

Quarter 1 2011/12 Performance Report

Part 1 Performance Health check

1 Performance Management Framework

Review of progress against the performance management framework show that the PDR process has now commenced with the Chief Executive undertaking those of CMT. Following this, the cascade down can begin. This has resulted in a delay in the creation of the training plan.

All other items are on track.

2. Corporate Consultation update

Citizens Panel

The panel now has 567 members. The Tamworth Listens Facebook page has 484 friends.

The next citizens panel questionnaire is due to go out in September.

Tamworth Listens

An informal drop in event was held in the town centre for the start of 'Cabinet on Tour'. The next event is 'Speed Date your Services' which is being held on Thursday 22nd September.

Place Survey

A new place survey has been built with additional questions. This is available on the website and will be promoted in various ways.

Link Survey

A survey looking at how people travel between the town centre and Ventura Park. 440 responses were received for this survey. Analysis is being undertaken.

Polling District and Polling Station review

A review of polling station venues within the Tamworth Constituency.

Upcoming Consultation

Budget consultation.

3. Corporate Communications update

During the period 68 press releases were issued, resulting in 406 pieces of coverage.

We also carried out live blogs, video and tweets from the elections, which resulted in more than 1,500 hits on the day of the elections and the following day. There was a live housing blog with the portfolio holder for Quality of Life and Housing staff.

The BBC filmed at Tamworth Castle in preparation for the Staffordshire Hoard exhibition at Tamworth. Videos were produced which included the St George's Day, Saxon re-enactors, supporting the BMX play track and the new TIC opening.

The Tamworth Borough Council website remains ranked second in Google searches for Tamworth, averaging around 18,000 unique users a month, which is an increase of around 1,000 a month on the previous quarter. Housing, Council Tax and jobs remain the most popular searches.

4. Corporate Risks

A thorough review of the corporate risk register is currently underway. A draft has been circulated to Corporate Management Team for comment and a working group has been set up to assess the risks. It is planned that the corporate risk register will be reported to the next Cabinet meeting with the performance report

5. Corporate Plan Scorecard of Performance Indicators

Further to Corporate Management Team on the 4th July and the Corporate Performance Officer's subsequent meetings, a scorecard of indicators has now been established to measure progress against the new strategic priorities.

This has been reviewed by the Corporate Management Team and is attached.

6. Directorate Updates

Assistant Chief Executives

Following an external review of the role of the Chief Executive, a number of options exploring how the role could be delivered were explored. Once the review was completed, Appointments and Staffing Committee made the decision to recruit internally to the vacancy. Subsequently, full Council appointed Tony Goodwin as its new Chief Executive in July.

Over 200 members of staff attended the AGM where the new vision and priorities for Tamworth were presented together with updates on corporate projects such as Transforming Tamworth, Agile Working, the Budget process and the implications of Big Society and the new Localism Bill. Feedback from the event will help shape future events.

Transforming Tamworth continues with a second group of officers receiving training in Systems Thinking. In addition, a number of officers have also had the opportunity to undertake an NVQ which will recognise and reward their learning and development throughout the programme.

The Support Services review is currently at the stage where all managers are reviewing how they deliver their services. It is anticipated that initial recommendations will be presented to the Budget Review Group in October.

Mod Gov, a web based system, has now been implemented by Democratic Services. This enables for the more efficient planning, compilation, circulation, sharing and authorisation of reports. Other features include receipt and publish to website of electronic petitions and the publishing of member's register of interests.

The local elections and referendum took place in May. The annual canvass has now commenced and work continues on this, culminating in the publication of the electoral register in December.

Tensor (a web based time recording system) went live with a 'self serv' option which allows staff to manage their own time recording and annual leave. This system has replaced the very outdated labour intensive clock card system and provides managers with more information to manage working time and attendance.

Housing and Health

Work has continued on the Housing and Health strategy and the Strategy will now be presented to Cabinet of 21st September. This strategy will direct housing activity across all tenures within the borough and with good housing being a contributory factor to good health will link to health outcomes. This development of the Strategy has attracted attention at a Regional and National level.

The Local Investment Plan has now been approved by Cabinet and work is underway with Registered Providers to implement the plan. This is a key document for informing the HCA about our investment needs around housing and affordable housing. The LIP will now need to become more focused on identified development sites in Tamworth following further guidance from the HCA.

The review of garages and garage sites continues. A number of sites have been identified as potentially suitable for re-development. A report will be submitted to Cabinet in September to consider the disposal of these sites to RP's for the purpose of developing affordable housing. Following this RP's will undertake further more detailed site suitability assessments prior to a final decision being made in respect of development of the sites.

Anti-social behaviour policies and procedures were developed with the aim to meet the respect standard and will ensure landlord services support the co-located team at the police station. The Landlord Services team are working closely with other agencies at the Community Safety Hub and have full involvement in joint briefings and joint operations to tackle anti social behaviour and reduce crime.

Work continues with relation to energy efficiency with the launch of the Heatseekers scheme. Additionally, the Council is working with new partners to further develop the HEAT scheme and its approach to affordable warmth.

The approach to Empty Properties in the private sector continues to be developed and refined in line with best practice. The Council has already met its target to bring 10 properties back into use during the current financial year. A new Empty Homes Policy and Financial Assistance package is being submitted to Cabinet in September.

The Tamworth Homelessness Prevention Programme is being further developed to incorporate health professionals and community groups in addition to local schools and youth clubs in order to encourage a genuinely preventative approach to homelessness.

Work continued on private sector housing standards involving licensing of houses in multiple occupation. The team have also been involved in high profile prosecutions.

The transfer of Homelink alarm services to WEL was completed. This has been very successful with all customers transferring seamlessly to the new provider.

Independent survey was commissioned and overall satisfaction with Landlord Services has increased from 65% (2008) to 75% (2011). The report highlights overall satisfaction with sheltered housing services is 93%.

Landlord services continue to improve service delivery on core housing functions maximising income to the council and improving the quality of life of customers. Examples include:-

- ✓ reducing void turnaround from 28 days (outturn 2009/10) to 21 days (outturn 2010/11)
- ✓ reducing the level of arrears to 1.56%, collecting 100.25% of the overall rental and arrears income
- ✓ Improving repairs satisfaction by completing repairs right first time and increasing appointments

Achievement of accreditation against the Centre Sheltered Housing Studies meeting key service outcomes against the quality assessment framework

Independent assessment of the allocations policy concluding that this could be rated as good by inspectors and satisfaction with the finding a home service up to 88%

Approval of a new repairs policy that will see a handyperson service introduced in 2012, continuing to meet the decent homes standard

Procurement of a new Repairs and Investment contractor has continued with completion of the initial bidding stages.

Launch of the local offers and full review of service standards in April 2011 linked to an improved co-regulatory and democratic framework

Continued deliver of the landlord financial inclusion strategy with over a ¼ million personal debt secured for customers and over £100k extra benefit taken up maximising' customers' income.

Assets and Environment

The joint waste collection service continues to run successfully and has maintained the increase in recycling rates noted at year end when compared to this time last year; this is matched by data confirming more residents are requesting a larger blue bin. The residual waste collection figures continue to reduce slightly from the same period as last year.

The Streetscene team continue to strive to keep the town a tidy place. Those indicators that measure cleanliness i.e. litter, detritus and fly posting are still performing better than the national average, with the exception of graffiti which is still marginally below the national

average, however is still classified as “good”. During the first quarter this year’s “In Bloom” entry has been judged, with the results due to be announced during September.

It is encouraging to know that both the year 2 Apprentices have been offered full time positions within the team, after successfully achieving their NVQ level 2 qualifications in horticulture

Dog fouling still appears to be the hottest topic for the enforcement team to deal with and as an education measure various ward campaigns are underway to increase awareness. Littering is less of an issue but trends indicate it will increase during quarter 2 and will need additional management to prevent a visible increase.

The new Market Contract commenced on the 1st April, and the operator has already demonstrated their commitment to our market by revamping some of the stalls by investing in new canopies. There has also been an increase in the number of occupied stalls.

Communities, Planning and Partnership

Community Safety

There have been recent challenges in relation to acquisitive crime (in particular burglary) and the recent public unrest which affected local capacity. It is pleasing to report that there were no instances of civil disorder or mass criminality in Tamworth. The Community Safety Hub has conducted an evaluation and feedback from staff and stakeholders indicates strong support for the Hub and the benefits it has delivered for those involved. The Hub has been visited by a number of senior Police and Local Authority Officers from outside the Borough as an example of best practise. Operation TARPA has been successful and has links with the Strategic Partnerships task and finish project into Alcohol Misuse which is in its final stages.

Community Development

The review of Locality Working is well underway with research and data being assembled and analysed prior to drafting the Cabinet report. The Community Development Team will remain at full strength with external funding being used to extend the temporary contract for the temporary community development officer post until 30th March 2012. The community development manager is involved in reviewing the implications of the big society and localism and Tamworth Borough Council is well placed to evidence a track record of community involvement.

Strategic Planning

The work to assess the viability of Anker Valley is well developed, with initial assessments completed and further work commissioned to consider land values and house sales values. There have been further discussions with Henry Boots Developers in relation to the Gungate site. Development Control performance is good and a recent benchmarking project shows us to be good value for money. The Economic Development team have developed the BEP into a truly business led organisation and is in the process of supporting the BEP in finalising the new Economic Development Strategy for Tamworth and Lichfield. The ambitious Enterprise Belt application through the LEP was not successful so attention is now focused on deriving maximum benefit from the vanguard EZ in Birmingham.

Community Leisure

A Canoe Club has been established at the Castle Grounds Activity Centre and use of the facilities continues to increase i.e the increased usage of the Crazy Golf where small improvements have been made to the course. Two new open air gyms have also been installed; at Dosthill Park and Wigginton Park. The Free Swimming scheme is well established at Wilnecote Community Leisure Centre and usage figures are good. Relationships with external providers and contacts remain very strong with regular updates with SnowDome and Tamworth Golf Centre. Public concerns over the Golf Course are being managed and investigated as they arise.

Sports Development

The summer PlaySport scheme is in full swing with reasonable take up of places. As usual an annual review of the scheme will assess its success and options for future delivery. Take up of the adult participation classes is still very good with Zumba ever popular. A recent Charity event organised via the Mayor was supported by the team. Work to support clubs is ongoing with plans to establish an Archery club.

Arts and Events

The spring and summer programme has been very popular and sales have been reasonable given the economic climate. The B Glee and arts development programme have had a positive response and local arts groups have been well supported. The summer events programme is in place with the Summer Festival being Saxon themed. The UltraSound music festival is being managed and regulated with the Events team leading on this process. The new What's On Guide has been published and well received.

Castle

The Castle has been awarded a £1million Heritage Lottery Award and has also been awarded the Sandford Award for its Education programme. Attendance and satisfaction performance is good. The Hoard arrives in late August and preparations for its arrival have dominated the last two months. Ticket sales look set to be a sell out with visitors from across the Country coming as well as a large number of local residents reserving tickets. The Council's new replica Helmet, Sword, Shield and costume have been delivered and will be unveiled at the Exhibition. The new book 'Tamworth the Ancient Capital of Mercia' has been completed and is on sale at the TIC, Castle and Library.

Children and young people

The review of the Council's Safeguarding procedures is due at Cabinet on the 31st August 2011. The Council has, through the Children and Young Persons Officer, provided advice and training to public, private and community groups including Level 1 training. The Turnaround project and Families First pilots are developing well and while there are significant issues these are being dealt with and outcomes for children and families are being improved.

Partnership Development and Voluntary Sector

The new Tamworth Strategic Partnership is being supported to establish the task and finish groups. The Alcohol task and finish project which acted as a pilot is near to completion and the findings and recommendations will be discussed at the Tamworth Strategic Partnership

meeting in September 2011. The Tamworth Strategic Partnership will also be asked to consider the tender specifications for two new services at its meeting in September.

The Council's contracts with the voluntary sector are being managed and the six month presentations to the Commissioning Board from providers are due in September. The assessment of the monitoring reports shows delivery against the contracts is good with only minor issues to be addressed.

The Voluntary/Community Sector itself is reporting back tough times and the Council continues to support the sector with advice and guidance and through the small grants scheme.

Place Steering Group

The Place Steering Group has launched the new town branding and rolled it out in a number of documents and electronic materials. The Steering Group will finalise the Place Plan in the Autumn. Works to improve the Ventura traffic flow have been completed and went very well. Further work is underway to consider the links between Ventura and the Town as part of the Gateways project.

Corporate Finance, Exchequer and Revenues

During the 1st Quarter, the Corporate Finance, Exchequer & Revenues service has:

- Prepared the 2010/11 Draft Statement of Accounts before the statutory deadline of 30th June – made available on the website - together with a two page summary of the accounts.

The achievement of this important document to deadline is the culmination of two years work, not only by the finance team but also cooperation and input from key staff and managers across the Council.

As required by the Government, the 2010/11 accounts have been prepared under International Financial Reporting Standards (IFRS). The introduction of IFRS has significantly changed the way that Local Authority accounts are prepared and a large number of areas are subject to different accounting treatments to those in the past. The conversion process involved a considerable amount of additional work impacting on resources, budgets and other areas such as systems and processes.

- As part of the Council's financial management & reporting processes, the Provisional Revenue and Capital Outturn for 2010/11 were considered by Cabinet on 29th June;
- Prepared the Annual Report on the Treasury Management Service and Actual Prudential Indicators 2010/11 for Cabinet endorsement in July & Council approval in September;
- Procurement launched three major OJEU projects - Housing Repairs & Investment; Gas Heating Installation & Maintenance; and CDM (Construction, Design & Management) Consultancy;
- Implemented parallel running for electronic payslips from June 2011 thereby generating efficiency savings;

- Completed statutory year end payroll returns to HMRC & the Pension Fund before the statutory deadline;
- Continued sound performance, with robust income collection given the economic climate - achieving collection rates for the first quarter, in line with 2010/11 levels, of 29.7% for Council Tax and 30.2% for Non-Domestic Rates;
- Progressed the Transforming Tamworth process within Revenues – process maps have now been completed for 4 of the 6 processes being reviewed. 2 of these processes have been closed off as they are considered to have little or no waste in the process. The other 2 will be measured and potential improvements will be considered. It is likely that this will revolve around e-enhancements. The 2 remaining process maps will be completed shortly for the critical friends to observe and measure.

Business Processes

Local Land and Property Gazetteer Performance Indicators

- On the new performance indicator for this year (comparison between the National Street Gazetteer and the National Land and Property Gazetteer) – April = Bronze, June = Silver
- Basic Land and Property Unit Classification – already achieved gold standard but now 100%
- Council tax match rate – achieved highest match rate between Council tax and Local Land and Property Gazetteer in the West Midlands. The only local authority with 100% match rate.

Census

- Early indication from the Census point to higher than average response rate.

Deployments

- e-Payslips
- Mod.Gov

Service Delivery

- £6.6K Reimbursement from Virginmedia for non delivery of service
- Relocation of TIC to Phil Dix Centre
- Taken on University Placement Student for 48 weeks
- Successful assessment against ISO standards

FINANCIAL HEALTHCHECK REPORT – QUARTER 1, PERIOD 3, JUNE 2011

Executive Summary

This section to the report summarises the main issues identified at the end of June 2011. Details relating to the summary including Directorate commentaries can be obtained from Phil Thomas, Corporate Accountancy Extension 239.

Summary action sheets showing agreed action points to address issues raised are attached at **Appendix A**.

General Fund

Revenue

- The General Fund has a favourable variance against budget at period 3 of £78k.
- The projected full year position identifies a projected unfavourable variance against budget of £52k or a 0.56% over-spend to budget.
- This projection has highlighted several budget areas for concern (detailed at **Appendix B** and within the Report) though we are a quarter of the way through the year and projections may change, ongoing investigations into these areas have been initiated to mitigate the levels of the deficits.
- A balance of £101k was held in the General Contingency Budget at the end of June 2011,

Capital

- Capital expenditure incurred was £44k compared to a profiled budget of £837k.
- It is predicted that £1.647m will be spent by the year-end compared to a full year budget of £1.793m (this includes re-profiled schemes from 2010/11 of £517k).
- A summary of Capital expenditure is shown at **Appendix D**.

Treasury Management

- At the end of June 2011 the Authority had £17.44m invested in the money markets (excluding the £4.92m which is classified as sums at risk invested in Icelandic Banks). The average rate of return on these investments is 1.16% though this may change through the year if market conditions ease. At this point it anticipated that our investments will earn approximately £180k compared to the budgeted figure of £256k an estimated shortfall of some £76k. Details of our current investments and the situation with our Icelandic investments can be found at **Annex 1**.

- Borrowing by the Authority stood at £20.392m at the end of June 2011, all being long term loans from the Treasury Public Works Loans Board. The average rate payable on these borrowings equates to 6.62%. At this point it is projected that interest payments will be £1.347m compared to a budget of £1.731m, assuming that the £7.1m new borrowing requirement included within the base budget, for is not taken. Details of our current borrowings can be found at **Annex 3**.
- A more detailed summary of the Treasury Management situation together with current economic forecasts provided by our Treasury Management Consultants Sector can be found at **Appendix E**.

Balances

Balances on General Fund are projected to be in the region of £3.760m at the year-end from normal revenue operations compared to £3.191m projected within the 2011/12 budget report.

There is also currently a balance unallocated of £256k within the Repairs and Renewals Fund.

Housing Revenue Account (HRA)

Revenue

- The HRA has a favourable variance against budget at Period 3 of £173k.
- The projected full year position identifies a favourable variance against budget of £262k. Individual significant budget areas reflecting the variance are detailed at **Appendix B** and within the body of the Report.

Capital

- Housing Capital expenditure of £857k has been incurred as at the end of Period 3 compared to a profiled budget of £1.242m.
- It is predicted that £4.435m will be spent by the year-end compared to the full year budget of £4.450m (including £172k re-profiled from 2010/11);
- Members are being requested to approve the vire of £100k in respect of the Asbestos Testing and Removal project to other programmed schemes, as the project works are being undertaken as part of these other schemes. Details of the request are noted within the detail, shown later in this report.
- A summary of Capital expenditure is shown at **Appendix D**.

Balances

- Balances on the Housing Revenue Account are projected to be in the region of £4.670m at the year-end compared to £4.268m projected within the 2011/12 budget report.

Balance Sheet Reporting

In order to improve the information provided regarding the financial standing of the Council as at the end of the period, **Appendix C** shows an extract of the Council's balance sheet. This includes movements in balances from the start of the year in areas such as Long Term Investments and Debtors, Current Assets and Liabilities, Long Term Liabilities and Financing and Earmarked Reserves held. At this stage the table is being developed as an improvement to the reporting process, and as such reflects a 'snapshot' at this point in time.

FINANCIAL HEALTHCHECK REPORT – QUARTER 1, PERIOD 3 JUNE 2011

This section of the report highlights the main issues identified, CMT and Members are asked to note the contents of the report and agree action points to address the issues raised.

Issues Identified

The financial performance review has focussed on the following key areas, on which further work is being undertaken:

- Review of the actual activity to budget for the period;
- A projection of the actual activity to budget for the year;
- Identification of potential issues for action;
- This is the first monitoring report of the year and issues regarding budget profiles and previous year's accruals, may distort the reported figures to some extent, though the majority of these issues will have been adjusted for manually.

General Fund – Revenue

- The position at the end of June 2011 shows a favourable situation of £78k under-spend.
- The projected full year position identifies an unfavourable variance against budget of £52k.

Significant items currently identified relating to overspends/under achievement of income are,

- Outside Car Parks - £101k. Increased parking at Spinning School Lane has had an adverse impact on other parking sites (£80k). There has also been a substantial increase in Business Rates costs (£21k) following creation of additional parking spaces at Spinning School Lane. Investigations are underway to establish if the costs can be recovered from the site developer.
- Treasury Management - £64k. Net overspend mainly as a result of the decision to delay budgeted external borrowing resulting in lower external interest payments (£384k) but a reduction in the sum chargeable to the HRA in respect of Item 8 dr (£367k). The continuing lower level of money market interest rates has also resulted in a projected shortfall in our investment income (£76k) by year end.
- Industrial Property Management - £26k. Projected shortfall in rental income based on current occupation levels.
- CCTV - £21k. Employee costs - Long Term sickness being covered by overtime.
- Public spaces - £15k. Sponsored Roundabouts (£11k) - no income can be expected until the issue with Valuation Office regarding rates is resolved. There is also an unbudgeted Business Rates cost for Advertising Rights for Roundabouts within the Borough (£4k).

- Tourist Information Service - £13k. Employee costs - Additional hours worked re TIC relocation and training.
- Commercial Property Management - £13k. Projected shortfall in rental income based on current occupation levels.
- Street Wardens - £11k. Employee costs – a full establishment means that budgeted savings included within the budget in respect of vacancy allowance, will not be achieved.

Significant items mitigating the financial impact of the above and contributing to the period position,

- Benefits - £139k. Based on current level of activity as submitted in the DWP Estimate Claim as at end June.
- Environmental Health - £85k. Employee costs - 2 vacant posts - subject to service re-alignment. Further vacant post to be filled in August. One officer on maternity leave.
- Amington Depot - £19k. Employee costs - vacant posts - subject to review.

General Fund – Capital

- The position at the end of June shows an under-spend to profiled budget of £793k, mainly due to slippage on spend compared to predicted expenditure profiles at this early stage of the year.
- The projected full year position identifies a projected net under-spend of £4k, based on initial reassessment of programmed spend. This is due to a projected saving on the Benefits IEG4 e-Claim

There is also a projected requirement to re-profile £142k into 2012/13 re;

1. Housing Repair Assistance Grant funding scheme £19k, as the project is due to be phased over two financial years.
2. Private Sector Coalfields Fund grants, £123k, as again projects are to be identified and undertaken in future years.

Housing Revenue Account – Revenue

- The position at the end of June shows a favourable situation of £173k.
- The projected full year position identifies a favourable variance against budget of £262k.

Significant items currently identified relating to overspends/under achievement of income are,

- HRA Subsidy - £226k. Additional amount payable as a result of continuing low interest rates and the Authorities Capital Financing Requirement being increased by the capitalisation of Icelandic investments, which has the effect of reducing the interest rate that is used to calculate the HRA's capital charge, which then reduces the amount claimable against Subsidy.
- Garage Rents - £34k. Rental income shortfall due to the continuing increase in voids. The use of garage sites is currently being reviewed.

Significant items mitigating the financial impact of the above and contributing to the predicted out-turn position,

- Item 8 DR Interest Charges - £367k. Reduction in the amount budgeted as a result of continuing low interest rates and the change in our Capital Financing Requirement mentioned above.
- Council House Rents - £149k. Projected outturn over recovery against budget partly due a quicker turnaround of void properties reducing overall void levels.

Housing Revenue Account – Capital

- The position at the end of June shows an under-spend to profiled budget of £385k, spread over a number of schemes which appear to have been delayed in relation to the original expenditure profiles planned.
- The projected outturn is showing a net £15k under-spend to budget at this stage, which is in respect of estimated savings on the Upgrade to Homelink Equipment project.
- There are also projected overspends on four other schemes within the programme, however, the Asbestos Testing and Removal budget for 2011/12 of £100,000 is currently showing an under-spend, as the works relate to the removal of asbestos in properties currently receiving other types of Decent Homes improvement works. To improve recording of costs against each work type, Members are to be requested to approve the vire of the asbestos budget to the following programmed schemes as detailed;

1. Bathroom Refurbishments	£26,330
2. Upgrade to Electrical Installations	£20,000
3. Kitchen Refurbishments	£41,340
4. Disabled Adaptations	£12,330

APPENDIX A

REF	ACTIVITY	OPTIONS	AGREED ACTION	ACTION BY / WHEN	PROGRESS
1	FINANCIAL ISSUES				
1.1	Budget Monitoring & Control		It will be expected that any Directorate overspends (budget v actuals) will be financed from within Directorates (including other proposals) and not from Corporate / General Balances unless prior approval has been authorised (CMT).	Directors, AD's & Budget Holders	Ongoing
1.2	<u>Forward Look:</u> – Medium Term Financial Strategy (MTFS)		Investigation into significant variances, to identify reasons for the changes and implement 'lessons learned' to reduce the risk of future occurrences.	Findings incorporated within Budget Review Groups provisional consideration for the impact on 2012/13 (onwards) financial planning.	BRG will be given report on out-turn situation for consideration and implications for the MTFS

Appendix B

GENERAL FUND 2011/12	YTD Outturn	Projected Outturn @	Comments
	Period 03	Period 03	
	Over/(Under) Spends £000's	Over/(Under) Spends £000's	
CHIEF EXECUTIVE'S OFFICE			
<i>Head of Customer Services</i>			
Tourist Information Service			
Salaries Overtime	5	5	Additional hours worked re TIC relocation and training Casual staff costs incurred re TIC relocation in excess of budgetary provision
Wages	8	8	
<i>Head of Organisational Development</i>			
Human Resources			
Salaries	5	(8)	Underspend expected at year end due to HR Advisor leaving to take redundancy earlier than originally planned
Training and Development			
NVQ Training	6	0	Commitment raised for NVQ training which is to be part-funded from budget currently held in reserve awaiting release
<i>Solicitor and Monitoring Officer</i>			
Electoral Process			
Rents	(10)	0	Costs re polling stations met in part by Government Grant re AV referendum
Software Support Licences	9	0	Commitment re Mod Gov software which is to be funded from budget currently held in reserve awaiting release
Election Staff	(10)	0	Costs met in part by Government Grant re AV referendum
Land Charges			
Central Land Charges	(5)	0	Income received above budget to date
Other minor non-significant variances	3	0	
CHIEF EXECUTIVE'S OFFICE	11	5	
CORPORATE DIRECTOR RESOURCES			
<i>DD - Corporate Finance, Exchequer & Revenues</i>			
Corporate Core			
Subscriptions - Corporate	(4)	(5)	Reduced cost subscriptions
Corporate Finance			
Audit Fee	9	0	Late receipt of invoices to profile
Treasury Management			
External Interest Payable	(97)	(384)	£7.1m new borrowing not yet taken
Interest Payable to HRA	2	6	Higher level of HRA balances
Interest Payable to Reserve	0	(1)	Continuing lower interest rate levels
Housing Revenue Account	92	367	£7.1m new borrowing not yet taken
Misc Interest & Dividends	18	76	Shortfall on investment income
<i>AD Business Processes</i>			
Civil Contingencies			
Civil Contingencies Contribution	(7)	(7)	Rebate against annual contribution to Civil Contingencies Unit

	Over/(Under) Spends £000's	Over/(Under) Spends £000's	Comments
ICT and Transformation			
Salaries	9	0	Impact of budgetary funding shortfall ('vacancy allowance') on fully staffed unit
Ordnance Survey Sheets	(5)	0	Profile issue
Communications	19	0	Payments for annual services made in advance of profiled budget, including £11.8k for GCSX services which is an additional cost this year
Software Maintenance	6	0	Profile issue
Head of Benefits			
Benefits	(22)	(139)	Based on DWP Estimate Claim as at end June
Other minor non-significant variances	(2)	0	
CORPORATE DIRECTOR RESOURCES	18	(87)	
ASSETS AND ENVIRONMENTAL SERVICES			
Asset Management - Admin			
Salaries	2	7	Due to inclusion of vacancy allowance in budget
Commercial Property Management			
Rental Income	3	11	Based on current level of occupation
Industrial Properties			
Rental Income	21	24	Based on current level of occupation
Provision for Bad debts	(14)	0	Saving at period, potential for full requirement by year end
Public Conveniences			
Salaries	3	12	Higher than expected payment for overtime to cover staff absences
Outside Car Parks			
Rates	21	21	Substantial increase in costs following creation of additional parking spaces at Spinning School Lane - May be able to recover from Henry Boot
Fees & Charges	10	80	Increased parking at Spinning School Lane has had an adverse impact on other parking sites.
Amington Depot			
Salaries	(5)	(19)	Vacant posts - subject to review
Marmion House			
Redundancy	(5)	(3)	Saving - costs charged into previous year
Electricity	(6)	0	Profile issue, should be fully expended by year end
Environmental Health			
Salaries	(28)	(85)	2 vacant posts - subject to service re-alignment. Further vacant post to be filled in August. One officer on maternity leave
Cemeteries			
Salaries	(7)	0	Unspent backfill /actuarial strain less than accrued for

	Over/(Under) Spends £000's	Over/(Under) Spends £000's	Comments
Public Spaces			
Sponsored Roundabout	3	11	No income can be expected until the issue with VO regarding rates is resolved
Equipment Furniture & Materials	7	0	Profile issue, should be fully expended by year end
Commercial Refuse/Waste Disposal	9	0	Profile issue, should be fully expended by year end
TBC Highways Maintenance			
Agency Maintenance of Roads/Areas	(14)	0	Profile issue, should be fully expended by year end
Sports Pitches			
Water Charges	5	0	Profile issue, should be fully expended by year end
Street Wardens			
Salaries	3	11	Due to inclusion of vacancy allowance in budget
CCTV			
Salaries	3	11	Long Term sickness being covered by overtime
Other minor non-significant variances	3	19	
ASSETS AND ENVIRONMENTAL SERVICES	14	100	
HOUSING & HEALTH			
General Fund Housing			
Salaries	(16)	0	Vacant posts, now filled
Payments For Temporary Staff	25	0	Temporary agency staff covering vacancies
Homelessness			
Provision for Bad Debt	(9)	0	Provision based on current level of arrears
Bed & Breakfast Cost	(15)	0	Prevention schemes have reduced use of Bed & Breakfast accommodation
Bed & Breakfast Income	17	0	Reduced income offsets reduced expenditure
Homelessness Prevention Schemes			
Sanctuary Scheme	(5)	0	Demand led scheme
Homelessness Strategy			
Homelessness Prevention	(13)	0	Initial projects now identified and approved
Government Grants	(19)	0	Further reports to be submitted for approval to spend remaining grant
Health Agenda			
LSP Project Funding	(6)	0	Profiling issue
Other minor non-significant variances	(23)	0	
HOUSING & HEALTH	(64)	0	

	Over/(Under) Spends £000's	Over/(Under) Spends £000's	Comments
COMMUNITIES, PLANNING & PARTNERSHIPS			
<i>Development Control</i>			
Salaries	(5)	0	Maternity leave and post vacant for 2 months
Fees & Charges Planning Apps	(9)	0	One major application. Not forecast to continue
<i>Dev. Plan Local & Strategic</i>			
Salaries	(4)	(7)	A post has been vacant for 6 weeks. New post holder is not in supperann scheme also budget allows for market supplement which no longer applies
<i>DD - Communities, Planning & Partnerships</i>			
Salaries	2	6	Full establishment, no savings against vacant post budgeted saving reduction
<i>Partnership Support & Development</i>			
Salaries	1	5	Full establishment, no savings against vacant post budgeted saving reduction
<i>Locality Working - Belgrave</i>			
Education/Campaigns/Initiatives	(7)	0	Profile issue. Consideration of profiling underway following prudent approach to spending
<i>Locality Working - Amington</i>			
Education/Campaigns/Initiatives	(6)	0	Profile issue. Consideration of profiling underway following prudent approach to spending
<i>Assembly Rooms</i>			
Salaries	2	6	Full establishment, no savings against vacant post budgeted saving reduction
Fees-Lettings	(9)	0	Profile Issue. Invoices are being raised in advance of event. Additional income has been received from SS College but it is too soon to forecast any income above budget at year end.
<i>Pleasure Grounds</i>			
Salaries	0	8	Full establishment, no savings against vacant post budgeted saving reduction. Also additional hours being worked to deliver projects funded by PCT
Misc Contributions	0	(7)	Income to be received for PCT to deliver health referrals
<i>Castle & Museum</i>			
Wages	2	5	Using casuals to cover part time vacancy
Admission Fees	(5)	2	Profile issue. Not expected to continue due to free admission to Hoard Exhibition and Building work following successful HLF bid
<i>Peaks Swimming Provision</i>			
Misc Interest & dividends	1	5	Lower interest on investment balances due to continuing exceptional low interest rates.
<i>Community Leisure</i>			
Salaries	0	6	Full establishment, no savings against vacant post budgeted saving reduction

	Over/(Under) Spends £000's	Over/(Under) Spends £000's	Comments
Admin/Management support			
Salaries	(21)	0	Vacant post. Future use of budget subject to discussion by Senior management/Members
Other minor non-significant variances	1	6	
COMMUNITIES, PLANNING & PARTNERSHIPS	(57)	35	

SUMMARY TOTAL GENERAL FUND	(78)	52	
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HOUSING REVENUE ACCOUNT	Over/(Under) Spends £000's	Over/(Under) Spends £000's	Comments
HOUSING & HEALTH			
General - Business Support			
Salaries	(7)	0	Vacant posts
Payments For Temporary Staff	6	0	Temporary agency staff covering vacancies
Audit Fee	5	0	Profiling issue
Allocations			
Financial Incentive to Move	(5)	0	Demand led & dependant on suitable properties
Estate Management			
Employee costs	12	0	Sickness/Vacancy covered by temporary agency staff
Magnolia			
Employee costs	6	0	Sickness/Vacancy covered by temporary agency staff
Thomas Hardy Court			
Fixtures & Fittings	(15)	0	Reserve from 2010/11 to cover cost of heating repairs
Tenant Participation			
Community Events	(5)	0	Plans for further events underway
Housing Advice			
Sanctuary Scheme	(5)	0	Demand led scheme
Repairs Contract			
Consultants Fees	(8)	0	Work on Repairs policy to be finalised
HRA Summary			
Contribution the Repairs Account	(72)	0	Multiple Contracts, of which the Planned Maintenance contract is currently £39K under spent and the Misc budget is £48K under spent Additional amount payable as a result of continuing low interest rates and the Authorities Capital Financing Requirement being increased by the capitalisation of Icelandic investments, which has the effect of reducing the interest rate that is used to calculate the HRA's capital charge, which then reduces the amount claimable against Subsidy.
HRA Subsidy	56	226	

	Over/(Under) Spends £000's	Over/(Under) Spends £000's	Comments
Item 8 Debit	(92)	(367)	Reduction in the amount budgeted as a result of continuing low interest rates and the change in our Capital Financing Requirement mentioned above
Rents	(37)	(149)	Projected outturn over recovery against budget partly due a quicker turnaround of void properties reducing overall void levels
Garage Rents	8	34	Rental income shortfall due to the continuing increase in voids. The use of garage sites is currently being reviewed
Interest on Balances (Item 8 CR)	0	(6)	Increased income from higher level of balances
Other minor non-significant variances	(20)	0	
HOUSING REVENUE ACCOUNT	(173)	(262)	

Balance Sheet Extract Period 03, June 2011

		Balance as at 01/04/11	Balance as at 30/06/11	Movement in Year to Date
Investments				
<i>(Excluding Icelandic 'Sums at Risk')</i>	Short Term	12,993,300	17,453,277	+ 4,459,978
	Long Term	0	0	+ 0
Debtors	General Fund Invoices Outstanding	761,387	579,577	- 181,810
	<u>less</u> bad debt provision for invoices Outstanding	(62,425)	(62,721)	- 296
	HRA Invoices Outstanding	86,940	13,666	- 73,275
	<u>less</u> bad debt provision for invoices Outstanding	(5,971)	(3,260)	+ 2,711
	Housing provision for Bad Debts	(743,463)	(729,960)	+ 13,503
	Benefit Government debtor	657,443	634,922	- 22,521
Creditors	Invoices received not paid	8,688	3,276	- 5,413
	Accruals	(624,175)	(242,882)	+ 381,293
Reserves		(7,905,787)	(7,416,161)	+ 489,626
Capital Receipts	General Fund	(1,386,587)	(1,386,587)	+ 0
	Housing	(520,369)	(574,119)	- 53,750
Collection Fund				
CTAX	Arrears	1,245,940	1,160,266	- 85,674
	Credits & Prepayments	(549,174)	(239,728)	+ 309,446
NNDR	Arrears	1,034,693	855,736	- 178,957
	Credits & Prepayments	(447,695)	(67,787)	+ 379,908
Housing				
HRA RENT	Arrears	838,355	956,213	+ 117,858
	Prepayments	(354,377)	(309,274)	+ 45,103
Homelessness	Arrears	181,259	183,064	+ 1,805
	Prepayments	(9,114)	(8,993)	+ 121

CAPITAL PROGRAMME 2010-11 SUMMARY

Period 3 - Ledger Info @ 08/08/11

Directorate	Budget b/f from 10/11	11/12 Predicted Spend	11/12 Project Budget (Incl b/f from 10/11)	Predicted Re-profile to 12/13	11/12 Resultant Variance	YTD Actuals	YTD Accruals	YTD Actuals + Accruals	YTD Budget	YTD Variance
	£	£	£	£	£			£	£	£
CORPORATE SERVICES	71,340	152,230	156,340	0	-4,110	8,254.42	5,434.77	13,689.19	92,590	-78,901
COMMUNITY SERVICES	446,070	1,494,290	1,636,390	142,100	0	25,303.48	4,797.14	30,100.62	744,640	-714,539
GENERAL FUND TOTALS	517,410	1,646,520	1,792,730	142,100	-4,110	33,557.90	10,231.91	43,789.81	837,230	-793,440
HOUSING REVENUE ACCOUNT	172,360	4,434,600	4,449,600	0	-15,000	836,357.41	20,638.60	856,996.01	1,241,670	-384,673
TOTAL APPROVED CAPITAL	689,770	6,081,120	6,242,330	142,100	-19,110	869,915.31	30,870.51	900,785.82	2,078,900	-1,178,113
Specific Project Contingencies	130,000	0	130,000	0	-130,000	0.00	0.00	0.00	130,000	-130,000
TOTAL (incl spec' contingencies)	819,770	6,081,120	6,372,330	142,100	-149,110	869,915.31	30,870.51	900,785.82	2,208,900	-1,308,113
GF General Contingency	40,000	0	40,000	0	-40,000	0.00	0.00	0.00	40,000	-40,000
Invest To Save Contingency	160,000	0	160,000	0	-160,000	0.00	0.00	0.00	160,000	-160,000
ALL CAPITAL	1,019,770	6,081,120	6,572,330	142,100	-349,110	869,915.31	30,870.51	900,785.82	2,408,900	-1,508,113

Treasury Management Update – Quarter 1 - 2011/2012

CIPFA (the Chartered Institute of Public Finance and Accountancy) issued the revised Code of Practice for Treasury Management in November 2009; it recommends that members should be updated on Treasury management activities at least twice a year, but preferably quarterly. This report therefore ensures this Council is implementing best practice in accordance with the Code.

1. Economic background:

The first quarter of 2011/12 saw:

- The economic recovery struggle to regain momentum;
- Conditions on the high street deteriorate;
- Mixed signals on the strength of the labour market recovery;
- Public sector borrowing come out disappointingly high;
- The near-term outlook for CPI inflation deteriorate further;
- The Monetary Policy Committee move away from raising interest rates;
- UK equities stay broadly flat over the quarter and gilt yields fall;
- Economic growth slow in the US and euro-zone.

The economic recovery has been struggling to regain momentum after underlying activity more or less stagnated between October and March. The additional bank holiday for the Royal Wedding pulled down both industrial and services output in April. But the CIPS/Markit business surveys have failed to pick up by much since. An average of the surveys over the last three months point to quarterly GDP growth in Q1 of just 0.3% - less than half its trend rate.

The industrial recovery appears to have lost momentum quite quickly. The CIPS/Markit manufacturing survey has fallen to a level consistent with falls in manufacturing output. The output expectations balance of the CBI industrial trends survey has fallen more modestly, but has nonetheless dropped for the past three months in a row.

Meanwhile, the consumer outlook has darkened. The pick-up in the consumer sector seen during the spring appears to have been only temporary, reflecting the good weather and extra bank holiday. Retail sales volumes fell in May, more than reversing April's increase. The CBI's distributive trades survey fell in June. And a number of well-known retailers have recently fallen into administration.

Consumers appear to be reacting to the squeeze on their real incomes. Household real disposable incomes fell by 0.8% in the last quarter on 2010/11. Inflation is outpacing average earnings by about 2.5%. Consumer confidence also fell back in June and remains consistent with further falls in consumer spending.

Meanwhile, the news on the labour market has been mixed. The Workforce Jobs measure of employment rose strongly in the last quarter on 2010/11. But the timelier Labour Force Survey measure flattened off in April and May. And the number of job vacancies continued to fall throughout the quarter. The claimant count measure of unemployment also continued to rise over the last three months. This only partly reflected a rise in the number of lone parents claiming Jobseeker's Allowance due to recent benefit changes.

The housing market has continued to tread water. The number of mortgage approvals for new house purchase was broadly unchanged over the quarter at a very low level of just 46,000 or so. House prices have also remained broadly flat. The Nationwide index ended the second quarter at about the same level as it ended the first.

Meanwhile, net trade looks unlikely to provide as big a contribution to GDP growth in Q1 as it did in the last quarter on 2010/11. Net trade boosted quarterly GDP growth by some 1.4%, however, the trade deficit was unchanged in April compared to March.

The weakness of the economy appears to be having some adverse effect on the public finances. Borrowing in the first two months of the fiscal year totalled £27.4bn, compared to last year's £25.9bn. It is early days but, at this rate, borrowing will overshoot the OBR's Budget full-year forecast of £122bn.

Oil prices rose but then fell back during the quarter, and so ended Q1 at \$113 per barrel, close to the level seen at the end 2010/11. Agricultural prices fell sharply over the past quarter.

But the near-term outlook for inflation has deteriorated further. Although CPI inflation held steady at 4.5% in May, it now looks likely to rise to 5.5% or even higher within the next few months. Food price inflation is likely to rise further. And Scottish Power announced in June a 19% rise in gas prices and 10% rise in electricity prices to take effect in August. Other utility suppliers are likely to follow suit.

Households' inflation expectations rose sharply in June. But so far, there are no signs of any pick-up in pay growth. The median pay settlement was unchanged at 2.5% in May.

Most Monetary Policy Committee members still think that the rise in inflation will be only temporary and that inflation will fall back sharply next year. So despite the worsening of the near-term inflation outlook, the weakness of the activity data has pushed most members further away from an interest rate rise.

Some members have even started to discuss the prospect of giving the economy more support. Admittedly, the hurdle for more quantitative easing will be quite high. However, it is certainly possible if the economy remains as weak as we expect.

In financial markets, the FTSE 100 finished the quarter at around 5,950 – about the same level as at the end of the last quarter. This was broadly in line with international stock markets – the S&P500 was also little changed over the period. Ten year gilt yields fell from 3.69% to 3.38% on the back of a drop in interest rate expectations. At the end of March, markets were expecting interest rates to have risen by this July. But now they expect rates to stay on hold until July next year. Meanwhile, sterling was broadly unchanged against the dollar at about \$1.60, and fell only a touch against the euro.

In the US, the recovery also appears to have lost a significant amount of momentum. The ISM manufacturing index fell sharply in May and reversed only a fraction of this drop in June. Payrolls employment rose by a disappointing 54,000 in May. Meanwhile, the euro-zone economy expanded at a healthy pace in the last quarter on 2010/11, but recent falls in most leading indicators suggest that growth is slowing there too. Germany has continued to outperform the rest of the region. The risk of an imminent Greek disaster appears to have eased, but European policymakers' inability to deal with the crisis quickly and effectively is hitting the rest of the periphery.

2. Interest rate forecast:

The Council's Treasury adviser, Sector, provides the following forecast:

Sector's Interest Rate View												
	NOW	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Sector's Bank Rate View	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%
5yr PWLB Rate	3.12%	3.55%	3.65%	3.75%	3.90%	4.00%	4.15%	4.25%	4.45%	4.60%	4.65%	4.75%
10yr PWLB View	4.45%	4.75%	4.75%	4.80%	4.95%	4.95%	5.00%	5.05%	5.15%	5.20%	5.25%	5.25%
25yr PWLB View	5.24%	5.40%	5.40%	5.40%	5.40%	5.40%	5.45%	5.50%	5.50%	5.50%	5.60%	5.65%
50yr PWLB Rate	5.20%	5.40%	5.40%	5.40%	5.40%	5.40%	5.45%	5.50%	5.50%	5.50%	5.60%	5.65%

- The Sector central forecast is for a November 2011 first increase in Bank Rate but with reservations that it could well slip back in time, unless there is some good news on the UK economic recovery before then.
- Sector has undertaken its normal quarterly review of interest rate forecasts after the issue of the Bank of England's quarterly Inflation Report. The key Bank of England comments are shown below:
 - Mervyn King said after the May Inflation Report was published that 'Bank Rate cannot stay down indefinitely' but this does not equate to saying 'there will be a first increase in Bank Rate in November 2011'. Financial markets have over-reacted to this statement.
 - Continuing wage freezes / low pay settlements
 - BoE forecasts for the speed of recovery and of increases in GDP growth rate have consistently been over optimistic since the recession started in 2009
 - CPI will blip up in 2011 due to temporary supply side shock factors but these will drop out within 12 months - as will VAT increases
 - Unless the output gap is closed (unlikely for some considerable time) inflation will eventually fall below target
 - CPIY (CPI less the effects of increase in indirect taxation) has been at or below 2% during 2010 and under 2.9% in 2011

Summary outlook

- The key question is how quickly, and strongly, will the UK economy respond to the positive stimulus from low Bank Rate, quantitative easing and the devaluation of sterling?
- Negative growth of -0.5% in Q4 2010/11 was a huge shock; +0.5% (quarter on quarter) in Q1 2011 meant that growth had been flat for six months. A marginal upgrading of Q1 growth figures will have only a marginal effect on the big picture for the UK but there is considerable uncertainty as to how the UK economy will evolve in the coming months.
- US Q1 growth of only 1.8% (on an annualised basis) was also a disappointment despite non-farm payroll data showing improvement.
- China and India have embarked on a major thrust to cool their over-heating economies and so may depress the rate of world economic growth.
- An anaemic economic recovery is probably the most likely outcome in the UK and US, after the initial rebound in 2010, for the next three to four years; recovery is likely to be slower and more protracted than normal business cycle recoveries as this is a financial crisis recovery where lack of credit is still stifling growth.
- The Bank of England is likely to determine that further increases in CPI in 2011, towards 5%, as being due to one off factors that will drop out of the index within 12 months, so underpinning the view that inflation will be back to near target within a two to three year time horizon.
- This does assume that raised inflation expectations do not feed through into a significant increase in the general level of wage settlements.
- There has been a significant erosion of the confidence of financial markets in the EU handling of the peripheral debt crisis. There is now a major and escalating risk that the Greek, Irish, Portuguese debt crisis may not be contained and could lead to debt restructurings that could do significant damage to banks which already have weakened balance sheets. It is worth noting that many western governments have already exhausted their capacity to increase government debt to again bail out banks further damaged by any such future events and to counter the dampening of economic growth that would follow.

Upside risks to central forecast

- Bank Rate cuts do finally succeed in feeding through to stimulate a strong economic recovery.
- A major increase in UK exports due to the circa 20% depreciation of Sterling over the last two years and import substitution by UK produced goods and services - assuming a reasonably strong economic recovery in US, EU and emerging markets
- Corporate profitability has improved considerably since the recession due to cost cutting; many larger corporate balance sheets are now awash with cash. This could fuel an increase in investment expenditure and also M&A (merger and acquisitions) activity i.e. drive share prices higher and give investors a feel good factor (to spend more?)

Downside risks to central forecast

- Chinese and Indian economies are now over-heating; Chinese authorities spooked by inflation over 5%. The Chinese central bank has raised the central rate four times and increased bank reserve requirements six times since October 2010 to curtail bank credit creation capacity. This could lead to increased volatility or an outright fall in commodity prices.
- UK emerging market funds are finding it difficult to place the huge investment cash flows they are receiving; Chinese investors with surplus cash are investing it in property and shares as if it is a one way bet! Ideally, there needs to be a rebalancing of Chinese spending on retail sales as opposed to the creation of asset price bubbles in property and shares.
- US economy has disappointed in Q1 2011 limping along at 1.8% annual growth rate after a strong Q4 2010 at 3.1%
- US (and UK) have exhausted their capacity for any further fiscal stimulus for their economies
- US is still not even on the starting line for dealing with cutting back a massive annual fiscal deficit; cut backs to come are likely to dampen the economy further
- Banks have major risk exposure to a fraught housing market where house prices have gone down 8.2% in the 12 months to April 2011, have fallen 29.5% since the peak in June 2006, where 29.5% of mortgages are now in negative equity and there is no imminent turn around in sight for the housing market
- Peripheral European economies' crisis requires the European Central Bank to adopt a more pragmatic stance to debt restructuring: the longer the delay, the bigger the potential fallout.
- UK consumer confidence at very low levels whilst major cuts in Government expenditure and public sector jobs still to feed through fully into the economy and to dampen growth over the next few years.
- Despite the private sector creating more jobs than the public sector is cutting, the high current total level of unemployment of around 2.5m means that it will take several years to reduce total unemployment down to pre recession levels.
- No significant growth in personal disposable income likely for a couple of years due to:
 - Continuing wage freezes / low pay settlements
 - Inflation exceeding wage increases so disposable income is being eroded
 - Increases in taxation The UK growth forecast for 2011 was downgraded from 2.6% to 2.0% in the latest Inflation Report.
 - Mortgagors coming off cheap fixed rate mortgage deals onto standard variable rates.
- House prices have fallen to their lowest level since July 2009 and no turn around is in sight in the current economic climate.
- Consumers are focused on reducing over-borrowing by repaying debt rather than spending and are fearful of eventual increases in Bank Rate sending mortgage standard variable rates (SVRs) up in parallel; rebuilding of consumer balance sheets will increase the savings ratio and depress consumer expenditure.
- Banks are still heavily focused on rebuilding their balance sheets – RBS and Lloyds still have massive maturing wholesale borrowing to refinance; the Bank of England Special Liquidity Scheme (SLS) ends in Jan 2012; the BoE has lent

£185bn to banks and building societies which must be repaid. The BoE has indicated there will be no extension of this timeframe for the SLS.

- Eventual reversal of Quantitative Easing by selling gilts etc will take cash out of the economy and restrict credit growth; gilt sales will need to be sensitively timed considering the huge level of gilt sales already planned just to fund each year's deficit.

3. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2011/12, which includes the Annual Investment Strategy, was approved by the Council on 22nd February 2011. It sets out the Council's investment priorities as being:

- Security of Capital;
- Liquidity; and
- Yield

The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover short term cash flow needs but also to seek out value available in significantly higher rates in periods up to 12 months with highly credit rated financial institutions, using Sector's suggested creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Sector: this applies in particular to nationalised and semi nationalised UK banks.

A full list of investments held as at 30th June 2011, are shown in **Annex 1**.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30.06.2011.

Investment rates available in the market have continued at historically low levels. The average level of funds available for investment purposes during the quarter was £16.2m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The authority holds approximately £7m core cash balances for investment purposes (i.e. funds available for more than one year).

Investment performance for quarter ended 30.06.2011

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 Day LIBID	0.46%	1.16%	£47.8k
3 Month LIBID	0.70%		

As illustrated, the authority outperformed the benchmark. The Council's budgeted investment return for 2011/12 is £272k, and performance for the year is anticipated to be some £87k below budget, if interest rates remain at their current level for the rest of the year.

4. New borrowing:

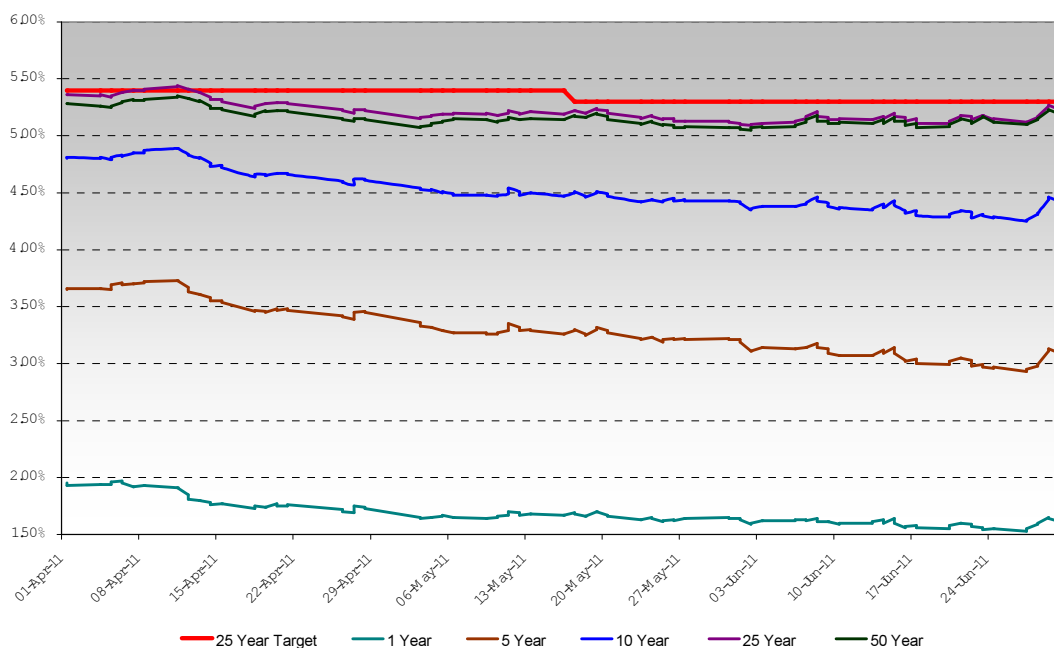
No new borrowing was undertaken during the quarter.

As shown below, most interest rates have generally been on a slightly positive stable trend during the quarter across all bands. The low points during the quarter were seen in the early part of January. The high points were seen in early to mid February.

It is anticipated that further borrowing may be undertaken during this financial year but the level will be partially dependent on the outcome of the Icelandic Supreme Court ruling in relation to our recovery of the sums at risk with the Icelandic bank Glitnir.

PWLB rates quarter ended 30.06.2011

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.53%	2.93%	4.25%	5.09%	5.05%
Date	27/06/11	27/06/11	27/06/11	02/06/11	02/06/11
High	1.97%	3.73%	4.89%	5.44%	5.35%
Date	06/04/11	11/04/11	11/04/11	11/04/11	11/04/11
Average	1.69%	3.29%	4.51%	5.22%	5.16%



Borrowing in advance of need. This Council has not borrowed in advance of need during the quarter ended 30.06.2011. This situation may be reviewed due to the requirements of the new Housing Subsidy finance reform which comes into force on the 1st April 2012.

5. Debt Rescheduling

Debt rescheduling opportunities have been limited in the current economic climate and consequent structure of interest rates following increases in PWLB new borrowing rates in October 2010. No debt rescheduling was undertaken during the quarter ended 30.06.2011.

6. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

During the financial year to date the Council has operated within the Treasury limits and Prudential Indicators set out in the Council's TMSS and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in **Annex 2**.

Investments held as at 30th June 2011:

Borrower	Deposit £	Rate %	From	To	Notice
Bank of Scotland	2,000,000	2.05	08/03/2011	06/03/2012	-
Lloyds TSB Bank	1,000,000	1.90	05/10/2010	05/10/2011	-
Lloyds TSB Bank	2,000,000	1.85	05/11/2010	04/11/2011	-
Santander	3,000,000	1.14	11/05/2011	11/08/2011	-
Nationwide Building Society	1,000,000	0.75	16/05/2011	16/08/2011	-
Nat West	1,995,999	0.80	-	-	On call
Nat West	2,000,001	0.90	-	-	30 days
Santander	999,000	0.75	-	-	On call
Deutsche Bank - MMF	3,449,000	0.62	-	-	On call
Total	17,444,000	1.16 (avg)			

The table below shows the situation with the Council's Icelandic investments as at the end of June.

As part of the final account process, revised recovery expectations were received from the Administrators of the Icelandic bank Kaupthing Singer and Friedlander from 71% to 82%, which resulted in a change to the capitalisation value previously included in the accounts.

Even though the change was based on the Administrators latest current projections, it is recognised that the new 'potential' recovery levels may not materialise.

It was considered prudent therefore to create a reserve in the sum of £473,726.26 and hold this sum until final values are established, which is estimated to be in the early part of 2013.

As the new projections were received after Cabinet approved the creation of reserves in relation to 2010/11, on the 6th April 2011, Members are to be requested to give retrospective approval for the creation of this reserve.

ICELANDIC BANKING SITUATION (30/06/2011)

	Deposit with;	Ref Number	Date Invested	Amount	%
1	GLITNIR	1696	10/10/2007	1,000,000	
	GLITNIR	1715	31/08/2007	1,000,000	
	GLITNIR	1754	14/12/2007	1,000,000	
	Total Principal			3,000,000	
	Interest due at point of administration (contractual/default)			473,985	
	Total of Claim			3,473,985	
	Repayments Received to date			0	0.00
	Outstanding at 30/06/2011			3,473,985	

- Local Authority creditor status as 'Priority Depositors' has been confirmed, however, other creditors are contesting decision. Icelandic Supreme Court will give final verdict in late September 2011.
 - Best case recovery 100%, Worst case recovery 29% (approximately)

2	Heritable Bank	1802	12/09/2008	500,000	
	Heritable Bank	1803	15/09/2008	1,000,000	
	Total Principal			1,500,000	
	Interest due at point of administration 07/10/2008			5,127	
	Total of Claim			1,505,127	
	Repayments Received to date			-848,273	56.36
	Outstanding at 30/06/2011			656,855	

- Administrators paid a further dividend of £61k in July 2011
 - Current indications project an 85% recovery of our investments

3	Singer & Friedlander	1716	31/08/2007	1,000,000	
	Singer & Friedlander	1740	31/10/2007	1,000,000	
	Singer & Friedlander	1746	14/01/2008	1,000,000	
	Total Principal			3,000,000	
	Interest due at point of administration 08/10/2008			175,256	
	Total of Claim			3,175,256	
	Repayments Received to date			-1,841,648	58.00
	Outstanding at 30/06/2011			1,333,608	

- Current indications project an 82% recovery of our investments
 - A further dividend distribution is planned for early October 2011

Summary

Total Principal	7,500,000	
Interest due at point of administration (contractual/default)	654,368	
Total of Claim	8,154,368	
Repayments Received to date	-2,689,921	32.99
Outstanding at 30/06/2011	5,464,447	

- 1 Registered Bank in Iceland - In Administration under Icelandic Law
LA creditor status will determine potential recovery level
- 2 Registered Bank in UK - In Administration in UK by Ernst & Young
Under English Law
- 3 Registered Bank in UK - In Administration in UK by Ernst & Young
Under English Law

Prudential Indicators – As at 30th June 2011

Prudential Indicator	2011/12 Indicator £'000	Quarter 1 – Actual £'000
Capital Financing Requirement (CFR)	27,034	27,034
Gross borrowing	27,228	20,392
Investments	18,200* ₁	17,444* ₁
Net borrowing	9,028	2,849
Authorised limit for external debt	36,100	36,100
Operational boundary for external debt	22,600	22,600
Limit of fixed interest rates based on net debt	14,570	9,920
Limit of variable interest rates based on net debt	2,737	2,039
Principal sums invested > 364 days	3,500	0
Maturity structure of borrowing limits (upper limits)		
Under 12 months	20%	0%
12 months to 2 years	20%	0%
2 years to 5 years	25%	15%
5 years to 10 years	75%	10%
10 years and above	100%	75%

Notes to Prudential Indicators:

*1 Excludes Icelandic investments at risk

<u>Borrowing from PWLB</u>				
<u>Loan Number</u>	<u>Rate</u>	<u>Principal</u>	<u>Start</u>	<u>Maturity</u>
468372	11.625%	1,000,000	29/03/1990	18/08/2015
468478	11.750%	2,000,000	23/04/1990	18/02/2017
475875	8.875%	1,200,000	29/04/1995	25/04/2055
478326	8.000%	1,000,000	17/10/1996	17/10/2056
479541	7.375%	1,000,000	28/05/1997	28/05/2057
479950	6.750%	2,000,000	02/10/1997	03/09/2057
481087	5.625%	3,000,000	22/06/1998	22/06/2058
481641	4.500%	1,400,000	09/10/1998	09/10/2058
483694	4.875%	92,194	21/12/1999	18/10/2059
484204	5.125%	2,000,000	20/04/2000	18/10/2015
488835	5.000%	2,000,000	01/07/2004	01/07/2034
490815	4.250%	1,000,000	24/11/2005	24/05/2031
494265	4.430%	2,000,000	21/01/2008	01/01/2037
494742	4.390%	700,000	15/08/2008	15/08/2058
Total		20,392,194		

