

Agenda Item No: 9.1 **Report No:** 47/15
Report Title: Finance Update
Report To: Cabinet **Date:** 19 March 2015
Cabinet Member: Councillor Andy Smith
Ward(s) Affected: All
Report By: Alan Osborne, Director of Corporate Services
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Purpose of Report:

To provide an update on financial matters affecting the General Fund Revenue Account, the Housing Revenue Account and the approved Capital Programme.

Officers Recommendation(s):

That Cabinet:

- 1 Notes that Treasury Management activity since the last report to Cabinet has been consistent with the Council's approved Treasury and Investment Strategy.
 - 2 Approves an additional allocation of £50,000 within the Change Management and Spending Power Reserve in respect of legal fees associated with the Lewes Property Portfolio project.
 - 3 Agrees, in accordance with Contract Procedure Rule (CPR) 2.2, that the award of the contract for the New Service Delivery Model Technology and Consultancy Services can be made to the supplier submitting the Most Economically Advantageous Tender, in the event that it is not the lowest.
 - 4 Notes the remainder of the report.
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Reasons for Recommendations

- 1 A report on funding issues in relation to the Council's General Fund Revenue Account, Housing Revenue Account and Capital Programme is made to each meeting of the Cabinet to ensure that the Council's financial health is kept under continual review. It is essential to ensure that the Council has a sound financial base from which to respond to changing activity levels and demand for statutory

services and to ensure that, when appropriate, its finances are adjusted in response to reducing income levels and inflationary pressures on expenditure.

- 2 The Council's Treasury Management function deals with very large value transactions on a daily basis. It is essential that the Council is satisfied that appropriate controls are in place and in accordance with the Code of Practice on Treasury Management in the Public Services prepared by CIPFA (the Chartered Institute of Public Finance and Accountancy) and adopted by the Council.

Information

3 Treasury Management and Banking Arrangements

- 3.1 Appendix 1 gives details of the Treasury Management activity between 11 December 2014 and 27 February 2015. All activity was consistent with the Council's approved Treasury and Investment Strategies for 2014/2015.
- 3.2 In accordance with the Council's approved Treasury Strategy Statement, the Audit and Standards Committee reviews all treasury activity that takes place in order to confirm that it has been undertaken in accordance with the approved Strategy. Should the Audit and Standards Committee have any observations they would be recorded in its minutes and referred to Cabinet.
- 3.3 As previously reported, the Council has transferred its day-to-day banking business to Lloyds Bank plc, following the Co-operative Bank's decision to withdraw from the local authority sector. The Council's main account with the Co-operative Bank was closed on 26 February 2015.

4 Procurement of Professional Advice

4.1 Lewes Property Portfolio

- 4.1.1 Negotiation of the final development agreement of the Lewes Property Portfolio (LPP) is making good progress. The LPP is an innovative regeneration scheme that will see Lewes District Council working together with private sector and Registered Provider partners on a package of council owned sites across the district.
- 4.1.2 Legal fees for the next stage of the project (ie the drafting and subsequent negotiation of the Development Agreement) are estimated to be in the region of £40,000 to £50,000 excluding disbursements.
- 4.1.3 Funding for legal and associated professional fees for this project has been earmarked in the Spending Power element of the Change Management and Spending Power Reserve. Of the £73,000 allocated at 1 April 2014, £37,000 has been spent in the year to date. It is recommended that a further allocation of £50,000 is made to provide funding for the legal fees for the next stage of the project as well as a contingency to meet disbursements and unexpected costs which may arise. This additional allocation can be made from the unallocated balance held within the Change Management element of the Reserve, which is currently £852,000.

4.2 Coastal Management

- 4.2.1** In 2014 an application was made to the Environment Agency for £60,000 funding to support an Implementation Plan setting out the options to manage the coast between Brighton Marina and Newhaven over the next 100 years.
- 4.2.2** Funding was allocated and in September 2014 a tender exercise was undertaken to appoint a specialist coastal management and engineering consultant. Three tenders were received and evaluated. The second lowest tender, £49,800 (exceeding the lowest tender by £3,300) was considered to represent best value, and the contractor was appointed, starting work in November 2014, without the prior approval of Cabinet.
- 4.2.3** In accordance with Contract Procedure Rules, this procurement is now reported to Cabinet.

4.3 New Service Delivery Model Technology and Consultancy Services

4.3.1 Cabinet received a report (no. 162/14) on this matter on 20th November 2014, and resolved that the Chief Executive and Director of Service Delivery, in consultation with the Leader and Deputy Leader of the Council, be authorised to award a contract to the supplier selected by the procurement process set out in the report (minute 45.3 refers).

4.3.2 The draft procurement timetable includes the following target dates and activities.

20th Apr 2015	Invite selected contractors to tender (using published award criteria)
7th July 2015	Complete evaluation of tenders (using published award criteria)
8th July 2015	Select successful contractor
21st July 2015	Award Contract

4.3.3 It is intended that the contract will be awarded to the most economically advantageous tender (MEAT), with weightings within the award criteria of price 30% and quality 70%. These weightings are based on the market consultation exercise held in January 2015; research into the practice of other local authorities; and consideration of the importance of quality in meeting the project's objective of generating efficiency savings. The Council will be obliged to award the contract based on the award weightings published with the invitation to tender.

4.3.4 Where MEAT criteria are used, there is always a possibility that the MEAT will be other than the lowest priced tender. However, the Council's Contract Procedure Rule (CPR) 6.22 requires that a tender other than the lowest tender shall not be accepted until Cabinet has considered a written report. Cabinet has the power under CPR 2.2 to waive CPRs in the case of a future procurement.

4.3.5 Cabinet is recommended to apply CPR 2.2 in the case of this procurement so that the contract can then be awarded to a tender other than the lowest tender if the lowest tender is not the MEAT (based on price 30% and quality 70%). The reasons for recommending this action are as follows:

- Cabinet has already accepted the importance of quality in meeting the objective of generating efficiency savings.
- Asking Cabinet for a waiver at a later date could delay the procurement process.
- Cabinet would not be able to award the contract to the lowest tender if this would result in a breach of the award criteria. The Council would have to abandon the procurement and start the whole process again.
- There is also a risk of reputational damage if Cabinet decides to abandon the procurement process as late as July 2015 (i.e. following the issuing of the invitation to tender and after contractors had incurred the substantial costs of submitting tenders). If lowest price is the driving factor it should be identified as such before arriving at the award stage of the procurement.

4.3.6 CPR 6.23 provides that no tender which exceeds the approved budget provision shall be accepted until the Cabinet has considered a written report from the appropriate Officer and the Director of Finance. Accordingly, the proposed waiver of CPR 6.22 would not allow the contract to be awarded if this would exceed the approved budget.

5 Financial Appraisal - referred to under individual items above.

6 Sustainability Implications

There are no sustainability implications arising from this report.

7 Legal Implications

There are no legal implications arising from this report.

8 Risk Management Implications

8.1 The Council maintains an overview of its policy programme, its Medium Term Financial Strategy and the external factors that affect them. Without this constant analysis and review there is a risk that the underlying recurring revenue budgets will grow at a faster rate than the resources available to fund them. This risk is mitigated through regular reports to Cabinet on the Council's overall revenue and capital position and Cabinet's correcting actions taken in accordance with the objectives and principles it set for management of the Council's finances.

8.2 An additional risk in the current climate is that reserves and balances will be drawn upon sooner than is necessary unless an assessment is made of resource implications where activity levels have fallen or risen to any significant degree. This risk is mitigated by identifying such areas, making an assessment covering the short and medium term and taking corrective action.

9 Equality Screening

The Equality Screening process for this Report took place in February 2015. No potential negative impacts were identified.

10 Background Papers

Treasury Strategy Statement <http://www.lewes.gov.uk/council/20987.asp>

Appendices

Appendix 1 - Statement of Investment Activity: 11 December 2014 to 27 February 2015

**Statement of Treasury Management Activity:
11 December 2014 to 27 February 2015**

1. Fixed Term Deposits

Loan	Counterparty	Principal £	From	To	Capital O/s £	Capital Repaid £	Interest Rate %
Current investments at 27 February 2015							
220714	Barclays Bank plc	1,000,000	13 Aug 14	13 Aug 15	1,000,000		1.000
220914	Nationwide Building Society	1,000,000	01 Sep 14	02 Mar 15	1,000,000		0.640
222514	Telford and Wrekin Council	3,000,000	06 Feb 15	15 Apr 15	<u>3,000,000</u>		0.400
	Total				<u>5,000,000</u>		
Investments that have matured since last report							
221014	Nationwide Building Society	1,000,000	01 Sep 14	02 Feb 15		1,000,000	0.580
221614	Cornwall County Council	2,000,000	07 Oct 14	12 Feb 15		2,000,000	0.430
222214	Gloucester City Council	2,000,000	15 Dec 14	02 Jan 15		2,000,000	0.450
222314	Debt Management Office	3,000,000	02 Jan 15	05 Jan 15		3,000,000	0.250
222414	Debt Management Office	2,000,000	15 Jan 15	19 Jan 15		<u>2,000,000</u>	0.250
	Total					<u>10,000,000</u>	

2. Money Market Funds

	Average held £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	867	0.57
Deutsche Managed Sterling Fund	949	0.55

3. Interest Bearing Accounts

	Average held £'000	Interest rate %
Santander UK plc Business Reserve Account	2,096	0.20
Lloyds Bank Corporate Account *	1,089	0.50

4. Treasury Bills

	Purchased	£'000	Return %
Held at 27 February 2015			
UK Treasury Bills 0% 30 Mar 2015	29 Sep 14	2,000	0.570
UK Treasury Bills 0% 02 Mar 2015	01 Dec 14	1,000	0.415
UK Treasury Bills 0% 02 Mar 2015	01 Dec 14	1,000	0.419
UK Treasury Bills 0% 02 Mar 2015	02 Feb 15	1,000	0.320
UK Treasury Bills 0% 02 Mar 2015	02 Feb 15	3,000	0.300
UK Treasury Bills 0% 02 Mar 2015	02 Feb 15	<u>1,000</u>	0.310
	Total	<u>9,000</u>	

	Purchased	£'000	Return %
Matured in period			
UK Treasury Bills 0% 15 Dec 2014	17 Nov 14	2,000	0.379
UK Treasury Bills 0% 29 Dec 2014	01 Dec 14	1,000	0.398
UK Treasury Bills 0% 29 Dec 2014	01 Dec 14	1,000	0.419
UK Treasury Bills 0% 29 Dec 2014	01 Dec 14	1,000	0.438
UK Treasury Bills 0% 12 Jan 2015	15 Dec 14	1,000	0.348
UK Treasury Bills 0% 02 Feb 2015	03 Nov 14	1,000	0.380
UK Treasury Bills 0% 02 Feb 2015	05 Jan 15	2,000	0.327
UK Treasury Bills 0% 02 Feb 2015	05 Jan 15	2,000	0.348
UK Treasury Bills 0% 02 Feb 2015	05 Jan 15	1,000	0.398
UK Treasury Bills 0% 09 Feb 2015	10 Nov 14	2,000	0.430
UK Treasury Bills 0% 16 Feb 2015	17 Nov 14	2,000	0.427
		<u>16,000</u>	

5. Borrowing

No new long term borrowing undertaken in the period.
 Long-term loans outstanding £56.6m.