

A meeting of the **OVERVIEW AND SCRUTINY PANEL (PERFORMANCE AND GROWTH)** will be held in **CIVIC SUITE 0.1A, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, PE29 3TN** on **TUESDAY, 6TH NOVEMBER 2018** at **7:00 PM** and you are requested to attend for the transaction of the following business:-

**Contact  
(01480)**

## **APOLOGIES**

**1. MINUTES** (Pages 5 - 8)

To approve as a correct record the Minutes of the Overview and Scrutiny Panel (Performance and Growth) meeting held on 2nd October 2018.

**A Green  
388008**

**2. MEMBERS' INTERESTS**

To receive from Members declarations as to disclosable pecuniary and other interests in relation to any Agenda item.

**3. NOTICE OF KEY EXECUTIVE DECISIONS** (Pages 9 – 12)

A copy of the current Notice of Key Executive Decisions is attached. Members are invited to note the Plan and to comment as appropriate on any items contained therein.

**Democratic Services  
388169**

**4. INTEGRATED PERFORMANCE REPORT 2018/19, QUARTER 2** (Pages 13 - 44)

The Panel are to consider the Integrated Performance Report 2018/19, Quarter 2.

**D Buckridge 388065 /  
P Loveday 388615**

**5. TREASURY MANAGEMENT SIX MONTH PERFORMANCE REVIEW** (Pages 45 - 70)

The Treasury Management Six Month Performance Review is to be presented to the Panel.

**O Colbert  
388067**

**6. OVERVIEW AND SCRUTINY WORK PROGRAMME**

Members are to receive an update on their work programme.

**A Green  
388008**

Dated this 29th day of October  
2018



Head of Paid Service

### **Notes**

**1. Disclosable Pecuniary Interests**

(1) *Members are required to declare any disclosable pecuniary interests and unless you have obtained dispensation, cannot discuss or vote on the matter at the meeting and must also leave the room whilst the matter is being debated or voted on.*

(2) *A Member has a disclosable pecuniary interest if it -*

*(a) relates to you, or*

*(b) is an interest of -*

*(i) your spouse or civil partner; or*

*(ii) a person with whom you are living as husband and wife; or*

*(iii) a person with whom you are living as if you were civil partners*

*and you are aware that the other person has the interest.*

(3) *Disclosable pecuniary interests includes -*

*(a) any employment or profession carried out for profit or gain;*

*(b) any financial benefit received by the Member in respect of expenses incurred carrying out his or her duties as a Member (except from the Council);*

*(c) any current contracts with the Council;*

*(d) any beneficial interest in land/property within the Council's area;*

*(e) any licence for a month or longer to occupy land in the Council's area;*

*(f) any tenancy where the Council is landlord and the Member (or person in (2)(b) above) has a beneficial interest; or*

*(g) a beneficial interest (above the specified level) in the shares of any body which has a place of business or land in the Council's area.*

### **Non-Statutory Disclosable Interests**

(4) *If a Member has a non-statutory disclosable interest then you are required to declare that interest, but may remain to discuss and vote providing you do not breach the overall Nolan principles.*

(5) *A Member has a non-statutory disclosable interest where -*

*(a) a decision in relation to the business being considered might reasonably be regarded as affecting the well-being or financial standing of you or a member of your family or a person with whom you have a close association to a greater extent than it would affect the majority of the council tax payers, rate payers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the authority's administrative area, or*

*(b) it relates to or is likely to affect a disclosable pecuniary interest, but in respect of a member of your family (other than specified in (2)(b) above) or a person with whom you have a close association, or*

*(c) it relates to or is likely to affect any body –*

*(i) exercising functions of a public nature; or*

*(ii) directed to charitable purposes; or*

*(iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a Member or in a position of control or management.*

*and that interest is not a disclosable pecuniary interest.*

## **2. Filming, Photography and Recording at Council Meetings**

*The District Council supports the principles of openness and transparency in its decision making and permits filming, recording and the taking of photographs at its meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is*

*happening at meetings. Arrangements for these activities should operate in accordance with guidelines agreed by the Council and available via the following link [filming, photography and recording at council meetings.pdf](#) or on request from the Democratic Services Team. The Council understands that some members of the public attending its meetings may not wish to be filmed. The Chairman of the meeting will facilitate this preference by ensuring that any such request not to be recorded is respected.*

**Please contact Mr Adam Green, Democratic Services Officer (Scrutiny), Tel No. 01480 388008/e-mail [Adam.Green@huntingdonshire.gov.uk](mailto:Adam.Green@huntingdonshire.gov.uk) if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Committee/Panel.**

**Specific enquiries with regard to items on the Agenda should be directed towards the Contact Officer.**

**Members of the public are welcome to attend this meeting as observers except during consideration of confidential or exempt items of business.**

Agenda and enclosures can be viewed on the District Council's website – [www.huntingdonshire.gov.uk](http://www.huntingdonshire.gov.uk) (*under Councils and Democracy*).

If you would like a translation of Agenda/Minutes/Reports or would like a large text version or an audio version please contact the Elections & Democratic Services Manager and we will try to accommodate your needs.

***Emergency Procedure***

*In the event of the fire alarm being sounded and on the instruction of the Meeting Administrator, all attendees are requested to vacate the building via the closest emergency exit.*

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## HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the OVERVIEW AND SCRUTINY PANEL (PERFORMANCE AND GROWTH) held in Civic Suite 0.1A, Pathfinder House, St Mary's Street, Huntingdon, PE29 3TN on Tuesday, 2nd October 2018.

- PRESENT: Councillor D B Dew – Chairman.
- Councillors S J Corney, Dr P L R Gaskin, M S Grice, K P Gulson, J P Morris, J Neish and S Wakeford.
- APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors J C Cooper-Marsh, D A Giles and D J Wells.
- IN ATTENDANCE: Councillors Mrs M L Beuttell, Mrs A Dickinson, J A Gray, T D Sanderson and J E White.

### **25. MINUTES**

The Minutes of the meeting held on 11th September 2018 were approved as a correct record and signed by the Chairman.

### **26. MEMBERS' INTERESTS**

No declarations of interest were received.

### **27. NOTICE OF KEY EXECUTIVE DECISIONS**

The Panel received and noted the current Notice of Key Executive Decisions (a copy of which is appended in the Minute Book) which has been prepared by the Executive Leader for the period 1st October 2018 to 31st January 2019.

### **28. STRATEGIC REVIEW OF PARKING - OFF-STREET CAR PARKING STRATEGY 2018-2023**

With the aid of a report by the Parking Services Manager (a copy of which is appended in the Minute Book) the Strategic Review of Parking – Off-street Car Parking Strategy 2018-2023 was presented to the Panel.

The Executive Councillor for Regulation and Operations introduced the report. Members were informed that the strategy covers off-street car parking as the Council only has the responsibility for managing off-street car parks. The responsibility for on-street parking management resides with the Police.

It was noted that if the on-street parking enforcement was to be decriminalised then Cambridgeshire County Council, as the Highway Authority, would have to apply to the Department of Transport. In addition, the Highway Authority would also have to upgrade the signs

and lines however, they have stated that they would not do so.

A Member commented that events in off-street car parks can affect behaviour on-street and believes that on-street parking should be considered as well. It was noted that the Council reviewed Civil Parking Enforcement three years ago and the Task and Finish Group refreshed the work last year. In reviewing Civil Parking Enforcement the Task and Finish Group decided, based on the evidence received, not to pursue the option.

With a query on commuter parking arising, the Panel was informed that the occupancy study found that the Council has enough capacity until 2030. The proposed strategy has a lifespan of five years after which there would be an opportunity to review the situation and refresh the strategy as appropriate. As the study found that there was enough capacity until 2030, the Task and Finish Group decided not to look further into relocating car parks. In addition, it was confirmed following a query that the reduced capacity of Bridge Place Car Park was factored into the occupancy survey.

A discussion on charging points ensued and it was stated that the strategy will allow Officers to undertake feasibility studies on electric charging points. One study will involve whether there is the electrical capacity to provide enough charge to meet potential demand.

The suggestion was made that the Council could extend the period it charges for however, it was stated that the aim of the strategy is to state the principles of off-street car parking management. In addition, the Panel was informed the Task and Finish Group agreed that decisions on fees and charges would follow the strategy. It was noted that the Panel agreed with the important principle that the users pay for what they use.

The methodology and some of conclusions of the survey were questioned, in particular whether the respondents are representative of car park users and the statement that low usage of mobile phone payment is down to a lack of knowledge. Regarding the former, the Panel was informed that the Task and Finish Group agreed the survey questions and how to conduct the survey. As for the mobile phone payment statement, the survey asked a question about it and therefore conclusions were drawn from the responses received.

In response to a question regarding bay sizes, Members were informed that the strategy will cover car park management. Officers are to review the design of all car parks and will look at opportunities to expand bay sizes where possible.

One Member expressed their disappointment that the strategy doesn't promote sustainable travel. However, it was stated that the strategy does support sustainable travel although it is not explicit. The timetable attached to the report states that in year two of the strategy Officers will assess demand and incorporate support for alternative sustainable travel methods within the car parks.

It was noted that the evidence for the strategy is in the public domain and can be reviewed. Members were reminded that the strategy is 'the beginning' and will allow Officers to develop solutions. In addition,

attached to the report is a timetable proposing a body of work to be carried out.

Park and ride was suggested as a possible option however, the Panel was informed that the level of investment for a park and ride was considerable and that the size of the District's market towns wouldn't sustain a park and ride. The survey showed that customers wanted a conveniently located car park that is easy to use.

A query was raised that Appendix Three of the strategy, regarding on-street parking, does not reflect the views of all Members. It was explained that Appendix Three states background information and existing Council Policy. It also accurately states that on-street parking enforcement is the responsibility of the police.

It was noted that the strategy outlines the principles which will guide Members when reviewing fees and charges. As for the effect of fees and charges upon footfall, the Panel was informed that a consultant concluded that fees and charges does not affect footfall inside a town centre.

The Panel,

RESOLVED

to recommend that the Cabinet endorses the Off-street Car Parking Strategy 2018-2023.

**29. USE OF SPECIAL URGENCY PROVISIONS VERBAL UPDATE - BUSINESS RATE PILOT**

The Panel was informed that the Chairman of the Panel was asked to approve that an urgent item could be considered at Cabinet without prior Overview and Scrutiny. The Cabinet considered the Council's participation in the 2019/20 Business Rate Pilot for the Peterborough and Cambridgeshire area.

It was explained to Members what the Business Rate Pilot is and how the potential windfall will benefit the Council.

*(At 8.27pm, during the consideration of this item, Councillors Mrs M L Beuttell, Mrs A Dickinson and J White left the meeting and did not return.)*

**30. OVERVIEW AND SCRUTINY WORK PROGRAMME**

The Chairman updated Members on the Overview and Scrutiny Work Programme. The Panel was informed that the Work Programme Working Group have decided to focus on housing, in particular how to get more affordable properties completed and the viability of community land trusts. In addition to this, it was decided that the Panel should also focus on skills and ensuring that people have the right skills going forward.

The Panel was informed that the Overview and Scrutiny Panel (Customers and Partnerships) would be working on leisure and health.

The Panel,

RESOLVED

- 1) To accept the topics selected by the Work Programme Working Group
- 2) To appoint Councillors Corney, Dew, Morris and Wakeford to work on housing and skills.
- 3) To appoint Councillors Gulson and Neish to work with the Overview and Scrutiny Panel (Customers and Partnerships) on leisure and health.

Chairman



**NOTICE OF EXECUTIVE KEY DECISIONS INCLUDING THOSE TO BE CONSIDERED IN PRIVATE**

**Prepared by** Councillor G J Bull, Executive Leader of the Council  
**Date of Publication:** 24 October 2018  
**For Period:** 1 November 2018 to 28 February 2019

Membership of the Cabinet is as follows:-

Councillor Mrs M L Beuttell	Executive Councillor for Regulation and Operations	Councillor J A Gray	Executive Councillor for Resources
Councillor G J Bull	Executive Leader of the Council	Councillor J M Palmer	Executive Councillor for Partnerships and Well-Being
Councillor R Fuller	Deputy Executive Leader and Executive Councillor for Housing, Planning and Economic Development	Councillor D M Tysoe	Executive Councillor for Digital and Customer

Notice is hereby given of:

- Key decisions that will be taken by the Cabinet (or other decision maker)
- Confidential or exempt executive decisions that will be taken in a meeting from which the public will be excluded (for whole or part).

A notice/agenda together with reports and supporting documents for each meeting will be published at least five working days before the date of the meeting. In order to enquire about the availability of documents and subject to any restrictions on their disclosure, copies may be requested by contacting the Democratic Services Team on 01480 388169 or E-mail [Democratic.Services@huntingdonshire.gov.uk](mailto:Democratic.Services@huntingdonshire.gov.uk).

Agendas may be accessed electronically at [www.huntingdonshire.gov.uk](http://www.huntingdonshire.gov.uk).

Formal notice is hereby given under The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 that, where indicated part of the meetings listed in this notice will be held in private because the agenda and reports for the meeting will contain confidential or exempt information under Part 1 of Schedule 12A to the Local Government (Access to Information) Act 1985 (as amended) and that the public interest in withholding the information outweighs the public interest in disclosing it. See the relevant paragraphs below.

Any person who wishes to make representations to the decision maker about a decision which is to be made or wishes to object to an item being considered in private may do so by emailing [Democratic.Services@huntingdonshire.gov.uk](mailto:Democratic.Services@huntingdonshire.gov.uk) or by contacting the Democratic Services Team. If representations are received at least eight working days before the date of the meeting, they will be published with the agenda together with a statement of the District Council's response. Any representations received after this time will be verbally reported and considered at the meeting.

**Paragraphs of Part 1 of Schedule 12A to the Local Government (Access to Information) Act 1985 (as amended) (Reason for the report to be considered in private)**

1. Information relating to any individual
2. Information which is likely to reveal the identity of an individual
3. Information relating to the Financial and Business Affairs of any particular person (including the Authority holding that information)

4. Information relating to any consultations or negotiations or contemplated consultations or negotiations in connection with any labour relations that are arising between the Authority or a Minister of the Crown and employees of or office holders under the Authority
5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings
6. Information which reveals that the Authority proposes:-
  - (a) To give under any announcement a notice under or by virtue of which requirements are imposed on a person; or
  - (b) To make an Order or Direction under any enactment
7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

Huntingdonshire District Council  
 Pathfinder House  
 St Mary's Street  
 Huntingdon PE29 3TN.

- Notes:- (i) Additions changes from the previous Forward Plan are annotated \*\*\*  
 (ii) Part II confidential items which will be considered in private are annotated ## and shown in italic.

10	Subject/Matter for Decision	Decision/ recommendation to be made by	Date decision to be taken	Documents Available	How relevant Officer can be contacted	Reasons for the report to be considered in private (paragraph no.)	Relevant Executive Councillor	Relevant Overview & Scrutiny Panel
	Gambling Act Statement of Principles Review	Cabinet	22 Nov 2018		Chris Stopford, Head of Community Tel No. 01480 388280 / Email: Chris.Stopford@huntingdonshire.gov.uk		M Beuttell	Not Applicable
	Approval of Council Tax Base	Chairman of Corporate Governance and Section 151 Officer	3 Dec 2018		Amanda Burns, Benefits Manager, Benefits Manager Tel No. 01480 388122 or email: amanda.burns@huntingdonshire.gov.uk		J A Gray	Performance and Growth
	HDC Ventures - Business Plans ## ***	Cabinet	13 Dec 2018		Chris Stopford, Head of Community Tel No. 01480 388280 or email: chris.stopford@huntingdonshire.gov.uk	3	D M Tysoe	Performance and Growth

Subject/Matter for Decision	Decision/ recommendation to be made by	Date decision to be taken	Documents Available	How relevant Officer can be contacted	Reasons for the report to be considered in private (paragraph no.)	Relevant Executive Councillor	Relevant Overview & Scrutiny Panel
Hinchingsbrooke Country Park Long Term Business Plan###	Cabinet	13 Dec 2018		Neil Sloper, Head of Operations Tel No. 01480 388635 / Email: Neil.Sloper@huntingdonshire.gov.uk	3	J M Palmer	Customers and Partnerships
Publication of Rural Settlement List ***	Cabinet	13 Dec 2018		Amanda Burns, Benefits Manager, Benefits Manager Tel No. 01480 388122 or Email: Amanda.Burns@huntingdonshire.gov.uk		J A Gray	Performance and Growth
Off Street Car Parking Investment and Affordability ***	Cabinet	13 Dec 2018		Neil Sloper, Head of Operations Tel No. 01480 388635 / Email: Neil.Sloper@huntingdonshire.gov.uk		M Beuttell	Customers and Partnerships
Paxton Pits Long Term Business Plan ##	Cabinet	17 Jan 2019		Neil Sloper, Head of Operations Tel No. 01480 388635 or Email: Neil.Sloper@huntingdonshire.gov.uk	3	J M Palmer	Customers and Partnerships
Treasury Management Strategy 2019/20***	Cabinet	14 Feb 2019		Clive Mason, Head of Resources Tel No. 01480 388157 or email: clive.mason@huntingdonshire.gov.uk		J A Gray	Performance and Customers
Final Revenue Budget 2019/2020 and Medium Term Plan Financial Strategy 2019/20 to 2022/23 ***	Cabinet	14 Feb 2019		Clive Mason, Head of Resources Tel No. 01480 388157 or Email: Clive.Mason@huntingdonshire.gov.uk		J A Gray	Performance and Growth

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**Public**  
**Key Decision - No**

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title/Subject Matter:** Integrated Performance Report 2018/19, Quarter 2

**Meeting/Date:** Overview and Scrutiny Panel (Performance and Growth) - 6th November 2018

**Executive Portfolio:** Councillor Jonathan Gray, Executive Councillor for Resources  
Councillor Darren Tysoe, Executive Councillor for Digital and Customer

**Report by:** Corporate Team Manager and Finance Manager

**Wards affected:** All

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### RECOMMENDATION

The Overview and Scrutiny Panel is invited to comment on details of delivery of Corporate Plan key actions and corporate indicators, current projects and financial performance information from the Cabinet report attached.



HUNTINGDONSHIRE DISTRICT COUNCIL

<b>Title/Subject Matter:</b>	Integrated Performance Report, 2018/19 Quarter 2
<b>Meeting/Date:</b>	Cabinet, 22 November 2018
<b>Executive Portfolio:</b>	Councillor Jonathan Gray, Executive Councillor for Resources Councillor Darren Tysoe, Executive Councillor for Digital and Customer
<b>Report by:</b>	Corporate Team Manager and Finance Manager
<b>Ward(s) affected:</b>	All

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**Executive Summary:**

The purpose of this report is to brief Members on progress against draft Key Actions and Corporate Indicators listed in the Council's Corporate Plan 2018/22 for the period 1 July to 30 September 2018 and on current projects being undertaken. Scheduled performance clinics focus on delivering continuous improvements in all services.

Key Actions, Corporate Indicators and targets are as included in the final version of the Corporate Plan 2018/22 approved by Council on 17 October.

The report also incorporates Financial Performance Monitoring Suite information setting out the financial position at 30 September 2018. It provides outturn figures for revenue and the capital programme. Headlines are:

**Revenue** – the forecast outturn shows an overspend of £0.6m.

**Capital programme** – the forecast outturn shows a net under spend of £0.3m.

An update on the Commercial Investment Strategy includes details of investments to date and the level of returns these are expected to generate, with information on potential investment opportunities reviewed in Quarter 2 attached at Appendix E.

**Recommendations:**

The Cabinet is invited to consider and comment on progress made against draft Key Actions and Corporate Indicators in the Corporate Plan and current projects, as summarised in Appendix A and detailed in Appendices B and C.

The Cabinet is also invited to consider and comment on financial performance at the end of September, as detailed in Appendices D, and the register of reviews of Commercial Investment Strategy propositions at Appendix E.

## 1. PURPOSE

- 1.1 The purpose of this report is to present details of delivery of the Corporate Plan 2018/22, and project delivery, in the context of the Council's financial performance.

## 2. BACKGROUND

- 2.1 The Council's Corporate Plan is currently being refreshed and once adopted will set out what the Council aims to achieve in addition to its core statutory services. The information in the summary at **Appendix A** relates to draft Key Actions and Corporate Indicators and the performance report at **Appendix B** details those with a 'Red' status at the end of September.
- 2.2 As recommended by the Project Management Select Committee, updates for projects with a 'Red' status based on latest approved end dates are included at **Appendix C**. Across all programmes there are currently 29 projects which are open, pending approval or pending closure, and two projects logged which have recently closed.
- 2.3 This report also incorporates financial performance to the end of September. This performance was as shown in sections 4-6 below, with further details listed in **Appendix D**. Commercial investment propositions reviewed are at **Appendix E**.

## 3. PERFORMANCE MANAGEMENT

- 3.1 Members of the Overview and Scrutiny (Performance and Growth) Panel have an important role in the Council's Performance Management Framework and a process of regular review of performance data has been established. The focus is on the strategic priorities and associated objectives to enable Scrutiny to maintain a strategic overview. Their comments on performance in Quarter 2 will be inserted in section 7 following their meeting on 6 November.
- 3.2 Progress against Corporate Plan objectives is reported quarterly. The report at **Appendix B** includes details of all Key Actions and Corporate Indicators which had a 'Red' status at the end of Quarter 2. **Appendix C** provides information about projects with a 'Red' status, including the purpose of the project and comments from the Programme Office as to the current status of each project's SharePoint site as part of the new governance arrangements.
- 3.3 Performance Indicator data has been collected in accordance with standardised procedures.
- 3.4 The following table summarises Quarter 2 progress in delivering Key Actions for 2018/19:

Status of Key Actions	Number	Percentage
Green (on track)	37	86%
Amber (within acceptable variance)	6	14%
Red (behind schedule)	0	0%
Awaiting progress update	0	0%
Not applicable	2	

Most were on track at the end of Quarter 2 and none were significantly behind schedule.

- 3.5 Quarter 2 results for 2018/19 Corporate Indicators are shown in the following table:

Corporate Indicator results	Number	Percentage
Green (achieved)	28	64%
Amber (within acceptable variance)	8	18%
Red (below acceptable variance)	7	16%
Awaiting progress update	1	2%
Not applicable (annual/data unavailable)	5	



There were seven indicators where targets were missed by more than acceptable variance. Details of these Red indicators are shown below. Performance clinics are being held monthly to focus on delivering continuous improvements in all services.

1. The average length of stay of all households placed in B&B accommodation (PI 1) was 6.7 weeks against a target of 6 weeks. Our performance is directly influenced by the number of social rented properties becoming available, which affects our ability to move households into alternative forms of temporary accommodation and ultimately into more settled homes.
2. The average number of staff sickness days lost per full time employee (PI 32) has remained at 10 against a target of 9. More than two-thirds of days lost so far this year are due to long-term sickness absences which relate to a low proportion of all staff employed.
3. Only £0.6m of £0.9m planned net budget reductions have been achieved (PI 34), which is linked to forecast overspend on the revenue budget as detailed in section 4 of this report.
4. 79% of Stage 1 complaints were resolved within time (PI 38a) against a target of 95%, 29 of 36 late responses this year related to complaints about services provided by Operations.
5. Our responses to Stage 2 complaints (PI 38b) were also below target at 85%, with two of them not responded to within time. Both late responses related to complaints about services provided by Community. Based on current trends, and the low number of complaints that progress to Stage 2, it is unlikely we will meet the 95% target this year.
6. The percentage of calls answered by the Call Centre (PI 39) remains below the 90% target, although the 80% answered was an improvement on the 76.2% recorded at the same point last year. Customer Services has experienced a high turnover of staff during this period but has been intensively training 3 staff members during September to get them multi-skilled as quickly as possible.
7. While there has been a 10.6% reduction in avoidable contacts (PI 40), this is below the 25% target. Customer Services work on reducing avoidable contact with the departments they provide services for as well as through Lean projects aimed at improving efficiency and putting the customer first. The introduction of new online customer accounts platform should drive further reductions in avoidable contacts.

3.6 The status of corporate projects at the end of September is shown in the following table:

<b>Corporate project status</b>	<b>Number</b>	<b>Percentage</b>
<b>Green (progress on track)</b>	10	53%
<b>Amber (progress behind schedule, project may be recoverable)</b>	5	26%
<b>Red (significantly behind schedule, serious risks/issues)</b>	4	21%
<b>Pending closure</b>	6	
<b>Closed (completed)</b>	2	

Business cases for a further four projects have not yet been approved.

Of the projects currently in the delivery stage, four were Red at the end of Quarter 2 and two of those were joint partnership or shared service projects. The Project Management Governance Board has held one-to-one meetings with project managers and has identified that unrealistic timeframes have been a common theme for amber/red flags, as well as a lack of up to date governance documentation. Lessons learned are captured through closedown reports and have recently been shared with all project managers. Details of all Red projects can be found in **Appendix C**.

## 4. FINANCIAL PERFORMANCE

### 4.1 Financial Performance Headlines

The Management Accounts include the forecast outturn position for the current financial year and the impact of variations will be incorporated within the MTFS. Revenue statements show gross expenditure by service and where some costs are funded by reserves this is shown to provide the net position.

**Revenue** The approved Budget is £17.3m with the forecast outturn being £17.9m which is an overspend of £0.6m. The main reasons are shown on the next page. Action is still needed to be taken to address this level of the forecast overspend.

**MTFS** The MTFS was updated as part of the 2018/19 Budget setting process and is in the process of being updated as part of the 2019/20 Budget setting process which is ongoing. The revision of the MTFS will include 2017/18 outturn variations and others occurring or foreseen in 2018/19 that have an impact on future years.

**Capital** The approved Budget is £5.6m plus the re-phasing of £5.1m giving a revised total Capital Programme of £10.7m (£7.4m net, after taking account specific grants and contributions). The net forecast outturn is £7.1m giving an under spend and re-phase of £0.3m. The reasons for these variances are detailed in paragraph 5.6.

The Financial Dashboard at **Appendix D, Annex D** presents information on take-up of Council Tax Support, NDR and Council Tax collection, miscellaneous debt and New Homes Bonus funding.

## 4.2 Summary Revenue Forecast Variances by Service

The table below shows the total variances for each Service and the main reasons where variances are greater than £50,000.

	Budget £000	Forecast outturn gross £000	Transfers to / (from) reserves £000	Forecast outturn net £000	Forecast (underspend) / overspend £000	Main reasons for variance
Community	1,758	1,682	7	1,689	(69)	<ul style="list-style-type: none"> <li>• CCTV additional camera maintenance</li> <li>• Document Centre external income lower than budgeted</li> <li>• Reduced staffing costs Environmental Protection Team due to vacancies</li> <li>• Reduced costs from delayed recruitment in Business Team</li> <li>• Vacant post in Community Team</li> </ul>
Customer Services	2,533	2,573	86	2,659	126	<ul style="list-style-type: none"> <li>• Additional grant allocations</li> <li>• Increased homelessness costs</li> </ul>
ICT	2,128	2,106	0	2,106	(22)	
Development	1,071	749	2	751	(320)	<ul style="list-style-type: none"> <li>• Staff savings</li> </ul>
Leisure and Health	(190)	306	(134)	172	362	<ul style="list-style-type: none"> <li>• One Leisure income is generally lower than the budget (mainly Burgess Hall)</li> <li>• Expenditure savings are being made where possible to offset the lower income</li> </ul>
Operations	3,911	4,692	(108)	4,584	673	<ul style="list-style-type: none"> <li>• Waste Management fuel, staff and recycling expenditure increasing</li> <li>• Delays to staff restructure is impacting on the budget savings</li> <li>• Pathfinder House rental income is down – no tenant for 3<sup>rd</sup> floor</li> </ul>
Resources	4,429	4,419	(69)	4,350	(79)	<ul style="list-style-type: none"> <li>• Expenditure increasing on insurance premiums, FMS implementation and commercial estates management</li> <li>• Savings arising on HR and apprentice staff costs</li> </ul>
Directors and Corporate	1,642	1,636	(106)	1,530	(112)	<ul style="list-style-type: none"> <li>• Staff savings</li> <li>• Lower costs on elections, electoral registration and Members Special Duty Allowances</li> </ul>
Transformation	0	328	(328)	0	0	
<b>Total</b>	<b>17,282</b>	<b>18,491</b>	<b>(650)</b>	<b>17,841</b>	<b>559</b>	

4.3 Further analysis of the revenue variance and service commentary are at **Appendix D**. This provides the variances by service and where variances are greater than +/- £10,000 comments have been provided by the budget managers/Head of Service. Where there are adverse variances the budget managers have provided details of the actions they are undertaking to address the overspend.

#### 4.4 **Medium Term Financial Strategy**

The actual outturn for 2017/18 (post audit) showed an overspend of £0.5m which will have some impact on the MTFs. The new MTFs for the period 2019/20 to 2022/23 which will be compiled during the current budget setting process will be updated where the 2017/18 outturn has an impact.

### 5. **CAPITAL PROGRAMME**

5.1 The approved gross Capital Programme 2018/19 is £5.6m plus the re-phasing of £5.1m giving a revised total Capital Programme for 2018/19 of £10.7m.

5.2 The forecast net expenditure outturn is £7.1m, an under spend and re-phase of £0.3m. The expenditure to 30 September 2018 was £2.67m (36% of Budget, 50% of the year).

<b>Variation Commentary Summary</b>		<b>£000s</b>
	<b>Overspend</b>	
	<b>Development – DFGs</b> The overspend is based on the current level of demand from clients. It is possible that increased contributions from clients will reduce this overspend, but this is not yet certain.	216
	<b>New FMS</b> Due to the extended implementation period expenditure has increased by £46,000. This will be funded from the earmarked reserve set up for this purpose.	0
	<b>Pathfinder House Reception</b> Costs have exceeded that estimated in the business case. Additionally the costs recovered from the DWP are also lower than estimated.	41
	<b>Wooden Bridge - Hinchingsbrooke Country Park</b> Estimates received for the cost of erecting the bridge are higher than originally estimated.	14
	<b>CIL Payment Huntingdon West</b> A payment of £553,000 has been made for the contribution to Huntingdon West Link Road, this is being funded from the CIL reserve	0
	<b>One Leisure Huntingdon Expansion</b> The final retention payment for the works at One Leisure Huntingdon reception area	21
	<b>Commercial Property Roofs</b> The final payments for the roof works at Levellers Lane St Neots and Phoenix Court Huntingdon, schemes completed in 2017/18. In 2016/17 there was an underspend on this scheme of £48,000.	103
		<b>395</b>
	<b>Growth</b>	
	<b>Re-Fit Projects</b> Additional expenditure was approved by Senior Management Team on the 5 <sup>th</sup> June 2018, to finance works at One Leisure St Neots. The project was signed off on the 7 <sup>th</sup> June 2018.	16
		<b>16</b>
	<b>Underspend</b>	
	<b>Health and Safety Works – Commercial Properties</b> It is anticipated that some works will be rechargeable to tenants, as a result this reduces the cost to the council (£20,000), also fewer sites require work resulting in a saving of £6,000.	(26)

<b>Variation Commentary Summary</b>		<b>£000s</b>
	<b>Operations Back Office Software</b> The costs for the shared waste management software are lower than expected, because of sharing with Cambridge City and South Cambridgeshire councils.	(136)
	<b>One Leisure Ramsey 3G Pitch</b> A feasibility study on the pitch construction has indicated that the cost will be higher than estimated (£68,000). The Football Foundation may agree to fund the extra expenditure by increasing their grant. Construction works are expected to start in late 2018/19 and so will need to be rephased to 2019/20.	(150)
	<b>Customer Relationship Management Software</b> One-Vu software has been procured, to be shared with SCDC and Cambridge City Council. As the software is being shared the cost has been reduced.	(100)
		<b>(412)</b>
	<b>Rephase</b>	
	<b>Bridge Place Car Park – Godmanchester</b> Works have been delayed whilst the final design and negotiations over land leases are completed.	(280)
	<b>Building Efficiencies (Salix)</b> The works on replacing the boilers at OL Ramsey and lighting at Pathfinder House are likely to be rephased to 2019/20.	(18)
	<b>Re-fit Buildings</b> Works are expected to be completed in 2018/19, with just the retention to pay in 2019/20.	(37)
		<b>(335)</b>
	<b>Total</b>	<b>(336)</b>

5.3 The net spend on the Council's Capital Programme is financed via borrowing which has a revenue implication through the Minimum Revenue Provision (MRP).

5.4 Appendix D, Annexes B and C provide the following information:

**Annex B** provides details by scheme with proposed rephasing, expenditure to date and forecast outturn.

**Annex C** details the financing of the Capital Programme showing the funding from grants and contributions, capital receipts, use of earmarked and capital reserves and internal borrowing

## 6. UPDATE ON THE COMMERCIAL INVESTMENT STRATEGY

6.1 The Commercial Investment Strategy (CIS) was approved by Cabinet in September 2015 and the CIS Business Plan in December 2015. The implementation of the CIS is seen as a key means by which the Council can generate income to assist it in meeting the forecast gap in the revenue budget, by 2021/22 it will have in part contributed in reducing this to £1.6m.

6.2 At the end of Quarter 2, the financial projections for the CIS are:

<b>CIS Investments</b>	<b>Budget (£'000)</b>	<b>Outturn (£'000)</b>	<b>Variance (£'000)</b>
<b>Cash Investments</b>			
CCLA Property Fund	(162)	(167)	(5)
<b>Total Cash Investments</b>	<b>(162)</b>	<b>(167)</b>	<b>(5)</b>
<b>Property Investments</b>			
Property Rental Income	(5,235)	(3,468)	1,767
MRP	1,896	139	(1,757)
<b>Net Direct Property Income</b>	<b>(3,339)</b>	<b>(3,329)</b>	<b>10</b>

<b>CIS Investments</b>	<b>Budget (£'000)</b>	<b>Outturn (£'000)</b>	<b>Variance (£'000)</b>
<b>Cash Investments</b>			
Management Charge	144	0	(144)
<b>Total Property Investments</b>	<b>(3,195)</b>	<b>(3,329)</b>	<b>(134)</b>
<b>TOTAL</b>	<b>(3,357)</b>	<b>(3,496)</b>	<b>(139)</b>

### 6.3 Investments

Between July and the end of September 2018, 21 properties have been investigated as potential CIS investment opportunities. Our bid of £7.7m on a leisure property in St Neots, still stands however construction issues were identified as part of the due diligence building surveys. This has been raised with the vendor and original construction contractor, who have accepted liability but to date have not presented a satisfactory plan to remediate the defects. We bid £3.1m (yield 5.8%) in August on Stukeley Meadows Industrial Estate, a small estate of industrial units, but were outbid by two parties with the estate eventually selling for a yield of 5.4%. The long run average yield for this type of property is usually well over 6% and we acquired the neighbouring Stonehill property in 2016 for 9%. There are more properties coming to the market but very few within District, however two opportunities have just arisen in St Neots and being investigated, one is industrial and the other a trade counter opportunity. Legal advice on the ability to buy out of District is looking favourable but subject to final Counsel advice. A summary of opportunities is included in **Appendix E**.

Returns from the CCLA property fund have remained at the 2016/17 level (circa 4.5%). Other investment vehicles such as bank deposits and money market funds interest rates have increased since the Bank of England raised the base rate to 0.75%.

To date the majority of the Council's investments have been funded from earmarked reserves or cash balances with a £5m loan from PWLB secured for the acquisition at Fareham, the balance of the purchase price and acquisition costs was met from earmarked reserves.

## 7. COMMENTS OF OVERVIEW & SCRUTINY PANELS

7.1 Comments will be added here following the Panel's meeting on 6 November 2018.

## 8. RECOMMENDATIONS

8.1 The Cabinet is invited to consider and comment on progress made against Key Activities and Corporate Indicators in the Corporate Plan and current projects, as summarised in **Appendix A** and detailed in **Appendices B and C**.

8.2 The Cabinet is also invited to consider and comment on financial performance at the end of September, as detailed in section 4 and in **Appendix D**, and the register of reviews of Commercial Investment Strategy propositions at **Appendix E**.

## 9. LIST OF APPENDICES INCLUDED

**Appendix A** – Performance Summary, Quarter 2, 2018/19

**Appendix B** – Corporate Plan Performance Report ('Red' status), Quarter 2, 2018/19

**Appendix C** – Project Performance ('Red' status), September 2018

**Appendix D** – Financial Performance Monitoring Suite (FPMS) including:

**Annex A** – Revenue Provisional Outturn and Service Commentary, Sept 2018

**Annex B** – Capital Programme Provisional Outturn, September 2018

**Annex C** – Capital Programme Funding 2018/19

**Annex D** – Financial Dashboard, September 2018

**Appendix E** – Register of reviews of CIS investment propositions, Quarter 2, 2018/19

## **CONTACT OFFICERS**

### **Corporate Plan Performance Monitoring (Appendices A and B)**

Daniel Buckridge, Policy, Performance & Transformation Manager (Scrutiny) 📞 (01480) 388065

### **Project Performance (Appendix C)**

Adrian Dobbyne, Corporate Team Manager 📞 (01480) 388100

### **Financial Performance (Appendices D and E)**

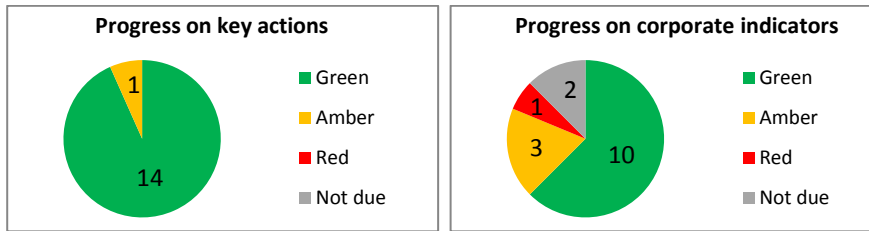
Paul Loveday, Interim Finance Manager 📞 (01480) 388605

# Appendix A

## Performance Summary Quarter 2, 2018/19

### People

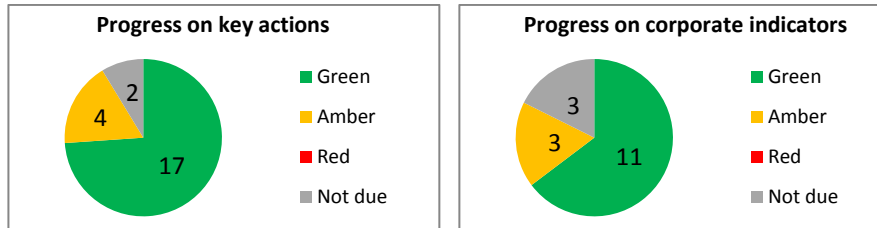
We want to make Huntingdonshire a better place to live, to improve health and well-being and for communities to get involved with local decision making



Highlights include a 17% increase in Active Lifestyles attendances compared to the first six months of last year.

### Place

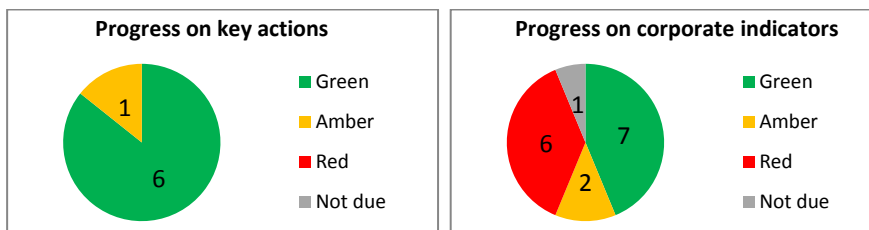
We want to make Huntingdonshire a better place to work and invest and we want to deliver new and appropriate housing



Highlights include Green Flag status being awarded to Hinchingsbrooke Country Park, Paxton Pits and Priory Park.

### Becoming a more efficient and effective council

We want to continue to deliver value for money services



Highlights include a large reduction in energy use across the Council's buildings.



CORPORATE PLAN – PERFORMANCE REPORT

**Appendix B**

STRATEGIC THEME – PEOPLE

Period July to September 2018

Summary of progress for Key Actions

<b>G</b>	Progress is on track	<b>A</b>	Progress is within acceptable variance	<b>R</b>	Progress is behind schedule	?	Awaiting progress update	n/a	Not applicable to state progress
	14		1		0		0		0

Target dates do not necessarily reflect the final completion date. The date given may reflect the next milestone to be reached.

Summary of progress for Corporate Indicators

<b>G</b>	Performance is on track	<b>A</b>	Performance is within acceptable variance	<b>R</b>	Performance is below acceptable variance	?	Awaiting performance update	n/a	Not applicable to assess performance
	10		3		1		1		1

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Performance Indicator	Full Year 2017/18 Performance	Q2 2017/18 Performance	Q2 2018/19 Target	Q2 2018/19 Performance	Q2 2018/19 Status	Annual 2018/19 Target	Forecast Outturn 2018/19 Performance	Predicted Outturn 2018/19 Status
PI 1. Average length of stay of all households placed in B&B accommodation Aim to minimise	7 weeks	5.7 weeks	Less than 6 weeks	6.7 weeks	<b>R</b>	Less than 6 weeks	7 weeks	<b>R</b>
Comments: (Customer Services) The average length of stay for the 81 households leaving B&B in Apr to Sep was 6.7 weeks. Our performance in this area is affected by our ability to move households into alternative forms of temporary accommodation and ultimately into a more settled home – directly influenced by the number of social rented properties becoming available (relets of existing properties and the delivery new build rented properties). Alternative sources of temporary accommodation continue to be brought on-line, with two suppliers now offering nightly paid self-contained accommodation as an alternative to B&B. There are c.55 units of this type in use as well as c.15 households placed in B&B. It provides a better quality and more cost effective option than B&B but the main objective remains to prevent homelessness in the first place thereby avoiding the need to place households into temporary accommodation.								

**STRATEGIC THEME – PLACE**

**Period July to September 2018**

**Summary of progress for Key Actions**

<b>G</b>	<b>Progress is on track</b>	<b>A</b>	<b>Progress is within acceptable variance</b>	<b>R</b>	<b>Progress is behind schedule</b>	<b>?</b>	<b>Awaiting progress update</b>	<b>n/a</b>	<b>Not applicable to state progress</b>
	<b>17</b>		<b>4</b>		<b>0</b>		<b>0</b>		<b>2</b>

*Target dates do not necessarily reflect the final completion date. The date given may reflect the next milestone to be reached.*

**Summary of progress for Corporate Indicators**

<b>G</b>	<b>Performance is on track</b>	<b>A</b>	<b>Performance is within acceptable variance</b>	<b>R</b>	<b>Performance is below acceptable variance</b>	<b>?</b>	<b>Awaiting performance update</b>	<b>n/a</b>	<b>Not applicable to assess performance</b>
	<b>11</b>		<b>3</b>		<b>0</b>		<b>0</b>		<b>3</b>

**STRATEGIC THEME – BECOMING A MORE EFFICIENT AND EFFECTIVE COUNCIL**

**Period July to September 2018**

**Summary of progress for Key Actions**

<b>G</b>	Progress is on track	<b>A</b>	Progress is within acceptable variance	<b>R</b>	Progress is behind schedule	?	Awaiting progress update	n/a	Not applicable to state progress
<b>6</b>		<b>0</b>		<b>0</b>		<b>1</b>		<b>0</b>	

*Target dates do not necessarily reflect the final completion date. The date given may reflect the next milestone to be reached.*

**Summary of progress for Corporate Indicators**

<b>G</b>	Performance is on track	<b>A</b>	Performance is within acceptable variance	<b>R</b>	Performance is below acceptable variance	?	Awaiting performance update	n/a	Not applicable to assess performance
<b>7</b>		<b>2</b>		<b>6</b>		<b>0</b>		<b>1</b>	

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Performance Indicator	Full Year 2017/18 Performance	Q2 2017/18 Performance	Q2 2018/19 Target	Q2 2018/19 Performance	Q2 2018/19 Status	Annual 2018/19 Target	Forecast Outturn 2018/19 Performance	Predicted Outturn 2018/19 Status
PI 32. Staff sickness days lost per full time employee Aim to minimise	10.0 days/FTE	5.0 days/FTE	4.0 days/FTE	5.1 days/FTE	<b>R</b>	9.0 days/FTE	10.0 days/FTE	<b>R</b>
Comments: (Resources) More than two-thirds of the days lost in the first two quarters were due to long-term sickness absences. These absences relate to a very low proportion of the staff employed.								
More details of the sickness absence from July to September will be included in the Workforce Report due to be taken to Employment Committee in November 2018.								
PI 34. Value of planned net budget reductions achieved Aim to maximise	£1.1m	£0m	£0.9m	£0.6m	<b>R</b>	£1.8m	£1.2m	<b>R</b>
Comments: (Resources) The underachievement is linked to the forecast overspend on the revenue budget which is predominantly due to variances within Operations.								

Performance Indicator	Full Year 2017/18 Performance	Q2 2017/18 Performance	Q2 2018/19 Target	Q2 2018/19 Performance	Q2 2018/19 Status	Annual 2018/19 Target	Forecast Outturn 2018/19 Performance	Predicted Outturn 2018/19 Status
PI 38a. Percentage of Stage 1 complaints resolved within time Aim to maximise	n/a (Red)	n/a (Red)	95%	79%	R	95%	81%	R
Comments: (Corporate Team) Of the 168 complaints we know outcomes for, 132 were responded to in time. 29 of the 36 late responses related to complaints about Operations services. Progress has been made in recording reliable complaints data and these figures now include all Leisure & Health complaints.								
PI 38b. Percentage of Stage 2 complaints resolved within time Aim to maximise	78%	77%	95%	85%	R	95%	90%	R
Comments: (Corporate Team) Of 13 Stage 2 complaints received this year, two were not responded to within their time limit. Both late responses related to complaints about services provided by Community. Based on current trends, and the low number of complaints reaching Stage 2, it is unlikely we will meet our target this year.								
PI 39. Percentage of calls to Call Centre answered Aim to maximise	79%	76.2%	90%	80%	R	90%	85%	R
Comments: (Customer Services) Customer Services is experiencing a high turnover of staff during this period. We have been intensively training 3 staff members during September to get them multi-skilled as quickly as possible. The answered rate is an improvement over last year.								
PI 40. Percentage reduction in avoidable contacts Aim to maximise	N/A	N/A	-25%	-10.6%	R	-25%	-25%	A
Comments: (Customer Services) We work on reducing avoidable contact with the departments we provide services for as well as through Lean projects. We are optimistic that the introduction of the new online customer accounts platform will drive further reductions.								

## Appendix C: Project Performance (Red only) – end of September 2018

<b>Red =</b> Project is significantly behind schedule, seriously over budget, serious risks/issues have been identified or there is a lack of governance documentation	<b>Amber =</b> Progress is behind schedule, over budget, some risks/issues have been identified or some documentation is missing. The project may be recoverable	<b>Green =</b> Progress is on track with no impact to delivery	Pending Closure = In close-down stage	Pending Approval = Business Case to be approved	Closed = Project is closed. Closedown report approved by Project Board and Project Management Governance Board.
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### Projects relating to Huntingdonshire District Council services/facilities only:

Title / Purpose of Project / Programme / Project Manager / Sponsor	Original End Date (as PID)	RAG Status to Original Date	Revised End Date (approved Project Board)	Expected End Date (as Project Status)	Status Update / Programme Office comments	RAG Status	Latest Update Date
<b>Leisure Invest to Save Opportunities</b> Explore further opportunities for invest to save schemes including the conversion of synthetic pitch at St Neots.  <b>Programme: Facing the Future</b>  <b>Project Manager: Jon Clarke (Leisure)</b>  <b>Project Sponsor: Cllr John Palmer</b>	30/09/15	<b>Red</b>  Historical delays due to legal issues with the lease.	31/12/18	31/12/18	Update from Project Sponsor: Waiting for lottery funding grant to be signed off on, there have been issues with drawing up the plan with the estates team and we are currently awaiting approval from legal. Once approved, we expect works to start in late November 2018.	<b>Red</b>	22-Oct-18
<b>Council Tax Automated Forms</b> Introduce automated forms into business systems.  <b>Programme: Facing the Future</b>  <b>Project Manager: Ian Davies (Customer Services)</b>  <b>Project Sponsor: John Taylor</b>	31/03/17	<b>Red</b> Restructure and lack of resources to test caused delays.	31/12/18	31/12/18	We are busy testing the V2 forms, Direct Debits and Single Person Discounts should go live very soon. <ul style="list-style-type: none"> <li>• The Blue Prism (robotics) software has been updated in our test system so is ready to go as soon as we are live with the V2 forms.</li> <li>• On-site meeting arranged with IEG4 on 4th October to talk about the robotics testing and looking at the best way of dealing with issues encountered so as to enable prompt resolution. Also hope to discuss use of a possible 2nd robot.</li> </ul> <b>Programme Office: Project Board to meet to discuss End Date and New Project Manager</b>	<b>Red</b>	01-Oct-18

<b>Red =</b> Project is significantly behind schedule, serious risks/issues have been identified or there is a lack of governance documentation	<b>Amber =</b> Progress is behind schedule, some risks/issues have been identified or some documentation is missing. The project may be recoverable	<b>Green =</b> Progress is on track with no impact to delivery	<b>Pending Closure =</b> In close-down stage	<b>Pending Approval =</b> Business Case to be approved	<b>Closed =</b> Project is closed. Closedown report approved by Project Board and Project Management Governance Board.
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### 3C ICT Projects where HDC are customers

Title / Purpose of Project / Programme / Project Manager / Sponsor	Original End Date (as PID)	RAG Status to Original Date	Revised End Date (approved Project Board)	Expected End Date (as Project Status)	Status Update (In Flight) / Programme Office comments	RAG Status	Latest Update Date
<b>Server Room Consolidation Project</b> To consolidate the three council's server rooms which will in turn improve flexibility and growth options, mitigate the current risks of out of support and aging hardware, leverage financial benefits and improve operation services.  <b>Programme: 3C Shared Services</b>  <b>Project Manager: Emma Alterton (3C ICT)</b>  <b>Project Sponsor: Fiona Bryant</b>	12/12/2017	Red	31/04/2018	30/09/2018	Testing of new SCDC remote systems signed off by all departments except Planning. Virgin Media Business (VMB) issues escalated to Oliver Morley. They have now committed to the 22 <sup>nd</sup> Oct for completion. Work continues in the background at SCDC to ready all systems for moving over the weekend of the 27 <sup>th</sup> following successful completion of the VMB work. An additional request has been submitted to VMB to allow CCity migrations to carry on in parallel. <b>3C ICT: Progress on HDC's side is Green RAG Status; Main project is Red due to progress at the other two councils.</b>	Red	10-Oct-18
<b>Global Protect</b>  <b>Programme: 3C Shared Services</b>  <b>Project Manager: Paul Ashbridge (3C ICT)</b>  <b>Project Sponsor: Emma Alterton</b>	TBC	TBC	31/04/2018	CCC – Complete  SCDC – Oct 18  HDC – Jan 19	<b>SCDC</b> – currently in proof of concept testing. The Application Support Team are testing that all business applications work with the system. <b>3CSS</b> – work to be completed by Virgin Media and 3C ICT. Awaiting confirmed timeline from Virgin Media. <b>3C ICT: Progress on HDC's side is Green RAG Status; Main project is Red due to progress at the other two councils.</b>	Red	10-Oct-18

### **Financial Performance Monitoring Suite September 2018**

#### **Executive summary**

This report sets out the financial position at the end of September, Quarter 2, and provides forecasts on revenue, the capital programme and the Medium Term Financial Strategy (MTFS). The headlines are:

**Revenue** - the forecast outturn is an estimated overspend of £0.6m. This level of overspend was forecast at the end of Quarter 1, however, there has been significant changes when looked at on a service level basis. This level of overspend is also continuing the trend from 2017/18.

**Capital programme** – the forecast outturn is an estimated net under spend of £0.3m.

**MTFS** – The MTFS was previously updated as part of the 2018/19 Budget setting process. However, following the completion of the audit of the outturn for 2017/18, and as part of the ongoing budget setting process for the financial year 2019/20 and onwards it is being reviewed and will be updated.

## Service Commentary

## Annex A

The following table provides the variances by service and where variances are greater than +/- £10,000 comments have been provided by the budget managers/Head of Service. Where there are adverse variances the budget managers may have provided details of the actions they are undertaking to address the overspend.

Revenue Forecast Outturn	2017/18		2018/19					
	Outturn	Budget	Forecast Outturn (Gross)	Use of Reserves to Fund Exp	Contribution to Reserves	Net Service Forecast	Net Variation	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
<b>Revenue by Service:</b>								
Community	1,697	1,758	1,682	0	7	1,689	(69) <span style="color: green;">●</span>	-3.9
Customer Services	2,816	2,533	2,573	0	86	2,659	126 <span style="color: red;">●</span>	5.0
ICT Shared Service	1,972	2,128	2,106	0	0	2,106	(22) <span style="color: green;">●</span>	-1.0
Development	578	1,071	749	0	2	751	(320) <span style="color: orange;">●</span>	-29.9
Leisure & Health	55	(190)	306	(159)	25	172	362 <span style="color: red;">●</span>	190.5
Operations	4,292	3,911	4,692	(108)	0	4,584	673 <span style="color: red;">●</span>	17.2
Resources	3,221	4,429	4,419	(69)	0	4,350	(79) <span style="color: green;">●</span>	-1.8
Directors and Corporate Transformation	2,693	1,642	1,636	(106)	0	1,530	(112) <span style="color: orange;">●</span>	-6.8
	0	0	328	(328)	0	0	0	
<b>Net Revenue Expenditure</b>	<b>17,324</b>	<b>17,282</b>	<b>18,491</b>	<b>(770)</b>	<b>120</b>	<b>17,841</b>	<b>559 <span style="color: red;">●</span></b>	<b>3.2</b>
Contributions to/(from) Earmarked Reserves	(757)	0	(650)				(650)	0.0
Service Contribution to Reserves	3,015	3,026	2,467				(559)	-18.5
<b>Budget Requirement (Services)</b>	<b>19,582</b>	<b>20,308</b>	<b>20,308</b>					
<b>Financing:-</b>								
Taxation & Government Grants	(15,512)	(10,892)	(10,892)				0	0.0
Contribution to/(from) Reserves	3,228	(966)	(966)				0	0.0
<b>Council Tax for Huntingdonshire DC</b>	<b>(7,298)</b>	<b>(8,450)</b>	<b>(8,450)</b>					

Note:

Red – over spend by 2% or more

Amber – underspend by more than 4%

Green – overspend up to 2% and underspend up to 4%



**2018/19 Quarter 2 Service Forecasts**

Quarter 1 Forecast	Service Area	2018/19 Budget	Gross Forecast	Gross Variance		Reserves		Net Forecast	Net Variance		Comments on Variations Exceeding +/- £10,000
				£	%	From	To		£	%	
<b>Head of Community</b>											
91,651	Head of Community	85,288	85,891	603	+0.70		6,612	92,503	7,215	+8.50	
	Environmental Protection Team	342,384	304,510	(37,874)	-11.10			304,510	(37,874)	-11.10	Reduced staffing expenditure, after additional costs incurred of recruitment (-£34k) due to vacant posts offset. Additional income (£4k) generated by new business process registrations.
332,244	Business Team	276,784	220,054	(56,730)	-20.50			220,054	(56,730)	-20.50	Reducing income predictions (£18k) from reduced provision of food hygiene training and reduced income from Primary Authority agreement with Cambridgeshire County Council. Being offset by savings from delayed recruitment to vacant posts (£78k). Expectation of late year expenditure on fatal accident investigation and legal process, costs currently unknown.
260,884	Community Team	615,019	573,896	(41,123)	-6.70			573,896	(41,123)	-6.70	Savings from vacant posts (£38k), and higher than budgeted income (£12k), offset by additional costs in delivery of services (-£9k)
598,341	Environmental Health Admin	143,662	135,959	(7,703)	-5.40			135,959	(7,703)	-5.40	
136,688	Closed Churchyards	2,000	2,000	0	+0.00			2,000	0	+0.00	
2,000	Licencing	(103,951)	(143,108)	(39,157)	+37.70			(143,108)	(39,157)	+37.70	Better than expected income at this point in the year (38k), unlikely to be sustained over future financial years
(90,458)	CCTV	(70,393)	(70,772)	(379)	+0.50			(70,772)	(379)	+0.50	
(70,393)	CCTV Shared Service	155,326	189,797	34,471	+22.20			189,797	34,471	+22.20	Additional costs of maintaining an aged fleet of CCTV cameras (£35k). Formal contract award, within the HDC Ventures commercial development has been completed, project to replace camera and wireless network being commenced
199,884	Corporate Health & Safety	104,997	104,369	(628)	-0.60			104,369	(628)	-0.60	
105,072	Emergency Planning	11,575	10,845	(730)	-6.30			10,845	(730)	-6.30	
11,590	Document Centre	194,849	268,851	74,002	+38.00			268,851	74,002	+38.00	External income significantly lower than expected (£37k) along with reduced demand for internal print (54k) showing reduced level of income to the service. Being offset by reduced costs for materials and equipment maintenance and running costs (12k) and reduced staffing costs due to vacant posts within the Service area (£6k). Impact of the fire in the Print Room still in the hand of the Insurance Company, collating the information to finalise the insurance claim now that the repairs to Eastfield House have been completed.
244,663											
<b>1,822,166</b>		<b>1,757,540</b>	<b>1,682,292</b>	<b>(75,248)</b>	<b>-4.30</b>	<b>0</b>	<b>6,612</b>	<b>1,688,904</b>	<b>(68,636)</b>	<b>-3.90</b>	

Quarter 1 Forecast	Service Area	2018/19 Budget	Gross Forecast	Gross Variance		Reserves		Net Forecast	Net Variance		Comments on Variations Exceeding +/- £10,000
				£	%	From	To		£	%	
<b>Head of Customer Services</b>											
97,957	Head of Customer Services	98,042	12,286	(85,756)	-87.50		85,756	98,042	0	+0.00	
1,017,460	Housing Needs	1,018,645	1,008,674	(9,971)	-1.00			1,008,674	(9,971)	-1.00	
851,799	Customer Services	851,414	847,072	(4,342)	-0.50			847,072	(4,342)	-0.50	
(127,451)	Council Tax Support	(127,354)	(127,951)	(597)	+0.50			(127,951)	(597)	+0.50	
(227,770)	Local Tax Collection	(227,770)	(225,768)	2,002	-0.90			(225,768)	2,002	-0.90	
	Housing Benefits	919,948	1,058,213	138,265	+15.00			1,058,213	138,265	+15.00	Estimated cost of benefit payments for homelessness accommodation reviewed based on latest expenditure plus adjustments to take account of impact of Universal Credit on caseload. This is on a total budget of £30m+. Offset against new burdens funding from DWP and minor operational adjustments.
850,921											
<b>2,462,916</b>		<b>2,532,925</b>	<b>2,572,526</b>	<b>39,601</b>	<b>+1.60</b>	<b>0</b>	<b>85,756</b>	<b>2,658,282</b>	<b>125,357</b>	<b>+4.90</b>	
<b>3C's ICT</b>											
2,106,741	ICT Shared Service	2,128,103	2,105,806	(22,297)	-1.00			2,105,806	(22,297)	-1.00	
<b>2,106,741</b>		<b>2,128,103</b>	<b>2,105,806</b>	<b>(22,297)</b>	<b>-1.00</b>	<b>0</b>	<b>0</b>	<b>2,105,806</b>	<b>(22,297)</b>	<b>-1.00</b>	
<b>Head of Development</b>											
84,457	Head of Development	84,715	84,092	(623)	-0.70			84,092	(623)	-0.70	
152,540	Building Control	152,540	137,681	(14,859)	-9.70			137,681	(14,859)	-9.70	(£23K recharge for accommodation at PFH). £8K additional cost of service.
151,324	Economic Development	160,822	139,858	(20,964)	-13.00			139,858	(20,964)	-13.00	(£23K) Underspend on staff costs as a result of vacancies being/to be recruited to. £4K of smaller variances.
616,707	Planning Policy	721,388	596,278	(125,110)	-17.30			596,278	(125,110)	-17.30	(£90K) Underspend on staff costs as a result of vacancies being recruited to.
(299,981)	Development Management	(343,260)	(480,004)	(136,744)	+39.80			(480,004)	(136,744)	+39.80	(£48K) Underspend on staff costs as a result of vacancies being recruited to. (£22K) Additional fee income. (£68K) DM Systems Development underspend.
206,924	Housing Strategy	212,478	192,111	(20,367)	-9.60		1,620	193,731	(18,747)	-8.80	(£22K) Underspend of salaries. £4K of smaller variances.
26,100	Public Transport	26,100	23,280	(2,820)	-10.80			23,280	(2,820)	-10.80	
56,120	Transportation Strategy	56,120	56,120	0	+0.00			56,120	0	+0.00	
<b>994,191</b>		<b>1,070,903</b>	<b>749,416</b>	<b>(321,487)</b>	<b>-30.00</b>	<b>0</b>	<b>1,620</b>	<b>751,036</b>	<b>(319,867)</b>	<b>-29.90</b>	

Quarter 1 Forecast	Service Area	2018/19 Budget	Gross Forecast	Gross Variance		Reserves		Net Forecast	Net Variance		Comments on Variations Exceeding +/- £10,000
				£	%	From	To		£	%	
<b>Head of Leisure &amp; Health</b>											
81,681	Head of Leisure & Health	81,788	81,215	(573)	-0.70			81,215	(573)	-0.70	
196,057	One Leisure Active Lifestyles	205,371	355,307	149,936	+73.00	(159,000)		196,307	(9,064)	-4.40	
104,157	One Leisure St Ives Outdoor Centre	73,106	83,326	10,220	+14.00		25,000	108,326	35,220	+48.20	OLSIO - £35K down on budget. £14 down on hospitality. £16K up on budget outdoor sports. Site down on budget of £11K which maintenance and employee savings of £6K
563,340	Leisure Centres Corporate	442,394	425,563	(16,831)	-3.80			425,563	(16,831)	-3.80	Staff Saving of £21K and the remainder due to supplies and services
(1,800)	The Club Alconbury Weald	126,461	110,474	(15,987)	-12.60			110,474	(15,987)	-12.60	
(242,098)	One Leisure St Neots	(253,048)	(221,632)	31,416	-12.40			(221,632)	31,416	-12.40	£31K down on budget primarily due to the delays in the Swimming pool and 3G capital project delivery. Pitch hire £41K down on budget due to the works having to take place within the playing season. Swimming £83K down on income due to closures being in full financial year, but offset by £109K savings in salary. Net off £32K. Indoor sports income down by £29K - offset in part by employee savings of £13K. Impressions down by £16K (income down £26K on budget) but up by £9K YTD on previous years. Creche is up by £6K which demonstrates the value of the crèche to the membership package. Hospitality up £2K on budget
(151,981)	One Leisure Huntingdon	(192,301)	(101,205)	91,096	-47.40			(101,205)	91,096	-47.40	£90K variance to budget. Hospitality £21K down - employee costs are being reviewed and setting new targets for increased sales. £80K down on indoor sports (income and fees) £44K down on the allocation of membership income due to delay in the capital project and phasing of income. Reduced schools out income by £12K as only delivering out of OLSI and OLSN for the same cost. Fitness classes down by £6K. Party hire reduced by £5K. Plus various other adjustments made to reflect YTD actuals. Swimming income- due to investment up YTD by £22K on previous YTD and just off budget due to the membership re-allocation of income which is £5K down. Savings on utilities of £9K
(692,292)	One Leisure St Ives	(792,101)	(484,849)	307,252	-38.80			(484,849)	307,252	-38.80	OLSI £178K down on previous month forecast and £307K down on budget. A significant proportion of this is due to reduced income from Burgess Hall and Bar - this equates to a reduced forecast on budget figure of £215K. Savings on employee costs of £9K on Burgess bar and £30K Burgess as well as a reduction in supplies and services of £33K bar and hall of £12K. The net position of £144K hall worse and bar of £40K. There is an additional £54K variance on previous month forecast for utilities which is now reporting £54K is up on budget. Hospitality £24K down on budget mainly due to salary costs but this is being managed to reduce the year end impact. Indoor Sport - £25K down on budget, this is due to fitness classes income. Savings on Salary of £8K for Site management. On a positive Ten Pin Bowling net position is up £8k on previous YTD

Quarter 1 Forecast	Service Area	2018/19 Budget	Gross Forecast	Gross Variance		Reserves		Net Forecast	Net Variance		Comments on Variations Exceeding +/- £10,000
				£	%	From	To		£	%	
(4,481)	One Leisure Ramsey	19,836	(37,575)	(57,411)	-289.40			(37,575)	(57,411)	-289.40	OLR Budget to Forecast is positive £57K. Creche forecast is £6K up on budget due to membership. Impressions is forecast to be up on Budget by £11 due to the delivery of the new Personal Training model. Indoor Sports is forecast to be £16K up on Budget. £10K savings on utility costs. Swimming £20K up on previous YTD and £19K on budget. Due to staffing matters an additional £5K has been added to the forecast for additional cover.
104,991	One Leisure Sawtry	98,398	95,462	(2,936)	-3.00			95,462	(2,936)	-3.00	OLS Forecasting £3K better than budget. Impressions is up on budget by £4K. Hospitality by £2.7K. Swimming up by £7K on budget due to a good summer.
<b>(42,426)</b>		<b>(190,096)</b>	<b>306,086</b>	<b>496,182</b>	<b>-261.00</b>	<b>(159,000)</b>	<b>25,000</b>	<b>172,086</b>	<b>362,182</b>	<b>-190.50</b>	
<b>Head of Operations</b>											
83,492	Head of Operations	79,568	93,795	14,227	+17.90			93,795	14,227	+17.90	£4k corporate membership to APSE, APSE frontline manager training for
	Green Spaces	1,138,441	1,299,632	161,191	+14.20	(108,000)		1,191,632	53,191	+4.70	Loss of S106 funding/commuted sums (£108 offset from S106 draw down from reserves leaving £51k over, £28k of which is Hinchingsbrooke Park)
1,185,115											£10k Consultancy Costs for Hinchingsbrooke Business Case
54,314	Environmental & Energy Management	82,760	66,382	(16,378)	-19.80			66,382	(16,378)	-19.80	See facilities commentary for net position
	Street Cleaning	772,646	804,793	32,147	+4.20			804,793	32,147	+4.20	£16k standpipe licences new water authority requirement for licence to draw water direct from standpipes, £10k diesel price increase; £9k vehicle hire; £8k vehicle repairs
790,152											Action on Overspend - Two Team Leaders only.
11,851	Public Conveniences	13,400	11,100	(2,300)	-17.20			11,100	(2,300)	-17.20	
	Waste Management	2,196,001	2,520,827	324,826	+14.80			2,520,827	324,826	+14.80	£100k Increase cost of recycling due to contamination/processing cost £52k Reduced level of recycling credits from county Council due to contamination levels in recycling £57k Cost of sickness absence cover (current budget provision £30k a year based on 5 days absence a year for agency cover to maintain service) - growth bid made in MTFS. Context annual staffing budget is £2.4 million. Average sickness reduced 7.4 days per employee since April. £14k Staffing cost of additional round to meet growth in recycling volumes - growth bid made in MTFS £60k Trade Waste and WebAspx routing consultancy to evidence growth bids and ensure future rounds fit for purpose £100k Additional cost of diesel fuel as prices reach 4 year high (£48k) Additional income on Trade Waste/Bin recycling
2,559,973	Facilities Management	870,109	1,080,875	210,766	+24.20			1,080,875	210,766	+24.20	£95k Income expectation for 3rd floor Pathfinder, Estates team responsible for leasing - progressing ideas but none yet successful. £50k Staffing of Energy Role - Role maintained to deliver savings elsewhere in 2018/19. Future annual saving of £28k for St Neots Leisure Centre. Also avoided £36k growth in gas prices (90% of which is One Leisure use). £22k Staffing of Sustainability Role. From Q3 and Q4 role full cost recovery plus 10% from outside work.
1,086,339											

Quarter 1 Forecast	Service Area	2018/19 Budget	Gross Forecast	Gross Variance		Reserves		Net Forecast	Net Variance		Comments on Variations Exceeding +/- £10,000
				£	%	From	To		£	%	
242,341	Fleet Management	238,846	259,080	20,234	+8.50			259,080	20,234	+8.50	
(55,279)	Markets	(60,998)	(59,746)	1,252	-2.10			(59,746)	1,252	-2.10	
	Car Parks	(1,420,054)	(1,384,715)	35,339	-2.50			(1,384,715)	35,339	-2.50	Lost income in Huntingdon (use of old Waitrose Car park as uncontrolled)
(1,377,034)											Lost income St Ives (Park & Ride offering free long-stay parking)
											Excess Charge Notice Issue lower due to long term sickness (resolved and new staff in place)
<b>4,581,264</b>		<b>3,910,719</b>	<b>4,692,023</b>	<b>781,304</b>	<b>+20.00</b>	<b>(108,000)</b>	<b>0</b>	<b>4,584,023</b>	<b>673,304</b>	<b>+17.20</b>	
<b>Head of Resources</b>											
87,776	Head of Resources	88,705	89,341	636	+0.70			89,341	636	+0.70	
	Corporate Finance	4,747,443	4,600,095	(147,348)	-3.10	(6,714)		4,593,381	(154,062)	-3.20	Increased expected income from CCLA property fund (-£4k), higher interest rates from investments (-£8k), loan payments to PWLB lower than budget (-£65k) and savings from recalculated MRP (-£80k)
4,707,755	Finance	589,930	809,173	219,243	+37.20	(62,000)		747,173	157,243	+26.70	Delay in FMS has resulted in staffing resources needed for longer and additional temp staff for back filling and covering longterm sickness plus savings from vacant posts (+£205k) with (-£88k) to be covered by reserves
680,512	Audit & Risk Management	539,902	653,764	113,862	+21.10			653,764	113,862	+21.10	<b>Action on Overspend</b> - These are one-off costs relating to the implementation of the FMS; they should not be repeated next year. Increase in insurance premiums reflecting RTA in 01/17 and EFH Fire in Oct 17 (+£114k), 2 vacant posts with Audit (-£27k), final payment in regards to mesothelioma claim (+33k)
658,265	Legal	223,940	222,577	(1,363)	-0.60			222,577	(1,363)	-0.60	<b>Action on Overspend</b> - Not possible to reduce in the short-term as this is as a consequence of higher insurance premiums.
223,085	HR & Payroll Services	865,695	636,519	(229,176)	-26.50			636,519	(229,176)	-26.50	2 FTE posts vacant (-£72k), savings in apprentice scheme employee costs due to several apprentices gaining permanent employment (-£177k), Increase in DBS checks (+£19k)
610,148	Procurement	30,868	59,967	29,099	+94.30			59,967	29,099	+94.30	Undelivered due to delay in procurement outsourcing (+£30k)
38,726	Commercial Estates	(2,657,038)	(2,652,147)	4,891	-0.20			(2,652,147)	4,891	-0.20	<b>Action on Overspend</b> - Original intention to outsource delayed and alternative provision being investigated with 3C's partners
(2,584,342)											Higher staffing costs (+£170k), reduced CIS income due to highly competitive market (+£87k) (this variance is a mix of reduced MRP expenditure and reduced CIS income), savings in management charge (-£144k), increased estates income excl CIS (-£116k)
											<b>Action on Overspend</b> - The service continues to proactively investigate CIS opportunities, further investments are required to meet income targets
<b>4,421,925</b>		<b>4,429,445</b>	<b>4,419,289</b>	<b>(10,156)</b>	<b>-0.20</b>	<b>(68,714)</b>	<b>0</b>	<b>4,350,575</b>	<b>(78,870)</b>	<b>-1.80</b>	

Quarter 1 Forecast	Service Area	2018/19 Budget	Gross Forecast	Gross Variance		Reserves		Net Forecast	Net Variance		Comments on Variations Exceeding +/- £10,000
				£	%	From	To		£	%	
<b>Corporate Team</b>											
	Democratic & Elections	810,780	853,895	43,115	+5.30	(106,012)		747,883	(62,897)	-7.80	Final accounts have been settled on all Elections (incl. EU Referendum and UK Parliamentary from previous years) and this shows an overall surplus to the accounts along with some lower costs in Electoral Registration and Members Allowances Special Duty Allowances.
804,761											
492,195	Directors	492,052	485,456	(6,596)	-1.30			485,456	(6,596)	-1.30	
	Corporate Team	339,256	296,644	(42,612)	-12.60			296,644	(42,612)	-12.60	Vacant posts have been held while staff on secondment to transformation and pending restructure
278,812											
<b>1,575,768</b>		<b>1,642,088</b>	<b>1,635,995</b>	<b>(6,093)</b>	<b>-0.40</b>	<b>(106,012)</b>	<b>0</b>	<b>1,529,983</b>	<b>(112,105)</b>	<b>-6.80</b>	
<b>Transformation</b>											
0	Transformation	0	327,792	327,792	-	(327,792)		0	0	-	
<b>0</b>		<b>0</b>	<b>327,792</b>	<b>327,792</b>	<b>-</b>	<b>(327,792)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	
<b>17,922,545</b>	<b>HDC Total</b>	<b>17,281,627</b>	<b>18,491,225</b>	<b>1,209,598</b>	<b>+7.00</b>	<b>(769,518)</b>	<b>118,988</b>	<b>17,840,695</b>	<b>559,068</b>	<b>+3.20</b>	

Capital Programme 2018/19		September							
Table 1 Expenditure	Status	Budget Manager	Approved Budget	Slippage or Supplementary	Updated Budget	Expenditure	Forecast	Net Variance	
			£	£	£	£	£	£	
<b>Community</b>									
CCTV Camera Replacements		Chris Stopford	0	220,000	220,000	0	220,000	0	
CCTV Pathfinder House Resilience		Chris Stopford	0	20,000	20,000	0	20,000	0	
CCTV Wi-Fi		Chris Stopford	0	250,000	250,000	0	250,000	0	
Lone Worker Software		Chris Stopford	0	20,000	20,000	0	20,000	0	
					0			0	
					0			0	
<b>Development</b>									
Disabled Facilities Grants		Caroline Hannon	1,900,000	0	1,900,000	836,996	2,235,500	335,500	
Huntingdon West CIL		Claire Burton	0	0	0	553,026	553,026	553,026	
Alconbury Weald Remediation		Sue Bedlow	0	979,556	979,556	979,556	979,556	0	
					0			0	
					0			0	
<b>Leisure and Health</b>									
One Leisure Improvements		Pete Corley	366,000	40,000	406,000	44,187	406,000	0	
Burgess Hall		Gareth Clark	0	0	0	0	0	0	
One Leisure St Ives New Fitness Offering		Daniel Gammons	250,000	0	250,000	0	250,000	0	
One leisure Ramsey 3G		Martin Grey	600,000	0	600,000	0	334,000	(266,000)	
One Leisure St Neots Synthetic Pitch		Jon Clarke	0	390,000	390,000	0	390,000	0	
OL St Neots Pool		Jon Clarke	0	278,957	278,957	26,199	278,957	0	
OL Huntingdon Expansion		Paul France	0	0	0	29,498	21,000	21,000	
					0			0	
<b>Resources</b>									
Health and Safety Works on Commercial Properties		Jackie Golby	60,000	0	60,000	0	60,000	0	
Energy Efficiency Works at Commercial Properties		Jackie Golby	50,000	0	50,000	0	43,750	(6,250)	
Cash Receipting System		Paul Loveday	0	2,103	2,103	0	2,103	0	
Financial Management System Replacement		Paul Loveday/Andrew Buckell	0	0	0	56,432	46,000	46,000	
FMS Archive		Paul Loveday	0	14,000	14,000	0	14,000	0	
VAT Exempt Capital		Paul Loveday	208,000	33,000	241,000	0	241,000	0	
Loan Facility to Huntingdon Town Council		Paul Loveday	0	800,000	800,000	(38,000)	800,000	0	
Investment in Company		Paul Loveday	0	100,000	100,000	0	100,000	0	
Commercial Estates Roofs		Paul Loveday	0	0	0	103,304	103,000	103,000	
					0			0	
<b>Printing Services</b>									
Printing Equipment		Andy Lusha	0	176,000	176,000	0	176,000	0	
					0			0	
					0			0	
<b>3C ICT</b>									
Flexible Working - 3CSS		Emma Alterton	50,000	14,770	64,770	(6,795)	64,770	0	
Telephones - 3CSS		Emma Alterton	0	0	0	0	0	0	
Virtual Server - 3CSS		Emma Alterton	0	0	0	0	0	0	
					0			0	
					0			0	
<b>Operations</b>									
Building Efficiencies (Salix)		Chris Jablonski	0	55,358	55,358	(600)	37,085	(18,273)	
Wheeled Bins		Heidi Field	280,000	0	280,000	18,751	280,000	0	
Vehicle Fleet Replacement		Andrew Rogan	1,033,000	0	1,033,000	879,187	1,033,000	0	
Operations Back Office Development		Matt Chudley	230,000	135,000	365,000	0	229,000	(136,000)	
Play Equipment		Helen Lack	25,000	0	25,000	13,260	39,550	14,550	
Re-Fit Buildings		Chris Jablonski	0	476,467	476,467	0	455,467	(21,000)	
Bridge Place Car Park Godmanchester		George McDowell	318,000	(14,037)	303,963	3,190	25,000	(278,963)	
Pathfinder House Reception (DWP)		Chris Jablonski	0	119,853	119,853	120,662	138,603	18,750	
Hinchingbrooke Country Park Wooden Bridge		Judith Arnold	32,000	0	32,000	0	46,000	14,000	
					0			0	
					0			0	
<b>Transformation</b>									
Customer Relationship Management		John Taylor	180,000	0	180,000	0	80,000	(100,000)	
Transformation Schemes		John Taylor	0	1,000,000	1,000,000	0	1,000,000	0	
					0			0	
<b>Total Expenditure</b>			<b>5,582,000</b>	<b>5,111,027</b>	<b>10,693,027</b>	<b>3,618,853</b>	<b>10,972,367</b>	<b>279,340</b>	

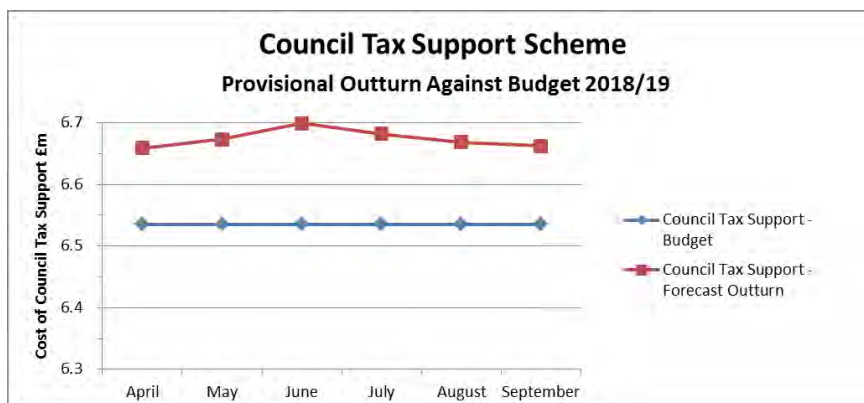
Capital Programme 2018/19		September						
Table 2 Funding of Capital Programme		Budget Manager	Approved Budget	Slippage or Supplementary	Updated Budget	Expenditure	Forecast	Variance
			£	£	£	£	£	£
<b>Grants and Contributions</b>								
DFGs	Caroline Hannon	(1,100,000)			(1,100,000)	(133,793)	(1,220,000)	(120,000)
Huntingdon West CIL	Claire Burton						(553,026)	(553,026)
Pathfinder House Reception	Chris Jablonski			(278,000)	(278,000)		(256,000)	22,000
Wheeled Bins	Heidi Field	(146,000)			(146,000)	(58,446)	(146,000)	0
Synthetic Pitch	Jon Clarke			(274,000)	(274,000)		(274,000)	0
One Leisure Ramsey 3G	Martin Grey	(300,000)			(300,000)		(184,000)	116,000
Operations Back Office	Matt Chudley	(229,000)			(229,000)		(229,000)	0
Health and Safety Works on Commercial Properties	Jackie Golby				0		(20,000)	(20,000)
Play Equipment	Helen Lack						(13,720)	(13,720)
<b>Total Grants and Contributions</b>		<b>(1,775,000)</b>	<b>(552,000)</b>	<b>(2,327,000)</b>	<b>(192,239)</b>	<b>(2,895,746)</b>	<b>(568,746)</b>	
<b>Use of Capital Reserves</b>								
Alconbury Remediation Works Reserve	Sue Bedlow	0	(979,556)	(979,556)	0	(979,556)	0	0
<b>Total Capital Reserves</b>		<b>0</b>	<b>(979,556)</b>	<b>(979,556)</b>	<b>0</b>	<b>(979,556)</b>	<b>0</b>	<b>0</b>
<b>Capital Receipts</b>								
Loan Repayments	Paul Loveday	(320,000)			(320,000)	0	(320,000)	0
Housing Clawback Receipts	Paul Loveday	(500,000)			(500,000)	0	(500,000)	0
<b>Total Capital Receipts</b>		<b>(820,000)</b>	<b>0</b>	<b>(820,000)</b>	<b>0</b>	<b>(820,000)</b>	<b>0</b>	<b>0</b>
<b>Use of Earmarked Reserves</b>								
Financial Management System Replacement	Paul Loveday				0		(46,000)	(46,000)
Investment in Trading Company	Paul Loveday		(100,000)	(100,000)			(100,000)	0
ICT Transformation	John Taylor		(1,000,000)	(1,000,000)			(1,000,000)	0
FMS Archive	Paul Loveday		(14,000)	(14,000)			(14,000)	0
CIL Reserve	Andy Moffat				0		0	0
<b>To Earmarked Reserves</b>		<b>0</b>	<b>(1,114,000)</b>	<b>(1,114,000)</b>	<b>0</b>	<b>(1,160,000)</b>	<b>(46,000)</b>	
<b>Total Funding</b>		<b>(2,595,000)</b>	<b>(2,645,556)</b>	<b>(5,240,556)</b>	<b>(192,239)</b>	<b>(5,855,302)</b>	<b>(614,746)</b>	
<b>Net to be funded by borrowing</b>		<b>2,987,000</b>	<b>2,465,471</b>	<b>5,452,471</b>	<b>3,426,614</b>	<b>5,117,065</b>	<b>(335,406)</b>	
<b>Budget Reconciliation</b>					<b>Updated Budget</b>	<b>Expenditure</b>	<b>Forecast</b>	<b>Variance</b>
	Gross Expenditure				10,693,027	3,618,853	10,972,367	279,340
	Total Grants and Contributions				(2,327,000)	(192,239)	(2,895,746)	(568,746)
	Use of Capital and Revenue Reserves				(979,556)	0	(1,025,556)	(46,000)
	<b>Total</b>				<b>7,386,471</b>	<b>3,426,614</b>	<b>7,051,065</b>	<b>(335,406)</b>



## Financial Dashboard

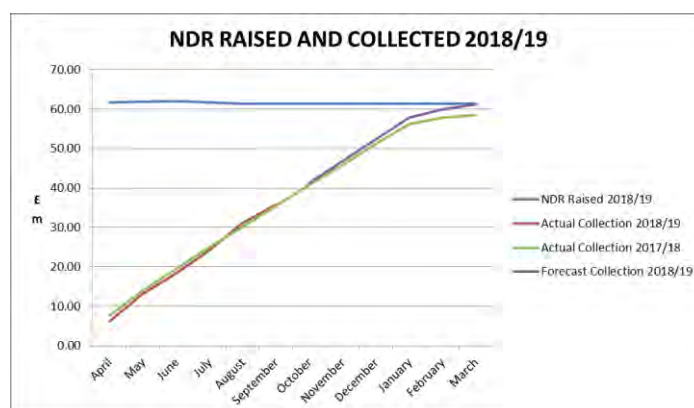
### Council Tax Support Scheme

Currently, the actual take-up of Council Tax Support is running approximately £0.13m above the budgeted £6.5m. Any 2018/19 increase in Council Tax Support will impact in 2019/20.



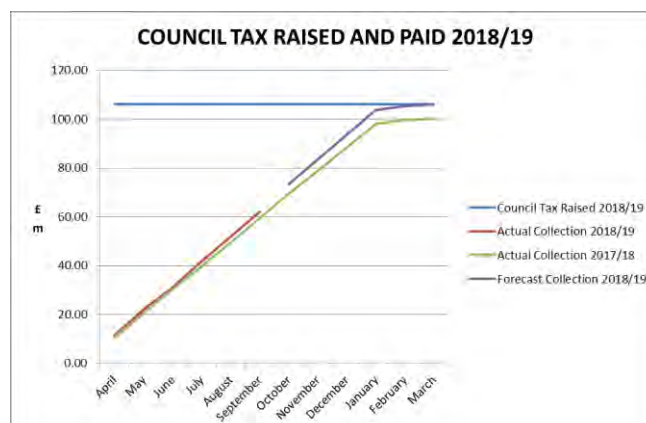
The impact of this increase on HDC will be proportionate to all Council Tax precepts (13.5% for HDC including parishes).

### Collection of NDR



The NDR graph above shows the total amount of NDR bills raised in 2018/19 and the actual receipts received up to the end of September, with a forecast for receipts through to the end of the year, based on historical collection rates. The Council tax graph below provides the same analysis.

### Collection of Council Tax



**Miscellaneous Debt**

The total outstanding debt as at the end of September 2018 is £1.859m (June 2018, £3.546m), £0.709m (June 2018, £1.596m) is prior year debt of which £0.358m (June 2018, £1.104m) relates to 2017/18.

The 2017/18 and 2018/19 debt position is currently showing an outstanding amount of £1,509m (June 2018, £3.055m), £28k relates to Commercial Rents, £168k relates to homeless accommodation/prevention, £43k relates to schools and other customers use of One Leisure facilities and £983k relates to shared services recharges.

**New Homes Bonus**

The 2016/17 reporting cycle (October 2016 to September 2017) saw 695 completions which was 128 ahead of the target of 567. The impact of these additional units will come through in 2018/19.

The current reporting cycle (October 2017 to September 2018) has a target number of completions of 1,135, as published in the draft Planning Annual Monitoring Report (December 2016). However, this has been revised downwards to 689 in the December 2017 Planning Annual Monitoring Report and so this lower figure has been used as our target for this year. This reporting cycle has now been completed and 657 properties have been completed, which is 32 below the target.

As part of the Local Government Financial Settlement 2016/17 issued in December 2016 the Government announced changes to the New Homes Bonus Scheme. The number of years over which NHB will be paid has reduced from six to four and a new 'deadweight' factor of 0.4% is now being applied meaning the first 0.4% growth above the base does not attract NHB. The impact of these new factors, particularly the deadweight, on the NHB receipts beyond 2017/18 has been assessed and is included in the MTFS.



The process of considering CIS opportunities is as follows:

**Step 1**

Property investment opportunities are both introduced by agents and actively sourced by the Commercial Estates Team. An initial review is undertaken against the outline criteria of the CIS such as yield, length of lease, tenant strength etc. and if they are judged to be reasonable investments, further preliminary initial due diligence is undertaken to determine the quality of the leases and an initial financial appraisal is undertaken.

**Step 2**

If Step 1 is passed, more detailed due diligence is undertaken (including detailed tenant strength review, ownership title, property energy efficiency, market analysis of rents and yield etc), this may lead to a site visit and more robust financial appraisal/modelling and further market scrutiny.

**Step 3**

If Step 2 is passed, then approval is sought from the members of the Treasury & Capital Management Group, the Managing Director, Corporate Director (Services) and the Head of Resources to submit a formal initial bid, subject to contract and relevant building and condition surveys

**Step 4**

If the bid submitted at Step 3 is successful, then this progresses to consideration by Overview and Scrutiny and approval for Cabinet.

**Step 5**

Once approval is given, formal legal and building condition due diligence commences by instruction of lawyers and building/specialist surveys are undertaken. This may take several weeks during which all concerns raised on legal and lease title and building condition are satisfied. If any significant concerns are unsatisfied, these can either be negotiated on price or withdraw from the purchase.

**Reviews Undertaken July – September 2018 (Q2)**

Over the above period, 21 propositions were reviewed up to stage 1 with all bar three outside the District. A bid was made on Stukeley Meadows Industrial Estate in August (stage 3) and two opportunities in St Neots are being investigated (stage 2). An opportunity from March 2018 has been approved by Cabinet and is in legal hands (stage 5) at St Neots but requires construction works to remediate some defects. We are still in discussions with the vendor.

By property type the investments considered in Q2 are as follows:

Offices	6	Development sites (non-investment)	2
Leisure	1	Retail high street	2
Industrial/warehouse	6	Retail warehouse	2
		Other (trade counter /student housing)	2

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**Public  
Key Decision - No**

## **HUNTINGDONSHIRE DISTRICT COUNCIL**

**Title/Subject Matter:** Treasury Management Six Month Performance Review

**Meeting/Date:** Overview and Scrutiny Panel (Performance and Growth) -  
6th November 2018

**Executive Portfolio:** Strategic Resources: Councillor J A Gray (Executive  
Councillor for Strategic Resources)

**Report by:** Head of Resources

**Ward affected:** All Wards

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### **Executive Summary**

Best practice and prescribed treasury management guidance requires Members to be kept up to date in respect of treasury management activity for the first half of the year, including investment and borrowing activity and treasury performance.

### **RECOMMENDATION**

The Overview and Scrutiny Panel is invited to comment on the attached Treasury Management 6 Month Performance Review including the attached appendices.

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**HUNTINGDONSHIRE DISTRICT COUNCIL**

**Title/Subject Matter:** Treasury Management Six Month Performance Review

**Meeting/Date:** Cabinet – 22nd November 2018

**Executive Portfolio:** Strategic Resources: Councillor J A Gray (Executive Councillor for Strategic Resources)

**Report by:** Head of Resources

**Ward(s) affected:** All Wards

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**Executive Summary:**

Best practice and prescribed treasury management guidance requires Members to be kept up to date in respect of treasury management activity for the first half of the year, including investment and borrowing activity and treasury performance.

**The main purpose of the Treasury Management is to;**

- Ensure the Council has sufficient cash to meet its day to day obligations.
- Borrow when necessary to fund capital expenditure, including borrowing in anticipation of need when rates are considered to be low.
- Invest surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest.

**The key market Treasury Management issues through the first half of 2018/19 influencing the Council's decision-making were;**

- Economic growth forecasts are becoming more pessimistic, and real wage growth is low.
- The Bank of England has kept the Bank Rate at 0.75%, with the expectation that rises will be made slowly, probably in response to inflationary pressures.
- Market rates as a whole are very low in response to the fall in the Bank Rate, reducing the Council's ability to earn a return on investments without increasing the risk of the investments. The Council's average investing rate was 0.97%.
- Whilst there have been a small number of credit rate changes there is still some concern about the stability of some financial institutions.

**The Council's response to the key issues was;**

- When the Council has surplus funds these will primarily be invested on a short term basis, in liquidity accounts and money market funds.
- Where possible to take a higher return without sacrificing liquidity.
- When borrowing the Council has used the Public Works Loan Board (PWLB), which offers low fixed rate borrowing, based on gilt yields over a long period. The average interest rate paid was 2.75%.
- Where economic conditions are forecast to deteriorate it is vital to monitor financial institutions credit rating, and credit default swap rates (the cost to insure lending).

**The Council's Commercial Investment Strategy (CIS)**

The Commercial Investment Strategy commenced in 2015/16. Indicators relating to the investments are shown in **Appendix E**.

The returns from the CIS portfolio represent a higher return than those from financial institutions and in addition offer a less risky investment as they are backed by a physical asset.

The yield from the pre-CIS estate is 10.2%. The average yield from the CIS estate is 7.1%. The yield from the pre-CIS estate is higher because the values of these properties are lower (the yield is income divided by the property value).

Until 2017/18 the CIS purchases have been financed from the earmarked CIS Reserve, in October 2017 a £5m loan was taken out to finance Parkway, Fareham. At the start of 2018/19 the balance on this reserve was £3.6m, and as at 30<sup>th</sup> September 2018 remained at £3.6m.

**Recommendation(s):**

The Cabinet is recommended to

- Note the treasury management performance for the first 6 months of 2018/19 and to recommend the report to Council for consideration.



## 1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to update Members on the Council's treasury management activity for the first six months of the year, including investment and borrowing activity and treasury performance.

## 2. BACKGROUND

- 2.1 It is regarded as best practice and prescribed treasury management practice, that Members are kept up to date in treasury management activity.
- 2.2 The Council approved the 2018/19 Treasury Management Strategy at its meeting on 21st February 2018.
- 2.3 All treasury management activity undertaken during the first half of 2018/19 complied with the CIPFA Code of Practice and relevant legislative provisions.
- 2.4 The investment strategy is to invest any surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest. The Council's borrowing strategy permits borrowing for cash flow purposes and funding current and future capital expenditure over whatever periods are in the Council's best interests.

## 3. ANALYSIS

### Economic Review

- 3.1 An economic review of the year has been provided by our Treasury Management advisors, Arlingclose and is attached with an analysis of the local context implications in **Appendix A**. The main relevance to the Council is

- Economic growth has increased slightly in pace in quarter 2 of 2018.
- Real wage growth is low at only 0.2% per annum.
- Inflation rose to an annual rate of 2.7% in August. This was above the Bank of England forecast.
- The bank rate has risen to 0.75%. As a consequence the Council's borrowing costs will remain low but the opportunities to make significant returns on financial investments remain limited but improving.
- There have been strong market reactions, in particular to the political crisis in Italy, leading to sharp bond yield reductions.

### Performance of Council Funds

- 3.2 The following table summarises the treasury management transactions undertaken during the first 6 months of 2018/19 financial year and the details of the investments and loans held as at 30th September 2018 are shown in detail in **Appendix B**.

	Principal Amount £m	Interest Rate %
<b>Investments</b>		
at 1 <sup>st</sup> April 2018	4.1	1.73
<b>less</b> matured in year	-109.8	
<b>plus</b> arranged in year	+120.2	
at 30 <sup>th</sup> September 2018	14.5	3.86
<b>Average Investments to 30 Sept</b>	<b>0.99</b>	<b>0.87</b>
<b>Borrowing</b>		
at 1 <sup>st</sup> April 2018	20.69	3.91
<b>less</b> repaid in year	-0.12	
<b>plus</b> arranged in year	+5.00	0.50
at 30 <sup>th</sup> September 2018	25.57	
<b>Average Borrowing to 30 Sept</b>	<b>1.96</b>	<b>2.75</b>
<b>Note;</b> Interest rates above are as at dated apart from averages, where these are the average for the half year.		

### Investments

3.3 The Council's strategy for 2018/19 was based on all investments being managed in-house. The investments were of three types:

- Time deposits, these are deposits with financial institutions that are of a fixed term and mature on an agreed date. In the Council's case usually in 1 to 2 weeks.
- Liquidity (call) accounts, these are accounts held with banks where there is no fixed term and the money can be deposited or withdrawn on the day.
- Money Market Funds, these are funds where investor's deposits are aggregated together and invested across a large range of financial products, giving a high degree of diversification.

3.4 The average rate of interest on all investments was 0.49%, 0.06% above the 7 day LIBID (London Interbank Bid Rate) benchmark rate of 0.43%. This is representative of the slight increase in rates since the bank rate increases in November 2017 (to 0.5%) and August 2018 (to 0.75%)

3.5 When only short-term cash flow investment activity is considered, the rate of interest on investments was 0.51%, which has achieved the 7-day benchmark rate of 0.43%.

### Borrowing

3.6 The Council's exposure to interest rate risk at the end of September was:

- £20.57m long term borrowing from the PWLB, at a weighted average rate of 3.47%.

- Short term borrowing at 30th September 2018 was nil.
- 3.7 The actual net investment interest (after deduction of interest receivable on loans) was £204,454 to 30 September 2018 against a forecast figure of £306,161.60 and the budget figure of £299,000.
- 3.8 There was short-term borrowing of £5m during 2018/19, in order to meet the Council's cash flow requirements.

### **The Risk Environment**

- 3.9 The changes to the environment in which investing takes place are detailed in **Appendix C** the main points to note are;
- Bail in legislation requiring investors to contribute to bank losses has replaced government bail outs. If a bank were to become insolvent then investors funds (including Councils), will be used to refinance the bank, in this circumstance the Council would lose a proportion of its investment. To mitigate this risk the Council's funds are invested for short periods, which means that funds can be withdrawn from that institution before it fails.
  - Counter-party and credit rating updates; there were only a few credit rating changes, however credit default (a type of loan insurance) rates have risen, but are still at low levels compared to historic averages.
  - MIFID2 was implemented in January 2018, The Council will need to continue to demonstrate its officers and members have the necessary treasury skills and experience to meet the professional status set by MiFiD2
  - The regulations covering money market funds are being tightened up, so that they must meet strict new criteria and minimum liquidity requirements. This will take effect in January 2019.

### **Risk Management**

- 3.10 The Council's primary objectives for the management of its investments are to give priority to the **security** and **liquidity** (how quickly cash can be accessed) of its funds before seeking the best rate of **return**.
- 3.11 The Council manages security by investing short-term with highly-rated banks and building societies, as well as investing with local authorities in the UK which are deemed to be intrinsically safe.
- 3.12 In addition to this the Council makes significant use of a number of Money Market Funds, where a large numbers of investors' funds, including the Council's, are aggregated and spread across a wide range of investments. The Council is therefore able to access a spread of investments across a number of funds not available if it were to invest on its own.
- 3.13 In order to manage liquidity the Council invests funds in call accounts or Money Market Funds, which provide instant access to funds.
- 3.14 The Council's priority has been security and liquidity, over the return on

investments, which resulted in investments during 2018/19 generally being of short duration (the majority on call). The result of low interest rates across the market is that the margin gained from the benefit of investing for longer period does not outweigh the potential costs of failure of the investment.

### Compliance with Regulations and Codes

- 3.15 All the treasury management activity undertaken during the financial year complied with the approved strategy, the CIPFA Code of Practice, and relevant legislation.
- 3.16 The Code requires the Council to approve both Treasury Management and Prudential Indicators. Those for 2018/19 were approved at the Council meeting on 21<sup>st</sup> February 2018. **Appendix D** shows the relevant prudential indicators and the actual or forecast for 30<sup>th</sup> September 2018, the table below is a summary of key indicators. CIPFA issued a consultation in the summer on proposed amendments to be made to the Code of Practice. The Council has responded to consultation giving its views on the proposed changes to the indicators. An emphasis is being placed on the use of local indicators, and the council is already making use of these for its CIS programme.

<b>Prudential Indicators</b>			
	<b>2018/19 Estimate</b>	<b>2018/19 Forecast</b>	<b>Impact on the Council</b>
Net capital expenditure	£7.4m	£7.1m	The forecast spend is higher than budget due to an estimated overspend on DFGs of £0.6m
Expenditure on interest and MRP (Minimum Revenue Provision)	13.0%	11.1%	As a result of expenditure rephasing and underspends in 2017/18 the MRP is lower for 2018/19.
Impact of schemes on the Council	£2.61	(£2.02)	The decrease in cost is as a result of reductions in the need to borrow (interest) and MRP.
Capital Financing Requirement (CFR)	£43.8m	£44.6m	The CFR has edged higher due to the forecast overspend as a result of DFG demand.
	<b>31/03/18</b>	<b>30/09/18</b>	
Long-term borrowing total	£20.91m	£20.57m	No new debt has been taken out in the period 01/04/18 to 30/09/18
<b>Treasury Management Indicators</b>			
	<b>2018/19 Limit</b>	<b>2018/19 Actual</b>	
Authorised Limit for debt	£123.0m	£20.57m	The Council's debt has decreased as no new loans have been taken out so far in 2018/19, and principal repayments have been made to reduce the overall balance.
Operational boundary for debt	£118.0m	£20.57m	

Upper limit on Fixed interest rate exposure Variable interest rate exposure	£80.0m £35.0m	£24.3m £24.4m	Investments made for less than 1 year have been classified as variable.
Borrowing repayment profile (10 years)	20%- 100%	80.1%	The loan repayment profile has remained the same.
Investments longer than 364 days	£68.2m	£4.00m	Only includes Treasury investments not service based loans. Treasury investment are short-term or instant access investments.

### Commercial Investment Strategy (CIS)

- 3.17 The CIS business plan was approved in December 2015. The implementation of the CIS is a key part of the Council's strategy to generate additional income to assist in closing the Council's forecast gap in the revenue budget.
- 3.18 Opportunities for investments are being sought and evaluated on an on-going basis. During the first half of 2018/19, 38 potential CIS purchases have been evaluated. The results of this analysis are shown in table 7 in Appendix E giving if rejected, the reason for rejection.
- 3.19 The yields from the CIS assets are shown in Appendix E, as well as the yield from the existing commercial estate. The CIS Business Plan targeted returns as a minimum for land and building investment of between 6% and 9%. This has been achieved and exceeded in the case of Stonehill, Huntingdon. The returns from these investments are key to closing the Council's revenue funding gap, and represent a significantly higher return than can be achieved on investments with financial institutions.
- 3.20 A number of the indicators shown in **Appendix E** will not be relevant until the CIS Reserve is fully applied and borrowing is required to continue to purchase assets. When borrowing commences, these indicators will be calculated.

## 4. COMMENTS OF OVERVIEW AND SCRUTINY

- 4.1 This report is to be considered at the meeting held on the 6th of November 2018.

## 5. RISKS

- 5.1 The risks arising from treasury management activities are highlighted in the report and are measured by reference to the prudential indicators in **Appendix D**.

## 6. WHAT ACTIONS WILL BE TAKEN

- 6.1 Treasury management activities will continue to be monitored, in order to mitigate security and liquidity risks.

## 7. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND / OR CORPORATE OBJECTIVES

- 7.1 Treasury management activity is a corporate function of the Council and supports the achievement of the Council's three corporate priorities; consequently it is a key element in the budget setting and management process.
- 7.2 In addition, the Council's Treasury function directly contributed to the "Develop stronger and more resilient communities to enable people to help themselves" (Corporate Plan 2018-2022). As a result loan finance was provided by the council to support external partners;
- Places for People – Eden Place Care Facility
  - Huntingdon Gymnastic Club – Huntingdon Gym
  - Cambridge Regional College – Huntingdon Campus Building

## **8. LEGAL IMPLICATIONS**

- 8.1 No direct, legal implications arise out of this report.

## **9. RESOURCE IMPLICATIONS**

- 9.1 The resource implications relating to the net interested due to the council is explained in paragraph 3.7.

## **10. REASONS FOR THE RECOMMENDED DECISIONS**

- 10.1 The treasury management activity continues to be monitored, to ensure that risks arising are mitigated.

## **11. LIST OF APPENDICES INCLUDED**

- Appendix A – Economic review (Source: Arlingclose)
- Appendix B – Borrowing and Investments as at 30<sup>th</sup> September 2018
- Appendix C – Risk Environment
- Appendix D – Prudential Indicators
- Appendix E – Commercial Investment Strategy Indicators
- Appendix F – Glossary

## **BACKGROUND PAPERS**

Investment Spreadsheets held in Resources  
CIPFA Treasury Management Code of Practice

## **CONTACT OFFICERS**

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☎ 01480 388157

Oliver Colbert, Principal Accountant  
☎ 01480 388067

## APPENDIX A

<b>Economic Review</b>	
<p><b>Economic Growth</b> The rebound in quarterly GDP growth in Q2 to 0.4% appeared to overturn the weakness in Q1 which was largely due to weather-related factors. However, the detail showed much of Q2 GDP growth was attributed to an increase in inventories. Year/year GDP growth at 1.2% also remains below trend.</p>	<p><b>Local Context</b> A reduction in economic activity could have an adverse effect on the Council's trading operations (e.g. CIS, Markets, Car Parks, Building Control, Development Control, leisure) as well as receipts from business rates and council tax.</p> <p>In addition restricted economic growth will increase financial strain on household which may result in increased demand for Council services such as benefits, homelessness, and housing services.</p>
<p><b>Inflation</b> Oil prices rose by 23% over the six months to around \$82 per barrel. UK Consumer Price Inflation (CPI) for August rose to 2.7% year-on-year, above forecast and also that of the Bank of England in its August <i>Inflation Report</i>, as the effects of sterling's large depreciation in 2016 began to fade.</p>	<p><b>Local Context</b> Inflationary pressures could start to effect council spending. As a result there could be pressure on some budgets where costs are rising. There will also be increased pressure in the MTFS to mitigate this pressure through changes in spending and income generation.</p> <p>The increase in Business Rates is set on the September CPI, so this will rise by 2.4%</p>
<p><b>UK Monetary Policy</b> The Bank of England made no change to monetary policy at its meetings in May and June, however hawkish minutes and a 6-3 vote to maintain rates was followed by a unanimous decision for a rate rise of 0.25% in August, taking Bank Rate to 0.75%.</p>	<p><b>Local Context</b> Increases in the Bank of England rate have pushed up other market rate e.g. Money Market Funds and deposit accounts rates. As a result the Council's income from investment interest has increased.</p>
<p><b>Global Monetary policy</b> The escalating trade war between the US and China as tariffs announced by the Trump administration appeared to become an entrenched dispute, damaging not just to China but also other Asian economies in the supply chain. The fallout, combined with tighter monetary policy, risks contributing to a slowdown in global economic activity and growth in 2019.</p>	<p><b>Local Context</b> A reduction in economic activity could have an adverse effect on the Council's trading operations (e.g. CIS, Markets, Car Parks, Building Control, Development Control, leisure) as well as receipts from business rates and council tax.</p>
<p><b>Market Reaction</b> Gilt yields displayed marked volatility during the period, particularly following Italy's political crisis in late May when government bond yields saw sharp moves akin to those at the height of the European financial crisis with falls in yield in safe-haven UK, German and US government bonds. Over the period, despite the volatility, the change in gilt yields was</p>	<p><b>Local Context</b> The increase in gilts yields will have a direct effect on the Council if it wishes to borrow from the PWLB, as the rate of interest is set in relation to gilt yields. Higher yields mean higher borrowing rates.</p>

<p>small. The 5-year benchmark gilt only rose marginally from 1.13% to 1.16%. There was a larger increase in 10-year gilt yields from 1.37% to 1.57% and in the 20-year gilt yield from 1.74% to 1.89%. The increase in Bank Rate resulted in higher in money markets rates. 1-month, 3-month and 12-month LIBID rates averaged 0.56%, 0.70% and 0.95% respectively over the period.</p>	
<p><b>Labour Market</b></p> <p>The most recent labour market data for July 2018 showed the unemployment rate at 4%, the lowest rate since 1975. The 3-month average annual growth rate for regular pay, excluding bonuses was 2.9%, providing some evidence that a shortage of workers is providing support to wages. Real wages (adjusted for inflation) grew only by 0.2%, a marginal increase unlikely to have had much effect on households.</p>	<p><b>Local Context</b></p> <p>In a labour market where there are few vacancies, the Council may find it harder to recruit suitably skilled staff.</p>
<p><b>EU Withdrawal</b></p> <p>The EU Withdrawal Bill, which repeals the European Communities Act 1972 that took the UK into the EU and enables EU law to be transferred into UK law, narrowly made it through Parliament. With just six months to go when Article 50 expires on 29th March 2019, neither the Withdrawal Agreement between the UK and the EU which will be legally binding on separation issues and the financial settlement, nor its annex which will outline the shape of their future relationship, have been finalised, extending the period of economic uncertainty.</p>	<p><b>Local Context</b></p> <p>Withdrawal from the EU may create skills shortages especially in the construction and tourism industries. Whilst not a direct impact on the Council, there may be a role for the Council to engage with the local economy to help support local businesses where there are skills shortages.</p>
<p><b>Economic Outlook</b></p> <p>The view is that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Central bank actions and geopolitical risks, such as trade wars, have and will continue to produce significant volatility in financial markets.</p>	<p><b>Local Context</b></p> <p>Challenging conditions in the economy will impact on the Council's services that are income earning.</p>
<p><b>Interest Rates Forecast</b></p> <p>Having raised interest rates in August 2018 to 0.75%, the Bank of England's Monetary Policy Committee (MPC) has maintained expectations of a slow rise in interest rates over the forecast horizon.</p> <p>The MPC has a definite bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. While policymakers are wary of domestic inflationary pressures over the next two years, it is</p>	<p><b>Local Context</b></p> <p>Increases in the Bank of England rate have pushed up other market rate e.g. Money Market Funds and deposit accounts rates.</p> <p>Whilst this is good news, interest rates are still at historically low levels, combined with the prediction that rates will rise slowly, total interest receipts will not increase significantly in the medium term.</p>



believed that the MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective weapon should downside Brexit risks materialise.	
<i>Source of Data: Arlingclose Ltd</i>	

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## APPENDIX B

Borrowing/Investments at 30 September 2018	Short-term Rating		Date Invested/ Borrowed	Amount		Interest Rate	Year of Maturity
	Fitch	Moody's		£m	£m		
<b>Borrowing</b>							
<b>Short-term</b>							
NIL							
<b>Long-term</b>							
PWLB - 1-619-05148			19/12/08	5.000		3.90%	2057/58
PWLB - 2-619-05148			19/12/08	5.000		3.91%	2058/59
PWLB - 3-207-05148			07/08/13	0.792		2.24%	2023/24
PWLB - 4-525-05148			25/11/15	0.714		3.28%	2046/47
PWLB - 5-119-05148			19/01/16	0.950		3.10%	2046/47
PWLB - 6-321-05148			21/03/16	0.474		2.91%	2046/47
PWLB - 7-429-05148			29/04/16	0.384		3.10%	2047/48
PWLB - 8-602-05148			02/06/16	0.312		2.92%	2047/48
PWLB - 9-129-05148			29/07/16	0.621		2.31%	2047/48
PWLB - 10-323-05148			23/09/16	0.477		2.18%	2047/48
PWLB - 11-106-05148			06/01/17	0.847		2.67%	2047/48
PWLB - 12-402-05148			02/10/17	5.000		2.78%	2037/38
<b>Total Borrowing</b>					<b>20.571</b>		
<b>Investments In-House</b>							
<b>Investments</b>							
NatWest Liquidity	F1	P2	30/09/18	0.565		0.05%	On-call
Coventry Building Society	F1	P-1	15/08/18	1.000		0.61%	Fixed
Bank of Scotland	F1	P-1	17/09/18	1.000		0.60%	Fixed
Bank of Scotland	F1	P-1	17/09/18	1.000		0.65%	Fixed
Handelsbanken	F1+	P1	30/09/18	1.225		0.15%	On-call
Barclays	F1	P1	30/09/18	2.030		0.30%	On-call
Santander	F1	P1	30/09/18	2.250		0.80%	On-Call
Blackrock	mmfAAA	mmfAAA	30/09/18	0.525		0.65%	MMF
CCLA	mmfAAA	mmfAAA	30/09/18	1.000		0.66%	MMF
Federated	Not rated	mmfAAA	30/09/18	0.500		0.61%	MMF
Insight	Not rated	mmfAAA	30/09/18	0.875		0.66%	MMF
Legal and General	Not rated	mmfAAA	30/09/18	0.875		0.65%	MMF
Standard Life	mmfAAA	mmfAAA	30/09/18	0.400		0.58%	MMF
Invesco	mmfAAA	mmfAAA	30/09/18	0.575		0.64%	MMF
<b>Total Short Term Investments</b>					<b>13.820</b>		
<b>Loans to Other Organisations</b>							
Huntingdon Regional College	Not rated			0.737		3.34%	2023/24
Huntingdon Gym	Not rated			0.038		5.13%	2023/24
					<b>0.775</b>		
CCLA Property Fund			28/01/16	2.500			
CCLA Property Fund			27/02/17	1.500			
					<b>4.000</b>		

<b>Loans to Places for People</b>							
Places for People-1	Not rated	26/11/15	0.664		4.78%		2047/48
Places for People-2	Not rated	19/01/16	1.000		4.60%		2047/48
Places for People-3	Not rated	21/03/16	0.500		4.41%		2047/48
Places for People-4	Not rated	29/04/16	0.400		4.60%		2047/48
Places for People-5	Not rated	02/06/16	0.325		4.42%		2047/48
Places for People-6	Not rated	29/07/16	0.650		3.81%		2047/48
Places for People-7	Not rated	23/09/16	0.500		3.68%		2047/48
Places for People-8	Not rated	06/01/17	0.875		4.17%		2047/48
Places for People Interest	Not rated		0.189		4.326%		2047/48
					<b>5.103</b>		
<b>Loans to Urban &amp; Civic</b>							
Urban & Civic	Not Rated	03/04/2018	1.194	<b>1.984</b>	3.36%		2028/29
<b>Total Loans and Investments</b>							
					<b>25.682</b>		
<b>Net</b>							
					<b>5.111</b>		

Fitch	Rating	Credit Rating Definition
<b>Short term</b>	<b>F1</b>	Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.
	<b>F2</b>	Good rated intrinsic capacity for timely payment of financial commitments.
	<b>F3</b>	Fair rated intrinsic capacity for timely payment of financial commitments.
<b>Long-term</b>	<b>AAA</b>	Highest credit quality organisations, reliable and stable. 'AAA' ratings denote the <b>lowest expectation of default risk</b> . They are assigned only in cases of exceptionally strong capacity for payment of financial commitments.
	<b>AA</b>	Very high credit quality. 'AA' ratings denote <b>expectations of very low default risk</b> . They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
	<b>AA-</b>	
	<b>A</b>	High credit quality. 'A' ratings denote <b>expectations of low default risk</b> . The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
	<b>A-</b>	
	<b>BBB</b>	Good credit quality. BBB ratings indicate <b>expectations of low default risk</b> . The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.
<b>Notes</b>		
The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.		

## APPENDIX C

Risk and Credit Environment	2018
<p><b>Bail In</b> The risk arises from banks failing, regulation places the burden of losses on the banks investors. This is as opposed to a government a bail-out which is what happened at the last financials crisis in 2008.</p>	<p><b>Local Context</b> Some public bodies will carry higher levels of long-term cash, and as a result need to invest long-term, the Council generally has cash that will be needed in the short-term and as a result places funds where they are accessible in the short-term.</p>
<p><b>Credit Ratings</b> There were a few credit rating changes during the period. Moody's downgraded Barclays Bank plc's long-term rating to A2 from A1 and NatWest Markets plc to Baa2 from A3 on its view of the credit metrics of the entities post ring-fencing. Upgrades to long-term ratings included those for Royal Bank of Scotland plc, NatWest Bank and Ulster Bank to A2 from A3 by Moody's and to A- from BBB+ by both Fitch and Standard &amp; Poor's (S&amp;P). Lloyds Bank plc and Bank of Scotland plc were upgraded to A+ from A by S&amp;P and to Aa3 from A1 by Moody's.</p>	<p><b>Local Context</b> The Council monitors credit ratings and credit default swaps, these are used to make decision about which institutions to invest with, based on the parameters set within the Treasury Management strategy</p> <p>The council receives a monthly listing from its treasury management advisors (Arlingclose) showing the rates and durations for a range of financial institutions.</p>
<p><b>Money Market Funds</b> The new EU regulations for Money Market Funds were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility NAV (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.</p>	<p><b>Local Context</b> The Money Market Funds will be required to meet stricter standards than those that are currently in place.</p> <p>The new standards will require;</p> <ul style="list-style-type: none"> <li>• increased liquidity in the fund</li> <li>• a tighter "collar" only allowing 0.2% rather than the previous 0.5%,</li> <li>• no sponsor support is allowed so funds have to be self-sustaining</li> <li>• The introduction of redemption gates</li> </ul>
<p><b>Credit Environment</b> Reflecting its perceived higher risk, the Credit Default Swap (CDS) spread for non-ring-fenced bank NatWest Markets</p>	<p><b>Local Context</b> The Council monitors credit ratings and credit default swaps, these are used to make decision about which institutions to</p>

<p>plc rose relatively sharply over the period to around 96bps. The CDS for the ring-fenced entity, National Westminster Bank plc, has held steady below 40bps. Although the CDS of other UK banks rose marginally over the period, they continue to remain low compared to historic averages.</p> <p>The ring-fencing of the big four UK banks - Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank PLC, is complete, the transfer of their business into retail (ring-fenced) and investment banking (non-ring-fenced) is progressing and will need to be completed by the end of 2018.</p>	<p>invest with, based on the parameters set within the Treasury Management strategy.</p> <p>The Council's investments are in the majority of short duration as a consequence, any adverse movements in credit ratings would be a signal to remove investments from those institutions.</p> <p>The Council uses Natwest for its transactional banking, but keeps the investment balance held with Natwest to a maximum of £1m.</p>
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## APPENDIX D

### CIPFA Prudential Indicators for Capital Finance in Local Authorities Prudential Indications and Treasury Management Indications for 2018/19 Comparison of forecast results with limits.

#### PRUDENTIAL MANAGEMENT INDICATORS

##### 1. Actual and Estimated Capital Expenditure.

Capital Expenditure and Income	2018/19 Estimate £m	2018/19 Revised Estimate £m	2018/19 Forecast £m
Gross	5.6	10.7	11.2
Grants	(1.8)	(3.3)	(4.1)
Net	3.8	7.4	7.1

##### 2. The proportion of the budget financed from government grants and council tax that is spent on interest and the provision for debt repayment.

Proportion of Budget on	2018/19 Estimate %	2018/19 Forecast %
Interest and MRP %	13.0	11.1

##### 3. The impact of schemes with capital expenditure on the level of council tax

This calculation highlights the hypothetical impact on the level of Council Tax from changes from the previously approved MTFs due to capital schemes (including their associated revenue implications). The actual change in Council Tax will be significantly different due to revenue variations, spending adjustments and the use of revenue reserves.

Impact on Council Tax	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £
Variation	(2.02)	0.29	(0.42)	(0.09)
Cumulative	(2.02)	(1.73)	(2.15)	(2.24)

##### 4. The capital financing requirement.

This represents the estimated need for the Authority to borrow to finance capital expenditure less the estimated provision for redemption of debt (the MRP).

Borrowing Requirement	2018/19 Estimate £m	2018/19 Forecast £m
CIS CFR	43.8	44.6

##### 5. Net borrowing and the capital financing requirement.

Net external borrowing as at the 30<sup>th</sup> September 2018, was £20.57m, this is £24.03m less than the forecast capital financing requirement. Thereby confirming that the council has not borrowed for revenue purposes other than in the short-term for cash flow purposes.

**6. The actual external long-term borrowing at 30th September 2018**

£20.57m

**7. Adoption of the CIPFA Code**

The Council has adopted the 2018 edition of the CIPFA Treasury Management in the Public Services - Code of Practice.

**TREASURY MANAGEMENT INDICATORS**

**8. The authorised limit for external debt.**

This is the maximum limit for borrowing and is based on a worst-case scenario.

<b>Authorised Boundary</b>	<b>2018/19 Limit £m</b>	<b>2018/19 Actual £m</b>
Short-Term	26.0	7.00
Long Term	45.0	15.00
Other long-term liabilities (leases)	7.0	0.5
<b>Total</b>	<b>78.0</b>	<b>22.5</b>
Long-term for loans to organisations	<b>15.0</b>	<b>7.07</b>
CIS Investments giving a yield	<b>30.0</b>	<b>0.0</b>
<b>Total</b>	<b>123.0</b>	<b>29.57</b>

**9. The operational boundary for external debt.**

This reflects a less extreme position. Although the figure can be exceeded without further approval, it represents an early warning monitoring device to ensure that the authorised limit (above) is not exceeded.

<b>Operational Boundary</b>	<b>2018/19 Limit £m</b>	<b>2018/19 Actual £m</b>
Short-Term	21.0	7.00
Long Term	45.0	15.00
Other long-term liabilities (leases)	7.0	0.5
<b>Total</b>	<b>73.0</b>	<b>22.5</b>
Long-term for loans to organisations	<b>15.0</b>	<b>7.07</b>
CIS Investments giving a yield	<b>30.0</b>	<b>0.0</b>
<b>Total</b>	<b>118.0</b>	<b>29.57</b>

Both of these actual results reflect the fact that long term rates were not considered low enough to borrow in anticipation of need



## 10. Exposure to investments with fixed interest and variable interest.

Investments of less than 12 months count as variable rate.

<b>Investments</b>	<b>Limit £m</b>	<b>Actual As at 30.9.18</b>
Upper limit on fixed interest rate exposure (Includes loans to other organisations)	80.0	7.86
Upper limit on variable interest rate exposure (Includes short term investments and CCLA Property Fund)	35.0	17.82

## 11. Borrowing Repayment Profile

The proportion of 2018/19 borrowing that matured in successive periods.

<b>Borrowing</b>	<b>Upper limit</b>	<b>Lower limit</b>	<b>Actual As at 30.9.18</b>
Under 12 months	79%	0%	19%
12 months and within 24 months	79%	0%	0%
24 months and within 5 years	79%	0%	0%
5 years and within 10 years	80%	1%	0%
10 years and above	100%	20%	80.1 %

## 12. Investment Repayment Profile

Limit on the value of investments that cannot be redeemed within 364 days.

<b>Investment Limit</b>	<b>Limit £m</b>	<b>Actual £m</b>
Limit on principal invested beyond year end (31 March 2018)	68.2	0

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## APPENDIX E

### Commercial Investment Strategy Indicators

#### PRUDENTIAL MANAGEMENT INDICATORS

##### 1. Actual and Estimated Capital Expenditure.

Capital Expenditure and Income	2018/19 Estimate	2018/19 Forecast
	£m	£m
Gross	13.75	13.75
Grants	0	0
Net	13.75	13.75

##### 2. The proportion of the budget financed from government grants and council tax that is spent on interest and the provision for debt repayment.

Proportion of Budget on	2018/19 Forecast %	2018/19 Forecast %
Interest and MRP %	10.1	9.8

##### 3. The impact of schemes with capital expenditure on the level of council tax

This calculation highlights the hypothetical impact on the level of Council Tax from changes from the previously approved MTFs due to capital schemes (including their associated revenue implications). The actual change in Council Tax will be significantly different due to revenue variations, spending adjustments and the use of revenue reserves.

Impact on Council Tax	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £
Variation	(0.36)	0.00	0.00	0.00
Cumulative	(0.36)	(0.36)	(0.36)	(0.36)

##### 4. The capital financing requirement.

This represents the estimated need for the Authority to borrow to finance capital expenditure less the estimated provision for redemption of debt (the MRP).

Borrowing Requirement	2018/19 Estimate £m	2018/19 Forecast £m
CIS CFR	24.5	18.8

## 5. Asset Investment and Yields

Properties	Investment £m	Yield %
<b>Existing Commercial Estate</b>	20.80	10.2
<b>Stonehill, Huntingdon</b>	1.36	9.2
<b>Wilbury Way, Hitchin</b>	2.31	7.6
<b>Shawlands Retail Park, Sudbury</b>	6.89	6.7
<b>Parkway, Fareham</b>	5.69	7.4
<b>CCLA Property Fund</b>	4.00	4.2
Note: The yields for Stonehill, Wilbury Way, Shawlands and Fareham, include initial investment costs, the existing estate yield does not.		

## 6. CIS Reserve Balance

Reserve Balance	£m
<b>Reserve Balance as at 31<sup>st</sup> March 2018</b>	3.60
<b>Investments</b>	0.00
<b>Balance at 30<sup>th</sup> September 2018</b>	3.60

## 7. Loan to Value and Debt to Income Indicators

Investments in Stonehill Huntingdon, Wilbury Way Hitchin and Shawlands Sudbury, were financed by a contribution from an earmarked reserve, and therefore the indicators do not apply. The indicators for Parkway Fareham are;

Property	Loan to Value	Debt to Income
Parkway, Fareham	92.2%	33.0%

## 8. Analysis of Investment Propositions

Potential CIS investments are being continually investigated. The table below lists the 38 opportunities that were examined, and if they were not proceeded with, why.

Action	No. of Cases
Purchased	0
Currently under offer	1
Under investigation	2
Out bid	1
Out of district - rejected	34
<b>Total</b>	<b>38</b>

## **APPENDIX F**

### **GLOSSARY**

#### **Bail in Risk**

Bail in risk arises from the failure of a bank. Bond-holders or investors in the bank would be expected to suffer losses on their investments, as opposed to the bank being bailed out by government.

#### **Bank Equity Buffer**

The mandatory capital that financial institutions are required to hold, in order to provide a cushion against financial downturns, to ensure the institution can continue to meet its liquidity requirements.

#### **Bank Stress Tests**

Tests carried out by the European Central Bank on 51 banks across the EU. The tests put banks under a number of scenarios and analyse how the bank's capital holds up under each of the scenarios. The scenarios include, a sharp rise in bond yields, a low growth environment, rising debt, and adverse action in the unregulated financial sector.

#### **Bonds**

A bond is a form of loan, the holder of the bond is entitled to a fixed rate of interest (coupon) at fixed intervals. The bond has a fixed life and can be traded.

#### **Call Account**

A bank account that offers a rate of return and the funds are available to withdraw on a daily basis.

#### **Capital Financing Requirement (CFR)**

The CFR is a measure of the capital expenditure incurred historically, but has yet to be financed, by for example capital receipts or grant funding.

#### **Collar (Money Market Fund)**

The fund "collar" forms part of the valuation mechanism for the fund. LVNAV funds allow investors to purchase and redeem shares at a constant NAV calculated to 2 decimal places, i.e. £1.00. This is achieved by the fund using amortised cost for valuation purposes, subject to the variation against the marked-to-market NAV being no greater than 20 basis points (0.2%). (This compares to current Prime CNAV funds which round to 50 basis points, or 0.5%, of the NAV.)

#### **Counterparty**

Another organisation with which the Council has entered into a financial transaction with, for example, invested with or borrowed from.

#### **Credit Default Swaps (CDS)**

A financial agreement that the seller of the CDS will compensate the buyer in the event of a loan default. The seller insures the buyer against a loan defaulting.

#### **Credit Ratings**

A credit rating is the evaluation of a credit risk of a debtor, and predicting their ability to pay back the debt. The rating represents an evaluation of a credit rating agency of the qualitative and quantitative information, this results in a score, denoted usually by the letters A to D and including +/-.

#### **Gilts**

Bonds issued by the Government.

**LIBOR**

London Interbank Offered Rate, is the rate at which banks are willing to lend to each other.

**LIBID**

London Interbank Bid Rate, is the rate at which a bank is willing to borrow from other banks.

**Liquidity**

The degree to which an asset can be bought or sold quickly.

**LVNAV Money Market Fund**

Low volatility net asset value. The fund will have at least 10% of its assets maturing on a daily basis and at least 30% of assets maturing on a weekly basis.

**Minimum Revenue Provision (MRP)**

An amount set aside to repay debt.

**Money Market Funds**

An open ended mutual fund that invests in short-term debt securities. A deposit will earn a rate of interest, whilst maintaining the net asset value of the investment. Deposits are generally available for withdrawal on the day.

**Public Works Loans Board (PWLB)**

The PWLB is an agency of the Treasury, it lends to public bodies at fixed rates for periods up to 50 years. Interest rates are determined by gilt yields.

**Redemption Gate**

The right of a fund to limit or halt redemptions. Redemption gates are intended to stop runs on funds, which may develop after for instance a terrorist attack.

**Sponsor**

The financial backer of a money market fund.

**Transactional Banking**

Use of a bank for day to day banking requirement, e.g. provision of current accounts, deposit accounts and on-line banking.