

Money Matters : 2017/18 Review of Financial Performance against the Financial Strategy

Cabinet Member for Finance and Democracy

Date:	12 June 2018
Agenda Item:	3
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Key Decision?	YES
Local Ward Members :	Full Council

Cabinet

1. Executive Summary

- 1.1 The report covers the financial performance for the financial year 2017/18.
- 1.2 The Medium Term Financial Strategy included an Efficiency Plan target of **(£250,000)** in 2017/18. Of this target, **(£163,100)** has been achieved for 2017/18 and therefore **£86,900** was outstanding. However a further **(£33,450)** has already been identified and therefore **(£53,450)** remains to be identified in 2018/19.
- 1.3 The Revenue Budget at the Net Cost of Service level was **(£72,288)** below budget, corporate spend and funding is **£5,525** more than the budget and therefore the net below budget performance is **(£66,763)**.
- 1.4 The Original budgeted transfer to general reserves was **£1,060** as approved by Council on 21 February 2017. The Approved Budget currently shows a transfer from general reserves of **(£517,220)** and **(£450,457)** was transferred from general reserves. Therefore, general reserves are **£66,763** higher than the Approved Budget.
- 1.5 The Capital Programme was below budget by **(£759,515)**; recommendation 2.4 below is for slippage of **£917,500** in 2017/18 to be carried forward to 2018/19.
- 1.6 The Council received higher capital receipts compared to the Approved Budget of **(£229,691)**.
- 1.7 In terms of Council Tax and Business Rates:
 - The Council's collection performance on Council Tax based on debt covering all years is **97.47%** and this is in line with the previous year's figure.
 - The Council's share of the Council Tax actual surplus in 2017/18 is **(£43,874)** compared to the budgeted share of **(£42,000)** included in the 2018/19 Budget. Therefore the balance of **(£1,874)** will be included in the 2019/20 Budget.
 - The Council will be paying Business Rate levy of **£920,882** to the Greater Birmingham and Solihull (GBS) pool and will receive **(£299,287)** of returned levy. This is **(£65,525)** less net levy than the Approved Budget after taking account of the budgeted volatility allowance.
 - Overall Retained Business Rate Income is **£6,778** less than the Approved Budget.
 - The Council's collection performance on Business Rates based on debt covering all years is **98.58%** which has improved from the previous year's figure by **1.36%**.
 - The Council's share of the Business Rates actual surplus in 2017/18 is **(£566,731)** compared to the budgeted share of **(£591,000)** included in the 2018/19 Budget. Therefore the balance of **£24,269** will be included in the 2019/20 Budget.
- 1.8 The Council's investments achieved a risk status of **AA-** that was more secure than the aim of **A-** and yield exceeded all four of the industry standard London Interbank (LIBID) yield benchmarks.
- 1.9 The Council collected a total of **£286,797.04** in Community Infrastructure Levy (CIL) receipts, of these receipts **£14,339.85** (5%) has been applied to administrative expenses, no CIL expenditure took place and no CIL receipts were transferred to any local council.

2. Recommendations

- 2.1 To note the report and issues raised within.
- 2.2 To note that Leadership Team with Cabinet Members will continue to closely monitor and manage the Medium Term Financial Strategy.
- 2.3 To note the appointment by Audit and Member Standards Committee of Grant Thornton as the Council's Housing Benefit certification External Auditors for the five year period from 2018/19.
- 2.4 To approve **£917,500** of Capital Programme slippage related to 2017/18 being added to the Approved Budget in 2018/19 as outlined at **APPENDIX C**.
- 2.5 Cabinet to note the Community Infrastructure Levy (CIL) financial year report at paragraph 3.47 which is in accordance with Regulation 62 of The Community Infrastructure Levy Regulations 2010 (as amended)

That Cabinet recommends to Council :

- 2.6 To approve the actual 2017/18 Prudential Indicators contained within the report.

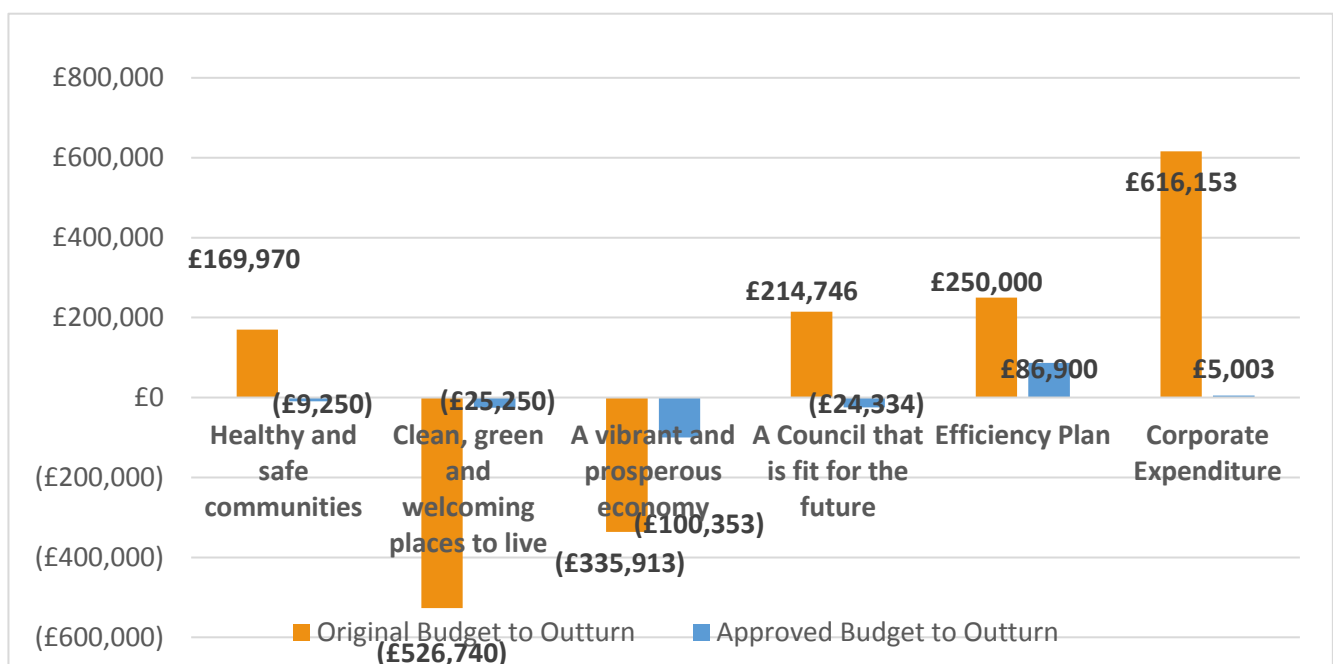
3. Background

Budget Management

- 3.1. The MTFs 2016-21 approved by Council on 21 February 2017 included the Original Budget for 2017/18 and set out the allocation of resources and the policies and parameters within which managers are required to operate.
- 3.2. Throughout the financial year, Money Matters reports were provided to both Cabinet and Strategic (Overview and Scrutiny) Committee at three, six and eight month intervals to monitor financial performance.
- 3.3. The Money Matters reports update the Approved Budget to reflect latest projections and the eight month Money Matters report formed the basis of the Revised Approved Budget for 2017/18 approved by Council on 20 February 2018.

The Revenue Budget

- 3.4. A summary of the financial performance at the Net Cost of Services level by the new Strategic Plan Priorities compared to both the Original Budget and the Approved Budget is shown below.



Performance compared to the Approved Budget

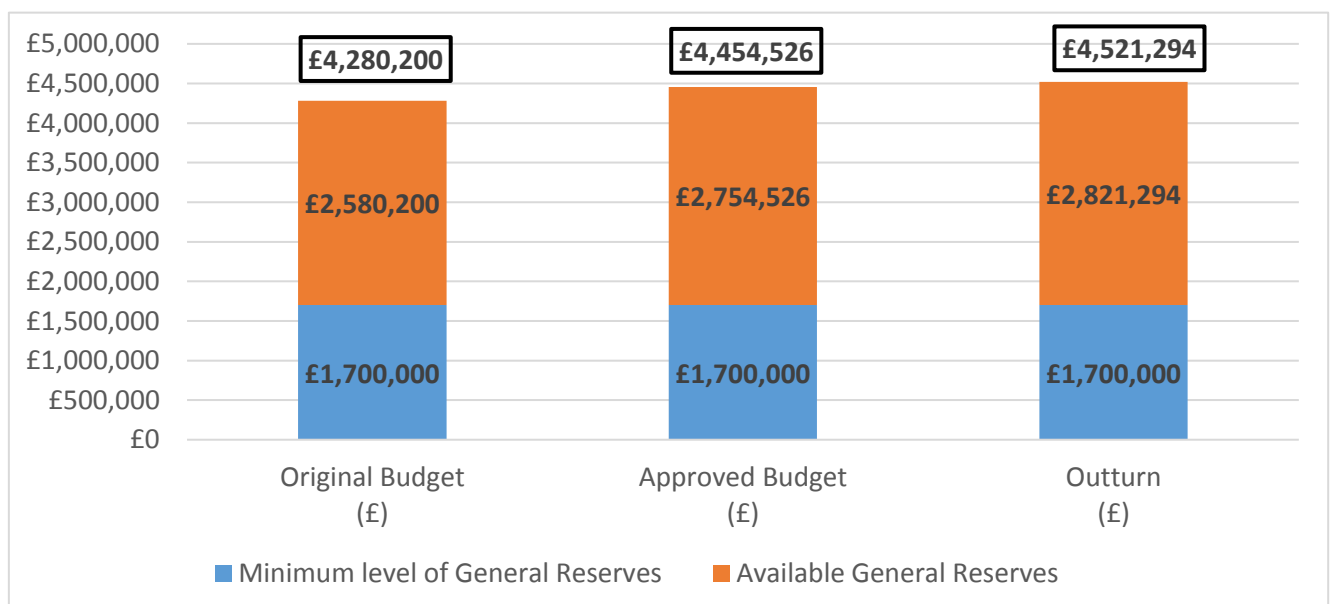
3.5. At the Net Cost of Service level, the actual variance compared to the Approved Budget is summarised below and shown in detail compared to the Approved Budget in **APPENDIX A**:

	Actual Outturn £
Healthy and Safe Communities	
• Increased payments to Friary School less other small variances	23,132
• Increased Licensing income	(32,382)
Clean, green and welcoming places to live	
• One-off savings/income found in this quarter	(2,038)
• Underachievement of income target on self-funding post. This is being addressed by the Head of Service during 2018/19.	30,440
• Increased Garden Waste income	(53,652)
A vibrant and prosperous economy	
• Various one-off savings/income found in this quarter	(45,598)
• Government Grant received	(20,785)
• Increased income related to Other Land and Property	(17,812)
• Increased Trade Waste Income	(16,159)
A Council that is fit for the future	
• One-off savings/income found in this quarter	(4,231)
• Government Grants received	(20,103)
Efficiency Plan	
• Target not achieved	86,900
Total – Net Cost of Services	(£72,288)
Net Treasury	5,003
Funding	522
Additional Transfer to General Reserves	£66,763

Revenue General Reserves

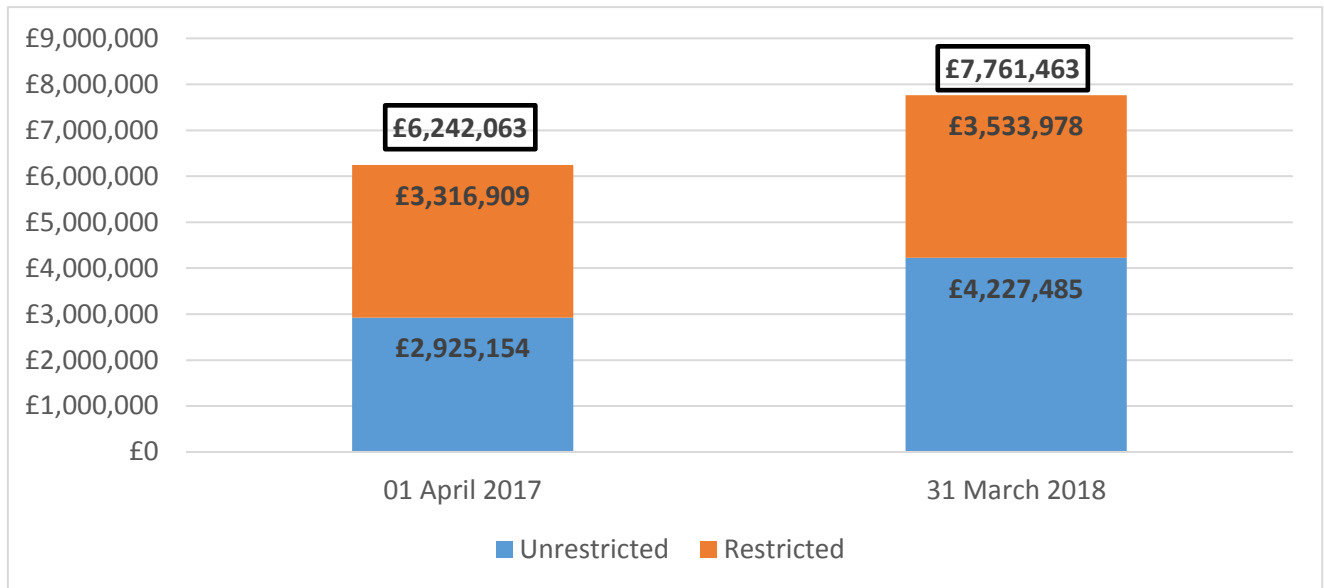
3.6 The Original Budgeted transfer to general reserves was **£1,060**. The Council has approved throughout the financial year transfers from general reserves of **(£518,280)** and therefore the Approved Budget shows a transfer from general reserves of **(£517,220)**.

3.7 This report identifies a transfer from general reserves of **(£450,457)** and therefore general reserves will be **£66,763** higher than the Approved Budget as shown at **APPENDIX A** and in the graph below:



3.8 Earmarked reserves are classified into unrestricted reserves where there are no restrictions over their use and restricted reserves where their establishment or use is determined by a legal or partnership agreement such as the Birmingham Road car park reserve.

3.9 A summary of earmarked reserves is shown in the chart below and in detail at **APPENDIX B**.

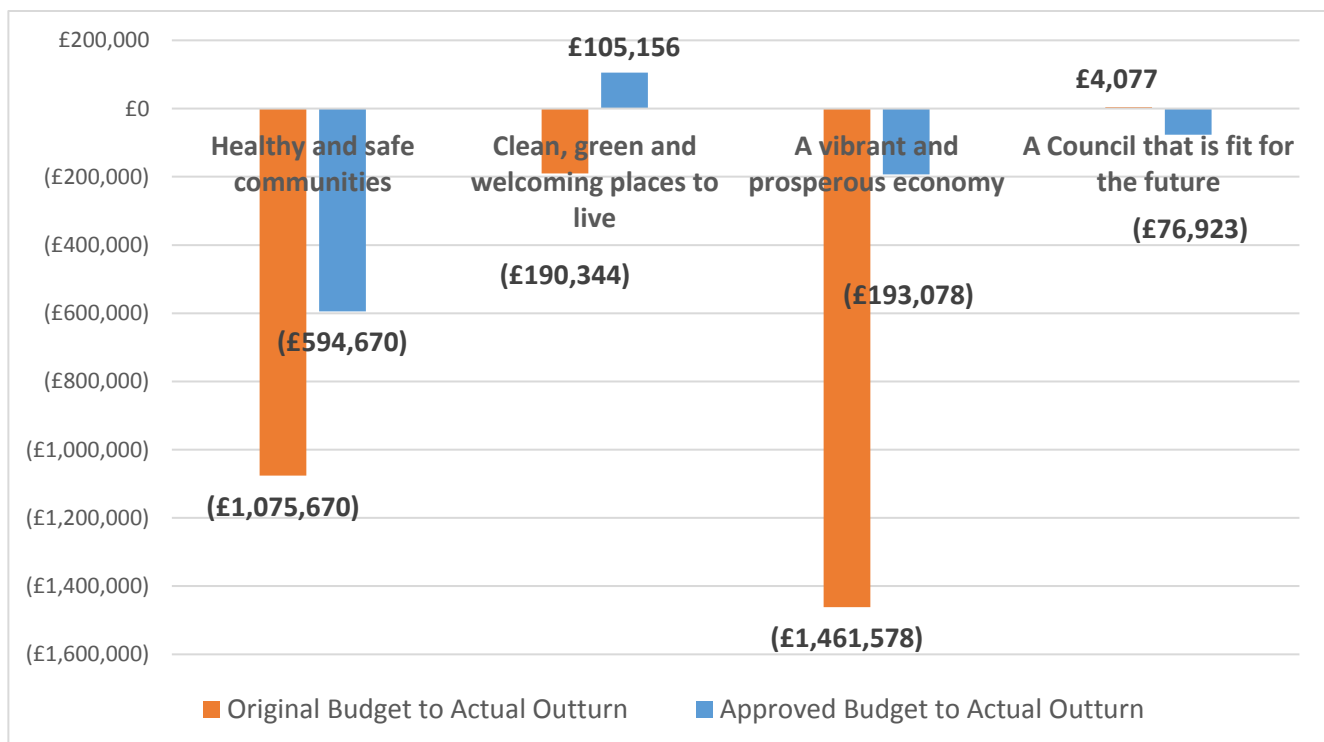


3.10 Audit and Member Standards approved on 9 May 2018 Grant Thornton as the Housing Benefits certification External Auditor for a five year period from 2018/19 to enable the Council to comply with appointment and notification to the Department of Work and Pensions by 2 July 2018.

3.11 The estimated cost per annum is **£14,000** and given the total is **£70,000**. This sum can be accommodated within existing budgets however this is in excess of the key decision level at that time of **£50,000** and therefore must be reported to Cabinet.

The Capital Programme

3.12 The Capital Programme performance was below budget by (**£759,515**) or **23%** compared to the Approved Budget. This below budget performance compared to both the Original and the Approved Budgets is shown by the Strategic Plan’s priorities in the graph below and in detail at **APPENDIX C**:



Performance compared to the Approved Budget

3.13 There was a variance compared to the Approved Budget that is related to:

	Approved Budget
Healthy and Safe Communities	
• Disabled Facilities Grants	£7,483
• Leisure Outsourcing: Capital investment	(£282,000)
• Burntwood Leisure Centre enhancement	(£190,162)
• Friary Grange squash courts	(£50,000)
• Other Items	(£79,991)
Clean, green and welcoming places to live	
• Bin Purchase (funded by revenue)	£103,112
• Other Items	£2,044
A vibrant and prosperous economy	
• Cannock Chase Special Area of Conservation	(£16)
• Friarsgate Project	(£169,563)
• Other Items	(£23,500)
A Council that is fit for the future	
• IT and Channel Shift Programme (funded by revenue)	£33,625
• Asset Management: District Council House	(£99,716)
• Other Items	(£10,832)
Total	(£759,515)

3.14 The below budget performance compared to the Approved Budget of **(£759,515)** can be categorised as:

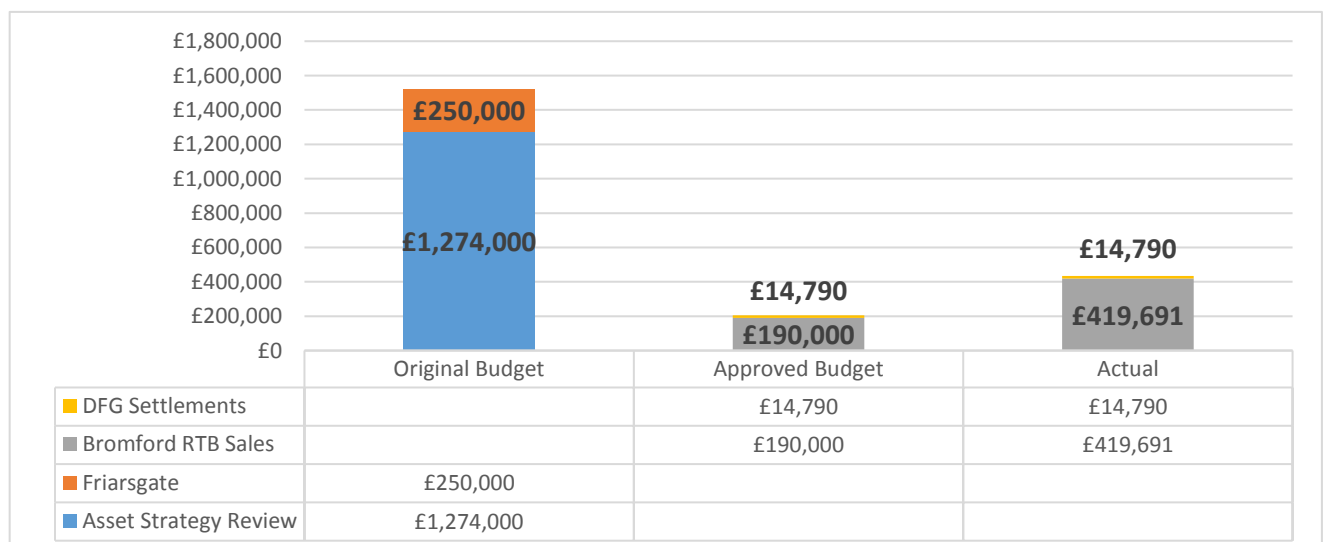
- Delays in spend taking place which is known as slippage of **(£917,500)**.
- Other adjustments, including additional spend funded by revenue, of **£157,985**.

3.15 The slippage in 2017/18 of **£917,500** is recommended to be added to the Capital Programme in 2018/19 when this delayed spend is planned to take place. The slippage together with the Revised Budget for 2018/19 is shown in **APPENDIX C**.

Capital Receipts

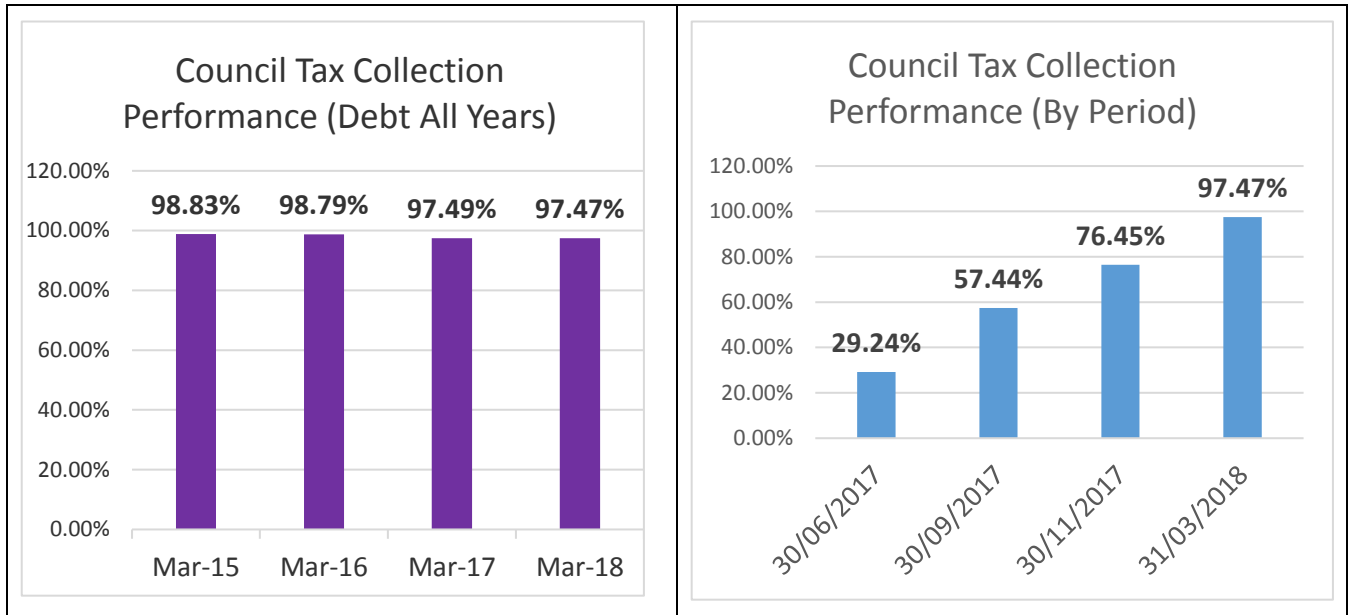
3.16 There have been **(£434,481)** of actual capital receipts received in 2017/18 compared to the Approved Budget of **(£204,790)**. The additional capital receipts received of **(£229,691)** is related to the Council's share of Right to Buy sales.

3.17 The Original and Approved Budgets together with the actual capital receipts received are shown in the graph below:

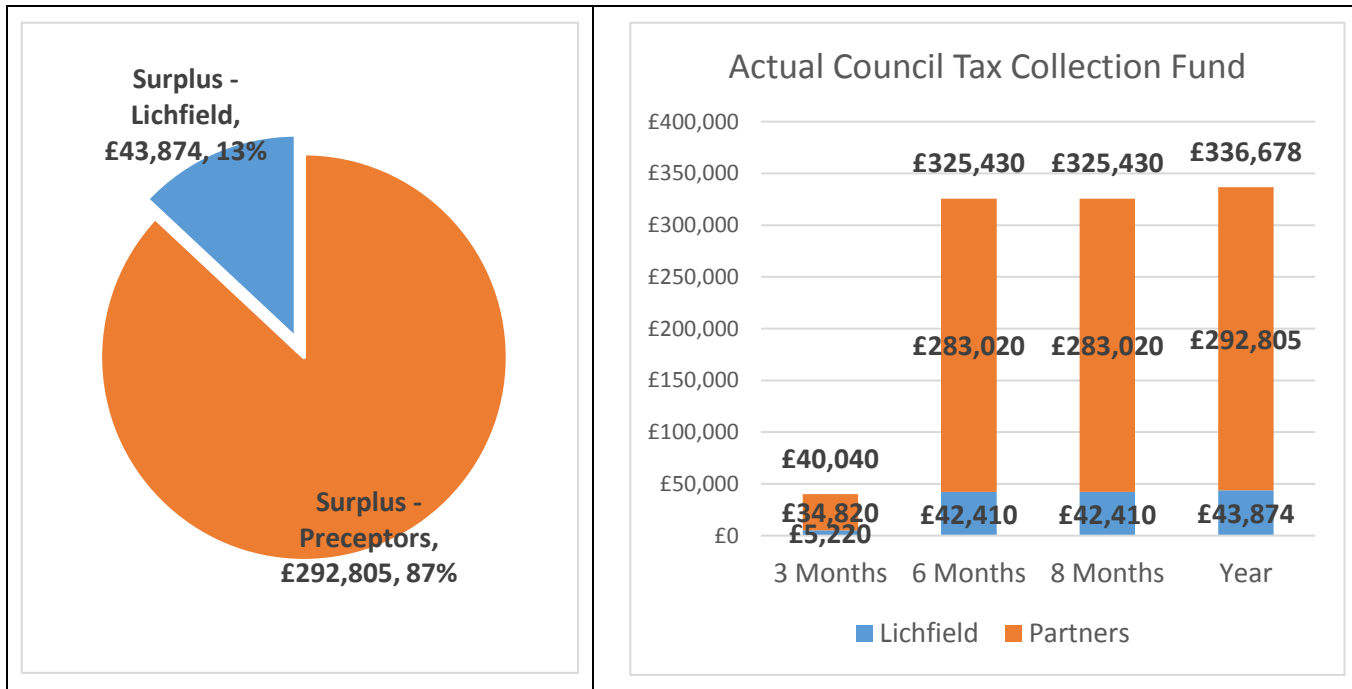


Council Tax

- 3.18 The Council is responsible for the collection of Council Tax for all precepting authorities in 2017/18 totalling **£59.7m**.
- 3.19 The collection performance for Council Tax for the last four financial years is shown in detail at **APPENDIX D** and in summary in the graphs below:

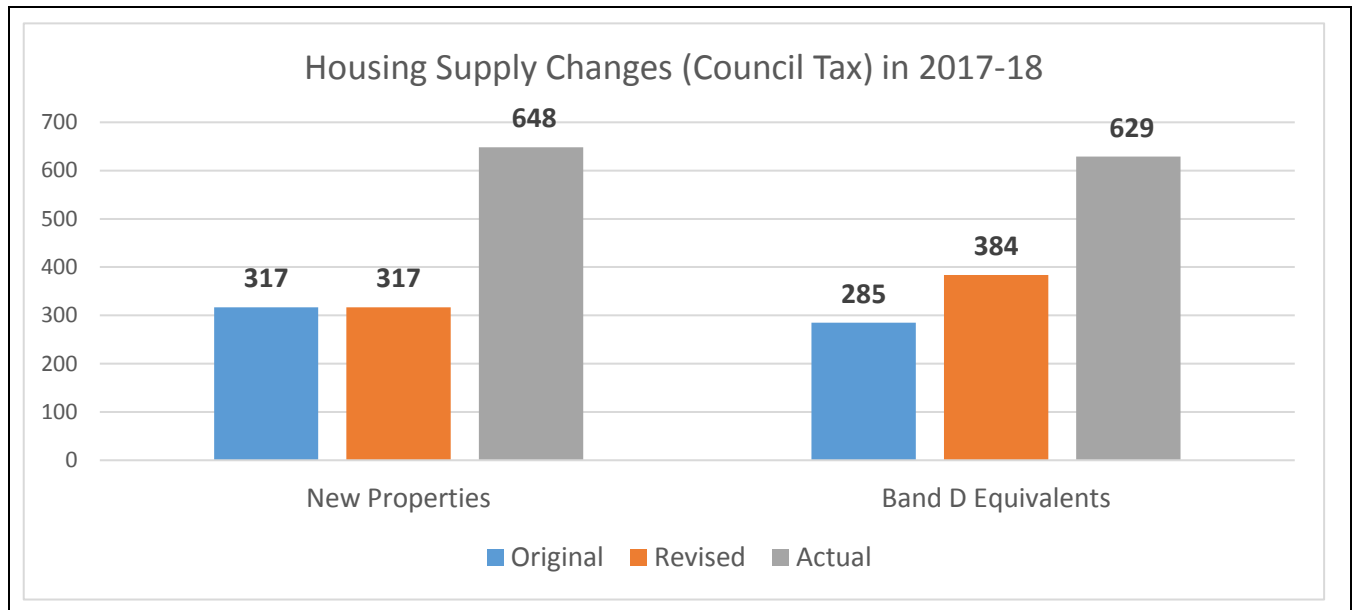


- 3.20 The collection performance during 2017/18 has remained very much in line with with the same period in the previous financial year.
- 3.21 A summary of the Council Tax Collection Fund performance and surplus of **(£336,678)** (the Revised Budget assumed a surplus of **(£325,430)**) is shown in the graphs below and is based on Lichfield's (including parishes) current share of Council Tax of **13%**:



- 3.22 The actual surplus in 2017/18 of **(£43,874)** includes the actual surplus in 2016/17 together with performance related to 2017/18. The Council estimated the surplus to be **(£42,000)** and this has been included in the 2018/19 Budget, the balance of **(£1,874)** will therefore be included in the 2019/20 Budget.

3.23 Housing supply is one of the key assumptions in the Medium Term Financial Strategy because it impacts on the income we receive from Council Tax and New Homes Bonus. The actual change in properties using information on housing completions from Council Tax is shown below:



Business Rates

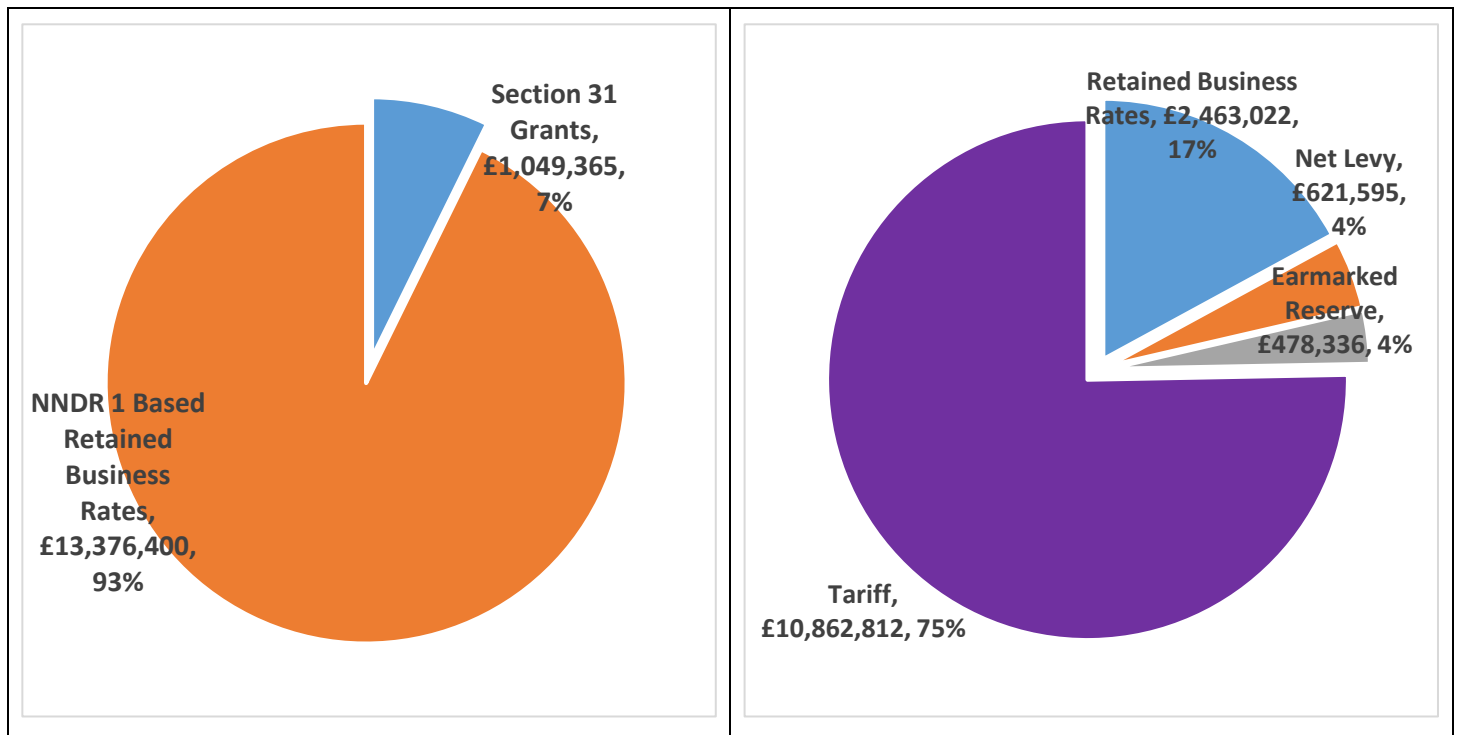
3.24 The Council will collect Business Rates for all partners in 2017/18 totalling **£34m**.

3.25 The Council receives a **40%** share of Business Rates income. The Council's share included in its budget is based on the NNDR 1 estimated level together with Section 31 grants for certain reliefs granted. The Council must then pay the Government set tariff and any net levy based on growth above the Government set baseline (or receive safety net in the event of Business Rates having reduced more than a set percentage below the baseline).

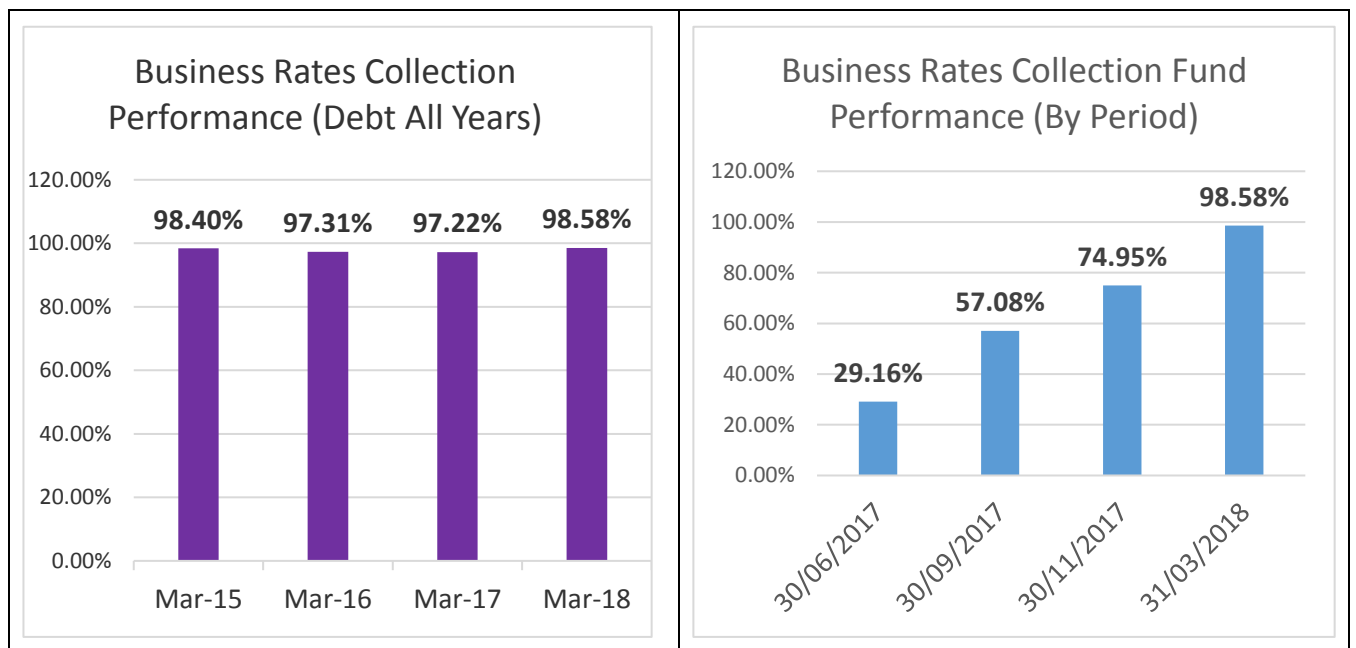
3.26 The Retained Business Rate income for 2017/18 shown at **APPENDIX D** is **(£2,463,022)** compared to the Approved Budget of **(£2,469,800)**, a reduction of **£6,778**. This is because:

- The Council's Section 31 grant income is higher than budgeted by **(£405,365)** due to additional reliefs in the Summer Budget related to Supporting small business, discretionary relief scheme and support for public houses together with changes to the calculation of Small Business Rate Relief.
- The 2017/18 share of Business Rates in the Collection Fund is lower than budgeted (see below for further details) and this will mean lower net levy payments of **(£65,525)** after taking account of the volatility allowance, and in addition there was a lower tariff payment of **(£268)**.
- We have transferred **£478,336** to the Business Rates Volatility Reserve to mitigate timing differences between the receipt of grant and when the impact in the Collection Fund is recognised in the Council's Budget.

3.27 The detail of the Council's actual and budgeted share of Business Rates income, the tariff and net levy, and the Retained Business Rates in 2017/18 are shown in detail at **APPENDIX D** and in the graphs below:



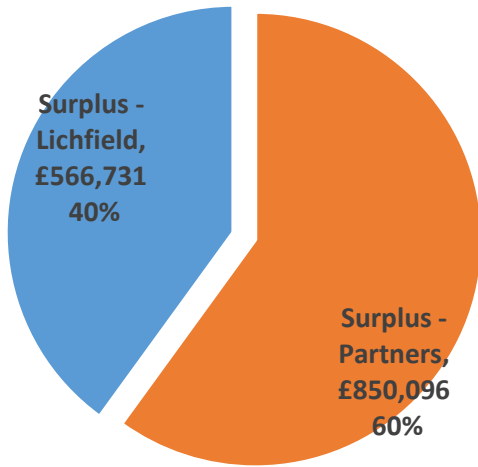
3.28 The collection performance for Business Rates for the last four financial years is shown in the graphs below:



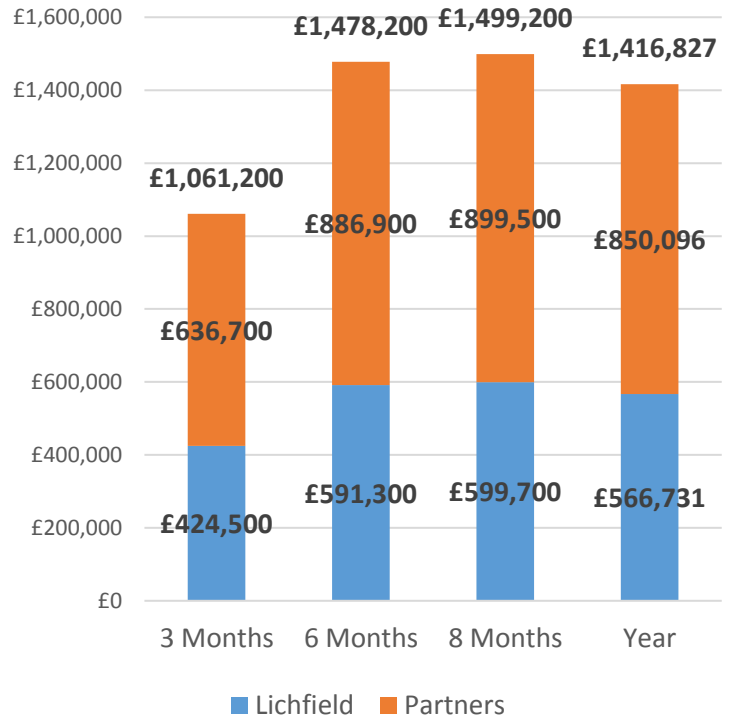
3.29 The collection performance has improved in 2017/18.

3.30 A summary of the Business Rates Collection Fund performance and surplus of **(£1,416,827)** (the Revised Budget assumed a surplus of **(£1,478,200)**) is shown in the graphs below with (the detail is based Lichfield's prescribed share of **40%**):

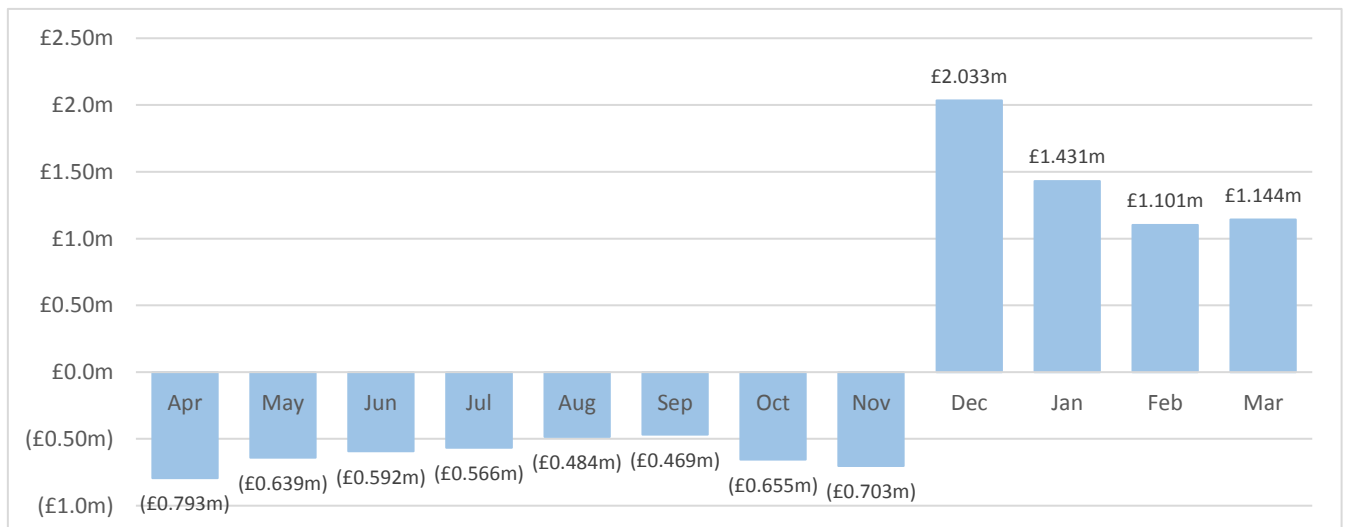
Business Rates Collection Fund



Actual Business Rates Collection Fund



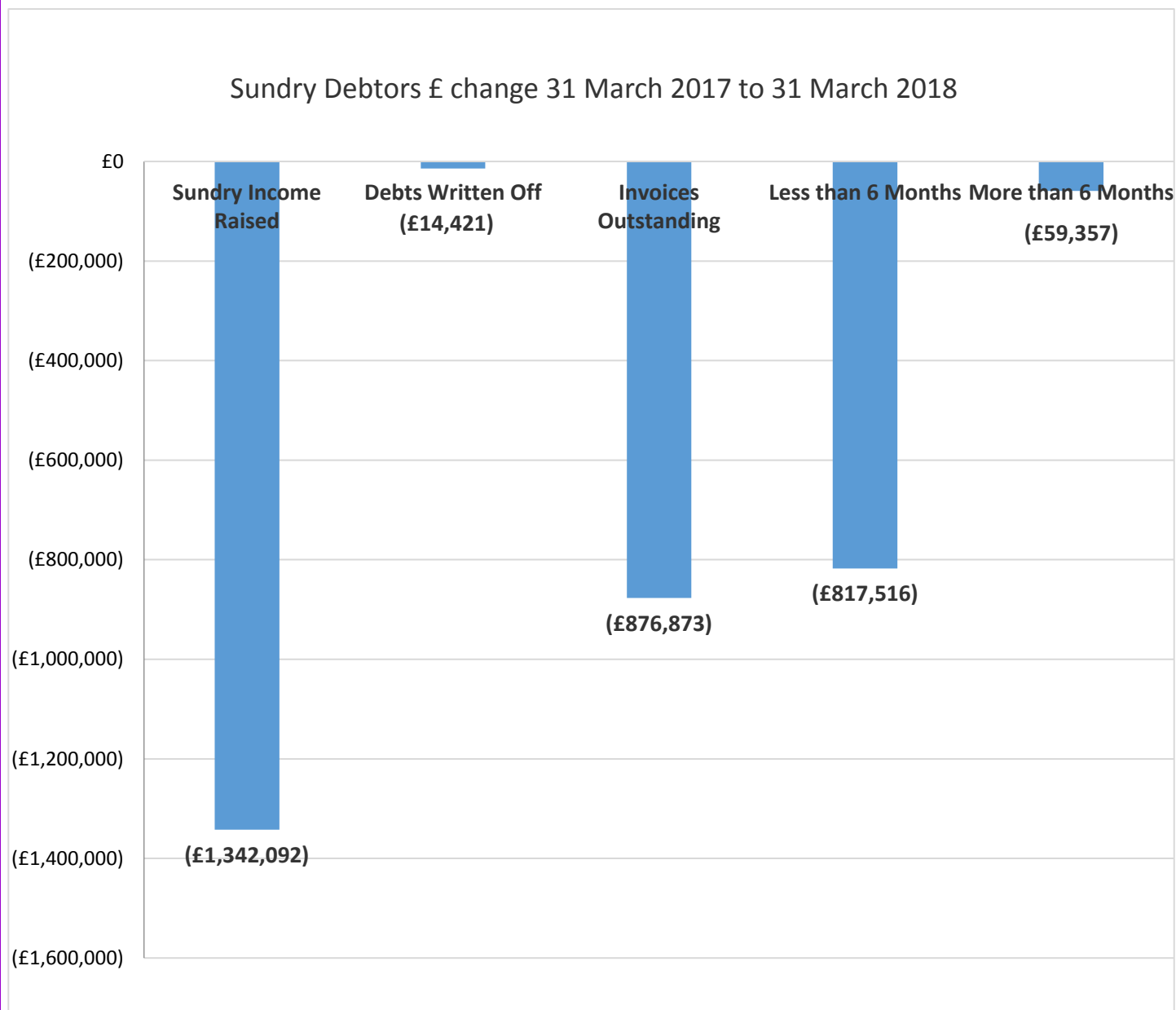
- 3.31 There is a lower surplus of **£61,373** compared to the Revised Budget due to several factors including the level of income received and the level of appeals.
- 3.32 In terms of the Council’s share, the actual surplus in 2017/18 of **(£566,731)** includes the surplus in 2016/17 together with performance related to 2017/18. The Council estimated the surplus to be **(£591,000)** and this has been included in the 2018/19 Budget, the balance of **£24,269** will therefore be included in the 2019/20 Budget.
- 3.33 Another key assumption in the Medium Term Financial Strategy is the level of growth or decline in Business Rates. The variance in Rateable Value during 2017/18 compared to the Approved Budget is shown in the graph below:



- 3.34 The reason for the significant increase in Rateable Value from December 2017 is the inclusion of the new Screwfix unit at Fradley.

Sundry Debtors

3.35 A summary of key transaction levels and collection performance for Sundry Debtors at 31 March in 2017/18 compared to 2016/17 is shown in the graph below:



3.36 The collection performance is shown in detail at **APPENDIX D** and is summarised below:

- The value of income raised has decreased by **(£1,342,092)** or (19.09%) which relates to Waste Services (£578,000) mainly due to trade invoices raised in April for 2018/19, Section 106 (£333,000) and Housing Services (£200,000).
- The value of write offs has decreased by **(£14,421)** or (15.36%) due to 2016/17 having a large Housing Benefit overpayment invoice and an insolvent business.
- Overall invoices outstanding have decreased by **(876,873)** or (40.95%) due to 2016/17 having several large invoices outstanding for Section 106 and Waste Services.
- The decrease in those outstanding for less than 6 months by **(£817,516)** or (53.82%) due to invoices issued for Waste Services issued in February and March 2017 that remained unpaid at 31 March 2017.
- The decrease in those outstanding for more than 6 months by **(£59,357)** or (9.54%) is due to 2016/17 having a large section 106 invoice outstanding pending resolution of a legal matter.

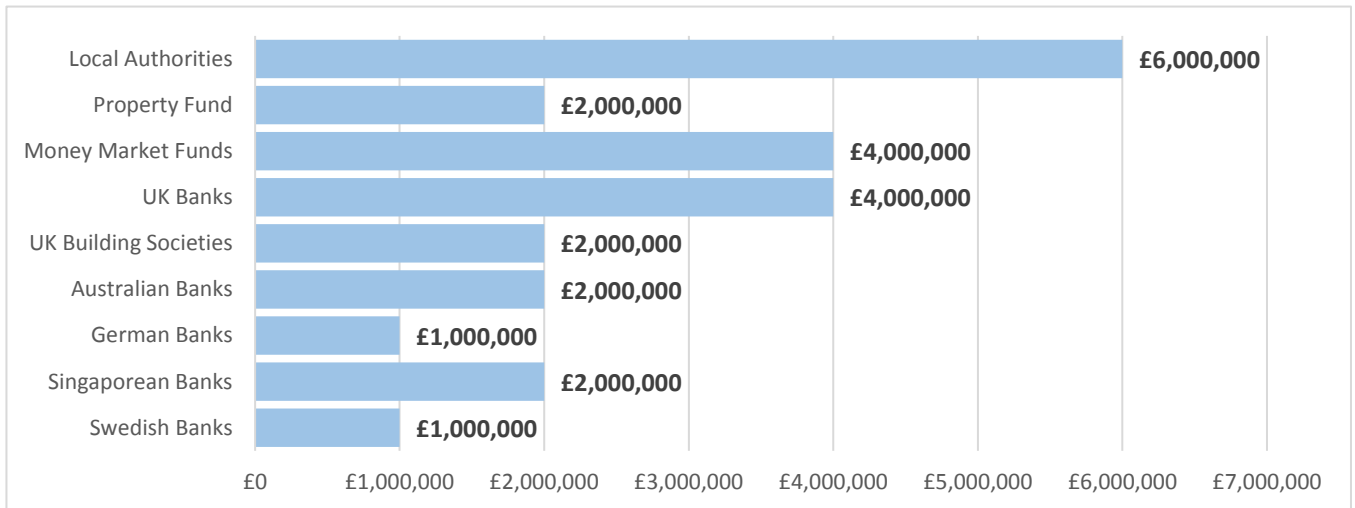
Treasury Management

3.37. 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).

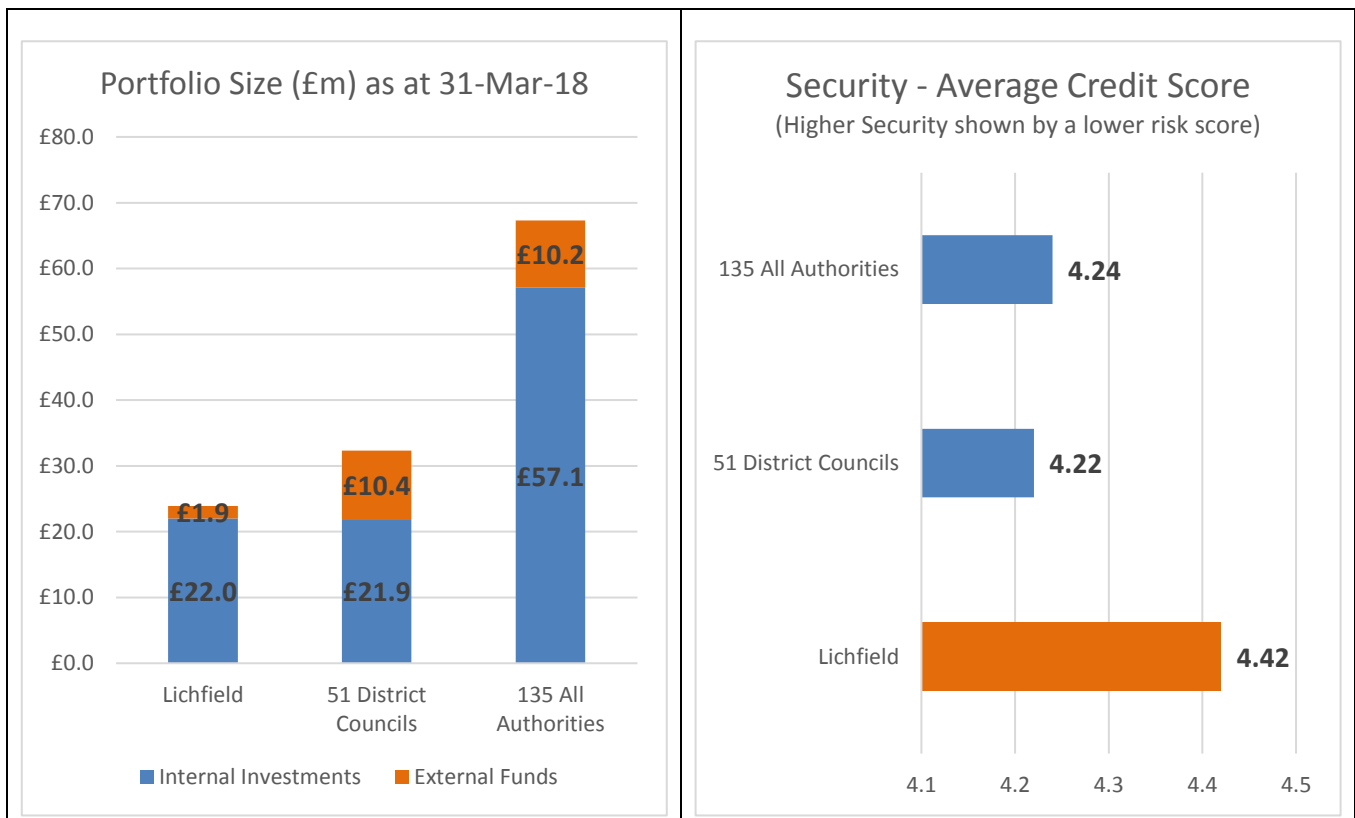
3.38. In addition, external borrowing is considered against the objectives of it being affordable (the impact on the budget and Council Tax), prudent and sustainable (over the whole life).

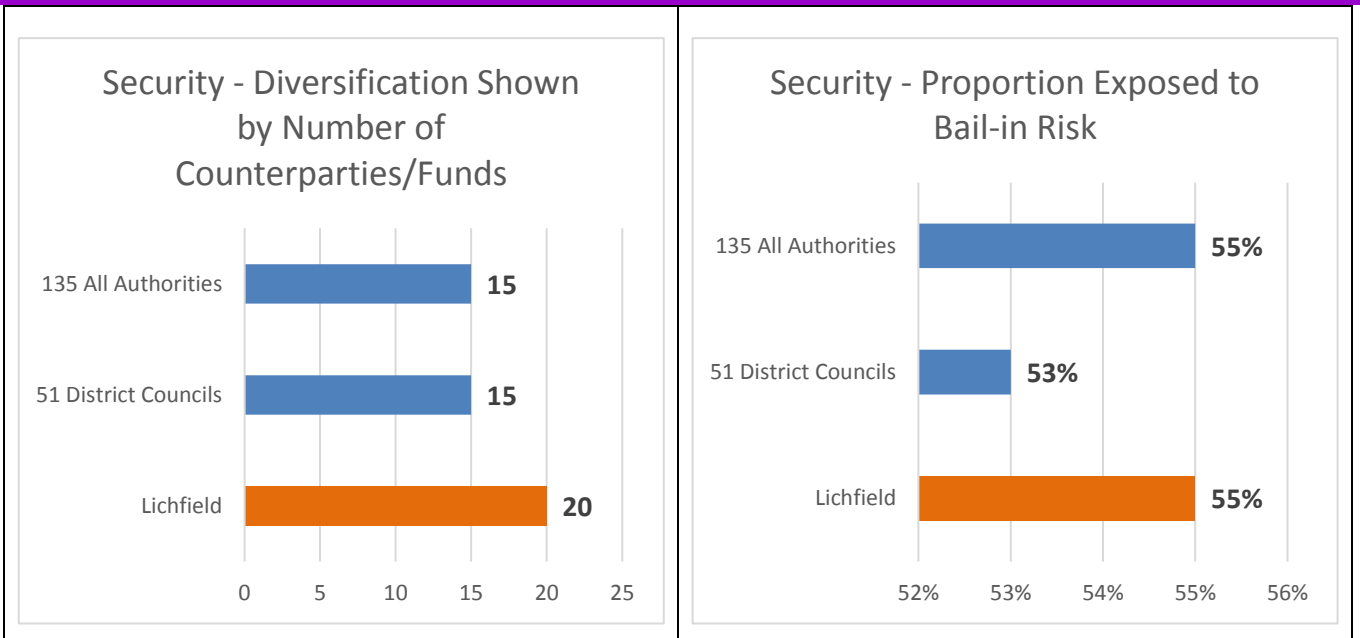
The Security of Our Investments

3.39. The investments the Council had at the 31 March 2018 of **£24m** (with the property fund valued at original investment of **£2m**) by type and Country are summarised in the graph below and in more detail at **APPENDIX E**:

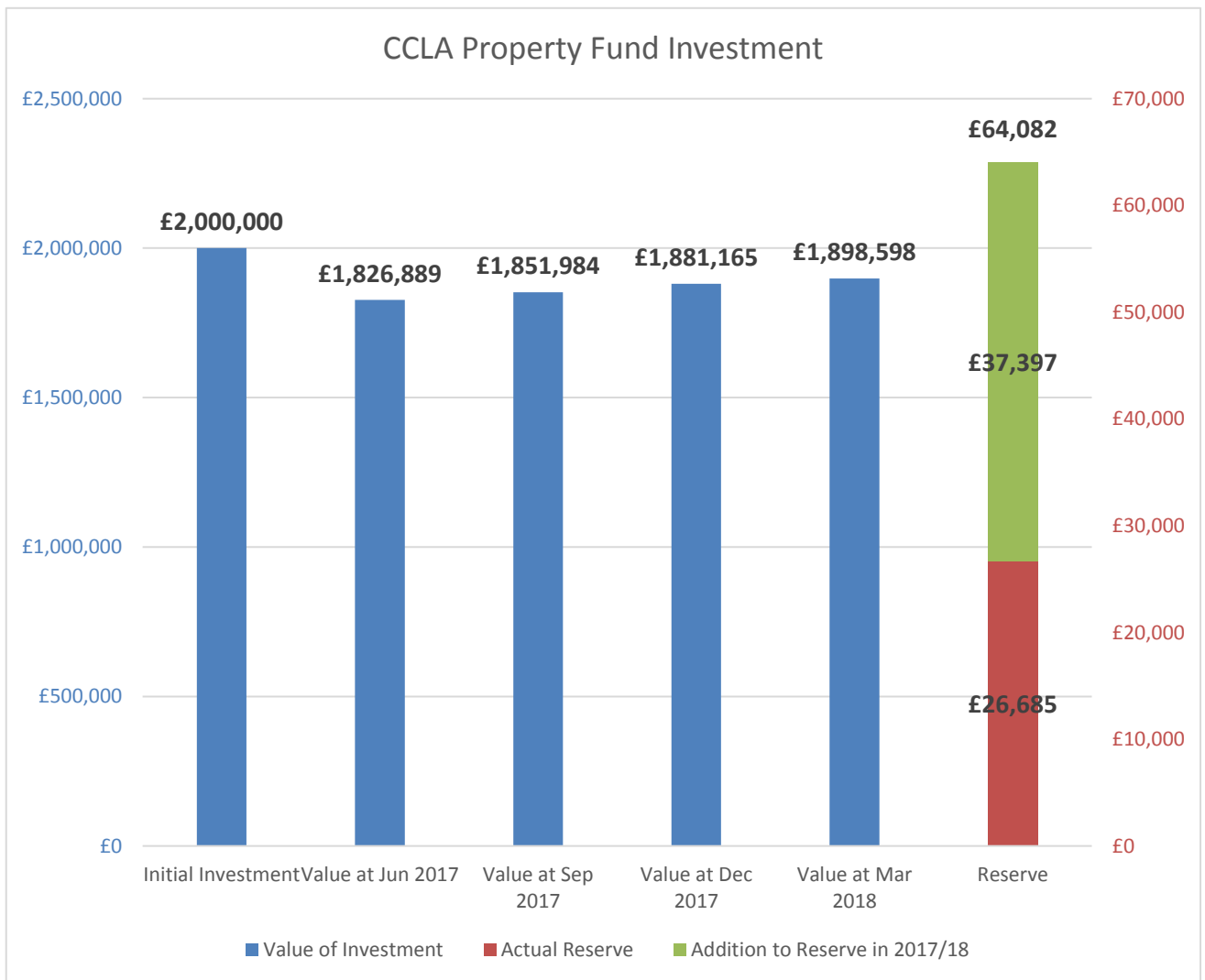


3.40. A comparison of the Council's portfolio size (with the property fund valued at its current value of **£1.9m**), average credit score, level of diversification and level of exposure to 'Bail in' risk compared to all Arlingclose Clients is shown in the charts below:



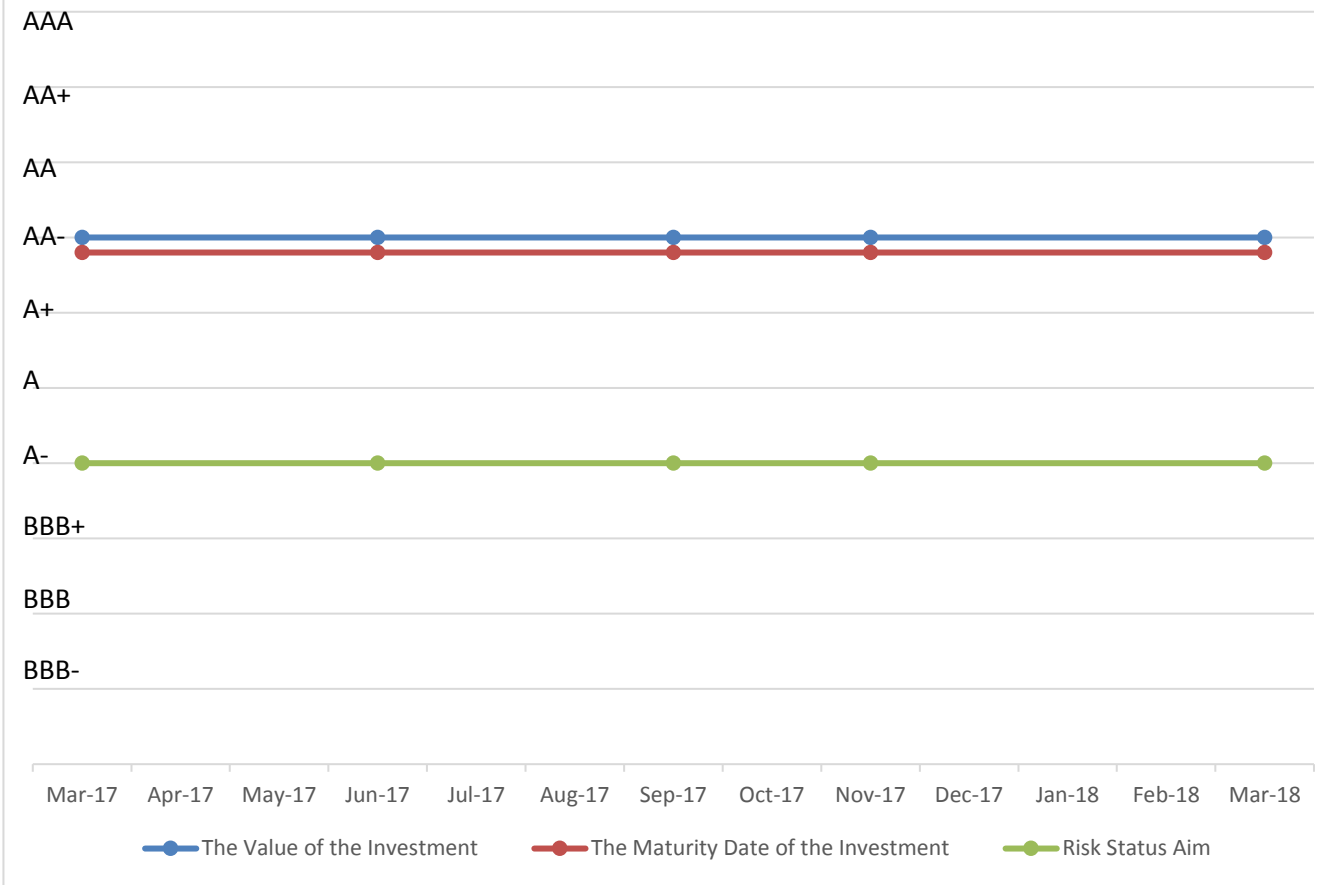


3.41. The current value of the Property Fund investment together with the value of the earmarked reserve at the end of 2017/18 intended to offset reductions in value is shown in the graph below:



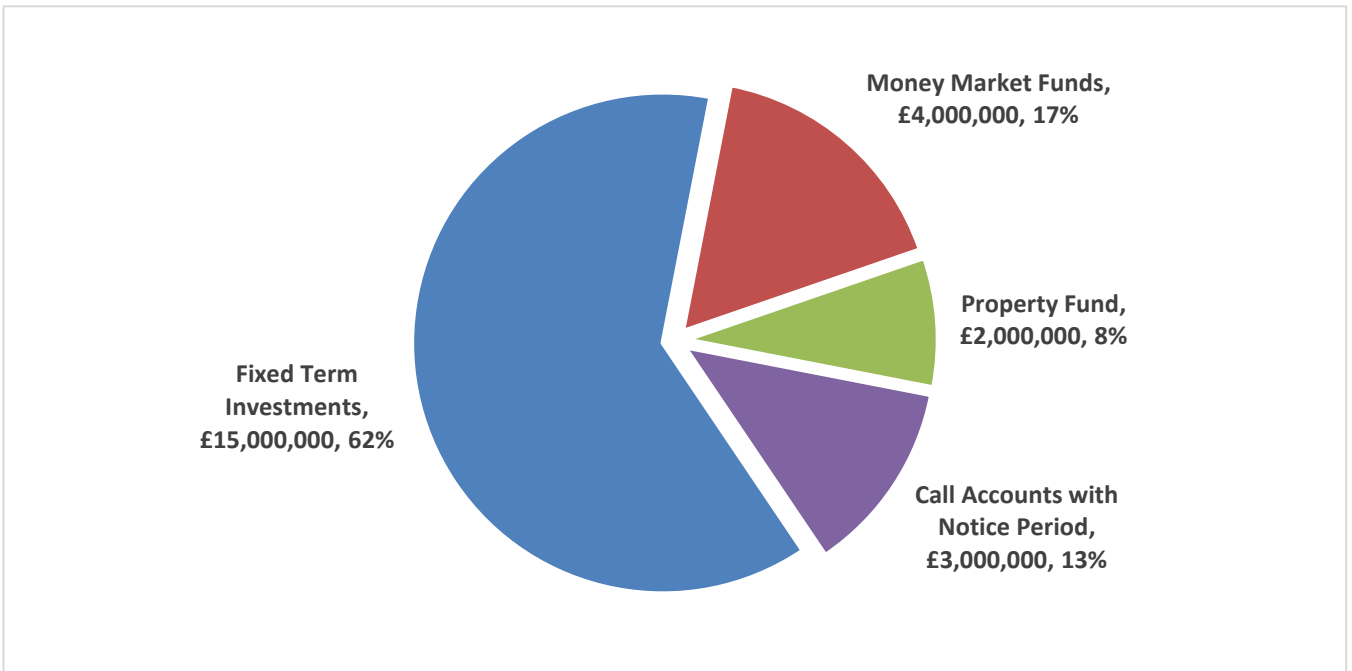
3.42. Our aim for the risk status of our investments was A- or higher. The risk status based on the length of the investment and the value for a 12 month period is summarised in the graph below:

Risk Status of Investments

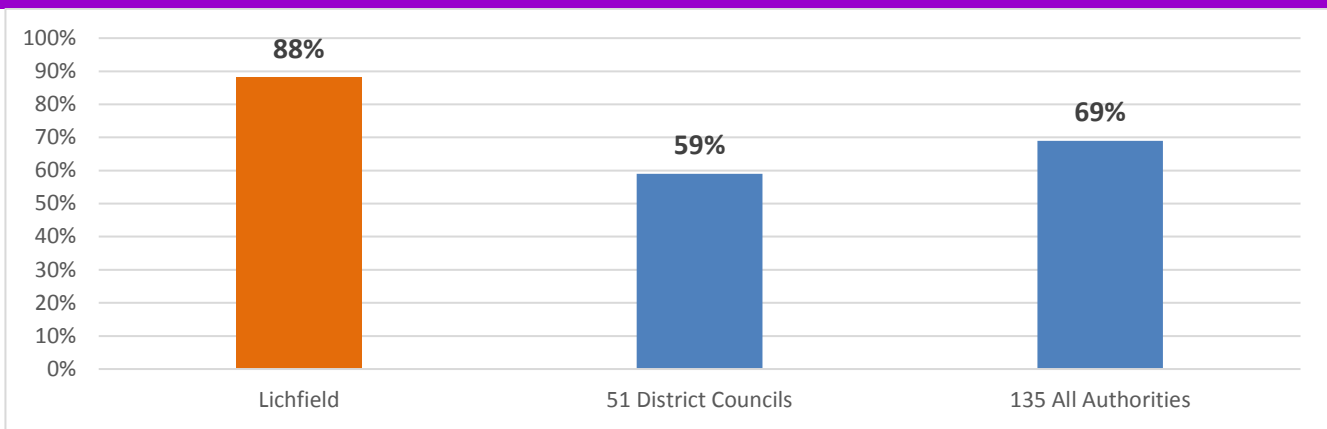


The Liquidity of our Investments

3.43. The Council has not had to temporarily borrow during 2017/18 and retains a proportion of its investments in instant access Money Market Fund investments to ensure there is sufficient cash available to pay for goods and services. The investments by type are shown in the graph below:

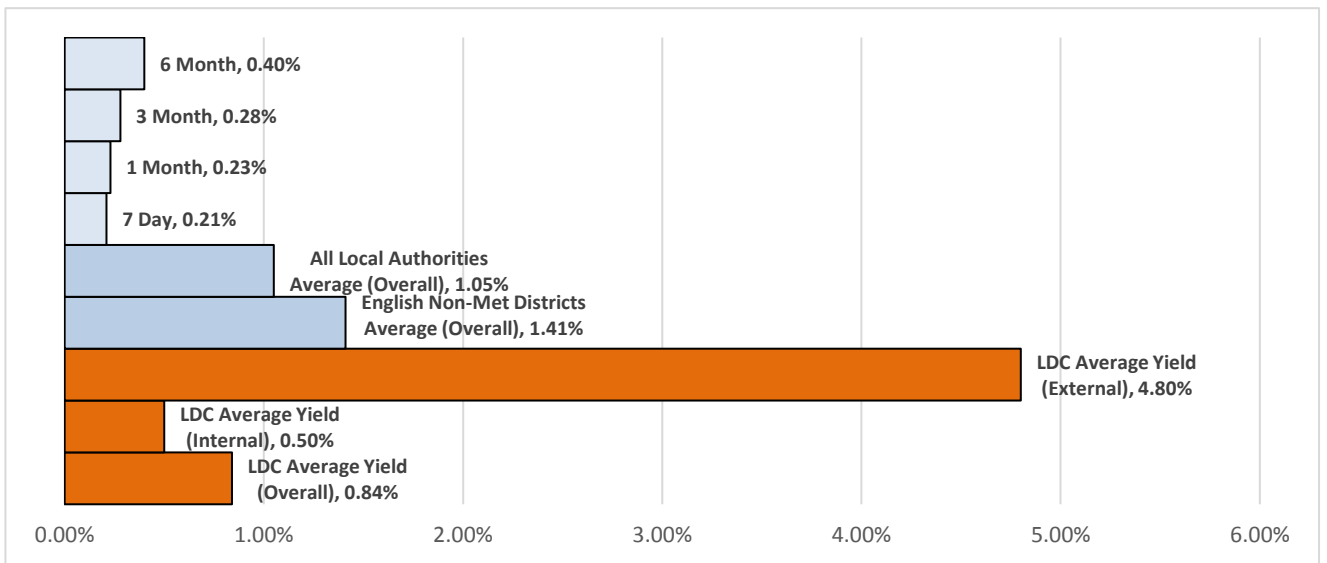


3.44. The proportion of the investment portfolio available within 100 days compared to all Arlingclose clients is shown in the graph below:



The Return or Yield of our Investments

3.45. The yield the Council achieved compared to a number of industry standard benchmarks (including our preferred benchmark of the seven day LIBID rate) and all Arlingclose clients is shown in the graph below:



3.46. The investment activity during the financial year generated (£159,280) of net investment income. Of this, (£44,960) related to the Local Authorities' Property Fund (gross income (£87,357) less transfer to reserve of £37,397).

Community Infrastructure Levy (CIL)

3.47 The Community Infrastructure Levy Regulations 2010 (as amended) places a responsibility on the District Council has a CIL Charging Authority to report each financial year on income and expenditure associated with CIL. Regulation 62, Section 1 to 6 sets out the reporting requirements. As such in accordance with Regulation 62 of The Community Infrastructure Levy Regulations 2010 (as amended) Cabinet should note that between the period of the 31st March 2017 and 31st March 2018 Lichfield District Council as the CIL Charging Authority collected a totalled of £286,797.04 in CIL receipts, of these receipts £14,339.85 (5%) has been applied to administrative expenses pursuant to Regulation 61 of the above mentioned Regulations. In should be noted that during this period no CIL expenditure took place nor was any CIL receipts transferred to any local council under Regulation 59A or 59B. Further no CIL receipts or expenditure has been generated from regarding being given to the administration of Regulation 59E or 59F.

Alternative Options

There are no alternative options.

Consultation

Consultation is undertaken as part of the Strategic Plan 2016-20 and with Leadership Team.

Financial Implications

Prudential indicators (PI) 2017/18:

- We can confirm that the Council has complied with its Prudential Indicators for 2017/18; these were originally approved by Council at its meeting on 21 February 2017 and were fully revised and approved by Council on 20 February 2018.
- In compliance with the requirements of the CIPFA Code of Practice this report provides members with a Summary Report of the Treasury Management Activity during 2017/18.
- None of the other Prudential Indicators have been breached. The Prudential Indicators are shown in detail in **APPENDIX F** and are summarised in the table below :

PI	Details	Revised Budget	Actual	Compliant
1	Capital Expenditure (£)	£3.368m	£2.608m	
2	Ratio of Financing Costs to Net Revenue Stream (%)	5%	5%	
3	Capital Financing Requirement (£)	£4.471m	£4.177m	
4	Gross external borrowing does not exceed the Capital Financing Requirement in the current year plus the next two years	True	True	
	Actual external debt	£3.468m	£3.418m	
5	Incremental impact of capital investment decisions on Band D Council Tax (£)	£0.00	£0.60	
6	Authorised Limit (£)	£15.292m	£3.991m	
7	Operational Boundary (£)	£5.895m	£3.991m	
8	Adoption of the CIPFA Code of Practice in Treasury Management	Yes	Yes	
9	Is our gross debt in excess of our Capital Financing Requirement and are we therefore borrowing in advance of need?	No	No	
10	Upper limit for investments fixed interest rate exposure (Highest)	(100%)	(80%)	
11	Upper limit for investments variable interest rate exposure (Highest)	(100%)	(47%)	
10	Upper limit for borrowings fixed interest rate exposure (Highest)	100%	100%	
11	Upper limit for borrowings variable interest rate exposure (Highest)	30%	0%	
Maturity Structure of Fixed Rate Borrowing (upper limit) (%)				
12	Under 12 months	100%	4.44%	
12	12 months and within 24 months	100%	4.44%	
12	24 months and within 5 years	100%	13.33%	
12	5 years and within 10 years	100%	22.22%	
12	10 years and within 20 years	100%	44.44%	
12	20 years and within 30 years	100%	11.11%	
12	30 years and within 40 years	100%	0.00%	
12	40 years and within 50 years	100%	0.00%	
12	50 years and above	100%	0.00%	
13	Principal Sums invested > 364 days (£m)	£6.000m	£2.000m	
14	Credit Risk	We consider security; liquidity and yield, in that order, when making investment decisions.		

Contribution to the Delivery of the Strategic Plan

The MTFS underpins the delivery of the Strategic Plan 2016-20.

Equality, Diversity and Human Rights Implications

There are no additional Equality, Diversity or Human Rights implications.

Crime & Safety Issues

There are no additional Crime and Safety Issues.

	Risk Description	How We Manage It	Severity of Risk
A	Management of the Council's Revenue and Capital budget is critical to the successful delivery of key Council 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 including the impact of the EU Referendum	Close monitoring of expenditure. Maximising the potential of efficiency gains. Early identification of any unexpected impact on costs, for example, central Government policy, movement in the markets, and changes in the economic climate. Prioritisation of capital expenditure. Project management of projects.	Red - Severe
B	Counterparty default	This Approved Annual Investment Strategy utilises more counterparties and financial instruments to diversify the portfolio and reduce this risk.	Yellow - Material
C	Collection performance for Council Tax and Business Rates reduces	Regular monitoring in the Money Matters Reports throughout the financial year.	Yellow - Material
D	Actual cash flows are different to those that are planned	The Council maintains a comprehensive cash flow model that is updated on a daily basis to reflect actual and planned cash flows. An element of the Council's investment portfolio will be invested in instant access accounts.	Yellow - Material
E	Planned capital receipts are not received	The budget for capital receipts will be monitored as part of the Council's normal budget monitoring procedures.	Green - Tolerable
F	New Government policies including the level of cuts to Communities and Local Government	To ensure any new policies such as those related to Business Rates and New Homes Bonus are evaluated and the impact is incorporated into the MTFs.	Red - Severe

Background Documents

- CIPFA Code of Practice for Treasury Management in the Public Services
- The Prudential Code for Capital Finance in Local Authorities
- Fit for the Future Leisure Review Leisure Services Options Appraisal – Cabinet 8 March 2016.
- Money Matters: Council Tax, National Non Domestic Rates and Pension Contributions – Cabinet 17 January 2017.
- Money Matters: Medium Term Financial Strategy (Revenue and Capital) 2016-21 Cabinet – Cabinet 7 February 2017.
- The introduction of a Garden Waste Subscription Service – Cabinet 4 April 2017.
- Development of Land adjacent to Milestone Way and rear of 29-39 Cannock Road, Burntwood – Cabinet 25 May 2017.
- Money Matters: 2016/17 Review of Financial Performance against the Financial Strategy – Cabinet 13 June 2017.
- Money Matters: 2017/18 Review of Financial Performance against the Financial Strategy – Cabinet 5 September 2017.
- Money Matters: 2017/18 Review of Financial Performance against the Financial Strategy – Cabinet 5 December 2017.
- Money Matters: 2017/18 Review of Financial Performance against the Financial Strategy – Cabinet 13 February 2018.
- Money Matters: The Medium Term Financial Strategy (Revenue and Capital) 2017-22 (MTFS) – Cabinet 13 February 2018.

Relevant web link

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Revenue Financial Performance – Variance to Budget 2017/18

Area	2017/18						
	Original Budget £	Approved Budget £	Actual Outturn £	Variance £	Variance to Target ● = adverse ☑ = favourable ⊖ = within £5k of Target	Variance to Original Budget £	2017/18 Target Variance (+/-) £
Strategic Priority							
Healthy and safe communities	1,814,520	1,993,740	1,984,490	(9,250)		169,970	
Clean, green and welcoming places to live	3,882,240	3,380,750	3,355,500	(25,250)		(526,740)	
A vibrant and prosperous economy	(709,990)	(945,550)	(1,045,903)	(100,353)		(335,913)	
A council that is fit for the future Efficiency Plan	5,653,680	5,892,760	5,868,426	(24,334)		214,746	
	(250,000)	(86,900)	0	86,900		250,000	
Net Cost of Services	10,390,450	10,234,800	10,162,512	(72,288)		(227,938)	0
Service Area							
Chief Executive	767,480	694,490	698,698	4,208	⊖	(68,782)	4,000
Finance and Procurement	1,489,630	1,460,050	1,424,224	(35,826)	●	(65,406)	7,000
Legal, Property and Democratic Services	281,610	216,260	212,058	(4,202)	☑	(69,552)	10,000
Revenues, Benefits and Customer Services	701,630	722,830	701,948	(20,882)	⊖	318	19,000
Corporate Services	2,313,110	2,403,960	2,393,211	(10,749)	☑	80,101	22,000
Leisure and Operational Services	2,514,620	2,683,760	2,719,858	36,098	☑	205,238	53,000
Regulatory, Housing and Wellbeing	1,279,760	1,191,470	1,183,813	(7,657)	☑	(95,947)	16,000
Development Services	39,360	(33,450)	(57,956)	(24,506)	⊖	(97,316)	24,000
Economic Growth	30,530	(180,910)	(206,772)	(25,862)	☑	(237,302)	27,000
Waste Services	1,222,720	1,163,240	1,093,430	(69,810)	⊖	(129,290)	68,000
Efficiency Plan	(250,000)	(86,900)	0	86,900	●	250,000	-
Net Cost of Services	10,390,450	10,234,800	10,162,512	(72,288)		(227,938)	250,000
Net Treasury Position	(15,600)	(19,450)	(14,447)	5,003		1,153	
Revenue Contributions to the Capital Programme	154,000	769,000	769,000	-		615,000	
Net Operating Cost	10,528,850	10,984,350	10,917,065	(67,285)		388,216	
Transfer (from) / to General Reserve	1,060	(517,220)	(450,457)	66,763			
Transfer to Earmarked Reserves	504,840	592,960	592,960	-			
Net Revenue Expenditure	£11,034,750	£11,060,090	£11,059,568	£522			
Financed by:							
Revenue Support Grant	(236,000)	(236,000)	(236,436)	(436)			
Retained Business Rates	(2,484,000)	(2,469,800)	(2,463,022)	6,778			
Business Rates Cap	-	(32,360)	(39,441)	(7,081)			
Transition Grant	(51,750)	(51,750)	(51,751)	(1)			
Parish Local Council Tax Support	87,000	87,000	87,000	-			
New Homes Bonus	(1,422,000)	(1,422,000)	(1,421,467)	533			
Returned New Homes Bonus	(5,000)	(5,000)	(4,672)	328			
Other Government Grants	-	(7,180)	(7,175)	5			
Council Tax Collection Fund (Surplus)	(40,000)	(40,000)	(40,000)	-			
Business Rates Collection Fund (Surplus)	(789,000)	(789,000)	(788,697)	303			
Council Tax	(6,094,000)	(6,094,000)	(6,093,907)	93			

Reasons for the Outturn Budget Performance by Service Area

Net Operating Cost

Variance £		Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
4,208	Chief Executive	4,208	-	-	-
(35,826)	Finance and Procurement	(18,326)	(9,400)	(8,100)	-
(4,202)	Legal, Property and Democratic Services	(4,202)	-	-	-
(20,882)	Revenues, Benefits and Customer Services	(8,882)	-	(12,000)	-
(10,749)	Corporate Services	(2,449)	(8,300)	-	-
36,098	Leisure and Operational Services	5,658	-	30,440	-
(7,657)	Regulatory, Housing and Wellbeing	-	-	(7,657)	-
(24,506)	Development Services	(3,721)	-	(20,785)	-
(25,862)	Economic Growth	(7,652)	-	(18,210)	-
(69,810)	Waste Services	-	-	(69,810)	-
86,900	Efficiency Plan	86,900	-	-	-
(72,288)	Net Cost of Services	51,534	(17,700)	(106,122)	-
5,003	Net Treasury Position	-	-	5,003	-
(£67,285)	Net Operating Cost	£51,534	(£17,700)	(£101,119)	-

Chief Executive

Variance £	Service Area	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
4,208	Minor balance	4,208	-	-	-
£4,208	Total	£4,208	-	-	-

Finance and Procurement

Variance £	Service Area	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(9,400)	Underspend of pension costs related to past employees	-	(9,400)	-	-
(8,100)	Government Grant for transparency agenda received	-	-	(8,100)	-
(12,000)	Bank Charges transferred to car parks	(12,000)	-	-	-
(6,326)	Minor balance	(6,326)	-	-	-
(£35,826)	Total	(£18,326)	(£9,400)	(£8,100)	-

Legal, Property and Democratic Services

Variance £	Service Area	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(4,202)	Minor balance	(4,202)	-	-	-
(£4,202)	Total	(£4,202)	-	-	-

Revenues, Benefits and Customer Services

Variance £	Service Area	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(12,000)	Government Grant for rebilling of business rates received	-	-	(12,000)	-
(4,800)	Reduced Postage spend	(4,800)	-	-	-
(4,082)	Minor balance	(4,082)	-	-	-
(£20,882)	Total	(£8,882)	-	(£12,000)	-

Corporate Services

Variance £	Service Area	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(8,300)	Reduction in reprographics costs due to Leisure outsourcing	-	(8,300)	-	-
(2,449)	Central Reprographics - lower printing usage	(2,449)	-	-	-
(£10,749)	Total	(£2,449)	(£8,300)	-	-

Leisure and Operational Services

Variance £	Service Area	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
30,440	Under achievement of income target on self-funding post	-	-	30,440	-
5,658	Minor balance	5,658	-	-	-
£36,098	Total	£5,658	-	£30,440	-

Regulatory Services, Housing & Wellbeing

Variance £	Service Area	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(7,657)	Additional Licensing fee income	-	-	(7,657)	-
(£7,657)	Total	-	-	(£7,657)	-

Development Services

Variance £	Service Area	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(20,785)	Government Grant for Legal Claim received	-	-	(20,785)	-
(3,721)	Minor balance	(3,721)	-	-	-
(£24,506)	Total	(£3,721)	-	(£20,785)	-

Economic Growth

Variance £	Service Area	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(18,210)	Section 106 monitoring fee received	-	-	(18,210)	-
(7,652)	Vacant post savings	(7,652)	-	-	-
(£25,862)	Total	(£7,652)	-	(£18,210)	-

Waste Services

Variance £	Service Area	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(69,810)	Increased income from Garden Waste subscriptions	-	-	(69,810)	-
(£69,810)	Total	-	-	(£69,810)	-

Net Treasury

Variance £	Service Area	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
5,003	Minor Balance	-	-	5,003	-
£5,003	Total	-	-	£5,003	-

Funding

Variance £	Service Area	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
522	Minor Balance	-	-	522	-
£522	Total	-	-	£522	-

Earmarked Reserves
Unrestricted Earmarked Reserves

Reserve Name	Initial Set Up Year	Earmarked Reserves 1 April 2017 £	Carried Forward 31 March 2018 £
Chief Executive			
Commercialisation	2017/18	0	(191,874)
Fit for the Future	2013/14	(312,092)	0
Chief Executive Total		(312,092)	(191,874)
Finance and Procurement			
Spend Analysis	2014/15	(16,298)	(16,298)
Business Rates	2014/15	0	(630,456)
Payment Kiosk	2014/15	(10,805)	(9,571)
Property Income Volatility	2016/17	(26,685)	(64,083)
Audit additional cover	2016/17	(6,248)	(6,248)
Finance and Procurement Total		(60,036)	(726,656)
Corporate Services			
Digitisation Programme	2008/09	(40,200)	(40,200)
IAS 19 - Employee Benefits	2014/15	(69,650)	(69,650)
Condition Survey of DCH	2016/17	(154,000)	(154,000)
Equalities Training	2017/18	0	(5,000)
Corporate Services Total		(263,850)	(268,850)
Revenues, Benefits and Customer Services			
Revenues & Benefits Service Improvement	2014/15	(209,720)	(284,720)
Revenues, Benefits and Customer Services Total		(209,720)	(284,720)
Legal, Property and Democratic Services			
Individual Electoral Registration	2014/15	(33,270)	(45,666)
Lichfield District Council Election	1984/85	(141,000)	(169,120)
Elections Additional Support	2015/16	(84,820)	(24,999)
Legal, Property and Democratic Services Total		(259,090)	(239,785)
Economic Growth			
Inward Investment and Place Marketing	2010/11	(66,540)	(77,580)
HS2	2013/14	(44,630)	(40,662)
Friarsgate	2014/15	(641,210)	(1,306,288)
Tourism System Upgrade	2015/16	(15,700)	(1,115)
Tourism Signage Boards	2017/18	0	(11,000)
CCTV Sinking Fund	2015/16	(33,534)	(55,366)
DCLG Grants Custom/Self/Register	2016/17	(35,495)	(70,980)
Local Plan Allocations Examination	2016/17	(31,000)	(31,000)
Car Parks Vehicle Sinking Fund	2017/18	0	(3,333)
Economic Growth Total		(868,109)	(1,597,324)
Development Services			
Grant Aid -Development Historic Building Grants	1982/83	(15,540)	(19,590)
Grant Aid -Development Nature Conservation Fund	1982/83	(10,000)	0
Judicial Review/Planning Appeals	2013/14	(249,160)	(159,612)
Back scanning of Planning Apps	2016/17	(40,000)	(77,000)
Planning Agency Staff	2016/17	(60,000)	(45,472)
Legal Expenses	2016/17	(10,000)	(19,500)
Development Services Total		(384,700)	(321,174)

APPENDIX B

Reserve Name	Initial Set Up Year	Earmarked Reserves 1 April 2017 £	Carried Forward 31 March 2018 £
Leisure and Operational Services			
Wharf Lane	2007/08	(4,313)	0
Comprehensive Tree Survey	2012/13	(17,577)	0
Friary Grange Leisure Centre - Reception, Catering/Viewing area/Gym	2013/14	(807)	(807)
FGLC - Evolve Cardio Equipment	2013/14	(2,970)	(2,970)
Transfer of Property	2014/15	(22,556)	(21,456)
Squash Courts and Sports Hall Floors Friary Grange Leisure Centre	2014/15	(50,000)	(50,000)
Leisure Services Review	2014/15	(57,762)	0
Grounds Maintenance Vehicles and Equipment Sinking Fund	2014/15	(90,006)	(204,421)
Trunk Road Sweeping	2014/15	(13,550)	(13,550)
Pockets Parks Programme	2015/16	(11,000)	(2,971)
Positive Futures		(2,971)	0
Garrick - Repairs to ventilation system	2015/16	(4,972)	(4,972)
Leisure and Operational Services Total		(278,484)	(301,147)
Regulatory Services, Housing and Wellbeing			
Building Safer Communities	2010/11	(6,703)	(6,703)
EH - Vehicle Maintenance/Replacement	2011/12	(6,999)	(9,499)
Homeless & Repossession Prevention Fund	2010/11	(14,289)	(11,299)
Stock Condition Survey	2015/16	(50,310)	(65,000)
Web Site Development Rate My Place	2014/15	(11,400)	(11,400)
Shropshire & Staffordshire Homelessness Prevention Partnership residual grant funding	2015/16	(8,487)	(8,487)
Letting Agent Regulations	2015/16	(761)	(761)
Smoke & Carbon Monoxide Regulations	2015/16	(835)	(835)
Community Transport Bus proceeds	2016/17	(7,318)	0
Regulatory Services, Housing and Wellbeing Total		(107,102)	(113,984)
Joint Waste			
Dry Recycling Contract - LDC Share	2014/15	(161,771)	(161,771)
IAS 19 Employee Benefits - LDC Share	2014/15	(20,200)	(20,200)
Joint Waste Total		(181,971)	(181,971)
Total Earmarked Reserves		(2,925,154)	(4,227,485)

Restricted Earmarked Reserves

Reserve Name	Earmarked Reserves 1 April 2017 £	Carried Forward 31 March 2018 £
Economic Growth		
POS-Worthington Road, Fradley	(1,833)	0
Darwin Park Estate Lights	(7,108)	0
Birmingham Road Car Park Repairs and Renewals	(1,878,878)	(2,057,328)
Friary Multi Storey Bromford Sinking Fund	(1,755)	(2,371)
Economic Growth Total	(1,889,574)	(2,059,699)
Development Services		
South Staffordshire Building Control Partnership - Building Regulations Reserve	(184,344)	(122,757)
LATC Set Up Costs	(25,000)	(25,000)
South Staffs DC Land Charges Reserve	(41,879)	(41,879)
20% Planning Increase	0	(18,658)
Development Services Total	(251,223)	(208,294)
Regulatory Services, Housing & Wellbeing		
Homelessness Grant	0	(125,299)
Regulatory Services, Housing & Wellbeing Total	0	(125,299)
Leisure and Operational Services		
POS-Cannock Road (97/00877) Area K Larks Rise Burntwood	(7,853)	0
POS-St Matthews Site, Burntwood(97/00295)	(72,064)	(67,064)
POS-Beacon School, Lichfield (99/00638) Beacon Park	(3,212)	0
Section 106-Forest of Mercia 10/01563	(700)	0
POS-Fradley South (96/00203) Alexander Close	(1,517)	0
Public Open Spaces	(5,534)	0
Commuted sums for Hawksyard/160236 A	(218,218)	(205,913)
Commuted sums for Darwin Park/160236 A	(14,437)	(13,182)
TAYLOR WIMPEY - Public Open Space at Darwin Park	(123,676)	(123,676)
Taylor Wimpey Charter Place Shortbutts Lane S106	(28,730)	(28,730)
HLF LDC Contribution	(34,401)	(25,301)
Heritage Lottery Fund - Management	(8,250)	(8,250)
FGLC Synthetic Pitch Sinking Fund	(16,700)	(16,700)
Leisure and Operational Services Total	(535,292)	(488,816)
Joint Waste		
Waste Shared Service Property growth - LDC Share	(284,628)	(284,628)
Waste Shared Service Property growth - TBC Share	(210,372)	(210,372)
Dry Recycling Contract - TBC Share	(120,140)	(120,140)
IAS 19 Employee Benefits TBC Share	(14,930)	(14,930)
Payments in Advance for Fleet - TBC Share	(10,750)	(21,800)
Joint Waste Total	(640,820)	(651,870)
Total Earmarked Reserves	(3,316,909)	(3,533,978)

Capital Programme Performance in 2017/18

Project	Original Budget	Approved Budget	Actual Outturn	2017/18 Variance	Variance to Original Budget
BLC Enhancement Work	£42,000	£74,000	£11,838	(£62,162)	(£30,162)
Other Burntwood Leisure Centre Sinking Fund Projects	£128,000	£128,000	£0	(£128,000)	(£128,000)
Play Area at Hawksyard	£0	£0	£580	£580	£580
Squash Court and Sports Hall Floors (FGLC)	£0	£50,000	£0	(£50,000)	£0
Leisure Review: Capital Investment	£0	£282,000	£0	(£282,000)	£0
FGLC (Lighting, Boiler)	£0	£15,000	£15,824	£824	£15,824
Accessible Homes (Disabled Facilities Grants)	£850,000	£1,010,000	£1,017,483	£7,483	£167,483
Home Repair Assistance Grants	£15,000	£15,000	(£5,247)	(£20,247)	(£20,247)
Decent Homes Standard	£437,000	£0	£0	£0	(£437,000)
Energy Insulation Programme	£10,000	£30,000	£9,278	(£20,722)	(£722)
DCLG Monies	£212,000	£0	£0	£0	(£212,000)
Unallocated S106 Affordable Housing Monies	£400,000	£0	£0	£0	(£400,000)
Housing Redevelopment Scheme - Packington	£80,000	£80,000	£40,000	(£40,000)	(£40,000)
Oakenfield Play Area (Sinking Fund)	£0	£9,000	£9,000	£0	£9,000
Community Building at Hawksyard	£320,000	£320,000	£319,574	(£426)	(£426)
Healthy and Safe Communities	£2,494,000	£2,013,000	£1,418,330	(£594,670)	(£1,075,670)
Swan Road - Whittington Parish Council	£0	£28,000	£28,205	£205	£28,205
Bin Purchase (2015-16)	£0	£0	£103,112	£103,112	£103,112
Vehicle Replacement Programme	£167,000	£18,000	£18,325	£325	(£148,675)
Shortbutts Park, Lichfield	£0	£10,000	£9,868	(£132)	£9,868
Fazeley Crossroads Environmental Improvements	£0	£4,000	£3,971	(£29)	£3,971
Stowe Pool Improvements	£100,000	£0	£0	£0	(£100,000)
Ancient Monument (Friary)	£0	£1,500	£1,500	£0	£1,500
Canal Culvert at Huddlesford	£100,000	£10,000	£11,675	£1,675	(£88,325)
Clean, Green and Welcoming Places to Live	£367,000	£71,500	£176,656	£105,156	(£190,344)
Data Management System	£0	£5,000	£0	(£5,000)	£0
Friarsgate Support	£1,830,000	£495,000	£349,617	(£145,383)	(£1,480,383)
Friarsgate Support - Castle Dyke/Frog Lane Enhancement	£50,000	£97,000	£16,111	(£80,889)	(£33,889)
Friarsgate Support - Coach Park	£0	£0	£56,709	£56,709	£56,709
Garrick Square	£58,000	£0	£0	£0	(£58,000)
Sankey's Corner Environmental Improvements - Phase 4 (S106)	£0	£3,000	£0	(£3,000)	£0
City Centre Strategy and Interpretation	£0	£1,500	£0	(£1,500)	£0
Car Parks Variable Message Signing	£32,000	£0	£0	£0	(£32,000)
Old Mining College - Refurbish access and signs (S106)	£0	£14,000	£0	(£14,000)	£0
Cannock Chase SAC	£0	£86,000	£85,984	(£16)	£85,984
A Vibrant and Prosperous Economy	£1,970,000	£701,500	£508,422	(£193,078)	(£1,461,578)
Depot Sinking Fund	£0	£11,000	£0	(£11,000)	£0
Bin Storage Area Resurfacing	£0	£20,000	£19,932	(£68)	£19,932
IT and Channel Shift Programme	£200,000	£250,000	£283,625	£33,625	£83,625
Multi Media in the Committee Room	£0	£10,000	£10,236	£236	£10,236
Asset Management: District Council House	£1,000	£32,000	£55,867	£23,867	£54,867
Asset Management - Works resulting from Condition Survey	£300,000	£259,000	£135,417	(£123,583)	(£164,583)
A Council that is Fit for the Future	£501,000	£582,000	£505,077	(£76,923)	£4,077
Capital Programme Total	£5,332,000	£3,368,000	£2,608,485	(£759,515)	(£2,723,515)

Capital Programme Slippage

Project	Original Budget 2018/19	Updates Before Year End	Slippage	Updated Budget 2018/19
BLC Enhancement Work	£42,000		£62,000	£104,000
Other Burntwood Leisure Centre Sinking Fund Projects			£128,000	£128,000
Darnford Park	£13,000			£13,000
Play Area at Hawksyard	£1,000	(£1,000)		£0
Squash Court and Sports Hall Floors (FGLC)			£50,000	£50,000
Leisure Review: Capital Investment	£750,000		£282,000	£1,032,000
Property Investment Strategy	£6,000,000			£6,000,000
Accessible Homes (Disabled Facilities Grants)	£772,000		£2,000	£774,000
Home Repair Assistance Grants	£15,000		£20,000	£35,000
Decent Homes Standard	£437,000			£437,000
Energy Insulation Programme	£20,000		£21,000	£41,000
DCLG Monies	£212,000			£212,000
Unallocated S106 Affordable Housing Monies	£400,000			£400,000
Data Management System	£6,000		£5,000	£11,000
Housing Redevelopment Scheme - Packington			£40,000	£40,000
Depot Sinking Fund			£11,000	£11,000
Vehicle Replacement Programme – Joint Waste	£30,000			£30,000
Vehicle Replacement Programme - Other	£138,000			£138,000
Friarsgate Support	£313,000		£145,000	£458,000
Friarsgate - Castle Dyke/Frog Lane Enhancement	£100,000		£81,000	£181,000
Friarsgate - Railway Station Forecourt Enhancements	£5,000			£5,000
Friarsgate - Coach Park	£450,000	(£150,000)	(£57,000)	£243,000
Shortbutts Park, Lichfield	£23,000			£23,000
Env. Improvements - Upper St John St & Birmingham Road	£7,000			£7,000
Sankey's Corner Environmental Improvements - Phase 4			£3,000	£3,000
City Centre Strategy and Interpretation			£1,500	£1,500
Stowe Pool Improvements	£100,000			£100,000
Car Parks Variable Message Signing	£32,000			£32,000
IT and Channel Shift Programme	£152,000		£10,000	£162,000
The Leomansley Area Improvement Project	£3,000			£3,000
Canal Culvert at Huddlesford	£90,000		(£1,000)	£89,000
Old Mining College - Refurbish access and signs			£14,000	£14,000
Asset Management - Works resulting from Condition Survey	£88,000		£100,000	£188,000
Lichfield Festival Parade and Website (Lichfield City Art Fund)		£14,000		£14,000
St Mary's Cultural Hub (Lichfield City Art Fund)		£45,000		£45,000
Erasmus Darwin Lunar Legacy (Lichfield City Art Fund)		£25,000		£25,000
Cannock Chase SAC	£43,000			£43,000
TOTAL	£10,242,000	(£67,000)	£917,500	£11,092,500

Council Tax

Favourable ● Adverse

Collection Performance

	Council Tax			
	31 March 2017	31 March 2018	Change	
Amount Collected as a %	97.49%	97.47%	0.02%	●
In year arrears outstanding at 31 March	£901,862	£932,693	3.42%	●
Previous years arrears at 31 March	£887,623	£941,866	6.11%	●
Total arrears outstanding at 31 March	£1,789,485	£1,874,559	4.75%	●
Write offs as at 31 March	£63,913	£88,994	39.24%	●

Business Rates

Favourable ● Adverse

The Council's Retained Business Rates Income

The Council's Budget in 2017/18				
	Original Budget £	Revised Budget £	Outturn £	Variance £
NNDR 1 Based Retained Business Rates				
Retained Business Rates	(£13,376,000)	(£13,376,000)	(£13,376,400)	(£400)
<u>Section 31 Grants (Lichfield's 40% Share)</u>				
Small Business Rates Relief				
New Empty Properties				
Long Term Empty Properties	(£495,200)	(£644,000)	(£1,049,365)	(£405,365)
In lieu of transitional relief				
Retail Relief				
Less : Tariff Payable	£11,026,000	£10,863,080	£10,862,812	(£268)
Pre Levy or Safety Net Income	(£2,845,200)	(£3,156,920)	(£3,562,953)	(£406,033)
NNDR 3 Based Levy Payments				
Less : Levy Payable @ 50%	£432,600	£740,000	£920,882	£180,882
Volatility Allowance	£69,800	£188,120	£0	(£188,120)
Transfer to Earmarked Reserve			£478,336	£478,336
Levy from the Business Rates Pool (32.5%)	(£141,000)	(£241,000)	(£299,287)	(£58,287)
Post Levy or Safety Net Income	(£2,483,800)	(£2,469,800)	(£2,463,022)	£6,778

Collection Performance

	Non Domestic Rates			
	31 March 2017	31 March 2018	Change	
Amount Collected as a %	97.22%	98.58%	(1.36%)	<input checked="" type="checkbox"/>
In year arrears outstanding at 31 March	£961,137	£398,317	(58.56%)	<input checked="" type="checkbox"/>
Previous years arrears at 31 March	£247,262	£348,172	40.81%	●
Total arrears outstanding at 31 March	£1,208,399	£746,489	(38.22%)	<input checked="" type="checkbox"/>
Write offs as at 31 March	£448,682	£107,772	(75.98%)	<input checked="" type="checkbox"/>

Sundry Debtor Performance

Favourable ● Adverse

Details	31 March 2017	31 March 2018	All Debts Change	All Debts Change	
	All Debts	All Debts			
Value of sundry income raised	£7,029,632	£5,687,540	(£1,342,092)	(19.09%)	<input checked="" type="checkbox"/>
Value of debts written off	£93,915	£79,493	(£14,421)	(15.36%)	<input checked="" type="checkbox"/>
Value of invoices outstanding	£2,141,498	£1,264,625	(£876,873)	(40.95)%	<input checked="" type="checkbox"/>
% of income raised	30.46%	22.24%			<input checked="" type="checkbox"/>

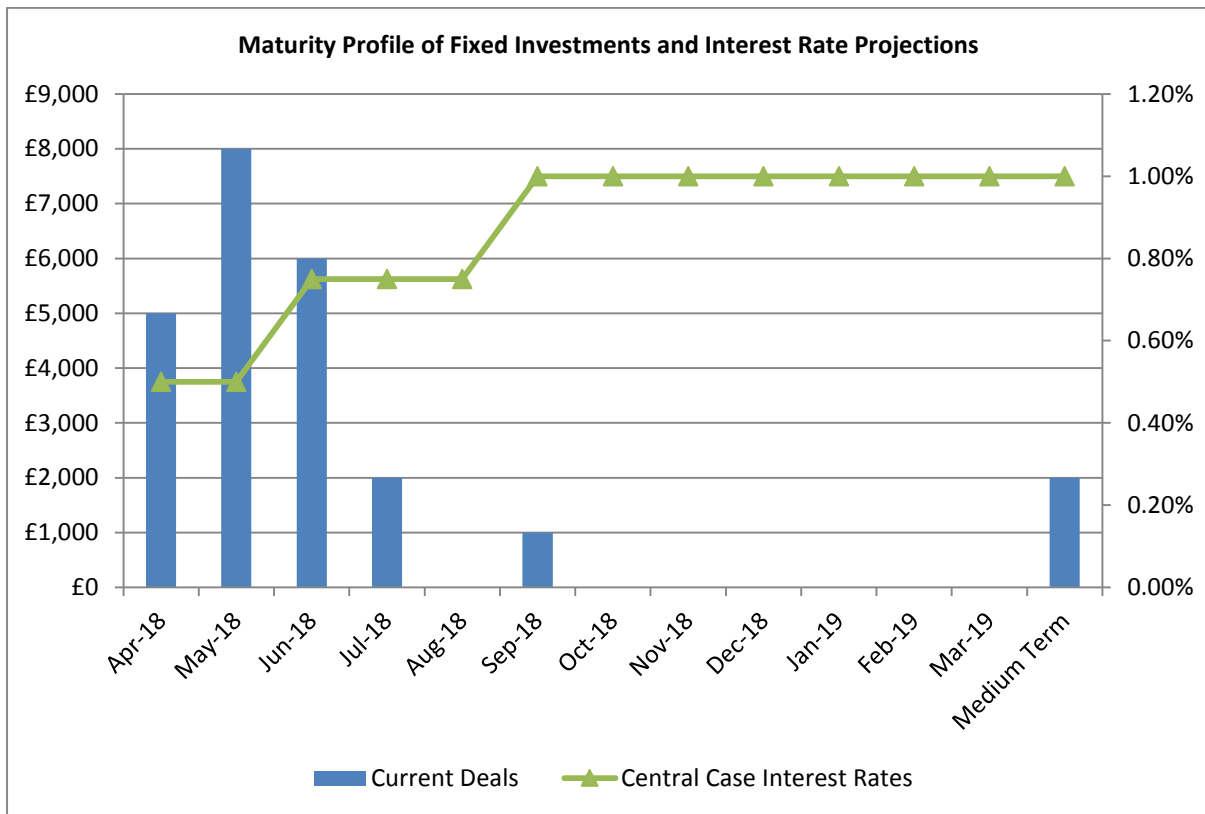
Aged Debtor Analysis					
Less than 6 months	£1,518,885	£701,369	(£817,516)	(53.82%)	<input checked="" type="checkbox"/>
More than 6 months	£622,614	£563,257	(£59,357)	(9.53%)	<input checked="" type="checkbox"/>

Investments in the 2017/18 Financial Year

The table below shows a breakdown of our investments at the end of March 2018:

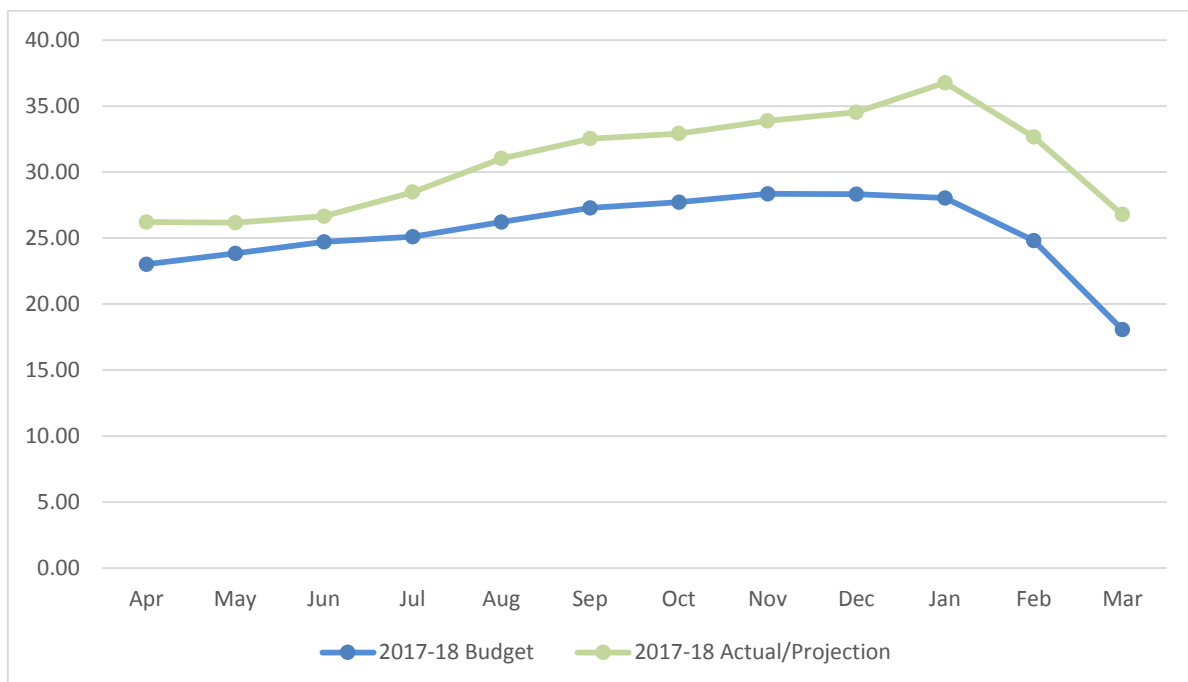
Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Foreign Parent
Money Market Funds						
Invesco Aim	£1,000,000	01-Apr-18	Instant Access	0.41%	A+	N/A
Legal & General	£1,000,000	01-Apr-18	Instant Access	0.42%	A+	N/A
BNP Paribas MMF	£1,000,000	01-Apr-18	Instant Access	0.43%	A+	N/A
Amundi	£1,000,000	01-Apr-18	Instant Access	0.43%	A+	N/A
Property Fund						
CCLA Property Fund	£2,000,000	N/A	N/A	4.13%	N/A	No
Fixed Term Investments						
Rugby Borough Council	£2,000,000	29-Jun-18	90	0.35%	LOCAL	No
United Overseas Bank	£1,000,000	18-May-18	48	0.39%	AA-	Yes
DBS Bank	£1,000,000	01-Jun-18	62	0.39%	AA-	Yes
Coventry Building Society	£1,000,000	05-Apr-18	5	0.40%	A	No
Salford City Council	£2,000,000	16-May-18	46	0.50%	LOCAL	No
Commonwealth Bank of Australia	£1,000,000	03-May-18	33	0.42%	AA-	Yes
Lloyds	£1,000,000	15-May-18	45	0.65%	A	No
Nationwide	£1,000,000	15-May-18	45	0.46%	A	No
Australia and New Zealand Banking Group	£1,000,000	12-Jun-18	73	0.57%	AA-	Yes
Landesbank Hessen-Thüringen (Helaba)	£1,000,000	09-Jul-18	100	0.62%	A	Yes
Barclays Bank	£1,000,000	18-May-18	48	0.41%	A	No
Merthyr Tydfil Council	£2,000,000	29-Jun-18	90	0.85%	LOCAL	No
Call Accounts with Notice Period						
Santander UK plc	£1,000,000	27-Sep-18	180	0.55%	A	Yes
Goldman Sachs International Bank	£1,000,000	04-Jul-18	95	0.44%	A	Yes
Svenska Handelsbanken AB	£1,000,000	05-May-18	35	0.25%	AA-	Yes
Total Investments	£24,000,000					

The maturity profile of these investments at 31 March 2018 compared to our Treasury Management advisor Arlingclose interest rate forecasts is shown in the graph below:



Cash Flow for 2017/18

The graph below compares the budget for average investment levels in 2017/18 with the actual levels.



Performance of the Treasury Management Function

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).

Security:

Our aim for the risk status of our portfolio was an average long-term rating of **A-** or higher. As a matter of prudence, the lowest rating from the three credit rating agencies was utilised to comply with this threshold.

The investments outstanding at the 31 March 2018 had a risk status of **AA-** based on the length of the investment and **AA-** based on the value of the investment, which is a more secure risk status. These risk statuses are both compliant with our aim and the recommendations from our Treasury Management advisors.

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.

The time limits were relatively short to manage counterparty credit risk (a bank or building society being unable to repay our investment). We also maintained balances in Money Market Funds to provide for unforeseen cash flow requirements. The average length of investments we have made in 2017/18 is **96 days**.

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 financial year. We actively managed liquidity risk in 2017/18 by purchasing Certificates of Deposit and Treasury Bills because they can be sold on the secondary market in the event the money is required for unforeseen circumstances. We also had significant sums invested in call accounts and Money Market Funds which provide instant access to cash. Therefore, due to the level of our liquid investments in 2017/18 we did not need to temporarily borrow.

Yield:

In the year of 2017/18 we have achieved an average interest rate of **0.66%**. This compares to our performance indicator of the average Seven-day London Inter-bank Bid (LIBID) rate, which was **0.21%**, the one month rate was **0.23%**, the three month rate was **0.28%** and the six month rate was **0.40%**.

In terms of interest receipts, there are two key risks/sensitivities:

- a) The interest rate receivable.
- b) The amount of money we have available to invest.

The interest rates, amounts of money we had available to invest, interest receipts, interest paid and net investment income in 2017/18 are shown in the table below:

	Target	Actual
<u>Security</u>		
Risk Status (length of Investment)	A- minimum	AA-
Risk Status (Value of the investment)		AA-
<u>Liquidity</u>		
Length of Investments (days)	N/A	96 days
Temporary Borrowing	£0	£0
<u>Yield</u>		
Average amount we had available to invest (£m)	£30.70m	£30.71m
Average Interest Rate (%)	0.65%	0.66%
7-day London Inter-bank Bid (LIBID) rate	0.21%	
1 month London Inter-bank Bid (LIBID) rate	0.23%	
3 month London Inter-bank Bid (LIBID) rate	0.28%	
6 month London Inter-bank Bid (LIBID) rate	0.40%	
Net Investment Income (£)	(£155,500)	(£159,280)
Net Treasury Position (£)	(£19,450)	(£14,447)

COMPLIANCE WITH PRUDENTIAL INDICATORS 2017/18

1. Background:

There is a requirement under the Local Government Act 2003 for Local Authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. It should be noted that CIPFA undertook a review of the Code during the summer of 2017, and issued a revised Code in December 2017.

The Council implemented its strategy within the limits and parameters set in its treasury policy, strategy statement and Prudential Indicators against the prevailing market conditions and opportunities as follows:

- (a) Financing its capital spending from government grants/usable capital resources/ revenue contributions etc rather than from external borrowing.
- (b) Adhering to the paramount requirement of safeguarding the council's invested balances during a period of unprecedented money market dislocation; maintaining adequate diversification between institutions; optimising investment returns subject to the overriding requirement of security and liquidity.
- (d) Forecasting and managing cash flow and undertaking short-term borrowing and lending to preserve the necessary degree of liquidity.

2. Estimates of Capital Expenditure (Prudential Indicator 1):

- 2.1 This indicator is set to ensure that the level of proposed Capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax :

No. 1 Capital Financing	2017/18 Original £m	2017/18 Approved £m	2017/18 Actual £m
Non-Current Assets	2.800	1.594	1.055
Revenue Expenditure funded from Capital under Statute	2.532	1.774	1.553
Total	5.332	3.368	2.608

- 2.2 This capital expenditure has been financed as follows:

No. 1 Capital Financing	2017/18 Original £m	2017/18 Approved £m	2017/18 Actual £m
Capital Receipts	1.070	0.532	0.273
Burntwood Sinking Fund	0.170	0.202	0.012
Other Sinking Funds	0.000	0.000	0.000
Capital Grants and Contributions	3.767	1.480	1.358
Earmarked reserves etc.	0.096	0.103	0.018
Revenue Contributions	0.154	0.769	0.947
Finance Leases, Invest to Save and Borrowing	0.075	0.282	0.000
Total	5.332	3.368	2.608

3. Ratio of Financing Costs to Net Revenue Stream (Prudential Indicator 2):

3.1 This is an indicator of affordability and demonstrates the revenue implications of capital investment decisions by highlighting the proportion of the revenue budget required to meet the borrowing costs associated with capital spending. The financing costs include existing and proposed capital commitments.

3.2 The ratio is based on costs net of investment income:

No. 2 Ratio of Financing Costs to Net Revenue Stream	2017/18 Original £m	2017/18 Approved £m	2017/18 Actual £m
Investment Income	(0.161)	(0.195)	(0.195)
Transfer to Property Reserve	0.038	0.035	0.036
Internal Interest	0.004	0.004	0.004
External Borrowing Interest	0.036	0.037	0.037
Finance Lease Interest Charges	0.016	0.016	0.048
Minimum Revenue Provision	0.581	0.604	0.616
Total Financing Costs	0.515	0.501	0.546
Total Funding Available	11.034	11.060	11.059
%	5%	5%	5%

4. Capital Financing Requirement (Prudential Indicator 3):

4.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. In order to ensure that over the medium term gross borrowing will only be for a capital purpose, the Council ensures that gross external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.

No. 3 Capital Financing Requirement	2017/18 Original £m	2017/18 Approved £m	2017/18 Actual £m
Balance Brought Forward	4.806	4.793	4.793
Capital Expenditure financed from borrowing etc.	0.075	0.282	0.000
Minimum Revenue Provision	(0.581)	(0.604)	(0.616)
Balance Carried Forward	£4.300	£4.471	£4.177

5. Gross Borrowing and the Capital Financing Requirement (Prudential Indicator 4):

5.1 This is a key indicator of prudence and ensures that over the medium term gross borrowing will only be for a capital purpose.

5.2 This gross borrowing is obtained directly from the Council's Balance Sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities and is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

No. 4	Revised £m	31/03/18 £m
LT Borrowing	(1.309)	(1.309)
Short Term Element of LT Borrowing	(0.061)	(0.061)
Short Term Element of LT Liabilities	(0.516)	(0.505)
Other Long Term Liabilities	(1.582)	(1.543)
Total	(£3.468)	(£3.418)

	2017/18 Original £m	2017/18 Approved £m	2017/18 Actual £m
CFR plus next 2 years	3.993	24.714	24.420
Gross Debt	(3.461)	(3.468)	(3.418)
Gross Borrowing < CFR plus next 2 years	True	True	True

The Head of Finance and Procurement (Section 151) reports that the Authority had no difficulty meeting this requirement in 2017/18. There are also no difficulties envisaged for future years.

6. Incremental Impact of Capital Investment Decisions (Prudential Indicator 5):

- 6.1 This is an indicator of affordability that shows the impact of Capital investment decisions on Council Tax levels when the budget for the year was set.

No.5 Incremental Impact of Capital investment Decisions	2017/18 Original £	2017/18 Approved £	2017/18 Actual £
Band D Equivalent	(£0.21)	£0.00	£0.60

7. Affordable Borrowing Limit, Authorised Limit and Operational Boundary for External Debt:

- 7.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

7.2 The Authorised Limit (Prudential Indicator 6):

This is the maximum amount of external debt that can be outstanding at one time during the financial year. The limit, which is expressed gross of investments, is consistent with the Council's existing commitments, proposals for capital expenditure and financing and with its approved treasury policy and strategy and also provides headroom over and above for unusual cash movements. This limit was set at **£15,292,000** for 2017/18.

8. Operational Boundary (Prudential Indicator 7):

This limit is set to reflect the Council's best view of the most likely prudent (i.e. not worst case) levels of borrowing activity and was set at **£5,895,000**.

- 8.1 Levels of debt are measured on an ongoing basis during the year for compliance with the Authorised Limit and the Operational Boundary. The Council maintained its total external borrowing and other long-term liabilities within both limits; at its peak this figure was :

No. 6 and 7 Authorised Limit and Operational Boundary	2017/18 Maximum £m	2017/18 Year Start £m	2017/18 Year End £m
External Borrowing - Long Term	1.370	1.370	1.309
External Borrowing - Short Term	0.069	0.069	0.061
Bank Overdraft	0.000	0.000	0.000
Other Long Term Liabilities - Short Term	0.505	0.505	0.505
Other Long Term Liabilities - Long Term	2.047	2.047	1.543
Total	£3.991	£3.991	£3.418

<u>Details</u>	2017/18 Original £m	2017/18 Approved £m	2017/18 Maximum £m
Authorised Limit	£15.292	£15.292	£3.991
Operational Boundary	£5.895	£5.895	£3.991

9. Adoption of the CIPFA Treasury Management Code (Prudential Indicator 8) :

- 9.1 This indicator demonstrates that the Council has adopted the principles of best practice:

Adoption of the CIPFA Code of Practice in Treasury Management
<ul style="list-style-type: none"> • Council approved the adoption of the CIPFA Treasury Management Code at its Full Council meeting on 25 February 2003. • Council has incorporated any changes resulting from the CIPFA Treasury Management Code within its treasury policies, practices and procedures. • At its meeting on 21 February 2017, Council originally approved its Prudential Indicators for 2017/18. • The Prudential Indicators were fully revised and approved by Council on 20 February 2018.

10. Gross Debt (Prudential Indicator 9):

- 10.1 The purpose of this treasury indicator is to highlight a situation where the Council is planning to borrow in advance of need:

No. 9	2017/18 Original £m	2017/18 Approved £m	2017/18 Actual £m
Outstanding Borrowing	(1.338)	(1.370)	(1.370)
Other Long Term Liabilities	(2.124)	(2.098)	(2.048)
Gross Debt	(£3.462)	(£3.468)	(£3.418)
Capital Financing Requirement	£4.300	£4.471	£4.177
Is our Gross Debt in excess of our Capital Financing Requirement and are we borrowing in advance of need?	No	No	No

11. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure (Prudential Indicators 10 and 11):

- 11.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The exposures are calculated on a gross basis. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

No. 10 and 11	2017/18 Original %	2017/18 Approved %	2017/18 Highest %	2017/18 Lowest %	2017/18 Average %
Fixed Interest Rates					
Upper Limit on Fixed Interest Rate Exposure on Investments	(100%)	(100%)	(80%)	(53%)	(64%)
Upper Limit on Fixed Interest Rate Exposure on Debt	100%	100%	100%	100%	100%
Net Fixed Exposure (No. 10)	0%	0%	20%	47%	36%
Variable Interest Rates					
Upper Limit for Variable Rate Exposure on Investments	(100%)	(100%)	(47%)	(20%)	(36%)
Upper Limit for Variable Rate Exposure on Debt	30%	30%	0%	0%	0%
Net Variable Exposure (No. 11)	(70%)	(70%)	(47%)	(20%)	(36%)

12. Maturity Structure of Fixed Rate borrowing (Prudential indicator 12):

- 12.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

- 12.2 It is calculated as the amount of borrowing that is fixed rate maturing in each period, as a percentage of total borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

No. 12 Maturity Structure of Fixed Rate Borrowing	£	%	Lower Limit	Upper Limit
Under 12 months	60,880	4.44%	0%	100%
12 months and within 24 months	60,880	4.44%	0%	100%
24 months and within 5 years	182,640	13.33%	0%	100%
5 years and within 10 years	304,400	22.22%	0%	100%
10 years and within 20 years	608,800	44.44%	0%	100%
20 years and within 30 years	152,200	11.11%	0%	100%
30 years and within 40 years	0	0.00%	0%	100%
40 years and within 50 years	0	0.00%	0%	100%
50 years and above	0	0.00%	0%	100%
Total	£1,369,800			

13. Upper Limit for total principal sums invested over 364 days (Prudential Indicator 13):

- 13.1 This indicator is set in order to allow the Council to manage the risk inherent in investments longer than 364 days:

No 13 Upper Limit for total principal sums invested over 364 days	2017/18 Original £m	2017/18 Approved £m	2017/18 Actual £m
Upper Limit	£6.000	£6.000	£2.000

14. Credit Risk (Prudential Indicator 14):

- 14.1 We consider security, liquidity and yield, in that order, when making investment decisions.
- 14.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in our assessment of counterparty credit risk.
- 14.3 We also consider alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk :
- Published credit ratings of the financial institution (minimum **A-** or equivalent);
 - Potential for bail-in risk;
 - Credit default swaps (where quoted);
 - Share prices (where available);
 - Economic fundamentals, such as a country's net debt as a percentage of its GDP);
 - Corporate developments, news, articles, markets sentiment and momentum;
 - Subjective overlay.
- 14.4 The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

15. Changes to the 2017 Prudential Code:

- 15.1 The 2017 Prudential Code has deleted three Prudential Indicators: (a) incremental impact on Council Tax, (b) adoption of the TM Code, and (c) HRA limit on indebtedness. The first two are relevant for this Council. In relation to (b), there is no longer a requirement for local authorities to formally adopt the Treasury Management Code, but local authorities in all parts of the UK are now required by law to have regard to the Code. For (a), the Council has decided not to retain this indicator as a local indicator.