APPENDIX 1

GENERAL FUND 2012/13 - OVERALL SUMMARY

September 2012	Working Budget	Forecast Outturn	Forecast Variance
	£000's	£000's	£000's
Portfolios (Net Controllable Spend)			
Adult Services	67,381	68,304	(923)
Children's Services	36,026	40,152	(4,126)
Communities	5,461	5,226	234
Environment & Transport	22,123	22,457	(334)
Housing & Leisure Services	13,107	13,598	(491)
Leader's Portfolio	4,268	4,067	201
Resources	44,092	43,608	484
Baseline for Portfolios	**192,457**	**197,412**	**(4,955)**
Net Draw From Risk Fund	2,978	0	2,978
Sub-total (Net Controllable Spend) for Portfolios	**195,435**	**197,412**	**(1,977)**
Non-Controllable Portfolio Costs	23,434	23,434	0
Portfolio Total	**218,869**	**220,846**	**(1,977)**
Levies & Contributions			
Southern Seas Fisheries Levy	46	46	0
Flood Defence Levy	43	43	0
Coroners Service	560	560	0
	649	**649**	**0**
Capital Asset Management			
Capital Financing Charges	14,265	12,765	1,500
Capital Asset Management Account	(25,565)	(25,565)	0
	(11,301)	**(12,801)**	**1,500**
Other Expenditure & Income			
Direct Revenue Financing of Capital	273	273	0
Net Housing Benefit Payments	(882)	(882)	0
Non-Specific Govt. Grants	(120,941)	(121,291)	350
Contribution to Pay Reserve	600	600	0
Collection Fund Surplus	(373)	(373)	0
Council Tax Freeze Grant	(2,071)	(2,071)	0
Open Space and HRA	436	436	0
Risk Fund	933	503	430
Contingencies	344	344	0
Surplus/Deficit on Trading Areas	(170)	(170)	0
	(121,850)	**(122,630)**	**780**
NET GF SPENDING	**86,367**	**86,064**	**303**
(Draw from) / Addition to Balances:			
To fund the Capital Programme	(273)	(273)	0
Draw from Balances (General)	(2,802)	(2,499)	303
Draw from Strategic Reserve (Pensions & Redundancies)	(86)	(86)	0
	(3,162)	**(2,858)**	**303**
COUNCIL TAX REQUIREMENT	**83,206**	**83,206**	**0**

APPENDIX 2

ADULT SERVICES PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to over spend by **£223,300** at year-end, which represents a percentage over spend against budget of **0.3%**. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

	£000's	%
Baseline Portfolio Forecast	923.3 A	1.4
Risk Fund Items	700.0 F	
Portfolio Forecast	**223.3 A**	**0.3**
Potential Carry Forward Requests	0.0	

The CORPORATE issues for the Portfolio are:

AS 1 – Adult Disability Care Services (forecast favourable variance £34,200)

There is a projected over spend of £774,300 on Nursing, £257,900 on Residential Care and £246,400 on Direct Payments, offset by an under spend of £500,000 on services funded through the Health Transfer for 2012/13 and £700,000 further savings from the moratorium on non essential spend across the Portfolio.

Forecast Range not applicable.

There is a forecast over spend on Nursing of £774,300 which is predominantly due to an increase in numbers of clients and changes to existing packages but also reflects the difficulties being experienced in procuring services at a price historically charged to meet these client needs. In addition this reflects the increased activity noted at outturn 2011/12. This increase can be supported by evidence of a rise in the number of referrals to the Hospital Discharge Team (an increase of 22.8 % in 2011/12 compared to 2010/11). The forecast reflects that specific budgeted income of £80,000 will not be achieved due to the contract having ended. In addition the forecast reflects that the maximum reimbursement achievable from a nursing block contract is £67,000 less than previously anticipated.

Residential Care is forecast to over spend by £257,900. This reflects the increase in activity reported for outturn 2011/12. The forecast also includes an increase in the costs for short stay care of £100,000 compared to that budgeted for 2012/13.

Direct Payments are forecast to over spend by £246,400 which is predominantly due to clients who were previously funded as continuing health care clients.

Health funding received in 2012/13, to promote Social Care Services which aim to prolong the period before acute care needs develop, is expected to significantly under spend at year end. It has been assumed that £500,000 of the under spend will be used to offset the pressure on Adult Disability Care Services.

In addition, a full review of all expenditure budgets across the Adult Services Portfolio has been carried out in line with the moratorium on non-essential spend. The resultant £700,000 reduction in the Portfolio forecast is being reported within Adult Disability Care Services to offset the over spend in this area. The following table demonstrates the effect of these forecast changes on the equivalent number of units:

	Net Budget £000's	Unit Prices	Budgeted Units	Forecast £000's	Forecast Units	Difference (Units)	Variance to Budget £000's
Day Care	86.6	£58.43	1,482	56.9	974	(508)	(29.7)
Direct Payments	2,538.3	£11.39	222,853	2,784.7	244,486	21,633	246.4
Domiciliary	4,898.5	£13.69	357,816	4,845.4	353,937	(3,879)	(53.1)
Nursing	2,341.2	£66.12	35,408	3,085.5	46,665	11,257	744.3
Residential	4,632.5	£50.13	92,410	4,890.4	97,554	5,144	257.9
Health Monies	N/A	N/A	N/A	(500.0)	N/A	N/A	(500.0)
Moratorium	N/A	N/A	N/A	(700.0)	N/A	N/A	(700.0)
Total	**14,497.1**			**14,462.9**			**(34.2)**

AS 2 – Learning Disability (forecast adverse variance £981,100)

There has been an increase in new clients/changes in client costs.

Forecast Range £1.2M adverse to £980,000 adverse.

A budget pressure arising from the impact of an aging population and new transitional clients was identified as part of setting the 2012/13 budgets. A sum of £700,000 was allowed for within the Risk Fund to meet this pressure which can now be evidenced by an increase in residential activity of £714,200 and an increase in the forecast spend for Supported Living clients of £287,400. It has been assumed that there will be a draw on the Risk Fund for the full £700,000.

It should be noted that this position assumes that an additional local savings target of £538,000 will be fully achieved. To date £252,000 has been achieved with a further £286,000 to be actioned.

There are no OTHER KEY issues for the Portfolio at this stage.

Summary of Risk Fund Items

Service Activity	**£000's**
Learning Disability	700.0
Risk Fund Items	**700.0**

APPENDIX 3

CHILDREN'S SERVICES PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to over spend by **£2,816,200** at year-end, which represents a percentage over spend against budget of **7.8%.** This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

	£000's	%
Baseline Portfolio Forecast	4,126.2 A	11.5
Risk Fund Items	1,310.0 F	
Portfolio Forecast	**2,816.2 A**	**7.8**
Potential Carry Forward Requests	0.0	

The CORPORATE issues for the Portfolio are:

CS 1 – Commissioning, Education and Inclusion (forecast favourable variance £293,200)

Moratorium on all non essential spend to offset over spends in the rest of the Division

Forecast Range £250,000 favourable to £350,000 favourable.

A full review of all expenditure budgets within the Commissioning, Education and Inclusion Division has been carried out with forecasts being adjusted in line with the moratorium on non-essential expenditure in the areas of Children's Centres, Substance Misuse, Secure Accommodation, Short-Breaks for Disabled Children, Teenage Pregnancy and Workforce Development. This exercise yielded a favourable net reduction in the forecast variance of £603,000. However, this has been partly offset by £310,000 for the provision of additional two year old Nursery places for which a draw on the Risk Fund is being requested.

CS 2 – Tier 4 Safeguarding Specialist Services (forecast adverse variance £2,248,300)

This budget funds the cost of children in care. The number of children in care has increased by 55, (16%) over the budgeted position, and by 31, (8.4%) over the position accounted for within the Risk Fund.

Forecast Range £3M adverse to £1.5M adverse

The increasing number of children in care has led to a forecast over spend on fostering placements of £1,335,800, and on residential placements of £758,000. In addition there are other various minor over spends totalling £154,500.

This position includes a forecast over spend of £1,110,800 on Independent Fostering Agency (IFA) placements, (50 budgeted versus 78 actual), £125,200 on placements with SCC foster carers, (270 budget versus 289 actual), and £122,600 on special guardianship allowances (26 budgeted versus 46 actual). The increasing numbers of special guardianship allowances has resulted from the conversion of foster care placements to special guardianship, (with a corresponding cost saving of between £3,000 and £13,000 per placement per annum). Despite this action, the overall number of children requiring a foster placement has continued to increase due to the additional numbers of children entering the care system.

The £758,000 over spend position on residential placements includes a £65,000 forecast under spend on Our House. This has offset the cost pressure of £820,600 arising from the need for external residential placements.

A draw of £1M has been made from the Risk Fund reducing the over spend on Tier 4 Safeguarding Specialist Services to £1,248,300.

The table outlines the changes in activity levels for 2012/13:

Service	**Daily Rate Range**	**Client Numbers**				
		Budget	**Budget Plus Risk Fund Provision**	**August 2012**	**September 2012**	**Latest Forecast:**
Fostering up to 18	£20 - £95	270	280	292	289	294
IFA Placements	£96 - £212	50	60	72	78	73
Supported Placements or Rent	£16 - £43	9	9	11	13	13
Residential - Our House		5	5	2+1 Respite	2+1 Respite	3
Residential - Independent Sector	£100 - £570	8	12	15	13	11
Civil Secure Accommodation	£717 - £806	1	1	2	2	1
Sub-total: Children in Care		**343**	**367**	**395**	**398**	**395**
Over 18's	£18 - £78	14	14	12	11	12
Adoption Allowances	£1 - £32	95	95	92	92	91
Special Guardianship Allowances	£4 - £44	26	26	46	46	46
Residence Order Allowances	£6 - £16	18	18	18	18	18
Total		**496**	**520**	**563**	**565**	**562**

* These numbers are based on the anticipated position at the end of March 2013

<u>CS 3 – Safeguarding Management and Legal Services (forecast adverse variance £278,300)</u>

Additional legal costs (£345,700 directly attributable to the increasing number of children in care).

Forecast Range £500,000 adverse to £250,000 adverse

This adverse variance is due to unavoidable legal costs relating to court fees, legal expenses and the additional costs of external solicitors for the increased numbers of court proceedings and is attributable to the increase in the numbers of children in care.

<u>CS 4 – Child Protection Tier 3 Social Work Teams (forecast adverse variance £1,782,700)</u>

The adverse variance reflects the additional child protection agency social work staff above establishment and the additional cost of agency social work staff in respect of vacancy and absence cover. It also incorporates a forecast over spend arising from the additional costs of court ordered supervised parental contact with their children who have been taken into care.

Forecast Range £2M adverse to £1.5M adverse

There is a forecast over spend of £1,538,000 on child protection 'Tier 3' social work teams. Current market conditions, combined with changes to terms and conditions have meant that the supply of social workers is insufficient and inexperienced to meet rising demand. This means a continuing need for temporary staff, acquired from independent agencies at, on average, twice the cost of a permanently employed member of staff. A recruitment and retention strategy has been devised to reduce the reliance on expensive agency staff. Agency staff are also being used for vacancy and sickness cover, as well as to cover cases that cannot be met from within existing resources.

The forecast over spend on the Contact Scheme of £308,100 is a direct consequence of much younger children having to be taken into care earlier, leading to an increase in court-ordered supervised parental contact. A management review of the Contact Scheme has taken place, with a view to making the service operate in the most efficient manner possible. Implementation has been delayed whilst a number of complexities are being addressed.

The over spend on staffing is being partially offset by savings of £63,400 on specialist childminding placements and other expenditure incurred to prevent children entering care. This is a direct result of tight financial management of such discretionary expenditure.

<u>CS 5 – Infrastructure (forecast adverse variance £226,800)</u>

The adverse variance reflects a shortfall in school income for ICT Services and the costs of security for vacant school sites.

Forecast Range £300,000 adverse to £200,000 adverse

A number of schools have withdrawn from Capita's Broadband Service Level Agreement this year leaving an income shortfall of £100,000. In addition, £126,800 of the forecast reflects unbudgeted revenue costs of rates, security etc. for vacant school sites awaiting disposal, including Woolston, Oaklands, Redbridge Primary and Netley Court.

There are no OTHER KEY issues for the Portfolio at this stage.

<u>Summary of Risk Fund Items</u>

Service Activity	**£000's**
Tier 4 Services	1,000.0
2 Year Old Funding	310.0
Risk Fund Items	**1,310.0**

APPENDIX 4

COMMUNITIES PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to under spend by **£234,200** at year-end, which represents a percentage under spend against budget of **4.3%.** This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

	£000's	**%**
Baseline Portfolio Forecast	234.2	4.3
Risk Fund Items	0.0	
Portfolio Forecast	**234.2**	**4.3**
Potential Carry Forward Requests	0.0	

There are no CORPORATE issues for the Portfolio at this stage.

The OTHER KEY issues for the Portfolio are:

COMM1 – Portfolio General (forecast favourable variance £234,200)

Under spends on salaries and general supplies & services budgets

Forecast Range not applicable

A detailed review of all budgets has been undertaken across the Portfolio resulting in the identification of salary under spends from vacant posts together with general under spends on supplies and services. The favourable forecast also reflects the recent moratorium on spend for the remainder of the year across these budgets.

The under spends within Customer and Business Improvement (£212,600 favourable) and Skills, Economy and Housing Renewal (£48,900 favourable) have been partly offset by vacancy management targets not being met within Emergency Planning and Safer Communities (£27,300 adverse).

APPENDIX 5

ENVIRONMENT & TRANSPORT PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to under spend by **£389,800** at year-end, which represents a percentage under spend against budget of **1.8%.** The forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

	£000's	**%**
Baseline Portfolio Forecast	334.2 A	1.5
Risk Fund Items	724.0 F	
Portfolio Forecast	**389.8 F**	**1.8**
Potential Carry Forward Requests	0.0	

The CORPORATE issues for the Portfolio are:

E&T 1 – Off Street Car Parking (forecast adverse variance £416,900)

Parking pressures have been identified relating to reduced income of £326,000 and increased rates costs of £70,800.

Forecast Range £500,000 adverse to £350,000 adverse

There is an adverse forecast variance for off street car parking, due to a number of factors, the most significant factor being that income is forecast to fall short of the level anticipated when the budget was set by £286,000. This may be attributed to the continuing economic downturn and the impact on commuters of a rise in fuel prices and results in an anticipated draw on the Risk Fund. A savings proposal for enhanced income of £70,000 for the use of West Park car park is delayed, pending the outcome of consultation, and it is unclear at this time the level of savings that will be achieved this financial year. However, there is a further variation due to the rates demands for off street car parks having increased significantly and being £70,800 adverse compared to the budget.

E&T 2 – Itchen Bridge (forecast adverse variance £232,900)

There is a forecast lower level of income from tolls, mainly due to a decrease in traffic flows as a consequence of the downturn in the economy.

Forecast Range £300,000 adverse to £150,000 adverse

The downturn in the economy has led to a decrease in traffic flows in the City and a forecast decrease in toll income of around £140,000 and this will result in an anticipated draw on the Risk Fund.

Proposals to save £95,000 from the automation of toll collection arrangements will not be met in this financial year due to implementation delays and a period of dual running of toll payment methods.

E&T 3 – Waste Collection (forecast adverse variance £307,500)

There are forecast additional operational refuse collection costs.

Forecast Range £350,000 adverse to £250,000 adverse

There are forecast additional costs for sickness cover for frontline staff of £266,000. In addition, there are forecast additional costs on fuel for vehicles of £86,000 which will be met through a draw on the Risk Fund. There is forecast additional recycling income of £100,000.

The Service was due to have 18 refuse freighters replaced this year, but this has been delayed and the budgeted cost of approximately £180,000 is now forecast not to be incurred by Fleet Services resulting in a forecast saving for the Waste Collection Service. However, there are unbudgeted vehicle damage/ repairs costs of £47,000 and the Commercial Waste Service is forecast to be £204,000 adverse due to adverse trading conditions.

E&T 4 – Highways Contract Management (forecast favourable variance £308,200)

There are forecast savings on the street lighting PFI contract and there is a large receipt in respect of third party income from the highways partnership.

Forecast Range £250,000 favourable to £350,000 favourable

A level of savings on the PFI Street Lighting contract sum was planned and factored in corporately when the budget was set for 2012/13. There are forecast to be significant savings over and above the originally planned profile and whilst these are not certain at present they are forecast to be £244,000.

The final position on the highways partnership third party income in respect of the period October 2010 to March 2012, (i.e. the first 18 months of the contract), is now settled. The settlement is a receipt to the Council of £154,400, which will be treated as revenue income for the Portfolio in 2012/13.

There is a £25,600 adverse variance on the contract sum with the highways partner, as the appropriate index for amending the sum was slightly higher than originally estimated. In addition, there are some unbudgeted non-PFI street lighting costs totalling £64,000.

The OTHER KEY issues for the Portfolio are:

E&T 5 - Bereavement Services (forecast adverse variance £141,500)

There is a potential income shortfall on adult and non adult cremation fees of £59,000 and other adverse variances.

Forecast Range £200,000 adverse to £100,000 adverse

The 2012/13 cremations income estimate is based on achieving the equivalent of 2,350 undiscounted adult cremations by the end of the year. However, a reduction in numbers is reported by all neighbouring crematorium facilities and is part of a national downturn in the death rate. The current year forecast is to achieve 2,376 adult cremations in total, a forecast adverse variance of £30,000 based on the proportions of full price and reduced price cremations. Also, the fees from non-adult cremations are forecast to be £29,000 adverse compared to the original estimate. There is, therefore, a forecast draw of £59,000 on the Risk Fund.

The unit price for the gas that is used at the crematorium has increased by over 50% and there is a forecast adverse variance of £36,000 and this is a forecast draw on the Risk Fund. This significant price rise is under investigation with British Gas by the service.

The service development to raise additional income from increasing the sale of memorials is slow and it is expected that the saving will only be partially achieved by the year end and there is a forecast adverse variance of £41,000. In addition, there has been an increase in the business rates payable of £24,000 over and above the amount budgeted for.

E&T 6 – Planning, Transport & Sustainability (forecast adverse variance £170,200)

Forecast Range £200,000 adverse to £100,000 adverse

There is a shortfall in income on the new bus shelter advertisement contract

Advertising on the City's bus shelters generates an annual income to the Council, which this year is forecast to be £283,000. This is £68,500 less than budgeted but is provided for in the Risk Fund.

A concessionary fare marginal capacity cost claim from 2011/12 is being forecast at £139,100 but is partially offset by an under spend on Bus Expenses, resulting in an adverse forecast position of £77,400. In addition, the Transport Policy area is forecast to under spend from vacant School Crossing Patrol posts amounting to £36,100.

It is estimated that the cost of purchasing Carbon Reduction Certificates (CRC) for 2012/13 is £102,500, which has been partially offset by a surplus of certificates from last year worth £55,000. The net position of £47,500 is covered by an item in the Risk Fund in 2012/13.

Summary of Risk Fund Items

Service Activity	**£000's**
Crematorium Fee Income	59.0
Waste Collection Fuel Inflation	86.0
Crematorium Fuel Inflation	36.0
Car Parking Income	286.0
Itchen Bridge Toll Income	140.0
Carbon Reduction Certificates	48.0
Bus Shelter Contract	69.0
Risk Fund Items	**724.0**

APPENDIX 6

HOUSING & LEISURE SERVICES PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to over spend by **£246,600** at year end, which represents a percentage variance against budget of **1.9%.** This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

	£000's	**%**
Baseline Portfolio Forecast	490.6 A	3.7
Risk Fund Items	244.0 F	
Portfolio Forecast	**246.6 A**	**1.9**
Potential Carry Forward Requests	0.0	

The CORPORATE issues for the Portfolio are:

HLS 1 – Arts & Heritage (forecast adverse variance £416,300)

There is an over spend on Geothermal Heating in SeaCity Museum plus shortfalls in income in Tudor House Museum, the Art Gallery and Visitor Information Centre.

Forecast Range £500,000 adverse to £400,000 adverse

There are a number of forecast over spends relating to the Museum Service including:

- Energy – Geothermal Heating is forecast to over spend by £97,100 in addition to £76,100 on electricity and £10,000 on rates in SeaCity Museum. The energy usage is being examined by Ramboll (the M&E consultants) to determine underlying causes of these significant variances. This may be offset by income as currently visitor numbers are above the indicative profile. The situation will be reviewed on a monthly basis.
- Income Shortfall –Significant reduction in visitor numbers at Tudor House resulting in a shortfall of entry income of £64,000, hire income of £11,000 and shop and cafe profit of £35,000. Work on Halloween and Christmas promotions is underway.

This is offset by a forecast under spend of £99,100 on payments to the museums repairs and maintenance fund.

There are shortfalls in net income in the Art Gallery shop of £84,100, Archaeology Unit of £65,500, the Visitor Information Centre of £31,700 partly offset by savings in supplies & services. Provision for the shortfall in income in the Art Gallery has been made in the Risk Fund.

There is also a shortfall in annual rental income of £25,700 at the Fountains café since the current lease holders have left. The ongoing accommodation review has meant that no new tenant has been pursued in order to retain future flexibility.

The OTHER KEY issues for the Portfolio are:

<u>HLS 2 – Leisure Events (forecast adverse variance £63,300)</u>

There is a shortfall in income following the proposed closure of Oaklands Pool.

Forecast Range £100,000 adverse to £20,000 adverse

The closure of the Oaklands Pool will lead to a £64,300 shortfall in income.

<u>Summary of Risk Fund Items</u>

Service Activity	**£000's**
Leisure & Culture	244.0
Risk Fund Items	**244.0**

APPENDIX 7

LEADER'S PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to under spend by **£201,000** at year-end, which represents a percentage under spend against budget of **4.7%.** This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

	£000's	**%**
Baseline Portfolio Forecast	201.0 F	4.7
Risk Fund Items	0.0	
Portfolio Forecast	**201.0 F**	**4.7**
Potential Carry Forward Requests	0.0	

There are no CORPORATE issues for the Portfolio at this stage.

The OTHER KEY issues for the Portfolio are:

LEAD 1 – Customer and Business Improvement (forecast favourable variance £58,000)

Under spends on salaries and general supplies & services budgets in the Communications team

Forecast Range not applicable

A detailed review of all budgets has been undertaken within the Communications Division resulting in the identification of salary under spends from vacant posts.

LEAD 2 – Skills, Economy & Housing Renewal (forecast favourable variance £62,000)

Under spend on salaries in the Economic Development team

Forecast Range £60,000 favourable to £70,000 favourable

Four posts are currently vacant in the Economic Development team.

LEAD 3 – Legal & Democratic (forecast favourable variance £93,300)

General under spends

Forecast Range not applicable

The favourable forecast variance is due to a combination of factors including early delivery of 2013/14 salary savings, an anticipated increase in Land Charges income and reduced spend on Elections. This favourable position has been partly offset by reduced income/increased costs within Licensing which are subject to further review.

APPENDIX 8

RESOURCES PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to under spend by **£484,100** at year-end, which represents a percentage under spend against budget of **1.1%.** This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

	£000's	**%**
Baseline Portfolio Forecast	484.1 F	1.1
Risk Fund Items	0.0	
Portfolio Forecast	**484.1 F**	**1.1**
Potential Carry Forward Requests	0.0	

There are no CORPORATE issues for the Portfolio at this stage.

The OTHER KEY issues for the Portfolio are:

RES 1 – Portfolio General (forecast favourable variance £434,100)

Under spends on salaries and general supplies & services budgets

Forecast Range not applicable

A detailed review of all budgets has been undertaken across the Portfolio resulting in the identification of salary under spends from vacant posts together with general under spends on supplies and services. The favourable forecast under spend also reflects the recent moratorium on spend for the remainder of the year across these budgets.

RES 2 – IT services (forecast favourable variance £50,000)

Saving from rationalisation of IT equipment

Forecast Range not applicable

The favourable forecast variance has arisen from the managed rationalisation of PCs across the authority.

APPENDIX 9

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio	2012/13 Efficiencies	Income	Service Reductions	Total	RISK TO DELIVERY: Implemented and Saving Achieved	Not Yet Fully Implemented and Achieved But Broadly on Track	Saving Not on Track to be Achieved
	£000's	£000's	£000's	£000's	%	%	%
Adult Services	(2,030)	(200)	(920)	(3,150)	91.1%	8.9%	0.0%
Childrens Services	(3,115)	0	0	(3,115)	100.0%	0.0%	0.0%
Communities	(305)	(25)	(352)	(682)	83.1%	16.9%	0.0%
Environment & Transport	(1,594)	(295)	(95)	(1,984)	52.4%	41.1%	6.6%
Housing & Leisure Services	(645)	(110)	(652)	(1,407)	66.0%	34.0%	0.0%
Leader's Portfolio	(553)	(30)	(266)	(849)	100.0%	0.0%	0.0%
Resources	(978)	0	(577)	(1,555)	67.8%	32.2%	0.0%
Total	**(9,220)**	**(660)**	**(2,862)**	**(12,742)**	**81.8%**	**17.2%**	**1.0%**

Portfolio	2012/13 Efficiencies	Income	Service Reductions	Total	FINANCIAL ACHIEVEMENT: Implemented and Saving Achieved	Not Yet Fully Implemented and Achieved But Broadly on Track	Saving Not on Track to be Achieved	Total
	£000's	£000's	£000's	£000's	£	£	£	£
Adult Services	(2,030)	(200)	(920)	(3,150)	(2,870)	(280)	0	(3,150)
Childrens Services	(3,115)	0	0	(3,115)	(3,115)	0	0	(3,115)
Communities	(305)	(25)	(352)	(682)	(567)	(115)	0	(682)
Environment & Transport	(1,594)	(295)	(95)	(1,984)	(1,039)	(570)	(15)	(1,624)
Housing & Leisure Services	(645)	(110)	(652)	(1,407)	(929)	(461)	0	(1,390)
Leader's Portfolio	(553)	(30)	(266)	(849)	(849)	0	0	(849)
Resources	(978)	0	(577)	(1,555)	(1,055)	(500)	0	(1,555)
Total	**(9,220)**	**(660)**	**(2,862)**	**(12,742)**	**(10,424)**	**(1,926)**	**(15)**	**(12,365)**
							Shortfall	**377**
								3%

APPENDIX 10

FINANCIAL HEALTH INDICATORS – MONTH 6

Prudential Indicators Relating to Borrowing

	Maximum	Forecast	Status
Maximum Level of External Debt £M	£911M	£426M	Green
As % of Authorised Limit	100%	47%	Green
	Target	**Actual YTD**	**Status**
Average % Rate New Borrowing	5.00%	0.00%	Green
Average % Rate Existing Long Term Borrowing	5.00%	3.31%	Green
Average Short Term Investment Rate	0.68%	0.83%	Green

Minimum Level of General Fund Balances

		Status
Minimum General Fund Balance	£5.0M	
Forecast Year End General Fund balance	£7.5M	Green

Income Collection

Outstanding Debt:	2011/12	Actual YTD	Status
More Than 12 Months Old	31%	39%	Amber
Less Than 12 Months But More Than 6 Months Old	8%	9%	Amber
Less Than 6 Months But More Than 60 Days Old	9%	12%	Amber
Less Than 60 Days Old	52%	41%	Amber

Creditor Payments

		Status
Target Payment Days	30	
Actual Current Average Payment Days	23	Green
Target % of undisputed invoices paid within 30 days	95.0%	
Actual % of undisputed invoices paid within 30 days	80.57%	Amber

Tax Collection rate

	Target Collection Rate	Month 6 Collection Rate Last Year	Month 6 Collection Rate This Year	Status
Council Tax	96.20%	54.71%	54.45%	Amber
National Non Domestic Rates	99.20%	61.46%	61.83%	Green

APPENDIX 11

QUARTERLY TREASURY MANAGEMENT REPORT – MONTH 6

1. Background

Treasury Management (TM) is a complex subject but in summary the core elements of the strategy for 2012/13 are:

- To make use of short term variable rate debt to take advantage of the continuing current market conditions of low interest rates.
- To constantly review longer term forecasts and to lock in to longer term rates through a variety of instruments as appropriate during the year, in order to provide a balanced portfolio against interest rate risk.
- To secure the best short term rates for borrowing and investments consistent with maintaining flexibility and liquidity within the portfolio.
- To invest surplus funds prudently, the Council's priorities being:
  - Security of invested capital
  - Liquidity of invested capital
  - An optimum yield which is commensurate with security and liquidity.
- To approve borrowing limits that provide for debt restructuring opportunities and to pursue debt restructuring where appropriate and within the Council's risk boundaries.

In essence TM can always be seen in the context of the classic 'risk and reward' scenario and following this strategy will contribute to the Council's wider TM objective which is to minimise net borrowing cost short term without exposing the Council to undue risk either now or in the longer in the term.

The main activities undertaken during 2012/13 to date are summarised below:

- Investment returns during 2012/13 will continue to remain low as a result of low interest rates, with interest received estimated to be £0.8M. However, the average rate achieved to date for fixed term deals (0.83%) exceeds the performance indicator of the average 7 day LIBID rate (0.68%) mainly due to residual deals from the rolling programme of yearly deposits placed last year which is currently suspended due to uncertainty in the market place. New investments are placed in instant access accounts or term deposits up to 100 days depending on advice of our Treasury advisors.
- In order to continue to balance the impact of ongoing lower interest rates on investment income we have continued to use short term debt which is currently available at lower rates than long term debt due to the depressed market. As a result the average rate for repayment of debt, (the Consolidated Loans & Investment Account Rate – CLIA), at 3.31% is lower than that budgeted for but slightly higher than last year which is in line with reported strategy. The predictions based on all of the economic data are that this will continue for an extended period. However, it should be noted that the forecast for longer term debt is a steady increase in the longer term and so new long term borrowing is likely to be taken out above this rate, leading to an anticipated increase in the CLIA (reaching 3.50% by 2014/15).

2. Economic Background

The world economy faced yet another soft patch. The UK and the Eurozone (with the exception of Germany) struggled to show discernible growth whilst the US economy grew slowly. UK Gross Domestic Product (GDP) contracted by 0.3% in the first calendar quarter of 2012 and by 0.4% in second, reflecting the difficult economic conditions faced by businesses and consumers domestically and globally. Businesses were more inclined to take defensive strategies involving cost cutting rather than increasing capital spending. Financial conditions facing households continued to be weak as wage growth remained subdued and was, for much of the period, outstripped by inflation. Much of the fall in Quarter 2 GDP could probably be attributed to the impact of the additional bank holiday for the Diamond Jubilee, and is likely to be recovered in Quarter3.

Inflation, which had remained stubbornly sticky throughout 2011, slowly began to fall. The annual Consumer Price Index (CPI) dipped below 3% for the first time in two and half years in May and fell to the lowest level since November 2009 in June, with a reading of 2.4%. It ticked up marginally to 2.5% by August. Although the recent rise in commodity prices has been worrying, the rise in oil and food prices – the latter mainly due to poor weather-related yields - are well below the spikes of 2010/11.

Some barometers of economic activity, however, provided a more buoyant and positive picture but tended to get overshadowed. Employment rose by 236,000 in the three months to July and the employment rate was at its highest since the three months to April 2009. Whilst the effect of the Olympics undoubtedly played a part, despite its temporary nature, the underlying data pointed to a more resilient and optimistic outlook for the economy.

The lack of growth and the fall in inflation were persuasive enough for the Bank of England to sanction £50 billion asset purchases in July, taking total Quantitative Easing (QE) to £375 billion. The possibility of a rate cut from the current level of 0.5% was discussed at the Bank's Monetary Policy Committee meetings in June and July; however reference to it was subsequently dropped suggesting that this policy option had left the table for the immediate future. The government's Funding for Lending (FLS) initiative, intended to lower banks' funding costs, commenced in August and the Bank of England will assess its effects in easing the flow of credit before committing to further policy action.

Banks were embroiled in the scandal to manipulate LIBOR rates during the abnormal market conditions at the height of the 2007/2008 financial crisis. Barclays was fined a record £290 million, the FSA was also investigating HSBC, RBS, Citicorp and UBS; Lloyds was named in a lawsuit in the US. The big-four UK banks were also being investigated for mis-selling interest rate swaps to small businesses.

The US Federal Reserve (the Fed) extended QE through 'Operation Twist', in which it buys longer-dated bonds with the proceeds of shorter-dated US Treasuries. Poor employment data for August preceded the Fed further easing monetary policy at its September meeting. The Fed committed to purchasing $40 billion of agency mortgage-backed securities each month until the outlook for the labour market improves "substantially", and also pledged to keep interest rates low until mid-2015. In Greece, the formation of an alliance of pro-euro parties after a second round of parliamentary elections prevented an immediate and disorderly exit from the Euro. The Euro region suffered a renewed bout of stress when Italian and Spanish government borrowing costs rose sharply and Spain was also forced to officially seek a bailout for its domestic banks. The European Central Bank (ECB) responded with the announcement in September of its Outright Monetary Transactions (OMT) facility which allows the ECB to buy unlimited amounts of 1-3 year sovereign bonds provided the sovereign(s) first asks for such assistance and adheres to the strict conditionality attached to such purchases.

3. Outlook for Quarter 3

The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, as at September 2012 is detailed below. Economic growth remains elusive and tight credit conditions and weak earnings growth are constraining consumer and corporate spending. The outlook is for official interest rates to remain low for an extended period, as shown below.

	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
Official Bank Rate													
Upside risk				0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50
Central case	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

4. Debt Management

Activity within the debt portfolio up to Quarter 2 is summarised below:

	Balance on 01/04/2012 £M	Debt Maturing or Repaid £M	New Borrowing £M	Balance as at 30/9/2012 £M	Increase/ (Decrease) in Borrowing for Year £M
Short Term Borrowing	0	0	0	0	0
Long Term Borrowing	300	(12)	0	288	(12)
Total Borrowing	**300**	**(12)**	**0**	**288**	**(12)**

Public Works Loan Board (PWLB) Borrowing: The PWLB remained an attractive source of borrowing for the Council as it offers flexibility and control. The large downward move in gilt yields in the second quarter resulted in PWLB rates falling across all maturities.

In August HM Treasury announced details of the "Certainty Rate" which will enable "eligible authorities" to access cheaper PWLB funding, with a 20 basis point reduction on the standard PWLB borrowing rate. Initially announced in the March 2012 Budget, HM Treasury have introduced this initiative to incentivise local authorities to provide robust forecasts on borrowing plans. This rate is to be introduced in November 2012. The Council has completed the pro-forma projecting the Council's likely borrowing requirement over a three year period and returned it to CLG by the deadline of 17 September 2012 and has been confirmed as being eligible.

Alternative Sources: Whilst there are several claims that a competitive, comparable equivalent to PWLB is readily available, the Council will continue to adopt a cautious and considered approach to funding from the capital markets. The Council's treasury advisor, Arlingclose, is actively consulting with investors, investment banks, lawyers and credit rating agencies to establish the attraction of different sources of borrowing, including bond schemes, loan products and their related risk/reward trade off.

As at the 31 March 2012 the Council used £70M of internal resources in lieu of borrowing which has been the most cost effective means of funding past capital expenditure to date. This has lowered overall treasury risk by reducing both external debt and temporary investments.

However, this position will not be sustainable over the medium term and the Council will need to borrow to cover this amount as balances fall. Following the September capital update the Council is expected to borrow an additional £77M for capital purposes by 2014/15 of which £47.5M relates to refinancing of existing debt and £32M to externalising internal debt to cover the expected fall in balances and also to lock back into longer term debt prior to interest rises. However due to the continued and increased uncertainty in the markets and the expectations of interest rates staying lower for longer it may be appropriate to maintain the council use of internal resources for part or all of this amount; providing that balances can support it.

No borrowing is expected to be taken until the second half of the year when the 20 basis points discount on loans from the PWLB is expected to be implemented.

The Council has £35M variable rate loans which were borrowed prior to 20 October 2010 (the date of change to the lending arrangements of the PWLB post CSR) and are maintained on their initial terms and are not subject to the additional increased margin, they are currently averaging 0.62% and are helping to keep overall borrowing costs down.

Variable rate borrowing (currently around 1.45% for new borrowing) is expected to remain attractive for some time as the Bank of England maintains the base rate at historically low levels and the Council is currently expected to borrow an addition £25M at variable rates at an estimated 1.5% during 2012. Whilst in the current climate of low interest rates this remains a sound strategy, at some point when the market starts to move, the Council will need to act quickly to lock into fixed long term rates which may be at similar levels to the debt it restructured. Furthermore, the volatility in the financial markets means that interest costs and investment income will continue to fluctuate for some time.

In order to mitigate these risks the Council approved the creation of an Interest Equalisation Reserve in 2009. At that point a major debt restructuring exercise was undertaken in order to take advantage of market conditions and produce net revenue savings. The Interest Equalisation Reserve was created to help to manage volatility in the future and ensure that there was minimal impact on annual budget decisions or council tax in any single year. However, it should be noted that the sum set aside in the Interest Equalisation Reserve is a one off sum of money to help manage the initial transitional period during which the council will convert its variable rate loan portfolio to longer term fixed rate debt. The actual ongoing recurring revenue impact of switching to fixed rate long term debt will still need to be factored in to the budget forecasts for future years. Based on the current predictions of lower for longer interest rate forecasts, it is unlikely that this pressure will emerge in the short term, but it is likely to become a reality towards the back end of the Council's current medium term forecast horizon.

Debt rescheduling: The fall in PWLB repayment rates enlarged the premium / diminished the residual discounts on the premature repayment of debt, reducing the attractiveness of debt rescheduling during the quarter. No rescheduling activity was undertaken.

5. Investment Activity

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles. The table below summarises activity during the year to date:

	Balance on 01/04/2012 £M	Investments Repaid £M	New Investments £M	Balance as at 30/9/2012 £M	Increase/ (Decrease) in Investment for Year £M
Short Term Investments	10	(66)	80	24	14
Money Market Funds	52	(208)	213	57	5
EIB Bonds	6	0	0	6	0
Long Term Investments	0	0	0	0	0
Total Investments	**68**	**(274)**	**293**	**87**	**19**

Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its TM Strategy Statement for 2012/13. This has restricted new investments to the following institutions:

- Other Local Authorities;
- AAA-rated Stable Net Asset Value Money Market Funds;
- Deposits with UK Banks and Building Societies
- Debt Management Office.

On the advice of our Treasury Advisor the authority has recently set up custody accounts with King & Shaxton and RBC Investor Services. By opening these custody accounts the Council now has the ability to use a number of approved investment instruments as outlined in the 2012/13 TM Strategy and diversify the investment portfolio. Investment instruments requiring a custodian facility include:

- Certificates of Deposit (CDs) and Term Deposits with UK Banks and Building Societies systemically important to the UK banking system and with select non-UK Banks;
- Treasury Bills, UK Government Gilts and DMADF (Debt Management Office);

By establishing custody arrangements, the Council will be better-placed to consider the use of alternative investment instruments in response to evolving credit conditions

Counterparty credit quality is assessed and monitored with reference to: Credit Ratings. The Council's minimum long-term counterparty rating is A- (or equivalent) across rating agencies Fitch, S&P and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; sovereign support mechanisms /potential support from a well-resourced parent institution; share price.

A break down of investments as at 30 September 2012 by credit rating at the end of the quarter and maturity profile can be seen in following table.

Current Rating	Initial Rating	Less than 1 Month £000's	1 - 3 Months £000's	3 - 6 Months £000's	6 - 9 Months £000's	9 - 12 Months £000's	Over 12 Months £000's	Total £000's
BBB	A+	0	0					0
A-	A-							0
A	A	8,989	14,080					23,069
A	A+	10,000						10,000
A	AA-							0
A+	A+	10,000						10,000
AA-	AA-	10,000						10,000
AA+	AA+							0
AAA	AAA	27,631				3,000	3,036	33,667
		66,620	**14,080**	**0**	**0**	**3,000**	**3,036**	**86,736**

Counterparty Update

In June Moody's completed its review of banks with global capital market operations, downgrading the long-term ratings of all of them by between one to three notches. The banks on the Council's lending list which were affected by the ratings downgrades were Barclays, HSBC, Royal Bank of Scotland, as well as Royal Bank of Canada, JP Morgan Chase, BNP Paribas, Societe Générale, Credit Agricole/Credit Agricole CIB, Credit Suisse and Deutsche Bank. Separately, the agency also downgraded the ratings of Lloyds Bank, Bank of Scotland, National Westminster Bank and Santander UK plc. None of the long-term ratings of the banks on the Council's lending list were downgraded to below the Council's minimum A-/A3 credit rating threshold.

Following the decision to shorten deposit durations with investment counterparties back in May this year, the Council has since extended duration (decision made in late July). The move to extend duration was as a result of monitoring economic and political developments in the UK, Europe and globally. The various risk metrics used to assess the creditworthiness of financial institutions had shown continued signs of stabilisation, and in some cases, considerable improvement.

At this time of extending duration limits with UK, Australian, Canadian and American banks, the Council also reintroduced the strongest banks in the stronger European sovereigns onto its approved lending list.

Maturities for new investments with financial institutions on the Council's list are currently as follows:

UK Institutions

- Santander UK, Royal Bank of Scotland and National Westminster for a maximum period of 35 days;
- Barclays Bank, Lloyds TSB, Bank of Scotland and Nationwide Building Society for a maximum period of 100 days;
- HSBC Bank and Standard Chartered for a maximum period of 12 months.

Non-UK Institutions

- Approved Australian and Canadian banks for a maximum period of 12 months;
- JP Morgan Chase Bank for a maximum period of 6 months;
- Bank Nederlandse Gemeenten N.V., Deutsche Bank AG, Nordea Bank, Rabobank and Svenska Handelsbanken for a maximum period of 100 days.

Authority Banking Arrangements: Along with many other authorities the Council uses the Co-op as its banker, which at the current time does not meet the minimum credit criteria of A- (or equivalent) long term. However, there are not many banks actively in the tendering process for local authority banking, which would meet our criteria and it is a costly and complicated process. With this in mind, despite the credit rating being below the Authority's minimum criteria, it will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

Budgeted Income and Outturn: The authority does not expect any losses from non-performance by any of its counterparties in relation to its investments. The Council's investment income for the year is currently estimated to be £0.8M. The UK Bank Rate has been maintained at 0.5% since March 2009 and is not expected to rise until 2015/16 and short-term money market rates have remained at very low levels.

6. Compliance with Prudential Indicators

All indicators in Quarter 1 and 2 complied with the Prudential Indicators approved. Details of the performance against key indicators are detailed in the following paragraphs:

6.1. Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council ensures that net external borrowing does not, except in the short term, exceed the CFR in the preceding year, plus the estimates of any additional capital financing requirement for the current and next two financial years. It differs from actual borrowing due to decisions taken to use internal balances and cash rather than borrow. The following table shows the actual position as at 31 March 2012 and the estimated position for the current and next two years based on the capital programme submitted to council:

Capital Financing Requirement	**2011/12 Actual £M**	**2012/13 Approved Estimate £M**	**2012/13 Estimate £M**	**2013/14 Estimate £M**	**2014/15 Estimate £M**
Balance B/F	**360**	**444**	**445**	**448**	**450**
Capital expenditure financed from borrowing	21	15	13	9	9
HRA Debt	74	(8)	0	3	4
Revenue provision for debt Redemption.	(7)	(8)	(7)	(8)	(8)
Movement in Other Long Term Liabilities	(2)	(2)	(3)	(2)	(2)
Cumulative Maximum External Borrowing	**445**	**441**	**448**	**450**	**453**

Capital Financing Requirement	**2011/12 Actual £M**	**2012/13 Approved Estimate £M**	**2012/13 Estimate £M**	**2013/14 Estimate £M**	**2014/15 Estimate £M**
General Fund	271	265	274	273	272
HRA	174	176	174	177	181
Total CFR	**445**	**441**	**448**	**450**	**453**

6.2. Balances and Reserves

Estimates of the Council's level of overall Balances and Reserves for 2012/13 to 2014/15 are as follows:

	2011/12 Actual £M	2012/13 Estimate £M	2013/14 Estimate £M	2014/15 Estimate £M
Balances and Reserves	70	33	26	26

6.3. Authorised Limit and Operational Boundary for External Debt

The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached. The Council's ***Affordable/Authorised Borrowing Limit*** was set at £911M for 2012/13 (£832M for borrowing and £79m for other long term liabilities).

The ***Operational Boundary*** is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The Operational Boundary for 2012/13 was set at £869M (£794M for borrowing and £75m for other long term liabilities).

The Chief Financial Officer (CFO) confirms that there were no breaches to the Authorised Limit and the Operational Boundary and during the period to the end of September 2012 borrowing at its peak was £300M.

The above limits are set to allow maximum flexibility within TM, for example, a full debt restructure, actual borrowing is significantly below this as detailed below:

	Balance on 01/04/2012 £M	Balance as at 30/9/2012 £M	2012/13 Estimate £M	2013/14 Estimate £M	2014/15 Estimate £M
Borrowing	300	288	352	355	352
Other Long Term Liabilities	72	72	74	78	83
Total Borrowing	**372**	**360**	**426**	**433**	**435**

6.4. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2012/13
Upper Limit for Fixed Rate Exposure	100%
Compliance with Limits:	Yes
Upper Limit for Variable Rate Exposure	50%
Compliance with Limits:	Yes

The Upper limit represents the maximum proportion of borrowing which is subject to variable rate interest and was set at 50%, although in practice it would be unusual for the exposure to exceed 25% based on past performance, the highest to date is 15%. The limit was set at a higher level to allow for a possible adverse cash flow position, leading to a need for increased borrowing on the temporary market and to take advantage of the low rates available through the PWLB for variable debt. There has been no adverse cash flow to date but it is proposed that the limit remain at 50%, to allow for flexibility in case of any slippage in expected capital receipts.

6.5. Total principal sums invested for periods longer than 364 days

This indicator allows the Council to manage the risk inherent in longer term investments. The limit for 2012/13 was set at £50M. Due to the current uncertainly in the market no more investments will be made unless the markets settle down and our advisors recommend it.

6.6. Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

	Lower Limit %	Upper Limit %	Actual Fixed Debt as at 30/9/2012 £M	Average Fixed Rate as at 30/9/2012 %	% of Fixed Rate as at 30/9/2012	Compliance with set Limits?
Under 12 months	0	45	7	2.43	3.03	Yes
12 months and within 24 months	0	45	0	0.00	0.00	Yes
24 months and within 5 years	0	50	0	0.00	0.00	Yes
5 years and within 10 years	0	75	98	3.23	40.18	Yes
10 years and within 15 years	0	75	0	0.00	0.00	Yes
15 years and within 20 years	0	75	0	0.00	0.00	Yes
20 years and within 25 years	0	75	0	0.00	0.00	Yes
25 years and within 30 years	0	75	10	4.68	4.09	Yes
30 years and within 35 years	0	75	5	4.60	2.05	Yes
35 years and within 40 years	0	75	25	4.62	10.23	Yes
40 years and within 45 years	0	75	53	3.61	21.64	Yes
45 years and within 50 years	0	75	46	3.54	18.79	Yes
50 years and above	0	100	0	0.00	0.00	Yes
			244	**3.47**	**100.00**	

Please note: the TM Code Guidance Notes (page 15) states: "The maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment. If the lender has the right to increase the interest rate payable without limit, such as in a LOBO loan, this should be treated as a right to require payment". For this indicator, the next option dates on the Council LOBO loans will therefore determine the maturity date of the loans.

6.7. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.

The definition of financing costs is set out at paragraph 87 of the Prudential Code. The ratio is based on costs net of investment income. The increase in the HRA financing costs is due to the reform of HRA of council housing finance which took effect from 28 March 2012. The upper limit for this ratio is currently set at 10% for the General Fund to allow for known borrowing decision in the next two years and to allow for additional borrowing affecting major schemes. The table below shows the likely position based on the capital programme approved in February 2012 adjusted for actual borrowing made to 30 September 2012.

Ratio of Financing Costs to Net Revenue Stream	**2011/12 Actual %**	**2012/13 Approved %**	**2012/13 Estimate %**	**2013/14 Approved %**	**2014/15 Approved %**
General Fund	6.30	6.84	6.48	7.42	7.17
HRA	4.65	10.92	9.11	11.05	10.84
Total	**7.12**	**8.84**	**8.14**	**9.36**	**8.93**

6.8. Gross and Net Debt

The purpose of this treasury indicator is to highlight a situation where the Authority is planning to borrow in advance of need. CIPFA has acknowledged that the upper limit does not work as was intended and is working on a revised indicator. This indicator will be amended once revised guidance has been received from CIPFA. The Authority reports that it has not borrowed in advance of need and that at the 31 March 2012 it had used £70M of internal resources in lieu of borrowing, as this has been the most cost effective means of funding past capital expenditure to date.

6.9. Net Debt and the Capital Financing Requirement

This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Authority should ensure that the net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

The Authority has had no difficulty in meeting this requirement so far in 2012/13, nor is there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

	31/03/2012 Actual £M	31/03/2013 Approved £M	31/03/2013 Estimate £M	31/03/2014 Estimate £M	31/03/2015 Estimate £M
General Fund CFR	271	265	274	273	272
Housing CFR	174	176	174	177	181
Total CFR	**445**	**441**	**448**	**450**	**453**
Less: Existing Profile of Borrowing and Other Long Term Liabilities	372	416	426	433	435
Cumulative Maximum External Borrowing Requirement	**73**	**25**	**22**	**17**	**18**
Balances & Reserves	70	21	33	26	26
Cumulative Net Borrowing Requirement / (Investments)	**3**	**4**	**(11)**	**(9)**	**(8)**

Please note: CIPFA are currently consulting on this indicator. The proposal is to change the PI to 'Gross Debt and the CFR'. The Council will report on any developments in the next activity report.

6.10. Credit Risk

This indicator has been incorporated to review the Council's approach to credit risk. The Council confirms it considers security, liquidity and yield, in that order, when making investment decisions. Credit ratings remain an important element of assessing credit risk, but they are not the sole feature in the Authority's assessment of counterparty credit risk. The authority considers the following tools to assess credit risk:

- Published credit ratings of the financial institution and its sovereign;
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum.

The Council can confirm that all investments were made in line with minimum credit rating criteria set in the 2012/13 TMSS:

- long-term ratings of A- or equivalent;
- long-term ratings of AA+ or equivalent for non-UK sovereigns.

6.11. HRA Limit on Indebtedness

This purpose of this indicator is for the Council to report on the level of the limit imposed at the time of implementation of self-financing by the Department for Communities and Local Government. The following tables show this plus the actual level of debt and expected movement in year.

HRA Limit on Indebtedness	2011/12 Actual £m	2012/13 Estimate £m	2012/13 Revised £m	2013/14 Revised £m	2014/15 Revised £m
HRA Debt Cap (as prescribed by CLG)	199.6	201.3	199.6	199.6	199.6
HRA CFR	174.2	175.5	174.2	177.5	181.4
Difference	**25.4**	**25.8**	**25.4**	**22.1**	**18.2**

HRA Summary of Borrowing	2012/13 Estimate £m	2012/13 Revised £m	2013/14 Revised £m	2014/15 Revised £m
Brought Forward	174.2	174.2	171.7	177.5
Maturing Debt	(8.6)	(8.6)	(8.8)	(5.4)
New borrowing	4.8	6.1	14.6	9.3
Carried forward	**170.4**	**171.7**	**177.5**	**181.4**
HRA Debt Cap (as prescribed by CLG)	201.3	199.6	199.6	199.6
Headroom	**30.9**	**27.9**	**22.1**	**18.2**

7. Summary

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the TM activity up to the 30 September 2012. As indicated in this report none of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.

APPENDIX 12

HOUSING REVENUE ACCOUNT

KEY ISSUES – MONTH 6

The Housing Revenue Account (HRA) is currently forecast to under spend by **£240,500** on income and expenditure items at year-end. There is an additional adverse variance of **£725,800** on capital financing costs, due to the earlier repayment of a loan, however, this is a timing issue rather than an increase of cost in the business planning period and will correct itself by the end of financial year 2013/14.

There are no CORPORATE issues for the HRA at this stage.

The OTHER KEY issues for the HRA are:

HRA 1 – Housing Transformation Project (forecast favourable variance £196,200)

Slippage of Mobile Working.

The implementation of Mobile Working has been delayed to enable the output from the Lean project to inform the decision on the most suitable solution. The devices needed for Mobile Working will not be required until 2013/14 so a carry forward request for £180,000 will be made at year end.

HRA 2 – Capital Financing Costs (forecast adverse variance £725,800)

Repayment of loan earlier than plan.

As part of re-profiling the HRA loans, timing of the repayment of one loan has fallen into 2012/13 rather than 2013/14. This is a timing issue rather than an increase of cost in the business planning period and will correct itself by the end of financial year 2013/14.

HRA 3 –Dwellings Rent (forecast favourable variance £306,500)

There is an increase in Dwellings Rent income.

Dwelling rent income, including Local Authority New Build, is higher than budget leading to a favourable variance of £163,400. Every seven years there is a 53 week rent year. Additional rental from a previous 53 week rent year has now been amortised over the six years in which there are 52 rent weeks. This additional income has now been included in the forecast leading to a favourable variance of £143,100.

HRA 4 – Tenants Service Charges (forecast adverse variance of £263,300)

There is a shortfall in income from service charges due to delays in implementation of the Wardens Review.

Delays in approving the Warden’s restructure have delayed the introduction of the new charging regime. The plan is to start charging from 1 April 2013 provided the new structure can be approved in time for consultation to take place ahead of the changes.