

SUBMISSION BY CLLR C SPRUCE, CABINET MEMBER FOR FINANCE, DEMOCRATIC and LEGAL SERVICES

Money Matters : 2013/14 Review of Financial Performance against the Financial Strategy

1 Purpose of Report

- 1.1. To provide Members with the opportunity to scrutinise the Council's financial performance for the half year April to September 2013 for the financial year 2013/14.
- 1.2. The Revenue Budget on a Net Direct Expenditure basis is shown in the table at 2.8. This table shows that the Approved Net Direct Expenditure 2013/14 originally required a transfer from General Reserves of **£1,297,000** to balance the Budget.
- 1.3. Since Council Approved the Medium Term Financial Strategy (Revenue and Capital) 2013-16; the Fit for the Future (F4F) Phase One savings of **£588,910** has been built into the latest Budget projections for 2013/14. These savings have reduced the sum required to be transferred from General Reserves to balance the Budget to a level of **£708,090**.
- 1.4. The projected Outturn of **£11,284,760** is based on performance to 30 September 2013 and a forecast for the period to the end of March 2014.
- 1.5. This is a reduction of **£130,310** compared with the previous Budget projection and now means that we will require a transfer of **£577,780** from General Reserves.
- 1.6. To provide the views of Members from this Committee to Cabinet at its meeting of 3 December 2013, when Cabinet will be receiving the report.

2 Background

- 2.1 As part of leading the organisation, managers have to account to Members for their management of the financial resources and for the performance of the organisation against the Budget the Council has agreed.
- 2.2 The Medium Term Financial Strategy (MTFS) sets out the allocation of resources, the policies and parameters within which Managers are required to operate. We are required by law to set a three year balanced budget.
- 2.3 Aspects including community safety, human rights, financial implications, sustainability issues and risk management are all dealt with as part of the report so have not been separately identified.
- 2.4 The level of change in Local Government Finance starting in 2013/14 is unprecedented ranging from the Localisation of Council Tax Support, wider welfare reform and local retention of an element of Business Rates. This change introduces some significant additional financial risks such as a major proportion of the Council's funding being dependant on the level of business rate growth or decline.
- 2.5 As a consequence, preparation and planning continues during 2013/14 to implement changes and identify strategies that can be used to manage these risks. These risks together with financial successes, challenges and future actions are shown in more detail at **APPENDIX A**.
- 2.6 The Council is likely to in the future be funded solely by income generated locally through Council Tax, Local Business Rates, New Homes Bonus and fees and charges. Therefore, the management of Sundry Income debt is a key component of the Council's funding.
- 2.7 There is an increase in write offs from **£1,405** to **£7,930**. This is due to several large housing services debts being written off as uncollectable. The value of income raised has increased, however, the percentage of debt outstanding for the same period has decreased due to improved debt management. Payment methods remain consistent and Direct Debit is now the most popular

method of payment. However, a similar proportion of payments are made by bank credit (BACS) and work needs to be undertaken to convert these payers to Direct Debit as this is a more efficient method of collection for the Council. Further details are provided at **APPENDIX B**.

- 2.8 The financial performance, covering the period April to September 2013 has been reviewed and below we report our Quarter two projection for the full year against the Budget amended to reflect Fit for the Future Phase One implementation.

The Revenue Budget on a Net Direct Expenditure Basis¹

Area	2013/14 Budget				
	Approved Net Direct Expenditure ² £	Net Direct Expenditure £	Projected Outturn £	Projected Variance £	↑ = adverse ↓ = favourable
Chief Executive	923,390	883,330	868,390	(14,940)	↓
Finance, Revenues and Benefits	1,948,960	1,910,430	1,784,910	(125,520)	↓
Leisure, Parks & Play	3,082,260	3,000,900	3,059,900	59,000	↑
Democratic, Development and Legal	1,672,910	1,597,110	1,731,900	134,790	↑
Community, Health and Housing	2,260,100	2,313,260	2,308,260	(5,000)	↓
Operational Services	1,696,510	1,530,580	1,489,940	(40,640)	↓
Net Cost of Services	11,584,130	11,235,610	11,243,300	7,690	↑
Net Treasury Position	63,460	63,460	(74,540)	(138,000)	↓
Capital Accounting	116,000	116,000	116,000	-	
Net Operating Cost	11,763,590	11,415,070	11,284,760	(130,310)	↓
Less: Transfer from General Reserve	(1,297,000)	(708,090)	(577,780)	130,310	↓
Less: Transfer from Earmarked Reserves	-	(224,740)	(224,740)		
Net Revenue Expenditure	10,466,590	10,482,240	10,482,240	-	
Financed by:					
Revenue Support Grant	(2,779,640)	(2,779,640)	(2,779,640)	-	
Local Council Tax Support paid to Parishes	134,700	134,700	134,700	-	
Localisation of Business Rates	(1,849,220)	(1,849,220)	(1,849,220)	-	
New Homes Bonus	(716,360)	(732,010)	(732,010)	-	
Collection Fund (surplus)Deficit		-	-	-	
Total District Council purposes	5,256,070	5,256,070	5,256,070	-	

The Gross Expenditure and Income to support this table is shown at **APPENDIX C**. This provides more of an insight into the level of expenditure and income expected within the year.

¹ Excludes the impact of IAS 19 Pension adjustments, Capital accounting entries, Central Support service charges and reflects the utilisation of Earmarked Reserves in individual Directorates. See **APPENDIX D** for further explanation of these terms.

² Council approved Medium Term Financial Strategy (Revenue and Capital) 2013-16 at its meeting on 19 February 2013.

Key Issues - Budget Monitoring second Quarter 2013/14

The projected outturn at 31 March 2014 is estimated to be better than Approved Budget by **£160,310**. This has been generated by the following items:

Chief Executive – (£14,940) favourable variance:

- **(£14,940)** – Reduction in the use of casual employees, together with Disclosure and Barring Services (DBS) checks and medical expenses.

Finance, Revenues and Benefits – (£125,520) favourable variance:

- **(£22,680)** - Increase in the volume of Court fees recovered. This is principally due to the increase in costs per Court fee from **£85.00** to **£95.00**.
- **(£64,000)** - Increase in the recovery of Council Tax Benefit overpayments.
- **(£26,000)** - E-Business and Information Strategy - savings in employee and contract costs.
- **(£12,840)** - Revenues Service –reduction in other expenses.

Leisure Parks & Play - £59,000 adverse variance:

- **£15,000** - The Council's responsibility as landlord of the Garrick Theatre means it has an obligation to repair the lift at the Theatre. The lift is the original one installed some 37 years ago when the Civic Hall was built. It was not replaced as part of the Garrick Theatre construction in 2003. Recent technical failures mean an overhaul is required in this financial year.
- **£22,000** - Legal fees associated with Garrick Trust continued into this financial year. Legal structures are now in place, both for the Council and the Garrick.
- **£22,000** - Estimated loss of surplus (income less costs) during the Friary Grange pool closure for changing room works.

Development, Democratic and Legal Services - £134,790 adverse variance:

- **£100,000** - Reduction in Planning Application Fees income. The budget for this may not be achieved as it depends on the timing of major Planning Applications. We will have more information in Quarter three.
- **£61,190** - Reduction in rent income and cost of Business Rates as a result of Staffordshire County Council delaying signing of Heads of Terms of Lease for Venture House, subject to completion of Building alterations (see the Capital Programme section for further information).
- **(£26,100)** - Increase in income from property rents, licence fees and shared service agreements

Community, Health and Housing – (£5,000) favourable variance

- **(£5,000)** – projected reduction in postage cost to the Council.

Operational Services – (£40,640) favourable variance:

- **(£40,640)**: Increased income from car park machines (up by 9% in the second quarter compared with the same period last year) partly as a result of the opening of the new Debenhams store. This is based on the assumption that income will continue to exceed last year's figures and that there will be no overspends against the car park expenditure budgets.

Net Treasury Position including Investment Interest (there is a favourable variance of (138,000)):

Further details are provided in the Treasury Management section of this report. In summary the main reasons for the favourable variance are:

- The use of **£250,000** of additional capital receipts from Right to Buy sales to partly fund the **£2,720,000** borrowing requirement. This has reduced the amount of borrowing needed to **£2,470,000** as a consequence it means borrowing costs will be lower.
- The use of internal borrowing at a rate of **0.70%** is much lower than external borrowing at a rate close to **4.00%**.
- The payment to the Developer in relation to the Friary Outer Car Park development was planned to take place in the last financial year however due to issues with the construction of the car park this has taken place in this financial year. This means under accounting guidance the Council does not have to start setting aside Minimum Revenue Provision (similar in concept to depreciation³) until the 2015/16 financial year.

³ The allocation of the asset's cost, to periods in which it is used. This is usually an equal annual charge over the estimated useful life of the asset.

2.9 Presentation on a Statutory Basis

The Service Code of Practice (SERCOP) for Local Government Accounts requires statutory presentation to show the full cost of services including pension charges (per International Accounting Standard requirements), central support and capital charges. It also requires funding from Earmarked reserves to be shown in total after net expenditure incurred as shown at "Net Cost of Services." The SERCOP format of Lichfield District Council's accounts is shown at **APPENDIX D**.

3 Localisation of Business Rates

3.1 From 1 April 2013, the Council is able to retain a share of any Business Rate growth within the area. This is one of a number of significant changes to the way Local Government is funded and whilst it provides opportunities for additional income it also carries some significant risks.

3.2 These risks include the financial implications resulting from business closures. Given the level of financial risk and its potential impact on the Council's Budget it is critical that this area is monitored closely. The budgeted level of Business Rates which was submitted in the NNDR 1 return and was reported to Cabinet on 15 January 2013, the actual position at the end of September 2013 and a projection for the year is shown in the table below:

Details	Budget NNDR 1 £	30 September 2013 £	Projected Outturn £	Projected Variance £	Projected Variance ↑ = adverse ↓ = favourable
Gross Business Rates Yield less Transitional Relief and Appeals	35,653,956	36,918,297	36,987,309	1,333,353	↓
Mandatory Reliefs	(3,593,536)	(4,277,400)	(4,411,634)	(818,098)	↑
Discretionary Reliefs	(72,409)	(72,875)	(72,875)	(466)	↑
Estimated Losses on Collection	(347,201)	(9,273)	(347,201)	0	
Interest	0	(3,717)	(3,717)	(3,717)	↑
Allowance for Cost of Collection	(125,090)	(125,090)	(125,090)	0	
Net Business Rates Yield	£31,515,720	£32,429,942	£32,026,792	£511,072	↓
Lichfield's Share @ 40%	12,606,288	12,971,977	12,810,717	204,429	↓
Less : Tariff Payable	(10,757,000)	(10,757,000)	(10,757,000)	0	
Retained Business Rates	£1,849,288	£2,214,977	£2,053,717	£204,429	↓
Growth above the Budget	0	365,689	204,429		
Less Levy payable @ 50%	0	(182,844)	(102,214)		
Projected Maximum Retained Growth	£0	£182,845	£102,215		

3.3 Whilst these initial projections are currently indicating a positive level of retained growth there are two key risks that are difficult to project:

- The level of Mandatory Reliefs relating to empty and partly occupied premises;
- The level of appeals that are still outstanding and their impact on retained growth. The estimated level of Appeals outstanding at 30 September 2013 was **£912,000** of which Lichfield's share at **40%** equates to **£365,000** and these figures are included in the projections shown above.

4 Capital Programme

Managing the Current Budget

- 4.1 The Council approved an original budget for 2013/14 of **£1,684,000** on 19 February 2013.
- 4.2 There was a slippage of **£2,494,000** in the Capital Programme in 2012/13 that has been carried forward to 2013/14.
- 4.3 This has resulted in a revised budget for 2013/14 of **£4,178,000**.
- 4.4 In addition there have been a number of other changes such as the allocation of Section 106, re-phasing of some project spend and new grant awards totalling **£604,000** resulting in a current budget of **£4,782,000**. External Funding related to Section 106, Grants and Contributions and Finance Leases fund **£1,777,000 (38%)** of the current Capital Programme.
- 4.5 Below we look at spend by strategic priority for the 2013/14 financial year, focussing on the actual position for the year compared with the Current Budget.

Priority	Original Budget	Current Budget	Projected Outturn	Projected Variance	
	£	£	£	£	
We'll support local people	833,000	1,470,000	1,470,000	0	☑
We'll support local places	319,000	789,000	789,000	0	☑
We'll boost local businesses	374,000	2,309,000	2,166,000	(143,000)	●
How our core principles help us deliver	158,000	214,000	214,000	0	☑
Total Capital Expenditure	£1,684,000	£4,782,000	£4,639,000	(£143,000)	

KEY :

☑ Projected actual within **£0.1m** of our current budget ● Projected actual not within **£0.1m** of our current budget

- 4.6 An important element of the Capital Programme relates to asset replacement. The renewals of vehicles, equipment and systems renewals during 2013/14 are shown in detail at **APPENDIX E**.
- 4.7 At this early stage, only one of our strategic priorities is projected to vary significantly from the current budget and this is related to the residual works for the City Centre Paving scheme which are now likely to take place in the next financial year.
- 4.8 A further Capital Programme update has also been identified. Staffordshire County Council has a requirement for office space in Lichfield City as the lease on their current premises in Lombard Street is due to expire. Venture House is currently vacant and has been identified as suitable accommodation subject to internal alterations. The construction works will be managed by Lichfield District Council and a project management fee of 10% of construction costs will be paid by the County Council.
- 4.9 The estimated cost of the works is **£72,000** (this includes a **10%** contingency allowance) and all of these costs will be reimbursed by the County Council.
- 4.10 The proposed Head of Terms set out the area to be occupied, primarily the first floor but also a small amount of accommodation on the ground floor and 7 parking spaces.
- 4.11 The proposed lease is a 10 year term with a break clause at 5 years in the County Council's favour. A rental level of **£33,800** (plus VAT) has been agreed with the County Council.
- 4.12 There are also a number of evolving pressures in relation to Friarsgate, Information and Communications Technology (ICT) investment and Disabled Facilities Grants that will need to be considered as part of the Capital Programme Review that will take place as part of the

Capital Investment at Burntwood Leisure Centre - the Sinking Fund

- 4.13 The Council is required, under the terms of the funding agreement with the National Lottery in relation to the Burntwood Leisure Centre, to set aside resources to be used for the future repair and renewal of the centre in a 'sinking fund'. Both the level of investment and the Centre in terms of the District Council's leisure provision is significant, therefore monitoring information is provided in the table below for all approved projects in 2013/14.

Project Name	Annual Spend in 2013/14		
	Current Budget £	Projected Actual £	Variance £
Planned maintenance	46,000	46,000	0
TOTAL	£46,000	£46,000	£0

5 Treasury Management

- 5.1 The performance of the Treasury Management function should be measured against the investment objectives of Security (the safe return of our monies), Liquidity (making sure we have sufficient money to pay for our services) and Yield (the return on our investments). The details are shown in **APPENDIX F**.

6 Working Balance, Reserves and Provisions

- 6.1 The Council had general reserves of **£2,953,930** as at 31 March 2013.
- 6.2 The Council is required to maintain an adequate minimum level of reserves to ensure they represent an appropriately robust 'safety net' that adequately protects the Council against potential unbudgeted costs. Currently this is held at £1,000,000 representing **9.0%** of the cost of local services.
- 6.3 As at September 2013 it is estimated that the 2013/14 contribution from general reserves will be **£577,780** leaving a total reserve position of **£2,376,150**.
- 6.4 After taking account of the minimum level of reserves of **£1,000,000** this will leave a balance of **£1,376,150** to assist with the Medium Term Financial Strategy 2013-16.

7 Financial Implications

- 7.1 At this halfway stage in the financial year 2013/14, we forecast that a lower contribution by **£130,310** from General Reserves will be required, against a budgeted contribution of **£708,090**. This means a transfer of **£577,780** from General Reserves is estimated to be needed to support the costs of activities and services for this financial year.
- 7.2 Further detailed analysis on the Financial Performance up to September 2013 is shown in the attached **APPENDICES**.

8 Risk Management Issues

Risk Description	Likelihood/ Impact	Risk Category	How are the risks being managed?	Responsibility
Management of the Council's Revenue and Capital budget is critical to the successful delivery of key Council's priorities, and control measures need to be in place to manage the re-scheduling or re-profiling of projects and to respond to the changing financial climate.	Medium/ High	Financial	Close monitoring of expenditure will take place including these quarterly Money Matters report to Cabinet. The early identification of any unexpected Government policy changes, moving the financial climate will also be undertaken.	Leadership team
Planned Capital receipts are not received.	Medium/High	Financial	The budget for Capital receipts is monitored as part of the Council's normal budget monitoring procedures.	Leadership team
The impact of the performance of the Economy.	High/High	Financial/ Economic/ Environmental/ Social/Legal	Close monitoring of the higher risk key business areas and those areas affected by the downturn. Managers continuously gather and analyse information and are taking action where it is possible to do so.	Leadership team
Friary Outer Car Park	Medium/Low	Financial	Close monitoring of the position as part of the Council's normal Budget monitoring procedures.	Leadership team

Background Documents:

Report to Council 21 February 2012 : A Plan for Lichfield District 2012-16.

Report to Cabinet 19 February 2013 :The 3 year Medium Term Financial Strategy 2013/14 - 2015/16.

Report to Council 13 August 2013. Fit for the Future-phase one proposals and outline programme.

Report to Cabinet 10 September 2013 Money Matters - Review of Performance against Financial Strategy.

Successes, Risks, Challenges and Future Actions

<p style="text-align: center;">Financial Successes</p> <p>External Audit issued an unqualified opinion on the Council's 2012/13 Financial Statements included in the Council's Statement of Accounts and concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>Increased income from car park machines (up by 9% in the second quarter compared with the same period last year) partly as a result of the opening of the new Debenhams store.</p>	<p style="text-align: center;">Financial Risks</p> <p>Our Government funding is in part replaced by the retention of business rates meaning we are more financially reliant on local economic growth. This represents a significant change to local authority funding.</p> <p>The triennial review of the Staffordshire Local Government Pension Scheme. Results are due in November 2013.</p> <p>Government recently announced that £400m of the Single Local Growth Funding for 2015/16 will be funded by New Homes Bonus. Therefore 35% or £400,000 of our New Homes Bonus could be paid to Local Enterprise Partnerships to support house building.</p> <p>The new Local Council Tax Support Scheme Implemented in April 2013 means that a number of citizens are now required to pay Council Tax. This change could increase risks around management of arrears and cash flow monitoring.</p>
<p style="text-align: center;">Financial Challenges</p> <p>Mitigating inflationary increases in fuel, heat, light and power – inflation (CPI) is currently 2.7% (September 2013).</p> <p>Revenue budgets for our demand-led income areas such as car parks, planning application fees and leisure activity remain an annual challenge to achieve.</p> <p>Take measures to mitigate the increasing cost of our pay bill in April 2017 due to a single flat rate state pension and its resultant increase in National Insurance contributions.</p> <p>Revenue Support Grant reduction to £nil over the next six years (currently £2,779,640).</p> <p>Maintaining the collective needs of our residents within a maximum rise of 2% in Council Tax revenue before a referendum is legally required.</p>	<p style="text-align: center;">Finance Future Actions</p> <p>Fit for the Future is a programme of activities that will be delivered during the Medium Term Financial Plan period. It brings together a series of projects that all aim to reduce the expenditure of the Council and also reshape and redesign the Council and its services into one that is fit for the future.</p> <p>To manage the exposure of Business Rate growth risk by liaising with our local authority partners on a Business Rates pool.</p> <p>To ensure we help our residents manage the financial impact of Welfare Reform.</p> <p>Our assets require regular capital investment to ensure they meet the needs of users and customers. The level of internal resources available to fund this capital investment is limited. The Council will be considering this as part of the preparation of the next MTFS.</p>

APPENDIX B

Sundry Debtor Performance

Details	30 September 2012		30 September 2013		All Debts Change %	Variance ↑ = adverse ↓ = favourable
	All Debts £	Property Debts £	All Debts £	Property Debts £		
Value of sundry income raised	1,494,998	273,571	1,850,811	219,609	23.80	↑
Value of debts written off	1,405	11	7,930	-	464.41	↑
Value of invoices outstanding	1,021,662	172,421	1,102,670	120,310	7.93	↑
% of income raised	68.34%	63.03%	59.58%	54.78%	(8.76)	↓

Aged Debtor Analysis						
Less than 6 months	663,026	147,350	639,694	102,020	(3.52)	↓
More than 6 months	358,636	25,071	462,975	18,290	29.09	↑

APPENDIX C

ANALYSIS OF GROSS EXPENDITURE AND INCOME TOGETHER WITH NET EXPENDITURE FOR 2013/2014

Area	Gross Expenditure £	Income £	Net Expenditure £	Projected Outturn £
Chief Executive	975,880	(92,550)	883,330	868,390
Finance, Revenues and Benefits	22,723,530	(20,813,100)	1,910,430	1,784,910
Leisure, Parks & Play	5,686,660	(2,685,760)	3,000,900	3,059,900
Democratic, Development and Legal	3,933,660	(2,336,550)	1,597,110	1,731,900
Community, Health and Housing	2,560,480	(247,220)	2,313,260	2,308,260
Operational Services	7,117,250	(5,586,670)	1,530,580	1,489,940
Net Expenditure of Services	42,997,460	(31,761,850)	11,235,610	11,243,300
Net Treasury Position	176,500	(113,040)	63,460	(74,540)
Capital Accounting	116,000	-	116,000	116,000
Net Operating Cost	£43,289,960	(£31,874,890)	£11,415,070	£11,284,760

APPENDIX D

GENERAL FUND TOTAL REQUIREMENT - DISTRICT COUNCIL PURPOSES FOR FINANCIAL YEARS 2013/14 ANALYSIS IN ACCORDANCE WITH SERVICE REPORTING CODE OF PRACTICE

The adjustments as referred to on Page 3, have a net £nil impact on General Revenue reserves as they are either not required by Statute to be funded from Council Tax, or they reflect a recharging process from one Directorate to another. These adjustments are explained below with their resultant impact reflected in the table:

IAS 19 Pension Charges: These entries replace the cash pension contributions made by LDC with an estimated annual charge more aligned to meeting the forecast pension liability as calculated by our actuaries during the 2011/12 year end process.


Central Support Service Charges: These entries allocate the cost of central services performed to the front facing service for which they relate. This includes central services such as Finance & Accounting, Personnel, Internal Audit and Information and Communication Technology (ICT).

Capital Charges: The depreciation or amortisation of assets and capital grants in use by a front facing service is required to be charged to the service's revenue budget. This provides a fully absorbed reflection of the cost to operate the activity at a Net Cost of Services level. However, capital spend is funded by the Capital Programme via Capital receipts and therefore is reversed for Statutory revenue purposes.

BUDGET	2013/14		
	Approved Budget £	Projected Outturn £	Variance £
Central Services	3,401,110	3,313,510	(87,600)
Cultural and Related Services	4,198,270	4,256,190	57,920
Environmental and Regulatory Services	3,648,540	3,638,670	(9,870)
Highways and Transport Services	(669,650)	(710,290)	(40,640)
Housing Services	1,074,990	1,010,990	(64,000)
Planning Services	1,536,350	1,688,230	151,880
Net cost of services	13,189,610	13,197,300	7,690
Investment income			
Interest Payment	12,500	12,500	-
Interest Receipts	(113,040)	(103,040)	10,000
	(100,540)	(90,540)	10,000
Transfer from Capital, Pension and absence reserves	(1,674,000)	(1,822,000)	(148,000)
Transfer to/(from) Revenue Reserves			
Transfer to/(from) Earmarked Reserves	(224,740)	(224,740)	-
Transfer to/(from) General Revenue Reserves	(708,090)	(577,780)	130,310
	(932,830)	(802,520)	130,310
Amounts to be met from Government Grants and Local Taxpayers			
	10,482,240	10,482,240	0
Total Formula Grant	(4,494,160)	(4,494,160)	-
New Homes Bonus Scheme Grant	(732,010)	(732,010)	-
Transfer to/(from) Collection Fund	-	-	-
Council Tax Requirement	5,256,070	5,256,070	0
Council Tax Base	35,274	35,274	-
Lichfield District Council Tax Levy	£149.01	£149.01	-

APPENDIX E

Vehicle Replacement Programme 2013/14

Area	Vehicle Type	Estimated Replacement Cost	Capital Programme	Progress on procurement during 2013/14
Grounds Maintenance	CAGE TIPPER	£25,000	Yes	 To be procured via Invest to Save projects
Grounds Maintenance	RIDE ON MOWER	£24,000	Yes	
Grounds Maintenance	3520 PLUS	£55,000	Yes	
Grounds Maintenance	HR3300T	£20,000	Yes	
Grounds Maintenance	HR3300T	£20,000	Yes	
Street Cleansing	CAGE TIPPER	£25,000	Yes	
REFUSE	VAN	£14,000	Yes	
REFUSE	VAN	£14,000	Yes	
REFUSE	VAN	£14,000	Yes	 To be procured using contract hire.
REFUSE	CAGE TIPPER	£28,000	Yes	
REFUSE	RECYCLING VEHICLE	£50,000	N/a	

Treasury Management

Security

Our aim for the risk status of our portfolio was **A-** using the lowest rating from the three credit rating agencies as the basis for assessing the risk status.

The investments outstanding at the 30 September 2013 had a risk status of **A+** based on the value of the investment and **AA** based on the length of the investment, which has a more secure risk status. This is both compliant with our aim and the recommendations from our Treasury Management advisors. The recent history of the security of our investments is shown in the table below:

Date	The Value of the Investment	The Maturity Date of the Investment
30 September 2012	AA+	AA
30 November 2012	AA	AA
31 March 2013	A+	AA
30 June 2013	AA-	AA-
30 September 2013	A+	AA

In addition, we are currently keeping the length of our investments relatively short term to ensure that we can react to changes in counterparty credit risk very easily. Our Treasury Management advisors recommend for each bank or building society the new investment time limit to manage counterparty credit risk. At the 30 September 2013, the investment time limits were:

Bank or Building Society	Country	Investment Time Limit
Santander (UK)	United Kingdom	6 months
Close Brothers	United Kingdom	100 Days
Lloyds	United Kingdom	6 Months
Bank of Scotland	United Kingdom	6 Months
Barclays	United Kingdom	12 Months
HSBC	United Kingdom	12 Months
Royal Bank of Scotland	United Kingdom	<i>Overnight</i>
National Westminster Bank	United Kingdom	<i>Overnight</i>
Nationwide Building Society	<i>United Kingdom</i>	<i>12 Months</i>
Standard Chartered	<i>United Kingdom</i>	<i>12 Months</i>
Australia and New Zealand Banking Group	<i>Australia</i>	<i>12 Months</i>
Commonwealth Bank of Australia	<i>Australia</i>	<i>12 Months</i>
National Australia Bank Ltd	<i>Australia</i>	<i>12 Months</i>
Westpac Banking Corporation	<i>Australia</i>	<i>12 Months</i>
Bank of Montreal	<i>Canada</i>	<i>12 Months</i>
Bank of Nova Scotia	<i>Canada</i>	<i>12 Months</i>
Canadian Imperial Bank of Commerce	<i>Canada</i>	<i>12 Months</i>
Royal Bank of Canada	<i>Canada</i>	<i>12 Months</i>
Toronto Dominion Bank	<i>Canada</i>	<i>12 Months</i>
DBS Bank	<i>Singapore</i>	<i>6 Months</i>
<i>Overseas Chinese Banking Corporation</i>	<i>Singapore</i>	<i>6 Months</i>
<i>United Overseas Bank Ltd</i>	<i>Singapore</i>	<i>6 Months</i>

To manage the interest rate risk where possible we are spreading investment maturities. The average length of investments we have made in 2013/14 is **243 days**.

APPENDIX F (continued)

Liquidity

Measuring the performance in relation to liquidity is a much more difficult task and the easiest way to assess performance is to see how frequently we needed to borrow on a temporary basis during the current financial year. In 2013/14 we have not needed to borrow temporarily. Currently we use call accounts and Money Market Funds for short-term liquidity requirements that gives us same day access to funds if needed.

Yield

To date in 2013/14, we have achieved an average interest rate of **0.64%** and this compares to our performance indicator of the average 7-day London Inter-bank Bid (LIBID) rate that was **0.43%**. In addition, to compare performance with longer-term benchmarks, the average 1 month LIBID rate is **0.40%**, the average 3 month LIBID rate is **0.44%** and the average 6 month LIBID rate is **0.51%**.

The use of internal borrowing will reduce the average amount the Council has available to invest.

Details	2013/14 Approved Budget	2013/14 Projected Actual	2013/14 Variance
Average amount we had available to invest (£m)	£16.61m	£13.94m	£(2.67m)
Average Interest Rate (%)	0.66%	0.72%	0.06%

Interest Receipts	110,000	100,000	10,000
Car Loan Interest	3,040	3,040	0
Internal Interest Payments	(8,000)	(8,000)	0
Other Costs	(4,500)	(4,500)	0
External Borrowing Interest	(110,000)	0	(110,000)
Minimum Revenue Provision	(54,000)	(16,000)	(38,000)
Net Treasury Position	(£63,460)	£74,540	(£138,000)