Item No. 15.	Classification: Open	Date: 18 November 2014	Meeting Name: Cabinet
Report title:		Revenue Monitoring Report for Quarter 2, 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 half 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 September we are broadly 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 and manage. One of the most significant budget pressures is due to growing levels of homelessness and subsequent cost of providing temporary accommodation. Officers are exploring options to reduce demand for and increase supply of temporary accommodation as part of the council's budget planning for 2015/16 and beyond

There is good news on the income side of our finances where we currently estimate that we will benefit from £2.3m of additional council tax, although this is somewhat offset by an estimated deficit of £1.3m in income from business rates.

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. That the cabinet approves the general fund budget movements that exceed £250k, 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 two (September 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 the 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 two (as at 30 September 2014) by department. These estimates are based on six 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 14 to 38 below.

Table 1: General fund forecast outturn position for 2014/15 as at Q2

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	202,379	(1,840)	200,539	0
Environment and leisure	72,063	101	72,164	73,367	(1,753)	71,614	(550)
Housing and community services	36,519	690	37,209	39,016	0	39,016	1,807
Chief executive's department	18,396	(541)	17,855	18,014	(462)	17,552	(303)
Finance and corporate services	38,342	3,021	41,363	40,996	0	40,996	(367)
Support cost recharges	(57,956)	(731)	(58,687)	(58,687)	0	(58,607)	0
Contingency	4,000	0	4,000	4,000	0	4,000	0
Total general fund services	**314,443**	**0**	**314,443**	**319,085**	**(4,055)**	**315,030**	**587**

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 adverse variance of £587k based on the information available at the end of September. This takes account of expected net movements from reserves of £4.055m in relation to services.

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

Table 2: General fund Q2 forecast outturn position for 2014/15 compared to Q1

General fund	Quarter 1 Variance £'000	Quarter 2 Variance £'000	Movement £'000	Explanation in paragraph
Children's and adults services	0	0	0	-
Environment and leisure	0	(550)	(550)	22
Housing and community services	848	1,807	959	26 & 28
Chief executive's department	0	(551)	(551)	30
Finance and corporate services	(976)	(367)	609	35
Support cost recharges	0	0	0	-
Contingency	0	0	0	-
Total general fund services	**(128)**	**339**	**467**	

13. Table 2 shows an increase / decrease in the forecast outturn variance of £467k. Explanations of changes in variance are contained within paragraphs 14 to 38 below.

Children's and adults services

14. The total budget for Children's and Adults Services is £200.5m. The forecast is a balanced budget overall with Children's Services adverse variance of £1.1m being offset by a compensating matching favourable variance in Adults' Services.

Children's Services

15. 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 £1.1m. 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.

16. An adverse variance is arising due to staffing overspends whilst staff move into the new social work matters team structures; offset in part by the favourable budget variance for the Youth Offending Service due to the lower number of remands. The Children's Social Care budget is funded from a planned use of £1.84m of reserves and therefore this presents a potential 2015/16 budget pressure. It is anticipated that the transformation of children social care and continued management action will reduce the overall costs and therefore reduce future budget pressures

17. 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.

18. Strategy, Commissioning and Business Improvement are currently predicting an overspend of £655k arising from the commitment to free fruit for all primary aged children from September 2014, and ICES (Integrated Community Equipment Service) pooled budget expenditure which is now being reported in this business area.

Adults Services

19. Adults Services forecast a favourable budget variance of £1.1m. 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, No Recourse to Public Funds (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.

Dedicated Schools Grant

20. The ring-fenced DSG budget is £193m, the majority of which is delegated to schools. The centrally held DSG continues to be predicted as a favourable variance, and over the next quarter a review based on the latest data is being undertaken which will better inform the quarter three report. The main favourable variance is attributable to one-off two year old place and trajectory funding as the eligibility for free 15 hours education for two years olds is extended from September 2014.

Savings

21. The Children's and Adults' savings targets are £4.4m and £6.9m for 2014/15. Children savings are currently forecast to be on track for delivery. Adult savings are being forecast to slip by £2.1m due mainly to delays in starting Learning Disability and Older people redesign work. Work is continuing to obtain data from service teams to review and verify relevant activity.

Environment and leisure

22. The department is currently forecasting an overall favourable variance of £550k

for 2014/15, as a result of surplus identified in the ring fenced parking account. Although there are a number of pressures in the department, these are being closely monitored and management actions will be taken to contain them within the existing budgets.

23. The department has already implemented most of the savings proposed for this financial year. Divisions will continue to seek improvements in business/operational processes in order to achieve cost reductions. These changes will be monitored to ensure service delivery meets expectations.

Housing and community services (H&CS)

24. The quarter 2 forecast shows an adverse variance of £1.8m, before the planned drawdown of earmarked reserves to cover exceptional items, which will produce a broadly neutral position overall. This is largely driven by the increasing homeless demand and should be viewed with caution at this point.

25. The provision of temporary accommodation continues to present a significant budget pressure for the council. Whilst Southwark is recognised as a leader in homeless prevention, it is simultaneously facing the challenge of increasing demand and restrictions on the supply-side, necessitating the use of more expensive bed and breakfast accommodation. Private sector leased (PSL) accommodation is no longer financially viable for providers and the availability of estate voids, which has historically helped to mitigate the impact, is reduced.

26. It has been necessary to revise the outturn forecast to reflect increasing volumes and unit costs as actual client numbers exceed previous projections, the higher ratio of families to single homeless, which are more expensive, and revision to the earlier income forecast. Bed & breakfast accounts for £1.342m of the £1.592m adverse variance in this area, the remainder comprises PSL and other temporary accommodation provision.

27. However, officers are exploring new options to manage demand and up-scale supply as part of the council's budget planning for 2015/16 and beyond. In the meantime, the budget risk was anticipated during the budget planning process with reserves being earmarked as contingency to meet costs that cannot be contained within the base budget, estimated at £1.544m).

28. Bringing the customer service centre (CSC) back in-house has delivered budget reductions of £3.3m over the period 2013/14 – 2014/15. It has also 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 forecast currently shows an adverse variance, but the underlying position is positive, as higher operating costs are off-set by underspends across the division (Registrars, Coroners, Customer Resolution and My Southwark Service Points). In addition, infrastructure upgrades and transition costs are not deemed to be a 'business as usual' cost and will be met from earmarked reserves (estimated at £455k). Moving beyond the current year, 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.

Chief executive's department

29. The chief executive's department is reporting a forecast outturn of £17.552m against an overall budget of £17.855m at month 6. A full year favourable variance of £303k is forecast as at the end of month 6.

30. The major reason for the reported favourable variance is due to higher than anticipated income from planning applications and unfilled vacancies.

31. 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.

32. The department has earmarked reserves to fund some of the on-going schemes or programmes especially within the modernisation agenda in the department. As at the end of month 6, the Children's Services training units within Organisational Development is expecting to draw £412k from earmarked reserves to fund ongoing schemes. There may be other drawdown from earmarked reserves as the forecasts are refined over the coming months.

33. As reported in the quarter one monitor, there are some ongoing staffing restructures at various stages of consultation, the impact of which is currently not fully quantifiable but will be reported in subsequent monitors once the consultations are completed.

34. 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

35. The finance and corporate services net revenue budget is £41.4m delivering corporate IT services, facilities management, revenues and benefits in addition to finance and legal services. The current expectation is that the department will succeed in meeting this target as a favourable variance of £367k is forecast at quarter two. This is predominately due to the reduced cost of external audit fees as a result of these services being re-procured by the audit commission prior to its abolition.

36. As reported at quarter one, the budget is dependant on each of the above divisions contributing to the delivery of £2m efficiency savings which are to 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 two the expectation is that these savings will be delivered.

37. The council approved contingency budget is held within this department and as in previous years, if it is not required to meet unplanned expenditure or loss of income, will be set aside in reserves to meet the future costs associated with the continued modernisation of council services. Any additional government funding that it was not possible to identify during the budget setting process which will also be set aside in earmarked reserves.

Public health

38. The public health grant for 2014/15 is £22.945m; in addition, income from the

CCG for public health responsibilities that have transferred to the Council, increases the Public Health budget to £24.352m.

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. At this stage, the contingency budget for financial risk remains uncommitted and therefore, any unspent budget at year end will 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 two no significant pressures have been identified that will require a call against this contingency, however if it remains unused, it will be transferred to reserves and used to support the 2015/16 budget.

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 two no proposals have been made.

Housing revenue account (HRA)

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

	Net Expenditure		
Services	Full Year Budget	Forecast Outturn	Forecast Variance
	£'000	£'000	£'000
Operations	-173,883	-174,450	-567
Maintenance and Compliance	48,536	50,029	1,493
Major Works	1,629	1,771	142
Specialist Housing Services	-23,917	-24,930	-1,013
Strategic and Corporate Services	126,073	126,052	-21
Customer Experience	1,866	1,865	-1
Community Engagement	2,097	2,000	-97
Regeneration Initiatives	1,122	855	-267
Direct Revenue Funding of Capital	15,002	15,002	0
Appropriations to/ (from) Reserves	1,475	1,806	331
Total HRA	**0**	**0**	**0**

43. The quarter 2 forecast contains a number of budget movements giving rise to a net increase in the expected reserve contribution. However, given the size, complexity and demand-led nature of services, particularly repairs and

maintenance, early outturn forecasts should be viewed with a degree of caution. In summary, the key budget headlines are:

44. Robust contract management continues to deliver greater value for money to mitigate landlord cost pressures and £27.6m of efficiency savings have been delivered over the medium-term to meet these pressures and augment investment in the stock. The adoption of a higher voids specification and a limited programme of kitchens and bathrooms, together with some operational and volume driven pressures emerging in Southwark Building Services have contributed to a forecast budget variation of £1.5m in the Maintenance and Compliance division. This is currently being addressed, but can be contained within the HRA overall.

45. The Operations division is reporting a headline positive variance of £600k comprising additional rent debit (£300k referred to below) and movements in operational running cost budgets across the estate (£300k). This excludes additional costs (£600k) arising in the estate cleaning and grounds maintenance contracts (managed by Environment and Leisure department), resulting from changes in employee terms and conditions, e.g. incremental drift, London Living Wage and pensions auto-enrolment. This is unavoidable and will be covered from HRA contingency in the current year, but budgets will be uplifted to absorb the impact of these changes going forward.

46. 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 half-year is tracking fractionally higher than budget (£300k) which is reflected in the Operations division outturn. In terms of rent collection, performance is 98.96% at week 26, which is below the budget target (100%), but shows some resilience despite the generally weak economic conditions and impact of the social sector size criteria changes, and represents improvement at the same point over the last two years. However, risks remain given the impending impact of the wider welfare reforms and uncertainty over government funding for discretionary housing payments beyond the current year, which could be detrimental to collection and arrears. Notwithstanding this, the HRA maintains adequate provisions to meet potential shortfalls of this nature in the event.

47. 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 will be repeated in the current year. £8.8m has been billed to date, albeit the forecast is currently shown as neutral, but will be revised once the second billing run has been finalised. Collection currently stands at £16.3m (including service charge loans), which would suggest a full-year figure of over £32m against a target of £24m.

48. Besides home ownership, the Specialist Housing Services division comprises a diverse range of functions including, tenant management, the commercial and garage portfolios and sheltered housing and temporary accommodation. The latter is particularly problematic for the council, creating a significant budget pressure in the general fund. Notwithstanding efforts to manage homeless

demand down, the use of hostels and estate voids are maximised wherever possible, as a cost neutral means (within the HRA) of mitigating that pressure.

49. The Strategic and Corporate Services activity accounts for over half of the gross HRA and comprises key budgets pertaining to departmental/corporate overheads, financing, RCCO, depreciation, arrears write-offs/provisions and major regeneration projects, the revenue impact of which falls outside the mainstream operational budgets due to their exceptional nature. It also contains the district heating account which is ring-fenced within the HRA and any surpluses/deficits are applied to the heating reserve. There are a number of known pressures and commitments in the pipeline, the extent of which are not all yet fully quantified, but are expected to be contained without recourse to the use of reserves.

50. The ring-fenced nature of the HRA requires that deficits/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 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 £1.8m will be contributed in the current year, based on the current outturn forecast.

Reserves

51. 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.

52. 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.

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, or provide evidence of prior agreement that the expenditure will be met from reserves.

54. A total of £3.643m has been drawn down from reserves to date during 2014/15, as follows

Department	Reason for movement	£’000
Children’s and Adults	Transfer from social care demand pressures reserve to support 2014/15 budgets	1,840

Environment and Leisure	Technical release of reserve related to the smoothing of costs over the life cycle of the waste PFI project	1,608
Environment and Leisure	Funding of additional night time cleaning and bulky waste pilot from regeneration and development reserve.	145
Chief Executives	Funding of colleague engagement strategy campaign from HR transformation reserve.	50
Total		**3,643**

55. Additional planned contributions to and from reserves, as reported in this monitor are as follows

Department	Reason for movement	£'000
Chief Executives	To fund ongoing schemes in children's services training	412
Total use of reserves		**4,055**

56. This gives a total net movement from reserves in 2014/15 of £4.055m.

57. Cabinet will be asked to approve this funding support where the amount is £250k or above, all of the above are included within Appendix A.

58. 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

59. 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.

60. 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.

61. 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

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

Council Tax

63. 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.

64. The council tax account is estimated to make a surplus of £3.841m, and the council's share is £2.892m. 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

65. 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.

66. 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.

67. 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.

68. 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.

69. 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.

70. 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.

71. 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.

72. The affect of the appeals has an effect on the collection fund, At quarter two, the NNDR account is estimated to make an “in year” surplus of £7.880m (Southwark’s share £2.364m), this becomes a deficit of £3.281 Southwark’s share £984k) after accounting for the impact of NNDR appeals and its backlog.

73. The increase in the in year surplus and reduction in the overall deficit position is because the value of the outstanding appeals has reduced, and as result less provision is required

Business Rate Supplement

74. 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

75. 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 half year to September 2014 the sum invested averaged £223m and as at 30 September 2014 stood at £213m. 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 SEP 2014									
EXPOSURE £m	FUND				Ratings				
COUNTERPARTY	Aberdeen	Alliance Bernstein	In-House	£m	Long	Short	Sup-port	Sovereign	Sovereign Rating
NORDEA BANK FINLAND	6.50	-	-	6.50	AA-	F1+	1	FINLAND	AAA
CREDIT INDUST ET COMRCL	3.50	-	-	3.50	A+	F1	1	FRANCE	AA+
SOCGEN	-	1.20	6.30	7.50	A	F1	1	FRANCE	AA+
BANQUE NATIONAL DE PARIS	3.50	2.00	15.00	20.50	A+	F1	1	FRANCE	AA+
DEUTSCHE BANK	-	2.00	-	2.00	A+	F1+	1	GERMANY	AAA
RABOBANK	1.10	2.00	-	3.10	AA-	F1+	1	NETHERLANDS	AAA
ING BANK	3.40	2.00	15.00	20.40	A+	F1+	1	NETHERLANDS	AAA
ABN AMRO BANK	3.50	2.00	-	5.50	A+	F1+	1	NETHERLANDS	AAA
EUROPEAN INV BANK	7.00	6.50	-	13.50	AAA	F1+	0	SUPRANATIONAL	AAA
INT BANK RECONST DEVT	3.50	6.80	-	10.30	AAA	F1+	0	SUPRANATIONAL	AAA
SVENSKA	-	-	15.00	15.00	AA-	F1+	1	SWEDEN	AAA
SKANDINAVISKA	3.30	2.00	-	5.30	A+	F1	1	SWEDEN	AAA
CREDIT SUISSE	3.50	2.00	-	5.50	A	F1	1	SWITZERLAND	AAA
UBS	3.50	2.00	15.00	20.50	A	F1	1	SWITZERLAND	AAA
NATIONWIDE BSOC	3.30	2.00	5.00	10.30	A	F1	1	UK	AA+
RBS/NATWEST	-	-	10.00	10.00	A	F1	1	UK	AA+
SANTANDER UK	1.50	-	-	1.50	A	F1	1	UK	AA+
UK TREASURY	-	18.10	-	18.10	AA+	F1+	0	UK	AA+
BARCLAYS BANK	-	-	15.00	15.00	A	F1	1	UK	AA+
LLOYDS BANK	-	-	15.10	15.10	A	F1	1	UK	AA+
BNY MELLON	0.10	-	-	0.10	AA-	F1+	1	US	AAA
BANK OF AMERICA	3.50	-	-	3.50	A	F1	1	US	AAA
TOTAL	50.7	50.6	111.4	212.7	A	F1			

* Refers to Fitch Ratings or equivalent

INVESTMENT MATURITY PROFILE AND LONG TERM RATING - 30 SEP 2014				
Yr Band	A	AA	AAA	Grand Total
Up to 1 Yr	70%	13%	4%	87%
1-2 Yrs		1%	4%	5%
2-5 Yrs		5%	3%	8%
Grand Total £m	70%	19%	11%	100%

Rating	Definition
AAA	Highest credit quality
AA+/AA/AA-	Very high credit quality
A+/A/A-	High credit quality
F1+/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, Aa1 by Moody's and AAA by Standard & Poor's)	

76. The part year return on investments in the six months to September 2014 was 0.32%, reflecting the prudent strategy and the central bank liquidity still in place to support financial markets and growth following the 2007 financial crisis. Base rates have remained unchanged at 0.50% since 2009 and no rise is expected until mid-2015.

77. 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 September 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. The repayment will be met out of the annual provision for debt repayment (the minimum revenue provision). No HRA loans fall due until 2018.

78. The Local Government Association (LGA) has begun raising funds to develop a municipal bond agency. Some 37 local authorities expressed an interest in providing some £4m capital to help launch the agency's first bond issue in March or April 2015. The LGA itself is contributing £500,000. The council's own contribution is £200,000 and of this £60,000 has so far been drawn by the agency. The agency is going to carry out further fund raising ahead of its bond issues, but the council's contribution will remain capped at £200,000. 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 best value.

Community impact statement

79. 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	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		
Revenue monitoring report for Quarter 1, 2014/15, including Treasury Management	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=4862&Ver=4		

APPENDICES

No.	Title
Appendix A	Budget movements to be approved, £250,000 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	6 November 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			6 November 2014