

Democratic Services

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Date: 25 January 2011

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To: All Members of the Cabinet

Councillor Francine Haeberling	Leader of the Council
Councillor Malcolm Hanney	Deputy Leader and Cabinet Member for Resources
Councillor Terry Gazzard	Cabinet Member for Development and Major Projects
Councillor Charles Gerrish	Cabinet Member for Service Delivery
Councillor David Hawkins	Cabinet Member for The Council as Corporate Trustee
Councillor Vic Pritchard	Cabinet Member for Adult Social Services and Housing
Councillor Chris Watt	Cabinet Member for Children's Services

Chief Executive and other appropriate officers
Press and Public

Dear Member

Cabinet: Wednesday, 2nd February, 2011

You are invited to attend a meeting of the **Cabinet**, to be held on **Wednesday, 2nd February, 2011** at **5.00 pm** in the **Council Chamber - Guildhall, Bath**.

The agenda is set out overleaf.

Yours sincerely

Col Spring
for Chief Executive

The decisions taken at this meeting of the Cabinet are subject to the Council's call-in procedures. Within 5 clear working days of publication of decisions, at least 10 Councillors may signify in writing to the Chief Executive their wish for a decision to be called-in for review. If a decision is not called-in, it will be implemented after the expiry of the 5 clear working day period.

If you need to access this agenda or any of the supporting reports in an alternative accessible format please contact Democratic Services or the relevant report author whose details are listed at the end of each report.

This Agenda and all accompanying reports are printed on recycled paper

NOTES:

- 1. Inspection of Papers:** Any person wishing to inspect minutes, reports, or a list of the background papers relating to any item on this Agenda should contact Col Spring who is available by telephoning Bath 01225 394942 or by calling at the Riverside Offices Keynsham (during normal office hours).
- 2. Public Speaking at Meetings:** The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group. Advance notice is required not less than two full working days before the meeting (this means that for meetings held on Wednesdays, notice must normally be received in Democratic Services by 4.30pm the previous Friday but Bank Holidays will cause this to be brought forward).

The public may also ask a question to which a written answer will be given. Questions must be submitted in writing to Democratic Services at least two full working days in advance of the meeting (this means that for meetings held on Wednesdays, notice must normally be received in Democratic Services by 4.30pm the previous Friday but Bank Holidays will cause this to be brought forward). If an answer cannot be prepared in time for the meeting it will be sent out within five days afterwards. Further details of the scheme can be obtained by contacting Col Spring as above.

- 3. Details of Decisions taken at this meeting** can be found in the minutes which will be published as soon as possible after the meeting, and also circulated with the agenda for the next meeting. In the meantime details can be obtained by contacting Col Spring as above.

Appendices to reports are available for inspection as follows:-

Public Access points - Riverside - Keynsham, Guildhall - Bath, Hollies - Midsomer Norton, and Bath Central, Keynsham and Midsomer Norton public libraries.

For Councillors and Officers papers may be inspected via Political Group Research Assistants and Group Rooms/Members' Rooms.

- 4. Attendance Register:** Members should sign the Register which will be circulated at the meeting.
- 5. THE APPENDED SUPPORTING DOCUMENTS ARE IDENTIFIED BY AGENDA ITEM NUMBER.**
- 6. Emergency Evacuation Procedure**

When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are sign-posted.

Arrangements are in place for the safe evacuation of disabled people.

- 7. Officer Support to the Cabinet**
Cabinet meetings will be supported by the Director's Group.
- 8. Recorded votes**
A recorded vote will be taken on each item.

Cabinet - Wednesday, 2nd February, 2011

in the Council Chamber - Guildhall, Bath

A G E N D A

1. WELCOME AND INTRODUCTIONS

2. EMERGENCY EVACUATION PROCEDURE

The Chair will draw attention to the emergency evacuation procedure as set out under Note 6

3. APOLOGIES FOR ABSENCE

4. DECLARATIONS OF INTEREST UNDER THE LOCAL GOVERNMENT ACT 1972

To receive any declarations from Members/Officers of personal or prejudicial interests in respect of matters for consideration at this meeting. Members who have an interest to declare are asked to:

- a) State the Item Number in which they have the interest;
- b) The nature of the interest;
- c) Whether the interest is personal, or personal and prejudicial.

Any Member who is unsure about the above should seek advice from the Monitoring Officer prior to the meeting in order to expedite matters at the meeting itself.

5. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

6. QUESTIONS FROM PUBLIC AND COUNCILLORS

At the time of publication, no items had been submitted

7. STATEMENTS, DEPUTATIONS OR PETITIONS FROM PUBLIC OR COUNCILLORS

At the time of publication, no items had been notified

8. MINUTES OF PREVIOUS CABINET MEETING (Pages 5 - 10)

To be confirmed as a correct record and signed by the Chair

9. CONSIDERATION OF SINGLE MEMBER ITEMS REQUISITIONED TO CABINET

This is a standard agenda item, to cover any reports originally placed on the Weekly list for single Member decision making, which have subsequently been the subject of a Cabinet Member requisition to the full Cabinet, under the Council's procedural rules

10. CONSIDERATION OF MATTERS REFERRED BY OVERVIEW AND SCRUTINY BODIES

This is a standing agenda item (Constitution rule 21, part 4D – Executive Procedure Rules) for matters referred by Overview and Scrutiny bodies. The Chair(person) of the relevant Overview and Scrutiny body will have the right to attend and at the discretion of the Leader to speak to the item, but not vote

11. SINGLE MEMBER CABINET DECISIONS TAKEN SINCE PREVIOUS CABINET MEETING (Pages 11 - 16)

This report lists the Cabinet member decisions, sorted by Lead decision maker

12. REVENUE AND CAPITAL BUDGET MONITORING, CASH LIMITS AND VIREMENTS - APRIL 2010 TO DECEMBER 2010 (Pages 17 - 40)

This report presents the financial monitoring information for the Authority as a whole for the financial year 2010/11 to the end of December 2010

13. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2011/12 (Pages 41 - 64)

The CIPFA Treasury Management in Public Services Code of Practice requires the Council to approve a Treasury Management Strategy before the start of each financial year. The Local Government Act 2003 requires the Council to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable; to set out its Treasury Strategy for borrowing; and to prepare an Annual Investment Strategy. This report sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

14. FINANCIAL PLAN 2011/12-2013/14, BUDGET & COUNCIL TAX 2011/12

NOTE: *The papers for this item were not available at the time of despatch but will be published in due course as a separate despatch*

The Committee Administrator for this meeting is Col Spring who can be contacted on 01225 394942.

Agenda Item 8

BATH AND NORTH EAST SOMERSET

CABINET

Thursday, 25th November, 2010

The decisions contained within these minutes may not be implemented until the expiry of the 5 working day call-in period which will run from 26th Nov to 2nd Dec. These minutes are draft until confirmed as a correct record at the next meeting.

Present:

Councillor Francine Haeberling	Leader of the Council
Councillor Malcolm Hanney	Deputy Leader and Cabinet Member for Resources
Councillor David Hawkins	Cabinet Member for The Council as Corporate Trustee
Councillor Vic Pritchard	Cabinet Member for Adult Social Services and Housing
Councillor Chris Watt	Cabinet Member for Children's Services

125 WELCOME AND INTRODUCTIONS

The Chair was taken by Councillor Francine Haeberling, Leader of the Council. The Chair welcomed everyone to the meeting.

126 EMERGENCY EVACUATION PROCEDURE

The Chair drew attention to the evacuation procedure as set out in the Agenda.

127 APOLOGIES FOR ABSENCE

Apologies had been received from Councillors Charles Gerrish and Terry Gazzard.

128 DECLARATIONS OF INTEREST UNDER THE LOCAL GOVERNMENT ACT 1972

Councillor Chris Watt declared a personal and non-prejudicial interest in item 11 as a member of the Board of Governors of Bath Spa University.

129 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

130 QUESTIONS FROM PUBLIC AND COUNCILLORS

There was 1 question, from Malcolm Dodds (Chair, CycleBath). *[Copies of the question and response have been placed on the Minute book as Appendix 1 and are available on the Council's website.]*

131 STATEMENTS, DEPUTATIONS OR PETITIONS FROM PUBLIC OR COUNCILLORS

There were 23 notices to make a statement to Cabinet. All related to item 11 on the Agenda, Consultation on the Proposal to Close Culverhay School.

132 MINUTES OF PREVIOUS CABINET MEETING

On a motion from Councillor Francine Haeberling, seconded by Councillor Vic Pritchard, it was

RESOLVED that the minutes of the meeting held on Wednesday 3rd November 2010 be confirmed as a correct record and signed by the Chair.

133 CONSIDERATION OF SINGLE MEMBER ITEMS REQUISITIONED TO CABINET

There were none.

134 CONSIDERATION OF MATTERS REFERRED BY OVERVIEW AND SCRUTINY BODIES

There were none.

135 CONSULTATION ON THE PROPOSAL TO CLOSE CULVERHAY SCHOOL

Cllr Dine Romero made a statement appealing to the Cabinet not to close Culverhay School but to support its proposals to become co-educational. She reminded Cabinet that, once it could take both boys and girls, it would no longer need the small schools grant. It already had the best playing fields site of any school in the city.

Cllr John Bull made a statement in which he stressed the academic improvement achieved by Culverhay School, the caring staff and excellent sporting facilities. He felt that Cabinet had abruptly changed course when confronted with the Oldfield School application for Academy status. He appealed to Cabinet not to take a final decision at this meeting but to continue in discussions over the two alternative options put forward by Culverhay Governors.

Cllr Paul Crossley made a statement in which he emphasised the importance of Culverhay School to its community. The depth of feeling of local people had been demonstrated by the fact that they had turned up in large numbers for four meetings. He asked Cabinet to see that closure would not be a strong decision – it would be a wrong decision. He felt that schools like Culverhay were better for being small and for being places where staff knew their students well. He asked the Cabinet to consult on turning Culverhay into a co-educational school.

Cllr Gerry Curran (Chair of Governors, Culverhay School) asked the Cabinet not to close the school. He reminded Cabinet that the original strategy had been for a co-educational school in the north and the south of the city. He still believed that closing Culverhay School would be absolutely the wrong decision and reminded the Cabinet that the school had cooperated with the Council for many years over the plans to turn it co-educational. He felt that Cabinet had been ill-advised to support St Marks School which did not appear to have the support of its community or the Diocese. He was sure that places would not be available in local schools for displaced Culverhay boys.

Sue East (Bath Primary Heads Group) made a statement *[a copy of which is attached to the Minutes as Appendix 2 and on the Council's website]* asking the Cabinet to put in place a flagship of community learning centred around Culverhay. She felt that at a time when so many changes are taking place, it would not be wise to close Culverhay.

Sean Wyartt (Assistant Head, Culverhay School) made a statement *[a copy of which is attached to the Minutes as Appendix 3 and on the Council's website]* in which he expressed the view that the proposals to close Culverhay School did not seem fair, open or legal to many parents and supporters of the school.

Richard Thompson (Head, Culverhay School) made a statement *[a copy of which is attached to the Minutes as Appendix 4 and on the Council's website]* in which he said that to close Culverhay school would leave a hole at the heart of a vulnerable and less advantaged community and appealing to Cabinet to reconsider the school's proposal to create an all-through co-educational academy, which had the full support of local primary Heads.

Sue Adams (Head, Southdown Infants School) made a statement *[a copy of which is attached to the Minutes as Appendix 5 and on the Council's website]* giving her full support to keeping Culverhay School open as an all-through co-educational academy. She reminded the Cabinet of the social deprivation in Southdown, Twerton and Whiteway and said that Culverhay had always been at the heart of the whole community. She felt that her school should be co-located onto the Culverhay site as a first step towards the proposal.

Sarah Wall (Parent, Culverhay School) in her statement reported on a meeting which Councillor Watt had held with parents a few days before, at which he was unable to explain whether his plans would mean that boys would leave Culverhay at the end of Year 8 or Year 9. She felt this would be critical for boys when choosing their GCSE options. She reminded Cabinet that in the first consultation, over 70% of respondents had supported the proposal for 2 co-educational schools in Bath – one each in the north and south of the city; and that in the second consultation, over 70% had supported retaining Culverhay School as a co-educational school. She appealed to Cabinet to listen to the consultation responses and to keep Culverhay School open

James Eynon (Head Boy, Culverhay School) said that there was a fine line between bravery and stupidity. He reminded Cabinet that Culverhay had supported the first consultation but he felt that Cabinet had reneged on the school. The message seemed to be that openness, honesty and integrity did not get rewarded. He thanked all the staff of Culverhay for what they had done for him and said that he was proud to have been a student at such a good school.

David Eynon (Parent, Culverhay School) said he felt that the consultation process had achieved nothing, because Oldfield School had sabotaged it and had then done a deal with Councillor Watt to stay open and had been rewarded with £1.8m. He reminded Cabinet that the closure proposals had been opposed by 74% of respondents. He was astounded that Councillor Watt had been supported the closure of Culverhay School, even before the consultation had started. He felt that this had brought shame on the Council and the Cabinet.

Sarah Moore (Friends of Culverhay) made a statement *[a copy of which is attached to the Minutes as Appendix 6 and on the Council's website]* appealing to the Cabinet to give full consideration to the fact that the first consultation period had supported the retention of a co-educational school in south Bath; and that clearly, if two schools were retained in the north, large numbers of pupils would have to travel to the north every day.

Sean Turner (Deputy Head, Culverhay School) said that he had been staggered when at an earlier meeting Councillor Batt had made light of the hardship and deprivation experienced by many in south Bath. It was amongst the top 13% of deprived areas in the country. He observed that Culverhay School was the only secondary school in Bath with an identifiable local community.

David Dunlop (The Bath Society) made a statement *[a copy of which is attached to the Minutes as Appendix 7 and on the Council's website]* in which he said that he felt Councillor Watt had already made up his mind. Culverhay was more than a school: it had users of all ages and interests.

Jayne Nix (Parent, Culverhay) made a statement *[a copy of which is attached to the Minutes as Appendix 8 and on the Council's website]* referred to the fact that at Full Council the previous week, Councillor Watt had said he had not at that point seen

the consultation responses; and yet the next day, he had actively proposed closure which she felt indicated a failure to listen to those who had responded. She was concerned that Cabinet members were failing to listen to the large majority of people who were warning them that to close Culverhay would be the wrong thing to do. Daniel Bryant (ex-pupil, Culverhay School) made a statement in which he observed that the Head of Ofsted had said that league tables alone were a simplistic way to judge a school. He wanted the Cabinet to take full account of the other aspects of Culverhay School when making its decision. He appealed to Cabinet therefore not to close the school.

Steve Wakefield (ex-pupil, Culverhay School) made a statement *[a copy of which is attached to the Minutes as Appendix 9 and on the Council's website]* in which he said that the proposal was ill-conceived and appealed to Cabinet not to close Culverhay School.

Daniel Hine (ex-pupil, Culverhay School) made a statement saying that although Culverhay had not been his first choice, he had nevertheless thrived there and had achieved ten GCSE passes at A-C. He thanked the staff of Culverhay and said he was proud that the school had an ethos of building on each pupil's strengths.

Albert Lightfoot made a statement in which he said that closing Culverhay School would lead to future problems if a Bristol school should be closed. He appealed to Cabinet not to make the mistake of closing the school.

Vincent Inchley (ex-pupil, Culverhay School) pointed out that Culverhay School had an ever-increasing curriculum. He felt strongly that closure would be wrong and asked Cabinet to reconsider the proposals.

Ann Harding (Governor, Culverhay School) said that 6 months earlier, she had not expected Cabinet to be considering such a move. Co-educational status had been promised to Culverhay School for years, and the school had waited patiently as it worked with the Council to achieve this. She felt that Culverhay had been stitched up by the Cabinet and the other schools. She challenged the accuracy of some of the data in the second consultation document. Referring to the contention that two-thirds of local children did not choose Culverhay, she pointed out that even larger numbers of local children did not choose Oldfield and St Mark's Schools. She felt that Culverhay School had expertise which no other school could offer to its pupils. The item was introduced by Councillor Chris Watt. He recognised the very strong feelings about the issue but reminded the Cabinet that they had the responsibility to make difficult decisions about local services. He said that in the consultation process, 47% had agreed the Council's strategy. In the second consultation, although 74% had been opposed to closing Culverhay, nevertheless 24% had supported it and it was very unusual to have any support at all for closing a school. He introduced the 6 main issues emerging from the consultation responses, which had been listed in paragraph 5.6 of the report and explained how the issues had all been fully considered and addressed. He also compared the 2 alternative proposals against the 6 issues, as explained in section 9 of the report, and explained why he was convinced that closure of Culverhay was the right course of action. In particular, he referred to the fact that the Schools Forum view was that a Planned Admission Number of less than 120 would not be viable, which would mean that both alternatives would prove not to be deliverable.

He moved the proposals, including clause (4) which had not appeared in the published recommendations and which related to the need to seek ways of mitigating transport and uniform costs for families.

Councillor Malcolm Hanney seconded the proposals. He reminded Cabinet that historically the issue had not been only about surplus places. The number of students at Culverhay School had reduced from 599 in 1999 to 364 in the current year and had been reducing year-on-year. It now had 43% surplus places. The

funding of empty desks was not sustainable from the small school financial support. Regarding co-educational status, if Oldfield School had remained single-sex, Culverhay could not have gone co-educational. Culverhay could only stay open if Oldfield had been closed, which none of the speakers had suggested. He said that the alternative proposals put forward in the consultation were not viable. He reminded the Cabinet that when surplus places had been reduced, there would be extra funds available to spend on existing pupils.

Councillor Vic Pritchard referred to the issue of travel, which Councillor Watt had already mentioned. He asked Councillor Watt to explain what travel assistance he would seek to provide for those who had further to travel as a result of the proposed closure.

Councillor Watt said that some of the figures quoted in the consultation about travel distances had ignored the availability of Halfpenny Bridge, and had assumed that pupils would have to cross the river at Windsor Bridge which added a half mile to the journey. He said that for families in receipt of free school meals, journeys over 2 miles would be funded by the authority. He also expressed his aspiration that children with statements who presently had free transport to school should retain this to mitigate the disruption following their transition to a new school. Finally he said that it was anticipated that many Culverhay teachers would choose to change school along with their students, giving a level of continuity for students.

Councillor David Hawkins said that after reading the detailed reports he supported the recommendations.

On a motion from Councillor Chris Watt, seconded by Councillor Malcolm Hanney, it was

RESOLVED (unanimously):

- (1) To AGREE that its policy is to close Culverhay school, with no further admissions to year 7 in September 2012 and beyond;
- (2) To AUTHORISE the publication of the necessary statutory notice of closure, open for public representation for 6 weeks;
- (3) To DELEGATE to the Cabinet Member for Children's Services the process of implementation and to determine the relevant statutory notices.
- (4) To NOTE the potential funding implications in respect of transport and school uniforms arising out of this decision and ask the Director and Cabinet Member to investigate options for mitigating transitional costs in consultation with the Schools Forum.

The meeting ended at 5.30 pm

Chair _____

Date Confirmed and Signed _____

Prepared by Democratic Services

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Bath & North East Somerset Council
Cabinet Single-Member Decisions
 published 29-Oct-10 to 21-Jan-11

Agenda
 Item
 Number

11

Further details of each decision can be seen on the Council's Single-member Decision Register

Date Reference	Title	Decision Maker/s
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Cllr Charles Gerrish

15-Nov-10	Review of Hackney Carriage Tariff Rates	CG
E2200		

The Cabinet Member agreed a 6.06% increase on the current fares; an additional passenger rate, for over two passengers, from 30 pence to 50 pence; an amendment to the waiting time to one minute and increase the increment from 20 pence to 30 pence.

23-Nov-10	Various Roads Bathampton Batheaston & Bathford TRO	CG
E2174		

The Cabinet Member agreed that the Tynning Road, Bathampton, Ashley Road, Bathford and London Road West Batheaston proposals be implemented as advertised; the Holcombe Lane, Bathampton proposals be modified to 8am to 6pm (Mon-Sat); and the Church Close proposals be modified as recommended in the report

01-Dec-10	Wellow Village 20mph speed limit TRO	CG
E2152		

The Cabinet Member agreed that the proposals would be implemented as advertised

07-Dec-10	Outer Area Bath Residents & CPZ 16 TRO	CG
E2175		

The Cabinet Member agreed that the scheme should be implemented and that a usage survey should be undertaken in spring 2011 of the parking bays in Cleveland Place

07-Dec-10	Claremont Road/Southbourne Gardens Bath Waiting TRO	CG
E2176		
<p><i>That the scheme be implemented after being modified in the light of the concerns voiced by consultees</i></p>		

08-Dec-10	Bus Lane, Waiting & Traffic Restrictions, Wellsway, Bath	CG
E2160		
<p><i>The Cabinet Member agreed that the turning bans at Wellsway/Hatfield Road East and the cycle lane in Hatfield Road East should be implemented; but that the proposed bus lane should be the subject of a separate report at a later date</i></p>		

08-Dec-10	Waiting Restrictions Kelston Rd, Penn Hill Rd, Penn Gardens	CG
E2199		
<p><i>The Cabinet Member agreed that the proposals should be implemented after the removal of waiting restrictions in Penn Gardens. The comments concerning Kelston Road, Penn Hill Road and Penn Gardens should be provided to Parking Services for inclusion in their consultation about RUH.</i></p>		

13-Dec-10	LDF Annual Monitoring Report 2009-10	CG
E2173		
<p><i>The Cabinet Member agrees the Annual Monitoring Report for submission to the Secretary of State and for publication</i></p>		

22-Dec-10	St Stephens Safety Scheme TRO	CG
E2095		
<p><i>The Cabinet Member agreed the scheme, without the speed table and footpath at Beacon Road/Richmond Place and with reduced waiting restrictions; and to upgrade the existing footpath between Beacon Road and Summerfield Road</i></p>		

22-Dec-10	Various Rds Bath Restriction of Waiting Disabled Places TRO	CG
E2190		
<p><i>The Cabinet Member agreed to implement the proposals except that the proposals relating to Entry Hill and Lynbrook Lane were withdrawn; and the proposal relating to St Marys Close was reduced by 5 metres on both sides</i></p>		

Cllr Chris Watt

08-Nov-10	Care Matters Implementation Plan Yr 3	CW
E2071		
<p><i>The Cabinet Member agreed to adopt the Care Matters implementation plan year 3 and to note progress to date on implementing the Care Matters agenda</i></p>		

22-Nov-10	Response to Ofsted Inspection - Council's Fostering Services	CW
E2198		
<p><i>The Cabinet Member agreed the action plan and instructed the Divisional Director Safeguarding, Social Care and Family Service to report on its implementation</i></p>		

25-Dec-10	Oldfield School to Co-ed - Determination of Statutory Notice	CW
E2211		
<p><i>The Cabinet Member agreed that the statutory notice is approved so that the school can become co-educational from 1st September 2012; and granted a Transitional Exemption Order in relation to the Sex Discrimination Act 1975 for a period of four years, to allow a gradual change from single sex to co-educational</i></p>		

06-Jan-11	Response to Ofsted Inspection of the Council's Adoption Service	CW
E2214		
<p><i>The Cabinet Member noted the Inspection Report; approved the action plan; and instructed the Divisional Director for Safeguarding, Social Care and Family Service to report progress to the Overview and Scrutiny Panel</i></p>		

06-Jan-11	Council Duties in respect of Private Fostering Arrangements	CW
E2215		
<p><i>The Cabinet Member noted the report and instructed the Manager (Assessment and Family Support) to provide an Annual Report on how the Council, in partnership with members of the LSCB, safeguards and promotes the wellbeing of children and young people</i></p>		

07-Jan-11	Response to OS Review of Affordability of School Uniform	CW
E2165		
<p><i>The Cabinet Members responded to the Panel's recommendations</i></p>		

17-Jan-11	Publication of Statutory Notice to enlarge Bathampton Primary	CW
E2225		
<p><i>The Cabinet Member agreed the publication of the statutory notice for the expansion of Bathampton Primary School</i></p>		

Cllr Francine Haerberling

29-Nov-10	Land at Weston Recreation Ground, Weston, Bath	FH
E2185		
<p><i>The Cabinet Member agreed that Lovell Partnerships Ltd be granted a licence to allow them to use the land as a site compound for approximately 6 weeks</i></p>		

Cllr Malcolm Hanney

13-Jan-11	Environmental Services Capital Projects for approval	MH/CG
E2202		
<p><i>The Cabinet Member agreed to invite tenders and approved Capital Programme allocations for: a) £351K for a new Permit Management System and Automatic Number Plate Systems for Charlotte and Avon Street Car Parks; b) £136K for wheeled waste compaction equipment; and that the outcome of the tenders be an Officer Delegated Decision</i></p>		

01-Dec-10	(Rule 16) Corporate Agreement Bath Western Riverside	TG
E2216		
<p><i>The Cabinet Member agreed that the Council enter into a Corporate Agreement with Crest Nicholson and authorised the Chief Executive in consultation with relevant colleagues to settle the Agreement; and to allocate an additional £2m in the capital programme for infrastructure, funded by a Homes and Communities Agency grant.</i></p>		

29-Dec-10	City of Bath World Heritage Site Management Plan	TG
E2213		
<p><i>The Cabinet member endorsed the draft replacement City of Bath World Heritage Site Management Plan, and approve its submission to UNESCO and noted that further minor editorial changes may need to be made to the document prior to submission.</i></p>		

Cllr Vic Pritchard

17-Nov-10	Jt Annual Complaints Report, Health & Adult Social Care	VP
E2191		
<p><i>The Cabinet Member approved the Adult Services Complaints Procedure Annual Report 2009-10</i></p>		

21-Dec-10	Housing Services Empty Property Policy	VP
E2197		
<p><i>The Cabinet Member approved the Empty Property Policy as Council Policy</i></p>		

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Bath & North East Somerset Council		
MEETING:	Cabinet	
MEETING DATE:	2nd February 2011	
TITLE:	Revenue and Capital Budget Monitoring, Cash Limits and Virements – April 2010 to December 2010	EXECUTIVE FORWARD PLAN REFERENCE: E 2130
WARD:	All	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report</p> <p>Appendix 1: Revenue & Capital Monitoring Commentary Appendix 2: Revenue Monitoring Statement: All Council Spending Appendix 3: Capital Monitoring Statement: All Council Spending Appendices 4(i) & 4(ii): Proposed Revenue Virements & Revised Revenue Cash Limits 2010/11 Appendices 5(i), 5(ii): Capital Programme Movements & Revised Capital Cash Limits 2010/11 Appendix 6: Additions to the 2010/11 Capital Programme</p>		

1 THE ISSUE

1.1 This report presents the financial monitoring information for the Authority as a whole for the financial year 2010/11 to the end of December 2010.

2 RECOMMENDATION

The Cabinet agrees that:

2.1 Strategic Directors should continue to work towards managing within budget in the current year for their respective service areas, and to manage below budget where possible by not committing unnecessary expenditure, through tight budgetary control.

2.2 This year’s revenue budget position as shown in Appendix 2 is noted.

2.3 The capital expenditure position for the Council in the financial year to the end of December and the year end projections detailed in Appendix 3 of this report are noted.

2.4 The revenue virements listed for approval in Appendix 4(i) are agreed.

2.5 The changes in the capital programme listed in Appendix 5(i) are noted.

2.6 The additions to the 2010/11 Capital Programme as detailed in Appendix 6 are approved.

3 FINANCIAL IMPLICATIONS

3.1 The financial implications are contained within the body of the report.

4 CORPORATE PRIORITIES

4.1 The annual service and resource planning process allocates scarce resources across services with alignment of these resources towards our corporate improvement priorities as set out in the Corporate Plan. This report monitors how the Council is performing against the financial targets set in February 2010 through the Budget setting process.

5 THE REPORT

5.1 The Budget Management Scheme requires that the Cabinet consider the revenue and capital monitoring position four times per year.

5.2 For revenue, where overspent, services are expected to seek compensating savings to try and bring budgets back to balance.

5.3 Appendix 1 highlights significant areas of forecast over and under spends in revenue budgets. Appendix 2 outlines the Council's current revenue financial position for the 2010/11 financial year to the end of December 2010 by Cabinet Portfolio. The current forecast outturn position is for an under spend of £269,000 which equates to 0.1% of gross budgeted spend (excluding Schools). This forecast takes account of the impact of the governments in year cuts and the position will be closely monitored during the remainder of the financial year.

5.4 Options to create a Capital Financing Smoothing Reserve from and underspend which arises in capital financing costs in 2010/11, due to the profiling of the borrowing costs compared to the Capital Programme spend, are being considered by Officers. This timing difference is caused where a Service starts to repay its borrowing costs when capital spending begins, but the spend is initially funded by internal borrowing until the Council's cash balances require the planned external funding to be taken.

5.5 Appendix 3 outlines the current position for the 2010/11 Capital budget of £71.7m (excluding contingency), with a current forecast spend of £55.6m which is £16.1m less than the budget.

5.6 The Council's financial position, along with its financial management arrangements and controls, are fundamental to continuing to plan and provide services in a managed way, particularly in light of the medium term financial challenge. Close monitoring of the financial situation provides information on new risks and pressures in service areas, and appropriate management actions are then identified and agreed to manage and mitigate those risks.

5.7 Revenue budget virements which require cabinet approval are listed in Appendix 4(i). Technical budget adjustments are also shown in Appendix 4(i) for information purposes as required by the Budget Management Scheme.

5.8 As part of its public sector deficit recovery plan, the government announced in June 2010 in year savings of £6 billion, with approximately 21% of this falling on local government. For the Council this meant a cut of £1.8m per annum in

revenue funding (equivalent to 2.5% on Council Tax) and a £1.8m reduction in capital funding. The majority of these cuts have fallen in Children's Services.

- 5.9 The Council has had to fund £474,000 of one-off costs, including redundancy, to implement these cuts as well as having to fund £393,000 of the required cuts from other budgets as some of the savings from withdrawing services funded by the grant cannot be achieved until 1st April 2011. These costs have been funded through a one-off transfer from the forecast underspend in capital financing.
- 5.10 The Council has taken appropriate action to implement the Coalition Government required cuts and, despite the scale thereof, still expects to deliver a 2010/11 revenue expenditure outturn within its overall revenue budget.
- 5.11 The budget report for next year, which is also part of this meetings agenda, highlights further significant reductions in government funding affecting the Council next year and beyond. The achievement of a balanced revenue outturn in 2010/11 forms part of the financial planning assumptions for next year in line with the Council's continued prudent financial management.
- 5.12 Previously approved changes to the capital programme are listed in Appendix 5(i), while Appendix 5(ii) provides the updated capital programme allocated by Portfolio. Appendix 6 lists additions and adjustments to the 2010/11 capital programme, some of which were presented in the February budget report as italic items for information. Approval by Cabinet is requested for these items.

6 RISK MANAGEMENT

- 6.1 The substance of this report is part of the Council's risk management process. The key risks in the Council's budget are assessed annually by each Strategic Director, with these risks re-assessed on a monthly basis as part of the budget monitoring process.

7 EQUALITIES

- 7.1 This report provides information about the financial performance of the Council and therefore no specific equalities impact assessment has been carried out on the report.

8 RATIONALE

- 8.1 The report is presented as part of the reporting of financial management and budgetary control required by the Council.

9 OTHER OPTIONS CONSIDERED

- 9.1 None

10 CONSULTATION

10.1 Consultation has been carried out with the Deputy Leader of The Council & Cabinet Member for Resources, Strategic Directors, Section 151 Finance Officer, Chief Executive and Monitoring Officer.

11 ISSUES TO CONSIDER IN REACHING THE DECISION

11.1 This report deals with issues of a corporate nature.

12 ADVICE SOUGHT

12.1 The Council's Monitoring Officer (Council Solicitor) and Section 151 Officer have had the opportunity to input to this report and have cleared it for publication.

Contact person	<i>Tim Richens - 01225 477468 ; Jamie Whittard - 01225 477213</i> Tim_Richens@bathnes.gov.uk Jamie_Whittard@bathnes.gov.uk
Sponsoring Cabinet Member	<i>Cllr Malcolm Hanney</i>
Background papers	<i>Budget Management Scheme</i>
Please contact the report author if you need to access this report in an alternative format	

REVENUE BUDGET MONITORING APRIL 2010 TO DECEMBER 2010

- 1.1 Appendix 2 outlines the Council's current financial position for the 2010/11 financial year to the end of December 2010 by Cabinet Portfolio. The Appendix shows the current forecast outturn position is an underspend of £269,000, or 0.1% of the gross expenditure budget (excluding Schools).
- 1.2 Within the current £269,000 forecast underspend figure, there are areas of over and under spending which are detailed below along with planned management actions being taken to reduce any overspends.
- 1.3 **Service Delivery – forecast £254,000 overspend**

The forecast overspend on this portfolio is mainly made up of the following variances:

Planning & Transportation £901,000 overspend. Transport Design and Projects are forecasting an overspend of £451,000 due to capital income declining from capital programme reductions not fully reflected in the timing of reduced staff resources. Decreased patronage and delayed price increase have resulted in a forecast shortfall of Park & Ride income of £226,000. There is also a forecast overspend in Planning Services which includes prudent provisions in respect of planning appeals.

Environmental Services £558,000 underspend. The main elements of this underspend are £632,000 in Waste Services (mainly due to increased garden waste income, a saving from the waste disposal contract review, and reprioritisation of the Waste Strategy with reduced consultancy costs), an underspend of £103,000 on street lighting following the re-tender of the energy contract, a £162,000 overspend on Highways Maintenance due to adverse weather conditions, and £130,000 underspend in Public Protection due to higher income and lower staff costs. There is also a forecast overspend in Car Parking of £118,000 due to lower income levels than budgeted.

In addition, within the Service Delivery Portfolio, there are also forecast underspends in **Tourism, Leisure & Culture** of £50,000, due to increased visitor numbers in heritage, and £38,000 in **Customer Access**.

1.4 **Children's Services portfolio – forecast £119,000 overspend**

There is a £347,000 overspend on costs associated with children in care, based on spend to date and an estimation of costs for the rest of the year. This estimate is based on the number of children in care rising to 150 (currently 152), 45 of these children remaining placed in Independent Fostering Provider placements at average unit costs from 2009/10, and the pooled budget coming in on budget. This overspend is partially offset by underspends of £143,000 in departmental staffing underspends and £97,000 in the utilisation of grants.

1.5 Adult Social Services & Housing – forecast £56,000 overspend after mitigating actions have been achieved, although there are some overspends and underspends within the Portfolio. The main variances are overspends of £291,000 in Mental Health and £281,000 in Older People's Services and £195,000 in Learning Difficulties due to purchasing of care packages, offset by underspends in Advice Services following a contract review of the Supporting People budget (£264,000) staff costs in Housing (£55,000) and an underspend of £335,000 in Community Resource Centres, as a result of additional income from service user contributions.

1.6 Resources & Support Services Portfolio – forecast £813,000 underspend

The forecast underspend on this portfolio is made up of the following variances:

Support Services: £63,000 underspend, consisting of small underspends of £36,000 in Property & Facilities and £25,000 in Risk & Assurance.

Improvement & Performance: £28,000 underspend.

Corporate costs: £722,000 underspend, mainly made up of £200,000 additional investment interest from higher than expected cash balances and £130,000 underspend in Ex-Avon Debt costs. In addition, a provision of £255,000 for inflation on gas and insurance costs is no longer required following re-tendering which secured a reduction in gas prices together with a lower than anticipated annual increase in insurance premiums. The arrangements for capital financing costs in 2010/11 and future years are currently being reviewed.

1.7 Development & Major Projects – forecast £115,000 overspend, due to costs associated with the Leisure Re-provision project, which have been partially met by savings within the Development & Major Projects budgets.

CAPITAL BUDGET MONITORING – APRIL 2010 TO DECEMBER 2010

1.8 The 2010/11 Capital Programme approved by Council in February 2010 was £46.5m (excluding contingency). Since then, £17.2m of spend on existing capital projects has been approved by Cabinet, along with rephasing of £8m as recommended in the 2009/10 Outturn Report on 15th July 2010.

1.9 The approved Capital Programme for 2010/11 is currently £71.7m (excluding contingency), which is detailed in Appendix 5(ii). Changes to the Capital Programme since Council approval in February are shown in Appendix 5(i).

1.10 The capital programme has been reviewed in detail in light of the current financial position, with some projects being put on hold. These have been subject to Strategic Director and Cabinet Member review and approval to progress.

1.11 Key Capital Issues

- Bath Transportation Package - The project is on hold pending grant approval from DfT. Property negotiations and purchases are progressing.
- Bath Western Riverside – The corporate agreement has been signed. HCA and Somer funding agreements are hoped to be signed during January.
- Workplaces Project - Is on programme to rationalise the number of administrative offices utilised in BANES. Phase three of The Lewis House project is advancing and the tenders for the construction works will be evaluated next week. The Hollies refurbishment project team has now been established and the detailed feasibility plan is in formation for sign off as part of the Gateway two process. Work is expected to commence in 2011/12. Over 20% of staff are now working more flexibly in newly refurbished office accommodation with 'the right tools for the job'.
- The Children's Services Capital Programme has been scaled back to reflect reductions in grant funding. The future programme now reflects the expected impacts of the Secondary School Reorganisation, Academies and funding uncertainty.
- Wellsway Sports Hall – The six court option has been agreed and work is expected to be completed in 11/12.
- Combe Down Stone Mines - Negotiations are ongoing with HCA as to how to progress the closing elements of the project.
- Public Realm – The City Information System, Preparatory Projects and Union Street projects are progressing to plan.

1.12 Capital Funding Sources

- Following the review of the capital programme, projects are only progressing as capital funding is secured

1.13 Approval of Capital Projects

- A number of projects have now progressed to the stage where they require approval, and are included in Appendix 6.

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Portfolio Summary Monitor	CURRENT YEAR 2010/11 FORECAST OUTTURN					Forecast over or (under) spend	ADV/FAV
	REVENUE SPENDING For the Period APRIL 2010 to DECEMBER 2010	Forecast Gross Expenditure	Forecast Gross Income	Net Forecast Actual	Annual Current Budget		
Service Delivery	77,823	(46,621)	31,202	30,947	254	ADV	
Children's Services	165,885	(139,575)	26,310	26,191	119	ADV	
Adult & Social Services & Housing	91,944	(36,996)	54,948	54,892	56	ADV	
Resources & Support Services	66,731	(48,976)	17,755	18,568	(813)	FAV	
Development & Major Projects	2,050		2,050	1,935	115	ADV	
TOTAL COUNCIL	404,433	(272,169)	132,264	132,533	(269)	FAV	

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Appendix 3

CAPITAL MONITORING COVERING PERIOD APRIL TO DECEMBER FINANCIAL YEAR 2010-2011 Summary	Current Year		Prior Years		Budget			Forecast			Variance			
	Actuals £' 000's	Commitments £' 000's	Actual Spend to Date £' 000's	Total Spend £' 000's	Budget 2010/2011 £' 000's	Budget 2011/2012 £' 000's	Budget 2012/2013 £' 000's	Total Scheme Budget £' 000's H - O	Forecast 2010/2011 £' 000's	Forecast 2011/2012 £' 000's	Forecast 2012/2013 £' 000's	Total Scheme Forecast £' 000's	Current Year £' 000's	Scheme £' 000's
Total Service Delivery	9,456	2,448	11,903	14,070	16,450	1,129	249	31,898	17,723	3,007	249	35,050	1,274	3,152
Total Children Services	12,169	550	12,718	36,960	25,644	5,122	1,040	68,766	24,011	9,745	2,856	73,583	(1,633)	4,817
Total Adult Social Services & Housing	1,292	0	1,292	0	3,189	935	0	4,124	11	0	0	11	(3,178)	(4,113)
Total Resources & Support Services	4,155	194	4,349	1,374	8,339	398	0	10,111	6,243	4,638	0	12,256	(2,096)	2,145
Total Development & Major Projects	2,854	0	2,854	164,153	18,104	4,753	1,336	191,745	7,632	6,505	2,871	187,160	(10,472)	(4,585)
Total	29,926	3,191	33,117	216,557	71,725	12,337	2,625	306,644	55,621	23,896	5,976	308,060	(16,105)	1,415
Capital Contingency	0	0	0	0	6,518	500	500	7,518	6,806	500	500	7,806	288	288
GRAND TOTAL	29,926	3,191	33,117	216,557	78,243	12,837	3,125	314,162	62,427	24,396	6,476	315,866	(15,817)	1,703

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2010/2011 Revenue Virements for Approval

Appendix 4(i)

REF NO **REASON/ EXPLANATION** **CABINET MEMBER** **TRANSFER FROM** **Income (£'s)** **Expenditure (£'s)** **CABINET MEMBER** **TRANSFER TO** **Income (£'s)** **Expenditure (£'s)** **DESCRIPTION** **ONGOING EFFECTS**

The following virements are reported for approval under the Budget Management Scheme rules.

LOG	Norton Radstock Town Council Review	Resources [MH]	Other Miscellaneous Budgets	60,000	60,000	Resources [MH]	Council Solicitor & Democratic Services	0	60,000	60,000	Transfer from underspend within Corporate Budgets to further fund Norton Radstock Town Council constitutional review, as discussed by Group Leaders.	Budget virement one off
10#03												
OVERALL TOTALS				0	60,000	60,000		0	60,000	60,000		

2010/2011 Revenue Virements for Information

REF NO **REASON/ EXPLANATION** **CABINET MEMBER** **TRANSFER FROM** **Income (£'s)** **Expenditure (£'s)** **CABINET MEMBER** **TRANSFER TO** **Income (£'s)** **Expenditure (£'s)** **DESCRIPTION** **ONGOING EFFECTS**

INFO	Increase in Area Based Grant	Resources [MH]	Area Based Grant	40,389		Children's Services [CW]	Learning & Inclusion Health, Commissioning & Planning		3,300	24,300	Additional Area Based Grant from November 2010 Notification	Budget virement ongoing although adjustments to future years' cash limits will be required to reflect changes in grants.
10#39												
10#40	Food Waste Carry Forward	Service Delivery [CG]	Waste		237,300	Resources [MH]	Balances			237,300	Part allocation of £400k Food Waste Collection Budget into 2011/12 to reflect timing of implementation - as agreed by SDG November 2010.	Budget virement one off
10#41	Manor Road Community Woodland	Service Delivery [CG]	Planning Services		5,000	Service Delivery [CG]	Neighbourhood Services			5,000	Maintenance of Manor Road Community Woodland now being undertaken by Parks & Open Spaces team.	Budget virement is ongoing.
OVERALL TOTALS				66,769	9,708,656	9,775,425		1,015,587	8,759,838	9,775,425		

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Portfolio Cash Limits 2010/11 - Revenue Budgets

Appendix 4 (ii)

CABINET PORTFOLIO	Service	2010/11 Revised Cashlimit - Nov'10	Technical Adjustments, below BMS limits or already agreed - shown for information	Total Virements For Approval	2010/11 Revised Cashlimit - Feb'11
		£'000	£'000	£'000	£'000
Service Delivery	Transport Design & Projects	70			70
	Transportation Planning (including Public Transport)	5,260			5,260
	Park & Ride	(1,036)			(1,036)
	Planning Services	3,001	(5)		2,996
	Building Control & Land Charges	2			2
	Highways - Network Maintenance	7,143			7,143
	Highways - Transport & Fleet Management	(120)			(120)
	Customer Services - Overheads	2,173			2,173
	Car Parking (excluding Park & Ride)	(6,348)			(6,348)
	Waste	10,750	(237)		10,513
	Public Protection	1,177			1,177
	Neighbourhood Services	5,139	5		5,144
	Customer Access	1,904			1,904
	Libraries & Information	2,523			2,523
	Arts	711			711
	Tourism & Destination Management	1,198			1,198
	Heritage including Archives	(3,305)			(3,305)
	Leisure - Sports & Active Leisure	942			942
PORTFOLIO SUB TOTAL	31,185	(237)		30,947	
	Children, Young People & Families	12,615			12,615
	Learning & Inclusion	2,841	3		2,844
	Health, Commissioning & Planning	(104,529)	24		(104,505)
	Schools Budgets	115,237			115,237
PORTFOLIO SUB TOTAL	26,164	28		26,191	
Adult Social Services and Housing	Adult Services	51,520			51,520
	Housing	2,413			2,413
	Community Learning	127			127
	Adults Substance Misuse (DAT)	598			598
	Employment Development Service	235			235
PORTFOLIO SUB TOTAL	54,892			54,892	
Resources	Finance	1,401			1,401
	Support Services Change Programme	252			252
	Revenues & Benefits	1,110			1,110
	Transformation Service	767			767
	Council's Retained ICT Budgets	(1,069)			(1,069)
	Risk & Assurance Services	1,225			1,225
	Property Services	1,006			1,006
	Corporate Estate Including R&M	7,017			7,017
	Commercial Estate	(12,731)			(12,731)
	Traded Services	54			54
	Policy & Partnerships	2,289			2,289
	Performance Development	867			867
	Human Resources	967			967
	Chief Executive	444			444
	Communications & Marketing	551			551
	Council Solicitor & Democratic Services	2,451	13	60	2,523
	Hsg / Council Tax Benefits Subsidy	355			355
	Capital Financing / Interest	5,217			5,217
	Unfunded Pensions	1,709			1,709
	Other Miscellaneous Budgets	1,662			1,662
	Magistrates	22			22
	Coroners	351			351
	Environment Agency	205			205
	Pensions Provision	2,082			2,082
	One-off Headroom	53			53
	Inflation	299		(60)	239
	PORTFOLIO SUB TOTAL	18,555	13		18,567

Portfolio Cash Limits 2010/11 - Revenue Budgets

Appendix 4 (ii)

CABINET PORTFOLIO	Service	2010/11 Revised Cashlimit - Nov'10	Technical Adjustments, below BMS limits or already agreed - shown for information	Total Virements For Approval	2010/11 Revised Cashlimit - Feb'11
		£'000	£'000	£'000	£'000
	Major Projects Support	525			525
	Development & Regeneration	1,410			1,410
	PORTFOLIO SUB TOTAL	1,935			1,935
	NET BUDGET (EXCLUDES DSG)	132,730	(197)		132,533
	Schools - Dedicated Schools Grant (DSG)	98,898			98,898
	TOTAL BUDGET INCLUDING DSG	231,628	(197)		231,431

Sources of Funding (£'000)

Council Tax	76,777		76,777
Dedicated Schools Grant (DSG)	98,898		98,898
Revenue Support Grant	5,270		5,270
Redistributed Business Rates (NNDR)	36,289		36,289
Collection Fund Deficit (-) or Surplus (+)	846		846
Balances / Exceptional Risk Reserve	3,287	(237)	3,050
Area Based Grant	10,261	40	10,302
Total	231,628	(197)	231,431

Capital Virements - Additions & Reductions 2010/11

Appendix 5 (i)

REF NO	REASON / EXPLANATION	TRANSFER/FUNDING FROM	Income (£'s)	Expenditure (£'s)	TRANSFER TO	Income (£'s)	Expenditure (£'s)	Notes
CAP10#54 - 2010	Waste Vehicle Replacements	Service Supported Borrowing		484,000	Service Delivery - Waste Vehicles	484,000		Approved by Technical Adjustment in December
CAP10#55 - 2010	Harnessing Technology Grant	Government Grant	3,167		Children's Services - Harnessing Technology Grant		3,167	Approved by Technical Adjustment in December
CAP10#57 - 2010	Ralph Allen School Access Initiative	Government Grant & Government Supported Borrowing	598,000		Children's Services - Ralph Allen SAI		598,000	Approved by November Cabinet
CAP10#58 - 2010	School Kitchen Capital (St Saviour Juniors, Whichchurch Primary, Welton Primary, Somervale)	Government Grant & 3rd Party Contribution	407,650		Children's Services - School Kitchen Capital		407,650	Approved by November Cabinet
CAP10#59 - 2010	Primary Basic Need Schemes	Government Supported Borrowing & 3rd Party Contributions	157,000		Children's Services - Primary Basic Needs Scheme		157,000	Approved by November Cabinet
CAP10#60 - 2010	The Link KS3 Extension	Government Grant	350,000		Children's Services - The Link KS3 Extension		350,000	Approved by November Cabinet
CAP10#61 - 2010	Roman Bath Infrastructure Development	Service Supported Borrowing	100,000		Children's Services - Roman Baths Infrastructure Development		100,000	Approved by November Cabinet
CAP10#62 - 2010	Peasdown St John Internal Refurbishment	3rd Party Contribution (s106)	28,468		Children's Services - Peasdown St John Internal refurb		28,468	Approved by November Cabinet
CAP10#63 - 2010	DoH IT Improvement Grant	Government Grant	38,000		Adult Services - DoH IT Improvement Grant		38,000	Approved by November Cabinet
CAP10#64 - 2010	Wellsway Sports Hall - 6 Court	Service Supported Borrowing	400,000		Children's Services - Wellsway Sports Hall 6 Court		400,000	Approved by November Cabinet

REF NO	REASON / EXPLANATION	TRANSFER/FUNDING FROM	Income (£'s)	Expenditure (£'s)	TRANSFER TO	Income (£'s)	Expenditure (£'s)	Notes
CAP10#65 - 2010	Schools Devolved Capital	Government Grant		71,893	Children's Services - Devolved Capital	71,893		Approved by Technical Adjustment in December
CAP10#66 - 2010	Primary Basic Need - Bathampton	Government Supported Borrowing & 3rd Party Contributions		8,000	Children's Services - Basic Need Scheme Bathampton	8,000		Approved by Technical Adjustment in December
CAP10#67 - 2010	School Kitchen Capital (Somervale)	Government Grant & 3rd Party Contribution		10,000	Children's Services - School Kitchen Capital - Somervale	10,000		Approved by Technical Adjustment in December
CAP10#68 - 2010	Roof Repair - 1 New Bond Street	Service Supported Borrowing	50,000		Property Services - 1 New Bond Street		50,000	Approved by Technical Adjustment in December
OVERALL TOTALS			36,038,187	5,334,858		5,334,858	36,038,187	
				30,703,329			-30,703,329	

Capital Virements - Additions & Reductions 2011/12 - 2014/15

REF NO	REASON / EXPLANATION	TRANSFER/FUNDING FROM	Income (£'s)	Expenditure (£'s)	TRANSFER TO	Income (£'s)	Expenditure (£'s)	Notes
FUT10#13 - 2011	Waste Vehicle Replacements	Service Supported Borrowing	322,000		Service Delivery - Waste Vehicles		322,000	Approved by Technical Adjustment in December
FUT10#14 - 2011	Primary Basic Need Schemes	Government Supported Borrowing & 3rd Party Contributions		628,000	Children's Services - Primary Basic Needs Scheme		628,000	Approved by November Cabinet
FUT10#15 - 2011	The Link KS3 Extension	Government Grant	400,000		Children's Services - The Link KS3 Extension		400,000	Approved by November Cabinet
FUT10#16 - 2011	Primary Basic Need Schemes	Government Supported Borrowing & 3rd Party Contributions		31,000	Children's Services - Primary Basic Needs Scheme	31,000	0	Approved by Technical Adjustment in December
OVERALL TOTALS			11,907,031	1,658,390		1,658,390	11,907,031	
				10,248,641			-10,248,641	

Capital Programme by Portfolio - 2010/11

CAPITAL SCHEME	2010/11			
	Budget at 3rd Nov Cabinet	Additions to Programme agreed at Nov Cabinet	Additions to Programme to 2nd February	Current Budget at 2nd Feb Cabinet
	£000	£000	£000	£000
Customer Services				
Planning & Transport				
Local Transport Improvement Schemes	920			920
Two Tunnels	270			270
5 Arches	631			631
Rossiter Road	(0)			(0)
CIVITAS schemes	561			561
GBBN Construction	594			594
Bath Package Bid costs post PE	865			865
Bath Package Construction	0			0
Bath Package Scheme Property	793		42	835
Green Bus	127			127
	4,760	0	42	4,802
Environmental Services				
Highways				
Highways Maintenance Block	3,578			3,578
Highways Maintenance - top up	2,000			2,000
A4 Hicks Gate to Twerton Fork	242			242
A4 Station Road	42			42
Highways drainage survey (TAMP)	1			1
Passenger Transport				
Passenger Transport Fleet Replacement	944			944
Waste				
Waste Efficiency Initiatives	120			120
Kitchen Waste Containers	321			321
Vehicle Replacements - Waste	2,784		(484)	2,300
Route Planning Software	50			50
Weighbridge Replacement	30			30
Disposal Containers	9			9
Windsor Bridge MOT Facilities	60			60
Parking				
ANPR Bus Lane Enforcement Upgrade	30			30
Neighbourhoods				
Vehicle Replacement - Neighbourhoods	530			530
Play Area Equipment	66			66
Allotments	6			6
Haycombe Cemetery Extension	200			200
Mobile Technology - Litter Enforcement	35			35
	11,047	0	(484)	10,563
Tourism Leisure & Culture				
Roman Baths Site Development	301			301
Roman Baths Site Development - catering	512			512
Roman Bath Infrastructure Development	0	100		100
Bath Spring Water Strategy	164			164
Central Bath Toilet Facilities Grant	10			10
	987	100	0	1,087
	16,793	100	(442)	16,451

CAPITAL SCHEME	2010/11			
	Budget at 3rd Nov Cabinet	Additions to Programme agreed at Nov Cabinet	Additions to Programme to 2nd February	Current Budget at 2nd Feb Cabinet
	£000	£000	£000	£000
Childrens Services				
Extended schools services	76			76
Spend at school level - DFC non VA schools	2,317		(72)	2,245
Spend at School Level - VA Devolved Capital	15			15
Spend at school level - travel plans	59			59
Spend at school level - Harnessing Technology	10		3	14
Spend at school level - seed challenge	193			193
Spend at school level - private capital	339			339
Spend at school level - e-learning credits	0			0
Spend at school level - Specialist Schools Capital	100			100
Ralph Allen Schools Access Initiative	0	598		598
BSF Writhlington School	1,672			1,672
St Keyna School	33			33
Fosseway School	278			278
Schools Capital Maintenance Programme	461			461
Batheaston PCP	1,465			1,465
WASPS PCP	3,215			3,215
Midsomer Norton PCP	1,600			1,600
Bathford PCP	774			774
Writhlington Applied Learning Centre	3,129			3,129
Southside Regeneration	2,081			2,081
The link KS3 Extension	0	350		350
Aiming High for Disabled Children	137			137
Integrated Childrens System	(10)			(10)
ICT Grant for Mobile Technology	9			9
Play Pathfinder	385			385
Children's Centres	1,612			1,612
Children's Centre Improvement	66			66
Early Years IT packages for Children's Centres	45			45
Early Years small capital claims	83			83
Early Years Access & Quality	200			200
Spend at school level - Harnessing Technology	507			507
Writhlington - Childrens Trust Co-location project	479			479
Wellsway Sports Hall	907	400		1,307
Beechen Cliff Artificial Turf Pitch	500			500
Youth Capital	57			57
Peasdown St John Early Years Element	49			49
Peasdown St John Internal Refurbishment	0	28		28
Primary Basic Need Schemes	0	157	(8)	149
School Kitchen Capital	0	408	(10)	398
C&F minor works	28			28
Chew Valley Construction LA contribution	52			52
LA Contribution to capital - St Stephens				
Medium Schemes	(70)			(70)
Small Schemes	833			833
Chew Stoke Primary Classroom Extension	104			104
	23,789	1,941	(87)	25,643
Adult Care & Health Service Delivery				
Social Care IT Infrastructure	0	38		38
Adult Care & Health Commissioning				
Remedial Repairs	6			6
Freedom from Fuel Poverty	78			78
Social Housing Grant	1,368			1,368
Community Resource Centres	11			11
Carrswood Terrace	(2)			(2)
Disabled Facilities Grant	1,000			1,000
Private Sector Renewal	689			689
	3,151	38	0	3,189

CAPITAL SCHEME	2010/11			
	Budget at 3rd Nov Cabinet	Additions to Programme agreed at Nov Cabinet	Additions to Programme to 2nd February	Current Budget at 2nd Feb Cabinet
	£000	£000	£000	£000
Support Services				
Property & Facilities				
Corporate Estate Planned Maintenance	981		50	1,031
Risk Assessment/Disabled Access (DDA)	538			538
Property Services Estates Capital	0			0
Blue Coat House	144			144
Support Services - non-Property				
Agresso update (5.5)	144			144
Government Connect Project	28			28
Critical Application Upgrade	33			33
IT Infrastructure Upgrade Projects	208			208
IT Management Systems	255			255
Modern Gov Implementation	26			26
	2,357	0	50	2,407
Development & Major Projects				
Combe Down Stone Mines (HCA)	8,411			8,411
Combe Down Stone Mines (Council)	526			526
Combe Down Stone Mines - Foxhill	10			10
Southgate (Multi)	286			286
Southgate (Council)	261			261
Spa	24			24
Public Realm - Wayfinding	1,196			1,196
Public Realm - Preparatory Projects	687			687
Public Realm - Union Street/Stall Street	1,589			1,589
	12,991	0	0	12,991
Corporate				
BWR				
BWR Council Project Team	994			994
BWR - Affordable Housing Contribution	1,419			1,419
BWR - Infrastructure Contribution	2,700			2,700
Replacement Council Offices				
Keynsham & Regeneration	361			361
Programme Office	(39)			(39)
Change Management (new ways of working)	(136)			(136)
The Hollies	(15)			(15)
Short Term - including Lewis House Refurbishment	2,790			2,790
Medium Term Replacement Council Offices	2,971			2,971
	11,045	0	0	11,045
TOTAL	70,125	2,079	(479)	71,726
Contingency	6,559		(42)	6,517
GRAND TOTAL	76,684	2,079	(521)	78,243

Sources of Funding (£'000)				
Government Supported Borrowing	3,467	505	(8)	3,964
EU/Government Grant	22,442	1,016	(69)	23,389
Capital Receipts (inc RTB)	4,141			4,141
Revenue	3,594	0		3,594
Service Supported Borrowing	14,226	500	(434)	14,292
Unsupported Borrowing (inc Inter Yr Adjustments)	26,405		0	26,405
s106 Contribution	305	28		333
Other 3rd Party	2,105	30	(10)	2,125
Total	76,685	2,079	(521)	78,243

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2010/11 Capital Programme Approvals

Changes in Budget

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 onwards £'000	Total £'000
Funding Source						
Project Approvals						
14-19 Diploma Capital - Norton Hill	617					617
14-19 Diploma Capital - Somervale	340					340
14-19 Diploma Capital - Programme	60					60
Beechen Cliff Music Block	321	429				750
ICS Grant	37					37
School Kitchen Capital - Phase 2	229					229
Specialist School Capital - Chew Valley & Wellsway	45					45
Ralph Allen Applied Learning Centre 10/11	105					105
Property Disposals - Cost of Sales	128					128
Vehicle Replacement Programme 10/11 & 11/12 - Neighbourhoods	351					351
Department of Health IT Infrastructure Grant	101					101
Total	2,334	429	0	0	0	2,763

Changes in Funding

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 onwards £'000	Total £'000
Funding Approvals						
Government Grant	1,802	179				1,981
Service Supported Borrowing	351	0				351
Unsupported Borrowing		250				250
Capital Receipts inc RTB receipts	128	0				128
Third Party Contributions inc 106 Revenue Contribution	53					53
Total	2,334	429	0	0	0	2,763

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Bath & North East Somerset Council		
MEETING:	Cabinet	
MEETING DATE:	2nd February 2011	
TITLE:	Treasury Management Strategy Statement and Annual Investment Strategy 2011/12	EXECUTIVE FORWARD PLAN REFERENCE: E 2223
WARD:	All	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Appendix 1 - Treasury Management Strategy 2011/12 Appendix 2 - Annual Investment Strategy 2011/12 Appendix 3 - Authorised Lending List</p>		

1 THE ISSUE

- 1.1 In February 2010, the Council adopted the revised CIPFA Treasury Management in Public services Code of Practice, which requires the Council to approve a Treasury Management Strategy before the start of each financial year and for this to be scrutinised by an individual / group of individuals or committee.
- 1.2 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- 1.3 The Act therefore requires the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy; this report sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

2 RECOMMENDATION

The Cabinet agrees to:

- 2.1 recommend the actions proposed within the Treasury Management Strategy Statement (Appendix 1) to February Council for approval.
- 2.2 recommend the borrowing and debt rescheduling strategy as detailed in Appendix 1 to February Council for approval.
- 2.3 recommend the Investment Strategy as detailed in Appendix 2 to February Council for approval.

2.4 recommend the changes to the authorised lending lists detailed in Appendix 2 and highlighted in Appendix 3 to February Council for approval.

The Cabinet is also asked to:

2.5 Note the Prudential Indicators detailed in Appendix 1 and delegate authority for updating the indicators prior to approval at Full Council on 16th February 2010 to the Divisional Director - Finance and Cabinet Member for Resources, in light of any changes to the recommended budget as set out in the Budget Report elsewhere on the agenda for this meeting.

3 FINANCIAL IMPLICATIONS

3.1 Included in the report and appendices.

4 CORPORATE PRIORITIES

4.1 This report is of a corporate and technical nature and therefore does not directly contribute to individual Corporate Priorities.

5 THE REPORT

Background

5.1 The Local Government Act 2003 requires the Council to ‘have regard to’ the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.

5.2 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy; this sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments.

5.3 The suggested strategy for 2011/12 in respect of the following aspects of the treasury management function is based on the Treasury Officers’ views on interest rates, supplemented with leading market forecasts provided by the Council’s treasury advisor.

The strategy covers:

•	Treasury limits in force which will limit the treasury risk and activities of the Council;
•	Prudential Indicators;
•	The current treasury position;
•	The borrowing requirement;
•	Prospects for interest rates;
•	The borrowing strategy;
•	Debt rescheduling;
•	The investment strategy.

5.4 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

1. increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
2. any increases in running costs from new capital projects, and
3. increases in the Minimum Revenue Provision for capital expenditure

are limited to a level which is affordable within the projected income of the Council for the foreseeable future

5.5 The revised CIPFA Treasury Management in Public services Code of Practice, adopted by Council in February 2010, requires the Treasury Management Strategy and policies to be scrutinised by an individual / group of individuals or committee. This report is tabled to be scrutinised by the Corporate Audit Committee at the 1st February 2010 meeting, following which any recommendations will be reported back verbally as an update to this report.

2011/12 Treasury Management & Annual Investment Strategy

5.6 The Prudential Code was introduced for the first time in 2004/05. The Strategy Statement for 2010/11 set Prudential Indicators for 2010/11 – 2012/13, which included a total borrowing requirement at the end of 2010/11 of £105 million. At the end of December 2010, external borrowing was at £90 million, with no further borrowing planned in the 2010/11 financial year. There is a full provision for this borrowing within the Council's revenue budget.

5.7 The proposed Treasury Management Strategy is attached at Appendix 1 and includes the Prudential Indicators required by the Prudential Code. The Prudential Indicators contained within this report are currently draft and could be affected by changes made to the capital programme, following decisions on the budget report which is also on the agenda for this meeting. It is therefore requested that the Cabinet grant delegated authority to the Divisional Director - Finance and the Cabinet Member for Resources to agree any changes to the indicators prior to reporting for approval at Full Council on the 15th February 2011.

5.8 Although the Prudential Indicators provide for a maximum level of total borrowing, this should by no means be taken as a recommended level of borrowing as each year affordability needs to be taken into account together with other changes in circumstances, for example revenue pressures, levels and timing of capital receipts, changes to capital projects spend profiles, and levels of internal cash balances.

5.9 The budget report, which is also on the agenda, includes full provision for the revenue costs of proposed borrowing recognising the affordability of the capital programme including the significant efficiency savings which will be generated as a result.

- 5.10 Appendix 1 also details the Council's current portfolio position as at 31st December 2010, which shows after the netting off of the £76.1 million investments, the Council's net debt position was £13.9 million.
- 5.11 The potential generation of significant capital receipts of up to £100m over the next five years to invest in and implement the Public Realm & Movement Strategy and other necessary infrastructure for the future sustainable development of the area, as detailed in the Future Council report from the agenda of 3rd November 2010 Cabinet, could lead to a decrease in the future borrowing requirement of the Council as they are potentially applied to support planned capital projects.
- 5.12 The Annual Investment Strategy is attached at Appendix 2. This sets 'outer limits' for treasury management operations. While the strategy uses credit ratings in a "mechanistic" way to rule out counterparties, in operating within the policy Officers complement this with the use of other financial information when making investment decisions, for example Credit Default Swap (CDS) Prices, Individual Ratings, financial press. This has been the case in recent years, which protected the Council against losses of investment in Icelandic banks.
- 5.13 The Counterparty listing in Appendix 3 includes credit ratings from three agencies, as well as a sovereign rating for each country. Counterparties who now meet the minimum criteria as recommended in Appendix 2 as at 31st December 2010 are included in the listing in Appendix 3.
- 5.14 Interest rate forecasts from the Council's Treasury advisors are included in Appendix 1.

6 RISK MANAGEMENT

- 6.1 The report author and Lead Executive member have fully reviewed the risk assessment related to the issue and recommendations, in compliance with the Council's decision making risk management guidance.
- 6.2 The Council's lending & borrowing list has been regularly reviewed over the past year and credit ratings are monitored throughout the year. All lending/borrowing transactions are within approved limits and with approved institutions. Investment & Borrowing advice is provided by our Treasury Management Advisers Sterling.

7 EQUALITIES

- 7.1 This report provides information about the Council's Treasury Management Strategy and therefore no specific equalities impact assessment was carried out.

8 RATIONALE

- 8.1 This report is a statutory requirement.

9 OTHER OPTIONS CONSIDERED

9.1 None.

10 CONSULTATION

10.1 Consultation has been carried out electronically with the Deputy Leader of The Council & Cabinet Member for Resources, Section 151 Finance Officer, Chief Executive and Monitoring Officer.

11 ISSUES TO CONSIDER IN REACHING THE DECISION

11.1 This report deals with issues of a corporate nature.

12 ADVICE SOUGHT

12.1 The Council's Monitoring Officer (Council Solicitor) and Section 151 Officer will have had the opportunity to input to this report and have cleared it for publication.

Contact person	<i>Tim Richens - 01225 477468 ; Jamie Whittard - 01225 477213</i> Tim_Richens@bathnes.gov.uk Jamie_Whittard@bathnes.gov.uk
Sponsoring Cabinet Member	<i>Cllr Malcolm Hanney</i>
Background papers	<i>None</i>
Please contact the report author if you need to access this report in an alternative format	

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APPENDIX 1

TREASURY MANAGEMENT STRATEGY – 2011/2012

Treasury Limits for 2011/12 to 2013/14

It is a statutory duty under s.3 of the Local Government Act 2003, and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. This amount is termed the 'Affordable Borrowing Limit'.

The Council must have regard to the Prudential Code when setting the Affordable Borrowing Limit. The Code requires an authority to ensure that its total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is 'acceptable'.

The Affordable Borrowing Limit must include all planned capital investment to be financed by external borrowing and any other forms of liability, such as credit arrangements. The Affordable Borrowing Limit is to be set on a rolling basis for the forthcoming year and two successive financial years.

Prudential Indicators for 2011/12 – 2013/14

The following prudential indicators are relevant for the purposes of setting an integrated treasury management strategy.

The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The revised code was formally adopted by Council in February 2010.

In addition, the Department for Communities and Local Government (CLG) issued revised guidance on Local Authority investments in March 2010, which require the Council to approve an investment strategy before the start of each financial year.

Treasury Management Prudential Indicators for 2011/12 – 2013/14

PRUDENTIAL INDICATOR	2009/10	2010/11	2011/12	2012/13	2013/14
Treasury Management Indicators	£'000	£'000	£'000	£'000	£'000
Authorised limit for external debt					
These limits include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over & above the operational limit for unusual cash movements. The increase between 2010/11 and 2011/12 reflects the borrowing requirement of the 3 year Capital Programme, enabling the Council to have flexibility in using financial instruments to borrow in advance of need.					
borrowing	85,000	115,000	201,000	201,000	207,000
Other long term liabilities	2,000	3,000	3,000	3,000	3,000
Cumulative Total	87,000	118,000	204,000	204,000	210,000
Operational limit for external debt					
The operational boundary for external debt is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements and without the capacity for borrowing in advance of need.					
borrowing	80,000	105,000	150,000	177,000	204,000
other long term liabilities	2,000	2,000	2,000	2,000	2,000
Cumulative Total	82,000	107,000	152,000	179,000	206,000
Interest Rate Exposures					
These indicators are set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest exposures, expressed as the amount of net principle borrowed will be:					
Upper limit for fixed interest rate exposure					
This is the maximum amount of total net borrowing which can be at fixed interest rate.	£82m	£107m	£204m	£204m	£206m
Upper limit for variable interest rate exposure					
While fixed rate interest contributes significantly to reducing uncertainty surrounding interest rate changes, the pursuit of optimum performance levels may justify keeping a degree of flexibility through the use of variable interest rates.					
This is the maximum amount of total borrowing which can be at variable interest rates less any investments at variable interest rates (including fixed rate investments under 12 months).	£41m	£20m	£0m	£0m	£0m

Upper limit for total principal sums invested for over 364 days					
The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The indicator sets an upper limit for longer term investments that represent its core cash balances that are unlikely to be needed for short term cash flow purposes.					
	2009/10	2010/11	2011/12	2012/13	2013/14
The maximum % of total investments which can be over 364 days.	80%	25%	25%	25%	25%

Maturity structure of borrowing

The following indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

Maturity Structure of fixed rate borrowing	Upper limit	Lower limit
Under 12 months	50%	NIL
12 months and within 24 months	50%	NIL
24 months and within 5 years	50%	NIL
5 years and within 10 years	50%	NIL
10 years and above	100%	NIL

This indicator applies to the financial years 2011/12, 2012/13 and 2013/14. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Current Portfolio Position

The Council's treasury portfolio position at 31st December 2010 comprised:

	Principal	Ave. rate
	£m	%
Total Fixed rate funding	PWLB 70	4.26
Variable rate funding	Market 20	4.50*
Other long term liabilities	Nil	N/A
TOTAL DEBT	90	4.32
TOTAL INVESTMENTS**	76.1	1.09
NET DEBT	13.9	-

* The market loans are 'lenders options' or LOBO's. These are fixed at a relatively low rate of interest for an initial period but then revert to a higher rate of 4.5%. When the initial period is over the loans are then classed as variable, as the lender has the option to change the interest rate at 6 monthly intervals, however at this point the borrower has the option to repay the loan without penalty.

** Total Investments includes Schools balances where schools have not opted for an external bank account and cash balances related to PCT Pooled budgets and West of England Growth Points funding.

Prospects for Interest Rates

The Council has appointed Sterling Treasury Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following section gives their commentary on the economic context and views on the prospects for future interest rates.

Economic Context

The strength of the UK economy's recovery from recession has surprised analysts and policymakers alike. A 2.0% increase in the six months to September left gross domestic product 2.8% higher than a year ago. Economic activity has been boosted by three main factors: the exceptionally loose stance of monetary policy, the lower value of sterling and the recovery in international trade. With exports cheaper because of the depreciation of sterling, the recovery in global trade has primarily benefited the manufacturing sector

Despite the recession, inflation has remained stubbornly high. The annual change in the consumer price index increased to 3.2% in October, and has been above the 2% target for 36 of the past 45 months. A number of factors have boosted consumer price inflation. The resumption of the 17.5% VAT rate, a rise in commodity prices and higher import prices due to the past depreciation of sterling have acted to offset the effect from weaker domestic demand.

The current factors boosting inflation are considered temporary by members of the Bank of England's Monetary Policy Committee (MPC) and not representative of the underlying demand and supply situation. Inflation is expected to remain above target throughout 2011, but fall below target in 2012 as the effect of these temporary factors wanes. This outlook is driven by the expectation that potential supply comfortably exceeds demand, and that this significant margin of spare capacity will bear down on pricing pressure. The continuing poor availability of credit and forthcoming fiscal tightening are expected to weigh on domestic demand throughout the forecast period.

The outlook suggests the MPC will look to maintain the current level of accommodative monetary policy to support demand in the face of considerable headwinds. Our central forecast therefore sees Bank Rate remaining at 0.5% for most of 2011, and although rising thereafter, remaining below "normal" levels until 2013. Longer-term interest rates are likely to rise slowly as the economic situation improves and government borrowing increases, but the rate of increase will be tempered by the coalition government's austerity measures and the safe haven status of UK government debt.

The high level of uncertainty surrounding the economic and geo-political outlook means there are substantial risks to both the up- and downside. The speed of monetary tightening depends on the recovery in domestic demand, which in turn depends on private sector confidence and the strength of the global economy. Long-term rates may rise more significantly if risk appetite increases due to faster economic growth or, if planned spending cuts undershoot expectations, the government loses investor confidence. Equally rates could fall in the event of a sovereign default or non-financial event, as long as the UK retains its safe haven status.

Sterling Consultancy Services central interest rate forecast – November 2010

	<i>Bank Rate</i>	<i>1 month LIBOR</i>	<i>3 month LIBOR</i>	<i>12 month LIBOR</i>	<i>25 year PWLB</i>
<i>Current</i>	0.50	0.57	0.74	1.47	5.26
<i>Q1 2011</i>	0.50	0.60	0.80	1.60	5.45
<i>Q2 2011</i>	0.50	0.60	0.90	2.00	5.55
<i>Q3 2011</i>	0.50	0.60	1.00	2.50	5.65
<i>Q4 2011</i>	1.00	1.10	1.50	2.75	5.75
<i>H1 2012</i>	2.00	2.10	2.50	3.50	5.85
<i>H2 2012</i>	3.00	3.10	3.50	4.25	5.95
<i>H1 2013</i>	4.00	4.10	4.50	5.00	6.05

HM Treasury Survey of Forecasts – November 2010

	<i>Average annual Bank Rate %</i>			
	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
<i>Highest</i>	1.8	3.1	3.6	4.5
<i>Average</i>	0.7	1.5	2.5	3.1
<i>Lowest</i>	0.5	0.5	0.6	1.2

Sterling's current interest rate view is that Bank Rate: -

- Will remain at 0.5% until the first half of 2011 when it will increase to 1% followed by further 1% increases during the second half of 2011, the first half of 2012 and again in the second half of 2012, taking the rate to 4%.

The Council has budgeted for interest rates at 1.0% for 2011/12, 2.0% for 2012/13 & 3.0% thereafter. This is broadly in line with Sterling's view of 1.13%, 2.02% & 2.97% based on 3 month LIBOR rates.

Borrowing Strategy

The Council currently holds £90 million of long-term loans. No further borrowing is anticipated during the remainder of 2010/11.

The Council's capital financing requirement (CFR, or underlying need to borrow) as at 31st March 2011 is expected to be £125 million, and is forecast to rise to £151 million by March 2012 as capital expenditure is incurred.

The maximum expected long-term borrowing requirement for 2011/12 is:

	£m
Not borrowed in previous years	35
Forecast increase in CFR	26
Loans maturing in 2011/12	0
TOTAL	61

Looking at available borrowing instruments may now be cost effective in light of changes to PWLB borrowing rate increases. However, depending on the pattern of interest rates during the year, it may be more beneficial to defer borrowing until later years, and to temporarily reduce the size of the Council's investment balance instead. The capital financing budget for borrowing in 2011/12 assumes borrowing of £35 million is taken during the year.

In addition, the Council may borrow for short periods of time (normally up to two weeks) to cover unexpected cash flow shortages.

Sources of borrowing

The approved sources of long-term and short-term borrowing will be:

- Public Works Loan Board
- any institution approved for investments as listed in the Authorised Counterparty List
- any other bank or building society on the Financial Services Authority list
- Public or Private Bond Placement

Debt instruments

Loans will be arranged by one of the following debt instruments:

- fixed term loans at fixed or variable rates of interest, subject to the Prudential Indicators above.
- lender's option borrower's option (LOBO) loans, subject to limits on variable rate borrowing set out in the Prudential Indicators above.
- bonds

As an alternative to borrowing loans, the Council may also finance capital expenditure and incur long-term liabilities by means of:

- leases
- Private Finance Initiative

Borrowing strategy to be followed

With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to not borrow and reduce the level of investments held instead. However, with long-term rates forecast to rise in the coming years, any such short-term savings will need to be balanced against potential longer-term costs. Officers will keep the

borrowing strategy under review during the year and take advice from our external advisers with reference to movements in the differential between short term and long term interest rates.

The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board. However, the government's recent decision to raise the interest rates on new PWLB loans by around 0.85% means that other sources of finance may now be more favourable. In light of this the Council will be exploring alternative methods of borrowing which may be more cost effective. One example would be a Bond Issue where indicative savings of 0.25% to 0.50% over PWLB rates may be achievable.

The Public Works Loan Board allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Council may take advantage of this and replace some higher rate loans with new loans at lower interest rates where this will lead to an overall saving or reduce risk.

All rescheduling will be reported in the next available Treasury Management Monitoring report following its action with all rescheduling detailed in the annual review report.

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APPENDIX 2

ANNUAL INVESTMENT STRATEGY

Investment Policy

The Council will have regard to the CLG's Guidance on Local Authority Investments and CIPFA's Treasury Management in Public Services Code of Practice. Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the **security** and **liquidity** of its investment before seeking the highest rate of return, or **yield**.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

The strategy of this policy is to set outer limits for treasury management operations. In times of exceptional market uncertainty, Council Officers will operate in a more restrictive manner than the policy allows, as has been the case during the last three years.

Avon Pension Fund Investments

The Council's Treasury Management team also manage the Avon Pension Fund's internally held cash on behalf of the Fund. New regulations required that this cash is accounted for separately and needs to be invested separately from the Council's cash, and the split has been managed this way since 1 April 2010. The Fund's investment managers are responsible for the investment of cash held within their portfolios and this policy does not relate to their cash investments.

The cash balance held internally is a working balance to cover pension payments at any point in time and as a result the working balance will be c. £10 million. This working balance represents around 0.5% of the overall assets of the Fund. These investments will operate within the framework of this Annual Investment Strategy, but the maximum counterparty limit and investment term with any counterparty were set by the Avon Pension Fund Committee at its meeting on 18th December 2009. These limits are in addition to the Council's limits for counterparties as set out in Appendix 3.

Specified Investments

Specified investments are those expected to offer relatively high security and liquidity, and can be entered into with the minimum of formalities. The CLG Guidance defines specified investments as those:

- denominated in pounds sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of “high credit quality”.

The Council defines the following as being of “high credit quality” for making specified investments, subject to the monetary and time limits shown.

	Maximum Monetary limit	Time limit (or notice)
Banks and building societies holding long-term credit ratings no lower than A or equivalent, short-term credit ratings no lower than F1 or equivalent and Support Ratings no lower than 3 or equivalent	£20m each (highest limit) ¹	12 months
UK building societies not meeting the above criteria that have a minimum asset size of £4bn and a long-term rating of BBB or above and short-term credit rating of F2 or above.	£2m each	3 months
Money market funds ² holding the highest possible credit ratings (AAA)	£5m each	1 week
UK Central Government (Including Debt Management Agency Deposit Facility)	no limit	12 months
UK Local Authorities ³	£5m each	12 months

¹ banks within the same group ownership are treated as one bank for limit purposes; Within this category and in accordance with the Code, The Council has set additional criteria to set the time limit and amount of monies which will be invested. The countries from which banks the Council can invest are detailed in the paragraph “Foreign Countries” below

² as defined in the Local Authorities (Capital Finance and Accounting) Regulations 2003

³ as defined in the Local Government Act 2003

The Council will continue its policy of using increased counterparty limits (£20m) in relation to investments with UK banks & Building Societies that have either already or are likely to receive support from the UK Government should they experience financial difficulties. These limits will only apply while the Fitch “Support” rating remains at the highest level (Level 1). This is restricted to the following banks and Building Societies:

Barclays Bank, HSBC Bank, Lloyds Banking Group (Lloyds TSB & Bank of Scotland), Royal Bank of Scotland Group (Nat West & Royal Bank of Scotland) and Nationwide Building Society.

Building Societies

UK building societies with lower credit ratings will be considered to be of “high credit quality”, but subject to a lower cash limit and shorter time limit than rated societies. The Council takes additional comfort from the building societies’ regulatory framework and insolvency regime where, in the unlikely event of a building society liquidation, the Council’s deposits would be paid out in preference to retail depositors. Investments in lower rated and unrated building societies will be reviewed if the insolvency regime is amended in future.

However, no investments will be made with building societies that hold a short-term credit rating lower than F2 or equivalent or a long-term credit rating of BBB or equivalent due to the increased likelihood of default implied by this rating.

Money market funds

Money market funds are pooled investment vehicles consisting of instruments similar to those used by the Council. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Fees of between 0.10% and 0.20% per annum are deducted from the interest paid to the Council.

The highest quality funds currently hold AAA credit ratings, although the rating scales applicable to money market funds are currently under review. Should the rating system change, funds holding ratings deemed to be equivalent to AAA will still be considered to be of “high credit quality”.

Non-Specified Investments

Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments in foreign currencies, nor any with low credit quality bodies, nor any that are defined as capital expenditure by legislation (such as company shares or corporate bonds).

Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement. The maximum duration of the investment will depend upon its lowest published long-term credit rating and whether it is a UK counterparty:

Long-term credit rating	Time limit (UK)	Time limit (Foreign)
AAA	5 years	5 years
AA+	2 years	2 years
AA	2 years	N/A
AA-	2 years	N/A

The time limit for long-term investments in UK Local Authorities will be five years.

Long-term investments will be limited to 50% of a banks total counterparty limit where it meets the above credit rating criteria (except the UK Government). The combined value of short-term and long-term investments with any organisation will not exceed the limits for specified investments highlighted above.

The total limit on long-term investments, and the total limit on non-specified investments is 25% of total investments.

Information on the security of investments

Full regard will be given to available information on the credit quality of banks and building societies, including credit default swap prices, financial statements and rating agency reports. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria set out above.

Use of Credit Ratings

The Council uses credit ratings from the three main rating agencies Fitch Ratings Ltd, Moody's Investors Service and Standard & Poor's to assess the risk of loss of investments. The lowest available credit rating will be used to determine credit quality.

In light of the experience of Government support to banks over the past year, and the likelihood this will continue, the Council will not be restricted on the "Individual" rating to assess counterparties, placing more reliance on the "Support" ratings to supplement long and short term ratings. Support Ratings are the Ratings Agencies assessment of a potential supporter's propensity to support a bank, and of its ability to support it. Support Ratings do not assess the intrinsic credit quality of a bank. Rather they communicate the agency's judgment on whether the bank would receive support should this become necessary. Although the Council will no longer be restricted by "Individual" ratings, they will still be considered as part of the overall investments decision making process. This move to no longer place such high reliance on "Individual" ratings has been suggested by our external adviser.

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings on a daily basis as they occur, and the counterparty listing is updated immediately. Where an institution has its credit rating downgraded so that it fails to meet the above criteria then:

- no new investments will be made,
- any existing investments that can be recalled at no cost will be recalled, and
- full consideration will be given to the recall of any other existing investments

Where a credit rating agency announces that it is actively reviewing an organisation's credit ratings with a view to downgrading it so that it is likely to fall below the above criteria, no further investments will be made until the outcome of the review is announced.

If further counterparties are identified during the year that meet the minimum credit rating criteria and conform to the other criteria set out in the Treasury Management Practice Schedules, they can be added to the lending list following the agreement of the Section 151 Officer and the Cabinet Member for Resources.

Investment instruments

Investments may be made using any of the following instruments:

- interest paying bank accounts
- fixed term deposits
- call or notice deposits (where the Council can demand repayment)
- callable deposits (where the bank can make early repayment)
- certificates of deposit
- treasury bills and gilts issued by the UK Government
- bonds issued by multilateral development banks (*e.g. the EIB*)
- AAA money market funds

Investments may be made at either a fixed rate of interest, or at a variable rate linked to a market interest rate, such as LIBOR.

Foreign countries

Investments in foreign countries will be limited to those that hold a AAA or AA+ sovereign credit rating from all three major credit rating agencies, and to a maximum of £15 million per country. Banks that are domiciled in one country but are owned in another country will need to meet the rating criteria of and will count against the limit for both countries. There is no limit on investments in the UK.

Liquidity management

The Council regularly reviews and updates its cash flow forecasts to determine the maximum period for which funds may prudently be committed. Limits on long-term investments are set by reference to the Council's medium term financial plan, levels of reserves and cash flow forecast.

Planned investment strategy for 2011/12

Investments are made in three broad categories:

- Short-term – cash required to meet known cash outflows in the next month, plus a contingency to cover unexpected cash flows over the same period.

- Medium-term – cash required to manage the annual seasonal cash flow cycle, including amounts to cover forecast shortages, planned uses of reserves, and a longer-term contingency.
- Long-term – cash not required to meet cash flows, and used primarily to generate investment income.

Short-term funds are required to meet cash flows occurring in the next month or so, and the preservation of capital and liquidity is therefore of paramount importance. Generating investment returns is of limited concern here, although it should not be ignored. Bank deposit accounts will be the main methods used to manage short-term cash.

Medium-term funds which may be required in the next one to twelve months will be managed concentrating on security, with less importance attached to liquidity but a slightly higher emphasis on yield. The majority of investments in this period will be in the form of fixed term deposits with banks and building societies. Preference will continue to be given to investments with UK banks with high credit ratings, on the basis that they either had already or were likely to receive support from the UK Government should they experience financial difficulties. The higher counterparty limits assigned to these banks facilitates this approach.

Cash that is not required to meet any liquidity need can be invested for the longer term with a greater emphasis on achieving returns that will support spending on local authority services. Decisions on making longer term investments (i.e. over 1 year) will be considered during the year after taking account of the interest rate yield curve, levels of core cash and the amount of temporary internal borrowing related to funding of capital spend.

With short-term interest rates currently much lower than long-term rates, due consideration will also be given to using surplus funds to make early repayments of long-term borrowing. In addition to the savings on the interest rate differential, this strategy will also reduce the Council's exposure to credit risk and interest rate risk.

Review Reports

The revised CIPFA Code of Practice requires that both mid year and annual review reports on treasury activities are reported to Full Council.

Other Matters

The revised CLG Investment Guidance also requires the Council to note the following matters each year as part of the investment strategy:

Investment consultants

The Council contracts with Sterling Consultancy Services to provide advice and information relating to its investment and borrowing activities. However, responsibility for final decision making remains with the Council and its officers. The services received include:

- advice and guidance on relevant policies, strategies and reports,
- advice on investment decisions,
- notification of credit ratings and changes,
- other information on credit quality,
- advice on debt management decisions,
- accounting advice,
- reports on treasury performance,
- forecasts of interest rates, and
- training courses.

The quality of this service is monitored by officers on a regular basis, focusing on supply of relevant, accurate and timely information across the headings above.

Investment training

The needs of the Council's treasury management staff for training in investment management are assessed every year as part of the staff performance development review process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by Sterling Consultancy Services and CIPFA.

Investment of money borrowed in advance of need

The Council may, from time to time, borrow in advance of spending need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £204 million. The maximum periods between borrowing and expenditure is expected to be two years, although the Council does not link particular loans with particular items of expenditure.

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Proposed Counterparty List

2011/12

CRITERIA										
			FITCH RATINGS			Moody's Ratings		S&P Ratings		
			S/Term	L/Term	Support	S/Term	L/Term	S/Term	L/Term	
Duration	Council Limit (£m)		F1	A	3	P-1	A2	A-1	A	
UK Banks										
Sovereign Rating			AAA			Aaa		AAA		
Barclays Bank	2 Years	20	F1+	AA-	1	P-1	Aa3	A-1+	AA-	
HSBC Bank plc	2 Years	20	F1+	AA	1	P-1	Aa2	A-1+	AA	
Lloyds Banking Group										
Lloyds TSB Bank	2 Years	20	F1+	AA-	1	P-1	Aa3	A-1	A+	
Bank of Scotland	2 Years	20	F1+	AA-	1	P-1	Aa3	A-1	A+	
RBS Group										
National Westminster Bank	2 Years	20	F1+	AA-	1	P-1	Aa3	A-1	A+	
Royal Bank of Scotland	2 Years	20	F1+	AA-	1	P-1	Aa3	A-1	A+	
Standard Chartered Bank	3 Months	5	F1+	AA-	3	P-1	A1	A-1	A+	
UK Building Societies										
Nationwide	6 Months	20	F1+	AA-	1	P-1	Aa3	A-1	A+	
Leeds	3 Months	5	F1	A	5	P-1	A2	-	-	
Coventry	3 Months	2	F1	A	5	P-2	A3	-	-	
Yorkshire	3 Months	2	F2	A-	5	P-2	Baa1	A-2	A-	
Skipton	3 Months	2	F2	A-	5	P-2	Baa1	-	-	
Principality	3 Months	2	F2	BBB+	5	P-2	Baa2	-	-	
Norwich & Peterborough	3 Months	2	F2	BBB+	3	P-2	Baa2	-	-	
Foreign Banks										
Australia										
Sovereign Rating			AA+			Aaa		AAA		
Australia & New Zealand Banking Group	6 Months	10	F1+	AA-	1	P-1	Aa1	A-1+	AA	
Commonwealth Bank of Australia	1 Year	10	F1+	AA	1	P-1	Aa1	A-1+	AA	
National Australia Bank										
Clydesdale Bank	6 Months	5	F1+	AA-	1	P-1	A1	A-1	A+	
National Australia Bank	1 Year	10	F1+	AA	1	P-1	Aa1	A-1+	AA	
Westpac Banking Corporation	6 Months	10	F1+	AA	1	P-1	Aa1	A-1+	AA	
Austria										
Sovereign Rating			AAA			Aaa		AAA		
Raiffeisen Zentralbank Österreich AG	3 Months	5	F1	A	1	P-1	A1	A-1	A	
Belgium										
Sovereign Rating			AA+			Aa1		AA+		
Dexia Bank										
Dexia Bank Belgium	3 Months	5	F1+	A+	1	P-1	A1	A-1	A	
Dexia Banque Internationale a Luxembourg	3 Months	5	F1+	A+	1	P-1	A1	A-1	A	
Dexia Credit Local	3 Months	5	F1+	A+	1	P-1	A1	A-1	A	
KBC Bank										
KBC Bank	3 Months	5	F1+	A	1	P-1	Aa3	A-1	A	
Canada										
Sovereign Rating			AAA			Aaa		AAA		
Bank of Montreal	6 Months	5	F1+	AA-	1	P-1	Aa2	A-1	A+	
Bank of Nova Scotia	6 Months	10	F1+	AA-	1	P-1	Aa1	A-1+	AA-	
Canadian Imperial Bank of Commerce	6 Months	5	F1+	AA-	1	P-1	Aa2	A-1	A+	
National Bank of Canada	3 Months	5	F1	A+	2	P-1	Aa2	A-1	A	
Royal Bank of Canada	6 Months	10	F1+	AA	1	P-1	Aaa	A-1+	AA-	
Toronto-Dominion Bank	6 Months	10	F1+	AA-	1	P-1	Aaa	A-1+	AA-	
Denmark										
Sovereign Rating			AAA			Aaa		AAA		
Danske Bank	3 Months	5	F1	A+	1	P-1	Aa3	A-1	A	
France										
Sovereign Rating			AAA			Aaa		AAA		
BNP Paribas										
BNP Paribas	6 Months	10	F1+	AA-	1	P-1	Aa2	A-1+	AA	
Fortis Bank	6 Months	5	F1+	A+	1	P-1	A1	A-1+	AA	
Caisse Federative du Credit Mutuel										
Banque Federative du Credit Mutuel	6 Months	5	F1+	AA-	1	P-1	Aa3	A-1	A+	
Credit Industriel et Commercial	6 Months	5	F1+	AA-	1	P-1	Aa3	A-1	A+	
Group BPCE										
BPCE	6 Months	5	F1+	A+	1	P-1	Aa3	A-1	A+	
Credit Foncier de France	3 Months	5	F1+	A+	1	P-1	Aa3	A-1	A	
Group Credit Agricole										
Credit Agricole	6 Months	10	F1+	AA-	1	P-1	Aa1	A-1+	AA-	
Credit Agricole Corp. & Investment Bank	6 Months	10	F1+	AA-	1	P-1	Aa3	A-1+	AA-	
Societe Generale	6 Months	5	F1+	A+	1	P-1	Aa2	A-1	A+	

**Proposed Counterparty List
2011/12**

CRITERIA										
Country	Sovereign Rating	Duration	Council Limit (£m)	FITCH RATINGS			Moody's Ratings		S&P Ratings	
				S/Term	L/Term	Support	S/Term	L/Term	S/Term	L/Term
				F1	A	3	P-1	A2	A-1	A
Germany	Sovereign Rating				AAA			Aaa		AAA
Commerzbank Group										
Commerzbank AG	3 Months	5		F1+	A+	1	P-1	Aa3	A-1	A
Deutsche Bank	6 Months	5		F1+	AA-	1	P-1	Aa3	A-1	A+
DZ Bank	6 Months	5		F1+	A+	1	P-1	Aa3	A-1	A+
Landesbank Hessen-Thuringen	3 Months	5		F1+	A+	1	P-1	Aa2	A-1	A
Netherlands	Sovereign Rating				AAA			Aaa		AAA
ING Bank NV	3 Months	5		F1+	A+	1	P-1	Aa3	A-1	A+
Rabobank Group	2 Years	10		F1+	AA+	1	P-1	Aaa	A-1+	AAA
Norway	Sovereign Rating				AAA			Aaa		AAA
DnB NOR Bank	3 Months	5		F1	A+	1	P-1	Aa3	A-1	A+
Singapore	Sovereign Rating				AAA			Aaa		AAA
Development Bank of Singapore	6 Months	10		F1+	AA-	1	P-1	Aa1	A-1+	AA-
Oversea-Chinese Banking Corp	3 Months	5		F1+	AA-	1	P-1	Aa1	A-1	A+
United Overseas Bank	3 Months	5		F1+	AA-	1	P-1	Aa1	A-1	A+
Sweden	Sovereign Rating				AAA			Aaa		AAA
Nordea Group										
Nordea Bank AB	6 Months	10		F1+	AA-	1	P-1	Aa2	A-1+	AA-
Nordea Bank Finland plc	6 Months	10		F1+	AA-	1	P-1	Aa2	A-1+	AA-
Skandinaviska Enskilda Banken (SEB)	3 Months	5		F1	A+	1	P-1	A1	A-1	A
Svenska Handelsbanken	6 Months	10		F1+	AA-	1	P-1	Aa2	A-1+	AA-
Switzerland	Sovereign Rating				AAA			Aaa		AAA
Credit Suisse	6 Months	5		F1+	AA-	1	P-1	Aa1	A-1	A+
UBS AG	6 Months	5		F1+	A+	1	P-1	Aa3	A-1	A+
USA	Sovereign Rating				AAA			Aaa		AAA
Bank of America Corporation										
Bank of America NA	6 Months	5		F1+	A+	1	P-1	Aa3	A-1	A+
Bank of New York Mellon	6 Months	10		F1+	AA-	2	P-1	Aaa	A-1+	AA
Citigroup										
Citibank NA	6 Months	5		F1+	A+	1	P-1	A1	A-1	A+
Citibank International plc	3 Months	5		F1+	A+	1	P-1	A2	A-1	A+
J P Morgan Chase Bank NA	6 Months	10		F1+	AA-	1	P-1	Aa1	A-1+	AA-
Northern Trust Company	6 Months	10		F1+	AA-	3	P-1	Aa3	A-1+	AA
State Street Bank and Trust Co	6 Months	5		F1+	A+	1	P-1	Aa2	A-1+	AA-
Wells Fargo & Co										
Wells Fargo Bank NA	6 Months	10		F1+	AA-	1	P-1	Aa2	A-1+	AA

Credit Rating Matrix - UK Banks & Building Societies from 1st April 2011

Total Limit	Maximum Term	Short Term	Long Term	Support	Short Term	Long Term	Short Term	Long Term
£5M	3 months	F1	A	3	P-1	A2	A-1	A
£20M*	1 Year	F1	A+	1	P-1	A1	A-1	A+
£20M*	2 Years*	F1+	A+	1	P-1	A1	A-1	A+
£20M	2 Years	F1+	AA+	1	P-1	Aa1	A-1+	AA+
£20M	5 Years	F1+	AAA	1	P-1	Aaa	A-1+	AAA

* It is proposed that where taking the lowest of the Credit Rating Agencies, the Long Term Rating is A+ or equivalent, the maximum investment limit is raised from £10m to £20m and duration up to 2 years for UK Banks. This is to allow the proposed investment strategy of increased limits for UK banks and Building Societies with implicit or expected Government Support.

Credit Rating Matrix - Foreign Banks from 1st April 2011

Total Limit	Maximum Term	Short Term	Long Term	Support	Short Term	Long Term	Short Term	Long Term
£5M	3 months	F1	A	3	P-1	A2	A-1	A
£5M	6 Months	F1	A+	3	P-1	A1	A-1	A+
£10M	6 Months	F1	AA-	3	P-1	Aa3	A-1	AA-
£10M	1 Year	F1+	AA	2	P-1	Aa2	A-1+	AA
£10M	2 Years	F1+	AA+	2	P-1	Aa1	A-1+	AA+
£10M	5 Years	F1+	AAA	1	P-1	Aaa	A-1+	AAA