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Portsmouth City Council

A MEETING OF THE COUNCIL will be held at the Council Chamber - The Guildhall on Tuesday, 10 December 2013 at 2.00 pm and all members of the council are hereby summoned to attend to consider and resolve upon the following business:-

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Agenda

1 **Members' Interests**

2 **To approve as a correct record the Minutes of the meeting held on 12 November 2013.** (Pages 1 - 18)

3 **To receive such communications as the Lord Mayor may desire to lay before the Council, including apologies for absence.**

4 **Deputations from the Public under Standing Order No 24 for all items excluding those in respect of item 6 which are dealt with separately on the agenda.**

5 **Questions from the Public under Standing Order 25.**

6 **The Council has received the following petition -**

"We the undersigned petition the Council to: Designate the Drayton and Farlington Ward as an Area of Special Residential Character where developments will be permitted provided that:

1) the size of any proposed or original plot, when sub-divided, is not significantly smaller than those in the immediate vicinity; and
2) the development's size, scale, layout, type, siting and detailed design are compatible with the overall character of the defined area."

The Council's rules state that as the petition contains more than 500 signatures it will be debated by the Full Council (if the lead petitioners so request and they do) as the issue has not been considered by the Council within the last 24 months.

1. The petition organisers (Mr Jeremy Wilson and Mr Mervyn Doyle) will be given six minutes in total to present the petition at the meeting. One of the organisers may choose instead to be one of the public deputations under 2 below.

2. Followed by any public deputations received on this item.

3. The Administration, via a proposer and seconder, will then present its response to the petition

4. The petition will then be discussed by councillors and the normal rules of debate will apply.

Note - The City Council cannot simply designate an 'Area of Special Residential Character' in response to this petition. Designation (if it were supported in principle by the Council) would have to take place through the planning policy route, involving the Cabinet, or Portfolio holder for Planning, Regeneration and Economic Development meeting. However the petition can still be debated at this Full Council meeting in accordance with the revised process and it can resolve not to support the proposed designation if that was the Council's wish.

7 Appointments

8 Urgent Business - To receive and consider any urgent and important business from Members of the Cabinet in accordance with Standing Order No 26.

9 Scrap Metal Dealers Act 2013 - New statutory powers to licence scrap metal dealers and motor salvage operators - Cabinet Recommendation 4 November 2013 (Pages 19 - 30)

To consider the attached report.

RECOMMENDED that Council resolves to delegate the function to the Licensing Committee as and when the power to do so comes into effect in accordance with The Local Authorities (Functions and Responsibilities) (England) Regulations.

10 Budget and Performance Monitoring 2013/14 (second quarter) to end of September 2013 - Cabinet Recommendation 2 December 2013 (Pages 31 - 66)

To consider the attached report with recommendations to follow.

11 Treasury Management Mid-Year Review for 2013/14 (Governance and Audit and Standards Committee noted the report at its meeting on 7 November 2013) - Cabinet Recommendation 2 December 2013 (Pages 67 - 98)

To consider the attached report with recommendations to follow.

12 Appointment of Independent Persons under the Localism Act 2011 - To consider the recommendation from the Governance and Audit and Standards Committee from its meeting on 7 November 2013

Under the Localism Act, there was a need to appoint independent persons so that when a complaint occurred they would receive a copy of it and their views would be sought. The independent person's role also included being available for consultation by the Member against whom a complaint had been made. An interview panel constituted in accordance with the Council's regulations (that included three members of the Governance & Audit &

Standards Committee) agreed that Carole Damper and Bill Bailey should become independent persons. This was confirmed by the Governance & Audit & Standards Committee which -

RECOMMENDED to council that the appointment of Carole Damper and Bill Bailey for a period of three years from 21 October 2013 be ratified.

13 Notices of Motion

(a) Proposed by Councillor Jason Fazackarley
Seconded by Councillor Leo Madden

In August 2013 Royal Mail announced that it was proposing to close the processing part of its business in Portsmouth. This places under threat up to 380 jobs within the processing centre.

The Council is concerned that should this closure become reality then in addition to the job losses there may also be a deterioration of services for Portsmouth residents and a negative impact upon the economy of this city.

This Council supports the processing centre staff based in Portsmouth and the efforts of their union reps to retain the centre here in the city. The Council calls upon the Chief Executive of Royal Mail, Moya Greene, and other Senior Royal Mail Management to ensure the continued presence of a processing centre in Portsmouth thus securing jobs and maintaining the level of service for residents.

The Council agrees to write to Ms Greene imploring them to retain the processing centre and to end any proposal(s) for closure.

(b) Proposed by Councillor John Ferrett
Seconded by Councillor Donna Jones

The Council supports the principles of openness and transparency and encourages filming, recording and the taking of photographs at council meetings that are open to the public. It also welcomes the use of social networking websites (such as Twitter and Facebook) and micro-blogging to communicate with people about what is happening, as it happens at council meetings.

The Council instructs the Chief Executive to prepare a report for the next Governance and Audit and Standards Committee meeting on how the terms of this motion can best be implemented.

The Lord Mayor has advised that she will support the waiving of Standing Order 32 to enable the following motion which was received after the deadline to be debated at this Council meeting -

(c) Proposed by Councillor Darren Sanders
Seconded by Councillor Will Purvis

Vascular Surgery at QA Hospital

Council notes with alarm the report of the Wessex Clinical Senate, which calls for vascular surgery to be focused in Southampton, not Portsmouth.

Council opposes any such move, especially given the decision to move similar services from Chichester to Brighton.

Council notes the massive support for The News' Keep it at QA petition that halted earlier, similar plans and offers its support to any campaign that will fight this vicious plan.

14 Start time of the Annual Council meeting 2014

Following discussion with the Lord Mayor, Deputy Lord Mayor and the Leader, Council approval is sought to the Start time of the Annual Council meeting on 3 June 2014, being brought forward from the usual 11am to 10.30am with Standing Order 7 - Time of Meetings - being waived to enable this.

15 Questions from Members under Standing Order No 17.

David Williams
Chief Executive

Please note that agenda, reports and minutes are available to view on line on the Portsmouth City Council website: www.portsmouth.gov.uk

Full Council and Cabinet meetings are digitally recorded, audio only.

Civic Offices
Guildhall Square
PORTSMOUTH
2 December 2013

MINUTES OF A MEETING OF THE COUNCIL held at the Guildhall Portsmouth on Tuesday, 12 November 2013 at 2.00 pm

Council Members Present

The Right Worshipful The Lord Mayor
Councillor Lynne Stagg (in the Chair)

Councillors

Councillor Margaret Adair
Councillor Michael Andrewes
Councillor Simon Bosher
Councillor Peter Eddis
Councillor Ken Ellcome
Councillor John Ferrett
Councillor Ken Ferrett
Councillor Margaret Foster
Councillor David Fuller
Councillor Aiden Gray
Councillor Terry Hall
Councillor Jacqui Hancock
Councillor Mike Hancock CBE MP
Councillor David Horne
Councillor Lee Hunt
Councillor Frank Jonas
Councillor Donna Jones
Councillor Leo Madden
Councillor Hugh Mason
Councillor Robert New
Councillor Mike Park
Councillor Jim Patey
Councillor Darron Phillips
Councillor Darren Sanders
Councillor Phil Smith
Councillor Les Stevens
Councillor Sandra Stockdale
Councillor Luke Stubbs
Councillor Alistair Thompson
Councillor Gerald Vernon-Jackson
Councillor Steve Wemyss
Councillor Matthew Winnington
Councillor Rob Wood
Councillor Steven Wylie
Councillor Neill Young

90. Declarations of Members' Interests

Councillor David Horne declared a personal, non-prejudicial interest in agenda item 6 Revenue Budget, regarding being employed by the Peter Ashley Centre.

Councillor Jim Patey, Patron of Alzheimer's declared a personal, non-prejudicial interest in agenda item 6 Revenue Budget regarding the Patey Day Centre service proposal.

Councillor John Ferrett declared a disclosable pecuniary interest in the urgent agenda item on the Notice of Motion regarding the Dockyard as the trade union representative for the Prospect trade union and left the Chamber during discussion thereon.

Councillor Ken Ferrett declared a disclosable pecuniary interest in agenda item on Notice of Motion regarding the Dockyard as he is employed by BAE and left the Chamber during discussion thereon.

91. Minutes of the Council Meeting held on 15 October 2013

It was

Proposed by Councillor Gerald Vernon-Jackson
Seconded by Councillor Donna Jones

That the minutes of the meeting held on 15 October 2013 be approved as a correct record and this was agreed.

RESOLVED that the minutes of the meeting held on 15 October 2013 be confirmed and signed as a correct record.

92. Communications and Apologies

Apologies for absence were received from Councillors Lee Mason, Will Purvis, Caroline Scott, April Windebank, Jason Fazackarley and Eleanor Scott.

The Lord Mayor welcomed everyone to the meeting and drew members' attention to a letter circulated with the green sheet concerning the Battle of the River Plate Memorial and the request for donations in paragraph 3.

The Lord Mayor advised that notice had been received from the Conservative Group that Councillor Lee Mason is to replace Councillor Rob New on the Planning Committee and Councillor Rob New is to replace Councillor Young on the Health and Wellbeing Board.

RESOLVED that these membership changes be agreed accordingly.

Finally, the Lord Mayor advised that she had received notification under Standing Order 26 (of which due notice has been given to the other Group Leaders) of a proposed urgent notice of motion concerning Portsmouth Dockyard which it is proposed be taken immediately after agenda item 4, public deputations. The Lord Mayor proposed and the Council subsequently

RESOLVED that Standing Order 13 be waived - Order of Business to enable this.

93. Deputations from the Public under Standing Order 24(b)(vi)

The City Solicitor advised that three deputations had been received from members of the public.

Deputations against elements of the budget were made by Honorary Alderman Alan Burnett, Chairman of the Portsmouth Pensioners' Association, Mr Richard White of Unite and a deputation from Mr Jon woods of UNISON. Mr Wood's deputation, although received after the deadline, was allowed to be put as the Council agreed to waive Standing Orders to so enable .

Written representations from the Chair of Aspex Visual Arts Trust and Mr James McDermott, Safer Communities Service Appeal were circulated in the Chamber. Council also noted that a letter from the Portsmouth MP Ms

Penny Mordaunt had been sent to all members earlier that day regarding the Patey Service.

94. Urgent Council Business under Standing Order 26
Notice of Motion

The Lord Mayor advised that she had received under urgent business a notice of motion concerning Portsmouth Dockyard.

It was

Proposed by Councillor Gerald Vernon-Jackson
Seconded by Councillor Alistair Thompson

That standing order 32 (a) regarding the notice requirement for notices of motion be waived on this occasion.

Upon being put to the vote this was CARRIED.

It was

Proposed by Councillor Gerald Vernon-Jackson
Seconded by Councillor M Hancock

That the notice of motion circulated in the Chamber be debated today.

Upon being put to the vote, this was CARRIED.

It was

Proposed by Councillor Gerald Vernon-Jackson
Seconded by Councillor Mike Hancock

That the notice of motion be adopted by Council.

An amendment (attached as Appendix 1 to the minutes) was

Proposed by Councillor Donna Jones
Seconded by Councillor Mike Park

The Leader advised that subject to "one" replacing "all three" in paragraph 6 and "in respect of paragraph 9, the words "relevant government departments" replacing "Ministry of Defence and Foreign Office" he was happy to accept the amendments and for it to become part of his substantive motion. The Council agreed to the waiving of standing orders to allow the amendment to be altered accordingly.

Upon the substantive motion being put to the vote, this was CARRIED.

A recorded vote was requested by eight members standing.

The following members were in favour of the substantive notice of motion (there were no votes against or any abstentions)

Andrewes, Michael	Foster, Margaret	Hunt, Lee
Wood, Rob	Eddis, Peter	Patey, Jim
Phillips, Darron	Bosher, Simon	Horne, David
Hall, Terry	Jonas, Frank	Aiden, Gray
Winnington, Matthew	Sanders, Darren	Young, Neill
Wylie, Steve	Vernon, Jackson, Gerald	Park, Mike
Thompson, Alistair	Fuller, David	New, Robert
Stockdale, Sandra	Madden, Leo	Wemyss, Steve
Stevens, Les	Mason, Hugh	Ellcome, Ken
Hancock, Mike	Adair, Margaret	Jones. Donna
Hancock, Jacqui	Smith, Phil	Stubbs, Luke

RESOLVED that the notice of motion set out below be adopted by Council

The City Council regrets and opposes the decision to close the last shipyard in England with the ability to build advanced surface warships. The Portsmouth dockyard has a long and proud history of building naval ships for over 500 years.

If Scotland votes to become an independent country in 10 months' time there will be no shipyards in the UK with the ability to build advanced surface warships. This would mean that the Royal Navy would have to place orders in foreign yards for its warships.

To protect the possible future of shipbuilding the City Council asks for assurances from BAe and the Ministry of Defence that nothing is done to decommission the shipbuilding facilities in Portsmouth in case of a YES vote in the Scottish referendum.

This City Council also places on record;

1. **Its thanks to the Solent LEP for their decision to provide support to companies in the supply chain.**

2. **We ask for the remainder of the carriers work not to be moved from the Portsmouth yard**

3. **Asks for other companies besides BAE Systems to be given access to the facilities at the dockyard**

4. **Regrets that BAE Systems have not diversified into the commercial sector**

5. **Requests the decision to end ship building, is reversed with immediate effect**

6. **Requests the Offshore Patrol Vessel contract be revised to award the building of one of these vessels to Portsmouth instead of Glasgow**

7. **Requests Secretary of State for Defence Philip Hammond visit Portsmouth as soon as possible.**

8. **Invites all local MPs in South East Hampshire to support these requests**

9. **Requests the relevant Government departments write to the City Council explaining what actions have been taken in seeking export markets for British warships**

10. **Request extra maintenance work in ship building is awarded to Portsmouth Dockyard.**

Note - After this motion was agreed and at the end of meeting, the Council also subsequently agreed that as a matter of urgency, arrangements should be made for the Lord Mayor to lead a delegation (together with the Council's three Group Leaders) to Downing Street to seek to make representations to the Prime Minister regarding the Dockyard decision.

95. Recommendations from Cabinet from its Meeting held on 11 November 2013

Minute 87 - Capital Programme 2013/14 to 2018/19

Minute 86 - Portsmouth City Council Revenue Budget 2014/15 - Savings and Council Tax Proposals

The Lord Mayor explained that it was proposed that the capital programme and revenue budget items be taken and debated together on the basis that each item impacts on the other and on the understanding that the capital programme would be voted on first followed by the revenue budget.

It was

Proposed by Councillor Gerald Vernon-Jackson
Seconded by Councillor Mike Hancock

That the process outlined above be adopted and this was agreed.

It was

Proposed by Councillor Gerald Vernon-Jackson
Seconded by Councillor Mike Hancock

That the recommendations contained in Cabinet minute 87 Capital Programme 2013/14 to 2018/19 and Cabinet minute 86, Portsmouth City

Council Revenue Budget 2014/15 - Savings and Council Tax Proposals, be approved.

Councillor Gerald Vernon-Jackson spoke on the budget proposals and commended the Administration's budget.

As an amendment to the recommendations in relation to Cabinet minute 86, the Revenue Budget, it was

Proposed by Councillor Donna Jones
Seconded by Councillor Ken Ellcome

That the recommendations set out in Appendix 2 to these minutes (Conservative revenue amendment) be adopted.

Councillor Jones then spoke to her group's proposed budget amendments and commended them to the council.

As an amendment to the recommendations in relation to Cabinet minute 86, the Revenue Budget, it was

Proposed by Councillor John Ferrett
Seconded by Councillor Aiden Gray

That the recommendations set out in Appendix 3 attached to these minutes (Labour revenue amendment) be adopted.

Councillor John Ferrett then spoke to his group's proposed budget amendments and commended them to the Council.

Council adjourned at 5.00 pm. Council resumed at 5.10 pm.

The Lord Mayor explained that members would be given 6 minutes each to speak on the combined item.

At the end of the debate, the Lord Mayor called upon the Leader of the Council, Councillor Gerald Vernon-Jackson to sum up on the Cabinet's recommendations.

Councillor Gerald Vernon-Jackson said that he did not propose to accept the Conservative group or the Labour group amendments and outlined his reasons.

Upon being put to the vote, the recommendations in Cabinet minute 87 - **Capital Programme 2013/14 to 2018/19,** were CARRIED.

RESOLVED that:

1) The Revised Capital Programme 2013/14 to 2018/19 attached as Appendix 1 which includes all additions, deletions and amendments for slippage and re-phasing described in Sections 6 and 8 be approved.

2) The passported Capital Allocations (Ring-fenced Borrowing and Grants) as set out in Section 7 be noted.

3) The Head of Finance and Section 151 Officer be given delegated authority to determine how each source of finance is used to fund the overall Capital Programme and to alter the overall mix of financing, as necessary, to maximise the flexibility of capital resources used and minimise the ongoing costs of borrowing to the Council.

4) The public toilets located in Highland Road are declared surplus to requirements.

5) The following scheme with uncommitted Corporate Resources totalling £750,000 be removed from the current capital programme whilst a full options appraisal is undertaken to enable priority schemes that have emerged since the programme was last reviewed to proceed in 2014/15.

Resources Released From Uncommitted Capital Scheme	Funding £
ICS Replacement - Children's Social Care Casework System	750,000
Total	750,000

6) The following schemes as described in Section 9 and Appendix 2 be reflected within the recommended Capital Programme 2013/14 to 2018/19 and be financed from the available corporate capital resources:

Recommended New Capital Schemes		Corporate Resources Required £	Total Scheme Value £
Children & Education:			
	School Condition Projects	1,136,000	1,992,750
	Portsmouth College - Sufficiency Post 16	240,000	600,000
Housing:			
	Support For Vulnerable People	400,000	1,970,070
Planning, Regeneration & Economic Development:			
	Dunsbury Hill Farm – Access Road	400,000	9,690,000
	City Deal (PCC Contribution)	2,200,000	2,200,000
	City Centre Road Upgrade	3,425,000	16,000,000
Resources:			
	Commercial Letting of Brunel Wing	600,000	600,000
	Call Recording System	90,000	90,000
	Working Anywhere	980,000	980,000

Recommended New Capital Schemes		Corporate Resources Required £	Total Scheme Value £
	World War II Memorial	**27,000**	**97,000**
	PSN CoCo Compliance	**192,000**	**192,000**
	Landlord Maintenance - Emergency Generator	**145,000**	**145,000**
	Landlord Maintenance - Civic Duct Works	**90,000**	**90,000**
Traffic & Transportation:			
	Local Transport Plan	**3 450,000**	**450,000**
	The Hard Public Transport Interchange	**2,000,000**	**7,125,000**
Total Recommended Sum to be Approved		**12,375,000**	**42,221,820**

7) The following schemes as described in Section 10 be approved as invest to save schemes and funded from Prudential borrowing up to the limit shown:

	Prudential Borrowing Required £
Replace Residential Street Lighting to LED	**3,040,000**
Dunsbury Hill Farm Access Road (Subject to a satisfactory financial appraisal approved by the S151 Officer)	**2,400,000**
Total Recommended Sum to be Approved	**5,440,000**

8) The following Schemes as described in Section 12 be included within the "Reserve List" of Capital Schemes to be considered once additional capital resources are identified.

Future Priority Capital Schemes – Not in Priority Order
City Centre Road Upgrade
ICS Replacement - Children's Social Care Casework System
City Centre Regeneration - Public Realm Improvements

9) The City Council note that Prudential Borrowing can only be used as a source of capital finance for Invest to Save Schemes as described in Section 13.

10) The provisional Prudential Indicators described in Section 13 and set out in Appendix 3 be approved.

Revenue Budget

Upon the proposed amendment standing in the name of Councillor Jones concerning Cabinet minute 86, Revenue Budget being put to the vote, it was declared LOST.

Upon the proposed amendment standing in the name of Councillor J Ferrett concerning Cabinet minute 86, Revenue Budget being put to the vote, it was declared LOST.

Upon being put to the vote, the recommendations in Cabinet minute 86 - Portsmouth City Council Revenue Budget 2014/15, were CARRIED.

RESOLVED that the following be approved:

(a) The outline Medium Term Financial Strategy set out in Appendix A.

(b) The Budget Savings Requirement for 2014/15 be set at £10m which takes account of any part year effects associated with consultation periods, notice periods and other necessary lead-in times.

(c) The savings proposals amounting to £9.860m for 2014/15, £10.998m for 2015/16 and £11.852m in 2016/17 as set out in Appendix B to enable appropriate consultation and notice periods to be given to affected parties.

(d) Savings proposals to reduce Members Allowances at Appendix B (saving number 110 and 111). In considering these proposals, Members are advised to remind themselves of the recommendations that the Independent Remuneration Panel made to the City Council on 22 January 2013 as follows:

www.portsmouth.gov.uk/media/gas20130116r3app1IRPreport.pdf

(e) That in response to any consultation, the relevant Portfolio Holder may alter, amend or substitute any savings proposal(s) set out in Appendix B with alternative proposal(s) amounting to the same value within their Portfolio.

(f) Managers be authorised to commence any necessary consultation process or notice process related to the savings proposals set out in Appendix B.

(g) The recommended budget pressures for 2014/15 and their on-going effect in 2015/16 and 2016/17 as set out in Appendix C.

(h) If, for any reason, any of the budget pressures detailed in Appendix C do not proceed, or underspend, the sum involved will revert to revenue balances.

(i) Subject to any significant constraints, legal or otherwise, the Administration has a desire to implement the Living Wage across the Council and requests that the Employment Committee consider the implications of its implementation.

(j) Members note that the MTRS Reserve held to fund the upfront costs associated with Spend to Save Schemes, Invest to Save Schemes and redundancies holds a relatively modest uncommitted balance of £2.4m and will only be replenished from an approval to the transfer of any non Portfolio underspends at year end into this reserve.

(k) That £200,000 be released from the MTRS Reserve to create a Voluntary Sector Capacity & Transition Fund to enable the voluntary sector to reconfigure their service or enhance their capacity / infrastructure in order to support / provide council services as set out in paragraph 8.22.

(l) That £545,000 be released from the MTRS Reserve over a 3 year period to generate savings and additional income totalling over £1.3m per annum (or £3.9m over 3 years) as set out in paragraphs 8.23 to 8.26.

(m) That the funds released under recommendations k) and l) be used flexibly across the 2013/14 and future financial years and that the S151 Officer be given delegated authority to determine the annual allocations as necessary.

(n) That the Council's Budget for 2014/15 be prepared on the basis of an increase in the basic amount of Council Tax of 1.95% from the basic amount of Council Tax for 2013/14 (or 34 pence per week for the average household in Portsmouth).

(o) That the Council Tax Discount for Second Homes of 10% be reduced to 0% and the Head of the Revenues and Benefits Service be given authority to amend the Policy for Second Homes, Long Term Empty Properties and Determining Discounts for Certain Dwellings accordingly, with effect from 1st April 2014.

(p) The Council's Budget Guidelines and Financial Rules be updated to include the following:

- **Each Portfolio to retain 100% of any year-end underspending and to be held in an earmarked reserve for the relevant Portfolio**
- **The Portfolio Holder be responsible for approving any releases from their earmarked reserve in consultation with the Head of Finance & S151 Officer**
- **That any retained underspend (held in an earmarked reserve) be used in the first instance to cover the following for the relevant Portfolio:**

i. Any overspendings at the year-end

ii. Any one-off Budget Pressures experienced by a Portfolio

iii. Any on-going Budget Pressures experienced by a Portfolio whilst actions are formulated to permanently mitigate or manage the implications of such on-going budget pressures

iv. Any items of a contingent nature that would historically have been funded from the Council's corporate contingency provision

v. Spend to Save schemes, unless they are of a scale that is unaffordable by the earmarked reserve (albeit that the earmarked reserve may be used to make a contribution)

- **Once there is confidence that the instances in i) to v) above can be satisfied, the earmarked reserve may be used for any other development or initiative**

(q) That the Council's Financial Rules (within the constitution), be amended to include the resolution of Council in February 2013 to give delegated authority to the Cabinet to make releases from the MTRS Reserve for Spend to Save or Spend to Avoid cost schemes only (both Revenue & Capital) and that any such scheme must meet the financial savings criteria determined by the Council's S151 Officer. As a minimum, those criteria must include the payback of any investment within a period not exceeding 4 years.

96. Questions from Members under Standing Order No 17

There were no questions from members.

City Deal

At the end of the meeting, the Council placed on record its thanks to all the officers, including the Chief Executive, Strategic Director (Kathy Wadsworth), and the Head of Financial Services, together with their respective staff, who had all worked so hard on the City Deal which had been signed by the Deputy Prime Minister and the Cities Minister that day.

The meeting concluded at 7.02 pm.

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Lord Mayor

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Amendment to Urgent Motion

(Delete after "Scottish Referendum" & replace with)

This City Council also places on record;

1. Its thanks to the Solent LEP for their decision to provide support to companies in the supply chain.

2. We ask for the remainder of the carriers work not to be moved from the Portsmouth yard

3. Asks for other companies besides BAE Systems to be given access to the facilities at the dockyard

4. Regrets that BAE Systems have not diversified into the commercial sector

5. Requests the decision to end ship building, is reversed with immediate effect

6. Requests the Offshore Patrol Vessel contract be revised to award the building of all three of these vessels to Portsmouth instead of Glasgow

7. Requests Secretary of State for Defence Philip Hammond visit Portsmouth as soon as possible.

8. Invites all local MPs in South East Hampshire to support these requests

9. Requests the Ministry of Defence and Foreign Office write to the City Council explaining what actions have been taken in seeking export markets for British warships

10. Request extra maintenance work in ship building is awarded to Portsmouth Dockyard.

Proposed by Councillor Donna Jones

Seconded by Councillor Mike Park

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Amendment proposed by the Conservative Group

Portsmouth City Council Revenue Budget 2014/15 - Savings and Council Tax Proposals

That the recommendations of the Cabinet of 11 November 2013 (Minute 86/13) on "Portsmouth City Council Revenue Budget 2014/15 - Savings and Council Tax Proposals be amended as follows:-

Recommendation (c) be amended to:-

(c) The savings proposals amounting to £9.895m for 2014/15, £11.032m for 2015/16 and £11.886m in 2016/17 as set out in Appendix B and as amended by paragraph (r) below:-

(r) The following additional savings be made:-

Savings	2014/15 £	2015/16 £
Resources Portfolio		
Members Allowances - Reduction of 33% in the current Special Responsibility Allowance for the Leader, all Cabinet Members, the Opposition Leader and Other Group Leaders	(34,300)	(34,300)
Total	**(34,300)**	**(34,300)**

NOTES TO THE CONSERVATIVE AMENDMENT - Revenue Budget 2014/15 - Savings and Council Tax Proposals

The overall financial effect of the proposals is set out below:

Summary Proposals	**2014/15 £**	**2015/16 £**
Additional Savings Proposals: - Reduction in Members Allowances	(34,300)	(34,300)
Reductions to Savings Proposals:	-	-
Additional Budget Pressures:	-	-
Reductions to Budget Pressures:	-	-
Increase in Council Tax Revenues:	-	-
Reduction in Council Tax Revenues:	-	-
Total Overall Change	**(34,300)**	**(34,300)**

Amendment proposed by the Labour Group

Portsmouth City Council Revenue Budget 2014/15 - Savings and Council Tax Proposals

That the recommendations of the Cabinet of 11 November 2013 (Minute 86/13) on "Portsmouth City Council Revenue Budget 2014/15 - Savings and Council Tax Proposals be amended as follows:-

Recommendation (c) be amended to:-

(c) The savings proposals amounting to £10.000m for 2014/15, £11.137m for 2015/16 and £11.991m in 2016/17 as set out in Appendix B and as amended by paragraph (r) below:-

(r) The following additional savings be made:-

Savings	**2014/15 £**	**2015/16 £**
Resources Portfolio		
Reduction of 20% in Members Allowances	(120,000)	(120,000)
Reduction in Project Leader capacity for small office moves and re-organisations	(20,000)	(20,000)
Total	**(140,000)**	**(140,000)**

Recommendation (g) be amended to:-

(g) The recommended budget pressures for 2014/15 and their on-going effect in 2015/16 and 2016/17 as set out in Appendix C and as amended by paragraph (s) below:-

(s) The following additional budget pressures be awarded:-

Budget Pressures	**2014/15 £**	**2015/16 £**
Children and Education Portfolio		
Increased staffing in Sure Start Centres across the City	140,000	140,000
Total	**140,000**	**140,000**

NOTES TO THE LABOUR AMENDMENT - Revenue Budget 2014/15 - Savings and Council Tax Proposals

The overall financial effect of the proposals is set out below:

Summary Proposals	**2014/15 £**	**2015/16 £**
Additional Savings Proposals:		
- 20% reduction in Members Allowances	(120,000)	(120,000)
- Project Leader capacity for small moves	(20,000)	(20,000)
Reductions to Savings Proposals:	-	-
Additional Budget Pressures:		
- Increased staffing at Sure Start Centres across the City	140,000	140,000
Reductions to Budget Pressures:	-	-
Increase in Council Tax Revenues:	-	-
Reduction in Council Tax Revenues:	-	-
Total Overall Change	**0**	**0**

REPORT TO:	**LICENSING COMMITTEE**	**23 OCTOBER 2013**
	CABINET	**4 NOVEMBER 2013**
	COUNCIL	**12 NOVEMBER 2013**

REPORT BY: **LICENSING MANAGER**

REPORT AUTHOR: **NICKII HUMPHREYS**

Scrap Metal Dealers Act 2013 – New statutory powers to licence scrap metal dealers and motor salvage operators.

1. PURPOSE OF REPORT

1.1 The purpose of this report is to inform members of the introduction of a new licensing regime for the control of scrap metal dealers and motor salvage operators under the Scrap Metal Dealers Act 2013 ("The Act"). This new legislation replaces previous simple registration requirements for scrap metal dealers and motor salvage operators.

1.2 This report has been prepared for Licensing Committee, Cabinet and Council for consideration and approval of delegations as, due to legal difficulties in the implementation by central government, tight timescales have been set and until such time as changes are made to the Local Authorities (Functions and Responsibilities) Regulations 2000, this licensing function has yet to be deemed to be a function which is not the responsibility of an authority's executive.

2. RECOMMENDATIONS

Licensing Committee:

(i) That the contents of the report are noted:

(ii) That the Licensing Committee recommends to Cabinet to delegate to the Head of Health, Safety and Licensing:

- ***The administration and enforcement of the function including the setting of fees;***
- ***The power to request further information of applicants (schedule 1, paragraph 4 of the Act);***
- ***To determine applications (including refusal), revoke licences or to impose conditions under section 3(8) of the Act;***
- ***The power to issue or cancel a closure notice for unlicensed sites, and, where appropriate, to apply for closure orders (schedule 2 of the Act) and take such other action in this respect as may be required.***

(iii) That the Licensing Committee recommends to Council to delegate the function to the Licensing Committee as and when the power to do so comes into effect in accordance with The Local Authorities (Functions and Responsibilities) (England) Regulations.

Cabinet:

(iv) That Cabinet resolves to delegate to the Head of Health, Safety and Licensing:

- ***The administration and enforcement of the function, including the setting of fees;***
- ***The power to request further information of applicants (schedule 1, paragraph 4 of the Act);***
- ***To determine applications (including refusal), revoke licences or to impose conditions under section 3(8) of the Act;***
- ***The power to issue or cancel a closure notice for unlicensed sites, and, where appropriate, to apply for closure orders (schedule 2 of the Act) and take such other action in this respect as may be required.***

Council:

(v) That Council resolves to delegate the function to the Licensing Committee as and when the power to do so comes into effect in accordance with The Local Authorities (Functions and Responsibilities) (England) Regulations.

3. REASONS FOR REPORT RECOMMENDATIONS

3.1 a) The legislation gives the Council new statutory licensing powers replacing existing registration powers that came into effect on 1 October 2013.

b) The Council is required to carry out the function, although, at the date this report was drafted, it has not yet been made clear whether this will be an executive or non-executive function.

4. BACKGROUND

4.1 In recent years, metal theft has been one of the fastest growing crimes in the UK. It affects communities, businesses and Councils themselves and a Local Government Survey (LGA) survey established that metal theft cost Councils over £5.25 million in 2010/2011.

4.2 Since 2001, a number of organisations including the Police, Councils and the Environment Agency through "Operation Tornado" have been successful in reducing the amount of metal theft in the UK. This led to the LGA along with other bodies pressing the Government to update the regulations relating to scrap metal dealers.

4.3 "Scrap Metal" is defined in the Act as *"any old waste or discarded metal or metallic material or any product, article or assembly which is made from or contains metal and is broken, worn out or regarded by its last holder as having reached the end of its useful life. But gold, silver and any alloy of which 2% or* *more by weight is attributable to gold or silver is not considered scrap metal".*

4.4 The Act came into effect on 1 October 2013 and repeals the Scrap Metal Dealers Act 1964 and Part 1 of the Vehicles (Crime) Act 2001 (motor salvage operators), replacing them with a new system of licensing to be administered by local authorities.

4.5 The new legislation introduces significant differences in respect of powers available to local authorities to regulate the scrap metal and motor salvage industry. These are as follows:

- Licences as opposed to registrations, with a consequent power to consider the suitability of applicants;
- Scrap metal dealers and motor salvage operators are now regulated under the same legislation;
- Requirement not to issue a licence unless the local authority is satisfied as to the applicant's suitability and also powers to revoke a licence;
- Power to impose licence conditions in case of conviction as to the times when scrap may be received and that scrap metal must be kept in its original form for a specified period following receipt;
- Two categories of licence - sites and collectors;
- No cash payments permitted for scrap metal, although an exception remains for the purchase of vehicles in limited circumstances;
- Power to give notice to close unauthorised sites;
- Licences issued for a three year period;
- The holder of a licence is only permitted to hold one licence in each local authority area, but may hold licences in multiple local authority areas. For example, a holder of a site licence in one area might hold a collector's licence in another;
- The Act requires that a fee is payable in respect of applications made to the local authority;
- Powers available to the Police and local authority in respect of compliance and enforcement measures.

5. SETTING OF FEES

5.1 It is proposed that the following fees should apply in respect of applications made to the Council. They have been calculated in accordance with the legal requirements and recent Home Office guidance to ensure, so far as is possible, that the costs of administering the function and ensuring compliance by licence holders can be met. In addition, joint work, including the calculation of fees, has been undertaken with Southampton City Council in respect of the introduction of the new legislation given the similarities between the respective cities in terms of amount of potential applicants and the resources needed to ensure compliance.

5.2 **Proposed fees:**

Site Licence - Grant and Renewal	£450.00
Site Licence - Variation	£100.00
Collector's Licence - Grant and Renewal	£300.00
Collector's Licence - Variation	£100.00
Replacement Licence	£25.00

6. SCHEME OF DELEGATIONS

6.1 Under the scheme of delegation, it is proposed that the function be delegated to the Head of Health, Safety and Licensing, save for those circumstances where it is proposed that an application should be refused, a licence revoked, or conditions imposed and the applicant or licence holder exercises their right to make representations. Such hearings should be dealt with by the Licensing Sub-Committee, when the legal power to delegate that function to that body is available.

6.2 Applications will be determined in accordance with the Statutory Guidance issued by the Home Office, a copy of which is attached as Appendix A to this report.

6.3 Where an application is refused or a licence is revoked, there is a right of appeal to the Magistrates' Court against the decision.

6.4 Currently, because the government has yet to amend the Local Authorities (Functions and Responsibilities) Regulations 2000, the default responsibility for this function is with the Executive.

6.5 However, when these regulations have been amended in due course, it is recommended that Council should delegate the function to the Licensing Committee as a non-executive matter.

7. LEGAL IMPLICATIONS

7.1 The Act came into effect on 1 September 2013 in respect of setting of fees, from 1 October 2013 in respect of the remainder of the legislation, except for the offences and powers of closure, which come into effect on 1 December 2013.

7.2 The Act imposes a duty on the Council to carry out the various functions it sets down.

7.3 In addition, Section 17 of the Crime and Disorder Act 1998 requires that:

"Without prejudice to any other obligation imposed on it, it shall be the duty of each authority to which this section applies to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all it reasonably can to prevent crime and disorder in its area (including anti-social behaviour and other behaviour adversely affecting the local

environment) …"

7.4 The licensing of scrap metal dealers evidently engages with this requirement and it is considered that the Councils obligations will be met if the course of action indicated in this report is followed.

8. EQUALITY IMPACT ASSESSMENT

8.1 A preliminary Equality Impact Assessment has been undertaken and it is not considered necessary for a Full Assessment to be carried out.

9. APPENDICES

Appendix A - Home Office Statutory Guidance

Licensing Manager

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Home Office

Scrap Metal Dealers Act 2013
Determining suitability to hold a scrap metal dealer's licence

Statutory guidance for local authorities in England and Wales
First publication: issued 1 October 2013

Introduction

The Scrap Metal Dealers Act 2013 received Royal Assent on 28 February 2013. The majority of the provisions within the Act commence on 1 October 2013 including the requirement in section 1(1) to be authorised by a licence in order to carry on business as a scrap metal dealer. Section 3(1) of the Act states that a local authority must not issue or renew a scrap metal dealer's licence unless it is satisfied that the applicant is a suitable person to carry on business as a scrap metal dealer. Section 3(6) states that a local authority must have regard to any guidance on determining suitability issued by the Secretary of State.

Status of the guidance

This is statutory guidance and local authorities are under a duty to have regard to it.

Whose suitability should be assessed?

When assessing an application for a scrap metal dealer's licence, you should consider the suitability of:

- the individual applicant;
- each partner within a partnership;
- any director(s), secretary(s) or shadow director(s) of a company.

You should consider whether a site manager (if an application for a site licence is submitted) has been convicted of a relevant offence or relevant enforcement action and whether this impacts on the applicant's suitability to hold a scrap metal dealer's licence.

What information may you have regard to?

Under section 3(2) of the Scrap Metal Dealers Act 2013, you may have regard to any information which you consider to be relevant when determining the suitability of a person to hold a scrap metal dealer's licence, including:

1. <u>whether the applicant or any site manager has been convicted of any relevant offence</u>

   Under Schedule 1, Para 2 (1) (j), of the Act, a person applying for a scrap metal dealer's licence must provide details of any conviction for a relevant offence. The relevant offences, prescribed by the Secretary of State, can be found in Part 1 and 2 of the Schedule of The Scrap Metal Dealers Act 2013 (Prescribed Relevant Offences and Relevant Enforcement Action) Regulations 2013 using the following link: http://www.legislation.gov.uk/id/uksi/2013/2258. Under Regulation 2, a relevant offence is also "attempting or conspiring to commit any offence falling within the Schedule; inciting or aiding, abetting, counselling or procuring the commission of any offence falling within the Schedule, and an offence under Part 2 of the Serious Crime Act 2007 (encouraging or assisting crime) committed in relation to any offence falling within the Schedule". These offences should also be considered when determining suitability.

- A conviction for a relevant offence should not automatically lead to the refusal of a scrap metal dealer's licence. You may consult your local police force (section 3 (7)) for further details about the offence including both the seriousness of the offence and the date of when it was committed. Once you have this, you should consider it alongside any other information you may have regard to when determining suitability. If a site manager has been convicted of a relevant offence, the same process applies.

- Under section 4 (5) of the Act, if a person has been convicted of a relevant offence or is convicted of a relevant offence once a licence has been issued, you may wish to consider, imposing one or both of the following conditions on the licence if you think this is necessary:
    - that the dealer must not receive scrap metal except between 9am and 5pm on any day;
    - that all scrap metal received must be kept in the form in which it is received for a specified period, not exceeding 72 hours, beginning with the time when it is received.

- These conditions are set out at section 3 (8) of the Act and could be applied until you are satisfied that the inclusion of such a condition in the licence is no longer necessary under all the circumstances.

- If, during your checks, you discover that the applicant has a relevant conviction which was not detailed in a person's application you should request further information from the applicant (Schedule 1, Para 4). You should also consider whether this is a deliberate omission and therefore impacts on suitability. Making a false statement in an application is a criminal offence (Schedule 1, Para 5) and, where this has happened, it will be at your discretion as to whether you refer this to the police.

- Only unspent convictions should be considered for individual applicants, site managers, partnerships and companies.

2. <u>whether the applicant or any site manager has been the subject of any relevant enforcement action</u>

- The relevant enforcement action you may have regard to when considering suitability to hold a scrap metal licence has been prescribed in Regulation 3 of The Scrap Metal Dealers Act 2013 (Prescribed Relevant Offences and Relevant Enforcement Action) Regulations 2013 by the Secretary of State which can be found at: http://www.legislation.gov.uk/id/uksi/2013/2258.

- Under Regulation 3(a), a person is the subject of relevant enforcement if *'the person has been charged with an offence specified in the Schedule to these Regulations, and criminal proceedings in respect of that offence have not yet concluded'*. However, you should **not** refuse a licence on this point alone as the action (pending prosecution) is ongoing. If an applicant details a pending prosecution in their application form, you should note this and monitor the outcome. Only once the action is completed should you consider whether the outcome, if a conviction, impacts on a person's suitability to hold a scrap metal dealer's licence and take any necessary action for instance to impose conditions or, ultimately, to revoke.

- Under Regulation 3 (b), a person is the subject of relevant enforcement action if "*If an environmental permit granted in respect of the person under the Environmental Permitting (England and Wales) Regulations 2010 has been revoked in whole, or partially revoked, to the extent that the permit no longer authorises the recovery of metal".* You should consult the Environment Agency (in England) or Natural Resources Wales (section 3 (7)) to find out the reasons for the whole or partial revocation and consider if the reasons impact on their suitability.

3. <u>any previous refusal of an application for the issue or renewal of a scrap metal licence (and the reasons for the refusal)</u>

- You should check your local authority area's records to find out whether a scrap metal dealer has previously been refused a scrap metal dealer's licence, taking into consideration the reasons for the refusal. Section 3 (7) of the Act states that you may consult other persons regarding the suitability of an applicant, including in particular, any other local authority or officer of a police force. It will be undesirable for a person who has been refused a licence by one local authority area to be issued a licence by another, therefore if a person has been refused a licence in a different local authority area it will be important to scrutinise the reasons for the refusal. For example, the refusal may have been given because the applicant has not demonstrated that there will be adequate procedures in place to comply with the Act (section 3 (2) (f)) but the applicant has now implemented sufficient changes and the reason no longer applies.

4. <u>any previous refusal of an application for a relevant environmental permit or registration (and the reasons for the refusal)</u>

- You should routinely check whether an applicant is on the Environment Agency's/Natural Resources Wales' register of permits and registrations. If you have any concerns or would like to find out further information you should contact the Environment Agency (in England) or Natural Resources Wales. Additionally, if the applicant does not appear on the register and, therefore, does not hold a relevant environmental permit, exemption, or registration, then you may also wish to consult the Environment Agency or Natural Resources Wales as the applicant should not be operating as a scrap metal dealer without one or other of these.

5. <u>any previous revocation of a scrap metal licence (and the reasons for the revocation)</u>

- You should routinely check the register of scrap metal licences, hosted by the Environment Agency/Natural Resources Wales, to find out if a scrap metal dealer has had a licence revoked in another local authority area. If a person has had a licence revoked, you should contact that local authority to understand the reasons why the licence was revoked (section 3 (7). It will be important for you to scrutinise the reasons for refusal and consider whether these still apply. The reasons for revoking a licence may not always impact on suitability (section 4 (1) (2)).

6. <u>whether the applicant has demonstrated that there will be in place adequate procedures to ensure that the provisions of this Act are complied with</u>

- Where you have information that raises concerns about the adequacy of procedures that the applicant or site manager has in place to comply with section 11 (verifying the supplier's identity), section 12 (offence of buying scrap metal for cash) or section 15 (records: supplementary), you may wish to obtain further information about how the applicant will ensure compliance with the requirements of the Act. For example, where you have concerns about the procedures around the offence of buying scrap metal for cash, you may wish to check the details of the back account which the applicant proposes to use. This information should be included in the application form (Schedule 1, Para 2 (1) (i)).

Further information

Although section 3 (2) sets out some information you may have regard to, you may request any relevant information from the applicant (either when the application is made or later) to help you consider the application (Schedule 1, Para 4 (1)), this will include determining suitability.

Reasons for refusal

If a licence application is refused, you should provide full reasons for your decision. This will not only help the applicant to understand the refusal but will allow a Magistrates' Court to clearly understand the reasons should the applicant appeal the decision.

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Agenda item: [ ]

Decision maker:	Cabinet 2nd December 2013 City Council 10th December 2013
Subject:	Budget & Performance Monitoring 2013/14 (2nd Quarter) to end September 2013
Report by:	Head of Finance & Section 151 Officer
Wards affected:	All
Key decision (over £250k):	Yes

1. Purpose of Report

1.1 The purpose of this report is to update members on the current Revenue Budget position of the Council as at the end of the second quarter for 2013/14 in accordance with the proposals set out in the "Portsmouth City Council Budget 2012/13 to 2016/17" report approved by the City Council on the 12th February 2013.

To also take the opportunity to report on the key performance measures of the Council and highlight any relationships between financial performance and service performance that may indicate any potential or emerging matters of concern in relation to either.

2. Recommendations

2.1 It is recommended that:

(i) The contents of this report be noted, in particular the overall forecast underspend of £450,350 representing a variance of 0.24% against the City Council Budget (as adjusted) of £191,487,075.

(ii) Reports are prepared for the Cabinet in January setting out the options for significantly reducing or eliminating the adverse budget position presently being forecast by the Children & Education and Traffic & Transportation Portfolios, including the associated impact of doing so.

3. Background

3.1 A Budget for 2013/14 of £186,054,075 was approved by City Council on the 12th February 2013. This level of spending required an overall contribution from General Reserves of £0.313m in order to meet the shortfall between in-year spending and in-year income from all sources.

3.2 Since the 14th February City Council meeting, and in accordance with the Council approved budget guidelines the following Portfolios have had their 2013/14 cash limits reduced in order to "clawback" overspendings against their previous year's Cash Limit:

	£
Children & Education	3,000
Leader	3,000
Total Clawback	**6,000**

3.3 On 15th October 2013 City Council approved a transfer of £5,000,000 to the Revenue Reserve for Capital to supplement the Capital Resources available in order to accelerate the Council's current strategy to drive economic growth and jobs within the City and a transfer of £439,000 to the Medium Term Resource Strategy Reserve in order to replenish the reserve to a level that is sufficient to finance future spend to save schemes, feasibility studies and staff redundancy costs.

3.4 In addition the Council has been allocated a one off non ring fenced Adoption Reform Grant of £373,100 in 2013/14. As there were no specific budget proposals in 2013/14 around the development of the Adoption services and activities and consequently no additional funding pressures were recognised in this area, the grant has been treated as a “windfall” gain and the planned contribution from the General Fund balance to meet the shortfall between in-year spending and in-year income from all sources has been reduced accordingly. However, in order to achieve the government’s priorities in this area and to increase the number of adopters in the Portsmouth area £373,100 has been released from the Central Contingency in 2013/14.

3.5 In summary, changes to the budget as approved on 12th February 2013 are as follows:

	£
Budget Approved 12th February 2013	186,054,075
Clawback of 2012/13 overspendings	(6,000)
Transfer to Revenue Reserve for Capital	5,000,000
Transfer to MTRS Reserve	439,000
Adjusted 2013/14 Estimate	**191,487,075**

3.6 Once the above budget changes are taken into account the Estimate (as adjusted) for 2013/14 has increased to £191,487,075 requiring an overall contribution to General Reserves of £5.373m in order to meet the shortfall between in-year spending and in-year income from all sources. As previously explained however, the Council will spend £5.43 million more in the current financial year which is funded from the £5.43 million underspend in 2012/13.

3.7 This is the second quarter monitoring report of 2013/14 and reports on the forecast 2013/14 outturn as at the end of September 2013. The forecasts summarised in this report and detailed in the attached papers are made on the basis that management action to address any forecast overspends are only brought in when that action has been formulated into a plan and there is a high degree of certainty that it will be achieved.

3.8 Any variances within Portfolios that relate to windfall costs or windfall savings will be met / taken corporately and not generally considered as part of the overall budget performance of a Portfolio. “Windfall costs” are defined as those costs where the manager has little or no influence or control over such costs and where the size of those costs is high in relation to the overall budget controlled by that manager. "Windfall costs" therefore are ordinarily met corporately from the Council's central contingency. A manager / Cabinet Member however, does have an obligation to minimise the impact of any "windfall cost" from within their areas of responsibility in order to protect the overall Council financial position. Similarly, "windfall savings" are those savings that occur fortuitously without any manager action and all such savings accrue to the corporate centre.

3.9 The Financial Pack attached at Appendix A has been prepared in Portfolio format and is similar in presentation, but not the same as, the more recognisable "General Fund Summary" presented as part of the Budget report approved by Council on 12th February 2013. The format presented at Appendix A has been amended to aid understandability for monitoring purposes by excluding all non cash items which have a neutral effect on the City Council's budget such as Capital Charges. In addition to this, Levies and Insurances are shown in total and have therefore been separated from Portfolios to also provide greater clarity for monitoring purposes.

4 Forecast Outturn 2013/14 – As at end September 2013

4.1 At the second quarter stage, the revenue outturn for 2013/14 is forecast to be underspent by £450,350 representing an overall budget variance of 0.24%.

4.2 The quarter 2 variance consists of a number of forecast under and overspends.

The most significant overspendings at the quarter 2 stage are:

Quarter 1 (Adjusted Budget)		Quarter 2 Adjusted Budget)
£		£
2,923,600	Children and Education	1,170,500
595,700	Health and Social Care	162,100
925,500	Traffic and Transportation	870,900

These are offset by the following significant forecast underspends at the quarter 2 stage:

Quarter 1 (Adjusted Budget)		Quarter 2 (Adjusted Budget)
£		£
	Environment and Community Safety	102,900
176,200	PRED	
	Port	536,200
	Resources	294,700
118,300	Governance Audit and Standards Committee	
1,890,100	Asset Management Revenue Account	1,563,700

5 Quarter 2 Significant Budget Variations – Forecast Outturn 2013/14

5.1 Children and Education – Overspend £1,170,500 (or 3.6%)

The cost of Children and Education Services is forecast to be £1,170,500 higher than budgeted.

The key variances are:

- As a result of fewer vacancies than assumed when the budget was prepared coupled with delays in achieving planned efficiency savings staffing costs across the Portfolio are forecast to overspend by £204,400.

- Fieldwork Services is forecast to overspend by £135,000 as a result of reduced income being earned from adoption placements by Other Bodies, due to a lack of placement availability.

- The first three months of the financial year saw an increase in the number of children requiring placement. Whilst these numbers have remained stable over the last quarter the projected spend presumes that these placements will continue for the remainder of the year, although review work will continue. The budget also provides for an increase in the number of Portsmouth Foster Carers as part of the 5 year strategy to reduce the number of looked after children placed with Independent Fostering Agencies. Whilst the number of Portsmouth Foster Carers is growing it is at a pace slightly below expectations. Taking all of these factors into account the Looked After Children budget heading is forecast to overspend by £1,024,200.

Whilst there are individual variances within budget areas covered by the Dedicated Schools Grant, in aggregate these are neutral.

5.2 Health and Social Care – Overspend £162,100 (or 0.3%)

The cost of Health & Social Care is forecast to be £162,100 higher than budgeted.

The key variances are:

Overspendings

- The average contribution by clients for their nursing care made by older persons and clients with physical disability has reduced resulting in a shortfall in income of £187,400.

- Joint Commissioning (Mental Health and Substance Misuse) is forecast to be overspent by £119,800 due to actual client numbers being 88 compared to the 82 that were budgeted. In addition the Council has lost an out of area placement case, as a result funding of the client's care needs has become the responsibility of the City Council.

- PCC contribution to Continuing Health Care Pooled Budget – PCC's contribution is forecast to be £544,900 higher than budgeted due to:-

- The residential care budget assumed client numbers of 114 however currently there are 130 being supported by Adult Social Care as at the end of September. It is expected to continue at this level for the remainder of the financial year. Domiciliary Care client numbers have also increased from 712 to 793 since April 2013. These factors are causing significant pressure within the budget which is projected to overspend by £544,900 as a result.

Underspendings

- The cost of in-house residential care is forecast to be £98,300 lower than budgeted as a result of increased income at Hilsea Lodge, Edinburgh House and Shearwater offset by increased staffing made in response to an inspection by the Care Quality Commission at Shearwater care home.

- Due to delays in recruitment of staff to the Portsmouth Rehabilitation and Reablement Team an underspend of £209,500 is currently forecast.

- An increase in demand for dementia care has led to a rise in client numbers with a corresponding increase in client contributions. Income from clients on the Deferred Payments Scheme is also higher. Older Persons/Physical Disability Commissioned Residential Care Income is £183,200 higher than budgeted as a result.

- There has been an increase in client numbers for domiciliary care in both Older Persons and Physical Disability resulting in forecast income being £106,000 higher than budgeted.

5.3 Traffic & Transportation – Overspend £870,900 (or 5.5%)

The Portfolio is forecasting an overspend of £870,900

The main causes of the underlying forecast overspend relate to:

- Income within Off Street Parking is forecast to be £594,000 less than budgeted.

- Despite budgeting for increases in street lighting energy costs, expenditure is forecast to be £156,000 higher than budgeted as a result of a change in the methodology used to measure consumption.

- School Crossing Patrols - A budget saving of £200,000 was approved by the City Council in February 2013 with the intention that the remaining budget would be passed to schools who would then become responsible for providing their own school crossing patrols. However, such an arrangement would require lengthy and complex consultation with each school governing body which has meant that this saving is no longer achievable in the medium term. Once savings arising from holding posts vacant are taken into account the forecast overspend is reduced to £132,000.

5.4 Environment and Community Safety – Underspend £102,900 (or 0.6%)

The Portfolio is forecasting an underspend of £102,900.
A number of small areas of under and over spending are currently being forecast across the Portfolio. The more significant areas of under and over spending are:

- As a result of higher levels of staff input into major capital projects (including Tipner Park & Ride, Northern Quarter Redevelopment and Northern Road Bridge) fee income is forecast to be £65,000 higher than originally budgeted.

- Staffing costs across the Portfolio are expected to be £130,800 lower than originally budgeted due to staff vacancies and two staff previously wholly chargeable to Environment & Community Safety now being shared with Public Health.

- When the budget was originally set it was expected that the Community Warden and the Environmental Enforcement Service would be merged to form a single service. This is now not expected to happen, as a result the cost pressure of £96,700 which arises will be managed within the Portfolio by the management of underspends elsewhere, primarily within Strategy and Partnership.

5.5 PRED (Port) – Underspend £536,200 (or 9.9%)

Overall net income from the Port is forecast to be £536,200 above target income.

This is primarily due to Operational Expenses being £433,800 lower than budgeted. This reduction has arisen as a result of staff vacancies and secondments (£129,100), the switching of staff resources to capital schemes (£91,500) and a planned deferral of dredging works to 2014/15 (£159,700).

5.6 Resources – Underspend £294,700 (or 1.2%)

The Portfolio is forecasting an underspend of £294,700

The main causes of the underlying forecast underspend are:

- The holding of posts vacant across the Portfolio in anticipation of savings requirements in future years has resulted in a reduction in staffing costs of £194,900.

- Claims for support under the Local Welfare Assistance scheme are currently forecast to be £96,500 lower than originally budgeted.

- Human Resources, Legal & Performance Management are expected to experience a shortfall in fee income of £80,600 as a result of staff being redeployed to corporate enabling based initiatives including City Deal and Super Connected Cities.

5.7 Asset Management Revenue Account – Underspend £1,563,700 (or 6.3%)

This budget funds all of the costs of servicing the City Council's long term debt portfolio that has been undertaken to fund capital expenditure. It is also the budget that receives all of the income in respect of the investment of the City Council's surplus cash flows. As a consequence, it is potentially a very volatile budget particularly in the current economic climate and is extremely susceptible to both changes in interest rates as well as changes in the Council's total cash inflows and outflows.

The forecast underspend relates to:

- Higher returns on investment balances than anticipated leading to increased interest earned coupled with a forecast lower level of contingency to guard against interest rate fluctuations.

- A lower opening capital financing requirement than anticipated resulting in the statutory sum required to be set aside for the repayment of debt being lower.

6 Other Minor Budget Variations – Forecast Outturn 2013/14

6.1 Culture, Leisure & Sport – No Forecast Variance

6.2 Housing – Underspend £70,000 (or 3.0%)

Private Housing enforcement and assistance projects have commenced, however due to department reorganisations they are now projected in some cases to continue past the end of the current financial year. These projects relate to Landlord Accreditation, Winter Warmth, Un-Licenced gas fitters and Rogue Builders. It is anticipated that there will be no adverse impact on residents from a delayed start. It is expected that these projects will prove significant in providing appropriate support and protection for private housing owners and tenants which will enable housing in Portsmouth to be of sufficient long term quality.

6.3 Leader – Minor Overspend £6,500 (or 2.8%)

6.4 PRED – Overspend £44,900 (or 3.5%)

Once City Council assets are declared surplus to requirements the holding and disposal costs become the responsibility of the Property Portfolio. The cost of holding and marketing these assets for subsequent disposal has led to a forecast overspend of £44,900.

6.5 Licensing Committee – Underspend £16,600 (or 14.2%)

Additional net income arising from recent changes in legislation relating to scrap metal & motor salvage dealers which requires them to be licenced by the Local Authority from 2013/14. Previously these dealers were only required to be registered with the Local Authority. This net income is after direct costs associated with enforcement are deducted, but before the full indirect costs of administration and enforcement are taken into account.

6.6 Governance, Audit and Standards Committee – Underspend £98,600 (or 35.0%)

Additional income to the Registrars Service arising primarily from increased demand for priority birth certificate searches and civil marriage ceremonies.

6.7 Levies – Underspend £22,400 (or 2.9%)

Minor variation due to levies being lower than originally estimated.

6.8 Insurance – No Forecast Variance

6.9 Other Miscellaneous – No Forecast Variance

7. Relationships between Financial Performance and Service Performance

7.1 There are a number of areas where the council is demonstrating strong performance. It is performing well on almost all key performance indicators in relation to Revenues and Benefits, although Council Tax collection is slightly below plan. There is good progress on implementing action plans in relation to health and social care, including around dementia and services for carers. Planning applications are being processed (although not major applications) more quickly than previously. Key projects at Tipner and Northern Road Bridge are expected to finish on schedule and on budget.

7.2 However, there are still some areas of concern. There remains uncertainty on key Department of Work and Pension initiatives, such as the Universal Credit and the Single Fraud investigation service, for example. The Council also needs to respond to the Integration and Transformation Fund, funding that the Government is transferring from the NHS to adult social care services in local government to support people to remain out of hospital.

7.3 There are some areas where improvements need to be made, and there are plans to address these. The Council needs to engage with services to ensure they are referring families with need to the appropriate services that can help them, via the Positive Family Steps service, and also the Telecare and Telehealth services for example. Educational attainment in the city across most key stage areas is improving, but GCSE results fell by 5% compared to last year, a sustained focus in this area is therefore required. In the current climate, the Council needs to continue working with partners to encourage inward investment into the city.

8. Conclusion - Overall Finance & Performance Summary

8.1 The overall forecast outturn for the City Council in 2013/14 as at the end of September 2013 is forecast to be £191,036,700. This is an overall underspend of £450,350 against the Amended Budget and represents a variance of 0.24%.

8.2 The forecast takes account of all known variations at this stage, but only takes account of any remedial action to the extent that there is reasonable certainty that it will be achieved.

8.3 The overall financial position is deemed to be "green" since the forecast outturn is within budget. Furthermore, finance is not having a negative impact on the overall performance status of the Council's activities.

8.4 As outlined in paragraph 4.2, the forecast overspend within the Children and Education and Traffic and Transportation Portfolios represent the greatest areas of concern in terms of the impact that they have on the overall City Council budget for 2013/14. Consequently it is recommended that reports in respect of these Portfolios be prepared for the Cabinet in January setting out the options for significantly reducing or eliminating the adverse budget position presently being forecast by these Portfolios, including the associated impact of doing so.

8.5 Where a Portfolio is presently forecasting a net overspend, in accordance with current Council policy, any overspending in 2013/14 will be deducted from cash limits in 2014/15 and therefore the appropriate Heads of Service in consultation with Portfolio Holders should prepare an action plan outlining how their 2013/14 forecast outturn or 2014/15 budget might be reduced to alleviate the adverse variances currently being forecast.

8.6 Based on the Budget (as adjusted) of £191,487,075 the Council will remain within its minimum level of General Reserves for 2013/14 of £6.0m as illustrated below:

	£m
General Reserves brought forward @ 1/4/2013	23.614
Add:	
Forecast Underspend 2013/14	0.450
Less:	
Planned Withdrawal from General Reserves 2013/14	(5.373)
Forecast General Reserves carried forward into 2014/15	**18.691**

Levels of General Reserves over the medium term are assumed to remain within the Council approved sum of £8.4m in 2014/15 and future years since any ongoing budget pressures / savings will be reflected in future years' savings targets.

8.7 Financial resources are not seen as a primary barrier during the current year to either performance achievement or performance improvement. Although there are no specific requests for additional resourcing to ensure targets are achieved, or objectives met through this report, in some cases resources may be a possible risk to future delivery which ought to be considered in the context of all other current and emerging budget pressures and evaluated in context with each other.

9. City Solicitor's Comments

9.1 The City Solicitor is satisfied that it is within the Council's powers to approve the recommendations as set out.

10. Equalities Impact Assessment

10.1 This report does not require an Equalities Impact Assessment as there are no proposed changes to PCC's services, policies, or procedures included within the recommendations.

…………………………………….

Chris Ward

Head of Finance & S151 Officer

Background List of Documents –

Section 100D of the Local Government Act 1972

The following documents disclose facts or matters which have been relied upon to a material extent by the author in preparing this report –

Title of Document		Location
Portsmouth City Council Budget 2012/13 to 2016/17		Office of Deputy Head of Finance & Section 151 Officer
Electronic Budget Monitoring Files		Financial Services Local Area Network

The recommendations set out above were:

Approved / Approved as amended / Deferred / Rejected by the Cabinet on 2nd December, 2013

Signed: ……………………………………….

Approved / Approved as amended / Deferred / Rejected by the City Council on 10th December, 2013

Signed: ……………………………………….

APPENDIX A

FINANCIAL & SERVICE PERFORMANCE

QUARTER 2
2013/14

INFORMATION PACK

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MONTHLY BUDGET MONITORING STATEMENT - CASH LIMIT 2013/14

PORTFOLIO City Council General Fund

BUDGET Total General Fund Expenditure

TOTAL CASH LIMIT 191,487,075

CHIEF OFFICER All Budget Holders

MONTH ENDED September 2013

ITEM No.	BUDGET HEADING	BUDGET PROFILE 2013/14				BUDGET FORECAST 2013/14			
		Budget Profile To End September 2013	Actual To End September 2013	Variance vs. Profile To September 2013		Total Budget	Forecast Year End Outturn	Variance vs. Total Budget	
		£	£	£	%	£	£	£	%
1	Children & Education	68,347,156	60,920,900	(7,426,256)	(10.9%)	32,214,193	33,384,670	**1,170,477**	3.6%
2	Culture, Leisure & Sport	4,279,871	4,312,557	32,686	0.8%	8,673,883	8,673,883	**0**	0.0%
3	Environment & Community Safety	7,474,624	7,679,092	204,468	2.7%	16,708,367	16,617,442	**(90,925)**	(0.5%)
4	Health & Social Care	26,049,300	26,249,978	200,678	0.8%	52,098,543	52,260,626	**162,083**	0.3%
5	Housing	717,492	645,706	(71,786)	(10.0%)	2,331,300	2,261,300	**(70,000)**	(3.0%)
6	Leader	131,800	129,296	(2,504)	(1.9%)	232,900	239,400	**6,500**	2.8%
7	PRED	6,281,753	(685,363)	(6,967,116)	(110.9%)	(1,276,973)	(1,232,089)	**44,884**	3.5%
8	Port	(2,811,990)	(3,419,812)	(607,822)	(21.6%)	(5,433,695)	(5,969,900)	**(536,205)**	(9.9%)
9	Resources	13,262,500	11,261,219	(2,001,281)	(15.1%)	24,082,923	24,168,200	**85,277**	0.4%
10	Traffic & Transportation	5,248,826	5,309,866	61,040	1.2%	15,771,892	16,642,787	**870,895**	5.5%
11	Licensing Committee	(37,480)	(59,328)	(21,848)	(58.3%)	(116,700)	(133,304)	**(16,604)**	(14.2%)
12	Governance, Audit & Standards Com	41,000	(63,148)	(104,148)	(254.0%)	281,600	183,000	**(98,600)**	(35.0%)
13	Levies	442,300	421,573	(20,727)	(4.7%)	781,000	758,580	**(22,420)**	(2.9%)
14	Insurance	1,530,097	1,530,097	0	0.0%	1,141,500	1,141,500	**0**	0.0%
15	Asset Management Revenue Account	4,025,534	3,982,521	(43,013)	(1.1%)	24,997,797	23,434,085	**(1,563,712)**	(6.3%)
16	Other Miscellaneous	937,000	776,451	(160,549)	(17.1%)	18,998,545	18,998,545	**0**	0.0%
TOTAL		**135,919,783**	**118,991,606**	**(16,928,178)**	**(12.5%)**	**191,487,075**	**191,428,725**	**(58,350)**	**(0.0%)**
		Total Value of Remedial Action (from Analysis Below)					(392,000)		
		Total Net Forecast Outturn (after remedial action)				**191,487,075**	**191,036,725**	**(450,350)**	**(0.24%)**

Note **All figures included above exclude Capital Charges**

Income/underspends should be recorded in brackets and expenditure/overspends without

VALUE OF REMEDIAL ACTIONS

Item No.	Reason for Variation	Remedial Action	Value of Remedial Action
1	Children & Education		0
2	Culture, Leisure & Sport		0
3	Environment & Community Safety		(12,000)
4	Health & Social Care		0
5	Housing		0
6	Leader		0
7	PRED		0
8	Port		0
9	Resources		(380,000)
10	Traffic & Transportation		0
11	Licensing Committee		0
12	Governance, Audit & Standards Com		0
13	Levies		0
14	Insurance		0
15	Asset Management Revenue Account		0
16	Other Miscellaneous		0
Total Value of Remedial Action			**(392,000)**

Note **Remedial Action resulting in savings should be shown in brackets**

FINANCIAL AND SERVICE PERFORMANCE MONTH ENDING SEPTEMBER 2013

MONTHLY BUDGET MONITORING STATEMENT - CASH LIMIT 2013/14

PORTFOLIO Children and Education

BUDGET	7,206,393	Education
	25,007,800	Children's Social Care & Safeguarding
TOTAL CASH LIMIT	**32,214,193**	

CHIEF OFFICER **Julian Wooster**

MONTH ENDED **September 2013**

Risk indicator	
Low	L
Medium	M
High	H

ITEM No.	BUDGET HEADING	BUDGET PROFILE 2013/14 Budget Profile To End September 2013	Actual To End September 2013	Variance vs. Profile To September 2013		BUDGET FORECAST 2013/14 Total Budget	Forecast Year End Outturn	Variance vs. Total Budget		RISK INDICATOR
		£	£	£	%	£	£	£	%	
1	ISB Nursery	3,916,700	5,752,782	1,836,082	46.9%	7,445,900	7,766,524	**320,624**	4.3%	L
2	ISB Primary	56,097,400	52,541,953	(3,555,447)	(6.3%)	56,097,400	56,097,400	**0**	0.0%	L
3	ISB Secondary	41,191,300	38,611,361	(2,579,939)	(6.3%)	41,191,300	41,191,300	**0**	0.0%	L
4	ISB Special	7,024,000	6,884,000	(140,000)	(2.0%)	7,024,000	7,024,000	**0**	0.0%	L
5	DSG	(55,989,304)	(56,457,613)	(468,309)	(0.8%)	(111,758,600)	(112,079,224)	**(320,624)**	(0.3%)	L
6	Strategic Commissioning	551,592	439,501	(112,091)	(20.3%)	1,103,200	1,123,600	**20,400**	1.8%	L
7	Early Support	1,584,684	1,095,451	(489,233)	(30.9%)	3,169,400	3,169,400	**0**	0.0%	M
8	Education Improvement	294,402	(155,943)	(450,345)	(153.0%)	588,800	638,125	**49,325**	8.4%	H
9	Child Support Services	1,728,552	1,226,664	(501,888)	(29.0%)	3,457,100	3,407,100	**(50,000)**	(1.4%)	M
10	Joint Priorities	359,994	(678,873)	(1,038,867)	(288.6%)	719,993	719,993	**0**	0.0%	M
11	Family Support Service	688,350	773,941	85,591	12.4%	1,376,700	1,459,978	**83,278**	6.0%	M
12	Fieldwork Services	2,956,446	2,660,219	(296,227)	(10.0%)	5,912,900	6,018,041	**105,141**	1.8%	M
13	Looked After Children	5,549,442	6,552,642	1,003,200	18.1%	11,098,900	12,123,121	**1,024,221**	9.2%	H
14	Services Commissioned And Provided	484,896	84,945	(399,951)	(82.5%)	969,800	886,400	**(83,400)**	(8.6%)	M
15	Safeguarding Management And Support	781,902	709,926	(71,976)	(9.2%)	1,563,800	1,888,012	**324,212**	20.7%	M
16	Youth Support (IYSS)	1,126,800	879,944	(246,856)	(21.9%)	2,253,600	1,950,900	**(302,700)**	(13.4%)	M
TOTAL		**68,347,156**	**60,920,900**	**(7,426,256)**	**(10.9%)**	**32,214,193**	**33,384,670**	**1,170,477**	**3.6%**	
	Total Value of Remedial Action (from Analysis Below)						0			
	Total Net Forecast Outturn (after remedial action)					**32,214,193**	**33,384,670**	**1,170,477**	**3.6%**	

Note **All figures included above exclude Capital Charges, Levies and Insurances**
Income/underspends is shown in brackets and expenditure/overspends without brackets

REASONS FOR VARIATIONS AGAINST TOTAL BUDGET 2013/14

Item No.	Reason for Variation	Variance £	Remedial Action	Value of Remedial Action
5	Whilst there is an increase in the numbers of hours of early years provision and a reduction In income from schools converting to academies which together are estimated to amount to additional spending of £320,624 this will be offset by additional grant and grant brought forward from 2012/13	0		
6	Additional resource has been required to support the development of a competitive traded services offer with schools and academies	20,400		
8	Staffing levels in this area are such that the expected savings from staff turnover are not being achieved	49,325		
9	A delay in the introduction of the new sitting service has lead to delayed expenditure during the year	(50,000)		
11	Relocation costs in respect of the teams' move into the Civic offices and agency costs in respect of cover for sickness and maternity is above expectations	83,278		
12	Income from adoption activities is proving difficult to achieve and is currently projected to be £135,000 below expectations. This has been partially offset by staff vacancy savings	105,141		
13	Although the numbers of children in care have remained largely stable, the mix of provision has seen greater numbers in high cost, external residential placements resulting in an over spend forecast.	1,024,221		
14	There have been fewer numbers of children in remand together with negotiated reduction in some contracted services	(83,400)		
15	Staffing levels in this area are such that the expected savings from staff turnover are not being achieved. There is also pressure on the legal and medical costs.	324,212		
16	The under spend represents the expected delivery of reductions in staffing and operational costs	(302,700)		
	TOTAL PROJECTED VARIANCE	**1,170,477**	**TOTAL VALUE OF REMEDIAL ACTION**	**0**

Note **Remedial Action resulting in savings is shown in brackets**

FINANCIAL AND SERVICE PERFORMANCE MONTH ENDING SEPTEMBER 2013

MONTHLY BUDGET MONITORING STATEMENT - CASH LIMIT 2013/14

PORTFOLIO Culture, Leisure & Sport

BUDGET	4,949,783	City Development & Cultural Services
	3,724,100	Transport & Street Management
TOTAL CASH LIMIT	**8,673,883**	

CHIEF OFFICER **Kathy Wadsworth**

MONTH ENDED **September 2013**

Risk indicator	
Low	L
Medium	M
High	H

ITEM No.	BUDGET HEADING	BUDGET PROFILE 2013/14: Budget Profile To End September 2013	Actual To End September 2013	Variance vs. Profile To September 2013		BUDGET FORECAST 2013/14: Total Budget	Forecast Year End Outturn	Variance vs. Total Budget		RISK INDICATOR
		£	£	£	%	£	£	£	%	
1	Parks, Gardens & Open Spaces	1,365,503	1,258,411	(107,092)	(7.8%)	2,518,945	2,463,945	**(55,000)**	(2.2%)	L
2	Seafront Management	66,478	46,850	(19,628)	(29.5%)	122,308	127,308	**5,000**	4.1%	L
3	Golf Courses	(229,723)	(188,543)	41,180	17.9%	(255,269)	(200,269)	**55,000**	21.5%	H
4	Pyramids	350,358	374,196	23,838	6.8%	701,000	701,000	**0**	0.0%	L
5	Mountbatten & Gymnastic Centres	135,198	138,053	2,855	2.1%	270,508	270,508	**0**	0.0%	L
6	Other Sports & Leisure Facilities	119,002	145,926	26,924	22.6%	330,817	330,817	**0**	0.0%	H
7	Sports Development	142,201	141,634	(567)	(0.4%)	295,067	306,067	**11,000**	3.7%	M
8	Departmental Establishment (Leisure)	133,283	229,170	95,887	71.9%	471,313	358,313	**(113,000)**	(24.0%)	L
9	Libraries	1,161,280	1,253,442	92,162	7.9%	2,182,061	2,286,061	**104,000**	4.8%	M
10	Museum Services	499,066	390,094	(108,972)	(21.8%)	952,019	912,019	**(40,000)**	(4.2%)	M
11	Arts Service	212,660	225,379	12,719	6.0%	422,375	417,375	**(5,000)**	(1.2%)	L
12	Community Centres	231,786	145,441	(86,345)	(37.3%)	422,071	422,071	**0**	0.0%	L
13	Events	92,779	152,504	59,725	64.4%	240,668	278,668	**38,000**	15.8%	L
TOTAL		**4,279,871**	**4,312,557**	**32,686**	**0.8%**	**8,673,883**	**8,673,883**	**0**	**0.0%**	
	Total Value of Remedial Action (from Analysis Below)						0			
	Total Net Forecast Outturn (after remedial action)					**8,673,883**	**8,673,883**	**0**	**0.0%**	

Note **All figures included above exclude Capital Charges, Levies and Insurances**
Income/underspends is shown in brackets and expenditure/overspends without brackets

REASONS FOR VARIATIONS AGAINST TOTAL BUDGET 2013/14

Item No.	Reason for Variation	Variance £	Remedial Action	Value of Remedial Action
1	The service has been able to charge external businesses for contributions for bedding plants. In addition a small amount of funding has been received from the Football foundation towards park equipment, and selling equipment surplus to requirements have resulted in an additional £7,000 income. A repayment totalling £18,300 is also expected from English Landscapes following a previous over payment. £44,000 of expenditure will also be held back this year towards offsetting the anticipated reduction in golf income.	(55,000)		
2	Seafront maintenance is primarily carried out in the winter months therefore a significant proportion of this budget has not yet been spent. Expenditure will be kept to a minium in order to ensure that the total service overspend is as small as possible.	5,000		
3	Poor weather conditions experienced in the first three months of the year and a general downturn in the number of people playing golf has had an adverse impact on the number of customers visiting the golf course over this period. Season ticket sales are slightly lower than expectations at this point in the financial year, however it is income that received from green fees that are significantly lower than anticipated.	55,000		
7	Staff vacancies and the introduction of charging clients for activities organised by the Interaction Service along with reduced expenditure on leisure card supplies and services have been used to partially fund the year 2 transformation savings approved in the City Council Budget Meeting February 2012.	11,000		
8	The Windows 7 Upgrade costs of £66,000 in total have now been allocated across Cultural Services along with the unallocated year 2 transformation savings approved in the City Council Budget meeting February 2012. These were previously being held in this service area to be implemented after the Head of Service responsibility changes. A recharge of management costs of £93,000 to PRED will be processed to reflect the time and cost of management support for the City Development Service. An underspend in administrative supplies and services of £20,000 is included in the projected underspend.	(113,000)		
9	The savings approved in the February 2013 budget have not been fully achieved and this pressure has been increased by the reduction in the budget of £52,000 to fund the Libraries share of the Windows 7 programme. Utility and cleaning costs are more than budgeted and there has been a reduction in the amount of income being received. Expenditure is being held back on the book fund to mitigate some of the projected overspend. The remaining overspend will be offset by the management recharge from PRED above.	104,000		
10	There are staff vacancies in the service which are contributing towards the underspend. This will be used to offset the variances above.	(40,000)		
11	A staff vacancy in the service is contributing towards the projected underspend.	(5,000)		
13	It was agreed at the beginning of the year that the existing programme of events would continue into 2013/14. In order to achieve this, budget provision has been made by reducing expenditure in other areas of Cultural Services and the recharging of management costs to theCity Development service held in the PRED portfolio.	38,000		
TOTAL PROJECTED VARIANCE		**0**	**TOTAL VALUE OF REMEDIAL ACTION**	**0**

Note Remedial Action resulting in savings is shown in brackets

FINANCIAL AND SERVICE PERFORMANCE MONTH ENDING SEPTEMBER 2013

MONTHLY BUDGET MONITORING STATEMENT - CASH LIMIT 2013/14

PORTFOLIO Environment & Community Safety

BUDGET	1,069,851	Corporate Assets, Business & Standards
	116,900	City Development & Cultural Services
	13,063,585	Transport and Street Management
	2,458,031	Community Safety
TOTAL CASH LIMIT	**16,708,367**	

CHIEF OFFICER **Kathy Wadsworth**

MONTH ENDED **September 2013**

Risk indicator	
Low	L
Medium	M
High	H

ITEM No.	BUDGET HEADING	BUDGET PROFILE 2013/14				BUDGET FORECAST 2013/14				RISK INDICATOR
		Budget Profile To End September 2013	Actual To End September 2013	Variance vs. Profile To September 2013		Total Budget	Forecast Year End Outturn	Variance vs. Total Budget		
		£	£	£	%	£	£	£	%	
1	Environmental Protection	209,284	201,508	(7,776)	(3.7%)	411,602	386,102	**(25,500)**	(6.2%)	L
2	Environment Admin & Management	5,380	8,678	3,298	61.3%	33,105	33,105	**0**	0.0%	L
3	Community Safety Administration & Management	6,984	6,905	(79)	(1.1%)	13,973	13,973	**0**	0.0%	L
4	Environmental Health - Commercial Services	136,488	94,315	(42,173)	(30.9%)	268,652	230,852	**(37,800)**	(14.1%)	M
5	Port Health	(1,986)	(757)	1,229	61.9%	10,183	10,183	**0**	0.0%	M
6	Trading Standards	177,651	186,849	9,198	5.2%	315,414	367,014	**51,600**	16.4%	M
7	Welfare Burials	5,956	5,247	(709)	(11.9%)	16,922	16,922	**0**	0.0%	L
8	Refuse Collection	995,808	920,279	(75,529)	(7.6%)	2,669,926	2,681,926	**12,000**	0.4%	H
9	Waste Disposal	2,333,253	2,026,378	(306,875)	(13.2%)	4,533,787	4,547,787	**14,000**	0.3%	H
10	Waste Recycling	445,353	412,627	(32,726)	(7.3%)	1,120,654	1,105,654	**(15,000)**	(1.3%)	L
11	Street Enforcement	115,151	110,561	(4,590)	(4.0%)	229,672	251,672	**22,000**	9.6%	M
12	Public Conveniences	222,101	215,016	(7,085)	(3.2%)	583,318	583,318	**0**	0.0%	M
13	Street Cleansing	1,446,768	1,447,050	282	0.0%	2,894,694	2,894,694	**0**	0.0%	L
14	Clean City	1,998	444	(1,554)	(77.8%)	4,000	4,000	**0**	0.0%	L
15	Built Environment	57,428	67,960	10,532	18.3%	104,622	113,622	**9,000**	8.6%	L
16	Control Of Dogs	46,706	35,161	(11,545)	(24.7%)	91,107	89,107	**(2,000)**	(2.2%)	H
17	Projects & Procurement Management	54,428	6,399	(48,029)	(88.2%)	102,129	37,129	**(65,000)**	(63.6%)	M
18	Sea Defences And Drainage	126,938	60,343	(66,595)	(52.5%)	330,679	330,679	**0**	0.0%	L
19	Coastal Partnership	137,753	137,649	(104)	(0.1%)	158,785	158,785	**0**	0.0%	M
20	LATS			0	-			**0**	-	H
21	Cemeteries	20,342	(31,695)	(52,037)	(255.8%)	40,212	29,212	**(11,000)**	(27.4%)	L
22	Contaminated Land	58,440	31,728	(26,712)	(45.7%)	116,900	76,900	**(40,000)**	(34.2%)	L
23	Carbon Allowances	10,000	10,531	531	5.3%	200,000	200,000	**0**	0.0%	L
24	Motiv8	81,800	81,831	31	0.0%	81,800	81,831	**0**	0.0%	L
25	Hidden Violence And Abuse	59,086	185,128	126,042	213.3%	344,170	367,041	**22,900**	6.7%	L
26	Community Safety Strategy And Partnership	422,770	115,090	(307,680)	(72.8%)	601,935	511,169	**(90,800)**	(15.1%)	L
27	CCTV	192,616	277,464	84,848	44.1%	383,460	344,757	**(38,700)**	(10.1%)	L
28	PYOP	0	388	388	-	0	388	**(38,700)**	-	L
29	Community Wardens	356,000	418,653	62,653	17.6%	684,960	781,679	**96,700**	14.1%	L
30	Anti Social Behaviour Unit	57,180	93,608	36,428	63.7%	156,884	156,961	**100**	0.1%	L
31	Substance Misuse (including Alcohol)	(404,360)	447,669	852,029	210.7%	10,163	16,976	**6,800**	66.9%	L
32	Civil Contingencies (Emergency Planning)	97,308	106,085	8,777	9.0%	194,659	194,004	**(700)**	(0.4%)	L
TOTAL		**7,474,624**	**7,679,092**	**204,468**	**2.7%**	**16,708,367**	**16,617,442**	**(91,000)**	**(0.5%)**	
	Total Value of Remedial Action (from Analysis Below)						(12,000)			
	Total Net Forecast Outturn (after remedial action)					**16,708,367**	**16,605,442**	**(102,925)**	**(0.6%)**	

Note **All figures included above exclude Capital Charges, Levies and Insurances**
Income/underspends is shown in brackets and expenditure/overspends without brackets

REASONS FOR VARIATIONS AGAINST TOTAL BUDGET 2013/14

Item No.	Reason for Variation	Variance £	Remedial Action	Value of Remedial Action
1	Air Quality Monitoring Stations have been found to be in better condition in the current financial year than expected leading to a delay in planned maintenance works. These works are now expected to take place after the winter months and will continue into 2014/15.	(25,500)		
4	Additional Primary Authority Income from local businesses due to successful business partnering. Also windfall one off prosecution income under Section 14 of the Food Safety Act has been received.	(37,800)		
6	There is an annual projected shortfall in the trading Standards budget from the non commencement of a previously agreed set up of a non quasi trading company in 2011.	51,600		
8	A savings target of £20,000 to be achieved from charging for replacement bins is not likely to materialise this financial year. A reduction in expenditure, due to some items being funded through the DCLG Weekly collection Support scheme is expected to offset this by approximately £8,000. Further income sources are being investigated.	12,000	The service is currently investigating alternative sources of income.	(12,000)
9	It is anticipated that there will be a shortfall n income, as a result of a reduction in commodity prices that are achieved on the sale of dry mixed recyclable material. The price obtained is a combination of numerous different commodities that are each affected differently by economic and/or market conditions.	14,000		
10	Income from the sale of glass is higher than anticipated as a result of a higher unit price being achieved for the sale of mixed glass.	(15,000)		
11	£24,000 overspent represents Environment Enforcements 20% share of the £120,000 saving approved by merging Community Wardens and Environmental Enforcement, which is no longer going ahead.	22,000		
15	Following a staffing review within the service, additional salary costs and subsequent redundancy costs have been incurred.	9,000		
17	Within the Projects & Procurement team, more staff time is being undertaken working on major schemes such as Tipner, Northern Quarter and Northern Road Bridge. As a result a higher fee income has been achieved than originally anticipated.	(65,000)		
21	The cemeteries have received an unexpected £11,000 as a result of an insurance claim. The expenditure was incurred in the previous financial year.	(11,000)		
22	The projected underspend is as a result staff vacancies in the service.	(40,000)		
25	The total variance includes elements made up of £21,000 budgeted staff savings (vacancy provision and absence management) unlikely to be met due to recruitment retention and lack of staff turnover. Over spend previously forecast to be greater but income has been sourced by working on Public Health funded programmes.	22,900		
26	The total variance includes elements made up of; (1) Under spend in employees as staff member within the establishment working on Public Health funded projects in 2013/14 - £10,000 (2) Additional income received for Head of Service charge to Public Health as per revised structure £35,000	(90,800)		
27	In year savings achieved by negotiating discount in CCTV management contract	(38,700)		
29	This represents Community Safety's prportion of the £120,000 saving by merging Community Wardens and Environmental Enforcement. The merger is no longer going ahead and the over spend is to be remedied by managing under spends in other areas of the service, mostly Strategy & Partnership.	96,700		
	Other variances	4,600		
	TOTAL PROJECTED VARIANCE	**(91,000)**	**TOTAL VALUE OF REMEDIAL ACTION**	**(12,000)**

Note **Remedial Action resulting in savings is shown in brackets**

FINANCIAL AND SERVICE PERFORMANCE MONTH ENDING SEPTEMBER 2013

MONTHLY BUDGET MONITORING STATEMENT - CASH LIMIT 2013/14

PORTFOLIO Health & Social Care

BUDGET 52,098,543

TOTAL CASH LIMIT **52,098,543**

CHIEF OFFICER **Julian Wooster**

MONTH ENDED **September 2013**

Risk indicator	
Low	L
Medium	M
High	H

ITEM No.	BUDGET HEADING	BUDGET PROFILE 2013/14 Budget Profile To End September 2013	Actual To End September 2013	Variance vs. Profile To September 2013		BUDGET FORECAST 2013/14 Total Budget	Forecast Year End Outturn	Variance vs. Total Budget		RISK INDICATOR
		£	£	£	%	£	£	£	%	
1	Shared Lives Team	94,550	85,638	(8,912)	(9.4%)	189,107	167,407	**(21,700)**	(11.5%)	H
2	In House - Residential Care	1,912,150	2,110,278	198,128	10.4%	3,824,294	3,725,948	**(98,346)**	(2.6%)	M
3	Day Care	244,110	5,083,828	4,839,718	1982.6%	488,216	463,388	**(24,828)**	(5.1%)	H
4	Learning Disabilities - Russetts/PDS/PFI (Units)	1,391,180	1,696,675	305,495	22.0%	2,782,354	2,719,154	**(63,200)**	(2.3%)	M
5	Portsmouth Rehabilitation and Reablement Team (PRRT)	517,700	278,745	(238,955)	(46.2%)	1,035,400	825,940	**(209,460)**	(20.2%)	H
6	Adults Social Work & Care Management (Commissioning - Fieldwork)	1,689,900	1,535,673	(154,227)	(9.1%)	3,379,793	3,399,100	**19,307**	0.6%	L
7	Adults Social Work & Care Management (Commissioning - Residential)	(890,430)	(1,116,887)	(226,457)	(25.4%)	(1,780,853)	(1,964,100)	**(183,247)**	10.3%	H
8	Adults Social Work & Care Management (Commissioning - Nursing)	(1,029,210)	(854,550)	174,660	17.0%	(2,058,413)	(1,871,000)	**187,413**	(9.1%)	H
9	Adults Social Work & Care Management (Commissioning - Domiciliary)	(1,477,200)	(1,565,227)	(88,027)	(6.0%)	(2,954,403)	(3,060,400)	**(105,997)**	3.6%	M
10	Adults Social Work & Care Management (Commissioning - Other)	308,850	434,463	125,613	40.7%	617,690	556,820	**(60,870)**	(9.9%)	H
11	Learning Disabilities Commissioning	(51,050)	(60,783)	(9,733)	(19.1%)	(102,100)	(74,823)	**27,277**	(26.7%)	H
12	Joint Commissioning (Mental Health and Substance Misuse)	2,312,930	2,213,496	(99,434)	(4.3%)	4,625,852	4,745,679	**119,827**	2.6%	M
13	Management, Support and Premises	1,364,850	1,270,684	(94,166)	(6.9%)	2,729,708	2,730,627	**919**	0.0%	L
14	Joint Commissioning (Other)	582,230	918,681	336,451	57.8%	1,164,456	1,149,518	**(14,938)**	(1.3%)	L
15	Health Improvement and Development (HIDS)	557,500	551,540	(5,960)	(1.1%)	1,114,999	1,100,049	**(14,950)**	(1.3%)	L
16	Supporting People	3,037,500	3,007,322	(30,178)	(1.0%)	6,075,000	6,135,008	**60,008**	1.0%	L
17	PCC contribution to CHC Pool	15,642,200	14,876,694	(765,506)	(4.9%)	31,284,393	31,829,249	**544,856**	1.7%	L
18	Sexual Health Mandatory - services	1,589,660	1,290,991	(298,669)	(18.8%)	3,179,314	3,169,304	**(10,010)**	(0.3%)	L
19	Sexual Health Non Mandatory - services	79,000	53,562	(25,438)	(32.2%)	158,000	158,000	**0**	0.0%	L
20	Smoking	654,330	318,130	(336,200)	(51.4%)	1,308,657	1,308,659	**2**	0.0%	L
21	Children 5-19 Programme	411,910	352,318	(59,592)	(14.5%)	823,815	762,722	**(61,093)**	(7.4%)	H
22	Health Checks	205,830	102,739	(103,091)	(50.1%)	411,658	319,288	**(92,370)**	(22.4%)	H
23	Obesity	346,100	360,876	14,776	4.3%	692,199	665,699	**(26,500)**	(3.8%)	M
24	Substance Misuse	2,584,360	739,262	(1,845,098)	(71.4%)	5,168,717	5,135,717	**(33,000)**	(0.6%)	L
25	Public Health Advice	89,850	9,153	(80,697)	(89.8%)	179,695	119,695	**(60,000)**	(33.4%)	H
26	Miscellaneous Public Health Services	(6,119,500)	(7,391,174)	(1,271,674)	(20.8%)	(12,239,005)	(11,956,022)	**282,983**	(2.3%)	M
27	European Integration Fund	0	61,140	61,140	-	0	0	**0**	0.0%	L
28	Big Lottery	0	(94,596)	(94,596)	-	0	0	**0**	0.0%	L
29	Chances 4 change	0	(18,693)	(18,693)	-	0	0	**0**	0.0%	L
TOTAL		**26,049,300**	**26,249,978**	**200,678**	**0.8%**	**52,098,543**	**52,260,626**	**162,083**	**0.3%**	
	Total Value of Remedial Action (from Analysis Below)						0	**0**		
	Total Net Forecast Outturn (after remedial action)					**52,098,543**	**52,260,626**	**162,083**	**0.3%**	

Note **All figures included above exclude Capital Charges, Levies and Insurances**
Income/underspends is shown in brackets and expenditure/overspends without brackets

REASONS FOR VARIATIONS AGAINST TOTAL BUDGET 2013/14

Item No.	Reason for Variation	Variance £
2	In House Residential Care Increase in income at Hilsea, Edinburgh and Shearwater partially offset by increase in costs due to additional staff requirement at Shearwater following a Care Quality Commission inspection	(98,346)
5	Portsmouth Rehabilitation and Reablement Team Delay in recruitment to posts due to the Adult Social Care consultation. Recruitment has now commenced	(209,460)
7	Older Persons/Physical Disability Commissioned Residential Care Income The national increase in demand for dementia care has caused a rise in client numbers and corresponding increase in client contributions. Income from clients on the Deferred Payment Scheme is also higher than anticipated by £108,100.	(183,247)
8	Older Persons/Physical Disability Commissioned Nursing Care Income Income per client is below the budgeted level. There are also less clients on the Deferred Payment Scheme which has resulted in a reduction in income.	187,413
9	Older Persons/Physical Disability Domiciliary Care/Direct Payment Income There has been an increase in client numbers for domiciliary care in both Older Persons and Physical Disability. There has also been £28,000 reimbursed by clients for unused Direct Payments.	(105,997)
12	Mental Health/Substance Misuse Commissioned Services Residential Care - We are projecting an overspend of £120,000 which is due to the current number of clients being higher than budget, currently 88 compared to the target of 82. This includes an out of area placement which had gone to Legal Services but the case has been lost so this client is now the responsibility of Adult Social Care. In order to reduce this overspend we have allocated £145,000 of NHS funding which was carried forward from FY12/13	119,827
17	Continuing Health Care Pooled Budget Residential Care Client numbers are now 130 compared to a budget of 114. They are expected to remain at this level for the rest of the financial year. We are projecting an increase in Physical Disability costs due to two high cost clients recently assessed by Adult Social Care. Domiciliary Care There has been a significant increase in client numbers which have risen from 712 to 793 since April. Adult Social Care have introduced measures to more regularly review care packages. Additional funding The Partnership Management Group has agreed to allocate additional NHS funding of £505,000 to reduce the overall overspend in this area	544,856
	Other Miscellaneous Comprises a number of minor under and overspends on a range of services.	(92,963)
	TOTAL PROJECTED VARIANCE	**162,083**

Remedial Action	Value of Remedial Action
TOTAL VALUE OF REMEDIAL ACTION	**0**

Note **Remedial Action resulting in savings is shown in brackets**

FINANCIAL AND SERVICE PERFORMANCE MONTH ENDING SEPTEMBER 2013

MONTHLY BUDGET MONITORING STATEMENT - CASH LIMIT 2013/14

PORTFOLIO Housing

BUDGET	849,800	Corporate Assets, Business & Standards
	1,481,500	Housing Management
TOTAL CASH LIMIT	**2,331,300**	

CHIEF OFFICERS **Kathy Wadsworth & Margaret Geary**

MONTH ENDED **September 2013**

Risk indicator	
Low	L
Medium	M
High	H

ITEM No.	BUDGET HEADING	BUDGET PROFILE 2013/14 Budget Profile To End September 2013	Actual To End September 2013	Variance vs. Profile To September 2013		BUDGET PROFILE 2013/14 Total Budget	Forecast Year End Outturn	Variance vs. Total Budget To September 2013		RISK INDICATOR
		£	£	£	%	£	£	£	%	
1	Housing Strategy - General	93,607	69,821	(23,786)	(25.4%)	183,254	183,254	**0**	0.0%	L
2	Registered Social Landlords	31,584	30,475	(1,109)	(3.5%)	63,190	63,190	**0**	0.0%	L
3	Housing Advisory Service	129,666	112,134	(17,532)	(13.5%)	259,040	259,040	**0**	0.0%	L
5	Housing Enabling	45,966	42,135	(3,831)	(8.3%)	91,970	91,970	**0**	0.0%	L
7	Private Leased Properties	(51,636)	(7,678)	43,958	85.1%	(103,424)	(103,424)	**0**	0.0%	L
8	Homeless Prevention	(68,188)	(44,580)	23,608	34.6%	771,084	771,084	**771,084**	100.0%	L
9	Community Alarms / Rent Insurance	(44,976)	(52,759)	(7,783)	(17.3%)	(89,970)	(89,970)	**0**	0.0%	L
10	Wardens Welfare (Sheltered Housing)	36,984	36,984	0	0.0%	74,000	74,000	**0**	0.0%	L
11	Youth & Play Shared Services with the HRA	221,146	196,496	(24,650)	(11.1%)	438,600	438,600	**0**	0.0%	M
12	De Minimis Capital Receipts	(63,924)	(43,929)	19,995	31.3%	(127,900)	(127,900)	**0**	0.0%	M
13	Other Council Property	(7,848)	(11,875)	(4,027)	(51.3%)	(15,700)	(15,700)	**0**	0.0%	L
14	Works in Default / Properties in Default	(4,002)	7,601	11,603	289.9%	(7,844)	(7,844)	**0**	0.0%	L
15	Housing Standards	346,084	306,784	(39,300)	(11.4%)	691,390	621,390	**(70,000)**	(10.1%)	L
16	Houses in Multiple Occupation	(13,194)	(33,338)	(20,144)	(152.7%)	(26,400)	(26,400)	**0**	0.0%	L
17	Houses in Single Occupation	(468)	(15)	453	96.8%	(940)	(940)	**0**	0.0%	L
18	Home Check scheme	43,515	32,756	(10,759)	(24.7%)	84,750	84,750	**0**	0.0%	L
19	Controlling Orders	1,998	0	(1,998)	(100.0%)	4,000	4,000	**0**	0.0%	L
20	Mortgages	78	(1,369)	(1,447)	(1855.1%)	0	0	**0**	-	L
21	Schools Services	21,100	6,063	(15,037)	(71.3%)	42,200	42,200	**0**	0.0%	L
TOTAL		**717,492**	**645,706**	**(71,786)**	**(10.0%)**	**2,331,300**	**2,261,300**	**(70,000)**	**(3.0%)**	
	Total Value of Remedial Action (from Analysis Below)						0			
	Total Net Forecast Outturn (after remedial action)					**2,331,300**	**2,261,300**	**(70,000)**	**(3.0%)**	

Note **All figures included above exclude Capital Charges, Levies and Insurances**
Income/underspends is shown in brackets and expenditure/overspends without brackets

REASONS FOR VARIATIONS AGAINST TOTAL BUDGET 2013/14

Item No.	Reason for Variation	Variance £
15	Private Housing enforcement and assistance projects have commenced, however due to department reorganisations they are now projected in some cases to continue past the end of the current financial year. These projects relate to Landlord Accreditation, Winter Warmth, Un-Licenced gas fitters and Rogue Builders. It is anticipated that there will be no adverse impact on residents from a delayed start. It is expected that these projects will prove significant in providing appropriate support and protection for private housing owners and tenants which will enable housing in Portsmouth to be of sufficient long term quality	(70,000)
	TOTAL PROJECTED VARIANCE	**(70,000)**

Remedial Action	Value of Remedial Action
TOTAL VALUE OF REMEDIAL ACTION	0

Note **Remedial Action resulting in savings is shown in brackets**

FINANCIAL AND SERVICE PERFORMANCE MONTH ENDING SEPTEMBER 2013

MONTHLY BUDGET MONITORING STATEMENT - CASH LIMIT 2013/14

PORTFOLIO Leader

BUDGET 232,900

TOTAL CASH LIMIT **232,900**

CHIEF OFFICER

MONTH ENDED **September 2013**

Risk indicator	
Low	L
Medium	M
High	H

ITEM No.	BUDGET HEADING	BUDGET PROFILE 2013/14: Budget Profile To End September 2013 £	Actual To End September 2013 £	Variance vs. Profile To September 2013 £	%	BUDGET FORECAST 2013/14: Total Budget £	Forecast Year End Outturn £	Variance vs. Total Budget £	%	RISK INDICATOR
1	Portsmouth Civic Award	500	957	457	91.4%	1,000	1,000	**0**	0.0%	L
2	Civic Pride	0	836	836	-	0	900	**900**	-	L
3	Lord Mayor	54,600	60,219	5,619	10.3%	106,200	111,500	**5,300**	5.0%	L
4	Lord Mayor's Events	4,300	2,976	(1,324)	-30.8%	3,500	3,800	**300**	8.6%	L
5	Civic Events	72,400	64,308	(8,092)	-11.2%	122,200	122,200	**0**	0.0%	L
TOTAL		**131,800**	**129,296**	**(2,504)**	**(1.9%)**	**232,900**	**239,400**	**6,500**	**2.8%**	
	Total Value of Remedial Action (from Analysis Below)						0			
	Total Net Forecast Outturn (after remedial action)					**232,900**	**239,400**	**6,500**	**2.8%**	

Note **All figures included above exclude Capital Charges, Levies and Insurances**

Income/underspends is shown in brackets and expenditure/overspends without brackets

REASONS FOR VARIATIONS AGAINST TOTAL BUDGET 2013/14

Item No.	Reason for Variation	Variance £
3	The agreement for selling typing services to Fareham Borough Council took longer to negotiate than had been expected resulting in lower levels of income this year. In addition lower than forecast levels of income are being achieved from third party use of the Lord Mayors Banqueting room.	5,300
	Other minor variations over the remaining budget headings	1,200
	TOTAL PROJECTED VARIANCE	**6,500**

Remedial Action	Value of Remedial Action
TOTAL VALUE OF REMEDIAL ACTION	**0**

Note **Remedial Action resulting in savings is shown in brackets**

FINANCIAL AND SERVICE PERFORMANCE MONTH ENDING SEPTEMBER 2013

MONTHLY BUDGET MONITORING STATEMENT - CASH LIMIT 2013/14

PORTFOLIO Planning Regeneration & Economic Development (Excluding Commercial Ferry Port)

BUDGET	1,189,900	City Development & Cultural Services
	(4,593,077)	Corporate Assets, Business & Standards
	2,126,204	Housing Management
TOTAL CASH LIMIT	**(1,276,973)**	0

CHIEF OFFICER **Kathy Wadsworth**
Michael Lawther

MONTH ENDED **September 2013**

Risk indicator	
Low	L
Medium	M
High	H

ITEM No.	BUDGET HEADING	BUDGET PROFILE 2013/14: Budget Profile To End September 2013 £	Actual To End September 2013 £	Variance vs. Profile To September 2013 £	%	BUDGET FORECAST 2013/14: Total Budget £	Forecast Year End Outturn £	Variance vs. Total Budget £	%	RISK INDICATOR
1	Planning Management & Administration	72,810	75,791	2,981	4.1%	243,577	203,577	**(40,000)**	(16.4%)	M
2	Planning Development Control	2,880	(93,347)	(96,227)	(3341.2%)	18,771	18,771	**0**	0.0%	H
3	Planning Policy	166,800	203,304	36,504	21.9%	332,319	332,319	**0**	0.0%	M
4	Building Regulations & Control	11,930	(23,659)	(35,589)	(298.3%)	23,833	23,833	**0**	0.0%	H
5	Economic Regeneration and Service Plan	109,650	53,184	(56,466)	(51.5%)	218,134	258,134	**40,000**	18.3%	L
6	Tourism	175,300	150,595	(24,705)	(14.1%)	353,266	353,266	**0**	0.0%	L
7	Economic Development, Business and Standards	136,332	103,974	(32,358)	(23.7%)	322,301	322,301	**0**	0.0%	L
8	Enterprise Centres	(137,743)	(160,306)	(22,563)	(16.4%)	(284,198)	(284,198)	**0**	0.0%	L
9	PCMI	35,850	158,602	122,752	342.4%	58,720	58,720	**0**	0.0%	L
10	Community Learning	17,767	55,095	37,328	210.1%	31,000	31,000	**0**	0.0%	M
11	Administrative Buildings	7,774,049	893,287	(6,880,762)	(88.5%)	1,556,997	1,556,997	**0**	0.0%	M
12	Guildhall	289,092	164,291	(124,801)	(43.2%)	578,184	578,184	**0**	0.0%	L
13	Property Portfolio	(2,372,964)	(2,266,174)	106,790	4.5%	(4,729,877)	(4,684,993)	**44,884**	0.9%	H
14	City Centre North Development			0	-			**0**	-	
TOTAL		**6,281,753**	**(685,363)**	**(6,967,116)**	**(110.9%)**	**(1,276,973)**	**(1,232,089)**	**44,884**	**3.5%**	
							0			
	Total Net Forecast Outturn (after remedial action)					**(1,276,973)**	**(1,232,089)**	**44,884**	**3.5%**	

Note **All figures included above exclude Capital Charges, Levies and Insurances**
Income/underspends is shown in brackets and expenditure/overspends without brackets

REASONS FOR VARIATIONS AGAINST TOTAL BUDGET 2013/14

Item No.	Reason for Variation	Variance £	Remedial Action	Value of Remedial Action
1	The formation of the City Development Service has resulted in significant redundancy costs being incurred across the service. These one off costs will be met from the savings realised by posts being held vacant for longer than originally anticipated and reduced service expenditure during this transition period.	(40,000)		
5	See above	40,000		
13	Once City Council assets are declared surplus to requirements they holding and disposal costs become the responsibility of the Property Portfolio.	44,884		
	TOTAL PROJECTED VARIANCE	**44,884**	**TOTAL VALUE OF REMEDIAL ACTION**	**0**

Note **Remedial Action resulting in savings is shown in brackets**

FINANCIAL AND SERVICE PERFORMANCE MONTH ENDING SEPTEMBER 2013

MONTHLY BUDGET MONITORING STATEMENT - CASH LIMIT 2013/14

PORTFOLIO Planning Regeneration & Economic Development (Commercial Ferry Port)

BUDGET (5,433,695)

TOTAL CASH LIMIT **(5,433,695)**

CHIEF OFFICER **Martin Putman**

MONTH ENDED **September 2013**

Risk indicator	
Low	L
Medium	M
High	H

ITEM No.		BUDGET PROFILE 2013/14 Budget Profile To End September 2013	Actual To End September 2013	Variance vs. Profile To September 2013		BUDGET PROFILE 2013/14 Total Budget	Forecast Year End Outturn	Variance vs. Total Budget		RISK INDICATOR
		£	£	£	%	£	£	£	%	
	Income									
1	Wharfage & Harbour Dues - Private Wharves	(768)	(798)	(30)	(3.9%)	(1,800)	(1,800)	**0**	0.0%	L
2	Tonnage Dues	(358,456)	(333,558)	24,898	6.9%	(717,200)	(746,100)	**(28,900)**	(4.0%)	M
3	Boat Dues	(40,916)	(38,501)	2,415	5.9%	(80,600)	(79,900)	**700**	0.9%	L
4	Cruise Operational Dues	(215,739)	(197,595)	18,144	8.4%	(239,600)	(203,400)	**36,200**	15.1%	L
5	Rents & Concessions	(272,718)	(241,672)	31,046	11.4%	(488,200)	(503,100)	**(14,900)**	(3.1%)	M
6	C.F.P - Operational Dues	(7,483,792)	(7,688,926)	(205,134)	(2.7%)	(13,076,200)	(13,022,600)	**53,600**	0.4%	H
7	- Ships Services	(329,811)	(332,650)	(2,839)	(0.9%)	(698,900)	(703,600)	**(4,700)**	(0.7%)	H
8	- Parking & Demurrage	(26,610)	(40,642)	(14,032)	(52.7%)	(83,700)	(100,600)	**(16,900)**	(20.2%)	M
9	Pilotage	(286,400)	(388,657)	(102,257)	(35.7%)	(564,300)	(656,700)	**(92,400)**	(16.4%)	M
10	Miscellaneous	(118,711)	(174,579)	(55,868)	(47.1%)	(215,400)	(213,700)	**1,700**	0.8%	L
11	Charges to Recoverable Schemes	(4,578)	(23,823)	(19,245)	(420.4%)	(11,000)	(38,300)	**(27,300)**	(248.2%)	L
	Total Income	**(9,138,499)**	**(9,461,402)**	**(322,903)**	(3.5%)	**(16,176,900)**	**(16,269,800)**	**(92,900)**	**(0.6%)**	
	Operational Expenses									
12	Direct Employee Expenses	2,636,010	2,627,078	(8,932)	(0.3%)	4,209,005	4,079,900	**(129,105)**	(3.1%)	M
13	Repairs & Maintenance	343,061	293,137	(49,924)	(14.6%)	823,700	803,300	**(20,400)**	(2.5%)	H
14	Fuel, Light, Cleaning & Water	227,425	160,254	(67,171)	(29.5%)	549,600	548,700	**(900)**	(0.2%)	H
15	Rent & Rates	1,675,782	1,592,060	(83,722)	(5.0%)	1,843,900	1,818,300	**(25,600)**	(1.4%)	M
16	Equipment, Furniture & Fittings	22,751	13,117	(9,634)	(42.3%)	193,300	172,900	**(20,400)**	(10.6%)	L
17	Uniforms	8,666	3,485	(5,181)	(59.8%)	20,800	17,800	**(3,000)**	(14.4%)	L
18	Other Hired & Contracted Services	555,602	450,236	(105,366)	(19.0%)	1,281,800	1,122,100	**(159,700)**	(12.5%)	H
19	Operating Leases	0	86,362	86,362	-	8,600	8,600	**0**	0.0%	L
20	Use of Transport	57,722	66,579	8,857	15.3%	138,600	155,600	**17,000**	12.3%	L
21	Hire of Pilot Vessels	53,189	54,131	942	1.8%	127,700	128,000	**300**	0.2%	M
22	Recharged Works to Capital	(14,743)	(20,073)	(5,330)	(36.2%)	(35,400)	(126,900)	**(91,500)**	(258.5%)	M
23	Licences	2,200	1,521	(680)	(30.9%)	2,200	1,700	**(500)**	(22.7%)	L
	Total Operational Expenses	**5,567,665**	**5,327,886**	**(239,779)**	(4.3%)	**9,163,805**	**8,730,000**	**(433,805)**	**(4.7%)**	
	Management and General Expenses									
24	Direct Employee Expenses	599,331	588,905	(10,426)	(1.7%)	1,202,700	1,177,400	**(25,300)**	(2.1%)	M
25	Car Allowances	2,258	1,987	(271)	(12.0%)	4,500	5,400	**900**	20.0%	L
26	Advertising & General Office Expenses	87,673	81,051	(6,622)	(7.6%)	214,100	212,700	**(1,400)**	(0.7%)	M
27	Fixtures & Fittings	72,804	55,697	(17,107)	(23.5%)	174,800	171,800	**(3,000)**	(1.7%)	M
28	Travel, Subsistence & Conferences	8,503	4,509	(3,994)	(47.0%)	17,000	17,000	**0**	0.0%	L
29	Debt Management Expenses	0	0	0	-	0	0	**0**	-	L
30	Provision for Bad Debt	0	0	0	-	5,000	5,000	**0**	0.0%	L
31	Subscriptions	18,098	7,572	(10,526)	(58.2%)	35,800	35,500	**(300)**	(0.8%)	M
32	Officer Recharges to Capital	(29,823)	(26,018)	3,805	12.8%	(74,500)	(54,900)	**19,600**	26.3%	M
33	**Total Management and General Expenses**	**758,844**	**713,704**	**(45,140)**	(5.9%)	**1,579,400**	**1,569,900**	**(9,500)**	**(0.6%)**	
34	**Total Working Expenses**	**6,326,509**	**6,041,590**	**(284,919)**	(4.5%)	**10,743,205**	**10,299,900**	**(443,305)**	(4.1%)	
					-					
TOTAL CASH LIMIT		**(2,811,990)**	**(3,419,812)**	**(607,822)**	(21.6%)	**(5,433,695)**	**(5,969,900)**	**(536,205)**	**(9.9%)**	

Note **All figures included above exclude Capital Charges, Levies and Insurances**

Total Value of Remedial Action (from Analysis Below)		0		
Total Net Forecast Outturn (after remedial action)	**(5,433,695)**	**(5,969,900)**	**(536,205)**	**(9.9%)**

ANALYSIS OF NET PROFIT

35	Insurance	0	500	500	-	400,000	280,000	**(120,000)**	(30.0%)
36	Support Service Charges	0	0	0	-	450,000	400,000	**(50,000)**	(11.1%)
37	Impairment	0	0	0	-	750,000	750,000	**0**	0.0%
38	Depreciation	0	0	0	-	3,000,000	3,000,000	**0**	0.0%
39	IAS 19 Superannuation	0	0	0	-	75,000	100,000	**25,000**	33.3%
40	Employee Benefit Accrual	0	(46,088)	(46,088)	-	0	0	**0**	-
41	Purchased Leave	0	(3,916)	0	-	0	(7,764)	**(7,764)**	-
42	**Net (Profit) / Loss**	**(2,811,990)**	**(3,469,316)**	**(657,326)**	(23.4%)	**(758,695)**	**(1,447,664)**	**(688,969)**	**90.8%**

Income/underspends is shown in brackets and expenditure/overspends without brackets

REASONS FOR VARIATIONS AGAINST TOTAL BUDGET 2012/13

Item No.	**Reason for Variation**	**Variance £**
Income	Tonnage Dues are forecast to be above estimate by £28,900 due to higher than forecast shipping movements at MMD. Cruise Operational Dues are expected to be below estimate by £36,200 due to the cancellation of a number of cruise calls. Operational Dues are forecast to be below budget by £53,600 due to lower than forecast freight figures for Brittany and Condor, partly offset by increased Brittany and Condor passenger numbers, and higher than forecast activity carried by DFDS. Parking & Demurrage is expected to be above estimate by £16,900 due to more cruise passengers than anticipated parking at the Port. Pilotage is forecast to be above estimate by £92,400 due to additional pilotage acts taking place on behalf of Portsmouth Naval Base for dredging and other works in the Dockyard. Charges to Recoverable Schemes is forecast to be above estimate by £27,300 due to unanticipated recoverable works carried out for Condor Ferries.	(92,900)
Operational Expenses	Direct Employee Expenses are forecast to be below estimate by £129,105 due to a number of vacant posts and the part secondment of a port engineer for 6 months. This is offset in part by an increase in pilotage act fees due to pilotage undertaken on behalf of Portsmouth Naval Base and the unlikely achievement of a reduction in a sickness saving target. Rent & Rates are forecast to be below estimate by £25,600 due to an expected increase for the Gas Works Land not being requested and a saving in business rates. Other Hired & Contracted Services is forecast to be below estimate by £159,700 due to maintenance dredging slipping to the new financial year and budgeted additional security requirements not required. Recharged Works to capital is expected to be above estimate by £91,500 due to higher than budgeted works being undertaken on capital by port officers.	(433,805)
Management and General Expenses	Direct Employee Expenses are forecast to be below estimate by £25,300 largely due to a vacant post, reduced officer hours, offset in part by increased pilotage training requirements. Fixtures & Fittings is forecast to be below estimate by £3,000 due to a number of small savings identified. Officer Recharges to Capital £19,600 adverse variance resulting from forecast officer time spent on capital being lower than budgeted and scheme slippage.	(9,500)
	TOTAL PROJECTED VARIANCE	**(536,205)**

Remedial Action	**Value of Remedial Action**
TOTAL VALUE OF REMEDIAL ACTION	**0**

Note **Remedial Action resulting in savings is shown in brackets**

FINANCIAL AND SERVICE PERFORMANCE MONTH ENDING SEPTEMBER 2013

MONTHLY BUDGET MONITORING STATEMENT - CASH LIMIT 2013/14

PORTFOLIO Resources

BUDGET 24,082,923

TOTAL CASH LIMIT **24,082,923**

CHIEF OFFICER **Various**

MONTH ENDED **September 2013**

Risk indicator	
Low	L
Medium	M
High	H

ITEM No.	BUDGET HEADING	BUDGET PROFILE 2013/14: Budget Profile To End September 2013 £	Actual To End September 2013 £	Variance vs. Profile To September 2013 £	%	BUDGET PROFILE 2013/14: Total Budget £	Forecast Year End Outturn £	Variance vs. Total Budget £	%	RISK INDICATOR
1	Miscellaneous Expenses	45,800	(23,393)	(69,193)	(151.1%)	99,623	74,500	**(25,123)**	(25.2%)	M
2	HR, Legal and Performance	1,680,600	1,675,133	(5,467)	(0.3%)	3,287,600	3,368,200	**80,600**	2.5%	M
3	Transformation Workstream Investment	0	103,638	103,638	-	0	380,000	**380,000**	-	L
4	Customer & Community Services	1,314,900	1,025,661	(179,650)	(13.7%)	1,882,000	1,870,500	**(11,500)**	(0.6%)	L
5	Grants & Support to the Voluntary Sector	641,800	590,581	(51,219)	(8.0%)	719,200	719,200	**0**	0.0%	L
6	Financial Services	2,649,800	2,599,784	(50,016)	(1.9%)	5,102,600	5,036,100	**(66,500)**	(1.3%)	M
7	IT Services Unit	2,456,800	2,271,286	(185,514)	(7.6%)	4,865,700	4,865,700	**0**	0.0%	M
8	AMS Design & Maintenance	466,700	321,009	(145,691)	(31.2%)	962,600	947,600	**(15,000)**	(1.6%)	M
9	Property Services	157,800	114,075	(43,725)	(27.7%)	349,000	312,000	**(37,000)**	(10.6%)	H
10	Landlords Repairs & Maintenance	667,300	(257,152)	(924,452)	(138.5%)	1,334,600	1,334,600	**0**	0.0%	H
11	Spinnaker Tower	(175,000)	(139,457)	35,543	20.3%	(350,000)	(350,000)	**0**	0.0%	H
12	MMD Crane Rental	(192,700)	(192,743)	(43)	(0.0%)	(385,400)	(385,400)	**0**	0.0%	L
13	Administration Expenses	5,000	194	(4,806)	(96.1%)	5,000	5,000	**0**	0.0%	M
14	Council Tax Benefits	0	123	123	-	0	100	**100**	-	M
15	Housing Benefit - Rent Allowances	(371,500)	(452,781)	(81,281)	(21.9%)	(679,200)	(729,700)	**(50,500)**	(7.4%)	H
16	Housing Benefit - Rent Rebates	(74,000)	(147,018)	(73,018)	(98.7%)	(148,600)	(117,300)	**31,300**	21.1%	H
17	Local Taxation	1,055,800	1,009,613	(46,187)	(4.4%)	1,329,000	1,325,700	**(3,300)**	(0.2%)	L
18	Local Welfare Assistance Scheme	426,400	504,664	78,264	18.4%	726,200	629,700	**(96,500)**	(13.3%)	
19	Benefits Administration	1,230,700	879,659	(351,041)	(28.5%)	2,443,600	2,315,200	**(128,400)**	(5.3%)	M
20	Discretionary Non-Domestic Rate Relief	0	0	0	-	179,500	179,500	**0**	0.0%	L
21	Land Charges	(25,000)	(30,995)	(5,995)	(24.0%)	(82,400)	(73,400)	**9,000**	10.9%	M
22	Democratic Representation & Management	612,000	641,754	29,754	4.9%	1,197,000	1,214,200	**17,200**	1.4%	M
23	Corporate Management	689,300	767,584	78,284	11.4%	1,245,300	1,246,200	**900**	0.1%	M
TOTAL		**13,262,500**	**11,261,219**	**(2,228,835)**	**(16.8%)**	**24,082,923**	**24,168,200**	**85,277**	**0.4%**	
	Total Value of Remedial Action (from Analysis Below)						(380,000)			
	Total Net Forecast Outturn (after remedial action)					**24,082,923**	**23,788,200**	**(294,723)**	**(1.2%)**	

Note **All figures included above exclude Capital Charges, Levies and Insurances**

Income/underspends is shown in brackets and expenditure/overspends without brackets

REASONS FOR VARIATIONS AGAINST TOTAL BUDGET 2013/14

Item No.	Reason for Variation	Variance £	Remedial Action	Value of Remedial Action
2	The HR, Legal and Performance Management budget is currently forecast to be overspent due to both a shortfall in predicted income within Legal services and a service review still to be fully implemented . The income shortfall has arisen because of a shift of resources to corporate based enabling initiatives as opposed to fee earning work.	80,600	The Head of Service is concluding the service review which should deliver additional savings to eradicate this element of the budget shortfall and work is on-going to close the income shortfall by where possible diverting resources to maximise the amount of fee earning work.	
3	The initial investment for the Transformation Workstream Business Cases was agreed by City Council on 11th October 2011. As expenditure is incurred, a release from the Medium Term Resource Strategy reserve will be actioned to fund these costs.	380,000	A planned release from the MTRS Reserve will fully meet the costs of the approved Transformation Business Cases	(380,000)
6	Underspend due to holding of vacancies where possible in order to prepare for savings requirements in future years.	(66,500)		
8	Underspend is due to the delay of purchasing a Despatch van which was previously in this budget, but is now no longer being purchased in the current financial year. This is due to potential changes in legislation introducing free school meals for all infant school meals from September 2014. The impact on the Despatch service is currently being assessed as vehicle requirements could be affected.	(15,000)		
9	There is an underspend in the current financial year due to difficulty recruiting to a 1 year project post to review the Investment Property Portfolio Assets. This post has now been filled.	(37,000)		
18	The Local Welfare Assistance scheme is a limited fund that can only be used to support those in greatest need, providing help towards the funding of emergencies and exceptional expenses. Based upon the claims made to date this budget is forecast to be underspent, however, the number and value of claims could change, therefore the position will be kept under review.	(96,500)		
19	Underspend due to holding of vacancies where possible in order to prepare for savings requirements in future years.	(128,400)		
	Other minor variations over the remaining budget headings	(31,923)		
	TOTAL PROJECTED VARIANCE	**85,277**	**TOTAL VALUE OF REMEDIAL ACTION**	**(380,000)**

Note **Remedial Action resulting in savings is shown in brackets**

FINANCIAL AND SERVICE PERFORMANCE MONTH ENDING SEPTEMBER 2013

MONTHLY BUDGET MONITORING STATEMENT - CASH LIMIT 2013/14

PORTFOLIO Traffic & Transportation

BUDGET 15,771,892

TOTAL CASH LIMIT **15,771,892**

CHIEF OFFICER **Kathy Wadsworth**

MONTH ENDED **September 2013**

Risk indicator	
Low	L
Medium	M
High	H

ITEM No.	BUDGET HEADING	BUDGET PROFILE 2013/14: Budget Profile To End September 2013	Actual To End September 2013	Variance vs. Profile To September 2013		BUDGET FORECAST 2013/14: Total Budget	Forecast Year End Outturn	Variance vs. Total Budget		RISK INDICATOR
		£	£	£	%	£	£	£	%	
1	Off-Street Parking	(1,216,539)	(896,300)	320,239	26.3%	(2,209,087)	(1,623,358)	**585,729**	26.5%	H
2	Road Safety & Sustainable Transport	85,146	107,649	22,503	26.4%	183,124	165,024	**(18,100)**	(9.9%)	M
3	Network Management	355,642	275,279	(80,363)	(22.6%)	615,476	615,476	**0**	0.0%	H
4	Highways Infrastructure	1,711,818	1,707,686	(4,132)	(0.2%)	8,203,537	8,203,537	**0**	0.0%	L
5	Highways Routine	1,470,688	1,336,262	(134,426)	(9.1%)	3,078,114	3,041,707	**(36,407)**	(1.2%)	L
6	Highways Street Lighting (Electricity)	516,895	569,383	52,488	10.2%	1,304,810	1,456,449	**151,639**	11.6%	H
7	Highways Design	(34,524)	(7,483)	27,041	78.3%	(47,733)	(72,776)	**(25,043)**	(52.5%)	M
8	Travel Concessions	2,081,574	2,129,623	48,049	2.3%	4,164,810	4,237,687	**72,877**	1.7%	M
9	Passenger Transport	(211,181)	(272,949)	(61,768)	(29.2%)	(62,147)	(62,147)	**0**	0.0%	H
10	Integrated Transport Unit	54,755	62,414	7,659	14.0%	118,001	118,001	**0**	0.0%	L
11	School Crossing Patrol	81,966	148,148	66,182	80.7%	164,000	296,000	**132,000**	80.5%	L
12	Transport Policy	105,704	103,108	(2,596)	(2.5%)	149,425	147,825	**(1,600)**	(1.1%)	L
13	Feasibility Studies	212,448	44,913	(167,535)	(78.9%)	40,662	50,462	**9,800**	24.1%	L
14	Tri-Sail Maintenance	34,434	2,133	(32,301)	(93.8%)	68,900	68,900	**0**	0.0%	M
					-					
TOTAL		**5,248,826**	**5,309,866**	**61,040**	**1.2%**	**15,771,892**	**16,642,787**	**870,895**	**5.5%**	
	Total Value of Remedial Action (from Analysis Below)						0			
	Total Net Forecast Outturn (after remedial action)					**15,771,892**	**16,642,787**	**870,895**	**5.5%**	

Note All figures included above exclude Capital Charges, Levies and Insurances

Income/underspends is shown in brackets and expenditure/overspends without brackets

REASONS FOR VARIATIONS AGAINST TOTAL BUDGET 2013/14

Item No.	Reason for Variation	Variance £	Remedial Action	Value of Remedial Action
1	Off Street Parking - The off street parking function continues to struggle to meet it cash limit, an increase in parking tariffs in the Seafront and District zones and a drier summer has reduced the deficit slightly	594,000	The service continues to look for ways that the deficit can be reduced through a number of different work streams. Fortnightly workshops are taking place with the Cabinet to progress ideas to reduce the deficit. It is hoped that by Q2 the forecast deficit will be much reduced.	
6	An increase in the usage of electricity following a change in the measurement of the amount of electricity consumed means that the service has an overspend that it is unable to fund from elsewhere within the service.	156,000	The service are working on a business case to replace the traditional discharge lighting with LED. This business case will be incorporated within a capital bid to be submitted as part of the annual budget process.	
11	School Crossing Patrols - A saving of £200,000 was approved by the City Council in February 2013. It was the service's intention that the remaining funding would be passed out to schools who would then be responsible for providing their own school crossing patrols. However, the service has since been advised that this would require lengthy and complex consultation with each governing body at each school which in effect has meant that this saving cannot be achieved.	132,000		
	Other Variances	(11,105)		
	TOTAL PROJECTED VARIANCE	**870,895**	**TOTAL VALUE OF REMEDIAL ACTION**	**0**

Note **Remedial Action resulting in savings is shown in brackets**

FINANCIAL AND SERVICE PERFORMANCE MONTH ENDING SEPTEMBER 2013

MONTHLY BUDGET MONITORING STATEMENT - CASH LIMIT 2013/14

COMMITTEE Licensing

BUDGET (116,700)

TOTAL CASH LIMIT **(116,700)**

CHIEF OFFICER **Michael Lawther**

MONTH ENDED **September 2013**

Risk indicator	
Low	L
Medium	M
High	H

ITEM No.	BUDGET HEADING	BUDGET PROFILE 2013/14 Budget To End September 2013 £	Actual To End September 2013 £	Variance vs. Profile To September 2013 £	%	BUDGET FORECAST 2013/14 Total Budget £	Forecast Year End Outturn £	Variance vs. Total Budget £	%	RISK INDICATOR
1	Licensing Committee	(37,480)	(59,328)	(21,848)	(58.3%)	(116,700)	(133,304)	**(16,604)**	(14.2%)	L
TOTAL		**(37,480)**	**(59,328)**	**(21,848)**	**(58.3%)**	**(116,700)**	**(133,304)**	**(16,604)**	**(14.2%)**	
	Total Value of Remedial Action (from Analysis Below)						0			
	Total Net Forecast Outturn (after remedial action)					**(116,700)**	**(133,304)**	**(16,604)**	**(14.2%)**	

Note **All figures included above exclude Capital Charges, Levies and Insurances**

Income/underspends is shown in brackets and expenditure/overspends without brackets

REASONS FOR VARIATIONS AGAINST TOTAL BUDGET 2013/14

Item No.	Reason for Variation	Variance £
1	Additional net income arising from recent changes in legislation relating to scrap metal & motor salvage dealers which requires them to be licenced by the Local Authority from 2013/14. Previously these dealers were only required to be registered with the Local Authority. This net income is after direct costs associated with enforcement are deducted, but before the full indirect costs of administration and enforcement are taken into account.	(16,604)
	TOTAL PROJECTED VARIANCE	**(16,604)**

Remedial Action	Value of Remedial Action
Total Value of Remedial Action	0

Note **Remedial Action resulting in savings is shown in brackets**

MONTHLY BUDGET MONITORING STATEMENT - CASH LIMIT 2013/14

COMMITTEE Governance, Audit and Standards Committee

BUDGET 281,600

TOTAL CASH LIMIT **281,600**

CHIEF OFFICER **Michael Lawther**

MONTH ENDED **September 2013**

Risk indicator	
Low	L
Medium	M
High	H

ITEM No.	BUDGET HEADING	BUDGET PROFILE 2013/14 Budget To End September 2013 £	Actual To End September 2013 £	Variance vs. Profile To September 2013 £	%	BUDGET FORECAST 2013/14 Total Budget £	Forecast Year End Outturn £	Variance vs. Total Budget £	%	RISK INDICATOR
1	Municipal Elections	26,000	19,540	(6,460)	(24.8%)	52,300	52,300	**0**	0.0%	L
2	Registration Of Electors	94,000	54,167	(39,833)	(42.4%)	187,700	197,100	**9,400**	5.0%	L
3	Registrar of Births, Deaths & Marriages	(79,000)	(136,855)	(57,855)	(73.2%)	41,600	(66,400)	**(108,000)**	(259.6%)	L
TOTAL		**41,000**	**(63,148)**	**(104,148)**	**(254.0%)**	**281,600**	**183,000**	**(98,600)**	**(35.0%)**	
	Total Value of Remedial Action (from Analysis Below)						0			
	Total Net Forecast Outturn (after remedial action)					**281,600**	**183,000**	**(98,600)**	**(35.0%)**	

Note All figures included above exclude Capital Charges, Levies and Insurances

Income/underspends is shown in brackets and expenditure/overspends without brackets

REASONS FOR VARIATIONS AGAINST TOTAL BUDGET 2013/14

Item No.	Reason for Variation	Variance £
2	New rules on Individual Electoral Registration has placed additional strain on the budget for this area as the Authority will need to contact each household more than usual in order to confirm the data required for this legislative change.	9,400
3	The Registrar's Service is currently forecasting a surplus of £108,000 as a result of an increase in the income generated from new initiatives over the past few years. This additional income will help the service achieve future increased income targets as a contribution to the City Council's budget savings strategy.	(108,000)
	TOTAL PROJECTED VARIANCE	**(98,600)**

Remedial Action	Value of Remedial Action
TOTAL VALUE OF REMEDIAL ACTION	**0**

Note Remedial Action resulting in savings is shown in brackets

FINANCIAL AND SERVICE PERFORMANCE MONTH ENDING SEPTEMBER 2013

MONTHLY BUDGET MONITORING STATEMENT - CASH LIMIT 2013/14

PORTFOLIO Other Expenditure

BUDGET 781,000 Levies

TOTAL CASH LIMIT **781,000**

CHIEF OFFICER **Michael Lawther**

MONTH ENDED **September 2013**

Risk indicator	
Low	L
Medium	M
High	H

ITEM No.	BUDGET HEADING	BUDGET PROFILE 2013/14				BUDGET FORECAST 2013/14				RISK INDICATOR
		Budget To End September 2013	Actual To End September 2013	Variance vs. Profile To September 2013		Total Budget	Forecast Year End Outturn	Variance vs. Total Budget		
		£	£	£	%	£	£	£	%	
1	Environment & Flood Defence Agency	48,400	35,770	(12,630)	(26.1%)	48,400	35,770	**(12,630)**	(26.1%)	M
2	Coroners	347,500	349,193	1,693	0.5%	686,200	686,200	**0**	0.0%	M
3	Southern Sea Fisheries	46,400	36,610	(9,790)	(21.1%)	46,400	36,610	**(9,790)**	(21.1%)	L
TOTAL		**442,300**	**421,573**	**(20,727)**	**(4.7%)**	**781,000**	**758,580**	**(22,420)**	**(2.9%)**	
	Total Value of Remedial Action (from Analysis Below)						0			
	Total Net Forecast Outturn (after remedial action)					**781,000**	**758,580**	**(22,420)**	**(2.9%)**	

Note **All figures included above exclude Capital Charges and Insurances**

Income/underspends is shown in brackets and expenditure/overspends without brackets

REASONS FOR VARIATIONS AGAINST TOTAL BUDGET 2013/14

Item No.	Reason for Variation	Variance £
1		
	TOTAL PROJECTED VARIANCE	**0**

Remedial Action	Value of Remedial Action
TOTAL VALUE OF REMEDIAL ACTION	**0**

Note **Remedial Action resulting in savings is shown in brackets**

MONTHLY BUDGET MONITORING STATEMENT - CASH LIMIT 2013/14

PORTFOLIO Other Expenditure

BUDGET 1,141,500 Insurance

TOTAL CASH LIMIT **1,141,500**

CHIEF OFFICER **Michael Lawther**

MONTH ENDED **September 2013**

Risk indicator	
Low	L
Medium	M
High	H

ITEM No.	BUDGET HEADING	BUDGET PROFILE 2013/14				BUDGET FORECAST 2013/14				RISK INDIC ATOR
		Budget Profile To End September 2013	Actual To End September 2013	Variance vs. Profile To September 2013		Total Budget	Forecast Year End Outturn	Variance vs. Total Budget		
		£	£	£	%	£	£	£	%	
1	Insurance Revenue Account	1,530,097	1,530,097	0	0.0%	1,141,500	1,141,500	**0**	0.0%	M
TOTAL		**1,530,097**	**1,530,097**	**0**	**0.0%**	**1,141,500**	**1,141,500**	**0**	**0.0%**	
		Total Value of Remedial Action (from Analysis Below)					0			
		Total Net Forecast Outturn (after remedial action)				**1,141,500**	**1,141,500**	**0**	**0.0%**	

Note All figures included above exclude Capital Charges and Levies

Income/underspends is shown in brackets and expenditure/overspends without brackets

REASONS FOR VARIATIONS AGAINST TOTAL BUDGET 2013/14

Item No.	Reason for Variation	Variance £
	TOTAL PROJECTED VARIANCE	0

Remedial Action	Value of Remedial Action
TOTAL VALUE OF REMEDIAL ACTION	0

Note Remedial Action resulting in savings is shown in brackets

FINANCIAL AND SERVICE PERFORMANCE MONTH ENDING SEPTEMBER 2013

MONTHLY BUDGET MONITORING STATEMENT - CASH LIMIT 2013/14

PORTFOLIO Other Expenditure

BUDGET 24,997,797 Asset Management Revenue Account

TOTAL CASH LIMIT **24,997,797**

CHIEF OFFICER **Michael Lawther**

MONTH ENDED **September 2013**

Risk indicator	
Low	L
Medium	M
High	H

ITEM No.	BUDGET HEADING	BUDGET PROFILE 2013/14 Budget To End September 2013 £	Actual To End September 2013 £	Variance vs. Profile To September 2013 £	%	BUDGET FORECAST 2013/14 Total Budget £	Forecast Year End Outturn £	Variance vs. Total Budget £	%	RISK INDICATOR
1	External Interest Paid	5,575,834	5,575,834	0	0.0%	18,448,993	18,448,993	**0**	0.0%	H
2	External Interest Earned	(1,550,300)	(1,593,313)	(43,013)	(2.8%)	(856,882)	(2,255,849)	**(1,398,967)**	(163.3%)	H
3	Net Minimum Revenue Provision	0		0	-	7,405,686	7,240,941	**(164,745)**	(2.2%)	M
TOTAL		**4,025,534**	**3,982,521**	**(43,013)**	**(1.1%)**	**24,997,797**	**23,434,085**	**(1,563,712)**	**(6.3%)**	
		Total Value of Remedial Action (from Analysis Below)					0			
		Total Net Forecast Outturn (after remedial action)				**24,997,797**	**23,434,085**	**(1,563,712)**	**(6.3%)**	

Note **All figures included above exclude Capital Charges, Levies and Insurances**

Income/underspends is shown in brackets and expenditure/overspends without brackets

REASONS FOR VARIATIONS AGAINST TOTAL BUDGET 2013/14

Item No.	Reason for Variation	Variance £
2	Return on investments higher than anticipated	(1,398,967)
3	Capital financing requirement lower than anticipated due to capital under spends in 2012/13	(164,745)
	TOTAL PROJECTED VARIANCE	**(1,563,712)**

Remedial Action	Value of Remedial Action
TOTAL VALUE OF REMEDIAL ACTION	**0**

Note **Remedial Action resulting in savings is shown in brackets**

FINANCIAL AND SERVICE PERFORMANCE MONTH ENDING SEPTEMBER 2013

MONTHLY BUDGET MONITORING STATEMENT - CASH LIMIT 2013/14

PORTFOLIO Other Expenditure

BUDGET 18,998,545 Miscellaneous

TOTAL CASH LIMIT **18,998,545**

CHIEF OFFICER **Michael Lawther**

MONTH ENDED **September 2013**

Risk indicator	
Low	L
Medium	M
High	H

ITEM No.	BUDGET HEADING	BUDGET PROFILE 2013/14				BUDGET FORECAST 2013/14				RISK INDICATOR
		Budget Profile To End September 2013	Actual To End September 2013	Variance vs. Profile To September 2013		Total Budget	Forecast Year End Outturn	Variance vs. Total Budget		
		£	£	£	%	£	£	£	%	
1	Precepts	37,000	36,451	(549)	(1.5%)	90,300	90,300	0	0.0%	L
2	Portchester Crematorium	0	0	0	-	(150,000)	(150,000)	0	0.0%	L
3	Compensatory Added Years & Contribution to Prior Years Pension Deficit	0	0	0	-	5,336,000	5,336,000	0	0.0%	L
4	Contingency	0	0	0	-	5,875,150	5,875,150	0	0.0%	H
5	Revenue Contributions to Capital	0	0	0	-	6,284,200	6,284,200	0	0.0%	L
6	MMD Losses	900,000	740,000	(160,000)	(17.8%)	1,885,000	1,885,000	0	0.0%	L
7	Off Street Parking Reserve	0	0	0	-	(548,200)	(548,200)	0	0.0%	L
8	Transfer to / (From) MTRS Reserve	0	0	0	-	(418,300)	(418,300)	0	0.0%	L
9	Other Miscellaneous	0	0	0	-	792,500	792,500	0	0.0%	L
10	Other Transfers to / (from) Reserves	0	0	0	-	(148,105)	(148,105)	0	0.0%	L
TOTAL		**937,000**	**776,451**	**(160,549)**	**(17.1%)**	**18,998,545**	**18,998,545**	**0**	**0.0%**	
	Total Value of Remedial Action (from Analysis Below)						0			
	Total Net Forecast Outturn (after remedial action)					**18,998,545**	**18,998,545**	**0**	**0.0%**	

Note **All figures included above exclude Capital Charges, Levies and Insurances**

Income/underspends is shown in brackets and expenditure/overspends without brackets

REASONS FOR VARIATIONS AGAINST TOTAL BUDGET 2013/14

Item No.	Reason for Variation	Variance £
	TOTAL PROJECTED VARIANCE	**0**

Remedial Action	Value of Remedial Action
TOTAL VALUE OF REMEDIAL ACTION	**0**

Note **Remedial Action resulting in savings is shown in brackets**

Agenda Item 11

Decision maker:	Cabinet City Council
Subject:	Treasury Management Mid Year Review for 2013/14
Date of decision:	7 November 2013 (Governance, Audit & Standards Committee – Information only) 2 December 2013 (Cabinet) 10 December 2013 (City Council)
Report by:	Chris Ward, Head of Financial Services and Section 151 Officer
Wards affected:	All

Key decision: No
Budget & policy framework decision: Yes

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1. Summary

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines Treasury Management as "The management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks". The risks associated with Treasury Management include credit risk, liquidity risk, interest rate risk and refinancing risk. The report contained in Appendix A reports on the City Council's treasury management position as at 30 September 2013. Appendix B contains proposed changes to the Council's approved investments.

2. Purpose of report

The purpose of the report is to inform members and the wider community of the Council's Treasury Management position at 30 September 2013 and of the risks attached to that position, and to revise the list of approved investments.

3. Recommendations

1. That the following actual Treasury Management indicators for the second quarter of 2013/14 be noted:

(a) The Council's debt at 30 September was as follows:

Prudential Indicator 2013/14	Limit £M	Position at 30/9/13 £M
Authorised Limit	469	444
Operational Boundary	447	444

(b) The maturity structure of the Council's borrowing was:

	Under 1 Year	1 to 2 Years	3 to 5 Years	6 to 10 Years	11 to 20 Years	21 to 30 Years	31 to 40 Years	41 to 50 Years
Lower Limit	0%	0%	0%	0%	0%	0%	0%	0%
Upper Limit	25%	25%	25%	25%	30%	30%	30%	70%
Actual	4%	1%	3%	5%	9%	13%	11%	54%

(c) The Council's interest rate exposures at 30 September 2013 were:

	Limit £m	Actual £m
Fixed Interest	320	258
Variable Interest	(320)	(163)

(d) Sums invested for periods longer than 364 days at 30 September 2013 were:

Maturing after	**Original Limit** £m	**Actual** £m
31/3/2014	218	87
31/3/2015	208	45
31/3/2016	198	30

2. That the investment limit for registered social landlords (RSLs) be set at £80m in total.

3. That investments be placed with RSLs on the basis of a single credit rating. (A credit rating from at least two credit rating agencies will be required for other institutions).

4. That investment counter party limits and duration limits be amended as shown in the table below:

	Current Maximum Investment in a Single Organisation	**Recommended** Maximum Investment in a Single Organisation
Category 1 United Kingdom Government including the Debt Management Office Deposit Facility	Unlimited investments for up to 5 years	Unlimited investments for up to 5 years
Category 2 Local authorities in England, Scotland and Wales	£20m for up to 5 years	£26m for up to 5 years
Category 3 Banks with a short term credit rating of F1+ and a long term rating of Aa-. Aaa rated money market funds	£20m for up to 732 days	£26m for up to 5 years
Category 4 Banks with a short term credit rating of F1 and a long term rating of A+. Building societies with a short term credit rating of F1 and a long term rating of A. Corporate bonds with a long term credit rating of Aa-	£15m for up to 732 days	£19m for up to 5 years for banks and building societies. £19m for up to 4 years for corporate bonds.
Category 5 Banks with a short term credit rating of F1 and a long term rating of A. Building societies with a short term credit rating of F1 and a long term rating of A-. Corporate bonds with a long term credit rating of A+	£13m for up to 364 days	£13m for up to 5 years for banks and building societies. £13m for up to 4 years for corporate bonds.
Category 6 Banks with a short term credit rating of F1 and a long term rating of A-. Corporate bonds with a long term credit rating of A	£10m for up to 364 days	£10m for up to 5 years for banks. £10m for up to 4 years for corporate bonds.
Category 7 Corporate bonds with a long term credit rating of A-	£6m for up to 364 days	£6m for up to 4 years

	Current Maximum Investment in a Single Organisation	**Recommended** Maximum Investment in a Single Organisation
Category 8 Building societies with a BBB credit rating	£10m for up to 364 days	£10m for up to 364 days
Category 9 Building societies with single credit rating and unrated building societies	£6m for up to 364 days. Smaller building societies have lower investment limits.	£6m for up to 364 days. Smaller building societies have lower investment limits.
Category 10 Banks with a short term credit rating of F3 and a long term rating of Bbb-	£6m for up to 95 days.	No investments permitted
Category 11 RSLs with a double A long term credit rating	New Category	£26m for up to 5 years or 10 years if secured
Category 12 RSLs with a single A long term credit rating	New Category	£20m for up to 5 years or 10 years if secured

5. That the Council resumes investing in the Euro zone.

4. Background

CIPFA's Treasury Management Code requires a Treasury Management Mid Year Review to be considered by the City Council. The report in Appendix A covers the first six months of 2013/14.

5. Reasons for Recommendations

It is felt that the risk climate has improved and the proposals within this report also seek to diversify the Council's approved counter party list.

Some of the fears surrounding the continued existence of the Eurozone have now subsided following the decision by the European Central Bank to announce unlimited support for Governments who request external aid. Although no country has, as yet, sought help, just the offer of such backing has seen yields on peripheral government bonds fall back materially.

There were two major UK funding announcements in 2012. The first was the Extended Collateral Term Repo facility which provided institutions, via regular auctions, with access to 6 month funding at Bank Rate plus 0.25%. The second was the Funding for Lending Scheme (FLS) which also allowed financial institutions access to low cost funding for an extended period. Returns on cash deposits declined quickly from June 2012 after the Bank of England announced the FLS. The FLS was designed to stimulate lending to individuals and companies by offering cheap funding to the banking sector. The influx of cheap Bank of England cash reduced banks' demand for cash from other sources and consequently placed downward pressure on market rates so that London Inter Bank bid rates (LIBID) are now 0.39% for 3 month deposits, 0.46% for 6 month deposits and 0.75% for 12 month deposits. Consequently the return on the Council's investments has fallen from 0.96% for 2012/13 to 0.62% for the first six months of 2013/14 as existing investments made prior to June 2012 mature and are replaced by new investments at the lower rates now prevailing. In order to obtain better interest rates it is necessary to invest beyond the duration of the FLS.

Increasing the overall duration of the investment portfolio will increase risk, but it is felt that the risk of financial institutions collapsing is much reduced compared to during the height of the banking crisis. Increasing the duration of the investment portfolio will also enable risks to be spread over more sectors of the economy including registered social landlords (RSLs) and commercial companies through investments in corporate bonds.

There is currently a duration limit of 732 days for banks with a double A credit rating and 364 days for banks with a single A credit rating. The current duration limits for building societies are 732 days for societies with a credit rating of Aa or A+, and 364 days for societies with a credit rating of less than A+. It is recommended that the maximum duration of investments in banks and building societies with at least a single A credit rating be increased to five years.

Corporate bonds are tradable debt instruments issued by commercial companies. A corporate bond can be purchased from either the company that issued it or from another investor in the secondary market. Having purchased a corporate bond, the Council can either hold it to maturity and receive a fixed return or sell it to another investor prior to maturity. The market price of corporate bonds is influenced by movements in interest rates and the credit quality of the company that issued it. The Annual Investment Strategy approved by the City Council on 19 March 2013 allows for investments to be made in corporate bonds with a AA credit rating that mature within two years and corporate bonds with an A credit rating that mature within one year. On 30 September 2013 the Council held one corporate bond valued at £2.3m. In practice there has been an inadequate supply of corporate bonds of the credit quality and duration required by the existing Annual Investment Strategy. It is therefore recommended that the maximum duration for corporate bonds with at least a single A credit rating be increased to four years reflecting the lower likelihood of Government support in the event of a commercial company collapsing.

There are over 30 registered social landlords (RSLs) with a single or double A credit rating. RSLs are subject to Government regulation but their debts are not guaranteed by the Government. As RSLs own houses, lending to RSLs can be secured by a charge against the RSLs properties. However RSLs are normally only rated by one credit rating agency and typically borrow large amounts of money, £20m or more over a minimum of five to ten years. It is recommended that RSLs with a double A credit rating be given a counter party limit of £26m and that RSLs with a single A credit rating be given an investment limit of £20m. It is also recommended that investments be placed with RSLs that have a credit rating from a single credit rating agency. The requirement for other institutions would continue to be a minimum of two credit ratings from different agencies. It is recommended that the maximum duration of investments with RSLs be 5 years or 10 years if the investment is secured by a charge against the RSLs properties.

Published default rates suggest that the Council’s current counter party limits for counter parties with a double A credit rating could prudently be increased. The global corporate average default rates (1981 to 2012) published by Standard and Poor suggest that a double A rated counter party is three times less likely to default than a single A rated counter party on a one year investment. The current Annual Investment Strategy provides a counter party limit of £13m for banks with an A credit rating. On this basis the counter party limit for banks with a double A credit rating could be increased to £39m. Whilst this would not increase the probability of a default, it would increase the severity of the consequences of a default as an investment in a double A rated bank could represent 15% of the Council’s investment portfolio. It is therefore recommended that the counter party limit for double A rated banks be increased by £6m from £20m to £26m. This would represent 10% of the Council’s investment portfolio at 30 September 2013. It is recommended that the counter party limit for triple A rated money market funds also be increased to £26m. It is also recommended that the counter party limit for banks with an A+ credit rating; building societies an A credit rating; and corporate bonds with an Aa- credit rating be increased by £4m from £15m to £19m.

It is currently the Council’s practice not to place investments with institutions domiciled in the Euro zone. Whilst there are still risks arising from the sovereign debt crisis in the Euro zone, a degree of stability appears to have been achieved. Therefore it is recommended that the Council resumes investing in the Euro zone. This will increase the number of banks the Council can lend to and also increase the number of corporate bonds that will meet the Council’s investment criteria. It is recommended that the Council continue to restrict its investments to institutions domiciled in countries with a sovereign credit rating of at least AA+. This will restrict the Council’s investments in the Euro zone to the stronger economies such as Finland, France, Germany and the Netherlands.

When the Annual Investment Strategy was approved by the City Council on 19 March 2013 the Co-operative Bank's lowest short term credit rating was F3 and its lowest long term credit rating was Bbb from Fitch. In June Fitch downgraded the Co-operative Bank's short term credit rating to B and its long term rating to Bb-. The downgrade reflects the rating agencies concerns that the bank's capital requirements are greater than originally anticipated. The bank indicated that it required £1.5bn of additional capital – with the rating agency expecting £1bn to come from the bail-in of junior bondholders and the remaining £0.5bn from the Co-operative Group in 2014. Fitch also considers the negative reputational impact the press has had on the banking franchise, with depositor and investor confidence waning. The other credit agency that rates the Co-operative Bank, Moody's, has also down graded the bank to below investment grade. It is therefore recommended that the Council should not place investments with the Co-operative Bank. The Council's main current accounts are with the Co-operative Bank and there will be balances on these accounts although these should not exceed £300,000. The Council has no other funds placed with the Co-operative Bank.

The effect of the above recommendations on the Council's investment counter parties is shown in Appendix B.

6. Options considered and rejected

Returns could also be improved by investing in triple B rated banks, increasing investment limits with lower rated institutions, or investing in banks domiciled in countries that do not have a sovereign credit rating of at least Aa+.

Published default rates suggest that a triple B rated institution is substantially more likely to default than a single A rated institution. The global corporate average default rates (1981 to 2012) published by Standard and Poor suggest that a triple B rated counter party is three times more likely to default than a single A rated counter party on a one year investment. Triple B rated institutions typically pay around 0.1% more interest than single A rated institutions. It is felt that the additional 0.1% interest does not justify the additional risk.

It is recommended that the investment limits for double A rated corporate bonds, A+ rated banks and A rated building societies has been increased to better reflect published default rates with the proviso that investments in a single counter party should be limited to approximately 10% of the investment portfolio. However, increasing the investment limits of lower rated institutions would not be consistent with the published default rates, so no recommendations are made in this regard.

Investing in institutions domiciled in countries that do not have an AA+ sovereign credit rating could generate a return that is around 0.2% greater than an institution with a similar credit rating in a country that does have an AA+ sovereign credit rating. The additional risk attached to investing in institutions domiciled in countries that do not have an AA+ sovereign credit rating is difficult to quantify, but the removal of this criteria could result in funds being invested in non-core Euro zone counties exposing the Council to the economic weaknesses of those economies and funds being invested in politically volatile regions such as the Middle East.

Funds could also be invested in share capital or property through collective investment vehicles. However this is not recommended as it would put the capital sum at risk through movements in prices.

7. Implications

The net cost of Treasury Management activities and the risks associated with those activities have a significant effect on the City Council's overall finances. Effective Treasury Management provides support to the organisation in the achievement of its business and service objectives.

` **8. Equality impact assessment (EIA)**

A preliminary equalities impact assessment on Treasury Management Policy has been carried out.

9. City Solicitor's Comments

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2011 to ensure that the Council's budgeting, financial management, and accounting practices meet the relevant statutory and professional requirements. Members must have regard to and be aware of the wider duties placed on the Council by various statutes governing the conduct of its financial affairs.

10. Head of Finance's comments

All financial considerations are contained within the body of the report and the attached appendices

……………………………………………………………….
Signed by Head of Financial Services & Section 151 Officer

Appendices:

Appendix A: Treasury Management Mid Year Review 2013/14
Appendix B: Investment Counter Party List

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

	Title of document	Location
1	Treasury Management Files	Financial Services
2		

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the City Council on 10 December 2013.

………………………………………………
Signed by: Leader of the Council

TREASURY MANAGEMENT MID YEAR REVIEW OF 2013/14

1. GOVERNANCE

The Treasury Management Policy Statement, Annual Minimum Revenue Provision for Debt Repayment Statement and Annual Investment Strategy approved by the City Council on 19 March 2013 provide the framework within which Treasury Management activities are undertaken.

2. ECONOMIC UPDATE

The quarter ended 30 September saw indicators suggest that the economic recovery accelerated; household spending growth remaining robust; inflation falling back towards the 2% target; the Bank of England introduce state-contingent forward guidance; 10-year gilt yields rise to 3% at their peak and the FTSE 100 fall slightly to 6460; and the Federal Reserve decide to maintain the monthly rate of its asset purchases.

3. INTEREST RATE FORECAST

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
5yr PWLB rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%
10yr PWLB rate	3.70%	3.70%	3.70%	3.80%	3.80%	3.90%	4.00%
25yr PWLB rate	4.40%	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%
50yr PWLB rate	4.40%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%

Capita Asset Services undertook a review of its interest rate forecasts in late September as a result of an increase in confidence in the economic recovery, chiefly in the US, but more recently, also in the UK and Eurozone. The latest forecast now includes a first increase in Bank Rate in quarter 3 of 2016 (previously quarter 4).

After the Bank of England's previous Inflation Report included a somewhat encouraging shift towards optimism in terms of a marginal upgrading of growth forecasts, the August Inflation Report was published in the midst of a welter of economic statistics which suggest a major simultaneous shift up in gear for the economy in all of the three sectors of services, manufacturing / industrial and construction. It is therefore not surprising that the Report upgraded growth forecasts for 2013 from 1.2% to 1.4% and for 2014 from 1.7% to 2.5%. However, Bank Governor Mark Carney put this into perspective by describing this welcome increase as not yet being “escape velocity” to ensure we return to strong and sustainable growth, after what has been the weakest recovery on record after a recession. As for inflation, it was forecast to be little changed from the previous Report – falling back to 2% within two years and staying there during year three.

In addition to the stimulus provided by Quantitative Easing (QE), the Funding for Lending Scheme (FLS) is aimed at encouraging banks to expand lending to small and medium size enterprises. The FLS certainly seems to be having a positive effect in terms of encouraging house purchases (though levels are still far below the pre-crisis level), and causing a significant increase in house prices – but only in London and the south east. The FLS is also due to be bolstered by the second phase of Help to Buy aimed to support purchasing of second hand properties, which is now due to start in October.

The Bank of England also issued forward guidance with the Inflation Report which said that the Bank will not start to consider raising interest rates until the jobless rate (Labour Force Survey (LFS) / International Labour Organisation (ILO), i.e. not the claimant count measure has fallen to 7% or below. This would require the creation of about 750,000 jobs and was forecast to take three years. The UK unemployment rate currently stands at 2.5 million i.e. 7.7 % on the LFS / ILO measure. The Bank's guidance is subject to three provisos, mainly around inflation; breaching any of them would sever the link between interest rates and unemployment levels. This actually makes forecasting Bank Rate much more complex given the lack of available reliable forecasts by economists over a three year plus horizon. The Capita Asset Services view is that the recession since 2007 was notable for how unemployment did not rise to the levels that would normally be expected in a major recession. The latest Inflation Report noted that productivity has sunk to 2005 levels. Capita Asset Services are, therefore, concerned that there has been a significant level of retention of labour, which will mean that a significant amount of GDP growth can be accommodated without a major reduction in unemployment.

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely during the remainder of 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.

Near-term, there is some residual risk of further QE - if there is a dip in strong growth or if the MPC takes action to do more QE in order to reverse the rapid increase in market rates, especially in gilt yields and interest rates up to 10 years. This could cause shorter-dated gilt yields and PWLB rates over the next year or two to significantly undershoot the forecasts. The failure in the US, over passing a Federal budget for the new financial year starting on 1 October, and the expected tension over raising the debt ceiling in mid October, could also see bond yields temporarily dip until any binding agreement is reached between the opposing Republican and Democrat sides. Conversely, the eventual start of tapering by the Fed could cause bond yields to rise.

The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in economic recovery is also likely to compound this effect as a continuation of recovery will further encourage investors to switch back from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently weighted to the upside after five months of robust good news on the economy. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

Downside risks currently include:

- The conflict in the UK between market expectations of how quickly unemployment will fall as opposed to the Bank of England's forecasts
- Prolonged political disagreement over the US Federal Budget and raising the debt ceiling
- A return to weak economic growth in the US, UK and China causing major disappointment to investor and market expectations.
- The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- The Italian political situation is frail and unstable.
- Problems in other Eurozone heavily indebted countries (e.g. Cyprus and Portugal) which could also generate safe haven flows into UK gilts.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Weak growth or recession in the UK's main trading partners - the EU and US, depressing economic recovery in the UK.
- Geopolitical risks e.g. Syria, Iran, North Korea, which could trigger safe haven flows back into bonds

The potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- A sharp upturn in investor confidence that sustainable robust world economic growth is firmly expected causing a surge in the flow of funds out of bonds into equities.
- A reversal of Sterling's safe-haven status on a sustainable improvement in financial stresses in the Eurozone.
- Further downgrading by credit rating agencies of the creditworthiness and credit rating of UK Government debt, consequent upon repeated failure to achieve fiscal correction targets and sustained recovery of economic growth which could result in the ratio of total government debt to GDP to rising to levels that undermine investor confidence in the UK and UK debt.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
- In the longer term – an earlier than currently expected reversal of QE in the UK; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.

4. NET DEBT

The Council's net borrowing position excluding accrued interest at 30 September 2013 was as follows:

	1 April 2013	30 September 2013
	£'000	£'000
Supported Borrowing	185,802	184,933
Housing Revenue Account (HRA) Self Financing (Unsupported)	85,665	85,264
Other Unsupported Borrowing	86,706	86,300
Sub Total - Borrowing	**358,173**	**356,497**
Finance Leases (Unsupported)	**4,538**	**4,176**
Private Finance Initiative (PFI) Schemes (Supported)	73,349	73,240
Waste Disposal Service Concession Arrangement (Unsupported)	10,872	10,558
Sub Total Service Concession Arrangements (including PFIs)	**84,221**	**83,798**
Gross Debt	**446,932**	**444,471**
Investments	(246,068)	(260,969)
Net Debt	**200,864**	**183,502**

Prior to 1 April 2004 local authorities were only permitted to borrow to the extent that the Government had granted credit approvals. When the Government granted credit approvals it also increased the Council's revenue grant to cover most of the cost of the resulting borrowing. This is known as supported borrowing and accounts for £185m (or 52%) of total borrowing.

From 1 April 2004 the Council was permitted to borrow without government support, known as unsupported borrowing. On 28 March 2012 the Council made a capital payment of £88.6m to the Government under the HRA Self Financing arrangements in order to avoid future and greater payments to the Government. This was funded by unsupported borrowing.

Revenue grants from the Government also cover most of the £73m financing element of the Milton Cross School, highways and learning disabilities facilities private finance initiative (PFI) schemes.

In essence the Government funds most of the financing costs associated with 58% of the Council's debt.

The Council has a high level of investments relative to its gross debt due to a high level of reserves, partly built up to meet future commitments under the Private Finance Initiative schemes and future capital expenditure. However these reserves are fully committed and are not available to fund new expenditure. The £84m of borrowing taken in 2011/12 to take advantage of the very low PWLB rates has also temporarily increased the Council's cash balances.

The current high level of investments increases the Council's exposure to credit risk, ie. the risk that an approved borrower defaults on the Council's investment. In the interim period where investments are high because loans have been taken in advance of need, there is also a short term risk that the rates (and therefore the cost) at which money has been borrowed will be greater than the rates at which those loans can be invested. The level of investments will fall as capital expenditure is incurred and commitments under the Private Finance Initiative (PFI) schemes are met.

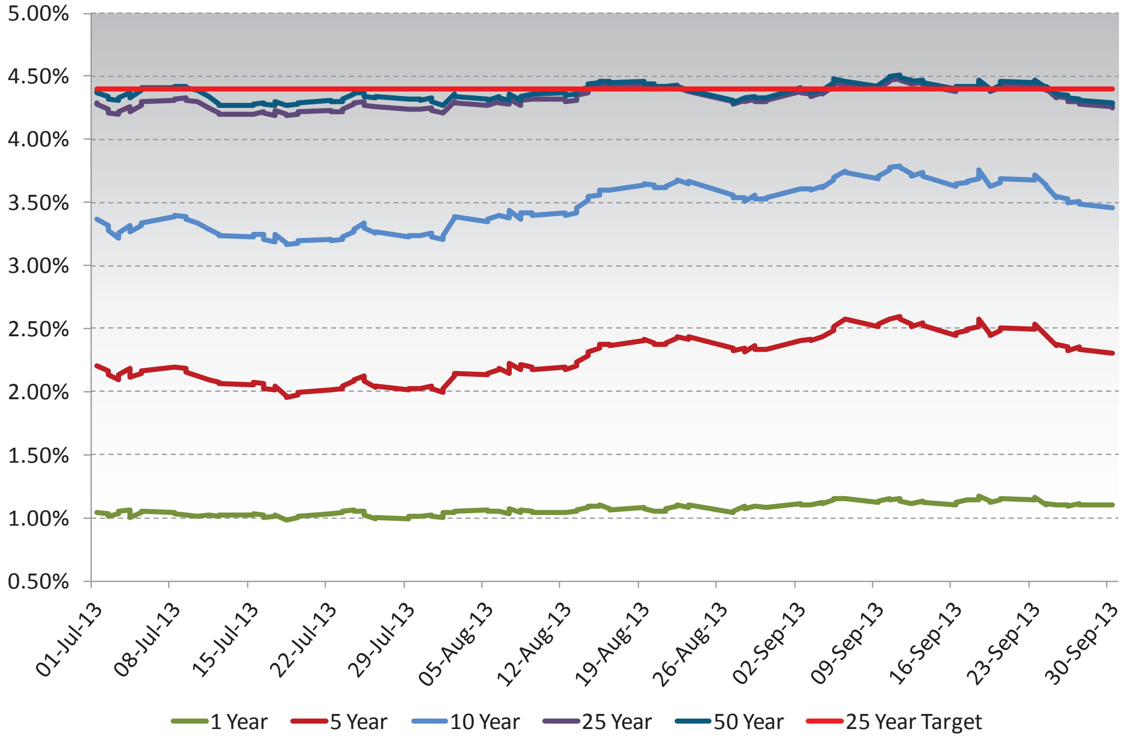
5. DEBT RESCHEDULING

Under certain circumstances it could be beneficial to use the Council's investments to repay its debt. However this normally entails paying a premium to the lender, namely the Public Works Loans Board (PWLB). Debt rescheduling is only beneficial to the revenue account when the benefits of reduced net interest payments exceed the cost of any premiums payable to the lender. Debt rescheduling opportunities have been limited in the current economic climate and by the structure of interest rates following increases in PWLB new borrowing rates in October 2010.

No debt rescheduling was undertaken during the first half of the year.

6. BORROWING ACTIVITY

The graph below shows the movement in PWLB rates for the first six months of the year:



PWLB certainty rates, quarter ended 30th September 2013

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.98%	1.95%	3.17%	4.19%	4.27%
Date	18/07/2013	18/07/2013	18/07/2013	18/07/2013	18/07/2013
High	1.17%	2.6%	3.79%	4.48%	4.51%
Date	18/09/2013	11/09/2013	11/09/2013	11/09/2013	11/09/2013
Average	1.07%	2.27%	3.47%	4.32%	4.37%

No borrowing has been undertaken in the first six months of 2013/14.

The Council's debt at 30 September was as follows:

Prudential Indicator 2012/13	Limit £M	Position at 30/9/12 £M
Authorised Limit	469	444
Operational Boundary	447	444

It is anticipated that further borrowing will not be undertaken during this financial year.

7. MATURITY STRUCTURE OF BORROWING

In recent years the cheapest loans have often been very long loans repayable at maturity.

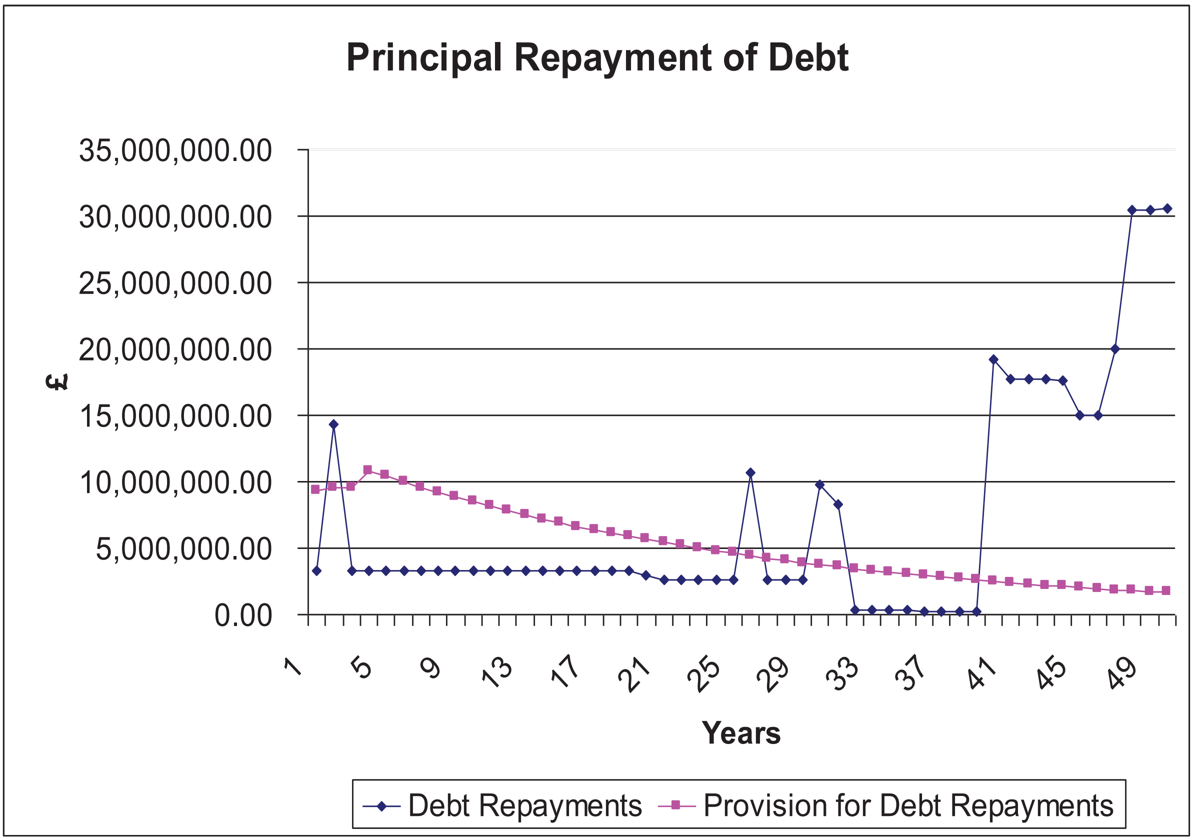
During 2007/08 the Council rescheduled £70.8m of debt. This involved repaying loans from the Public Works Loans Board (PWLB) early and taking out new loans from the PWLB with longer maturities ranging from 45 to 49 years. The effect of the debt restructuring was to reduce the annual interest payable on the Council's debt and to lengthen the maturity profile of the Council's debt.

£50m of new borrowing was taken in 2008/09 to finance capital expenditure. Funds were borrowed from the PWLB at fixed rates of between 4.45% and 4.60% for between 43 and 50 years.

A further £173m was borrowed in 2011/12 to finance capital expenditure and the HRA Self Financing payment to the Government. Funds were borrowed from the PWLB at rates of between 3.48% and 5.01%. £89m of this borrowing is repayable at maturity in excess of 48 years. The remaining £84m is repayable in equal installments of principal over periods of between 20 and 31 years.

As a result of interest rates in 2007/08 when the City Council rescheduled much of its debt and interest rates in 2008/09 and 2011/12 when the City Council undertook considerable new borrowing 54% of the City Council's debt matures in over 40 years time.

The Government has issued guidance on making provision for the repayment of debt which the Council is legally obliged to have regard to. The City Council is required to make greater provision for the repayment of debt in earlier years. Therefore the City Council is required to provide for the repayment of debt well in advance of it becoming due. This is illustrated in graph below.



This means that it is necessary to invest the funds set aside for the repayment of debt with its attendant credit and interest rate risks (see sections 10 and 12). The City Council could reschedule its debt, but unless certain market conditions exist at the time, premium payments have to be made to lenders.

CIPFA's Treasury Management in the Public Services Code of Practice which the City Council is legally obliged to have regard to requires local authorities to set upper and lower limits for the maturity structure of their borrowing. The limits set by the City Council on 19 March together with the City Councils actual debt maturity pattern are shown below.

	Under 1 Year	**1 to 2 Years**	**3 to 5 Years**	**6 to 10 Years**	**11 to 20 Years**	**21 to 30 Years**	**31 to 40 Years**	**41 to 50 Years**
Lower Limit	0%	0%	0%	0%	0%	0%	0%	0%
Upper Limit	25%	25%	25%	25%	30%	30%	30%	70%
Actual	4%	1%	3%	5%	9%	13%	11%	54%

8. INVESTMENT ACTIVITY

Investment rates available in the market have continued at historically low levels and have fallen further during the quarter as a result of the Funding for Lending Scheme.

The Council held £261m of investments as at 30 September 2013 (£246m at 1 April 2013). Returns on cash deposits declined quickly from June 2012 after the Bank of England announced the Funding for Lending Scheme (FLS). The FLS was designed to stimulate lending to individuals and companies by offering cheap funding to the banking sector. The influx of cheap Bank of England cash reduced banks' demand for cash from other sources and consequently placed downward pressure on market rates so that London Inter Bank bid rates (LIBID) are now 0.39% for 3 month deposits, 0.46% for 6 month deposits and 0.75% for 12 month deposits. Consequently the return on the Council's investments has fallen from 0.96% in 2012/13 to 0.62% for the first six months of 2013/14 as existing investments made prior to June 2012 mature and are replaced by new investments at the lower rates now prevailing.

The Council's budgeted investment return for 2013/14 is £1,646k, and performance for the year to date is £42k above budget.

9. INVESTMENT COUNTER PARTY CRITERIA

It is felt that the risk climate has improved and the proposals within this report also seek to diversify the Council's approved counter party list.

Some of the fears surrounding the continued existence of the Eurozone have now subsided following the decision by the European Central Bank to announce unlimited support for Governments who request external aid. Although no country has, as yet, sought help, just the offer of such backing has seen yields on peripheral government bonds fall back materially.

There were two major UK funding announcements in 2012. The first was the Extended Collateral Term Repo facility which provided institutions, via regular auctions, with access to 6 month funding at Bank Rate plus 0.25%. The second was the Funding for Lending Scheme (FLS) which also allowed financial institutions access to low cost funding for an extended period. Returns on cash deposits declined quickly from June 2012 after the Bank of England announced the FLS. The FLS was designed to stimulate lending to individuals and companies by offering cheap funding to the banking sector. The influx of cheap Bank of England cash reduced banks' demand for cash from other sources and consequently placed downward pressure on market rates so that London Inter Bank bid rates (LIBID) are now 0.39% for 3 month deposits, 0.46% for 6 month deposits and 0.75% for 12 month deposits. Consequently the return on the Council's investments has fallen from 0.96% for 2012/13 to 0.62% for the first six months of 2013/14 as existing investments made prior to June 2012 mature and are replaced by new investments at the lower rates now prevailing. In order to obtain better interest rates it is necessary to invest beyond the duration of the FLS.

Increasing the overall duration of the investment portfolio will increase risk, but it is felt that the risk of financial institutions collapsing is much reduced compared to during the height of the banking crisis. Increasing the duration of the investment portfolio will also enable risks to be spread over more sectors of the economy including registered social landlords (RSLs) and commercial companies through investments in corporate bonds.

There is currently a duration limit of 732 days for banks with a double A credit rating and 364 days for banks with a single A credit rating. The current duration limits for building societies are 732 days for societies with a credit rating of Aa or A+, and 364 days for societies with a credit rating of less than A+. It is recommended that the maximum duration of investments in banks and building societies with at least a single A credit rating be increased to five years.

Corporate bonds are tradable debt instruments issued by commercial companies. A corporate bond can be purchased from either the company that issued it or from another investor in the secondary market. Having purchased a corporate bond, the Council can either hold it to maturity and receive a fixed return or sell it to another investor prior to maturity. The market price of corporate bonds is influenced by movements in interest rates and the credit quality of the company that issued it. The Annual Investment Strategy approved by the City Council on 19 March 2013 allows for investments to be made in corporate bonds with a AA credit rating that mature within two years and corporate bonds with an A credit rating that mature within one year. On 30 September 2013 the Council held one corporate bond valued at £2.3m. In practice there has been an inadequate supply of corporate bonds of the credit quality and duration required by the existing Annual Investment Strategy. It is therefore recommended that the maximum duration for corporate bonds with at least a single A credit rating be increased to four years reflecting the lower likelihood of Government support in the event of a commercial company collapsing.

There are over 30 registered social landlords (RSLs) with a single or double A credit rating. RSLs are subject to Government regulation but their debts are not guaranteed by the Government. As RSLs own houses, lending to RSLs can be secured by a charge against the RSLs properties. However RSLs are normally only rated by one credit rating agency and typically borrow large amounts of money, £20m or more over a minimum of five to ten years. It is recommended that RSLs with a double A credit rating be given a counter party limit of £26m and that RSLs with a single A credit rating be given an investment limit of £20m. It is also recommended that investments be placed with RSLs that have a credit rating from a single credit rating agency. The requirement for other institutions would continue to be a minimum of two credit ratings from different agencies. It is recommended that the maximum duration of investments with RSLs be 5 years or 10 years if the investment is secured by a charge against the RSLs properties.

The extent to which the duration of the investment portfolio can be increased will be determined by the Council’s cash flows. The Government’s statutory Guidance on Investments requires the Council to consider the security, liquidity and yield of investments in that order. The extent to which the duration of the investment portfolio can be increased will be determined by the Council’s future cash requirements.

Published default rates suggest that the Council's current counter party limits for counter parties with a double A credit rating could prudently be increased. The global corporate average default rates (1981 to 2012) published by Standard and Poor suggest that a double A rated counter party is three times less likely to default than a single A rated counter party on a one year investment. The current Annual Investment Strategy provides a counter party limit of £13m for banks with an A credit rating. On this basis the counter party limit for banks with a double A credit rating could be increased to £39m. Whilst this would not increase the probability of a default, it would increase the severity of the consequences of a default as an investment in a double A rated bank could represent 15% of the Council's investment portfolio. It is therefore recommended that the counter party limit for double A rated banks be increased by £6m from £20m to £26m. This would represent 10% of the Council's investment portfolio at 30 September 2013. It is recommended that the counter party limit for triple A rated money market funds also be increased to £26m. It is also recommended that the counter party limit for banks with an A+ credit rating; building societies an A credit rating; and corporate bonds with an Aa- credit rating be increased by £4m from £15m to £19m.

It is currently the Council's practice not to place investments with institutions domiciled in the Euro zone. Whilst there are still risks arising from the sovereign debt crisis in the Euro zone, a degree of stability appears to have been achieved. Therefore it is recommended that the Council resumes investing in the Euro zone. This will increase the number of banks the Council can lend to and also increase the number of corporate bonds that will meet the Council's investment criteria. It is recommended that the Council continue to restrict its investments to institutions domiciled in countries with a sovereign credit rating of at least AA+. This will restrict the Council's investments in the Euro zone to the stronger economies such as Finland, France, Germany and the Netherlands.

When the Annual Investment Strategy was approved by the City Council on 19 March 2013 the Co-operative Bank's lowest short term credit rating was F3 and its lowest long term credit rating was Bbb from Fitch. In June Fitch downgraded the Co-operative Bank's short term credit rating to B and its long term rating to Bb-. The downgrade reflects the rating agencies concerns that the bank's capital requirements are greater than originally anticipated. The bank indicated that it required £1.5bn of additional capital – with the rating agency expecting £1bn to come from a bail-in of junior bondholders and the remaining £0.5bn from the Co-operative Group in 2014. Fitch also considers the negative reputational impact the press has had on the banking franchise, with depositor and investor confidence waning. The other credit agency that rates the Co-operative Bank, Moody's, has also down graded the bank to below investment grade. It is therefore recommended that the Council should not place investments with the Co-operative Bank. The Council's main current accounts are with the Co-operative Bank and there will be balances on these accounts although these should not exceed £300,000. The Council has no other funds placed with the Co-operative Bank.

The effect of the above recommendations on the Council's investment counter parties is shown in Appendix B.

Returns could also be improved by investing in triple B rated banks, increasing investment limits with lower rated institutions, or investing in banks domiciled in countries that do not have a sovereign credit rating of at least Aa+.

Published default rates suggest that a triple B rated institution is substantially more likely to default than a single A rated institution. The global corporate average default rates (1981 to 2012) published by Standard and Poor suggest that a triple B rated counter party is three times more likely to default than a single A rated counter party on a one year investment. Triple B rated institutions typically pay around 0.1% more interest than single A rated institutions. It is felt that the additional 0.1% interest does not justify the additional risk.

It is recommended that the investment limits for double A rated corporate bonds, A+ rated banks and A rated building societies be increased to better reflect published default rates with the proviso that investments in a single counter party should be limited to approximately 10% of the investment portfolio. However, increasing the investment limits of lower rated institutions would not be consistent with the published default rates, so no recommendations are made in this regard.

Investing in institutions domiciled in countries that do not have an AA+ sovereign credit rating could generate a return that is around 0.2% greater than an institution with a similar credit rating in a country that does have an AA+ sovereign credit rating. The additional risk attached to investing in institutions domiciled in countries that do not have an AA+ sovereign credit rating is difficult to quantify, but the removal of this criteria could result in funds being invested in non-core Euro zone counties exposing the Council to the economic weaknesses of those economies and funds being invested in politically volatile regions such as the Middle East.

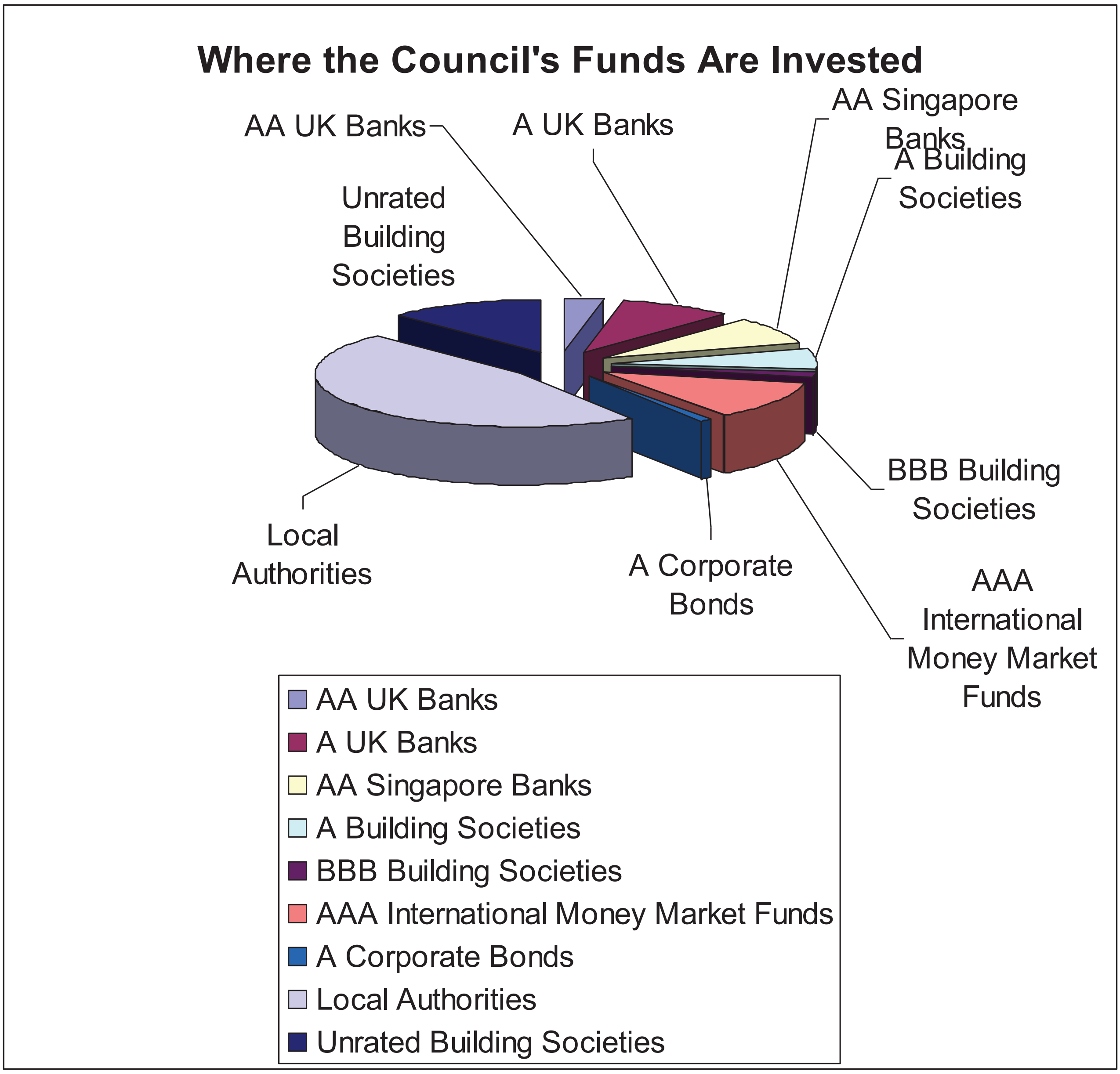
Funds could also be invested in share capital or property through collective investment vehicles. However this is not recommended as it would put the capital sum at risk through movements in prices.

10. SECURITY OF INVESTMENTS

The risk of default has been managed through limiting investments in any institution to £20m or less depending on its credit rating and spreading investments over countries and sectors. It is recommended that the maximum investment in any single institution (apart from the UK Government for which there is no limit) be increased to £26m (see Section 9).

At 30 September 2013 the City Council had on average £6.1m invested with each institution.

The chart below shows how the Council's funds were invested at 30 September 2013.



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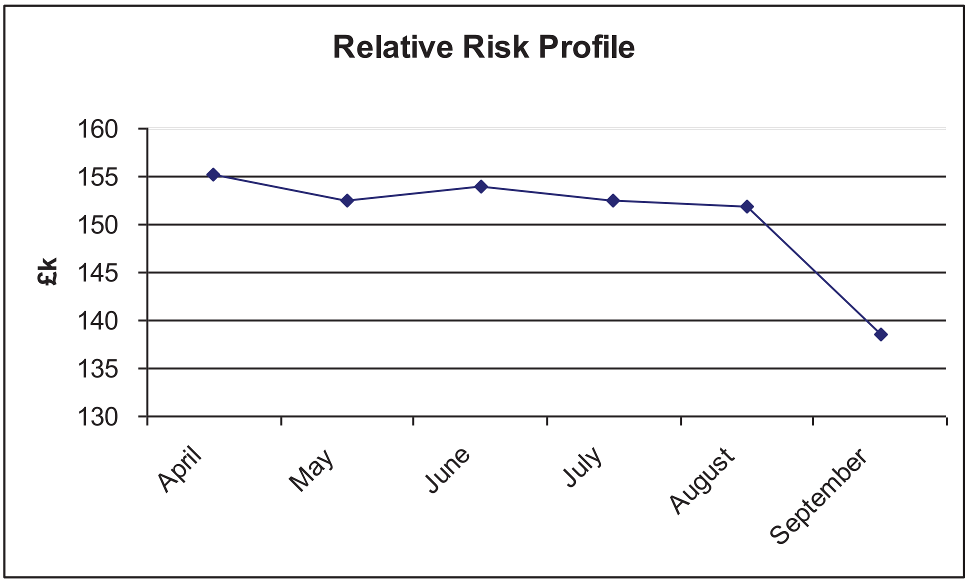
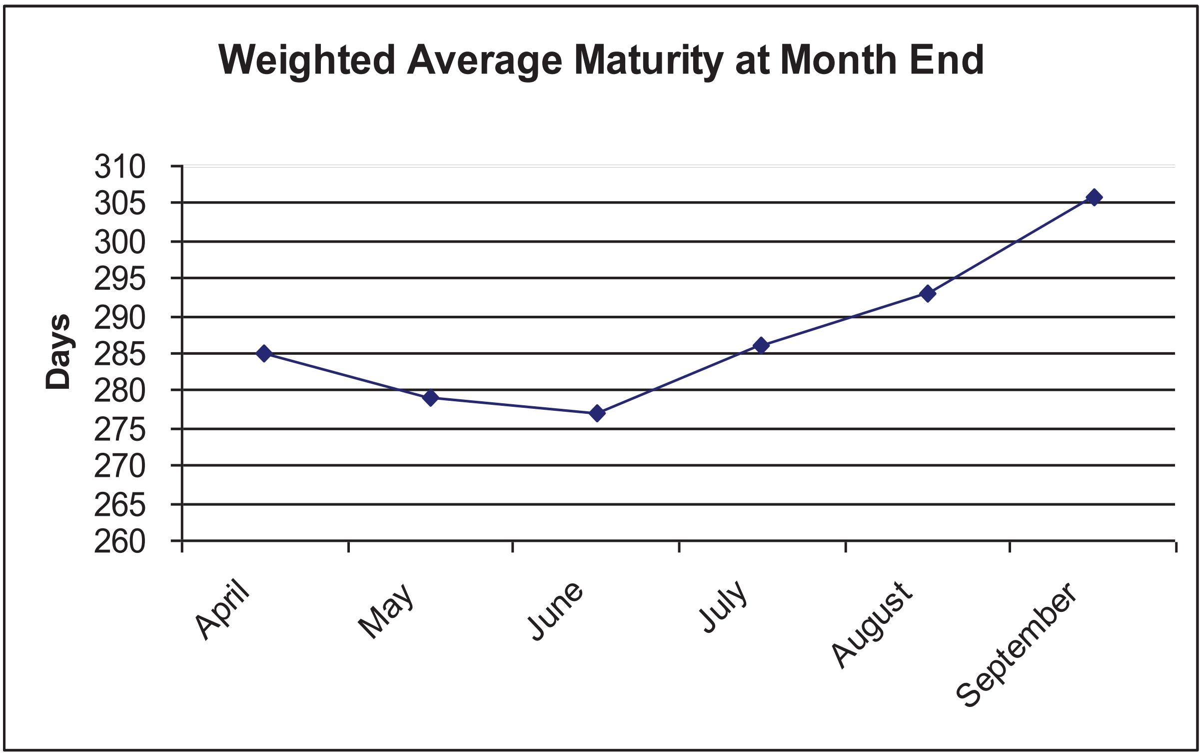
The credit rating agencies publish default rates for each rating category. Multiplying these default rates by the amount invested in each credit rating category provides a measure of risk that can be used as a benchmark to determine whether the City Council's investment portfolio is becoming more or less risky over time as shown in the graph below.



The City Council's investment portfolio became relatively less risky over the first two quarters of 2013/14. This is largely due to an investment in a triple B rated building society maturing in September. Although the Council was able to increase its returns by lending to triple B and unrated building societies, the FLS has enabled these institutions to obtain cheap funding from the Bank of England and the interest offered by such institutions is now much reduced. The above graph should be read in relative terms. A default occurs when sums due are not paid on time. A default does not mean that the sum invested will be lost permanently.

11. LIQUIDITY OF INVESTMENTS

The weighted average maturity of the City Council's investment portfolio has fluctuated between 285 and 306 days in first half of 2013/14. The maturity profile of the investment portfolio has been lengthened in the second quarter to obtain better rates of return in an economic environment where interest rates are low and are not expected to rise by much before 2016. This is shown in the graph below.



The 2013/14 Treasury Management Policy seeks to maintain the liquidity of the portfolio, ie. the ability to liquidate investments to meet the Council's cash requirements, through maintaining at least £10m in instant access accounts. At 30 September £31.2m was invested in instant access accounts. Whilst short term investments provide liquidity and reduce the risk of default, they do also leave the Council exposed to falling interest rates.

Under CIPFA's Treasury Management Code it is necessary to specify limits on the amount of long term investments, ie. investments exceeding 364 days that have maturities beyond year end in order to ensure that sufficient money can be called back to meet the Council's cash flow requirements. The Council's performance against the limits set by the City Council on 19 March 2013 is shown below.

Maturing after	**Limit** £m	**Actual** £m
31/3/2014	218	87
31/3/2015	208	45
31/3/2016	198	30

12. INTEREST RATE RISK

This is the risk that interest rates will move in a way that is adverse to the City Council's position.

The CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes require local authorities to set upper limits for fixed interest rate exposures. Fixed interest rate borrowing exposes the Council to the risk that interest rates could fall and the Council will pay more interest than it need have done. Long term fixed interest rate investments expose the Council to the risk that interest rates could rise and the Council will receive less income than it could have received. However fixed interest rate exposures do avoid the risk of budget variances caused by interest rate movements. The Council's performance against the limits set by the City Council on 19 March 2013 is shown below.

	Limit **£m**	**Actual** **£m**
Maximum Projected Gross Borrowing – Fixed Rate	355	356
Minimum Projected Gross Investments – Fixed Rate	(35)	(98)
Fixed Interest Rate Exposure	320	258

The CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes also require local authorities to set upper limits for variable interest rate exposures. Variable interest rate borrowing exposes the Council to the risk that interest rates could rise and the Council's interest payments will increase. Short term and variable interest rate investments expose the Council to the risk that interest rates could fall and the Council's investment income will fall. Variable interest rate exposures carry the risk of budget variances caused by interest rate movements. The Council's performance against the limits set by the City Council on 19 March 2013 is shown below.

	Limit £m	**Actual £m**
Minimum Projected Gross Borrowing – Variable Rate	-	-
Maximum Projected Gross Investments – Variable Rate	(320)	(163)
Variable Interest Rate Exposure	(320)	(163)

The City Council is particularly exposed to interest rate risk because all the City Council's debt is made up of fixed rate long term loans, but most of the City Council's investments are short term. Future movements in the Bank Base Rate tend to affect the return on the Council's investments, but leave fixed rate long term loan payments unchanged. This could favour the City Council if short term interest rates rise.

The risk of a 0.5% change in interest rates to the Council is as follows:

Effect of +/- 0.5% Rate Change	**2013/14 (Part Year)** £'000	**2014/15** £'000	**2015/16** £'000
Long Term Borrowing	-	2	55
Investment Interest	(74)	(688)	(733)
Net Effect of +/- 0.5% Rate Change	**(74)**	**(686)**	**(678)**

APPENDIX B

INVESTMENT COUNTER PARTY LIST

Category	Counter Party	Minimum Long Term Credit Rating *	Comments	Investment Limit £	Maximum Term	Changes
1	United Kingdom Government including investments explicitly guaranteed by the UK Government	AA+		Unlimited	1,825 days	
2	All local authorities in England, Scotland & wales	n/a		26,000,000	1,825 days	
3	Australia & New Zealand Banking Group	AA-		26,000,000	1825 days	
3	Commonwealth Bank of Australia	AA-		26,000,000	1825 days	
3	National Australia Bank	AA-		26,000,000	1825 days	
3	Westpac Banking Corporation	AA-		26,000,000	1825 days	
3	Royal Bank of Canada	AA-		26,000,000	1825 days	
3	Toronto Dominion Bank	AA-		26,000,000	1825 days	
3	DBS Bank	AA-		26,000,000	1825 days	
3	Overseas Chinese Banking Corp	AA-		26,000,000	1825 days	
3	United Overseas Bank	AA-		26,000,000	1825 days	
3	Rabobank Nederland NV	AA-		26,000,000	1825 days	New counter party
3	Bank of New York Mellon	AA-		26,000,000	1825 days	Up graded from category 4
3	Wells Fargo Bank NA	AA-		26,000,000	1825 days	New counter party
3	Nordic Investment Bank	AAA		26,000,000	1825 days	
3	Inter-American Developmemnt Bank	AAA		26,000,000	1825 days	
3	IBRD (World Bank)	AAA		26,000,000	1825 days	
3	Council of Europe Developmenmt Bank	AAA		26,000,000	1825 days	New counter party
3	Eurpopean Bank for Reconstruction & Development	AAA		26,000,000	1825 days	New counter party
3	Eurpean Investment Bank	AA-		26,000,000	1825 days	New counter party
3	Global Treasury Funds Plc	AAA	Money Market Fund	26,000,000	Instant Access	
3	Morgan Stanley Funds Plc	AAA	Money Market Fund	26,000,000	Instatnt Access	
3	Short Term Investment Company (Global Series) Plc	AAA	Money Market Fund	26,000,000	Instatnt Access	
3	Goldman Sachs Sterling Liquidity Reserve	AAA	Money Market Fund	26,000,000	Instatnt Access	
3	Scottish Widows Investment Partnership Global Liquidity Sterling Fund	AAA	Money Market Fund	26,000,000	Instatnt Access	
3	BNY Mellon Sterling Liquidity Fund	AAA	Money Market Fund	26,000,000	Instatnt Access	
3	Citibank	AAA	Money Market Fund	26,000,000	Instatnt Access	
3	Deutsche Global Liquidity Series Plc	AAA	Money Market Fund	26,000,000	Instatnt Access	
3	Morgan Stanley Funds Plc	AAA	Money Market Fund	26,000,000	Instatnt Access	New counter party
3	Standard Life Sterling Liquidity Fund	AAA	Money Market Fund	26,000,000	Instant Access	
4	Standard Chartered Bank	A+		19,000,000	1825 days	
4	HSBC Bank plc	A+		19,000,000	1825 days	
4	Bank of Montreal	A+		19,000,000	1825 days	
4	Bank of Nova Scotia	A+		19,000,000	1825 days	
4	Canadian Imperial Bank of Commerce	A+		19,000,000	1825 days	
4	Pohjola Bank Plc	A+		19,000,000	1825 days	New counter party
4	Nordia Bank AB	A+		19,000,000	1825 days	
4	Svenska Handelsbanken	A+		19,000,000	1825 days	
4	Swedbank AB	A+		19,000,000	1825 days	Up graded from category 5
4	JP Morgan Chase Bank NA	A+		19,000,000	1825 days	Up graded from category 5
4	DNB Bank	A+		19,000,000	1825 days	
5	Nationwide Building Society	A-		13,000,000	1825 days	Down graded from category 4
5	BNP Paribas	A		13,000,000	1825 days	New counter party
5	Deutsche Bank AG	A		13,000,000	1825 days	New counter party
5	Skandinaviska Enskilda Banken (SEB)	A		13,000,000	1825 days	
5	Credit Suisse	A		13,000,000	1825 days	
5	UBS AG	A		13,000,000	1825 days	
5	National Bank of Canada	A		13,000,000	1825 days	Up graded from category 6
5	Coventry Building Society	A-		13,000,000	1825 days	

6	Lloyds TSB Bank plc	A-		10,000,000	1825 days	
6	Societe Generale	A-		10,000,000	1825 days	New counter party
6	ABN Amro Bank NV	A-		10,000,000	1825 days	New counter party
6	ING Bank NV	A-		10,000,000	1825 days	
6	Barclays Bank Plc	A-		10,000,000	1825 days	Downgraded from category 5
7	Restricted to corporate bonds	A-		6,000,000	1640 days	
8	Leeds Building Society	A-	Short term rating F2	13,000,000	364 days	
8	Yorkshire Building Society	BBB		10,000,000	364 days	
9	Nottingham Building Society	BBB	Single rating	6,000,000	364 days	
9	Progressive Building Society	Unrated		6,000,000	364 days	
9	Cambridge Building Society	Unrated		5,000,000	364 days	
9	Furness Building Society	Unrated		4,000,000	364 days	
9	Leek United Building Society	Unrated		3,800,000	364 days	
9	Monmouthshire Building Society	Unrated		3,700,000	364 days	
9	Newbury Building Society	Unrated		3,400,000	364 days	
9	Hinckley & Rugby Building Society	Unrated		2,900,000	364 days	
9	Darlington Building Society	Unrated		2,600,000	364 days	Investment limit decreased from £2.7m
9	Market Harborough Building Society	Unrated		2,100,000	364 days	Investment limit decreased from £2.2m
9	Melton Mowbray Building Society	Unrated		1,900,000	364 days	
9	Tipton & Coseley Building Society	Unrated		1,800,000	364 days	
9	Marsden Building Society	Unrated		1,700,000	364 days	
9	Hanley Economic Building Society	Unrated		1,600,000	364 days	Investment limit decreased from £1.7m
9	Scottish Building Society	Unrated		1,700,000	364 days	
9	Dudley Building Society	Unrated		1,600,000	364 days	
9	Loughborough Building Society	Unrated		1,400,000	364 days	
9	Mansfield Building Society	Unrated		1,400,000	364 days	
9	Vernon Building Society	Unrated		1,200,000	364 days	
9	Stafford Railway Building Society	Unrated		1,100,000	364 days	
9	Buckinghamshire Building Society	Unrated		1,100,000	364 days	New counter party
9	Harpenden Building Society	Unrated		1,100,000	364 days	New counter party
9	Swansea Building Society	Unrated		1,000,000	364 days	New counter party
10	Co-operative Bank plc	CCC+		Nil	0 days	Investments are no longer madfe in this category
11	Registered Social Landlords (RSLs)	AA-		26,000,000	1825 days or 3650 days if secured	New category
12	Registered Social Landlords (RSLs)	A-		20,000,000	1825 days or 3650 days if secured	New category

Notes

* The long term credit ratings shown are adjusted to take account of possible future actions resulting from negative watches & outlooks. All negative watches & outlooks are assumed to result in a one notch downgrade.