AGENDA

CABINET

Wednesday, 25th January, 2012, at 10.00 am	Ask for:	**Karen Mannering / Geoff Mills**
Darent Room, Sessions House, County Hall, Maidstone	Telephone:	**(01622) 694367/ 694289**

Tea/Coffee will be available 15 minutes before the meeting.

Webcasting Notice

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<u>UNRESTRICTED ITEMS</u>

(During these items the meeting is likely to be open to the public)

1. Introduction/Webcasting

2. Declaration of Interests by Member in Items on the Agenda for this meeting

3. Minutes of the Meeting held on 9 January 2012 (Pages 1 - 4)

4. Revenue & Capital Budget Monitoring Exception Report 2011 - 12 (Pages 5 - 14)

5. Budget 2012/13 and Medium Term Financial Plan 2012 - 15 (To follow)

   (Please bring with you to the meeting the Draft Budget and Medium Term Plan previously circulated)

6. Treasury Strategy (Pages 15 - 26)

7. Other items which the Chairman decides are relevant or urgent

<u>EXEMPT ITEMS</u>

(At the time of preparing the agenda there were no exempt items. During any such items which may arise the meeting is likely NOT to be open to the public)

Peter Sass
Head of Democratic Services
Tuesday, 17 January 2012

Please note that any background documents referred to in the accompanying papers maybe inspected by arrangement with the officer responsible for preparing the relevant report.

KENT COUNTY COUNCIL

CABINET

MINUTES of a meeting of the Cabinet held in the Darent Room, Sessions House, County Hall, Maidstone on Monday, 9 January 2012.

PRESENT: Mr A J King, MBE (Vice-Chairman, in the Chair), Mr G K Gibbens, Mr R W Gough, Mr P M Hill, OBE, Mr J D Simmonds, Mr B J Sweetland, Mr M J Whiting and Mrs J Whittle

IN ATTENDANCE: Mr M Austerberry (Corporate Director, Environment and Enterprise), Mrs A Beer (Corporate Director of Human Resources), Mr D Cockburn (Corporate Director of Business and Support), Ms A Honey (Corporate Director, Customer and Communities), Mr A Ireland (Corporate Director, Families and Social Care), Mr P Leeson (Corporate Director Education, Learning and Skills Directorate), Ms M Peachey (Kent Director Of Public Health), Mr G Wild (Director of Governance and Law), Mr A Wood (Corporate Director of Finance and Procurement) and Mr G Mills (Democratic Services)

UNRESTRICTED ITEMS

1. Minutes of the Meeting held on 5 December 2011

(Item 3)

Resolved that the minutes of the meeting held on 5 December 2011 be agreed, and signed by the Chairman as a true record.

2. Revenue & Capital Budget Monitoring Exception Report

(Item 4 – Report by Mr J Simmonds, Cabinet member for Finance & business Support; Mr A Wood, Corporate Director of Finance & Procurement and corporate Directors)

(1) Mr Simmonds outlined the key elements of this report and highlighted the main pressures. There is a current under spend of just over £1m which Mr Simmonds said in the context of a budget reduction of £95m allayed some earlier doubts this could be achieved . Mrs Whittle referred to the increase in the number of social workers dealing with vulnerable children and said the costs of employing agency staff was decreasing as the County Council took on more permanent staff. Mr Whiting referred to pages 20 and 21 of the report and highlighted the investments the County Council was making in Kent's schools.

(2) Mr Simmonds also reported on adjustments made to the capital Budget since the last meeting.

(3) Following further discussion Cabinet resolved to:

(a) note the forecast revenue and capital budget monitoring position for 2011 – 2012;

(b) agree the virement of £0.199m from the under spending with the Finance and Business support portfolio to the Environment, Highways and Waste portfolio;

(c) not the changes to the Capital programme;

(d) agree that£3.891m of re-phasing in the capital programme is moved from 2011-12 capital cash limits to future years; and

(e) agree the inclusion of the Integrated Children's System project in the Business Strategy, Performance and Health reform portfolio to be funded by £1.326m prudential borrowing (£0,652m in 2011-12 and £0.674m in 2012-13)

3. Provisional Grant Settlement 2012/13

(Item 5 – report by Paul Carter, Leader of the Council, John Simmonds, Cabinet member for Finance and Business Support, Mr A Wood, Corporate Director of Finance and Procurement) (Mr D Shipton was present for this item)

(1). The provisional finance settlement from the Department for Communities and Local Government (DCLG) was announced on 8 December 2011. Mr Shipton said the provisional settlements were largely as had been anticipated based on the indicative allocations announced on 31 January 2011 and set out in table 3 of the draft Medium Term Financial Plan (page 20) and covered in paragraphs 2.23 to 2.32.

(2). The main headline for schools is that the Dedicated Schools Grant (DSG) would remain at the same cash per pupil as 2011/12 (which itself was the same as 2010/11) and that once again no authority can lose more than 2% in cash terms. There are still some specific grants which have not been announced but the Council's policy will remain the same in that it will adjust spending supported by specific grants in line with grant changes.

(3) Mr Shipton said no indicative allocations for 2013/14 or 2014/15 have been published pending the outcome of consultation on changes to both the local government and schools funding systems. The Government published the draft Local Government Finance Bill on 20 December 2011 which Mr Shipton explained would provide the legal framework for the Business Rates retention proposals.

(4) The deadline for responses to the provisional local government settlement was 16 January 2012 and Cabinet noted that the proposed response would include welcoming the fact that the Government had not made any changes to the formula Grant methodology and that it now incorporated the 2011/12 Council Tax Freeze Grant. Concerns previously expressed with the "four block" model would be re-stated and that this would in effect be crystallised with the proposed changes from 2013/14 through the Business Rates retention proposals.

(5) Following further discussion Cabinet resolved to note the provisional allocations and delegated authority to the Cabinet Member for Finance and Business Support to agree the Council's response to the Provisional Local Government Settlement.

4. Customer Service and ICT Strategies

(Item 6 - report by Mr M Hill, Cabinet Member for Customer & Communities, Mr R Gough, Cabinet Member for Business Strategy, Performance and Health Reform, Mr D Cockburn, Corporate Director – Business Strategy and Support and Ms A Honey, Corporate Director – Customer and Communities) (Mr D Crilley and Mr P Bole were present for this item)

(1) Mr Hill said the Customer Service Strategy emphasised the Council's commitment to put it's customers at the heart of what it does in providing effective and efficient services. The Cabinet report provided a clear analysis of what was needed in order to achieve these aims and he commended it's recommendations. Mr Gough said these two strategies complimented one another and together they would lead to improving people's experience in the way they access Council services.

(2) Mr Crilley and Mr Bole both spoke of the opportunities these two complimentary strategies presented in helping to bring about a unified approach to customer services.

(3) Following further discussion Cabinet resolved to:

(a) endorse the Customer Service Strategy and agree to its publication; and

(b) agreed that the Cabinet Member for Business Strategy, Performance and Health Reform be authorised to take the final decision in respect of the ICT Strategy having taken into account the views of the Cabinet and those of the Corporate Policy Overview and Scrutiny Committee which was meeting on 11 January 2012.

5. Children's Services Improvement Plan - Minutes of 20 September 2011

(Item 7)

(1) Mrs Whittle said there was continuing good progress across the Improvement Plan. In particular the focus on improving the quality of social work practice and recruitment was showing positive results and there was now going to be a concerted focus on increasing the number of adoptions.

(2) Cabinet resolved to note the Minutes of the Children's Service Improvement Plan on 20 September 2011.

6. Recommendations from Cabinet Scrutiny Committee - 13 December 2011 and Recommendation following the Specialist Children's Services POSC - 17 November 2011

(Item 8)

(1) Mrs Whittle said there has been a reduction in the number of children in care and as reported elsewhere a decrease in reliance on agency social workers as a result as an increase in the number of permanent of staff. Mrs Whittle said she had

found this meeting of the Scrutiny Committee to be constructive and helpful and the information which had been requested would be circulated shortly.

(2) Resolved that the comments and actions detailed in the report be noted.

To: CABINET – 25 January 2012

By: John Simmonds, Cabinet Member for Finance & Business Support
Andy Wood, Corporate Director of Finance & Procurement

REVENUE & CAPITAL BUDGET MONITORING EXCEPTION REPORT 2011-12

1. Introduction

1.1 This exception report is based on the monitoring returns for December and highlights the main movements since the November monitoring report presented to Cabinet on 9 January 2012.

2. REVENUE

2.1 The current underlying net revenue position by portfolio, compared with the net position reported last month, is shown in **table 1** below.

Table 1: Net Revenue Position

	Variance		
Portfolio	**This Month £m**	**Last Month £m**	**Movement £m**
Education, Learning & Skills	-0.776	-0.776	-
Specialist Children's Services	+14.189	+13.117	+1.072
Adult Social Care & Public Health	-2.613	-2.537	-0.076
Environment, Highways & Waste	-5.956	-3.299	-2.657
Customer & Communities	-0.374	-0.081	-0.293
Regeneration & Enterprise	-	-	-
Finance & Business Support	-6.961	-6.544	-0.417
Business Strategy, Performance & Health Reform	-0.888	-0.848	-0.040
Democracy & Partnerships	-0.097	-0.064	-0.033
Total (excl Schools)	**-3.476**	**-1.032**	**-2.444**
Schools (ELS portfolio)	+4.248	+4.248	-
Schools (SCS portfolio)	-	-	-
Schools (TOTAL)	**+4.248**	**+4.248**	**-**
TOTAL	**+0.772**	**+3.216**	**-2.444**

2.2 The forecast net revenue underspend (excluding schools) is currently £3.476m as shown in table 1 above. The draft 2012-13 budget proposals, released on 20 December, assume that £1m of this underspend is transferred to reserves to support next year's budget.

2.3 In the context of a savings requirement of £95m, increasing demands for services and the need to deliver the Children's Services Improvement Plan, an overall forecast underspending position is a considerable achievement. However there is a risk that this position could deteriorate, especially with the continually increasing demand for Children's Specialist Services. The position will be very closely monitored throughout the remainder of the financial year.

2.4 Table 1 shows that there has been a movement of -£2.444m in the overall position since the last report to Cabinet. The main movements, by portfolio, are detailed below:

2.5 Specialist Children's Services (SCS) portfolio:

The pressure on this portfolio has increased by £1.072m this month to £14.189m. The movements above £0.1m are:

2.5.1 <u>+£0.653m Asylum</u> – an increase in the pressure from £0.877m to £1.530m. This is a major concern and is almost entirely caused by the familiar issue of All Rights Exhausted (ARE). We are now forecasting that we will have had the full-year equivalent of 175 ARE clients who we are continuing to have to support under the Leaving Care legislation, for which we will receive no re-imbursement.

Our previous forecast assumed that the UKBA will have removed a significant number of these ARE clients, but this is not the case, and we are now therefore projecting that these will remain in the Country until the end of this financial year. Another meeting has been arranged with the UKBA on 9 February, to discuss this issue. We continue to gather our own legal 'advice' on this issue.

2.5.2 +£0.426m Assessment of Vulnerable Children – an increase in the pressure from £2.659m to £3.085m, mainly due to increased and extended costs of agency social workers. All managers are now forecasting that current agency staff will remain for the full year, whereas previous forecasts still assumed some end dates within the last quarter of the financial year.

2.6 Adult Social Care & Public Health portfolio:

The forecast underspend on this portfolio has marginally increased by £0.076m this month from £2.537m to £2.613m. Although only a small movement overall, there are some larger compensating movements within this. The movements over £0.1m this month are:

2.6.1 -£0.100m Strategic Management & Directorate Support – a reduction in the position from a pressure of £0.045m to an underspend of £0.055m, the majority of this is due to vacancies within the management information team, which is currently operating with a smaller structure than was budgeted for, together with smaller movements on safeguarding adults and strategic commissioning.

2.6.2 +£0.107m Learning Disability Residential Care – an increase in the pressure from £2.340m to £2.447m, which is mainly as a result of a repayment of overcharged income, coupled with a revision to the income forecast based on client contributions received to date.

2.6.3 -£0.275m Learning Disability Supported Accommodation – an increase in the underspend from £0.091m to £0.366m. This is mainly due to:

- -£0.115m as a result of a part repayment in relation to a previous overpayment to a provider;
- -£0.099m as a result of contract and client changes;
- -£0.034m due to the release of an unrealised creditor;
- -£0.021m due to a small increase in the income expected to be collected.

2.6.4 +£0.110m Contributions to Voluntary Organisations – a reduction in the underspend from £0.393m to £0.283m. This is due to the re-negotiation of payments made by the Contracting Team to certain voluntary organisations.

2.7 Environment, Highways & Waste portfolio:

The forecast underspend for this portfolio has increased by £2.657m this month from £3.299m to £5.956m. This movement is due to:

2.7.1 -£0.032m E&E Strategic Management & Directorate Support: a reduction in the pressure from £0.250m to £0.208m largely as a result of improved rent collection within the Gypsy and Traveller Unit, arising from better debt management and advice provided to residents.

2.7.2 +£0.032m Environment Management: an increase in the pressure from £0.009m to £0.041m. The managed underspend delivered in the Strategic Management & Directorate Support budget reported in 2.7.1 above is being utilised to make small changes in individual projects relating to the delivery of the Kent Environment Strategy.

2.7.3 Highways Services General Maintenance & Emergency Response
Robust monitoring of the Highway's revenue budget has identified £1.205m of funds within the general maintenance and repairs budget that can be transferred to the capital budget in order to bring forward urgent road repairs and streetlight column replacement. This funding has been identified during a transitional year for the directorate, which has seen a major restructure and a significant shift from Ringway to Enterprise for maintenance contracts. The Highways division is now confident that a balanced revenue budget can still be delivered if these funds are transferred from revenue to capital assuming that extraordinary conditions (such as a very sever winter) do not arise. **Cabinet is asked to approve this £1.205m revenue contribution to capital**. The current forecast assumes this contribution is approved.

2.7.4 -£0.100m Road Safety: an increase in the underspend from £0.067m to £0.167m as a result of higher numbers of participants in speed awareness courses leading to additional income.

2.7.5 +£0.097m Planning & Transport Policy: a pressure is now reported for this budget which is due to the costs associated with the new High Speed Train service from Sandwich and Deal via Dover to support the East Kent economy following the Pfizer closure.

2.7.6 -£0.947m Concessionary Fares: an increase in the underspend from £0.918m to £1.865m based on an anticipated reduction in journey numbers. This is based on trends in data provided by external consultants for the first two quarters of the financial year. Clearly there is a risk with declaring this level of reduction, but it is supported by latest activity trends.

2.7.7 -£0.781m Freedom Pass: an underspend is now reported for this budget based on the latest data on journeys taken, passes issued and the cost per journey, provided by our external consultants. As with Concessionary Fares, this is based on data for the first two quarters of the financial year so the same risk exists if this trend does not continue for the remainder of the financial year.

2.7.8 Waste Management & Waste Disposal:
The budgeted waste tonnage for 2011-12 is 760,000 tonnes. Tonnage for the first eight months of this financial year combined with the experience of the last two financial years has allowed the Directorate to estimate that the final tonnage will be 40,000 tonnes less than budgeted. This is a further reduction of 10,000 tonnes on the previous forecast and contributes a significant element of an additional £0.727m underspend on the Waste budgets, bringing the forecast underspend on the waste budgets to £3.513m. A detailed analysis of this movement follows:

a. -£0.319m Household Waste Recycling Centres: an increase in the underspend from £0.593m to £0.912m due to an improved contract for the sale of textiles.

b. -£0.063m Waste Management Partnership & Behaviour Change: a further increase in the underspend from £0.141m to £0.204m following a review of activity in this area.

c. -£0.304m Payments to Waste Collection Authorities (District Councils): a reduction in the position from a £0.116m pressure to a £0.188m underspend as a result of a reduction in the level of waste tonnage.

d. -£0.021m Recycling Contracts and Composting: a minor increase in the underspend from £0.526m to £0.547m has been identified this month.

e. -£0.671m Disposal Contracts: an increase in the underspend from £2.932m to £3.603m as a result of the general reduction in waste tonnage and less input into the Allington Waste to Energy plant, when periods of scheduled maintenance continued longer than planned.

f. +£0.561m Landfill Tax: an increase in the pressure from £1.191m to £1.752m as a result of the lower volume of waste processed at Allington Waste to Energy plant with increased tonnage being diverted to landfill, delivering overall savings in disposal costs (when combined with 2.7.8.e. above).

g. +£0.090m Transfer Stations: an increase in the pressure from £0.103m to £0.193m due to the net impact of the reduction in waste tonnage and the requirement to transfer revenue funding to capital to underpin additional works at the North Farm transfer station.

Whilst the Waste Division has a direct influence over the disposal and recycling of waste, it has limited control over the amount of waste put into the system and any significant changes in waste tonnage impact on the forecast outturn.

2.7.9 -£0.199m Commercial Services contribution: a reduction in the shortfall from £0.349m to £0.150m reflecting the virement approved by Cabinet on 9 January, required as a result of the County Council decision to remove the essential car user status, which has led to a consequential reduction in lease cars and therefore Commercial Services ability to make a surplus.

2.7.10 The current forecast position for the portfolio is predicated on waste tonnage reflecting levels experienced over the last two financial years and the current year to date. If there was an unexpected spike in the level of waste entering the system, this would reduce the level of underspend currently reported. In addition, the main risk in the Highway's forecast is the severity of the winter. Whilst robust plans have been put in place to deliver winter services, a very severe winter could adversely affect the final outturn.

2.8 Customer & Communities portfolio:

The forecast underspend for this portfolio has increased by £0.293m this month from £0.081m to £0.374m. This is mainly due to:

2.8.1 -£0.085m Contact Centre & Consumer Direct: a reduction in the position from a pressure of £0.034m to an underspend of £0.051m. This movement relates primarily to the inclusion, for the first time, of the first and second elements of the call quality bonus, which has delivered £0.096m to date. This income had not been reported in earlier months due to doubts around its achievability, as the income is predicated on the service achieving pre-defined service levels. The first of the three elements has already been achieved, the service is comfortably achieving the second element, whilst the third element is not certain and consequently we have prudently not included the income in our forecasts. There are other compensating variances of +£0.011m.

2.8.2 -£0.051m Library Services: an increase in the underspend from £0.127m to £0.178m, mainly due to a continuation of staff resignations as the roll out of the Radio Frequency Identification Programme (RFID, also know as self-service) progresses ahead of schedule.

2.8.3 -£0.043m Supporting Independence & Supported Employment: an increase in the underspend from £0.214m to £0.257m, primarily due to £0.040m that was allocated towards a match funded bid made to the Regeneration Fund to support some of the future jobs clients into apprenticeships. However, this bid was unsuccessful and therefore this match funding is uncommitted.

2.8.4 +£0.009m Trading Standards (incl Kent Scientific Services): a reduction in the underspend from £0.129m to £0.120m. This reflects a revision to the previous optimism around the level of external income that could be generated within Kent Scientific Services, which has not materialised in recent months and consequently the income forecast has been reduced by £0.044m, however this is largely offset by further underspending within Trading Standards.

2.8.5 -£0.049m Youth Service: an underspend of £0.049m is now reported for this service and primarily relates to an underspend on staff costs, including the acceleration of the management savings arising from the integration of the Youth and Youth Offending Services. The savings were profiled £0.1m in the current year and £0.4m (across both services) in 2012-13 and the management team is now in place and has delivered savings ahead of schedule.

2.8.6 -£0.030m Youth Offending Service: an increase in the underspend from £0.070m to £0.100m which is predominately for the same reasons as explained in section 2.8.5 above.

2.8.7 There are further smaller variances, totalling -£0.044m across the remaining units within the directorate this month. The directorate is continuing its policy of significant self-imposed extended vacancy management targets and curtailing non critical expenditure, where it is not to the detriment of service delivery, in order to mitigate pressures and to deliver further underspends by the end of the year.

2.9 Finance & Business Support portfolio:

The forecast underspend for this portfolio has increased by £0.417m this month to £6.961m. This is due to:

- -£0.5m further saving on the debt charges budget as a result of no new borrowing being taken.
- -£0.116m further interest on cash balances as a result of receiving the first dividend from Landsbanki and £21m of Standards Fund being received earlier than anticipated in the cash flow forecast.
- +£0.199m reflecting the virement, approved by Cabinet on 9 January, from the underspending within this portfolio to reduce the budgeted contribution from Commercial Services, within the EH&W portfolio, as a result of the County Council decision to remove the essential car user status, which has led to a consequential reduction in lease cars and therefore Commercial Services ability to make a surplus.

2.10 Business Strategy, Performance & Health Reform portfolio:

The forecast underspend for this portfolio has increased by £0.040m this month to £0.888m, mainly reflecting additional work taken on by Legal Services responding to both internal and external demand, together with a small movement in Business Strategy.

2.11 Democracy & Partnerships portfolio:

The forecast underspend for this portfolio has increased by £0.033m this month to -£0.097m due to small movements in the forecasts for Democratic and Member Services and Business Strategy – International and Partnerships.

3. CAPITAL

3.1 There have been a number of cash limit adjustments this month as detailed in **table 3** below:

Table 3: Cash Limit Changes

		£m 2011-12	*£m 2012-13*
1	Cash Limits as reported to Cabinet on 9th January	289.166	*248.813*
2	Re-phasing agreed at Cabinet on 9th January		
	Education, Learning & Skills (ELS)	-1.867	*0.627*
	Specialist Children's Services (SCS)	-0.216	*0.216*
	Adults Social Care & Public Health (ASC&PH)	-0.272	*0.272*
	Customer & Communties (C&C)	-0.533	*0.533*
	Regeneration & Enterprise	-1.000	*1.000*
3	Basic Need - Repton Park Primary School - transfer from Goat Lees Primary School and additional external funding - ELS portfolio	0.329	*0.944*
4	Basic Need - Goat Lees Primary School - transfer to Repton Park Primary School - ELS portfolio	-0.759	
5	Public Access Development - virement to C&C - FSC portfolio	-0.017	
6	LD Good Day Programme - virement to C&C - FSC portfolio	-0.075	
7	Edenbridge Community & Leisure Cente - virement to C&C - FSC portfolio	-0.259	
8	Ashford Public Realm - new project grant funded - EHW portfolio	0.120	
9	Ashford Ring Road - additonal external funding - EHW portfolio	0.100	
10	Energy & Water Efficiency Investment Fund - additional external funding - EHW portfolio	0.050	*0.050*
11	Modernisation of Assets - Gypsy Site - transferred to Coldharbour Gypsy Site - EHW portfolio	-0.072	
12	Coldharbour Gypsy Site - approval to spend - EHW portfolio	0.358	*1.012*
13	Edenbridge Community & Leisure Cente - virement from FSC - C&C portfolio	0.259	
14	Gateways - virement from FSC - C&C portfolio	0.092	
15	Library Modernisation - additional capital receipts - C&C portfolio		*0.315*
16	Management & Modernisation of Assets - virement to Tunbridge Wells Library - C&C portfolio	-0.118	
17	Tunbridge Wells Library - virement from Management & Modernisation of Assets - C&C portfolio		0.118
18	Tunbridge Wells Library - additional external funding - C&C portfolio		0.008
19	The Beaney - additonal external funding - C&C portfolio	0.329	
20	Enterprise Resource Programme - additional prudential borrowing - BSP&HR portfolio	0.648	*0.750*
21	Integrated Children's System - additional prudential borrowing - BSP&HR portfolio	0.652	*0.674*
22	Energy Efficiency & Renewable Energy - approval to spend - BSP&HR	0.253	*0.250*
		287.168	***255.582***

3.2 The current forecast capital position by portfolio, is shown in **table 4** below.

Table 4: Capital Position

	Real and Re-phasing Variance This month	Real Variance Last month	Movement This month
Portfolio	£m	£m	£m
Education, Learning & Skills	-1.168	0.115	-1.283
Specialist Children's Services	-0.323	0.211	-0.534
Adult Social Care & Public Health	-0.823	-0.062	-0.761
Environment, Highways and Waste	5.390	4.952	0.438
Customer & Communities	-0.321	0.224	-0.545
Regeneration & Enterprise	0.264	0.264	0.000
Business Strategy, Performance & Public Health	-0.118	0.627	-0.745
Total (excl Schools)	2.901	6.331	-3.430
Schools	0	0	0
Total	2.901	6.331	-3.430

Since last month's report, the forecast outturn has reduced by £3.4m as detailed below:

3.3 Education, Learning & Skills portfolio:
The forecast has moved by -£1.283m. Projects subject to re-phasing and overall variances affecting 2011-12 are:

- Planned Enhancement Programme (-£1.041m, re-phasing): This is due to a particularly mild winter which has resulted in less demand for works. This has been supplemented by a robust approval criteria being implemented before any additional works are allowed to proceed. Another factor which has resulted in reduced spend in 2011/12 is the direct result of the transfer of a significant number of schools, particularly from the secondary sector, to Academy status.
- Primary Improvement Programme (-£0.188m, re-phasing): The main reason for the re-phasing from 2011/12 – 2012/13 relates to the project at Westminster PS where the tender process has taken longer to complete than previously expected and the project was also delayed whilst a gas main was relocated.

Overall this leaves a residual balance of -£0.054m on a number of minor projects.

3.4 Specialist Children's Services portfolio:
The forecast has moved by -£0.534m. The main reason for this is:

- Transforming Short Breaks for Families with Disabled Children (-£0.529m, re-phasing): due to delays with the project while uncertainties regarding an element of the project were resolved.

3.5 Adult Social Care and Public Health portfolio:
The forecast has moved by -£0.761m. Projects subject to re-phasing and overall variances affecting 2011-12 are:

- Flexible and Mobile Engagement (FAME) (-£0.487m, real variance): due to the project no longer going forward and for which funding is no longer required.
- Modernisation of Assets (-£0.095m, real variance): due to projects no longer going forward and for which funding is no longer required.
- Learning Disability Good Day programme (-£0.150m, re-phasing): mainly owing to delays in negotiations and consultation periods on various projects within the programme.

Overall this leaves a residual balance of -£0.029m on a number of minor projects.

3.6 Environment, Highways and Waste portfolio:

The forecast has moved by +£0.438m. Projects subject to re-phasing and overall variances affecting 2011-12 are:

- Highways Major Maintenance (+£1.205m, real variance): Robust monitoring of the Highway's budget has identified funds within the revenue budget that can be transferred to the capital budget in order to bring forward urgent road repairs and streetlight column replacement. This funding has been identified during a transitional year for the Directorate which has seen a major restructure and a significant shift from Ringway to Enterprise for maintenance contracts. The Highways division is now confident to transfer these funds from revenue to capital and still deliver a balanced revenue budget assuming that extraordinary conditions (such as a very severe winter) do not arise.
- Integrated Transport Schemes (+£0.214m, real variance): Additional improvement schemes have been carried out which are being funded from S106 developer contributions.
- Household Waste Recycling / Transfer Station (+£0.129m, real variance): The spend on expanding the Transfer Station/HWRC at North Farm has increased by a further £129k due to the additional removal and disposal of contaminated land, various additional essential works identified during construction and additional consultant fees due to the significant overrun of the construction period. This will be funded by revenue.
- Kent Thameside Strategic Programme (-£1.110m, re-phasing): Programme re-profiled and re-phased as a result of lower than expected development trajectories in the area. One of the schemes has been significantly re-phased primarily because the original phasing assumed some land assembly might be achieved by voluntary agreement but those negotiations have not yet been concluded.

3.7 Customer and Communities portfolio:

The forecast has moved by -£0.545m. Projects subject to re-phasing and overall variances affecting 2011-12 are:

- Library Modernisation (-£0.151m, re-phasing): This relates primarily to the re-profiling of £149k into 2012/13 in relation to the Broadstairs Library project, which is as a result of the project starting later than anticipated – now straddling the year end – plus a reduced capital receipt on the sale of Spring Terrace (-£2k).
- Tunbridge Wells Library (-£0.180m, re-phasing): It was previously reported that the start of this project had been delayed until February 2012 because of necessary design changes required by the Conservation, Fire, Access & Planning Officers. However, a number of new issues have been identified by the same officers, as part of a new review, which require further consultation resulting in withdrawal of the current planning application. This will be resubmitted as soon as these issues have been resolved but works will not now start until the new financial year and expenditure has been reluctantly re-profiled accordingly.
- Web Platform (-£0.154m, re-phasing): This investment supports the need to identify and transfer more services online to support the channel shift strategy (people using cheaper-to-run channels), which will deliver significant savings – and it is hoped improved outcomes – as part of the Customer Services Strategy. A review of services that may benefit from the transfer has been ongoing since October and to achieve these changes, £154k of the programme has been reallocated from its original expenditure plan and re-profiled into 2012/13 as the complexity and scale of these projects, and the time needed to fully specify the requirements, cannot be achieved and fully spent in the current year. The Customer Service Strategy is due to be launched in January 2012 and therefore this budget will support the ambitions and priorities going forward.

Overall this leaves a residual balance of -£0.060m on a number of minor projects.

3.8 Regeneration and Enterprise portfolio:

The forecast has not changed from the previous report.

3.9 Business Strategy, Performance and Health Reform portfolio:

The forecast has moved by -£0.745m. This movement has occurred largely due to the -£0.750m re-phasing on the Enterprise Resource Planning Programme. In previous reports to Cabinet it was estimated that the full £1.4m cost of this project would be incurred in the current year. However, the subsequent business case considered by PAG and agreed for “Approval to Plan” by the Leader indicates that the phasing will be £0.648m in 2011-12 and £0.750m in 2012-13.

Overall this leaves a residual balance of +£0.005m on a number of minor projects.

3.10 Capital Project Re-phasing

Normally, cash limits are changed for projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m is reported and the full extent of the re-phasing will be shown. The tables below summarises the proposed re-phasing this month.

Table 5 – re-phasing of projects >£0.100m

Portfolio	2011-12	2012-13	2013-14	Future Years	Total
	£m	£m	£m	£m	£m
Education, Learning & Skills					
Amended total cash limits	113.051	144.792	108.621	97.601	464.065
Re-phasing	-1.242	1.242	0.000	0.000	0.000
Revised cash limits	**111.809**	**146.034**	**108.621**	**97.601**	**464.065**
Specialist Children's Services					
Amended total cash limits	14.726	0.221	0.000	0.000	14.947
Re-phasing	-0.529	0.529	0.000	0.000	0.000
Revised cash limits	**14.197**	**0.750**	**0.000**	**0.000**	**14.947**
Adult Social Care & Public Health					
Amended total cash limits	6.230	10.183	7.392	3.561	27.366
Re-phasing	-0.150	0.150	0.000	0.000	0.000
Revised cash limits	**6.080**	**10.333**	**7.392**	**3.561**	**27.366**
Enterprise & Environment					
Amended total cash limits	97.046	56.055	51.893	257.168	462.162
Re-phasing	-1.114	-3.890	-5.835	10.839	0.000
Revised cash limits	**95.932**	**52.165**	**46.058**	**268.007**	**462.162**
Customer & Communities					
Amended total cash limits	18.232	6.706	5.256	4.929	35.123
Re-phasing	-0.483	0.483	0.000	0.000	0.000
Revised cash limits	**17.749**	**7.189**	**5.256**	**4.929**	**35.123**
Regen & Enterprise					
Amended total cash limits	4.592	13.219	7.500	2.500	27.811
Re-phasing	0.000	0.000	0.000	0.000	0.000
Revised cash limits	**4.592**	**13.219**	**7.500**	**2.500**	**27.811**
Business Strategy & support					
Amended total cash limits	8.571	9.926	6.140	2.923	27.560
Re-phasing	0.000	0.000	0.000	0.000	0.000
Revised cash limits	**8.571**	**9.926**	**6.140**	**2.923**	**27.560**
TOTAL RE-PHASING >£100k	**-3.518**	**-1.486**	**-5.835**	**10.839**	**0.000**
Other re-phased Projects below £100k	-0.328	+0.346	-0.018	0.000	0.000
TOTAL RE-PHASING	**-3.846**	**-1.140**	**-5.853**	**+10.839**	**0.000**

Table 6 details individual projects which have further re-phased since being reported to Cabinet on 9th January.

	2011-12	2012-13	2013-14	Future Years	Total
	£m	£m	£m	£m	£m
Customer & Communities					
Tunbridge Wells Library					
Original budget	+0.113	+0.326	0	0	+0.439
Amended cash limits	+0.092	-0.092	0	0	0
additional re-phasing	-0.180	+0.180	0	0	0
Revised project phasing	**+0.025**	**+0.414**	**0**	**0**	**+0.439**
Web platform					
Original budget	+0.504	0	0	0	+0.504
Amended cash limits	-0.150	+0.150	0	0	0
additional re-phasing	-0.154	+0.154	0	0	0
Revised project phasing	**+0.200**	**+0.304**	**0**	**0**	**+0.504**
FSC					
Learning Disability Good Day Programme					
Original budget	+3.611	+1.600	+0.934	+0.587	+6.732
Amended cash limits	-2.442	+2.027	0	+0.415	0
additional re-phasing	-0.150	+0.150	0	0	0
Revised project phasing	**+1.019**	**+3.777**	**+0.934**	**+1.002**	**+6.732**
EH&W					
Kent Thameside Strategic Transport					
Original budget	+2.688	+8.313	+14.852	+119.195	+145.048
Amended cash limits	-1.314	-3.502	-5.558	+10.374	0
additional re-phasing	-1.110	-3.889	-5.873	+10.872	0
Revised project phasing	**+0.264**	**+0.922**	**+3.421**	**+140.441**	**+145.048**

4. RECOMMENDATIONS

Cabinet is asked to:

4.1 **Note** the initial forecast revenue and capital budget monitoring position for 2011-12.

4.2 **Agree** the £1.205m revenue contribution to capital within the EH&W portfolio from savings identified within the revenue general maintenance and repair budget in order to bring forward urgent road repairs and streetlight column replacement within the capital programme.

4.3 **Note** the changes to the capital programme.

4.4 **Agree** that £3.518m of re-phasing on the capital programme is moved from 2011-12 capital cash limits to future years.

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By: Cabinet Member for Finance & Business Support
Corporate Director of Finance & Procurement

To: Cabinet – 25 January 2012

Subject: **TREASURY STRATEGY**

Classification: Unrestricted

Summary: To agree a Treasury Management Strategy for 2012-13 to be recommended to the Council.

FOR DECISION

INTRODUCTION

1. The Chartered Institute of Public Finance and Accountancy's Code of Practce for Treasury Management in Public Services and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement and Prudential Indicators on an annual basis. Prudential Indicators are reported to Cabinet and Council as part of the Medium Term Plan.

2. CIPFA define Treasury Management as:

   "The management of the organisation's cashflows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

3. All treasury activity will comply with relevant statute, guidance and accounting standards.

KCC GOVERNANCE

4. The Corporate Director of Finance & Procurement is responsible for the Council's treasury management operations, day to day responsibility is delegated to the Head of Financial Services and Treasury and Investments Manager. The detailed responsibilities are set out in the Council's Treasury Management Practices.

5. A sub-committee of Cabinet has been established to work with the Officers on treasury management issues – the Treasury Advisory Group (TAG). The group consists of the Cabinet Member for Finance & Business Support, Deputy Cabinet Member for Finance & Business Support, Deputy Leader, Chairman Corporate Policy Overview and Scrutiny Committee, Chairman Superannuation

Fund Committee, Liberal Democrat Finance spokesman and Leader Labour Group. The agreed terms of reference are “The Treasury Advisory Group will be responsible for advising the Cabinet and Corporate Director of Finance & Procurement on treasury management policy within KCC’s overarching Treasury Management Policy”. TAG meets the requirement in the CIPFA Treasury Management Code for a member body focussing specifically on treasury management. TAG meets quarterly and members of the group receive detailed information on a weekly and monthly basis.

6. Whilst Council will agree the overall Treasury Management Strategy all amendments to the strategy during the year will be agreed by Cabinet. The strategy needs to remain dynamic and reflect changing circumstances.

7. Governance & Audit Committee previously received an annual review in accordance with the requirements of the CIPFA Treasury Management Code-it now receives quarterly reports which goes beyond the mid-year review proposed by CIPFA.

8. A revised Treasury Management Policy Statement is attached in Appendix 1 to reflect new requirements of the CIPFA Code published in November 2011.

9. The Authority’s banker is the National Westminster Bank. At the current time it does not meet our minimum credit requirement of A+ (or equivalent) long term. Despite the credit rating being below the Authority’s minimum criteria it will continue to be used for short term liquidity and ongoing day to day business.

BORROWING REQUIREMENT AND STRATEGY

10. Borrowing

(1) The underlying need to borrow for capital purposes, as measured by the Capital Financing Requirement (CFR), together with balances and reserves, are the core drivers of treasury management activity.

(2) As at 31 December 2011 long term borrowing was £1,091m including £48m attributable to Medway Council.

11. Interest Rate Forecast

(1) The economic and interest rate forecast provided by the Authority’s treasury management advisor, Arlingclose, is attached at Appendix 2. The Authority will reappraise its strategies from time to time in response to evolving economic, political and financial events.

(2) There are a number of interest rate issues which have a major impact on strategy decisions:

- Arlingclose in common with most forecasters now expect short term interest rates to stay at their low levels for longer – their central forecast is that the official Bank Rate will remain at 0.5% to the end of 2014. The implication of this is that rates we can obtain for deposits will stay low for longer.

- In October 2010 the Chancellor added around 1% to Public Works Loan Board across all duration periods. In late November 2010 50 year PWLB maturity loans had a rate of 5.25% compared with 4.07% in late November 2011. Whether through the effect of Quantative Easing or the flight from the Euro Zone long term borrowing rates do currently look relatively low. Long term rates have much more scope for volatility and increases than short term rates.

12. Borrowing Strategy

(1) Capital expenditure levels, market conditions and interest rates levels will be monitored to minimise borrowing costs over the medium to longer term and maintain stability. The differential between debt costs and returns on deposits, the so called "cost of carry", remains acute and this is expected to remain a feature in the short term. The Council has therefore been actively trying to reduce its cash holdings by deferring long term borrowing. The use of internal cash resources in lieu of borrowing is likely to continue to be the most cost effective way of financing capital expenditure.

(2) In light of this our principles for borrowing over the period will be:

- Affordability of new borrowing in light of the Council's overall finances.

- Maturity of existing debt.

- Continue where possible to defer borrowing and fund from internal resources.

- Use the Public Works Loan Board (PWLB) as the main source of funding.

- Consider use of market loans and Lender Option Borrower Option (LOBO) loans. Currently there is very little interest from banks in this market.

- The Council has historically borrowed at fixed rates. This gives certainty over debt financing costs and can be seen as reducing interest rate risk. Fixed rate borrowing will remain a core part of the strategy with the Council seeking to borrow at advantageous points in interest rate cycles.

- Consideration will also be given to borrowing at variable rates – the Council currently has no variable rate borrowing.

- Borrowing short term for cash flow reasons if necessary.

13. Borrowing Requirement

(1) In 2012/13 the Council has £77m of borrowing to refinance and new borrowing as set out elsewhere in the budget report.

(2) The Authority's debt portfolio can be restructured by prematurely repaying loans and refinancing them on similar or different terms to achieve a reduction in risk and/or savings in interest costs.

(3) The lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans has adversely affected the scope to undertake meaningful debt restructuring although occasional opportunities arise. The rationale for undertaking any debt rescheduling would be one or more of the following:

- Savings in risk adjusted interest costs.
- Rebalancing the interest rate structure of the debt portfolio.
- Changing the maturity profile of the debt portfolio.

(4) Borrowing and rescheduling activity will be reported to the Treasury Advisory Group and Governance & Audit Committee in the regular treasury management reports.

INVESTMENT STRATEGY

14. Principles

(1) In accordance with Investment Guidance issued by the CLG and best practice this Authority's primary objective in relation to the investment of public funds remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yields earned on investments is important but are secondary considerations.

(2) Credit markets remain in a state of distress as a result of the excessive and poor performing debt within the financial markets. In some instances, Greece and Italy being the most notable examples, the extent and implications of the debt it has built up have lead to a sovereign debt crisis and a banking crisis with the outcome still largely unknown. It is against this backdrop of uncertainty that the Authority's investment strategy is framed.

(3) Investments are categorised as "Specified" or "Non-Specified" within the investment guidance issued by the CLG.

- Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the "high credit quality" as determined by the Authority and are not deemed capital expenditure investments under Statute.

- Non-Specified investments are, effectively, everything else.

(4) Officers will continue to work with our treasury advisers to appraise investment options. Any changes to the approach set out will be subject to report to Cabinet for decision following detailed consideration by the Treasury Advisory Group

15. <u>Criteria for Counterparty Selection</u>

The criteria for the selection of counterparties are:

- A strong likelihood of Government intervention in the event of liquidity issues based on the systemic importance to the UK economy.
- Publicised credit ratings for institutions (excluding the DMO).
- Other financial information eg Credit Default Swaps, share price, corporate developments, news, articles, market sentiment, momentum.
- Country exposure e.g. Sovereign support mechanisms, GDP, net debt as a percentage of GDP.
- Exposure to other parts of the same banking group.
- Reputational issues.

The Corporate Director of Finance & Procurement in consultation with the Cabinet Member for Finance & Business Support can suspend a counter party at any time.

16. <u>Current Counterparties</u>

The current approved counterparties are:

- Debt Management Office – Debt Management Account Deposit Facility or Treasury Bills.
- Barclays
- HSBC
- Lloyds Banking Group
- Royal Bank of Scotland

- Santander UK
- Nationwide
- Standard Chartered
- Clydesdale

The actual position is as follows:

- Santander UK have been suspended since April 2010 due to concerns over the relationship with Banco Santander.
- Clydesdale have never been used due to concerns over its parent National Australia Bank – and then due to credit downgrades.
- Standard Chartered will not take local authority deposits.
- RBS, Lloyds and Nationwide have all been suspended since October due to credit rating downgrade.
- Barclays was suspended in December.
- On Arlingclose's recommendation the maximum duration for deposits is 3 months.

17. <u>Counterparty Proposals</u>

(1) The permitted deposits will be:

- Call accounts.
- Term deposits
- Certificates of deposit

(2) TAG considered options at its meeting on 7 December based upon options provided by Arlingclose. The proposed changes to counterparties are as follows:

- Arlingclose are now recommending a minimum long term rating of A- or equivalent for UK banks. This is lower than the A+ minimum adopted in 2011/12 and is in response to downgrades in credit ratings to many institutions considered to be systematically important to the financial system.
- The basis of the reduction to A- for UK banks is:
    - The rating is reduced but so is the maximum duration of deposits.

- This is a return to the normal pre 2008 credit requirement.
- Only applying to banks which are systematically important.
- All the other risk metrics still apply.

- Applying the A- rating to UK banks would give a counterparty list of:
  - Barclays
  - HSBC
  - Santander UK
  - Bank of Scotland
  - Lloyds TSB
  - National Westminster
  - Nationwide
  - Royal Bank of Scotland
  - Standard Chartered

- TAG recommends that all these counter parties should be available to the Council – but parameters would be applied to their use in-particular in-relation to duration of deposits. A decision on whether to use a particular counterparty will be made by the Corporate Director of Finance & Procurement and the Cabinet Member for Finance & Business Support after consultation with TAG and these decisions will be reported to Governance & Audit Committee in the quarterly reports.

- Arlingclose have a range of overseas banks (5 Canadian, 4 Australian and 1 US Banks) which meet their counterparty requirements. TAG recommends that the Authority does not recommence the use of overseas banks. Any proposal to do so would need to be agreed by Cabinet at a later date.

18. Counterparty Limits

The Counterparty Limits proposed are:

- DMO £450m
- Banks/Building Societies £50m.

- A group limit of £75m would be applied for Nat West / RBS and Bank of Scotland / Lloyds could not have more than £75m each.

19. Duration of Deposits

    Arlingclose recommend a maximum duration currently of 3 months. It is recommended that the Corporate Director of Finance & Procurement in consultation with the Cabinet Member for Finance & Business Support is able to increase duration up to a maximum of 12 months in line with Arlingclose recommendations. To go beyond this would require a report to Cabinet.

ICELAND

20. On 28 October the Icelandic Supreme Court confirmed the 1 April District Court decision that UK local authority deposits did count as deposits under Icelandic law and we are therefore preferred creditors. This also applies in the cases concerning the UK Financial Services Compensation Scheme, the Dutch National bank (on behalf of retail depositers) and Dutch local authorities.

21. The position on the two banks is as follows:

    - Glitnir – KCC had £15m deposited with Glitnir and 100% of this will be recovered. Negotiations with the Winding Up Board to ensure prompt payment have commenced.

    - Landisbanki – KCC has £17m deposited with Landsbanki and 98% of this will be recovered. A first dividend of £5.5m has been paid.

22. The Heritable administration continues to proceed well and we are confident of a final return of at least 85%. To date 65p in the £ has been paid totalling £11.9m.

23. The www.kent.gov.uk website is regularly updated for news on developments in Iceland.

TREASURY ADVISERS

24. Since March 2011 Arlingclose have been the Council's sole treasury adviser.

TRAINING

25. Training is provided by Arlingclose and a treasury management training module is included in the Financial Management Training Programme for members and senior officers.

RECOMMENDATIONS

26. Members are asked to agree:

    (1) The Revised Treasury Management Policy Statement.

    (2) The approach proposed to Borrowing.

    (3) The proposals for counter parties and the delegations to the Corporate Director of Finance & Procurement and the Cabinet Member for Finance & Business Support.

Nick Vickers
Head of Financial Services

Appendix 1

TREASURY MANAGEMENT POLICY STATEMENT

1. INTRODUCTION AND BACKGROUND

1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.

1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities

- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.3 The Council (i.e. full Council) will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

1.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Cabinet and for the execution and administration of treasury management decisions to the Corporate Director of Finance & Procurement, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

1.5 The Council nominates Treasury Advisory Group and Governance & Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

2.1 The Council defines its treasury management activities as:

"The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management."

2.4 The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

2.5 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

Appendix 2

Economic Interest Rate table

	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Official Bank Rate													
Upside risk						0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**
Downside risk													
1-yr LIBID													
Upside risk	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	**1.75**	**1.75**	**1.75**	**1.75**	**1.75**	**1.80**	**1.85**	**1.95**	**2.00**	**2.10**	**2.20**	**2.30**	**2.40**
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
5-yr gilt													
Upside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	**1.25**	**1.30**	**1.35**	**1.40**	**1.50**	**1.60**	**1.70**	**1.80**	**2.00**	**2.10**	**2.30**	**2.40**	**2.50**
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
10-yr gilt													
Upside risk	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	**2.20**	**2.30**	**2.40**	**2.45**	**2.50**	**2.55**	**2.60**	**2.70**	**2.75**	**2.80**	**2.85**	**2.90**	**3.00**
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
20-yr gilt													
Upside risk	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	**3.00**	**3.05**	**3.05**	**3.10**	**3.20**	**3.25**	**3.30**	**3.35**	**3.40**	**3.45**	**3.50**	**3.60**	**3.75**
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
50-yr gilt													
Upside risk	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	**3.25**	**3.40**	**3.50**	**3.60**	**3.70**	**3.80**	**3.90**	**4.00**	**4.00**	**4.00**	**4.10**	**4.20**	**4.25**
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25