North Tyneside Council

2011/12 Finance Outturn Report

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Contents – Financial Performance

Section 1: Summary

Summary

1.1 The Council's audited Statement of Accounts (Accounts) for 2011/12 will be presented to full Council for discussion and approval at the end of September 2012. This is a statutory document which sets out the Council's financial position and performance for the year in a series of formal accounts prepared according to a specific statutory and regulatory framework.

1.2 Successive changes to local government accounting practice have made the Accounts a very technical document; this process was particularly relevant in 2010/11 with the full adoption of International Financial Reporting Standards (IFRS). As in previous years, we are taking the opportunity to set out the Council's financial performance in an outturn report. This reflects the Council's structure and is set out on a similar basis to the budget monitoring reports presented to Cabinet throughout the year. This report is also the end-point of the Council's revenue budget monitoring and management process for the financial year 2011/12.

1.3 The figures contained in this report are provisional until the approval of the Accounts. Cabinet will recall that as a result of legislative changes to the Audit and Accounting Regulations during 2011, the draft Accounts will be "certified" by the Chief Finance Officer by 30 June 2012 and the audited Accounts will be approved by Council by the end of September 2012.

1.4 The net effect on General Fund revenue, after taking into account all year end transactions and transfers to and from reserves, is an underspend of £0.060m. It is proposed that this amount is transferred to the Council's Strategic Reserve. After this final transfer, the General Fund Revenue Account will show spend on budget for 2011/12, with a closing balance on the Strategic Reserve of £6.057m. Further details are given in Section 2 in this Annex and Appendix K.

1.5 The Housing Revenue Account has year-end balances of £4.299m, which represents an improvement against the budget of £1.081m. The improved balances have arisen due to higher than expected balances brought forward (£0.239m) supplemented by net savings in year across the service of £0.842m.

1.6 School balances have increased from £6.424m at the start of the financial year to £6.726m, with improvements recorded both for schools with deficits and surpluses in the prior year.

1.7 In March 2011, Council approved a Capital Plan of £46.532m. Variations and reprogramming arising from 2010/11 and in year took the plan to £52.446m. Capital spend for the year was £48.463m, a variation of £3.983m (credit). This includes additional in-year spend of £5.428m arising from the capitalisation direction for equal pay costs (£6.542m) and further reprogramming of £8.869m (credit).

Strategic Management of the Council's Budget

1.8 Whilst statutorily the Council's budget and Accounts must be prepared by individual financial years, the pressures and opportunities that the Council faces extend across several accounting periods. Decisions taken in one year will be felt in subsequent periods. This was evident in 2011/12 where some significant amounts of expenditure had to be managed during the year. One of the benefits of the Council's regular budget monitoring process is that issues can be identified early in the year and action taken to address them. The outcomes of these actions can then inform both budget setting and final accounts preparation. Budget setting, budget management and final accounts can therefore be seen as related parts of a continuous process of financial management by the Council. This part of the report sets out some of the key strategic issues managed by the Council during 2011/12.

General Fund

1.9 At its meeting of 3 March 2011, Council approved a net General Fund Revenue budget of £175.768m for the financial year 2011/12. The budget included pay and price cost pressures of £6.563m and statutory, mandatory or committed pressures of £10.041m. Offsetting these cost pressures were value for money savings of £24.267m. The budget also included a contribution from the Strategic Reserve of £1.382m.

1.10 The first monitoring report to Cabinet in July projected a financial pressure of £2.187m but throughout the year the monitoring position has improved steadily, as actions were taken, and the final monitoring report to Cabinet (12 March 2012, for the period to 31 January 2012) indicated a potential pressure of £0.989m.

Settlement of Equal Pay Claims

1.11 The Council's Statement of Accounts for 2010/11 showed that outstanding claims with an estimated total cost of £9.999m had been received from employees. Over the course of 2011/12 payments of those claims have been made. To date, £0.423m has been paid during 2011/12. With the addition of related tax and National Insurance payments to her Majesty's Revenue and Customs, this figure will increase to £0.549m.

1.12 Campaigns to raise awareness of equal pay issues continued in the early part of 2011/12 and at the 31 March 2012 over 500 cases were outstanding. A settlement is yet to be agreed in respect of these claims but the estimated cost based on previous claims is £4.580m. The approach to equal pay claims in 2011/12 followed the process from previous years, that is to agree a settlement with the claimants and then capitalise payments to avoid an immediate impact on the General Fund Revenue Account.

1.13 Since 2004/05 the Council has taken advantage of approvals to capitalise expenditure in respect of equal pay; a total of £48.133m. Current advice from the

Department of Communities and Local Government (CLG) is that Ministers are currently considering the issue of equal pay capitalisation for 2012/13 and no decision has been made as to whether any requests will be invited. If capitalisation is not granted in 2012/13, the costs will fall on revenue budgets and reserves.

1.14 Equal pay settlements are intrinsically a revenue item, but the approval to capitalise expenditure, and the accounting treatment allowed by the revised Capital Financing Regulations, means that the cost of settlement in 2011/12 does not appear in the revenue monitoring table, Table 1. The capital financing effects in 2011/12 relating to the capitalisation are included in the capital section of this report, (section 5.12 to 5.23). A provision for equal pay costs of £15.128m will appear in the Council's Balance Sheet included in the formal 2011/12 Statement of Accounts.

Treasury Management

1.15 The level of borrowing (excluding PFI) increased from £330.901m to £446.111m, including new borrowing of £128.193m being taken on 28 March 2012 to meet the statutory requirements for the self financing of the Housing Revenue Account from 1 April 2012. The statutory requirement in relation to implementing self financing for Housing Revenue account was contained in the Localism Act 2011, the details of which were reported to Cabinet 28 November 2011.

Forward Planning

1.16 As explained above, 2011/12 was a challenging year in terms of the financial pressures that the Council faced. However, the Council was able to manage these issues through its forward planning process, its close monitoring and in-year management of the budget and by pro-active measures to address such issues as equal pay.

1.17 Continuing financial pressures are set to be a feature of Local Government settlements for the next few years. The experience of 2011/12, once again, reinforces the crucial importance of detailed forward planning, a strong balance sheet, close management of the core budget, a regular monitoring and reporting process and a flexible approach to managing uncertainty.

Section 2: General Fund Income and Expenditure

Introduction

2.1 At its meeting of 3 March 2011, Council approved a total General Fund Revenue budget of £175.768m for the financial year 2011/12.

2.2 The summary outturn for the General Fund Revenue Account is shown in Table 1 This shows the outturn for each directorate compared to budget and then gives a breakdown of major items of corporate expenditure.

2.3 The directorate outturns show a total overspend of £1.095m against their approved budgets. This includes an overspend in respect of utility costs of £1.568m and is before any decisions regarding carry forward budgets. This outturn is an overall improvement of £1.337m against the year-end projections reported to Cabinet on 12 March 2012.

2.4 Non-delegated budgets came in with an underspend of £1.514m. This represents a change of £0.321m since the last report to Cabinet. Details of the main items of variation are given in section 2.25.

Table 1: 2011/12 General Fund Revenue provisional outturn summary to 31 March 2012

Position as at 31 March 2012				
	Full year Budget	**Provisional Outturn**	**Outturn Variance**	**Forecast Outturn variance as at 31 January 2012**
Net Expenditure	**£m**	**£m**	**£m**	**£m**
1 Children Young People and Learning	37.932	37.968	0.036	0.226
2 Community Services	94.593	94.377	-0.216	0.067
3 Finance and Resources	0.834	0.829	-0.005	0.009
4 Chief Executive's Office	14.653	14.724	0.071	0.590
5 Energy	0.000	0.989	0.989	1.093
6 Rates	0.000	0.579	0.579	0.447
7 Carry forward requests	0.000	-0.359	-0.359	0.000
Sub-total Service Approved budget	**148.012**	**149.107**	**1.095**	**2.432**
Non Delegated budgets				
8 Corporate and Democratic Core	14.222	14.299	0.077	0.000
9 Corporate Accounting	-2.629	-1.486	1.143	1.291
10 Contingency budget	2.734	0.000	-2.734	-2.734
11 Levies	13.429	13.429	0.000	0.000
12 Revenue cost of redundancy	0.000	0.000	0.000	0.250
Sub-total non delegated budgets	**27.756**	**26.242**	**-1.514**	**-1.193**
Net current forecast deficit/(surplus) before carry forward approval	**175.768**	**175.349**	**-0.419**	**1.239**
Movement on Reserves				
13 Potential use of reserves – cost of redundancy	0.000	0.000	0.000	-0.250
14 Approval of carry forward requests	0.000	0.359	0.359	0.000
Net forecast after carry forward approval	**175.768**	**175.708**	**-0.060**	**0.989**

Directorate Outturns

2.5 Individual directorate outturns by service area are shown in Appendices A to E, showing spend against budget. A summary of the outturn for each directorate follows:

Children, Young People and Learning (CYPL) - £0.036m overspend

2.6 CYP&L can report that the outturn for 2011/12 continued to improve from the forecast of £0.226m in March and was delivered broadly in line with the overall budget for 2011/12.

2.7 Within the headline balanced position there have been a number of financial pressures which have been reported throughout 2011/12.

2.8 Financial pressures in relation to children's social care are faced nationally. Since 2010/11 the numbers of looked after children in North Tyneside have fallen slightly and actions have been taken to make efficiencies in placement costs through contractual reviews. There continues to be weekly placement panel meetings with Head of Service input to ensure the placements of every vulnerable young person is appropriate both in terms of effectiveness and value for money.

2.9 Since the last monitoring report to Council Ofsted have reported their findings in respect of their inspection of Safeguarding and looked after children services. This report included highly complimentary comments in respect of financial management in North Tyneside including stating that "Clear and robust financial management is a significant strength of the council", and that "Highly effective management of budgets such as that for placing children out of borough is also in evidence."

2.10 Although the positive affirmation of the Council's performance in respect of these areas is welcomed, this demand led service area will remain closely monitored and managed over the next year.

2.11 The revenue budget position in CYP&L was monitored extremely closely since the start of the year with reports coming to CYP&L leadership team on at least a monthly basis. In the early part of the year the Directorate were forecasting a potential significant overspend of £0.773m due to the pressures listed above. However, due to a proactive and collective approach to managing the budget, a steady improvement was achieved during the year. This included ensuring all unnecessary expenditure was avoided and all opportunities to make savings, or secure additional income, were achieved. It is in this respect that the overall Directorate position has improved, with improvement seen most specifically across Education, Enterprise & Economy and in catering income levels.

Community Services - £0.216m Underspend

2.12 Despite the residual problems in the Transport Account that have previously been reported to Cabinet, the Directorate spent less than budget in 2011/12 once the utilities pressures were taken corporately. Energy pressures of £0.256m and Rates pressures of £0.303m were dealt with centrally with the majority of that pressure arising from Cultural & Customer Services. A growth bid was incorporated within the 2012/13 Budget setting process to resolve the corporate energy pressure.

2.13 Adult Social Care has a net underspend of £0.052m. As can be seen from Appendix B, which shows the outturn by individual service areas, pressures were recorded in Community Disability (£0.247m), Learning Disabilities (£2.809m), Mental Health (£0.077m), Provider Services (£0.091m) and Care Management (£0.064m). Pressures in these Service Areas have been consistently reported during the year, reflecting demand-led issues in these areas, both in terms of the number of cases and the complexity of needs.

2.14 These pressures were offset by underspends in Older People (£0.822m), where a financial benefit arises from the Council's policy to support to people to remain, where appropriate, in their own homes rather than entering expensive residential care. In addition, Adult Services Central costs showed an underspend (£2.518m) where the Social Care Reform Grant and Carers' Grant were used appropriately to support spending in the service areas.

2.15 Environmental Services showed a pressure of £0.040m. This is made up of £0.073m in Fleet, Cleaning and Security, £0.324m in Street Environment, all relating, in the main, to transport pressures. This was offset by underspends in Bereavement (£0.139m) due to income higher than budget, Waste (£0.174m) following successful negotiation of the SITA contract, and Head of Service (£0.044m) arising from income targets being exceeded and savings in training, environmental campaigns and civil contingencies respectively.

2.16 Cultural and Customer Services has a net underspend of £0.106m. Pressures of £0.045m arose in Outdoor Parks, £0.046m in Head of Cultural Services and £0.106m in Arts, Tourism and Heritage due in part to the Playhouse but these were offset by savings mainly due to additional income received in Sports & Leisure (£0.167m) and £0.136m in Libraries & Customer Services due to targeted reductions in discretionary spend.

Finance and Resources -£0.005m underspend

2.17 The Finance and Resources Directorate has delivered in line with its 2011/12 budget, with a small underspend of £0.005m. This is consistent with the forecast made at the February monitoring position.

2.18 Whilst the Directorate position overall is balanced there are some service areas with a variance against budget as detailed in Appendix C. As forecast throughout 2011/12 Strategic Property services struggled to meet the income targets set in their budget associated with property sales and rental income, largely due to the current depressed economic conditions. The shortfall in this area was offset by staff savings in the Finance Service and Audit, Risk and Procurement, coupled with a reduced external audit fee.

Chief Executive's Office - £0.071m overspend

2.19 The directorate has delivered its budget for the year with a small pressure of £0.071m, an improvement of £0.519m since the last report to Cabinet.

2.20 Regeneration, Development and Regulatory services had an overspend in year of £0.493m mainly due to Transport, Planning and Highways where there was a pressure of £0.316m arising for the most part from a shortfall in Frontline income. The frontline performance was improved on the forecast figures at January largely as a result of some Regeneration project work in the final few months. The effects of the economic downturn continued to affect Planning fee income throughout 2011/12, although this was compensated for by one-off £0.150m allocation of New Homes Bonus grant. The cost of defending planning appeals was a significant pressure in year and largely explains the planning shortfall against budget of £0.173m. A small financial pressure in Consumer Protection (£0.071m) was compensated for small underspends in regeneration (£0.016m) and Resources & Performance (£0.059m).

2.21 Strategic Services achieved an overall underspend of £0.036m due to staff savings arising from in year vacancy savings.

2.22 Legal, Governance and Commercial Services have achieved an overall underspend of £0.348m, after adjustment for street lighting energy pressures taken centrally, arising from savings on election expenses, increased recharges for legal work and savings on the street lighting contract.

Carry Forward Requests

2.23 Three requests for carry forward of unused budgets have been received, which Cabinet is recommended to consider. They are as follows:

- Supporting People £0.342m. This was agreed in principle at Cabinet on 7 February 2011 when consideration was given to the implementation of the Adult Social Care procurement plan for 2011-13;
- £0.010m provided by ANEC to support the development of capacity building in relation to Public Health and the Health and Wellbeing Board; and,
- Big Society Community Investment Fund £0.007m. Grant awarded not yet drawn down.

Non-delegated budgets

2.24 Overall these budgets show a net underspend of £1.514m, which is an improvement since the last report to Cabinet of £0.321m.

2.25 The two main reasons for this improvement are a further saving on the external interest budget of £0.260m resulting from lower levels of borrowing than anticipated and a reduction in the Minimum Revenue Provision (MRP) required of £0.188m following a review of asset lives.

Final Position on Reserves and Provisions

2.26 The Reserves and Balances Policy approved by Council at its meeting of 23 February 2010 stated that "*Within the existing statutory and regulatory framework, it is the responsibility of the Head of Strategic Finance (Chief Finance Officer) to advise the Council about the level of reserves that it should hold and ensure that there are clear protocols for their establishment and use*". Sections 25 to 27 of the Local Government Act 2003 also requires the Chief Finance Officer to report on the adequacy of financial reserves. This is specifically in relation to the budget setting process but decisions made during the year and as part of final accounts will also have significant implications for future years' financial planning.

2.27 In practice, the level of each reserve is assessed separately with reference to the specific liabilities that the reserve relates to. The reserves are reviewed individually to ensure their adequacy in relation to any factors that have become apparent since the previous year.

2.28 As part of the final Accounts process, and in line with the Reserves and Balances Policy, the level of reserves have been reviewed by the Chief Finance Officer, Deputy Chief Finance Officer, Mayor, and Cabinet Member for Finance. Following this review the general fund surplus of £0.060m for 2011/12 has been transferred to the Strategic Reserve.

2.29 Consideration has also been given to the advice of the Chief Executive and Senior Management Team in relation to future commitments that need to be addressed as part of the 2011/12 final accounts process.

2.30 Taking the reserves as a whole – that is, the General Fund Balance, General Fund Earmarked Reserves, Schools Balances and HRA Balance – the total of all reserves and balances at the end of 2010/11 was £43.183m. The figure for 2011/12 is £40.964m, a change of £2.219m, and is detailed in Appendix K. This includes the proposed carry forward of £0.359m detailed in section 2.23 above.

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Section 3: Housing Revenue Account Income and Expenditure

3.1 The Council is the major provider of rented accommodation in the borough and is required to account separately for the income and expenditure relating to its housing stock. On the 3 February 2011 the Council approved the Housing Revenue Account (HRA) budget, which included average rent increases of 8.12% and included income and expenditure of £50.882m.

3.2 The detailed Housing Revenue Account (HRA) outturn for 2011/12 is set out in Appendix F and shows a final contribution to balances of £0.293m. This contribution is £0.842m higher than budget.

3.3 Rental income is £0.326m better than budget for a number of reasons. As in 2010/11 the Council has a high level of empty properties in the Council's sheltered stock, however the remaining level of voids within the General Needs stock is very low, and this has been reflected in improved rent collection of £0.131m. In addition the reconfiguration of the Temporary Emergency Accommodation (TEA) service, with the launch of the New Beginnings, Gateway and increased Dispersed properties have also resulted in increased revenue above the levels previously predicted, as the services have moved swiftly into operation (£0.079m). There has also been an increase in service charge income due to the increased take-up in furniture packs (£0.106m).

3.4 In relation to commercial properties a "windfall" of backlog rental income was achieved on leases that were re-negotiated, resulting in an improvement against budgeted income of £0.048m.

3.5 Overall expenditure is £0.460m less than budget, with variations over a number of areas. The net impact of a reduced consolidated rate of interest (CRI) has seen a net saving across Housing subsidy and capital charges of £0.032m.

3.6 Management costs have seen significant overall savings of over £1.280m due to a range of issues: vacancy savings across the service (£0.432m) most of which have now been filled to cover the impact of redundancies and service restructures; increased water rates commission, water rates and other income (£0.273m); improved recovery of court cost income (£0.081m); significant savings in energy costs on sheltered accommodation schemes (£0.089m) due to improved energy efficiency measures within schemes; saving on consultancy and other costs re PFI scheme (£0.075m) re-provided in 2012/13 due to continued delays; savings in North Tyneside Homes training budgets (£0.030m); Home-finder team savings associated with Choice-Based Lettings budgets (£0.050m);

3.7 Additional underspends have been realised through a reduced call on the contingencies budget of £0.022m, and reduction in the bad debt provision applied of £0.078m as a result of improved management of rent arrears.

3.8 2011/12 has been the second full year of trading with our joint venture partner Kier North Tyneside Limited. Total payments on revenue repairs were £0.959m above budget, mainly due to the additional guttering replacement and repair works undertaken during the year. This work was essential to maintain our stock to an appropriate standard, and the costs were contained within the overall HRA budget for the year, due to the significant underspends achieved in other areas of the budget, particularly management costs as described above.

3.9 Overall HRA balances at the year end are £4.299m, an improvement of £1.081m, which is as a result of the in- year improvement against budget of £0.842m and an increase in brought forward balances of £0.239m.

Section 4:
Schools Finance

4.1 Schools have concluded their 2011/12 closure exercise in line with the Local Scheme for Financing schools and the Council's closure timetable. The overall headline position for school balances has increased from £6.424m at the start of the financial year to £6.726m, with improvements recorded both for schools with deficits and surpluses in the prior year.

4.2 As in previous years, the details of these balances will be reported to the Department for Education (DfE) through the Consistent Finance reporting (CFR) return. This return will be co-ordinated by the Local Authority and submitted by the deadline of 20th June 2012. The CFR data is then used to pre-populate part of the Section 251 return that is submitted to the DfE by 25th August 2012 and verified in September. Full details of each individual school's balance will then be reported to Cabinet.

4.3 On 1st December 2011 St Thomas More RC school converted to Academy status. In doing so the Academy school retains the surplus balance from the predecessor maintained school and is no longer reported as part of the local authority's accounts. It is important therefore to note that the overall balance at the start of the financial year of £6.424m included St Thomas More's balance of £0.387m, whilst the balance of at the end of 2011/12 of £6.726m no longer includes St Thomas More.

4.4 During the year the Council and Schools Forum pay particular attention to those schools with approved deficit budgets. There were 9 schools with a deficit approval for 2011/12. Due to the close monitoring and management in schools, in tandem with the support and challenge provided to these schools by the Schools Forum and Local Authority staff, the position improved so that by year end there are just 5 schools with a deficit balance. This is the fewest number of schools in deficit that North Tyneside has seen since at least 1999/2000 and also the lowest collective cash value of the deficit schools. Both the overall level of schools balances and the reduced number of schools in deficit in North Tyneside demonstrate the continued strengthening of school finances in North Tyneside.

4.5 Overall, and after allowing school allocations, the Dedicated school grant (DSG) in 2011/12 of £133.423m under spent by £2.095m. As the DSG is a ring-fenced grant, any under or overspends are carried forward into the next financial year in order to be addressed within the following year's ringfenced grant. This under spend has therefore been carried forward into 2012/13 and used to establish 2012/13 DSG allocations.

4.6 Since April 2011 the Department for Education (DfE) has engaged in a series of consultations on national school funding reform. Following consideration of the responses to this exercise the DfE set out its proposed arrangements for School funding reform on 26th March 2012.

4.7 The proposals aim to transform an education funding system that is considered by the DfE as "opaque, full of anomalies and unfair..... based on an assessment of pupil needs dating as far back as at least 2005-06 and is not flexible enough to respond to the changing characteristics of pupils."

4.8 The proposals encompass all aspects of education funding, both within the DSG and the local authority's general fund, and are due to be implemented from 2013/14. The Local Authority are now engaged in a significant amount of work with their Schools Forum, the Education funding agency and wider stakeholders to ensure the necessary changes are delivered transparently, equitably, efficiently and in time for 2013/14 implementation.

Section 5: Capital Plan Expenditure and Financing

5.1 The Council's Capital Plan represents the Council's capital investment programme in projects across all service areas, including General Fund and HRA activities.

5.2 The Capital Plan covers a ten-year period. The revised 2011-21 Capital Plan, approved by Cabinet on 3 March 2011 totalled £237.364m. Delivery of the Capital Plan year by year, through both physical on site development and capital spend, is key to the successful attainment of the Council Plan objectives.

5.3 Spend in 2011/12 was £48.463m against a revised budget of £52.446m.

5.4 Major achievements in the year include:

- Tynemouth Station (DV045) – the construction phase of this project was completed on time in the middle of March within budget. The remaining budget that is reprogrammed into 2012/13 relates to retention, small ancillary works and related fees;
- Coastal Regeneration (DV054) – this project has been focused on Cullercoats during 2011/12. Works completed during the year include;
    - repairs and improvements to stairs and paths;
    - a unique new young children's sensory play site;
    - measures to reduce the speed of vehicles and provide additional safe pedestrian crossing points along Beverley Terrace;
    - traffic calming and increased visitor parking along Grand Parade;
    - design work for improved public toilets and new beach showers in Cullercoats Bay;
    - new showers installed on Long Sands South beach;
    - improvements to Watts Slope public toilets;
    - studies for improvements to Tynemouth Outdoor Pool and Priors Haven; and,
    - commencement of work on resurfacing and fencing the existing boat yard in Cullercoats Bay. This work will be completed in 2012/13 (due to adverse weather conditions).

  During 2011/12 a bid was made for Townscape Heritage initiative Lottery Funding for Cullercoats Bay. This required a delay in commencing other projects until the outcome of the bid was announced.
- A preferred developer was appointed for Spanish City Island (DV019) and the planning application has now been submitted.
- Retail Centres (DV049) /Transport Corridor (NS002) – new seats have been installed in Bedford Street, North Shields;
- Fish Quay (DV018) – this long term regeneration project has been further supported in 2011/12 through the area being identified as a National Neighbourhood Planning Frontrunner, bringing together residents, landowners and businesses to plan the future development. The last remaining fish processor in the Cliffords Fort Scheduled Ancient Monument area was successfully relocated to Prospect Terrace and demolition of the

building will commence in 2012/13, followed by improvements to the exposed fort wall. This major opportunity to improve the Scheduled Ancient Monument has been facilitated by the agreement of the Heritage Lottery Fund to a one year extension in the Heritage Lottery funded Townscape Heritage Initiative scheme until the end of March 2013. Private sector grants have also been made available from the Townscape Heritage Initiative during 2011/12, including for the Old Low Light which is due to be transformed into a Heritage Centre during 2012/13;

- Wallsend North Bank of the Tyne (DV046) – various projects have been undertaken during 2011/12 including;
    - demolition of the former Borough Bingo was completed during 2011/12 and, following the grant of planning permission for 33 apartments and houses to rent, construction work has commenced on site;
    - the relocation of the Customer Service office into the Forum Shopping Centre was completed;
    - works to 'The Boulevard' linking the town centre along Atkinson Street to the Metro Station are largely completed; and,
    - relocating residents from Hedley Place has proceeded quicker than originally expected and NewRiver, the owners of the Forum, have undertaken pre-planning application consultation with their major redevelopment plans.

  In addition, the Swan Hunter and the Port of Tyne Royal Quays sites were designated as Enterprise Zones, bringing significant incentives for new businesses locating into these sites;
- Forest Hall Shopping Centre (DV057) – an extensive local consultation exercise was undertaken resulting in a list of priorities being agreed. Work was well advanced at the end of March on implementing the Council led projects. The refurbishment of the public toilet was completed during May as a scheme redesign was required to fit the available budget. As the original list of priorities has been completed within budget additional projects are being brought forward, thereby extending the benefits;
- The CYPL Capital Plan involved 118 separate capital projects during the 2011/12 financial year;
- Education Capital Maintenance (ED132) - supported the delivery of 56 of the most urgent condition related projects linked to the 2011/12 Maintenance Grant;
- Battle Hill Multi Use Community Facility (ED 168) - involved the remodelling and refurbishment of the former Bowls Pavilion to create a new community facility. The project was completed March 2012;
- The formal procurement process commenced for the new build Longbenton Voluntary Aided school project (ED166);
- Excellent Parks:
    - Wallsend Park – Playsite completed and opened and phase 1 capital works commenced on site;
    - Northumberland Park – stage 1 development completed including preliminary archaeological investigation, stage 2 Heritage Lottery funding application submitted and link path completed; and,
    - Souter Park – design for point of entry improvements nearing completion.

- A single highways improvement programme was developed using a combination of funding from the annual Local Transport Plan (LTP) maintenance block (DV034) and the Area Forum Roads and Pavement budget (DV048). This resulted in the following highway improvements:
    - Surface dressing programme. This is preventative maintenance work that involves sealing roads before they fall into disrepair thereby extending their serviceable life. The work was mainly undertaken on the classified road network;
    - Full resurfacing programme. This was undertaken at various sites across the Borough. The work involved removing defective road surface layers and providing a brand new surface; and,
    - Micro-asphalting programme. This treatment is similar to surface dressing but is applied mainly in estate roads. It has allowed us to improve and protect large clusters of roads in housing estates across the Borough.
- Overall, on completion of the above programmes, 98 individual roads were improved spanning all wards. The total length of these road improvements was over 27 km;
- The annual dropped kerb programme saw the construction of around 80 lowered crossing ramps at numerous junctions across the Borough;
- Phase 1 of Rockcliffe Viaduct Stabilisation Scheme was completed in April 2012. This involved the advanced planning work, design and tender preparation. Construction will take place in the current 2012/13 year;
- Phase 1 of Shiremoor Wagon Way Bridge Demolition Scheme was also completed. This involved design, environmental works, tender preparation and ordering of gas diversion works. Demolition will take place in the current 2012/13 year;
- 63 general bridge inspections were undertaken and 13 principal bridge inspections to further inform and develop the 6 year advance bridges maintenance programme;
- The LTP integrated transport element included works to zebras crossings, puffin crossings, toucan crossings, residential 20mph zones and the Balliol bus link; and,
- Housing projects within the Capital Plan delivered 1,783 elements of work to our housing stock, consisting of:
    - 360 Kitchen and Bathroom replacements;
    - 368 Electrical upgrades;
    - 677 Boiler replacements; and,
    - 378 Window and Door replacements.

5.5 The remaining sections of this report include details of the actual capital expenditure incurred through the delivery of the Capital Plan in 2011/12 and how that expenditure has been financed.

2011/12 Capital Expenditure

5.6 The 2011/12 Capital Plan was approved by Council on 3 March 2011. The total approved budget was £46.532m (£31.621m General Fund and £14.911m Housing), with £16.538m reprogramming from 2010/11 added to give a total 2011/12 plan of

£63.070m. Further variations to the Plan were agreed by Cabinet on 11 July 2011, 12 September 2011, 14 November 2011, 16 January 2012 and 12 March 2012, to give an approved plan at the year-end of £52.446m (£36.783m General Fund and £15.663m Housing). Table 2 below summarises these changes, with further detail set out in Appendix G.

Table 2: Capital Plan 2011/12 – Summary of changes to budget

	£m
Capital Plan approved by Council – 3 March 2011	46.532
Reprogramming from 2010/11	16.538
Reprogramming to 2012/13	-13.988
Other variations (net)	3.364
Revised Capital Plan approved by Cabinet – 12 March 2012	52.446

5.7 Actual capital expenditure in 2011/12 totalled £48.463m (£82.596m in 2010/11), comprising General Fund expenditure of £34.803m and £13.660m on Housing Schemes.

5.8 Not all of the expenditure relates to the creation of new fixed assets for the Council. £17.176m relates to spend on other items, with £4.940m given as regeneration and improvement grants, £6.542m spent on the settlement of equal pay claims, £2.219m relating to redundancy payments, and £3.475m relating to spend in respect of Trust schools.

5.9 Table 3 below compares the actual capital expenditure with the revised budget for the year, as well as the actual spend for 2010/11. This demonstrates a reduced level of spend year on year and a variation against budget of £3.983m credit.

Table 3: Comparison of Capital Expenditure to Revised budget for 2011/12

Actual Capital Expenditure 2010/11 £m		Revised Capital budget 2011/12 £m	Actual Capital Expenditure 2011/12 £m	Variation from budget over (+) / under (-) £m
46.897	General Fund	36.783	34.803	-1.980
35.699	Housing	15.663	13.660	-2.003
82.596	Total	52.446	48.463	-3.983

5.10 Included within the appendices is further information on the Capital Plan and activities in the year. Appendix H shows the final expenditure for each directorate, and how that expenditure was financed, with Appendix I showing a comparison of expenditure against budget for each individual project. The reasons for these variations have been analysed as reprogramming, over or underspending, and other variations. Appendix J gives a brief project outline, update and status report for all projects where spend of over £1.000m has taken place during 2011/12.

5.11 Across all capital projects, further reprogramming of £8.869m has been identified and it is requested that Cabinet approve the carry forward of this amount into the 2012/13 Capital Plan. A detailed breakdown of this amount is included in Appendix I.

Capital Financing

5.12 Local authorities can finance capital expenditure from a variety of sources: grants; external contributions; capital receipts; borrowing; and contributions from revenue. This section of the report considers how the Capital Plan has been financed.

5.13 Under the Prudential System for capital financing, the Council can decide to borrow to fund capital expenditure, known as prudential (or unsupported) borrowing. There are associated revenue costs (interest and Minimum Revenue Provision (MRP)) which must be met from the Council's own resources, i.e funded by Council Tax payers. MRP is a charge included in the Council's accounts that effectively spreads the cost of capital expenditure over a period that generally equates to the period in which the asset is used. When deciding whether to take out additional borrowing, the Council must consider whether the Capital Plan is affordable, sustainable and prudent.

5.14 When determining how to finance the Council-funded element of the Capital Plan, the Council's MRP Policy is used to maximise the effectiveness of borrowing in relation to individual schemes in the Capital Plan. Those schemes with longer asset lives (eg major building works) are financed using prudential borrowing, thereby spreading the MRP charges over a longer period, whilst those with shorter asset lives (eg equipment) are financed using capital receipts.

5.15 The total capital expenditure of £48.463m has been financed as shown in Table 4 below.

Table 4: 2011/12 Capital Financing

	2011/12 Capital Financing £m
Council Contribution	
Prudential (Unsupported) Borrowing – General Fund	12.963
Prudential (Unsupported) Borrowing – HRA	2.150
Capital Receipts – General Fund	6.093
Direct Revenue Funding	1.425
	22.631
External funding	
Specific Government Grants	11.747
Major Repairs Allowance	10.026
Capital Grants and Contributions	3.922
	25.695
	48.326
De minimus expenditure transferred to revenue	0.137
	48.463

5.16 Prudential borrowing for the General fund (£12.963m) includes £6.542m for the Equal Pay capitalisation and £2.219m for capitalised redundancy costs.

5.17 The budget approved by Council on 3 March 2011 included £7.757m General Fund capital receipts. This increased to £10.879m following reprogramming from 2010/11. Subsequent variations and reprogramming into 2012/13 gave a revised General Fund capital receipts requirement at March Cabinet of £8.212m. Total General Fund receipts available to fund spend in 2011/12 were £6.123m (£1.737m receipts brought forward and £4.386m in year receipts). Following further reprogramming of £1.866m, due to the timing of delivery of projects, the final requirement for General Fund capital receipts in 2011/12 was £6.093m leaving a balance to carry forward of £0.030m (as shown in Table 5 below). The reprogramming to 2012/13 means there is now a capital receipts requirement totalling £11.630m for 2012/13.

5.18 The budget approved by Council on 3 March 2011 included £1.323m Housing capital receipts. However, due to reprogramming into 2012/13 there is no requirement to use capital receipts to finance spend for Housing during 2011/12. Capital Receipts of £4.180m for Housing have therefore been carried forward and are allocated for use in the 2012 – 22 Housing Capital Plan (as shown in Table 5 below).

5.19 Actual capital receipts received of £6.504m in 2011/12, included:

- General Fund receipts (£4.386m). The major receipts include:
  - deed of release of covenant for land at St Josephs £1.125m;
  - the sale of land at Chapel Lane Monkseaton for £1.124m;
  - the sale of land at Preston Avenue (Linskill) for £0.948m; and,
  - £0.303m received in relation to the repayment of the Newcastle Airport Long Term loan.

- Housing receipts (£2.118m):
  - £1.492m from Housing Right to Buy sales, of which £1.091m has been pooled and paid across to central government, leaving £0.401m of useable receipts, and;
  - A further £0.626m was received from the sale of housing land.

5.20 Table 5 below shows the movement in actual capital receipts during 2011/12.

Table 5: Movement in Capital Receipts during 2011/12

	Receipts brought forward 1 April 2011 £m	**Gross Receipts 2011/12 £m**	**Pooled Receipts 2011/12 £m**	**Receipts used for financing 2011/12 £m**	**Receipts carried forward 31 March 2012 £m**
General Fund	1.737	4.386	0	-6.093	0.030
Housing	3.153	2.118	-1.091	0	4.180
Total	4.890	6.504	-1.091	-6.093	4.210

5.21 The Council also received £11.747m of funding through specific Government grants. These grants included:

- £5.987m Standards Fund for schools;
- £2.817m Local Transport Plan;
- £1.191m DEFRA for Cullercoats Bay;
- £0.709m Disabled Facilities; and,
- £0.203m Growth Fund

5.22 Capital Grants and Contributions of £3.922m received in the year included:

- £1.556m Sea Change Grant;
- £0.517m Contribution from Scottish Power for Warmzones;
- £0.440m Contribution from Nexus for Tynemouth Station
- £0.394m Big Lottery Fund, and;
- £0.241m Heritage Lottery Grant

5.23 An analysis of the overall capital financing across individual directorates is also shown in Appendix H.

IFRS adjustments to Capital Expenditure in 2011/12

5.24 Under IFRS any expenditure incurred relating to PFI schemes and finance leases is classed as capital expenditure and the resulting assets are added to the Council's balance sheet.

5.25 During 2011/12 spend of £0.202m was incurred under the PFI contract as part of the ongoing replacement of street lighting across the borough. These costs were incurred by the PFI provider and are included within the unitary charge paid as part of the contract.

Section 6: Treasury Management

6.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities. This section of the report meets the requirements of the CIPFA Code of Practice on Treasury Management in the Public Services.

6.2 The primary reporting requirements of the Code are as follows:

a) Forecast the likely activity for the forthcoming year (in the Annual Treasury Management Strategy Report);

b) A mid – year review report; and

c) Review actual activity for the preceding year, including a summary of performance.

Treasury Position as at 31 March 2012

6.3 The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities.

6.4 The Council's debt and investment position at the beginning and the end of 2011/12 is shown in Table 6 below:

Table 6: Treasury Management Position

	31 March 2012 Principal £m	Rate/Return %	31 March 2011 Principal £m	Rate/Return %
Fixed Rate Funding: -*PWLB long - term	284.750	5.42	284.750	5.53
PWLB -HRA-Self Financing	128.193	3.49	n/a	n/a
-Market (LOBO's) **	20.000	4.35	20.000	4.35
-Temporary	13.168	0.97	26.151	1.28
Total External	**446.111**		**330.901**	

Debt				
Investments: **-** In-house	1.600	0.25	9.600	0.45
Total Investments	**1.600**		**9.600**	
Net Position	**444.511**		**321.301**	

*Public Works Loan Board
** Lender Option Borrower Option

Performance Measurement

6.5 One of the key requirements in the Treasury Management Code was the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as main guide, as incorporated in Table 6 above.

The Strategy for 2011/12

6.6 The expectation for interest rates within the strategy for 2011/12 anticipated low but rising Bank Rate with similar gradual rises in medium and longer term fixed borrowing rates over 2011/12. Variable or short-term rates were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

6.7 In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and reduce counterparty risk.

The Economy and Interest Rates

6.8 The original expectation for 2011/12 was that Bank Rate would start gently rising from quarter 4 2011. However, Gross Domestic Product (GDP) growth in the UK was limited during the year.

6.9 The EU sovereign debt crisis grew in intensity during the year until February 2012 when a refinancing package was agreed for Greece. The weak UK growth resulted in the Monetary Policy Committee increasing Quantitative Easing (QE) by £75 billion in October 2011 and another £50 billion in February 2012. Bank Rate therefore ended the year unchanged at 0.5% while Consumer Price Inflation (CPI) peaked in September 2011 at 5.2% but then fell to 3.4% in February 2012, with further falls expected to below 2% over the next two years.

6.10 Gilt yields fell for much of the year, until February 2012, as concerns continued building over the EU debt crisis. This resulted in safe haven flows into UK gilts which, together with the two UK packages of QE during the year, combined to depress PWLB rates to historically low levels.

6.11 Risk premiums were also a constant factor in raising money market deposit rates for periods longer than 1 month. Widespread and multiple downgrades of the ratings of many banks and sovereigns, continued Euro zone concerns, and the significant funding issues still faced by many financial institutions, meant that investors remained cautious of longer-term commitment.

Borrowing Rates in 2011/12

6.12 Table 7 to this report shows the PWLB maturity borrowing rates for a selection of maturity periods, the high and low points in rates, the average rates and individual rates at the start and end of the financial year.

Table 7: PWLB Borrowing Rates 2011/12 for 1 to 50 years

Years	1 %	1.5 - 2 %	4.5 - 5 %	9.5 - 10 %	24.5 - 25 %	49.5 - 50 %
01/04/2011	1.950	2.420	3.650	4.800	5.360	5.280
31/03/2012	1.290	1.420	2.050	3.200	4.310	4.350
HIGH	1.970	2.470	3.730	4.890	5.430	5.340
LOW	1.190	1.320	1.940	3.010	3.940	3.980
Average	1.466	1.693	2.533	3.702	4.610	4.635

Borrowing Outturn for 2011/12

6.13 In line with the 2011/12 Treasury Management Strategy, long term borrowing took place during the year and is detailed in Table 8 below.

Table 8: Long Term New Borrowing 2011/12

Principal £m	Period (Years)	Interest Rate %	Date of Advance
10.000	7 years 6 months	2.72	18 Nov 2011
10.000	4 years 6 months	1.96	22 Feb 2012

6.14 Maturing long – term loans of £20.000m were repaid in 2011/12 as detailed in Table 9 below:

Table 9: Maturing Long – Term Loans Repaid during 2011/12

Principal £m	Interest Rate %	Date Repaid
10.000	4.03	19 April 2011
10.000	4.05	19 Oct 2011

6.15 Maturing short – term loans of £26.000m were repaid in 2011/12 as detailed in Table 10 below:

Table 10: Maturing Short – Term Loans Repaid during 2011/12

Principal £m	Interest Rate %	Date Repaid
10.000	1.40	15 November 2011
5.000	1.20	16 November 2011
2.000	1.20	13 December 2011
1.000	1.20	06 January 2012
3.000	1.20	06 January 2012
5.000	1.20	20 January 2012

6.16 Self Financing of the Housing Revenue Account – on 28 March 2012 the Council borrowed £128.193m fixed rate, maturity loans spread over 25 to 50 year period from the PWLB at an average rate of 3.49%, as a result of making a payment to the Department of Communities (DCLG) in respect of housing debt it was taking on. This new debt was in respect of a statutory requirement in relation to implementing self financing for Housing Revenue account which was set out the Localism Act 2011, the details of which were reported to Cabinet 28 November 2011.

6.17 Internal borrowing - Short term savings were achieved during the year by internally financing new capital expenditure and replacing maturing debt by running down existing cash balances, which were only earning minimal rates of interest due to the fact that the Bank Rate was kept at 0.5% all year. Reducing cash balances also meant lower counterparty risk on the investment portfolio.

6.18 Rescheduling of debt – No rescheduling of debt was carried out during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Investment Rates in 2011/12

6.19 The tight monetary conditions following the 2008 financial crisis continued through 2011/12 with little material movement in the shorter term deposit rates. However, one month and longer rates rose significantly in the second half of the year as the Euro zone crisis grew. The European Central Bank (ECB) actions to provide nearly €1 trillion of 1% 3 year finance to EU banks eased liquidity pressures in the EU and investment rates eased back somewhat in quarter 1 of 2012. This action has also given EU banks time to strengthen their balance sheets and liquidity positions on a more permanent basis. Bank Rate remained at its historic low of 0.5% throughout the year while market expectations of the imminence of the start of monetary tightening was gradually pushed further and further back during the year to the second half of 2013 at the earliest.

6.20 Overlaying the relatively poor investment returns was the continued counterparty concerns, most evident in the Euro zone sovereign debt crisis which resulted in rescue packages for Greece in quarter 1 2012. Concerns extended to the potential fallout on the European banking industry if the crisis could have resulted in Greece leaving the Euro and defaulting. Table 11 below shows the money market investment rates for the year.

Table 11: Money Market Investment Rates for 2011/12

	Overnight %	7 Day %	1 Month %	3 Month %	6 Month %	1 Year %
01/04/11	0.44	0.46	0.50	0.70	1.00	1.48
31/03/12	0.43	0.46	0.57	0.90	1.22	1.74
HIGH	0.55	0.51	0.65	0.96	1.27	1.77
LOW	0.43	0.46	0.50	0.69	0.98	1.45
Average	0.45	0.48	0.56	0.82	1.11	1.60

Investment Outturn for 2011/12

6.21 The Council's investment policy is governed by Communities and Local Government (CLG) guidance, which was implemented in the annual investment strategy approved by the Council in March 2011. The policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

6.22 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties. The treasury management team carefully monitor credit ratings on a daily basis. No institutions in which investments were made had any difficulty in repaying investments and interest in full during the year.

Section 7:
Prudential Indicators

7.1 The Local Government Act 2003 requires Councils to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities. This Prudential Code requires authorities to develop a set of Prudential Indicators (PIs).

7.2 The following part of the report shows the actual 2011/12 prudential indicators at year-end compared to the estimated indicators approved by Cabinet in the September Financial Monitoring report on 14 November 2011.

Prudential Indicators for Capital

Ratio of Financing Costs to Net Revenue Stream (PIs 1 and 2)

7.3 These PIs show the ratio of financing costs to net revenue streams for 2011/12, including comparisons to estimates and the prior year position. The actual percentages for both the General Fund and HRA are slightly lower than estimated due to a small reduction in the consolidated rate of interest.

Table 12: Ratio of Financing Costs to Net Revenue Stream (PIs 1 and 2)

2010/11 Actual		2011/12 Estimate	2011/12 Actual
14.20%	General Fund	14.31%	14.00%
14.43%	HRA	17.26%	17.14%

To enhance the information available for decision-making we have also provided a local indicator to show the proportion of the budget that is spent on prudential (unsupported) borrowing. As above, the General Fund and HRA have reduced due to a reduction in the consolidated rate of interest. This is shown in Table 13 below:

Table 13: Ratio of Financing Costs for prudential (unsupported) borrowing to Net Revenue Stream (PIs 1 and 2)

2010/11 Actual		2011/12 Estimate	2011/12 Actual
5.23%	General Fund	6.21%	6.18%
4.51%	HRA	4.57%	4.04%

Impact on Council Tax and Housing Rents (PIs 3 and 4)

7.4 This shows the incremental impact of new capital investment decisions on Council Tax and Housing Rent levels.

Table 14: Impact on Council Tax and Housing Rents (PIs 3 and 4)

	2011/12 Estimate	2011/12 Actual
For the Band D Council Tax	£2.88	£2.02
For average weekly housing rents	£0.07	£0.07

The General Fund indicator has reduced due lower interest rates than anticipated in the September Financial Monitoring report.

Gross and Net Debt and the Capital Financing Requirements (PI5)

7.5 This is a key indicator for prudence and is designed to ensure that, over the medium term, net debt will only be for capital purposes. Net debt should not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus estimates of any additional capital financing requirement for the current and next two financial years.

7.6 Following changes to the CIPFA Prudential Code this indicator now includes all debt (PFI schemes and finance leases) rather than purely borrowing. The Council's gross and net debt is set out below together with the estimated capital financing requirement (i.e. the Council's underlying need to borrow for capital purposes) projected to 31 March 2014.

- Actual Gross Debt as at 31 March 2012: £497.571m
- Actual Net Debt (gross debt less investments) as at 31 March 2012: £495.971m
- Capital Financing Requirement to 31 March 2014: £608.494m

7.7 This confirms that the Council is well within its capital financing requirement.

Capital Expenditure (PIs 6 and 7)

7.8 The actual capital expenditure that was incurred in 2011/12 compared to both the original estimate and revised budget is as follows:

Table 15: Capital Expenditure (PIs 6 and 7)

	2011/12 Original Estimate £m	2011/12 Revised budget £m	2011/12 Actual £m	Variation actual compared to revised budget £m
Chief Executive's Office	13.037	17.392	13.124	-4.268
Children, Young People & Learning	8.335	9.037	7.355	-1.682
Community Services	5.749	3.589	2.417	-1.172
Finance and Resources	1.000	3.432	3.146	-0.286
Corporate	3.500	3.333	8.761	5.428
General Fund	**31.621**	**36.783**	**34.803**	**-1.980**
HRA	**14.911**	**15.663**	**13.660**	**-2.003**
Total	**46.532**	**52.446**	**48.463**	**-3.983**

7.9 The variations between the actual capital expenditure and the 2011/12 revised estimates are shown in Appendix I to this report. In addition to this, variations were identified in the Financial Management reports to Cabinet during 2011/12.

Capital Financing Requirement (PIs 8 and 9)

7.10 Estimates of the capital financing requirement at 31 March 2012 compared to the actual is as follows:

Table 16: Capital Financing Requirement (PIs 8 and 9)

2010/11 Actual £m		2011/12 Estimate £m	2011/12 Actual £m
290.284	General Fund	290.819	291.547
162.159	HRA	162.631	290.824
452.443	TOTAL	453.450	582.371

7.11 The capital financing requirement measures the authority's underlying need to borrow for a capital purpose. In accordance with best professional practice, North Tyneside Council does not associate borrowing with particular items or types of expenditure. This indicator includes £128.193m additional debt for the HRA self financing settlement. The General Fund indicator has increased due to the capitalisation approval received for Equal Pay.

7.12 The above indicator shows the total borrowing requirement, both supported and prudential (unsupported). To enhance the information available for decision-making a local indicator is provided to show the Capital Financing Requirement for prudential (unsupported) borrowing. This is shown in Table 17 below:

Table 17: Capital Financing Requirement for Prudential (Unsupported) Borrowing (PIs 8 and 9)

2010/11 Actual £m		**2011/12 Estimate £m**	**2011/12 Actual £m**
115.858	General Fund	123.366	124.094
46.934	HRA	47.766	47.406
162.792	**Total**	**171.132**	**171.500**

Prudential Indicators for Treasury Management

7.13 The Council's treasury limits and Prudential Indicators for 2011/12 were set out in the Council's Treasury Policy Statement and Annual Strategy Statement. The actual Prudential Indicators for 2011/12 are shown in Table 18 below. The authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. This limit is set by Council and must not be breached. Table 18 below demonstrates that during 2011/12 the Council has maintained gross borrowing within its authorised limit. The operational boundary for external debt sets out the expected total of borrowing for each year consistent with the Authority's capital plans and Treasury Management Strategy. This is lower than the authorised limit and is a key management tool for in-year monitoring.

7.14 The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) accepts that the operational boundary may on occasion be breached temporarily but that a sustained or regular trend above the operational boundary would be significant and lead to further investigation and action as appropriate. The operational boundary was breached on 28 March 2012 as a result of the Housing Finance Reform (section 6.16 refers). The statutory borrowing limit (the authorised limit), was not breached.

Table 18: Prudential Indicators for 2011/12:

PRUDENTIAL INDICATOR	**2010/11**	**2011/12**	**2011/12**
TREASURY MANAGEMENT PRUDENTIAL INDICATORS	**£m**	**£m**	**£m**
	Actual	**Estimate**	**Actual**
Authorised limit for external debt -			
borrowing	340.900	675.733	446.111
other long term liabilities	56.095	60.000	54.762
TOTAL	**396.995**	**735.733**	**500.873**
Operational boundary for external debt -			
borrowing	340.900	370.983	446.111
other long term liabilities	56.095	60.000	54.762
TOTAL	**396.995**	**430.983**	**500.873**
Upper limit for fixed interest rate exposure (net of fixed rate investment)	100%	100%	100%
Upper limit for variable rate exposure (net of variable investment)	50%	50%	50%
Upper limit for total principal sums invested for over 364 days	25%	25%	25%

Maturity structure of fixed rate borrowing during 2011/12	upper limit	lower limit
under 12 months	35%	0%
12 months and within 24 months	35%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	25%