

# Money Matters : 2018/19 Review of Financial Performance against the Financial Strategy

## Cabinet Member for Finance and Democracy

Date:	4 September 2018
Agenda Item:	3
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Key Decision?	YES
Local Ward Members :	Full Council

## 1. Executive Summary

- 1.1 The report covers the financial performance from April to June (Quarter One) for 2018/19.
- 1.2 The Net Cost of Services is projected to be above budget by **£36,030** and Corporate Budgets (Treasury and Section 31 Grants) are projected to be on budget, a total of **£36,030**.
- 1.3 Three service areas are currently in the process of identifying their share of the Efficiency Plan target for 2017/18 that remains outstanding of **£83,670**.
- 1.4 The Council on 20 February 2018 approved a transfer to general reserves of **£26,990**.
- 1.5 The projected budget performance detailed in 1.2 means a lower transfer of **£6,180** is currently projected to general reserves.
- 1.6 The Capital Programme is projected to be below budget by **(£495,000)** resulting in profiling updates.
- 1.7 Capital receipts are projected to be **(£300,000)** compared to the Approved Budget of **(£0)**.
- 1.8 In terms of Council Tax, Business Rates, Sundry Debtors and Supplier Payment Performance:
  - The Council's collection performance on Council Tax based on debt covering all years is **29.25%** and this is consistent with previous years.
  - There is a projected surplus for Council Tax and the Council's share of **(£19,530)** with **£0** included in the 2019/20 budget.
  - Income raised has increased by **(£1,173,551)** due to the issue of a large invoice related to the Better Care Fund of (£905,000).
  - In addition Invoices Outstanding has reduced by **(£622,816)** due to lower debt for the Joint Waste Service and the transfer of Leisure Centres management.
  - The Council is projected to be paying gross Business Rate levy (including the volatility allowance) of **£2,023,000** to the GBS pool and will receive **(£387,000)** of returned levy. Therefore the projected 'net levy allowance' is **£1,636,000**.
  - Retained Business Rate Income is currently projected to be **(£252,100)** higher than the Approved Budget.
  - The Council's collection performance on Business Rates based on debt covering all years is **26.01%**. This is lower than previous years due to the inclusion of two new large valuations where the valuation process has led to a delay in the issue of the bills and the payment plans, the implementation of the Local Discretionary Rate Relief scheme and other changes in payment plans.
  - There is a projected surplus for Business Rates and the Council's share of **(£22,300)** with **£0** included in the 2019/20 budget.
  - The payment of suppliers within 30 days in 2018/19 is **80.18%** and this is consistent with previous years.
- 1.9 The Council's investments achieved a risk status that was more secure than the aim of **A-** and yield exceeded all four of the industry standard LIBID yield benchmarks.
- 1.10 Staffordshire Authorities are likely to submit an application to be a Business Rates Pilot in 2019/20.

## 2. Recommendations

- 2.1 To note the report and issues raised within and that Leadership Team with Cabinet Members will continue to closely monitor and manage the Medium Term Financial Strategy 2017-22.
- 2.2 To formally accept the offer of **£905,939** by the Better Care Fund Partnership Board to support expenditure on Disabled Facilities Grants in 2018/19.
- 2.3 To approve an update to the Capital Programme expenditure budget of **£154,000** (from £774,000 to £928,000) for Disabled Facilities Grants in 2018/19, funded by **£22,000** of council resources, and **£906,000** of Better Care Fund (BCF).
- 2.4 To note the award of a new contract to Axis Security Services Ltd for a 3 year period and the resulting increase in budget required for the CCTV Contract over the period of **£58,860** (£19,620 in 2018/19).
- 2.5 To note the three consultations currently taking place regarding Local Government Finance.
- 2.6 To approve the Council being part of the Staffordshire Business Rates Pilot for 2019/20 and to delegate authority to the Leader, Chief Executive and Head of Finance and Procurement to agree the application.
- 2.7 To approve an investment of up to **£2m** in the CCLA Diversified Income Fund with income received in excess of **2.5%** transferred to an earmarked reserve to manage volatility risk.
- 2.8 The decision on the exact level and timing of the investment in the CCLA Diversified Income Fund be delegated to the Cabinet Member for Finance and Democracy and the Head of Finance and Procurement.

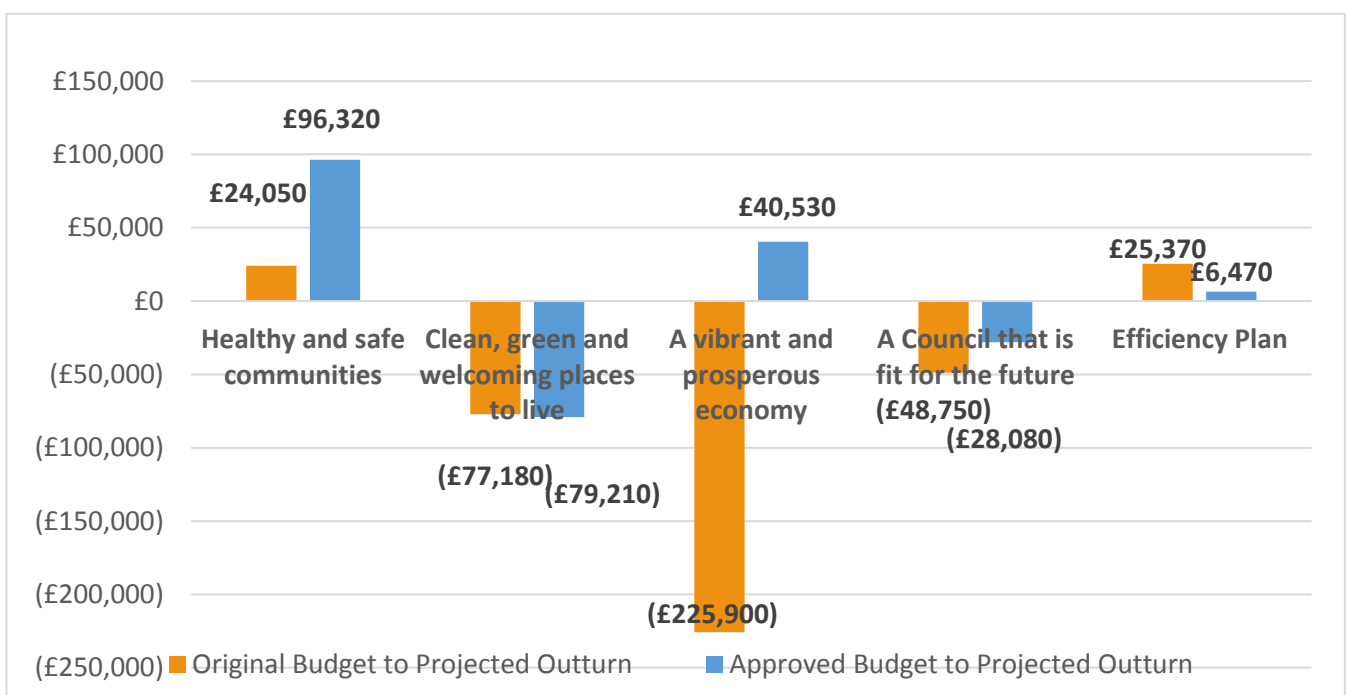
## 3. Background

### Budget Management

- 3.1. The MTFS 2017-22 approved by Council on 20 February 2018 included the Original Budget for 2018/19 and sets 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 will be provided to Cabinet and Briefing Notes to Strategic (Overview and Scrutiny) Committee at 3, 6 and 8 months to monitor financial performance.
- 3.3. The Money Matters reports update the Approved Budget to reflect latest projections and the 8 month Money Matters report will form the basis of the Revised Approved Budget for 2018/19 and will be approved by Council on 19 February 2019.

### The Revenue Budget

- 3.4. The detailed financial performance is shown in **APPENDIX B** and in summary in the graph below:



## Performance compared to the Approved Budget

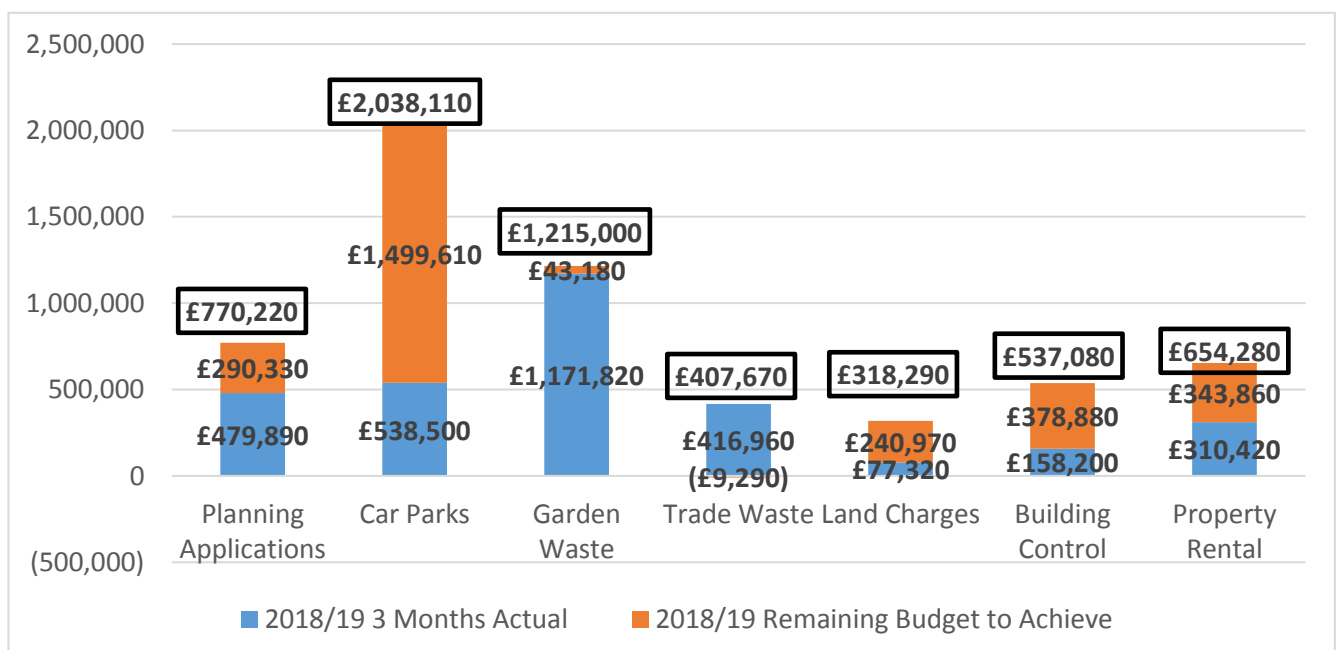
3.5. The projected variance to the Approved Budget related to one off and recurring items that impact on general reserves in 2018/19 of **£36,030** are shown in summary in the table below and in more detail in **APPENDIX B** by Service Area.

	Approved Budget	
	Virements	Variance
<b>Healthy and Safe Communities</b>		
• CCTV Contract increase		19,620
• Transfers	76,700	
<b>Clean, green and welcoming places to live</b>		
• Fairer Charging SLA ceased and additional grant income		3,960
• Efficiency Plan	(6,470)	
• Transfers	(76,700)	
<b>A vibrant and prosperous economy</b>		
• Property Rental income loss related to New Look		27,230
• Transfers	13,300	
<b>A Council that is fit for the future</b>		
• Employee savings, additional grant income		(11,970)
• Previous Chair and Vice Chairman underspend		(2,810)
• Transfers	(13,300)	
<b>Efficiency Plan</b>		
• Savings/income found in this quarter	6,470	
<b>Total – Net Cost of Services</b>	<b>£0</b>	<b>£36,030</b>
Reduced transfer from the Birmingham Road Earmarked Reserve to ensure sufficient resources are available to progress alternatives		252,100
Additional Business Rates income from Section 31 Grant		(252,100)
<b>Additional Transfer (to) / from General Reserves</b>	<b>£0</b>	<b>£36,030</b>

## Fees and Charges

3.6. The Council is becoming more reliant on income from fees and charges due to the reductions in government funding. Therefore it is important that these increasingly important income streams are monitored closely due to the increasing risk within the Approved Budget.

3.7. The chart below shows the largest fees and charges budgets together with the actual income achieved for the first three months (figures in brackets are where the annual budget has been exceeded):



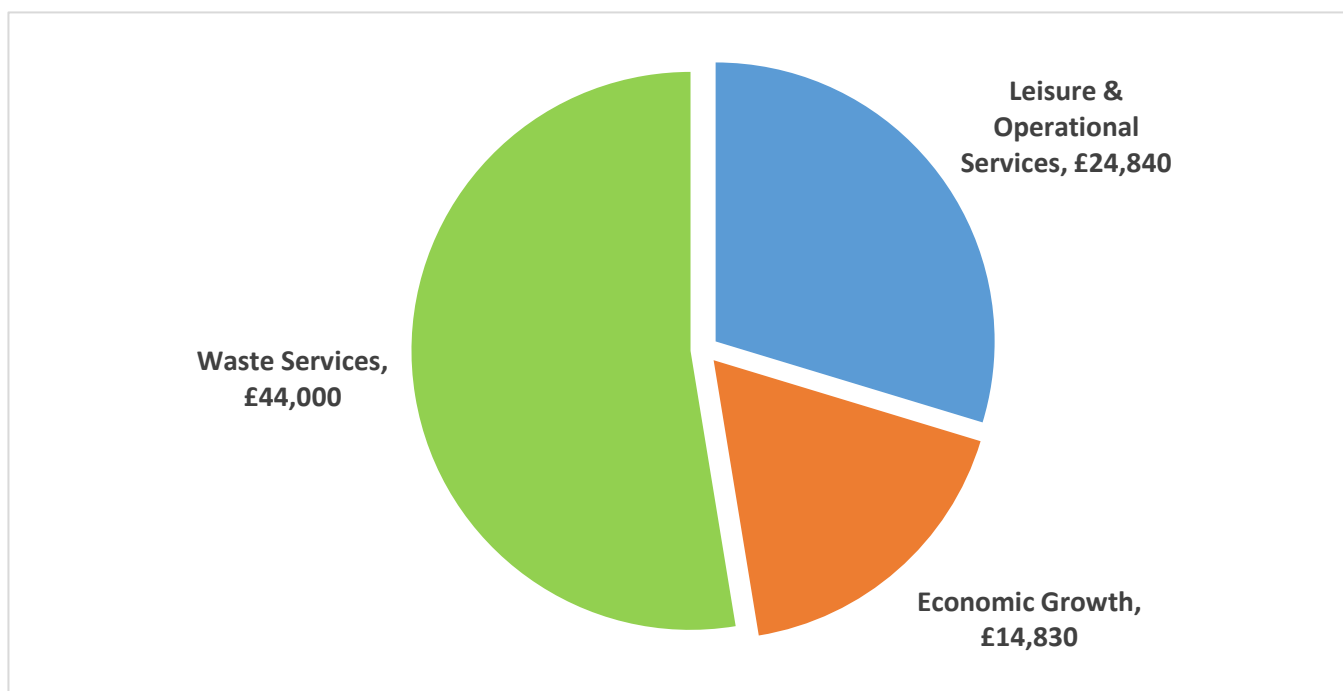
### Projected Outturn for Waste Service and the CCTV Contract

- 3.8. The financial position for Waste Services is difficult to forecast. There are many variables that could impact on the position. The variable factors include the following:
- As this is the first year of charging for garden waste collection, it is difficult to predict the number of subscriptions that will be achieved which will impact not only on the income from charging for collection but also impact on recycling credits received.
  - There has in recent months been a sudden increase in the number of rejected loads of dry recyclate at the recycling centre because of high levels of contamination. This has resulted in additional costs and lost income.
  - The impact of the Chinese ban on plastics and other recycled materials. Our income share from the sale of dry recyclate relies on the world market price for each commodity, and it is very likely that the price and hence our income will fall over the coming months.
- 3.9. It is anticipated that as the financial year progresses a clearer picture will emerge and forecasts will be updated to reflect this.
- 3.10. The CCTV security contract has been procured by the operating agents of Three Spires Shopping Centre; the preferred supplier is Axis Security Services Ltd which has increased the contract price. The Council contributes **51%** of the contract costs and the annual budget increase is **£19,620**.

### The Efficiency Plan

- 3.11. A number of service areas have overachieved their element of the overall target of **(£250,000)**. However there are three service areas that are still to achieve their share of the target as shown below:

	Services where target has been achieved	Services where target has not been achieved	Total
<b>Target</b>	111,000	139,000	250,000
<b>Delivered</b>	(148,860)	(55,330)	(204,190)
<b>Balance Outstanding</b>	<b>(£37,860)</b>	<b>£83,670</b>	<b>£45,810</b>

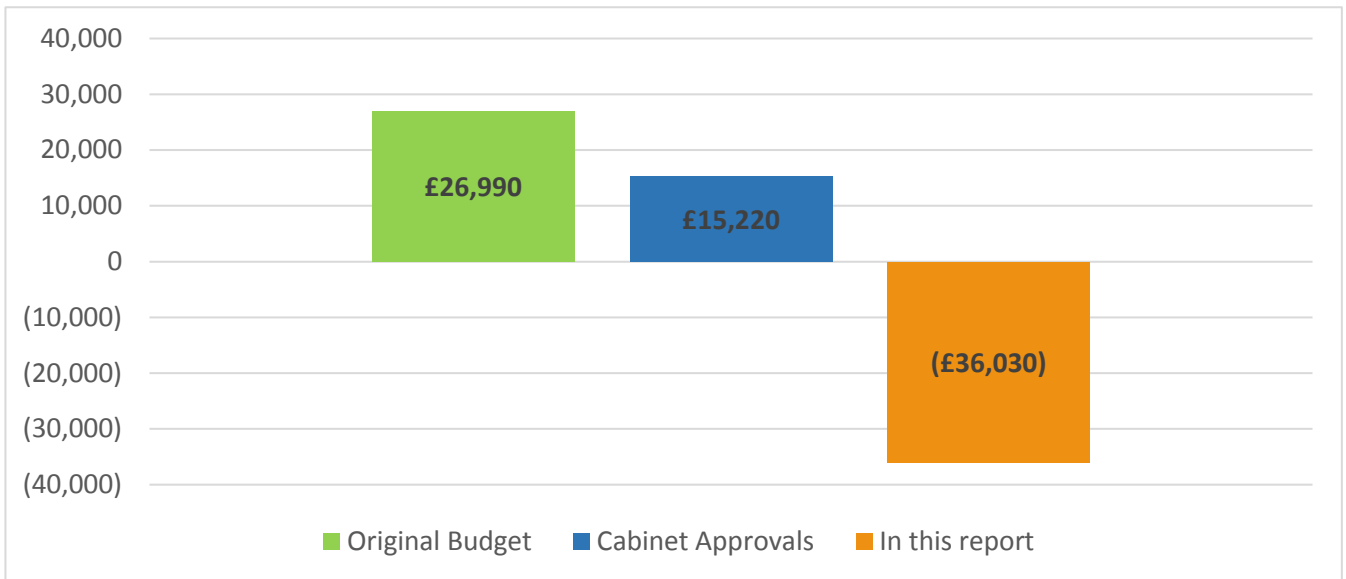


- 3.12. These service areas are currently considering options to deliver these outstanding targets and progress will be reported in Money Matters reports during the financial year.

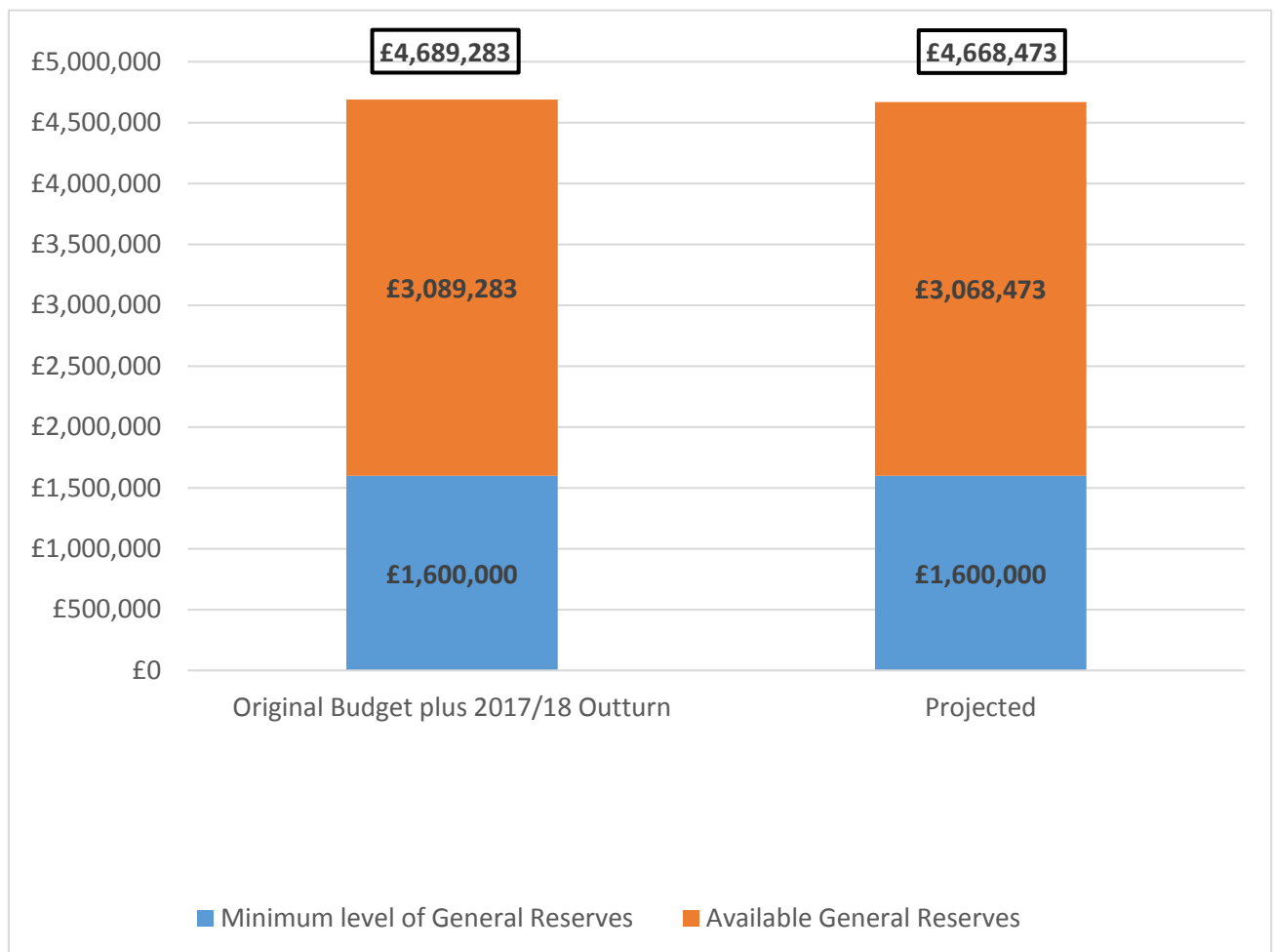
## Revenue General Reserves

3.13. The Council's Original Budget approved a contribution to General Reserves of **£26,990**. The Approved Budget following approvals by Cabinet and Council currently shows a contribution to General Reserves at the three months stage of **£42,210**.

3.14. This report identifies (**£36,030**) a reduction of the contribution to general reserves to **£6,180** and this is shown in the graph below:

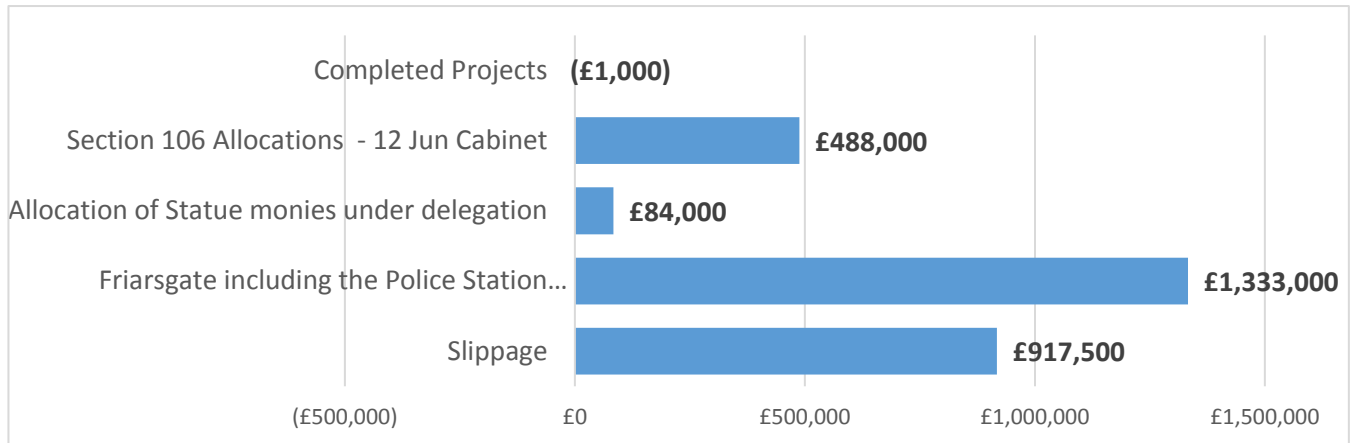


3.15. The following Revenue general reserves are available to assist the Council in meeting General Fund expenditure as part of the Medium Term Financial Strategy:

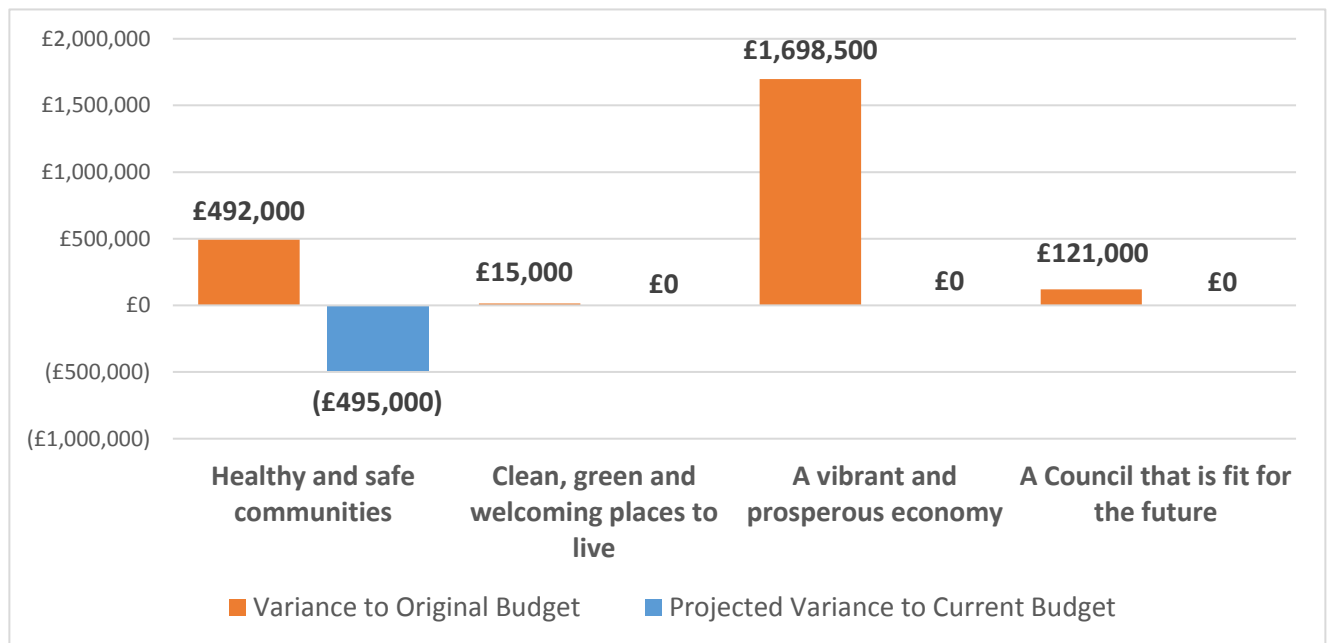


## The Capital Programme

3.16. The budgetary changes of **£2,821,500** from the Original Budget of **£10,242,000** to the Approved Budget of **£13,063,500** is shown in the graph below:



3.17. We are projecting that the Capital Programme performance will be below budget by **(£495,000)** or **4%** 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

3.20. There are projected variances compared to the Approved Budget related to:

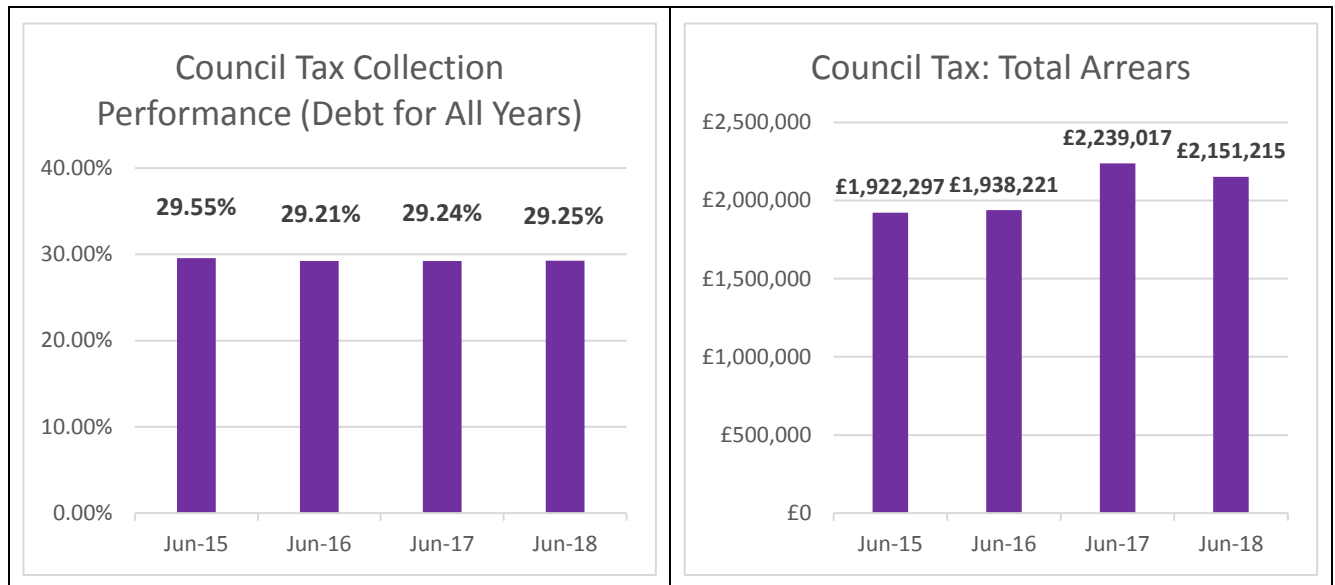
	Approved Budget Variance
<b>Healthy and Safe Communities</b>	
• <b>Disabled Facilities Grants</b> – Grant for Better Care Fund £154,000 higher than budgeted.	154,000
• <b>Housing Grants</b> – An options appraisal is under way and therefore it is unlikely this sum will be spent in 2018/19.	(649,000)
<b>Total</b>	<b>(£495,000)</b>

### Capital Receipts

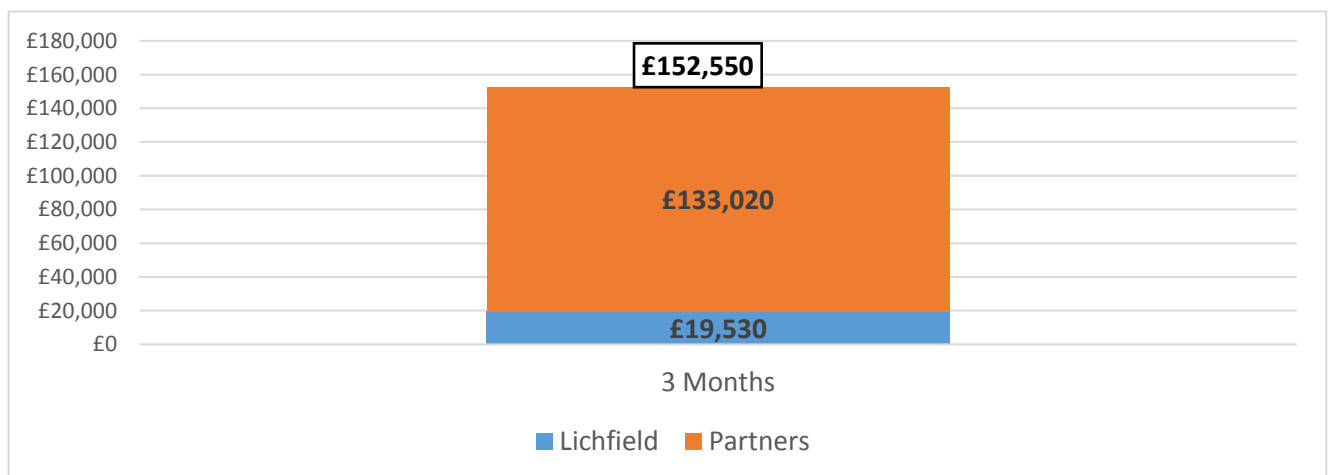
3.21. The budget and actual for Capital Receipts is **£0**, however the projection for 2018/19 is **(£300,000)** due to the planned sale of two assets.

## Council Tax

- 3.22. The Council is responsible for the collection of Council Tax for all precepting authorities in 2018/19 totalling **£63m**.
- 3.23. The collection performance for Council Tax for the first three months of the last four financial years is shown in the graph below:



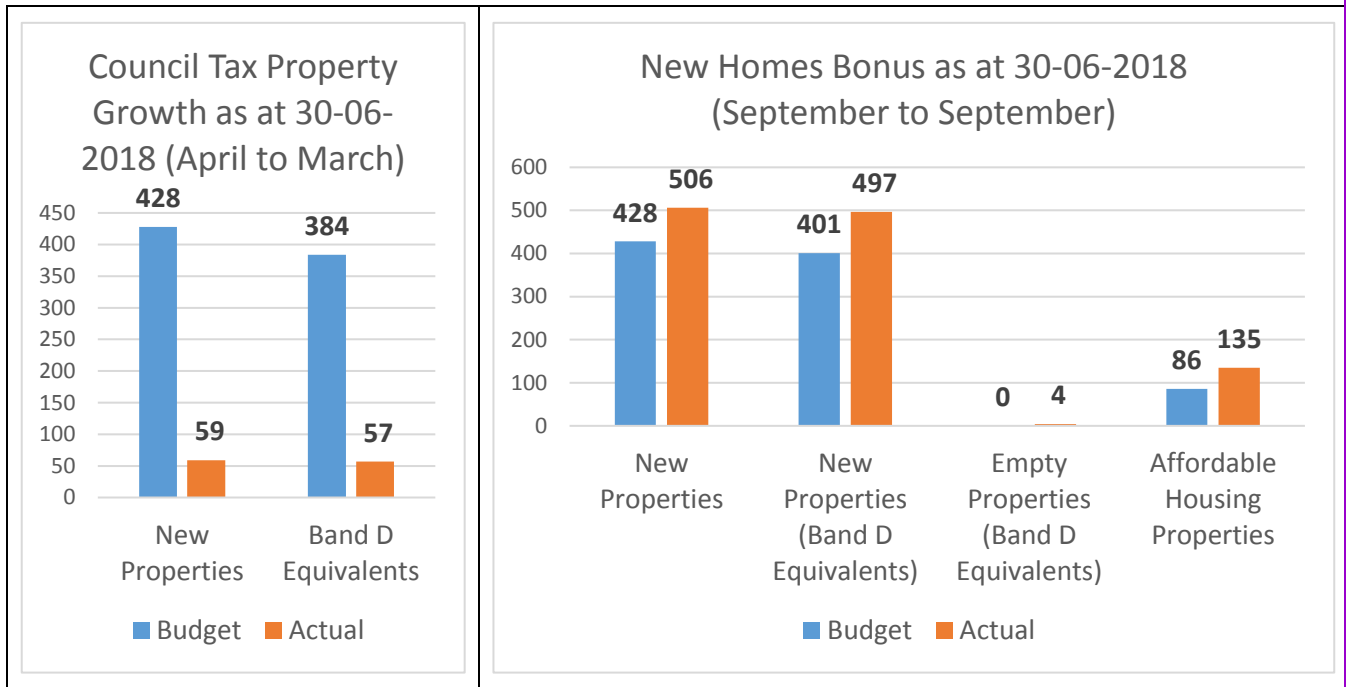
- 3.24. The collection performance has remained consistent with the same period in previous financial years. The level of arrears is marginally higher than the average for the previous three years. This can be attributed to several factors including the impact of the Local Council Tax Support Scheme, more properties to collect Council Tax from and the introduction of the Adult Social Care Precept.
- 3.25. A summary of the Projected Council Tax Collection Fund performance (The Budget assumed a breakeven position) is shown in the graph below and is based on Lichfield's (including Parishes) current share of Council Tax of **13%**:



- 3.26. The main reasons for the projected surplus of **(£152,550)** are:
- There was a higher surplus than projected in 2017/18 of **(£11,248)**.
  - The net yield from Council Tax in 2018/19 is projected to be **(£141,302)** higher than estimated. This is due to lower Local Council Tax Support discount and higher Council Tax income net of other discounts and exemptions.
- 3.27. The projected surplus in 2018/19 includes the actual surplus in 2017/18 together with performance related to 2018/19. The Council's share of the projected surplus of **(£19,530)** will be included in the 2019/20 Budget and will therefore also impact on the Funding Gap in that financial year.

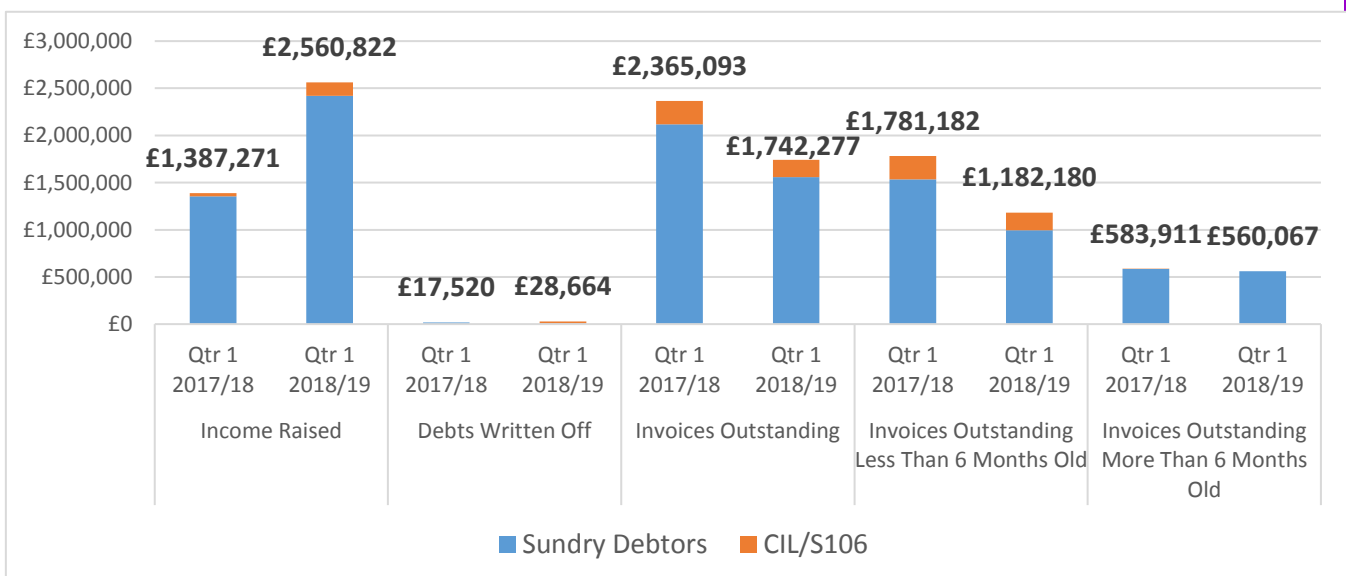
## Housing Supply

- 3.28. Housing supply is one of the key assumptions in the current Approved Medium Term Financial Strategy because it impacts on the income we receive from both Council Tax and New Homes Bonus.
- 3.29. The first graph shows completions for Council Tax (based on the financial year April to March) for April 2018 to June 2018. This shows that actual delivery in the first three months is lower than the budget.
- 3.30. The second graph shows the components in the New Homes Bonus calculation (based on the Council Tax Base Return year) from September 2017 to June 2018. In terms of new properties, delivery is higher than the target and would mean in theory (this is subject to any changes in the baseline level of 0.4%) the Council would receive higher New Homes Bonus than has been budgeted.



## Sundry Debtors (Including Community Infrastructure Levy (CIL) and Section 106 (S106))

- 3.31 The Council commenced the collection of CIL in 2016/17 and initially the level collected has been relatively low, however as more properties are built the amount of both CIL and S106 is increasing.
- 3.32 To provide Members with a view on overall 'sundry' debt we will now provide figures for both sundry debt such as Trade Waste, Building Control and Property Leases together with CIL and S106.
- 3.33 The transactions levels and collection performance in 2018/19 compared to 2017/18 is shown below:





3.34 The Sundry Debtors, CIL and Section 106 performance is shown in detail at **APPENDIX D**. The main variances are below:

- **Income Raised (increase of £1,173,551 or 85%):** An invoice was raised for the Better Care Fund grant of **£905,000** this year. There was no corresponding invoice last year.
- **Invoices Outstanding (reduction of £622,816 or 26%):** this reduction is due to lower invoices outstanding related to waste and Leisure Centres (due to the transfer to Freedom Leisure).

#### **Business Rates**

3.35. The Council will collect Business Rates for all partners in 2018/19 totalling **£36m**.

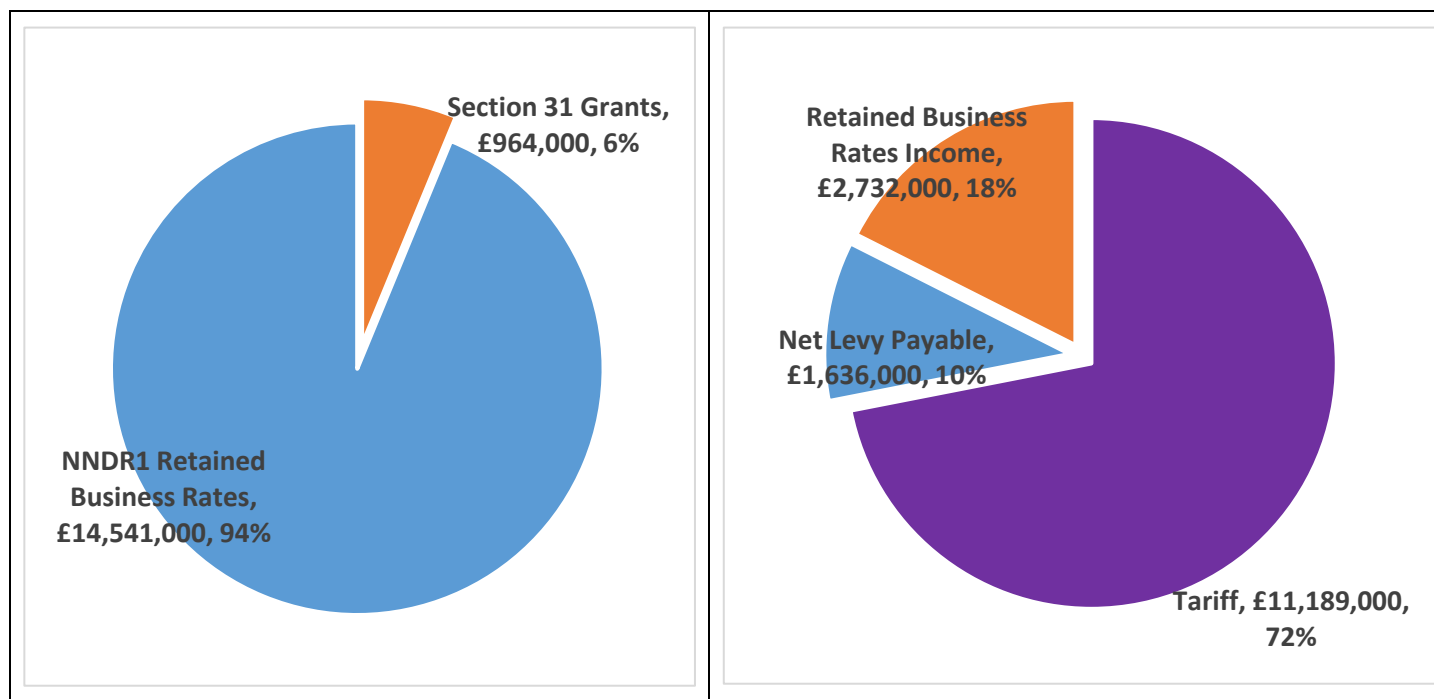
3.36. The Council receives a **40%** share of Business Rates income. The Council's share included in its budget is based on the NNDR 1 estimated level together with Section 31 grants for certain reliefs granted. The Council must then pay the Government set tariff and any net levy based on growth above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

3.37. The Retained Business Rate income for 2018/19 is projected to be **(£2,732,000)** compared to the Approved Budget of **(£2,479,900)**.

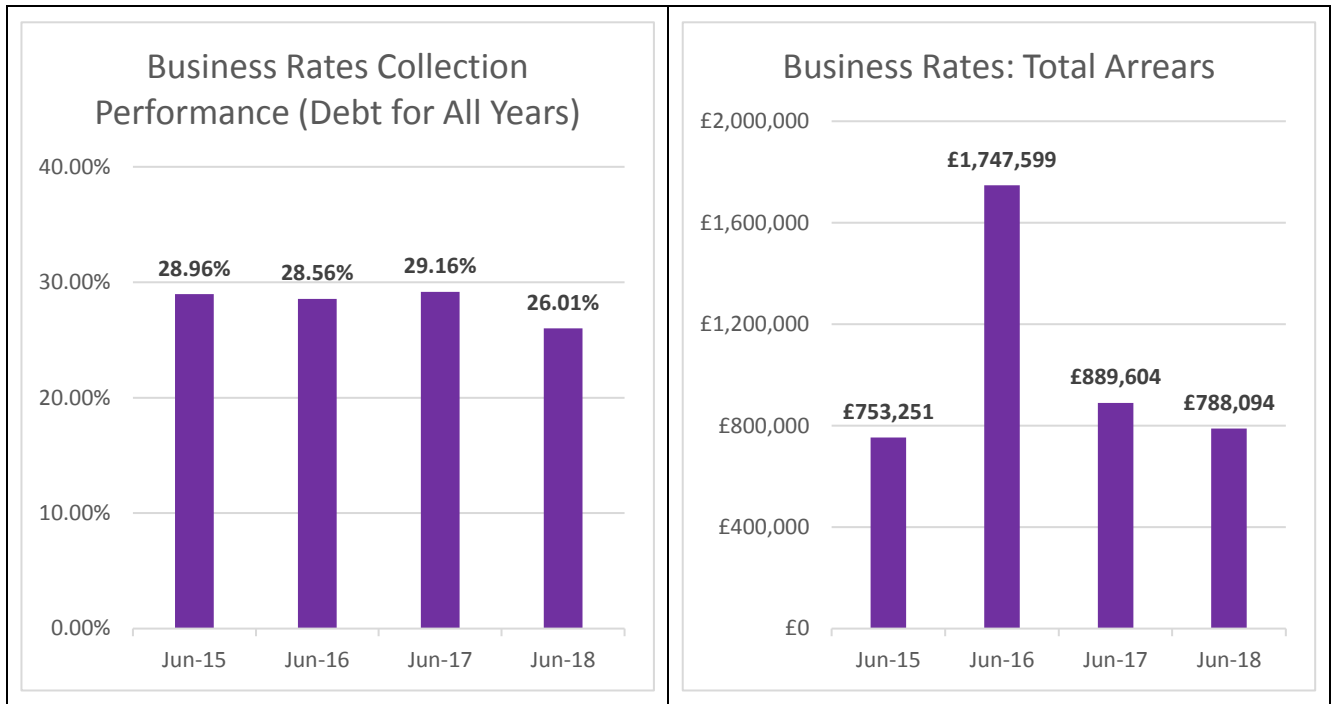
3.38. There is projected to be **(£252,100)** of additional income due to:

- Section 31 Grant income is higher than budgeted due to reliefs announced in the Summer Budget 2017 for supporting small business, discretionary relief and support for public houses.
- The calculation of Small Business Rate Relief was also changed as announced in the Budget 2016. The change resulted in the permanent doubling of the relief together with increases in the thresholds that would mean more business would benefit.
- A consultation was undertaken in the Provisional Local Government Finance Settlement 2018/19 from December 2017 to January 2018 on the calculation of Section 31 Grant for both 2017/18 (due to disconnect of the budget announcement and the receipt of NNDR1 returns for 2017/18) and later years.
- The results of the consultation were received as part of the NNDR1 for 2018/19 although this was too late to be incorporated into the Medium Term Financial Strategy. Therefore the projected calculation for 2018/19 has been included in this report.

3.39. The detail of the Council's actual and budgeted share of Business Rates income, the tariff and net levy and retained Business Rates in 2018/19 is shown in detail at **APPENDIX D** and in the graphs below:



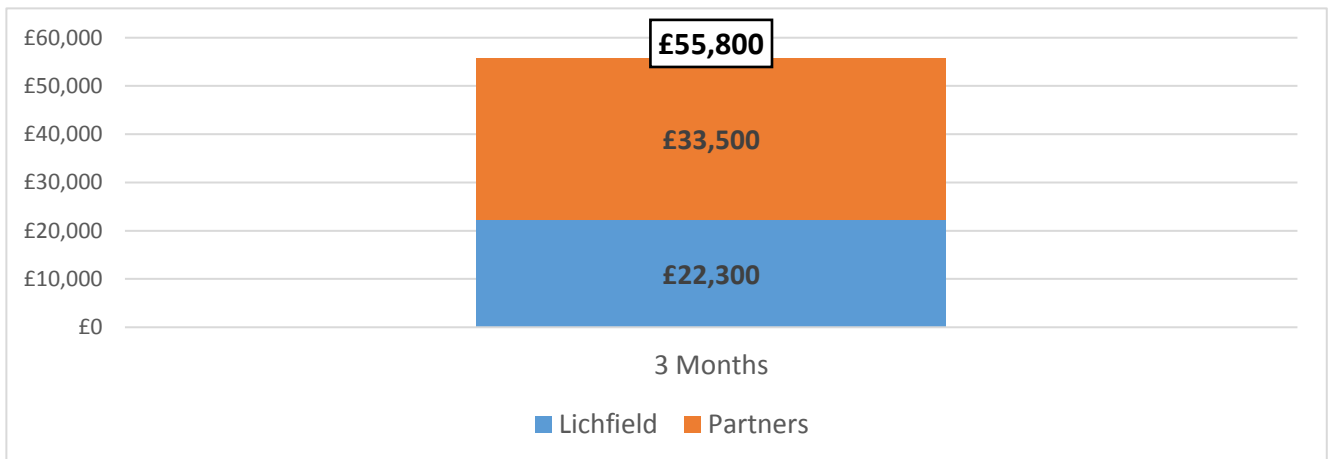
3.40 The collection performance for Business Rates for the first three months of the last four financial years is shown in the graph below:



3.41 The collection performance for total arrears is lower than the average for the three previous financial years (although in year performance has improved), this is due to the inclusion of two new large valuations where the valuation process has led to a delay in the issue of the bills and the payment plans, the implementation of the Local Discretionary Rate Relief scheme and other changes in payment plans.

3.42 The level of arrears at June 2018 is lower than the average for the previous three years and less than the level at June 2017.

3.43 A summary of the projected Business Rates Collection Fund performance is shown in the graph below (the budget assumed a breakeven position) and is based on Lichfield's prescribed share of **40%**:



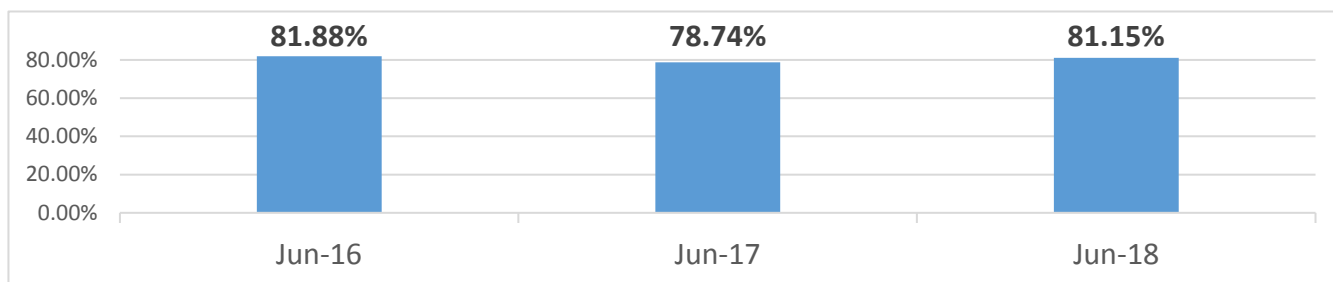
3.44 The main reasons for the projected surplus of **(£55,800)** are:

- There was a lower surplus than projected in 2017/18 of **£61,373**.
- There was additional net income projected of **(£117,173)** due to projected changes in the level of income, the Bad Debt Provision and the level of appeals.

3.45 The Council's share of the projected surplus in 2018/19 is **(£22,300)** compared to the budget where breakeven was assumed.

## Supplier Payment Performance

- 3.46 The Public Contracts Regulations 2015 require the publication of the Council performance in processing payments to Suppliers. Under the regulations, the Council should pay all undisputed invoices within 30 days of receipt.
- 3.47 Supplier payment performance has previously been reported as part of our Performance Monitoring process however to improve transparency we now include this information as part of the Money Matters Reports.
- 3.48 The performance of payments to suppliers for the first three months of the last three years is shown below:



- 3.49 The Council is reviewing its processes to improve payment performance by implementing improvements to the Procure to Pay process.
- 3.50 The Council has not received any claims or made any payments of late interest in any of the periods.

## Consultations

- 3.51 There are currently three consultations taking place in relation to Local Government Finance:
- **The 2019-20 Local Government Finance Settlement Technical Consultation** – this consultation runs from 24 July 2018 to 18 September 2018 and includes 5 questions. The questions include subjects such as Council Tax Referendum principles (3% or £5 for District Councils), a preferred approach to resolve negative Revenue Support Grant (use of the Government’s share of Business Rates) that would mean the Council would not pay £453,000 in 2019/20 and potential changes to the New Homes Bonus regime in 2019/20 (an increase in the baseline from 0.4) and a potential new approach from 2020/21.
  - **Mitigating the impact of fair value movements on pooled investment funds on local authority budget setting** – this consultation runs from 25 July 2018 to 28 September 2018 and includes 8 questions. The questions deal with the financial impact of the implementation of International Financial Reporting Standard (IFRS) 9 from 1 April 2018 in relation to pooled investment funds such as the Council’s investment in the CCLA property fund. Prior to the implementation of this standard, any ‘book losses’ would not impact on the general fund until the investment was sold, this new standard (its origins date back to the financial crash) requires an estimate of losses to be made when the investment is made and is adjusted throughout the life of the investment. This will have a real financial impact on budgets and reserves (we have already set up an earmarked reserve) therefore the Government is consulting on implementing a statutory override to negate the impacts of the new standard.
  - **CIPFA Resilience Index for English Councils** – this consultation runs from 4 July 2018 to 24 August 2018 and contains 5 questions. These questions focus on providing ‘an independent assessment of the financial resilience of every English Council based on a key set of metrics’.

## Staffordshire Business Rates Pilot for 2019/20

- 3.52 Staffordshire Authorities submitted an unsuccessful application to be a Business Rates Pilot for 2018/19 however the Government on 24 July 2018 issued a prospectus for applications in 2019/20 for submission by 25 September 2018.

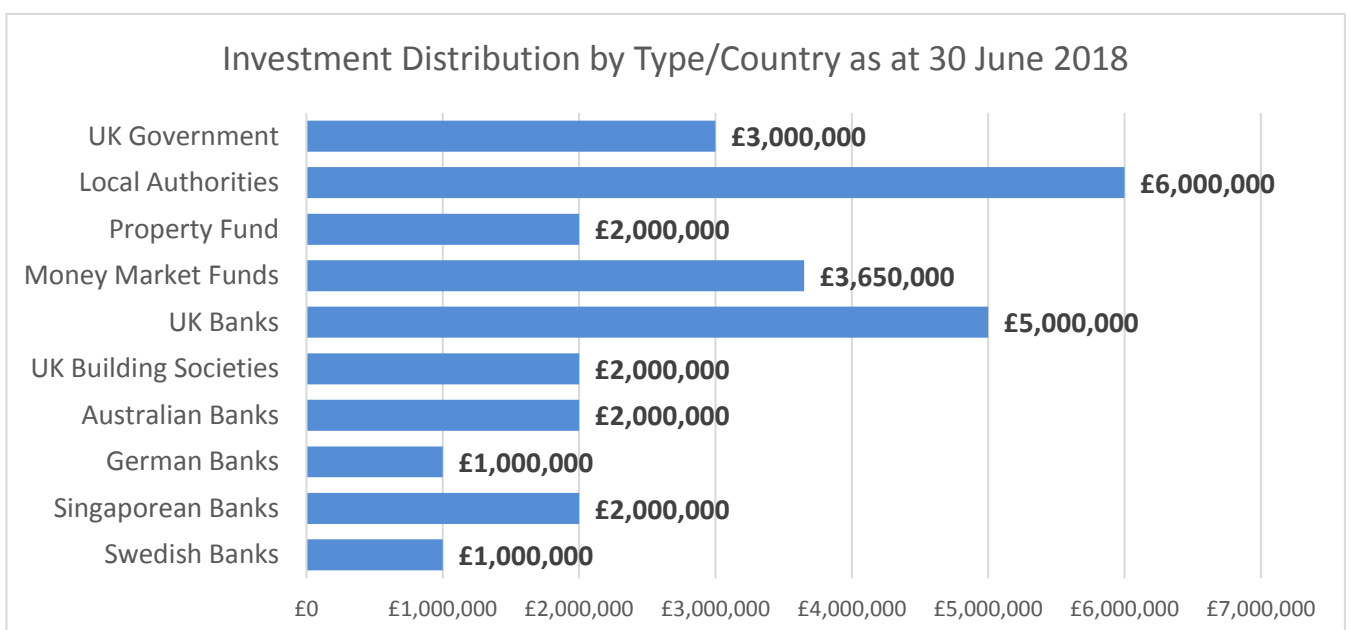
- 3.53 The financial modelling indicates a windfall to Staffordshire of **£13.2m** and Lichfield's share would be circa **£0.6m**. However it is important to note the 'no detriment' (i.e. there is a Government guarantee the Council will be no worse off compared to not being a pilot) principle of previous pilots will not form part of 2019/20 pilots and therefore there is an element of additional risk. However the significance of the windfall is such that these risks are deemed acceptable and it is recommended we work with Stoke, Staffordshire CC and the other districts to submit a bid for pilot in 19/20.
- 3.54 For the reasons set out in the report relating to the timescale for responses, any decisions relating to the determination of the application are unsuitable for a call-in.

### Treasury Management

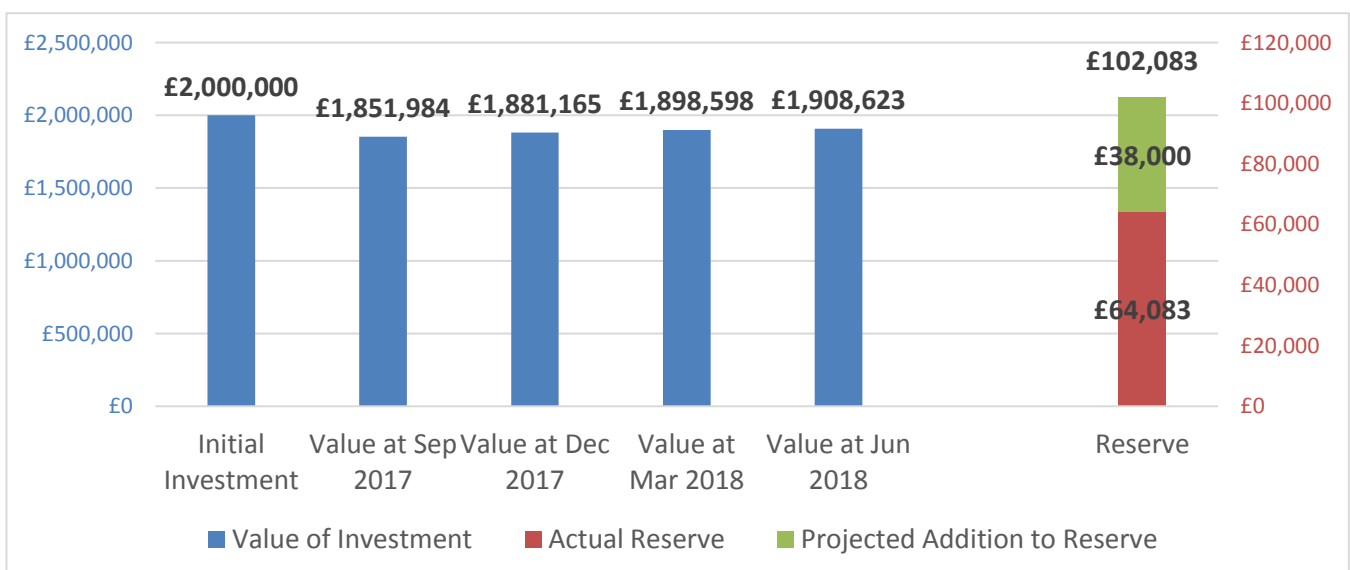
- 3.55 The performance of the Treasury Management function should be measured against the investment objectives of Security (the safe return of our monies), Liquidity (making sure we have sufficient money to pay for our services) and Yield (the return on our investments).

### The Security of Our Investments

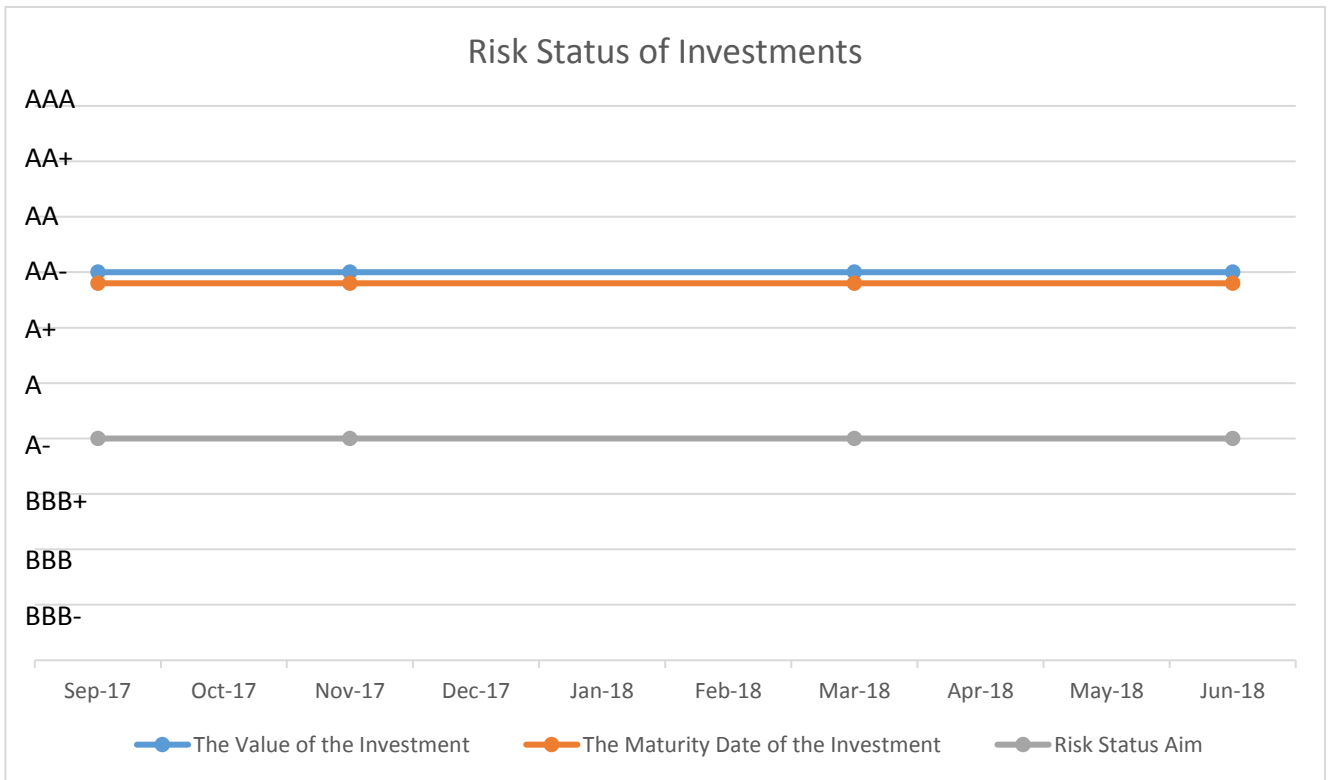
- 3.56 The investments the Council had at the 30 June 2018 of **£27,650,000** by type and country are summarised in the graph below and in more detail at **APPENDIX E**:



- 3.57 The current value of the Property Fund investment together with the projected value of the earmarked reserve at the end of 2018/19 intended to offset reductions in value is shown in the graph below:

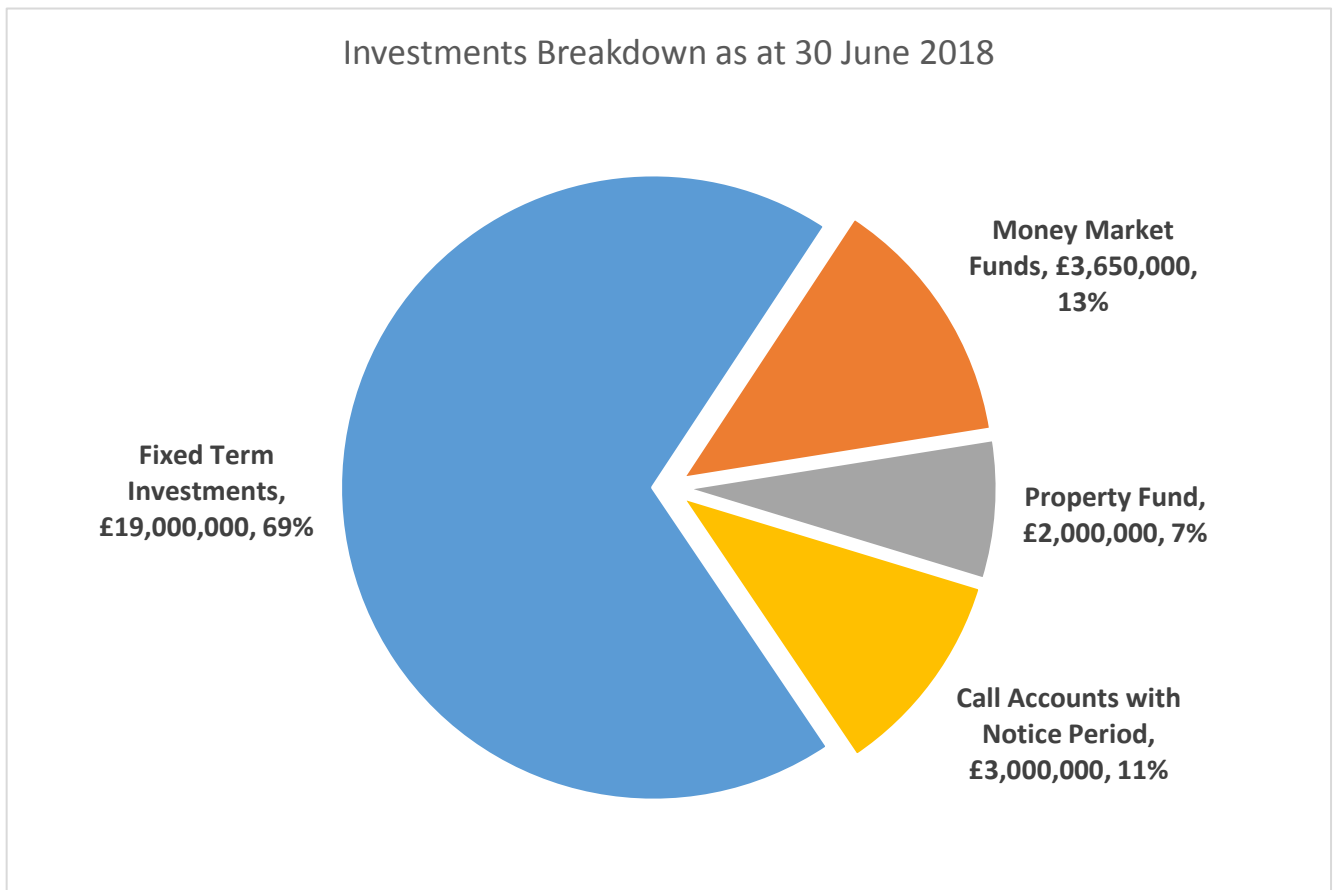


3.58 Our aim for the risk status of our investments was **A-**. The risk status based on the length of the investment and the value for a twelve month period is summarised in the graph below:



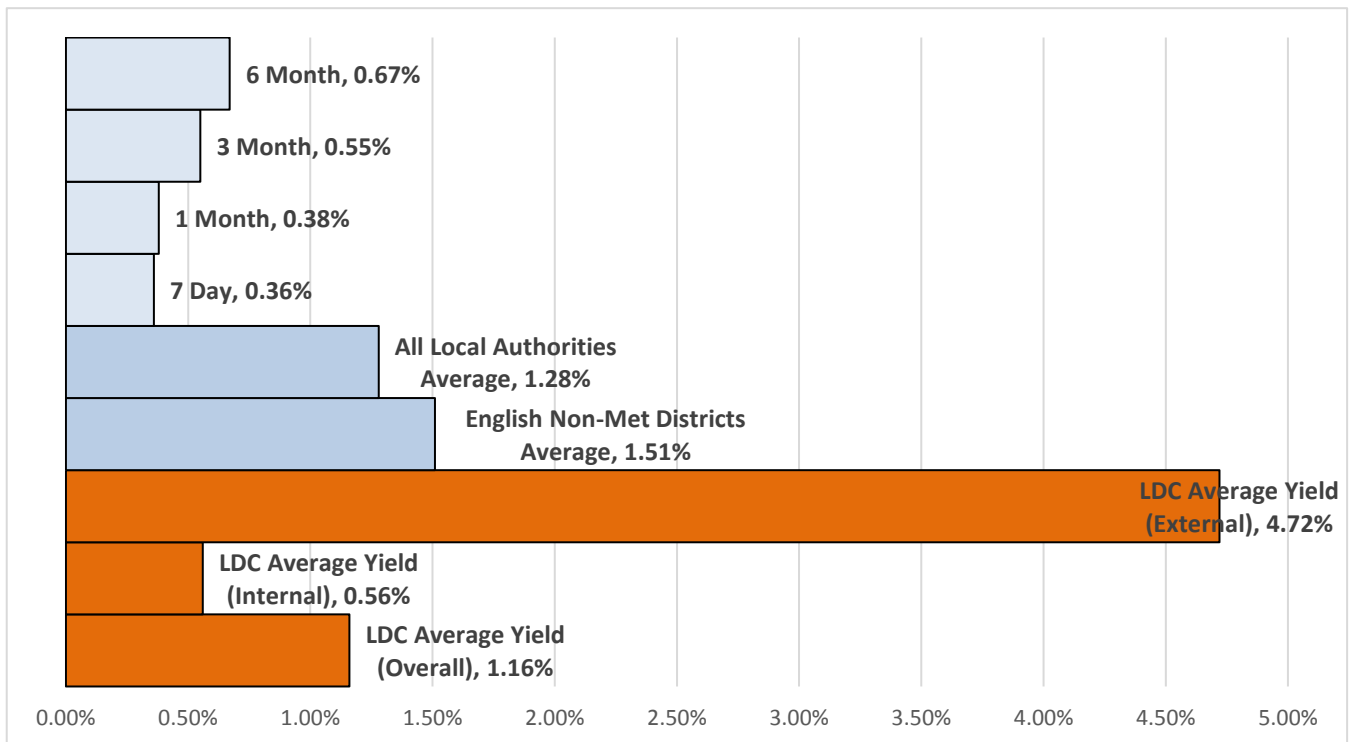
### The Liquidity of our Investments

3.59 The Council has not had to temporarily borrow during 2018/19 and retains a proportion of its investments in instant access Money Market Funds to ensure there is sufficient cash available to pay for goods and services. The proportion of investments (with the Property Fund shown with its original investment value of £2m) of this type is shown in the graph below:



## The Return or Yield of our Investments

3.60 The graph below shows the yields the Council achieved (internal investments, external investments i.e. the Property Fund and the overall yield) compared to a number of industry standard benchmarks shown in pale blue below (including our preferred benchmark of the 7 day LIBID rate) and the overall yield for Arlingclose clients.



3.61 The investment activity during the financial year is projected to generate (**£183,000**) of net investment income compared to a budget of (**£183,000**).

## The CCLA Diversified Income Fund

3.62 CCLA launched the Diversified Income Fund on 2 December 2016 and the Approved Annual Investment Strategy allows the Council to invest up to **£2m**.

3.63 The fund is actively managed which restricts volatility and at 30 June 2018 the yield was **3.12%**. The fund invests in a diversified set of assets and at 30 June 2018 this included United Kingdom Shares **14.28%**, Overseas Shares **15.71%**, Fixed Interest (Bonds) **23.19%**, Cash **10.79%**, contractual and other income **11.91%**, Infrastructure and Operational Assets **13.54%**, Property **9.01%** and Private Equity and Other **1.57%**.

3.64 The advice of Arlingclose the Council's Treasury Management Advisors has been sought and they have indicated they are comfortable with an investment in this fund for a **3 to 5 year** period.

## 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

At this three months stage in the year, for the period up to June 2018, we forecast a contribution to general reserves of **£6,180** will be made, against a budgeted contribution of **£26,990** to general reserves.

Further detailed analysis on the Financial Performance up to June 2018 is shown in the attached Appendices.

**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 Equality, Diversity or Human Rights implications arising.

**Crime & Safety Issues**

There are no Crime and Safety Issues arising.

	Risk Description	How We Manage It	Severity of Risk (RYG)
<b>A</b>	Management of the Council's Revenue and Capital budget is critical to the successful delivery of key Council's priorities, and control measures need to be in place to manage the re-scheduling or re-profiling of projects and to respond to the changing financial climate including the impact of the EU Referendum result	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>B</b>	Counterparty default	This current Strategy utilises more counterparties and financial instruments to diversify the portfolio and reduce this risk.	Yellow – Material
<b>C</b>	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
<b>D</b>	Planned capital receipts are not received	Capital Receipts are only included in the MTFS projections either following a Governance Approval or where the money is legally committed to be received.	Green – Tolerable
<b>E</b>	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
<b>F</b>	The Check, Challenge and Appeal information provided by the Valuation Office Agency related to the 2017 List is insufficient to undertake robust appeals forecasts	We are currently using historic levels of appeals from the 2005 and 2010 lists together with the allowance of <b>4.7%</b> contained in the 2018/19 Business Rates Multiplier to assess the level of appeals provision.	Red – Severe

**Background Documents**

- CIPFA Code of Practice for Treasury Management in the Public Services
- The Prudential Code for Capital Finance in Local Authorities
- Money Matters: Council Tax and National Non Domestic Rates – Cabinet 6 December 2017.
- Money Matters: Medium Term Financial Strategy (Revenue and Capital) 2017-22 Cabinet – Cabinet 13 February 2018.
- Friarsgate Coach Park Land Acquisition – Cabinet 13 February 2018.
- The Award of Insurance Contract – Preferred Bidder - Cabinet 13 February 2018.
- Renewal of Conservation Advice to South Staffordshire Council – Cabinet 13 March 2018.
- Managing the end of the ICT Support Contract – Cabinet 1 May 2018.
- Money Matters 2017/18 – Cabinet 12 June 2018.
- Friarsgate – Cabinet 12 June 2018.

**Relevant web link**

[Cabinet – Lichfield District Council](#)

## Audit Trail – The Approved Revenue Budget

	Original Budget	Council Reports <sup>1</sup>	Virements below £50,000	Approved Budget	Virements above £50,000	Recommended Budget
<b>Strategic Priority</b>						
Healthy and safe communities	1,808,850			1,808,850	(72,270)	1,736,580
Clean, green and welcoming place to live	3,427,580	(1,200)	(420)	3,425,960	3,650	3,429,610
A vibrant and prosperous economy	(652,350)	(337,560)	2,510	(987,400)	68,620	(918,780)
A council that is fit for the future	6,281,510	(20,670)		6,260,840		6,260,840
Efficiency Plan	(71,180)	18,900		(52,280)		(52,280)
<b>Net Cost of Services</b>	<b>10,794,410</b>	<b>(340,530)</b>	<b>2,090</b>	<b>10,455,970</b>	<b>0</b>	<b>10,455,970</b>
<b>Service Area</b>						
Chief Executive	796,010		(19,550)	776,460		776,460
Finance and Procurement	1,628,490	(9,400)		1,619,090		1,619,090
Legal, Property and Democratic Services	424,800		19,060	443,860		443,860
Revenues, Benefits and Customer Services	725,470	(3,000)		722,470		722,470
Corporate Services	2,560,830	(8,270)	(2,570)	2,549,990		2,549,990
Leisure & Operational Services	2,422,310		(6,610)	2,415,700		2,415,700
Regulatory, Housing & Wellbeing	1,264,250			1,264,250		1,264,250
Development Services	61,310	(1,200)		60,110		60,110
Economic Growth	82,920	(337,560)	11,760	(242,880)		(242,880)
Waste Services	899,200			899,200		899,200
Efficiency Plan	(71,180)	18,900		(52,280)		(52,280)
<b>Net Cost of Services</b>	<b>10,794,410</b>	<b>(340,530)</b>	<b>2,090</b>	<b>10,455,970</b>	<b>0</b>	<b>10,455,970</b>
Net Treasury Position	104,860			104,860		104,860
Revenue Contributions to the Capital Programme	154,000			154,000		154,000
<b>Net Operating Cost</b>	<b>11,053,270</b>	<b>(340,530)</b>	<b>2,090</b>	<b>10,714,830</b>	<b>0</b>	<b>10,714,830</b>
Less : Transfer (from) / to General Reserve	26,990	15,220	0	42,210		42,210
Less : Transfer (from) / to Earmarked Reserves	(774,360)	325,310	(2,090)	(451,140)		(451,140)
<b>Amount to be met from Government Grants and Local Taxpayers:</b>	<b>£10,305,900</b>	<b>£0</b>	<b>£0</b>	<b>£10,305,900</b>	<b>£0</b>	<b>£10,305,900</b>
Business Rates	(2,479,900)			(2,479,900)		(2,479,900)
Business Rates Cap	(42,000)			(42,000)		(42,000)
New Homes Bonus	(800,000)			(800,000)		(800,000)
Council Tax Collection Fund	(42,000)			(42,000)		(42,000)
Business Rates Collection Fund	(591,000)			(591,000)		(591,000)
Council Tax	(6,351,000)			(6,351,000)		(6,351,000)

<sup>1</sup> Cabinet Reports relate to Friarsgate Coach Park Land Acquisition 13 February 2018, the Award of Insurance Contract – Preferred Bidder Cabinet 13 March 2018, Renewal of Conservation Advice to South Staffordshire Council 13 March 2018, managing the end of the ICT Support Contract 1 May 2018, Money Matters 2017/18, and Friarsgate 12 June 2018.



## Revenue Financial Performance – Variance to Budget 2018/19

Area	2018/19						
	Original Budget £	Recommended Budget £	Projected Outturn £	Projected Variance £	● = adverse ☑ = favourable	Variance to Original Budget £	2018/19 Target Variance (+/-) £
Healthy and safe communities	1,808,850	1,736,580	1,832,900	96,320	●	24,050	
Clean, green and welcoming places to live	3,427,580	3,429,610	3,350,400	(79,210)	☑	(77,180)	
A vibrant and prosperous economy	(652,350)	(918,780)	(878,250)	40,530	●	(225,900)	
A council that is fit for the future	6,281,510	6,260,840	6,232,760	(28,080)	☑	(48,750)	
Efficiency Plan	(71,180)	(52,280)	(45,810)	6,470	●	25,370	
<b>Net Cost of Services</b>	<b>10,794,410</b>	<b>10,455,970</b>	<b>10,492,000</b>	<b>36,030</b>		<b>(302,410)</b>	<b>0</b>
Chief Executive	796,010	776,460	776,460	-		(19,550)	6,000
Finance and Procurement	1,628,490	1,619,090	1,607,090	(12,000)	☑	(21,400)	13,000
Legal, Property and Democratic Services	424,800	443,860	468,280	24,420	●	43,480	13,000
Revenues, Benefits and Customer Services	725,470	722,470	714,460	(8,010)	☑	(11,010)	19,000
Corporate Services	2,560,830	2,549,990	2,549,990	-		(10,840)	22,000
Leisure & Operational Services	2,422,310	2,415,700	2,415,700	-		(6,610)	28,000
Regulatory Services, Housing & Wellbeing	1,264,250	1,264,250	1,264,250	-		0	15,000
Development Services	61,310	60,110	53,640	(6,470)	☑	(7,670)	30,000
Economic Growth	82,920	(242,880)	(211,260)	31,620	●	(294,180)	34,000
Waste Services	899,200	899,200	899,200	-		0	70,000
Efficiency Plan	(71,180)	(52,280)	(45,810)	6,470	●	25,370	-
<b>Net Cost of Services</b>	<b>10,794,410</b>	<b>10,455,970</b>	<b>10,492,000</b>	<b>36,030</b>		<b>(302,410)</b>	<b>250,000</b>
Net Treasury Position	104,860	104,860	104,860	-			
Revenue Contributions to the Capital Programme	154,000	154,000	154,000	-			
<b>Net Operating Cost</b>	<b>11,053,270</b>	<b>10,714,830</b>	<b>10,750,860</b>	<b>36,030</b>			
Transfer (from) / to General Reserve	26,990	42,210	6,180	(36,030)			
Transfer(from) / to Earmarked Reserves	(774,360)	(451,140)	(199,040)	252,100			
<b>Net Revenue Expenditure</b>	<b>£10,305,900</b>	<b>£10,305,900</b>	<b>£10,558,000</b>	<b>£252,100</b>			
<b>Financed by:</b>							
Retained Business Rates	(2,479,900)	(2,479,900)	(2,732,000)	(252,100)			
Business Rates Cap	(42,000)	(42,000)	(42,000)	-			
New Homes Bonus	(800,000)	(800,000)	(800,000)	-			
Business Rates Collection Fund (Surplus)/Deficit	(591,000)	(591,000)	(591,000)	-			
Council Tax Collection Fund (Surplus)/Deficit	(42,000)	(42,000)	(42,000)	-			
Council Tax	(6,351,000)	(6,351,000)	(6,351,000)	-			

The projected variance compares projected actual (outturn) to recommended budget.

☑ = projected favourable variance and ● = projected adverse variance

## Reasons for the 3 Months Budget Performance

Projected Variance £		Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
-	Chief Executive	-	-	-	-
(12,000)	Finance and Procurement	-	(12,000)	-	-
24,420	Legal, Property and Democratic Services	(2,810)	-	-	27,230
(8,010)	Revenues, Benefits and Customer Services	-	(9,980)	-	1,970
-	Corporate Services	-	-	-	-
-	Leisure and Operational Services	-	-	-	-
-	Regulatory, Housing & Wellbeing	-	-	-	-
(6,470)	Development Services	-	(6,470)	-	-
31,620	Economic Growth	-	31,620	-	-
-	Waste Services	-	-	-	-
6,470	Efficiency Plan	-	-	-	-
<b>£36,030</b>	<b>Net Operating Cost</b>	<b>(£2,810)</b>	<b>£3,170</b>	-	<b>£29,200</b>

## Finance and Procurement

Projected Variance £	Service Area	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(12,000)	Transfer of Car Park Bank Charges	-	(12,000)	-	-
<b>(£12,000)</b>	<b>Total</b>	-	<b>(£12,000)</b>	-	-

## Legal, Property and Democratic Services

Projected Variance £	Service Area	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
27,230	Property Rental income loss related to New Look	-	-	-	27,230
(2,810)	Previous Chair and Vice Chair Underspend	(2,810)	-	-	-
<b>£24,420</b>	<b>Total</b>	<b>(£2,810)</b>	-	-	<b>£27,230</b>

## Revenues, Benefits and Customer Services

Projected Variance £	Service Area	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
6,370	Fairer Charging SLA ceasing due to transfer to Staffs	-	-	-	6,370
(4,980)	County Council	-	-	-	-
(4,980)	Employee Savings	-	(4,980)	-	-
(4,400)	Additional Government Grants	-	-	-	(4,400)
(5,000)	Consultants budget not required	-	(5,000)	-	-
<b>(£8,010)</b>	<b>Total</b>	-	<b>(£9,980)</b>	-	<b>£1,970</b>

## Development Services

Projected Variance £	Service Area	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(6,470)	Savings from reduction in hours and supplies budgets	-	(6,470)	-	-
<b>(£6,470)</b>	<b>Total</b>	-	<b>(£6,470)</b>	-	-

## Economic Growth

Projected Variance £	Service Area	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
19,620	CCTV Contract price increase	-	19,620	-	-
12,000	Transfer of Car parks Bank Charges	-	12,000	-	-
<b>£31,620</b>	<b>Total</b>	-	<b>£31,620</b>	-	-

## Capital Programme Performance in 2018/19

Project	Original Budget	Approved Budget	Actual To Date	Projected Actual	Projected Variance
BLC Enhancement Work	£42,000	£104,000		£104,000	
Other Burntwood Leisure Centre Sinking Fund Projects		£128,000		£128,000	
Play Area at Hawksyard	£1,000	£0		£0	
Squash Court and Sports Hall Floors (FGLC)		£50,000		£50,000	
Leisure Review: Capital Investment	£750,000	£1,032,000		£1,032,000	
Renovation and Replacement of Play Equipment at Hill Ridware Village Hall		£71,000		£71,000	
New Build Parish Office/Community Hub		£92,000		£92,000	
Fradley Village Heating & CCTV		£15,000		£15,000	
Fradley Youth & Community Centre Cladding & Porch		£15,000		£15,000	
Replacement of children's play equipment at Upper Lodge Play Area		£21,000		£21,000	
Armitage with Handsacre Village Hall heating upgrade		£20,000		£20,000	
Armitage with Handsacre Village Hall storage container		£16,000		£16,000	
Re-siting/improvement of Armitage War Memorial and surrounding area		£120,000		£120,000	
Replacement of canopy and installation of artificial grass at Armitage		£13,000		£13,000	
Accessible Homes (Disabled Facilities Grants)	£772,000	£774,000	£185,192	£928,000	£154,000
Home Repair Assistance Grants	£15,000	£35,000		£35,000	
Decent Homes Standard	£437,000	£437,000		£0	(£437,000)
Energy Insulation Programme	£20,000	£41,000	£2,726	£41,000	
DCLG Monies	£212,000	£212,000		£0	(£212,000)
Unallocated S106 Affordable Housing Monies	£400,000	£400,000		£400,000	
Housing Redevelopment Scheme - Packington		£40,000		£40,000	
<b>Healthy and Safe Communities</b>	<b>£2,649,000</b>	<b>£3,636,000</b>	<b>£187,918</b>	<b>£3,141,000</b>	<b>(£495,000)</b>
Darnford Park	£13,000	£13,000		£13,000	
Canal Towpath Improvements (Brereton & Ravenhill)		£105,000		£105,000	
Vehicle Replacement Programme (Waste Vehicles)	£30,000	£30,000	£14,750	£30,000	
Vehicle Replacement Programme (Grounds Maintenance)	£138,000	£138,000		£138,000	
Shortbutts Park, Lichfield	£23,000	£23,000		£23,000	
Env. Improvements - Upper St John St & Birmingham Road	£7,000	£7,000		£7,000	
Stowe Pool Improvements	£100,000	£100,000		£100,000	
The Leomansley Area Improvement Project	£3,000	£3,000		£3,000	
Canal Culvert at Huddlesford	£90,000	£0		£0	
Cannock Chase SAC	£43,000	£43,000		£43,000	
<b>Clean, Green and Welcoming Places to Live</b>	<b>£447,000</b>	<b>£462,000</b>	<b>£14,750</b>	<b>£462,000</b>	<b>£0</b>
Data Management System	£6,000	£11,000		£11,000	
Birmingham Road Site Support	£313,000	£330,000	£64,070	£330,000	
Birmingham Road Site - Castle Dyke/Frog Lane Enhancement	£100,000	£81,000		£81,000	
Birmingham Road Site - Railway Station Forecourt Enhancements	£5,000	£0		£0	
Birmingham Road Site - Coach Park	£450,000	£243,000		£243,000	
Birmingham Road Site - Police Station Acquisition		£1,805,000	£1,774,955	£1,805,000	
Sankey's Corner Environmental Improvements		£3,000		£3,000	
City Centre Strategy and Interpretation		£1,500		£1,500	
Car Parks Variable Message Signing	£32,000	£32,000		£32,000	
Old Mining College - Refurbish access and signs		£14,000		£14,000	
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	

## APPENDIX C

Project	Original Budget	Approved Budget	Actual To Date	Projected Actual	Projected Variance
Erasmus Darwin Lunar Legacy (Lichfield City Art Fund)		£25,000		£25,000	
<b>A Vibrant and Prosperous Economy</b>	<b>£906,000</b>	<b>£2,604,500</b>	<b>£1,839,025</b>	<b>£2,604,500</b>	<b>£0</b>
Property Investment Strategy	£6,000,000	£6,000,000		£6,000,000	
Depot Sinking Fund		£11,000		£11,000	
IT and Channel Shift Programme	£152,000	£162,000	£51,539	£162,000	
Asset Management - Works resulting from Condition Survey	£88,000	£188,000		£188,000	
<b>A Council that is Fit for the Future</b>	<b>£6,240,000</b>	<b>£6,361,000</b>	<b>£51,539</b>	<b>£6,361,000</b>	<b>£0</b>
<b>Capital Programme Total</b>	<b>£10,242,000</b>	<b>£13,063,500</b>	<b>£2,093,233</b>	<b>£12,568,500</b>	<b>(£495,000)</b>

- Variance projected to be more than £100,000 / Variance projected to be less than £100,000

Funding Source	Original Budget	Approved Budget
Capital Receipts	670,000	2,682,000
Revenue Contributions	154,000	154,000
<b>Council Funding</b>	<b>824,000</b>	<b>2,836,000</b>
Borrowing Need	6,780,000	7,062,000
Capital Grants and Contributions	2,452,000	2,605,500
Reserves and Sinking Funds	186,000	560,000
<b>Capital Programme Total</b>	<b>£10,242,000</b>	<b>£13,063,500</b>

Projected Actual	Projected Variance
2,682,000	
154,000	
<b>2,836,000</b>	<b>0</b>
7,062,000	
2,110,500	(495,000)
560,000	
<b>£12,568,500</b>	<b>(£495,000)</b>



## Council Tax

	Council Tax				
	Debt Covering All years				In year Debt
	30-Jun-17	30-Jun-18	Change		30-Jun-18
Amount Collected as a %	29.24%	29.25%	0.01%	☑	36.00%
In year arrears outstanding	£932,529	£786,969	(£145,560)	☑	£786,969
Previous years arrears	£1,306,488	£1,364,246	£57,758	●	
Total arrears outstanding	£2,239,017	£2,151,215	(£87,802)	☑	
Write offs	£10,356	£4,517	(£5,839)	☑	

## Sundry Debtor Performance

Details	30-Jun-17	30-Jun-18	All Debts Change (%)	Variance
	All Debts £	All Debts £		
Value of sundry income raised in quarter	1,354,527	2,420,225	78%	☑
Value of debts written off	17,520	9,272	(47%)	☑
Value of all invoices outstanding	2,119,053	1,556,645	(26%)	☑
Aged Debt Analysis				
Less than 6 months	1,535,967	996,548	(35%)	☑
More than 6 months	583,086	560,067	(4%)	☑

## CIL/Section 106 Performance

Details	30-Jun-17	30-Jun-18	All Debts Change (%)	Variance
	All Debts £	All Debts £		
Value of demands raised in quarter	32,744	140,596	329%	☑
Value of debts written off	0	19,392	N/A	●
Value of all demands outstanding	246,040	185,632	(25%)	☑
Aged Debt Analysis				
Less than 6 months	245,215	185,632	(24%)	☑
More than 6 months	825	0	N/A	☑

## Business Rates

## The Council's Retained Business Rates Income

	Current Budget £	30-Jun-18 £	Projected Outturn £	Projected Variance £
<b>NNDR 1 Based Retained Business Rates</b>				
Retained Business Rates	(£14,541,000)	(£14,541,000)	(£14,541,000)	£0
<u>Section 31 Grants (Lichfield's 40% Share)</u>				
Small Business Rates Relief	(£912,000)	(£919,000)	(£924,000)	(£12,000)
Small Business Rates Relief 2nd Property Occupied	(£5,000)	(£9,000)	(£9,000)	(£4,000)
Pub Relief	(£19,000)	(£16,000)	(£19,000)	£0
Supporting Small Business Rate Relief	(£11,000)	(£12,000)	(£12,000)	(£1,000)
Discretionary Scheme	(£51,000)	(£47,000)	(£51,000)	£0
Rural Rate Relief	(£1,000)	£1,000	(£1,000)	£0
Less : Tariff Payable	£11,189,000	£11,189,000	£11,189,000	£0
<b>Pre Levy or Safety Net Income</b>	<b>(£4,351,000)</b>	<b>(£4,354,000)</b>	<b>(£4,368,000)</b>	<b>(£17,000)</b>
<b>NNDR 3 Based Levy Payments</b>				
Less : Levy Payable @ 50%	£1,158,000	£1,339,000	£1,190,000	£32,000
Volatility Allowance	£1,089,100	£638,000	£833,000	(£256,100)
Levy from the Business Rates Pool (32.5%)	(£376,000)	(£435,000)	(£387,000)	(£11,000)
<b>Post Levy or Safety Net Income</b>	<b>(£2,479,900)</b>	<b>(£2,812,000)</b>	<b>(£2,732,000)</b>	<b>(£252,100)</b>

## Collection Performance

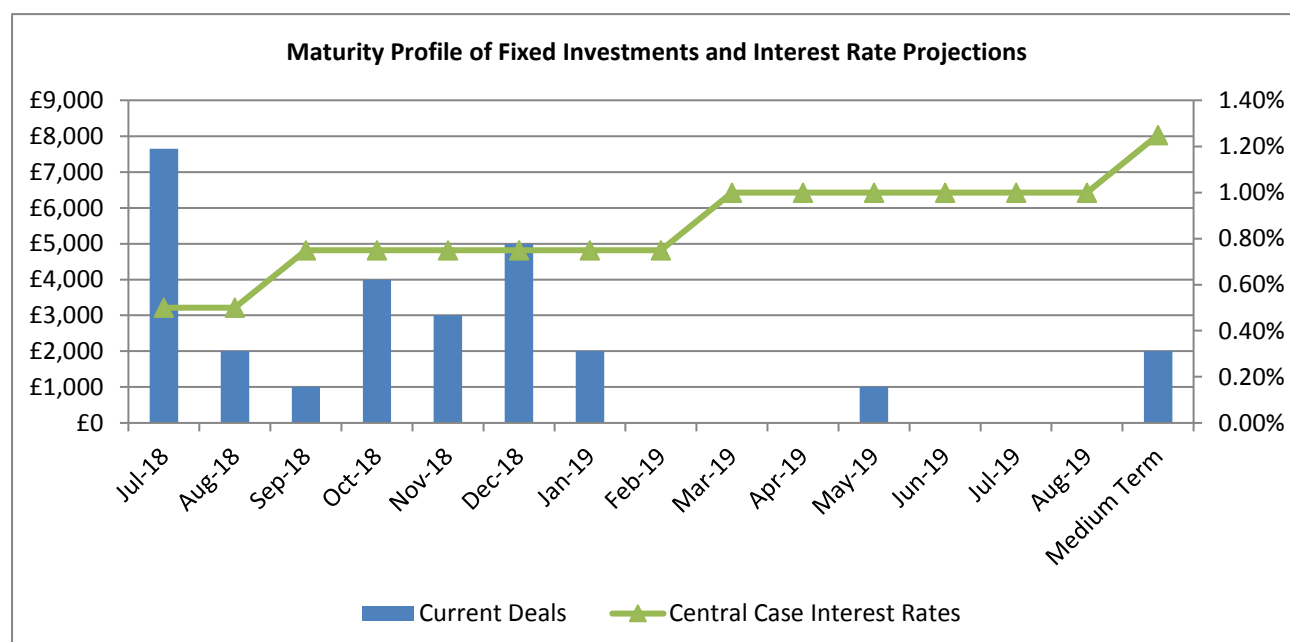
	Non Domestic Rates			
	Debt Covering All years			In year Debt
	30-Jun-17	30-Jun-18	Change	30-Jun-18
Amount Collected as a %	29.16%	26.01%	(3.15%)	31.80%
In year arrears outstanding	£547,511	£432,627	(£114,884)	£432,627
Previous years arrears	£342,093	£355,467	£13,374	
Total arrears outstanding	£889,604	£788,094	(£101,510)	
Write offs	£21,405	£903	(£20,502)	

## Investments in the 2018/19 Financial Year

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

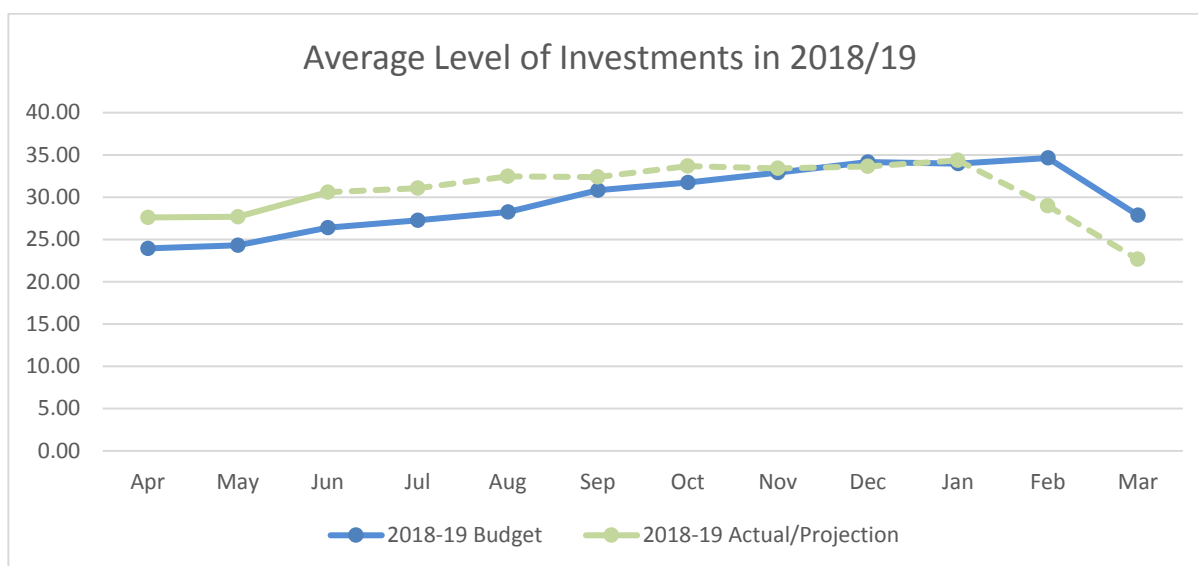
Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Foreign Parent
<b>Money Market Funds</b>						
Invesco Aim	£650,000	01-Jul-18	Instant Access	0.49%	AAAMMF	N/A
Legal & General	£1,000,000	01-Jul-18	Instant Access	0.51%	AAAMMF	N/A
BNP Paribas MMF	£1,000,000	01-Jul-18	Instant Access	0.51%	AAAMMF	N/A
Amundi	£1,000,000	01-Jul-18	Instant Access	0.50%	AAAMMF	N/A
<b>Property Fund</b>						
CCLA Property Fund	£2,000,000	N/A	N/A	4.16%	N/A	No
<b>Fixed Term Investments</b>						
Landesbank Hessen-Thüringen (Helaba)	£1,000,000	09-Jul-18	9	0.62%	A	Yes
Coventry Building Society	£1,000,000	05-Oct-18	97	0.63%	A	No
Commonwealth Bank of Australia	£1,000,000	05-Nov-18	128	0.66%	AA-	Yes
Nationwide	£1,000,000	15-Nov-18	138	0.56%	A	No
Lloyds	£1,000,000	15-Nov-18	138	0.75%	A+	No
United Overseas Bank	£1,000,000	17-May-19	321	0.84%	AA-	Yes
Barclays Bank	£1,000,000	24-Aug-18	55	0.50%	A	No
Surrey Heath Borough Council	£2,000,000	13-Dec-18	166	0.60%	LOCAL	No
DBS Bank	£1,000,000	03-Dec-18	156	0.71%	AA-	Yes
Australia and New Zealand Banking Group	£1,000,000	12-Dec-18	165	0.70%	AA-	Yes
Merthyr Tydfil Council	£2,000,000	29-Oct-18	121	0.52%	LOCAL	No
Slough Borough Council	£2,000,000	07-Jan-19	191	0.60%	LOCAL	No
Debt Management Office	£3,000,000	19-Jul-18	19	0.26%	UK Government	No
<b>Call Accounts with Notice Period</b>						
Santander	£1,000,000	27-Dec-18	180	0.70%	A	Yes
Goldman Sachs International Bank	£1,000,000	03-Oct-18	95	0.65%	A	Yes
Svenska Handelsbanken AB	£1,000,000	04-Aug-18	35	0.40%	AA-	Yes
<b>Certificates of Deposit</b>						
Standard Chartered	£1,000,000	17-Sep-18	79	0.58%	A	No
<b>Total Investments</b>	<b>£27,650,000</b>					

The maturity profile of these investments at 30 June 2018 compared to our Treasury Management advisor Arlingclose interest rate forecasts is shown in the graph below:



## Cash Flow for 2018/19

The graph below compares the budget for average investment levels in 2018/19 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).

	Target	Actual
<b><u>Security</u></b>		
Risk Status (Length of Investment)	A-	AA-
Risk Status (Value of the Investment)		AA-
<b><u>Liquidity</u></b>		
Length of Investments (days)	N/A	85 days
Temporary Borrowing	£0	£0
<b><u>Yield</u></b>		
Average amount we had available to invest (£m)	£29.57m	£29.57m
Average Interest Rate (%)	0.64%	0.64%
7-day London Inter-bank Bid (LIBID) rate	0.36%	
1 month London Inter-bank Bid (LIBID) rate	0.38%	
3 month London Inter-bank Bid (LIBID) rate	0.55%	
6 month London Inter-bank Bid (LIBID) rate	0.67%	
Net Investment Income (£)	(£183,000)	(£183,000)
Net Treasury Position (£)	£104,860	£104,860