Service Centre		513	513	-	1,038	1,038	-	-
Environmental & Protective Services		1,599	1,782	183	2,562	3,136	574	22.40%
Life Opportunities		2,467	2,175	(292)	5,464	5,534	70	1.28%
Resource Management		1,653	1,398	(255)	4,517	4,586	69	1.53%
Strategic Policy & Regeneration		1,564	1,646	82	3,095	3,095	-	-
Street Services		1,872	2,406	534	2,512	3,086	574	22.85%
Subtotal General Fund Services	A	13,546	13,427	(119)	26,981	28,373	1,392	5.16%
Benefits - Payments and Subsidy	B	(499)	292	791	(1,278)	(1,278)	-	-
Housing Revenue Account		(4,739)	(5,253)	(514)	221	221	-	-

Notes

A Detailed analysis relating to the performance of General Fund Services is included in Appendix B.

B Variance relates to increasing caseload. This will be met by the half-year DWP subsidy.

Budget Monitoring Report for All Services - Period 6 2008/09

Account Description	Note	ACDC £'000	AMGT £'000	CORM £'000	CUST £'000	ENPR £'000	LIFE £'000	RSMN £'000	SPRE £'000	STSE £'000	Total £'000
EXPENDITURE											
EMPLOYEES											
Profiled Budget to Date		-	416	1,294	490	2,874	2,636	1,565	967	3,144	13,386
Actual to Date		-	422	1,257	489	2,771	2,597	1,554	941	3,102	13,133
Variance to Date	A	green	6	(37)	(1)	(103)	(39)	(11)	(26)	(42)	(253)
			green	green	green	amber	green	green	green	green	amber
Annual Budget		-	859	2,621	1,001	6,009	5,402	3,356	2,016	6,412	27,676
Projected Outturn		-	859	2,598	1,001	6,009	5,392	3,356	2,016	6,403	27,634
Variance		-	-	(23)	-	-	(10)	-	-	(9)	(42)
PREMISES											
Profiled Budget to Date		-	-	1,093	-	375	1,759	204	64	1,150	4,645
Actual to Date		-	-	909	-	374	1,638	217	62	1,100	4,300
Variance to Date	B	green	green	(184)	-	(1)	(121)	13	(2)	(50)	(345)
			green	red	green	green	red	amber	green	amber	red
Annual Budget		-	-	1,519	1	702	3,452	494	83	1,619	7,870
Projected Outturn		-	-	1,536	1	702	3,552	536	83	1,706	8,116
Variance		-	-	17	-	-	100	42	-	87	246
TRANSPORT											
Profiled Budget to Date		-	3	16	-	52	17	10	43	879	1,020
Actual to Date		-	5	18	-	53	14	8	13	1,041	1,152
Variance to Date	C	green	amber	amber	green	green	(3)	(2)	(30)	162	132
			amber	amber	green	green	amber	amber	amber	red	red
Annual Budget		-	6	33	-	106	34	19	89	1,236	1,523
Projected Outturn		-	6	33	-	106	34	19	89	1,445	1,732
Variance		-	-	-	-	-	-	-	-	209	209
SUPPLIES & SERVICES											
Profiled Budget to Date		159	257	1,565	53	772	860	427	343	554	4,990
Actual to Date		126	137	1,478	54	717	832	438	273	645	4,700
Variance to Date	D	amber	(120)	(87)	1	(55)	(28)	11	(70)	91	(290)
			red	red	green	red	green	green	red	red	red
Annual Budget		323	611	3,241	95	1,356	1,839	936	774	1,022	10,197
Projected Outturn		323	611	3,210	95	1,356	1,839	936	774	854	9,998
Variance		-	-	(31)	-	-	-	-	-	(168)	(199)

Budget Monitoring Report for All Services - Period 6 2008/09

Account Description	Note	ACDC £'000	AMGT £'000	CORM £'000	CUST £'000	ENPR £'000	LIFE £'000	RSMN £'000	SPRE £'000	STSE £'000	Total £'000
THIRD PARTY											
Profiled Budget to Date		-	-	23	-	46	229	-	516	254	1,068
Actual to Date		-	-	19	-	37	194	-	438	233	921
Variance to Date		-	-	(4)	-	(9)	(35)	-	(78)	(21)	(147)
	E	green	green	amber	green	amber	amber	green	red	amber	red
Annual Budget		-	-	94	-	84	263	71	818	736	2,066
Projected Outturn		-	-	57	-	84	263	71	818	722	2,015
Variance		-	-	(37)	-	-	-	-	-	(14)	(51)
TRANSFER PAYMENTS											
Profiled Budget to Date		-	-	-	-	-	-	1,382	-	-	1,382
Actual to Date		-	-	-	-	-	-	1,180	-	-	1,180
Variance to Date		-	-	-	-	-	-	(202)	-	-	(202)
	F	green	green	green	green	green	green	red	green	green	red
Annual Budget		-	-	-	-	-	-	2,860	-	-	2,860
Projected Outturn		-	-	-	-	-	-	2,860	-	-	2,860
Variance		-	-	-	-	-	-	-	-	-	-
CAPITAL FINANCING											
Profiled Budget to Date		-	-	5	-	-	-	-	-	-	5
Actual to Date		-	-	6	-	-	-	-	-	-	6
Variance to Date		-	-	1	-	-	-	-	-	-	1
		green	green	amber	green	green	green	green	green	green	amber
Annual Budget		-	-	5	-	-	-	141	-	-	146
Projected Outturn		-	-	5	-	-	-	141	-	-	146
Variance		-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE											
Profiled Budget to Date		159	676	3,996	543	4,119	5,501	3,588	1,933	5,981	26,496
Actual to Date		126	564	3,687	543	3,952	5,275	3,397	1,727	6,121	25,392
Variance to Date		(33)	(112)	(309)	-	(167)	(226)	(191)	(206)	140	(1,104)
		amber	red	red	green	amber	amber	red	red	amber	amber
Annual Budget		323	1,476	7,513	1,097	8,257	10,990	7,877	3,780	11,025	52,338
Projected Outturn		323	1,476	7,439	1,097	8,257	11,080	7,919	3,780	11,130	52,501
Variance		-	-	(74)	-	-	90	42	-	105	163

Budget Monitoring Report for All Services - Period 6 2008/09

Account Description	Note	ACDC £'000	AMGT £'000	CORM £'000	CUST £'000	ENPR £'000	LIFE £'000	RSMN £'000	SPRE £'000	STSE £'000	Total £'000
INTER ACCOUNT TRANS											
Profiled Budget to Date		-	-	-	-	-	-	-	-	(50)	(50)
Actual to Date		-	-	-	-	-	-	-	-	(59)	(59)
Variance to Date		-	-	-	-	-	-	-	-	(9)	(9)
	green		green	green	green	green	green	green	green	amber	amber
Annual Budget		-	-	-	-	-	-	-	-	(62)	(62)
Projected Outturn		-	-	-	-	-	-	-	-	(62)	(62)
Variance		-	-	-	-	-	-	-	-	-	-
TOTAL INCOME											
Profiled Budget to Date		-	(497)	(456)	(30)	(2,520)	(3,034)	(1,935)	(369)	(4,109)	(12,950)
Actual to Date		-	(498)	(372)	(30)	(2,170)	(3,100)	(1,999)	(81)	(3,715)	(11,965)
Variance to Date		-	(1)	84	-	350	(66)	(64)	288	394	985
	green		green	red	green	red	amber	amber	red	red	red
Annual Budget		-	(572)	(947)	(59)	(5,695)	(5,526)	(3,360)	(685)	(8,513)	(25,357)
Projected Outturn		-	(572)	(768)	(59)	(5,121)	(5,546)	(3,333)	(685)	(8,044)	(24,128)
Variance		-	-	179	-	574	(20)	27	-	469	1,229
TOTAL NET											
Profiled Budget to Date		159	179	3,540	513	1,599	2,467	1,653	1,564	1,872	13,546
Actual to Date		126	66	3,315	513	1,782	2,175	1,398	1,646	2,406	13,427
Variance to Date		(33)	(113)	(225)	-	183	(292)	(255)	82	534	(119)
	amber		red	red	green	red	red	red	red	red	amber
Annual Budget		323	904	6,566	1,038	2,562	5,464	4,517	3,095	2,512	26,981
Projected Outturn		323	904	6,671	1,038	3,136	5,534	4,586	3,095	3,086	28,373
Variance		-	-	105	-	574	70	69	-	574	1,392

Budget Monitoring Report for HRA - Period 6 2008/09

September 2008	Current Period - September 2008			Forecast Year-End Position				
	Profiled Budget to Period 6 £'000	Actual to Period 6 £'000	Variance (under) / over £'000	Change in YTD Variance £'000	Annual Budget £'000	Projected Outturn £'000	Variance (under) / over £'000	Change in FY Variance £'000
Account Description	Note							
HRA - Direct & Non-Direct								
EXPENDITURE								
Employees		352	312	(40) amber	727	685	(42) amber	(7)
Premises Related	A	3,071	2,676	(395) red	6,085	6,195	110 amber	110
Transport Related		2	-	(2) amber	5	5	- green	-
Supplies & Services	B	359	447	88 red	861	961	100 red	-
Third Party Payments		3,530	3,534	4 green	5,852	5,852	- green	-
Transfer Payments		33	11	(22) amber	67	67	- green	-
Support Services		207	207	- green	2,452	2,452	- green	-
Capital Financing Costs		-	-	- green	10,821	10,821	- green	-
TOTAL EXPENDITURE		7,554	7,187	(367) Amber	26,870	27,038	168 Amber	103
INCOME								
Government Grant		-	-	- green	-	-	- green	-
Other Grants & Reimbursements		(66)	(73)	(7) amber	(182)	(182)	- green	-
Customer & Client Receipts	C	(12,221)	(12,364)	(143) amber	(23,307)	(23,475)	(168) amber	1
Income-Interest		(6)	(3)	3 amber	(61)	(61)	- green	-
Inter Account Transfers		-	-	- green	(3,099)	(3,099)	- green	-
TOTAL INCOME		(12,293)	(12,440)	(147) amber	(26,649)	(26,817)	(168) amber	1
TOTAL NET - HRA		(4,739)	(5,253)	(514) red	221	221	- green	104

Notes

- A** There is an under-spend to date of £335k on Repairs and Maintenance. It should be noted that not all of the costs from Inspace relating to the service for the period April to June 2008 have been finalised. It is anticipated that these will continue to come through during Quarter 3, which will impact upon the reported under-spend to date. In addition, Colchester Borough Homes have to produce a re-profile of the annual budget, which will see the underspend reduce. The year-end over-spend of £110k represents the unbudgeted costs of Health and Safety works at Ascott House and Bardfield House.
- B** The overspend has been caused by Legal and Consultancy costs relating to the mediation process and the set-up of the interim repairs and maintenance arrangement. It is therefore currently anticipated that there will be an overspend in this area by the end of the financial year.
- C** Year to date, there is increased income resulting from a lower level of Right To Buy sales and a lower level of income lost from empty properties than assumed within the budget. The budget assumes the same %age of rent lost through empty properties that the Government assume within the HRA Subsidy formula.
- D** Given the complex nature of the Housing Revenue Account and the many variable factors, both Revenue and Capital, which can impact upon the levels of income and expenditure, it is
- E** The main areas of risk centre around the Repairs and Maintenance budgets delegated to Colchester Borough Homes, who will be delivering the interim service. The level of activity



Finance and Audit Scrutiny Panel

Item
13

18 November 2008

Report of	Head of Resource Management	Author	Graham Coleman ☎ 282741
Title	Capital Expenditure Monitor 2008/09		
Wards affected	N/A		

This report details all capital expenditure during 2008/09 to September 2008

1. Decisions Required

1.1 To note the level of capital spending during 2008/09 and forecasts for future years.

2. Reasons for Decisions

2.1 Monitoring capital spending is important to ensure:-

- Spending on projects is within agreed scheme budgets.
- The overall programme is delivered within budget.

2.2 This report also gives the Panel the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets.

3. Alternative Options

3.1 None are suggested.

4. Background

4.1 This report sets out details of spending for the financial year 2008/09 (April 2008 to September 2008) and revised forecasts for future years.

4.2 This report includes new capital funding and changes to the capital programme as revised by Cabinet on 12 March 2008, 21 May 2008, 9 July 2008 and 10 September 2008.

4.3 This report includes capital expenditure in respect of the Housing Investment Programme, including expenditure on the Council's housing stock.

5. 2008/09 Review

5.1 In the first 6 months of this year capital spending totalled £10.5 million. This represents 31.9% of the total programme. The programme includes a number of major schemes where spending is planned across more than one year. It should be noted that the total programme was not expected to be fully spent in 2008/09 and that spending is broadly in line with expectations.

5.2 In total, forecast spending for this year is £24.3 million. The remainder of the programme is planned for 2009/10 and future years. The table below sets this out by service area:-

Summary	Current Total Programme £'000	2008/09 Expenditure for year £'000	Expected Expenditure 2008/09 £'000	Expected Expenditure 2009/10 and Future years £'000
Corporate Management	2,726.2	379.6	1,973.3	752.9
EMT	273.0	19.8	173.0	100.0
Resource Management	1,501.4	459.9	1,400.0	101.4
Street Services	990.3	521.9	990.3	0.0
Environmental & Protective Services	323.2	14.2	293.2	30.0
Strategic Policy & Regeneration	18,151.3	6,955.6	14,409.9	3,786.4
Life Opportunities	3,989.4	1,011.9	2,488.8	1,500.6
Completed Schemes	16.9	17.5	17.5	0.0
Total – General Fund Services	27,971.7	9,380.4	21,746.0	6,271.3
Housing Revenue Account	4,964.4	1,117.9	2,511.8	2,452.6
Total Capital Programme	32,936.1	10,498.3	24,257.8	8,723.9

5.3 Appendix A sets out details of spending and forecasts on all schemes. Comments are provided on the schemes progress and future forecasts. The schedule includes budgets for all approved and funded schemes and some existing projects that, whilst approved, are not yet available to spend until resources are secured to enable funding to be released. These amounts are shown in the unfunded columns and reflect the Capital Programme approved by Council on 20 February 2008, and revised on 12 March 2008, 21 May 2008, 9 July 2008 and 10 September 2008.

5.4 Since the last report the following schemes funded from the most recently awarded Growth Point monies have been added to the capital programme.

Project	2008/09 £'000
Town Centre Improvements (construction)	100
St Botolph's Public Realm (Phases)	400
Hythe Station Improvements	600
Total	£1,100

Additionally, Cabinet on 22 October 2008 agreed to allocate £305k of Housing Planning Development Grant (HPDG) to carbon reduction schemes at Colchester Leisure World Fitness Pool and other Council premises. The Fitness Pool scheme is supplemented by £350k funding from the building maintenance programme.

Other schemes have had funding provided from further Section 106 releases and external funding. The changes since the last report are shown on the summary page of Appendix A.

5.5 Cabinet on 10 September 2008 agreed to put certain capital schemes “on hold” pending the resolution of current financial uncertainties relating to capital receipts and capital expenditure commitments. No commitments for those projects which are funded should be entered into and those unfunded projects will not have any further funding released. These schemes are listed below.

Schemes put on hold per Cabinet of 10 September 2008	Amount to put on hold		
	<i>Funded</i>	<i>Unfunded</i>	Total
	£'000	£'000	£'000
Backlog Repairs		150.0	150.0
Support for Parish Councils. Reduce funded programme from £100k to £50k and remove unfunded £50k	50.0	50.0	100.0
Historic Core Zone	160.0		160.0
Maritime Projects		150.0	150.0
Personal Computer Upgrade	0.8	800.0	800.8
Public Conveniences	175.0		175.0
Town Centre Signs	90.0		90.0
Park & Ride	125.0		125.0
East Colchester	222.1		222.1
Total	822.9	1,150.0	1,972.9

- 5.6 A net over-spend of £45k is anticipated on the schemes for the Community Stadium pre-development and the Cuckoo Farm pre-development. This is primarily a result of legal costs still to be incurred. Additionally there is a minor over-spend of £0.6k on one other scheme. Further details are provided in Appendix A.

The anticipated over-spend of £45.6k will be referred to Cabinet for consideration.

- 5.7 Schemes shown in previous reports as “Housing Schemes Dependent on Grants” are now included in the Life Opportunities sections of the report.
- 5.8 The following paragraphs provide comments on some of the major projects included in the capital programme. Further details on the progress of the schemes are provided in Appendix A.

Firstsite

On 16 September 2008 the Council signed a supplementary contract with Banner Holdings for £14,220,000 to complete the external fabric of the building to a standard of permanent weather tightness (air and water tight). A bond for 10% of the value of the work that Banner has to complete (£1.4million) was also put in place. The contract completion date is 22 May 2009 and on the 25 September the contract was brought into force when the first payment was made to Banner under the new contractual arrangements.

The Council is currently reviewing the scope of internal fit-out works to complete the building, and the forecast outturn costs, through a series of meetings with quantity surveyor representatives from Arts Council England East, East of England Development Agency and Essex County Council and Turner and Townsend.

Community Stadium

Practical Completion of the building was achieved on 11th July on schedule. 1.5% construction cost retention will be released at the end of the defects liability period in July 2009. It is likely the final cost will be within budget although this will not be certain until final accounts are settled and outstanding risks crystallised.

Decent Homes and Upgrades

This report and appendices reflect the current approved funding levels made available for the Housing Investment Programme (HIP), a major part of which relates to Decent Homes. In September 2003 the Council committed to achieving the Decent Homes standard in its homes by the end of December 2007. The aim is now to complete the programme before the 2010 deadline. The Council has directed CBH to review the levels of outstanding work and the cost to complete the programme, and this is underway. Discussions have been held with the Leader of the Council as HRA Portfolio Holder and the Portfolio holder for Neighbourhoods to agree timescales and how the expenditure for 2008 - 2010 can be used. Work this financial year will be limited as the focus will be on establishing the scope of the programme and carrying out a procurement exercise to identify and appoint new contractors for the Decent Homes work and the repairs and maintenance service.

5.9 A review of the whole capital programme, including new resources, will be submitted to Cabinet in January 2009.

6. Other Standard References

Having considered consultation, publicity, equality, diversity and human rights, community safety, health and safety and risk management implications, there are none that are significant to the matters in this report.

Background Papers

None

Service / Scheme	Total Funded Programme b/fwd as at 1 April 2008		New monies		Total Programme
	£'000	£'000	CBC	External Funding	
SUMMARY					
Corporate Management	2,807.2	(81.0)	0.0	0.0	4,026.2
EIMT	273.0	0.0	0.0	0.0	323.0
Resource Management	1,501.4	0.0	0.0	0.0	1,651.4
Street Services	854.2	131.1	5.0	0.0	1,086.3
Environmental & Protective Services	277.2	0.0	46.0	0.0	748.2
Strategic Policy & Regeneration	16,540.0	15.0	1,596.3	0.0	18,952.6
Life Opportunities	2,934.8	279.8	774.8	0.0	5,148.1
Completed Schemes	8.4	(6.5)	15.0	0.0	16.9
Total (all General Fund schemes)	25,196.2	338.4	2,437.1	0.0	31,952.7
Housing Revenue Account	4,964.4	0.0	0.0	0.0	4,964.4
Total Capital Programme	30,160.6	338.4	2,437.1	0.0	36,917.1

Total Funded Programme	Funded					Additional Funding Required
	£'000	Spend Apr-Sep 2008/09	£'000	09/10	10/11	
2,726.2	379.6	1,973.3	750.6	2.3	0.0	
273.0	19.8	173.0	100.0	0.0	0.0	
1,501.4	459.9	1,400.0	71.4	30.0	0.0	
990.3	521.9	990.3	0.0	0.0	0.0	
323.2	14.2	293.2	30.0	0.0	0.0	
18,151.3	6,955.6	14,409.9	3,786.4	0.0	45.0	
3,989.4	1,011.9	2,488.8	1,500.6	0.0	0.0	
16.9	17.5	17.5	0.0	0.0	0.6	
27,971.7	9,380.4	21,746.0	6,239.0	32.3	45.6	
4,964.4	1,117.9	2,511.8	2,452.6	0.0	0.0	
32,936.1	10,498.3	24,257.8	8,691.6	32.3	45.6	

Total Unfunded	Unfunded				
	£'000	08/09	£'000	09/10	10/11
1,300.0	1,300.0	0.0	0.0	0.0	0.0
50.0	50.0	0.0	0.0	0.0	0.0
150.0	100.0	50.0	0.0	0.0	0.0
96.0	0.0	76.0	20.0	0.0	0.0
425.0	325.0	100.0	0.0	0.0	0.0
801.3	695.0	106.3	0.0	0.0	0.0
1,158.7	65.0	593.7	500.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0
3,981.0	2,535.0	926.0	520.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0
3,981.0	2,535.0	926.0	520.0	0.0	0.0

Reconciliation to previous FASP report	£'000
Programme reported to FASP 19 August 2008	30,537.2
Add:	
£'000 to S106 release East Bay Open Space	1.9
S106 release East Bay riverbank Oct 08	19.6
Growth Point & external funding - Hythe Station Environmental Improvements	640.0
Growth Point funding - Town Centre Improvements	100.0
Growth Point funding - St Botolphs Public Realm	400.0
S106 release Highwoods Country Park Resource Centre Sept 08	87.7
External funding Mill Road Play Area/Youth Facility	18.5
External funding Birch Under 8's Play Area	42.0
External contribution to St Arnes Community Centre Car Park	55.7
External funding for SOS bus	133.0
Cabinet 22 Oct 08 - use of HPDG for Power/Perforator equipment	172.0
Cabinet 22 Oct 08 - use of HPDG for Fitness Pool CLW	350.0
R&R contribution to Fitness Pool refurbishment CLW	97.9
Boada Skatebowl - Big Lottery Funding	280.0
Community Stadium - funding for Nitrate Plant from capital receipt	75.0
Community Stadium - external funding towards extra works	(81.0)
ICT Strategy - transfer of funds to Revenue	5.0
R & R contribution to vehicle replacement	
Current Funded Programme	32,936.1

Service / Scheme	Scheme Description	Total Funded Programme b/w/d as at 1 April 2008	New monies		Total Programme	Status	Funded				Unfunded				
			CBC	External Funding			Spend Apr-Sep 2008/09	Forecast		Total Unfunded	Programmed				
								08/09	09/10		10/11	09/10	10/11	11/12	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
CORPORATE MANAGEMENT															
Works to the Town Hall associated with the Business Plan	Access work to the Old Library works to the Meet Hall Kitchen.	292.9	0.0	0.0	292.9	FF	292.9	169.8	190.0	90.6	2.3	0.0	0.0	0.0	0.0
E-Government	Works to comply with Government's E-Gov agenda	123.6	0.0	0.0	123.6	FF	123.6	41.0	123.6	0.0	0.0	0.0	0.0	0.0	0.0
GIS/Gazetteer	Cleansing of LLPG database	50.0	0.0	0.0	50.0	FF	50.0	8.6	50.0	0.0	0.0	0.0	0.0	0.0	0.0
Personal Computer Upgrade (including Councils Computers) CABINET OF 10-SEPTEMBER 2008)	To keep personal computer stock updated	0.8	0.0	0.0	0.8	PF	0.8	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0
Electronic Service Delivery (Customer Service Centre)	Enhance of electronic service facilities includes areas identified in business case for CSC	480.1	0.0	0.0	480.1	FF	480.1	51.6	320.1	160.0	0.0	0.0	0.0	0.0	0.0
ICT Strategy Development	New capital investment	1,869.8	(81.0)	0.0	1,788.8	PF	1,788.8	109.6	1,298.8	500.0	0.0	0.0	0.0	0.0	0.0
TOTAL		2,807.2	(81.0)	0.0	4,026.2		2,725.2	379.6	1,973.3	780.6	2.3	0.0	0.0	0.0	0.0

Key to Status column:

Fully Funded	FF
Partly Funded	PF
Unfunded	U

Service / Scheme	Scheme Description	Total Funded Programme b/w/d as at 1 April 2008		New monies		Total Programme	Status
		£'000	£'000	CBC	External Funding		
		£'000	£'000	£'000	£'000	£'000	£'000
EMT	Support for Parish Councils (SCHEME PARTLY ON HOLD AS PER CABINET OF 10 SEPTEMBER 2009)	273.0	0.0	0.0	0.0	323.0	PF
TOTAL		273.0	0.0	0.0	0.0	323.0	

Comments	Funded Forecast				Additional Funding Required
	Total Funded Programme	Spend Apr-Sep 2008/09	08/09	10/11	
	£'000	£'000	£'000	£'000	
£100k has been allocated this year for Parish schemes (£50k of this release is now on hold per Cabinet) and a meeting was held in November 2008 to discuss the funding of these projects. However, the funding has not been allocated, so most expenditure will inevitably slip into the following year. 2007/08 actual spend was slightly above forecast leaving £173k to be carried forward in committed projects. This added to the new £100k released in the budget results in £273k at 1 April to be spent over the coming years.	273.0	19.8	173.0	100.0	0.0
TOTAL	273.0	19.8	173.0	100.0	0.0

Total Unfunded	Unfunded Programmed			
	08/09	09/10	10/11	11/12
	£'000	£'000	£'000	£'000
50.0	50.0	0.0	0.0	0.0
50.0	50.0	0.0	0.0	0.0

Service / Scheme	Scheme Description	Total Funded Programme b/w/d as at 1 April 2008		New monies		Total Programme	Status
		£'000	£'000	CBC	External Funding		
		£'000	£'000	£'000	£'000		
RESOURCE MANAGEMENT	Upgrade of Financial Systems	5.9	0.0	0.0	0.0	5.9	FF
	Works to civic buildings to comply with requirements of the Disability Discrimination Act (incl. Town Hall fit)	1,414.1	0.0	0.0	0.0	1,414.1	FF
	Backlog Repairs (SCHEME ON HOLD AS PER CABINET OF 10 SEPTEMBER 2009)	0.0	0.0	0.0	0.0	150.0	U
	Site Disposal Costs	40.0	0.0	0.0	0.0	40.0	FF
	Moler Works Site	41.4	0.0	0.0	0.0	41.4	FF
TOTAL		1,501.4	0.0	0.0	0.0	1,651.4	

Comments	Funded Forecast				Additional Funding Required
	Total Funded Programme	Spend Apr-Sep 2008/09	08/09	10/11	
	£'000	£'000	£'000	£'000	
The new debtors system is now live and the transition between systems in the process of completion. Recurring billing went live in April. Works to integrate Leisure World and CBH debtors to be undertaken.	5.9	2.7	5.9	0.0	0.0
The Town Hall lift project remains on programme and is due for completion in April 2009. The project is still expected to be delivered within the overall budget of £1.4m. DDA works to all other operational buildings were completed in 2007/08.	1,414.1	441.6	1,354.1	30.0	0.0
This budget provision is currently being reviewed alongside the new 5 year Building Maintenance Programme.	0.0	0.0	0.0	0.0	0.0
A provision approved by Cabinet on 14 March 2007 to provide for costs associated with sales of sites. Layer Road disposal may require an extra £50k for security costs. Fieldgates and Angel Court expenditure still required.	40.0	15.6	40.0	0.0	0.0
Capital receipt now received of which £50k was earmarked for costs associated with the provision of three shop units which will provide the Council with a future revenue income stream. Report to Portfolio Holder for Resources and Regeneration in November 2006 refers. Fitting-out expenditure etc. now unlikely to be before 2009/10.	41.4	0.0	0.0	41.4	0.0
TOTAL	1,501.4	459.9	1,400.0	71.4	0.0

Total Unfunded	Unfunded Programmed			
	08/09	09/10	10/11	11/12
	£'000	£'000	£'000	£'000
0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0
150.0	100.0	50.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0
150.0	100.0	50.0	0.0	0.0

Service / Scheme	Scheme Description	Status	Total Programmed			New monies			Total Funded Programme			Scheme Description	Status	Total Programmed			Comments	Unfunded		
			Total Funded Programme		Total Programme	External Funding		Total Programme	Total Funded Programme		Total Programme			Forecast		Total Unfunded		Programmed		
			£'000	£'000		£'000	£'000		£'000	£'000				£'000	£'000			£'000	£'000	£'000
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
STREET SERVICES																				
Public Conveniences (SCHEME CABINET OF 10 SEPTEMBER 2008)	Taller refurbishment works	FF	582.7	0.0	0.0	582.7	0.0	0.0	582.7	0.0	0.0	582.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Car Park Ticket Machines	Supply & installation of new pay on foot machines at St. Mary's, St. John's and Leisure World Car Parks	FF	43.7	0.0	0.0	43.7	0.0	0.0	43.7	0.0	0.0	43.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shrub End Yard Redevelopment (Grant from DEFRA) + Depot Improvements + Flat Recycling Scheme	Improvements to depot	FF	48.6	0.0	0.0	48.6	0.0	0.0	48.6	0.0	0.0	48.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Waste Diversion / Green Waste	General provision for recycling initiatives including green waste trials etc	FF	33.7	0.0	0.0	33.7	0.0	0.0	33.7	0.0	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cleaner Streets - investment	Investment in plant & equipment to support street care and street cleaning operations	FF	34.3	(1.8)	0.0	32.5	0.0	0.0	32.5	0.0	0.0	32.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Vehicle Replacement	Fleet replacement programme	FF	23.4	(0.1)	5.0	28.3	0.0	0.0	28.3	0.0	0.0	28.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PowerFactor Voltage Optimisation Equipment	Installation of equipment at top ten electricity usage sites	FF	0.0	133.0	0.0	133.0	0.0	0.0	133.0	0.0	0.0	133.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CCTV - Transfer to Digital	Upgrade of equipment to digital format	FF	53.8	0.0	0.0	53.8	0.0	0.0	53.8	0.0	0.0	53.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CCTV - Section 106 Installations	Provision of CCTV facilities at sites including Crouch Street, Sheepsen Road and Hudson Road	FF	33.0	0.0	0.0	33.0	0.0	0.0	33.0	0.0	0.0	33.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL:			854.2	131.1	5.0	990.3	0.0	0.0	990.3	0.0	0.0	990.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Service / Scheme	Scheme Description	Total Funded Programme b/fwd as at 1 April 2008		New monies		Total Programme Status		Funded					Unfunded																		
		£'000	102.4	£'000	0.0	£'000	348.4	PF	£'000	148.4	Forecast			£'000	200.0	Programmed															
											£'000	08/09	09/10			10/11	£'000	08/09	09/10	10/11	11/12										
ENVIRONMENTAL & PROTECTIVE SERVICES																															
Heritage Fund - incl. Roman Walls	Heritage Fund used to enhance public spaces and historic sites, and protect key buildings								148.4	1.0	118.4	30.0	0.0	0.0	200.0	100.0	100.0	0.0	0.0												
Heritage Fund - Castle Park Interpretation	Heritage Fund used to enhance public spaces and historic sites, and protect key buildings		50.0		0.0		50.0	PF	50.0	0.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0												
Heritage Fund - St Nicholas Square	Heritage Fund used to enhance public spaces and historic sites, and protect key buildings		20.0		0.0		20.0	PF	20.0	0.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0												
Museum Store	Purchase, fit out and relocation to new store		10.8		0.0		10.8	FF	10.8	5.1	10.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0												
Cemetery Extension (inc construction costs)	Acquisition of land and provision of infrastructure to enable continuation of burial services		0.0		0.0		0.0	U	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0												
Roman Circus - Interpretation/Visitor Centre	Visitor Centre for Roman Remains		94.0		0.0		94.0	PF	94.0	8.1	94.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0												
Contribution towards redevelopment of Castle Museum	Provision of match funding towards Lottery bid		0.0		0.0		0.0	U	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0												
TOTAL			277.2		0.0		748.2		323.2	14.2	283.2	30.0	0.0	0.0	425.0	325.0	100.0	0.0	0.0												

Service / Scheme	Scheme Description	Total Funded Programme		New monies		Total Programme Status	Funded			Forecast			Comments	Unfunded				
		£'000	£'000	CBC	External Funding		£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
STRATEGIC POLICY & REGENERATION																		
Park & Ride (SCHEME ON HOLD AS PER CABINET OF 10 SEPTEMBER 2008)	Costs of achieving a Colchester Park & Ride	535.0	(410.0)	0.0	125.0	FF	125.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Community Stadium Pre-development	Preliminary work on construction details, costs and business planning to progress the project.	(5.0)	15.0	0.0	10.0	FF	10.0	15.1	87.0	0.0	0.0	0.0	77.0	0.0	0.0	0.0		
Community Stadium - Build	Construction of new Community Stadium	4,060.0	410.0	350.0	4,825.0	FF	4,825.0	4,376.6	4,600.0	225.0	0.0	0.0	0.0	0.0	0.0	0.0		
B1C North	Business Incubator Units in North Colchester	2,660.2	0.0	0.0	2,660.2	FF	2,660.2	0.0	0.0	2,660.2	0.0	0.0	0.0	0.0	0.0	0.0		
Cuckoo Farm - predevelopment costs	Predevelopment activity (such as specialist input on legal, highway and environmental issues) to facilitate the commencement of the development of Cuckoo Farm	53.9	0.0	0.0	53.9	FF	53.9	6.6	21.9	0.0	0.0	0.0	(32.0)	0.0	0.0	0.0		
East Colchester, Hythe Regeneration (SCHEME PARTLY ON HOLD AS PER CABINET OF 10 SEPTEMBER 2008)	A general provision for the cost of progressing elements of the regeneration of the area.	277.1	0.0	0.0	277.1	FF	277.1	0.0	277.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Hythe Station Refurbishment S106	Lengthen the platforms at Hythe Station.	1,000.0	0.0	0.0	1,000.0	FF	1,000.0	1,000.0	1,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Hythe Station Environmental Improvements	Works around Hythe Station	0.0	0.0	640.0	640.0	FF	640.0	8.1	640.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
King Edward Quay	Transformation of Quay	546.5	0.0	46.3	592.8	FF	592.8	78.5	592.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
St Botolphs Regeneration	Fund to progress elements within the St Botolphs regeneration area	1,030.5	0.0	50.0	1,030.5	FF	1,030.5	116.6	1,085.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
St Botolphs Public Realm	Works in St Botolphs area	0.0	0.0	400.0	400.0	PF	400.0	0.0	0.0	400.0	0.0	0.0	0.0	0.0	0.0	0.0		
Historic Town Centre Improvements (SCHEME ON HOLD AS PER CABINET OF 10 SEPTEMBER 2008)	Works to Historic Core Zone	160.0	0.0	0.0	160.0	FF	160.0	0.0	160.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Town Centre Improvements	Works to Town Centre	0.0	0.0	100.0	100.0	PF	100.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Marketing Projects (SCHEME ON HOLD AS PER CABINET OF 10 SEPTEMBER 2008)	Provision for maritime project works	0.0	0.0	0.0	150.0	U	150.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
St Botolphs Regeneration - Firstsite	New Visual Arts Facility	5,163.7	0.0	0.0	5,163.7	FF	5,163.7	1,345.0	5,163.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Public Art - Section 106	Provision of public artworks funded from Section 106 contributions	49.9	0.0	0.0	49.9	FF	49.9	8.5	46.9	3.0	0.0	0.0	0.0	0.0	0.0	0.0		
Town Centre Signs (Phase 2) (SCHEME ON HOLD AS PER CABINET OF 10 SEPTEMBER 2008)	Extension of Town Centre signage scheme	90.0	0.0	0.0	90.0	FF	90.0	0.0	90.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Assistance to Registered Social Landlords	Support to affordable housing schemes	918.2	0.0	0.0	1,024.5	PF	918.2	0.0	420.0	498.2	0.0	0.0	0.0	0.0	0.0	0.0		
TOTAL		16,540.0	15.0	1,596.3	19,952.3		18,151.3	6,955.6	14,409.9	3,786.4	0.0	46.0	0.0	0.0	0.0	0.0		

Service / Scheme	Scheme Description	Total Funded Programme		New monies		Total Programme Status	Funded				Unfunded							
		Programme funded as at 1 April 2008		CBC			External Funding		Spend Apr-2008/09	Forecast		Additional Funding Required	Total Unfunded	Programmed				
		£'000	£'000	£'000	£'000		£'000	£'000		£'000	£'000			£'000	£'000	£'000	£'000	£'000
LIFE OPPORTUNITIES (1)																		
Community Development - St Annes: Contribution towards community facility	New community centre in Harwich Road	29.3	0.0	0.0	0.0	29.3	FF	0.0	0.0	29.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Improving Life Chances	A general provision to enable the Council to support work in improving life chances such as the provision of new community facilities	32.0	50.0	0.0	0.0	147.0	PF	0.0	0.0	62.0	20.0	0.0	0.0	65.0	0.0	0.0	0.0	0.0
	To provide a mobile medical/health centre for the residents, visitors, pupils and businesses of Colchester	0.0	20.0	0.0	55.7	75.7	FF	75.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
St Annes Community Centre - Section 106	Car Park Improvements	29.9	0.0	1.6	0.0	31.5	FF	31.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Myland Hall S106	Modernisation of Church Hall	0.0	0.0	15.0	0.0	15.0	FF	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hythe Community Centre S106	Improvements incl. conversion of garage to storage works to windows and doors and boiler replacement	0.2	0.0	0.0	0.0	0.2	FF	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mandatory Disabled Facilities Grants	Disabled Facility Grants	1,111.5	0.0	0.0	0.0	2,111.5	PF	392.7	550.0	561.5	0.0	0.0	0.0	1,000.0	0.0	500.0	500.0	0.0
Private Sector Renewals - Loans and Grants	Loans and grants to private householders	619.3	0.0	0.0	0.0	713.0	PF	164.8	300.0	319.3	0.0	0.0	0.0	93.7	0.0	93.7	0.0	0.0
Highwoods Community Facilities	Social Meeting Place	19.0	0.0	0.0	0.0	19.0	FF	0.0	19.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
St Annes MUGA	Provision of multi use games area	90.4	0.0	0.0	0.0	90.4	FF	60.5	90.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Colchester Leisure World - Fitness Pool	Refurbishment of Fitness Pool building	0.0	172.0	390.0	0.0	522.0	FF	0.0	522.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Old Heath MUGA Installation & Landscape Improvements	Works to recreation ground	75.0	0.0	0.0	0.0	75.0	FF	0.0	75.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Service / Scheme	Scheme Description	Total Funded Programme Aired as at 1 April 2008		New monies		Total Programme Status		Forecast				Comments	Unfunded				
		£'000	£'000	CBC	External Funding	Total Programme	Status	Spend Apr-Sep 2008/09	08/09		10/11		08/09	10/11		11/12	
									£'000	£'000	£'000			£'000	£'000		£'000
LIFE OPPORTUNITIES (2)																	
Open Space Land Acquisition/Opportunity Purchases	Fund for purchase of open space land and other opportunity purchases	53.0	100.0	0.0	0.0	153.0	FF	0.0	153.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Castle Park - Playground Refurbishment	Refurbishment of Playground	110.0	0.0	0.0	0.0	110.0	FF	0.0	110.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Merssea Pontoon	Safety works to play + replacement of Pontoon	75.5	(62.2)	0.0	0.0	13.3	FF	11.8	13.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Distillery Lane Playground - Section 106	Provision of children's play equipment	35.0	0.0	0.0	0.0	35.0	FF	0.0	35.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
East Bay Playground - Section 106	Installation of local equipped play area in East Bay Recreation Ground	0.0	0.0	41.3	0.0	41.3	FF	37.2	41.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
St Leonard's Church Wall	Repair & rebuild boundary walls to a closed churchyard	353.0	0.0	0.0	0.0	353.0	FF	18.3	33.0	320.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Resource Centre - Highwoods Country Park S106	Provision of Resource Centre	104.2	0.0	87.7	0.0	191.9	PF	1.8	10.0	181.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Groundsmen's Building Castle Park S106	Improvements and building accommodation for Castle Park rangers and grounds maintenance contractors	45.6	0.0	0.0	0.0	45.6	FF	41.4	45.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mill Road Play Area/Youth Facility	Provision of Play Area and Youth Facilities	99.4	0.0	0.0	18.5	117.9	FF	65.0	117.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Highwoods Country Park Improvements - Section 106	Design and construct new car park, new landscaping and visitor information, repair man culvert	52.5	0.0	0.0	0.0	52.5	FF	6.2	52.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
East Bay Open Space & Riverbank Section 106s	Works to improve site access and interpretation of the river and adjacent millworks to stabilise the riverbank	0.0	0.0	0.0	62.8	62.8	FF	0.0	62.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Castle Park Improvements Section 106	Design work to create plans showing overall improvements to the park in a coordinated approach	0.0	0.0	0.0	2.3	2.3	PF	0.0	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Birch Under 6's Play Area	Provision of a new play area	0.0	0.0	0.0	42.0	42.0	FF	42.0	42.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bouda Skateboard	Provision of new activity area targeted at young people	0.0	0.0	0.0	97.9	97.9	FF	0.0	0.0	97.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL		2,934.8	279.8	774.8	5,148.1	3,899.4		1,011.9	2,488.8	1,500.6	0.0	0.0	65.0	993.7	900.0	0.0	0.0

Service / Scheme	Scheme Description	Total Funded Programme b/fwd as at 1 April 2008	New monies		Total Programme Status	Funded						Unfunded					
			Total Funded Programme b/fwd as at 1 April 2008	CBC		External Funding	Spend Apr-2009/09	Forecast			Total Unfunded	Programmed					
								£'000	£'000	£'000		08/09	09/10	10/11	£'000	£'000	£'000
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
COMPLETED SCHEMES OR WHERE RETENTION ONLY OUTSTANDING																	
Angel Court Atrium Roof	Replacement of Atrium Roof	(0.3)	(0.5)	0.0	(0.8)	FF	(0.8)	(0.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Angel Court Air Conditioning	Upgrade to Air Conditioning System	3.4	(0.7)	0.0	2.7	FF	2.7	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
S106 Env Improvements, Church Rd, Tiptree	Environmental works funded from Section 106 contribution	0.0	0.0	15.0	15.0	FF	15.0	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
St Johns & St Mary's Car Parks - Anti-corrosion Deck Coatings	Works to car parks	4.0	(4.0)	0.0	0.0	FF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Footway - New Rd, Tiptree	Footway works funded from Section 278 agreement	5.0	(5.0)	0.0	0.0	FF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Visitor information Centre - Refurbishment	VIC Refurbishment	3.0	(3.0)	0.0	0.0	FF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shrub End Sports Ground Project	Installation of all weather pitch & improvements to Pavilion	(0.6)	0.6	0.0	(0.0)	FF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bus Shelter Hyde Hill	Installation of new bus shelter to serve Hyde Hill station (funded by S106 agreement)	0.1	(0.1)	0.0	(0.0)	FF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Heritage Econ Regain Scheme - Town Centre Queen St, East Bay & East St (HERS)	English Heritage Grant scheme	4.5	(4.5)	0.0	0.0	FF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Customer Service Centre (Offices)	Works to CSC offices	14.6	(14.6)	0.0	0.0	FF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Jarmin Road - relocation / prelims.	Costs associated with sale of Jarmin Road site	(32.2)	32.2	0.0	0.0	FF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Youth Parliament	Projects linked to Youth Council	6.9	(6.9)	0.0	0.0	FF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL		8.4	(6.5)	15.0	16.9		16.9	17.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Service / Scheme	Scheme Description	Total Funded Programme b/w/d as at 1 April 2008	New monies		Total Programme	Status	Funded				Unfunded					
			CBC	External Funding			Spend Apr-Sep 2008/09	Forecast		Total Funded Programme	Additional Funding Required	Total Unfunded	Programmed			
								08/09	10/11				09/09	10/11	11/12	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
HOUSING REVENUE ACCOUNT																
Decent Homes & Upgrades	Scheme to bring council housing stock up to Decent Homes standard together with other upgrade works	3,791.0	0.0	0.0	3,791.0	FF	3,791.0	660.9	1,500.0	2,291.0	0.0	0.0	0.0	0.0	0.0	0.0
Aids & Adaptations	Improvements made to Council housing stock to meet specific tenants needs	801.8	0.0	0.0	801.8	FF	801.8	297.3	801.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Housing ICT	Improvements to Housing IT systems	371.6	0.0	0.0	371.6	FF	371.6	128.7	210.0	161.6	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL		4,964.4	0.0	0.0	4,964.4		4,964.4	1,117.9	2,511.8	2,452.6	0.0	0.0	0.0	0.0	0.0	0.0

Note: The schemes above are funded from HRA resources only and therefore do not form part of the General Fund Capital Programme

18 November 2008

Report of	Head of Resource Management	Author	Sean Plummer ☎ 282347
Title	Treasury Management – Investment Policy		
Wards affected	Not applicable'		

The Panel is invited to review changes to the Council's investment policy specifically in response to the Icelandic bank situation.

1. Action required

- 1.1 The panel is asked to note and comment on proposals to change the Council's investment policy as set out at paragraph 3.18 and Appendix B and C.

2. Reason for scrutiny

- 2.1. CIPFA Code of Practice on Treasury Management requires authorities to keep treasury management activities under review. The Council's investment policy was last agreed by Council in February 2008.
- 2.2. At the last meeting of this Panel it was agreed that a report on possible changes to the Council's investment policy would be submitted to this meeting.

3. Background information

Current Policy in respect of investments

- 3.1. The previous report to the meeting of this Panel set out the Council's investment policy. An extract from that report is provided at Appendix A. In summary the current policy attempts to manage credit risk through:-
- Agreeing limits based on the level of individual investment (i.e. a maximum amount in any one bank or institution)
 - Agreeing limits based on length of maturity
 - Agreeing other group limits, such as maximum amount in a particular country or within the building society sector.
- 3.2. The Policy is fundamentally underpinned by the use of independent credit ratings with different limits set based on different credit rating levels.

Options for Change

- 3.3. There are a number of possible changes the Council could make to its investment policy. The key questions considered being:-
- Should we further limit who we may invest with?
 - Should we reduce maturity limits?
 - What other factors could be used to reduce risk?

Counterparties

3.4. The table below sets out part of our current policy and no changes to reduce potential use of these options are proposed given the high credit quality of these organisations.

<i>Counterparty</i>	<i>Credit Rating Criteria</i>	<i>Comment</i>
Government Securities	n/a	Highest credit quality e.g. DMO facility (Debt Management Office accounts)
UK Local and Police Authorities	n/a	Strong legislative framework means low risk
Money Market funds	AAA	High credit quality
Investment with MLDB (Multilateral Development Banks)	AAA	
Investment schemes (e.g bond schemes)	AAA	

3.5. The main area therefore to consider potential changes is investment with banks and building societies. Here, the following areas are considered

- UK banks and foreign banks
- Government Guarantees
- Use of credit ratings and changes to criteria

3.6. One of the issues that has arisen from the Icelandic banking situation is the use of foreign banks. To consider this issue there are possibly a number of questions that could be asked and perhaps one of the most commonly asked is:-

Is an investment in a UK bank less of a risk than a foreign bank?

It could be considered that deposits made in UK banks are safer because there is a greater chance that support for these organisations would be forthcoming from the UK Government. However, it should be stressed that:-

- There are several foreign banks with higher credit ratings than major UK banks
- The UK has been significantly affected in the past two years by the changing financial climate such as reported difficulties with Northern Rock, Bradford and Bingley, HBOS / Lloyds TSB

One way of attempting to measure the risk of foreign banks is to consider the credit rating of sovereign debt. Fitch ratings produce rating for individual countries and on this basis there are 16 AAA rated countries:-

Austria	Canada	Denmark	Finland
France	Germany	Ireland	Luxembourg
Netherlands	Norway	Singapore	Spain
Sweden	Switzerland	UK	USA

Government Guarantees

3.7. One of the impacts of the credit crisis is that some Governments have taken specific action to add liquidity to financial markets to provide support and improve confidence in financial markets. Two areas of specific relevance for our investment policy are in respect of Ireland and the UK.

Ireland

3.8. The Irish Government has guaranteed all deposits made to six banks until 28th September 2010. These banks are:-

- Allied Irish Bank
- Bank of Ireland
- Anglo Irish bank
- Irish Life and Permanent
- Irish Nationwide Building Society
- Educational Building Society

UK

3.9. The UK Government announced measures designed to ensure the stability of the financial system. The package totalled £500bn of which £50bn was made available to the following: Abbey, Barclays, HBOS, HSBC, Lloyds TSB, Nationwide Building Society, Royal Bank of Scotland and Standard Chartered. Not all banks have taken up this particular offer and it does not provide a guarantee, however, it provides some comfort that these banks are considered to be important to the UK banking system and the overall economy and have access to Government support. For the avoidance of doubt we consider a bank to be UK bank if they are defined as such by Fitch ratings.

Use of credit ratings

3.10. The current policy uses a combination of different credit rating criteria to determine limits. This approach is based on Sector's suggested matrix. One option would be to increase the current minimum criteria set out within Appendix A.

3.11. The current policy also allows the Council to make investments with certain non-rated building societies. The rationale behind this is that building societies work within a different regulatory framework than banks. For example it is illegal for building societies to raise more than 50% of its funds from the wholesale markets. This means that a greater proportion of a building society's assets will be secured on loans fully secured on residential property. Given the absence of credit ratings it could be said that there is less detailed information available to assess risk, however, as has been shown by the situation with Landsbanki, the use of credit ratings could no doubt be argued.

3.12. Credit ratings are regularly reviewed by ratings agencies, such as Fitch. When ratings are changed we update our records and will change any limits placed on an individual bank. Ratings agencies will also place organisations on "ratings watch" where there is a potential change. "Ratings watch" does not mean that the rating will change and there is not an indication of by how much any change might be.

3.13. It is difficult in practical terms to suggest that we do not invest in any organisation on ratings watch for two reasons First, there is no indication of how much a rating may change, for example a reduction from a long term rating of AA to AA- would not currently result in any change in limits in place. In addition, there are currently a large number of banks on ratings watch who would be considered a relatively 'safe' investment, for example, Barclays Bank.

3.14. It is proposed that any organisation which meets the minimum criteria and is on negative watch will not be used until the review is completed. Other organisations on negative watch will be subject to approval by the Head of Resources and a record will be kept of decisions made.

3.15. A further area that has been raised following the situation with Icelandic banks is to consider interest rates that are 'out of line' with market views. We already compare rates on offer before making investment decisions and generally the margins between similar deals are fairly narrow, which as has already been reported was the case with our investments in Landsbanki. However, we shall ensure that in future opportunities which

are considered out of line with comparable deals are investigated further and if there remains any doubt they will be avoided.

Maturity Limits

- 3.16. Currently decisions are made on the length of any investment with reference to cashflow requirements and the Council's investment strategy in response to the economic forecasts. Our current policy places maturity limits on deposits with banks and building societies based on specific credit rating criteria. There is a link between length of investment and credit risk in terms of the length of exposure with any one organisation. Reducing the maximum maturity limit for any organisation reduces the exposure during which a bank could encounter difficulty.

Summary

- 3.17. In summary, any investment policy is in part a reflection of the Council's approach to risk and reward. Whilst it probably impossible to eliminate all credit risk it would be possible to adopt a more risk averse policy.

- 3.18. Whilst there are many different variations to the investment policies the Council could adopt there are three proposals set out for the Panel to consider and comment upon. Based on discussions with the Council's advisors Sector and the Portfolio Holder, Option B is the preferred approach. Appendix B sets out three different options, although variations on all these could be considered. The three options can be summarised as follows:-

- *Option A* – Removal of all foreign banks, minimum level specified to be invested in DMO account, investments limited to specified UK banks. Significantly reduced diversification.
- *Option B* – Introduction of sovereign debt criteria, halved country limits, removal of current lowest level of certain credit criteria and reduced duration for some banks. Reduction in individual investment and duration in non-rated building societies and group limit on non-rated building societies.
- *Option C* – Similar to current policy but with consideration of sovereign debt ratings plus changes to non-rated building societies.

- 3.19. It is difficult to fully assess the impact on likely returns from these options. However, comparing Option A and B is likely to result in reduced income in the region of at least £200k based on the minimum level specified and rates payable on the DMA facility. This is equivalent to 2% on Council Tax at Band D.

- 3.20. The Panel is invited to comment on these options and specifically the proposed options for change. The views of the Panel will then be considered and a revised Treasury Management and Investment Strategy will be submitted to this Panel prior to Cabinet and Council as part of the final budget process. Appendix C illustrates how the Policy would look based on Option B.

- 3.21. It is proposed that any new investments will only be made for maximum period of 1 month using only rated organisations within countries with Sovereign debt rating of AAA pending consideration of a revised policy.

4. Strategic Plan references

- 4.1 No direct links.

5. Publicity considerations

- 5.1 Information has been provided to the press on the Council's deposit with Landsbanki and a press release issued to seek to provide greater understanding of the Council finances.

6. Financial implications

- 6.1. These are set out within the report and we will continue to assess and respond to any issues.

7. Risk Management implications

- 7.1 Risk Management is essential to effective treasury management. The Council's Treasury Management Statement contains a section on treasury Risk Management (TMP1).
- 7.2. TMP1 covers the following areas of risk all of which are considered as part of our treasury management activities:
- Liquidity.
 - Interest rates.
 - Exchange rates.
 - Inflation.
 - Credit and counterparty.
 - Refinancing.
 - Legal and regulatory.
 - Fraud, error and corruption, and contingency management.
 - Markets.

8 Other Standard References

- 8.1 There are no significant issues in respect of consultation, equality, diversity and human rights, health and safety and community safety implications.

Background papers

Report to FASP on Investment - 21 October 2008-11-10

Annual Treasury Management Strategy and Annual Investment Strategy agreed by Council February 2008.

Appendix A

Current Investment Policy

All our decisions are made with reference to our treasury management policy statement and supporting treasury management practices (TMPs) which specifies our investment limits with different counterparties and the minimum credit ratings that we require for an organisation to qualify to be on our “lending list”. The Council annually agrees the treasury management and investment strategy which sets out the approach to treasury activities for the forthcoming year. This was last agreed by Full Council in February 2008.

One of our TMPs considers our approach to risk and the most relevant area of risk in terms of the issue with Icelandic banks is that of credit risk and the relevant commentary within the TMPs is shown below:-

Credit and counterparty risk management

This Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments, methods and techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

In complying with this statement the Council has set procedures (detailed within supporting document within the TMPs) which specifically address the issue of:-

- who we may invest with
- how long the investment may be for
- the maximum level of any one or group of investments

This Council along with most, if not all other authorities, uses credit ratings to assess the credit risk of investment counterparties. Our approach, based on guidance from our advisors on treasury management, Sector is to use credit ratings to determine the organisations we may invest with and the maximum period of the investment. The maximum amount of any investment is determined by credit ratings and the total level of cash we are likely to have to invest to ensure a reasonable diversification of investments and to be pragmatic enough to enable us to be able to ensure all funds are properly managed.

The Council’s Annual Investment Strategy agreed by Full Council in February 2008 set out our approach to determining limits and is set out in the following table:-

ORGANISATION	CRITERIA			MAXIMUM AMOUNT	MAX. PERIOD		
	Short-term	Long-term	Individual		Support Rating		
					1	2	3
Deposits with Banks and Building Societies	Minimum F1+	AAA, AA+, AA, AA-	A	£7.5m	5 years	5 years	1 year
			A/B, B	£7.5m	5 years	5 years	3 mths
			B/C, C	£5m	1 year	1 year	3 mths
Deposits with Banks and Building Societies	Minimum F1	A+, A	A, A/B, B	£5m	1 year	1 year	3 mths
			B/C, C	£5m	3 mths	3 mths	
Building Societies	Assets > £3bn			£3m			1 year
	Assets £1bn - £3bn			£1m			1 year
UK Local & Police Authorities				£10m	1 year		
Government Securities				£10m	10 years		
Money Market Funds		AAA		£3m	60 days		
Bonds issued by MLDBs		AAA		£3m	1 year		
Investment schemes (e.g. bond funds)		AAA		£7.5m	5 years		

In addition there are country limits of £20M and a limit on the Building Society Sector of £15M.

	Option A	B	C
Counterparties per para 3.4	Yes but with no maximum level in DMO accounts and recommended minimum level of £10m or 50% of investment at start of the year whichever is the lower.	Yes	Yes
Minimum criteria on sovereign debt	n/a	AAA	AA
Foreign banks	None	Limited by sovereign debt and credit ratings per UK banks.	Limited by sovereign debt per UK banks.
Country limits (other than UK)	N/a	Reduced from £20m to £10m Limit on UK of £25m	Reduced from £20m to £15m Limit on UK of £30m
Rated UK Banks and Building Societies (also applicable to foreign banks where allowed)	Only allow investment in UK banks and Building Societies in line with Gov't scheme (see para 3.8) and current credit criteria.	As current criteria with the following changes:- Reduced maximum level from £5m to £2.5m Remove support rating of 3 Remove individual rating of C Reduce maximum duration for F1 rated banks to 3 months.	As current criteria
Non-rated building societies	Remove all non-rated societies	Reduce maximum duration to three months for those with assets above £3bn Maximum amount reduced to £1m Maximum in non-rated building societies reduced to £5m	Reduce maximum duration to three month for those with assets above £3bn Maximum amount reduced to £2m Maximum in non-rated building societies reduced to £10m
Maximum amount in building societies	Reduced from £15m to £10m	Reduced from £15m to £10m	£15m
Other Changes:- Add unconditionally guaranteed subsidiaries of UK banks	No	In line with 'parent' bank rating	In line with 'parent' bank rating

ORGANISATION	CRITERIA			MAXIMUM AMOUNT	MAX. PERIOD		
	Short-term	Long-term	Individual		Support Rating		
					1	2	3
Deposits with Banks and Building Societies (including unconditionally guaranteed subsidiaries)	Minimum F1+	AAA, AA+, AA, AA-	A	£7.5m	5 years	5 years	
			A/B, B	£7.5m	5 years	5 years	
			B/C	£2.5m	1 year	1 year	
Deposits with Banks and Building Societies (including unconditionally guaranteed subsidiaries)	Minimum F1	A+, A	A, A/B, B	£2.5m	3 mths	3 mths	
			B/C	£2.5m	3 mths	3 mths	
Non-rated Building Societies	Assets > £3bn			£1m	3 months		
UK Local & Police Authorities				£10m	1 year		
Government Securities				£10m	10 years		
Money Market Funds		AAA		£3m	60 days		
Bonds issued by MLDBs		AAA		£3m	1 year		
Investment schemes (e.g. bond funds)		AAA		£7.5m	5 years		

Other Limits:-

- Country limit £10m
- UK limit £25m (Banks and Building Societies)
- Limit in non-rated UK Building Societies £5m
- Limit in all Building Societies £10m

