

Treasury Management Mid Year Report 2012-13 - Amendment

Cabinet Report Paragraph 3.2.38 (page 17) and Appendix J (Page 34)

3.2.38 The debt financing and debt management budgets have been monitored monthly since the start of the year, with any significant variances feeding into the dashboard reports to Cabinet. The debt financing budget forecast as at 30 September 2012 is attached at Appendix J. A net underspend of £77k is currently forecast for debt financing in 2012-13. The main components of this figure are made up as below:

- Minimum Revenue Provision, which is the amount required to be set aside to finance borrowing (including finance leases) is £325k below budget, mainly due to capital financing decisions made in 2011-12 (the use of capital receipts instead of borrowing and changes from planned financing leading to MRP savings), and the carry forward of capital expenditure delaying MRP impact to future years. £141k of this saving has been transferred to a debt financing earmarked reserve to mitigate risk in the investment interest budgets in 2013-14 against a background of falling interest rates.
- An amount of £109k interest on a backdated VAT claim has been received from HMRC. This has also been transferred to the debt financing earmarked reserve.
- Further savings arise from interest on finance leases, where actual liability is around £21k less than the amount budgeted.

Less

- Income from investments is forecast to be below budget by around £58k, due to the Council carrying lower overall cash balances than in previous years, largely as a result of more timely capital programme spend in 2011-12 and 2012-13 than in previous years.
- Recharge income from the HRA is forecast at around £73k less than budgeted, due both to an increase in the levels of forecast average HRA balances, and the achievement of a higher than budgeted rate of return on investments.