

POLICY & RESOURCES CABINET BOARD

3rd OCTOBER 2013

DIRECTORATE OF FINANCE & CORPORATE SERVICES

**REPORT OF THE HEAD OF FINANCIAL SERVICES
– DAVE REES**

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MATTERS FOR DECISION

ITEM 1

SECOND HOMES CONSULTATION

1. Purpose of Report

- 1.1 This report invites the committee to determine the Council's response to the "Consultation on Discretionary Powers for local Authorities to Increase Council Tax on Second Homes" published by the Welsh Government on the 16th September 2013. The consultation document is set out in Appendix 1

2. Introduction

- 2.1 Increasing the supply of homes is one of the Welsh Government's priorities. Empty homes are recognised as being a waste of resources at a time when many people are in need of housing. For this reason, the Welsh Government plans to allow Local Authorities to set higher levels of Council Tax for properties which are empty, such changes for long term empty homes are already in hand via the Housing Bill which will be introduced to the National Assembly for Wales in the Autumn. The consultation document seeks views on whether to extend this provision to second homes.

3. Current Council Tax System

- 3.1 All furnished domestic properties which are not someone's main residence can be regarded as second homes. Regulations made under Section 12 of the Local Government Finance Act 1992 currently give Local Authorities the power to grant a discount on second homes of 50% to nil. Neath Port Talbot has chosen to provide a 25% discount on second homes. There is no provision under existing legislation to enable Local Authorities to charge more than the full standard rate of Council Tax on second homes.

4. Proposed Change

- 4.1 To allow Local Authorities in Wales the discretion to charge more than the full standard rate of Council Tax on second homes.

5. Recommendation

- 5.1 It is recommended that Members consider the Authority's proposed response to the consultation document in Appendix 2 and advise whether the responses are supported.

Appendices

Appendix 1 – Consultation Document

Appendix 2 – Authority’s proposed response to the Consultation Document

Wards Affected

All

Officer Contact

For further information on this report item, please contact:

Mr Dave Rees - Head of Financial Services

Tel. No. 01639 763634

E-mail: d.rees1@npt.gov.uk

Mrs Ann Hinder - Principal Council Tax Officer

Tel. No. 01639 763908

E-mail: a.hinder@npt.gov.uk

COMPLIANCE STATEMENT

SECOND HOMES CONSULTATION

(a) **Implementation of Decision**

The decision is proposed for implementation after the 3 day call-in period.

(b) **Sustainability Appraisal**

Community Plan Impacts:

Economic Prosperity)
Education and Lifelong Learning)
Better Health and Well Being) see below
Environment and Transport)
Crime and Disorder)

Other Impacts:

Welsh Language)
Sustainable Development) see below
Equalities)
Social Inclusion)

Welsh Government consultation on this issue will impact differently on the various community plans and home owners across the County Borough. In some instances it may generate additional finance. In other instances, it could cause further burdens on services.

(c) **Consultation**

There has been no requirement under the Constitution for external consultation on this item.

Number: WG19733



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Welsh Government

Consultation Document

Consultation on Discretionary Powers for Local Authorities to Increase Council Tax on Second Homes

Date of issue: **16 September 2013**

Action required: Responses by **28 October 2013**

Overview

This consultation seeks views on the proposal to seek further powers for Welsh Ministers to amend legislation to allow local authorities the discretion to charge additional council tax on long-term empty domestic properties in Wales.

How to respond

To respond to this consultation, please complete the online form which can be accessed here:

<http://wales.gov.uk/consultations/localgovernment/council-tax-second-homes/?lang=en>

Alternatively, respondents may use the form provided at the end of this document.

Responses can be e-mailed or sent direct to:
Paul Bryant

Local Government Finance and Public Service
Performance Division

Welsh Government

Cathays Park

Cardiff

CF10 3NQ

e-mail: lgf1Consultations@wales.gsi.gov.uk

Further information and related documents

Large print, Braille and alternate language versions of this document are available on request.

This consultation is part of the wider housing programme and is in conjunction with the consultation on *Homes for Wales: A White Paper for Better Lives and Communities*.

<http://wales.gov.uk/consultations/housingcommunity/housewhitepaper/?lang=en>

Contact details

For further information, or queries regarding this consultation, please contact:

Paul Bryant

Local Government Finance & Public Service
Performance Division

Welsh Government

Cathays Park

Cardiff

CF10 3NQ

e-mail: Paul.Bryant@wales.gsi.gov.uk

Data protection

How the views and information you give us will be used

Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about. It may also be seen by other Welsh Government staff to help them plan future consultations.

The Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full.

Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. This helps to show that the consultation was carried out properly. If you do not want your name or address published, please tell us this in writing when you send your response. We will then blank them out.

Names or addresses we blank out might still get published later, though we do not think this would happen very often. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 allow the public to ask to see information held by many public bodies, including the Welsh Government.

This includes information which has not been published. However, the law also allows us to withhold information in some circumstances. If anyone asks to see information we have withheld, we will have to decide whether to release it or not. If someone has asked for their name and address not to be published, that is an important fact we would take into account. However, there might sometimes be important reasons why we would have to reveal someone's name and address, even though they have asked for them not to be published. We would get in touch with the person and ask their views before we finally decided to reveal the information.

Foreword

There is wide recognition the demand for good quality affordable housing exceeds supply. Increasing supply is one of the Government's priorities.

In 2012, the Welsh Government published *Homes for Wales: A White Paper for Better Lives and Communities*. This highlighted the problems with housing supply and set out proposals for an ambitious programme of action to address it. It included a proposal to give Local Authorities a discretionary power to charge higher rates of council tax on long-term empty properties. Draft provisions will be included in the Housing Bill, which will be introduced into the National Assembly for Wales in the autumn.

The public consultation on the White Paper invited comments on discretionary powers and empty homes. Some of the respondents to this proposal also suggested consideration should be given to extending such powers to include second homes. We wish to obtain more views on this.

Bringing empty properties back into use has the potential to improve housing supply and the environment of local communities. In this consultation, we want to explore the effects second homes may have on some communities, particularly in rural areas. While second homes are generally in better condition than empty homes, they are occupied for part of the year only. This may have a detrimental effect on the sustainability of local services and could have wider implications for local communities.

The Welsh Government is not proposing to restrict the ownership of second homes in Wales. We recognise the value of second homes to the economy in certain areas and do not wish to interfere with people's freedom to live where they choose. However, we also recognise there may be effects on local housing markets and, in those areas where numbers of properties are not occupied for large parts of the year, on the services available to the local community.

We encourage individuals, both owners of second homes and members of local communities who may be affected by second homes, as well as organisations with an interest in housing provision to respond to this consultation.

Lesley Griffiths AM
Minister for Local Government and Government Business

Carl Sargeant AM
Minister for Housing and Regeneration

Executive Summary

Introduction

Increasing the supply of homes is one of the Welsh Government's priorities. An extensive programme of work is in hand in partnership with housing providers, house builders, lenders and others to deliver more homes, and more affordable homes, to help people meet their housing needs.

Making the best use of existing homes is also vital and tackling the problem of empty homes is the subject of another extensive programme of action. As part of this, proposals which would allow Local Authorities to charge additional council tax on long-term empty homes have already been published.

In addition to doing more to help people to meet their housing needs, the Government is also mindful of the effect the availability of housing can have on the cultural identity of local communities and on the sustainability of local economies, particularly in rural areas.

Overview

This consultation seeks views on the policy and practical considerations of giving Local Authorities a discretionary power regarding the council tax they can apply to second homes. All views are welcome. Comments from Local Authorities, people in local communities which may be affected by second homes, the owners of second homes, advisory groups, representative bodies, businesses and the third sector are all welcome.

There are a number of specific questions on which your comments are requested but we welcome comments on any aspects of the topic of higher council tax and second homes. The questions are set out in Appendix 1. Additional information is provided to help you in considering your response.

Consultation on providing Local Authorities with Discretionary Powers to Charge more than Standard Council Tax on Second Homes in Wales

Background

A study by the Welsh Local Government Association in 2012 suggested around 23,000 residential properties in Wales were empty or being used as second homes.

Empty homes are recognised as being a wasted resource at a time when there are many people and families in need of good quality housing. Bringing these properties back into use could provide more people with safe, secure and affordable homes, helping to meet the demand for housing. For this reason, the Welsh Government plans to include provisions in the Housing Bill to allow Local Authorities to set higher levels of council tax properties which have been empty for long periods of time. Some of the responses to the consultation on the proposals for empty homes suggested similar provisions should be made for second homes.

For some owners of second homes, a higher council tax charge might act as an incentive to utilise the property in a different way, resulting in an increased number of properties being brought back into use. However, this may not be so in all cases. Any additional funds raised through a higher rate of council tax on second homes could potentially be deployed in such a way as to alleviate some of the impacts second homes can have on local communities. These include impacts on the availability of affordable housing and the provision of public services and other local facilities, including public transport.

The Welsh Government is seeking the views of individuals and organisations on a discretionary power allowing Local Authorities to levy a higher rate of council tax on second homes.

The current council tax system

The council tax system does not specifically identify empty or second homes. It operates on the basis of whether a property is someone's main residence or not, whether it is unoccupied and whether it is furnished. All domestic properties which are not someone's main residence, including empty properties, can be regarded as second homes. The term does not just apply to holiday homes or homes which are only occupied for part of the year.

For council tax purposes, if a property is unoccupied and contains no furniture, it is exempt from council tax for the first six months from the date it became unfurnished. Once this period has elapsed, the property falls within a class of dwellings prescribed in regulations which provide Local Authorities with discretion to allow a discount.

Properties which are unoccupied and furnished also fall into a class prescribed in these regulations. Local Authorities have discretion to allow the full discount, to allow a reduced discount or not to allow any discount on these.

Certain unoccupied dwellings are excluded from these classes of second homes and a discount of 50 per cent is still applicable. These include:

- (i) Unoccupied caravans;
- (ii) Dwellings which are furnished but unoccupied because the owner is liable for council tax elsewhere in job-related accommodation;
- (iii) Dwellings which are unoccupied because the liable person is the personal representative of the deceased former occupier and where less than 12 months have elapsed since grant of probate or Letters of Administration were obtained.

From 1 April 2010, the 50 per cent discount on second homes was also made available to armed forces personnel who are required to live in accommodation provided by the Ministry of Defence to perform the duties of their office.

Proposal

The Welsh Government has already consulted on proposals relating to council tax on long-term empty properties. Having considered the comments received, we are now consulting on making provision for Local Authorities to charge additional council tax on second homes.

The Local Government Finance Act 1992, as amended, defines certain empty homes and allows for a discount of council tax for these properties. There is no provision under existing legislation to enable Local Authorities to charge more than the full standard rate of council tax on empty homes or second homes. Primary legislation would be required to change the current rules. Such changes are already in hand for long-term empty homes via the Housing Bill which will be introduced into the National Assembly for Wales in the autumn.

Give us your views.

You can submit your comments in a number of ways.

Post: Paul Bryant
Local Government Finance and Performance Division
Welsh Government
Cathays Park
Cardiff
CF10 3NQ

Email: lgf1Consultations@wales.gsi.gov.uk

Responses to consultations may be made public – on the internet or in a report. If you would prefer your response to be kept confidential, please say so at the time of responding. If responding on behalf of an organisation or group, also state if you do not wish for your name to be published.

Your views are important. Your comments and views are needed and welcomed in response to this public consultation. **The consultation will close on 28 October 2013.**

Appendix 1

Responding to the consultation

The objectives of any change to existing policy: The proposal relating to long-term empty properties is clearly linked to increasing the supply and quality of housing. However, any change in the taxation policy for second homes could have wider implications and we wish to hear your views on what these might be. It would be helpful if you could provide supporting evidence for your answers.

Q1 Should Local Authorities in Wales have discretion to charge more than the standard full rate of council tax on second homes?

Q2 What benefits or disadvantages do you think charging additional council tax on second homes might have for local communities or for Wales as a whole?

Q3 What do you think the maximum level of additional council tax on second homes should be?

Building on current proposals: The Welsh Government previously consulted on the level of council tax for long-term empty properties up to a maximum of 200% of the standard charge. It may be simpler and fairer if the same rate of additional tax were to be charged on both second homes and long-term empty homes.

Q4 Do you think the maximum level of council tax should be the same for second homes and long-term empty properties?

Area where the extra levy could apply: One of the objectives would be to ensure the policy is simple to understand and operate. It has been suggested the additional tax could be targeted at certain areas where second homes can be shown to have a significant impact on local communities. However, whilst this may be the case, Authorities would need to defend any apparent inconsistencies in their taxation policies. A fairer system might be for any higher charge to apply across the whole of a Local Authority's area.

Q5 Do you think the additional tax should be set at the same level across the whole of a Local Authority's area?

Q6 Should the additional tax apply to particular types of second home only?

Q7 Should certain types of second home be exempt from the additional charge?

Use of the additional income: Local Authorities would be free to retain any additional funding generated by charging additional council tax on long-term empty homes. The same would apply to second homes. Local Authorities would make the decisions as to how they use any additional funding. The Welsh Government would encourage Authorities to use any additional funds raised from council tax on long term empty homes to do more to help people meet their housing needs. For second homes, the same could be done. Alternatively, the funds could be used to support local services

and facilities in communities which have larger numbers of second homes or for the benefit of the wider community.

Q8 How might any additional funds raised be used to support local communities which have larger numbers of second homes?

Q9 Do you have any other points you wish to raise which are not already covered in this consultation document?

Responses to consultations are likely to be made public, on the internet or in a report. If you would prefer your response to remain anonymous, please tick here:

Consultation on Discretionary Powers for Local Authorities to Increase Council Tax on Second Homes

Consultation form

To help us to record and analyse responses, please answer the following questions. You do not need to comment on all of the questions and you are welcome to give your views on aspects which are not covered by the questions.

Q1 <i>Should Local Authorities in Wales have discretion to charge more than the standard full rate of council tax on second homes?</i>	
Q2 <i>What benefits or disadvantages do you think charging additional council tax on second homes might have for local communities or for Wales as a whole?</i>	
Q3 <i>What do you think the maximum level of additional council tax on second homes should be?</i>	
Q4 <i>Do you think the maximum level of council tax should be the same for second homes and long-term empty properties?</i>	
Q5 <i>Do you think the additional tax should be set at the same level across the whole of a Local Authority's area?</i>	
Q6 <i>Should the additional tax apply to particular types of second home only?</i>	
Q7 <i>Should certain types of second home be exempt from the additional charge?</i>	
Q8 <i>How might any additional funds raised be used to support local communities which have larger numbers of second homes?</i>	
Q9 <i>Do you have any other points you wish to raise which are not already covered in this consultation document?</i>	

PROPOSED RESPONSE TO CONSULTATION DOCUMENT

<p>Q1 Should Local Authorities in Wales have discretion to charge more than the standard full rate of council tax on second homes?</p>	<p>Yes. Neath Port Talbot welcomes this proposal. The ability to charge additional Council Tax would be an useful tool in addressing the issue of unoccupied houses and a shortage of housing supply.</p>
<p>Q2 What benefits or disadvantages do you think charging additional council tax on second homes might have for local communities or for Wales as a whole?</p>	<p>Increasing the amount of Council Tax payable may deter homeowners from leaving a property empty as it would be an increased financial burden. This could lead to improved availability of housing stock in the area. A major concern would be abuse of the system by creating bogus tenants to prevent attracting a higher levy of Council Tax. This could lead to uncollectable Council Tax and a reduction in our collection rate.</p> <p>Homeowners will undoubtedly feel aggrieved when paying more than the full standard rate of Council Tax on an unoccupied property.</p>
<p>Q3 What do you think the maximum level of additional council tax on second homes should be?</p>	<p>150% of the Council Tax charge may be an effective deterrent for those who are currently content to leave a property unoccupied. However Welsh Government previously consulted on the level of Council Tax for long term empty properties up to a maximum of 200% of the standard charge. It may be fairer if the same rate of additional tax were to be charged on both second homes and long term empty homes.</p>
<p>Q4 Do you think the maximum level of council tax should be the same for second homes and long-term empty properties?</p>	<p>Yes. This would ensure the policy is simple to understand and operate. Varying levels can cause confusion to homeowners.</p>
<p>Q5 Do you think the additional tax should be set at the same level across the whole of a Local Authority's area?</p>	<p>Yes. The charge should be fair and consistent across the Local Authority's area. It would be easier to administer if there was consistency in charging.</p>

PROPOSED RESPONSE TO CONSULTATION DOCUMENT

<p>Q6 Should the additional tax apply to particular types of second home only?</p>	<p>No. It should apply to all categories of second homes but Authorities could be granted discretion to provide an exemption for a set period of time in certain circumstances (see below)</p>
<p>Q7 Should certain types of second home be exempt from the additional charge?</p>	<p>Yes. In the current economic climate where many home owners are experiencing difficulties in selling their property, it may be reasonable to provide a period of exemption from the additional charge while the property is being actively marketed and all reasonable steps are being taken to secure a sale.</p> <p>An exemption from the additional charge for a set period of time may also be applicable where the owner is working with the Authority to bring the property back into occupation.</p>
<p>Q8 How might any additional funds raised be used to support local communities which have larger numbers of second homes?</p>	<p>Additional funds raised could be used to support and encourage investment in housing in the community with a view to bringing empty properties back into occupation. To provide community facilities that all local people can use.</p>
<p>Q9 Do you have any other points you wish to raise which are not already covered in this consultation document?</p>	<p>There is a risk that avoidance measures could be taken to evade the higher premium, with false occupation declared to avoid liability. This would be difficult to police and could have a significant impact on the amount of Council Tax collected and financial risk to the Council's collection fund and revenue streams.</p> <p>Measures need to be in place to ensure a second homes charge is levied where there is no registered elector at the property.</p>

ITEM 2

COUNCIL TAX REDUCTION SCHEME

1. Purpose of Report

To seek Council approval to consult on developing a Council Tax Reduction Scheme for implementation for the 2014/15 financial year.

2. Proposal

As part of the UK Government Welfare Reform changes, as from April 2012 it devolved the responsibility for Council Tax Benefit from the Department for Works and Pension to the Welsh Government and Local Authorities.

In January, following consultation, this authority approved a new Council Tax Reduction Scheme. This current scheme is common across all local authorities with three discretionary areas each authority having to have considered its options for discretion. The 2013/14 scheme had a “sunset” clause which means that the scheme ends on 31st March 2014 and a new scheme has to be adopted for 2014/15.

Funding from the Welsh Government for the 2014/15 scheme is still under discussion although there will certainly be a contribution required from individual authorities towards the cost of the scheme.

Consultation last year was based on a proposal to retain the majority of the existing Council Tax Benefit rules but to limit the amount of support to 90% of the Individual’s Council Tax Liability and to withdraw the Second Adult Rebate i.e. under the previous Regulations a rebate of up to 25% was awarded to a single Council Tax payer for a second adult living in that household.

However, during January 2013, the Welsh Government identified an additional £22m of funding to enable local authorities to increase support from 90% to 100% (where applicable).

There are two significant changes to the proposed scheme for 2014/15. Firstly there is currently a 26 week easement period for an increase in any non dependant deduction for a claim in respect of a pensioner. This easement is being removed although there will be transitional protection for those already in receipt of the easement. Secondly there is a requirement to consult with major precepting authorities on the new scheme.

There are three local discretionary areas within the Regulations that need to be consulted on by each individual Local Authority prior to finalising their scheme. It should be noted that in 2013/14 the scheme approved by this authority chose to only utilise the ability to disregard in full the relevant War Pensions. The discretionary areas are:-

- The ability to increase the standard extended payment period of 4 weeks given to people after they return to work, when they have been in receipt of a relevant qualifying benefit for at least 26 weeks.
- Discretion to disregard part or the whole amount of War Disablement pensions and War Widows Pensions when calculating income. (Members should note that the Regulations provide a £10 statutory exemption and this Local Authority currently tops this up to a 100% exemption).
- The ability to backdate the application of Council Tax Reduction awards for working and pension age customers more than the standard period of 3 months prior to the claim.

3. Consultation Period

A document explaining the above mentioned issues is currently being prepared together with a questionnaire which will be circulated to the Council's Partners, included on the Council website and at various venues for a six week period from a date to be confirmed. All responses received during the consultation will be collated and considered as part of preparing the proposed scheme for approval by Cabinet and for final Council approval on 22nd January 2014.

4. Recommendation

It is recommended that Members approve the consultation to take place in relation to the Council Tax Reduction Scheme which needs to be introduced for 2014/15 and that the responses will be considered prior to finalising the Neath Port Talbot proposed scheme for approval on the 22nd January 2014.

Appendix

None

Background Papers

Council Tax Reduction Scheme communications
Welfare Reform Legislation – UK and Welsh Government

Wards

All

Officer Contact

For further information on this report item, please contact:

Mr Dave Rees – Head of Financial Services
Tel. No. 01639 763634
Email: d.rees1@npt.gov.uk

Mr Kevin Davies – Principal Officer Benefits
Tel. No. 01639 763920
Email: k.davies1@npt.gov.uk

Mrs Ann Hinder – Principal Council Tax Officer
Tel. No. 01639 763908
Email: a.hinder@npt.gov.uk

COMPLIANCE STATEMENT
COUNCIL TAX REDUCTION SCHEME

(a) **Implementation of Decision**

The decision is proposed for implementation after the 3 day call-in period.

(b) **Sustainability Appraisal**

Community Plan Impacts:

Economic Prosperity	Positive
Education and Lifelong Learning	No impact
Better Health and Well Being	Positive
Environment and Transport	No impact
Crime and Disorder	No impact

Other Impacts:

Welsh Language	No impact
Sustainable Development	Positive
Equalities	Positive
Social Inclusion	Positive

(c) **Consultation**

Consultation will commence following the Committee decision.

MATTERS FOR INFORMATION

ITEM 3

TREASURY MANAGEMENT MONITORING 2013/14

1. Purpose of Report

This report sets out treasury management action and information since the previous report.

2. Rates of Interest

Bank base rates continue to be at an all time low of 0.5% (since 5th March 2009) and detailed below are the changes in the bank base rate since April 2008.

Effective Date	Bank Rate
10 April 2008	5.00%
08 October 2008	4.50%
06 November 2008	3.50%
04 December 2008	2.00%
08 January 2009	1.50%
05 February 2009	1.00%
05 March 2009 to date	0.50%

The following table provides examples of external borrowing costs as provided by the Public Works Loans Board as at 17th September 2013.

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 12 Aug 13	Current 17 Sept 13	Previous 12 Aug 13	Current 17 Sept 13	Previous 12 Aug 13	Current 17 Sept 13
	%	%	%	%	%	%
5-5.5 years	1.54	1.79	1.55	1.80	2.33	2.65
10-10.5 years	2.33	2.65	2.37	2.70	3.48	3.74
20-20.5 years	3.48	3.74	3.62	3.87	4.21	4.33
35-35.5 years	4.12	4.27	4.24	4.35	4.37	4.43
49.5-50 years	4.31	4.4	4.37	4.43	4.35	4.42

3. General Fund Treasury Management Budget

The following table sets out the treasury management budget for 2013/14 and consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income.

The rate of return on investments has reduced considerably in 2013/14 due to schemes introduced by Central Government (Funding for Lending, Help to Buy), therefore we have had to reduce our income target for investments by £350,000. There is no overall change to the debt charges budget as expenditure has reduced in line with income.

	2013/14 Original Budget £'000	2013/14 Revised Budget £'000
Debt Charges	17,466	17,166
Investment Income		
- Total	(1,250)	(900)
- less allocated to other funds	210	160
- General Fund (net)	(1,040)	(740)
Net General Fund	16,426	16,426

NB: Other funds include Trust Funds, Social Services Funds, Schools Reserves, Bonds etc.

4. Borrowing

Temporary short-term borrowing has been carried out since the last report totalling £5m. This was entered into due to short-term cash flow requirements it was fully repaid on the 4th September 2013. The cost of short term borrowing was less than the loss of interest on investments.

5. Investment Income

In line with the Council's Investment Strategy, the 2013/14 Revised Budget for investment income is £900,000, treasury management investment income to the end of September totals £492,000.

Members should note that all investments are classified as ‘specified’ i.e. up to 12 months and are currently with the major banks including Barclays, Lloyds Group, Bank Santander, Clydesdale, RBS and Nationwide BS.

Icelandic Bank Update

Members should note the following position in relation to the recovery of monies from investments in Icelandic related banks.

Since the last report we have received two further dividends from the Administrators of Heritable and Landsbanki, £1.530m and £313,000 respectively.

Table 1 – Original Investments

Bank	Original Investment	Amount of Principal Repaid	Current Outstanding Investment
	£'000	£'000	£'000
Glitnir	2,000	2,000	0
Heritable	9,000	8,597	403
KSF	3,000	2,439	561
Landsbanki Islands HF	6,000	3,308	2,692
	20,000	16,344	3,656

In addition to the amounts listed above, an additional £50,000 was received in relation to the Glitnir Bank settlement. This £50,000 was in respect of interest due on the original investment.

Table 2 – Investments Held in Escrow Accounts – Icelandic Kroner

Bank	Investment (Sterling Equivalent)	Amount Repaid	Outstanding Investment
	£'000	£'000	£'000
New Glitnir	387	0	387
New Landsbanki	47	0	47
	434	0	434

Some of the investments matured by the old Glitnir and Landsbanki banks have resulted in cash being held in the form of Icelandic Kroner. In line with Icelandic law, the Kroner is not tradable and can only be spent within Iceland. The Local Government Association is pursuing ways of transferring these investments to realise repayments into Sterling. These new investments with the new banks are held in Escrow Accounts in the name of the local authority and generating interest in excess of 4%.

List of Background Papers

Treasury Management Files
PWLB Notice Number 359/13

Appendix

None

Wards Affected

All

Officer Contact

For further information on this report item, please contact:

Mr Dave Rees – Head of Financial Services

Tel. No. 01639 763634

E-mail: d.rees1@npt.gov.uk

Mr Huw Jones – Chief Accountant (Capital and Exchequer)

Tel. No. 01639 763575

E-mail: h.jones@npt.gov.uk

Mr Geoff Powell – Senior Accountant

Tel. No. 01639 763590

E-mail: g.powell1@npt.gov.uk

ITEM 4

INSURANCE ARRANGEMENTS 2013/14

1. Purpose of Report

- 1.1 The purpose of the report is to advise Members of an officer urgency action number 360 taken on the 12th September 2013 to accept the results of the 2013 insurance renewal negotiations with underwriters which was carried out on our behalf by our insurance brokers, Marsh Limited.
- 1.2 Approval of the insurance renewals is required by the 1st October 2013, with the information in relation to the renewals becoming available on the 6th September 2013. This is why this matter was the subject of an urgency action.

2. Background

- 2.1 During 2010, the Council's insurance brokers, Marsh Limited, conducted an EU compliant procurement exercise to obtain a new long term agreement for five years from 1st October 2010 for all but one of the Council's main insurance policies. The policy for material damage for buildings was re-tendered in October 2009 for five years.
- 2.2 The renewals accepted for 1st October 2013 will include all the insurance policies of the Authority.

3. Premiums 2013/14

- 3.1 The total cost of Insurance premiums, fees etc for renewal from 1st October 2013 is £1,036,857 (inclusive of 6% insurance premium tax). Table 1 below summarises the total renewal cost by class of business and includes the 2012/13 figures for comparison.

Table 1

Class of Business	Provider	2012/13	2013/14
		£	£
Material Damage (Buildings)	AIG	335,458	380,682
Fidelity Guarantee	AIG	12,000	12,000
Contractors All Risk / Hired in Plant	HSB	18,386	18,386
Combined Liabilities	AIG	210,404	210,404
Combined Liabilities-SWTRA	AIG	126,000	126,000
Motor Fleet-Minimum Deposit Policy	AIG	45,540	57,730
Personal Accident / Travel	AIG	17,335	17,120
Engineering Inspection	Royal Sun Alliance	12,832	12,832
Engineering Insurance	Royal Sun Alliance	1,533	1,533
Computer	HSB	4,497	4,497
Marine	Royal Sun Alliance	3,483	3,483
School Offsite Activities	ACE	14,178	14,178
Professional Indemnity	Travelers	46,361	30,000
Motor uninsured Loss Recovery	DAS Legal	2,051	1,755
Sub Total		850,059	890,600
Insurance Premium Tax *		50,234	52,666
Total Premium (including Tax)		900,293	943,266
Claims Handling	Gallagher Bassett	70,170	71,970
Insurance Consultants Fees	Marsh	21,621	21,621
TOTAL		992,084	1,036,857

* IPT is at 6% for 2013/14 excluding Engineering Inspection which is charged at the prevailing VAT rate.

3.2 A claims handling deposit premium of £71,970 is payable to Gallagher Bassett International for handling liability claims on behalf of the Authority and our liability insurers. The actual claim handling cost is subject to variation based on the actual number of claims received per policy area.

3.3 The policy renewal conditions remain the same as in 2012/13. These are:

- For Combined Liability, that is, Employers and Public Liability insurance, each and every claim is subject to a £100,000 deductible (excess). The Aggregate Stop stands at £3.1m.
- For Material Damage, that is, building insurance, the self insurance elements amount to £100,000. This changes to £250,000 for schools. The Aggregate Stop remains at £1m.
- A terrorism exclusion applies.
- For the Motor Fleet Policy, each and every claim is subject to a £100,000 deductible. The Aggregate Stop remains at £350,000.

The Authority will aim to maintain reasonable internal budgets to fund the self-insured excesses.

List of Background Papers

Insurance Renewal Report 2013 by Marsh Insurance Consultants.

Wards Affected

All

Officer Contact

For further information on this report item, please contact:

Mr Hywel Jenkins - Director of Finance and Corporate Services

Tel. No. 01639 763252

E-mail: h.jenkins@npt.gov.uk

Mrs Janet North - Chief Accountant-Technical

Tel. No. 01639 763635

E-mail: j.north@npt.gov.uk

Mrs Jayne Howells - Insurance Manager

Tel. No. 01639 763710

E-mail: j.howells@npt.gov.uk