APPENDIX 1

GENERAL FUND 2010/11 - OVERALL SUMMARY

September 2010	Working Budget £000's	Forecast Outturn £000's	Forecast Variance £000's
Portfolios (Net Controllable Spend)			
Adult Social Care & Health	**50,835**	**51,331**	497 A
Childrens Services	**29,952**	**31,524**	1,571 A
Environment & Transport	**23,204**	**25,703**	2,499 A
Housing	**1,858**	**1,711**	147 F
Leader's Portfolio	**7,465**	**7,336**	129 F
Leisure Culture & Heritage	**8,099**	**8,172**	73 A
Local Services & Community Safety	**10,990**	**11,082**	92 A
Resources & Workforce Planning	**37,591**	**37,437**	154 F
Baseline for Portfolios	**169,994**	**174,296**	**4,302 A**
Net Draw From Risk Fund	**2,958**	**0**	2,958 F
Sub-total (Net Controllable Spend) for Portfolios	**172,952**	**174,296**	**1,344 A**
Non-Controllable Portfolio Costs	**21,639**	**21,639**	0
Portfolio Total	**194,591**	**195,935**	**1,344 A**
Approved Carry Forwards	0	150	150 A
Levies & Contributions			
Southern Seas Fisheries Levy	**44**	**44**	0
Flood Defence Levy	**44**	**44**	0
Coroners Service	**441**	**441**	0
	529	**529**	**0**
Capital Asset Management			
Capital Financing Charges	**11,800**	**11,050**	750 F
Capital Asset Management Account	**(23,652)**	**(23,652)**	0
	(11,852)	**(12,602)**	**750 F**
Other Expenditure & Income			
Direct Revenue Financing of capital	**913**	**913**	0
Net Housing Benefit Payments	**(882)**	**(882)**	0
Revenue Development Fund	**3,585**	**3,135**	450 F
Open Space and HRA	**536**	**536**	0
Risk Fund	**366**	**366**	0
Contingencies	**250**	**250**	0
Surplus/Deficit on Trading Areas	**20**	20	0
	4,787	**4,337**	**450 F**
NET GF SPENDING	**188,055**	**188,349**	**294 A**
Draw from Balances:			
To fund the Capital Programme	**(913)**	**(913)**	0
Draw from Strategic Reserve (Pensions/Reds)	**(442)**	**(442)**	0
Draw from Balances (General)	**(3,431)**	**(3,724)**	294 A
	(4,785)	**(5,079)**	**294 A**
BUDGET REQUIREMENT	**183,270**	**183,270**	**0**

APPENDIX 2

ADULT SOCIAL CARE AND HEALTH PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to over spend by **£496,800** at year-end, which represents a percentage over spend against budget of **1.0%.** 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	496.8 A	1.0
Remedial Portfolio Action	0.0	
Risk Fund Items	0.0	
Portfolio Forecast	**496.8 A**	**1.0**
Potential Carry Forward Requests	0.0	

The CORPORATE key issues for the Portfolio are:

ASCH 1 – Adult Disability Care Services (forecast adverse variance £1,174,200)

There is a projected over spend of £81,800 on Residential Care and more significantly £322,200 on Domiciliary and £802,000 on Nursing Care which includes the loss of income in respect of agreements for the provision of Nursing services with the PCT, £120,000.

Forecast Range not applicable.

Residential care is forecast to over spend by £81,800. This is mainly due to:

- The transfer of eight unbudgeted clients, over the age of 65, currently being paid for within mental health community care at a forecast cost of £50,300.
- Additional costs of £360,000 are expected in relation to clients that have already transferred to Adult Disability Care Services pending the planned closure of two SCC homes.
- Further growth in client numbers totalling £221,500. This now includes £90,000 provision for two continuing health care clients whose needs are such that costs will now be met by SCC.

From Month 6 this has been offset by a £550,000 increase in budget provided from the Risk Fund.

Domiciliary Care is forecast to over spend by £322,200. This is due to:

- An increase in the number of clients, that can be attributable to an increase in NHS acute activity arising from the risk in potential delayed transfer fines and the transfer of clients from the City Care Service, of £80,700.

- In addition, following the migration to framework agreements for the 'spot' purchase of domiciliary care, it was agreed that £80,000 TUPE costs would be payable in 2010/11 for staff that transferred under these agreements. A forecast to meet these costs has now been included and continues to be reviewed monthly.
- Extra care provided under contract with Southampton Care Association is forecast to cost an additional £161,500. This was assumed to be funded by a matched reduction in general domiciliary care provision, however year to date figures do not indicate that this will be achieved.

Nursing is forecast to over spend by £802,000. This is mainly due to:

- A net loss in SCPCT income of £120,000. SCPCT have funded 10 nursing home beds since 2006/07 following the closure of a ward at the Tom Rudd Unit (within the grounds of Moorgreen Hospital). However, this funding has now ceased leaving a budget shortfall of £200,000. This has been offset in part by additional funds being received for the provision of Older Persons Mental Health Respite Services £80,000.
- There is net increase in the cost of packages of £497,000 arising from new clients & changes in packages for existing clients.
- As a result of not fully utilising contractually committed beds to date at the new BUPA Oak Lodge Home, due to slower take up of beds than anticipated, the forecast spend has been increased by £185,000

The following table demonstrates the effect of these forecast changes on the equivalent number of units:

	10/11 Net Budget	10/11 Unit Prices	10/11 Budgeted Units	10/11 Forecast	10/11 Forecast Units	Difference (Units)	Variance to Budget
Day Care	236,900	£57 Per Day	4,156	222,600	3,905	(251)	(14,300)
Direct Payments	2,536,200	£9.47 Per Hour	267,814	2,518,700	265,966	(1,848)	(17,500)
Domiciliary	3,900,500	£12.85 Per Hour	303,541	4,222,700	328,615	25,074	322,200
Nursing	4,592,500	£64.82 Per Day	70,850	5,394,500	83,223	12,373	802,000
Residential	5,465,900	£49.15 Per Day	111,209	5,547,700	112,873	1,664	181,800
Total	**16,732,000**			**17,906,200**			**1,174,200**

A number of management actions have been agreed to address the forecast over spend however, it is too soon to determine the level of savings that may be achieved as a result.

<u>ASCH 2 – Learning Disabilities (forecast favourable variance £82,100)</u>

In respect of care provision there has been an increase in demand, including clients that have transferred from Children's Services, an increase in the cost of existing client packages and the withdrawal of funding by Southampton Primary Care Trust (SCPCT) for clients previously assessed to have a continuing health care need. However, from Month 6 this has been offset by an increase in the budget provision from the Risk Fund. There has also been a reduction in forecast spend of £300,000 for implemented savings actions with a further reduction of £60,000 for additional planned savings.

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

Based on current forecasts it is anticipated that there will be an adverse variance of £275,800 for clients transferring into this client group from Children's Services.

In addition, the cost in 2010/11 for new clients at the end of the previous year and new clients in 2010/11, including clients previously recorded as transition clients, is £301,000, whilst savings from clients no longer receiving a service is £72,000. This generates a net pressure in the year of £229,000.

During 2009/10 the SCPCT reduced funding for clients after a determination about the levels of care and needs that should be categorised as Health. In 2009/10 22 clients were transferred to SCC without funding. The original 16 clients that transferred during 2009/10 were anticipated to create a full year cost pressure of £600,000 but are now forecast to cost £900,000 in 2010/11. In addition, provision has not been made in the current year's budget for the six (previously assumed at seven) client transfers agreed at the end of 2009/10. The forecast has been amended for the anticipated full year cost of £515,000. Progress is now being made on agreeing the basis for joint commissioning of services, with pooled budgets, for LD clients with the SCPCT which will address the risk of this issue occurring again in the future.

Offsetting the pressures there are a number of other minor efficiencies within the Service Activity totalling £166,900, which includes £107,000 of savings identified against the Campus closure grant, which is no longer ring fenced, and the Stroke Grant.

Due to changes in eligibility criteria applied by Independent Living Fund (ILF) there is the potential that clients may no longer have access to this source of funding. Based on three to four clients receiving the maximum award this could result in a pressure in the region of £100,000 in a full year.

£1,775,000 has now been included within the Adult, Social Care & Health budget from the Risk Fund to help meet these costs. In future months these issues will not be reported.

An action plan has been implemented and has achieved savings of £300,000 by reviewing existing client packages as well as new care provision. A further £60,000 of savings has also been assumed within the forecast.

ASCH 3 – Complex Care (forecast favourable variance £393,600)

The Care Management teams are expected to significantly exceed their vacancy management targets through holding posts vacant during a period of restructure for the Portfolio. This has allowed the management team greater flexibility in shaping the future structure of the service.

Forecast Range £300,000 to £450,000 favourable.

ASCH 4 – In House Care Services (forecast favourable variance £199,000)

Staff vacancy savings offset by additional running costs of homes.

Forecast Range £150,000 favourable to £300,000 favourable.

A savings proposal was approved in February 2010 which led to a change in the way that domiciliary care is accessed. The new refocused services provide short term enabling and crisis support which aims to enable clients to care for themselves at home as part of reducing ongoing requirements for care and support packages. Posts were held vacant in 2009/10 within the City Care teams to help facilitate the movement to a new staffing structure being adopted to implement this saving. The plan was for the structure to be fully staffed by 1st April 2010 but there has been a planned delay whereby the remaining vacancies will be filled by April 2011 giving a forecast saving of £208,500.

The residential units are forecast to over spend by £54,900 due to costs arising from the delay in the closure of Whitehaven Lodge. This is partially offset by a favourable forecast position on unit income of £45,400 as a result of self funding clients.

The OTHER KEY issues for the Portfolio are:

ASCH 5 – Mental Health and Substance Misuse (forecast adverse variance £157,300)

There are new clients and increased costs of existing client packages totalling £382,200, offset by staffing and grant/contract savings of £154,900. In addition savings of £70,000 are forecast to be achieved through reviewing care packages.

Forecast Range £300,000 adverse to £100,000 adverse.

There is a general upward trend in demand for care packages within this service activity. This is evidenced by seven new residential mental health clients and changes in packages for mental health and substance misuse clients with a forecast cost of £300,200. In addition, there is a forecast over spend in Domiciliary Costs of £51,000 for additional costs for clients with no recourse to public funds, together with packages for five new clients of £31,000.

This has been offset in part by minor staff savings £71,900 and savings on grant & contract payments to the voluntary sector £83,000.

An action plan to reduce the forecast over spend has now been instigated for this area with £70,000 of savings now built into the forecast position.

ASCH 6 – Adult Social Care Learning and Development (forecast favourable variance £150,000)

A new and additional saving target has been set for the Training Budget to deliver in order to help offset other forecast pressures on the Portfolio.

Forecast Range not applicable.

The Head of Service has agreed to set a target saving of £150,000 within the staff development training budget to offset pressures elsewhere in the portfolio.

APPENDIX 3

CHILDREN'S SERVICES & LEARNING PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to over spend by **£1,571,300** at year-end which represents a percentage over spend against budget of **5.2%.** 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	1,571.3 A	5.2
Remedial Portfolio Action	0.0	
Risk Fund Items	0.0	
Portfolio Forecast	1,571.3 A	**5.2**
Potential Carry Forward Requests	0.0	

Remedial action has been taken which is already reflected in the above forecast as unspent Dedicated Schools Grant of £137,000 carried forward from 2009/10 has been utilised to help offset the over spend on the assessment and specialist placement of children with Special Educational Needs.

The CORPORATE issues for the Portfolio are:

CSL 1 – Tier 4 Safeguarding Specialist Services (forecast adverse variance £454,900)

The numbers of children looked after (in care) have increased, 320 in September 2009 at the start of estimates to 387 in September 2010. The average placement cost of a looked after child ranges from an internal placement costing £16,500 per year to an external independent placement costing £300,000.

Forecast range £750,000 adverse to £150,000 adverse.

The detailed breakdown of costs is shown below:

Service Area	Previous Months Variance £000's	Forecast Variance £000's	Increase/ (Decrease) £000's
Civil Secure Accommodation	0.0 A	113.2 F	(113.2)
Foster Care Services	364.9 A	411.7 A	46.8
Independent Fostering Agencies	0.0 A	75.5 A	75.5
Independent Sector Residential Social Care Placements	0.0 A	304.5 A	304.5
Residential Units	24.1 F	178.2 F	(154.1)
Other Tier 4 Services – Care Leavers 18+, Asylum Seekers	62.1 A	45.4 F	(107.5)
Total	**402.9 A**	**454.9 A**	**52.0**

Civil Secure Accommodation (forecast favourable variance £113,200)

Civil secure accommodation is only used as a last resort measure if it is considered that the child poses a serious risk to him/herself or others by remaining within the community. The current budget for civil secure accommodation allows for one annual placement and two three month placements. See the table below:

Civil Secure Placements Annual Cost Band £	Below 1,000	1,000 to 9,999	10,000 to 59,999	60,000 to 99,999	Over 100,000
Budgeted Placements	0	0	0	2	1
Actual to Date	0	0	3	1	0
Forecast	0	0	3	2	0

During Month 6, a decision was taken to transfer a longer term civil secure placement to an out of city placement, saving a total of £113,200. It should be noted that there is still a provisional forecast estimate for £64,000 for a possible new placement.

Foster Care Services forecast adverse variance £411,700)

By September, there were 41 more children in City Council foster care than the budget for 200 children. Each placement costs an average of £16,500. There has been a month on month increase in the numbers of children requiring foster care, and the numbers of children per foster carer is also increasing. It is also current council policy to invest in and use local foster care as far as possible when it is the most appropriate placement for the child. The adverse variance comprises:

- £335,500 adverse variance for standard foster care allowance brought about by additional children in foster care
- £145,800 adverse variance on the Contact Scheme (supervised parental contact with their children), due to additional demand for contact. This demand is a direct consequence of lowering the age of children entering care, leading to an increased need for supervised parental contact.

Independent Fostering Agency (IFA) Placements (forecast adverse variance £75,500)

Expenditure on IFA placements is forecast to over spend by £75,500 by the end of 2010/11 due to both the increase in children in care and the increased complexity of circumstances surrounding those children. Independent placements cost an average of £45,500 for a standard placement (representing foster care cost plus agency charge), approximately £29,000 more than the average for a SCC foster care placement.

Details of changes in the demand for IFA placements are identified in the table below:

IFA Social Care Placements Annual Cost Band £	**Below 1,000**	**1,000 to 9,999**	**10,000 to 59,999**	**60,000 to 99,999**	**Over 100,000**
Budgeted Placements – Set Aug 10	0	0	39	1	0
Current Placements	0	0	40	1	0
Year End Placement Number	0	0	44	2	0

Independent Sector Residential Social Care Placements (forecast adverse variance £304,500)

Expenditure on independent sector residential social care placements is forecast to over spend by £304,500 due to an increase in the numbers of children requiring expensive placements over and above the estimated position. See the table below:

Independent Sector Residential Social Care Placements Annual Cost Band £	**Below 1,000**	**1,000 to 9,999**	**10,000 to 59,999**	**60,000 to 99,999**	**Over 100,000**
Budgeted Placements – Set Aug 10	0	1	8	2	6
Actual Placements to Date	0	2	7	1	8
Forecast Placements for the year	0	2	8	2	8

During the month, there have been an additional three placements, costing an average of £187,000 per annum.

CSL 2 – Safeguarding Locality Frontline Teams and Management (forecast adverse variance £1,137,900)

A continuing need for temporary safeguarding frontline staff, associated agency costs and a rise in legal costs associated with necessary court proceedings is contributing to this forecast over spend.

Forecast Range £1.5M adverse to £500,000 adverse

Current market conditions nationally are such that the supply of social workers is insufficient to meet demand and there is significant competition between authorities to recruit and retain high calibre social work staff. This means a continuing need for temporary staff, acquired from independent agencies, with the associated market agency fees. The additional costs to meet current needs are:

- £255,000 for the cost of agency social workers (18.6 FTE) over and above the cost of equivalent permanent staff.
- £112,300 for the recruitment and relocation costs of Social Workers from abroad (the United States), funded from within the Children's Services & Learning Portfolio.

- £288,500 for senior social care practitioners during 2010/11. 3.5 senior practitioners have been recruited from a recruitment agency on a temporary basis for the financial year. In addition, a further temporary senior practitioner has been recruited for 2.5 months until 31st October 2010 to cover staff sickness.
- £62,400 for the additional cost of employing agency team managers due to difficulties recruiting on a permanent basis.
- £196,400 for the additional cost of sickness cover arrangements, handover arrangements for new staff, and the need for temporary social care assistant posts on a short term basis (e.g. to facilitate the increased parental contact referred to above).

The over spend of £116,000 for legal fees relates to court fees and the additional costs of external solicitors relating to the increased numbers of court proceedings being initiated on behalf of looked after children. These proceedings are initiated where it is considered in the child's best interests to be permanently removed from their birth family home.

The OTHER KEY issues for the Portfolio are:

<u>CSL 3 – Commissioning and Workforce Development (forecast favourable variance £103,500)</u>

Responsibilities for post 16 Education that transferred to the Local Authority in April have now been transferred back to the Young People's Learning Agency. The team formed to carry out the functions for the transfer of responsibility are no longer needed and the vacant posts created as a result will now be deleted.

Forecast Range not applicable.

<u>CSL 4 – Prevention and Inclusion Services (forecast favourable variance £171,700)</u>

Staffing vacancies within the Prevention and Inclusion Service has resulted in a favourable forecast position.

Forecast Range not applicable.

<u>CSL 5 – Infrastructure (forecast adverse variance £213,300)</u>

Underachievement of income and abortive capital expenditure has led to a forecast over spend in the Infrastructure Division.

Forecast Range not applicable.

The City Catering service is forecast to over spend by £72,100 due a large increase in the take up of free school meals, whilst income from schools remains fixed. The Hospitality (i.e. corporate and events catering) and Meals on Wheels services are forecast not to achieve their income targets given diminishing demand.

There is forecast to be a shortfall of income in the ICT Team totalling £45,000 and an over spend of £59,700 relating to security arrangements for vacant properties still maintained by the Portfolio. In addition there are abortive capital costs for two school kitchen projects that are now not taking place, due to reductions in Government grants.

APPENDIX 4

ENVIRONMENT & TRANSPORT PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to under spend by **£411,700** at year-end, which represents a percentage under spend against budget of **1.8%.** 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	2,499.3 A	10.8
Remedial Portfolio Action	0.0	
Risk Fund Items	2,911.0 F	
Portfolio Forecast	**411.7 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 £1,555,500)

Parking pressures have been identified relating to reduced income of £1,545,000, which will need to be met from the Risk Fund.

Forecast Range £1.8M adverse to £1.3M adverse

There is an adverse forecast variance in car parking income, due to a number of factors, the most significant factor that ticket machine income and season ticket sales continue to fall short of the challenging target, as per expectations at the start of the year. Also, the Government have announced that, as of January 2011, the rate of VAT will increase and it is estimated that an additional £27,000 in VAT will be due this year. This cannot be passed on to customers, due to the political decision to freeze car parking charges for a year.

All marketing and commercial opportunities are being explored, as part of a three year strategy to maximise income. However, it is forecast that a draw on the Risk Fund of approximately £1.5M will be required in 2010/11, principally as a result of the economic downturn.

E&T 2 - Bereavement Services (forecast adverse variance £679,700)

There is a forecast income shortfall on cremation fees of £647,000, which will need to be met from a draw on the Risk Fund.

Forecast Range £800,000 adverse to £500,000 adverse

A sum was included in the Risk Fund for the effects of a reduction in crematorium fee income due to fewer numbers of cremations. During the first six months there were 992 adult cremations, which is 503 fewer than for the same period last year. A reduction in numbers was also reported by all neighbouring crematorium facilities and is part of a national downturn in the death rate. However, it should also be noted that the new independent Wessex Vale crematorium in Hedge End is now fully operational. Although the effects of this are difficult to measure, a resultant reduction in income is also reflected in the forecast figure, which is based on a total of 2,300 cremations by the end of the year.

The budgeted increase in the cremation fee by £50 in April 2010 was not implemented, in an attempt to minimise the draw on the Risk Fund, as market conditions would not support the additional rise in fees. As a further remedial action, there has recently been a reduction in the cremation fee, from £600 to £399, for the under utilised slots at less popular times of the day. If successful, it is estimated that this will increase income by £50,000 per annum. Plans are also in place to raise additional income from increasing the sale of memorials. However, the current forecast is that a draw on the Risk Fund of approximately £647,000 will be required for crematorium income this year.

E&T 3 – Development Control (forecast adverse variance £407,500)

There is a projected income shortfall on planning application and section 106 fees of £389,000, which will need to be met from the Risk Fund.

Forecast Range £550,000 adverse to £300,000 adverse

Last financial year planning application income was £398,000 lower than was estimated, as the market conditions were unfavourable. Planning application income is showing the same trend this year, with a shortfall of £248,000 to date. However, the current forecast includes some potential income from large planning applications due later in the year.

A sum was included in the Risk Fund for the effects of the economic downturn and the current assumption is that a draw of £389,000 will be required this year for planning application income and section 106 fees in respect of administration costs.

E&T 4 – Public Transport – Bus Shelters (forecast adverse variance £330,000)

There is a forecast variance for this service in relation to a new bus shelters contract, which will need to be met from the Risk Fund.

Forecast Range £350,000 adverse to £300,000 adverse

There is an income estimate of £350,000 for increased sponsorship income from a new bus shelters contract. A twenty year contract is currently being tendered, for implementation in January 2011, which will pass over the maintenance liability to the contractor and require a minimum income contribution to the Council of £80,000 per annum. This is expected to rise as the market in advertising picks up. A part year income of £20,000 has, therefore, been included and the forecast draw on the Risk Fund this year is now £330,000.

E&T 5 – Waste Disposal (forecast favourable variance £512,800)

A reduction in the amount of waste has reduced disposal costs, which, together with further savings from contract negotiations and lower staffing costs, has generated total savings of approximately £510,000.

Forecast Range £400,000 favourable to £600,000 favourable

The Council is currently processing less Civic Amenity, Dry Recyclable and Household waste through the waste disposal contract than was estimated. This is anticipated to save £196,000 on haulage charges for waste going to landfill over the course of the year. In addition, tonnage is still reducing, due to the successful implementation of Trade Waste controls, resulting in a forecast favourable variance of £82,000. The general collected household and garden waste tonnage is also low, resulting in forecast savings of £135,000 over the course of the year. Additionally, there is a forecast favourable variance of £18,000, due to borrowing costs for works on an access road at Marchwood incinerator that were paid off in full at the end of 2009/10; there are currently three vacancies within the service, which are forecast to save £44,000 by the end of the year, and there is £30,000 extra from the sale of ferrous metal, which is volatile in price and hard to predict.

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

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

Service Activity	**£000's**
Off Street Car Parking	1,545.0
Bereavement Services	647.0
Development Control	389.0
Bus Shelter Contract	330.0
Risk Fund Items	**2,911.0**

APPENDIX 5

HOUSING PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to under spend by **£147,000** at year-end, which represents a percentage variance against budget of **7.9%.** 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	147.0 F	7.9
Remedial Portfolio Action	0.0	
Risk Fund Items	0.0	
Portfolio Forecast	**147.0 F**	**7.9**
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:

HOU 1 – Housing Needs (forecast favourable variance £147,000)

A general saving of £95,900 is forecast from staff vacancies with a further £51,100 arising from staff being seconded to work on Overcrowding without their posts being back filled. A grant for Overcrowding for 2010/11 only has been received.

Forecast Range not applicable.

Posts are being held vacant until structural changes and plans for future years have been finalised. In addition, one post holder has been seconded to Health and Social Care.

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APPENDIX 6

LEADER'S PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to under spend by **£129,200** at year end, which represents a percentage under spend against budget of **1.7%.** 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	129.2 F	1.7
Remedial Portfolio Action	0.0	
Risk Fund Items	0.0	
Portfolio Forecast	**129.2 F**	**1.7**
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 – Corporate Performance & Best Value (favourable forecast variance £142,300)

Under spends within Salaries and Wages

Forecast Range not applicable.

The under spends are due mainly to vacancies within the Corporate Policy and Performance structure.

APPENDIX 7

LEISURE, CULTURE & HERITAGE PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to over spend by **£72,800** at year-end, which represents a percentage over spend against budget of **0.9%.** 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	72.8 A	0.9
Remedial Portfolio Action	0.0	
Risk Fund Items	0.0	
Portfolio Forecast	**72.8 A**	**0.9**
Potential Carry Forward Requests	0.0	

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

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

APPENDIX 8

LOCAL SERVICES & COMMUNITY SAFETY PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to over spend by **£44,800** at year-end, which represents a percentage over spend against budget of **0.4%.** 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	91.9 A	0.8
Remedial Portfolio Action	0.0	
Risk Fund Items	47.1 F	
Portfolio Forecast	**44.8 A**	**0.4**
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:

LS&CS 1 – Parks & Street Cleansing (adverse forecast variance £47,100)

Fuel Inflation

Forecast Range not applicable.

Open Spaces are forecasting a £47,100 over spend on fuel due to price increases. Fuel estimates were based on an average price of £0.88 per litre however the actual price for 2010/11 has been revised to £1.11 per litre. The service is currently analysing other areas of expenditure that may be able to offset this if fuel prices continue on their upward trend, however, it was thought prudent to adjust the forecast at this stage.

Summary of Risk Fund Items

Service Activity	**£000's**
Fuel Inflation – Open Spaces	47.1
Risk Fund Items	**47.1**

APPENDIX 9

RESOURCES AND WORKFORCE PLANNING PORTFOLIO

KEY ISSUES – MONTH 6

The portfolio is currently forecast to under spend by **£153,900** at year-end, which represents a percentage under spend against budget of **0.4%** 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	153.9 F	0.4
Remedial Portfolio Action	0.0	
Risk Fund Items	0.0	
Portfolio Forecast	**153.9 F**	**0.4**
Potential Carry Forward Requests	150.0	

There are no CORPORATE issues for the Portfolio at this stage of the year

The OTHER KEY issues for the Portfolio are:

RES 1 – Various (forecast adverse variance £96,100)

Reduced number of staff vacancies has resulted in an adverse variance within Salaries and Wages.

Forecast Range not applicable

Due to the current low number of staff vacancies across the Portfolio, the forecast indicates that most areas will have difficulty in achieving their vacancy factors in the current financial year.

RES 2 – Central Repairs and Maintenance (forecast favourable variance £150,000)

Under spend on planned repairs and maintenance budgets

Forecast Range not applicable

The favourable variance has arisen as a result of savings made within the planned programme of works and this may be available to carry forward at year-end subject to the final spend on reactive work during the remainder of the year. Full Council has agreed to automatically carry forward any surplus/deficit at year-end subject to the overall financial position of the Authority.

<u>RES 3 – Audit & Risk Management (forecast favourable variance £100,000)</u>

Reduction in cost of Insurance Premium

Forecast Range not applicable

The recent renegotiation of the insurance premium has resulted in reduced costs. Following completion of these renegotiations, the reduction is expected to be £100,000 higher then originally estimated as part of the Mini Budget process approved by Full Council on 14th July 2010.

APPENDIX 10

Portfolio	Efficiencies	Income	Service Reductions	Total	Implemented and Saving Achieved	Not Yet Fully Implemented and Achieved But Broadly on Track	Not on Track to be Implemented
	2010/11				**ACHIEVEMENT**		
	£000's	**£000's**	**£000's**	**£000's**	**%**	**%**	**%**
Adult Social Care & Health	(1,527)	(430)	0	(1,957)	69.3%	0.0%	30.7%
Children Services	(995)	(283)	(115)	(1,393)	89.9%	10.1%	0.0%
Environment & Transport	(1,768)	(375)	(246)	(2,389)	82.2%	11.5%	6.3%
Housing	(102)	0	(43)	(145)	63.4%	6.9%	29.7%
Leaders	(188)	(58)	(109)	(355)	85.9%	14.1%	0.0%
Leisure, Culture & Heritage	(438)	(74)	(257)	(769)	69.2%	29.3%	1.5%
Local Services and Community Safety	(334)	(8)	(65)	(407)	47.9%	32.9%	19.2%
Resources & Workforce Planning	(653)	0	0	(653)	100.0%	0.0%	0.0%
	(6,005)	**(1,228)**	**(835)**	**(8,068)**	**78.7%**	**10.4%**	**10.9%**
Achievement	**(5,328)**	**(1,108)**	**(777)**	**(7,213)**			
Shortfall				**(855)**			

APPENDIX 11

FINANCIAL HEALTH INDICATORS – MONTH 6

Prudential Indicators Relating to Borrowing

	Maximum	Forecast	Status
Maximum Level of External Debt £M	£459M	£303M	Green
As % of Authorised Limit	100%	70%	Green
	Target	**Actual YTD**	**Status**
Average % Rate New Borrowing	5.0%	3.86%	Green
Average % Rate Existing Long Term Borrowing	5.0%	3.04%	Green
Average Short Term Investment Rate	0.50%	0.62%	Green

Minimum Level of General Fund Balances

		Status
Minimum General Fund Balance	£4.5M	
Forecast Year End General Fund balance	£10.4M	Green

Income Collection

Outstanding Debt:	2009/10	Actual YTD	Status
More Than 12 Months Old	30%	35%	Amber
Less Than 12 Months But More Than 6 Months Old	8%	11%	Amber
Less Than 6 Months But More Than 60 Days Old	13%	10%	Green
Less Than 60 Days Old	49%	44%	Green

Creditor Payments

		Status
Target Payment Days	30	
Actual Current Average Payment Days	21	Green
Target % of undisputed invoices paid within 30 days	95.0%	
Actual % of undisputed invoices paid within 30 days	86.68%	Amber

Tax Collection rate

	Target Collection Rate	Month 6 Collection Rate Last Year	Month 6 Collection Rate This Year	Status
Council Tax	96.20%	54.45%	54.74%	Green
National Non Domestic Rates	99.20%	58.89%	61.45%	Green

APPENDIX 12

QUARTERLY TREASURY MANAGEMENT REPORT – MONTH 6

Treasury Management is a complex subject but in summary the core elements of the strategy for 2010/11 are:

- To make use of short term variable rate debt to take advantage of the 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 treasury management 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 Treasury Management 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 2010/11 to date are summarised below:

- Investment returns are expected to decrease from £1M in 2009/10 to an estimated £785,000 in the current year as a result of the continued low interest rates and the fact that income earned in 2009/10 included deals arranged before the decline in the markets which have since matured. The average rate achieved to date (0.62%) is above the performance indicator of the average 7 day LIBID rate (0.42%).
- In order to balance the fall in investment income we have switched to 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 Interest Rate – CRI), at 3.25% is lower than that budgeted for but slightly higher than that reported at 31st March 2010 (3.10%) which is in line with reported strategy. It should be noted that the forecast for longer term debt is a steady increase in rates over the next few years, so new long term borrowing will be taken out above the current CRI and therefore an increase in the CRI should be expected.

1. Summary of Economic Events

- The UK continued to emerge from recession but the level of activity remained well below pre-crisis levels. GDP registered just 0.3% growth in the first calendar quarter of 2010 and 1.2% in the second.

- The Bank of England's Monetary Policy Committee (MPC) maintained the Bank Rate at 0.5% and Quantitative Easing at £200 billion. However, the minutes of Bank of England's September meeting contained the possibility of further Quantitative Easing to keep the economy and inflation on track in the medium term.
- Inflation continued to decline although the annual CPI to August 2010 still stood at 3.1%. This has resulted in two open explanatory letters from the Bank of England's Governor to the Chancellor. In the coming months higher food and fuel prices raise the risk that we may not see inflation come down much more until 2011, and then it will rise back again in January with the signalled hike in VAT to 20%.
- The Bank of England's August Quarterly Inflation Report showed inflation remaining above the 2% target for longer than previously projected. Although the recovery in economic activity was expected to continue, the overall outlook for growth was weaker than presented in the May report.
- The successful formation of a coalition government dispelled uncertainty surrounding a hung parliament result in May's General Election. The new government's Emergency Budget laid out tough action to address the UK's budget deficit, aiming to eliminate the structural deficit by 2014/15. This is to be achieved through austerity measures – £32 billion of spending cuts and £8 billion of net tax increases. Gilts have benefitted from this decisive plan as well as expected reductions in supply for each year of the forecast. The expected level of spending cuts and tax rises looks to be enough to extinguish the recent concern about inflation expectations.
- The results from the EU Bank Stress Tests, co-ordinated by the Committee of European Banking Supervisors, highlighted that only seven of the 91 institutions that made up the scope of the analysis were classed to have failed the adverse scenario tests. The tests are a helpful step forward, but there were doubts if they were far-reaching or demanding enough. The main UK Banks' (Barclays, HSBC, Lloyds and RBS) Tier 1 ratios all remained above 9% under both the 'benchmark scenario' and the 'adverse scenario' stress tests.
- Gilts rallied as the growth momentum faded and the UK seemed to offer a safe harbour from 'Euroland's' turbulence. Five and ten year gilt yields fells to lows of 1.57% and 2.83% respectively.

2. Debt Management

Activity within the debt portfolio during the first half of the year is summarised below, and includes the addition of £25M new debt being taken out with the PWLB, for the purchase of Number One Guildhall Square, at an interest rate of 4.62% over 40 years:

	Balance on 01/04/2010	Debt Maturing or Repaid	New Borrowing	Balance on 30/09/2010	Increase/ (Decrease) in borrowing YTD
	£000's	£000's	£000's	£000's	£000's
Short Term Borrowing	33,029	(148,820)	138,565	22,774	(10,255)
Long Term Borrowing	123,664	(2,026)	40,000	161,638	37,974
Total Borrowing	**156,693**	**(150,846)**	**178,565**	**184,412**	**27,719**

3. 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 first half of the year:

	Balance on 01/04/2010	Investments Repaid	New Investments	Balance on 30/09/2010	Increase/ (Decrease) in investments YTD
	£000's	£000's	£000's	£000's	£000's
Short Term Investments	30,580	(255,640)	253,060	28,000	(2,580)
Money Market Funds	10,645	(10,650)	24,450	24,445	13,800
EIB Bonds	6,000			6,000	0
Long Term Investments	36			36	0
Total Investments	**47,261**	**(266,290)**	**277,150**	**58,481**	**11,220**

Counterparty Update

- Following the challenging economic conditions facing Spain, the fiscal challenges ahead for the country, concerns over the effect of rising debt funding costs, and the downgrade of Spain's sovereign rating to AA by Standard and Poor's, the Council suspended deposits with Spanish banks in Quarter 1 2010 (BBVA and Banco Santander).
- Deposits with Santander UK Plc (a wholly owned subsidiary of Banco Santander) have been restricted to one month as a consequence of the factors outlined above.

The table below summarises the maturity profile of the Council's short term investments together with the long and short term credit ratings of the institutions with which funds have been deposited. The authority does not expect any losses from non-performance by any of its counterparties in relation to its investments.

Country	Current Long Term rating (LCD approach)	Original Long Term rating	Sovereign Rating (LCD approach)	Under 1 Month	1-3 Months	3-6 Months	6-9 Months	Total
UK								
Bank Deposits *	A+	AA+	AAA	29,500	0	2,750	2,000	34,250
Bank Deposits *	A+	AA-	AAA	5,055	2,900	1,000	0	8,955
Bank Deposits *	AA-	AA-	AAA	0	0	0	0	0
Building Societies *	A+	AA-	AAA	5,000	2,000	3,000	0	10,000
Gov't & Local Authority Deposits	AAA	AAA	AAA	7,425	0	0	0	7,425
Money Market Funds	AAA	AAA	AAA	11,680	0	0	0	11,680
Total Investments				**58,660**	**4,900**	**6,750**	**2,000**	**72,310**

* Institutions which have access to the UK Government Credit Guarantee Scheme

4. Compliance with Prudential Indicators

The Council approved a number of indicators at its meeting of the 17th February 2010. These have been reviewed for 2010/11 as detailed below and are reported in accordance with best practice contained in the CIPFA code of practice on Treasury Management and in line with the approved Treasury Management Strategy.

The Chief Financial Officer was required to use delegated powers during this period to adjust one indicator, the Ratio of Financing Costs to Net Revenue Stream; (see 4.5. below) which was as a result of the decision to increase unsupported borrowing to enable the purchase of Number One Guildhall Square. It is recommended that this indicator be set at 10% to allow for known borrowing decisions in the next two years, additional borrowing to effect major schemes and to reflect the impact of the forthcoming CSR on the budget requirement.

All other indicators complied with its Prudential Indicators set in February 2010 as part of the Council's Treasury Management Strategy Statement.

4.1. 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 Borrowing Limit was set at £459M for 2010/11.

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 2010/11 was set at £444M. The Chief Financial Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the period to 30th September 2010 and borrowing at its peak was £257M.

4.2. 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 2010/11 %
Upper Limit for Fixed Rate Exposure	100
Compliance with Limits:	Yes
Upper Limit for Variable Rate Exposure	50
Compliance with Limits:	Yes

4.3. Total Principal Sums Invested for Periods Longer Than 364 Days

This indicator allows the Council to manage the risk inherent in investments longer than 364 days. The upper limit for 2010/11 was set at £50M.

4.4. 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 30/09/10	Average Fixed Rate as at 30/09/10	Proportion of Fixed Rate as at 30/09/10	Compliance with set Limits?
	%	%	£000's	%	%	
Under 12 Months	0	45	15,504	1.96	12.35	Yes
12 months and Within 24 Months	0	45	5,000	3.72	3.98	Yes
24 Months and within 5 Years	0	50	16,000	3.11	12.75	Yes
5 Years and within 10 Years	0	50	23,986	2.83	19.11	Yes
10 Years and within 20 Years	0	50	0	0.00	0.00	Yes
20 Years and within 30 Years	0	75	10,000	4.68	7.97	Yes
30 Years and within 40 Years	0	75	30,000	4.62	23.91	Yes
40 Years and within 50 Years	0	75	25,000	3.88	19.92	Yes
50 Years and above	0	100	0	0.00	0.00	Yes
			125,489	**3.40**	**100.00**	

4.5. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability, highlighting the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The estimate approved by Council for 2010/11 was 5.55% and at the end of Quarter 1 the actual figure stood at 6.11%. Authority was delegated to the Executive Director of Resources following consultation with the Cabinet Member for Resources and Workforce Planning to approve any changes to the Prudential Indicators or borrowing limits that will aid good treasury management. A review of this ratio has therefore been undertaken and It is recommended that this indicator be set at 10% to allow for known borrowing decisions in the next two years, additional borrowing to effect major schemes and to reflect the impact of the forthcoming CSR on the budget requirement.

	Estimate			
Ratio of Financing Costs to Net Revenue Stream	**2010/11 Approved**	**2010/11 Revised**	**2011/12**	**2012/13**
	%	%	%	%
General Fund	4.99	5.79	6.81	7.45
Housing Revenue Account (HRA)	5.14	4.26	5.68	7.16
Total	**5.55**	**5.76**	**7.06**	**7.23**

5. 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 31st March 2010 and shows the estimated position for the current and next two years based on the current approved capital programme:

Capital Financing Requirement	Actual	Estimate		
	2009/10	2010/11	2011/12	2012/13
	£M	£M	£M	£M
Balance B/F	**276**	**306**	**360**	**353**
Capital expenditure financed from borrowing	37	62	3	1
Revenue provision for debt Redemption.	(5)	(6)	(7)	(7)
Movement in Other Long Term Liabilities	(2)	(2)	(2)	(2)
Cumulative Maximum External Borrowing Requirement	**306**	**360**	**353**	**346**

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

	Balance on 01/04/2010	Balance on 30/09/2010	Estimate		
			2010/11	2011/12	2012/13
	£000's	£000'S	£000's	£000's	£000's
Borrowing	156,693	184,412	216,269	206,846	202,046
Other Long Term Liabilities	69,489	69,112	67,349	65,150	63,413
Total Borrowing	**226,182**	**253,524**	**283,619**	**271,996**	**265,459**

6. Outlook for Quarter 3

As reported by our Advisors (Arlingclose), the outlook for interest rates is as follows:

	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
Official Bank Rate										
Upside risk	-	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**	**0.75**	**1.00**	**1.25**	**1.50**	**2.00**	**2.50**	**2.75**
Downside risk	-	-	-	- 0.25	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50

The following assumptions have been used in these forecasts:

- The recovery in growth is likely to be slow and uneven, more Square root" than "V" shaped.
- The path of base rates reflects the fragility of the recovery and the significantly greater fiscal tightening of the emergency budget. With growth and underlying inflation likely to remain subdued, the Bank will stick to its lower for longer stance on policy rates.
- Gilts will remain volatile as the growth versus headline inflation debate escalates.
- The negative outlook for the UK will remain until the plans to cut the deficit have been formulated in the CSR.

The movement of interest rates will be closely monitored and Treasury Management activity will respond as required to achieve the core aims of the strategy with an updated report presented at the end of Quarter 3 which will also reflect the impact of the CSR announced on 20th October.

APPENDIX 13

HOUSING REVENUE ACCOUNT

KEY ISSUES – MONTH 6

The Housing Revenue Account (HRA) is currently forecast to over spend by **£1,300** at year-end which represents a percentage over spend against budget of **0.0%**

The CORPORATE issues within the HRA are:

HRA 1 – Supervision & Management - Housing Management (forecast adverse variance £121,500)

As a result of payments for tenants that have been displaced by the balcony collapse at Weston there are additional costs of £19,500.

Due to the lead time in the implementation of the Housing and Income Services restructure, expected savings have been reduced (£70,000). Additional staffing costs of approximately £32,000 are also anticipated until such time as the restructure is completed although work is underway to identify short term reductions.

HRA 2 – Contingency (forecast favourable variance £258,200)

The budget for contingency has been increased by £158,200 due to the removal of the 2% pay award from staff budgets. The forecast for contingency has been reduced to zero and this favourable variance will cover the increase in charges to the HRA following the Council's budget review (£55,000) and also be available to assist the HRA in meeting the working balance for the year.

HRA 3 – Dwelling Rents (forecast adverse variance £154,200)

Earlier than budgeted decanting of tenants within the Estate Regeneration project has led to a reduction in the dwellings rents to be received this year.

In addition, there has been rent loss as a result of tenants being required to vacate a number of properties within Shirley Towers.

The OTHER KEY issues within the HRA are:

HRA 4 – Rent Payable Housing Management (forecast favourable variance £12,100)

Full Council Tax is due on properties that are void for greater than six months and expenditure is forecast to exceed budget. This has been more than covered by a refund of Council Tax paid for our properties being developed under Estate Regeneration extending back to 2008/09.

HRA 5 – Supervision & Management Estate Regeneration (forecast adverse variance £35,600)

The Mini Budget approved by Council on 14th July approved an increase in charges for the additional Estate Regeneration work undertaken by Housing Development of £33,000. This is being offset by a favourable variance in the HRA contingency fund.

HRA 6 – Commercial Rents (forecast adverse variance £18,600)

The Council's shop and ground rents are charged through periodic invoices and a review of this income has resulted in a reduction in the expected income this year.

HRA 7 – Tenants Service Charges(forecast favourable variance £58,900)

The operation of the Community Alarm Monitoring charge to certain tenants in sheltered housing schemes has now been finalised and this will increase the income received this year.