Mayor & Cabinet		
Report Title	Financial results for 2011/12	
Key decision	No	Item No.
Ward	N/A	
Contributors	EXECUTIVE DIRECTOR FOR RESOURCES & REGENERATION	
Class	Part 1	Date: 20 June 2012

1 Summary of the Report

1.1 This report sets out the financial outturn figures for 2011/12. The key messages are that:

- The underspend against the net general fund revenue budget of £278.8m was £1.8m
- There was an underspend of £1.6m within the Housing Revenue Account (HRA), and the Dedicated Schools Grant (DSG) was spent to budget
- 97.6% of the £23.8m savings agreed in setting the 2011/12 budget were delivered on schedule
- Capital expenditure for the year was 79% of the revised programme of £124m (the original programme was £140m but some budgets have been slipped to 2012/13).
- Council tax collection was 94.56%. This was above the target for the year. However, business rates collection fell by 1.5%.

2 Purpose of the Report

2.1 To set out the financial results for 2011/12.

3 Recommendations

Public Accounts Select Committee

3.1 To note the financial results for the year ending 31 March 2012.

Mayor & Cabinet

3.1 To note the financial results for the year ending 31 March 2012.

4 Policy Context

4.1 Reporting financial results in a clear and meaningful format contributes directly to the council's tenth corporate priority: inspiring efficiency, effectiveness and equity.

5 Overall directorate outturn

5.1 The council set the budget for 2011/12 at its meeting of 1 March 2011, and agreed a challenging package of savings as part of this. Of these 97.6% were delivered in 2011/12. The balance will either be delivered early in 2012/13 or have been adjusted for as part of the council's financial strategy.

5.2 The results against the general fund budget are shown in the table below, compared with the final forecast results, which were presented to PAC on 16 April 2012. The underspend results from tight expenditure controls across the council in light of the fiscal climate. Requests to commit expenditure were controlled through Directorate Expenditure Panels (DEPs) and authorised by Executive Directors. This tight control helped to deliver an underspend in 2011/12. However, it is important to understand that in some cases savings planned for 2012/13 were delivered early. The underspend for 2011/12 is therefore not structural, and continued close control of expenditure will be essential for the foreseeable future to remain within agreed budgets.

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Actual over/(under) spend
	£'000	**£'000**	**£'000**	**£'000**
CYP (1)	98,231	(48,688)	49,543	(481)
Community Services	168,261	(50,224)	118,037	(624)
Customer Services (2)	75,299	(42,288)	33,011	469
Resources & Regeneration	64,703	(15,599)	49,104	(1,212)
Directorate total	**406,494**	**(156,799)**	**249,695**	**(1,848)**
Corporate items			**29,098**	**0**
Total			**278,793**	**(1,848)**

(1) – gross figures exclude £243m Dedicated Schools' Grant expenditure and matching grant income

(2) – gross figures exclude £237m matching income and expenditure for housing benefits

5.2 The table overleaf sets out the proportion of agreed savings delivered in the year. Any variances are included in the overall forecasts shown in the table above.

Directorate	Savings agreed for 2011/12	Forecast delivery	Variance	
	£'000	£'000	£'000	%
CYP	7,106	7,006	100	1.4
Community Services	5,868	5,868	0	0
Customer Services	5,786	4,826	350	7.3
Resources & Regeneration	5,054	4,969	85	1.7
Total	**23,814**	**22,669**	**535**	**2.4**

Children and Young People's Services

6.1 The underspend at the year end was £0.5m after transfers to reserves and other accounting adjustments are factored in, as set out in the table below.

CYP division	Gross spend	Govt grants	Other income	Net budget	Actual over / (under) spend
	£'000	£'000	£'000	£'000	£'000
Children's social care	44,622	(4,583)	(561)	39,478	150
Standards & Achievement	4,277	(357)	(1,813)	2,107	(98)
Education Development	2,149	0	(42)	2,107	(12)
Commissioning, Strategy & Performance	1,666	(3)	(189)	1,474	(252)
Access & Support	21,029	(13,207)	(1,957)	5,865	123
Resources	24,488	(12,640)	(12,064)	(216)	(146)
Schools			(1,272)	(1,272)	0
Total	**98,231**	**(30,790)**	**(17,898)**	**49,543**	**(481)**

6.2 The main budget pressure during the year has been in respect of Looked after Children (LAC). A t the start of the year there were 483 LAC and this was higher than provided for in the budget. At the end of the financial year the number of LAC had risen to 491 and as a result created a final overspend of £0.8m against the placement budget.

6.3 This trend was identified early in the year. As a result (and in any case) the Social Care Management team met every week to review placements to identify opportunities to reduce costs and use lower costs placements, while always ensuring that the outcomes for vulnerable children were of paramount importance. This reduced costs by £0.5m, but despite this a spending pressure of £0.8m remained. Further cost reductions were achieved by using fewer social care agency staff, reducing costs by £0.6m after which a small over spend of £0.2m remained.

6.4 Other services within the directorate operate complex budgets which are nonetheless lower risk than for children's social care. Tight controls over expenditure ensured that a series of relatively small underspends could be delivered across these services. As a result of prudent forecasting during the year the outturn figures are generally somewhat improved against the final forecasts, but there are no significant trends or concerns to note.

7 Community Services

7.1 Community Services underspent by £0.6m.

Community Services division	Gross budgeted spend	Gross budgeted income	Net budget	Actual over/ (under) spend
	£'000	£'000	£'000	£'000
Cultural Services	17,306	(8,164)	9,142	(660)
Adult Services	109,643	(34,473)	75,170	432
Community & Neighbourhood Development	9,370	(411)	8,959	(1,120)
Crime Reduction & Supporting People	28,050	(6,594)	21,456	(884)
Strategy & Performance	3,892	(26)	3,866	(304)
Community Reserves	0	(556)	(556)	1,912
Total	**168,261**	**(50,224)**	**118,037**	**(624)**

7.2 Cultural Services underspent by £0.7m. The libraries budget was overspent by £0.2m, after provision for the installation of RFID in Lewisham and Blackheath Community Libraries, which is scheduled to take place in the autumn. This is offset by an underspend in CEL of £0.4m, which results from efficiencies in support and ancillary services. This underspend will be structural unless government grant is reduced further, which is a risk that is being monitored. The sports and leisure budget underspent by £0.4m, as a result of a legal settlement and other minor efficiencies.

7.3 The underspend on the Community & Neighbourhood Development budget was £1.1m between the final forecast and outturn, after accounting for the carry forwards of the Investment Fund (£0.5m) and the Localities Fund (£0.1m).

7.4 The remainder of the divisional variance is principally due to underspends on the London Borough Grants Scheme, reflecting decisions made at London Councils which have been reflected in the budget for 2012/13. There were also some minor non-recurring underspends on the main programme grants budgets.

7.5 The underspend on the Crime Reduction and Supporting People (CRSP) budget was £0.9m at outturn. The underlying underspend on CRSP, as reported during the year was achieved by procuring more cost-effective framework contracts, and savings of £0.85m have been built in to the 2012/13 budget as a result.

7.6 The underspend on the Strategy & Performance Division reduced from was £0.3m. The underlying underspend is caused by holding vacant positions pending a review of the function, and reduced expenditure on consultants.

7.7 The net overspend in adult social care is £0.4m. This is the result of a complex pattern of variances. Where ongoing trends are clearly identifiable these have been addressed in the construction of the 2012/13 budget.

7.8 The main areas of overspend were: staffing budgets for older adults, supported housing and care (where costs included redundancy costs for the in-house home care service), occupational therapy, mental health and Commissioning Contracting and Brokerage, with underspends in the Modernisation, younger adults, learning disability and training budgets.

7.9 Expenditure patterns remain complex within, as well as between, services. The table below illustrates the position within the placement budget for older adults' services, which accounts for around 25% of total adult social care spending.

	2010/11	**2011/12**			**2012/13**		
	Actual spend	**Budget spend**	**Actual spend**	**Variance (note 1)**	**Budget spend**	**Projected spend**	**Variance (note 2)**
	£'000	**£'000**	**£'000**	**%**	**£'000**	**£'000**	
Homecare	9,248	8,721	8,909	(4)	8,449	8,961	0
Direct payments	1,122	1,811	1,980	77	2,102	2,380	20
Nursing	10,234	10,373	10,263	0	9,883	10,107	(2)
Residential	8,270	7,995	7,729	(7)	7,955	7,308	(5)
Total	**28,874**	**28,900**	**28,881**	**0**	**28,389**	**28,756**	**0**

Note 1 – Variance of 2011/12 actual spend to 2010/11 actual spend

Note 2 – Variance of 2012/13 projected spend to 2011/12 actual spend

7.10 Total expenditure has remained broadly constant over the period, with inflationary and demographic pressures being managed within the service. However, expenditure on direct payments has doubled over that period, reflecting changes to the way in which the service meets assessed needs. Average costs for residential and nursing placements fell by 5% over the period, whilst over the same period the average costs of non-residential care increased by 3%.

7.11 This movement in home care is despite the closure of the traditional in-house service and the shift away from residential care, and is attributable both to the move to direct payments and the success of the reablement service.

7.12 By contrast, costs of purchased services increased for younger adults (for whom residential costs increased by 13% and non-residential costs remained at 2010/11 levels) and, as expected, the costs of residential placements increased in the learning disability service due to transition of clients previously funded from CYP budgets.

7.13 These additional client-related costs have been met in part from the Modernisation budget, half of which is spent addressing these demographic pressures, the balance being used to change the way key processes are delivered within the service.

8 Customer Services

8.1 Customer Services overspent by £0.5m.

Customer Services division	Gross expenditure budget	Gross income budget	Net budget	Actual over/ (under) spend
	£'000	£'000	£'000	£'000
Strategic Housing and Regulatory services	10,372	(7,011)	3,361	6
Environment	41,661	(19,876)	21,785	90
Public Services	21,424	(15,161)	6,263	522
Strategy & Performance	1,842	(240)	1,602	(149)
Sub-total	**75,299**	**(42,288)**	**33,011**	**469**

* excludes £237m of matching income and expenditure in respect of housing benefits

8.3 The Strategic Housing and Regulatory Services division has spent to budget. There are a series of over and under spends within this, typically at most of the order of £0.1m to £0.2m. The key issues to note within this are that the number of clients in nightly paid bed & breakfast accommodation has reduced compared to this time last year but is still above the Council's target, and that the PSL budget has overspent due to a higher than budgeted void rate over the year, resulting in reduced rental income.

8.4 The Environment Division overspent by £0.1m. Within this waste strategy budgets are overspent by £0.3m, as projected. This is a result of the non achievement of sales of unused waste disposal tonnages at SELCHP as previously reported. Street Management budgets overspent by £0.3m in 2011/12, as projected. This is principally as a result of an overspend in staffing costs of £0.2m and other miscellaneous variances.

8.5 Refuse Collection underspent by £0.1m. This is as a result of an over achievement of income of £0.1m, although there are a series of other minor budget variances. Bereavement Services also underspent by £0.1m, mainly as a result of lower than anticipated maintenance costs.

8.6 Fleet Services and Passenger Services each underspent by £0.1m, in each case as vehicle costs were lower than anticipated. Environmental Enforcement also underspent by £0.2m as a result of the early achievement of planned staff reductions.

8.7 The Public Services division overspent by £0.5m, reduced from £0.6m projected last month. The reason for the reduction is an improvement in the collection of parking fines income during March 2012. This is made up of an overspend in parking of £0.7m, partially offset by underspends of £0.2m in benefit subsidy, where continued accuracy and timeliness of claims processing have maximised the government grant available.

8.8 The overspend on parking of £0.7m is analysed in the table overleaf.

	Income variance	Expenditure variance	Net variance
	£m	**£m**	**£m**
Under achievement of P&D and Permit fees	0.75		0.75
Debt Registration fees		0.20	0.20
Overspends on other expenditure		0.15	0.15
Overachievement of fines income	(0.25)		(0.25)
Other income	(0.15)		(0.15)
Net overspend on Parking Services	**0.35**	**0.35**	**0.70**
Parking Services total budget	**8.38**	**3.04**	**5.34**

Note – this table shows only the cost of providing parking services and the income derived from it. The surplus is used to fund a variety of works to the highways and related projects and is accounted for separately

8.9 The Strategy and Performance budget underspent by £0.15m, mostly due to the part year vacancy of the Executive Director's post and other staffing vacancies.

Resources and Regeneration

9.1 The Resources and Regeneration Directorate underspent by £1.2m after transfers to and from reserves. The table below shows the results by division.

Resources division	Gross expenditure budget	Gross income budget	Net budget	Actual over/ (under) spend
	£'000	**£'000**	**£'000**	**£'000**
Audit & Risk	5,515	(2,294)	3,221	(368)
Policy & Partnerships	3,566	(84)	3,482	(434)
Finance	6,271	(1,144)	5,127	(546)
Executive Office	361	0	361	(21)
IMT	8,207	(1,524)	6,683	1,185
Legal Services	3,052	(444)	2,608	35
Personnel & development	4,708	(808)	3,900	(472)
Planning & Development	3,866	(1,662)	2,204	353
Regen & Asset M'gement	24,301	(6,893)	17,408	(393)
Strategy	3,686	(677)	3,009	(393)
Strategy & Performance	1,170	(69)	1,101	(253)
New Deal for Communities	0	0	0	94
Total	**64,703**	**(15,599)**	**49,104**	**(1,212)**

9.2 The underlying financial issue for the directorate remains the IMT budget. The causes of the overspend of £1.2m, as set out throughout the year, are associated with the contractual costs and liabilities for the provision of networked copying devices and printing facilities. Substantial savings have been made for to offset this (although recognised in other divisions' budgets) by reducing print costs, such as by effectively banning the use of colour print. Nonetheless, the core costs within IMT remain above budget and this will be managed during 2012/13.

9.3 In 2011/12 it was possible to offset the overspend in IMT by generating underspends in almost all of the other divisions within the directorate. However, these underspends are not structural. Principally they represent the early achievement of savings planned for 2012/13. The relevant budgets have therefore been reduced for 2012/13 and the underspends are therefore unlikely to be repeated, certainly not to the same degree.

9.4 The other significant overspend within the directorate was £0.4m, within the Planning and Economic Development division, mostly reflecting the need to set aside sums to meet possible future legal costs.

9.5 Most of the underspends, as noted above, reflect early achievement of 2012/13 savings. In addition, within Regeneration and Asset Management, the impact of the asset rationalisation programme and efficiencies within building cleaning costs have created an underspend.

10 Dedicated Schools' Grant

10.1 Schools' balances as at 31 March 2012 stood at £13.4m (£8.7m as at 31 March 2011). This continues the trend from last year when the carry forward balance in schools increased after a period of reducing levels. Given the current financial climate and the DFE proposals to reform schools' funding arrangements it appears that schools have responded to this significant change by spending more cautiously than might otherwise have been the case.

10.2 Early indications nationally are that schools balances have risen for this reason. The Schools Forum are, with officers, reviewing the individual schools balances to see whether those that are in excess of advisory levels of 5% and 8% (for primary and secondary schools respectively) should be capped. The average level of balances, for information, is £160k, or 6%.

10.3 Four schools were in deficit at the end of financial year: Crossways, Trinity, St Joseph's and Pendragon. The first three of these have deficit recovery plans in place, although Trinity are revising theirs as their current deficit worsened during the 2011/12 financial year. Pendragon's deficit will be covered by additional funding for individual pupils due to be paid before the end of the academic year. At the end of 2010/11 financial year there were seven schools in deficit, four of which are now in surplus.

10.4 During the financial year pressures were identified on the DSG of £1.0m, relating to the costs of extra SEN placements in the independent sector and in special schools. At the end of the year the final overspend on these budgets was £1.2m, which is offset by the general DSG contingency and by other efficiencies and underspends achieved during the year.

10.5 The fund set aside for schools in financial difficulties was not used during the year as it was felt that schools in deficit had recovery plans in place or were drawing them together to balance their budgets and did not require such one-off support. Under the grant regulations this funding has to be carried forward and is likely to be used next year to address the revenue shortfalls on primary places. Likewise there is a similar scenario with a fund set aside to support the capital costs for bulge classes.

11 Housing Revenue Account

11.1 The HRA is underspent by £1.6m after taking account of transfers to reserves to finance future capital expenditure. This compares with the final forecast underspend of £0.8m reported previously.

	2011/12 net budget	Outturn	Actual over/ (under) spend	Final forecast over/(under) spend
	£'000	£'000	£'000	
Customer Services - Housing	8,385	8,933	548	232
Lewisham Homes & R&M	3,9492	39,484	(8)	0
Resources	1,611	1,444	(167)	(122)
Centrally Managed Budgets	(49,488)	(53,455)	(1,967)	(897)
Total	**0**	**(3,594)**	**(1,594)**	**(787)**

11.2 The main reasons for the underspend are as follows:

	£m
Contribution to Brockley PFI & Financing costs	0.4
Contribution to capital costs and provisions	3.1
Reduced energy costs	(0.2)
Additional rental income (dwellings and commercial)	(1.3)
Additional service charge income	(0.8)
Additional major works income	(1.7)
Lower interest charges	(0.5)
Increased environmental costs	0.2
Reduced operational costs	(0.4)
Allocation of contingency	(0.5)
Total Underspend	**(1.6)**

11.2 The underspend has increased by £0.8 million since the final forecasts were reported. The overall underspend reflects the changing nature of the HRA as preparations were finalised for the new self-financing regime, which became effective on 1 April 2012, and as the decent homes programme was geared up to reflect the backlog funding now received.

11.3 As a result significant additional income was achieved from major works, as leaseholders were charged their appropriate share of the costs of improvement works to their blocks. Although this remains a contentious area actual recovery rates were above those forecast, reflecting the work that has gone in to making this difficult process as fair and transparent as possible. Improvements in rent collection also led to significant underspends being achieved against these key income budgets.

11.4 A series of technical underspends were also achieved on external interest budgets. Energy costs were also £0.5m lower than anticipated as a result of large credits being received at the end of the previous energy contract.

11.5 The increased underspend has been partially offset by increases to reserves for anticipated additional costs in 2012/13 on items such as energy costs, capital costs and pension contributions, and to create resources to finance future capital expenditure.

12 Collection Fund

12.1 The Collection Fund is a separate account, required by statute showing the amount of Council Tax, Council Tax Benefit and National Non-Domestic Rates (NNDR) expected to be collected during the financial year. The account also shows how the amount collected, after providing for bad debts and write-offs, is distributed between the Council's General Fund, the Greater London Authority (the Preceptor) in respect of Council Tax and to the Government in respect of NNDR.

12.2 Collection improved significantly in 2010/11 compared with 2009/10. The headline collection rate in year was 94.09%, or £88.965m. The balance, less any uncollectable amounts, will need to be collected in later years. In 2009/10 the collection rate was 92.68%, so over £1m more in absolute terms was collected in 2010/11 than in 2009/10.

12.3 This improvement is being sustained. As at the end of March 2012, £90.7m Council Tax had been collected, 94.56% of the total amount due for the year of £96m and almost £2m more in cash terms than the amount collected for 2010/11. It is 0.06% above the target collection rate of 94.5%, the first time this target has been exceeded for a number of years.

12.4 However, council tax collection performance remains in the lower quartile for London. The London average collection rate in 2011/12 was approximately 96.1%. Being realistic, the different demographic characteristics of different London boroughs account for some of this: collecting council tax in a borough like Lewisham will always be more difficult than in some relatively more wealthy boroughs, such as Sutton or Bromley. However, Lewisham currently ranks 29th of 33 boroughs for council tax collection. If the 2012/13 target of 95.5% was achieved (and if all other boroughs maintained their 2011/12 collection rates) then this ranking would improve to 23rd.

12.5 Business rates collection fell from 98.98% in 2010/11 to 97.41% in 2011/12. Although this remains top quartile this will be an area for greater attention in the coming year.

13 Capital expenditure

13.1 The year-end position on expenditure, budgets, forecasts and financing was as set out in the following tables.

	2011/12	2012/13	2013/14	Later years	Total
Budgeted expenditure	**£m**	**£m**	**£m**	**£m**	**£m**
Community Services	7.4	4.5	0.5	0.9	13.3
Resources & Regeneration	24.2	11.1	3.0	5.0	43.3
CYP	55.2	56.4	15.9	7.3	134.4
Customer Services	8.6	11.7	3.6	11.0	34.9
Lewisham Homes	29.1	11.5	24.0	45.0	109.6
Total	**124.4**	**95.3**	**46.9**	**69.2**	**335.5**
Financing	**124.6**	**99.2**	**46.4**	**65.6**	**335.8**
(Over) / under programming	**0.2**	**3.9**	**(0.5)**	**(3.6)**	**0.3**

	Original budget	Revised budget	Final forecast	Actual
	£'000	**£'000**	**£'000**	**£'000**
Community Services	10,001	7,360	7,396	7,809
Resources & Regen	29,331	24,198	22,363	19,918
CYP	61,955	55,168	49,445	39,673
Customer Services	12,406	8,584	5,876	3,227
Lewisham Homes	26,091	29,091	28,720	28,019
Total	**139,784**	**124,401**	**113,800**	**98,646**

13.2 The final Capital Programme expenditure for 2011/12 was £98.6 million compared to a final forecast of £113.8m as reported to PAC. It should be noted that the variances principally relate to slippage between years and consequently the apparent underspends identified do not represent un-committed resources available to fund additional projects. The 2012/13 budgets are being re-profiled accordingly.

13.3 The underspends against the CYP programme reflect delays in progressing some of the BSF programme. Complex planning, procurement and other issues have had to be resolved, and whilst the programme is still being delivered, and key availability dates for schools being managed, some of the original budget assumptions did not fully account for these complexities and have therefore been revised. The primary places programme has delivered largely to budget.

13.4 Similarly, within Resources & Regeneration, the complex issues in the Deptford Regeneration programme were not fully appreciated in phasing the initial budget. Overall expenditure on the scheme is being contained within the total programme budget, but the timing of the cash flows between 2011/12 and 2012/13 was not accurately anticipated when setting the budget.

13.5 The underspend in Customer Services is also linked to regeneration schemes, in this case principally the Heathside and Lethbridge development, and similar comments apply. Officers are reviewing the complex regeneration budgets for 2012/13 to assess their reasonableness in light of the above.

14 Treasury outturn

14.1 The Treasury Management activities undertaken during 2011/12 demonstrate compliance with the Treasury Management Policy Statement adopted by the Council. The table below sets out the treasury portfolio as at 31 March 2012.

Treasury Position as at 31 March 2012

	Outstanding at 31 March 2012	Average Duration	Outstanding at 31 March 2011
	£m	**Years**	**£m**
Fixed Rate Borrowing			
Public Works Loans Board	87.654	21.92	223.991
Market Debt	89.953	36.53	89.380
Sub Total – Fixed Rate Borrowing	177.607		313.371
Variable Rate Borrowing			
Public Works Loans Board	0	0	0
Market Debt	25.00	26.50	25.00
Sub Total – Variable Rate Borrowing	25.00	26.50	25.00
Total Debt	**202.607**		**338.371**
Investments			
External Cash Managers			*56.600
Internally Managed	232.715		147.100
Total Cash Managers	**232.715**		**203.700**

Note: *Since September 2011, the Council no longer uses external cash managers. Therefore, the £56.6m for 2010/11, illustrated in the table above, is now entirely managed internally.

14.2 The table above shows a significant fall in the level of the Council's debt from 2010/11 to 2011/12. On 28 March 2012, the Council had £136.3m of its debt written off as part of the HRA self-financing transaction. Prior to the debt settlement, the Council's total debt was £338.4m and the following the settlement , as at the of March 2012, the level of debt stood at £202.6m.

Long Term Borrowing

14.3 The Council undertakes a programme of capital investment in its fixed assets. This expenditure is financed by a number of resources including capital receipts, capital grants, revenue contributions and borrowing. Borrowing entails the cost of a project being charged to revenue over a number of years, in accordance with statutory requirements which currently stipulate that 4% of outstanding General

Fund debt is charged to revenue each year to provide for the repayment of debt (the Minimum Revenue Provision).

14.4 The actual net borrowing requirement for 2011/12 was £11.073m, which is £4.045m lower than the requirement for 2010/11. This is set out in the following table.

Net Borrowing Requirement for 2011/12

	2011/12 £m	2010/11 £m
Capital Investment	85.656	55.612
Capital Grants	(44.077)	(25.447)
Capital Receipts	(21.122)	(11.919)
Revenue	(2.501)	(1.689)
Net	**17.956**	**16.557**
Minimum Revenue Provision	(6.883)	(6.439)
Maturing Debt	0	5.000
Net Borrowing Requirement	**11.073**	**15.118**

14.5 In previous years, the Council has financed its net borrowing requirement from temporary cash balances held by the Council. As at 31 March 2012, this internal borrowing totalled £27.9m. There was no new borrowing in the year 2011/12.

14.6 It has been the Council's strategy to borrow up to the level of the Governments assessment of the Council's underlying need to borrow which is termed the Capital Financing Requirement (CFR). The calculation of the CFR broadly corresponds to the Net Borrowing Requirement as set out above. The comparative position is as set out in the following table.

Table: Debt and CFR Movement in 2011/12

	2011/12 £m	2010/11 £m
Capital Financing Requirement	247.382	372.648
External Debt	202.607	338.371
Difference:	44.775	34.277

14.7 The impact of the debt transactions in 2011/12 was to reduce the average interest rate of the debt by 0.20% from 5.14% to 4.94% and reduce the average duration by approximately 4 years, from 32 years to 28 years.

Short Term Investments

14.8 For 2011/12, internally managed funds outperformed the benchmark, with total income being £1.899m on the treasury management investment activities. This represents an increase of some £0.578m on the activities of the previous year.

14.9 The marginal increase in investment income of £0.578m is attributed to an increase in return on Investment of 1.13% compared to previous year's 0.9%.

14.10 In conclusion, the Council's treasury management activity has been fully compliant with best practice in 2011/12, in that all investments were made with institutions which met the Council's strict credit criteria at the time of the deal. Throughout 2011/12 there has been continued concern about the stability of the banking sector and consequently the Treasury Management Strategy adopted by the Council during the year reflects an appropriately cautious approach.

15 Financial Implications

15.1 This report concerns the financial results for the 2011/12 financial year. However, there are no direct financial implications in noting these.

16 Legal Implications

16.1 The Council must act prudently in relation to the stewardship of Council taxpayers funds. The Council must set and maintain a balanced budget.

17 Crime and Disorder Act Implications

17.1 There are no crime and disorder implications relevant to this report.

18 Equalities Implications

18.1 There are no equalities implications relevant to this report.

19 Environmental Implications

19.1 There are no environmental implications relevant to this report.

20 Conclusion

20.1 The Council has continued to apply sound financial controls and has contained its expenditure for the year within agreed budgets. However, the short and medium-term outlook remains difficult and continued strong management and fiscal discipline will be required to enable the Council to meet its financial targets for 2012/13 and beyond.

BACKGROUND PAPERS

None

APPENDICES

None

If there are any queries on this report, please contact Conrad Hall, Head of Business Management and Service Support