



DEMOCRATIC AND ELECTORAL SERVICES

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Dear Councillor

RESOURCES POLICY ADVISORY GROUP

The next meeting of the Resources Policy Advisory Group will be held as follows:

DATE: THURSDAY, 13TH DECEMBER, 2012
TIME: 6.00 PM
VENUE: ROOM 5, CAPSWOOD, OXFORD ROAD, DENHAM

Please note that this meeting is not open to the public.

CAN MEMBERS PLEASE ALSO NOTE THAT AT THE CONCLUSION OF THE MEETING THE COUNCIL'S TREASURY MANAGEMENT ADVISERS SECTOR WILL GIVE A PRESENTATION ON THE ALTERNATIVES TO INVESTING IN CASH.

Yours faithfully

Jim Burness

Director of Resources

To: The Resources Policy Advisory Group

Mr D Smith
Mr Anthony
Mr Chhokar
Mr Hardy
Mr Harding
Mr Hollis
Mr Jones
Mr Kelly

Declarations of Interest

Any Member attending the meeting is reminded of the requirement to declare if he/she has a personal interest in any item of business, as defined in the Code of Conduct. If that interest is a prejudicial interest as defined in the Code the Member should also withdraw from the meeting.

A G E N D A

- | | (Pages) |
|---|-----------|
| 1. Apologies for Absence | |
| 2. Minutes | |
| To receive the minutes of a meeting of the Policy Advisory Group held on 27 September 2012. | (1 - 2) |
| <i>A. REPORTS LIKELY TO LEAD TO PORTFOLIO HOLDER DECISION / RECOMMENDATION</i> | |
| 3. Portfolio Holder Budgets 2013/14 | |
| To consider report of the Director of Resources. | (3 - 6) |
| <i>Appendix 1</i> | (7 - 8) |
| <i>Appendix 2</i> | (9 - 50) |
| 4. HS2: request for access to SBDC owned land | |
| To consider report of the Director of Services. | (51 - 52) |
| <i>B. REPORTS FOR INFORMATION / DISCUSSION</i> | |
| 5. Public Services Network | |
| To consider report of the Director of Resources. | (53 - 56) |
| 6. Investment Performance - Quarter Ending September 2012. | (57 - 62) |
| <i>Appendix A</i> | (63 - 64) |
| <i>Appendix B</i> | (65 - 68) |
| 7. Any other business | |
| To consider any other business the Chairman decides is urgent. | |
| 8. Exempt Information | |
| To note the following item contains exempt information, which is not for Publication to the press or public, in accordance with Part 1 (Paragraphs 2 and 3) of Schedule 12A to the Local Government Act 1972. | |

9. **Minutes**

To receive the Part II minutes of the Resources Policy Advisory Group held on 27 September 2012. (69 - 70)

10. **Update on Current and Proposed Property Matters**

To consider report of the Director of Services. (71 - 76)

11. **Land in North Drive Beaconsfield**

To consider report of the Director of Services. (To Follow)

The next meeting of the PAG is due to take place on Thursday, 21 March 2013

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RESOURCES POLICY ADVISORY GROUP

Meeting - 27 September 2012

Present:

Mr D Smith, Mr Anthony, Mr Harding, Mr Hollis, Mr Jones and Mr Kelly

Apologies for absence: Mr Chhokar and Mr Hardy

66. MINUTES

The Part I minutes of the meeting of the Policy Advisory Group (PAG) held on 14 June 2012 were received.

Following a question from a member in connection with minute 59 - Dropmore Road Depot Waste Services - the PAG was advised that additional costs were being incurred by the Council as a result of the decision of the Planning Committee not to approve the planning application to redevelop the site. Details of the additional costs, which were still being calculated, would be included in a report due to be submitted to the meeting of the Cabinet on 16 October 2012.

67. DEBT RECOVERY

The PAG received a report providing information on the Council's income collection performance in 2011/12 and debt position as at 31 March 2012.

A table in paragraph 4.1 of the report provided details of the income collected from taxpayers/customers in 2011/12 against the collection targets set. The PAG, after noting that there had been a slight fall in the collection rates for the reasons given in paragraph 4.2, was assured that there had been an improvement in recovery rates since March.

Following a request from a member, the Director of Resources agreed to expand the information in the table in future reports to show housing benefit overpayment collection in previous years thus enabling comparisons to be made.

In connection with the table in paragraph 5.1 providing a summary of the main outstanding taxpayer/customer debts at the start and end of the 2011/12 financial year the PAG was advised that whilst the non - collection of NNDR had no direct impact on the Council at the present time this would become increasingly relevant in future years when local authorities are able to retain a proportion collected. The PAG was assured that discussions would take place with the Contractor to ensure they had processes to maximise collection. The discussions would also include the possibility of setting a target for the recovery of housing benefits overpayments.

After noting the cost of debt recovery the PAG

RESOLVED - that the report be noted.

68. INVESTMENT PERFORMANCE - QUARTER ENDING JUNE 2012.DOC

The PAG received a report setting out the investment returns for the quarter ending 30 June 2012.

The report, after reminding members of the sources for generating investment income for the year, set out:

- The new matrix for in house investments approved as part of the Council's Treasury Management Strategy 2012/13
- A summary of the Council's holdings of fixed deposits
- The value of the Stoke Poges Memorial Gardens Fund
- Long term fixed investments totalling £5 million due to mature in the autumn

- the downgrading of credit ratings and the implications for the Council's counterparty matrix as shown in paragraph 5.5
- the economic background.

To facilitate a discussion on where the Council should invest and so inform the development of the Treasury Management Strategy 2013/14 the PAG supported the proposal set out in paragraph 5.7 for Sector to attend a Member Briefing Session in December. The PAG also supported the view that all Councillors should be invited to attend.

RESOLVED that the report be noted.

69. BOUNDARY WALL AT BOUNDARY ROAD, TAPLOW

The PAG received a report providing an update on the work to stabilise the boundary wall enclosing land at Boundary Road, Taplow.

The report, after detailing the funding arrangements, explained that the repairs had cost £17,139 against an estimate of £12,400.

The PAG, after being informed that Taplow Parish Council had received monies for road improvement works, felt that the Parish Council should be approached to make a contribution towards the cost of the repairs.

RESOLVED - That the report be noted and Taplow Parish Council be asked to make a contribution towards the cost of the repairs to the wall.

70. EXEMPT INFORMATION

Members noted that the following items contained exempt information which was not available to the press and public.

Part II Minutes of the meeting of the PAG held on 14 June 2012

(Schedule 12A part 1 para (3) - because of information relating to the financial and business affairs of any particular individual)

Land in Beaconsfield

(Schedule 12A part 1 para (3) - because of information relating to the financial and business affairs of any particular individual)

Land to the rear of Broadway Car Park, Farnham Common

(Schedule 12A part 1 para (3) - because of information relating to the financial and business affairs of any particular individual)

The meeting terminated at 7.16 pm

SUBJECT:	Portfolio Budgets 2013/14	
REPORT OF:	Officer Management Team -	Director of Resources
	Prepared by	- Head of Finance

1. Purpose of Report

1.1. To provide members with information on the draft revenue budget for 2013/14, including the context of the overall financial position facing the Council for the coming year. The report will seek approval for the:

- draft revenue budget
- fees and charges

2. Links to Council Policies & Plans

2.1. One of the primary purposes of the Council's budget process is to ensure that, as far as possible, resources are aligned to the corporate priorities of the Council, and that any material risks are assessed.

3. Context to the 2013/14 Budget

3.1. 2013/14 will be the third year of the current Spending Review period during which the Government has set out to reduce the national deficit. As with previous years there are planned to be further reductions in Government funding for local authorities. The details of the funding for 2013/14 will not be known until mid December 2012 following the Autumn Statement on 5th December.

3.2. Given the challenge faced by the Government in achieving its deficit reduction targets in the light of the recession being experienced by the UK economy, it is possible that local authority funding could be reduced further than original planned in 2013/14.

3.3. 2013/14 will see a number of major changes to the way in which local authorities are funded. In summary these are:

- Authorities will be able to retain a proportion of the business rates they collect. If the retained business rates exceed the Government grant the authority would have received in 2013/14 under the current arrangements then the authority will pay over the difference to the Government, and if it is less then they will receive a payment from the Government.
- All the major unringfenced grants received by the authority for council tax freeze, council tax support, and local services support grant will be combined into a single revenue support grant (RSG) payment.

3.4. All of the factor combine to make it difficult to predict with any certainty the likely level of external funding available to the Council in 2013/14.

3.5. The draft budget for 2013/14 reflects the savings achieved to date from the phase 1 joint arrangements with Chiltern DC, which are approximately £265k. In addition there will be the saving from the removal from the budget of the costs of the 2012 Games, £109k.

- 3.6. 2013/14 will be the third year of the New Homes Bonus (NHB) funding scheme, and based on past performance the authority is guaranteed to receive £535k in 2013/14. This is based on the net number of new properties on the council tax base as at October each year. As with the other funding sources, the Council will not know its position until the middle of December.
- 3.7. Investment income will continue at the current level, with little prospect of any material increase in the coming years as the economic situation will keep rates at the current low levels. The Resources Portfolio Holder and his PAG continually monitor the investment position, and the likely achievable level of investment income for 2013/14 will be reviewed as part of the Treasury Management Strategy for 2013/14.
- 3.8. Clearly with all the uncertainties around the 2013/14 budget it would be prudent at this stage not to include any funding for new recurring expenditure to improve or expand services.

4. Budget Assumptions

- 4.1. The budgets have been prepared in accordance with the following inflation assumptions:
- Salaries inflation from April 2012 of 2%
 - Contracts inflation 3% (unless different rate specified within contract)
 - Business rates 3%
 - Gas 5%
 - Electricity 5%
 - Other expenditure heads 0%
 - Income 2%.
- 4.2. In respect of pay settlements the Council will decide the final figure for any salary increase for next year based on the advice of Personnel Committee.
- 4.3. The Cabinet has decided that in the light of the uncertain external funding position for the Council, that there will be no discretionary growth allowed in the draft budgets.
- 4.4. The Cabinet will consider the outcome of the PAG discussions at its February meeting when it will formulate a final draft of the overall 2013/14 budget for the Authority.

5. Budget Booklet

- 5.1. This report provides summary information on the budgets and highlights issues for consideration. The attached booklet presents the detailed information to assist Members in their decision making and includes sections on the following:
- revenue budgets
 - fees and charges.

6. Revenue Budgets

- 6.1. The draft budgets presented to Members at this stage represent the net direct running costs of services. They do not contain the apportionment of support service charges such as accommodation, IT, finance etc. These will be included in the final approved budgets, once the budgets for these support services have been set. The budgets reflected in this report are therefore the direct costs under the Portfolio Holder's control.

- 6.2. The budgets have been reviewed by the appropriate service manager for any material volume or changes related to maintaining current service standards.
- 6.3. The net budget figures for the Portfolio are shown below. A more detailed breakdown by service is shown on page 3 of the booklet.

Actuals 2011/12 £'000	Budget 2012/13 £'000	Draft Budget 2013/14 £'000
4,122	4,032	3,955

- 6.4. The decrease from the current year's approved budget to the 2013/14 draft budget is £77,000 (1.9%). The main changes are detailed below:

	£'000	Comment
2012/13 Budget	4,032	
Change in salaries - Cost of living increase & increments	31	
Inflation - On expenditure	46	
Unavoidable increases - Cut in NNDR grant - Cut in CTax/HB grants - Council Tax Support Hardship Fund	10 41 30	Estimated figures - will update once actual figure known Relates to new local CT Support scheme
Transfer - Training - Bad debt provision - Dem Services/Elections Officer	5 5 -8	Creation of centralised training budget Compensating adjustment in H&H Compensating adjustment in Community
Saving - Shared management arrangements - Transformation Support - Saving on audit costs - ICT - Ordnance Survey - Legal Overtime - Legal reduction in hours	-230 34 -18 -12 -9 -20	Phase 1 savings To be funded from reserves Net reduction in audit fees No longer being charged for data Reduction in overtime provision
Other Changes - Lower charges to Trust - Minor changes	22 -4	Recharges have been reviewed
2013/14 Draft Budget	3,955	

- 6.5. Full details of the budgets and the changes from the current year for each service are shown within the booklet.
- 6.6. The Portfolio Holder is asked to consider the 2013/14 draft revenue budget and consider whether to approve this.

Risk Assessments

- 6.7. When considering the proposed budgets for the coming financial year it is important to be aware of the risks within the budgets. For this Portfolio the main risk areas are:

- Council Tax Support Scheme - The cost of implementing and then operating the new localised Council Tax Support Scheme.
- Housing benefits - the grant should ensure that in most cases 100% of benefit paid is reclaimable however the various incentive areas introduce some variability to this and given the large sums involved there is still a risk that the amount payable may differ from the standard rate as some costs may be ineligible for grant.
- For property leases there are risks if void levels are higher than budgeted.

6.8. The Portfolio Holder may wish to review what actions are proposed to attempt to manage and mitigate these risks.

6.9. An overall review of the main risk issues for the 2013/14 budget will be undertaken once the Cabinet has agreed a proposed budget. This review and proposed actions to mitigate the risks will be part of the final report to the Cabinet on the budget in February.

Service Reviews

6.10. As part of the joint working arrangements with Chiltern District Council, it is proposed that over time all services will be subject to detailed service reviews. It is anticipated that these reviews will improve quality and resilience, and reduce cost.

7. Fees and Charges

7.1. Included within the booklet are the list of proposed fees and charges for the Portfolio. All of the proposed fee increases have been built into the draft revenue budgets.

7.2. The fees and charges which are determined by the Council have mainly been increased by 2% unless a specific level of charge has been identified by Cost Centre Managers.

7.3. The Portfolio Holder is asked to consider the list of fees and charges and consider whether to approve these. Income may be in some service areas an important factor in reducing expenditure.

8. Conclusion

1. Members are requested to advise the Portfolio holder on the approval of the following items for onward submission to Cabinet:

- the 2013/14 revenue budget
- the 2013/14 fees and charges.

Officer Contact:	Rodney Fincham- Ext 7268 email: rodney.fincham@southbucks.gov.uk Jim Burness - Ext 7217 email: Jim.burness@southbucks.gov.uk
Background Papers:	

Appendix: Corporate Plan 2012-22 (Aims and Priorities)

Corporate Plan Aims and Priorities:

Aim 1: Thriving Economy - lifelong enterprise, the entrepreneurial heart of Britain
<ul style="list-style-type: none"> • Ensure local businesses and families know where to find support during times of growth and in difficult times
<ul style="list-style-type: none"> • Enable local people to live and work locally
<ul style="list-style-type: none"> • Support a local economy which balances availability of labour with types and levels of employment, including developing skills required for the future
<ul style="list-style-type: none"> • Increase affordable housing for local people entering the housing market, key workers and an ageing population
<ul style="list-style-type: none"> • Help to keep essential services within our high streets and towns and village centres
<ul style="list-style-type: none"> • Enable local people and businesses to maximise opportunities generated by the 2012 Olympics
Aim 2: Sustainable and Clean Environment - protecting our heritage, protecting our future
<ul style="list-style-type: none"> • Support and educate residents and local businesses to achieve a reduction in carbon emissions and adapt to climate change. Lead by example
<ul style="list-style-type: none"> • Place shaping - conserve and enhance towns and villages, whilst safeguarding the Green Belt
<ul style="list-style-type: none"> • Review conservation areas and use key site briefs to take a proactive approach to plan ahead on specific sites
<ul style="list-style-type: none"> • Continue to improve the street scene and cleanliness of the district
<ul style="list-style-type: none"> • Monitor, protect and plan for improvements to the environment
<ul style="list-style-type: none"> • Increase participation in recycling, reusing and reduce waste going to landfill
Aim 3: Safe Communities- - being safe, feeling safe
<ul style="list-style-type: none"> • Maintain reduced crime levels and the increase in clear up rates, in partnership
<ul style="list-style-type: none"> • Lobby and work with the Police to achieve more effective policing
<ul style="list-style-type: none"> • Reduce the impact of antisocial behaviour in our community
<ul style="list-style-type: none"> • Reduce fear of crime
<ul style="list-style-type: none"> • Encourage Bucks County Council to improve traffic management and road safety
Aim 4: Health and well-being - healthier, happier and longer lives
<ul style="list-style-type: none"> • Support the Health and Well-being Board and other partners in improving health and well-being of residents
<ul style="list-style-type: none"> • Promote healthy lifestyles including reducing obesity particularly in young people
<ul style="list-style-type: none"> • Design leisure services that encourage access for all, improve health and provide support for older and younger people
<ul style="list-style-type: none"> • Reduce health inequalities and ensure comprehensive information on support and services is available to everyone
<ul style="list-style-type: none"> • Deliver improved access to services, tailored to meet the needs of individuals and reduce social isolation
Aim 5: Cohesive and strong communities - strong, confident and active communities
<ul style="list-style-type: none"> • Increase community participation and volunteering and maintain support for the voluntary and community sector
<ul style="list-style-type: none"> • Support individual Councillor engagement with their communities to feedback need
<ul style="list-style-type: none"> • Encourage people to have their say and shape local decisions
<ul style="list-style-type: none"> • Help communities to get on well together through encouraging and supporting community events
<ul style="list-style-type: none"> • Better engagement with vulnerable and hard to reach groups to help improve community cohesion and tackle inequalities
<ul style="list-style-type: none"> • Improve access to Council Services by encouraging use of the Council's website whilst improving other means of access for those without computers

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South Bucks
District Council

**RESOURCES PORTFOLIO
2013/14 BUDGET PROPOSALS**

**RESOURCES POLICY ADVISORY GROUP
13th DECEMBER 2012**

Revenue Budgets

Revenue Summary (at net running expenses level)

Environment - Investment Properties - Chris Marchant

- Offices - Beaconsfield
- Offices - Brindley House
- Stoke Park
- Stoke Place
- Bath Road Depot
- Misc Land/Property
- Hsg Dwellings
- Caravan Site

Environment - Property & Facilities - Chris Marchant

- Property & Facilities
- Offices - Capswood

Executive & Support - Kay Mounteney

- Executive & Support
- Joint Working
- Performance & Improvement
- Print/Copy Services
- Reception
- Personnel & Training

Finance - Finance - Rodney Fincham

- Finance
- Internal Audit
- Corporate Management Costs
- Non Distributed Costs
- Other Expenses

Business Support - ICT - Sim Dixon

- Information Technology

Customer Services - Revenues & Benefits - Neil Berry

- Revenues & Benefits Client
- Council Tax Collection
- NNDR Collection
- Council Tax Benefits
- Housing Benefits

Legal & Democratic Services - Joanna Swift

- Legal Services
- Overview & Scrutiny
- Democratic Processes
- Committee Services

Fees and Charges

REVENUE SUMMARY - RESOURCES

Appendix2

2011/12 ACTUALS		2012/13 BUDGET	2012/13 EST OUTTURN*	2013/14 BUDGET	CHANGE	CHANGE
£		£	£	£	£'000	%
	<u>INVESTMENT PROPERTIES</u>					
(75,940)	Offices - Beaconsfield	(75,000)	(75,000)	(74,930)	0	-0.1%
(31,180)	Offices - Brindley House	(29,500)	(29,500)	(29,490)	0	0.0%
2,699	Stoke Park					-
(120,082)	Stoke Place	(118,760)	(118,760)	(118,690)	0	-0.1%
19,049	Bath Road Depot	3,080	3,080	3,450	0	12.0%
(28,652)	Misc Land/Property	(35,030)	(35,030)	(34,920)	0	-0.3%
5,075	Housing Dwellings	7,200	7,200	7,160	(0)	-0.6%
(17,800)	Caravan Site	(16,500)	(16,500)	(16,500)		0.0%
	<u>ENVIRONMENT</u>					
148,593	Property & Facilities	204,590	204,590	184,120	(20)	-10.0%
627,214	Offices - Capswood	647,140	647,140	655,220	8	1.2%
	<u>EXECUTIVE & SUPPORT</u>					
420,700	Executive & Support	519,370	519,370	331,030	(188)	-36.3%
80,595	Joint Working			33,700	34	-
94,663	Performance & Improvement	60,210	60,210	58,610	(2)	-2.7%
7,953	Print/Copy Services	(11,370)	(11,370)	(11,370)		0.0%
80,050	Reception	75,630	75,630	97,710	22	29.2%
85,298	Personnel & Training	133,600	133,600	145,540	12	8.9%
	<u>FINANCE</u>					
376,310	Finance	366,140	366,140	331,230	(35)	-9.5%
39,620	Internal Audit	32,550	32,550	43,200	11	32.7%
159,154	Corporate Management Costs	149,500	124,500	127,000	(23)	-15.1%
116,218	Non Distributed Costs	118,000	118,000	118,000		0.0%
37,459	Other Expenses	26,480	12,980	31,320	5	18.3%
	<u>BUSINESS SUPPORT</u>					
697,954	Information Technology	666,640	653,790	703,130	36	5.5%
	<u>CUSTOMER SERVICES</u>					
168,050	Revenues & Benefits Client	140,650	140,650	163,080	22	15.9%
334,110	Council Tax Collection	327,460	327,460	332,150	5	1.4%
(7,629)	NNDR Collection	(16,860)	(33,860)	(4,640)	12	-72.5%
37,261	Council Tax Benefits	38,930	34,930	79,240	40	103.5%
184,971	Housing Benefits	71,170	66,170	110,580	39	55.4%
	<u>LEGAL & DEMOCRATIC SERVICES</u>					
296,288	Legal Services	334,040	334,040	277,260	(57)	-17.0%
47,492	Overview & Scrutiny	50,360	50,360	50,370	0	0.0%
256,581	Democratic Processes	275,460	275,460	281,980	7	2.4%
80,081	Committee Services	87,050	87,050	80,640	(6)	-7.4%
4,122,155	Net Running Expenses	4,032,230	3,954,880	3,955,180	(77)	-1.9%

* Estimated outturn figures taken from October 2012 monthly monitoring report.

INVESTMENT PROPERTIES
ENVIRONMENT

2011/12 ACTUALS		2012/13 BUDGET	2013/14 BUDGET
£		£	£
	<u>INVESTMENT PROPERTIES</u>		
(75,940)	Offices - Beaconsfield	(75,000)	(74,930)
(31,180)	Offices - Brindley House	(29,500)	(29,490)
2,699	Stoke Park		
(120,082)	Stoke Place	(118,760)	(118,690)
19,049	Bath Road Depot	3,080	3,450
(28,652)	Miscellaneous Land/Property	(35,030)	(34,920)
5,075	Housing Dwellings	7,200	7,160
(17,800)	Caravan Sites	(16,500)	(16,500)
(246,831)	Net Running Expenses	(264,510)	(263,920)

<i>Budget Movements</i>	£'000
2012/13 Budget	(265)
Other	1
2013/14 Budget	(264)

2011/12 ACTUALS	Offices - Beaconsfield	2012/13 BUDGET	2013/14 BUDGET
£		£	£
2,017	Employees	2,070	2,100
	Premises Related Expenses		
	Transport Related Costs		
256	Supplies & Services	160	200
	Third Party Payments		
	Transfer Payments		
2,273	Running Expenses	2,230	2,300
(78,213)	Fees & Charges and Other Income	(77,230)	(77,230)
	Grant Income		
(75,940)	Net Running Expenses	(75,000)	(74,930)

This cost centre contains the cost of the Offices at Beaconsfield.

Premises: This budget is mainly for premises insurance.

Income: This is the income for the letting of the offices.

2011/12 ACTUALS	Offices - Brindley House	2012/13 BUDGET	2013/14 BUDGET
£		£	£
555	Employees Premises Related Expenses Transport Related Costs Supplies & Services Third Party Payments Transfer Payments	2,070	2,090
555	Running Expenses	2,070	2,090
(31,735)	Fees & Charges and Other Income Grant Income	(31,570)	(31,580)
(31,180)	Net Running Expenses	(29,500)	(29,490)

This cost centre contains the cost of the Offices at Brindley House.

Premises: This is mainly the repair & maintenance budget.

Income: Rental income.

Service Unit:
Service Area:

PROPERTY & CONTRACT SERVICES
ENVIRONMENT

Appendix2

2011/12 ACTUALS	Stoke Park	2012/13 BUDGET	2013/14 BUDGET
£ 2,699	Employees Premises Related Expenses Transport Related Costs Supplies & Services Third Party Payments Transfer Payments	£	£
2,699	Running Expenses Fees & Charges and Other Income Grant Income		
2,699	Net Running Expenses		

This cost centre contained the cost of maintaining Stoke Park.

2011/12 ACTUALS	Stoke Place	2012/13 BUDGET	2013/14 BUDGET
£		£	£
10,855	Employees	11,660	11,940
	Premises Related Expenses		
	Transport Related Costs		
163	Supplies & Services	170	170
	Third Party Payments		
	Transfer Payments		
11,018	Running Expenses	11,830	12,110
(131,100)	Fees & Charges and Other Income	(130,590)	(130,800)
	Grant Income		
(120,082)	Net Running Expenses	(118,760)	(118,690)

This cost centre contains the cost of maintaining Stoke Place.

Premises: This budget is for building repairs and insurance.

Income: This budget is mainly the Stoke Place rental income and recharge of insurance premiums.

2011/12 ACTUALS	Bath Road Depot	2012/13 BUDGET	2013/14 BUDGET
£		£	£
31,049	Employees Premises Related Expenses Transport Related Costs Supplies & Services Third Party Payments Transfer Payments	13,100	13,470
31,049	Running Expenses	13,100	13,470
(12,000)	Fees & Charges and Other Income Grant Income	(10,020)	(10,020)
19,049	Net Running Expenses	3,080	3,450

This cost centre contains the cost of maintaining the Bath Road Depot.

Premises: This budget is for repairs, electricity, NNDR and premises insurance.

Income: This budget is mainly for rental income.

2011/12 ACTUALS	Misc Land/Property	2012/13 BUDGET	2013/14 BUDGET
£		£	£
6,330	Employees Premises Related Expenses Transport Related Costs Supplies & Services Third Party Payments Transfer Payments	1,710	1,820
6,330	Running Expenses	1,710	1,820
(34,982)	Fees & Charges and Other Income Grant Income	(36,740)	(36,740)
(28,652)	Net Running Expenses	(35,030)	(34,920)

This cost centre contains the costs relating to the other Council land / property.

Income: This is rental income from these assets.

2011/12 ACTUALS	Housing Dwellings	2012/13 BUDGET	2013/14 BUDGET
£		£	£
8,308	Employees	9,330	9,330
	Premises Related Expenses		
	Transport Related Costs		
100	Supplies & Services	100	20
6,681	Third Party Payments	8,290	8,540
	Transfer Payments		
15,089	Running Expenses	17,720	17,890
(10,014)	Fees & Charges and Other Income	(10,520)	(10,730)
	Grant Income		
5,075	Net Running Expenses	7,200	7,160

This cost centre contains costs and income relating to a few housing properties.

Premises: This budget is for the leaseback of properties at Holtspur, plus minor repairs.

Supplies & Services: This budget is for insurances fees, which are recharged out.

Third Party Payments: This is to cover the grasscutting recharge.

Income: The income is mainly from the leaseback of the properties at Holtspur but also includes wayleaves and other minor income.

2011/12 ACTUALS	Caravan Site	2012/13 BUDGET	2013/14 BUDGET
£	Employees Premises Related Expenses Transport Related Costs Supplies & Services Third Party Payments Transfer Payments	£	£
(17,800)	Running Expenses Fees & Charges and Other Income Grant Income	(16,500)	(16,500)
(17,800)	Net Running Expenses	(16,500)	(16,500)

This cost centre contains the income from the rent of the caravan site.

Income: This is the rental income from the land at Wyatts Covert which is rented by the Cavaran Club.

2011/12 ACTUALS		2012/13 BUDGET	2013/14 BUDGET
£		£	£
	ENVIRONMENT - PROPERTY & FACILITIES		
148,593	Property & Facilities	204,590	184,120
627,214	Offices - Capswood	647,140	655,220
775,807	Net Running Expenses	851,730	839,340

<i>Budget Movements</i>	£'000
2012/13 Budget	852
Changes in salaries	
Cost of living increase & increments	4
Inflation on expenditure	8
Savings	
Joint working	(39)
Other	
Lower charge to Trust	15
Other	(1)
2013/14 Budget	839

2011/12 ACTUALS	Property & Facilities	2012/13 BUDGET	2013/14 BUDGET
£ 182,524	Employees	£ 225,750	£ 241,370
	Premises Related Expenses		
8,043	Transport Related Costs	7,470	5,800
11,306	Supplies & Services	19,290	19,620
	Third Party Payments		
	Transfer Payments		
201,873	Running Expenses	252,510	266,790
(53,280)	Fees & Charges and Other Income	(47,920)	(82,670)
	Grant Income		
148,593	Net Running Expenses	204,590	184,120

This cost centre contains the cost of running the Property & Facilities section.

Employees: There are 4 staff in the section as follows:

- Head of Environment
- Facilities & Property Manager
- Property & Development Manager
- Landscape Assistant

Transport: These budgets are for the mileage claims and mileage allowances.

Supplies & Services: These budgets are for printing & stationery, mobile telephones and other minor business expenses.

2011/12 ACTUALS	Offices - Capswood	2012/13 BUDGET	2013/14 BUDGET
£		£	£
635,688	Employees	656,980	664,040
	Premises Related Expenses		
	Transport Related Costs		
27,128	Supplies & Services	25,160	26,180
	Third Party Payments		
	Transfer Payments		
662,816	Running Expenses	682,140	690,220
(35,602)	Fees & Charges and Other Income	(35,000)	(35,000)
	Grant Income		
627,214	Net Running Expenses	647,140	655,220

This cost centre contains the cost of renting and maintaining the Capswood offices.

Employees: There are no members of staff in the section as caretaking duties are provided under contract.

Premises: These are the budgets for the service charge, security, electricity, rent, NNDR and insurance for the building that the Council is responsible for.

Supplies & Services: These are the budgets for the vending machines and the limited off site storage that we rent.

Income: This is the budget for the rental income from contractors.

2011/12 ACTUALS		2012/13 BUDGET	2013/14 BUDGET
£		£	£
	EXECUTIVE & SUPPORT		
420,700	Executive & Support	519,370	331,030
80,595	Joint Working		33,700
94,663	Performance & Improvement	60,210	58,610
7,953	Print/Copy Services	(11,370)	(11,370)
80,050	Reception	75,630	97,710
85,298	Personnel & Training	133,600	145,540
769,259	Net Running Expenses	777,440	655,220

<i>Budget Movements</i>	£'000
2012/13 Budget	777
Changes in salaries	
Cost of living increase & increments	13
Transfers	9
Savings	
Joint working	(173)
Transformation Support	34
Other	(5)
2013/14 Budget	655

2011/12 ACTUALS	Executive & Support	2012/13 BUDGET	2013/14 BUDGET
£		£	£
418,439	Employees	488,980	441,680
	Premises Related Expenses		
5,161	Transport Related Costs	6,000	1,000
19,153	Supplies & Services	25,580	25,560
	Third Party Payments		
	Transfer Payments		
442,753	Running Expenses	520,560	468,240
(22,053)	Fees & Charges and Other Income	(1,190)	(137,210)
	Grant Income		
420,700	Net Running Expenses	519,370	331,030

This cost centre contains the cost of running the Executive and Corporate Support section.

Employees: There are 6 staff in the section as follows:

- Director of Resources
- Director of Services
- Team Leader - Corporate Support (p/t)
- Administration Officer (x2)
- Administration Assistant

The Council's share of the costs of the joint Chief Executive are also included here

Transport: This budget is for mileage claims

Supplies & Services: These costs mainly relate to printing & stationery, insurances and other minor business expenses

Income: This is mainly the recharge of the joint Directors posts

2011/12 ACTUALS	Joint Working	2012/13 BUDGET	2013/14 BUDGET
£		£	£
80,595	Employees Premises Related Expenses Transport Related Costs Supplies & Services Third Party Payments Transfer Payments		15,800
80,595	Running Expenses Fees & Charges and Other Income Grant Income		17,900
80,595	Net Running Expenses		33,700

This cost centre contains miscellaneous items of expenditure in regard to the joint working projects.

2011/12 ACTUALS	Performance & Improvement	2012/13 BUDGET	2013/14 BUDGET
£		£	£
87,324	Employees	50,320	48,990
	Premises Related Expenses		
307	Transport Related Costs	530	530
7,032	Supplies & Services	9,360	9,090
	Third Party Payments		
	Transfer Payments		
94,663	Running Expenses	60,210	58,610
	Fees & Charges and Other Income		
	Grant Income		
94,663	Net Running Expenses	60,210	58,610

This cost centre contains the cost of running the Policy & Performance section.

Employees: There are 2 staff in the section as follows:
Performance & Improvement Officer (p/t)
Policy Officer (p/t)

Transport: This budget is for mileage claims and mileage allowances.

Supplies & Services: These budgets mainly relate to the running costs for the performance management system and other minor business expenses.

2011/12 ACTUALS	Print/Copy Services	2012/13 BUDGET	2013/14 BUDGET
£		£	£
11,016	Employees Premises Related Expenses Transport Related Costs Supplies & Services Third Party Payments Transfer Payments	(10,370)	(10,370)
11,016	Running Expenses	(10,370)	(10,370)
(3,063)	Fees & Charges and Other Income Grant Income	(1,000)	(1,000)
7,953	Net Running Expenses	(11,370)	(11,370)

This cost centre is now used as a holding code for recharging photocopying costs directly to services.

This cost centre balances to nil once depreciation is taken into account.

2011/12 ACTUALS	Reception	2012/13 BUDGET	2013/14 BUDGET
£ 73,035	Employees	£ 73,130	£ 95,190
	Premises Related Expenses		
	Transport Related Costs		
8,459	Supplies & Services	3,600	3,620
	Third Party Payments		
	Transfer Payments		
81,494	Running Expenses	76,730	98,810
(1,444)	Fees & Charges and Other Income	(1,100)	(1,100)
	Grant Income		
80,050	Net Running Expenses	75,630	97,710

This cost centre contains the cost of running the reception service.

Employees: There are 4 staff in the section as follows:
Receptionist Team Leader
Customer Services Officers (x3) (all p/t)
Part of the cost of the joint Head of Service is also included here.

Supplies & Services: These budgets relate to the cost of staff uniforms, floral displays and other minor business expenses.

Income: This is various miscellaneous income.

2011/12 ACTUALS	Personnel & Training	2012/13 BUDGET	2013/14 BUDGET
£		£	£
79,993	Employees	124,080	135,660
	Premises Related Expenses		
1,824	Transport Related Costs	2,020	2,020
15,564	Supplies & Services	23,190	23,550
	Third Party Payments		
	Transfer Payments		
97,381	Running Expenses	149,290	161,230
(12,083)	Fees & Charges and Other Income	(15,690)	(15,690)
	Grant Income		
85,298	Net Running Expenses	133,600	145,540

This cost centre contains the cost of running the personnel and training section.

Employees: There are 3 staff in the section as follows:

Policy & HR Manager

Personnel Officer

Personnel Assistant

The budget also includes £14K in respect of corporate training & development which includes £10K transferred from individual cost centres

Transport: This budget is for mileage claims and mileage allowances.

Supplies & Services: These costs mainly relate to printing & stationery and other minor business expenses relating to P&T issues.

Income: Charge to the Trust for Support.

2011/12 ACTUALS		2012/13 BUDGET	2013/14 BUDGET
£		£	£
	<u>FINANCE</u>		
376,310	Finance	366,140	331,230
39,620	Internal Audit	32,550	43,200
159,154	Corporate Management Costs	149,500	127,000
116,218	Non Distributed Costs	118,000	118,000
37,459	Other Expenses	26,480	31,320
728,761	Net Running Expenses	692,670	650,750

<i>Budget Movements</i>	£'000
2012/13 Budget	693
Changes in salaries	
Cost of living increase & increments	6
Inflation on expenditure	7
Transfers	4
Savings	
Joint working	(42)
Shared Internal Audit manager	10
External audit fee	(28)
Other	1
2013/14 Budget	651

2011/12 ACTUALS	Finance	2012/13 BUDGET	2013/14 BUDGET
£ 333,300	Employees	£ 331,810	£ 346,780
	Premises Related Expenses		
2,796	Transport Related Costs	2,990	500
61,440	Supplies & Services	55,630	58,320
13,084	Third Party Payments	13,080	13,500
	Transfer Payments		
410,620	Running Expenses	403,510	419,100
(34,310)	Fees & Charges and Other Income	(37,370)	(87,870)
	Grant Income		
376,310	Net Running Expenses	366,140	331,230

This cost centre contains the cost of running the Finance section.

Employees: There are 8 staff in the section as follows:

- Head of Finance
- Principal Accountant (x2)
- Accountancy Assistant (x2) (one p/t)
- Finance Officer
- Finance Assistant (x2) (both p/t)

Transport: This budget is for mileage claims.

Supplies & Services: Costs mainly relate to printing & stationery and the purchase of essential accountancy publications. It also includes the managed service contract to maintain our accounting system, and the cost of the Finance system licenses.

Third Party Payments: This is mainly the cost of the contract with Aylesbury Vale District Council to provide our payroll system.

Income: This includes the recharge of the joint Head of Service to CDC and the recharge to the Trust.

2011/12 ACTUALS	Internal Audit	2012/13 BUDGET	2013/14 BUDGET
£		£	£
	Employees		10,000
	Premises Related Expenses		
	Transport Related Costs		
284	Supplies & Services	50	50
39,336	Third Party Payments	32,500	33,150
	Transfer Payments		
39,620	Running Expenses	32,550	43,200
	Fees & Charges and Other Income		
	Grant Income		
39,620	Net Running Expenses	32,550	43,200

This cost centre contains the cost of maintaining an internal audit function.

Employees: This is the cost of the shared Internal Audit manager

Third Party Payments: This is the cost of the internal audit contract.

2011/12 ACTUALS	Corporate Management Costs	2012/13 BUDGET	2013/14 BUDGET
£		£	£
159,154	Employees Premises Related Expenses Transport Related Costs Supplies & Services Third Party Payments Transfer Payments	149,500	127,000
159,154	Running Expenses Fees & Charges and Other Income Grant Income	149,500	127,000
159,154	Net Running Expenses	149,500	127,000

This cost centre contains those costs that are specified in the Accounting Code of Practice as 'Corporate Management Costs' which is defined as those activities and costs that provide the infrastructure that allows services to be provided, whether by the authority or not, and the information that is required for public accountability.

Supplies & Services:	The breakdown of these costs is as follows:	
	Publicity Notices	2,500
	Bank Charges	32,000
	Management Fees (Sector)	6,500
	Audit Fees	86,000
		<hr/> 127,000

2011/12 ACTUALS	Non Distributed Costs	2012/13 BUDGET	2013/14 BUDGET
£ 116,971	Employees Premises Related Expenses Transport Related Costs Supplies & Services Third Party Payments Transfer Payments	£ 118,500	£ 118,500
116,971	Running Expenses	118,500	118,500
(753)	Fees & Charges and Other Income Grant Income	(500)	(500)
116,218	Net Running Expenses	118,000	118,000

This cost centre contains those costs that are specified in the Accounting Code of Practice as 'Non Distributed Costs' which is defined as those costs that do not relate to the provision of current services. Primarily these costs relate to any ongoing pension costs relating to retired employees.

Employees: These budgets are the ongoing payments to the Bucks County Council Pension Fund for added years pension payments and gratuity payments to a few ex employees who were not entitled to a pension.

Income: This is contributions from other authorities towards the gratuity payments.

2011/12 ACTUALS	Other Expenses	2012/13 BUDGET	2013/14 BUDGET
£		£	£
9,731	Employees	7,650	7,650
	Premises Related Expenses		
	Transport Related Costs		
27,737	Supplies & Services	18,880	23,680
	Third Party Payments		
	Transfer Payments		
37,468	Running Expenses	26,530	31,330
(9)	Fees & Charges and Other Income	(50)	(10)
	Grant Income		
37,459	Net Running Expenses	26,480	31,320

This cost centre contains a number of miscellaneous items of expenditure.

Employees: This is the budget for standby allowances.

Supplies & Services: These costs relate to the publicity, insurance and procurement support costs together with Bad Debt provision and Asset disposal costs.

2011/12 ACTUALS		2012/13 BUDGET	2013/14 BUDGET
£		£	£
697,954	<u>BUSINESS SUPPORT - ICT</u> Information Technology	666,640	703,130
697,954	Net Running Expenses	666,640	703,130

<i>Budget Movements</i>	£'000
2012/13 Budget	667
Changes in salaries	
Cost of living increase & increments	3
Inflation on expenditure	7
Transfers	(1)
Savings - Joint Working	
Joint working	43
Ordance survey fee	(12)
Other	(4)
2013/14 Budget	703

2011/12 ACTUALS	Information Technology	2012/13 BUDGET	2013/14 BUDGET
£		£	£
186,076	Employees	189,600	232,530
	Premises Related Expenses		
3,547	Transport Related Costs	5,170	4,910
197,216	Supplies & Services	159,790	146,910
326,015	Third Party Payments Transfer Payments	334,800	341,500
712,854	Running Expenses	689,360	725,850
(14,900)	Fees & Charges and Other Income Grant Income	(22,720)	(22,720)
697,954	Net Running Expenses	666,640	703,130

This cost centre contains the cost of running the ICT section.

Employees: There are four staff in the section as follows:
 ICT Manager
 Website & ICT Officer
 GIS Officer
 GIS/LLPG Technician
 The cost of the joint Head of Service is also included here.

Transport: This budget is for mileage claims and mileage allowances.

Supplies & Services: These costs are primarily the purchase of minor miscellaneous ICT equipment and ICT hardware & software maintenance costs.

Third Party Payments: This is the cost of the IT Facilities Management contract.

2011/12 ACTUALS		2012/13 BUDGET	2013/14 BUDGET
£		£	£
	CUSTOMER SERVICES - REVENUES & BENEFITS		
168,050	Revenues & Benefits Client	140,650	163,080
334,110	Council Tax Collection	327,460	332,150
(7,629)	NNDR Collection	(16,860)	(4,640)
37,261	Council Tax Benefits	38,930	79,240
184,971	Housing Benefits	71,170	110,580
716,763	Net Running Expenses	561,350	680,410

<i>Budget Movements</i>	£'000
2012/13 Budget	561
Changes in salaries	
Cost of living increase & increments	2
Inflation on expenditure	18
Unavoidable increases	
Cut in government grants	51
Hardship Fund (CTB)	30
Savings	
Joint working	21
Other	(3)
2013/14 Budget	680

2011/12 ACTUALS	Revenues & Benefits Client	2012/13 BUDGET	2013/14 BUDGET
£ 128,461	Employees	£ 129,020	£ 151,400
2,286	Premises Related Expenses	3,170	2,670
69,548	Transport Related Costs	10,210	11,260
	Supplies & Services	750	250
	Third Party Payments		
	Transfer Payments		
200,295	Running Expenses	143,150	165,580
(32,245)	Fees & Charges and Other Income	(2,500)	(2,500)
	Grant Income		
168,050	Net Running Expenses	140,650	163,080

This cost centre contains the costs relating to the client side management of Revenues and Benefits. It also includes the cost of the anti fraud function.

Employees: There are 2 staff in the section as follows:
Revenues & Benefits Client Manager
Benefits Policy Officer
Part of the costs of the shared Head of Service, and the costs of the joint Fraud Officer are included here

Transport: This budget is for mileage claims and mileage allowances.

Supplies & Services: This budget is for printing & stationery, insurances and other minor office costs. The printing of the Council Tax leaflet is undertaken at no cost to this Council as it is funded from advertising revenues and contributions from some of the other Bucks Authorities.

Third Party Payments: Budget for transcription service.

Income: This budget is for HB Admin Penalties.

2011/12 ACTUALS	Council Tax Collection	2012/13 BUDGET	2013/14 BUDGET
£		£	£
	Employees		
	Premises Related Expenses		
	Transport Related Costs		
24,107	Supplies & Services	39,010	39,010
411,358	Third Party Payments	388,450	393,140
	Transfer Payments		
435,465	Running Expenses	427,460	432,150
(101,355)	Fees & Charges and Other Income	(100,000)	(100,000)
	Grant Income		
334,110	Net Running Expenses	327,460	332,150

This cost centre contains the cost of the Council Tax Collection function.

Supplies & Services: This budget is for court fees £9,000 and unrecoverable debts £30,000.

Third Party Payments: This is the cost of the contract to provide the Council Tax Collection service. It includes potential contract bonus payments.

Income: This budget is for court costs that are recovered following legal action to recover sums due.

2011/12 ACTUALS	2011/12 ACTUALS	2012/13 BUDGET	2013/14 BUDGET
£	NNDR Collection	£	£
378	Employees		
	Premises Related Expenses		
	Transport Related Costs		
	Supplies & Services	100	100
113,056	Third Party Payments	80,040	78,630
17,287	Transfer Payments	18,000	18,630
130,721	Running Expenses	98,140	97,360
(34,790)	Fees & Charges and Other Income	(7,000)	(7,000)
(103,560)	Grant Income	(108,000)	(95,000)
(7,629)	Net Running Expenses	(16,860)	(4,640)

This cost centre contains the cost of the NNDR Collection function.

Third Party Payments: This is the cost of the contract to provide the NNDR Collection service. It includes potential contract bonus payments.

Transfer Payments: This is the cost of the NNDR Discretionary relief that falls to the Council to pay.

Income: This budget is for Government Grant that is received to help towards collection and court costs that are recovered following legal action to recover sums due.

2011/12 ACTUALS	Council Tax Benefits	2012/13 BUDGET	2013/14 BUDGET
£		£	£
	Employees		
	Premises Related Expenses		
	Transport Related Costs		
	Supplies & Services		
161,071	Third Party Payments	116,750	122,310
3,220,822	Transfer Payments	3,530,000	30,000
3,381,893	Running Expenses	3,646,750	152,310
	Fees & Charges and Other Income		
(3,344,632)	Grant Income	(3,607,820)	(73,070)
37,261	Net Running Expenses	38,930	79,240

This cost centre contained the cost of running the Council Tax Benefit (CTB) section and the net cost of awarding CTB. Localisation of the scheme means that it is no longer accounted for through the General Fund

Third Party Payments: This is the cost of the contract to provide the CTB service. It includes potential contract bonus payments.

Transfer Payments: Benefits are no longer accounted for through the General Fund, the budget for £30K is in respect of an additional hardship fund

Income: This budget is for the Government grant that is received to help towards the cost of running the service

2011/12 ACTUALS	Housing Benefits	2012/13 BUDGET	2013/14 BUDGET
£		£	£
	Employees		
	Premises Related Expenses		
	Transport Related Costs		
249,089	Supplies & Services	1,500	1,500
426,444	Third Party Payments	276,920	291,620
13,995,141	Transfer Payments	13,124,000	14,025,200
14,670,674	Running Expenses	13,402,420	14,318,320
(595)	Fees & Charges and Other Income		
(14,485,108)	Grant Income	(13,331,250)	(14,207,740)
184,971	Net Running Expenses	71,170	110,580

This cost centre contains the cost of running the Housing Benefit (HB) section and the net cost of awarding HB.

Supplies & Services: This budget is for legal fees.

Third Party Payments: This is the cost of the contract to provide the HB service. It includes potential contract bonus payments.

Transfer Payments: This is the amount of HB that is awarded in the year.

Income: This budget is for the Government grant that is received to help towards the cost of running the HB service and the grant that is payable to refund the cost of HB awarded.

2011/12 ACTUALS		2012/13 BUDGET	2013/14 BUDGET
£		£	£
	LEGAL & DEMOCRATIC SERVICES		
296,288	Legal Services	334,040	277,260
47,492	Overview & Scrutiny	50,360	50,370
256,581	Democratic Processes	275,460	281,980
80,081	Committee Services	87,050	80,640
680,442	Net Running Expenses	746,910	690,250

<i>Budget Movements</i>	£'000
2012/13 Budget	747
Changes in salaries	
Cost of living increase & increments	7
Inflation on expenditure	6
Transfers	(10)
Savings	
Joint working	(39)
Reduced hours & OT	(29)
Other	8
2013/14 Budget	690

2011/12 ACTUALS	Legal Services	2012/13 BUDGET	2013/14 BUDGET
£ 308,047	Employees	£ 324,570	£ 261,540
	Premises Related Expenses		
3,924	Transport Related Costs	4,120	4,120
21,500	Supplies & Services	24,510	24,600
	Third Party Payments		
	Transfer Payments		
333,471	Running Expenses	353,200	290,260
(37,183)	Fees & Charges and Other Income	(19,160)	(13,000)
	Grant Income		
296,288	Net Running Expenses	334,040	277,260

This cost centre contains the cost of running the Legal section.

Employees: There are 4.6 staff in the section as follows:
 Senior Assistant Solicitor (p/t)
 Principal Assistant Solicitor (p/t)
 Principal Legal Assistant
 Assistant Solicitor (x2)
 Admin Support Assistant (p/t) (90%)
 The costs of the shared Head of Service are also included here.

Transport: This budget is for mileage claims and mileage allowances.

Supplies & Services: These costs mainly relate to printing & stationery, the purchase of essential legal publications, and outside solicitor support in the magistrates court

Income: This is various miscellaneous income.

2011/12 ACTUALS	Overview & Scrutiny	2012/13 BUDGET	2013/14 BUDGET
£		£	£
45,710	Employees	46,790	46,790
	Premises Related Expenses		
170	Transport Related Costs	460	460
1,620	Supplies & Services	3,110	3,120
	Third Party Payments		
	Transfer Payments		
47,500	Running Expenses	50,360	50,370
(8)	Fees & Charges and Other Income		
	Grant Income		
47,492	Net Running Expenses	50,360	50,370

This cost centre contains the cost of running the Overview & Scrutiny support section.

Employees: There is 1 member of staff in the section as follows:
Corporate Information Management Officer

Transport: This budget is for mileage claims.

Supplies & Services: These costs mainly relate to printing & stationery, and a budget for data protection expenses.

2011/12 ACTUALS	Democratic Processes	2012/13 BUDGET	2013/14 BUDGET
£		£	£
2,355	Employees	3,800	3,350
	Premises Related Expenses		
4,560	Transport Related Costs	6,000	6,000
249,666	Supplies & Services	265,660	272,630
	Third Party Payments		
	Transfer Payments		
256,581	Running Expenses	275,460	281,980
	Fees & Charges and Other Income		
	Grant Income		
256,581	Net Running Expenses	275,460	281,980

This cost centre contains the cost of Members' allowances and other Member related expenses.

Employees: This is the budget for the National Insurance payable on Members' allowances, and the member training budget.

Transport: This budget is for Member travel claims and the hire of vehicles.

Supplies & Services: This budget is for Members Allowances, corporate subscriptions (LGA, South East Employers etc), and other minor business expenses.

2011/12 ACTUALS	Committee Services	2012/13 BUDGET	2013/14 BUDGET
£		£	£
76,619	Employees	74,630	68,200
	Premises Related Expenses		
1,239	Transport Related Costs	1,130	1,130
2,223	Supplies & Services	11,290	11,310
	Third Party Payments		
	Transfer Payments		
80,081	Running Expenses	87,050	80,640
	Fees & Charges and Other Income		
	Grant Income		
80,081	Net Running Expenses	87,050	80,640

This cost centre contains the Committee Services Section

Employees: There are 4 staff in this section as follows:
Democratic and Electoral Services Manager
Democratic and Electoral Services Officer (x2)
Admin Support Asst
Costs of the above are shared equally with the Electoral Services cost centre in the Community portfolio.

Transport: This budget is for mileage claims and mileage allowances.

Supplies & Services: This budget is for printing & stationery, insurances and other minor office costs.

RESOURCES PORTFOLIO REVISED CHARGES FROM 1 APRIL 2013

VAT Codes: (1a)=inclusive standard rated (1b)=plus standard rated (2)=zero rated (3)=outside scope, (4)=exempt

DATA PROTECTION ACT	General ledger code	2012/13 £	2013/14 £
Subject Access Request (1a)	2305-0937	10.00	10.00

MISCELLANEOUS

Permission for works at Council property or related matters	Variable hourly rate appropriate for officer	Variable hourly rate appropriate for officer
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SUBJECT:	HS2: request for access to SBDC owned land
REPORT OF:	Officer Management Team - Director of Services Prepared by - Head of Environment

1. Purpose of Report

- 1.1 To consider the request by HS2 (through its contractors) for access to South Bucks District Council owned land for monitoring purposes.

2. Links to Council Policy Objectives

- 2.1 This matter relates to the sustainable environment and to protecting the District's heritage and future.

3. Background

- 3.1 HS2 is currently undertaking extensive environmental baseline monitoring. This includes: archaeology, rights of way, traffic, soil, bird and noise monitoring along the whole proposed route.
- 3.2 HS2 has reported that they are having difficulty in securing suitable sites to undertake monitoring.
- 3.3 Both South Bucks District Council and Chiltern were contacted in September by Mouchel (on behalf of HS2) to seek permission to carry out preliminary non intrusive environmental surveys on Council land.
- 3.4 As regards SBDC, Mouchel has requested access to two sites in Denham: Northmoor Hill Woods and the tenanted caravan site at Wyatts Covert.

4. Discussion

- 4.1 This request for access should not be considered in isolation but with reference to the overall SBDC response to the HS2 proposal and the negative effects it would have on the District if it were to go ahead.
- 4.2 In addition, at the time of the original request, the Council had not received adequate responses from HS2 on a number of outstanding matters including agreement for compensation relating to officer time and a mechanism for payment of costs incurred in responding to requests for information on technical aspects. However, some of these wider issues have to some extent now been resolved.

- 4.3 In terms of benefit to SBDC in allowing access there appears to be no direct benefit to the Council in doing so. However it has been implied by HS2 that it will be indirectly beneficial as the quality and quantity of environmental information would be improved and be more representative for the District.
- 4.4 Clearly there is a risk that HS2 might access the Council's land or contact tenants directly, regardless of a Council decision. It would for example be difficult to stop HS2 representatives from entering a public place.
- 4.5 CDC has discussed this matter with Buckinghamshire County Council which has received similar requests for monitoring on the public highway. BCC has in response requested risk assessments, method statements and details of public liability insurance prior to considering granting permission. At the time of writing BCC has not granted such access.
- 4.6 Members' views are therefore sought on whether we should allow HS2's contractors access to the Council's land.

5. Financial implications and risks

- 5.1 There are no specific financial implications.
- 5.2 There are no risks at this stage.

6. Summary

- 6.1 Members of the PAG are therefore asked to advise Cabinet whether HS2 should be permitted access to the Council's land.

Portfolio Holder:	Councillor D Smith
Officer Contact:	Chris Marchant 01895 837360 Chris.marchant@southbucks.gov.uk Andrew Crow 01895 837259 andrew.crow@southbucks.gov.uk
Background Papers:	None

SUBJECT:	Public Services Network (PSN)
REPORT OF:	Officer Management Team - Director of Resources Prepared by - Head of Business Support

1. Purpose of Report

- 1.1. To provide Members with information on the progress of the BCC led BucksPSN framework procurement and the opportunities it presents to the Council.

2. Links to Council Policy Objectives

- 2.1. The BucksNet framework impacts on all the Council's external ICT communications and will contribute to the Council's key drivers:

- Customer needs and customer involvement
- Value for money and a lean organisation
- Sustainable quality of life

3. Background

- 3.1. For many years central government has been trying to create a national digital network to improve service delivery across the public sector. Starting with the Government Secure Intranet (GSI) and moving through stages to the Government Connect Secure Extranet (GCSx) central government departments, Police (PPN), NHS (N3) and local government bodies have raised the security of their IT networks to a common standard. This standard is maintained by a rigorous annual audit to ensure that each network maintains compliance with the Code of Connection (CoCo).
- 3.2. However, all the GCSx networks have an individual connection to the GSI like the spokes on a hub. All those individual connections are provided by one supplier, Cable & Wireless.
- 3.3. In 2010 the Cabinet Office released standards for a Public Services Network (PSN). This provides the standards for the Government Conveyance Network (GCN) which is the basic transport mechanism, or interconnect that will join up all the public sector networks. So instead of the hub and spoke approach of GCSx, the PSN will be a patchwork creating an IT network grid across the country.
- 3.4. The government has encouraged telecommunication companies to attain accreditation against the PSN standard to increase competition and reduce costs to public sector organisations. The Government Procurement Service (GPS) originally targeted to have the first PSN framework available for September 2011 but due to the complex nature of the telecommunication services this slipped by almost a year.

4. BucksPSN Framework

- 4.1. Bucks CC has made the decision to outsource its ICT Service. Rather than let all aspects of the ICT Service in one overarching contract, related functional areas will be bundled up and let in discreet lots. Since the contract to help BCC ICT manage data telecommunications was the first to terminate this was chosen to be the first area to be outsourced.

- 4.2. Initially BCC ICT had hoped to take advantage of the GPS PSN framework. When it became apparent the GPS would not have the framework in place within BCC ICT's deadlines, BCC ICT decided to conduct its own procurement.
- 4.3. An OJEU notice was published by BCC on 12.09.2011 to initiate the creation of a framework via restricted tender with a single operator for duration of 5 plus 2 plus 2 years. The value range of the contract was estimated to be between £20M and £100M over the 9 year term.
- 4.4. As the Council buys its data telecommunication services from the ICT Unit at BCC it was named in the OJEU notice, along with many other public sector bodies in the three counties of Buckinghamshire, Hertfordshire and Oxfordshire and beyond, and actively participated in the procurement. The services currently bought from BCC ICT include:
- Internet access
 - External email
 - Remote access to the network
 - Perimeter security e.g. firewalls, intrusion prevention, web filtering
- 4.5. The procurement successfully completed in August 2012 and the contract was awarded to Updata in partnership with Britannic Communications. Over the next eight months they will assume responsibility for managing all aspects of voice and data communications within the BucksPSN framework.
- 4.6. The framework is designed for each organisation to have its own contract with Updata. Although the originator of the framework; BCC will be another customer of the framework. A governance group has been created from the organisations calling off services from the framework to ensure consistent development of the services and maintain best value in the price model.
- 4.7. The framework has been constructed to include public sector bodies and the 3rd sector. Some provision was made for start up businesses to cover participating authorities using surplus accommodation for community purposes. Where the tipping point would be on amount of turnover that would prohibit access to services is yet to be defined. It was established that arrangements such as SBDC procuring services on behalf of a contractor such as at The Academy would still be within the scope of the framework.
- 4.8. With hindsight it has proved to be beneficial that BCC conducted the BucksPSN Framework procurement as it provides a more tailored fit for public bodies in the region than the GPS framework would.

5. Impact on SBDC

5.1. Communication Links

The core hubs for the BucksNet (the wide area network WAN connecting all authorities in Bucks) are located at County Hall in Aylesbury and the basement in King George V House, Amersham (KGV). There are 10gbs links between them. BCC have two data centres, one in each hub, that mirror one another for resilience. This is, in effect, a private Cloud serving Buckinghamshire.

- 5.2. Updata are replacing most of the infrastructure in the core hubs. Work will be complete in early 2013.

- 5.3. In addition to BCC, Aylesbury Vale and Dacorum Borough Council, who have entered into a shared ICT Service, are also building their shared network in the data centre in KGV which will be mirrored at Aylesbury.
- 5.4. Currently, SBDC has one 100mbs communication link between Capswood and the BucksNet. Although adequate for performance, there have always been concerns over resilience. Likewise, the communication links between Capswood and the satellite sites of the Memorial Gardens etc have lacked resilience and sometimes delivered poor performance.
- 5.5. On a 'like for like' basis, the prices quoted for SBDC existing communication links show a reduction of £18K per annum for 5 years. However, quotes for upgraded links have been requested as by reinvesting some of the savings on current costs, the Council will be able to significantly improve both performance and resilience. Installing an extra 1gbs link from the BucksNet to Welwyn Hatfield BC, where the Council's server estate will be re-located in July 2013, and then to Capswood will maintain and future proof performance whilst providing resilience. By using new techniques of combining several lines to a site, Updata are able to improve performance and provide resilience to the satellite sites.
- 5.6. These links will make shared working with Chiltern and other authorities easier and cheaper

5.7. Wi-Fi

Structured cabling was built into both buildings at Capswood. Delivering a dedicated 100mbs to the desktop, it is capable of delivering 1gbs.

- 5.8. Wi-Fi access points were also provided as part of the Capswood buildings specification. These have recently been connected to the BucksNet providing a wireless service for Members and visitors. However, wireless access points can only reach a maximum of 300mbs capacity. Since the access points work as hubs, the 300mbs has to be shared between the number of users connected, thus reducing the bandwidth for each user. Consequently, Wi-Fi will not be an alternative to cable for delivering all network services at Capswood unless an excessive amount of access points were installed. This would not be financially viable
- 5.9. For the foreseeable future, Wi-Fi is better suited for the Members/meeting rooms, public spaces and hot desking areas where the flow of data is less critical.

5.10. Voice over IP (Digital Telephony)

When the Council moved to Capswood it made the investment to move to IP telephony based on Cisco technology. Although it has served the Council well, it is now due for a significant upgrade to ensure it remains fit for purpose.

- 5.11. Britannic Communications are specialists in telephony and have partnered with Updata to fulfil all requirements of the contract. As part of the PSN framework they will provide solutions that:
- Enable up to 8 devices to be associated with one number i.e. when logging into the system the user can choose where calls are directed to e.g. the office handset, mobile phone or home phone etc
 - Mobile phone convergence will soon be available. Software like Skype can be loaded onto smart phones. When the phone is in range of Wi-Fi any Council calls received or made will be routed over the internet thus reducing call costs. In combination with Wi-Fi in the

office this would negate the need for some officers to have desk handsets and reduce costs

- Better management information and call recording is available which would enable services to analyse calls more effectively to target areas to channel shift to self service via the internet

5.12. AVDC, Chiltern and SBDC are likely to be early adopters of the VoIP solution provided by Britannic. Britannic are conducting workshops and will be producing a proposal by the end of 2012.

5.13. Perimeter Security

The Council has already adopted the new web filtering service which has reduced costs from £1,200 a year to £350 and improved performance. Over the 5 years of the initial contract this will be a saving of £4,250

5.14. As PSN accredited suppliers, Udata will not only provide well performing and cost effective communications links but ensure that security levels are maintained so that participating authorities continue to comply with the CoCo.

5.15. Remote Access

BCC already have an effective remote access method in place but it is coming to end of life. Udata have already started a project to replace this with an improved and more cost effective system.

5.16. This element will be key for the Council in enabling new ways of working such as mobile/home working.

Task	Delivery Date
Core WAN upgrades	March 2013
Upgrade communication links to satellite sites	March 2013
New VoIP solution rollout	June - December 2013
New remote access solution	January 2014

6. Recommendations

6.1 Members note the adoption of the BuckPSN framework for voice and data communications

6.2 Members note the opportunities for the Council

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Background Papers:	None

SUBJECT:	Investment Performance Quarter Ending 30th September 2012
REPORT OF:	Officer Management Team - Director of Resources Prepared by - Principal Accountant

1. Purpose of Report

- 1.1 To inform Members of the investment returns for the quarter ending 30th September 2012.

2. Links to Council Policies & Plans

- 2.1 The Council's Treasury Management function is a key element to the Financial Strategy, which in turn feeds into the prudent use of Resources, one of the Council's Management Principles.

3. Background

- 3.1 The Council's Treasury Management Strategy 2012/13 details the following sources for generating investment income for the year:

- (i) Set an estimated return on investment income for the year of £0.8 million.
- (ii) Set the sources for generating income for the year as follows:

	£'000
Fixed & Callable Deposits	657
Short Term Cash Flow and Other Investments	77
Stoke Poges Memorial Gardens Fund	66
Total	800

- 3.2 In addition Sector Treasury Services Ltd is engaged by the Council as its Treasury Management consultants providing advice on investment, performance and regulations where necessary.
- 3.3 The Council has adopted the CIPFA code of practice on Treasury Management, which includes the creation of a Treasury Management Policy Statement setting out the policies and objectives of the Council's treasury management activities.
- 3.4 The code recommends that reports on investment performance are made on a quarterly basis including a Mid-year Review Report. This report represents the second of these reports for 2012/13 and incorporates the mid-year review.

4. Investment Performance - Quarter to 30 September 2012.

- 4.1 **In House Investments** - Officers invest cash flow surpluses with approved counter parties. Decisions on investing in callable and fixed deposits are taken by Officers in the light of advice from the Council's treasury consultants and brokers acting in the local

authority money market, combined with general intelligence available from money market briefings made available to the authority. Members approved a new matrix for in house investments as part of the Treasury Management Strategy 2012/13 as follows.

	Fitch Credit Rating	Maximum Amount	Comment
UK Institutions	AAA	£10 million	The durations of the investment would be informed by the detailed credit rating information
	A+ or better	£7 million	
	A or better Banks with high UK Gov Support	£7 million	
	A or A-	£2 million	
Non UK Institutions	AA or better	£2 million	As above but also sovereignty rating must be AAA
Corporate Bonds	AA- or better	£2 million	Investment decision will be based on balancing yield against duration

4.2 A summary of the Council’s holdings of fixed deposits at 30th September 2012 is shown below:

UK Institutions	August Credit Rating	Maximum Amount £7 Million Principal £	Interest Rate	Invested	Matures	Notes
Royal Bank of Scotland	A					
Fixed Deposit		5,000,000	4.25%	08/02/12	08/02/17	(1)
Fixed Deposit		2,000,000	3 Month Libor	02/06/11	02/06/14	(2)
Total RBS		7,000,000				
Cater Allen	A					
Fixed Deposit		1,000,000	2.50%	03/10/11	03/10/12	
Fixed Deposit		1,000,000	3.50%	21/07/10	21/07/13	
Fixed Deposit		2,000,000	3.20%	30/09/10	30/09/13	
Fixed Deposit		1,000,000	2.50%	02/11/11	02/11/12	
Fixed Deposit		2,000,000	2.50%	16/11/11	16/11/12	
Total CA		7,000,000				
Lloyds Bank	A					
Fixed Deposit		1,000,000	3 Month Libor, Floor 2.85%, Cap 5.85%	11/05/10	11/05/15	
Fixed Deposit		1,000,000	3 Month Libor, Floor 3.07%, Cap 5.00%	19/05/10	19/05/15	
Bank of Scotland	A					
Fixed Deposit		1,000,000	2.10%	04/10/11	04/10/12	
Total Lloyds Group		3,000,000				
Barclays	A					
Fixed Deposit		1,000,000	3 Month Libor, Floor 3.05%, Cap 5.00%	24/05/10	26/05/15	
Total Barclays		1,000,000				
Total Deposits		18,000,000				

- (1) RBS have the option to switch to 3 month LIBOR¹ in years 3, 4 & 5.
- (2) RBS have exercised their option to switch to 3 month LIBOR in year 2.

4.2 In addition the Council held the following investments of short term cash with duration of under one year at the end of the quarter:

	Fitch	Amount £	Interest Rate	Period
Nat West Bank	A	1,348,000	Base + 28 Basis Points	Instant Access
Nat West Bank	A	1,500,000	Base + 47 Basis Points	30 Day Notice Account
Bank of Scotland	A	1,000,000	3.00%	23/04/12 to 11/04/13
Bank of Scotland	A	1,000,000	2.00%	15/05/12 to 15/02/13
Bank of Scotland	A	3,000,000	3.00%	16/07/12 to 04/07/13
Bank of Scotland	A	1,000,000	1.75%	27/09/12 to 14/02/13
Clydesdale Bank	A	1,000,000	2.05%	15/05/12 to 15/11/12
Co-op Bank	BBB+	1,000,000	1.8125%	16/05/12 to 16/11/12
Close Brothers	A	1,000,000	2.10%	22/05/12 to 22/02/13
Total		11,848,000		

Since 30th September 2012 the following investment action has taken place:

The following maturities have taken place

	Amount £	Matured	Interest Rate
Cater Allen	1,000,000	03/10/12	2.50%
Cater Allen	1,000,000	02/11/12	2.50%
Cater Allen	2,000,000	16/11/12	2.50%
Bank of Scotland	1,000,000	04/10/12	2.10%
Clydesdale Bank	1,000,000	15/11/12	2.05%
Co-op Bank	1,000,000	16/11/12	1.8125%

The following new investments have been made

Long Term (in excess of one year)

	Fitch	Amount £	Interest Rate	Period
Close Brothers	A	1,000,000	2.80%	4/10/12 to 4/10/13

Short Term (less than one year)

	Fitch	Amount £	Interest Rate	Period
Nat West 95 Day Notice Account	A	1,000,000	1.20%	02/11/12 to 11/02/13
Nat West 95 Day Notice Account	A	1,000,000	1.20%	20/11/12 to 25/02/13
Nat West 30 Day Notice Account	A	2,000,000	0.97%	Rolling 30 day notice from 20/11/12
Bank of Scotland 3 Month Fixed	A	1,000,000	1.15%	20/11/12 to 20/02/13

These short term investments have been made on the basis of the best possible rates available and both to meet cash flow requirements towards the end of the financial year and to have available cash for long term investments once Members have decided on what investment instruments and duration should be included in the Treasury Management Strategy 2013/14.

¹ LIBOR - London Inter Bank Offered Rate

- 4.3 **Stoke Poges Memorial Gardens Fund:** The interest return from the fund is no longer credited directly to the Stoke Poges Memorial Gardens cost centre but has been incorporated with all of the Council's other investment returns.
- 4.4 The fund is managed on a passive basis by King & Shaxson .Due to the current cost of buying a new bond it is the current policy to reinvest any maturities within the Councils cash investments. The value of the fund at 30th September was £1,367,968.58.

5. Treasury Management Strategy Update

- 5.1 The Treasury Management Strategy (TMSS) was approved by the Council on 21st February 2012. The Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as
- Security of capital
 - Liquidity
- 5.2 The Council also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered prudent to keep anything maturing short term for up to twelve months in order to take advantage of increases in interest rates during the second half of 2012/13 and to maintain a prudent minimum liquid reserve to maintain cash flow matters. This is reflected in the break down of the Council's investment portfolio detailed in 4.4 above.
- 5.3 Investments made during the first six months of the year have been in line with the TMSS and there have been no deviations from the strategy however since the adoption of the counterparty matrix there has been a general downgrading of credit ratings by the ratings agencies including Fitch which the Council use. This has resulted in some of the Council's current investment portfolio no longer meeting the counterparty matrix which at the end of the September quarter was as follows:
- (1) Cater Allen's (Santander UK) rating has now fallen from A+ to A which means the maximum amount invested long term (in excess of one year) with them should be £2 million rather than the £7 million invested at 30th September. This situation has been partly rectified by £4 million that matured during October and November which has been reinvested elsewhere as detailed in 4.2 above. The £2 million limit will be met when a further £1 million investment with them matures on 21st July 2013.
 - (2) In short term investments at the end of September there was £1 million invested with the Co-op on 16th May 2012. Since that time their credit rating has fallen from A- to BBB+ which is not included on the Council's counterparty list. This situation was corrected when the investment matured on 16th November 2012.
- 5.4 The issue of revising the counterparty matrix will be considered by Members as part of the Treasury Management Strategy 2013/14 together with the alternatives to investing in cash. As a lead into the formation of the TMSS 2013/14 Sector will be attending this Pag to make a presentation and answer Members questions on the alternatives to investing in cash, credit ratings and the prospects for investments in the future. Currently maturing investments are being reinvested very short term until the issue of the criteria for the placement of future investments has been agreed in the TMSS 2013/14.

6. Economic Background

6.1 The second calendar quarter of the year saw:

- Indicators suggested that economic growth returned after three quarters of recession;
- Retail sales held up well and spending off the high street strengthened;
- Employment continued to rise at a strong pace;
- Inflation failed to make further progress;
- The Monetary Policy Committee (MPC) announced more assets purchases;
- UK equity and government bond prices rose;
- The US economy continued to recover, but at a disappointingly slow pace.

A more detailed Economic Background is shown at appendix A.

7 Interest Rate Forecasts

7.1 The latest forecast for interest rates provided by Sector is shown below:

	Dec 12	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%

Sector undertook a review of its interest rate forecasts following the issue of the Bank of England Inflation Report for August 2012. Consequently, it pushed back the first rise in Bank Rate from Q1 2014 to Q4 2014, as well as lowering the pace of rises in gilt yields.

The Bank of England forecasts of the speed and strength of recovery and rate of reduction of CPI inflation over the last four years has been attracting increasing criticism for being consistently over optimistic. In this latest Inflation Report, the Bank changed its position significantly in as much as it markedly downgraded its forecasts for the strength and speed of recovery in GDP growth. Whereas previously it had consistently been forecasting a strong recovery to over 3% p.a., it was now only forecasting growth to recover to around 2% during the period from early 2013 to the end of 2015.

A more detailed summary outlook on the prospects for interest rates is shown at appendix B

8. Resources, Risk & Other Implications

8.1 The investment budget set for the year is £800,000. Current estimated returns show that there is likely to be a shortfall of £15,000 for the year which has been reflected in budget monitoring reports.

9. Summary

9.1 The PAG is requested to:

1. Note the investment performance for the quarter to 30th September 2012.

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Background Papers:	None

Economic Background

- GDP growth in quarter ended September looks set to be positive for the first quarter in a year. Although the CIPS/Markit business surveys weakened in July, they recovered in August to a level consistent on past form with quarterly GDP growth of about 0.2%.
- In addition, the surveys seem to have been unaffected by the impact of the lost working day for the Queen's Jubilee, which will have shifted some production from June to July. Indeed, the official data improved significantly at the start of Q3. Following its 2.4% monthly drop in June, industrial production rose by 2.9% in July. The overall trade deficit shrank from £4.3bn in June to £1.5bn in July.
- Furthermore, the CIPS surveys exclude the retail sector and high street spending has held up relatively well. The official measure of retail sales volumes grew by 0.3% in July. And while sales volumes fell by 0.2% in August - suggesting that the Olympics Games did not provide much of a boost to retail spending - retail sales should still support overall GDP growth in Q3. Even if sales volumes just hold steady in September, then sales will be 0.9% higher than in the second quarter.
- Spending off the high street has also shown signs of recovering. In particular, private new car registrations were 26% and 12% higher than a year ago in July and August respectively. Moreover, Olympics ticket sales that occurred in previous quarters will be counted as household spending in the third quarter.
- As a result, GDP growth could show a healthy quarterly rise to +0.6% in Q3. However, given that the level of GDP is likely to have been boosted by both the Queen's Jubilee and the Olympics, a renewed fall in output in Q4 seems likely.
- Meanwhile, the labour market has continued to recover. The Labour Force Survey measure of employment rose by 236,000 in the three months to July and the claimant count measure of unemployment fell by 15,000 in August - the biggest fall since June 2010. That said, most of the rise in employment was driven by growing self and part-time employment, rather than full-time. Moreover, 91,000 of the new jobs that were created were in London - around 40% of the total - despite the fact that the capital accounts for only 15% or so of overall employment. The Olympics would therefore seem to have provided a temporary boost to the national employment figures.
- Pay growth has remained modest. Annual growth of overall average earnings ticked up from 1.3% in June to 1.4% in July. Given the rate of inflation over this period, real pay continued to fall on an annual basis.
- The underlying trend in house prices still seems to be broadly down. The Halifax measure of house prices fell by 0.7% in July and a further 0.4% in August. The Nationwide's measure fared better - although it fell by 0.8% in July, it then rose by 1.3% in August. Mortgage approvals for new house purchases have also remained weak. The total of 47,300 in July was below the average of 50,700 seen in the first half of 2012.

- Banks' funding costs continued to ease over the quarter. This reflects the Bank of England's continued provision of low cost liquidity to banks in tranches of up to £5bn a month, the start of the Funding for Lending Scheme and the easing of tensions in Eurozone debt markets to which UK banks are exposed. But so far, quoted borrowing rates on most types of new mortgages have held broadly steady.
- Meanwhile, the trend in public borrowing has continued to deteriorate. A continuation of the pattern seen in the first five months of the fiscal year (since April) would mean that borrowing in 2012/13 as a whole would come in at around £145bn, compared to the Office for Budget Responsibility's March forecast of £120bn. And while the Government announced some new measures to get credit flowing around the economy - including a £10bn guarantee to help housing associations and private developers raise funds to build new homes, and plans for a "business bank" - this largely amounted to tinkering at the edges of the fiscal austerity plans.
- Inflation struggled to make further downward progress in Q3. Indeed, CPI inflation rose from 2.4% in June to 2.6% in July, before falling back to 2.5% in August. While inflation should drop to around 2% in September on the anniversary of last year's chunky rises in utility prices, further falls in inflation over the next few months look unlikely as a result of the recent increase in commodity prices. Oil prices rose from \$97 per barrel at the end of June to around \$113 per barrel at the end of September, while global agricultural prices have risen by around 25%.
- The MPC voted in July to undertake £50bn additional asset purchases over the following four months. Although interest rate markets are pricing in a decent chance of a cut in official interest rates within the next few months, Mervyn King is opposed to this.
- Asset prices in the UK and overseas largely continued to rise over the course of the third quarter. 10-year gilt yields fell from about 1.85% to 1.70% (although prices were volatile during this period), while the FTSE 100 recovered from 5,570 to 5,760. The pound also strengthened against both the euro and the dollar, from €1.23 to €1.25 and from \$1.56 to \$1.62 respectively.
- The US economy's recovery has remained fairly weak. A weighted average of the manufacturing and non-manufacturing ISM indices points to annualised GDP growth of no more than 2.0% in the third quarter. Increases in total non-farm payroll employment were disappointing, up only 97,000 in July and 120,000 in August, compared to an average increase of 142,000 in the second quarter.
- In the Eurozone, market sentiment improved following the ECB's pledge to buy "unlimited" quantities of peripheral government's sovereign debt in early September, provided that those countries have formally requested a bail out. However, peripheral Eurozone bond yields began to rise again at the end of the quarter due to Greece increasingly looking as if it will now have to ask for a third bail out and Spain continued prevaricating over making a formal request for a bail out when all the evidence indicates that this will be unavoidable. As for GDP growth, the composite Eurozone PMI points to a quarterly drop in GDP of about 0.4% in Q3.

Interest Rate Forecast

Eurozone

- A new storm is brewing as Greece, yet again, is failing to meet the demands of the austerity programme in cutting government expenditure, increasing tax revenue and selling off public sector assets. German patience with this situation must be close to breaking point and without German support Greece will run out of cash within the next couple of months. Markets are currently predicting an end game where Greece is eventually forced to exit (dubbed “Grexit”) the Eurozone and return to the drachma.
- More worryingly, sovereign bond yields for both Spain and Italy rose sharply to levels previously deemed unsustainable. Spain is now actively looking at what might be acceptable terms for receiving a bailout and surrendering national sovereignty to external oversight by the IMF and Eurozone paymasters.
- One possible, but very unlikely, solution to the Eurozone debt crisis would be the issue of Eurobonds. These would collectivise all debt in the Eurozone and reduce the Greek element in total Eurozone debt to an almost insignificant percentage.
- Austerity programmes in various countries are reducing GDP growth rates.

US

- GDP is weakening alongside the recovery in jobs growth.
- The Federal Reserve predicts that current ultra-low interest rates may be warranted until at least mid-2015.
- There is political gridlock ahead of the November 2012 Presidential elections, for major fiscal action.
- The new President is unlikely to make a significant fiscal impact on the US economy in 2013 as the unsustainably high budget deficit will need to be urgently addressed.
- The housing market is at last beginning to show tentative signs of picking up.
- • Confidence figures among US consumers rose to a seven month high in September as the Conference Board’s index of optimism rose from 61.3 to 70.3.

China

- There are increasing concerns that efforts to stimulate the economy could fail to avoid a hard landing. There are now many parts of the economy flashing distress signals.
- A fresh round of support is widely expected. This could coincide with the change in the party hierarchy which is due to take place at the 18th Party Congress which begins in early November.

UK

- The UK has suffered its worst and slowest recovery from recession of any of the five recessions since 1930.
- The Bank of England August 2012 Inflation Report again pushed back the timing of a return to trend growth and the rate at which inflation will fall back towards the target rate of 2%.
- 40% of UK GDP is dependent on overseas trade; high correlation of UK growth to US and EU GDP growth means that the UK economy is likely to register weak growth in the next two years.
- Consumers are likely to remain focused on paying down debt; weak consumer sentiment and job fears will all act to keep consumer expenditure suppressed.
- It is likely to take a lot longer to eliminate the structural budget deficit than in the current plans of the Coalition government. These plans will need to be updated to incorporate the impact of weak growth in the Eurozone and US depressing UK GDP growth, and thus lower expectations for increases in tax revenues.
- The Coalition Government and the Bank of England have put in place a programme of action to improve the availability of credit in the economy. However, it will take time for this to feed through into a significant positive impact on GDP growth in the economy.
- There is little sign of a coordinated strategy for the private sector to finance a major expansion of infrastructure investment to boost UK growth.
- Eurozone concerns and the potential for further QE to stimulate GDP growth are likely to keep gilt yields depressed during the next twelve months.
- UK gilts are likely to retain safe haven status from Eurozone worries for some time. Eurozone politicians struggle to reach agreement on how to replace impressive sounding words with actually implementing an effective platform of measures to conclusively subdue the debt crisis
- However, there are improvements in the prospects for the UK economy, though there is still a long way to go.
 - UK banks have made huge progress since 2008 in correcting their over-extended balance sheets, though credit availability still remains weak.
 - Consumers have also made progress in correcting their personal over-borrowed balance sheets so that personal debt relative to incomes is now down to the lowest level since 2004. However, at 146%, it still remains the highest of any G7 nation.
 - The car industry is well on track to increase production. This is expected to see an increase from about 1m cars per annum in 2009 to 2.25m by 2016, much of which will be exported. In addition, car component firms are moving production to the UK in order to cost effectively meet the consequent increase

in demand for their products. The car industry has also made steady progress in reducing its labour costs to be below those of Germany, France, Italy and even Spain.

- The fall in price inflation relative to increases in pay inflation meant that household disposable income was less affected in quarter ended June, the biggest improvement in three years.
- Recent increases in employment also strengthen consumer expenditure, tax receipts and reduce Government expenditure on benefits.
- The UK is less encumbered to hindrances to new investment and new employment than countries in the Eurozone and has a competitive currency.
- The UK has a more effective approach to stimulating growth than in the Eurozone in the areas of monetary policy and direct action to improve the supply of liquidity to the real economy

Sector's forward view

Economic forecasting remains difficult with so many external influences weighing on the UK. Key areas of uncertainty include:

- The impact of the Eurozone crisis on financial markets and the banking sector;
- The impact of the UK Government's austerity plan on confidence and growth;
- Monetary policy action failing to stimulate growth in western economies;
- The potential for weak growth or recession in the UK's main trading partners - the EU and US;

The overall balance of risks remains weighted to the downside. Sector believes that the longer run trend is for gilt yields and PwLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries. However, near-term, QE is likely to depress yields and further QE thereafter may lead to a reassessment of Sector's central forecast

Given the weak outlook for economic growth, Sector sees the prospects for any interest rate changes before early 2014 as very limited indeed. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints.

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