Item No. 11.	Classification: Open	Date: 7 February 2017	Meeting Name: Cabinet
Report title:		Month 8 Revenue Monitoring Report and Treasury Management 2016-17	
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

Sadly this month 8 monitor of our financial position in 2016-17 brings little comfort to us as we move towards setting next year's budget and council tax. We still anticipate being over budget by £15m across adult social care, children's social care and public health. What's more since the last monitor the forecasts have also worsened in housing and modernisation with growing pressures on the ICT and No Recourse to Public Funds budgets.

As reported at our last cabinet meeting, the budget recovery board work is now well underway leading the action that is needed to contain spending within these forecasts and to ensure we are well prepared for the even greater financial challenges that the 2017-18 financial year will bring.

RECOMMENDATIONS

1. That the Cabinet notes:

    - the general fund outturn forecast for 2016-17 of £9.6m after the utilisation of £9.704m reserves (table 1, paragraph 9);
    - the continuing pressures on the Children's and Adults' social care including public health (paragraphs 10 - 22);
    - the increasing budget pressures No Recourse to Public Funds budgets and ICT and CFM (paragraphs 28 - 30)
    - the utilisation of the £4m contingency and £5m one-off windfall resulting from the early delivery of the minimum revenue provision saving to mitigate the full effect of cost pressures (paragraph 35 -36);
    - the housing revenue account forecast outturn for 2016-17 (table 2, paragraph 39 - 45);
    - the treasury management activity in 2016-17 (paragraph 51 - 61).

2. That Cabinet approves the general fund budget movements that exceed £250k, as shown in Appendix A.

3. That Cabinet notes the general fund budget movements that are less than £250k as shown in Appendix A.

BACKGROUND INFORMATION

4. The purpose of this report is to provide a forecast for the end of the financial year 2016-

17, using predictions based on the experience to date, and to use this to inform the policy and resources strategy for future years' budgets. Work continues throughout the council to ensure that a balanced position is achieved by the end of the year.

5. The council agreed a balanced general fund budget of £271.4m on 24 February 2016 based on a nil council tax increase (with 2% precept for adult social care), and £6.2m use of reserves, giving a budget of £277.6m. This budget was set in the context of further significant overall cuts in government funding.

6. The council also approved budget decisions including reductions of some £26.6m within the general fund for 2016-17. Performance on achieving these savings is closely monitored and significant variances will be included in departmental narratives.

7. The cabinet agreed a balanced housing revenue account (HRA) budget on 27 January 2016.

KEY ISSUES FOR CONSIDERATION

General fund overall position

8. Table 1 below shows the current forecast outturn position by department. All strategic directors will continue to take action ensure that they deliver their services within budget. Progress for each department is shown in the narrative below.

Table 1: General fund outturn position for 2016-17

General fund	Original budget £'000	Budget movement £'000	Revised budget £'000	Forecast Spend in year £'000	Variance before use of reserves £'000	Net movement in reserves £'000	Total use of resources £'000	Variance after use of reserves £'000
Children's and Adults	171,464	(1,320)	170,144	185,166	15,022	0	185,166	15,022
Environment and Leisure	67,316	2,730	70,046	69,859	(187)	0	69,859	(187)
Housing and Modernise	64,911	(39)	64,872	69,814	4,942	(883)	68,931	4,059
Chief Executive's	8,355	303	8,658	8,396	(262)	0	8,396	(262)
Finance and Governance	19,586	193	19,779	19,779	1,000	0	19,779	0
Strategic Finance	(14,013)	(1,929)	(15,942)	(20,942)	(5,000)	0	(20,942)	(5,000)
Support cost recharges	(44,071)	0	(44,071)	(44,071)	0	0	(44,071)	0
Contingency	4,000	0	4,000	0	(4,000)	0	0	(4,000)
Total general fund services	**277,548**	**(62)**	**277,486**	**288,001**	**11,515**	**(883)**	**287,118**	**9,632**
Cost of voluntary redundancies	0	0	0	9,704	9,704	(9,704)	0	0
Use of reserves to underwrite base budget	(6,170)	0	(6,170)	0	6,170	(6,170)	(6,170)	0
Net revenue budget	**271,378**	**(62)**	**271,316**	**296,775**	**25,459**	**(16,757)**	**280,018**	**9,632**

9. As shown in Table 1, within services there is a forecast adverse variance of £9.6m. This is after the utilisation of reserves to fund redundancy costs not able to be met within departments. Included in the table above are planned reserves movements totalling £6.170m, reserves are considered in more detail in paragraphs 50 to 53.

Children’s and Adults’ Services (including Public Health)

10. Children’s and adults’ services experienced increased demand pressures in 2015-16, at the same time as government cuts in funding. The department is encountering these pressures despite joint working with health, Better Care Fund services and a range of management actions and the council’s protection of the children’s social care budget.

11. The 2015-16 cost pressure of £18.7m was met by the planned use of departmental reserves. The increased pressures, in both level of demand and complexity of need, reflect the service pressures in social care being experienced across London and the country, and population increases of children and older people in Southwark. The 2016-17 position is made up of several years of pressures which were contained within previous higher funding levels, but now can’t be met with lower resources. The department is aware that adjustments to the lower funding levels must be dealt with sensitively to reduce the impact on vulnerable residents.

12. Children’s and adults’ services (including public health) is currently forecasting a potential overspend of £15m for 2016-17. The social care sector has been affected by demand pressures in both price (including London Living Wage) and volume. Inflationary pressures have been felt by providers and the department must consider the financial sustainability of providers to protect quality of care and safeguard our most vulnerable residents. The 2% precept for adult social care is raising in the region of £1.7m per annum and is being used to improve quality of services for older people and adults with disabilities living at home, in extra care housing, in care homes and in nursing care homes.

13. Implementation of the Care Act has increased levels of referrals, information and advice, and carers assessments. Many local families, people with disabilities and their carers continue to experience increased pressure and uncertainty in regard to welfare reform with additional calls on support from the council. The closure of government programmes such as the Independent Living Fund mean that vulnerable people lose access to funding that had previously helped to address inequalities. Legislative reforms in regard to ‘staying put’ for children in care into adulthood and additional support for people with disabilities and carers have been welcomed but are not fully funded by government causing financial burden on the council.

14. The council is committed to the Ethical Care Charter and has invested £2m, but there will be a further cost pressure in future years as part of the re-procurement of homecare contracts. In addition, the Better Care Fund has contributed £1.9m to support improved quality of care including this initiative. The position will need to be closely monitored through the procurement phases with a view to containing costs within the current budget constraints.

15. The allocation of Better Care Fund in 2016-17 (£21.8m) is marginally smaller than in 2015-16 (£22.0m) and it includes monies previously provided separately for winter pressures. Funding has been required to meet increasing demand in areas such as end of life care and dementia, and to develop 7 day working which is a key national condition of the funding. The department continues to support services beyond social care eligibility levels (such as meals on wheels and telecare) and services supporting the acute sector.

16. Southwark is the sixth best performer nationally for low levels of delayed transfers of care (DTOCs), with delays less than a third of the national average. Re-ablement services have been improved with a reduction in the number of patients re-admitted to hospital (over 90% of patients remain at home 90 days after discharge). This performance represents a saving to the public sector as a whole, but at a cost to the council. Care home admissions have been kept at low levels, through re-ablement and services such as Night Owls and Care@home, allowing more people to be cared for at home, and helping to rebuild confidence, mobility, and independence.

17. Children's and adults' services represents the largest proportion of the council's budget and accordingly have repeatedly set out to achieve significant budget efficiencies and savings. In 2015-16 these amounted to £17.5m, with a further £41.4m to be achieved from 2016-17 to 2018-19. The department is managing a large programme of efficiency initiatives and is mindful that the pace of change must allow for the correct fulfilment of obligations to appropriate consultation, procurement and value for money assessments, and implementation in ways that appropriately mitigate risk and treat residents with dignity and respect. Some departmental efficiencies are contingent on successful engagement with health partners to update service user pathways and ensure appropriate identification of, and funding for, health care needs. Slippage has occurred with savings relating to some commissioned services but the department has strong plans to achieve savings in the medium term, including in collaboration with the modernise programme.

18. Children's and adults' services continues to mitigate demographic growth (in numbers of referrals and level of need) by promoting re-ablement and improved independence, increasing resident access of existing services in the community, utilising assistive technologies (such as telecare), and efficient use of community-based services (such as homecare, day care, respite and fostering) to reduce the need for residential care. The department is also ensuring value for money by benchmarking unit costs against statistical neighbours, London and national levels to ensure that service provision is in line with national eligibility criteria.

19. The department has undertaken several reviews of services, engaging service users, carers, care staff, trade unions, partners and stakeholders in order to agree plans for modernisation and to achieve improved outcomes and best value. Immense efforts by staff and management continue to deliver high quality care and support to meet statutory obligations for children in need and at risk, families in crisis, vulnerable adults and carers. These efforts are also ensuring that opportunities created in Southwark are available to all residents, including care leavers, people with disabilities and carers.

20. The public health grant in 2016-17 is £28.9m following reductions of £2.3m over 2015-16 and 2016-17. Further reductions are indicated for the period 2017-18 to 2019-20 totalling £2.2m (7.6%). There is a continuing demand pressure in sexual health services of £2m, despite cost pressures being reduced where controllable through use of block contract arrangements and more efficient methods of service delivery. The public health grant currently supports council priorities including free healthy school meals, libraries and community sports, as well as core services for sexual health, substance misuse, obesity, smoking, health checks, children's health visitors and school nursing.

21. Southwark's education services continue to provide a high quality service, being in the top eight of local authorities in the country for the proportion of schools rated as good or outstanding. The division is currently meeting significant special education needs cost pressures within its existing budget, with rising costs in placements and related transport, increasing demand in services for young people over 16 years old, and increasing demand in particular for Autistic Spectrum Disorder (ASD) placements. A strategy is being developed including increasing in-borough provision to reduce the need for

expensive private and independent placements. Potential changes to the national funding formula remain a medium term risk for the division, and the education services grant (used to support statutory functions in relation to schools) was reduced in 2016-17 to £2.6m with the resulting budget pressure of £200k being met within the division.

22. The council engaged RSM Tenon to undertake a thorough review of the pressures underlying the current budget variations. This investigation was completed and largely supported the variations previously identified. A budget recovery board was established, chaired by the strategic director of finance and governance and supported by the strategic director of children and adults, which reports to the chief executive weekly. This board is overseeing management actions for 2016-17 and plans for future years to contain spend within budget levels. An update on the budget recovery board was provided in policy and resources strategy 2017-18 considered by cabinet on 24 January 2017 (Appendix G).

Environment and Leisure

23. The environment and leisure department is forecasting a favourable variance of £187k.

24. There are cost pressures impacting on departmental budgets from the voluntary enhanced redundancy (VER) scheme 3 and ill health/early retirement costs and the new corporate facilities management contract totalling more than £1.5m. These cost pressures are mitigated mainly by favourable variances in road network management and parking services resulting in a net departmental underspend of £187k.

25. The department has implemented most of the proposed savings for this financial year. A couple of the 2016-17 proposed savings options for the waste division have been delayed; however, the department is confident of fully achieving the savings target. Any shortfall arising as a result will be mitigated by other favourable variances within the department.

Housing and Modernisation

26. Overall, housing and modernisation are forecasting an adverse variance of around £4m (net) after the planned drawdown of earmarked reserves to cover known commitments including one-off external procurement costs and the engagement of specialist advisors supporting the delivery of the transformation agenda in ICT and facilities management. The forecast is based on best estimates and includes a number of assumptions in terms of volumes/activity and costs and includes a number of positive variances totalling c. £1m that off-set the cumulative position (predominantly HR related income). As a forecast it remains subject to movement and should continue to be viewed with caution at this point. The forecast currently excludes costs arising from the council's voluntary severance scheme, which are assumed will be met from corporate reserves.

27. Cabinet is aware of the significant budget pressure presented by the demand for temporary accommodation. This pressure arises through a combination of the introduction of welfare benefit reforms, the soaring costs of housing in inner London and population movements. Limited use of privately leased accommodation has helped to meet some demand, but for many providers this is no longer financially viable. Wherever possible, the council uses its HRA hostels and estate voids, rather than more expensive nightly paid accommodation as a means of mitigating the cost to the general fund and based on current caseload this is expected to be contained within the resources available. However, as the impact of welfare reforms bite, there will be a dip in collection performance and there is a risk that the amount required to be set-aside as provision against bad debts will be higher than budget leading to a further overspend. This will be kept under review and measures taken to ameliorate the impact as far as possible.

28. NRPF (No Recourse to Public Funds), is demand driven and presents a significant budget pressure on council resources. Over time the extent of inherited caseload has been revealed, review of long standing cases continues apace and has led to a reduction in numbers, but for the most part decisions around eligibility to public funds is dependant on the Home Office and this can be a very protracted process. On a positive note, a more rigorous assessment process at the front-end has seen a considerable reduction in the volume of new cases being accepted and currently numbers appear to have plateaued, but there remains considerable risk in this area. In recognition of this pressure, cabinet increased budget provision in the current year and a further commitment is subject to approval for the 2017-18 budget round. The forecast is currently £3.4m over budget and will be subject to the drawdown of corporate reserves/contingency to fund the gap.

29. This report also sees the emergence of budget pressures in ICT and CFM totalling £1.6m. There is an adverse variance against the ICT managed service contract as a result of a number of additional service requests being delivered to secure and maintain the council's IT infrastructure. The division is also undertaking the major re-procurement of the IT managed service contract which is a complex exercise and has necessitated additional external resources with the necessary technical skills and expertise to support the process. These additional costs will be reviewed further to consider whether a proportion should be allocated to the housing revenue account or capital. This would be in line with the commitment made in the 2017-18 HRA rent setting and budget report to fund a share of increased ICT costs going forward.

30. Corporate facilities management (CFM) is projecting an unfavourable variance of £600k. The council has a considerable operational estate to which facilities management services must be delivered to ensure that buildings are compliant with the many health and safety regulations and maintained to a standard that enables staff to focus solely on delivering services. Facilities management services are provided through two main suppliers, with the most recent contract being signed in June 2016 following a lengthy procurement exercise. These new contracts are providing a higher level of compliance and consistency across the council's wider estate. This higher standard of maintenance is reflected in higher costs which have not been fully offset by savings through the economies of scale delivered through these new procurement arrangements. Mobilising the new contract along with pressures arising from internal re-organisation has inevitably had an impact on other work streams within the division including technical support to a number of capital projects. While in most instances these projects can be re-profiled to commence at a future date, there has been an impact on the division's ability to generate fees to meet a budgeted income target and as such there is a one-off shortfall of £0.4m forecast for this year. Furthermore a number of savings were identified in 2016-17, some of which it will not be possible to deliver as they are dependant on the implementation of wider corporate decisions creating a pressure in CFM of £200k.

Chief Executive's department

31. The chief executive department is forecasting a net favourable variance of £262k which is mainly due to vacant posts across the department. The department has implemented the proposed savings for this financial year.

Finance and Governance

32. The current finance and governance department are forecasting a balanced budget (budget of £19.779m) after the utilisation of £2.2m of reserves to fund redundancy costs.

33. Within this balanced budget are compensating over and underspends, including a £400k adverse variance due to election costs exceeding the grant funding available and £138k adverse variance within Exchequer Services relating to IT development project costs. These adverse variances are offset favourable variance of on audit fees, legal income, and salary underspends throughout the department.

34. Work is underway to balance the budget position, including consideration of the use of reserves to support any unfunded election and referendum costs and any future voluntary severance costs.

Strategic Finance

35. As part of the budget savings proposals, a review of the council's minimum revenue provision was undertaken, facilitating future savings of £5m per annum. As noted in the outturn report, this saving was delivered in 2015-16 and will be ongoing in 2016-17. As this saving was not included in 2016-17 projections, it presents a one-off windfall which will be used to offset the budget pressures described above.

Contingency

36. It is anticipated that the £4m contingency budget will be fully utilised to meet the children's and adults' services and No Recourse to Public fund budget pressures as described above.

Voluntary severance

37. In order to mitigate the impact of cuts and budget reductions on staff, the enhanced voluntary severance scheme was re-opened for a limited period. Where possible departments are asked to meet these costs from within their departmental budgets and savings from related staff budgets. Where this is not possible departments have provided an indication of potential requests from reserves within the narrative above, and this has been reflected in Table 1. As part of year end, relevant redundancy costs will be capitalised.

Progress in delivering efficiencies and improved use of resources and income generation

38. As part of the budget setting process for 2016-17, £26.6m savings and income generation proposals were agreed. At this point, it is anticipated that in the majority of cases, where savings are at risk of being fully implemented in year, substitute savings have been identified, as reflected in the forecast outturn position reported for each department.

Housing Revenue Account (HRA)

Table 2: HRA forecast outturn position for 2016-17

Division	Full Year Budget £000	Forecast Outturn £000	Forecast Variance £000
Central Services	(92,894)	(89,870)	3,024
Asset Management	49,070	50,005	935
Communities	(6,782)	(7,453)	(672)
Resident Services	24,811	20,962	(3,849)
Modernisation	(5,493)	(5,493)	0
Customer Services	2,259	2,398	139
Revenue funding to housing investment programme	27,593	27,593	0
Total variance (under)/overspend			**(423)**
Appropriations to /(from) Reserves	1,436	1,859	423
Total HRA	**0**	**0**	**0**

39. Indications are that the outturn will be neutral overall based on known pressures and commitments. Notwithstanding some volume/activity driven budget variations, planned contributions to the housing investment programme (HIP), reserves and debt repayment are broadly in line with expectations. In summary, the key budget headlines are outlined below.

40. The imposition of central government rent control and consequent reduction in the rental stream (as opposed to the rental growth originally envisaged under self-financing) means budgets are under even greater pressure than would otherwise have been. This is particularly acute in relation to the maintenance, repair and improvement of the housing stock, which consumes by far the greatest proportion of resources and requires robust management of high volume, high value works contracts to ensure maximum value for money is obtained within the budgeted allocation.

41. Positive signs are that void turnover has slowed considerably and average void refurbishment costs have reduced, giving rise to an underspend. The new heating R&M contract continues to deliver greater value at reduced cost. However, lift and estate lighting contract spend is higher than anticipated due to the need for additional health and safety works. The forecast also includes provision for Southwark Building Services (SBS) trading deficit, which falls to the HRA as their primary client. Measures to improve trading performance are under review, with the intention to minimise the financial impact on the HRA and move towards a neutral cost position over time.

42. Under self-financing, income has assumed paramount importance for the sustainability of the HRA and delivery of landlord services to residents. Mainstream residential rent debit is tracking below budget, but is compensated for by higher hostel and estate void usage, and is forecast to be broadly on budget overall. Rent collection performance continues to show some resilience (at 98.7%), notwithstanding the impact of welfare benefit changes and the roll-out of direct payment and universal credit. However, income collection is likely to become more onerous going forward, and the HRA continues to maintain adequate provisions to meet potential losses of this nature. Some benefit will also be derived from the on-going water refund exercise through the off-setting of arrears from sums due, which has a knock-on revenue impact in terms of the budget provision required to meet bad debts.

43. Homeowner service charges represent the second largest income stream to the HRA and costs 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 unprecedented scale of investment and delivery of the WDS, FRA and other works programmes over recent years has driven rechargeable billing within the HRA much higher and whilst this will continue in the short-term, it will begin to tail-off in line with more modest programme spending going forward. Collection performance continues to exceed target with £28.8m achieved to week 35 (end of November).

44. The central services activity accounts for over half of the gross HRA and comprises key budgets pertaining to departmental/corporate overheads, debt financing, depreciation, arrears write-offs/provisions, revenue support for the HIP and major projects such as Aylesbury (the revenue impact of which fall outside mainstream operational budgets due to their exceptional nature). There are a number of known pressures/commitments coming through and these are included on a 'best estimate' basis at this juncture, but are expected to be contained within the budget overall.

45. The ring-fenced nature of the HRA requires that surpluses/deficits are carried forward between years and at 31 March 2016 HRA reserves stood at £16.6m. Whilst every effort is made to maintain reserves at an appropriate level to mitigate future risks, fulfil future commitments and enable the transformation and modernisation of services going forward, this is currently considered to be below the optimal level required and presents a moderate risk, which will be managed throughout the year and addressed in subsequent budget rounds.

Reserves

46. 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 or pressures which are difficult to predict and which are not included in revenue budgets or within the capital programme.

47. Where a department identifies a need for additional funding there is a robust process for seeking support from reserves. The department must demonstrate that it is unable to contain the identified additional pressure within its existing budget, or provide evidence of prior agreement that the expenditure will be met from reserves.

48. The budget approved by council for 2016-17 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. This call on reserves will have to be made in full. As the year progress departments will continue to take management actions to reduce the cost pressures identified, and any plans to draw down further from reserves to support the budget for 2016-17 will be monitored.

49. The level of reserves will need to be kept under close review, in 2015-16, £21.6m revenue reserves were utilised, resulting in revenue reserves opening balances of £56.35m for 2016-17. As the period of austerity and funding reductions for local government continues, the council will wish to ensure that reserves are retained at

appropriate and adequate levels to safeguard service provision as well as to support modernisation of the organisation. The Strategic Director of Finance and Governance will report on the adequacy of reserves moving forward.

Treasury management

50. The council holds its cash in money market instruments diversified across major banks, building societies, and bonds issued by the UK government and supranational entities. Cash funds represent income received in advance of expenditure plus balances and reserves. The investment priorities are capital preservation and liquidity. These investments are managed by an in-house operation and two investment firms: Aberdeen Asset Managers and AllianceBernstein. Investments are rated in the following way by Fitch, Moody's and Standard and Poor's:

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)

51. The sum invested between 1 April 2016 and 30 November 2016 averaged £191m (£238m average 2015/16) and the balance at 30 November 2016 was £175m. The reducing cash balances reflects a number of factors, in particular the use of reserves to support both capital and revenue spending and reduced government funding.

52. The average return over the quarter was 0.60%. At its meeting in August, the Monetary Policy Committee cut the Bank Rate to 0.25% from 0.5% and introduced a Term Funding Scheme. Prior to this rates had been held at 0.50% since 2009. Reducing cash balances and 'lower for longer' interest rates mean that investment returns will be lower than that earned in recent years.

53. The council's investment maturity profile as at 30 November 2016 is shown below:

INVESTMENT MATURITY PROFILE AND RATING - 30 NOVEMBER 2016				
Yr Band	**A**	**AA**	**AAA**	**Total**
Up to 1 Year	33%	28%	26%	**86%**
1 - 2 years	1%	5%	1%	**7%**
2 - 5 years	0%	2%	5%	**7%**
Total	**34%**	**35%**	**32%**	**100%**

54. As at the end of November 2016, the sum managed by the fund managers was £71.8m each with in house funds held of £31.0m; the investment position is set out in the table below.

INVESTMENT COUNTERPARTY AND RATING AT 30 NOVEMBER 2016								
		CREDIT RATING			FUND			
Couterparty	Country Of Origin	Sovereign Rating	Long-term	Short term	Aberdeen £m	Alliance £m	In house £m	Grand Total £m
AUSTRALIA & NEW ZEALAND BANKING GROUP LT	AUSTRALIA	AAA	AA-	F1+		1.4	-	1.4
ABN AMRO BANK	NETHERLANDS	AAA	A	F1	3.3	1.1	-	4.4
BANK NEDERLANDSE GEMEENTEN NV	NETHERLANDS	AAA	AAA			0.7	-	0.7
BANK OF AMERICA	UNITED STATES	AAA	A+	F1+			-	-
BANK OF MONTREAL	CANADA	AAA	AA-	F1+	4.0	2.2	-	6.2
BANK OF NOVA SCOTIA	CANADA	AAA	AA-	F1+	2.0	2.2	-	4.2
BARCLAYS BANK PLC	GREAT BRITAIN	AA+	A	F1	1.5	2.2	-	3.7
BNP PARIBAS	FRANCE	AA	A	F1			-	-
CAISSE D'AMORTISSEMENT DE LA D	FRANCE	AA	A			1.4	-	1.4
CANADIAN IMPERIAL BANK	CANADA	AAA	AA-	F1+	2.0	2.2	-	4.2
COMMONWEALTH BANK OF AUSTRALIA	AUSTRALIA	AAA	AA-	F1+	3.0	2.1	-	5.1
CREDIT AGRICOLE CORP & INVST BANK	FRANCE	AA	A	F1	5.0	2.3	-	7.3
CREDIT SUISSE AG/LONDON	SWITZERLAND	AAA	A	F1	4.0		-	4.0
DANSKE BANK A/S	DENMARK	AAA	A	F1	3.0	2.2	-	5.2
EUROPEAN INVESTMENT BANK	SUPRANATIONAL	AAA	AAA	F1+	4.8	2.9	-	7.7
EXPORT DEVELOPMENT CANADA	CANADA	AAA	AAA			1.4	-	1.4
FMS WERTMANAGEMENT AOER	GERMANY	AAA	AAA	F1+		2.9	-	2.9
GLOBAL TREAS FUNDS - MMF	GLOBAL	AAA	AAA				15.6	15.6
ING BANK NV	NETHERLANDS	AAA	A+	F1		2.1	-	2.1
INTERNATIONAL BANK FOR RECON & DEV	SUPRANATIONAL	AAA	AAA	F1+		2.9	-	2.9
INTERNATIONAL SECURITY FUND - MMF	GLOBAL	AAA	AAA				15.4	15.4
JPMORGAN CHASE & CO	UNITED STATES	AAA	AA-	F1+		2.1	-	2.1
KBC Bank	BELGIUM	AA	A-	F1	5.0			5.0
KFW	GERMANY	AAA	AA+	F1+		2.8	-	2.8
LLOYDS TSB BANK PLC	GREAT BRITAIN	AA	A+	F1	4.0	2.1	-	6.1
NATIONAL AUSTRALIA BANK LTD	AUSTRALIA	AAA	AA-	F1+	1.0		-	1.0
NATIONWIDE BUILDING SOCIETY	GREAT BRITAIN	AA	A	F1		2.1	-	2.1
NETWORK RAIL INFRASTRUCTURE	GREAT BRITAIN	AA	AA+	F1+		1.0		1.0
NORDEA EIENDOMSKREDITT AS	NORWAY	AAA	AA-	F1+		2.2	-	2.2
RABOBANK LONDON	GREAT BRITAIN	AA	AAA			1.8	-	1.8
ROYAL BANK OF CANADA	CANADA	AAA	AA	F1+	5.3	2.1	-	7.4
SANTANDER UK PLC	GREAT BRITAIN	AA	A	F1	2.3	2.1	-	4.4
SKANDINAVISKA ENSKILDA BANKEN AB	SWEDEN	AAA	AAA		2.3	2.2	-	4.5
SOCIETE GENERALE	FRANCE	AA	A	F1	4.5	2.3	-	6.8
STANDARD CHARTERED BANK	GREAT BRITAIN	AA	A+	F1	3.0		-	3.0
SWEDBANK HYPOTEK AB	SWEDEN	AAA	AAA			2.1	-	2.1
SVENSKA HANDELSBANKEN	SWEDEN	AAA	AA	F1+	5.0		-	5.0
TORONTO-DOMINION BANK	CANADA	AAA	AA-	F1+		2.2	-	2.2
UBS LONDON	SWITZERLAND	AAA	A	F1	3.5		-	3.5
UNITED KINGDOM I/L	GREAT BRITAIN	AA	AA+	F1+		4.0	-	4.0
UNITED KINGDOM TBILLS	GREAT BRITAIN	AA	AA+	F1+	2.3	8.5	-	10.8
WELLS FARGO BANK	UNITED STATES	AAA	AA	F1+			-	-
WESTPAC BANKING CORP	AUSTRALIA	AAA	AA-	F1+	1.0		-	1.0
Grand Total					71.8	71.8	31.0	174.6

55. 2016-17 year to date £5m in Public Works Loan Board (PWLB) loans matured and were paid off. No new loans were taken and the debt balance outstanding at 30 November 2016 was £458m. Affordability and the “cost of carry” remain important influences on the council’s borrowing strategy.

56. All treasury management activity was in compliance with the approved Treasury Management Strategy and Prudential Indicators for 2016-17.

57. In the lead up to, and following the result of the EU referendum there has been reassurance that the Bank of England was ready to support money market liquidity. Various indicators of credit risk reacted negatively to the result of the referendum on the UK’s membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls.

58. Fitch downgraded the UK’s sovereign rating by one notch to AA from AA+, and Standard & Poor’s downgraded its corresponding rating by two notches to AA from AAA. Fitch, S&P and Moody’s have a negative outlook on the UK.

59. Following the UK vote to leave the EU, Moody's changed the outlook on 12 UK banks and building societies. At the same time, the rating agency has changed the outlook on the UK banking system to negative from stable. The actions follow the recent change in the outlook of the UK's Aa1 government bond rating to negative from stable.

60. There has been no change to Arlingclose's credit advice on UK banks and building societies since the referendum result.

Community impact statement

61. This report monitors expenditure on council services, compared to the planned general fund budget agreed in February 2016, and HRA budget agreed in January 2016. Although as a monitoring report this report has been judged to have no direct 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 2016-17 to 2018-19: Cabinet 09/02/2016	160 Tooley Street PO Box 64529 London SE1P 5LX	Fay Hammond 0207 525 0614
Link: (Copy and paste link into browser) http://moderngov.southwark.gov.uk/documents/s59876/Report%20Policy%20and%20Resources%20Strategy%20201617%20-%20201819.pdf		
Housing Revenue Account budget: Cabinet 27/01/2016	160 Tooley Street PO Box 64529 London SE1P 5LX	Ian Young 020 7525 7849
Link: (Copy and paste into browser) http://moderngov.southwark.gov.uk/documents/s59180/Report%20HRA%20final%20rent%20setting%20and%20budget%20report.pdf		

APPENDICES

No.	Title
Appendix A	Interdepartmental budget movements months 5 to 8

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	26 January 2017		
Key Decision?	Yes		
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		Yes	Yes
Date final report sent to Constitutional Team			26 January 2017