Item No. 11.	Classification: Open	Date: 19 November 2013	Meeting Name: Cabinet
Report title:		Revenue Monitoring Report for Quarter 2, 2013/14, including Treasury Management	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Richard Livingstone, Finance, Resources and Community Safety	

FOREWORD – COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY

This report sets out the council's performance for its revenue budgets for the first half of the current financial year.

The report demonstrates the results of the efforts that our departments have put in to control spending in these difficult times. As at the end of September, the council has spent £208,000 less than had been anticipated for its general fund. However, there are also some concerns identified by departments of growing spending pressures that will need careful consideration as money becomes far tighter still.

The housing revenue account budget is currently showing a small overall favourable variance of £262,000. Any favourable balance showing at the end of the year will be available for use in future years.

RECOMMENDATIONS

1. That the cabinet notes:

   - the general fund outturn forecast for 2013/14 and forecast net movement in reserves by department;
   - the housing revenue account's (HRA) forecast outturn for 2013/14 and resulting forecast movement in reserves;
   - the treasury management activity for the first six months of 2013/14.

2. That the cabinet notes the forecast performance for the collection of council tax.

3. That the cabinet notes the forecast performance for the collection of business rates and the risks associated with the Business Rate Retention Scheme.

4. The cabinet approves the general fund budget movements that exceed £250,000, as shown in Appendix A.

BACKGROUND INFORMATION

5. The purpose of this report is to provide a forecast for the end of the financial year 2013/14, using predictions based on the experience to date and knowledge as at the end of quarter two (September 2013). Work continues throughout the council to ensure that a balanced position is achieved by the end of the year.

6. The council agreed a balanced general fund budget of £327.8m on 27 February 2013 based on a nil council tax increase, and £6.3m use of reserves, giving a budget of £334.1m. This budget was set in the context of further significant overall cuts in government funding and the identification of some 25% savings proposals over the three years from 2011/12 to 2013/14 to mitigate against the reduction in resources and to continue to fund the council's commitments in terms of services provided.

7. The council also approved budget decisions including reductions of some £25m within general fund for 2013/14. Performance on achieving these savings is closely monitored and details are provided in paragraphs 50 to 52 below.

8. The Council Plan placed local needs and accountability as the drivers of performance improvement, and in an environment of significantly reduced funding, the council has to change in fundamental ways. There are a number of transformation projects underway, and work continues to identify further ways of transforming the delivery of services. These transformation or invest to save projects may be funded from on-going positive variances or previously created earmarked reserves which were established to pump prime initiatives.

Housing revenue account

9. Cabinet set tenants' rents and service charges on 29 January 2013 in line with the government's prescribed formula. The budget included a £6m savings target for 2013/14. The starting point of this process was to listen to residents' concerns about the services they wish to protect, and identify the potential for better value for money and more efficient ways of working.

KEY ISSUES FOR CONSIDERATION

Current forecast position: General fund

10. Table 1 below shows the current forecast outturn position for quarter two (as at 30 September 2013) by department. These estimates are based on six months' experience and stringent management action by all strategic directors will continue to ensure that they deliver their services within budget as agreed through the policy and resources strategy in February 2013 by council assembly. Progress for each department is shown in paragraphs 14 to 34 below.

Table 1: General fund forecast outturn position for 2013/14 as at Q2

General fund	2013/14 Original budget £'000	Budget movements £'000	2013/14 budget adjustments for movement (to)/from reserves £'000	2013/14 revised budget £'000	2013/14 spend forecast in year £'000	Variance £'000
Children's and adults' services	214,342	(6,864)	0	207,478	207,478	0
Environment and leisure	69,386	3,399	1,905	74,690	74,758	68
Housing and community services	39,524	(1,654)	564	38,434	38,686	252
Chief executive's department	20,566	(1,486)	(5)	19,075	19,070	(5)
Finance and corporate services	42,181	6,605	1,415	50,201	49,678	(523)
Support cost recharges	(57,956)	0	0	(57,956)	(57,956)	0
Total general fund services excluding contingency	**328,043**	**0**	**3,879**	**331,922**	**331,714**	**(208)**
Contingency	5,000	0	0	5,000	0	(5,000)
Total general fund services including contingency	**333,043**	**0**	**3,879**	**336,922**	**331,714**	**(5,208)**
Revenue contributions to capital	0	0	1,398	1,398	1,398	0
Planned appropriations to / from reserves to meet service demands	0	0	(2,083)	(2,083)	(2,083)	0
Planned appropriations to / from reserves for technical accounting purposes		0	(1,796)	(1,796)	(1,796)	0
Planned appropriations to / from reserves to meet capital	0	0	(1,398)	(1,398)	(1,398)	0
Planned appropriations from reserves to meet shortfall in budget	(5,271)	0	0	(5,271)	(5,271)	0
General fund total	**327,772**	**0**	**0**	**327,772**	**322,564**	**(5,208)**

Note: Explanations of this quarter's budget movements are provided in Appendix A. Q1 movements were reported in Appendix A of the Q1 report.

11. The forecast includes estimates of one off re-organisation and redundancy costs that the council expects to incur as it continues to put into action plans necessary to deliver the ongoing savings identified within the budget. As reported in the 2012/13 revenue outturn report, the council was able to contribute the £5.5m contingency to reserves. If needed, this will be used to support the 2013/14 revenue budget which includes a planned £6.3m contribution from reserves.

12. As shown in Table 1, within services there is a forecast favourable variance of £208k based on the limited information available by the end of September. This takes account of expected movements to and from reserves in relation to services.

13. The budget movements reported in Table 1 are detailed further in Appendix A. This quarter they include a number of adjustments for technical accounting purposes that do not impact on resources available for services. Budget movements completed in Quarter 1 were reported as part of the report to cabinet on 17 September 2013.

Children's & adults' services

14. Children's and adults' services are forecasting an overall balanced budget of £207.5m for 2013/14. This will require use of earmarked reserves and

management action to mitigate significant financial pressures.

15. Children's social care cost pressures previously reported at quarter one are continuing through this year. The number of children placed in residential care and the number of no recourse to public funds families is continuing to grow [1]. This increased activity is placing a significant budget pressure on children's social care. There are now 49 children in residential care (15 more children since April 2013), and 130 families being supported with no recourse to public funds (this has increased by 30% since April 2013, and 100% since the same time last year).

16. The management action being undertaken to address this includes refreshing the adoption strategy, undertaking a foster carer recruitment campaign, reviewing residential placements and a restructure of the no recourse to public funds teams. While the impact of these actions is not immediate, it is intended that they will contain the existing budget pressures.

17. Adults' services are projecting a favourable outturn variance of £3.16m. Clients with no recourse to public funds are 25% higher than the previous year and in addition there are budget pressures in Mental Health placements which are a result of an undelivered savings target for 2013/14. These budget pressures are offset by a favourable budget variance, arising from the Department of Health transformation grants which have been rolled forward from prior years. These one-off monies were being held as contingency against demand pressures. These pressures continue to be managed through a series of modernisation initiatives and investment continues to improve quality.

18. Education and strategy and the commissioning and business improvement directorate are anticipating a balanced budget overall.

Schools budget

19. In 2013/14 the Dedicated Schools Grant (DSG) is £196m. It is anticipated that £2m of this grant will be retained in balances as the allocation in 2013/14 included one-off funding to support the development of eligible two year old places. It is anticipated this will not be fully spent and therefore needs to be rolled forward into future years whilst capacity to deliver this new offer continues to grow.

20. The final pupil premium allocations to schools have recently been released by the Department of Education. In total £15.5m was allocated to Southwark maintained schools and academies.

Environment and leisure

21. The department is projecting a small adverse variance of £68k for the year. However as reported at quarter one, this is due to delay in the reorganisation of

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[1] "no recourse to public funds" means not able to claim most benefits, tax credits or housing assistance that are paid by the state, unless there are exceptional circumstances. Home Office guidance states that exceptional circumstances will exist where the applicant is destitute, or where there are particularly compelling reasons relating to the welfare of a child of a parent in receipt of a very low income.

the wardens and enforcement service which is expected to be completed shortly. The budget will continue to be closely monitored for the remainder of the year with the aim of identifying potential savings that can help to mitigate against this and any other emerging pressures in the department and also inform next year's budget setting. The department has already implemented most of the savings proposed for this financial year.

Housing and community services (H&CS)

22. Housing and community services are forecasting an adverse variance of £252k at quarter two and includes an indicative sum of £64k for redundancy arising from the recent review of the sheltered accommodation service. It is currently assumed this will be met from corporate reserves, unless it can be contained within the total resources available to H&CS. Additionally there are a number of known and potential financial risks, such as the impact of welfare reforms, provision of temporary accommodation and the transfer of the customer service centre in-house.

23. On 1 June 2013 the General Dynamics Information Technology (GDIT) contract ceased and delivery of the customer service centre successfully came in-house. This provides the opportunity to reconfigure and improve customer access and service delivery and drive out substantial savings over the medium-term through operational efficiencies and moving towards more cost effective transaction routes. Transition costs relating to the development and implementation of the new Customer Relationship Manager (CRM) software, telephony and infrastructure upgrades are held separately from the operating account and met from corporate resources. The service is expected to deliver the full-year saving of £3m generated by bringing the service in-house.

24. Some budgetary pressures are expected in the short-term as there are residual contractual costs for the first two months of 2013/14 and legacy systems/ change management commitments, which will fall out over time. Conversely, the phased recruitment of staff to the call centre is likely to realise some compensatory savings. This forecast is based on a number of assumptions and variables which cannot be accurately quantified at this point and whilst management is committed to delivering a balanced budget within the prevailing constraints, the forecast should be viewed with caution.

25. By far the greatest financial risk is around temporary accommodation and this is reflected in the upward movement between quarters one and two. Whilst Southwark is recognised as a leader in homeless prevention, it is simultaneously facing challenges through increased homeless demand and a serious contraction on the supply side. This is particularly acute on housing association leasing schemes as registered providers struggle to maintain the financial viability of schemes, exacerbated by the impact of welfare reforms, including restricting the size of accommodation that housing benefit covers for working age council and housing association tenants (sometimes referred to as 'social sector size criteria', 'bedroom tax', 'under-occupancy charge' or 'spare room subsidy').

26. The anticipated decline in the use of estate voids (in the HRA) is expected to accelerate over the coming months as vacant possession is sought during the early phases of the Aylesbury Estate regeneration programme. This is particularly problematic and will adversely impact the general fund budget as the need to use bed and breakfast will inevitably increase. To some extent this was anticipated through the 2013/14 budget process and corporate reserves have

been earmarked to meet the cost pressure. This will be kept under review and drawn down as required.

Chief executive's department

27. The chief executive's department is reporting a forecast outturn of £19m which is on target with budget.

28. The budget includes £115k that is a draw down from reserves for the Thames Tunnel campaign and an anticipated contribution to earmarked reserves of £120k to meet future costs associated with the council's ongoing modernisation agenda.

29. This forecast takes into account the department's 2013/14 savings target of £520k which is on target to be fully achieved.

30. Budgets will continue to be closely monitored for the remainder of the year and where possible areas of potential savings will be identified to address any emerging budget pressures.

Finance and corporate services

31. Finance and corporate services is forecasting a net expenditure at year end of £49.7m against a total net budget of £50.2m. This forecast favourable variance of £523k takes into account £1.4m of reserves that are expected to be released.

32. The reserves will fund additional costs related to decommissioned properties and re-organisation and redundancy costs. As reported at quarter one, there is a contribution from reserves of £337k for rent equalisation at the Queens Road offices. This technical accounting adjustment re-profiles rent payable to an average rent over a fixed term, taking into account an initial rent free period.

33. The department continues to undergo fundamental restructuring that includes further reviews related to the provision of IT services, further re-organisations of staffing structures across finance and legal services and a review of major corporate facilities management contracts.

34. The 2013/14 base budget savings of £3.8m for the department are projected to be fully achieved. In the event that some individual schemes do not deliver full savings, substitute options will be indentified to ensure the overall target is achieved.

Public health

35. From 1 April 2013 the council has new responsibilities to improve the health of residents and reduce health inequalities in Southwark. These Public Heath activities are funded through a £21.8m ring fenced grant from the Department of Health.

36. The director of public health fulfills a number of statutory duties including providing professional public health expertise to both Southwark and Lambeth boroughs, clinical commissioning groups and health and wellbeing boards. The budget of £3.1m (within the chief executive's department) covers both the staffing costs for the shared specialist public heath team that includes staff transferred from the NHS and a budget held to mitigate for the financial risks

associated with activity/costs for public health.

37. The public health activities are delivered through Children's and Adults' Services and Environment and Leisure. The key service areas are:

- sexual health services including contraception and sexual health advice and testing, £8.1m;
- improving public health including smoking cessation, exercise referrals, health checks and school nursing, £3.4m;
- drugs and alcohol misuse services including treatment and intervention services, £7.2m;
- community sports contribution, £0.1m.

The vast majority of this expenditure is on third party service providers.

38. The overall position at quarter two remains unchanged from quarter one in that it is anticipated that the grant will be fully spent during 2013/14. However in the event that this is not the case, any variance will be set aside in reserves to fund the related expenditure in the following year.

Contingency

39. The 2013/14 budget includes £5m for contingency. This budget is held to meet unforeseen costs that may arise during the year within departments that strategic directors are unable to contain. At this stage in the financial year there are no significant pressures identified against this contingency budget.

40. There is a current assumption of £6.2m contribution from reserves in the 2014/15 budget and any unused contingency would be the first call to support that requirement.

Capital

41. For accounting and control purposes, where it is proposed that reserves are released to meet capital expenditure, they are at first released into revenue and a direct contribution from revenue is then made to capital. Cabinet is asked to approve or note these contributions in Appendix A.

Housing revenue account (HRA)

42. Table 2 below shows the current forecast outturn position for quarter two (as at 30 September 2013), which is broadly neutral incorporating planned contributions to the investment programme and reserves. Pressure to spend on landlord responsibilities for the maintenance and improvement of the housing stock remains constant, but robust contract management and control of high volume, high value budgets, such as repairs, engineering and heating continue to deliver greater value for money to mitigate the demand/cost pressure. The key factors and risks are outlined below.

Table 2: HRA forecast outturn position for 2013/14 as at Q2

Services	Net Expenditure		
	Full Year Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Operations	(173,814)	(174,387)	(573)
Maintenance & Compliance	46,847	48,273	1,426
Major Works	1,606	1,685	79
Specialist Housing Services	(37,281)	(38,161)	(880)
Strategic & Corporate Services	129,067	128,944	(123)
Customer Experience	1,873	1,856	(17)
Community Engagement	2,129	2,076	(53)
Regeneration Initiatives	1,173	1,052	(121)
Heating Account	12,198	12,198	0
Direct Revenue Funding of Capital	12,727	12,727	0
Appropriations to /(from) Reserves	3,475	3,737	262
Total	**0**	**0**	**0**

43. Rent collection performance at week 26 is 98.82% for mainstream tenanted stock. Whilst this is below the budget target, it is an improvement over last year and shows resilience despite the generally weak economic conditions and the impact of the welfare reforms including housing benefit changes (the social sector size criteria) and DWP direct payment pilot. However, risks remain in terms of income collection, and in mitigation the council has set aside £1m within the HRA for Discretionary Housing Payments to council tenants. This will be used towards tenancy sustainment and assisting tenants in adapting to the impact of the welfare reforms.

44. The need for temporary/emergency re-housing of secure tenants is an operational necessity. Demand can be volatile and has exceeded the budget target in recent years. However, new case management arrangements have delivered a dramatic improvement over the last quarter, such that this is now expected to be under budget and offers the prospect of savings going into next year.

45. Disrepair caseload remains a persistent problem and is extremely resource intensive with the costs of administration and compensation forecast to exceed budget. This remains a key management priority and good progress is being made in resolving old cases and managing new caseload which is experiencing some upwards pressure. The aim remains to eliminate claims arising in the first instance through an improved repairs service.

46. Capital service charge billing is linked to the Housing Investment Programme (HIP) and delivery of the works programme each year. Any variations from the anticipated spend or proportion of costs that can be recovered from homeowners impacts on the revenue income assumptions built into the base budget. Whilst the headline forecast remains neutral at this point, there is an underlying expectation that major works income will exceed the budget target.

47. Revenue service charge billing is currently forecast on target. Combined collection performance for capital and revenue service charges at quarter two is above target at £13.9m (including Major Works loans), against the full year cash

target of £23.5m.

48. The ring-fenced nature of the HRA requires that deficits/surpluses are carried forward between years. Reserves have been below the optimum level deemed commensurate with the size of Southwark's combined revenue and capital programmes and represent a financial risk. In line with the medium term resource strategy (MTRS), the council has been seeking to achieve that balance through planned contributions from revenue.

49. At 31 March 2013 reserves increased by £4.3m to £31.8m, of which around 80% are committed. This represents good progress towards restoring balances to a more prudent and sustainable level in order to mitigate future risks, fulfil future commitments already made and enable the transformation and modernisation of services going forward. An estimated £3.7m will be contributed in the current year, in line with expectations.

Implementation of the 2013/14 budget decisions including agreed budget reductions, savings and efficiencies

50. The council identified £31m budget reductions, including savings and efficiencies for the general fund and housing revenue accounts as part of the 2013/14 budgets. At quarter two there is a projected savings shortfall of £1.1m, as shown in Table 3.

Table 3: Forecast projection of savings agreed for 2013/14 as at Quarter 2

Departments	**Budgeted 2013/14 savings** £'000	**Forecast full year 2013/14 savings** £'000	**Compensating / other savings in 2013/14** £'000	**Variance** £'000
Children's and adults services	(15,390)	(14,290)	(1,100)	0
Environment and leisure	(2,675)	(2,675)		0
Housing services	(490)	(490)		0
Finance & corporate services	(3,767)	(3,767)		0
Chief Executive	(520)	(520)		0
Corporate	(2,000)	(2,000)		0
Total General Fund	**(24,842)**	**(23,742)**	**(1,100)**	**0**
HRA	(6,033)	(6,033)		0
Total Savings	**(30,875)**	**(29,775)**	**(1,100)**	**0**

Note: Details of the council savings plans can be found in the policy and resources report to Cabinet (12 February 2013)

51. In the table above, the compensating or other savings identified mean that the total value of savings agreed by the council in setting the 2013/14 budget are still forecast to be achieved.

52. There is an adverse variance for the adults' services savings expected from the service redesign of arrangements for the adult social care role within mental health of £700k. Further, the education services restructure of specialist educational services that occurred in September was later than anticipated resulting in a £400k adverse variance. Both the adults' services and education services adverse variances are offset against compensating favourable variances within these services. The children's social care planned savings totalling £750k resulting from the new framework agreement and increasing the use of in house fostering are both underway. However, the financial benefits of

this are not anticipated to come into effect until towards the end of this financial year. All other savings across both children's and adults' services are on target to be achieved.

Reserves

53. As reported at quarter one the council retains a level of earmarked reserves and these are reported each year within the annual statement of accounts. These reserves are maintained to fund;

- 'invest to save' opportunities, which form part of the modernisation agenda and are expected to deliver future ongoing revenue savings
- investment in regeneration and development where spend may be subject to unpredictable market and other factors.
- exceptional items/pressures which are difficult to predict and which are not included in revenue budgets or within the capital programme.

54. Where a department identifies a need for additional funding there is a robust process for seeking support from reserves. The department must demonstrate that they are unable to contain the identified additional pressure within their existing budget. Cabinet will be asked to approve this funding support where the amount is £250k or above.

55. As the year progresses, departments will naturally be better placed to more accurately forecast their outturn position. Any unfavourable variances will be offset by favourable ones at departmental level before the need to call on reserves.

56. The budget approved by council for 2013/14 included a planned release of reserve of £6.3m. This call on reserves provided some flexibility in terms of budget setting and the profile of savings that the council identified in the Policy and Resources Strategy 2011-14. It is currently assumed that this call on reserves will have to be made in full.

Business rates retention scheme

57. As reported at quarter one the localisation of business rates represents a change to the funding regime for local authorities for 2013/14 and beyond. Under this new funding regime actual retained business rates income will be dependent on the assessed rateable values, effect of appeals and collection rates within the borough.

58. As with any change of this significance there has been uncertainty over the operation of the scheme. This presents significant risk to the council but also some opportunity in the event of an increase in business rate yield that surpasses government targets. Any uncollected business rates, or unfavourable variation from government estimates of rateable values, will impact directly on council resource available and therefore on resources available to fund and to provide services.

59. The business rates retention scheme includes a safety net at 7.5% to protect local authorities from significant reductions in collectable rates. This means that shortfalls from 0.1% to 7.5% will not be protected and will have to be borne by the council.

Collection fund monitor

60. The collection fund monitor covers both council tax and business rate collection. Table 4 below summarises the estimated account balances for both at 31 March 2014, based on data available to 30 September 2013.

Table 4: Collection fund account

Collection Fund Account	**Estimated balance as at 31/03/2014** (surplus)/deficit **£**	**Southwark share** **£**	**Comments**
Council Tax	(2,523,810)	(1,895,381)	75.1% Southwark: 24.9% GLA
Business Rates (NNDR)	514,973	154,492	30% LBS; 20% GLA: 50%CLG
Business Rate Supplements (BRS)	0	0	100% GLA
	(2,008,837)	**(1,740,889)**	

Council tax

61. Council tax cash collection is performing well when compared to the same period last year. This is partly due to the changes agreed by the cabinet relating to the discounts and exemptions pertaining to empty properties. It is therefore anticipated despite the additional £2.8m requirement from the 10% reduction in central government support for the council tax reduction scheme; the council will meet its collection fund target for the year. The service is actively pursuing non payers of council tax and is working proactively to assist customers in genuine need of support.

62. The early indications are that the council tax account may make a surplus of £2.5m, of which the council’s share would be £1.9m. The current factors behind this forecast are that the council tax collectable has increased compared to the estimate when the council tax was set in January, while at the same time collection performance is estimated to be maintained at a level above the previous year. However the forecast that will be reported at quarter three based on nine months experience will provide a better estimate of the final outturn.

Business rates

63. The collection rate for business rates is being tracked closely in relation to the council's ability to retain 30% of amounts collected. Previous years’ collection and trends are modelled together with intelligence on changes to the net collectable amount through new builds and deletions.

64. Socio economic factors are considered taking into account national issues such as businesses hit by the recession. The council continues to meet with the valuation office agency on a regular basis to understand their approach to managing appeals, although limited information is forthcoming and delays are commonplace (for example, the restaurants within the Shard have taken some

time to get into rating).

65. There are many factors that can affect the levels of collection and the council has sought specialist advice to help determine likely volumes of income from retained business rates. The complexities of projecting the year end position and future years budgetary income have been highlighted by the advisors who continue to work with us to determine reasonable estimates.

66. Part of the Financial Risk Reserve has been set aside to help protect the council from the risks inherent in the new funding system and especially risks underlying business rate retention.

67. At quarter 2, the NNDR account is estimated to make a deficit of £515k, and the council's share of this deficit (30%) is £154k. The deficit balance is due to NNDR income collectable being lower than estimated in January for the NNDR1 setting. The key reasons for this are a reduction in the overall rateable value of properties and an increase in the level of mandatory reliefs awarded. However, the estimate includes £14m provision for NNDR appeals, which may need to be adjusted to correlate with the revised mandatory relief position. If the deficit position is realised at year end, it will not impact on this year's budget but will be distributed as part of the NNDR setting for 2014/15. DCLG has recently announced that they intend to allow the cost of this provision to be spread over the five financial years commencing 2013/14, which may affect the reported deficit at year end. Once the detail of these regulations is available, CIPFA will provide the relevant accounting guidance for 2013/14 and beyond.

Business rate supplement

68. Along with other London boroughs, the council collects a business rate supplement (BRS) of 2p on non domestic properties with a rateable value over £55,000, which is to help pay for the Crossrail project. The BRS is collected on behalf of the GLA, for whom the council acts as a collecting agent. Because of this, the income collected and the associated costs of collection have no impact on the council's finances.

Treasury management

69. The council holds cash in short term money market instruments diversified across major banks and building societies and in bonds and bills issued by the UK government or supranational entities. The investments themselves are managed by an in-house operation and two investment firms: Aberdeen Asset Managers and AllianceBernstein. Capital preservation and liquidity remain priorities. Over the first-half of the year the sum invested averaged £242m and as at 30 September 2013 stood at £231m. The balance with each counterparty and the maturity profile are set out in the tables below. Investments will be liquidated as needed to meet spending over the course of the year.

70. The half-year return to 30 September 2013 was 0.28%, reflecting low UK base rates (0.50%, equivalent to 0.25% over the half-year) and the stimulatory monetary policies which central banks here and abroad still have in place.

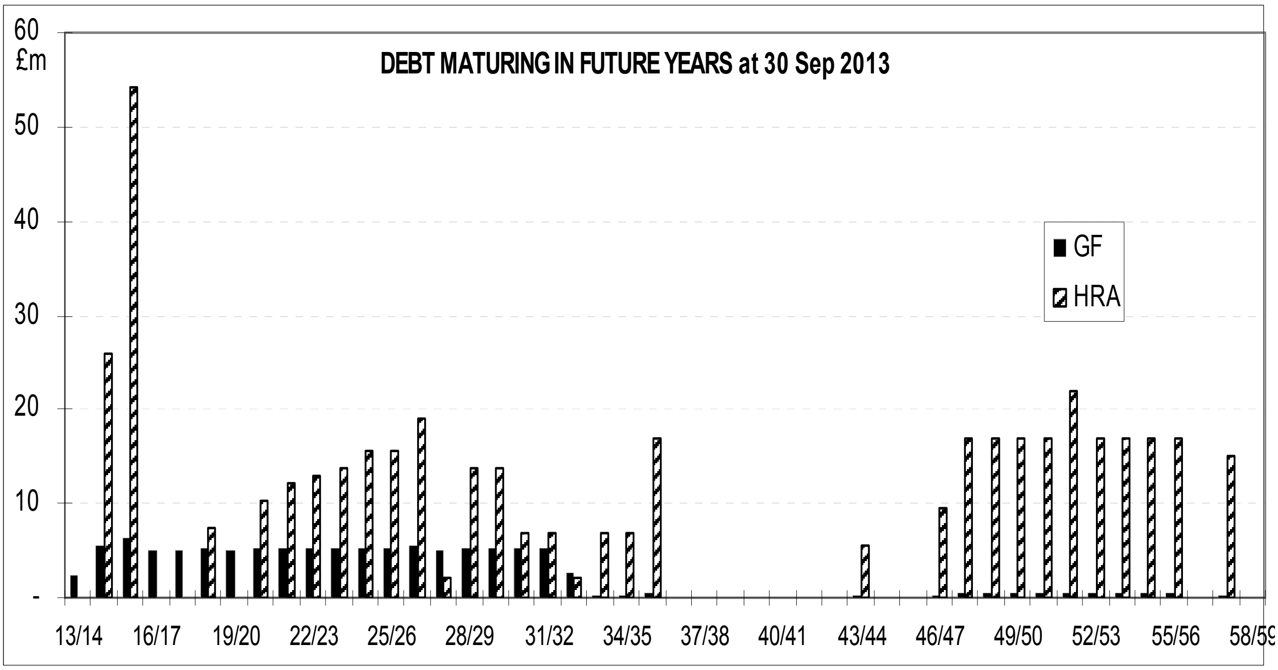
Table 5: Investments with counterparties

INVESTMENT COUNTERPARTY AND RATINGS - 30 SEP 2013									
Exposure £m	**FUND**				**Fitch Ratings**				
COUNTERPARTY	Aberdeen	Alliance Bernstein	In-House	**£m**	Long	Short	Sup-port	Sovereign	Sovereign Rating
NORDEA BANK FINLAND	5.7			5.7	AA-	F1+	1	FINLAND	AAA
CREDIT INDUST ET COMRCL	3.5			3.5	A+	F1	1	FRANCE	AA+
SOCGEN		1.0		1.0	A	F1	1	FRANCE	AA+
BANQUE NATIONAL DE PARIS		1.0	10.0	11.0	A+	F1	1	FRANCE	AA+
LANDESBANK BADEN WERTMBG		1.0		1.0	A+	F1+	1	GERMANY	AAA
DEUTSCHE BANK		2.0		2.0	A+	F1+	1	GERMANY	AAA
RABOBANK		1.0		1.0	AA	F1+	1	NETHERLANDS	AAA
ING BANK	3.4	1.0	15.0	19.4	A+	F1+	1	NETHERLANDS	AAA
ABN AMRO BANK	3.5	1.0		4.5	A+	F1+	1	NETHERLANDS	AAA
DNB BANK	3.5			3.5	A+	F1	1	NORWAY	AAA
EUROPEAN INV BANK	7.0	6.5		13.5	AAA	F1+		SUPRANATIONAL	AAA
INT BANK RECONST DEVT	3.5	6.8		10.3	AAA	F1+		SUPRANATIONAL	AAA
SVENSKA	3.3		15.0	18.3	AA-	F1+	1	SWEDEN	AAA
SKANDINAVISKA	3.5	1.0		4.5	A+	F1	1	SWEDEN	AAA
CREDIT SUISSE	3.5	1.1		4.6	A	F1	1	SWITZERLAND	AAA
UBS	1.6			1.6	A	F1	1	SWITZERLAND	AAA
NATIONWIDE BSOC	3.3	1.0	10.0	14.3	A	F1	1	UK	AA+
RBS/NATWEST			50.1	50.1	A	F1	1	UK	AA+
UK TREASURY		24.6		24.6	AA+	F1+		UK	AA+
BARCLAYS BANK	5.1	1.0	15.1	21.2	A	F1	1	UK	AA+
LLOYDS BANK			15.1	15.1	A	F1	1	UK	AA+
BNY MELLON	0.1	0.3		0.4	AA-	F1+	1	US	AAA
Total £m	50.5	50.3	130.3	231.1					

Fitch Ratings	Definition
AAA	Highest credit quality
AA+,AA, AA-	Very high credit quality
A+, A	High credit quality
F1	Highest short term credit quality; strongest capacity for timely payment (+donates exceptionally strong credit feature)

71. During the quarter, the financial markets remained sensitive to developments in the United States and the timing of any moderation in stimulus as its economy improved. This led up to upward pressure on long term interest rates in the US and other major developed economies including the UK. Despite the rise, long term rates remain close to historical lows and tempered somewhat by central banks forward guidance on policy rates. The Bank of England has indicated that, barring unforeseen developments, it expects base rates to remain low until the unemployment rate declined to 7%. Provided rates remain low, loans falling for repayment over the next few years can be replaced with cheaper loans as they fall due.

72. The balance outstanding on loans taken to fund past capital spend was £560m at 31/3/2013 and is divided between the HRA (£451m) and the General Fund (£109m). £5m general fund loans falls for maturity in 2013/14 and £2.5m of it was paid off in April 2013. The sums falling as maturities in the future are set out in the chart below. The general fund can finance its 2013/14 maturing obligations from the minimum revenue provision that the council sets aside each year to reduce debt. No HRA debt matures until 2015 and as it currently has no provisions for debt repayment, the maturities will need refinancing by their due date. However, should the HRA set aside sums to reduce debt in the future, it too would see its refinancing requirement fall.



Community impact statement

73. This report monitors expenditure on council services, compared to the planned budget agreed in February 2013. Although this report has been judged to have nil or a very small impact on local people and communities, the projected expenditure it is reporting reflects plans designed to have an impact on local people and communities. Community impact was considered at the time the services and programmes were agreed. It is important that resources are efficiently and effectively utilised to support the council's policies and objectives.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
2013/14 Revenue Monitoring: Quarter 1 report to Cabinet 17 September 2013	160 Tooley Street London SE1 2QH	Vernon Smith 020 7525 7355 http://moderngov.southwark.gov.uk/documents/s40377/Report%20Revenue%20Monitoring%20Quarter%201.pdf
Policy and Resources 2013/14 - 2015/16: cabinet 12 February 2013	160 Tooley Street London SE1 2QH	Vernon Smith 020 7525 7355 http://moderngov.southwark.gov.uk/documents/s35390/Report%20Policy%20and%20Resources%20201314%20to%20201516.pdf

APPENDICES

No.	Title
Appendix A	Budget movements to be approved, £250,000 and above and movements to be noted.

AUDIT TRAIL

Cabinet member	Councillor Richard Livingstone, Finance, Resources and Community Safety		
Lead officer	Duncan Whitfield, Strategic Director of Finance and Corporate Services		
Report author	Jennifer Seeley, Deputy Finance Director		
Version	Final		
Dated	7 November 2013		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		**Comments Sought**	**Comments Included**
Director of Legal Services		No	No
Strategic Director of Finance and Corporate Services		N/a	N/a
Cabinet Member		Yes	Yes
Date final report sent to Constitutional Team			7 November 2013