APPENDIX 1

GENERAL FUND 2013/14 - OVERALL SUMMARY

SEPTEMBER 2013	Working Budget £000's	Forecast Outturn £000's	Forecast Variance £000's
Portfolios (Net Controllable Spend)			
Change & Communities	3,819	3,948	129 A
Children's Services	35,263	39,573	4,310 A
Economic Development & Leisure	6,039	6,342	304 A
Environment & Transport	26,702	26,903	202 A
Health & Adult Social Care	67,088	69,364	2,276 A
Housing & Sustainability	1,764	1,928	164 A
Leader's Portfolio	3,564	3,458	106 F
Resources	42,876	41,678	1,198 F
Baseline for Portfolios	**187,115**	**193,195**	**6,080 A**
Net Draw From Risk Fund	4,956	0	4,956 F
Sub-total (Net Controllable Spend) for Portfolios	**192,071**	**193,195**	**1,124 A**
Non-Controllable Portfolio Costs	22,275	22,275	0
Portfolio Total	**214,345**	**215,470**	**1,124 A**
Levies & Contributions			
Southern Seas Fisheries Levy	31	31	0
Flood Defence Levy	32	32	0
Coroners Service	560	560	0
	623	**623**	**0**
Capital Asset Management			
Capital Financing Charges	13,357	12,557	800 F
Capital Asset Management Account	(24,585)	(24,585)	0
	(11,229)	**(12,029)**	**800 F**
Other Expenditure & Income			
Direct Revenue Financing of Capital	501	501	0
Net Housing Benefit Payments	(882)	(882)	0
Non-Specific Government Grants	(134,450)	(135,988)	1,538 F
Contribution to Pay Reserve	1,400	1,400	0
Contribution to Transformation Fund	1,000	1,000	0
Collection Fund Surplus	(1,042)	(1,042)	0
Open Space and HRA	436	436	0
Risk Fund	750	750	0
Contingencies	411	411	0
Surplus/Deficit on Trading Areas	36	36	0
	(131,840)	**(133,379)**	**1,538 F**
NET GF SPENDING	**71,900**	**70,686**	**1,214 F**
Draw from Balances:			
To fund the Capital Programme	(501)	(501)	0
Draw from Balances (General)	1,677	2,891	1,214 F
Carry Forwards	(926)	(926)	0
Pay Reserve	(1,400)	(1,400)	0
Other Changes	125	125	0
Draw from Strategic Reserve	(825)	(825)	0
	(1,851)	**(637)**	**1,214 F**
COUNCIL TAX REQUIREMENT	**70,049**	**70,049**	**0**

APPENDIX 2

CHANGE & COMMUNITIES PORTFOLIOS

KEY ISSUES – MONTH 6

The Portfolios are currently forecast to under spend by **£116,800** at year-end, which represents a percentage under spend against budget of **3.1%**. 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	128.9 A	3.4
Risk Fund Items	245.7 F	
Portfolio Forecast	**116.8 F**	**3.1**
Potential Carry Forward Requests	0.0	

The CORPORATE issues for the Portfolios are:

COMM 1 – Youth Offending Team (forecast adverse variance £245,700)

Transfer of costs of placing Young Offenders in remand from Youth Justice Board

Forecast Range £250,000 adverse to £200,000 adverse

The Youth Justice Board has transferred responsibility to fund the costs of remand to Local Authorities from 1 April 2013. Due to the volatile nature of the need for remand and the range of costs at specific facilities, (ranging from £177 to £607 per night), provision for this has been retained in the Risk Fund and the anticipated draw, based on current demand, is £245,700. This is an increase from the draw of £171,000 reported in Quarter 1 due to a change in usage from cheaper to more expensive facilities.

The OTHER KEY issues for the Portfolio are:

COMM 2 – Communities, Change & Partnership (forecast favourable variance £107,000)

Salaries and Supplies & Services under spends

Forecast range not applicable

The favourable variance has arisen primarily due to salary under spends from vacancies together with anticipated under spends within supplies and services as a result of the recent moratorium on spend. In addition, vacancies have been reviewed, and where possible will form part of future savings proposals.

Summary of Risk Fund Items

Service Activity	£000's
Youth Remand	245.7
Risk Fund Items	**245.7**

APPENDIX 3

CHILDREN'S SERVICES PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to over spend by **£1,510,000** at year-end, which represents a percentage over 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	4,310.0 A	12.2
Risk Fund Items	2,800.0 F	
Portfolio Forecast	**1,510.0 A**	**4.3**
Potential Carry Forward Requests	0.0	

The CORPORATE issues for the Portfolio are:

CS 1 – Tier 4 Safeguarding Specialist Services (forecast adverse variance £2,613,100)

This budget funds the cost of children that have to be taken into care. The number of children in care is 17, (4.3%) over the budgeted position. A further increase of 35 placements (or 8.5% based on the current placement numbers) is anticipated by year end.

Forecast Range £3.0M adverse to £1.6M adverse

The increasing number of children having to be taken into care has led to a forecast over spend on fostering of £1,993,200, and on residential placements of £399,600. In addition there are other various over spends, such as special guardianship allowances, staying put placements and adoption allowances totalling £220,300. The over spend on fostering of £1,993,200 includes a forecast over spend of £1,755,800 on Independent Fostering Agency (IFA) placements, and £175,300 on placements with local authority foster carers.

There has been an over spend of £188,100 on special guardianship and adoption allowances. The increasing numbers of lower cost special guardianship and adoption allowances has primarily resulted from the conversion of higher cost foster care. This results in a corresponding cost avoidance of between £3,000 and £13,000 per placement per annum.

A draw of £2.2M has been made from the Risk Fund reducing the over spend on Tier 4 Safeguarding Specialist Services to £413,100. The numbers of children in care have remained at a similar level as that at the start of the year, which has helped control the level of fluctuation in the over spend as experienced in previous years.

The table below outlines the changes in activity levels for 2013/14:

Service	Daily Rate Range	Children Numbers					
		Budget	Budget Plus Risk Fund Provision	July	Aug	Sept	Year End Forecast
Fostering up to 18	£20 - £100	311	325	302	297	300	324
Independent Fostering Agencies	£86 - £270	62	91	97	101	100	112
Inter Agency Fostering Placements	£56 - £136	0	0	3	3	3	3
Supported Placements or Rent	£16 - £111	13	13	1	1	1	1
Residential - Independent Sector	£257 - £660	10	15	10	10	10	8
Civil Secure Accommodation	£707 - £806	1	1	0	0	0	1
Sub-total: Children in Care		**397**	**445**	**413**	**412**	**414**	**449**
Residential (Not Looked After)	£108 - £333	0	0	3	3	3	3
Supported Placements or Rent (Not Looked After)	£16 - £111	0	0	7	5	5	6
Over 18's	£8 - £153	17	17	18	20	17	19
Adoption Allowances	£4 - £38	91	91	94	88	86	87
Special Guardianship Allowances	£2 - £44	49	49	75	75	76	100
Residence Order Allowances	£7 - £18	18	18	17	17	17	17
Total		**572**	**620**	**627**	**620**	**618**	**681**

Figures for CIC exclude disability placements, UASC's and children placed at nil cost (e.g., with parents)

CS 2 – Safeguarding Management and Legal Services (forecast adverse variance £268,600)

Additional legal costs of £201,500 are directly attributable to the increasing number of children in care. Safeguarding management and support services have increased by £67,100 over the budgeted position, mainly due to one off costs for staffing and systems audits and reviews.

Forecast Range £400,000 adverse to £150,000 adverse

This adverse variance is due to unavoidable SCC and external legal costs associated with children having to be taken into care. The costs relate to court fees, legal expenses and external counsel. A draw of £200,000 has been made from the Risk Fund reducing the over spend on Safeguarding Management and Legal Services to £68,600.

CS 3 – Child Protection Tier 3 Social Work Teams (forecast adverse variance £919,800)

The adverse variance reflects 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 £1.5M adverse to £750,000 adverse

There is a forecast over spend of £777,900 on child protection ‘Tier 3’ social work teams. Current market conditions have meant that the supply of social workers was insufficient and inexperienced to meet rising demand. This meant 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 was agreed in December 2012 and a full complement of social workers has now been recruited within the front line teams with effect from 1 November, 2013 which has led to a reduction in the forecast from Quarter 1. However, agency staff are still required to fill vacant senior practitioner posts.

The forecast over spend on the Contact Scheme of £141,900 is a direct consequence of younger children having to be taken into care earlier, leading to an increase in court-ordered supervised parental contact. External contracts have had to be negotiated to cope with the increased demand.

A draw of £400,000 has been made from the Risk Fund reducing the over spend on Child Protection Social Work Teams to £519,800.

CS 4 – Disability Services (forecast adverse variance £226,500)

New expensive packages of care for children with disabilities have commenced during the year, leading to a forecast over spend.

Forecast Range £350,000 adverse to £150,000 adverse.

The requirement for packages of care for children with disabilities is difficult to predict with any certainty due to the volatility in the cost of care and the individual needs of each child with a disability. During the year, three new expensive placements have been included within the forecast, two of which relate to new residential placements and one of which is for an expensive IFA placement.

CS 5 – Commissioning, Policy and Performance (forecast adverse variance £176,600)

Overspends on school transport, admin supplies and translation services

Forecast Range £200,000 adverse to £150,000 adverse.

A Personal Travel Budget pilot has been trialled since January 2013 at two special schools in the city. The pilot, which allocates parents 45p per mile to transport their children to school, has been less well received by parents than anticipated. An over spend of £90,000 is therefore forecast.

Directorate expenditure on storage, photocopying and postage is forecast to over spend by £42,000. In addition, there has been higher than budgeted demand for translation services in the first three months of the year which has led to a forecast over spend of £29,700. This has been partially offset by the earlier implementation of management savings of £56,000 in the current year.

The costs of operating the sports hall at the old Millbrook school site are forecast to over spend by £35,000. The council will continue to work with the operator to drive these costs down over the course of the year.

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

Summary of Risk Fund Items

Service Activity	£000's
Tier 4 Services	2,200.0
Safeguarding Management and Legal Services	200.0
Child Protection Tier 3 Social Work Teams	400.0
Risk Fund Items	**2,800.0**

APPENDIX 4

ECONOMIC DEVELOPMENT & LEISURE PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to over spend by **£188,600** at year-end, which represents a percentage over spend against budget of **3.1%**. 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	303.6 A	5.0
Risk Fund Items	115.0 F	
Portfolio Forecast	**188.6 A**	**3.1**
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;

EDL 1 – Leisure Client Team (forecast adverse variance £105,900)

Contractual utility inflation on the Active Nation contract

Forecast Range £150,000 adverse to £100,000 adverse

Under the contract with Active Nation to run the Council's sports provision, the Council bears the risk of cost inflation on utilities over and above the Consumer Price Index. This is currently estimated to be £115,000 and provision has been made in the Risk Fund.

EDL 2 – Gallery and Museums (forecast adverse variance £191,400)

Shortfall in venue income due to lower visitor numbers than anticipated

Forecast Range £200,000 adverse to £150,000 adverse

Visitor numbers to Tudor House and SeaCity are lower than anticipated for the first six months of the year. This is expected to result in a shortfall in income of £150,000 for SeaCity and £22,700 for Tudor House.

A number of marketing actions have been instigated to ensure visitor numbers for October to March are maximised including regular Facebook, Twitter and Stay Connected updates for events and activities. A press day will be held in SeaCity Museum for the opening of the First Cut exhibition and an advertising campaign is planned across the South which will include advertising at railway stations and a Wave 105 competition.

Summary of Risk Fund Items

Service Activity	£000's
Sport & Rec Contract - Energy	115.0
Risk Fund Items	**115.0**

ENVIRONMENT & TRANSPORT PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to over spend by **£146,800** at year-end, which represents a percentage over spend against budget of **0.5%**. 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	201.8 A	0.8
Risk Fund Items	55.0 F	
Portfolio Forecast	**146.8 A**	**0.5**
Potential Carry Forward Requests	0.0	

The CORPORATE issues for the Portfolio are:

E&T 1 – Off Street Car Parking (forecast adverse variance £622,000)

Parking pressures have been identified relating to reduced income of £661,000.

Forecast Range £750,000 adverse to £500,000 adverse

There is an adverse forecast variance of £622,000 for off street car parking, due to a number of factors, the most significant being that income is forecast to fall short of the level anticipated during the budget setting process by £431,000. This variance may be attributed to an underlying reduction in parking across the whole of the city, including both Council and privately owned car parks. Management are considering whether any remedial action might help to address this position.

In addition, the proposed introduction of evening charges, with a target income of £300,000 in the current year, is now forecast to generate, after set-up costs, a net income of only £70,000 and the shortfall of £230,000 in parking income is reflected in the overall forecast. This will be partially offset as rates expenditure is forecast to be lower than originally estimate by £39,000

Following the closure of the Lime Street car park in early June, there is an estimated decrease in net income of £91,000. The budget has been adjusted accordingly by an actual draw from the Risk Fund.

The OTHER KEY issues for the Portfolio are:

<u>E&T 2 – Waste Collection (forecast adverse variance £175,000)</u>

There is a forecast adverse variance on the Commercial Waste Service income.

Forecast Range £250,000 adverse to £150,000 adverse

The Commercial Waste Service is forecast to be £262,000 adverse, due to continuing adverse trading conditions and this position is regularly reviewed by City Services management team. Improvements to billing and debt recovery have been introduced, the full impact of this will not be realised until Quarter 3, and other remedial action is being investigated to improve the situation. There are forecast additional costs for employees of £144,000, mainly due to previous year savings proposals not being fully developed and implemented. There are also forecast additional costs of fuel for vehicles of £12,000, which may be met through a draw on the Risk Fund.

The Service was due to have 27 refuse freighters replaced at the start of this year. As they will be introduced throughout the year, a budgeted cost of approximately £199,000 will not to be incurred by Fleet Transport, resulting in a saving that will be passed back to the Waste Collection service. However, there are forecast unbudgeted vehicle damage and repairs costs of £24,000.

There is forecast additional income from charging for green waste collections of £30,000 and £18,000 from additional sales of glass and savings of £22,000 on Bartec annual costs.

<u>E&T 3 – Waste Disposal (forecast adverse variance £61,200)</u>

There are various forecast changes with an adverse overall variance.

Forecast Range £100,000 adverse to nil

The Waste Disposal Contract has increased rates from January 2014, which are anticipated to increase overall costs by £43,000 in this financial year and this will be met through a draw on the Risk Fund.

The savings proposal to charge for school waste disposal cannot be implemented due to legislative reasons, at a cost of £100,000. However, there is anticipated to be an additional £100,000 income from the profit share at the Energy Recovery Facility (Marchwood incinerator) for 2012 that will offset this shortfall.

There is a forecast additional cost of £94,000 at the Civic Amenity Waste Centres, due to increased volumes, and a forecast adverse variance on HWRC net income of £30,000. However, there is additional disposal income of £30,000 from Housing and savings of £76,000 on lower general collected household waste.

<u>E&T 4 – E&T Contracts Management (forecast favourable variance £129,400)</u>

There are forecast savings on the street lighting PFI contract.

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

A level of savings on the PFI Street Lighting contract sum were anticipated and these were planned for and factored in corporately as part of the budget setting process but there are forecast to be savings over and above the originally planned profile. These are not certain but are at present forecast to be £83,000. In addition, energy costs are, on the current prices, forecast to be £46,000 favourable and the final third party income share with the Council's highways partner in respect of 2012/13 was £25,900 higher than anticipated.

E&T 5 – Development Control (forecast favourable variance £130,700)

There is a forecast of additional planning application fee income and a forecast saving on staffing.

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

Development Control is forecast to over achieve against the target for planning application income by £83,900. The income collected in the first six months has been higher than usual, due to the introduction of the Community Infrastructure Levy in August, which will mean an increased charge for some applicants. Pre-application income is forecast to be £33,440 adverse.

In addition, there is a favourable variance on employees of £77,400, mainly due to a saving from the recent restructure within the Planning department.

E&T 6 – Regulatory Services - Commercial (forecast favourable variance £180,800)

There is forecast additional income and reduced employee costs.

Forecast Range £150,000 favourable to £250,000 favourable

There is forecast additional port health income from BIP Port Fees of £40,000 and other specialist income relating to imports from China/ Japan of £95,000. Employee costs are forecast to be £21,000 favourable, due to staff turnover and additional external contributions of £24,000 have been received to fund Trading Standards work.

E&T 7 – Travel & Transport (forecast favourable variance £228,900)

There is a forecast saving on the Concessionary Fares scheme and a favourable variance on the overall budget due to savings on employee costs.

Forecast Range £200,000 favourable to £400,000 favourable

The total forecast number of Concessionary Fare journeys and the forecast average fare are monitored closely throughout the year. At Month 6, based upon the current passenger journeys and the calculated average fare, it appears appropriate to forecast a favourable variance on the scheme of £150,000. There is a favourable forecast employee variance, due to savings in senior management of around £63,000 and School Crossing Service staff turnover of around £20,000.

Summary of Risk Fund Items

Service Activity	£000's
Waste Disposal Contract	43.0
Fuel	12.0
Risk Fund Items	**55.0**

APPENDIX 6

HEALTH & ADULT SOCIAL CARE PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to over spend by **£645,900** 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	2,275.9 A	3.4
Risk Fund Items	1,630.0 F	
Portfolio Forecast	**645.9 A**	**1.0**
Potential Carry Forward Requests	0.0	

The CORPORATE issues for the Portfolio are:

H&ASC 1 – Learning Disability (forecast adverse variance £1,424,300)

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

Forecast Range £1.5M adverse to £1.3M adverse.

A budget pressure arising from the impact of an aging population and new transitional clients was identified as part of setting the 2013/14 budgets. A sum of £1.0M was allowed for within the Risk Fund to meet this pressure which can now be evidenced by an increase in residential activity of £1,467,800 offset by a decrease in the forecast spend for Supported Living/Day Care clients of £45,700. It has been assumed that there will be a draw on the Risk Fund for the full £1.0M.

It should be noted that this forecast position is based on an assumption that a further local savings target of £173,900, from a combination of Operational and Commissioning savings, will be fully achieved.

H&ASC 2 – Adult Disability Care Services (forecast adverse variance £1,093,100)

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

Forecast Range £1.4M adverse to £1.0M adverse.

There are projected over spends of: £196,400 on Residential and £952,500 on Domiciliary, partially offset by an under spend on Nursing of £67,000.

The forecast over spend is due to greater volumes of clients than were assumed when the budget was set for 2013/14. This position was highlighted as a possible occurrence when setting the budget in February 2013 and so a provision was made within the Risk Fund of £630,000. This sum is made up of £430,000 for Older Persons Mental Health clients transferring from Continuing Health Care Funding and a further £200,000 to recognise the greater demand for care from an increase in the elderly population. It is expected that there will be a draw on the Risk Fund for the full sum.

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	59.9	£59.59	1,005	59.0	990	(15)	(0.9)
Direct Payments	2,817.7	£11.62	242,487	2,829.8	243,528	1,041	12.1
Domiciliary	5,055.1	£13.96	362,113	6,007.6	430,344	68,231	952.5
Nursing	2,315.4	£67.44	34,333	2,248.4	33,339	(993)	(67.0)
Residential	5,285.9	£51.13	103,382	5,482.3	107,223	3,841	196.4
Total	**15,534.0**			**16,627.1**			**1,093.1**

The OTHER KEY issues for the Portfolio are:

H&ASC 3 – Complex Care (forecast adverse variance £176,500)

Additional cost of covering permanent posts with agency staff.

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

A review of the current complex care service is being undertaken. Whilst this review is underway no permanent recruitment to posts is being undertaken within the complex care teams. Although fixed term contract posts are being advertised the service is experiencing difficulties in filling the posts on this basis and therefore, to meet service requirements, managers have to use agency staff at an additional premium.

H&ASC 4 – Adult Disability Commissioning (forecast favourable variance £272,700)

Savings on contracts required for 2014/15 have been achieved ahead of schedule.

Forecast Range £200,000 favourable to £300,000 favourable.

Savings of £190,000 have been secured through contract renegotiations within the Supporting People programme. This saving was required to meet the budget forecast from 2014/15 onwards. The early achievement of this saving with various other minor contract savings totalling £82,700 will be used to offset over spends elsewhere within the Portfolio in 2013/14.

Summary of Risk Fund Items

Service Activity	**£000's**
Adult Disability Care Services	630.0
Learning Disability	1,000.0
Risk Fund Items	**1,630.0**

APPENDIX 7

HOUSING & SUSTAINABILITY PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to over spend by **£53,500** at year end, which represents a percentage over spend against budget of **3.0%**. 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	163.7 A	9.3
Risk Fund Items	110.2 F	
Portfolio Forecast	**53.5 A**	**3.0**
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:

HOUS 1 – Sustainability (forecast adverse variance £125,400)

There is a variance due to the cost of purchasing Carbon Reduction Certificates (CRCs).

Forecast Range £150,000 adverse to £100,000 adverse.

It is estimated that the cost of purchasing CRCs for the authority in 2013/14 will be £110,200 and it is anticipated that this will be covered by a draw on the Risk Fund. In addition, there are minor adverse variances across Sustainability totalling £15,200.

Summary of Risk Fund Items

Service Activity	**£000's**
Sustainability – CRC purchases	110.2
Risk Fund Items	**110.2**

APPENDIX 8

LEADER'S PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to under spend by **£106,000** at year-end, which represents a percentage under spend against budget of **3.0%**. 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	106.0 F	3.0
Risk Fund Items	0.0	
Portfolio Forecast	**106.0 F**	**3.0**
Potential Carry Forward Requests	0.0	

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

The OTHER KEY issues for the Portfolio at this stage are:

LEAD 1 – Legal & Democratic (forecast favourable variance £64,000)

Salary and Supplies & Services under spends partially offset by pressure within Licensing to fund cab cameras.

Forecast Range not applicable

The favourable forecast variance is due to a combination of factors including salary under spends from vacant posts, general under spends on supplies and services, an anticipated increase in Land Charges income and reduced spend on Elections. Vacancies have been reviewed and where possible will form part of future savings proposals.

However, this favourable position has been partly offset by increased costs within Licensing for the ongoing subsidy for cab cameras agreed by Licensing Committee on 19 September 2013. This pressure, which will be ongoing, will be reflected in the draft budget position for 2014/15 onwards.

LEAD 2 – Corporate Communications (forecast favourable variance £42,000)

Salary under spends

Forecast Range not applicable

The favourable forecast variance has arisen from salary under spends resulting from the recent restructure of the Division.

APPENDIX 9

RESOURCES PORTFOLIO

KEY ISSUES – MONTH 6

The Portfolio is currently forecast to under spend by **£1,197,900** at year-end, which represents a percentage under spend against budget of **2.8%**. 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	1,197.9 F	2.8
Risk Fund Items	0.0	
Portfolio Forecast	**1,197.9 F**	**2.8**
Potential Carry Forward Requests	0.0	

The CORPORATE issues for the Portfolio at this stage are:

RES 1 – Contract Management (forecast favourable variance £300,600)

Capita savings achieved

Forecast Range not applicable

The favourable variance reflects the benefit of ongoing changes made to the Capita contract through agreed contract amendments and savings achieved through the Capita contract over and above the risk adjusted amount approved by Council in February. This will form part of a new draft budget savings proposal for 2014/15 and future years and, as there are transition costs associated with the savings approved in February, will reflect a higher gross saving to be delivered for future years.

RES 2 – Property Portfolio Management (forecast favourable variance £445,000)

Additional Investment Property income / Reduction in professional fees

Forecast Range not applicable

A favourable variance has arisen within the Investment Portfolio account of £275,000 due to higher than estimated income achieved through new lettings, together with a delayed disposal that is not now expected to take place until the end of the year.

In addition, the rationalisation of the property portfolio has led to lower overall management costs and a reduction in the management fees payable to Capita of £170,000. This ongoing reduction will be the put forward as a draft budget savings proposal for 2014/15 and future years.

The OTHER KEY issues for the Portfolio at this stage are:

<u>RES 3 – Portfolio General (forecast favourable variance £318,900)</u>

Salary and Supplies & Services under spends

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 anticipated under spends within supplies and services as a result of the recent moratorium on spend. Where possible this will form part of future savings proposals.

<u>RES 4 – Property Services (forecast favourable variance £58,000)</u>

Under spend on rates

Forecast Range not applicable

There is a favourable forecast variance due to an anticipated one-off under spend on rates as a result of the planned vacation of the Civic Centre to enable essential building works to be undertaken as part of the Accommodation Strategy.

<u>RES 5 – IT Services (forecast favourable variance £100,000)</u>

Rationalisation of PCs

Forecast Range not applicable

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

<u>RES 6 – Grants to Voluntary Organisations (forecast adverse variance £24,600)</u>

Payment of Transitional Relief

Forecast Range not applicable

The adverse forecast variance reflects the payment of transitional relief to organisations affected by the impact of the grants programme approved by Cabinet in February. As detailed in the Cabinet report, the Council was liable in some cases to provide this relief where the Council has either ceased or reduced funding to organisations that the Council has had a prior funding relationship with. The transitional relief scheme is now closed and the intention is to manage the cost within the overall Portfolio budgets.

APPENDIX 10

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio	Efficiencies	Income	Service Reductions	Total	Implemented and Saving Achieved	Not Yet Fully Implemented and Achieved But Broadly on Track	Saving Not on Track to be Achieved
	2013/14				RISK TO DELIVERY		
	£000's	£000's	£000's	£000's	%	%	%
Change & Communities	(33)	0	(556)	(589)	94.4%	0.0%	0.0%
Children's Services	(2,265)	(97)	(3,012)	(5,374)	69.9%	26.6%	3.4%
Economic Development & Leisure	0	(50)	(617)	(667)	100.0%	0.0%	0.0%
Environment & Transport	(604)	(875)	(2,588)	(4,067)	81.0%	11.6%	7.4%
Health & Adult Services	(3,295)	(185)	(567)	(4,047)	95.3%	1.4%	3.3%
Housing & Sustainability	(231)	0	0	(231)	78.4%	21.6%	0.0%
Leader's Portfolio	(481)	0	(25)	(506)	94.9%	0.0%	5.1%
Resources	(29)	0	(908)	(937)	25.3%	74.7%	0.0%
Total	**(6,938)**	**(1,207)**	**(8,273)**	**(16,418)**	**79.6%**	**16.5%**	**3.9%**

Portfolio	Efficiencies	Income	Service Reductions	Total	Implemented and Saving Achieved	Not Yet Fully Implemented and Achieved But Broadly on Track	Saving Not on Track to be Achieved	Total
	2013/14				FINANCIAL ACHIEVEMENT			
	£000's	£000's	£000's	£000's	£	£	£	£
Change & Communities	(33)	0	(556)	(589)	(589)	0	0	(589)
Children's Services	(2,265)	(97)	(3,012)	(5,374)	(3,759)	(1,382)	(52)	(5,193)
Economic Development & Leisure	0	(50)	(617)	(667)	(667)	0	0	(667)
Environment & Transport	(604)	(875)	(2,588)	(4,067)	(3,295)	(427)	(70)	(3,792)
Health & Adult Services	(3,295)	(185)	(567)	(4,047)	(3,857)	(55)	0	(3,912)
Housing & Sustainability	(231)	0	0	(231)	(181)	(50)	0	(231)
Leader's Portfolio	(481)	0	(25)	(506)	(480)	0	(26)	(506)
Resources	(29)	0	(908)	(937)	(237)	(700)	0	(937)
Total	**(6,938)**	**(1,207)**	**(8,273)**	**(16,418)**	**(13,065)**	**(2,614)**	**(148)**	**(15,827)**
							Shortfall	**591**
								4%

APPENDIX 11

FINANCIAL HEALTH INDICATORS – MONTH 6

Prudential Indicators Relating to Borrowing

	Maximum	Forecast	Status
Maximum Level of External Debt £M	£898M	£450M	Green
As % of Authorised Limit	100%	50.1%	Green
	Target	**Actual YTD**	**Status**
Average % Rate New Borrowing	5.00%	0.0%	Green
Average % Rate Existing Long Term Borrowing	5.00%	3.32%	Green
Average Short Term Investment Rate	0.43%	0.80%	Green

Minimum Level of General Fund Balances

		Status
Minimum General Fund Balance	£5.5M	
Forecast Year End General Fund balance	£16.1M	Green
Medium Term Forecast General Fund balance	£11.7M	Green

Income Collection

Outstanding Debt:	2012/13	Actual YTD	Status
More Than 12 Months Old	39%	29%	Green
Less Than 12 Months But More Than 6 Months Old	9%	9%	Green
Less Than 6 Months But More Than 60 Days Old	12%	21%	Amber
Less Than 60 Days Old	41%	41%	Green

Creditor Payments

		Status
Target Payment Days	30	
Actual Current Average Payment Days	22	Green
Target % of undisputed invoices paid within 30 days	95.0%	
Actual % of undisputed invoices paid within 30 days	87.9%	Amber

Tax Collection rate

	Target Collection Rate	Month 6 Collection Rate		Status
		Last Year	This Year	
Council Tax	94.90%	54.50%	53.90%	Amber
National Non Domestic Rates	98.70%	61.80%	61.40%	Amber

APPENDIX 12

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 2013/14 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 2013/14 to date are summarised below:

- Investment returns during 2013/14 will continue to remain low as a result of low interest rates, with interest received estimated to be £0.6M. However, the average rate achieved to date for fixed term deals (0.80%) exceeds the performance indicator of the average 7 day LIBID rate (0.43%) mainly due to the rolling programme of yearly investments.
- 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 3.32% 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. A PWLB 25 year fixed rate maturity loan is currently around 4.5%.

2. Economic Background

- ***Growth:*** The UK economy showed some improvement, with consumer spending boosting growth. Gross Domestic Product (GDP) for the first quarter of 2013 was revised up to +0.4% and for the second quarter was +0.7%. Recent data suggests a stronger rate in the third quarter. Revisions by the Office of National Statistics to

GDP back-data showed the UK avoided a double-dip recession in 2012, but that the downturn in 2008/09 was deeper than previously estimated. Growth is now still over 3% below its peak back in 2007.

Some positive signs for household spending emerged. The deterioration in real earnings growth, (i.e. earnings adjusted for the impact of inflation), slowed which implied a slower erosion of purchasing power. Consumer confidence improved. Household savings rates remained high, which is unsurprising given the uncertain economic outlook, but appear to be on a downward track, suggesting spending was being driven by borrowing or lower savings. This raises questions about the sustainability of the recovery at these rates of growth.

- ***Inflation:*** Annual CPI for August (published September) was 2.7%. Inflation fell in line with expectations and is expected to remain close to this level throughout the autumn. Further out, inflation should fall back towards the 2% target as external price pressures fade and a revival in productivity growth curbs domestic cost pressures. The oil price (Brent Crude) climbed above $100/barrel on the back of political unrest in Egypt and the unresolved crisis in Syria.
- ***Monetary Policy:*** There was no change to UK monetary policy with official interest rates and asset purchases maintained at 0.5% and £375 billion respectively. Minutes of the Bank of England's Monetary Policy Committee (MPC) meetings during the quarter showed that whilst the MPC voted unanimously for no change in official interest rates, it remained split (6 to 3 in favour of no change) on whether further Quantitative Easing (QE) was required to stimulate the economy.

  As set out in the Quarter 1 report, in his testimony to Congress on 22 May the US Federal Reserve Chairman Ben Bernanke stated that, if the nascent recovery in the US economy became established, the Fed would reduce its $85 billion monthly asset purchase programme (QE). The apparent movement by the Fed towards tapering its open-ended QE programme prompted extreme asset price volatility in bonds and equities, as investors sought to crystallise gains driven by excessive liquidity. As a consequence, government bond yields spiked. UK gilt yields jumped up 0.50% over the six weeks to the end of June.

  The market negativity appeared to be overdone. Whilst the outlook for the global economy appeared to have improved over the first half of the year; significant economic risks remained, particularly in China and the Eurozone. The Chinese banking system is facing tighter liquidity conditions as officials seek to slow down rampant credit growth, and, despite the time gained by the ECB to allow individual members and the Eurozone as a whole to reform their economies, the Eurozone debt crisis has not gone away. The region remains in recession and up-coming political events, such as the German general election, could derail any progress towards a more balanced and stable regional economy. The US recovery appears to be in train, but political risks remain regarding the debt ceiling and the federal budget.

3. Outlook for Quarter 2

The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, as at September 2013 is detailed below:

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Official Bank Rate												
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75
Arlingclose Centra	**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

The UK economic outlook appears to have improved. The projected path for growth has risen, but remains relatively subdued, with a distinct reliance on household consumption, which itself remains under pressure given the deterioration in real earnings growth, high unemployment and general low confidence. A variety of other factors will continue to weigh on a domestic recovery, including on-going fiscal consolidation, muted business confidence and subdued foreign demand. While the economic recovery may pick up steam, forward guidance from the Bank of England suggests that monetary policy is unlikely to be tightened until the International Labour Organisation (ILO) Unemployment Rate falls below 7%. The Bank projected this level would be reached in 2016.

4. Debt Management

The tables below summarises activity during the year to date and provides an analysis by type:

	Balance on 01/04/2013 £M	Debt Maturing or Repaid £M	New Borrowing £M	Balance as at 30/9/2013 £M	Increase/ (Decrease) in Borrowing for Year £M
Short Term Borrowing	34	(29)	0	5	(29)
Long Term Borrowing	276	(6)	0	270	(6)
Total Borrowing	**310**	**(35)**	**0**	**275**	**(35)**

Please note that these figures do not reflect the accounting convention of moving loans maturing in the year from long term to short term

	31-Mar-13 Actual £M	31-Mar-14 Approved £M	Current Portfolio £M	31-Mar-14 Current Estimate £M	31-Mar-15 Current Estimate £M	31-Mar-16 Current Estimate £M
External Borrowing:						
Fixed Rate – PWLB Maturity	139	156	139	163	184	199
Fixed Rate – PWLB EIP	93	90	87	115	100	85
Variable Rate – PWLB	35	60	35	35	35	35
Variable Rate – Market	9	9	9	9	9	9
Long Term Borrowing	**276**	**315**	**270**	**322**	**328**	**328**
Short Term Borrowing						
Fixed Rate – Market	34	50	5	50	50	50
Other Long Term Liabilities						
PFI / Finance leases	57	62	57	61	66	63
Deferred Debt Charges	17	17	17	17	16	16
Total Gross External Debt	384	444	349	450	460	457
Investments:						
Deposits and monies on call and Money Market Funds	(66)	(50)	(60)	(50)	(50)	(50)
Supranational bonds	(3)	(3)	(3)	(3)	(3)	(3)
Total Investments	(69)	(53)	(63)	(53)	(53)	(53)
Net Borrowing Position	**315**	**391**	**286**	**397**	**407**	**404**

Public Works Loan Board (PWLB) Certainty Rate: The Council successfully qualified for borrowing at the 'Certainty Rate', following the submission of the Certainty Rate form to Central Government, which included details of the capital expenditure and borrowing plans for the Council over the next three years. PWLB borrowing from 1

November 2012 has been available at a 20bps reduction from the standard. In April the Council submitted it's application to the Department for Communities and Local Government's (CLG) along with the 2013/14 Capital Estimates Return to access this reduced rate for a further 12 month period from 1 November 2013.

PWLB Borrowing: The PWLB remained an attractive source of borrowing for the Authority as it offers flexibility and control. As concerns mounted over the timing of the removal or 'tapering' of QE by the US Federal Reserve, gilts sold off and yields rose in May and June. The sharp rise in gilt yields led to a corresponding rise in PWLB rates (see Appendix A), with the most pronounced increase was for 10 year loans where rates as at 30 September were 0.83% higher than on 1 April. Affordability and the "cost of carry" remained important influences on the Authority's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing.

As at the 31 March 2013 the Council used £52M 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 latest Capital Programme, approved by Council on 18 September 2013, the Council is expected to borrow an additional £79M between 2013/14 and 2015/16. Of this £38M relates to new capital spend (£42M Housing Revenue Account (HRA) and £4M General Fund repayment) and the remainder to the refinancing of existing debt and 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 long term borrowing has been taken to date and is none is expected to be taken until the second half of the year and will be assessed in conjunction with the Council's treasury advisor.

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 Comprehensive Spending Review) and are maintained on their initial terms and are not subject to the additional increased margin, they are currently averaging between 0.50% and 0.60% and are helping to keep overall borrowing costs down.

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 increase in PWLB repayment rates during the quarter lowered the premium that would apply on premature redemption of loans, but the premiums remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. As a consequence no rescheduling activity was been undertaken in the year to date.

A year after their commencement, the £73.8M of loans borrowed on 28 March 2012 for the HRA self-financing settlement became eligible for rescheduling. These loans were borrowed at one-off preferential rates made available specifically for the settlement. The increases in gilt yields and PWLB redemption rates have resulted in these loans presenting early repayment opportunities at close to par, i.e. with a very small premium or discount. However, debt rescheduling would involve the Authority refinancing at a much higher rate. For example 10, 20 and 30 year self-financing maturity borrowing rates were around 2.4%, 3.3% and 3.5% respectively whilst the equivalent new borrowing rates at 30 September for these maturities were 3.46%, 4.16% and 4.29% respectively. The Authority will continue to first assess early repayment or rescheduling against the requirements of the HRA business plan and any future borrowing requirements. Where rescheduling is appropriate, the Authority will consider alternative refinancing to achieve cost savings and a reduction in risk. (Conventional PWLB to PWLB debt restructuring is limited by the new borrowing and repayment spread).

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 01/04/2013 £M	Investments Repaid £M	New Investments £M	Balance as at 30/9/2013 £M	Increase/ (Decrease) in Investment for Year £M
Short Term Investments	26	(16)	17	27	1
Money Market Funds & Call Accounts	40	(241)	234	33	(7)
EIB Bonds	3	0	0	3	0
Long Term Investments	0	0	0	0	0
Total Investments	**69**	**(257)**	**251**	**63**	**(6)**

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 2013/14. This has restricted new investments to the following institutions:

- Other Local Authorities;
- AAA-rated Stable Net Asset Value Money Market Funds;
- Call Accounts, Certificate of Deposits (CDs) and term deposits with UK Banks and Building Societies systemically important to the UK banking system.
- Debt Management Office.

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 2013 by credit rating 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
A	A	11,890	8,000	6,000	6,000	6,000		37,890
A+	A-	150						150
A+	A	1,405						1,405
A+	A+		1,000					1,000
A+	AA-	70						70
AA-	A+	50						50
AA-	AA-	18,808						18,808
AA-	AA	125						125
AA	AA-	75						75
AA+	AA+							0
AAA	AAA						3,036	3,036
		32,573	**9,000**	**6,000**	**6,000**	**6,000**	**3,036**	**62,609**

Counterparty Update

In April Fitch downgraded the UK's long-term sovereign rating by one notch from AAA to AA+, the second of the rating agencies to do so, (Moody's had downgraded the UK's ratings in February to Aa1). Where assigned, local authorities' ratings, which benefit from an uplift due to their close and direct links to central government, were also downgraded.

The proposed sale of 632 Lloyds' branches to the Co-op Bank – referred to as Project Verde – fell through in April. These branches will now be transferred in September to TSB Bank, a new bank which will be sold thorough a listing on the stock market in 2014.

In the Chancellor's Mansion House speech on 19 June he signalled his intention to sell the government's stake in the Lloyds Banking Group reasonably soon and a 6% stake was indeed sold to institutional investors on 17 September at a price of 75p. In a positive move, Fitch upgraded Lloyds' viability rating to bbb+. The situation was more complicated with RBS since its problems were greater and reflected in its share price. It appeared that a 'good bank' and 'bad bank' split for RBS was being favoured by the Chancellor and sat behind the announcement concerning the departure of RBS Chief Executive, Stephen Hester, who disagreed with this route.

Moody's placed the RBS's long-term of A3 and standalone financial strength rating of D+ on review for downgrade on 5 July 2013, amid concerns about the impact of any potential breakup of the bank on creditors. Although the probability of losses remains low there is a possibility of capital impairment especially as the government has clearly indicated that it will not put up any further taxable funds

Authority Banking Arrangements: In May Moody's downgraded the long-term rating of Co-op Bank by six notches from A3 to Ba3 which is sub-investment grade. The downgrade reflected the agency's opinion that the bank faced the risk of further substantial losses in its non-core portfolio. In June the Co-op announced it had a £1.5 billion regulatory capital shortfall requiring a recapitalisation via burden-sharing with junior creditors and asset disposals of its parent's insurance businesses. Moody's downgraded the bank's long-term rating a further four notches to Caa1 whilst Fitch downgraded the long-term from BBB- to BB-. The Co-op is the Authority's banker and details of measures taken to date, to mitigate exposure and credit risk, and other relevant issues were set out in the Confidential Appendix to the Mid Year Treasury Management Report which was presented to the Governance Committee on the 23 September and will be submitted to Council on 20 November 2013.

Budgeted Income and Outturn: The Council does not expect any losses from non-performance by any of its counterparties in relation to its investments. The UK Bank Rate has been maintained at 0.5% since March 2009 and is not expected to rise until 2016/17, as a consequence short-term money market rates have remained at very low levels. Investment income for the year is currently estimated to be £0.6M, with fixed term deposits to date having achieved an average return of 0.80%, which exceeds the performance indicator of the average 7 day LIBID rate (0.43%), mainly due to the rolling programme of yearly investments restarted in November 2012 following advice from our Treasury Advisor.

6. Compliance with Prudential Indicators

The Council can confirm that it has complied with its approved Prudential Indicators up to the period ending 30 September. Details of the performance against key indicators, up to the 31 August, were reported in the Treasury Management Mid Year Report on submitted to Governance committee on 23 September 2013, Item13 and available at the link below:

http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=514&MId=2487&Ver=4

This report will also be presented to Council on 20 November and there have been no changes in the forecast figures since then.

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 2013. 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. We have also taken a number of precautionary steps in relation to the Authorities bankers following their downgrading.

For further information including a glossary of Treasury terms please see the following links:

Treasury Management Strategy Statement for 2013 on 13 February 2013, Item 100.
http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&MId=2322&Ver=4

Treasury Management Outturn Report on 17 July 2013, Item 13.
http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&MId=2466&Ver=4

APPENDIX 13

HOUSING REVENUE ACCOUNT

KEY ISSUES – MONTH 6

The Housing Revenue Account (HRA) is currently forecast to over spend by **£384,500** on income and expenditure items at year-end, which represents a percentage variance against budget of **0.5%**.

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

The OTHER KEY issues for the Portfolio are:

HRA1 – Housing Investment (forecast adverse variance £137,300)

Urgent repairs are required to lifts at Wyndham Court.

After the 2013/14 estimates had been finalised, it was found that the four lifts at Wyndham Court were in need of urgent repair, at a cost of £80,000 each. Two were repaired in 2012/13 and two this year, resulting in an anticipated over-spend of £160,000 on the 2013/14 lifts budget.

The provision of Energy Performance Certificates has been re-assessed, and is forecast to be £22,700 lower than budgeted.

HRA2 – Tenant Service Charges (forecast adverse variance £155,000)

The warden review implementation has been delayed.

Income associated with the warden review has been budgeted for the whole year. However, due to delays in implementing the changes, income will be reduced this year and is now calculated on the assumption that everything is in place for the start of December.