

POLICY & RESOURCES CABINET BOARD

26th MARCH 2009

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

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PART 1
SECTION A – MATTERS FOR DECISION

ITEM 1

TREASURY MANAGEMENT

1. Purpose of Report

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

2. Long Term Borrowing

There has been no long term borrowing since the previous report.

3. Rates of Interest

3.1. The Bank Rate

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	0.50%

3.2 Public Works Loans Board

Examples of Public Works Loan Board new loan fixed interest rates effective on 18th March 2009:

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 18 Mar 09	Current 9 Jan 09	Previous 18 Mar 09	Current 9 Jan 09	Previous 18 Mar 09	Current 9 Jan 09
	%	%	%	%	%	%
5 to 5.5 years	2.00	2.11	2.01	2.13	2.60	2.96
10 to 10.5 years	2.60	2.96	2.64	3.03	3.30	3.72
15 to 15.5 years	2.97	3.43	3.05	3.52	3.75	4.09
20 to 20.5 years	3.30	3.72	3.43	3.83	3.97	4.23
25 to 25.5 years	3.56	3.93	3.71	4.06	4.13	4.23
35 to 35.5 years	3.87	4.19	4.01	4.24	4.39	4.19
49.5 to 50 years	4.12	4.23	4.33	4.18	4.39	4.12

4. Amendments to Treasury Management Practices Document (TMP1)

As Members are aware, Council at its meeting of the 4th March 2009 approved the Treasury Management and Annual Investment Strategies. In addition to these strategies, there are various treasury management controls and practices that are required and these are set out in the Council's Treasury Management Practices Document. The following sets out some amendments required of those practices as currently approved by Council.

Treasury Management Practices Document 1 (TMP1) outlines the risk management in its treasury management operations. TMP1.5.1 details the criteria to be used for creating/managing approved counterparty lists/limits.

As a result of changes in the UK banking sector and the continuing deterioration in global economic conditions some changes to the TMP1 criteria are proposed.

4.1 Credit Rating of Nationalised Banks

Fitch credit ratings are used by the authority to establish the credit worthiness of investment counterparties.

As a result of Government action in supporting UK banks, some organisations are no longer separate institutions in their own right and therefore it has been impossible for Fitch to assign an individual rating for their stand alone financial strength because of the support provided by the UK Government.

These institutions are now recipients of the highest F1+ short term credit rating as they have adopted the credit rating of the UK Government. Deposits placed with these banks are effectively deposits made with the UK Government and have the highest possible credit rating.

The Banks concerned which are currently owned/part owned by the UK Government and considered nationalised:

- Northern Rock Plc
- Royal Bank of Scotland Plc

4.2 Debt Management Account Deposit Facility

The Debt Management Office, and Executive Agency of HM Treasury, offers a deposit facility for Local Authorities. The Debt Management Account Deposit Facility could be used by the Authority to deposit surplus funds should a situation arise where insufficient suitable counterparties exist or where deposits with suitable counterparties have reached the maximum level.

The maximum deposit allowed in this account will be unlimited as a deposit with the UK Government. However, it is envisaged this account would be used as a last resort as the rates of interest payable on this account are comparatively low.

5. Financing of Prudential Borrowing

The Welsh Assembly Government have issued draft guidance proposing a temporary amendment to the Local Government Act 2003. These proposals will enable local authorities to defer the charge of the repayment of prudentially borrowed debt in respect of capital projects which have started after 1st April 2008 and completed by 31st March 2011 until 2011/12. When this draft guidance is adopted by WAG, the Council is requested to delegate authority to the Director of Finance & Corporate Services to adopt the proposals in the best interests of the Council. The aim of the guidance is to ease the immediate financial burden on local authorities arising from the current economic climate

6. Recommendation

Members are requested to approve:

- the opening of a Debt Management Account Deposit Facility with the Debt Management Office;
- the amendment of TMP1.5.1 to include investments with Nationalised Banks and The Debt Management Office;
- delegation to the Director of Finance & Corporate Services to utilise any changes in relation to debt repayment in line with WAG guidance.

Reason for the Recommendation

To provide additional secure facilities for the Authority's surplus funds.

List of Background Papers

TMP1

Draft Guidance from Welsh Assembly Government re. Proposed Amendments to the Local Government Act 2003

Wards Affected

All

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COMPLIANCE STATEMENT

TREASURY MANAGEMENT

Implementation of Decision

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

Sustainability Appraisal

Community Plan Impacts

Economic Prosperity	-	Not applicable
Education & Lifelong Learning	-	Not applicable
Better Health & Well Being	-	Not applicable
Environment & Transport	-	Not applicable
Crime & Disorder	-	Not applicable

Other Impacts

Welsh Language	-	Not applicable
Sustainable Development	-	Positive
Equalities	-	Not applicable
Social Inclusion	-	Not applicable

Consultation

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

PART 1
SECTION A – MATTERS FOR DECISION

ITEM 2

NEATH PORT TALBOT WELSH CHURCH ACTS FUND

1. Purpose of Report

This report is to inform Members of the 2007-08 Welsh Church Acts Fund financial performance and certification of the 2007/08 Financial Statements, and request an increase in the annual accountancy fee for 2008/09.

2. Neath Port Talbot Welsh Church Acts Fund –Financial Statements 2007/08

The draft Neath Port Talbot Welsh Church Acts Fund Financial Statements 2007/08 were reported to the previous meeting of the Policy & Resources Cabinet Board on 26th January 2009, have now been certified by the Wales Audit Office without amendment.

The statements showed a deficit of income over expenditure for 2007/08 of £8,333.

The certified Neath Port Talbot Welsh Church Acts Fund Financial Statements 2007/08 have been submitted to The Charity Commission.

3. Neath Port Talbot CBC Accountancy Fee

Neath Port Talbot CBC as Trustees of the Neath Port Talbot Welsh Church Acts Fund are responsible for its financial administration and preparation of financial statements.

An annual charge of £1,000 is charged for these services. It is proposed that from 1st April 2008 this charge will increase to £2,000.

4. Recommendation

Members are requested to:

- approve the increase in the Neath Port Talbot CBC accountancy fee with effect from 1st April 2008;
- note that the Wales Audit Office have finalised their audit of the 2007/08 Accounts.

Reason for Proposed Decision

To reflect the increased charges for providing financial services to the Fund.

List of Background Papers

WCAF 2007/08 Financial Statements

Wards Affected

All

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COMPLIANCE STATEMENT

NEATH PORT TALBOT WELSH CHURCH ACTS FUND

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	-	Positive
Sustainable Development	-	Positive
Equalities	-	Positive
Social Inclusion	-	Positive

Consultation

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

PART 1
SECTION C – MATTERS FOR INFORMATION

ITEM 3

TENDER FOR THE PROVISION OF GENERAL GROCERY SUPPLIES

1. Purpose of Report

To advise Members of an Urgency Action taken to award the contract for the Authority's Provision of General Grocery Supplies from 1st April 2009 to 31st March 2012 (with an option to extend for up to 12 months)

2. Background

The Council's current contract is with Luther Lewis (Drefach) Limited and the current contract is due to expire on 31st March 2009. The contracts cover the provision of general grocery supplies to both Neath Port Talbot County Borough Council and the City & County of Swansea.

A Project Team consisting of representatives from Neath Port Talbot CBC and The City & County Swansea was established to carry out the tender evaluation.

In accordance with European Union Procurement Directives, the Authority publicised the Framework Arrangement for the Provision of General Groceries in the Official Journal of the European Union (OJEU) via the 'Open' procedure. The advert invited submissions from both manufacturers and distributors.

Responses were received from four companies.

The EU Directives permit Public Bodies to award a contract on the basis of the Lowest Price or Most Economically Advantageous Tender, which takes into account criteria such as quality, technical merit, delivery, after sales service etc. as well as cost. For this contract, the Price / Quality ratio was set at 40/60, prior to the tendering exercise.

3. Financial Implications

- 3.1. The annual expenditure for the provision of general grocery supplies to both Authorities is estimated at £1,400,000 per annum, £450,000 of which is attributed to Neath Port Talbot CBC.

4. Outcome of Tendering Exercise

- 4.1. The non-commercial aspects were evaluated by a project team sub-group consisting of Officers from Neath Port Talbot CBC and City & County Swansea Procurement & Catering departments.
- 4.2. The tender process was designed to allow the contract award to be made to a distributor to deal directly with both Authorities, with any manufacturers who may also be awarded elements of the contract, supplying the Authorities via the distributor.
- 4.3. Four tenders were returned and were cost evaluated using a model based on current estimated usages of both NPT & CCS. These were:
 - Castell Howell Foods (Distributor)
 - Brake Bros (Distributor)
 - Premier Foods (Manufacturer)
 - Dwyfor Sustainable Supplies (Manufacturer)
- 4.4. The Most Economically Advantageous Tender was submitted by Castell Howell Food and Neath Port Talbot user departments will benefit from savings in the order of £20,000 per annum by ordering from the new contractor.
- 4.5. Corporate Procurement, with support from various project team members, will implement the new arrangements and monitor key performance indicator date during the course of the contract.

5. Contract Award

Members should note that the Urgency Action for the Provision of General Grocery Supplies has been awarded to Castell Howell Foods for the period 1st April 2009 to 31st March 2012 with an option to extend for up to 12 months.

Reasons for Proposed Decision

To ensure the Authority complies with the European Union Procurement Directive and the Council's Contract Procedure Rules.

List of Background Papers

NPT Tender Reference 767 - Tender Documents and associated Procurement file.

Wards Affected

All

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