CABINET	AGENDA ITEM No. 9
10 JULY 2012	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr David Seaton – Cabinet Member for Resources	
Contact Officer(s):	John Harrison, Executive Director Strategic Resources Steven Pilsworth, Head of Corporate Services	Tel. 452520 Tel. 384564

BUDGET MONITORING REPORT FINAL OUTTURN 2011/12

R E C O M M E N D A T I O N S	
FROM : Executive Director Strategic Resources	**Deadline date :** 2 July 2012

Cabinet:

1. Notes the final outturn position on the council's revenue budget 2011/12 of £678k overspend, including the improvement of £1,431k since the provisional outturn position;
2. Notes the final outturn position on the council's capital budget 2011/12;
3. Approves the reserves position for the council and note the refreshed five year forecast.
4. Notes the performance against the prudential indicators;
5. Notes the performance on treasury management activities, payment of creditors in services and collection performance for debtors, local taxation and benefit overpayments; and
6. Notes that the uncertainty of local government funding arrangements from 2013/14 onwards, including the impact of the economic outlook and potential consequences on the level of reserves that council will deem to be sufficient under the new local government funding arrangements.

1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet on 10 July as a monitoring item as a referral from CMT on 20 June 2012.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to inform Cabinet of the final financial position for revenue and capital at 31 March 2012 and approve the reserves position for the council.

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

2.3 This report is for Cabinet to consider under its Terms and 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 2011/12

4.1 Corporate Overview

4.1.1 When Full Council approved the Medium Term Financial Strategy (MTFS) 2011 in February 2011 it was on the basis that 2011/12 would have a surplus to offset against future deficit budgets arising from 2013/14. The MTFS also outlined that there were a number of financial risks that the council would need to monitor during the year.

4.1.2 As the financial year progressed, some risks materialised and further pressures emerged within Adult Social Care budgets requiring robust action and mitigations to reduce the impact this financial year and financial consequences in future financial years. The emergence of these risks and pressures were flagged in the budget report to Cabinet during September and within all budget reports during January and February.

4.1.3 Within Adult Social Care, unprecedented increases in the numbers of people requiring our support, or through having increased need during 2011/12 inevitably increased costs above the council's in year budget and future budgets. This issue and how it was intended to be tackled was highlighted in the budget consultation undertaken by the Council earlier this year.

4.1.4 The actions undertaken by the Corporate Management Team and Cabinet to manage the budget across the whole Council included:

- Targeted actions on increased cost pressures;
- Departmental measures to reduce spend in supplies and services and employee budgets without detriment to service provision in the current financial year. This includes where pressures have materialised and departments have contained these pressures with local actions;
- Bringing forward savings earmarked for future financial years in the current MTFS;
- Reviewing existing investment plans in the current MTFS, assessing the implications of deferring investment into future financial years such as growth investment;
- A comprehensive in depth review of the capital programme, deferring projects into future financial years or removing projects that are no longer required. Any reduction in the amount that the council requires to borrow to fund the capital programme would reduce the costs of financing the borrowing; and
- A review of reserves and provisions, particularly the commitments within the capacity fund.

4.1.5 Subsequently, the financial implications in future years were considered as part of setting the MTFS 2012 and in particular, detail was provided in the council's budget document on how the council will address these financial issues. Cabinet continues to protect as far as possible, front line services and its vision for the city through reducing bureaucracy and costs, and improving efficiency to ensure value for money.

4.1.6 At the time of setting the budget, the council was not able to close the budget gap forecast in 2011/12 of £2.4m and considered that further savings would have an unacceptable impact on services. As such, the Council intended to use reserves to balance the 2011/12 financial position.

4.1.7 Cabinet were provided with an updated financial position during March, noting an improvement in the council's forecast revenue outturn position from £2.4m to £2.1m overspend, mainly due to the continued actions highlighted above in this report. In part, CMT actions to achieve savings resulted in re-profiling between financial years of the council's reserves.

4.1.8 The overall financial position 2011/12 for the Council is detailed within this report. In summary, the final revenue position is £678k overspent (a further improvement of £1.4m since March Cabinet) and the capital programme spend is £77.3m, compared to £83.7m reported to Full Council.

4.1.9 In conclusion, the Council has managed the financial challenges during 2011/12 with positive actions balancing the need to meet challenges of the national economic climate and the demands of local circumstances without detriment to service delivery. The budget strategy for 2012/13 considered the financial pressures in detail and how savings should be achieved through efficiencies rather than service reductions. However, even with the improvement on the revenue financial position and reserves, the Council cannot be complacent in managing financial resources given the deficits forecast in future years, the uncertainty of local government funding and the continued impact of the economic climate and recent confirmation that the UK is back in recession.

4.1.10 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 ten year cycle.

4.1 Financial Report – Revenue

4.2.1 The Council's overall revenue position is £678k overspent, against a budget of £150,033k, a variance of less than 0.5% of budget. As disclosed previously, the key issues that had arisen were increased cost pressures and demand within adult social care and children's social care budgets.

4.2.2 The increased demand for adult social care is a national issue with an overall increasing older population as people live longer and Peterborough is not immune to this issue. Increased demand is expected to continue within Peterborough on social care and these issues have been considered as part of the Council's budget strategy. The Council's budget strategy and consultation document covered the issues on Adult Social Care budgets extensively and plans to address the issues.

4.2.3 The adult social care budgets transferred back to the Council with effect of 1 March 2012 and are subject to an extensive review and assessment of care packages, contracts and efficiencies that could be delivered through the Council's transformation programme through a range of initiatives such as early intervention and prevention programme, re-enablement initiatives and personalised services.

4.2.4 An overview of the Council's final revenue financial position for 2011/12 is shown in the next table including the updated position presented to March Cabinet. A detailed breakdown can be seen in appendix A.

Provisional Outturn £k	**Department**	**Final Outturn £k**
2,918	**Use of Surplus Carry Forward as per MTFS 2011**	**2,918**
-8,451	Adult Social Care	-8,388
1,287	Chief Executive	1,386
386	Legal and Governance Services	453
0	Children Services	-30
251	Operations	751
500	Strategic Resources	1,232
1,000	Corporate contingency	1,000
-2,109	**OUTTURN – surplus (+) / deficit (-)**	**-678**
2,109	Contribution from Capacity Building Reserve	678
0	**Revised Total**	**0**

4.2.5 The main changes since the provisional outturn was presented to March Cabinet were:

Adult Social Care – The outturn position presented to March Cabinet included a prudent estimate of current care packages and other costs as the service was only transferred back to the council from 1 March 2012. Actual costs to the end of March 2012 were slightly lower than expected.

Chief Executive – The further improvement to the department's under spend was through the continued curtailing of supplies and services budgets and training budgets coupled with vacancy management. In particular, further savings arose from the Single Delivery Plan forum budgets and marketing budgets.

Legal and Governance Services – The further improvement to the department's under spend was through the continued curtailing of supplies and services budgets and training budgets coupled with vacancy management.

Children Services – Increased costs in demand led budgets such as looked after children were being offset in full by a departmental action plan and monitored closely throughout the financial year. The small overspend relates to costs that did not materialise until closure of accounts and were unrelated to looked after children budgets and could not be fully absorbed by the department's action plan.

Operations – The outturn position has improved through the continued actions taken within the department's action plan to manage vacancies and curtail spend on supplies and services budgets. In addition, a planning income fee was received earlier than predicted, and grant income was utilised instead of using the general fund.

Strategic Resources – The further improvement to the outturn position since March Cabinet included:

- the Council continuing to achieve savings arising from continuing to use internal cash balances before borrowing from the market leading to interest savings;
- an improved financial position on finalising the councils housing benefit subsidy claim and other shared transactional costs;
- waste collection had better than anticipated recycling rates leading to a reduction in landfill cost; and
- an improvement to Westcombe's trading position since previous forecast

4.2.6 The Council has closely monitored and assessed the impact of decisions made in respect of any actions taken to improve the outturn position. Particular attention has been paid to those costs deemed to be one off and those continuing costs that would not be sustainable to manage through budget monitoring alone. Continuing costs have been considered as part of setting the MTFS. Furthermore, as disclosed to March Cabinet, risks and issues with possible further financial implications continued to be reviewed during the preparation of the council's financial revenue position. The net impact arising from these identified risks and issues improved the Council's overall financial position.

4.2.7 Departments have undertaken an analytical review of the variances arising from the financial position and a preliminary assessment is underway following the closure of the accounts to assess the issues and comments to determine whether pressures or savings are one off of continuing. The outcome of the analytical review will be reviewed against 2012/13 budgets.

4.2.8 The Dedicated Schools Grant shows an under spend of £150.4k of general expenditure as well as an under spend of Exceptional Circumstances Grant of £509.4k against a total budget of £120.4m. Schools Forum is responsible for decisions related to the Dedicated Schools Grant and the 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 Financial Report – Reserves

4.3.1 In setting the 2011/12 budget, the level of Council reserves 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 2012/13 consideration was given to a ten year review of the budget in the context of uncertainty of future funding arrangements beyond 2013/14. Subsequently the following table has been updated to reflect the current position going forward over the next five years.

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	Final 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**	**Estimated Balance at 31.03.17 £000**
General Fund Balance	6,000	6,000	6,000	6,000	6,000	6,000
Capacity Building Reserve	7,773	2,389	5,010	5,010	5,010	5,010
Departmental Reserve	4,032	796	751	746	741	736
Subtotal	**17,805**	**9,185**	**11,761**	**11,756**	**11,751**	**11,746**
Reserves held for a specific purpose* [*1]						
Insurance Reserve	2,980	2,277	2,177	2,077	1,977	1,877
Schools Capital Expenditure Reserve	1,832	1,832	1,832	1,832	1,832	1,832
Salix Carbon Reduction Reserve	186	0	0	0	0	0
Parish Council Burial Ground Reserve	37	40	40	40	40	40
Local Authority Mortgage Scheme Reserve	14	14	14	14	14	14
Building Control Reserve	75	0	30	70	0	0
Hackney Carriage Reserve	33	5	5	5	5	5
School Leases Reserve	18	18	17	19	23	0
Subtotal	**5,175**	**4,186**	**4,115**	**4,057**	**3,891**	**3,768**
TOTAL	**22,980**	**13,371**	**15,876**	**15,813**	**15,642**	**15,514**

[*1] – Reserves that are held for a specific purpose such as trading accounts, third parties that have an interest in the balance before it can be used to support general fund expenditure or to support council policies.

4.3.2 The Council's reserves position has been reported throughout 2011/12 to Cabinet and Full Council as part of continuing in year budget monitoring and in approving the budget going forward. At the time of setting the budget (Full Council February 2012), the council was forecasting use of £2.4m of the capacity building reserve to meet pressures in the current year and the final revenue outturn position now only requires a drawdown of £678k. This is factored into the reserves table. Cabinet are asked to approve the final reserves position for 2011/12 and note the refreshed five year forecast.

4.3.3 Although the reserves position has improved overall, the majority of this balance will be required during 2012/13 and is therefore not additional monies, only a timing issue between financial years of when the commitments are likely to occur.

4.3 Financial Report – Capital

4.4.1 At the beginning of the financial year, the capital programme was £123.7m, the result of the agreed capital programme for 2011/12 of £108.8m and slippage from the previous financial year of £14.9m. Throughout 2011/12 the capital programme was refreshed and then subjected to extensive review during the MTFS budget process resulting in the capital programme being reduced to £83.7m.

4.4.2 The capital expenditure during 2011/12 totalled £77.3m as shown in the next summary table. The capital programme was reduced as a result of re-phasing of the budgets in preparation for the MTFS (2012/13 to 2021/22) and further slippage during March 2012 of £7.0m.

4.4.3 Significant projects that contributed to this decrease in the overall capital programme from £123.7m to £77.3m included:

- **Adult Social Care** - £3.8m slippage including the rephasing of the residential homes budgets into future years

- **Chief Executives** - £16.5m slippage including refurbishment of the Stadium, Public Realm, Cost of Disposals budgets and Corporate Growth Area budgets

- **Children Services** - £10.0m slippage including Primary Capital Programme and the Secondary Schools Phase 2

- **Operations** - £4.4m slippage due to the re-phasing of various projects being slipped into future years including affordable housing, repairs assistance and St Peters Arcade

- **Strategic Resources** - £12.3m slippage including the Waste Management Strategy, Business Transformation, Customer Services Transformation, Play Areas, Riverside – Risk Reduction Project, Bayard Place works and the Key Theatre

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 2011/12. 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 2011/12 capital programme assumed £18.3m of capital receipts and £0.76m of Right to Buy receipts. The actual capital receipts received were £5.7m and 1.3m respectively. The capital receipts was revised during budget setting for 2012/13 and any resulting financial impact from the closure of accounts will be assessed in conjunction with the overall capital programme and revised accordingly. The assets identified for disposal are still intended to be disposed as approved in the MTFS.

Overall position of the Capital Programme 2011/12 as at 31 March 2012

Capital Programme by Department:	Original Budget	Revised Budget		Actual Expenditure	Total Budget Spent
	£000	£000		£000	%
Adult Social Care	3,965	399		390	**98%**
Chief Executives	12,115	3,211		3,002	**93%**
Children's Services	52,824	46,239		45,394	**98%**
Operations	19,048	16,178		16,091	**99%**
Strategic Resources	20,854	11,375		12,430	**105%**
Total Expenditure	**108,806**	**77,402**		**77,307**	**99%**
Financed by:					
Grants & Contributions	45,407	42,269		41,354	**98%**
Capital Receipts	18,277	5,714		5,714	**100%**
Right To Buy Receipts	757	1,335		1,336	**100%**
Borrowing	44,365	28,084		28,903	**101%**
Total Resources - required	**108,806**	**77,402**		**77,307**	**99%**

4.4 Financial Report – Treasury Management Activity for 2011/12

4.5.1 The Treasury Management Strategy was updated during the year as part of the Medium Term Financial Strategy. It contains the strategy for borrowing and investing for the next financial year and details the approved prudential indicators for the next five years. The main objectives of the Strategy are:

1. To invest available cash balances with a number of dependable institutions over a spread of maturity dates in accordance with the council's lending list;
2. To reduce the revenue cost of the council's debt in the medium term by obtaining financing at the cheapest possible rate; and
3. To seek to reschedule debt at the optimum time.

4.5.2 In summary, the following actions were taken during 2011/12:

i. In order to mitigate the risk linked with the ensuing Eurozone financial crisis, investments were placed in accordance with the restricted lending list. The current lending list ensures investments are secure and liquid but interest returns are low due to the limited institutions used and the level of the bank base rate, which has remained at the record low of 0.50% since March 2009.

ii. Investments were placed for short periods to cover cash flow deficits. Daily cash balances with Barclays were restricted to £5m (previously £15m) due to the downgrade of Barclays credit rating by Fitch in December 2011.

iii. As borrowing rates continued to be higher than investment rates in 2011/12, the cash balances were used to finance the capital programme. As planned a small amount of temporary borrowing was taken out in February and March 2012 to cover cash flow deficit and these loans have been repaid in April 2012.

4.5.3 The 2011/12 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 short term temporary borrowing was necessary during February and March to cover cash flow deficits. A PWLB loan of £1.6m was repaid on maturity in November 2011 and not replaced.
2.	Invest with credit worthy organisations to limit exposure against loss.	Following review the council has continued with the restrictive lending list implemented in October 2008. Currently the Council only lends to the UK Government, Local Authorities and the council's own bank, Barclays.
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. Allowing for the non-performing Icelandic deposits, the Council's investments have yielded 0.44% which is just below the one week LIBID (London Interbank Bid Rate) of 0.46%.
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 by the Government. 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.	Long term borrowing has been avoided by using existing 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 SoRP 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 also 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.

4.5.6 In 2011/12 the CFR was:

	£000
Opening Capital Financing Requirement 1 April 2011	**230,611**
New Capital Expenditure Financed by Borrowing	28,903
Minimum Revenue Provision for Debt Repayment	(6,786)
Minimum Revenue Provision for PFI	(1,442)
Minimum Revenue Provision for Leases	(1,102)
Closing Capital Financing Requirement 31 March 2012	**250,184**

4.5 Financial Report – Performance Monitoring

4.6.1 An outline of performance against key indicators can be seen in appendix C.

5. CONSULTATION

5.1 Detailed reports have been discussed in Departmental Management Teams.

6. ANTICIPATED OUTCOMES

6.1 To note the final outturn position for revenue and capital 2011/12 for the council.

6.2 To approve the reserves position for the council.

6.3 To note the performance figures and prudential indicators for the council.

6.4 To note the actions that has been taken during 2011/12 and into the Medium Term Financial Strategy.

7. REASONS FOR RECOMMENDATIONS

7.1 This monitoring report for the 2011/12 financial year is part of the process for producing the Statement of Accounts and final budget monitoring report for 2011/12.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 Not to report the final budget position for the Council to Cabinet. However, this report is the final budget monitoring report for 2011/12 financial year and is a management report of the Council's finances to supplement the publication of the Statement of Accounts reviewed by Audit Committee at their meeting of 25 June 2012.

9. IMPLICATIONS

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

9.2 Members must have regard to the advice of the Section 151 Officer. The Council may take decisions which are at variance with this advice, providing there are reasonable grounds to do so.

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

Probable Outturn £k		Budget £k	Final Outturn £k	Variance £k
	CHIEF EXECUTIVE'S DEPARTMENT			
67	Chief Execs Department	407	322	85
386	Legal and Governance Services	4,161	3,717	444
126	Chief Executive Dept & Business Support	590	429	161
760	Growth and Regeneration	2,173	1,420	753
130	Communications	598	424	174
204	Human Resources	1,423	1,201	222
1,673	**CHIEF EXECUTIVE DEPARTMENT TOTAL**	**9,352**	**7,513**	**1,839**
	DIRECTOR OF CHILDREN'S SERVICES			
4,027	Education and Resources	2,659	-1,217	3,876
98	Children's Community Health	9,415	8,806	609
-4,125	Safeguarding Family and Communities	17,182	21,697	-4,515
0	**CHILDREN'S SERVICE TOTAL**	**29,256**	**29,286**	**-30**
	DIRECTOR OF OPERATIONS SERVICES			
2	Business Support	405	400	5
-636	Commercial Operations	3,201	3,618	-417
242	Directors Office	791	376	415
0	Environment Capital	0	0	0
-199	Neighbourhoods	6,905	7,027	-122
842	Planning, Environment, Transport & Engineering	9,710	8,840	870
251	**OPERATIONS SERVICES TOTAL**	**21,012**	**20,261**	**751**
	DIRECTOR OF STRATEGIC RESOURCES			
-5	Director's Office	189	193	-4
157	Business Support	1,842	1,689	153
22	Corporate Services	27,081	26,458	623
46	Internal Audit	342	280	62
3	Insurance	37	26	11
-79	Shared Transactional Services	-642	-1,023	381
237	Customer Services	661	397	264
-312	Strategic Property	647	964	-317
-2	ICT	2,919	3,540	-621
18	Procurement	296	339	-43
282	Business Transformation	1,588	1,352	236
0	Waste & Operational Service Management	12,291	12,098	193
83	Service Improvement	277	177	100
-45	Westcombe Engineering	10	-59	69
95	Cultural Services	4,817	4,692	125
500	**STRATEGIC RESOURCES TOTAL**	**52,355**	**51,123**	**1,232**
-8,451	**ADULT SOCIAL CARE TOTAL**	**38,058**	**46,446**	**-8,388**
-6,027	**GENERAL FUND TOTAL**	**150,033**	**154,629**	**-4,596**
1,000	Corporate Contingency	0	-1,000	1,000
2,918	Surplus Carry forward as per MTFP 2011	0	-2,918	2,918
-2,109	**GENERAL FUND TOTAL**	**150,033**	**150,711**	**-678**
0	**SCHOOL FUNDING**	**120,398**	**119,738**	**660**

Appendix B – Treasury Management Strategy – Draft Prudential Indicators – 2011/12

The Prudential Code for Capital Finance in Local Authorities (the Code) 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; and

(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 2011/12 Prudential Indicators below show the Council's performance for the financial year. The indicators were revised in September 2011 to reflect the impact of finance leases and were included in a report to the Audit Committee. The indicators used below are from this report.

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 2011/12

	2011/12 Indicator £m	**2011/12 Actual £m**
Capital Expenditure	108.8	77.3

This indicator is the actual capital expenditure for the financial year.

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.

	2011/12 Indicator £m	**2011/12 Actual £m**
CFR	269.9	250.2

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. This ratio has been revised to reflect the impact of finance lease adjustments.

	2011/12 Indicator %	PFI & Finance Leases %	2011/12 Revised Indicator %	2011/12 Actual %
Financing costs to revenue stream	5.1	0.5	5.6	5.3

5. **Indicator Five: Affordability (2) Estimate of the incremental impact of capital investment decisions on 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 Taxbase for the year:

	2011/12 Indicator	2011/12 Actual
	£	£
Incremental impact on Council Tax	1.09	(25.00)

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.

	2011/12 Indicator £m	2011/12 Actual £m
Authorised limit for external debt	382.3	186.5
Operational limit for external debt	282.5	186.5

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 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

	2011/12 Indicator £m	2011/12 Actual £m
Upper limit for variable rate exposure	56.6	0.0

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.

	2011/12 Indicator £m	2011/12 Actual £m
Upper limit for fixed rate exposure	338.9	142.9

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	40%	0%	19%
1 - 2 years	40%	0%	0%
2 - 5 years	80%	0%	0%
5 - 10 years	80%	0%	1%
over 10 years	100%	10%	80%

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.

Appendix C – Performance Monitoring

Treasury Management Strategy Statement:

Annual Investment Strategy:

The Treasury Management Strategy Statement (TMSS) and Prudential Code for 2012/13 was approved by Council on 23 February 2012. The Council's Annual Investment Strategy, which is incorporated in the TMSS, 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 31 March 2012 the Council's external investments totalled £3.5m and have yielded interest at an average rate of 0.44% in the financial year 2011/12. The total investment figure excludes the Icelandic investments. The performance of the investments is just below the target benchmark 7 day rate of 0.48%. The average investment balance for March has remained the same as February at £8m.

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 long term debt as at 31 March 2012 is £132.9m which is at an average fixed rate of 4.52%. Also during March the Council took out further temporary borrowing of £10m. The actual total external debt is measured against the Council's Authorised Limit for borrowing of £382.3m, which must not be exceeded and the Operational Boundary (maximum working capital borrowing indicator) of £282.5m. Officers can confirm that the Prudential Indicators were not breached during the financial year to date.

Table 1: Average Investment Balance

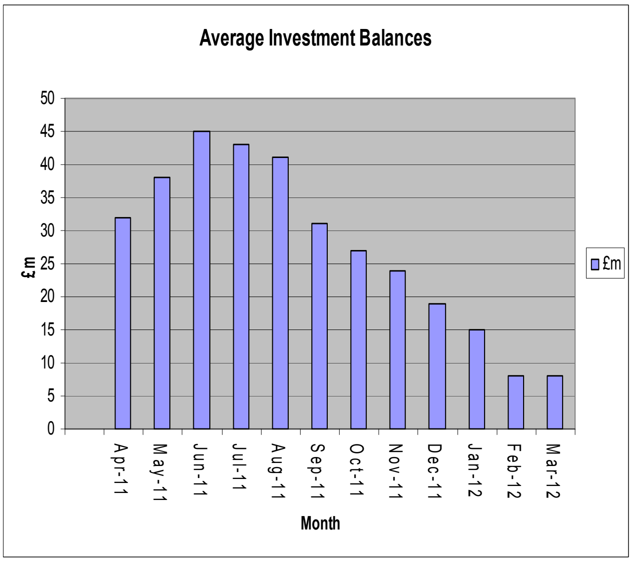


Table 2: PCC Average Interest Rate

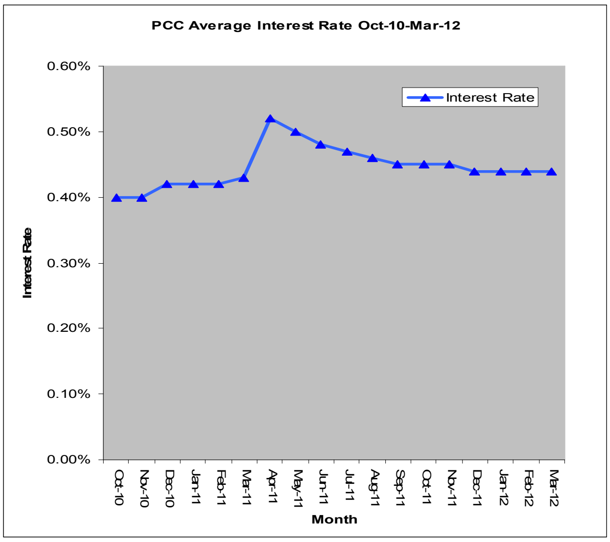
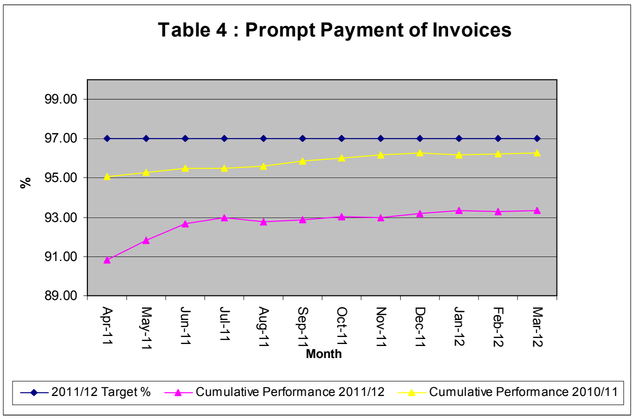


Table 3: Debt Portfolio

Debt Portfolio		
	Principal	**Interest per annum**
	£m	**£m**
PWLB	115.387	5.214
Market Loans	17.500	0.793
Temp Loan	10.000	0.004
TOTAL	**142.887**	**6.011**

Prompt Payment (Invoices paid within 30 Days)

The accumulative prompt payment of invoices at 31st March 2012 is 93.54% against a target of 97.00%. The current performance is shown in comparison to the cumulative performance for 2010/11 in table 4.



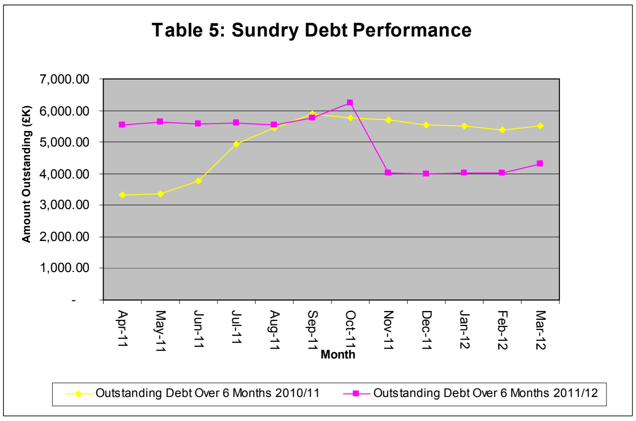
Reasons for the change in performance from 2010/11 include:

- A substantial number of residual invoices received for City Services dated prior to the outsourcing to Enterprise.

- A cleansing of the ‘on hold’ invoices generated a large number of outstanding invoices coming through into this financial year that were outside of the 30 day payment terms.

Sundry Debt Performance

The current outstanding sundry debt in excess of 6 months is shown in table 5 as at 31 March 2012

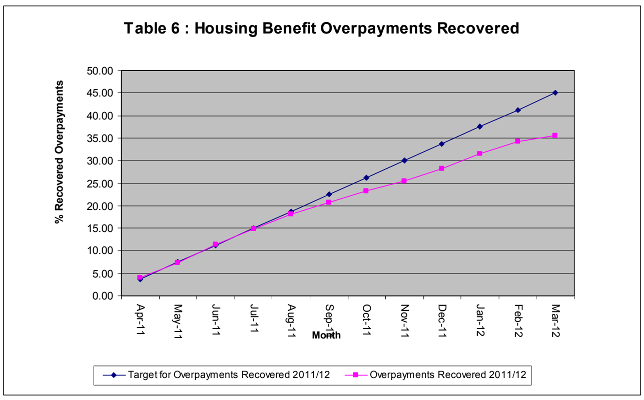


The top 20 debts total £3.2m of the total debt outstanding on the sundry debt and commercial rents portfolio. In order to progress action against these debts, bi-monthly review meetings have been set up with each Directorate Head of Business Support to discuss issues, disputes and move forward with actions to recover income.

- The amount of debt written off for 2011/12 is Nil.

Housing Benefit Overpayments

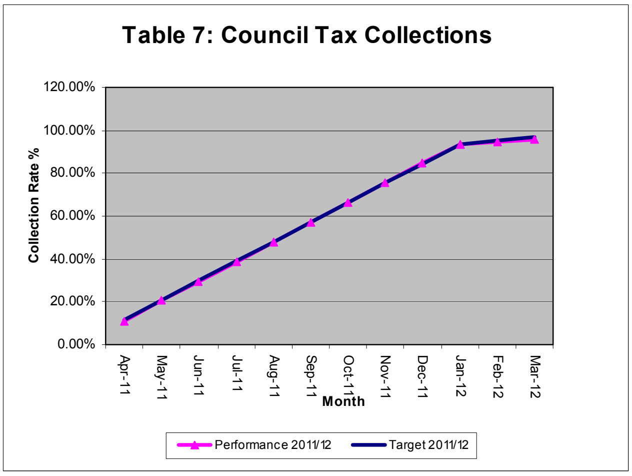
Table 6 shows the total amount of housing benefit overpayments recovered against the cumulative target rate set for 2011/12.



Housing benefit overpayment collection for the end of 31st March 2012 was 35.60% which is 9.4% below the target of 45%. More proactive recovery work on benefit overpayments is planned during March to improve collections.

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 2012 was 95.73% (95.76% for 2010/11 at 31 March 2011) which is 1.02% below the target 96.75%

Business Rates

The collection of non Domestic Rates as of 31 March 2012 was 96.37% (96.31% for 2010/11 at 31 March 2011) which is .38% below the target 96.76%.