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## Revenue Budget Monitoring Provisional Forecast Outturn September 2017 (Q2)

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### This report relates to a Non Key Decision

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**Purpose of this report:** The report sets out the forecast outturn financial position for 2017/18 as at the end of September 2017. It sets out spend against the approved budget and it excludes the Housing Revenue Account which is subject to a separate report. Explanations for the variances are set out below in Appendix A.

This report enables the Executive to consider the overall financial position of the Council.

### RECOMMENDATIONS

The Executive is asked to:

1. **Note the current forecast revenue outturn position which is an overspend of £3.3M (over budget by £0.6M in September 2016).**
2. **Note that the budget includes £2.1M of contingency costs against which no call has yet been made. If this contingency is released then this results in an overspend of £0.7M.**

### Issues

1. The forecast outturn position as at September 2017 is £3.3M over budget (£0.6M over budget in September 2016).
2. Social Care, Health and Housing (SCHH) are forecast over budget by £0.7M, due to a forecast overspend in Procurement & Customer Services of £0.5M and a forecast overspend in Housing Management of £0.3M.

3. Regeneration & Business Support are forecast to be on budget.
4. Children's Services are forecast to be over budget by £0.5M. This is primarily due to a forecast overspend of £0.5M on looked after children (LAC) and a £0.3M forecast overspend due to remand costs of 6 young people. This is partially offset by a £0.3M forecast underspend due to payroll savings in Children's Services Safeguarding & Early Help.
5. Resources are forecast to be over budget by £0.3M. This is due to a forecast overspend of £0.1M as a result of pressures within Insurance Services, lower than budgeted buyback income and higher than budgeted premiums, and a forecast overspend of £0.2M due to higher than projected LGSS costs partly as a result of increased workloads from Children's Services.
6. Community Services are forecasting an overspend of £1.2M. This is primarily due to a £1.1M forecast overspend within Highways, due to a £1.3M increase in the cost of transporting Special Educational Needs and Disability (SEND) children. Waste are also forecast to overspend by £0.2M due to a reduction in income and increased collection and landfill tax costs, Environmental Services are forecast to overspend by £0.2M due to a reduction in income for emergency planning and increases in staffing costs within Public Protection. There is also a forecast underspend of £0.3M within Assets due to additional rental income, lower demand for online printing and settlement of disputed business rates.
7. Corporate costs are forecast over budget by £0.64M. This reflects a £1M staff costs efficiency retained within Corporate that is unachievable, however, this should be offset by salary savings within the Directorates. There is also a forecast underspend of £0.1M in relation to the Apprenticeship Levy, a £0.2M forecast underspend in relation to borrowing costs.
8. We are holding a contingency of £2.1M against which no call has yet been made. If this contingency is released then this results in an overspend of £1.275M.
9. The year to date spend is £0.9M under budget (£1.1M under budget in September 2016).
10. Overall debt in September is £10.6M compared to £12.4M in August (£8.0M in September 2016). Within that £1.7M is under 30 days (16%). Debt over 270 days is £3.3M (31%). Work is continuing to analyse the debt and ensure effective and efficient recovery procedures are followed.

11. The Table below details the full year variances by directorate:

Directorate	Year to Date - September P6			Full Year		
	Budget £m	Actual £m	Variance £m	Budget £m	Forecast Outturn £m	Variance £m
SCHH	36.4	35.9	(0.6)	72.9	73.6	0.7
Childrens Services	18.4	18.6	0.2	36.4	36.9	0.5
Community Services	25.7	25.8	0.0	50.0	51.2	1.2
Regeneration	2.3	2.6	0.3	5.4	5.4	(0.0)
Public Health	0.0	0.0	0.0	0.1	0.1	0.0
Chief Executive's	0.7	0.7	(0.0)	1.3	1.3	(0.0)
Resources	5.6	5.8	0.2	11.5	11.7	0.3
Corporate Costs	3.9	4.7	0.8	12.0	12.7	0.6
<b>Total Excl Landlord Business</b>	<b>93.1</b>	<b>94.0</b>	<b>0.9</b>	<b>189.6</b>	<b>192.9</b>	<b>3.3</b>
Schools	0.0	0.0	0.0	0.0	0.0	0.0
Landlord Business	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>93.1</b>	<b>94.0</b>	<b>0.9</b>	<b>189.6</b>	<b>192.9</b>	<b>3.3</b>

### Reserves Position

12. The general fund full year forecast position includes a net £3.7M use of reserves (excluding Schools).

### Contributions to Reserves

13. There is a proposed transfer to reserves of £1.7M to the SCHH Transformation Reserve, funded by a decision not to use £1.7M of SCHH base budget. This budgeted pressure was no longer required as the 2016/17 outturn position was better than previously forecast.

14. There is a planned contribution of £3.9M earmarked reserves for the New Homes Bonus (NHB) which we will receive in 2017/18. This was a conscious decision within the MTFP to both reduce reliance on NHB and to build a fund for investment. This leaves the NHB reserve at £10.7M including carry forward from 2016/17. There is also a planned contribution to the redundancy reserve of £0.5M.

## **Use of Reserves**

15. In terms of use of general fund earmarked reserves, SCHH are forecast to use £1.5M, of which £0.7M relates to an additional precept reserve agreed in the MTFP. This forecast drawdown from the Adult Social Care Council Tax Precept reserve is to fund a 4% uplift to care package costs. The remaining balances on the SCHH reserves do not currently impact on the forecast. This will change as these reserves are called into use during the year.
16. Community Services are forecasting to use £7.1M of which £0.9M relates to the IT reserve agreed at the end of 2016/17 and £3.2M relates to the termination of an existing contract. There is also £1.2M for Highways, a further £0.4M for Street Scene Improvements, £0.2M for Crime Reduction Projects, £0.2M for Sundon Landfill and £0.2M for S38 works along with a number of other smaller projects.
17. Other use of reserves include Resources £0.5M, Children's Services £0.4M and Regeneration & Business Support £0.1M. These reserves are being used for the purposes for which they were set aside.

## **NNDR & Council Tax**

18. The total NNDR charge for 2017-18 as at the end of September is £86.3M, of which £49.2M has been received to date. In year collection is slightly above target.
19. The total Council Tax charge for 2017-18 as at the end of September, after all discounts/exemptions, is £175.8M, of which £100.8M has been received to date. In year collection is slightly above target.

## **General Reserves**

20. The opening position for 2017/18 is £15.5M. There are no further uses or contributions planned this year.

## **Council Priorities**

21. Sound financial management contributes to the Council's Value for Money and enables the Council to successfully deliver its priorities. The recommendations will contribute indirectly to all 6 Council priorities.

## **Corporate Implications**

## **Legal Implications**

22. None

## **Financial Implications**

23. The financial implications are set out in the report.

## **Equalities Implications**

24. Equality Impact Assessments were undertaken prior to the allocation of the 2017/18 budgets and Members were advised of significant equality implications relating to the budget proposals when setting the Council's Budget in February 2017.

## **Appendices**

Appendix A – Detailed Directorate Commentary

Appendix B – Earmarked Reserves

Appendix C - Debt Management

Appendix D – Treasury Management

## APPENDIX A – DIRECTORATE COMMENTARY

### Social Care, Health and Housing (SCHH)

1. The Directorate General Fund forecast outturn is above budget by £0.7M as at September 2017.

Month: September 2017	Year to date				Year					2016/17 Outturn			
Director	Budget	Actual	Proposed (use of) / contribution to Earmarked reserves	Variance	Approved Budget	Forecast Outturn	Forecast Variance	Proposed (use of) / contribution to Earmarked reserves	Forecast Variance after use of earmarked reserves	Forecast % of Budget	RAG	Budget	Outturn (Actual + Net Use of E. Reserves)
	£000	£000	£000	£000	£000	£000	£000	£000	£000			£000	£000
<b>Social Care Health and Housing</b>													
Director of Social Care, Health, Housing	130	267	(169)	(32)	260	589	329	(337)	(8)	(3)%	green	247	375
Procurement and Customer Services	512	751	-	239	1,024	1,491	468	-	468	46%	red	1,426	1,406
Housing Solutions (GF)	1,552	1,749	-	197	3,103	3,378	275	-	275	9%	amber	3,642	3,463
Care and Support	6,266	5,712	-	(554)	12,532	11,761	(771)	-	(771)	(6)%	green	12,615	12,134
OPPD - Care Management	16,511	17,297	(350)	436	33,018	35,297	2,279	(700)	1,579	5%	amber	28,866	32,042
LD Care Management & MH Packages	10,855	11,167	-	312	21,707	22,944	1,237	-	1,237	6%	amber	21,376	20,638
Head of Integrated Services + Other IS	409	418	-	9	818	858	41	-	41	5%	amber	946	770
Commissioning	4,947	4,045	-	(902)	9,903	8,483	(1,420)	-	(1,420)	(14)%	amber	8,883	9,310
Resources	(4,736)	(5,625)	614	(275)	(9,473)	(11,358)	(1,885)	1,228	(657)	(7)%	green	(8,701)	(10,301)
<b>Total Social Care and Health</b>	<b>36,446</b>	<b>35,781</b>	<b>95</b>	<b>(570)</b>	<b>72,891</b>	<b>73,443</b>	<b>552</b>	<b>191</b>	<b>743</b>	<b>1%</b>	<b>amber</b>	<b>69,300</b>	<b>69,837</b>

2. The September forecast incorporates technical adjustments in the establishment of the ASC Transformation Reserve (where £1.7M has been transferred into the reserve from the SCHH baseline budget for 2017/18). £0.7M has been drawn down from the Precept Reserve in recognition that there has been a 4% uplift in the cost of care by external providers.
3. To support the pressure around transitional accommodation and the usage of Bed and Breakfast (B&B) accommodation, the Council agreed to invest £3.7M in purchasing transitional accommodation. To September 2017 (including the 2 previous financial years) 13 purchases have been completed. One further purchase has been agreed and is in progress. In addition, lower cost “leasing” options are being progressed to provide further bed spaces for transitional accommodation.
4. The service is also using private self contained accommodation on a nightly let basis where the net cost is significantly lower than B&B accommodation but still costly. The Council is utilising an additional 28 “satellite” properties and 5 Aragon properties as transitional accommodation, as well as specific supported accommodation in Houghton Regis and Leighton Buzzard. The previous peak of August 2017, when there were 184 households in transitional accommodation, has increased at the end of September 2017 to 194 households. This is due to high number of households approaching the Council for housing advice and also, the limited supply of permanent affordable to move people into. 886 households have approached the Council for advice and assistance to the end of September, many of whom are approaching as homeless on the day and many with complex needs.
5. The Adult Social Care service (Care & Support, Older People with Physical Disabilities, Learning Disabilities, Integrated Services) is forecasting an overspend of £2.077M after use of reserves but excluding customer contributions. A £0.7M contribution from reserves

has partly mitigated this variance.

6. This division has to absorb the risk of increasing Older People, Physical and Learning Disability package volumes and costs. People are living longer and the costs of dementia are on the increase. Demographic, complex needs and fair cost of care pressures amounting to £4.038M has been built into the budget to reflect the impact of both an ageing population and the additional costs associated with the transition of younger people with disabilities into Adult Social Care. There are, however, significant efficiency targets for this area totalling £1.264M.
7. The Commissioning Service is projecting an under spend of £1.420M. The key variances are under spends within the Block Contracts.
8. Resources is showing a projected underspend of £0.657M. Within Resources there is a projected £0.642M over achievement in customer contributions. However, the transfer of £1.7M to the ASC Transformation Reserve accounts for Resources reporting a forecast over spend.
9. The Directorate continues to track the impact of former self funders who exert pressure on residential and nursing placements budgets. Seventeen have required Council support during 2017/18 compared to twenty three that required support for the same period in 2016/17. The full year cost is estimated to be £0.447M.
10. There remain risks relating to the funding of customers being assessed under the Clinical Treatment Review in a response to the Winterbourne View national programme.

### **Better Care Fund (BCF)**

11. The overall funding for the financial year 2017/18, and corresponding programme, is still to be determined given that final BCF planning guidance has been delayed. The new improved BCF funding equates to £1.81M and proposals have been shared with various partners on the use of this additional funding.
12. HRA is subject to a separate report.

### **Children's Services**

13. The Directorate forecast outturn is £0.5M above budget as at September 2017.

Director	Year to date				Year						2016/17 Outturn		
	Budget	Actual	Proposed (use of) / contribution to Earmarked reserves	Variance	Approved Budget	Forecast Outturn	Forecast Variance	Proposed (use of) / contribution to Earmarked reserves	Forecast Variance after use of earmarked reserves	Forecast % of Budget	RAG	Budget	Outturn (Actual + Net Use of E. Reserves)
	£000	£000	£000	£000	£000	£000	£000	£000	£000			£000	£000
<b>Children's Services</b>													
Director of Children's Services	276	476	(33)	167	552	618	66	(66)	-	0 %	green	1,012	994
Children's Services Safeguarding & Early Help	11,586	11,254	(67)	(399)	23,045	22,889	(156)	(135)	(291)	(1)%	green	23,061	22,052
LAC Placement Costs	4,487	4,791	(47)	257	8,988	9,590	602	(95)	507	6 %	amber	9,068	9,725
Education and Transformation	2,662	2,826	(18)	146	4,977	5,295	318	(36)	282	6 %	amber	3,637	3,502
Partnerships	265	318	(47)	6	534	626	92	(93)	(1)	(0)%	green	555	556
Education Services (Now reported in Education & Transformation)	-	-	-	-	-	-	-	-	-	0 %	green	665	553
<b>Total Children's Services (ex Schools / Overheads)</b>	<b>19,276</b>	<b>19,665</b>	<b>(212)</b>	<b>177</b>	<b>38,096</b>	<b>39,018</b>	<b>922</b>	<b>(425)</b>	<b>497</b>	<b>1 %</b>	<b>amber</b>	<b>37,998</b>	<b>37,382</b>
DSG + ESG Contribution to Central Support	(862)	(862)	-	-	(1,724)	(1,724)	-	-	-	0 %	green	(1,356)	(1,361)
<b>Total Children's Services (excluding Schools)</b>	<b>18,414</b>	<b>18,803</b>	<b>(212)</b>	<b>177</b>	<b>36,372</b>	<b>37,294</b>	<b>922</b>	<b>(425)</b>	<b>497</b>	<b>1 %</b>	<b>amber</b>	<b>36,642</b>	<b>36,021</b>

14. A number of risks have been identified that could adversely affect the forecast later in the year and these have been placed on the risk register as possible overspends in 2017/18. Work will continue to find mitigating savings to offset these potential overspends:

- £0.170M Parents seeking alternative provision from their current area special school. There is a group of 12 children that the service is tracking (aged between 8-13). Four of the cases may impact 2017/18, as although there are three places available at Maythorn, the parents request may progress to tribunal. This could pose a financial risk to the authority with out of county placement costing between £0.200M - £0.250M per annum. The service is confident that the risk to this financial year can be reduced and has been estimated at £0.170M. Should any further children seek alternative placements, Maythorn will have no further capacity until 2019/20. This will need to be reflected in the MTFP.
- £0.097M School Forum not approving the higher needs Block overspend being offset against centrally held Dedicated School Grant underspends.
- £0.179M Head of service for SEND and Corporate Parenting are being covered by agency staff, costing more than the budgeted substantive post. Should both remain until the end of the financial year the estimated overspend would be £0.120M. In addition, a procurement saving of £0.059M has yet to be achieved.
- £0.092M Swanstaff contract; contract allows for 500 hours per month, demand is being exceeded by an average 272 hours and the number of children increased over the summer months with August exceeding the 500 hours allowed by 367.
- £0.081M 2017/18 Efficiency to remove a Practice Manager in Court & Permanence Team, previously being mitigated by savings in Swanstaff contract which is now at risk of overspending

These risks could be partially offset by the following possible savings:

15.

- (£0.095M) Independent Foster agency (IFA) placements due to carers moving in house and sibling group being adopted.

- (£0.079M) Inter-agency Fostering Income
- (£0.074M) Asylum income September to March; although 18+ expenditure is currently forecast, the Home Office has yet to approve the LA's grant return and provide funding for 2017/18. The LA does not receive funding for the first 25 young people.

16. The tables below reflect the increased number of LAC and non care placements.

	Sept 2016	Sept 2017	% change
<b>Number of LAC :</b>	<b>254</b>	<b>267</b>	<b>5.12%</b>
In House Foster Placements	113	120	6.19%
Independent Foster Placements (Inc. Mother & Baby IFA's)	67	73	8.96%
Residential Homes & Schools	7	9	28.57%
Parent & Baby (Inc. mother & baby IFA's)	1	3	200%
St Christopher's (Clophill & Bunyan Road)	7	5	(28.6%)
St Christopher's (Stewartby)	1	0	(100%)
Semi - Independent Living (aged 16 & 17)	13	12	(7.7%)
Placed for Adoption/ with Parents	31	36	16.13%
Children with Disabilities (Maythorn, Children's homes and Residential School)	10	4	(60%)
Young Offenders serving custodial sentences /Temp Accom / Youth Offending/NHS	4	5	25%
<b>Unaccompanied Asylum Seeking Children:</b>	<b>58</b>	<b>38</b>	<b>(34.5%)</b>
In House Foster Placements	9	9	n/c
Independent Foster Placements	8	3	(62.5%)
Semi Independent Living (aged 16 & 17)	41	26	(36.6%)
<b>Total Number of LAC:</b>	<b>312</b>	<b>305</b>	<b>(2.24%)</b>

	Sept 2016	Sept 2017	% change
<b>Non care placements :</b>			
Special Guardianship Orders	137	144	5.11%
Residential Orders	40	33	(17.5%)
Adoption Allowances	48	50	4.17%
<b>Other information:</b>			
Child Protection Plan	215		
Children in Need	1412		
Number of Referrals (YTD)	955		

	<b>Movement YTD Inc. UASC</b>
LAC (28 <sup>th</sup> March Panel)	
In House Placements (April 134)	0
Independent Foster Placements (April 75)	0
Semi Independent Living (April 45 )	-9
Special Guardianship Orders (April 136)	0

17. During September there were 52 fte vacant posts across Children's Services Safeguarding and Early Help (excludes other areas of Children's). There are 20 fte agency staff of which 17 fte are covering vacant posts and 3 fte are covering maternity/sick leave, leaving 35 fte posts not being covered.
18. The forecast outturn for looked after children (LAC) placement costs is above budget by £0.5M, This is mainly due to the non achievement of an ongoing efficiency related to the 'invest to save' pressure that was funded in 2015/16 to increased the number of in house foster carers and reduce the expensive independent fees.
19. The forecast outturn for the Education and Transformation directorates is £0.3M over budget. The overspend is due to seven young people being on remand since April 2017.
20. The forecast outturn for Intake and Family Support, within Children's Services safeguarding & early help, is below budget by £0.3M. There are a number of savings in salary budgets across the whole of the Intake and Family Support area and further work is being undertaken to identify the posts and the possible impact on the MTFP.

### **Community Services**

21. The Directorate forecast outturn is above budget by £1.2M as at September 2017.

Month: September 2017	Year to date				Year						2016/17 Outturn		
Director	Budget	Actual	Proposed (use of) / contribution to Earmarked reserves	Variance	Approved Budget	Forecast Outturn	Forecast Variance	Proposed (use of) / contribution to Earmarked reserves	Forecast Variance after use of earmarked reserves	Forecast % of Budget	RAG	Budget	Outturn (Actual + Net Use of E. Reserves)
	£000	£000	£000	£000	£000	£000	£000	£000	£000			£000	£000
<b>Community Services</b>													
Community Services Director	140	111	(7)	(36)	280	259	(21)	(7)	(28)	(10)%	green	327	270
Highways Transportation	7,998	8,199	(73)	128	16,169	18,598	2,430	(1,354)	1,076	7 %	amber	17,874	19,052
Environmental Services - Waste	9,942	10,184	(151)	91	19,528	20,496	968	(775)	193	1 %	amber	19,117	18,470
Environmental Services - Other	2,418	2,846	(502)	(74)	4,519	8,543	4,024	(3,836)	188	4 %	amber	4,966	4,980
IT	2,615	3,113	(225)	273	5,231	6,154	924	(900)	24	0 %	amber	6,045	6,651
Assets (including Working Smarter)	2,617	2,433	(163)	(347)	4,241	4,222	(19)	(233)	(252)	(6)%	green	4,368	3,721
<b>Total Community Services</b>	<b>25,730</b>	<b>26,886</b>	<b>(1,121)</b>	<b>35</b>	<b>49,967</b>	<b>58,272</b>	<b>8,306</b>	<b>(7,105)</b>	<b>1,201</b>	<b>(0)</b>	<b>-</b>	<b>52,697</b>	<b>53,144</b>

### **Highways Transportation**

22. Highways and Transport is forecasting an overall overspend of £1.1M and has a year to

date overspend of £0.1M.

23. Educational Transport are forecasting an overspend of £1.2M this is due to an increased forecast on Special Education Needs (SEN) transport, this is due to the cost and number of children being transported. Further work is continuing to analyse this in more detail.
24. Highways Contracts are forecasting an on budget position. This is due to the additional one-off cost of £0.1M for filling the new salt barn at Thorn Turn, along with a forecast overspend of £0.03M for fixed cost services which relates to the contract management.
25. Passenger Transport Services are forecasting an underspend of £0.125M, of which £0.141M relates to Transport Contracts where savings are forecast as a result of service changes due to a new passenger transport strategy. This is partially offset by overspends on ICT software costs for route wise licenses of £0.015M.

### **Environmental Services**

26. Environmental Services are forecasting an overall overspend of £0.38M after the use of reserves of £4.6M for one off specific projects.
27. Libraries are forecasting a £0.1M underspend. There are forecast underspends against staffing £0.2M due to the restructure of hours within the library service which has meant that vacant positions are not currently being recruited to although there is use of casual staff, Car Mileage £0.015M as a result of fewer staff and a £0.012M underspend on fuel and repair costs for the library link van. There is a forecast £0.11M reduction in income against both Leighton Buzzard Theatre (£0.055M) due to lower ticket sales and bar receipts, and the library service and fines (£0.065M). There is also a slight underspend of £8K for box storage.
28. Public Protection is forecasting a £0.3M overspend due to staffing costs as a result of delays in the restructure. There is also a reduction in income of £0.044M as efficiencies are not expected to be achieved.
29. Community Safety is forecasting a £0.07M underspend, of this £0.059M is due to underspends in staffing due to vacancies within the service. There is also a forecast underspend of £0.015M as the service is no longer leasing a Land Rover. This is partially offset by a £0.005M reduction in grant income as we are no longer receiving income from Stonewater social housing in respect of Antisocial behaviour.
30. Waste Service is forecasting a £0.2M overspend, which is due to an overspend of £0.116M for waste disposal and £0.228M landfill tax due to increased tonnage. These have been partially offset by underspends on the Biffa contract for kerbside collection of £0.025M, street cleansing costs of £0.038M, £0.032M on maintenance costs of recycling centres and £0.055M due to staffing costs.
31. Leisure & Active Lifestyles is forecasting a £0.066M overspend. This is due to an overspend of £0.1M against private contractors as a result of the closure of Dunstable Leisure Centre which includes the relocation of the bowling club There is also an overspend due to a reduction in forecast income of £0.022M which relates to the Leisure

centre closure .These are partially offset by underspends against buildings & repairs of £0.029M and an forecast staffing underspend of £0.036M as a result of vacancies.

32. Parking is forecasting a £0.018M overspend, this is due to a forecast overspend of £0.026M for rates at Steppingley Road Car Park and a £0.039M shortfall in income due to a parking machine in West Street Car Park Houghton Regis being out of service for a period of time. This is partially offset by an underspend of £0.051M due to vacancies.

### **Assets**

33. The service area is currently forecasting an underspend of £0.252M.
34. Corporate Assets are forecasting an underspend of £0.4M after use of reserves. The main reasons for this are additional rental income from Farms and Commercial units of £0.365M.
35. Facilities Management is forecasting an overspend of £0.14M primarily due to ongoing pressures for delayed vacation of Stephenson Court and Houghton Lodge. This is partly offset by forecast underspends on staffing due to a number of vacancies and lower than budgeted business rates for Corporate properties.

### **IT**

36. The full year budget for the service of £5.231M is made up of IT Operations £2.259M and IT Corporate £2.972M. The current forecast is on budget after use of earmarked reserves.
37. Within IT Operations there is a forecast underspend of £0.043M as a result of underspends on staffing due to vacancies.
38. There is a forecast overspend in IT Corporate of £0.966M as a result of contract & software expenses and efficiencies against PSN, networks and data centre that are not expected to be achieved. There is proposed drawdown of £0.9M of earmarked reserves, which results in a forecast overspend after use of reserves of £0.066M. This combined with the forecast underspend on IT Operations results in a £0.024M forecast overspend in IT.

### **Regeneration and Business Support**

39. The Directorate forecast outturn is on budget as at September 2017.

40.

Month: September 2017	Year to date				Year						2016/17 Outturn		
Director	Budget	Actual	Proposed (use of) / contribution to Earmarked reserves	Variance	Approved Budget	Forecast Outturn	Forecast Variance	Proposed (use of) / contribution to Earmarked reserves	Forecast Variance after use of earmarked reserves	Forecast % of Budget	RAG	Budget	Outturn (Actual + Net Use of E. Reserves)
	£000	£000	£000	£000	£000	£000	£000	£000	£000			£000	£000
<b>Regeneration and Business</b>													
Director	79	84	-	5	157	339	183	-	183	117 %	red	867	755
Business & Investment	516	590	(19)	55	1,617	1,760	143	(79)	64	4 %	amber	881	1,152
Development Infrastructure Division	1,689	1,832	67	210	3,668	3,542	(126)	(145)	(271)	(7)%	green	4,161	3,761
<b>Total Regeneration and Business</b>	<b>2,284</b>	<b>2,506</b>	<b>48</b>	<b>270</b>	<b>5,441</b>	<b>5,641</b>	<b>200</b>	<b>(224)</b>	<b>(24)</b>	<b>1</b>	<b>-</b>	<b>5,909</b>	<b>5,668</b>

Business and Investment is forecasting an overspend of £0.064M, the majority of this relates to a forecast staffing overspend of £0.084M which is partly offset by a forecast underspend of £0.012M due to phasing of grant income for the European Regional Development Fund.

42.

The Development Infrastructure Division is forecasting an underspend of £0.271M. This is a result of staffing underspend of £0.3M due to staff vacancies across the division, these are expected to be filled as the year continues now the restructure is complete. There is additional income of £0.044M, this relates to £0.1M Minerals & Waste income for applications where income is expected in late October and December, there has been a reduction in section 106 income where the income is not expected to be received this year as HRN2 is not hitting appropriate triggers. These underspends have been reduced by overspends on Legal services of £0.075M as there is a significant increase in appeals and enquiries which require additional support and Professional Services due to additional expenditure for community planning work.

The Director's group is forecasting an overspend of £0.183M, the overspend relates to the payment of £0.03M to Economic Heartlands a £0.15M piece of work commissioned for the Oxford to Cambridge corridor.

### Public Health

43. Public Health's forecast outturn is to achieve a balanced budget after proposed use of and contributions to reserves. The Public Health grant is currently ringfenced so any under / overspend results in a movement against the carried forward reserve from 2016/17.

Month: September 2017	Year to date				Year						2016/17 Outturn		
Director	Budget	Actual	Proposed (use of) / contribution to Earmarked reserves	Variance	Approved Budget	Forecast Outturn	Forecast Variance	Proposed (use of) / contribution to Earmarked reserves	Forecast Variance after use of earmarked reserves			Budget	Outturn (Actual + Net Use of E. Reserves)
	£000	£000	£000	£000	£000	£000	£000	£000	£000			£000	£000
<b>Public Health</b>													
Director of Public Health	(5,654)	(6,005)	-	(351)	(11,309)	(12,260)	(951)	951	-			(12,060)	(12,060)
Assistant Director of Public Health	5,685	6,046	-	361	11,370	12,328	958	(958)	-			12,095	12,095
<b>Total Public Health</b>	<b>31</b>	<b>41</b>	<b>-</b>	<b>10</b>	<b>61</b>	<b>68</b>	<b>7</b>	<b>(7)</b>	<b>-</b>			<b>35</b>	<b>35</b>

## Chief Executive

44. The Directorate forecast outturn is forecasting below budget by £0.038M as at September 2017.

Month: September 2017		Year to date				Year						2016/17 Outturn	
Director	Budget	Actual	Proposed (use of) / contribution to Earmarked reserves	Variance	Approved Budget	Forecast Outturn	Forecast Variance	Proposed (use of) / contribution to Earmarked reserves	Forecast Variance after use of earmarked reserves	Forecast % of Budget	RAG	Budget	Outturn (Actual + Net Use of E. Reserves)
	£000	£000	£000	£000	£000	£000	£000	£000	£000			£000	£000
Chief Executive's													
Chief Executive	155	150	-	(5)	309	309	-	-	-	0%	green	306	298
Communications	518	525	(20)	(13)	1,036	1,018	(18)	(20)	(38)	(4)%	green	1,121	1,075
Total Chief Executive's	673	675	(20)	(18)	1,345	1,327	(18)	(20)	(38)	(0)	-	1,427	1,373

## Resources

45. The Directorate is forecast above budget by £0.257M as at September 2017.

Month: September 2017		Year to date				Year						2016/17 Outturn	
Director	Budget	Actual	Proposed (use of) / contribution to Earmarked reserves	Variance	Approved Budget	Forecast Outturn	Forecast Variance	Proposed (use of) / contribution to Earmarked reserves	Forecast Variance after use of earmarked reserves	Forecast % of Budget	RAG	Budget	Outturn (Actual + Net Use of E. Reserves)
	£000	£000	£000	£000	£000	£000	£000	£000	£000			£000	£000
Resources													
Director of Resources	26	41	-	15	51	51	-	-	-	0%	green		
Finance Performance and Control	1,621	1,715	(15)	79	3,486	3,595	109	(26)	83	2%	amber	5,285	4,951
Housing Benefit Subsidy	(359)	(209)	(150)	-	(718)	(418)	300	(300)	-	0%	green	(597)	(651)
Revs & Bens	880	794	-	(86)	1,761	1,658	(103)	-	(103)	(6)%	green		
Audit	291	244	-	(47)	582	505	(77)	-	(77)	(13)%	amber		
Legal Services	909	1,165	-	256	1,818	2,053	235	-	235	13%	red	2,026	1,866
Governance	1,125	1,171	(46)	-	2,346	2,512	166	(47)	119	5%	amber	2,413	2,433
People	1,063	1,120	(39)	18	2,125	2,223	98	(98)	-	0%	green	2,568	2,262
Total Resources	5,556	6,041	(250)	235	11,451	12,179	728	(471)	257	0	-	11,695	10,861

46. Within Revenues & Benefits, Customer Accounts there is additional admin subsidy grant income of £0.258M, the benefit of this being offset by additional agency staff. Within Revenues there are savings as a result of staff vacancies totalling £0.103M.
47. Democratic Services are forecasting an overspend of £0.119M largely due to an unachievable efficiency on Local Land Charges income.
48. Legal Services are forecasting an overspend of £0.235M due to an increased in LGSS costs largely as a result of increased workloads.
49. Within Finance Performance and Control there is a forecast overspend of £0.083M. This is due to a forecast overspend of £0.142M within Insurance Services due to lower than budgeted buyback income and higher than budgeted insurance premiums. This has been mitigated in part by a forecast underspend of £0.047M within Financial Operations, mainly as a result of vacancy savings.
50. There is a forecast underspend within Audit of £0.077M due to an underspend on salaries due to posts being recruited to later than expected.

## Corporate Costs

51. Corporate Costs is forecasting an overspend of £0.639M as at September 2017.

Director	Year to date				Year							2016/17 Outturn	
	Budget	Actual	Proposed (use of) / contribution to Earmarked reserves	Variance	Approved Budget	Forecast Outturn	Forecast Variance	Proposed (use of) / contribution to Earmarked reserves	Forecast Variance after use of earmarked reserves	Forecast % of Budget	RAG	Budget	Outturn (Actual + Net Use of E. Reserves)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		£000	£000
<b>Corporate Costs</b>													
Debt Management	7,109	7,108	-	(1)	14,217	14,017	(200)	-	(200)	(1)%	green	13,646	12,831
Premature Retirement Costs	1,197	1,498	-	301	2,756	3,293	537	-	537	19%	red	2,756	2,518
Corporate Public Health Recharges	(316)	(302)	-	14	(631)	(631)	-	-	-	0%	green	(631)	(605)
Corporate HRA Recharges	(60)	(60)	-	-	(120)	(120)	-	-	-	0%	green	(120)	(120)
Efficiencies	(540)	(64)	-	476	(348)	54	402	-	402	(116)%	amber	130	(121)
Contingency and Reserves*	(3,474)	(5,427)	1,953	-	(3,826)	(8,333)	(4,507)	4,407	(100)	3%	amber	(4,297)	(2,308)
<b>Total Corporate Costs</b>	<b>3,916</b>	<b>2,753</b>	<b>1,953</b>	<b>790</b>	<b>12,048</b>	<b>8,280</b>	<b>(3,768)</b>	<b>4,407</b>	<b>639</b>	<b>(1)</b>	<b>-</b>	<b>11,484</b>	<b>12,195</b>

52. Within Premature Retirement Costs there is a forecast overspend of £0.537M .This is due to a forecast overspend of £0.576M as a result of past service deficit payment costs increasing in relation to 5 schools moving to academy status. This has been partially offset by a saving of £0.039M against past service pension payments.
53. Within Debt Management there is an underspend of £0.2M due to Interest Payable being lower than budgeted as a result of borrowing rates and a change to short term borrowing strategy.
54. There is a forecast pressure of £1M in Cross Cutting Efficiencies due to the risk that the Vacancy Management target efficiency may not be achieved. All of the efficiency is budgeted within Corporate Costs but the savings will materialise within each directorate. This is partially offset by the release of £0.576M to cover the increased past service costs.
55. There is a forecast £0.1M underspend against Contingency and Reserves due to a £0.1M anticipated reduction in the Apprenticeship Levy.

## Appendix B – Earmarked Reserves

Description	Opening Balance 2017/18	Spent	Released	Technical Movements (inc funds received for activity in the following year)	Balance before new transfers	New Proposed transfers	Proposed Closing Balance 2017/18	MEMO: Net movement after proposals
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Social Care Health and Housing Reserves</b>								
Deprivation of Liberty Safeguards	426				426		426	-
Winter Pressure 12/13 "Care Act"	20				20		20	-
Winter Pressure 13/14 "Care Act"	55				55		55	-
Mental Health Action Plan	60				60		60	-
Outcome Based Commissioning	1,908	(337)			1,571		1,571	(337)
Integrated Approaches	557	(201)			356		356	(201)
Better Care Fund	43				43		43	-
Support and Aspiration Grant	50				50		50	-
Welfare Reform - local welfare provision grant	112	(56)			56		56	(56)
Zero Base Review grant	18				18		18	-
1% Precept	-		(700)	1,334	634		634	634
Improved Better Care Fund				1,810	1,810		1,810	1,810
ASC One Off Grant				869	869		869	869
ASC Transformation	-		(215)		(215)	1,700	1,485	1,485
<b>Total Social Care, Health and Housing</b>	<b>3,249</b>	<b>(594)</b>	<b>(915)</b>	<b>4,013</b>	<b>5,753</b>	<b>1,700</b>	<b>7,453</b>	<b>4,204</b>
<b>Children's Services Reserves</b>								
Fostering & Adoption	95	(95)			(0)		(0)	(95)
Children's Homes Co-location	-				-		-	-
Partnership Reserves inc Performance Reward Grant, LSP Sustainable Neighbourhoods and Assets of Community Value	180	(23)			157		157	(23)
SEN Reserves inc. Support and Aspiration Grant and Children's & Families Act	90	(56)			34		34	(56)
Locality Options	200	(7)			193		193	(7)
Children's Services Unspent Grant Income	463				463		463	-
<b>Total Children's Services</b>	<b>1,027</b>	<b>(181)</b>	<b>-</b>	<b>-</b>	<b>846</b>	<b>-</b>	<b>846</b>	<b>(181)</b>

## Appendix B – Earmarked Reserves

Description	Opening Balance 2017/18	Spent	Released	Technical Movements (inc funds received for activity in the following year)	Balance before new transfers	New Proposed transfers	Proposed Closing Balance 2017/18	MEMO: Net movement after proposals
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Community Services Reserves</b>								
Leisure Centre Reinvestment Fund	179				179		179	-
Integrated consumer protection	106	(23)			83		83	(23)
Transport Fund	291				291		291	-
Community Safety partnership fund	114	(4)			110		110	(4)
Community Safety Grant	60				60		60	-
Bedford & Luton Resilience Forum	67				67		67	-
Financial Investigation Unit	541	(244)			297	23	320	(221)
Biggleswade wind farm	23				23		23	-
countryside access grant	23				23		23	-
Woodside connection options appraisal	-				-		-	-
Rationalisation of Accommodation	-				-		-	-
Rural Payments	3				3		3	-
Sundon Landfill	497	(170)			327		327	(170)
Facilities Security	42	(1)			41		41	(1)
Street Scene Improvements	398	(385)			13		13	(385)
S38 works - Warren Farm and HN2/ Bidwell West	219	(181)			38		38	(181)
Community Safety	500				500		500	-
Civil Enforcement Officer	140	(67)			73		73	(67)
Community Integration	100	(27)			73		73	(27)
Construction Related Projects	150				150		150	-
IT Base Budget Shortfall	900	(900)			-		-	(900)
<b>Total Community Services</b>	<b>4,353</b>	<b>(2,002)</b>	<b>-</b>	<b>-</b>	<b>2,351</b>	<b>23</b>	<b>2,374</b>	<b>(1,979)</b>
<b>Regeneration Reserves</b>								
Career Development framework	33				33		33	-
External Funded Regeneration reserve	270				270		270	-

## Appendix B – Earmarked Reserves

Description	Opening Balance 2017/18	Spent	Released	Technical Movements (inc funds received for activity in the following year)	Balance before new transfers	New Proposed transfers	Proposed Closing Balance 2017/18	MEMO: Net movement after proposals
	€000	€000	€000	€000	€000	€000	€000	€000
Local Development Framework	327	(175)			152		152	(175)
Minerals and Waste partnership funds	104				104		104	-
NIRAH	49				49		49	-
Business growth grants	115				115		115	-
Flood Defence	555	(10)			545		545	(10)
Building control	385				385	71	456	71
Unauthorised Development	159				159		159	-
Neighbourhood planning grant	80				80	30	110	30
Food Enterprise Zone	29	(29)			-		-	(29)
Self Build	20				20		20	-
Estate Regeneration Fund	757	(50)			707		707	(50)
PPA - training	530	(48)			482		482	(48)
Albion Archaeology	78				78	4	82	4
Sustainable Transport Bids	50				50		50	-
Employment Skills	100				100		100	-
<b>Total Regeneration</b>	<b>3,641</b>	<b>(312)</b>	<b>-</b>	<b>-</b>	<b>3,329</b>	<b>105</b>	<b>3,434</b>	<b>(207)</b>
<b>Public Health Reserves</b>								
Public Health Grant Reserve	1,785	(7)			1,778		1,778	(7)
Risk reserve	-				-		-	-
<b>Total Public Health</b>	<b>1,785</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>1,778</b>	<b>-</b>	<b>1,778</b>	<b>(7)</b>
<b>Chief Executive's</b>								
Pan Public Sector Funding	28				28		28	-
Webcasting	55				55		55	-
Customer First	13				13		13	-
<b>Total Chief Executive's</b>	<b>96</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>96</b>	<b>-</b>	<b>96</b>	<b>-</b>

## Appendix B – Earmarked Reserves

Description	Opening Balance 2017/18	Spent	Released	Technical Movements (inc funds received for activity in the following year)	Balance before new transfers	New Proposed transfers	Proposed Closing Balance 2017/18	MEMO: Net movement after proposals
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Resources</b>								
Housing Benefit Subsidy Audit Reserve	500				500		500	-
Housing Benefit Bad Debt Provision	946	(300)			646		646	(300)
Elections Fund	244				244		244	-
Individual Electoral Registration	41	(1)			40	-	40	(1)
ICS - HR Apprentices & Graduates (£0.2m held in Corporate at year end)	254	(63)			191		191	(63)
<b>Total Resources</b>	<b>1,985</b>	<b>(364)</b>	<b>-</b>	<b>-</b>	<b>1,621</b>	<b>-</b>	<b>1,621</b>	<b>(364)</b>
<b>Corporate Reserves</b>								
Redundancy/Restructure Reserve	388	(398)			(10)	500	490	102
Insurance reserve	4,413				4,413		4,413	-
Welfare Reform	310	(70)			240		240	(70)
Teachers' Pensions	229				229		229	-
S31 NNDR Income to offset NNDR discounts	1,730				1,730		1,730	-
Planning Decisions Legal Challenges	300				300		300	-
Community resilience	500				500		500	-
Tackling Safety and Vulnerability	328	(173)			155		155	(173)
New Homes Bonus	6,801				6,801	3,907	10,708	3,907
Impact of Funding Deficits	984	(233)			748		748	(233)
Smoothing MRP payments/Financing Charges	926				926		926	-
Transformation (Invest to save, Transforming service delivery)	679	(137)			542		542	(137)
Transforming lives	250				250		250	-
Independent careers service	250				250		250	-
Transformation (NEW)	900				900		900	-
SEN Transport	250				250		250	-
Capital Options	1,219				1,219		1,219	-
Highways/Street Scene	1,300	(1,225)			75		75	(1,225)
Legal	3,500	(3,209)			291		291	(3,209)
Planning enforcement	183	(41)			142		142	(41)
Business Operations	200				200		200	-
<b>Total Corporate Reserves</b>	<b>25,636</b>	<b>(5,486)</b>	<b>-</b>	<b>-</b>	<b>20,150</b>	<b>4,407</b>	<b>24,557</b>	<b>(1,079)</b>
<b>Total Earmarked Reserves (General Fund)</b>	<b>41,772</b>	<b>(8,946)</b>	<b>(915)</b>	<b>4,013</b>	<b>35,924</b>	<b>6,235</b>	<b>42,159</b>	<b>387</b>

## Appendix C - Debtors

- Overall debt in September is £10.6M compared to £12.4M in August. Within that £1.7M is under 30 days (16%). Debt over 61 days is £6.2M (58%). Work is continuing to analyse the debt and ensure effective and efficient recovery procedures.

Debt Monitoring																
DIRECTORATE	Not yet Due	1 to 30 Days	% of Total	31 to 60 Days	% of Total	61 to 90 Days	% of Total	91 to 270 days	% of Total	271 to 365 days	% of Total	Over 1 Year	% of Total	Total Due Debts	Total Due Debt %	Total Debts
	£	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£
Social Care Health & Housing	1,057,706	1,376,289	13%	178,958	2%	101,729	1%	732,795	7%	340,110	3%	1,632,221	15%	4,362,102	41%	5,419,809
Children's Services	116,294	188,604	2%	3,207	0%	12,156	0%	35,828	0%	15,114	0%	4,120	0%	259,027	2%	375,321
Community Services	436,219	516,175	5%	79,407	1%	38,974	0%	395,093	4%	92,105	1%	94,101	1%	1,215,854	12%	1,652,072
Regeneration	176,381	-455,204	-4%	558,409	5%	1,239,542	12%	228,440	2%	35,059	0%	233,606	2%	1,839,852	17%	2,016,232
Corporate	-3,559	7,361	0%	1,022	0%	12,683	0%	11,153	0%	-611	0%	36,182	0%	67,790	1%	64,231
Public Health	7,415	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	7,415
Unallocated & Non Directorate	0	-13,621	0%	-669	0%	-1,077	0%	-13,440	0%	-2,100	0%	-56,523	-1%	-87,430	-1%	-87,430
House Sales	1,957	41,695	0%	40,522	0%	18,719	0%	149,217	1%	47,661	0%	808,241	8%	1,106,056	10%	1,108,013
GRAND TOTAL	1,792,412	1,661,300	0	860,855	0	1,422,726	0	1,539,086	0	527,337	0	2,751,948	0	8,763,252	1	10,555,664
PREVIOUS MONTH	1,647,923	3,374,173		1,986,221		377,207		1,109,912		1,024,076		2,923,739		10,795,328		12,443,251

- The largest items of note within the total debt are:

- SCHH debt at the end of September was £5.420M of which £0.066M is HRA related (reported separately in the HRA report). Of the £5.354M General Fund debt (£4.271M for August), £2.678M is Health Service debt (£1.878M for August). Of the remaining general debt of £2.676M, £1.620M (61%) is more than 60 days old. Of this, all is under active management (with solicitors, payable by instalments etc.) with none under query or scheduled to be written off. Excluding Health and house sales debt, there are 46 debtors whose outstanding balance is greater than £0.010M.
- Health Service debt at the end of September was £2.678M of which £1.135M or 42% is more than 60 days. All debts are under active management. A schedule of all outstanding debts is being shared and discussed regularly with the Bedfordshire CCG.
- Children's Services debt at the end of September was £0.375M of which £0.070M (19%) is debt over 61 days.
- Community Services total debt at the end of September was £1.652M of which £0.620M (63%) is debt over 61 days and is being actively pursued. The over 61 day's debt is spread over numerous cost categories.
- Regeneration total debt at the end of September was £2.016M of which £1.735M (86%) is over 61 days.
- Resources debt has decreased by £0.475M in the month from £0.539M last month to £0.064M. Of this there is currently £0.007M which is 1 to

30 days old, which represents 11% of the overall debt. There is currently £0.047M that is over 91 days old: this represents 73% of the current total debt.

- Public Health debt is zero.

### 3. Summary Q2 July – September 2017:

<b>WRITE OFF</b>	<b>NUMBER</b>	<b>VALUE</b>
£0 - £5,000	28	£ 23,982.79
£5,000 - £10,000	0	£ -
£10,000 - £50,000	0	£ -
>£50,000	0	£ -
<b>TOTAL</b>	<b>28</b>	<b>£23,982.79</b>

(of which is Legacy £0)

## Appendix D - Treasury Management

### Borrowing

As at 30 September 2017 the Council's total borrowing was £332.6M. Of this amount, £262.0M was with the Public Works Loan Board (PWLB), £57.0M was short-term temporary debt from other local authorities and £13.6M was market debt from banks. The table below also shows the split between the General Fund and HRA.

	<b>PWLB Fixed £M</b>	<b>PWLB Variable £M</b>	<b>Temporary Debt £M</b>	<b>Market (LOBO) £M</b>	<b>Total £M</b>
General Fund	97.0	0.0	57.0	13.6	167.6
HRA	120.0	45.0	0.0	0.0	165.0
<b>TOTAL</b>	<b>217.0</b>	<b>45.0</b>	<b>57.0</b>	<b>13.6</b>	<b>332.6</b>

To manage interest rate risk, the Council's debt is split between 65% fixed rate PWLB debt, 14% variable rate PWLB debt, 17% short-term temporary debt and 4% fixed rate market (LOBO) debt; this is shown in A1 on the Treasury Management Performance Dashboard.

Based on the latest available annual benchmark analysis conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA), A2 of the Dashboard shows the Council's cost of borrowing is significantly lower than the 4.06% average annual interest rate paid by other local authorities. The average annual interest rate paid by the Council was 2.57% as at 31 March 2017, which is mainly due to a higher proportion of variable rate and short-term temporary debt.

In line with the Council's borrowing strategy, new short-term temporary borrowing was taken out during Quarter 2 at a cost of between 0.23% p.a. and 0.30% p.a. (inclusive of brokerage fees).

The Council's underlying need to borrow as measured by its Capital Financing Requirement (CFR) was £524.4M at 31 March 2017. Given external borrowing of £365.0M (inclusive of a £17.2M PFI outstanding liability) as at 31 March 2017, deferred borrowing was £159.4M using internal resources to fund the capital programme. In line with the approved treasury strategy, the Council used internal resources in lieu of borrowing to the full extent as this has continued to be the most cost effective means of funding capital expenditure.

## **Investments**

When investing, the Council prioritises security and liquidity and aims to achieve a yield commensurate with these principles. To diversify the investment portfolio, the Council continues to invest in a range of funds such as notice accounts, call accounts and Money Market Funds as well as using a number of different financial institutions. B1 of the Dashboard shows the breakdown by investment counterparty as at 30 September 2017. It should be noted that as cash investments are maintained at minimal levels for operational purposes, the £5.4M long-term investment in the UK commercial property-based Lime Fund now represents a higher proportion of total investments even though the cash amount invested in it has not changed.

The latest available CIPFA Treasury Management benchmarking results are as at 31 March 2017. B2 of the Dashboard shows that the Council's average rate of return on investments was 1.5% which was higher than the benchmarked local authority average of 0.8% – this was due to the relatively high investment return on the Lime Fund (inclusive of capital appreciation).

In addition to the Lime Fund investment, the Council has cash deposits placed on varying interest rates ranging between 0.05% and 0.55%. The Council holds the majority of its investments in liquid form so it is available for cash flow purposes. As at 30 September 2017, the Council held cash investments of £19.1M (exclusive of the £5.4M Lime Fund investment). Of the total cash investment balance, £15.1M was held in liquid form in instant access call accounts and Money Market Funds (MMFs); and the remaining £4.0M was held in notice accounts.

## **Cash Management**

The average cash balance the Council holds is considerably lower than other benchmarked local authorities. The 12-month rolling average cash balance as at the 31 March 2017 for the Council was £23.0M compared to a benchmark average of £125.3M. This reflects the Council's long-standing strategy of holding low cash balances to reduce investment counterparty risk and contain borrowing costs by utilising internal cash balances in lieu of external borrowing to fund capital expenditure.

## **Budget**

A budget underspend of £200K is forecasted in 2017/18 in respect of Treasury Management activities reflecting:

- new borrowing being taken from local authorities and other public sector bodies such as Police and Crime Commissioners on a short-term temporary basis at lower than budgeted rates; and
- Capital Programme slippage which has been higher than originally assumed in the interest payable budget, leading to a lower level of overall borrowing being required than assumed in the 2017/18 budget.

## Outlook

Growth in the UK expanded at a much slower pace as evidenced by Q1 and Q2 Gross Domestic Product (GDP) growth of 0.2% and 0.3% respectively, leading to a 1.5% year-on-year rate (as at the end of June 2017). The annual Consumer Price Index (CPI) measure of inflation increased to 3.0% as at the end of September 2017, it's highest since June 2013 as the lower level of sterling continues to boost consumer prices. Inflation is likely to remain above the Bank of England's Monetary Policy Committee (MPC) 2.0% target over much of the next three years. The labour market saw the unemployment rate for the three months to 31 August 2017 remain unchanged at 4.3% from the previous quarter, down from 5.0% a year earlier and joint lowest since 1975.

The outlook for the six-month period ending 31 March 2018 continues to remain muted as uncertainty over the UK's future trade relations with the EU and the rest of the world will weigh on economic activity and business investment, dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment.

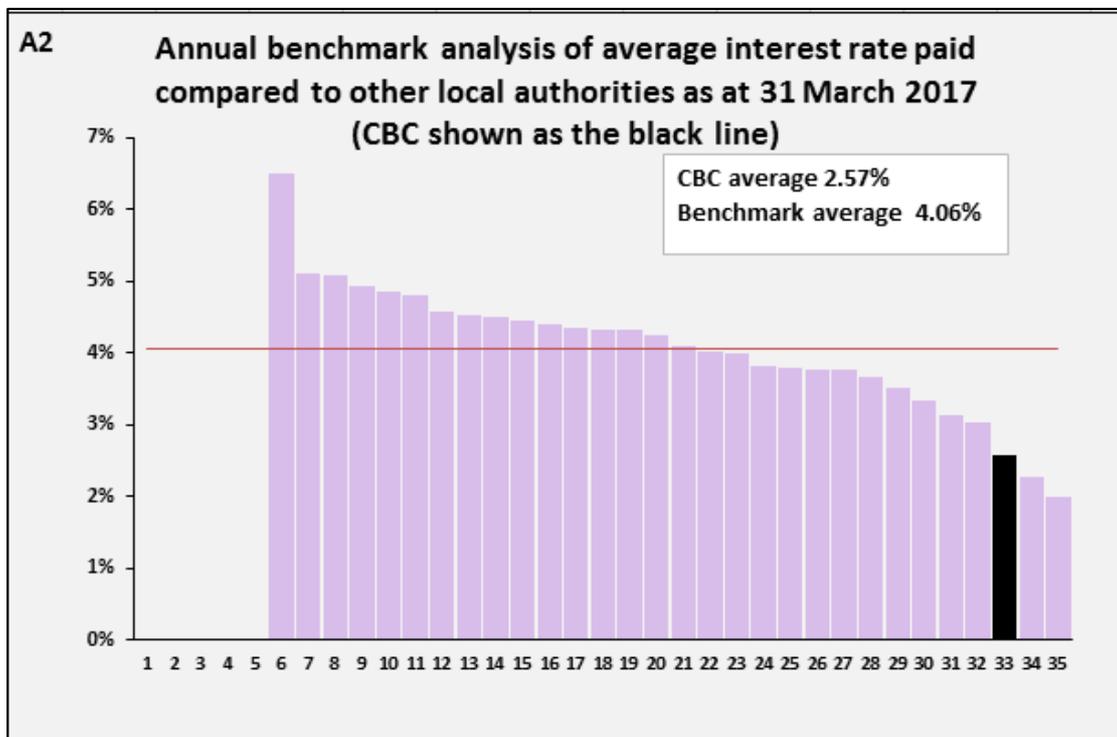
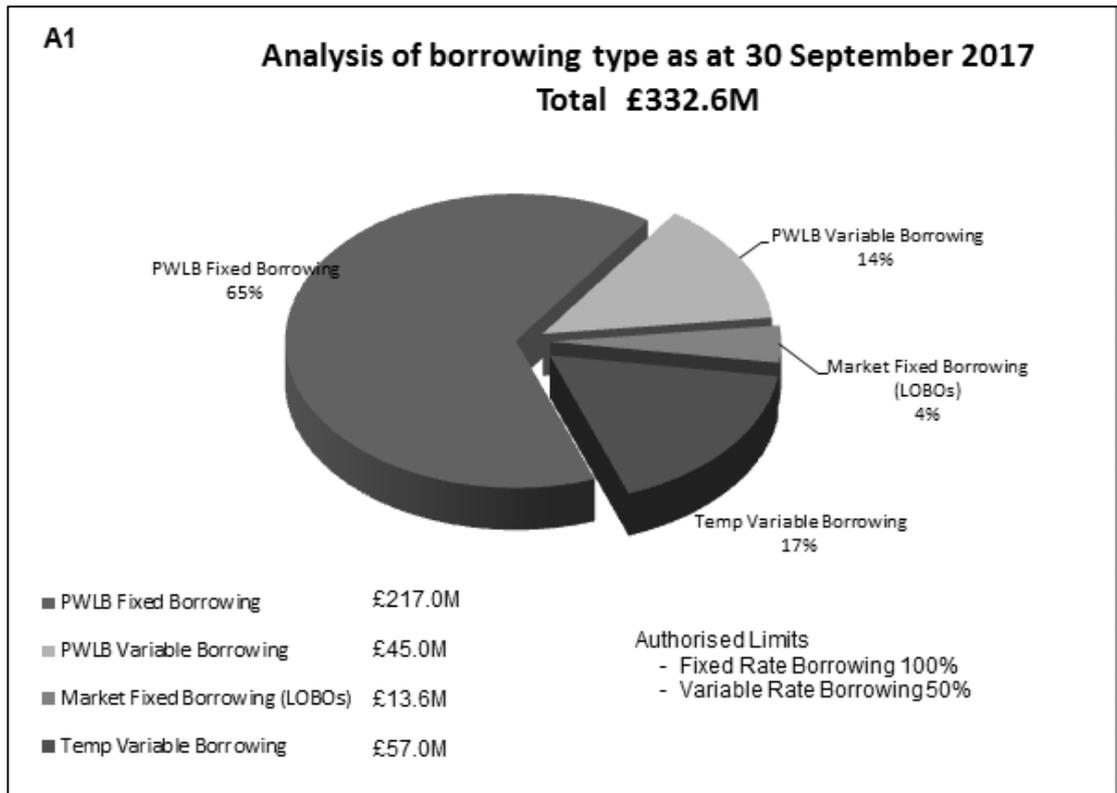
The Bank of England's MPC made no change to monetary policy at its meetings in the first half of the financial year and at its meeting in September 2017 voted 7-2 in favour of keeping the Base Rate unchanged at 0.25%. However, the MPC recently changed their rhetoric, implying a rise in Base Rate in "the coming months". The Council's treasury adviser, Arlingclose Ltd, is not convinced that the UK's economic outlook justifies such a move at this stage, but the Bank's interpretation of the data seems to have shifted.

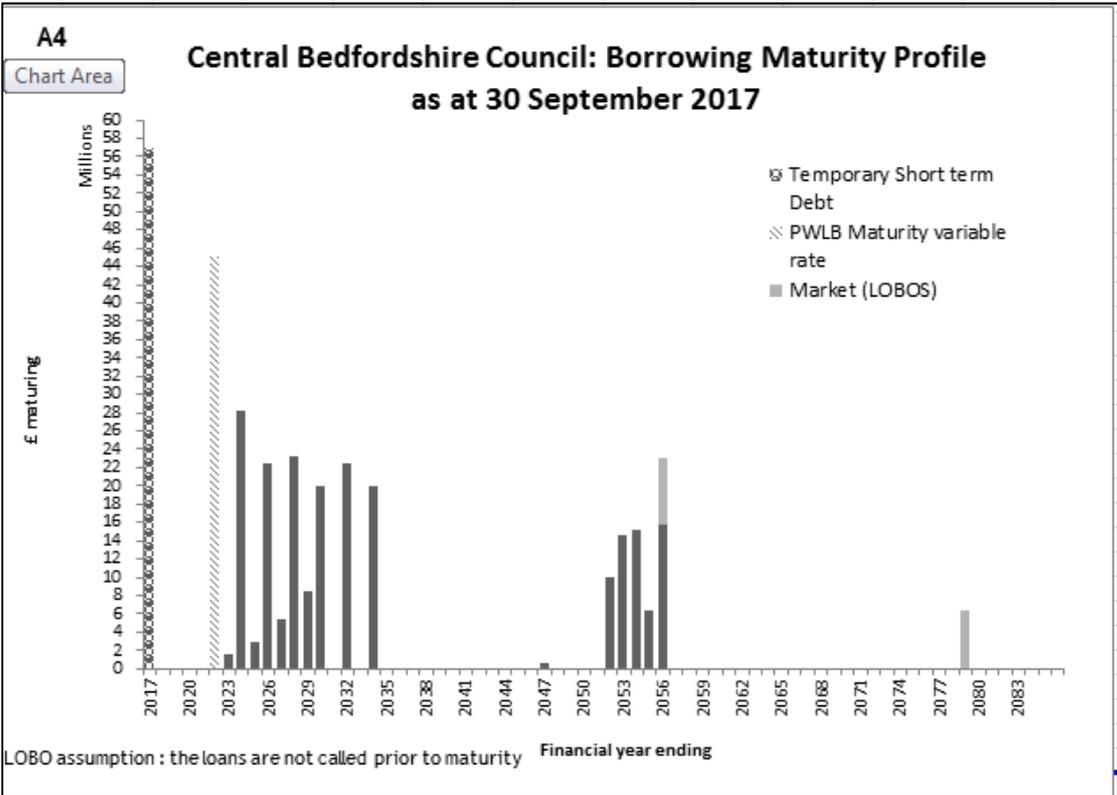
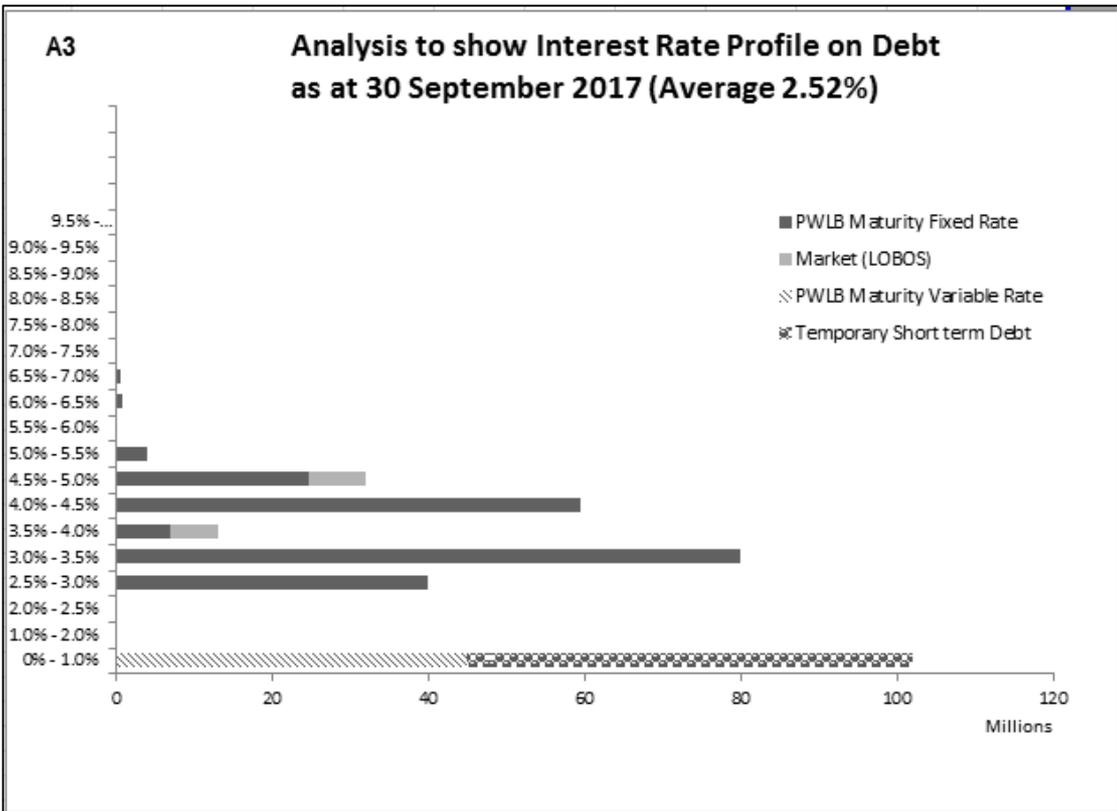
The Council has continued to source its new borrowing requirements from local authorities and other public sector bodies such as Police and Crime Commissioners on a short-term temporary basis. The low market interest rates for temporary debt offer revenue cost savings relative to borrowing on a long-term basis from the PWLB. This borrowing strategy assumes that interest rates will continue to remain at historically low levels for the medium term.

However, the Council advised by Arlingclose will continue to monitor long-term rates with a view to fixing a portion of any borrowing requirement if rates available are viewed as favourable.

Appendices: Appendix – Treasury Management Performance Dashboard

## Section A : Debt Information





## Section B: Investment Information

