Item No. 14.	Classification: Open	Date: 16 September 2014	Meeting Name: Cabinet
Report title:		Revenue Monitoring Report for Quarter 1, 2014/15, including Treasury Management	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Fiona Colley, Finance, Strategy and Performance	

FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR FINANCE, STRATEGY AND PERFORMANCE

In February council assembly agreed a balanced budget for this financial year which required the council to deliver almost £30m of savings in our annual revenue spending. As a cabinet it is our role to monitor the implementation of this agreed budget - this report covers the first quarter of the financial year and provides forecasts of the expected spend for the year.

I'm pleased to report that as at the end of June we are on track overall to deliver those savings and stay within our budget across both the General Fund and the Housing Revenue Account. However, we are still early in the year and within that overall picture there are sizeable variations and risks which we must continue to monitor.

There is also good news on the income side of our finances where we currently estimate that we will benefits from £2.3m of additional council tax. We will continue to keep business rates under review in the context of uncertainty around future collection compared to government targets, and arising from outstanding appeals.

RECOMMENDATIONS

1. That the cabinet notes:
   - the general fund outturn forecast for 2014/15 and forecast net movement in reserves by department;
   - the housing revenue account's (HRA) forecast outturn for 2014/15 and resulting forecast movement in reserves;
   - the treasury management activity for the first three months of 2014/15.

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 2014/15, using predictions based on the experience to date and

knowledge as at the end of quarter one (June 2014). 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 £308.2m on 26 February 2014 based on a nil council tax increase, and £6.2m use of reserves, giving a budget of £314.4m. This budget was set in the context of further significant overall cuts in government funding.

7. The council also approved budget decisions including reductions of some £25.9m within general fund for 2014/15. Performance on achieving these savings is closely monitored and significant variances will be included in departmental narratives.

Housing revenue account

8. Cabinet set tenants' rents and service charges on 28 January 2014, an increase of 2.7%. The budget included a £3.9m savings target for 2014/15. 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

9. Table 1 below shows the current forecast outturn position for quarter one (as at 30 June 2014) by department. These estimates are based on three months' experience and action by all strategic directors will continue to ensure that they deliver their services within budget. Progress for each department is shown in paragraphs 13 to 40 below.

Table 1: General fund forecast outturn position for 2014/15 as at Q1

General fund	Original budget £'000	Budget movements £'000	Revised budget £'000	Forecast Spend in year £'000	Reserve movements £'000	Total use of resources £'000	Variance £'000
Children's and adults services	203,079	(2,540)	200,539	202,339	(1,800)	200,539	0
Environment and leisure	72,063	(117)	71,946	71,946	0	71,946	0
Housing and community services	36,519	690	37,209	38,057	0	38,057	848
Chief executive's department	18,396	(541)	17,855	17,855	0	17,855	0
Finance and corporate services	38,342	3,239	41,581	40,605	0	40,605	(976)
Support cost recharges	(57,956)	(731)	(58,687)	(58,687)	0	(58,687)	0
Contingency	4,000	0	4,000	4,000	0	4,000	0
Total general fund services	**314,443**	**0**	**314,443**	**316,115**	**(1,800)**	**314,315**	**(128)**

Note: Explanations of this quarter's budget movements are provided in Appendix A.

10. 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.

11. As shown in Table 1, within services there is a forecast favourable variance of £128k based on the information available at the end of June. This takes account of expected movements to and from reserves in relation to services.

12. Table 1 reflects budget movements to the end of quarter one. Appendix A details the quarter one movements for cabinet to approve or note as is appropriate.

Children's and adults services

13. The total budget for Children's and Adults Services is £101.7m and the forecast is a balanced budget overall, with Children's Services adverse variance of £1.5m being offset by a compensating matching favourable variance in Adults' Services.

Children's Services

14. Children's Social Care budget for 2014/15 was increased through growth bids and use of a one-off reserve which has improved the financial position of the service in comparison to the previous year. The current adverse variance is forecast at £1.3m. For 2014/15, Looked After Children placements for Residential and Agency fostering, while running at above historical levels, no longer appear to be rising. Further, although there remains an overspend for the No Recourse to Public Funds budget, the rate of new cases so far this year has slowed as a result of the management action being undertaken such as more rigorous checks undertaken of new cases. An adverse variance is arising due to staffing overspends whilst staff move into the new social work matters team structures. This is offset in part by the favourable budget variance for the Youth Offending Service due to the lower number of remand placements. The Children's Social Care budget is funded from a planned use of £1.8m of reserves and therefore this presents a potential 2015/16 budget pressure.

15. Education Services cost pressures arising in Special Educational Needs arising from the implementation of the Children's and Families Act are being offset by a significant one-off Dedicated School Grant contribution towards these costs and some DfE grant.

16. Strategy, Commissioning and Business Improvement are currently predicting a small overspend of £200k arising from the extension of free fruit pledge to all primary aged children from September 2014.

Adults Services

17. Adult's Services forecast a budget favourable budget variance of £1.5m, this is due to contingencies arising from NHS transfers which are currently uncommitted as pressures are being managed through a series of modernisation initiatives. However, there are budget pressures in Learning Disability placements, Non Recourse (mental health clients), accommodation costs and Older People homecare costs. These are mitigated by underspends in Physical Disabilities Nursing. Further, Adult's Services budgets are meeting the part year impact of the implementation of the Ethical Care Charter associated with the re tendering of the two main Home Care Contracts.

Schools budget

18. It is anticipated that a favourable variance of £2.0m will arise on the Dedicated Schools Grant due to the ongoing capacity building of two year olds. This year, is the final year of "trajectory funding" for two year olds. In 2015/16 this funding will be based on participation resulting in lower DSG funding.

Savings

19. The Children's and Adults' savings targets are £4.4m and £6.9m for 2014/15. These savings are currently forecast to be on track for delivery, with the exception of delays in progressing the Learning Disabilities redesign. Work is underway to increase the pace of change to deliver this saving.

Environment and leisure

20. The department is currently forecasting an overall balanced budget of £72m for 2014/15. This will require management action to mitigate financial pressures to be within budget for the year.

21. There is a potential £300k adverse variance in the Community Safety division due to the non alignment of budgets for Substance Misuse Services. Alternative savings are being identified to close the funding gap. In addition, as a result of changes in pension regulations, the Hygiene services are facing additional costs of £173k. It is anticipated that this can be funded centrally since it was identified as an unavoidable commitment during budget planning.

22. The budget will be closely monitored for the remainder of the year with the aim of identifying potential savings that can help to mitigate any other emerging pressures in the department. The department has already implemented most of the savings proposed for this financial year.

Housing and community services (H&CS)

23. Early forecasts show an adverse variance of £848k at quarter 1 including one-off redundancy costs and planned drawdown of earmarked reserves. The forecast is based on a number of assumptions and best estimates and whilst management is committed to delivering a net neutral outturn within the prevailing constraints, the forecast should be viewed with caution at this point.

24. Temporary accommodation continues to present the greatest budget threat for H&CS. Whilst Southwark is recognised as a leader in homeless prevention, it is simultaneously facing the challenge of increasing homeless demand and restrictions on the supply-side, necessitating the use of more expensive bed and breakfast accommodation. Private sector leased accommodation is no longer cost neutral as registered providers struggle to maintain the financial viability of schemes, exacerbated by the impact of welfare reforms. In addition, there is a marked reduction in the availability of estate voids as vacant possession is sought on the early regeneration phases of Aylesbury.

25. Based on demand/activity during the year, the outturn forecast is necessarily cautious at this stage. Whilst everything is being done to minimise the impact of bed and breakfast usage, it remains a constant and enduring pressure over which the council has only limited control within the constraints of current policy and the current forecast is that costs will not be able to be contained within the

base budget. This has budgetary implications beyond the current year. However, this situation was anticipated during the budget planning process with reserves being earmarked as a contingency against exceptional demand/cost pressures. This will be reviewed over the coming months in line with revised outturn forecasts. Given that the number and mix of accommodation available for homeless clients has changed, the budget will be re-aligned for Q2 in line with current projections to more accurately reflect activity.

26. Delivery of the customer service centre (CSC) was successfully brought in-house during 2013 with consequent budget reductions in H&CS of £3.3m over the period 2013/14–2014/15. This has provided the opportunity to transform customer access and service delivery across the council but requires investment to modernise legacy systems and processes in order to reap the full financial benefit over the longer-term. The outturn for the CSC is currently neutral, but within that there are pressures in terms of staffing costs that are expected to be contained through underspends elsewhere and infrastructure upgrades and efficiency projects that are not deemed to be a 'business as usual' operating cost and will be met from earmarked reserves. Going forward, further cost savings will be deliverable as council services are re-configured/rationalised and the drive towards more cost effective transaction routes and customer access channels continues.

27. In addition to the CSC, the customer experience division comprises registrars and coroners, customer resolution, blue badges and concessionary travel, homelessness and housing options and mobile alarm service (SMART). The outturn forecast for the division as a whole is neutral at this point notwithstanding the specific budget pressures and risks identified. The mobile alarm service continues to develop and expand its client base in conjunction with adult social care, enabling vulnerable residents to be supported in their own homes for longer and thereby mitigating the high cost of residential provision. However, this is giving rise to additional expenditure through the replacement and upgrading of alarm equipment and security measures, essential for the safety of vulnerable residents. It is currently assumed that these costs will be met from corporate reserves, or where appropriate charged to capital.

Chief executive's department

28. Chief Executive's department is reporting a forecast outturn of £17.9m which is a nil variance.

29. This departmental budget takes into account the 2014/15 base budget savings of £1.421m for the department which have been incorporated into the budgets and are projected as fully achievable.

30. The department has earmarked reserves to fund some of the on-going schemes or programmes especially within the modernisation agenda in the department. However, at this point in the monitoring cycle any such potential reserve movements are unquantifiable and therefore have been excluded from the forecasts.

31. The revenue budgets continue to be closely monitored during the year to identify areas of potential savings and also address any emerging additional budget pressures.

Finance and corporate services

32. The finance and corporate services net revenue budget is £39.4m. There are early indications that the department will be able to meet this target as a very minimum or come in under budget.

33. The department delivers corporate IT services, facilities management, revenues and benefits in addition to finance and legal services.

34. The budget is dependant on each of the above divisions contributing to the delivery of £2m efficiency savings. This will be achieved through transformational reviews of each service area concentrating particularly on contract efficiencies, realignment of services, employee self serve and use of technology. At quarter 1 the expectation is that these savings will be delivered.

35. Certain activities within the department have traditionally be funded through reserves, for example those costs associated with decommissioning former operational buildings in preparation for sale / disposal.

36. The budget also includes a contingency budget which in recent years it has been possible to set aside in reserves to meet the costs of continued modernisation of the council and it's services. The expectation at quarter 1 is that the council will continue to set this resource aside.

37. As the year progresses and as has been the case in previous years, funding may become available to the council that it could not assume in setting the budget. In many instances this is further grants from central government which dependant on timing will also need to be set aside in reserves to be drawn upon in future years.

Public health

38. Since 1 April 2013 the council has had new responsibilities to improve the health of residents and reduce health inequalities in Southwark. These Public Heath activities are funded through a ring fenced grant from the Department of Health, which for 2014/15 is £22.9 m.

39. Public health activities are delivered through children's and adults' services and environment and leisure. The vast majority of this expenditure is on third party service providers and there is a continuing budget pressure resulting from increased demand in sexual health services. First call for funding any pressures would be the budget held to mitigate financial risk.

40. A budget of £3.2m within the chief executive's department covers both the staffing costs for the shared specialist public heath team and a budget held to mitigate for the financial risks associated with activity/costs for public health. Expenditure on the shared service is forecast to be on budget. At this stage the contingency budget for financial risk has not been fully committed. Any unspent budget at year end can be carried forward in to the next financial year for use on public health activities.

Contingency

41. The 2014/15 budget includes £4m for contingency, held to meet unforeseen costs that may arise during the year within departments that strategic directors

are unable to contain. At quarter one no significant pressures have been identified that will require a call against this contingency.

Capital

42. 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. When this occurs cabinet will be asked to approve or note these contributions in Appendix A. At quarter one no proposals have been made.

Housing revenue account (HRA)

Table 2: HRA forecast outturn position for 2014/15 as at Q1

	Net Expenditure		
Services	Full Year Budget	Forecast Outturn	Forecast Variance
	£'000	£'000	£'000
Operations	34,231	34,250	19
Tenant Rents & Service Charges	-207,995	-207,995	0
Maintenance & Compliance	48,731	48,918	187
Major Works	1,629	1,629	0
Specialist Housing Services	-40,709	-41,171	-462
Customer Experience	1,866	1,853	-13
Community Engagement	2,097	2,039	-58
Regeneration Initiatives (CEX)	1,122	1,032	-90
Heating Account	12,198	12,198	0
Strategic & Corporate Services	130,353	130,353	0
Direct Revenue Funding of Capital	15,002	15,002	0
Appropriations to/(from) Reserves	1,475	1,892	417
Total HRA	**0**	**0**	**0**

43. Given the size and complexity of the HRA, the forecast should be viewed with a degree of caution at this early juncture, but all indications are that the outturn will be broadly neutral based on known budget pressures/commitments, with planned reserve movements in line with expectations. In summary, the key budget headlines are:

44. The need to spend on landlord services is relentless and remains a constant budget pressure. 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 pressure and £27.6m of efficiency savings have been delivered over the medium-term to meet new and emerging budget pressures and to augment investment in the stock. There remains a requirement to review service provision and continue to deliver efficiency savings regardless of the underlying budget position to optimise service delivery.

45. Under self-financing, income has assumed paramount importance for the sustainability of the HRA and delivery of landlord services to residents, particularly tenant rents and service charges. Mainstream residential rent debit

over the first quarter is tracking to plan and rent collection performance is 98.83% at week 13. Whilst this is currently below the budget target, it shows resilience despite the generally weak economic conditions and impact of the spare room subsidy, and improvement over the same period last year. However, risks remain given the impending impact of the wider welfare reforms and uncertainty over government funding for discretionary housing payments, which could be detrimental to collection and arrears. Notwithstanding this, the HRA maintains adequate provisions to meet potential losses of this nature in the event.

46. Homeowner service charges represent the second largest income stream to the HRA and are fully recoverable under the terms of their lease in order to prevent cross-subsidy from tenants. The value of rechargeable capital works is intrinsically linked to the housing investment programme, but is not linear. The scale of investment and delivery of the WDS, FRA and other programmes has accelerated rapidly in recent years, which was reflected in higher billing in 2013/14 and is expected to be repeated in the current year, although it is too early to predict to what extent. In collection terms, extrapolating the combined performance over the first quarter (£7.3m including service charge loans), would suggest a full-year figure of £29m against a target of £24m.

47. Besides home ownership, the specialist housing services division comprises a diverse range of functions including, tenant management (TMO), the commercial and garage portfolios and sheltered housing and temporary accommodation. Given the budget pressure that homelessness presents for the council, the use of hostels and estate voids are maximised as a cost neutral means (within the HRA) of mitigating the cost of homelessness in the general fund. The recent reduction in estate properties available for temporary accommodation as vacant possession is sought on the early phases of Aylesbury has impacted, but will gradually build again as later phases come on stream.

48. The strategic and corporate services activity accounts for over half of the gross HRA and comprises key budgets pertaining to departmental/corporate overheads, financing, revenue contributions to capital, depreciation, arrears write-offs/provisions and major projects, such as Heygate, Aylesbury, etc., the revenue impact of which falls outside the mainstream operational budgets due to their exceptional nature. There are a number of known pressures and commitments in the pipeline, the extent of which are not yet fully quantified, but are expected to be contained without recourse to the use of reserves.

49. Two tranches of high interest rate debt (at around 9%) were able to be repaid during 2013/14, providing greater budget flexibility and borrowing headroom. Internal borrowing used to part-finance the repayment will be repaid over the medium-term (between 5 to 8 years), arising from the revenue interest savings, along with premia costs which will be fully amortised by 2015/16. Increasing the council's borrowing headroom through debt repayment remains a key strategic aim of the business plan as predicated in the self-financing settlement.

50. Under IFRS (International Financial Reporting Standards), local authorities are required to adopt a component based approach to calculate depreciation. Transitional arrangements exist to permit a Major Repairs Allowance (MRA) based approach to continue, which is more in line with existing budget provision. However, it is necessary to prepare for this upcoming commitment (estimated at c.£5m per annum), through the budget planning process for

2015/16. Whilst the revenue impact is acute, the corollary is an increase in capital resources to support the council's investment programme.

51. The ring-fenced nature of the HRA requires that deficits or surpluses are carried forward between years. Earmarked reserves of £23.5m were brought forward, following the application of funds during 2013/14 to meet exceptional expenditure items (primarily the repayment of housing debt). In line with the medium term resource strategy (MTRS), the level of reserves will be kept under periodic review and maintained at an appropriate level to mitigate future risks, fulfil future commitments already made and enable the transformation and modernisation of services going forward. An estimated £1.9m will be contributed in the current year, based on the current outturn forecast.

Reserves

52. 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.

53. 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.

54. 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.

55. The Children’s and Adult Services 2014/15 budget included savings funded from a contribution from reserves of £1.8m. Provision for this was made by setting aside underspends from Children’s and Adult Services in 2013/14. The reported Children’s and Adult services balanced outturn position includes the drawdown of these reserves in 2014/15.

56. The budget approved by council for 2014/15 included a planned release of reserve of £6.2m. This call on reserves provided some flexibility in terms of budget setting and the savings that the council identified in the Policy and Resources Strategy 2014-17. It is currently assumed that this call on reserves will have to be made in full.

Business rates retention scheme

57. As reported previously the localisation of business rates represented 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

60. The collection fund covers both council tax and business rate collection.

Council Tax

61. Council tax cash collection continues to perform well when compared to the same period last year. Although, the council's policy on discounts and exemptions has increased the amount of council tax to be collected, the council still expects to meet its collection 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 council tax account is estimated to make a surplus of £3.090m, and the council’s share is £2.327m. This is mainly because the council tax collectable has increased compared to the estimate when the council tax was set in January, and at the same time the collection performance has been maintained at a level above the previous year. Therefore, income due has increased whilst reducing the cost for bad debt provision.

Business rates

63. The collection rate for business rates is being tracked closely. Previous years’ collection and trends are modelled together with intelligence on changes to the net collectable amount through new builds and deletions. Socio economic factors are considered taking into account national issues such as businesses hit by the recession.

64. 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.

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. It is not uncommon, that when a new property is valued by the valuation office, the owners appeal against the valuation. This is then referred back to the valuation office for review. While the review is being undertaken, the owner pays business rates based on the original valuation. If the appeal is upheld, the valuation will be reduced, and bills / business rates income will be adjusted accordingly, back to the date of appeal.

68. Before 2013/14 the government held the responsibility for business rate appeals. The government managed the impact of these appeals by limiting the amount of NNDR redistributed to local authorities.

69. At the time of local authorities taking responsibility for business rates, they also inherited pre 2013/14 appeals, for Southwark this amounts to some £31.4m (Southwark's 30% share being £9.4m), some of which dates back as far as 2005. No resources were given by the government to meet the reduced income if these appeals are upheld by the valuation office. The only concession given by the government was that local authorities would be able to spread the cost of these appeals over five years.

70. The affect of the appeals has an effect on the collection fund, At quarter one, the NNDR account is estimated to make an "in year" surplus of £6.710m (Southwark's share £2.0m), this becomes a deficit of £4.5m (Southwark's share £1.3m) after accounting for the impact of NNDR appeals and its backlog.

Business rate supplement

71. 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

72. The council holds its cash in money market instruments diversified across major banks and building societies and in bonds and bills issued by the UK government or supranational entities (such as the European Investment Bank and the International Bank for Reconstruction and Development (the "World Bank"). The investment priorities are capital preservation and liquidity and the investments themselves are managed by an in-house operation and two investment firms: Aberdeen Asset Managers and AllianceBernstein. Over the quarter to June 2014 the sum invested averaged £220m and as at 30 June 2014 stood at £232m. The balance with each counterparty and the maturity profile are set out in the tables below. Investments are liquidated as needed to meet spending.

INVESTMENT COUNTERPARTY AND RATINGS - 30 JUNE 2014									
EXPOSURE £m	FUND				Ratings				
COUNTERPARTY	Aberdeen	Alliance Bernstein	In-House	£m	Long	Short	Sup-port	Sovereign	Sovereign Rating
COMMONW BANK AUSTRALIA	-	-	15.0	15.0	AA-	F1+	1	AUSTRALIA	AAA
TORONTO DOMINION	-	2.0	-	2.0	AA-	F1+	1	CANADA	AAA
NORDEA BANK FINLAND	3.5	-	-	3.5	AA-	F1+	1	FINLAND	AAA
CREDIT INDUST ET COMRCL	3.5	-	-	3.5	A+	F1	1	FRANCE	AA+
SOCGEN	3.5	-	-	3.5	A	F1	1	FRANCE	AA+
BANQUE NATIONAL DE PARIS	3.5	2.0	10.0	15.5	A+	F1	1	FRANCE	AA+
DEUTSCHE BANK	-	2.0	15.0	17.0	A+	F1+	1	GERMANY	AAA
RABOBANK	-	2.0	-	2.0	AA-	F1+	1	NETHERLANDS	AAA
ING BANK	3.4	2.0	15.0	20.4	A+	F1+	1	NETHERLANDS	AAA
ABN AMRO BANK	3.5	2.0	-	5.5	A+	F1+	1	NETHERLANDS	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	2.0	-	5.5	A+	F1	1	SWEDEN	AAA
CREDIT SUISSE	3.5	2.0	-	5.5	A	F1	1	SWITZERLAND	AAA
NATIONWIDE BSOC	3.3	-	15.1	18.4	A	F1	1	UK	AA+
RBS/NATWEST	-	-	15.4	15.4	A	F1	1	UK	AA+
SANTANDER UK	2.0	-	-	2.0	A	F1	1	UK	AA+
UK TREASURY	-	21.1	-	21.1	AA+	F1+		UK	AA+
BARCLAYS BANK	-	-	15.0	15.0	A	F1	1	UK	AA+
LLOYDS BANK	0	0	15.1	15.1	A	F1	1	UK	AA+
BNY MELLON	0.1	0	0	0.1	AA-	F1+	1	US	AAA
BANK OF AMERICA	3.5	0	0	3.5	A	F1	1	US	AAA
Total £m	50.6	50.4	130.6	231.6					

INVESTMENT MATURITY PROFILE AND LONG TERM RATING - 30 JUNE 2014				
Yr Band	A	AA	AAA	Grand Total
Up to 1 Yr	63%	21%	4%	88%
1-2 Yrs			4%	4%
2-5 Yrs		5%	3%	8%
Grand Total £m	63%	26%	11%	100%

Rating	Definition
AAA	Highest credit quality
AA	Very high credit quality
A	High credit quality
F1	Highest short term credit quality; strongest capacity for timely payment (+donates exceptionally strong credit feature)
1	Extremely high probability of support, if it were needed
Ratings issued by Fitch or equivalent (The UK government and its treasury bonds are rated AA+ by Fitch, Aaa by Moody's and AAA by Standard & Poor's)	

73. The return for the year is expected to be around 0.50% reflecting the cheap money policies which central banks across major economies still have in place. Here in the UK, base rates are 0.50%, which is where they have been since 2009 and no rise is expected until late 2014 or early 2015.

74. The balance outstanding on loans taken from the Public Works Loans Board (PWLB, the local authority lending arm of the government) to fund past capital spend at the end of June 2014 stands at £472m (£101m General Fund and £371m HRA). £5.7m General Fund loans fall for repayment in 2014/15, of which £2.5m fell due in April 2014. No HRA loans fall due until 2018.

75. Having received indicative funding of £3m from councils across the country, the

Local Government Association is proceeding with plans to launch the Municipal Bond Agency and issue its first bond in the first half of 2015. In common with other large councils, Southwark has pledged funding of £200,000, by way of capital investment in the agency, subject to agreeing formal terms. The agency offers the prospect of less expensive borrowing and an alternative to the PWLB which currently dominates local authority lending. However any borrowing Southwark itself needed in the future would be from whichever source was the cheapest.

Community impact statement

76. This report monitors expenditure on council services, compared to the planned budget agreed in February 2014. 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
Policy and Resources 2014/15 to 2016/17: cabinet 28/01/14 (Item 11)	160 Tooley Street PO Box 64529 London SE1P 5LX	John Braggins 020 7525 7489
Link: http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=4554&Ver=4		

APPENDICES

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

AUDIT TRAIL

Cabinet member	Councillor Fiona Colley, Finance, Strategy and Performance	
Lead officer	Duncan Whitfield, Strategic Director of Finance and Corporate Services	
Report author	Jennifer Seeley, Deputy Finance Director	
Version	Final	
Dated	4 September 2014	
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		4 September 2014