

Appendix C – Performance Monitoring

Treasury Management Update – March 2013

1. Economic Update

- 1.1 Economists have predicted minimal growth for the economy which will result in an avoidance of a triple dip recession.
- 1.2 The Bank of England kept bank base rate at 0.50% and held off more stimulus measures. The market saw gilt yields and sterling dip on raised expectations that further quantitative easing will be announced in the near future.
- 1.3 The UK's sovereign rating was downgraded by Moody's from "Aaa to "Aa1". This downgrade was due to the continuing weakness of the outlook for growth in the UK and the belief that the debt burden will not go into reverse before 2016. There is pressure on the Chancellor to deliver his promises to preserve the "AAA" status as Fitch have since downgraded the UK in April 2013 and the remaining agency, Standard & Poor's, may consider a similar ratings action.

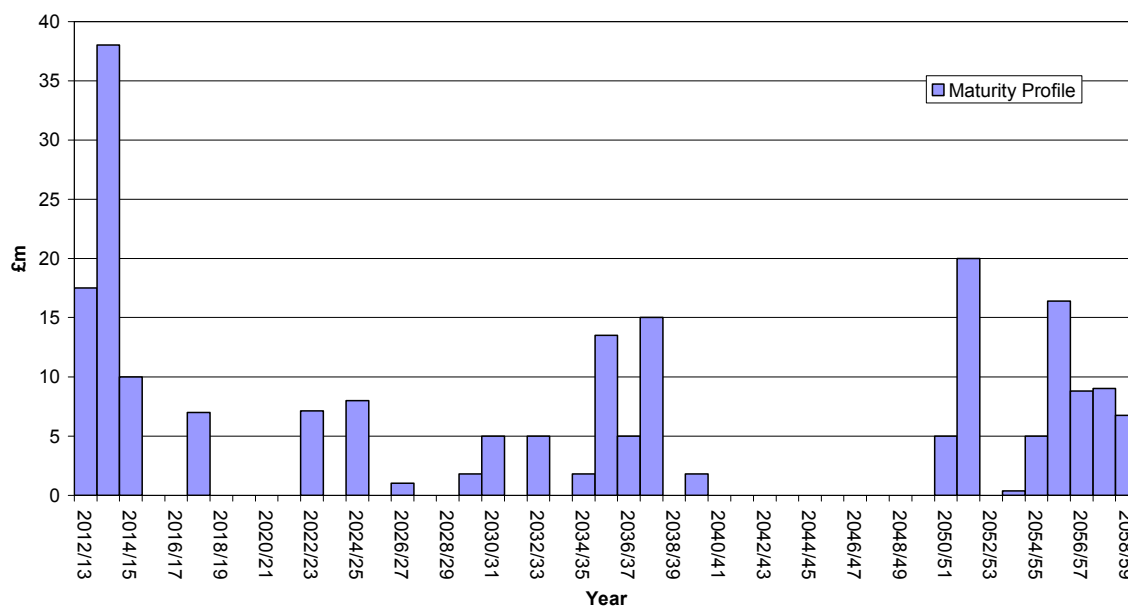
2. Borrowing

- 2.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". The Council's approved Prudential Indicators (affordability limits) are outlined in the approved Treasury Management Strategy.
- 2.2 The Council's borrowing as at 31st March was £250.1m. The actual total external debt is measured against the Council's Authorised Limit for borrowing of £536.4m, which must not be exceeded and the Operational Boundary (maximum working capital borrowing indicator) of £443.6m. The table below shows a breakdown of the borrowing:

Borrowing	Amount (£m)	Average Interest Rate
Long Term:		
PWLB	136.4	4.38%
Market Loans	17.5	4.53%
Short Term:		
Local Authorities	55.0	0.40%
Total 'Market' Borrowing	208.9	
PFI & Leases	41.2	
Total Borrowing	250.1	

- 2.3 In 2012/13 the Council has taken out new borrowing of £76.0m of which £75.3m was used to fund the capital programme and £0.7m was used to support short term cash flow fluctuations. The graph below shows the maturity profile of the Council's debt as at 31.03.13:

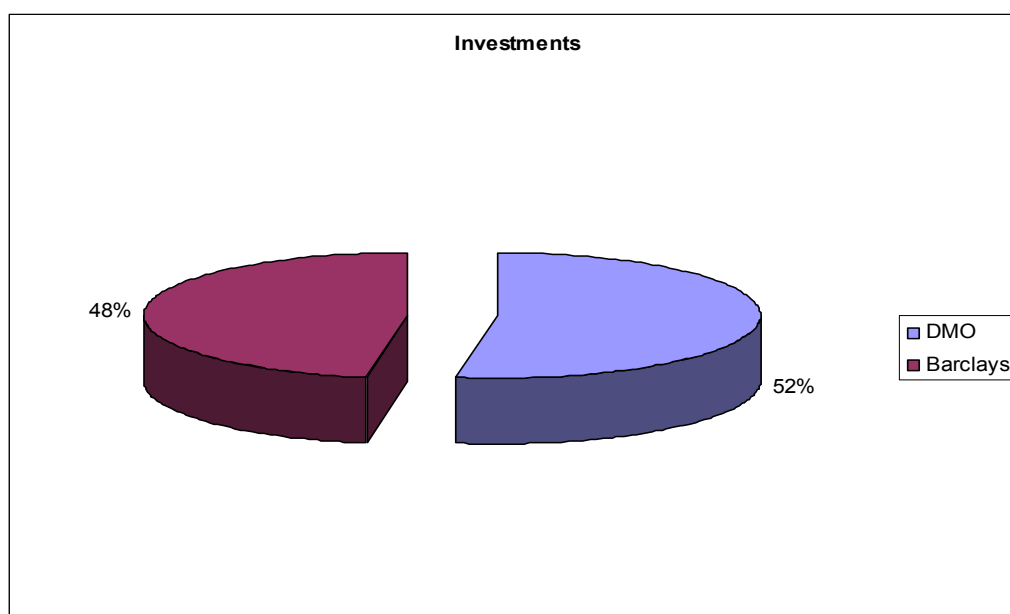
Maturity Profile of all loans



* please note 2012/13 includes £17.5m of market loans which are repayable in the long term but are classed as current year loans due to a recall option in the loan agreement.

3. Investments

- 3.1 The Council aims to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with Barclay's (the Council's current banking provider), the Debt Management Office and Local Authorities.
- 3.2 As at 31st March 2013 the Council's external investments totalled £10.5m and have yielded interest at an average rate of 0.33% in the financial year 2012/13. The graph below shows the split of the investments between counterparties:



3.3 The total investment figure excludes the Icelandic investments. The Council continues to receive dividends from the two Icelandic owned banks that went into administration in October 2008, Heritable Bank and Kaupthing Singer & Friedlander Ltd. The expected recovery rates are 86p to 90p in the pound and 84p to 86.5p in the pound respectively. The required accounting treatment estimates that 82% will be recovered in total. To date the Council has recovered £2.4m of the original £3m investment plus interest claimed. Based on current declared dividends, the council currently expects to receive £2.7m back. The final dividends are expected to be paid in January 2014 for Heritable Bank and June 2015 for KSF.

Prompt Payment (Invoices paid within 30 Days)

The cumulative position on prompt payment of invoices as at 31st March 2013 was 93.63% which is 3.37% below the target of 97%. The current year performance is shown alongside the equivalent figures for 2011/12 in table 4. As can be seen the current year, although below target is showing an improvement of 0.30% when compared to the same period for last year.

Sundry Debt Performance

The total outstanding sundry debt in excess of 6 months old as at 31st March 2013 is £4.323m and is set out in table 5 alongside comparative figures for the previous year. This shows a similar year end position to 2011/12.

The top 20 debts owed to the Council of the sundry debt and commercial rents portfolio total £4.45m, of which £2.98m is current debt, i.e. up to a month old.

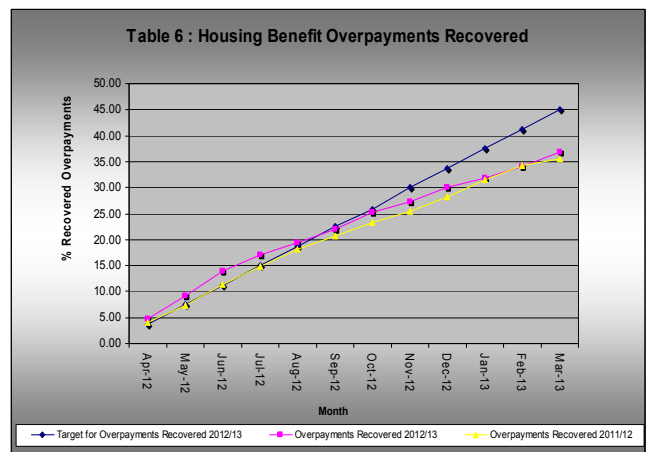
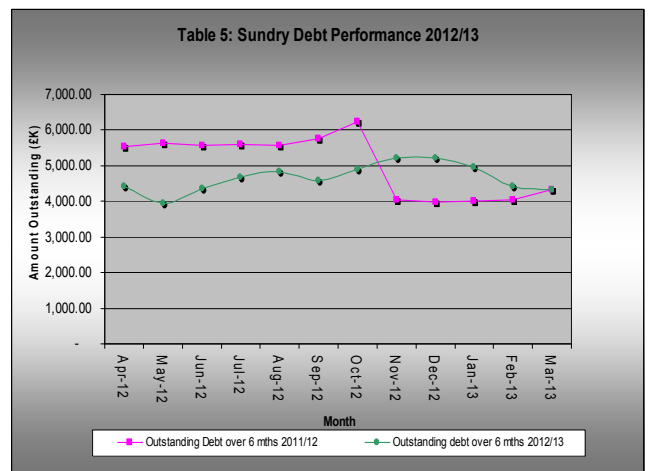
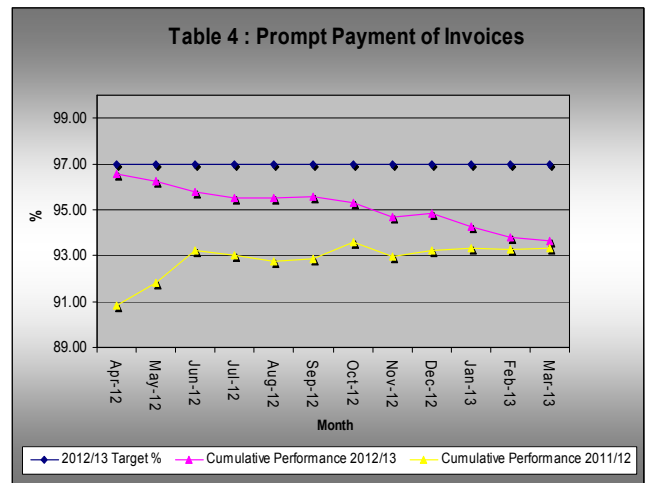
In order to progress action against these debts, bi-monthly review meetings have been set up with each Directorate Head of Finance to discuss issues, disputes and move forward with actions to recover income.

The amount of debt written off for 2012/13 to 31st March 2013 is Nil, however a review of debt is underway to identify debt at risk of none payment.

Housing Benefit Overpayments

Table 6 shows the total amount of housing benefit overpayments recovered against the cumulative target rate set for 2012/13.

Housing benefit overpayment collection as at the 31st March 2013 was 36.79% which is 8.21% below the target of 45.0% and is 1.19% higher than last years March figure of 35.60%.

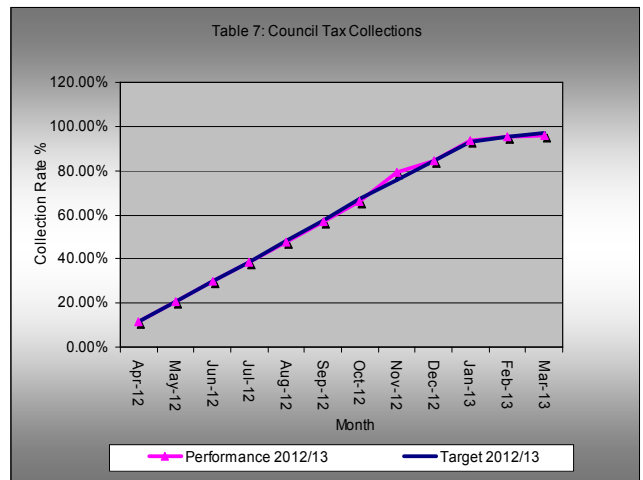


Council Tax and Business Rates Collection

The following tables, 7 and 8 show the performance for collection of Council Tax and Business Rates for the period to date.

Council Tax

Council Tax collection as at 31st March 2013 (96.15%) is 0.42% up against the same point collected in the previous year (95.73%) but is slightly below the target for 2012/13 (0.6%).



Business Rates

The collection of non Domestic Rates as at 31st March 2013 (97.08%) is 0.71% up against the same point in the previous year (96.37%) and was slightly above the target for 2012/13 (0.33%).

