

Item No. 11.	Classification: Open	Date: 17 November 2015	Meeting Name: Cabinet
Report title:		Revenue Monitoring Report for Quarter 2, 2015/16, including Treasury Management	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Fiona Colley, Finance, Modernisation and Performance	

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

The quarter 2 2015/16 revenue monitor report shows that six months into the year we are largely on track to deliver the balanced budget supported by the use of £6.2m of reserves and delivery of £30m of savings agreed by council assembly in February.

However, yet again our spending for the year on temporary accommodation for homeless residents is estimated to be more than £2m over budget and this may well need to be funded from contingencies and other reserves.

As I reported last quarter, the Chancellor of the Exchequer announced £200m of in-year cuts to the national public health budget. These cuts have now been confirmed and government has announced that Southwark's share of the cut will be £1.6m - 7% of our public health grant. Management action to reduce costs started in the summer, but further action will be needed to avoid overspending on this budget.

RECOMMENDATIONS

1. That the cabinet notes:
 - the general fund outturn forecast for 2015/16 and forecast net movement in reserves by department;
 - the current adverse variation of £2.250m for temporary accommodation and the potential call on the corporate contingency budget and on other reserves;
 - the continuing action required to manage the Public Health budget as a consequence of the confirmed in year reduction in grant;
 - the housing revenue account's (HRA) forecast outturn for 2015/16 and resulting forecast movement in reserves;
 - the treasury management activity for the first three months of 2015/16.
2. The cabinet approves the general fund budget movements that exceed £250,000, as shown in Appendix A.

BACKGROUND INFORMATION

3. The purpose of this report is to provide a forecast for the end of the financial year 2015/16, using predictions based on the experience to date and knowledge as at the end of quarter 2 (September 2015). Work continues throughout the council to ensure that a balanced position is achieved by the end of the year.

4. The council agreed a balanced general fund budget of £289.4m on 25 February 2015 based on a nil council tax increase, and £6.2m use of reserves, giving a budget of £283.2m. This budget was set in the context of further significant overall cuts in government funding.
5. The council also approved budget decisions including reductions of some £30m within general fund for 2015/16. Performance on achieving these savings is closely monitored and significant variances will be included in departmental narratives.

Housing revenue account

6. Cabinet on 27 January 2015 approved an increase in tenants' rents and service charges of 2.2% in line with government guidance at CPI +1%. In addition, £5.4m of efficiency savings and £5.5m of income measures were required in order to set a balanced budget for 2015/16, enabling the HRA to meet unavoidable budgetary commitments and increase revenue support for the housing investment programme (HIP,) to meet the investment needs of the existing stock and delivery of 11,000 new council homes.

KEY ISSUES FOR CONSIDERATION

General fund overall position

7. Table 1 below shows the current forecast outturn position for quarter 2 (as at 30 September 2015) 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 10 to 39 below.

Table 1: General fund outturn position for 2015/16

General fund	Original budget	Budget movement	Revised budget	Forecast Spend in year	Variance before use of reserves	Forecast Net move in reserves	Total use of resources	Variance after use of reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Children's and Adults	183,602	(101)	183,501	183,501	0	0	183,501	0
Environment and Leisure	67,481	2,313	69,794	71,292	1,498	(1,498)	69,794	0
Housing and Community Services	36,604	2,242	38,846	44,861	6,015	(3,595)	41,266	2,420
Public Health	0	0	0	0	0	0	0	0
Chief Executive's Office	11,735	(2,760)	8,975	8,975	0	0	8,975	0
Finance and Corporate Services	32,474	(1,694)	30,780	26,120	(4,660)	4,660	30,780	0
Support cost recharges	(46,508)	0	(46,508)	(46,508)	0	0	(46,508)	0
Contingency	4,000	0	4,000	0	(4,000)	4,000	4,000	0
Total general fund services	289,388	0	289,388	288,241	(1,147)	3,567	291,808	2,420
Use of reserves to underwrite base budget	(6,163)	0	(6,163)	0	6,163	(6,163)	(6,163)	0
Net revenue budget	283,225	0	283,225	288,241	5,016	(2,596)	285,645	2,420

Note 1 – Public Health is shown separately. Children’s and Adults, Environment and Leisure and Chief Executive’s Departments exclude Public Health budgets and spend.

Note 2 - Explanations of the second quarter’s budget movements are provided in Appendix A.

8. As shown in Table 1, within services there is a forecast adverse variance of £2.420m based on the information available at the end of September after forecast movements in reserves.
9. Included in the table above are planned reserve movements totalling £4.846m, details of these reserve movements are contained in paragraphs 57 and 58

Children’s and adults services

10. The department budget for 2015/16 is £183.5m. This budget does not include the budgets for services yet to be transferred across. Currently, all services are implementing saving plans to ensure spend at year end match financial resources available.

Children Services

11. The main budget pressure in children’s social care is the increase in the use of high cost residential placements for young people with complex needs. Management action has been taken to review all placements with a view to identifying those young people that are ready to move on into independence and those that can be supported in a family placement. A new placements strategy and action plan has been developed and all high cost placements are monitored by the department’s resources panel which is chaired by the Director of Children’s Social Care.

Education Services

12. The service forecast underspend is mainly due to vacant posts held in preparation of restructuring in Early Help and Youth Services. The pressure on budgets in home to school transport continues, bringing the total forecast underspend in the year to £0.6m.
13. Central services funded by DSG are forecast in an underspend of £0.28m due to vacant posts within admissions service and other areas.

Strategy and Commissioning

14. Restructuring of the back office function and the review of existing contracts have been underway in the Strategy & Commissioning unit, both for the delivery of current year and in preparation of savings to be delivered in the future years. The pressure in this area is mainly due to inherited Public Health contracts.

Adults

15. The projected outturn for Adults is a balanced position. The management team is reacting to service and cost pressures through the implementation of various service transformation programmes and these are projected to deliver cost reductions in a time of increasing demand. The continuing review of existing care packages is on going and these are delivering expected savings and are

under constant review. Employee related costs have been kept below budget through a managed resources process.

Environment and Leisure

16. The department is currently forecasting a balanced budget position, after transferring a £450,000 surplus on the Parking account to the Highways reserve and using £1.948m of other reserves. The balanced budget position is as reported at the end of the first quarter.
17. The Highways reserve supports cycling safety works, highways related works, exceptional works to be carried out on the highway during severe weather conditions and any other schemes as permitted by traffic management legislation in relation to the use of parking surpluses.
18. The forecast release of £2.35m from reserves in 2015/16 (current best estimates) includes a release of £800,000 from the Waste PFI equalisation reserve. The remaining cover costs of settlement of legal action on land charges, costs relating to the Walworth Town Hall fire, costs relating to leisure management and net costs to the department from the Voluntary Enhanced Redundancy (VER) scheme.
19. The department also has a budget pressure of £710,000 arising from ill health/early retirements. This is not included in the projections and expected to be funded from departmental favourable variances in the first instance and if insufficient, request funding from corporate reserves.

Housing and community services

20. The quarter 2 forecast shows an adverse variance of £2,420 (net) after the £3,595m planned drawdown of earmarked reserves, primarily to meet the unavoidable budget pressures arising from No Recourse to Public Funds (NRPF). These are exceptional items over which the council has only limited ability to manage demand and control costs. The forecast is based on best estimates and includes a number of assumptions in terms of volumes/activity and unit costs. It remains subject to change and should be viewed with caution at this point.
21. Temporary accommodation continues to present significant financial risk for the council, by virtue of homeless demand and volatility on the supply-side, necessitating the use of more expensive bed and breakfast accommodation. Whilst action is being taken to manage demand and minimise the cost through greater use of estate voids and hostels in the HRA, it remains a constant and enduring pressure over which the council has only limited control within the constraints of current legislation and council policy. Given the nature of the activity, the outturn forecast remains cautious at this stage at £2.25m (more than double the base budget); but does show some minor improvement over the quarter 1 position. Corporate reserves have again been earmarked as contingency against this pressure in the current year.
22. NRPF, like temporary accommodation, is demand driven and has in recent years become a significant pressure on council resources, which has required the drawdown of earmarked reserves. New strategic management arrangements are now in place designed to control/manage demand and reduce costs going forward, with the caveat that new demand remains broadly

static. Current estimated outturn is £3.158m above budget, against c.£6m in 2014/15, and similarly will be met from earmarked reserves.

23. There are a number of uncertainties with the outturn forecast for customer experience at this stage. Planned restructuring and reduction in staffing in the contact centre is running behind schedule, which is impacting on the achievement of savings predicated as part of budget setting. This has been compounded by increased call volumes which have necessitated additional temporary resources to cope with the peaks in demand. However, this should be seen in context, as £3.9m worth of savings have been made since 2013. Works of a development nature such as infrastructure upgrades and one-off modernisation projects designed to improve efficiency and reduce costs fall outside 'business as usual' and are funded on a one-off basis from the council's modernisation reserve (£288,000).
24. Stricter Home Office verification criteria/controls to prevent fraud have adversely impacted on the number of citizenship and marriage ceremonies being conducted resulting in a significant shortfall in income, and whilst this is mitigated to some extent through staff vacancies, the net position remains negative. This trend started in the second half of last year and requires adjustment to the base as part of budget planning for 2016/17.
25. The mobile alarm service (SMART) 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 avoiding the high cost of residential provision for the council. The cost of this initiative is currently being managed entirely within the housing general fund and the forecast is predicated on receipt of full funding (c. £300-400,000) from the Better Care Fund.

Finance and Corporate Services

26. The Finance and Corporate Services Department is forecasting a zero variance at quarter 2.
27. IDSD is forecasting an unfavourable variance due to additional computer maintenance costs and income targets which are unlikely to be met.
28. This is balanced by favourable variances in Professional Finance Services and Finance and Information Governance which are mainly due to vacancies in those service areas.
29. Benefits and Subsidy is a complex area which is difficult to predict accurately, and is therefore forecasting a zero variance. There has consistently been a favourable variance in this area in recent years but there is no guarantee that this will continue to be the case.
30. The forecasts assume that all severance and redundancy costs which cannot be covered by departmental underspends will be covered corporately.

Chief executive's department

31. A zero variance is being forecast for the department at quarter 2.
32. There is a favourable variance of £89,000 in Regeneration due to reduced staffing levels in Regeneration North It is anticipated that this will be set aside

to cover anticipated future revenue-related costs of the Canada Water development project.

33. There is an unfavourable variance of £82,000 in Planning arising from costs associated with the Harmsworth Quays planning review, partly offset by excess income receipts from planning fees. There are ongoing discussions relating to identifying funding sources for the Harmsworth Quays review which would significantly reduce or eliminate this variance.
34. The Chief Executive's Office (CEO) was created following the senior management restructure and the abolition of the Corporate Strategy division. The total CEO budget is being finalised following the budget transfers to the appropriate departments and during this process a zero variance is being forecast. A detailed review of the remaining budgets has shown that it is highly unlikely that the CEO will report an unfavourable variance at the year end.
35. The forecasts assume that all severance and redundancy costs which cannot be covered by departmental underspends will be covered corporately.

Public health

36. The outcome of the consultation on the methodology to reduce the 2015-16 Public Health Grant in year has been confirmed, and is expected to be an in year reduction of £1.6m. At present, there is a forecast net adverse variation for 2015/16 of around £1.6m arising directly as a result of this in year cut in grant.
37. Current sexual health spend is forecast to be less than previous years due to actions taken by the shared service to challenge prices, however, the expenditure still continues to exceed the resources originally transferred and presents a significant challenge.
38. The new integrated substance misuse contract will start in January 2016 and is forecast to deliver improved outcomes for reduced costs.
39. Immediate management action is being taken to mitigate the in year reduction in grant funding including: freeze of recruitment of staff, freeze on recruitment of consultants, no new contractual agreements to be entered into, cease all non essential spend. This will continue in order to bring the annual spend down to match ring fenced grant funding that is now available.

Contingency

40. The 2015/16 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 2 it has been identified that there remain significant pressures on the temporary accommodation budget as experienced through 2014/15. Corporate contingency will be required to offset this pressure in the event of current forecasts of an adverse variation of £2.250m
41. Any contingency budget remaining at the end of the year will be transferred to reserves to support the 2016/17 budget.

Voluntary Severance

42. In order to mitigate the impact on staff of funding cutbacks and consequent budget reductions, in April 2015 the council announced an enhanced voluntary severance scheme. Applications were considered between April and June 2015. For successful applications, the last day of service for staff was 31 July 2015, unless approved otherwise. In total, 174 staff accepted the voluntary offer.
43. As for any restructuring or reorganisation of services, the costs of this scheme will be contained within departmental budgets and especially from those savings arising directly from staff that left under the voluntary severance scheme. Any balance of costs will be met separately from earmarked reserves for Modernisation. Work continues to assess the final costs of the enhanced scheme that are offset by cost savings across the General Fund and the HRA amounting to approximately £6m per annum. This saving will support significantly the changes necessary across the council to meet the budget challenges over future years. The costs of the scheme (including standard redundancy conditions) will achieve payback on the scheme by the end of 2016/17

Capital

44. 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 2, one proposal has been made for a value of £131,000.

Housing revenue account (HRA)

Table 2: HRA forecast outturn position for 2015/16 as at Q2

	Full Year Budget	Forecast Outturn	Forecast Variance
	£'000	£'000	£'000
Operations	(173,845)	(174,242)	(397)
Maintenance & Compliance	48,527	50,608	2,081
Major Works	2,430	2,566	136
Specialist Housing Services	(17,116)	(17,673)	(557)
Strategic & Corporate Services	121,880	122,781	902
Customer Experience	2,097	(602)	(2,699)
Community Engagement	(6,077)	(6,557)	(480)
Regeneration Initiatives	316	243	(72)
Direct Revenue Funding of Capital	20,352	20,352	0
Appropriations to /(from) Reserves	1,437	2,524	1,087
Total HRA	0	0	0

45. The HRA forecast should be viewed with a degree of caution at this juncture, given its size and complexity. Indications are that the outturn will be broadly positive based on known and anticipated budget variations, with higher than expected contributions to both the housing investment programme (HIP) and HRA reserves. In summary, the key budget headlines are outlined below.

46. Efficiency savings of £33m have been delivered over the last five years to meet new and emerging budget pressures, to resource new council priorities 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. Landlord services, particularly maintaining and repairing the housing stock consume the greatest proportion of resources and budgets remain under constant pressure. Robust contract management and control of high volume, high value contracts continue to deliver greater value for money. However, Southwark Building Services (SBS) are currently forecasting a deficit of £1.1m, which falls as a cost to the HRA as their primary client. Management of this service transferred to Environment and Leisure with effect from 1 October 2015 as part of the corporate restructuring with the aim to improve the trading performance and financial return to the council, over the medium term.
47. Under self-financing, income has assumed paramount importance for the sustainability of the HRA and delivery of landlord services, particularly tenant rents and service charges. Mainstream residential rent debit over the first half is tracking to plan and rent collection performance has risen again to 99.22% at week 26, whilst former tenant arrears collection, albeit small by comparison, remains consistently above target. However, further welfare benefit changes announced in the summer budget (8 July 2015), and the commencement of the roll-out of universal credit direct payment (albeit in a limited pilot area initially), is likely to impact on collection performance and it is therefore necessary for the HRA to maintain adequate provisions to meet potential losses of this nature at all times.
48. 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 HIP, but is not linear. The scale of investment and delivery of the WDS, FRA and other works programmes have accelerated rapidly in recent years, which was reflected in higher billing in 2014/15 and will be carried through to the current year. Collection of £19.4m has been achieved to the end of September (including service charge loans), which would suggest the yearly target of £34.5m will be surpassed.
49. In addition, specialist housing services division comprises the commercial and garage portfolios, sheltered housing and temporary accommodation. Given the considerable budget pressure that homelessness presents for the council, hostels and estate voids are used as a cost efficient means (within the HRA) of mitigating the general fund. The availability of estate voids is increasing as further phases of Aylesbury progress and this boost in numbers above budget expectations gives rise to increased rental income which more than off-sets the additional costs and other budget variations within the division.
50. 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 projects, such as Heygate, Aylesbury, etc., the revenue impact of which falls outside 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.

51. The ring-fenced nature of the HRA requires that deficits/ surpluses are carried forward between years. For 2014/15 a surplus of £2.5m was contributed to reserves, which boosted the total held at 31.3.15 to £25.9m. In line with the medium term resource strategy (MTRS), the level of reserves are 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 £2.5m (against a budget of £1.4m) 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. 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.
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, or provide evidence of prior agreement that the expenditure will be met from reserves.
55. As at Quarter 2, there has been a net £4.370m movement into reserves, these are included in Appendix A for approval and noting.
56. Forecast future calls on reserves of £803,000 included in Table 1 are shown below

Department	Reason for transfer	£'000	Ref para
Environment and Leisure	Parking account surplus	(450)	16
	PFI, Walworth fire and Leisure management costs.	1,807	18
Housing and Community Services	No recourse to public funds	3,158	22
	Customer experience modernisation costs.	288	23
Contingency	Unused contingency to support 2016/17 budget.	(4,000)	41
Total		803	

57. This gives a total forecast movement into reserves for 2015/16 of £3.567m.
58. The budget approved by council for 2015/16 included a planned release of reserve of £6.163m. 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 2015/16 - 2017/18. It is currently assumed that this call on reserves will have to be made in full.

Treasury management

59. The council's cash is invested prudently until it is needed in UK government bills and bond, supranational bonds (e.g. the European Investment Bank), quasi sovereigns (e.g. Export Development Bank of Canada), covered bonds issued by major banks, and banks own money market instruments. The cash is managed by an in-house operation and by two fund managers (Aberdeen Asset Managers and AllianceBernstein). The average cash balance held in investments over the first half of 2015/16 was £254m and at 30 September 2015 stood at £251m; see table below.

INVESTMENT COUNTERPARTY AND RATING AT 30 SEPTEMBER 2015							
TYPE	Country	Counterparty	Rating	Aberdeen	Alliance Bern	In-house	Total £m
GOV/SUPRA	CANADA	EXPORT DEVT CANADA	AAA	-	1.5	-	1.5
	GERMANY	FMS WERTMGT	AAA	-	3.8	-	3.8
		KFW	AAA	-	3.9	-	3.9
	NETHERLANDS	BNG-BANK NEDERLAND GEMENT	AA+	-	0.4	-	0.4
		NWB-NEDERLAND WATERBK	AAA	-	1.5	-	1.5
	SUPRANATIONAL	EUROPEAN INV BANK	AAA	7.0	5.0	-	12.0
		INT BANK RECONST DEVT	AAA	-	6.8	-	6.8
	UK	UK TREASURY	AA+	-	7.4	-	7.4
GOV/SUPRA Total				7.0	30.3	-	37.3
BANK COVRD	AUSTRALIA	ANZ BANKING CORP	AAA	-	2.3	-	2.3
		COMMONW BANK AUSTRALIA	AAA	-	1.5	-	1.5
		NATIONAL AUSTRALIA	AAA	3.5	1.0	-	4.5
	CANADA	BANK OF MONTREAL	AAA	-	1.5	-	1.5
		BANK OF NOVA SCOTIA	AAA	-	0.8	-	0.8
		CANADIAN IMP BK	AAA	-	1.5	-	1.5
		ROYAL BANK CANADA	AAA	3.5	2.3	-	5.8
		TORONTO DOMINION	AAA	-	1.5	-	1.5
	SWEDEN	SVENSKA STADSHY POTEK	AAA	-	2.3	-	2.3
		SWEDBANK	AAA	-	1.5	-	1.5
	UK	BARCLAYS BANK	AAA	-	0.8	-	0.8
		LLOYDS BANK	AAA	-	1.5	-	1.5
		SANTANDER UK	AAA	-	2.3	-	2.3
BANK COVRD Total				7.0	20.8	-	27.8
BANK	AUSTRALIA	COMMONW BANK AUSTRALIA	AA-	-	-	10.0	10.0
	CANADA	TORONTO DOMINION	AA-	5.0	-	-	5.0
	DENMARK	DANSKE BANK	A	-	1.5	-	1.5
	FINLAND	NORDEA BANK FINLAND	AA-	7.2	1.0	-	8.2
	FRANCE	BANQUE NATIONAL DE PARIS	A+	0.4	3.5	10.0	13.9
		CREDIT INDUST ET COMRCL	A+	3.5	-	-	3.5
		SOCGEN	A	5.0	2.3	-	7.3
	GERMANY	DZ BANK	AA-	3.0	-	-	3.0
	GLOBAL	BLACKROCK MMF	Money Fund	-	-	19.0	19.0
		GOLDMAN SACHS MMF	Money Fund	-	-	20.1	20.1
	NETHERLANDS	ABN AMRO BANK	A	5.0	-	-	5.0
		ING BANK	A	3.5	3.5	10.0	17.0
		RABOBANK	AA-	-	2.0	-	2.0
	SWEDEN	SKANDINAVISKA	A+	-	2.0	-	2.0
	SWITZERLAND	CREDIT SUISSE	A	6.2	2.0	-	8.2
		UBS	A	3.2	2.3	10.0	15.5
	UK	BARCLAYS BANK	A	3.5	2.0	-	5.5
		HSBC	AA-	-	1.3	-	1.3
		LLOYDS BANK	A+	7.0	-	10.0	17.0
		NATIONWIDE BSOC	A	-	1.5	10.0	11.5
		STANDARD CHARTERED	AA-	6.0	-	-	6.0
	US	BNY MELLON	AA-	-	0.1	-	0.1
		CITIBANK	A+	3.5	-	-	3.5
BANK Total				62.0	25.0	99.1	186.1
Grand Total				76.0	76.1	99.1	251.2

Rating	Definition
AAA	Highest credit quality
AA	Very high credit quality
A	High credit quality
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) Money market funds have a AAA rating based on liquidity and diversification	

60. In July 2015, the sum managed by the fund managers was increased by £50m to £152m. It ensures that the council maximises benefits from the full range on investments available under its investment strategy, which was approved by council assembly in February 2015. The half year return was 0.67%, reflecting

the monetary stimulus still in place to support financial markets. Base rates in the UK have stood at 0.50% since 2009 and the market currently expects no rise before the second quarter of 2016.

61. The council has loans it took to pay for capital expenditure in previous years. The loans are from the Public Works Loans Board (PWLB, part of HM Treasury) and the balance in PWLB loans at 2015/16 open was £469m (£371m HRA and £98m General Fund). Over the half-year to 30 September 2015, £3.2m PWLB loans have matured.
62. As well as PWLB loans, the council also has internal borrowing to support previous years' capital expenditure. The sum outstanding in internal borrowing at 1 April 2015/16 was £209m (£25m HRA and £184m General Fund). Internal borrowing is temporary drawing on internal balances pending replacement with loans. Both PWLB loans and internal borrowing are being paid off. The General Fund debt is being paid off by way of the minimum revenue provision (MRP) in accordance with the council's MRP policy as required by government guidance. The HRA is also paying off debt, lowering the interest draw and raising the headroom for new investment.
63. The HRA capital programme is expecting to draw on debt finance to secure investment in new housing, make existing properties warm dry and safe, and provide quality kitchens and bathrooms. Initially, up to £98m debt finance is being allocated to the programme. It would be available from 2015/16 onwards once the use of HRA reserves, capital receipts, grants and contributions is maximised. However it would not involve the council taking any new loans, but instead be advanced to the HRA by drawing on existing PWLB debt held by the General Fund at an average rate of 3.5%, close to historical lows and well below the 6.0% rate on existing HRA loans. This ensures the council, as a whole, does not suffer a significant financial loss by borrowing money before it is actually needed. Should the HRA draw on the whole £98m debt finance, its indebtedness would rise to £491m, which is well within the £577m indebtedness cap it is required to stay within.

Municipal Bond Agency

64. The Local Government Association's municipal bond agency is continuing preparations to launch its first bond issue this year and is expecting to lend on funds to borrowers at a slightly lower rate than the PWLB. The terms will be fixed when the first bond is issued and potential borrowers will assess the benefits from any savings in the rate against any joint and several guarantee or other conditions the agency places. Any borrowing the council itself needs will be from whichever source is the cheapest having regard to any conditions.

Community impact statement

65. This report monitors expenditure on council services, compared to the planned general fund budget agreed in February 2015, and HRA budget agreed in January 2015. Although as a monitoring report, this report has been judged to have nil or a very small impact on local people and communities, the 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 2015/16 to 2017/18: Cabinet 27/01/15 (Item 19)	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=4866&Ver=4		
Housing Revenue Account budget: Cabinet 27/01/15 (Item 13)	160 Tooley Street PO Box 64529 London SE1P 5LX	Ian Young 020 7525 7849
Link: http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=4866&Ver=4		
Revenue Monitoring Report for Quarter 12015/16, including Treasury Management (Item 15)	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=5139&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, Modernisation and Performance	
Lead officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report author	Jennifer Seeley, Director of Finance	
Version	Final	
Dated	6 November 2015	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	n/a	n/a
Cabinet Member	No	No
Date final report sent to constitutional team		6 November 2015

APPENDIX A

Budget Movements

Interdepartmental movements to be approved for Quarter Two

Department From	Amount £	Department to	Amount £	Description of the budget movement
Finance and Corporate Services	(277,661)	Children's and Adult Services	277,661	Transfer of charging and debt team to Children's and Adult Services
Finance and Corporate Services	(287,000)	Environment and Leisure	287,000	Making fly tipping pilot permanent , and LLW increase for cleaning contract
Children's and Adult Services	(1,842,259)	Housing and Community Services	1,842,259	Transfer of No recourse to public funds budgets to Housing and Community Services
Chief Executive's	(2,012,142)	Finance and Corporate Services	2,012,142	Transfer of constitutional and members support teams to Finance and Corporate Services
Finance and Corporate Services	(1,000,000)	Children's and Adult Services	1,000,000	Permanent transfer Youth Fund budget to Children's Services
Children's and Adult Services	(342,121)	Finance and Corporate Services	1,486,074	Centralise facilities management budgets held by departments into corporate facilities management
Housing and Community Services	(271,799)			
Environment and Leisure	(872,154)			
Chief Executive's	(984,897)	Housing and Community Services	635,872	Corporate strategy restructure - transfer services to Housing and Community Services
		Environment and Leisure	349,025	Corporate strategy restructure - transfer services to Environment and Leisure

Interdepartmental movements to be noted for Quarter Two

Department From	Amount £	Department to	Amount £	Description of the budget movement
Chief Executive's	(50,600)	Children's and Adult Services	50,600	Transfer of Schools HR Traded Services team to Children's and Adult Services
Chief Executive's	(81,040)	Housing and Community Services	81,040	Transfer of Strategy and Partnership budgets to Housing and Community Services
Chief Executive's	(22,851)	Environment and Leisure	14,697	Transfer of Community Council Budgets
		Finance and Corporate Services	8,154	
Finance and Corporate Services	(10,104)	Environment and Leisure	10,104	Camberwell Leisure Centre Fire
Chief Executive's	(226,752)	Housing and Community Services	226,752	Corporate Strategy restructure - transfer services to Housing and Community Services

Movements in reserves to be approved for Quarter Two

Department From	Amount £	Department to	Amount £	Description of the budget movement
Appropriations	(300,000)	Finance and Corporate Services	300,000	Contribution from Insurance Fund towards 2015/16 revenue budget. (Saving ref 113 P&R Strategy Report to cabinet, 10 February 2015)
Finance and Corporate Services	(1,283,177)	Appropriations	1,283,177	Use of unbudgeted Autumn Statement S31 grant to support 2017/18 general fund budget.
Finance and Corporate Services	(3,705,927)	Appropriations	3,705,927	Set up New Homes Bonus Funded LEP Programme Reserve

Movements in reserves to be noted for Quarter Two

Department From	Amount £	Department to	Amount £	Description of the budget movement
Appropriations	(140,763)	Environment and Leisure	140,763	Funding of Land Charges refunds following change in legislation
Finance and Corporate Services	(59,765)	Appropriations	59,765	Increase of reserve following receipt of Land Charges (Tinklers settlement) Grant
Appropriations	(88,000)	Housing and Community Services	88,000	Increase of 2015/16 Neighbourhood Fund from Community Engagement reserve. (Council Assembly Amendment B, 25 February 2015)
Appropriations	(149,259)	Housing and Community Services	149,259	Neighbourhoods Fund Release (CGS & CCF)