

<b>Key Financial Indicators – 31<sup>st</sup> July 2010</b>	<b>Agenda No: 11</b>
<p><b>Corporate Priority:</b> Deliver excellent, cost effective and valued services  <b>Report presented by:</b> Trevor Wilson, Head of Finance  <b>Report prepared by:</b> Trevor Wilson, Head of Finance</p>	
<b>Background Papers:</b> Agenda item 10 Audit Panel 21 September 2006	<b>Public Report</b>
<b>Options:</b> To accept or request further clarification on the financial performance indicators recorded as at 31 <sup>st</sup> July 2010.	<b>Key Decision:</b>  <b>NO</b>
<p><b>Executive Summary:</b>  The attached schedule (Appendix A) of key financial indicators provides details of performance recorded to 31<sup>st</sup> July 2010.</p> <p>Commentary:</p> <p>a) The General Fund revenue account shows a positive variance against profile of £161,000 for the period. Within this net position salaries are marginally under budget, after meeting the profiled efficiency factor for four months of £81,644. One of the main reasons for the overall position is that expenditure on waste management and recycling is predicted to be less than budgeted due to a significant reduction in the gate fees for the external material recycling facility. Against this positive news the Council has, however, been advised that it will not receive a number of specific government grants in 2010/11, estimated value for these directly received grants was £367,000. The most significant being Housing and Planning Delivery Grant of £312,000, however the majority of the spending planned for 2010/11 against this grant will proceed as this can be funded from the balance brought forward from 2009/10, of £228,000. An assessment of the implications of this loss of grant for 2011/12 onwards is being made and will be reported in the next update of the Council's Medium Term Financial Strategy.</p> <p>b) Expenditure on capital projects is marginally higher than the profiled budget at £22,000.</p> <p>c) Collection of this year's Council Tax for the period is marginally less than that recorded in the previous year by 0.17%, however, the amount collected in respect of this and previous years is 38.64% compared with 38.43% for July 2009.</p> <p>d) National Non-Domestic Rates (NNDR) collection for the period shows a small improvement of 0.01% over the previous year.</p> <p>e) Write-offs of Council Tax were £47,000, of which £33,000 was in respect of previous years' debt. Write-offs of NNDR were £10,000, all of which was in respect of amounts due in previous years.</p> <p>f) The amount of monies owed to the Council, other than for Council Tax and NNDR, was £1.848million, of which £0.745million was in respect of Housing Benefit overpayments. The target for 2010/11 is to reduce the debt outstanding, excluding Housing Benefit overpayments and Museum Trust debt, to £650,000 or less by 31<sup>st</sup></p>	

March 2011.

- g) The rate of return achieved on investment of the Council's balances and funds in the year to-date is 0.70%. This is less than the rate assumed in the budget of 1.5%. If the rate continues at this level for the remainder of the year then a shortfall of £241,000 of interest will result. Of this shortfall £173,000 will fall to the General Fund but the majority of this will be funded from the Treasury Management Reserve. The impact of a predicted continuation of the low level of interest rates on future year's budgets will be reported in the next update of the Council's Medium Term Financial Strategy.
- h) The administrator for the Kaupthing, Singer and Friedlander Bank paid a further dividend payment, of 10p, on 30<sup>th</sup> July 2010, bringing the total repaid to-date to £450,000 plus interest. Legal process has commenced in Iceland regarding determination of the status of local authority deposits i.e. priority or unsecured. The outcome of these proceedings will impact on the amount of the investments that the Council recovers from Landsbanki and Glitnir banks.

Details of the Council's investment portfolio and Treasury Management activity to the end of February is provided at Appendix B.

**Decision:**

Members are asked to accept the report of the Key Financial Indicators as at 31<sup>st</sup> July 2010.

**Purpose of Decision:**

To provide evidence that the Council adopts good practice in actively monitoring its financial performance and actively manages issues that may arise.

**Corporate implications [should be explained in detail]**

<b>Financial:</b>	Cabinet agreed that controls be placed on the filling of vacancies, such that agreement to fill a post is required from the Chief Executive or a Director.
<b>Legal:</b>	None
<b>Equalities/Diversity</b>	None
<b>Customer Impact:</b>	No direct impact but process of monitoring financial performance provides assurance of this element of the Council's governance arrangements.
<b>Environment and Climate Change:</b>	None
<b>Consultation/Community Engagement:</b>	None
<b>Risks:</b>	Regular consideration of a suite of Financial Health Indicators is recommended good practice
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<b>Designation:</b>	Head of Finance
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**Key Financial Indicators at 31st July 2010**

APPENDIX

	Full Year Budget	Actual as at 31 July 2010	Profile to 31 July 2010	Variance from Profile	
	£'000	£'000	£'000	£'000	%
General Fund - Revenue (Controllable)	18,901	7,248	7,409	-161	-2.2%
Capital Programme (Excl. capital salaries incl. below)	9,148	1,396	1,375	22	1.6%
General Fund - Salaries	15,071	5,017	5,045	-28	-0.6%

	Full Year Target	Actual as at 31 July 2010	Actual as at 31 July 2009	Variance
Council Tax collection in year - %	98.50%	40.22%	40.39%	-0.17%
Council Tax collection - collectable for year - £m		£72.24	£70.62	£1.62
Write-offs in year (April to July) - £'000		£33	£20	£13
Write-offs in year (April to July) - number		127	212	-85
Write-offs all years (April to July) - £'000		£47	£52	-£5
Write-offs all years (April to July) - number		659	451	208
Business Rates collection in year - %	98.50%	40.51%	40.50%	0.01%
Business Rates collectable for year - £m		£36.80	£39.44	-£2.64
Write-offs in year (April to July) - £'000		£0	£1	-£1
Write-offs in year (April to July) - number		0	2	-2
Write-offs all years (April to July) - £'000		£10	£81	-£71
Write-offs all years (April to July) - number		39	149	-110
Creditors - payment of invoices within 30 days of receipt	98.5%	98.8%	98.2%	0.68%

<b>Debtors - Balance Outstanding</b>	31-Mar-09	31-Mar-10	31-May-10	31-Jul-10	Variance Mar. to May
	£'000	£'000	£'000	£'000	%
Service Level Agreement charges - principally Greenfields CH	615	237	46	53	15.2
Capital Projects - currently - development site, east of High Street, Halstead	27	13	6	4	-33.3
Charges for services provided by: Democratic Services, Training Services, Procurement Services, etc.	59	23	90	44	-51.1
Charges for services provided by: ICT, Marketing, Offices, Elections, etc	20	-	10	46	360.0
Development	31	50	52	36	-30.8
Finance	173	226	243	237	-2.5
Leisure	153	261	234	170	-27.4
Operations	1,190	939	563	410	-27.2
Housing	260	122	135	103	-23.7
Sub-Total - excluding Hsg. Benefits	2,528	1,871	1,379	1,103	-20.0
Housing Benefits	652	665	726	745	2.6
Total	<b>3,180</b>	<b>2,536</b>	<b>2,105</b>	<b>1,848</b>	<b>-12.2</b>
Target for 2010/11 is for Debt Outstanding (excluding Housing Benefits and Museum Trust) to be £0.65million by 31 March 2011	2,528	1,871	1,379	986	336
Profile by Recovery Stage:					
Invoice	2,363	1,544	1,110	927	
Reminder	111	375	387	180	
Final Notice	70	85	138	125	
Pre-legal	177	155	107	149	
Bailiff	415	330	317	418	
Tracing Agent	2	5	4	7	
Charging Order	42	42	42	42	
Total	<b>3,180</b>	<b>2,536</b>	<b>2,105</b>	<b>1,848</b>	<b>-</b>
Write-offs in month - value - £'000	£39	£26	£0	£0	
Write-offs in month - number	302	147	0	7	

**Progress on achieving Efficiency Savings Targets**

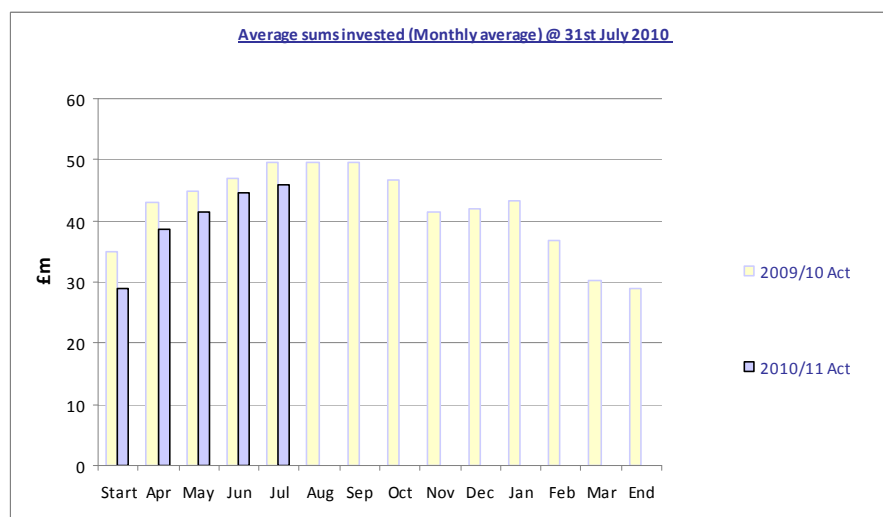
The amount of the Efficiency Savings target included in the budget for 2010/11 is a net amount of £244,930. The underspend on salaries of £28,156, recorded above, is after offsetting £81,644 (i.e. profiled to end July) of the target.





## Treasury Management Monthly Monitor For the period up to end of July 2010

### Average Cash Balances



The average sum invested in month was **£45.882 million**, and the cumulative for the year to date was **£42.713 million**.

### Return on Investments

The return on investment each month is a combination of existing contractual investments made in previous years/ periods and re-investment of maturing investments.

The **actual return achieved** from the start of the year **to the end of the reporting period was 1.42%**. A return of **0.70%** was achieved **for the month on new investments**.

Secured and required interest returns:

The following table shows interest earned to date on investments made before/ during the year and calculated up to their contracted maturity date.

<u>Interest secured:</u>	<u>Average balance</u>	<u>Return</u>	<u>Interest</u>
Investments prior to start of the year	£11,046,575	3.04%	£335,527
Investments made in-year to date	£16,291,370	0.70%	£113,709
<b>Total Secured To Date</b>	<b>£27,337,945</b>	<b>1.64%</b>	<b>£449,236</b>
Budget 2010/11	£39,810,000	1.91%	£762,000

### Market Interest Rates

At 30<sup>th</sup> July

<u>Period</u>	<u>Base</u>	<u>7-day</u>	<u>1mth</u>	<u>3mth</u>	<u>6mth</u>	<u>9mth</u>	<u>12mth</u>
Current Bid	0.50	0.40	0.50	0.65	1.01	1.25	1.46

### LIBID rates for the year to date

Period rate	Average %	Min %	Max %
7-Day	0.40	0.25	0.53
3-Mth	0.59	0.51	0.75
12-Mth	1.33	1.00	1.46

Source: Arlingclose/ Bloomberg

### Investment Activity during the Month

During the month the following investment activity took place:

Counterparty	£m	Duration	Rate	Comment
UK Debt Management Office	£3.5m	3 Weeks	0.25%	Full with other counterparties
Santander UK Plc	£1.9m	1 Month	0.87%	Rollover for max period advised
UK Debt Management Office	£3.5m	1 Week	0.25%	Full with other counterparties
UK Debt Management Office	£3.5m	1 Week	0.25%	Full with other counterparties
UK Debt Management Office	£3.5m	2 Weeks	0.25%	Full with other counterparties
RBS Sterling MMF	£3.0m	Call	Variable	New MMF to increase counterparty capacity
UK Debt Management Office	£5.0m	4 days	0.25%	Rollover pending confirmation of 2 new MMFs
Nationwide Building Society	£2.0m	7 Month	0.95%	Maturing deposit renewed to Feb precept date to cover cash flow position
Nationwide Building Society	£1.4m	7 Month	0.95%	Maturing deposit renewed to Feb precept date to cover cash flow position

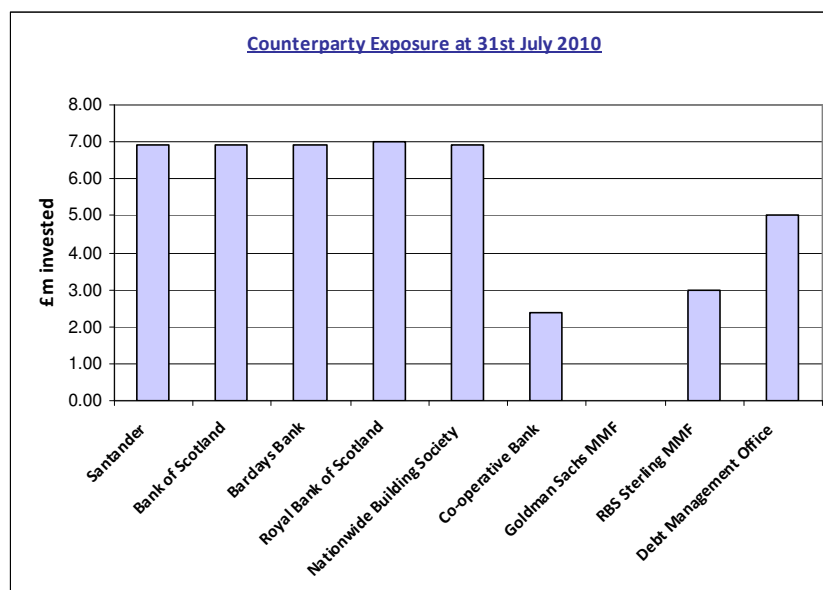
### **Investment criteria currently applied:**

Banks and building societies with minimum short-term rating of F1+ (highest) and long-term rating of AA- (strong) with preference given to banks named in the UK Government Credit Guarantee Scheme  
 Cash held with own bank restricted to maximum £5 million placed overnight or to next working day  
 AAA rated money market funds/ Debt Management Office Account (UK Government)  
 New investments up to a maximum duration of one year, subject to counterparty (see below)  
 New investments with Santander UK plc currently restricted to maximum duration of one month

### **Counterparty Exposure and Maturity Profile**

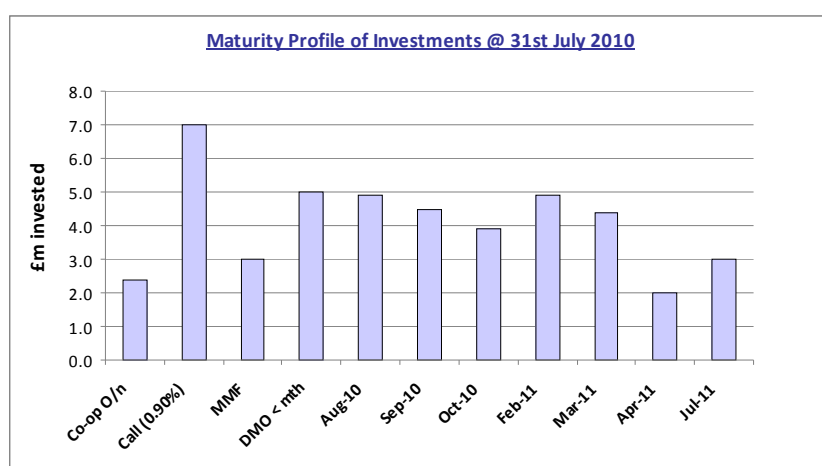
Investments at the period end total £44.97 million (excl. investments at risk).

**Exposure to counterparties at the end of the reporting period was as follows:**



The Council is full with all the main bank counterparties that are active within the counterparty list. A new RBS money market fund was used for the first time with an initial deposit of £3m. Investments continued to be made with the UK Debt Management Office pending confirmation of the opening of two further money market funds: Henderson Global Investors and Ignis Asset Management. Monies have since been placed with both of these funds.

The objective is to maintain a reasonable spread of maturities to manage both liquidity requirements and interest rate exposure. The following chart shows the **profile of investment maturities at the period end**:



Further details of the investment portfolio at the end of the reporting period are provided on the attached schedule.

### **Investment at Risk – Summary Update**

<b>Bank</b>	<b>Principal</b>	<b>Comment</b>
Kaupthing, Singer, & Friedlander	£1m	A further dividend of 10p in the £ was received on 30 <sup>th</sup> July amounting to £102,885.34 (£100k principal + interest).  The total recovery range remains between 65p and 78p in the £ (previously 60p – 70p).  Total amount recovered to date £450k + interest.
Landsbanki	£3m	Current est. recovery 94.85p in the £ if priority status upheld, 38.21p in the £ if unsecured (as per the latest CIPFA Guidance for calculating impairments). The Council has signed up to the joint litigation being pursued on behalf local authority creditors – this includes bearing a proportion of cost, including the risk of any adverse cost order should local authority claims not be upheld.
GLITNIR	£1m	Current est. recovery is for the full sum if priority status is obtained, and 29p in the £ if unsecured (as per latest CIPFA Guidance for calculating impairments). The Council has signed up to the joint litigation being pursued on behalf local authority creditors – this includes bearing a proportion of cost, including the risk of any adverse cost order should local authority claims not be upheld.

Costs incurred to date £8,552.25 (via Joint local authority cost sharing arrangement)

Latest estimated share of Icelandic litigation costs £13,019

### **Borrowings**

The Council's debt remains at £6m – made up of two market loans of £3m each, which contain options for the lender (and Council if lender exercises their option). The next call option date is due September 2010.

### **Budgetary Position**

The latest forecast for investment income for the year is for a shortfall of £241,000, as interest rates remain lower for longer, and monies are placed with only those institutions assessed as having the highest credit quality.

Around £173,000 of the shortfall will fall on the General Fund - this can be partially met from the uncommitted balance of the treasury management reserve, leaving £26,000 to be borne by General Fund balances. The Housing Revenue Account will pick up the remaining shortfall of £68,000.

INVESTMENT PORTFOLIO AS AT 31st JULY 2010							Maturity Profile £m										
Ref	£m	% rate	Type	Placed	Maturity	Liquid	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	Jul-11	
<b>UK Banks</b>		<b>30.07</b>															
<b>Santander Group</b>																	
Santander UK PLC	1127	0.00	Variable	Instant	Variable	Instant	0.00										
Santander UK PLC	2463	2.00	1.61%	Fixed	19-Mar-10	18-Mar-11								2.00			
Santander UK PLC	2739	3.00	1.17%	Fixed	19-Mar-10	20-Sep-10			3.00								
Santander UK PLC	2748	1.90	0.87%	Fixed	1-Jul-10	2-Aug-10		1.90									
<b>Lloyds TSB Group</b>																	
Bank of Scotland PLC	2310	1.50	1.80%	Fixed	28-Sep-09	28-Sep-10			1.50								
Bank of Scotland PLC	2400	0.00	Variable	Instant	Variable	Instant	0.00										
Bank of Scotland PLC	2585	3.00	1.75%	Fixed	19-Aug-09	19-Aug-10		3.00									
Bank of Scotland PLC	2712	1.50	1.82%	Fixed	11-Feb-10	11-Feb-11							1.50				
Bank of Scotland PLC	2736	0.90	1.85%	Fixed	17-Mar-10	17-Mar-11								0.90			
<b>Barclays Bank PLC</b>																	
Barclays Bank PLC	2234	3.00	6.85%	Fixed	2-Jul-08	4-Jul-11										3.00	
Barclays Bank PLC	2750	2.00	1.55%	Fixed	6-Apr-10	6-Apr-11									2.00		
Barclays Bank PLC	2774	1.90	0.83%	Fixed	30-Apr-10	18-Oct-10				1.90							
<b>RBS Group</b>																	
Royal Bank of Scotland PLC	2355	7.00	0.90%	Instant	Variable	Instant	7.00										
<b>Co-operative Bank PLC</b>		2.37	0.42%	Fixed	30-Jul-10	2-Aug-10	2.37										
<b>UK Building Societies</b>		<b>6.90</b>															
<b>Nationwide Building Society</b>																	
Nationwide Building Society	2461	2.00	0.95%	Fixed	30-Jul-10	1-Feb-11							2.00				
Nationwide Building Society	2754	2.00	0.78%	Fixed	26-May-10	18-Oct-10			2.00								
Nationwide Building Society	2770	1.50	1.08%	Fixed	28-Jun-10	1-Mar-11								1.50			
Nationwide Building Society	2771	1.40	0.95%	Fixed	30-Jul-10	1-Feb-11							1.40				
<b>UK Debt Management Office</b>		<b>5.00</b>															
UK Debt Management Office	2851	5.00	0.25%	Fixed	30-Jul-10	3-Aug-10		5.00									
<b>Money Market Funds</b>		<b>3.00</b>															
<b>Goldman Sachs MMF</b>		0.00	Variable	Instant	16-Nov-09	Instant	0.00										
<b>RBS Sterling Market Fund</b>		3.00	Variable	Instant	21-Jul-10	Instant	3.00										
		<b>44.97</b>					<b>12.37</b>	<b>9.90</b>	<b>4.50</b>	<b>3.90</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4.90</b>	<b>4.40</b>	<b>2.00</b>	<b>3.00</b>