Item No.	Classification:	Date:	Meeting Name:
9.	Open	18 March 2014	Cabinet
Report title:		Revenue Monitoring Report for Quarter 3, 2013/14, including Treasury Management	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Richard Livingstone, Finance, Resources and Community Safety	

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

This report sets out the council's performance on its revenue budgets for the first nine months of the 2013/14 financial year.

On the general fund budget departments are currently projecting a net favourable variance of £616,000 against budget, although there are some areas of pressure within those figures. In particular, children's social services forecast an adverse variance of £3m against budget due to new demands - additional funding has been found in the 2014/15 budget to manage this increase. There is also an adverse variance of £179,000 projected within the housing and community services department arising from the transition to an in-house customer contact service.

The housing revenue account is showing a projected favourable variance of £803,000.

The forecasts for the collection fund indicate a surplus being generated. For council tax, this is largely as a consequence of the construction of new homes in the borough and identification of fraudulent claiming of discounts and benefits. These factors have enabled the council to safely increase its council tax base assumptions for the 2014/15 budget. However, it must also be noted that the forecast surplus has declined since quarter 2.

The surplus for business rates is lower than might have been anticipated. However, it should be noted that nationally there has been a decline in the level of business rates collected: the Local Government Chronicle on 27 February reported that a £519m deficit was forecast across the country. Given this, the small surplus forecast in Southwark is welcome news.

The treasury management monitor sets out how the council is investing its cash in short-term money markets and its outstanding debts. The largest debts are within the housing management account and the report sets out how the council is working to reduce this.

Cabinet is asked to note the contents of the report and agree the movements on the general fund budget set out in appendix A.

RECOMMENDATIONS

1. That the cabinet notes:

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

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

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

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

BACKGROUND INFORMATION

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

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

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

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

Housing revenue account

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

KEY ISSUES FOR CONSIDERATION

Current forecast position: General fund

10. Table 1 below shows the current forecast outturn position for quarter three (as at 31 December 2013) by department. These estimates are based on nine months' experience and stringent management action by all strategic directors will continue to ensure that they deliver their services within budget as agreed through the policy and resources strategy in February 2013 by council assembly. Progress for each department is shown in paragraphs 14 to 37 below.

Table 1: General fund forecast outturn position for 2013/14 as at Q3

General fund	2013/14 Original budget £'000	Budget movements £'000	budget movement (to)/from reserves £'000	2013/14 revised budget £'000	2013/14 spend forecast in year £'000	Variance £'000
Children's and adults services	214,342	(7,819)	0	206,523	**206,523**	0
Environment and leisure	69,386	3,399	1,958	74,743	74,441	(302)
Housing and community services	39,524	(1,598)	604	38,530	38,709	179
Chief executive's department	20,566	(985)	85	19,666	19,400	(266)
Finance and corporate services	42,181	7,003	(3,471)	45,713	45,486	(227)
Support cost recharges	(57,956)	0	0	(57,956)	(57,956)	0
Total general fund services excluding contingency	**328,043**	**(0)**	**(824)**	**327,219**	**326,603**	**(616)**
Contingency	5,000	0	(4,000)	1,000	0	(1,000)
Total general fund services including contingency	**333,043**	**(0)**	**(4,824)**	**328,219**	**326,603**	**(1,616)**
Revenue contributions to capital	0	0	1,398	1,398	1,398	0
Planned appropriations to / from reserves to meet service demands	0	0	6,957	6,957	6,957	0
Planned appropriations to / from reserves for technical accounting purposes		0	(2,133)	(2,133)	(2,133)	0
Planned appropriations to / from reserves to meet capital	0	0	(1,398)	(1,398)	(1,398)	0
Planned appropriations from reserves to meet shortfall in budget	(5,271)	0	0	(5,271)	(5,271)	0
General fund total	**327,772**	**(0)**	**0**	**327,772**	**326,156**	**(1,616)**

Note: Explanations of this quarter's budget movements are provided in Appendix A.
Q1 and Q2 movements were reported in appendices to the previous revenue monitoring reports.

11. The forecast includes estimates of one off re-organisation and redundancy costs that the council expects to incur as it continues to put into action plans necessary to deliver the ongoing savings identified within the budget.

12. As shown in Table 1, within services there is a forecast favourable variance of £616k based on the information available at the end of December. This takes account of expected movements to and from reserves in relation to services.

13. Table 1 reflects budget movements to the end of quarter three. Appendix A details the quarter three movements only for cabinet to approve or note as is appropriate. Budget movements for quarters one and two were reported to cabinet on 17 September 2013 and 19 November 2013 respectively.

Children's and adults services

14. Children's and adults' services are forecasting an overall balanced budget of £206.5m for 2013/14. This may require use of earmarked reserves and management action to mitigate significant financial pressures.

15. As reported throughout this financial year, children's social care budget pressures remain resulting from increased activity in residential placements earlier in the financial year and financial assistance given to destitute families with no recourse to public funds. The forecast adverse variance is £3.0m. There has been a reduction in the number of residential placements since quarter two of 10% in response to management reviews undertaken. If this placement level can be maintained, future budget pressures will be mitigated.

16. This unfavourable variance is being offset by one-off favourable variances totalling £1m across education and the strategy, commissioning and business improvement team mainly attributable to staffing; and £2m in adults' services. As previously reported, adults' services favourable budget variance arises from grants which have been rolled forward from prior years. These one-off monies were being held as contingency against demand pressures which have been managed through a series of modernisation initiatives.

Schools budget

17. The dedicated schools grant (DSG) budget forecasts a favourable variance of £3.0m (1.5% of the total DSG) attributable to ongoing building capacity for two year old places whilst this new provision grows. The special educational needs pupils in independent schools budget continues to experience adverse budget pressures. The utilisation of the ring-fenced DSG is considered by the schools forum as part of the overall financial strategy.

Environment and leisure

18. The department is forecasting a favourable variance of £302k for the year compared to an adverse variance of £68k reported at end of the second quarter. The quarter 2 forecast adverse variance was due to delay in the reorganisation of the wardens and enforcement service, however this can now be contained within the overall budget of the division.

19. The ring fenced parking account is expected to be some £300k in surplus by year end, as a result of continued improvements and efficiencies in the contract management. It is anticipated that this surplus can be used next year to support capital schemes in improving the conditions on our roads and making our roads safer for cyclists.

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

Housing and community services (H&CS)

21. The forecast for housing and community services shows an adverse variance of £179k. This represents an improvement over the position reported at quarter two, and includes £78k of redundancy costs up to this point. Unless the outturn situation improves further over the last quarter, these costs will be met from corporate reserves. As reported previously, budget pressures/risks remain in relation to the impact of welfare reforms, temporary accommodation and the customer service centre.

22. The in-house customer service centre provides the opportunity to reconfigure and improve customer access and service delivery and drive out substantial savings going forward. Transition costs relating to the development and implementation of the new Customer Relationship Manager (CRM) software, telephony and infrastructure upgrades are held separately from the operating account and met from corporate resources.

23. Full-year budget savings of £3m were taken for 2013/14 and further savings are proposed for 2014/15. However, some one-off budgetary pressure exists in the short-term in relation to residual contractual costs for the first two months of 2013/14 and legacy systems/ change management commitments, which will fall out over time. The phased recruitment of staff to the call centre is likely to realise some compensatory savings, but the situation remains subject to variation as the service transitions itself and the forecast should be viewed with caution at this point.

24. The cost of provision of temporary accommodation continues to exert pressure on the budget, although to a lesser extent than previously reported. Southwark is recognised as a leader in homeless prevention, but it is simultaneously facing challenges through increased homeless demand and a contraction on the supply side. This is particularly acute on housing association leasing schemes as registered providers struggle to maintain the financial viability of schemes, exacerbated by the impact of wider welfare reforms.

25. The anticipated decline in the use of estate voids (in the HRA) is expected to accelerate over the coming months as vacant possession is sought during the early phases of the Aylesbury Estate regeneration programme. This will adversely impact the general fund budget as based on demand forecasts the need to use bed and breakfast will increase. To some extent this was anticipated through the 2013/14 budget process and corporate reserves have been earmarked to meet the cost pressure. This will be kept under review and drawn down as required.

Chief executive's department

26. The chief executive's department is reporting a forecast favourable variance of £266k following adjustments for anticipated contributions to and from reserves.

27. The budget takes into account agreed savings of £520k for the department which have been incorporated into the budgets and are projected as fully achievable.

28. The forecast includes the set aside of some favourable variances in an earmarked reserve to fund on-going schemes and initiatives within the department as part of the council's overriding modernisation agenda and to draw down funding from existing reserves for schemes which are being undertaken this year. It is expected that this will result in a net contribution to reserves of £30k.

29. All budgets within the department will continue to be closely monitored for the remainder the year to identify areas of potential savings and also address any emerging additional budget pressures.

Finance and corporate services

30. Finance and corporate services is forecasting a favourable variance against budget of £227k. This forecast takes account of the expected £1m release of reserves.

31. The department is undergoing a fundamental restructure including - further reviews of the provision of IT services, further re-organisations of staffing structures across the finance and legal services divisions, and a review of major corporate facilities management contracts. Savings of £3.767m have been allocated and are expected to be met. Where this is not possible, substitute options will be found to ensure the overall target will be achieved.

Public health

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

33. The director of public health fulfils a number of statutory duties including providing professional public health expertise to both Southwark and Lambeth boroughs, clinical commissioning groups and health and wellbeing boards.

34. 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 potential budget pressure emerging in sexual health services. First call for funding any pressures would be the budget held to mitigate financial risk.

35. A budget of £3.1m within the chief executive's department covers both the staffing costs for the shared specialist public heath team that includes staff transferred from the NHS and a budget held to mitigate for the financial risks associated with activity/costs for public health. A favourable variance against the staffing budget is forecast for 2013/14 as the public health team builds to full capacity.

36. Overall the position at quarter three remains unchanged from that at quarter two. It is anticipated that the grant will be fully spent this year. However as previously stated, in the event that this is not the case, any variance will be set aside in reserves to fund the related expenditure in the following year.

Contingency

37. The 2013/14 budget included £5m for contingency, held to meet unforeseen costs that may arise during the year within departments that strategic directors are unable to contain. At quarter three no significant pressures have been identified that will require a call against this contingency. Therefore £4m of the total £5m has been set moved to reserves. As previously reported this will be used to meet the current assumption that in 2014/15 a £6.2m contribution from reserves will be required to support the general fund budget.

Capital

38. 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 is asked to approve or note these contributions in Appendix A.

Housing revenue account (HRA)

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

Table 2: HRA forecast outturn position for 2013/14 as at Q3

Services	Net Expenditure		
	Full Year Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Operations	(173,814)	(174,272)	(458)
Maintenance & Compliance	46,847	48,255	1,408
Major Works	1,606	827	(779)
Specialist Housing Services	(37,240)	(38,088)	(848)
Strategic & Corporate Services	128,026	128,143	117
Customer Experience	2,873	2,873	0
Community Engagement	2,129	2,007	(122)
Regeneration Initiatives	1,173	1,052	(121)
Heating Account	12,198	12,198	0
Direct Revenue Funding of Capital	12,727	12,727	0
Total	**(3,475)**	**(4,278)**	**(803)**
Appropriations to /(from) Reserves	3,475	4,278	803
Total	**0**	**0**	**0**

40. Rent collection performance at week 39 is 98.80% for mainstream tenanted stock. This is an improvement over the same point last year and shows resilience despite the generally weak economic conditions and the impact of benefit reforms. The council continues to provide assistance to those in most need in a variety of ways, including a £1m top-up from the HRA to the Discretionary Housing Payment fund, specifically for council tenants.

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

42. Disrepair caseload remains a persistent problem and is extremely resource intensive with the costs of administration and compensation forecast to exceed budget. This remains a key management priority and good progress is being

made in resolving old cases and managing new caseload which is experiencing some upwards pressure. The aim remains to eliminate claims arising in the first instance through an improved repairs service.

43. The 2013/14 Housing Revenue Account (HRA) Rent Setting and Budget Report was approved by cabinet on 29 January 2013. In taking its decision, cabinet recommended that a number of areas identified for the HRA redirection of resources were of particular importance and should be developed into detailed programmes for consideration by residents.

44. Following consultation an external decorations programme of £1m each year for 2013/14 and 2014/15 was identified and reported to Cabinet in May 2013.

45. While there has been a delay to the start of this programme which is reflected in the forecast favourable variance for major works, any unused resource will be carried forward with the expectation that the programme is completed in 2014/15.

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

47. Revenue service charge billing is currently forecast on target, but prior-year account actualisations are likely to be higher than expected and will be finalised during the quarter four. Combined collection performance for capital and revenue service charges at quarter three is above target at £20.6m (including Major Works loans), against the full year cash target of £23.5m.

48. The ring-fenced nature of the HRA requires that deficits/surpluses are carried forward between years. Reserves have been below the optimum level commensurate with the size of Southwark's combined revenue and capital programmes and represent a financial risk. In line with the medium term resource strategy (MTRS), the council has been seeking to achieve a better balance through planned contributions from revenue, and this continues for 2013/14.

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

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

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

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

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

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

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

52. The children's and adults' services adverse variance on savings have been offset against compensating favourable variances within the department. As previously reported, there is an adverse variance for the adults' services savings expected from the service redesign of arrangements the adult social care role within mental health of £700k and a delay in the education services restructure of specialist educational services resulting in £400k adverse variance.

Reserves

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

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

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

amount is £250k or above.

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

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

Business rates retention scheme

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

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

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

Collection fund monitor

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

Table 4: Collection fund account

Collection Fund Account	**Estimated balance as at 31/03/2014** (surplus)/deficit **£'000**	**Southwark share £'000**	**Comments**
Council Tax	(1,753)	(1,316)	75.1% Southwark: 24.9% GLA
Business Rates (NNDR)	(36)	(11)	30% LBS; 20% GLA: 50%CLG
Business Rate Supplements (BRS)	0	0	100% GLA
	(1,789)	**(1,327)**	

Council tax

61. Council tax cash collection continues to perform well when compared to the same period last year. While the 10% reduction in central government support for the council tax reduction scheme has increased the amount of council tax to be collected by £2.8m, the council still expects to meet its collection fund target for the year. The service is actively pursuing non payers of council tax and is working proactively to assist customers in genuine need of support.

62. The current indications are that the council tax account will make a surplus of £1.8m, of which the council's share would be £1.3m. As reported previously this is mainly because the council tax collectable has increased compared to the estimate when the council tax was set in January 2013, while at the same time collection performance is estimated to be maintained at a level above the previous year. Therefore, income due has increased whilst reducing the cost for bad debt provision.

63. The current forecast is lower than the quarter 2 estimate of £2.5m surplus. This is due mainly to a higher level of exemptions and discounts anticipated.

Business rates

64. 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.

65. 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.

66. 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.

67. 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.

68. At quarter three, the NNDR account is estimated to make a surplus of £36k, and the council's share of this surplus (30%) is £11k. The surplus balance is due to NNDR income collectable being more or less on target to that estimated in January for the NNDR1 setting. The estimate includes a £5.6m provision for NNDR appeals, which is difficult to assess with any degree of certainty due to factors outside of the council's control. With the information available, this represents the council's best estimate. The surplus position if realised at year end, will not impact on this year's budget but will be accounted for as part of the NNDR setting for 2014/15.

Business rate supplement

69. 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

70. The council holds cash in short term money market instruments diversified across major banks and building societies and in bonds and bills issued by the UK government or supranational entities. The investments themselves are managed by an in-house operation and two investment firms: Aberdeen Asset Managers and AllianceBernstein. Capital preservation and liquidity remain priorities. Over the first three quarters of the year the sum invested averaged £242m and as at 31 December 2013 stood at £233m. The balance with each counterparty and the maturity profile are set out in the tables below. Investments will be liquidated as needed to meet spending over the course of the year.

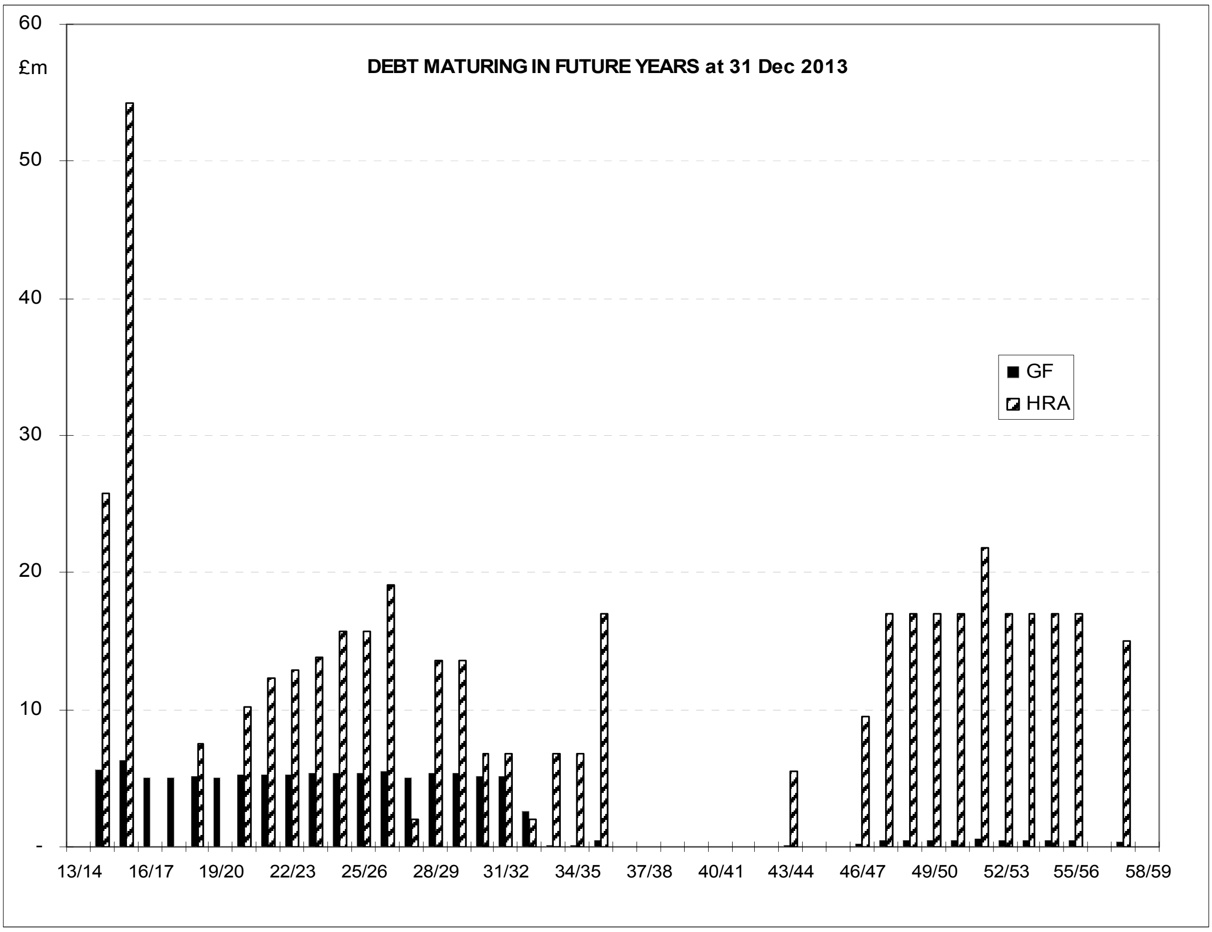
71. The return for the financial year to 31 December 2013 is 0.4%, reflecting low UK base rates (0.50%, equivalent to 0.38% over the three quarters) and the stimulatory monetary policies which central banks here and abroad still have in place.

INVESTMENT COUNTERPARTY AND RATINGS - 31 DEC 2013									
EXPOSURE £m	**FUND**				**Fitch Ratings**				
COUNTERPARTY	Aberdeen	Alliance Bernstein	In-House	**£m**	Long	Short	Support	Sovereign	Sovereign Rating
NORDEA BANK FINLAND	3.5	-	-	3.5	AA-	F1+	1	FINLAND	AAA
CREDIT INDUST ET COMRCL	3.5	-	-	3.5	A+	F1	1	FRANCE	AA+
SOCGEN	-	1.0	-	1.0	A	F1	1	FRANCE	AA+
BANGUE NATIONAL DE PARIS - PARIBAS	3.5	2.0	-	5.5	A+	F1	1	FRANCE	AA+
DEUTSCHE BANK	-	3.0	-	3.0	A+	F1+	1	GERMANY	AAA
GLOBAL TREAS FUNDS-MMF	-	-	4.0	4.0		AAA		GLOBAL	
RABOBANK	-	2.0	-	2.0	AA-	F1+	1	NETHERLANDS	AAA
ING BANK	3.4	2.0	10.0	15.4	A+	F1+	1	NETHERLANDS	AAA
ABN AMRO BANK	3.5	2.0	-	5.5	A+	F1+	1	NETHERLANDS	AAA
DNB BANK	3.5	-	-	3.5	A+	F1	1	NORWAY	AAA
EUROPEAN INV BANK	7.0	6.5	-	13.5	AAA	F1+		SUPRANATIONAL	AAA
INT BANK RECONST DEVT	3.5	6.3	-	9.8	AAA	F1+		SUPRANATIONAL	AAA
SVENSKA	3.3	-	15.1	18.4	AA-	F1+	1	SWEDEN	AAA
SKANDINAVISKA	3.5	1.0	-	4.5	A+	F1	1	SWEDEN	AAA
CREDIT SUISSE	3.5	2.1	-	5.6	A	F1	1	SWITZERLAND	AAA
NATIONWIDE BSOC	3.3	-	10.0	13.3	A	F1	1	UK	AA+
RBS/NATWEST	-	-	62.9	62.9	A	F1	1	UK	AA+
UK TREASURY	-	22.4	-	22.4	AA+	F1+		UK	AA+
BARCLAYS BANK	5.0	-	15.1	20.1	A	F1	1	UK	AA+
LLOYDS BANK	-	-	15.1	15.1	A	F1	1	UK	AA+
BNY MELLON	0.5	0.1	-	0.6	AA-	F1+	1	US	AAA
Total £m	50.5	50.4	132.2	233.1					

INVESTMENT MATURITY PROFILE AND LONG TERM RATING - 31 DEC 2013				
Yr Band	A+ to A	AA+ to AA-	AAA	Grand Total
Up to 1 Yr	159.0	39.7	9.9	208.6
1-2 Yrs			8.6	8.6
2-5 Yrs		7.1	8.8	15.9
Grand Total £m	159.0	46.8	27.3	233.1

Fitch Ratings	Definition
AAA	Highest credit quality
AA+,AA, AA-	Very high credit quality
A+, A	High credit quality
F1	Highest short term credit quality; strongest capacity for timely payment (+donates exceptionally strong credit feature)
1	Extremely high probability of support, if it were needed

72. The balance outstanding on loans taken to fund past capital spend was £560m at 31/3/2013 and is divided between the HRA (£451m) and the General Fund (£109m). The sums falling as maturities in the future are set out in the chart below. The £5m general fund loans, which fall due in 2013/14, have been paid off and will be financed from the minimum revenue provision that the council sets aside each year to reduce debt. The HRA also has capacity to set aside prudent sums for debt repayment, and £25.8m in HRA debt, originally due to mature 2014/15 is planned to be paid off in the 4th quarter of 2013/14.



Community impact statement

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

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
2013/14 Revenue Monitoring: Quarter 2 report to Cabinet 19 November 2013 (Item 11)	160 Tooley Street London SE1 2QH	Vernon Smith 020 7525 7355
Link http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=4552&Ver=4		
Policy and Resources 2013/14 - 2015/16: cabinet 12 February 2013 (Item 8)	160 Tooley Street London SE1 2QH	Vernon Smith 020 7525 7355
Link http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=4251&Ver=4		

APPENDICES

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

AUDIT TRAIL

<table>
<tr><th>Cabinet member</th><td colspan="2">Councillor Richard Livingstone, Finance, Resources and Community Safety</td></tr>
<tr><th>Lead officer</th><td colspan="2">Duncan Whitfield, Strategic Director of Finance and Corporate Services</td></tr>
<tr><th>Report author</th><td colspan="2">Jennifer Seeley, Deputy Finance Director</td></tr>
<tr><th>Version</th><td colspan="2">Final</td></tr>
<tr><th>Dated</th><td colspan="2">6 March 2014</td></tr>
<tr><th>Key Decision?</th><td colspan="2">Yes</td></tr>
<tr><th colspan="3">CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</th></tr>
<tr><th>Officer Title</th><th>Comments Sought</th><th>Comments Included</th></tr>
<tr><td>Director of Legal Services</td><td>No</td><td>No</td></tr>
<tr><td>Strategic Director of Finance and Corporate Services</td><td>N/a</td><td>N/a</td></tr>
<tr><td>Cabinet Member</td><td>Yes</td><td>Yes</td></tr>
<tr><th colspan="2">Date final report sent to Constitutional Team</th><td>6 March 2014</td></tr>
</table>