

<b>Report to:</b>	<b>CABINET</b>
<b>Report of:</b> <b>Date of Decision:</b>	<b>Director of Corporate Finance</b> <b>29<sup>th</sup> November 2010</b>
<b>SUBJECT:</b>	<b>CAPITAL AND TREASURY MANAGEMENT MONITORING QUARTER 2 (JULY TO SEPTEMBER 2010)</b>
<b>Key Decision: No</b>	<b>Relevant Forward Plan Ref:</b>
<b>If not in the Forward Plan:</b> <b>(please "tick" box)</b>	<b>Complied with Rule 15</b> <input type="checkbox"/> <b>Complied with Rule 16</b> <input type="checkbox"/>
<b>Type of decision:</b>	<b>Executive / Non-Executive</b>
<b>Relevant Cabinet Member(s):</b>	<b>Councillor Brew</b>
<b>Relevant O&amp;S Chairman:</b>	<b>Councillor Robinson</b>
<b>Wards affected:</b>	<b>All</b>

### 1. Purpose of report:

- 1.1 To report developments in relation to Birmingham City Council's medium term capital programme as at 30<sup>th</sup> September 2010, together with treasury management activity in the quarter.
- 1.2 The capital budget is a resource and expenditure planning tool and does not confer approval for individual budget items to proceed. Individual approvals are sought through the Business Case reports under the "Gateway Process".

### 2. Decision(s) recommended:

- 2.1 The Cabinet is requested to approve:
- (i) The revised capital programme of £1,478.588m.
  - (ii) The capital budget savings and re-phrasings at Appendix 1 (paragraph 6) and Appendix 5.
- 2.2 The Cabinet is requested to note that:
- (i) Forecast capital expenditure in 2010/11 is £572.381m compared with the Quarter 2 revised capital expenditure programme of £580.179m, due to expected slippage of £(12.790)m and a forecast pressure of £4.992m.
  - (ii) Actual capital expenditure as at 30<sup>th</sup> September 2010 was £188.065m, representing 32.9% of the forecast outturn for 2010/11.
  - (iii) Project by project capital monitoring reports will be reviewed by Cabinet Portfolio members.

<b>Contact Officer:</b>	Steve Powell, Financial Planning Manager
<b>Telephone No:</b> <b>E-mail address:</b>	0121 303 4087 steve_powell@birmingham.gov.uk

**3. Compliance Issues:** *(Must not exceed page 2)*

3.1 Are decision(s) consistent with the Council's Policies, Plans and Strategies focused on "Global City with a Local Heart"?

Yes – This report monitors the implementation of the approved capital budget.

3.2 Have relevant Ward and other Members / Officers been properly and meaningfully consulted on this report?

Capital monitoring reports for each Portfolio are being prepared for Cabinet Members. No wider consultation has taken place, as it is not relevant for the purposes of this report.

3.3 Are there any relevant legal powers, personnel, equalities, regeneration and other relevant implications?

This report is concerned with the financial implications of the Quarter 2 Revised Capital Budget for 2010/11, the monitoring of treasury management and the monitoring of approved prudential indicators.

Section 151 of the 1972 Local Government Act requires the Director of Corporate Finance (as the responsible officer) to ensure proper administration of the City Council's financial affairs. Budgetary control, which includes the regular monitoring of and reporting on budgets, is an essential requirement placed on portfolio holders and members of the Corporate Management Team by the City Council in discharging the statutory responsibility. This report meets the City Council's requirements on budgetary control for the City Council's activities.

3.4 Will decision(s) be carried out within existing finances and resources?

Yes

3.5 Have the main Risk Management and Equality Impact Assessment Issues been considered or concluded and, if yes, what are they and how will they be carried forward to deliver the Council's objectives?

This quarterly monitoring report represents part of the risk management process for the capital budget. Further details of capital budget risk management and equality impact assessments are contained in the quarterly monitoring reports to individual portfolio members and in the approval reports for individual capital schemes.

3.6 How will this report help to inform, further improve or otherwise, help to deliver the Council's BEST initiative?

Corporate monitoring helps to identify and resolve obstacles to achieving the Council's objectives and delivering value for money, working across the Council to direct resources towards policy priorities.

**4. Relevant background/chronology of key events:**

- 4.1 The Capital Budget for the City Council for 2010/11 was approved by the City Council on 23rd February 2010 and the Quarter 1 Capital & Treasury Management Monitoring Report was approved by Cabinet on the 6<sup>th</sup> September 2010.
- 4.2 The attached appendices monitor the actual and forecast expenditure for the multi year capital expenditure programme, together with treasury management and prudential indicator monitoring.

**5. Evaluation of alternative option(s):**

- 5.1 No alternative options are relevant for the purposes of this monitoring report. The evaluation of options is contained in individual investment proposals.

**6. Reasons for Decision(s):**

- 6.1 To inform Cabinet of the latest projected position on the City Council's capital expenditure plan and expenditure against the approved budget.
- 6.2 To seek approval to revise the capital budget following additional resources being obtained as at 30<sup>th</sup> September 2010.

**Signatures (or relevant Cabinet Member(s) approval to adopt the Decisions recommended):**

Chief Officer(s): .....

Cabinet Member(s): .....

Dated: .....

**List of Background Documents used to compile this Report:**

23rd February 2010 Council Report – Council Business Plan 2010+  
6<sup>th</sup> September 2010 - Capital & Treasury Management Monitoring Report Quarter 1

**List of Appendices accompanying this Report (if any):**

1. Appendix 1 – Overview of Medium Term Capital Programme
2. Appendix 2 – Revised Approved Budget and Forecast Outturn by Portfolio for 2010/11
3. Appendix 3 – Revised Capital Expenditure Plan 2010/11 to 2013/14
4. Appendix 4 - Capital Project Variation Analysis 2010/11 to 2013/14 by Portfolio
5. Appendix 5 - Corporate Resources Spending Review
6. Appendix 6 - Prudential Indicator Monitoring as at 30<sup>th</sup> September 2010
7. Appendix 7 - Summary Debt and Investment Portfolio.
8. Appendix 8 - Long Term Transactions in the Quarter
9. Appendix 9 - Treasury Investments Outstanding at 30<sup>th</sup> September 2010
10. Appendix 10 - Treasury Investments made in July to September 2010

## 1. MEDIUM TERM CAPITAL PROGRAMME

### Overview of Revised Capital Budget and Forecast Spend as at 30<sup>th</sup> September 2010.

- 1.1 The Capital Programme of £1,424.7m was approved by the City Council on 23rd February 2010.
- 1.2 At its meeting of 6<sup>th</sup> September 2010, Cabinet approved the Quarter 1 revised budget of £1,466.5m.
- 1.3 At Quarter 2 the programme has increased by £12.116m. This is largely due to the way interest costs on major projects are accounted for, and the inclusion of the approved Alexander Stadium developments.

	2010/11 £000	Later Yrs £000	Total £000
<b>Approved Capital Budget Quarter 1</b>	<b>589.868</b>	<b>876.604</b>	<b>1,466.472</b>
Changes in resources	(9.689)	21.805	12.116
<b>Revised Capital Programme Quarter 2</b>	<b>580.179</b>	<b>898.409</b>	<b>1,478.588</b>

## 2.0 Forecast Variances

- 2.1 At Quarter 2 slippage of £(12.790)m and a pressure of £4.992m are forecast for the financial year 2010/11. The forecast capital expenditure for the year therefore decreases to £572.381m and is summarised in the table below.

	2010/11 £000	Later Yrs £000	Total £000
<b>Revised Capital Budget Quarter 2</b>	<b>580.179</b>	<b>898.409</b>	<b>1,478.588</b>
Forecast Slippage Quarter 2	(12.790)	12.790	0.000
Add pressures (Less underspends)	4.992	0.000	4.992
<b>Forecast Outturn Quarter 2</b>	<b>572.381</b>	<b>911.199</b>	<b>1,483.580</b>

- 2.2 The 2010/11 forecast net spending pressure of £4.992m relates to the following portfolios:

Portfolio	2010/11 pressure (underspend) £000	Later Years pressure (underspend) £000	Total pressure (underspend) £000
Housing HRA	8.154	0.000	8.154
Housing General Fund	(0.749)	0.000	(0.749)
Children, Young People & Families	(0.349)	0.000	(0.349)
Adults & Communities	0.710	0.000	0.710
Leisure, Sport & Culture	(2.774)	0.000	(2.774)
<b>Forecast pressure (or underspend)</b>	<b>4.992</b>	<b>0.000</b>	<b>4.992</b>

The major pressures in 2010/11 relate to housing. The year end projected additional expenditure on the HRA Capital Budget represents 7% of the programme and is primarily a reflection of the implications from 2009/10 (additional MRA was brought forward from 2010/11 as approved by the CLG in order to fund expenditure in 2009/10). The capital programme is under continuous review and there are a number of options for mitigating this additional expenditure, including the rephasing of programmes into future years, securing additional resources, transfer of resources from the HGF capital programme and residual prudential borrowing. The details will be reported as part of the Quarter 3 report.

Information regarding the additional minor variations will be provided in the individual portfolio Quarter 2 monitoring reports.

### 3 Quarter 1 Expenditure to Date

3.1 Actual capital expenditure on VOYAGER for the quarter ending 30th September 2010 is £188.065m. This represents 32.9% of the forecast outturn for 2010/11.

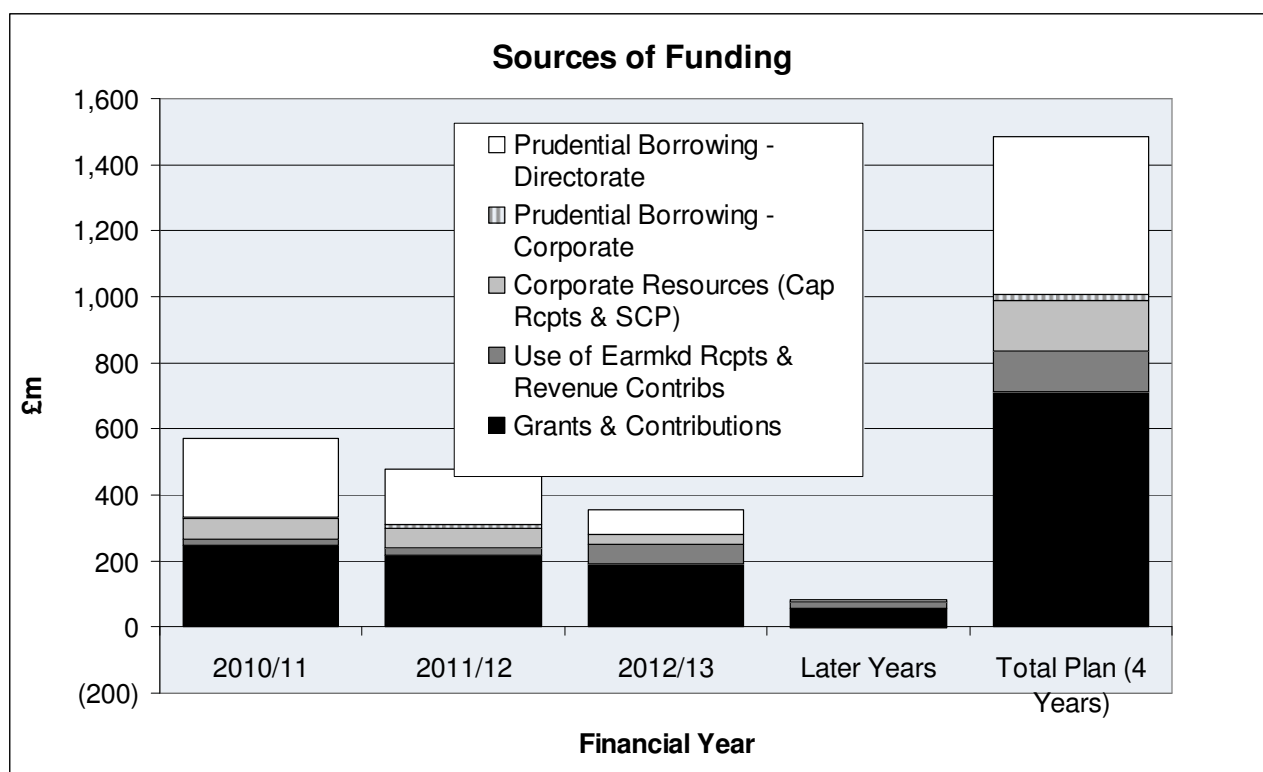
This compares with 32.3% in 2009/10 financial year.

### 4 Progress on Major Capital Schemes 2010/11

4.1 Due to their financial significance, it is particularly important that close monitoring takes place of the Portfolio's major capital schemes. These are currently deemed to be those with a 2010/11 budget of over £3m. Progress on those schemes will be reported in the individual portfolio reports.

### Funding of Revised Capital Expenditure Programme

5.1 The following chart summarises the funding of the revised capital programme.



## **5 Corporate Resources Spending Review.**

- 5.1** The capital resources available to fund the City Council's future capital investment priorities have fallen as a result of the difficult financial environment. Capital receipts are lower than in earlier years, and capital resources available for local authorities under the Government's Spending Review are also planned to reduce. This leaves the City Council with a reduced capacity to meet pressures and priorities not already included in the capital budget. Key priorities include for example providing additional school places in 2011/12. The report to Cabinet on 8<sup>th</sup> November identified a requirement for £14m of savings from a review of the capital budget, in order to fund the additional school places. Other new priorities are also likely to arise, which will need resources to be identified.
- 5.2** The existing capital budget has therefore been reviewed, to identify savings or defer projects until later years. Net savings of £15.488m by the end of 2013/14 are set out at Appendix 5. These will be incorporated in the capital budget at period 8, subject to Cabinet's approval.

## **6 Prudential Indicators monitoring**

- 6.1** Appendix 6 sets out the Prudential Indicators approved in the City Council's Budget, and compares these with the forecast position. No prudential limits are currently forecast to be exceeded.

## **7 Treasury Management Monitoring**

- 7.1** Monitoring summaries of the City Council's borrowing and treasury investments are contained in the following appendices:

Appendix 7 Summary debt and investment portfolio  
Appendix 8 Long term transactions in the quarter  
Appendix 9 Investment portfolio at the quarter end  
Appendix 10 List of all investments made in the quarter

**Capital Monitoring as at 30th September 2010**

**Appendix 2**

**Capital Expenditure 2010/11 by Portfolio /Committee**

	(a) 2010/11 Qtr 1 Revised Budget	(b) New Schemes	(c) = a + b 2010/11 Q2 Revised Budget	(d) Forecast Slippage Q2	(e) Forecast Over/ (under) spend Q2	(f) = d + e Forecast Outturn Q2
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
<b>Leader's Portfolio</b>	<b>5,169</b>	<b>0</b>	<b>5,169</b>	<b>0</b>	<b>0</b>	<b>5,169</b>
<b>Deputy Leader's Portfolio</b>	<b>100,758</b>	<b>341</b>	<b>101,099</b>	<b>0</b>	<b>0</b>	<b>101,099</b>
<b>Adults &amp; Communities</b>	<b>6,896</b>	<b>0</b>	<b>6,896</b>	<b>(2,490)</b>	<b>710</b>	<b>5,116</b>
<b>Children Young People &amp; Families</b>	<b>129,812</b>	<b>(19,605)</b>	<b>110,207</b>	<b>0</b>	<b>(349)</b>	<b>109,858</b>
<b>Equalities &amp; Human Resources</b>	<b>300</b>	<b>0</b>	<b>300</b>	<b>0</b>	<b>0</b>	<b>300</b>
<b>Finance</b>	<b>22,059</b>	<b>0</b>	<b>22,059</b>	<b>0</b>	<b>0</b>	<b>22,059</b>
<b>Housing - HRA</b>	<b>111,458</b>	<b>1,052</b>	<b>112,510</b>	<b>0</b>	<b>8,154</b>	<b>120,664</b>
<b>- General Fund</b>	<b>30,204</b>	<b>(540)</b>	<b>29,664</b>	<b>0</b>	<b>(749)</b>	<b>28,915</b>
<b>Leisure Sport &amp; Culture</b>	<b>76,695</b>	<b>4,125</b>	<b>80,820</b>	<b>(8,364)</b>	<b>(2,774)</b>	<b>69,682</b>
<b>Local Services &amp; Community Safety</b>	<b>2,136</b>	<b>585</b>	<b>2,721</b>	<b>(116)</b>	<b>0</b>	<b>2,605</b>
<b>Transportation &amp; Regeneration</b>	<b>98,284</b>	<b>5,738</b>	<b>104,022</b>	<b>(1,820)</b>	<b>0</b>	<b>102,202</b>
<b>Public Protection</b>	<b>774</b>	<b>(358)</b>	<b>416</b>	<b>0</b>	<b>0</b>	<b>416</b>
<b>Planning Committee</b>	<b>407</b>	<b>(247)</b>	<b>160</b>	<b>0</b>	<b>0</b>	<b>160</b>
<b>Charities &amp; Trusts</b>	<b>0</b>	<b>10</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>10</b>
<b>Unallocated</b>	<b>4,915</b>	<b>(790)</b>	<b>4,125</b>	<b>0</b>	<b>0</b>	<b>4,125</b>
	<b>589,868</b>	<b>(9,689)</b>	<b>580,179</b>	<b>(12,790)</b>	<b>4,992</b>	<b>572,381</b>

**Full Capital Expenditure Forecast Plan**

<b><u>Expenditure</u></b>	<b>2010/11 £'000's</b>	<b>2011/12 £'000's</b>	<b>2012/13 £'000's</b>	<b>Later Years £'000's</b>	<b>Total Plan £'000's</b>
Quarter 1 Approved Budget	589,868	479,560	339,913	57,131	<b>1,466,472</b>
New schemes Quarter 2 July - September	(9,689)	7,213	(573)	15,165	<b>12,116</b>
<b>Revised Approved Budget Quarter 2</b>	<b>580,179</b>	<b>486,773</b>	<b>339,340</b>	<b>72,296</b>	<b>1,478,588</b>
Forecast slippage - Quarter 2	(12,790)	(10,091)	16,224	6,657	<b>0</b>
Forecast overspend (underspend)	4,992	0	0	0	<b>4,992</b>
<b>Forecast Outturn at Quarter 2</b>	<b>572,381</b>	<b>476,682</b>	<b>355,564</b>	<b>78,953</b>	<b>1,483,580</b>
<b><u>Resources</u></b>					
<b>Use of Specific Resources</b>					
Grants & Contributions	248,078	215,925	192,718	55,979	<b>712,700</b>
Use of Earmarked Capital Receipts	11,998	14,255	44,937	6,632	<b>77,822</b>
Revenue contributions	7,488	10,577	14,058	12,643	<b>44,766</b>
<b>Total Specific Resources</b>	<b>267,564</b>	<b>240,757</b>	<b>251,713</b>	<b>75,254</b>	<b>835,288</b>
<b>Use of Corporate or General Resources</b>					
Corporate Resources	60,604	58,000	27,674	6,799	<b>153,077</b>
Unsupported Prudential Borrowing - Corporate	6,425	11,208	3,100	0	<b>20,733</b>
Unsupported Prudential Borrowing - Directorate	237,787	166,715	73,077	(3,099)	<b>474,480</b>
<b>Forecast Use of Resources</b>	<b>572,381</b>	<b>476,681</b>	<b>355,565</b>	<b>78,954</b>	<b>1,483,581</b>

Capital Monitoring as at 30th September 2010

Appendix 4

Capital Project Variaiton Analysis 2010/11 to 2013/14

	Current Year						Whole Project Life				
	2010/11 Revised Budget Sept 10	%age Budget Spent to Date	2010/11 Forecast Outturn Sept 10	Variation	Slippage	Under/Over Spend	Total Project Budget Sept 10	Total Project Forecast Sept 10	Variation	Total No. of Projects	No. of Projects Contributing to Variation
	£'000's	%	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's		
Leader's Portfolio	5,169	0.00	5,169	0	0	0	5,169	5,169	0	2	0
Deputy Leader's Portfolio	101,099	36.53	101,099	0	0	0	189,167	189,167	0	18	0
Adults & Communities	6,896	20.41	5,116	(1,780)	(2,490)	710	9,902	10,612	710	15	0
Children Young People & Families	110,207	27.47	109,858	(349)	0	(349)	225,146	224,797	(349)	40	0
Equalities & Human Resources	300	22.30	300	0	0	0	915	915	0	1	0
Finance	22,059	41.54	22,059	0	0	0	23,104	23,104	0	17	0
Housing	142,174	38.99	149,579	7,405	0	7,405	354,209	361,614	7,405	63	2
Leisure Sport & Culture	80,820	28.51	69,682	(11,138)	(8,364)	(2,774)	259,321	256,547	(2,774)	311	2
Local Services & Community Safety	2,721	29.40	2,605	(116)	(116)	0	2,718	2,718	0	22	0
Transportation & Regeneration	104,022	29.65	102,202	(1,820)	(1,820)	0	383,536	383,536	0	130	0
Public Protection	416	4.08	416	0	0	0	776	776	0	6	0
Planning Committee	160	54.31	160	0	0	0	160	160	0	1	0
Charities & Trusts	10	0.00	10	0	0	0	10	10	0	1	0
Unallocated	4,125	0.00	4,125	0	0	0	24,452	24,452	0	4	0
	<b>580,179</b>	<b>32.37</b>	<b>572,381</b>	<b>(7,798)</b>	<b>(12,790)</b>	<b>4,992</b>	<b>1,478,588</b>	<b>1,483,580</b>	<b>4,992</b>	<b>631</b>	<b>4</b>

**Projects & Programmes Contributing to the EMT Corporate Resources Spending Review**

Appendix 5

<u>Portfolio</u>	<u>Project /Programme</u>	<u>Saving or Deferral?</u>	<u>Saving / Deferral</u> <u>2010/11</u> £'000	<u>Saving / Deferral</u> <u>2011/12</u> £'000	<u>Saving / Deferral</u> <u>2012/13</u> £'000	<u>Total Savings</u> <u>2011-13</u> £'000	<u>Saving / Deferral</u> <u>2013/14</u> £'000	<u>Total</u> £'000
Adults & Communities	Older Adults Home Standards	Saving	(294)	(443)	(217)	(954)	0	(954)
Children, Young People & Families	DCSF Modernisation - Kitchens	Saving	(490)	0	0	(490)	0	(490)
Children, Young People & Families	Children's Residential Estate - Receipts	Saving	(500)	0	0	(500)	0	(500)
Children, Young People & Families	Children's Residential Estate - Pru Borrowing	Saving	(620)	(410)	(2,500)	(3,530)	(180)	(3,710)
Finance	301 Broad Street	Saving	(100)	0	0	(100)	0	(100)
Housing General Fund	Kick Start	Saving	(1,000)	(1,000)	(1,000)	(3,000)	0	(3,000)
Housing General Fund	Empty Homes / House Proud	Saving	(200)	(200)	(200)	(600)	0	(600)
Housing General Fund	Surplus Asset Disposals	Saving	0	0	(200)	(200)	0	(200)
Leisure, Sport & Culture	Constituency Fund	Saving	(597)	0	0	(597)	0	(597)
Leisure, Sport & Culture	Sutton Library Phase II	Saving	(236)	0	0	(236)	0	(236)
Leisure, Sport & Culture	Other small projects	Saving	(300)	0	0	(300)	0	(300)
Leisure, Sport & Culture	Bloomsbury Library	Saving	(323)	0	0	(323)	0	(323)
Transportation & Regeneration	Common Lane Link	Saving	0	(314)	0	(314)	0	(314)
Transportation & Regeneration	Waste Infrastructure / Dual Use Depots	Saving	0	(1,759)	0	(1,759)	0	(1,759)
Transportation & Regeneration	Phase 3 Local Centres	Saving	0	(22)	0	(22)	0	(22)
Transportation & Regeneration	Stratford Road	Saving	(55)	(115)	0	(170)	0	(170)
Transportation & Regeneration	Stratford Road Land & Property	Saving	(47)	(72)	(15)	(134)	0	(134)
Transportation & Regeneration	Irish Quarter	Deferral	(84)	(652)	84	(652)	652	0
Transportation & Regeneration	Eastside Park	Saving	(250)	(250)	0	(500)	0	(500)
Transportation & Regeneration	A34 Corridor	Saving	(14)	0	0	(14)	0	(14)
Transportation & Regeneration	Birchfield Local Centre	Deferral	(10)	(169)	(87)	(266)	266	0
Transportation & Regeneration	Other small projects	Saving	(100)	(400)	0	(500)	0	(500)
Transportation & Regeneration	Battery Way Extension	Deferral	0	(822)	0	(822)	822	0
Transportation & Regeneration	Stratford Road A34	Saving	0	(50)	(15)	(65)	0	(65)
Unallocated	Project Development Fund	Saving	(1,000)	0	0	(1,000)	0	(1,000)
<b>TOTAL SAVINGS / DEFERRALS</b>			<b>(6,220)</b>	<b>(6,678)</b>	<b>(4,150)</b>	<b>(17,048)</b>	<b>1,560</b>	<b>(15,488)</b>
cumulative			(6,220)	(12,898)	(17,048)		(15,488)	(15,488)

**PRUDENTIAL INDICATORS**

	10/11 Indicator	10/11 Forecast Q2	11/12 Indicator	11/12 Forecast Q2	12/13 Indicator	12/13 Forecast Q2	
	£m	£m	£m	£m	£m	£m	
<b>AFFORDABILITY</b>							
<b>Ratio of financing costs to net revenue stream:</b>							
1	General Fund financing costs	215.0	219.6	223.5	228.4	225.5	231.9
2	General Fund net revenue stream	1,013.3	1,013.3	981.8	981.8	961.8	961.9
3	General Fund ratio	21.2%	21.7%	22.8%	23.3%	23.4%	24.1%
4	HRA financing costs	80.0	78.2	87.7	83.8	102.3	96.6
5	HRA net revenue stream	218.2	218.2	226.2	226.2	235.4	235.4
6	HRA Ratio	36.7%	35.8%	38.8%	37.1%	43.5%	41.0%
<b>Net revenue effect of capital programme changes:</b>							
7	Effect on Council Tax (Band D equiv)	£3.72	£4.02	£19.67	£15.29	£31.48	£29.00
8	Effect on Housing Rents (ave. weekly rent)	£1.30	£1.56	£2.57	£2.79	£3.75	£3.89
<b>CAPITAL EXPENDITURE</b>							
<b>Capital Expenditure</b>							
9	General Fund	401.6	451.7	348.2	387.7	392.8	266.6
10	HRA	104.3	120.7	88.9	88.9	88.9	88.9
11	Total Capital Expenditure	505.9	572.4	437.1	476.7	481.7	355.6
<b>Capital Financing Requirement (CFR)</b>							
12	General Fund CFR	2,129.5	2,246.4	2,167.7	2,290.7	2,091.9	2,222.9
13	HRA CFR	729.2	744.6	758.2	773.5	784.5	799.8
14	Total Capital Financing Requirement	2,858.8	2,991.0	2,925.9	3,064.3	2,876.4	3,022.7
<b>PRUDENCE</b>							
<b>Net borrowing and the capital financing requirement:</b>							
15	forecast maximum net borrowing	2,429.8	2,516.4	2,486.7	2,572.5	2,488.0	2,577.8
16	Capital Financing Requirement in year 3 (as above)	2,876.4	3,022.7	2,780.7	2,898.4	2,692.0	2,786.7
17	does forecast net borrowing exceed year 3 CFR?	No	No	No	No	No	No

The prudential indicators consist of some absolute "limits" and some further "indicators" which are not limits but which intended to assist monitoring.  
No Prudential Limits have been breached.

Financing costs are forecast to increase as a result of additional borrowing approved since the setting of the 2010/11 Budget. All this borrowing is affordable within approved budgets and the Long Term Financial Strategy

This shows the cumulative financing cost of Prudential Borrowing in the programme (excluding business transformation which is self financing)

Capital expenditure may vary between years due to programme slippage, scheme rephasing, and scheme additions where additional funding is identified.

A higher Capital Financing Requirement indicates higher debt levels arising from additional prudential borrowing approved since the setting of the 2010/2011 capital budget

The increase is due to the additional capital expenditure financed from borrowing as noted above.

APPENDIX 6 Contd

<b>EXTERNAL DEBT</b>							
<b>Authorised limit for external debt</b>							
<b>Amortised Cost</b>							
	Limit	Forecast Max	Limit	Forecast Max	Limit	Forecast Max	
18	Authorised limit for borrowing	2,837	2,517	2,944	2,573	3,034	2,578
19	+ authorised limit for other long term liabilities	325	275	391	341	455	405
20	= authorised limit for debt	3,162	2,792	3,335	2,914	3,489	2,983
<b>Operational boundary for external debt</b>							
<b>Nominal Value</b>							
	Boundary	Forecast Max	Boundary	Forecast Max	Boundary	Forecast Max	
21	Operational boundary for borrowing	2,430	2,517	2,487	2,573	2,488	2,578
22	+ Operational boundary for other long term liabilities	275	275	341	341	405	405
23	= Operational boundary for external debt	2,705	2,792	2,828	2,914	2,893	2,983
<b>TREASURY MANAGEMENT</b>							
<b>CIPFA Treasury Management Code</b>							
	10/11 Indicators	10/11 Forecast Q2	11/12 Indicators	11/12 Forecast Q2	12/13 Indicators	12/13 Forecast Q2	
24	Has the authority adopted the TM Code?	Yes	Yes	Yes	Yes	Yes	
<b>Interest rate exposures</b>							
	Limit	Forecast	Limit	Forecast	Limit	Forecast	
25	upper limit on fixed rate exposures	130%	107%	130%	90%	130%	88%
26	upper limit on variable rate exposures	35%	16%	35%	18%	35%	19%
<b>Maturity structure of borrowing</b>							
<b>(lower limit and upper limit)</b>							
27	under 12 months	0% to 30%	13%	0% to 30%	15%	0% to 30%	14%
28	12 months to within 24 months	0% to 30%	0%	0% to 30%	1%	0% to 30%	0%
29	24 months to within 5 years	0% to 30%	5%	0% to 30%	5%	0% to 30%	8%
30	5 years to within 10years	0% to 40%	9%	0% to 40%	9%	0% to 40%	7%
31	10 years to within 20years	5% to 55%	10%	5% to 55%	16%	5% to 55%	18%
32	20 years to within 40years	10% to 60%	33%	10% to 60%	25%	10% to 60%	27%
33	40 years and above	10% to 60%	30%	10% to 60%	27%	10% to 60%	25%
<b>investments longer than 364 days</b>							
<b>upper limit on amounts maturing in:</b>							
	Limit	Current					
	£m	£m					
34	1-2 years	200	-				
35	2-3 years	100	-				
36	3-5 years	50	-				
37	later	-	-				

The Operational Boundary is not a limit but is an estimate of the "peak" borrowing in the year as planned at budget time. The additional prudential borrowing approved since the budget is forecast to result in borrowing exceeding this figure.

## Treasury Portfolio Summary

Appendix 7

	31-Mar-09		31-Mar-10		30-Jun-10		30-Sep-10	
PWLB	1,656,410,000.00	80.00%	1,797,410,700.00	81.79%	1,747,410,700.00	80.71%	1,747,410,700.00	79.12%
Bonds	235,004,959.00	11.35%	235,001,450.70	10.69%	234,997,311.18	10.85%	234,997,311.18	10.64%
LOBO's (note 1)	156,850,000.00	7.58%	156,850,000.00	7.14%	156,850,000.00	7.24%	156,850,000.00	7.10%
Long Term Other	1,324.50	0.00%	1,324.50	0.00%	1,324.50	0.00%	1,324.50	0.00%
Short Term	205,962,034.85	9.95%	82,225,069.01	3.74%	63,341,414.88	2.93%	152,748,237.05	6.92%
<b>Gross Debt</b>	<b>2,254,228,318.35</b>	<b>108.87%</b>	<b>2,271,488,544.21</b>	<b>103.36%</b>	<b>2,202,600,750.56</b>	<b>101.73%</b>	<b>2,292,007,572.73</b>	<b>103.78%</b>
<b>Less Investments</b>	<b>-183,680,409.23</b>	<b>-8.87%</b>	<b>-73,816,540.39</b>	<b>-3.36%</b>	<b>-37,490,000.00</b>	<b>-1.73%</b>	<b>-83,481,000.00</b>	<b>-3.78%</b>
<b>Net Debt</b>	<b>2,070,547,909.12</b>	<b>100.00%</b>	<b>2,197,672,003.82</b>	<b>100.00%</b>	<b>2,165,110,750.56</b>	<b>100.00%</b>	<b>2,208,526,572.73</b>	<b>100.00%</b>
<b>Prudential Borrowing Limit</b>	<b>3,040,000,000</b>		<b>3,040,000,000</b>		<b>3,162,000,000</b>		<b>3,162,000,000</b>	

### Notes

A LOBO is a loan in which the lender has a specific periodic right to call for an increase in the interest rate. In this event the Council as borrower has the option to repay the loan at par or accept the new rate.

**1st July 2010 to 30th September 2010****New Long Term Loans**

<b>Date of loan</b>	<b>Loan</b>	<b>Interest Rate</b>	<b>Maturity Date</b>
---------------------	-------------	----------------------	----------------------

No long term loans have been taken in this period

**Long Term Loans repaid during the year.**

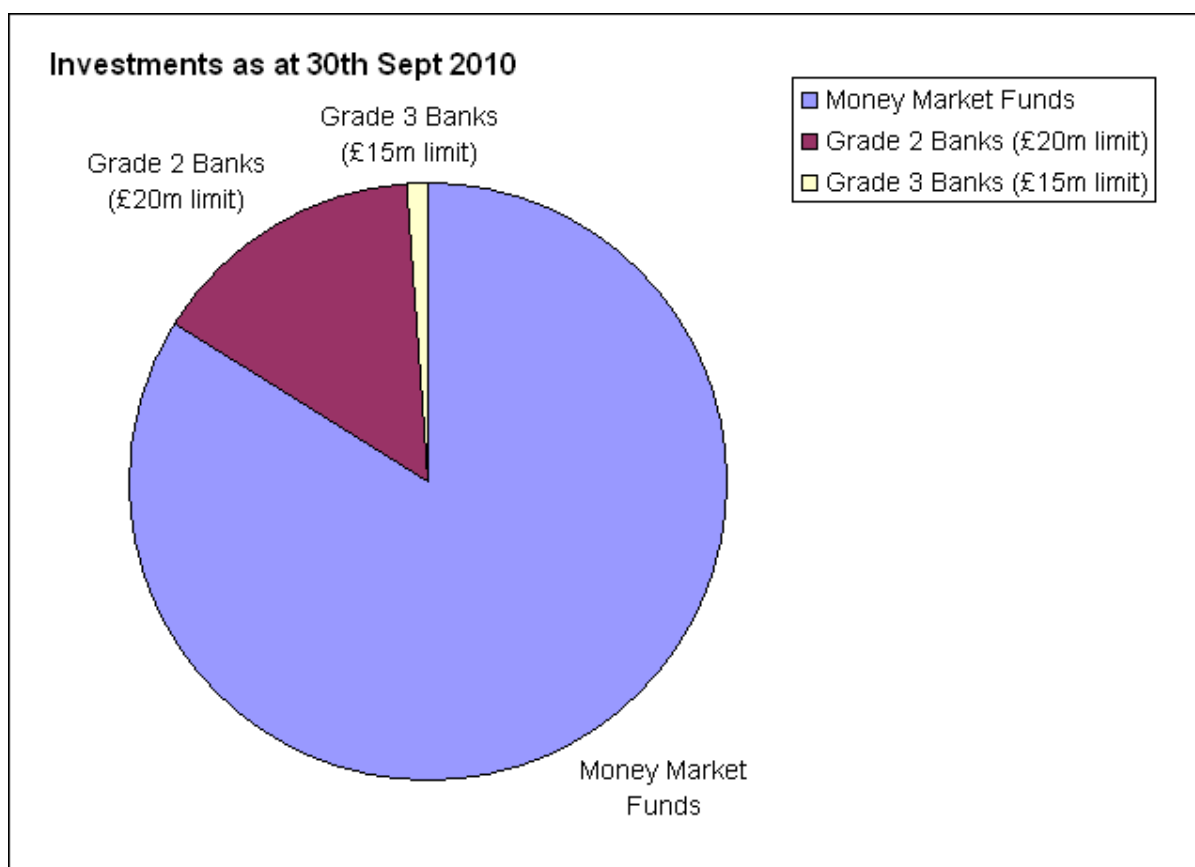
<b>Date</b>	<b>Loan/ (Repayment)</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Premia/ (Discounts)</b>
-------------	------------------------------	----------------------	----------------------	--------------------------------

No Long Term Loans have been repaid in this period

Institution	Rating	End Date	Rate %	Amount
Blackrock Govt MMF	AAA MR1+	1/10/10	Variable	10,600,000
Hendersons	AAA MR1+	1/10/10	Variable	17,000,000
Ignis Liquidity Fund	AAA MR1+	1/10/10	Variable	40,000,000
Standard Life GL MMF	AAA MR1+	1/10/10	Variable	2,500,000
Santander Call A/C	F1+ AA- B 1	1/10/10	0.70%	12,500,000
Co-op Bank	F2 A- B/C 3	1/10/10	0.27%	881,000
				<b>83,481,000</b>

Treasury Investments by Institution

	End of September	%	Previous Quarter	%
<b>Money Market Funds</b>	70,100,000	84.0	27,490,000	73.3
Grade 1 Banks (£25m limit)	0	0.0	0	0.0
Grade 2 Banks (£20m limit)	12,500,000	15.0	10,000,000	26.7
Grade 3 Banks (£15m limit)	881,000	1.1	0	0.0
Lower Grade Banks	0	0.0	0	0.0
	<b>83,481,000</b>	<b>100.0</b>	<b>37,490,000</b>	<b>100.0</b>



**Treasury Management Investments  
1st July 2010 to 30th September 2010**

**New Investments Market Fixed Term Deposits**

	<b>Date Out</b>	<b>Date In</b>	<b>Borrower</b>	<b>Amount £</b>	<b>Interest Rate</b>
1	02-Jul-10	05-Jul-10	CO-OPERATIVE BANK PLC	1,300,000	0.42%
2	08-Jul-10	09-Jul-10	CO-OPERATIVE BANK PLC	500,000	0.27%
3	09-Jul-10	12-Jul-10	CO-OPERATIVE BANK PLC	872,000	0.27%
4	16-Jul-10	19-Jul-10	CO-OPERATIVE BANK PLC	1,300,000	0.42%
5	19-Jul-10	20-Jul-10	CO-OPERATIVE BANK PLC	500,000	0.27%
6	21-Jul-10	22-Jul-10	CO-OPERATIVE BANK PLC	1,300,000	0.42%
7	22-Jul-10	23-Jul-10	CO-OPERATIVE BANK PLC	8,700,000	0.42%
8	23-Jul-10	26-Jul-10	CO-OPERATIVE BANK PLC	500,000	0.27%
10	26-Jul-10	27-Jul-10	CO-OPERATIVE BANK PLC	1,000,000	0.42%
11	27-Jul-10	28-Jul-10	CO-OPERATIVE BANK PLC	2,600,000	0.42%
12	28-Jul-10	29-Jul-10	CO-OPERATIVE BANK PLC	5,150,000	0.42%
13	29-Jul-10	30-Jul-10	CO-OPERATIVE BANK PLC	300,000	0.27%
14	03-Aug-10	04-Aug-10	CO-OPERATIVE BANK PLC	500,000	0.27%
15	16-Aug-10	17-Aug-10	CO-OPERATIVE BANK PLC	550,000	0.27%
16	17-Aug-10	18-Aug-10	CO-OPERATIVE BANK PLC	750,000	0.27%
17	18-Aug-10	19-Aug-10	CO-OPERATIVE BANK PLC	900,000	0.27%
18	19-Aug-10	20-Aug-10	CO-OPERATIVE BANK PLC	1,450,000	0.42%
19	23-Aug-10	24-Aug-10	CO-OPERATIVE BANK PLC	5,950,000	0.42%
20	24-Aug-10	25-Aug-10	CO-OPERATIVE BANK PLC	9,800,000	0.43%
21	25-Aug-10	26-Aug-10	CO-OPERATIVE BANK PLC	600,000	0.27%
22	27-Aug-10	31-Aug-10	CO-OPERATIVE BANK PLC	3,900,000	0.42%
23	01-Sep-10	02-Sep-10	CO-OPERATIVE BANK PLC	600,000	0.27%
24	02-Sep-10	03-Sep-10	CO-OPERATIVE BANK PLC	600,000	0.27%
25	03-Sep-10	06-Sep-10	CO-OPERATIVE BANK PLC	725,000	0.27%
26	07-Sep-10	08-Sep-10	CO-OPERATIVE BANK PLC	1,400,000	0.42%
27	08-Sep-10	09-Sep-10	CO-OPERATIVE BANK PLC	656,000	0.27%
28	10-Sep-10	13-Sep-10	CO-OPERATIVE BANK PLC	450,000	0.27%
29	15-Sep-10	16-Sep-10	CO-OPERATIVE BANK PLC	8,700,000	0.42%
30	21-Sep-10	22-Sep-10	CO-OPERATIVE BANK PLC	850,000	0.27%
31	22-Sep-10	23-Sep-10	CO-OPERATIVE BANK PLC	1,680,000	0.42%
31	23-Sep-10	24-Sep-10	CO-OPERATIVE BANK PLC	1,100,000	0.42%
31	24-Sep-10	27-Sep-10	CO-OPERATIVE BANK PLC	3,478,000	0.42%
31	27-Sep-10	28-Sep-10	CO-OPERATIVE BANK PLC	4,328,000	0.42%
31	29-Sep-10	30-Sep-10	CO-OPERATIVE BANK PLC	3,310,000	0.42%
31	30-Sep-10	01-Oct-10	CO-OPERATIVE BANK PLC	881,000	0.27%
				<b>77,180,000</b>	

**Treasury Management Investments  
1st July 2010 to 30th September 2010**

**New Investments Money Market Funds**

		<b>No of Transactions</b>		<b>Average</b>	<b>Average</b>
		<b>Investments</b>	<b>Withdrawals</b>	<b>Balance</b>	<b>Rate</b>
				<b>Earned</b>	
MONEY MARKET FUND	STANDARD LIFE	15	19	£11,747,696	0.59%
MONEY MARKET FUND	HENDERSON	13	18	£29,830,293	0.65%
MONEY MARKET FUND	BLACKROCK GOV	13	14	£12,993,370	0.40%
MONEY MARKET FUND	BLACKROCK	1	2	£855,815	0.50%
MONEY MARKET FUND	IGNIS LIQUIDITY	6	6	£29,407,500	0.67%

**New Investments Call Accounts**

		<b>No of Transactions</b>		<b>Average</b>	<b>Average</b>
		<b>Investments</b>	<b>Withdrawals</b>	<b>Balance</b>	<b>Rate</b>
				<b>Earned</b>	
CALL ACCOUNT	SANTANDER	2	0	£11,315,217	0.70%