

POLICY & RESOURCES CABINET BOARD

24th JULY 2008

DIRECTORATE OF FINANCE & CORPORATE SERVICES

**REPORT OF THE HEAD OF FINANCIAL SERVICES
HYWEL JENKINS**

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PART 1
SECTION A – MATTERS FOR DECISION

ITEM 1

THE PROCUREMENT OF TELEPHONE EQUIPMENT FOR THE ABERAFAN HOUSE, NEATH CIVIC CENTRE AND PONTARDAWE OFFICES. IT WILL ALSO INCLUDE ASSOCIATED UPGRADES TO THE MAIN TELEPHONE NETWORK AT PORT TALBOT CIVIC CENTRE.

1. Purpose of Report

To request members to approve the procurement of telecommunications hardware and software.

2. Background

- 2.1 The new building at Briton Ferry utilises a telephone system that is fundamental to the delivery of Flexible Working. Flexible working facilities include voicemail, portable personal telephone extension numbers, and associated software-driven telephone handsets that allow the enhanced desktop telephony facilities to be provided via a network connected laptop.
- 2.2 The planned refurbishment of Aberafan House and subsequent occupation by ELLL staff, coupled with the centralising of Social Services staff into Neath Civic Centre, will require those involved to adopt Flexible Working in order to achieve the proposed staff to desk ratios.
- 2.3 The telephone systems currently in use at the locations above are not capable of delivering the functionality required and it is proposed that we enhance the system currently in place at The Quays to expand to meet the demand of the proposed Civic Buildings. It should be noted that as well as providing the facilities to enable Flexible Working, the increased functionality of the telephone system will also underpin necessary changes in call handling which is a key element of service improvement.
- 2.4 All of the new equipment must be integrated with the Council's existing telephone equipment, which has been supplied and supported by Siemens since 1996. The level of integration and interworking required can only be obtained if the equipment is procured from Siemens.

3. **Proposal and Financial Appraisal**

A quotation has been received for the supply of 726 telephone handsets with the appropriate software for £170,000. The prices in the Siemens proposal have been compared with those quoted on the Office of Government Commerce (OGC) Catalist, which demonstrated that they represent value for money. For these reasons, authority was sought to suspend Contract Procedure Rule 2.1 to permit procurement of the new equipment directly from Siemens, with the associated software upgrades obtained from Siemens under Contract Procedure Rule 3.1.

4. **Funding**

This item will be included in the Capital Programme and funded from the Accommodation Strategy Reserve.

5. **Recommendation**

It is recommended that members approve the suspension of Contract Procedure Rules to enable a contract for the purchase of the equipment and software from Siemens Enterprise Communications Ltd.

Reason for Decision

To equip the Council's main Civic buildings with up-to-date telephone and call handling facilities.

List of Background Papers

Project File: Voice Telecommunications – Briton Ferry and Network

Wards Affected

All

Officer Contact

Mr Steve John – IT Technical Support Manager

☎ 01639 686218

E-mail: s.john@npt.gov.uk

COMPLIANCE STATEMENT

THE PROCUREMENT OF TELEPHONE EQUIPMENT FOR THE ABERAFAN HOUSE, NEATH CIVIC CENTRE AND PONTARDAWE OFFICES. IT WILL ALSO INCLUDE ASSOCIATED UPGRADES TO THE MAIN TELEPHONE NETWORK AT PORT TALBOT CIVIC CENTRE.

Implementation of Decision

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

Sustainability Appraisal

Community Plan Impacts

Economic Prosperity	-	No impact
Education & Lifelong Learning	-	No impact
Better Health & Well Being	-	No impact
Environment & Transport	-	No impact
Crime & Disorder	-	No impact

Other Impacts

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

Consultation

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

PART 1
SECTION A – MATTERS FOR DECISION

ITEM 2

INSURANCE RENEWALS 2008/09

1. Purpose of Report

The purpose of the report is to consider the annual renewal premiums and relevant insurance terms for 2008/09 following extensive negotiations with the Authority's Insurers within the Long Term Agreement.

2. Background

- 2.1. The Policy & Resources Board 8th September 2005 approved the new Long Term Insurance Arrangement effective from 1st October 2005 for a minimum period of 3 years with the option to extend for 2 years.

3. Premiums 2008/09

- 3.1 Following negotiations with the Authority's existing insurers, it is pleasing to report that the current insurers are prepared to retain the existing insurance rate premiums as set out in the long term agreement for year 4. Both parties had the option to review the agreement after year 3 but as a result of the negotiations, our insurance advisors are able to recommend the extension of the contract into year 4.
- 3.2 The total cost of Insurance premiums, fees etc for renewal from 1st October 2008 is £927,478 (inclusive of 5% insurance premium tax). Table 1 below summaries the total renewal cost by class of business and includes the 2007/08 figures for comparison:

Table 1

Class of Business	2007/08	2008/09
	£	£
Combined Liabilities	227,400	216,450
Material Damage (Buildings)	315,156	351,480
Engineering/Computer/Hired in Plant	43,938	43,938
Personal Accident/Travel	39,900	40,860
Fidelity Guarantee	25,734	26,377
School Journey	14,179	14,179
Marine	2,025	2,077
Contractors All Risk	20,837	21,517
Uninsured Loss Recovery	2,748	2,720
Professional Indemnity	29,300	30,875
Motor Policy Minimum Deposit	55,800	48,280
Sub Total	777,017	798,753
Insurance Premium Tax (5%)	37,548	38,635
Total Premium (including Tax)	814,565	837,388
Insurance Consultants Fees	18,658	19,400
Claims Handling	73,156	70,690
TOTAL	906,379	927,478

N.B.

The insurance period runs from 1st October to 30th September each year.

- 3.2. In addition, the Authority also has insurance policies in relation to Leasehold Flats which were renewed in April 2008 and these premiums are recovered from tenants. These premiums are next due for renewal in April 2009.
- 3.3 A claims handling deposit premium of £70,690 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 number of claims received per policy area.

The policy renewal conditions are subject to the following terms with any changes highlighted in bold:

- For employers and public liability insurance, each and every claim is subject to £100,000 deductible (excess). **The Aggregate Stop has remained at £3.1m and the reduction in the combined liabilities policy is due to a 10% reduction in premium rates partly offset by increase in the paybill.**
- For Material Damage i.e. building insurance, the self insurance elements amount to £100,000 other than for schools which amounts to £250,000. **The Aggregate Stop has increased from £975,000 to £1m due to the claims experienced by the Authority in the current insurance year. There is no change to the renewal terms but an allowance has been made for additions and deletions of properties and alterations to some property values.**
- A terrorism exclusion applies.
- For the Motor Fleet Policy, each and every claim is subject to a £100,000 deductible. **For 2008/09, this policy has now moved onto the same renewal date of 1st October as opposed to 1st April at a minimum deposit renewal premium of £48,280 plus insurance premium tax.**

The Authority will maintain reasonable internal budgets to fund these self insurance excesses.

- 3.4 The net comparable increase in insurance premiums and related costs is 2.3%. This is due to inflationary pressures and changes to property valuations. A 10% reduction in the premiums for the combined liability policy has again been achieved for 2008/09 and this was in addition to the 5% achieved at last year's renewal. The saving of £10,950 shown in the above table is net of pay award and paybill increases.

5. Recommendations

It is recommended that Members renew the annual insurance arrangements from 1st October 2008 as detailed below:

- Accept the renewal premium for liability insurance from Risk Management Partners in the sum of £216,450 before 5% IPT.
- Accept the renewal premium for Material Damage, Engineering/Computer, Personal Accident, Contractor All Risks and Marine from Royal & Sun Alliance in the sum of £459,872 before 5% IPT.

- Accept the Motor Policy premium for a minimum deposit of £48,280.
- Accept the renewal premiums for miscellaneous insurance cover in the sum of £74,151 before 5% IPT.
- Accept the claims handling quotation of £70,690 and insurance broker's fee in the sum of £19,400.

Reasons for Proposed Decision

To ensure the Authority has appropriate insurance arrangements in place.

List of Background Papers

Insurance Renewal Report 2008/09 by Marsh Insurance Consultants

Wards Affected

All

Officer Contact

For further information on this report item, please contact:-

Mr Hywel Jenkins – Head of Financial Services

☎ 01639 763646

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

Mr Mark Davies – Chief Accountant (Corporate, Capital & Risk Management)

☎ ☐ 01639 763602

E-mail: m.davies4@npt.gov.uk

COMPLIANCE STATEMENT

INSURANCE RENEWALS

Implementation of Decision

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

Sustainability Appraisal

Community Plan Impacts

Economic Prosperity	-	positive
Education & Lifelong Learning	-	positive
Better Health & Well Being	-	positive
Environment & Transport	-	positive
Crime & Disorder	-	positive

Other Impacts

Welsh Language	-	no impact
Sustainable Development	-	positive
Equalities	-	positive
Social Inclusion	-	no impact

Consultation

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

PART 1
SECTION B – MATTERS FOR INFORMATION

ITEM 3

TREASURY MANAGEMENT

1. Purpose of Report

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

2. Long Term Borrowing

No long term borrowing has been arranged since the previous report.

3. Rates of Interest

3.1. The Bank Rate:

10 May 2007 to 4 July 2007	5.50%
5 July 2007 to 5 December 2007	5.75%
6 December 2007 to 06 February 2008	5.50%
07 February 2008 to 09 April 2008	5.25%
10 April 2008 to date	5.00%

3.2 Public Works Loans Board.

Examples of Public Works Loan Board new loan fixed interest rates in effect on 2nd July 2008:

	Equal Instalments of Principal		Annuity		Maturity	
	Current 02Jul08 %	Previous 23May08 %	Current 02Jul08 %	Previous 23May08 %	Current 02Jul08 %	Previous 23May08 %
5 to 5.5 years	5.31	5.05	5.31	5.05	5.34	5.04
10 to 10.5 years	5.34	5.04	5.34	5.04	5.36	5.13
15 to 15.5 years	5.36	5.08	5.36	5.10	5.32	5.16
20 to 20.5 years	5.36	5.13	5.36	5.16	5.20	5.05
25 to 25.5 years	5.35	5.16	5.31	5.15	5.04	4.89
35 to 35.5 years	5.26	5.11	5.12	4.98	4.84	4.69
49.5 to 50 years	5.04	4.89	4.83	4.69	4.64	4.53

4. Investment and Counterparty Credit Ratings.

4.1 Investments

The current volatility in the financial markets due to the general lack of liquidity, known as the credit crunch, has meant financial institutions have been forced to pay enhanced interest rates in order to attract funds. Longer term investments currently provide good returns with 1 year investments peaking recently around 6.75%. Interest rates on callable deposits, financial instruments where only the borrower has the opportunity to amend the carrying interest rate, have also increased. To take advantage of these opportunities and to enhance and protect future investment returns, the duration of the investment portfolio has been extended and the following 3 year/ 1 year fixed callable deposits have been arranged with a clearing bank:

DATE	REF	BORROWER	AMOUNT	RATE	DETAILS
05Jun08	C4328	Barclays Bank Plc	£3.0m	6.60%	3yr callable deposit. First year fixed with semi annual calls thereafter
12Jun08	C4332	Barclays Bank Plc	£3.0m	7.15%	3yr callable deposit. First year fixed with semi annual calls thereafter

4.2 Counterparty Credit Ratings.

The financial market turmoil has also resulted in the credit rating agencies downgrading the credit ratings of many financial institutions. The authority's Treasury Management Policy requires an investment counterparty to have a Fitch short term rating of F1 for short investments up to 364 days, and A for long term investments of 1-5 years. As a result of the downgradings, many institutions no longer meet the Authority's investment criteria. Investments made previously with these counterparties are fixed and will be repaid on maturity. No further investments will be made with these counterparties until they meet our investment criteria.

5. Lease Advisor Contract

The annual contract with the Authority's Lease Advisor, Unilink, expired on 30th June 2008. The contract has been extended for a further year to 30th June 2009 at a cost of £1,950.

List of Background Papers

PWLB Interest Rate Notice 129/08

Temporary investments C4328 and C4332

Wards Affected

All

Officer Contact

For further information on this report item, please contact:

Mr. Hywel Jenkins - Head of Financial Services

Tel. No. 01639 763646

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

Mr. Mark Davies - Chief Accountant (Corporate, Capital & Risk Management)

Tel. No. 01639 763602

E-mail: m.davies4@npt.gov.uk