CABINET	AGENDA ITEM No. 12
13 JUNE 2011	**PUBLIC REPORT**

Cabinet Member(s) responsible:	Cllr David Seaton – Cabinet Member for Resources	
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BUDGET MONITORING REPORT FINAL OUTTURN 2010/11

R E C O M M E N D A T I O N S	
FROM : Executive Director Strategic Resources	**Deadline date :** N/A

1. That the final outturn position on the Council's revenue budget of £475k underspent, and the capital budget is noted.

2. That the performance against the prudential indicators be noted.

3. That the performance on treasury management activities, payment of creditors in services and collection performance for debtors, local taxation and benefit overpayments be noted.

4. That the challenging financial position in future years be noted alongside the need for early planning for meeting the financial deficits indicated in later years of the MTFS including the impact to the use of reserves.

1. ORIGIN OF REPORT

1.1. This report is submitted to Cabinet on 13 June as a monitoring item and will then be submitted to Audit Committee on 27 June for approval.

2. PURPOSE AND REASON FOR REPORT

2.1. The purpose of this report is to inform Cabinet of the final financial performance for revenue and capital at 31 March 2011.

2.2. This report also contains performance information on treasury management activities, the payment of creditors in services and collection performance for debtors, local taxation and benefit overpayments.

2.3 This report is for Cabinet to consider under its Terms of Reference No. 3.2.7, to be responsible for the Council's overall budget and determine action required to ensure that the overall budget remains within the total cash limit.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	**NO**	If Yes, date for relevant Cabinet Meeting	

4. FINAL OUTTURN 2010/11

4.1. Corporate Overview

4.1.1. Full Council approved the budget for 2010/11 in February 2010 in the context of the financial downturn and anticipated uncertainty surrounding local government financing following the general election in May 2010. The Council took a positive approach to investment and savings in order that the Council would be able to deliver a balanced budget whilst continuing to invest in high quality services to underpin the growth of the City. The Council remains well placed to manage the finances available to it over the long term and continue to provide investment in those services that need it. Specifically, the predicted budget surpluses planned until 2014/15, allow the Council a longer lead time to implement changes to service provision in consultation with stakeholders over the following three years, smoothing the impact of reduced local government grant funding for delivering services going forward.

4.1.2. The new Coalition Government announced the first cuts in May 2010 which would impact on local government funding. For the Council the impact of these reductions were £2.4m reduction in revenue grants and £2.3m in capital. It was also indicated that grants would be reduced significantly further in future years. Further pressures were also emerging at this time with demand led budgets such as social care and looked after children.

4.1.3. The Council were proactive and responded promptly to successfully manage the impact of these financial challenges in 2010/11 and has taken the following necessary prompt actions which contributed to the favourable final outturn position:

i. Delivery of departmental savings plans;
ii. Bringing forward savings proposals from future years;
iii. Use of reserves to smooth impact including a review of reserves;
iv. Review of the capital programme including a value for money review on borrowing versus using revenue financing and use of a Government capitalisation direction, allowing the Council to treat statutory redundancy costs as capital expenditure rather than revenue;
v. A voluntary redundancy programme was introduced; and
vi. The outsourcing of City Services was brought forward to enable savings at an earlier date.

4.1.4. The financial position of the Council going forward in future years is set to be extremely challenging which has been recognised with budget deficits within the current MTFS from 2014/15 onwards. However, the Council remains committed to its strategy in delivering service efficiencies and improvements using a proactive approach to managing Council finances and through the continued delivery of a longer term financial plan covering a rolling five year cycle.

4.2. Financial Report - Revenue

4.2.1 The Council's overall revenue position is £475k under spent, against a budget of £161,952k, an improvement of £486k since the adopted outturn of £11k overspend was reported to Cabinet. This is in part due to the robust mechanisms introduced early in the financial year including the reduction of non-priority spend or delaying projects and initiatives with no detriment to the MTFS and implementing savings proposals at earlier opportunities. Alongside these actions, departments were able to deliver their action plans successfully.

4.2.2 The Council has needed to take urgent action to keep within budget in 2010-11, mainly due to the reduction in grant being announced in year. This successful action does not provide additional benefit for 2011-12 and beyond above the budget agreed in February for the following reasons:

- Some savings are one-off, having been used to meet the specific challenges of the 2010-11 financial year
- Where savings are permanent, they have already been included in the MTFS approved by Council, but have been delivered early to maximise the saving gained.

4.2.3 In accordance with financial guidance, the Council has set aside specific reserves to meet commitments and current issues to mitigate risk exposure to the Council financially during next financial year.

4.2.4 The under spend is summarised in the table below at departmental level. A further breakdown is included in Appendix A.

Final Revenue Outturn Position 2010/11

Adopted Outturn £(k)	Department	Annual Budget £(k)	Final Outturn £(k)	Outturn Variance £(k)
-528	Chief Executive	10,189	8,784	-1,405
-40	Childrens Services	38,654	38,873	219
162	City Services	13,776	13,600	-176
-432	Operations	27,848	27,305	-543
-744	Strategic Resources	32,667	31,664	-1,003
0	Adult Social Care	40,582	40,582	0
1,593	Corporate Items	-1,764	669	2,433
11	**General Fund Total**	**161,952**	**161,477**	**-475**
	Transfer to Capacity Building Reserve			475
803	Contribution to General Fund Balance			2,242
3,758	General Fund Balance Brought Forward			3,758
4,561	General Fund Balance Carried Forward			6,000
0	**Dedicated School Grant Total**	**117,291**	**116,794**	**-497**

4.2.5 The main changes since adopted outturn was published:

i. Departments implementing local action plans such as vacancy management, freezing non business critical spend and delaying projects or initiatives in the short term with no consequences on service delivery;

ii. Through the implementation of the voluntary redundancy process the Council benefited from reduced salary costs in the current financial year which have contributed to the achievement of departmental balances;

iii. Corporate solutions identified and actioned;

iv. Impact of a reduced capital programme requiring less borrowing.

4.2.6 Chief Executive Department – The increased under spend can be mainly attributed to further curtailing of expenditure across all services as well as savings from a reduction in staffing costs, some of which left through the voluntary redundancy programme. Savings in communications costs have begun to take effect in advance of the significant budget reduction planned from April. Additionally, some costs in Delivery have been met by further funding from partners, reducing the net cost to the Council.

4.2.7 Children's Services – Since the adopted outturn was published, the numbers of children that require adoption placements has increased. In response to this a reserve has been set aside to assist with this pressure going forward next year. If the reserve was not in place Children's Services would have achieved a favourable outturn position following the successful implementation of their action plan.

4.2.8 City Services – The favourable movement in City Services since the adopted outturn is mainly attributable to a reduction in waste disposal costs as well as realisation of savings from the outsourcing to Enterprise at an earlier date than originally planned.

4.2.9 Operations Department – The outturn position has improved following further reduction in expenditure through continued actions by services in response to the action plan as well as an improvement in income streams during the latter part of the year.

4.2.10 Strategic Resources – The favourable movement has been contributed to by various actions including a reduction in spend across services, implementing corporate solutions to offset pressures. The amount of borrowing required to support the capital programme was also lower than expected, leading to lower costs of borrowing.

4.2.11 The Dedicated Schools Grant shows an under spend of £113k of general expenditure as well as an under spend of Exceptional Circumstances Grant of £384k against a budget of £117,291k. Schools Forum is responsible for decisions related to the Dedicated Schools Grant and Exceptional Circumstances Grant. This has been included for information purposes only. In accordance with accounting guidance, both under spends have been carried forward to next financial year.

4.2.12 Departments have requested to carry forward balances of unused reserves as well as requesting new reserves in order to meet known commitments in 2011/12. The outturn position also includes a contribution to capacity reserves to allow for other pressures in 2011/12 where estimates have been provided but were not known at the time of setting the budget.

4.3 Financial Report – Reserves

4.3.1 In setting the 2010/11 budget, the level of Council balances was considered sufficient in meeting the MTFS recognising the requirement to review the balances to ensure delivery of the Council's priorities. As part of setting the MTFS 2011/12 consideration was given to a five year review of the budget and in the context of uncertainty of future funding arrangements beyond 2012/13. Subsequently the following table has been updated to reflect the current position going forward over the next five years and includes the predicted budget surplus forecast over the following financial years which is planned to be drawn down fully by 2014/15. These balances are subject to approval by the Audit Committee on 27 June 2011.

4.3.2 The overall level of balances assumes that the under spend of £475k reported within revenue outturn position is transferred to the capacity building reserve. Although the current reported position is healthier than that reported earlier in the year and within the MTFS, it is anticipated to diminish over the next five years due to some balances being specific to costs that will be incurred over the next five years and in drawing down predicted budget surpluses as disclosed in the MTFS.

Council Reserves	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	Estimated Balance at 31.03.11 £000	Estimated Balance at 31.03.12 £000	Estimated Balance at 31.03.13 £000	Estimated Balance at 31.03.14 £000	Estimated Balance at 31.03.15 £000	Estimated Balance at 31.03.16 £000
Departmental Reserves Total	**3,300**	**960**	**883**	**868**	**853**	**838**
Commercial Property Portfolio Reserves	**3,342**	**1,933**	**1,122**	**436**	**0**	**0**
Carbon Reduction Reserve	**375**	**0**	**0**	**0**	**0**	**0**
Icelandic Reserve	**0**	**0**	**0**	**0**	**0**	**0**
Provision of Grants Reserve	**250**	**0**	**0**	**0**	**0**	**0**
Parish Council Burial Ground Reserve	37	39	39	39	39	39
Insurance Reserve	3,007	2,663	2,563	2,463	2,363	2,263
Capacity Building Reserve*	6,143	4,667	4,849	5,197	5,485	5,536
Schools Capital Expenditure Reserve	584	584	584	584	584	584
Corporate Reserves Total	**9,772**	**7,953**	**8,035**	**8,283**	**8,471**	**8,422**
General Fund Working Balance	6,000	7,685	10,878	9,907	6,000	6,000
Total Reserves	**23,038**	**18,531**	**20,918**	**19,494**	**15,324**	**15,260**

*Capacity Building Reserve includes the revenue under spend.

4.4 Financial Report - Capital

4.4.1 At the beginning of the financial year, the capital programme was £133.1m, the result of the agreed capital programme for 2010/11 of £106.3m and slippage from the previous financial year of £26.8m.

4.4.2 Throughout 2010/11 the capital programme was refreshed and then subjected to extensive review following the announcements made in the emergency budget on reduced grant funding to finance the capital programme and uncertainty for funding the programme in future years.

4.4.3 As a result capital projects were deferred and decisions made in the context of setting a robust capital programme thereby reducing the capital programme by £57.8m in total since the beginning of the financial year. Significant projects that contributed to this included school projects, Affordable Housing, Waste project and South Bank Bridges.

4.4.4 The capital programme is financed through borrowing, capital receipts, grants and contributions. Given that the capital programme has reduced through slippage and deferral of projects this has reduced the amount of borrowing originally anticipated since setting the MTFS and had a favourable impact on revenue expenditure in 2010/11. Where schemes are to continue in future years, it should be noted that borrowing would still be required and therefore the revenue requirement should be considered as part of refreshing the current MTFS.

4.4.5 The funding of the 2010/11 capital programme assumed £13.3m of capital receipts to fund the capital programme. Actual capital receipts received are £4.6m.

Overall position of the Capital Programme 2010/11 as at Outturn

Capital Programme by Directorate:	Budget MTFS 2010 to 2014 £000	2010/11 Budget inc. slippage from 2009/10 £000	Revised Budget at Feb. 11 £000		Outturn £000
Adult Social Care	921	921	404		317
Chief Executives	12,520	15,179	11,786		4,635
Children's Services	41,219	52,507	25,636		22,407
City Services	2,229	3,613	2,774		719
Operations	29,103	36,274	22,481		21,492
Strategic Resources	21,259	25,517	12,887		10,073
Contingency	-927	-927	-658		0
Total Expenditure	**106,324**	**133,084**	**75,310**		**59,643**
Financed by:					
Grants & Contributions	48,431	60,345	41,547		32,456
Capital Receipts	13,382	13,382	4,533		3,259
Right To Buy Receipts	712	712	712		714
Borrowing	43,799	58,645	28,518		23,214
Total Resources - required	**106,324**	**133,084**	**75,310**		**59,643**

4.5 Financial Report – Treasury Management Activity for 2010/11

4.5.1 The Treasury Management Strategy was updated during the year as part of the Medium Term Financial Strategy and sets out the strategy for borrowing and investing for the next financial year and prudential indicators for the next five years. The main objectives of the Strategy are to reduce the revenue cost of the Council's debt in the medium term, to seek to reschedule debt at the optimum time and to invest cash balances with dependable institutions in accordance with the Council's lending list.

4.5.2 In summary, the following actions were taken during 2010/11:

i. Investments were placed in accordance with the restricted lending list implemented in October 2008 following the economic crisis. The current lending list ensures investments are secure and liquid but interest returns are low due to the limitation of institutions used and the level of the bank base rate which has remained at 0.50% since March 2009.

ii. Investments were placed to cover cash flow deficits and also for short periods in anticipation of an extension of the lending list to include all of the UK institutions included in the Treasury Strategy.

iii. As borrowing rates continued to be higher than investment rates in 2010/11, cash balances were used to finance the capital programme instead of borrowing. This policy has meant no additional costs have been incurred through borrowing in advance of need.

4.5.3 The 2010/11 treasury management activities are summarised as follows:

	Strategy	**Action**
1.	Consider repayment of external loans or avoid new borrowings when it is in the best financial interest to do so.	As investment returns remained below the cost of borrowing during the financial year, cash balances were used to finance the capital programme and no new borrowing was required
2.	Invest with credit worthy organisations to limit exposure against loss.	The Council has continued with the restricted lending list implemented in October 2008. Currently the Council only lends to the UK Government, Local Authorities and the Council's own bank, Barclays, despite the Treasury Management Strategy allowing investment in a wider range of organisations. This has resulted in a lower rate of interest being paid on cash surpluses, and this will need to be reviewed to maximise interest receipts, whilst maintaining the security of the investment
3.	To achieve the optimum investment return commensurate with security, liquidity requirements (access to funds), debt management alternatives (avoidance of borrowings, premature repayments etc), if these would generate savings in the medium term.	Cash balances have been used to finance capital expenditure to minimise counterparty risk and as an alternative to diminishing investment returns. The Council's investments have yielded 0.42% which is just below the benchmark of 0.43%.
4.	Consider rescheduling of fixed or variable rate loans to maximise interest rate savings and minimise the impact on Council budgets.	Consideration has been made to rescheduling debt however there have been no suitable opportunities to do this. The difference between the repayment rate and the rate of a new loan has not resulted in a net discount to the Council and no savings were to be made. The PWLB raised their interest rates by 1% in October 2010 following the Comprehensive Spending Review. The rise in rates has not only made short and long term borrowing more expensive but has limited further the opportunities for debt rescheduling.
5.	Exploit long-term funding opportunities at interest rate levels that are below short-term rates forecast / anticipated over the foreseeable future.	Borrowing has been avoided by running down the cash balances while borrowing costs remain higher than investment return.

4.5.4 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow money in the long term for capital purposes. In accordance with the 2009 Statement of Recommended Practice this now includes the liability for the Private Finance Initiative (PFI) agreement and the 2010 Code of Practice has revised the way the Council accounts for some leases which now impacts on the CFR.

4.5.5 Further information on the Council's capital financing arrangements can be found in the Prudential Indicators performance found in Appendix B. The Prudential Indicators were revised during August 2010 to reflect the impact of the PFI adjustments and were taken to Audit Committee on 6 September 2010. All performance is within the limits.

4.5.6 In 2010/11 the CFR was:

	£000
Opening Capital Financing Requirement 1 April 2010	**216,050**
New Capital Expenditure Financed by Borrowing	23,214
Minimum Revenue Provision for Debt Repayment	(6,276)
Minimum Revenue Provision for PFI	(1,399)
Minimum Revenue Provision for Leases	(1,078)
Closing Capital Financing Requirement 31 March 2011	**230,511**

4.6 Financial Report – Performance Monitoring

4.6.1 An outline of performance against key indicators can be seen at Appendix C.

5 CONSULTATION

5.1 Detailed reports have been discussed in Departmental Management Teams.

6 ANTICIPATED OUTCOMES

6.1 To note the outturn position for the Council.

6.2 To note the performance figures and prudential indicators for the Council.

6.3 To note the actions that has been taken during 2010/11 and into the Medium Term Financial Strategy.

7 REASONS FOR RECOMMENDATIONS

7.1 This monitoring report for 2010/11 financial year is part of the process for producing the Statement of Accounts.

8 ALTERNATIVE OPTIONS CONSIDERED

8.1 None required at this stage.

9 IMPLICATIONS

9.1 This report does not have any implications effecting legal, human rights act or human resource issues.

10 BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985).
Detailed monthly budgetary control reports prepared in Departments.

Appendix A

Previous Variance £k	Department	Budget £k	Current Forecast Outturn £k	Variance to Date £k
	CHIEF EXECUTIVE'S DEPARTMENT			
0	Chief Execs Department	435	395	-40
-474	Legal & Democratic Services	4,227	3,466	-761
0	Chief Executive Dept & Business Support	1,074	1,029	-45
102	Delivery	2,140	1,970	-170
-127	Communications	1,043	736	-307
-29	Human Resources	1,270	1,188	-82
-528	**CHIEF EXECUTIVE DEPARTMENT TOTAL**	**10,189**	**8,784**	**-1,405**
	DIRECTOR OF CHILDREN'S SERVICES			
13	Resources, Commissioning and Performance	6,157	5,980	-177
-523	Learning & Skills	10,808	10,483	-325
150	Children's Community Health	2,111	2,257	146
320	Safeguarding Families and Communities	19,578	20,153	575
-40	**CHILDREN'S SERVICE TOTAL**	**38,654**	**38,873**	**219**
	DIRECTOR OF CITY SERVICES			
149	Building & Technical	-197	85	282
-250	Street Scene & Facilities	1,078	1,282	204
-450	Property, Design and Maintenance	-360	-979	-619
185	Other Trading Activities and Business Support	1,259	1,501	242
528	Maintenance General Fund	11,996	11,711	-285
162	**CITY SERVICES TOTAL**	**13,776**	**13,600**	**-176**
	DIRECTOR OF OPERATIONS SERVICES			
35	Business Support	427	494	67
331	Commercial Operations	1,993	2,435	442
0	Cultural Services	5,294	5,277	-17
-119	Directors Office	485	393	-92
-23	Environment Capital	542	431	-111
-496	Planning, Environment, Transport & Engineering	8,603	7,899	-704
-160	Neighbourhoods	10,504	10,376	-128
-432	**OPERATIONS SERVICES TOTAL**	**27,848**	**27,305**	**-543**
	DIRECTOR OF STRATEGIC RESOURCES			
0	Director's Office	338	338	0
-9	Business Support	2,086	2,042	-44
-916	Corporate Services	21,626	21,237	-389
0	Internal Audit	378	375	-3
-32	Insurance	100	80	-20
0	Shared Transactional Services	726	394	-332
20	Customer Services	900	880	-20
145	Strategic Property	456	454	-2
278	ICT	2,120	2,388	268
-35	Procurement	559	396	-163
-379	Business Transformation	2,973	2,515	-458
61	Waste Management	-19	69	88
0	Service Improvement (moved from CE)	390	281	-109
123	Westcombe Engineering (moved from CE)	34	215	181
-744	**STRATEGIC RESOURCES TOTAL**	**32,667**	**31,664**	**-1,003**
	CORPORATE ITEMS			
2,433	Impact of £1.165bn Government Cuts	**-1,764**	669	2,433
-840	Corporate Pressures/Solutions	**0**	0	0
1,593	**CORPORATE ITEMS TOTAL**	**-1,764**	**669**	**2,433**
0	**ADULT SOCIAL CARE TOTAL**	**40,582**	**40,582**	**0**
11	**GENERAL FUND TOTAL**	**161,952**	**161,477**	**-475**
0	**DEDICATED SCHOOL GRANT TOTAL**	**117,291**	**116,794**	**-497**

Appendix B

Treasury Management Strategy – Prudential indicators – 2010/11

The Prudential Code for Capital Finance in Local Authorities provides a framework for local authority capital finance to ensure that:

(a) capital expenditure plans are affordable,

(b) all external borrowing and other long term liabilities are within prudent and sustainable levels;

(c) treasury management decisions are taken in accordance with professional good practice.

In taking decisions in relation to the above points, the local authority is accountable by providing a clear and transparent framework.

The Code requires the Council to set a range of Prudential Indicators for the next five financial years. During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Annual Treasury Management Strategy. The actual outturn for the Prudential Indicators for the financial year 2010/11 are detailed below.

The 2009 Statement of Recommended Practice (SoRP) introduced a new accounting policy based on International Financial Reporting Standards (IFRS) with regards to how Private Finance Initiative (PFI) arrangements are accounted for. The new accounting policy results in PFI related assets being brought on to the Council's Balance Sheet. This involves three of the Council's secondary schools, which in turn impacts on the Council's capital financing.

The 2010 Code of Practice has changed the way operating and financing leases are accounted for and some of them now impact on the capital financing in the same way as PFI.

The IFRS adjustment has no impact on the total expenditure of the Council, it instead changes the way this expenditure is accounted for and shown in the Council's accounts, which in turn impacts on Prudential Indicators.

The 2010/11 Prudential Indictors were revised in August 2010 to reflect the impact of the PFI adjustments and were taken to Audit Committee on 6th September 2010.

The 2010/11 Prudential Indicators below show the Council's performance for the financial year against them and the indicators have been revised to include the changes to leases. All performance is within the limits.

1. Indicator One: Adoption of the CIPFA Code of Treasury Management in the Public Services

The Council adopted the CIPFA Code of Treasury Management in the Public Services in 2002, and the revised code in 2009. Treasury Management Practices (TMP's) have been established with advice from Sector Treasury Services and applied to the Council's treasury management activities.

2. Indicator Two: Estimates and actual Capital Expenditure 2010/11

	2010-11 Indicator	**2010-11 Actual**
Capital Expenditure	£106.3m	£59.6m

This indicator is the actual capital expenditure for the financial year based on the Capital Programme for that period.

3. Indicator Three: Estimates of actual capital financing requirements and net borrowing

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow money in the long term for capital purposes. It is calculated from various capital balances in the Council's Balance Sheet.

	2010-11 Indicator £m	PFI £m	Finance Leases £m	2010-11 Revised Indicator £m	2010-11 Actual £m
CFR	216.2	41.4	4.6	262.2	230.5

4. **Indicator Four: Affordability (1) Estimate of actual ratio of financing costs to net revenue stream**

The Council must estimate the proportion of the revenue budget, which is taken up in financing capital expenditure i.e. the net interest cost and to make provision to repay debt.

	2010/11 Indicator %	PFI %	Finance Leases %	2010/11 Revised Indicator %	2010-11 Actual %
Financing costs to revenue stream	5.3	0.8	0.5	6.6	4.5

5. **Indicator Five: Affordability (2) Estimate of the incremental impact of capital investment decisions on the Council Tax**

This indicator is intended to show the impact of the Council's decisions about capital investment on the level of Council Tax required to support those decisions over the medium term.

The calculation of this indicator has been done of the basis of the amount of the capital programme that was financed from borrowing. The calculation is based on the interest assumption for borrowing that was included in the capital financing budget. The revenue costs are divided by the estimated Council Tax base for the year:

	2010-11 Indicator £	PFI £	Finance Leases £	2010/11 Revised Indicator £	2010-11 Actual £
Incremental impact on Council Tax	(27.97)	-	-	(27.97)	(44.43)

The overall impact of the PFI arrangement and the finance leases for this Prudential Indicator is zero. This is because the change in accounting treatment has no additional impact on the Council's revenue expenditure.

6. **Indicators Six: External Debt Prudential Indicators**

The Authorised Limit represents the maximum amount the Council may borrow at any point in time in the year. It is set at a level the Council considers is "prudent".

The indicator takes account of the capital financing requirement estimated at the start of each year, plus the expected net borrowing requirement for the year. This makes allowance for the possibility that the optimum time to do all borrowing may be early in the year.

The limits also incorporated margins to allow for exceptional short-term movements in the Council's cash flow, bids from service departments to finance efficiencies, changes to the timing of capital payments and fluctuations in the realisation of capital receipts.

	2010-11 Indicator £m	PFI £m	Finance Leases £m	2010/11 Revised Indicator £m	2010-11 Actual £m
Authorised Limit for external debt -					
borrowing	311.9			311.9	134.5
other long term liabilities	4.0	41.4	4.6	50.0	46.0
Total	**315.9**			**361.9**	**180.5**
Operational Boundary for external debt-					
borrowing	226.2			226.2	134.5
other long term liabilities	3.0	41.4	4.6	49.0	46.0
Total	**229.2**			**275.2**	**180.5**

It is ultra vires to exceed the Authorised Limit so this should be set to avoid circumstances in which the Council would need to borrow more money than this limit. However, the Council can revise the limit during the course of the year.

"Other long term liabilities" include items that would appear on the balance sheet of the Council under that heading. For example, the capital cost of finance leases would be included and the PFI agreement.

The Operational Boundary is a measure of the day to day likely borrowing for the Council, whereas the Authorised Limit is a maximum limit. The code recognises that circumstances might arise when the boundary might be exceeded temporarily, but if this continues for a lengthy period then it ought to be investigated.

The following indicators take into consideration the capital programme over the life of the MTFS and the ability to phase the borrowing over this period. The indicators provide flexibility for the Council to take advantage favourable interest rates in advance of the timing of the actual capital expenditure.

7. Indicator Seven: Variable interest rate exposure

This indicator places an upper limit on the total amount of net borrowing (borrowing less investment) which is at variable rates subject to interest rate movements. The intention is to keep the variable rate borrowing below 25% of the total gross borrowing (CFR).

The limit is expressed as the value of total borrowing less investments

	2010/11 Indicator £m	2010-11 Actual £m
Upper limit for variable rate exposure	54	0

8. Indicator Eight: Fixed Interest rate exposures

This indicator places an upper limit on the total amount of net borrowing which is at fixed rates secured against future interest rate movements. The upper limit allows flexibility in applying a proportion of the investment portfolio to finance new capital expenditure. It also reflects a position where the great majority of borrowing is at fixed rate which provides budget certainty with 100% of borrowing being at fixed rate. The upper limit for fixed interest rate exposure was set to allow for flexibility in applying a proportion of the investment portfolio to finance new capital expenditure. It also reflected a position where the great majority of borrowing was at fixed rates to provide budget certainty.

	2010/11	2010-11
	Indicator	Actual
Upper limit for fixed rate exposure	£m	£m
Borrowing	311.9	134.5
Investments		-18.2
Total	**311.9**	**116.3**

9. Indicator Nine: Prudential limits for the maturity structure of borrowing

The prudential limits have been set with regard to the maturity structure of the Council's borrowing, and reflected the relatively beneficial long term rates that were expected to be available over the next few years. The limits were as follows:

Period	Upper Limit Estimate	Lower Limit Estimate	Actual Borrowing
Under 12 months	30%	0%	14%
1 - 2 years	30%	0%	0%
2 - 5 years	80%	0%	0%
5 - 10 years	80%	0%	1%
over 10 years	100%	10%	85%

10. Indicator Ten: Total Investments for periods longer than 364 days

Authorities are able to invest for longer than 364 days; this can be advantageous if higher rates are available. However it would be unwise to lend a disproportionate amount of cash for too long a period particularly as the Council must maintain sufficient working capital for its operational needs.

The Executive Director - Strategic Resources has therefore sought the advice of Sector Treasury Services Ltd, the Council's treasury advisors, who recommended that, given the structure of the Council's balance sheet and its day to day cash needs, it would be reasonable to maintain the limit for investments with life spans in excess of 1 year to £25 million. Consequently it is proposed to keep the limit for investments that may be deposited for more than 1 year at £25 million for 2011/12 and later years.

The Council currently has no investments of more than 364 days.

Annual Investment Strategy

The Council's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement, outlines the Council's investment priorities as follows:

- Security of Capital
- Liquidity

The Council will also aim to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with Barclay's (the Council's current banking provider), the Debt Management Office and Local Authorities.

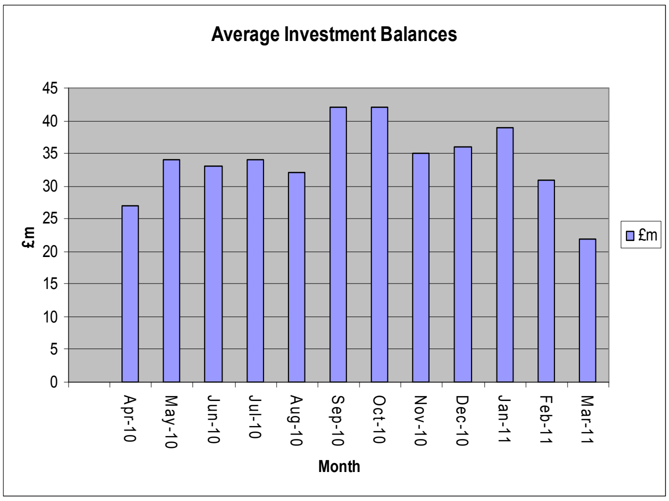
As at 31st March 2011 the Council's external investments totalled £18.2m and have yielded interest at an average rate of 0.43% in the financial year to date. The average investment balance has risen from £27m in April 2010 to £42m in October 2010. The balance at March 2011 is £22m (Table 1). The performance of the investments is just below the target benchmark 7 day rate of 0.42% (Table 2).

Borrowing

It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". Council's approved Prudential Indicators (affordability limits) are outlined in the approved TMSS.

The Council's external debt as at 31st March is £134.5m with an average fixed rate of 4.56% (Table 3). The actual total external debt is measured against the Council's authorised limit for borrowing of £315.9m, which must not be exceeded.

Table 1: Average Interest Rate



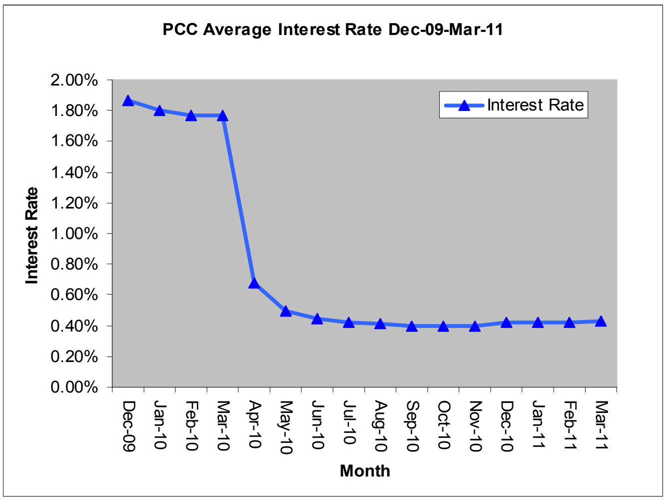


Table 2: PCC Average Investment Balance

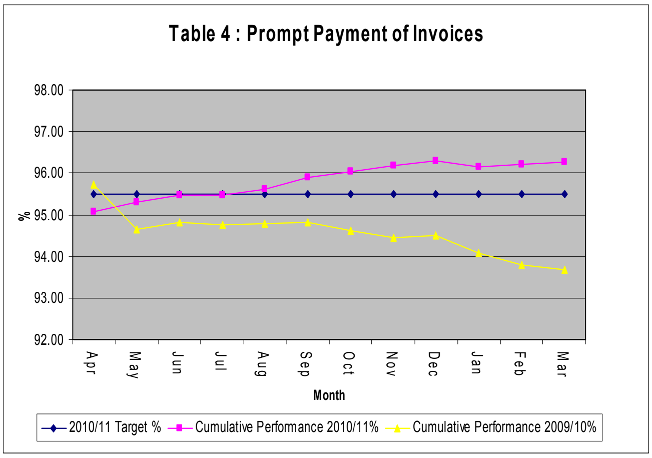
Table 3: Debt Portfolio

Debt Portfolio		
	Principal	**Interest per annum**
	£m	**£m**
PWLB	117,006	5,341
Market Loans	17,500	793
TOTAL	**134,506**	**6,134**

B

Prompt Payment (Invoices paid within 30 Days)

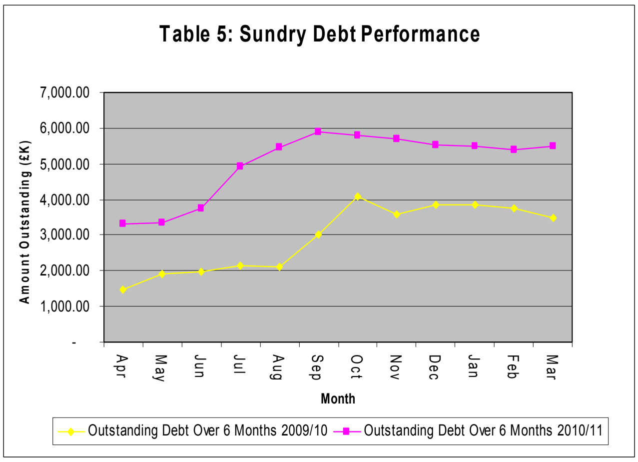
The prompt payment of invoices for March 2011 is 96.94% against a target of 95.50%. The current performance is shown in comparison to the cumulative performance for 2009/10 in table 4.



Sundry Debt Performance

The current outstanding sundry debt in excess of 6 months is shown in table 5 as at 31 March 2011. Debt aged 1-60 days old has increased in comparison to last month by £2m which is not unusual for the end of the financial year, as departments finalise the raising of income for the year prior to 31 March 2011. Aged debt of 61-180 days old has reduced by £488k but aged debt over 366 days old continues to grow with this area holding large levels of debt outstanding for the PCT and Section 106 agreements. The authorities' top 20 debts total £5m and are mainly a mix of Section 106 and third party partners.

- The amount of debt written off for 2010/11 to date is £134k.



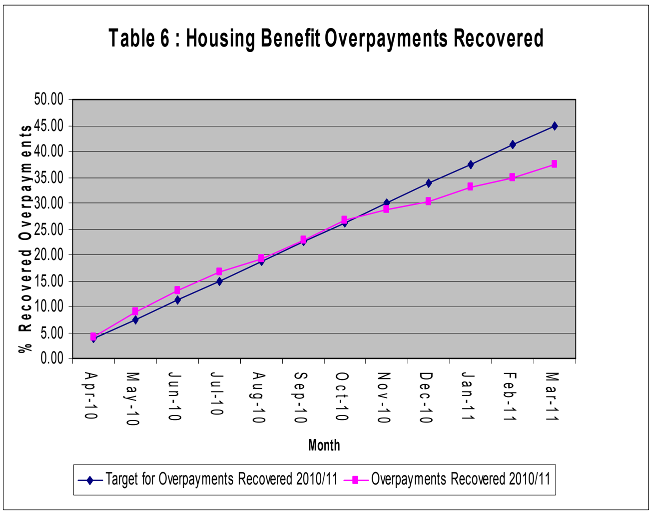
Housing Benefit Overpayments

Table 6 shows the total amount of housing benefit overpayments recovered against the cumulative target rate set for 2010/11.

Housing benefit overpayment collection for the end of March was 37.31% against the target of 45%.

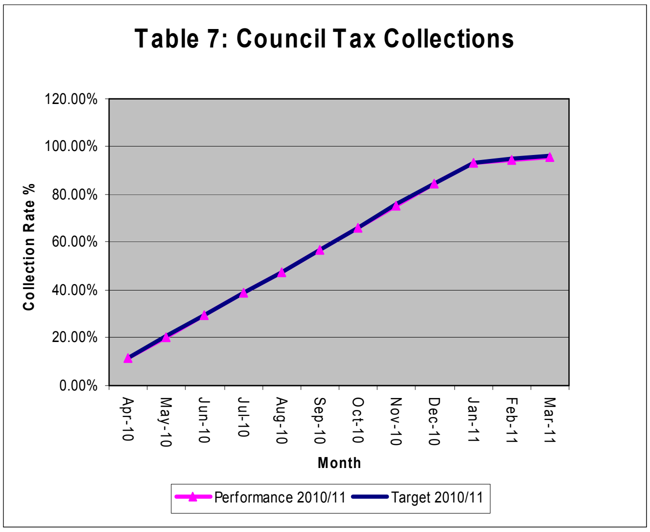
The collection target of 45% for the current year was an ambitious target. Although below target, the collection rate is 1.16% above that achieved for the same period in the last financial year.

More proactive recovery work is ongoing. The first batches of cases under the new debt recovery contract have been forwarded to the bailiff/debt collectors during January and there has been some collections received from these.



Council Tax and Business Rates Collection

The following tables 7 and 8 show the performance for collection of Council Tax and Business Rates for the period to date.



Council Tax

Council Tax collection at 31 March 2011 was 95.76% which is 0.74% below target and 0.34% below the collection rate achieved at the same time in the last financial year. The outstanding liability at the end of March was £2.63m. £2.1m of this is in active recovery with payment arrangements covering £352k whilst £1m is with external bailiffs for collection.

Business Rates

The collection rate for Non Domestic Rates as of 31 March 2011 was 96.31% which is 0.19% below target, but 1.22% above the collection achieved for the same period in the last financial year. The total outstanding liability at the end of March was £3.12m of which £1.5m is in active recovery following the granting of a liability order. A further £1.6m debt is currently at the reminder/final notice stage and will progress to summons in the next 2 months if not paid. There is £830k debt with the bailiffs for collection.