

AUDIT COMMITTEE	AGENDA ITEM No. 9
30 JUNE 2014	PUBLIC REPORT

BUDGET MONITORING REPORT FINAL OUTTURN 2013/14

R E C O M M E N D A T I O N S	
FROM : Executive Director of Resources	Deadline date : 20 June 2014
<p>That Audit Committee approve:</p> <ol style="list-style-type: none"> 1. The reserves position for the council, and note: 2. The final outturn position of £622k under spend on the Council's revenue budget 2013/14 of which £291k was a government grant received on the 28 March 2014 to return 'held back' local government funding. 3. The final outturn position of £90.9m on the Council's capital budget 2013/14. 4. The performance against the prudential indicators; and 5. The performance on treasury management activities, payment of creditors, collection performance for debtors, local taxation and benefit overpayments. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee with the final financial position for both the revenue budget and capital programme for 2013/14 and requires the Committee to approve the reserves position as part of the council's Statement of Accounts.

2. PURPOSE AND REASON FOR REPORT

2.1 The report provides Audit Committee with the final financial position for both the revenue budget and capital programme for 2013/14 and requires the Committee to approve the reserves position as part of the Statement of Accounts.

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

2.3 The report is for Audit Committee to consider under its Terms and Reference No 2.2.1.16 to consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	No	If Yes, date for relevant Cabinet Meeting	
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4. FINAL OUTTURN 2013/14

4.1 Corporate Overview

4.1.1 During March 2013, Council approved a balanced budget for 2013/14 supporting the council's key priorities that should meet the changing characteristics of the city, its residents, businesses and those that visit the city. The approved budget included £17m savings to meet the gap that had arisen from further grant reductions, increased costs and new pressures. The Medium Term Financial Strategy also outlined that there were a number of risks that the council would need to monitor during the year.

4.1.2 As the financial year progressed, further pressures and risks emerged requiring robust action and mitigations to reduce the impact in 2013/14 and for future financial years. The Corporate Management Team (CMT) have received regular information on the position and agreed to identify and implement specific actions to bring a balanced budget position by the end of the financial year.

4.1.3 The Cabinet discussed regular financial position updates with formal positions reported to Cabinet meetings held between September 2013 and March 2014, to ensure that pressures and risks were considered in budget proposals to set the 2014/15 budget and future financial years. Further detail on the financial position can be seen in the next section of this report.

4.1.4 The actions undertaken by the CMT and Cabinet included:

- Departmental management teams have reviewed the budget position monthly and taken appropriate action including having action plans to address budget issues and this has been acknowledged in corporate budget reports;
- The regular CMT reporting has included a summary of progress with savings proposals, additional pressures and risks using a red, amber and green approach with the focus on red and amber issues;
- The capital programme has been reviewed during the year, 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 has reduced the costs of financing the borrowing which has been reflected in the revenue outturn position;
- Where possible all opportunities have been taken to capitalise expenditure relieving the pressure on the revenue account; and
- Review of reserves and provisions, particularly the commitments within the capacity fund.

4.1.5 The overall financial position 2013/14 for the council is detailed within this report. In summary, the final revenue position is £622k underspent including a grant of £291k received from government on 28 March for held back local government funding. The underspend has subsequently been set aside in the capacity building reserve. The capital programme spend is £90.9m.

4.1.6 In conclusion, the council has successfully managed the financial challenges during 2013/14 taking positive actions whilst balancing the need to meet challenges of the national economic climate, demands of local circumstances delivering a balanced budget position with a positive impact on reserves. However, even with the improved position on the revenue budget and increased reserves, the council has an enormous challenge ahead to close a forecast gap of £17.6m in 2015/16 requiring more savings to be identified.

4.1.7 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.

4.2 Financial Report – Revenue

4.2.1 The council's overall revenue position is an under spend of £622k including £291k government grant against the overall budget of £160,347k and represents a net

improvement of £893k since the probable outturn was reported to Council in March as part of the 2014/15 budget setting process. The probable outturn was based on November figures and since it was reported CMT have been advised of improvements based upon January and February figures. The surplus of £622k has been transferred to the capacity reserve as part of the closure of accounts process, leaving the general fund balance at its current level of £6m.

4.2.2 An overview of the council's final revenue position for each department for 2013/14 is shown in the following table compared to the probable outturn and a departmental breakdown shown in appendix A. The outturn position can be seen in the council's previous organisational structure at appendix B for comparative purposes.

Probable Outturn March Council £k	Department	Final Outturn £k
254	Adult Social Care, Health and Wellbeing	775
-173	Chief Executive Department	-307
167	Children Services	194
-1,479	Communities	-1,940
-229	Governance	325
362	Growth and Regeneration	1,117
827	Resources	458
-271	OUTTURN – surplus (+) / deficit (-)	622
	Transfer of surplus to Capacity Reserve	-622
	Final General Fund Revenue Outturn	0

4.2.3 The council experienced a range of cost pressures on existing budgets throughout 2013/14 which were offset by savings and additional grant income received during the year. The savings included corporate items and departmental savings arising from specific actions such as demand management, vacancy management, reducing spend by delaying projects as a one off measure and increased income. The council received £0.3m government grant in relation to monies held back by government during 2013/14 that was not received by the council until the last day of the financial year. Communication of this grant was circulated to all local authorities at this time and therefore the council was not anticipating this income in previous budget monitoring forecasts. The key variances for each department are set out below.

- **Adult Social Care, Health and Wellbeing** - extra demand to support vulnerable people in the Independent Sector Placement budget (£0.4m) was offset by one off savings (£1.2m) arising from expenditure associated with delay in project delivery (including Dementia Resource Centre and Transformation), vacancy management and grant income;
- **Chief Executive** – Commercial operations overspend (£0.4m) including lower income from the travel centre and car parking offset by Chief Executives departmental and support cost savings (£0.1m);
- **Childrens Services** – children related budgets saw pressures arising from SEN transport costs (£0.5m) which were offset by departmental actions;
- **Communities** – continuing pressures with more vulnerable children needing our support resulted in a variance of £1.2m. Pressures within neighbourhoods included supporting people budgets (£0.4m) and transport and care and repair (£0.3m);
- **Governance** - savings within the human resources and legal services budgets of £0.3m;
- **Growth and Regeneration** – pressure within the street lighting service from increased energy costs and an increased network size (£0.3m) were offset by an underspend in concessionary fares (£0.2m) and Local Development Framework savings (£0.2m), reduced employee costs (£0.4m), savings on supplies & services and training (£0.4m) and increased planning income (£0.2m);
- **Resources** – A pressure arising from implementing the nationally agreed pay award from April 2013. The council did not have sufficient budget to meet the pay

increase following a decision to treat pay award as a known budget risk (£0.5m) in setting the 2013/14 budget. Whilst other corporate pressures arose, these were offset by a government grant to pay for the loss of the council's share of business rate income, return of held back local government funding, reduced borrowing costs associated with the capital programme and release of the ICT provision.

4.2.4 The Dedicated Schools Grant shows an under spend of £1.8m against a budget of £133.4m. Schools Forum is responsible for decisions related to the Dedicated Schools Grant. This has been included for information purposes only. In accordance with accounting guidance, the under spend has been carried forward to next financial year.

4.3 Financial Report – Reserves

4.3.1 The Council's departmental reserves and capacity building reserve are monitored throughout the year as part of budget monitoring and feed into the budget setting process accordingly. The table below summarises the estimated position for all reserves at the end of 2013/14 and estimated balance at the end of 2014/15 and is before new commitments that maybe required to deliver savings to close the 2015/16 budget gap.

	2013/14 £k	2014/15 £k
Earmarked Reserves		
Departmental Reserve	4,099	522
Schools Capital Expenditure Reserve	1,027	777
Future Cities Reserve	2,684	0
Insurance and Other minor reserves	5,082	4,456
Subtotal - Earmarked Reserves	12,892	5,755
General Fund Balance	6,000	6,000
Capacity Building Reserve	8,561	3,526

- Department Reserves – The amounts set aside by departments during the preparation of the accounts is in accordance with financial guidance to minimise risk exposure to the council in the following financial year.
- Schools Capital Expenditure reserves and Insurance and Other Minor reserves are held on behalf of others and sums that we are independently advised to hold, e.g. insurance reserve.
- General Fund – The general fund will be maintained at £6m and this is consistent with the current budget strategy.
- Capacity Building Reserve – This reserve is held to meet one off costs including the delivery of existing savings within the current MTFs. The improvement to the reserve since Council set next year's budget is predominantly due to the improved revenue outturn position (£0.6m), the release of revenue budget for expenditure that can be funded within the capital programme (£0.9m), lower than forecast redundancy costs (£0.8m) and transformation in adult social care (£1.1m) and contingency set aside for children social care including potential costs arising from child sexual exploitation cases (£1.8m).

4.3.2 Although the reserves position has improved overall, the majority of this balance will be required during 2014/15 and is therefore not additional monies, only a timing issue between financial years of when the commitments are likely to occur.

4.3.3 The capacity fund forecast reduces to £3.5m during 2014/15. It currently includes an initial estimate of the cost of change costs that will be required to close the 2015/16 gap, but more may be needed to drive the level of savings needed.

4.4 Financial Report – Capital

4.4.1 At the beginning of the financial year, the capital programme was £261m, the result of the agreed capital programme for 2013/14 of £252m and slippage from the previous financial year of £9m. Throughout 2013/14 the capital programme was regularly reviewed and was

finally reduced to £93.5m through slippage. Much of the slippage has been built into future budgets as part of setting the 2014/15 budget.

- 4.4.2 Capital expenditure during 2013/14 totalled £90.9m as shown in the summary table below (and in the council's previous organisational structure for comparative purposes at appendix C).

Overall position of the Capital Programme 2013/14 as at 31 March 2014

Capital Programme by New Directorate	Budget 01/04/2013	Revised Budget	Actual Expenditure
	£k	£k	£k
Adult Social Care, Health and Wellbeing	950	297	103
Chief Executives	946	1,304	1,300
Communities	3,795	2,611	2,237
Governance	87	18	18
Growth & Regeneration	34,589	14,243	14,240
Resources	220,310	75,034	73,027
Total	260,677	93,507	90,925
Financed by:			
Grants & Contributions	32,583	27,262	27,262
Capital Receipts	13,228	3,677	3,677
Borrowing	214,866	62,568	59,986
Total	260,677	93,507	90,925

- 4.4.3 Significant projects with an impact greater than £2m that contributed to the decrease in the overall capital expenditure from £261m to £91m include:

- **Growth and Regeneration**

- Fletton Parkway - delays to project (£7.4m)
- Affordable Housing – no further bids in 2013/14 therefore budget slipped into 2014/15 (£2.4m)
- Road and Bridges projects – slippage to schemes (£2.7m)
- Spend occurring later than initially planned (5.4m)

- **Resources**

- Invest to Save projects - slippage due to few projects being submitted in this period (£94.2m).
- Energy Park Scheme - slippage due to changes in the start date of the scheme (£15.8m). Budget for the whole scheme is currently profiled as £25.7m 2014/15, £64.3m 2015/16 and £100.9m 2016/17
- Waste Management Strategy - project re-profiled in line with the confirmed milestone payments (£7.5m)
- Stadium Skills Centre - the scheme began in 2013/14 and will be completed in 2014/15 (£7.2m)
- Household Recycling Centre - construction to begin April 2014 (£4.3m)
- Local Authority Mortgage Scheme - £1m put into scheme in 2013/14, remaining budget slipped (£3.0m)
- Broadband Infrastructure - budget re-profiled following the contract sign off (£2.9m)
- Property Portfolio - slippage as per MTFS (£2.0m)

- 4.4.4 The Invest to Save outturn of £1.7m in 2013/14 includes £1.3m for the Energy Performance contract, £0.2m for Energy Conservation Measures and £0.2m on other renewable projects.

- 4.4.5 These invest to save schemes are delivering energy efficiency measures across the councils buildings portfolio including schools. The schemes are self-funding in two ways.

Firstly, by introducing energy efficiency measures through the replacement of plant inside the buildings driving down energy costs and secondly, putting solar pv panels on roofs to provide a cheaper source of energy for the buildings and an income stream by selling surplus energy to the grid.

- 4.4.6 The capital programme is financed through borrowing, capital receipts, grants and contributions. Although the amount of borrowing required has reduced due to slippage in the capital programme since the MTFS was approved, the Council has borrowed £60m during 2013/14 to fund capital expenditure.

4.5 Financial Report – Treasury Management Activity for 2013/14

- 4.5.1 The Council is required to operate a balanced budget, which means that cash raised through the year will meet cash expenditure. The role of treasury management is to ensure cash flow is adequately planned so that cash is available when it is needed. Surplus monies are invested in low risk counterparties commensurate with the Council's low risk appetite ensuring that security and liquidity are achieved before considering investment return.
- 4.5.2 Another role of treasury management is to fund the Council's capital programme. The programme provides a guide to the borrowing needs of the Council and the planning of a longer term cash flow to ensure capital obligations are met. The management of long term cash may involve arranging short or long term loans or using longer term cash flow surpluses.
- 4.5.3 The treasury activity for the council during 2013/14 is compliant with the approved Treasury Management Strategy approved in March 2013. Investment and borrowing activities include:

- a. Investment - The Council aims 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 2014 the Council's external investments totalled £8.8m and have yielded interest at an average rate of 0.33% in the financial year 2013/14.

Investments were placed for short periods to cover daily cash flow fluctuations. Surplus cash was invested in line with the Treasury Strategy to ensure security and liquidity therefore yield is lower due to low risk options used. Surplus cash is placed in the Barclays call account which currently yields 0.35% and in the Bank of Scotland Call Account (part of the Lloyds Banking Group) which yields 0.40%. Both call accounts have a restricted limit of £5m. The Debt Management Office (DMO) is also used for short term fixed investments with a yield of 0.25%. The DMO is one of the most secure institutions as it is a Government agency part of Her Majesty's Treasury.

- b. Borrowing - In 2013/14 the Council has taken out new borrowing of £96m of which £60m was used to fund the capital programme and the remainder was used to repay short term debt and to support short term cash flow fluctuations. The borrowing has been taken out over a range of periods to best fit the Council's maturity profile of debt. Also the best possible interest rate has been sought in line with the budget for borrowing, including the continuation of the council benefiting from reduced interest rates on long term PWLB loans by 20 basis points (0.2%) due to it submitting borrowing plans to government.

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

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 In 2013/14 the CFR was:

	£000
Opening Capital Financing Requirement 1 April 2013	316,098
New Capital Expenditure Financed by Borrowing	59,986
Minimum Revenue Provision for Debt Repayment	(8,355)
Minimum Revenue Provision for PFI	(1,457)
Minimum Revenue Provision for Leases	(524)
Closing Capital Financing Requirement 31 March 2014	365,748

4.5.6 As part of the setting of the treasury strategy, the council sets annual prudential indicators to measure effectiveness of treasury management and reports against these indicators during the financial year. The indicators have not been breached during 2013/14.

4.5.7 Further information on the Council's capital financing arrangements can be found in the Prudential Indicators performance found in appendix D along with an update on treasury management activity in appendix E.

4.6 Financial Report – Performance Monitoring

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

5. CONSULTATION

5.1 Detailed reports have been discussed in Departmental Management Teams.

6. ANTICIPATED OUTCOMES

6.1 To approve the reserves position for the Council.

6.2 To note the final outturn position for revenue and capital 2013/14 for the Council.

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

7. REASONS FOR RECOMMENDATIONS

7.1 This monitoring report for the 2013/14 financial year forms part of the closure of accounts and decision making framework culminating in the production of 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, or human resource issues.

9.2 Members must have regard to the advice of the Section 151 Officer.

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 - REVENUE MONITORING REPORT AT END OF MARCH 2014

Probable Outturn (Nov 13) £k	New Department (showing previous department and service area)	Budget 2013/14 £k	Spend 2013/14 £k	Variance 2013/14 £k
	ADULT SOCIAL CARE, HEALTH AND WELLBEING			
-2	ASC - Directors Office	445	445	0
164	ASC - Care Services	6,896	6,722	174
-630	ASC - ISP	35,742	36,134	-392
153	ASC - Quality Information and Performance	1,147	852	295
577	ASC - Finance and Organisational change	-949	-1,578	629
-8	ASC - Strategic Commissioning	3,714	3,645	69
254	TOTAL ADULT SOCIAL CARE, HEALTH AND WELLBEING	46,995	46,220	775
	CHIEF EXECUTIVE'S DEPARTMENT			
0	Cex- Chief Execs Office	338	281	57
10	Cex - Chief Execs Departmental Support	121	94	27
-183	Ops - Commercial Operations	-1,332	-941	-391
-173	TOTAL CHIEF EXECUTIVE'S DEPARTMENT	-873	-566	-307
	CHILDREN SERVICES			
225	CHS - Education and Resources	1,853	1,282	571
-417	CHS - Safeguarding Families and Communities	7,748	8,125	-377
359	Savings plan to be agreed		0	0
167	TOTAL CHILDREN SERVICES	9,601	9,407	194
	COMMUNITIES			
-1,136	CHS - Strategy, Commissioning and Prevention	21,397	22,683	-1,286
-343	Ops - Neighbourhoods	3,669	4,318	-649
0	Ops - Public Health	-331	-326	-5
-1,479	TOTAL COMMUNITIES	24,735	26,675	-1,940
	GOVERNANCE			
39	ASC- Quality, Information and Performance	300	250	50
2	Cex - Legal	3,746	3,517	229
-183	Cex - Communications	583	628	-45
23	Cex - Human Resources	1,015	890	125
-110	Ops - Neighbourhoods	603	637	-34
-229	TOTAL GOVERNANCE	6,247	5,922	325
	GROWTH AND REGENERATION			
0	Cex - Growth and Regeneration	1,662	1,670	-8
362	OPS - Planning Transport and Engineering	14,612	13,487	1,125
362	TOTAL GROWTH AND REGENERATION	16,274	15,157	1,117
	RESOURCES			
0	SR - Director's Office	199	248	-49
269	SR - Corporate Services	17,202	17,476	-274
-45	SR - Environment Capital	440	440	0

Probable Outturn (Nov 13) £k	New Department (showing previous department and service area)	Budget 2013/14 £k	Spend 2013/14 £k	Variance 2013/14 £k
44	SR - Internal Audit	295	234	61
0	SR - Insurance	41	-87	128
562	SR - Strategic Client Services	6,218	5,857	361
0	SR - Peterborough Serco Strategic Partnership	9,504	9,456	48
0	SR - ICT	3,795	3,468	327
200	SR - Waste and Operational Services Management	13,180	13,042	138
-123	SR - Cultural Services	4,501	4,643	-142
108	SR - Registration and Bereavement	-744	-923	179
-21	SR - Westcombe Engineering	12	28	-16
-180	CHS - Resources	2,384	2,675	-291
0	Cex - Growth and Regeneration	147	182	-35
13	OPS - Planning Transport and Engineering	194	171	23
827	TOTAL RESOURCES	57,368	56,910	458
-271	TOTAL GENERAL FUND	160,347	159,725	622

APPENDIX B - REVENUE MONITORING REPORT AT END OF MARCH 2014 – PREVIOUS COUNCIL STRUCTURE (FOR INFORMATION PURPOSES ONLY)

Probable Outturn (Nov 13) £k		Budget 2013/14 £k	Spend 2013/14 £k	Variance 2013/14 £k
	ADULT SOCIAL CARE			
-2	Director of Adult Social Care	445	445	0
-8	Strategic Commissioning	3,714	3,645	69
164	Care Services Delivery	6,896	6,722	174
-630	Independent Sector Placements	35,742	36,134	-392
192	Quality, Information and Performance	1,447	1,102	345
577	Finance and Organisational Change	-949	-1,578	629
293	TOTAL ADULT SOCIAL CARE	47,295	46,470	825
	CHILDREN SERVICES			
-710	Education and Resources	4,250	4,040	210
-1,613	Strategy, Commissioning and Prevention	21,384	22,600	-1,216
-542	Safeguarding Family and Communities	7,748	8,125	-377
1,357	Savings Achieved to be allocated to services	0	0	0
359	Departmental Action Plan to be achieved	0	0	0
-1,149	TOTAL CHILDREN SERVICES	33,382	34,765	-1,383
	OPERATIONS			
0	Business Support	40	68	-28
-183	Commercial Operations	-1,332	-941	-391
208	Directors Office	754	507	247
-453	Neighbourhoods	4,273	4,950	-677
167	Planning, Environment, Transport and Engineering	14,011	13,088	923
0	Public Health	-331	-326	-5
0	Departmental Action Plan		0	0
-261	TOTAL OPERATIONS	17,415	17,346	69
	CHIEF EXECUTIVE'S DEPARTMENT			
0	Chief Executive's Office	338	281	57
2	Legal and Governance Services	3,746	3,517	229
10	Chief Executive Departmental Support	121	94	27
0	Growth and Regeneration	1,809	1,852	-43
-183	Communications	583	628	-45
23	Human Resources	1,015	890	125
-148	TOTAL CHIEF EXECUTIVE'S DEPARTMENT	7,612	7,262	350
	STRATEGIC RESOURCES			
0	Director's Office	199	248	-49
269	Corporate Services	17,202	17,476	-274
-45	Environment Capital	440	440	0
44	Internal Audit	295	234	61
0	Insurance	41	-87	128
562	Strategic Client Services	6,218	5,857	361

Probable Outturn (Nov 13) £k		Budget 2013/14 £k	Spend 2013/14 £k	Variance 2013/14 £k
0	Peterborough Serco Strategic Partnership	9,504	9,456	48
0	ICT	3,795	3,468	327
200	Waste and Operational Services Management	13,180	13,042	138
-123	Cultural Services	4,501	4,643	-142
108	Registration and Bereavement	-744	-923	179
-21	Westcombe Engineering	12	28	-16
994	TOTAL STRATEGIC RESOURCES	54,643	53,882	761
-271	TOTAL GENERAL FUND	160,347	159,725	622

APPENDIX C – Capital Programme 2013/14 (Previous Council Structures)

Capital Programme by Directorate	Budget 01/04/2013	Revised Budget	Actual Expenditure
	£0	£0	£0
Adult Social Care	1,850	133	105
Chief Executive Department	18,967	3,757	3,757
Childrens Services	41,895	41,042	40,775
Operations	31,226	15,515	15,481
Strategic Resources	166,739	33,060	30,807
Total	260,677	93,507	90,925
<i>Financed by:</i>			
Grants & Contributions	32,583	27,262	27,262
Capital Receipts	13,228	3,677	3,677
Borrowing	214,866	62,568	59,986
Total	260,677	93,507	90,925

Appendix D – Treasury Management Strategy – Prudential Indicators – 2013/14

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 2013/14 Prudential Indicators below show the Council's performance for the financial year.

1. Indicator One: Estimates and actual Capital Expenditure 2013/14

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

	Indicator	Actual
Capital Expenditure	£252.0m	£90.9m

2. Indicator Two: 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.

	Indicator	Actual
CFR	£520.7m	£365.7m

3. Indicator Three: 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.

	Indicator	Actual
Financing costs to revenue stream	7.2%	5.9%

4. Indicator Four: 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 on 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:

	Indicator	Actual
Incremental impact on Council Tax	(£31.09)	(£42.37)

5. Indicator Five: Net Debt and the CFR

This indicator ensures that over the medium term debt will only be for capital purposes and the Council should ensure that gross debt does not, except in the short term, exceed the total of CFR in the preceding year or for the current and next two financial years.

	Indicator	Actual
Gross Debt	£443.90m	£294.0m
% of Gross Debt to the CFR	85.1%	80.4%

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.

	Indicator	Actual
Authorised limit for external debt	£708.4m	£294.0m
Operational limit for external debt	£692.7m	£294.0m

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.

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

	Indicator	Actual
Upper limit for variable rate exposure	£174.6m	£0.0m

8. Indicator Eight: Fixed Interest rate exposures

This indicator places an upper limit on the total amount of net borrowing (excluding PFI and leases) 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.

	Indicator	Actual
Upper limit for fixed rate exposure	£698.4m	£253.9m

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	Actual Borrowing
Under 12 months	40%	7%
1 - 2 years	40%	17%
2 - 5 years	80%	15%
5 - 10 years	80%	5%
over 10 years	100%	56%

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 Resources has therefore sought the advice of Capita Asset Services, 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 2013/14 and later years.

In accordance with the approved Treasury Management Strategy the Council currently has no investments of more than 364 days.

Appendix E – Performance Monitoring

Treasury Management Update – March 2014

1. Economic Update

- 1.2 After strong UK GDP growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, it appears that strong growth will continue into 2014 as forward surveys are very encouraging. There are also positive indications that recovery is starting to broaden away from reliance on consumer spending and the housing market into construction, manufacturing, business investment and exporting.
- 1.3 This strong growth has resulted in unemployment falling much faster towards the threshold of 7%, set by the Monetary Policy Committee last August, before it said it would consider any increases in Bank Rate.

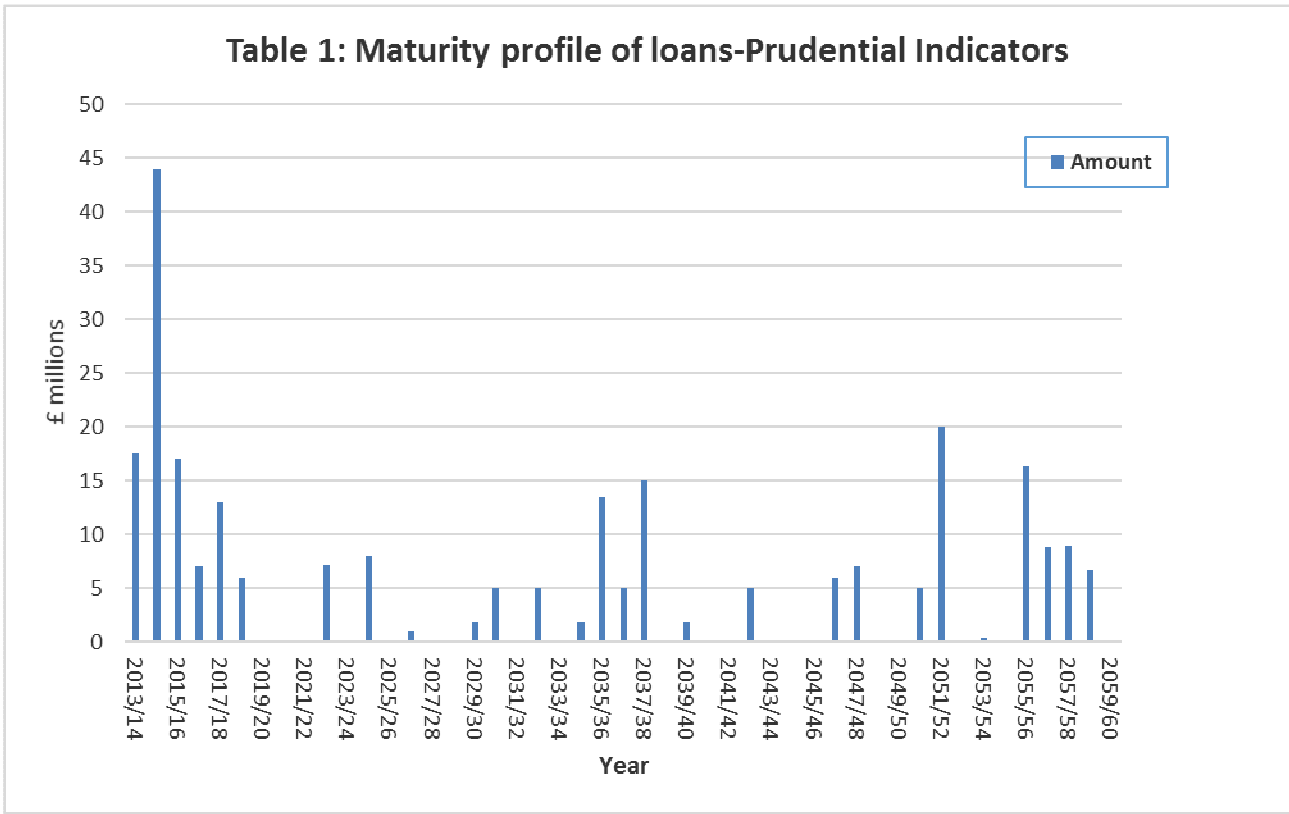
2. Borrowing

- 2.1 It is a statutory duty for the Council to determine and keep under review the “Affordable Borrowing Limits”. The Council’s approved Prudential Indicators (affordability limits) are outlined in the approved Treasury Management Strategy.
- 2.2 The Council’s borrowing as at 31st March was £253.9m. The actual total external debt is measured against the Council’s Authorised Limit for borrowing of £708.4m, which must not be exceeded and the Operational Boundary (maximum working capital borrowing indicator) of £692.7m. The table below shows a breakdown of the borrowing:

Borrowing	Amount (£m)	Average Interest Rate
Long Term:		
PWLB	149.4	4.38%
Market Loans	17.5	4.53%
Short Term:		
Local Authorities	87.0	0.90%
Total ‘Market’ Borrowing	253.9	
PFI & Leases	40.1	
Total Borrowing	294.0	

- 2.3 In 2013/14 the Council has taken out new borrowing of £96m of which £60m was used to fund the capital programme and the remainder was used to repay short term debt and to support short term cash flow fluctuations. The graph below shows the maturity profile of the Council’s debt as at 31 March 2014:

Table 1: Maturity profile of loans-Prudential Indicators



* please note 2013/14 includes £17.5m of market loans which are repayable in the long term but are classed as current year loans due to a callable option in the loan agreement.

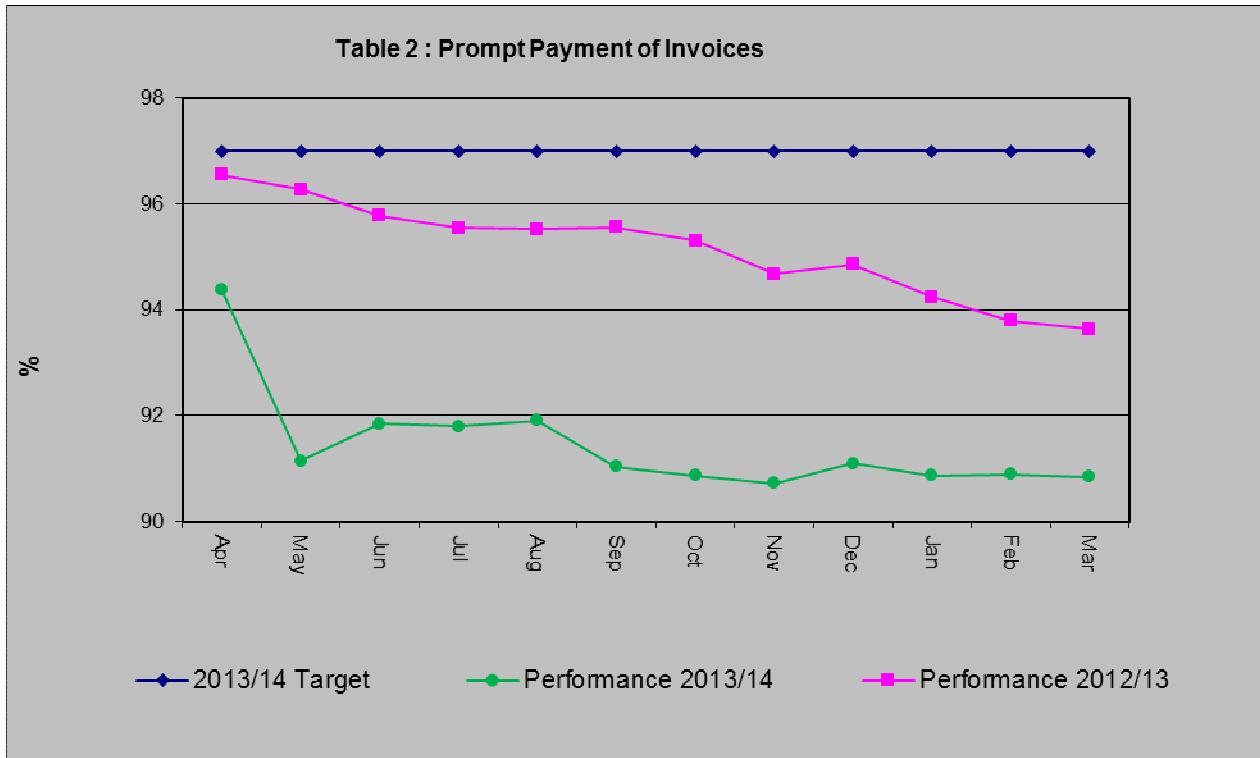
3. Investments

- 3.1 The Council aims 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.
- 3.2 As at 31st March 2014 the Council's external investments totalled £8.8m and have yielded interest at an average rate of 0.33% in the financial year 2013/14. Investments were split 53% Bank of Scotland v 47% with Barclays.

Prompt Payment (Invoices paid within 30 Days)

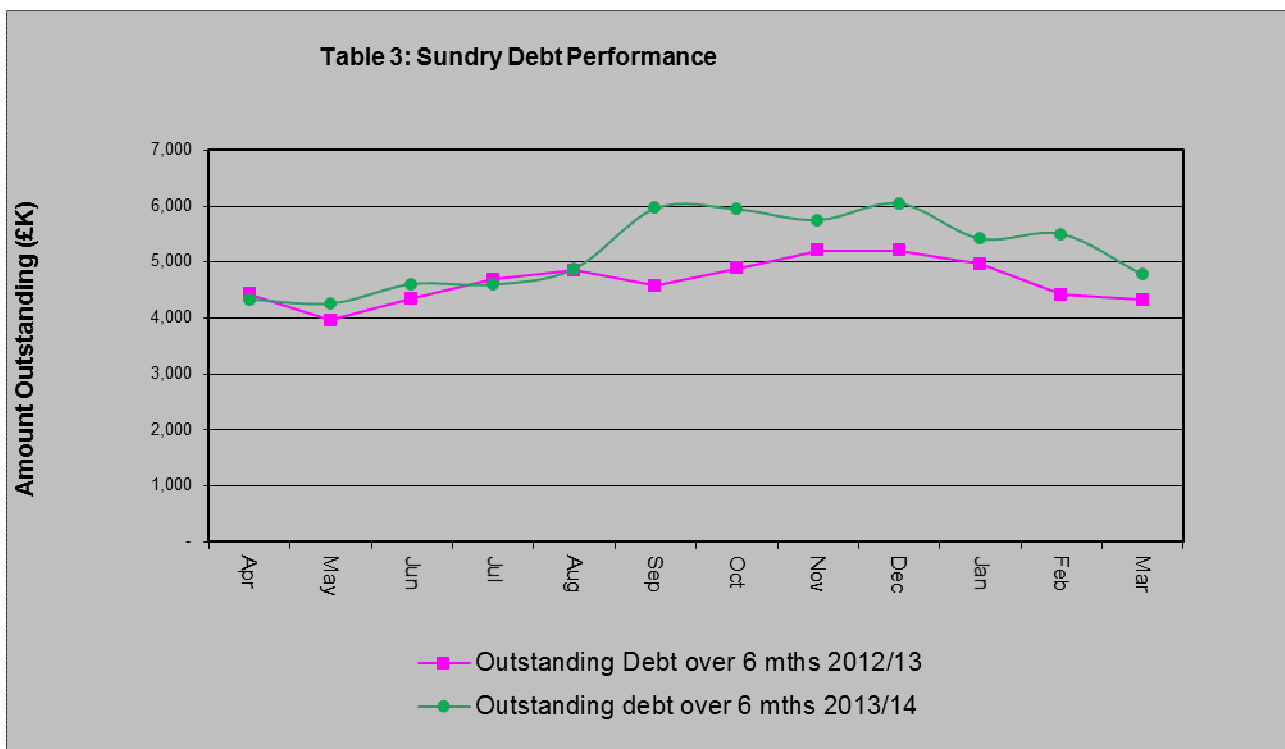
The cumulative position on prompt payment of invoices as at 31 March 2014 was 90.84% which is below the target of 97%. The current year performance is shown alongside the equivalent figures for 2012/13 in table 2.

A targeted exercise is underway to improve performance and reduce the number of invoices held up during the payment process.



Sundry Debt Performance

The total outstanding sundry debt at 31 March 2014 is £21.5m of which 78% is less than six months old. Of the overall debt, £4.77m is in excess of six months old compared to £4.32m at the end of 2012/13. Table 3 shows both years and reflects the additional £0.45m at the year end. The amount of debt written off for 2013/14 to 31 March 2014 is £0.6m.

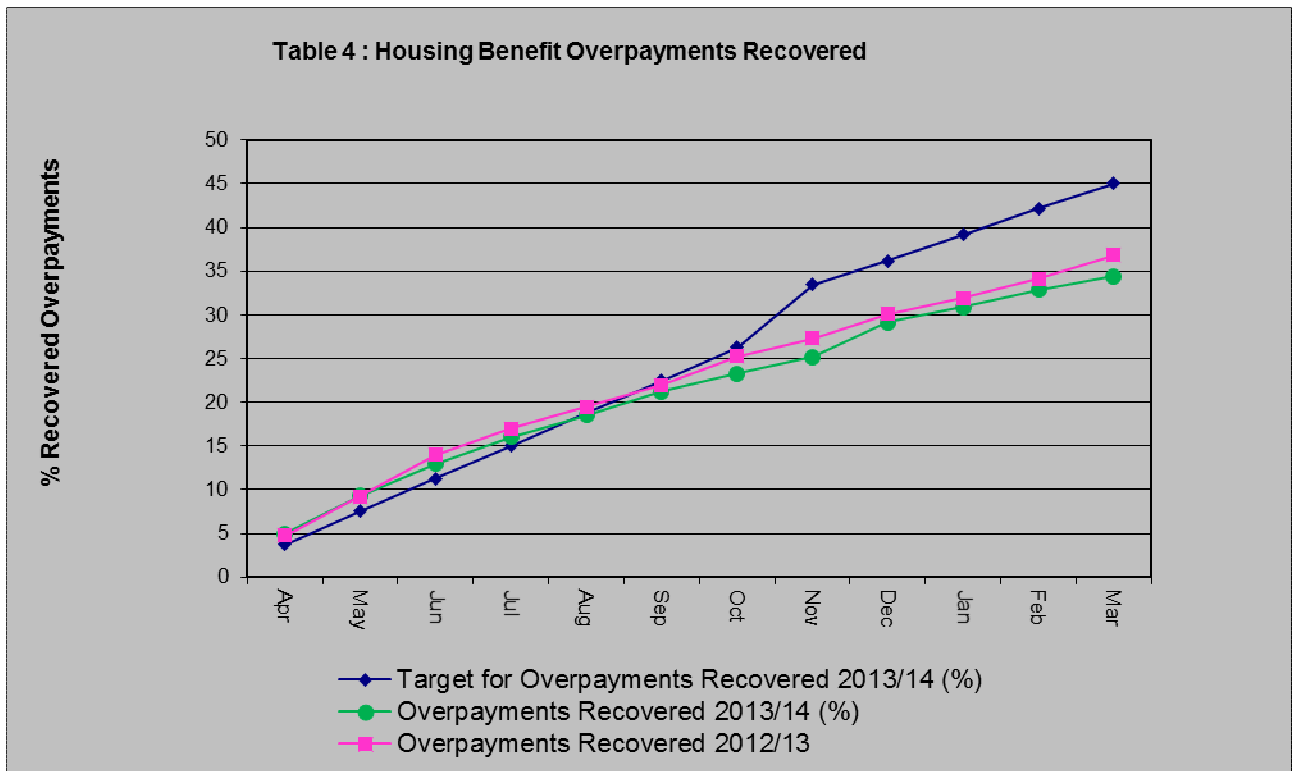


Housing Benefit Overpayments

Table 4 shows the total amount of housing benefit overpayments recovered against the cumulative target rate set for 2013/14 and the 2012/13 figures.

Housing benefit overpayment collection as at the 31 March 2014 was 34.38% which is below the target of 45.0% and lower (2.41%) than the figure for March 2013 (36.79%).

Significant historical debt is still to be reviewed which as it forms part of the calculation impacts on the measure of performance. Moving forward, the team are maximising direct attachment of earnings (DEA's), there is also now £4.9k on monthly attachment of benefit (AOB), up from £1.3k at the start of 2013/14. The team are also reviewing 'next action' reports, being proactive in tracing customers via the DWP's system and Experian and reviewing existing arrangements and recovery rates to maximise income. Finally, a recent internal system health check has been undertaken to ensure that the system is being utilised and automation is in place where possible.



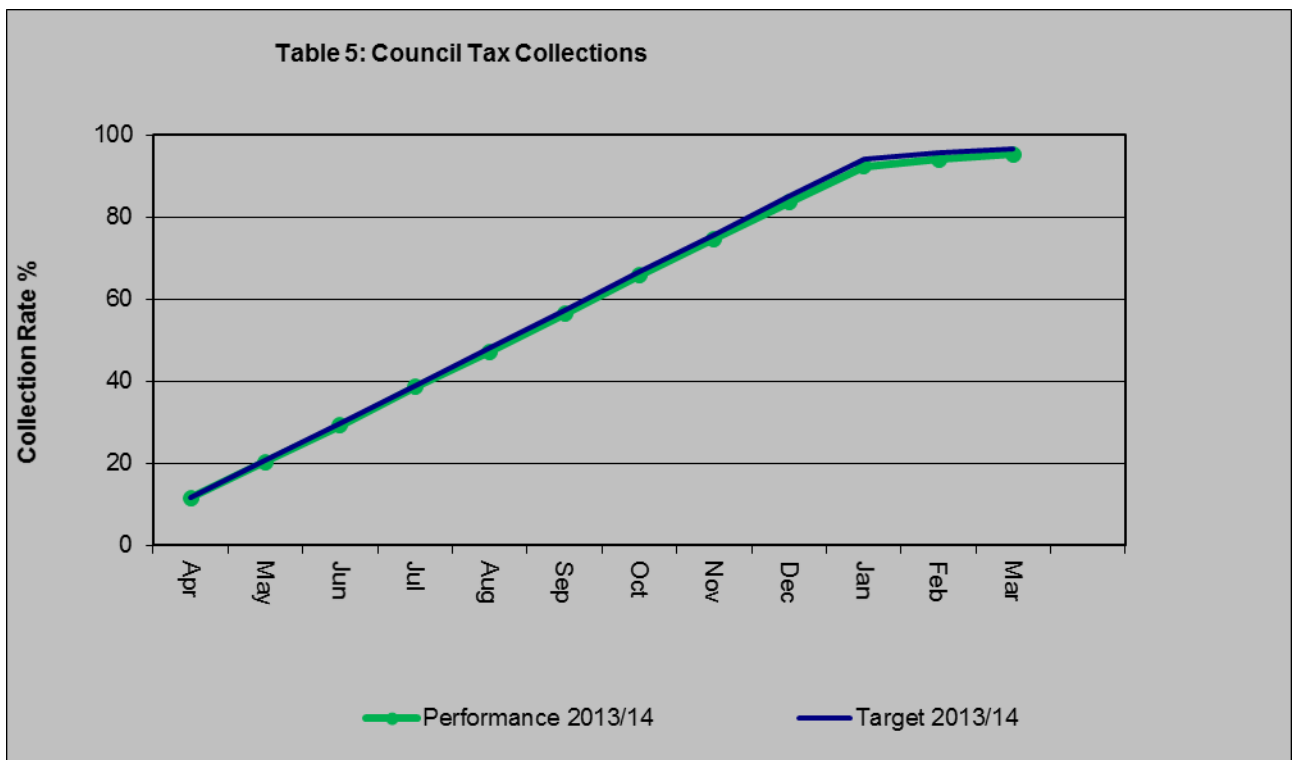
Council Tax and Business Rates Collection

Tables 5 and 6 show the performance for the collection of Council Tax and Business Rates for the period to date.

Council Tax

In year council tax collection at 31 March 2014 is 1.49% below target of 96.75%.

It should be noted that the target was not adjusted for the introduction of Council Tax Support where 8,750 customers are paying for the first time and 2,350 customers are paying more. If these numbers are excluded from the figures to provide a like for like comparison to last year then the collection achieved is 96.11%. This compares to 2012/13 in-year collection rate of 96.15%.



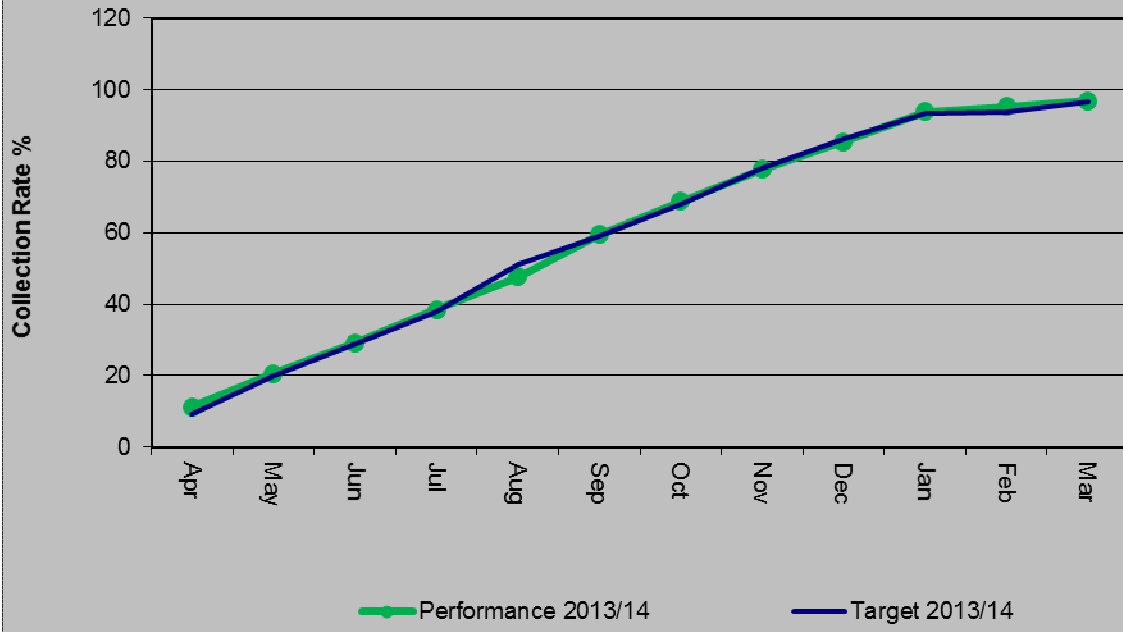
Business Rates

The in-year collection of business rates (non-Domestic Rates) as of 31 March 2014 was 0.17% above the target set of 96.75%.

The business rate retention scheme is now in operation which means that the council will benefit from any growth in business rates going forward but will also need to ensure robust collection of business rates.

Performance will be monitored on a monthly basis to ensure there is no negative impact to the council.

Table 6: Business Rate Collections



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