

Money Matters : 2015/16 Review of Financial Performance against the Financial Strategy

Cabinet Member for Finance and Democracy

Date: 6 September 2016
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 2015/16.
- 1.2 The Revenue Budget was below budget by **(£194,755)** at the service level and this is within the target of **£250,000**. Overall the Revenue Budget was below budget by **(£157,065)** compared to the Revised Approved Budget and this sum will be transferred to General reserves.
- 1.3 The budgeted transfer from general reserves was **(£400,450)** as approved by Council on 17 February 2015. The Council's performance in the year resulted in **£1,281,475** being transferred to general reserves. This means the Council's general reserves improved by **£1,681,925** for the financial year 2015/16 in comparison with the Original Budget.
- 1.4 Total revenue reserves held at 31 March 2016 amount to **£9,936,226**: this is made up of general reserves of **£4,279,145** and earmarked reserves of **£5,657,081**.
- 1.5 The Capital Programme was below budget by **(£930,658)**; recommendation 2.3 below is for slippage of **£1,123,000** in 2015/16 to be carried forward to 2016/17.
- 1.6 The Council has received additional capital receipts of **(£186,224)** compared to the Approved Budget.
- 1.7 In terms of Council Tax and Business Rates:
 - The Council's collection performance based on debt raised in the year is **98.79%** and is much higher than comparable Councils and for debts covering all years it has remained consistent.
 - There is a lower than estimated surplus for Council Tax of **£16,809** and this will be included in the 2017/18 Budget as reduced income.
 - The Council will for the first time will be paying Business Rate levy of **£578,305** to the GBS pool and will receive **(£187,949)** of returned levy. This is **£22,356** more net levy than the Revised Approved Budget after taking account of the budgeted volatility allowance.
 - Overall Retained Business Rate Income was **£40,682** lower than the Revised Approved Budget.
 - The Council's collection performance based on debt raised in the year is **97.50%** and is lower than comparable Councils due to several one off items and an agreed payment deferral. In terms of debts covering all years it has remained consistent.
 - There is a lower than estimated deficit for Business Rates of **(£498,123)** and this will be included in the 2017/18 Budget as additional income.
- 1.8 The Council's investments achieved a risk status that was more secure than the aim of **A-** and yield exceeded three of the four industry standard LIBID yield benchmarks.
- 1.9 The Treasury Management function received the second highest assurance of **Substantial Assurance** from Internal Audit and has complied with all of the Prudential Indicators.

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 (Revenue and Capital) 2016-20 (MTFS (R&C) 2016-20).
- 2.3 To approve **£1,123,000** of Capital Programme slippage related to 2015/16 being added to the Approved Budget in 2016/17 as outlined at **APPENDIX B**.

That Cabinet recommends to Council :

- 2.4 To approve the actual 2015/16 Prudential Indicators contained within the report.

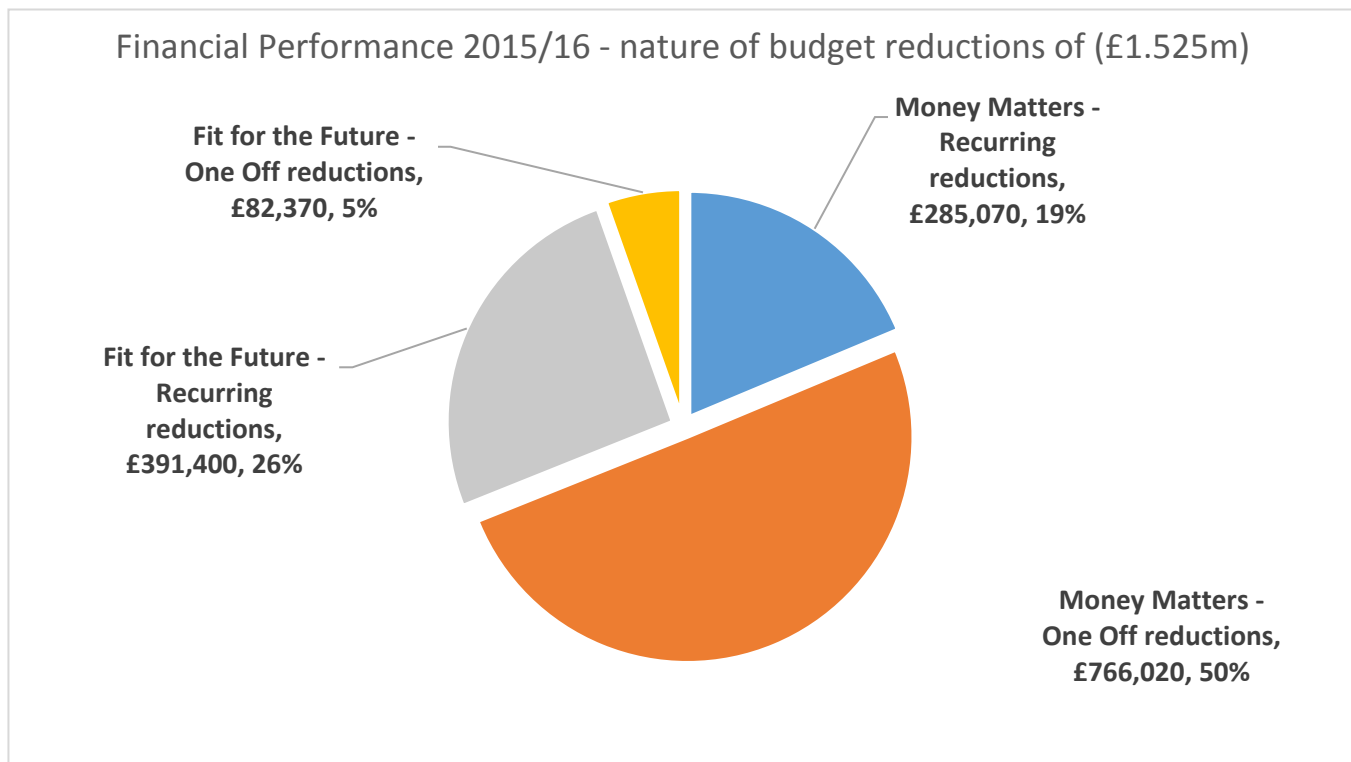
3. Background

Budget Management

- 1.1. The MTFS (R&C) 2015-18 approved by Council on 17 February 2015 included the Original Budget for 2015/16 and set out the allocation of resources and the policies and parameters within which managers are required to operate.
- 1.2. Throughout the financial year, Money Matters reports are provided to both Cabinet and Strategic (Overview and Scrutiny) Committee at 3, 6 and 8 months intervals to monitor financial performance.
- 1.3. The Money Matters reports update the Approved Budget to reflect latest projections and the 8 month Money Matters report formed the basis of the Revised Approved Budget for 2015/16 approved by Council on 23 February 2016.

The Revenue Budget

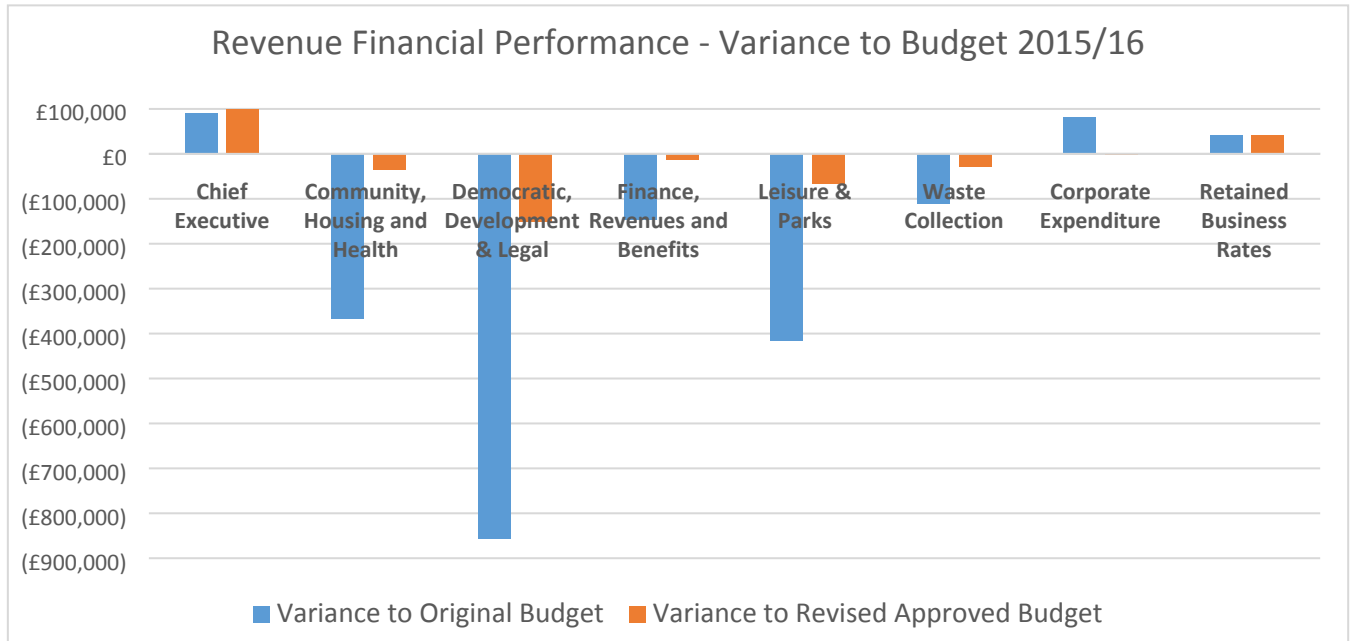
- 1.4. The budgetary changes throughout the financial year meant that rather than a contribution from General reserves of **(£400,450)** approved in the Original Budget that a contribution to General reserves of **£1,124,410** would occur in the Revised Approved Budget. A summary of the budgetary changes totalling **(£1,524,860)** is shown in the graph below:



3.5 In terms of financial performance, compared to the Revised Approved Budget, the key points to note are:

- Net cost of services was below budget by **(£194,755)** and this is within the set target of **£250,000**.
- Corporate expenditure including the net treasury position was below budget by **(£2,374)**.
- Funding had a shortfall of **£40,064** with the Business Rates element being **£40,682**.
- Overall the financial performance was below budget by **(£157,065)**. The level of General reserves has improved by **£1,681,925** (£400,450 transfer not required plus savings identified throughout the year of £1,124,410 plus actual year end performance of £157,065) compared to the Original Budget.

3.6 A summary of the financial performance compared to both the Original Budget and the Revised Approved Budget is shown in the graph below. The detail related to these figures is shown at **APPENDIX A** together with the gross expenditure and gross income for each Service area.



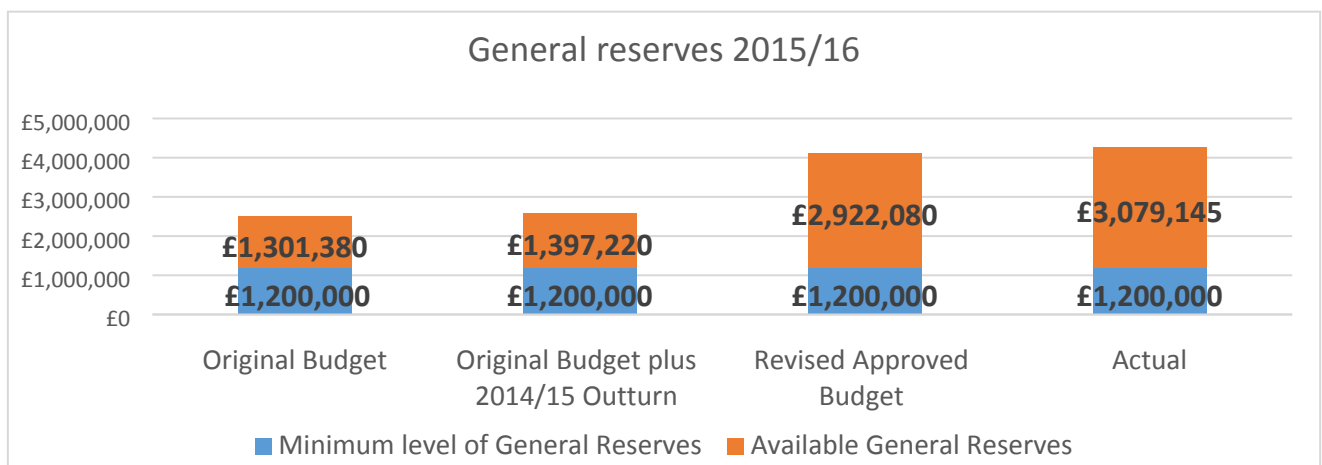
3.7 In order to understand the reasons for this below budget performance of **(£157,065)**, analysis work has been undertaken and the details are shown in **APPENDIX A**. In summary, the budget variance falls into two categories :

- One-off net savings (additional expenditure offset by additional income) of **(£127,375)**.
- Ongoing savings/additional income of **(£29,690)**.

3.8 The ongoing savings/additional income will be incorporated into the Council's MTFS (R&C).

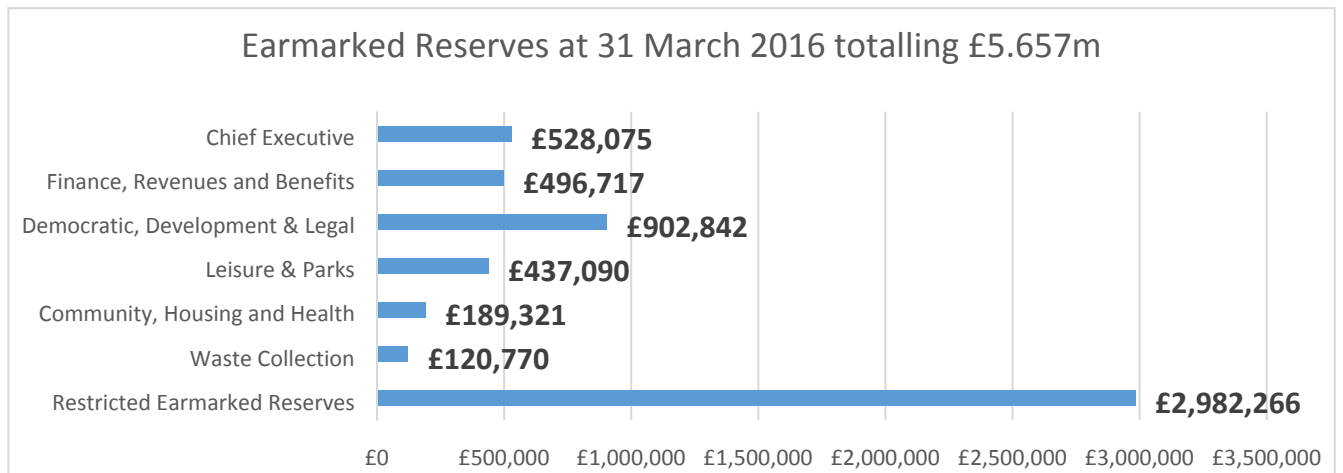
Revenue General Reserves and Earmarked Reserves

3.9 The following Revenue general reserves are available to assist the Council in meeting General Fund expenditure as part of the MTFS:



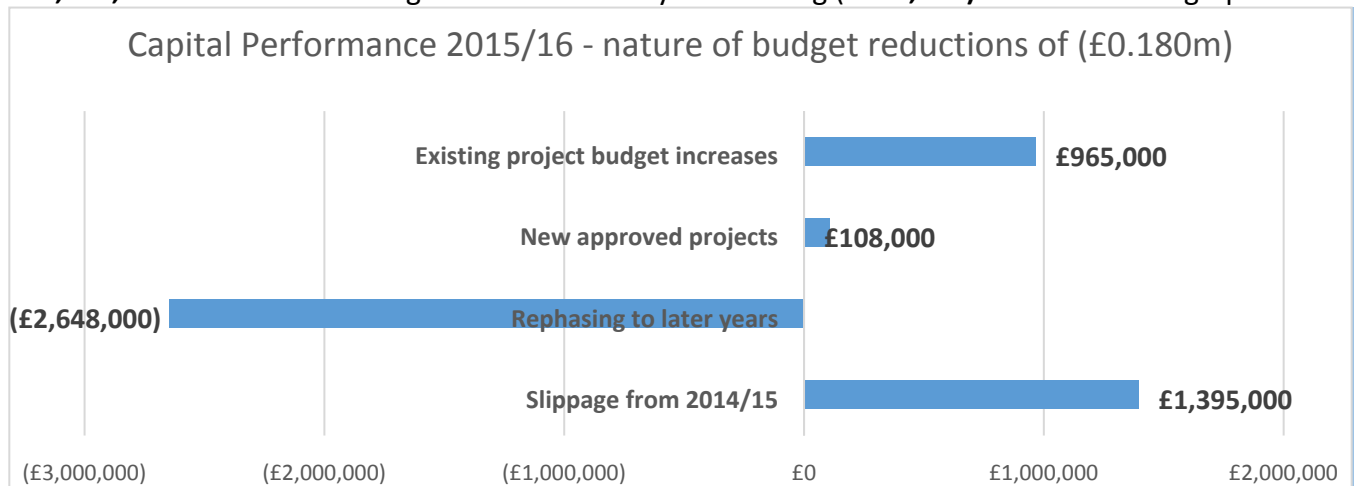
3.10 Earmarked reserves are classified into unrestricted reserves where there are no restrictions over their use and restricted reserves where their establishment or use is determined by a legal or partnership agreement such as the car park reserve. We are currently reviewing our earmarked reserves approach to ensure reserves are managed in the most effective way.

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

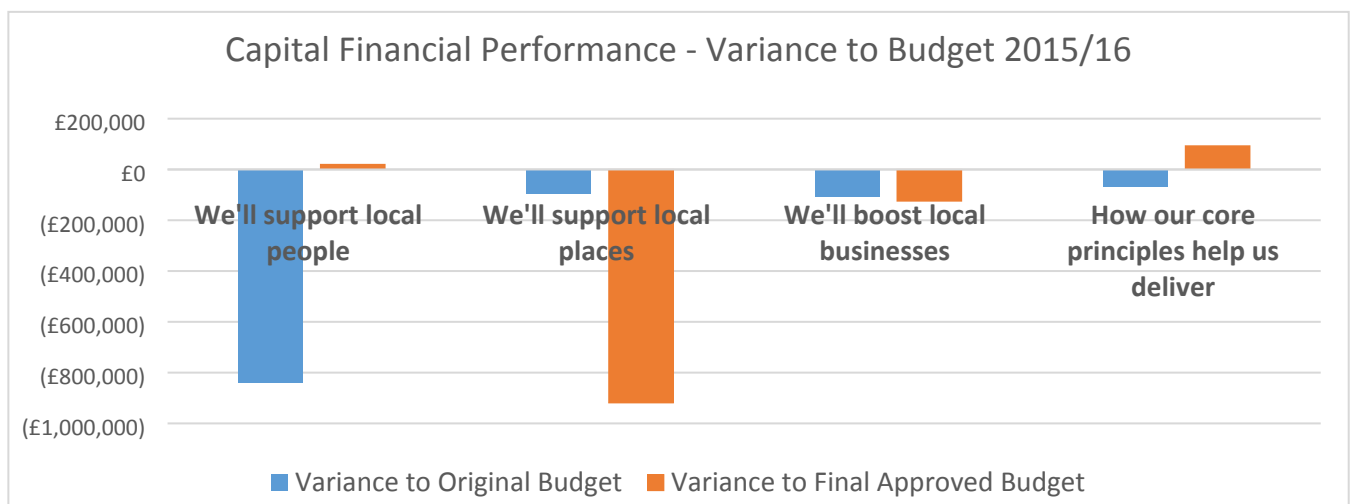


The Capital Programme

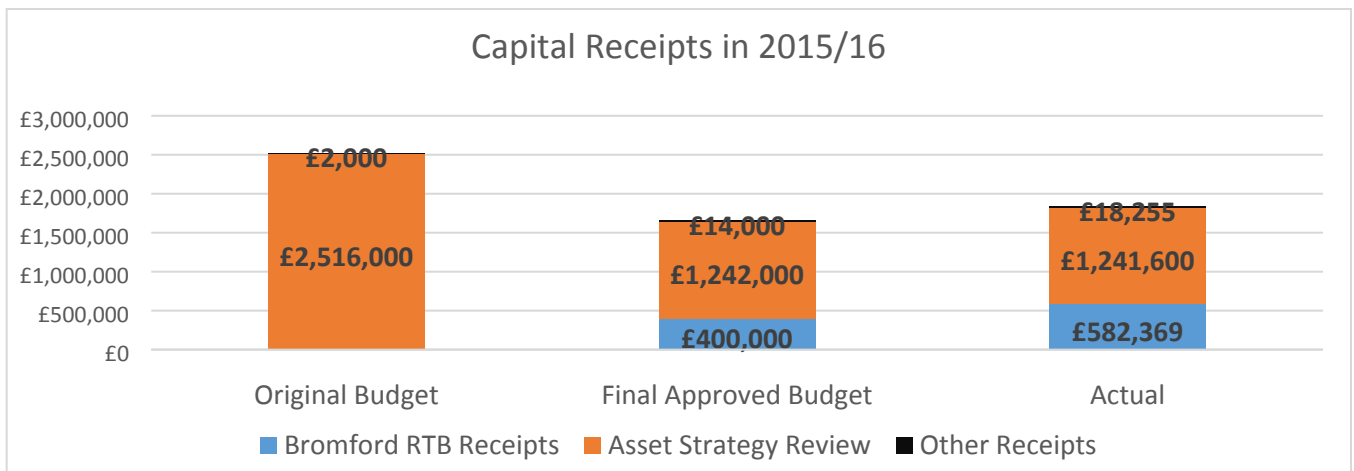
3.12. A summary of the budgetary changes from the Original Budget of **£5,051,000** to the Final Approved Budget of **£4,871,000** undertaken throughout the financial year totalling **(£180,000)** is shown in the graph below:



3.13. This below budget performance compared to both the Original Budget and the Final Approved Budget of **(£930,658)** or **19%** is shown in the graph below and in detail at **APPENDIX B**:

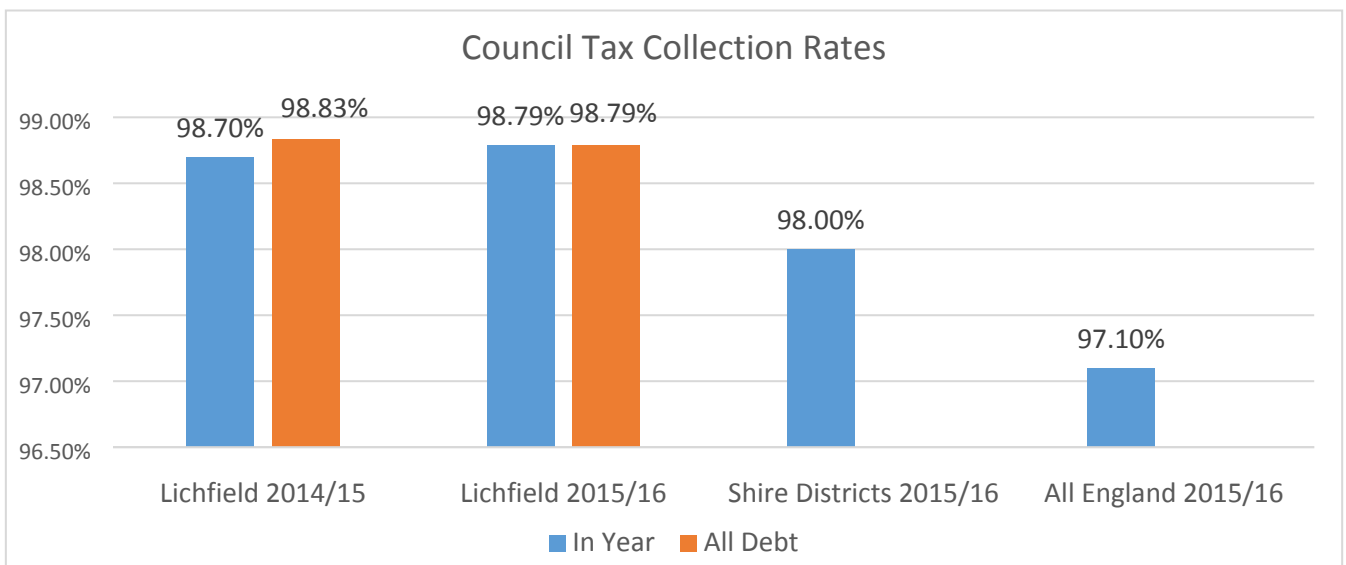


- 1.1. The reason for the significant variance on we'll support local places relates to the waste collection vehicle replacement programme. This contract hire arrangement must be treated as capital expenditure funded by a leasing obligation because the risks and rewards of ownership have been assessed as transferring to the Council¹. A below budget spend has occurred of **(£872,000)** because a number of vehicles originally planned to be procured during 2015/16 will now be procured in later financial years.
- 1.2. The below budget performance of **(£930,658)** can be categorised as:
 - Delays in spend taking place which is known as slippage of **(£1,123,000)**.
 - Technical adjustments including new finance leases of **£226,000**.
 - Other adjustments including project underspends of **(£33,658)**.
- 1.3. The slippage in 2015/16 of **£1,123,000** is recommended to be added to the Capital Programme in 2016/17 when this delayed spend is planned to take place. The slippage together with the Revised Budget for 2016/17 is shown in **APPENDIX B**.
- 1.4. The actual capital receipts of **(£1,842,224)** received during 2015/16 compared to the Original **(£2,518,000)** and Revised Approved Budgets **(£1,656,000)** are shown in the graph below:



Council Tax

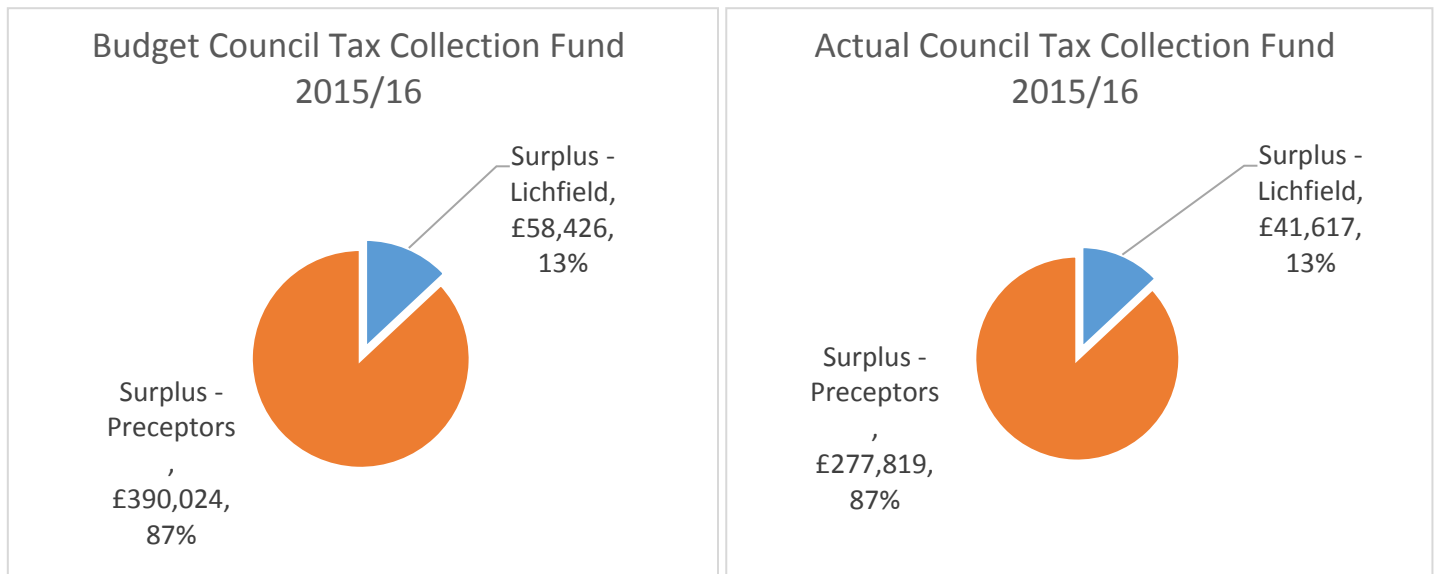
- 1.5. The Council was responsible for the collection of Council Tax for all precepting authorities in 2015/16 totalling **£54m**.
- 3.19 The collection performance for Council Tax in 2014/15 and 2015/16 compared to the overall in year performance in 2015/16 for shire districts and England is shown in the graph below:



¹ Cabinet Report 8 September 2015.

3.20 The collection performance has improved from 2014/15 and remains significantly higher than the average for Shire Districts and England.

3.21 A summary of the budgeted and actual Council Tax Collection Fund performance is shown in the graph below with detail shown at **APPENDIX C** and is based on Lichfield’s (including Parishes) current share of Council Tax of **13%**:



3.22 The main reason the surplus is lower than estimated is because despite improved collection performance in 2015/16 the Corporate Debt Team has assessed that a higher transfer to the bad debt provision is required to reflect the current risk on non-collection of arrears.

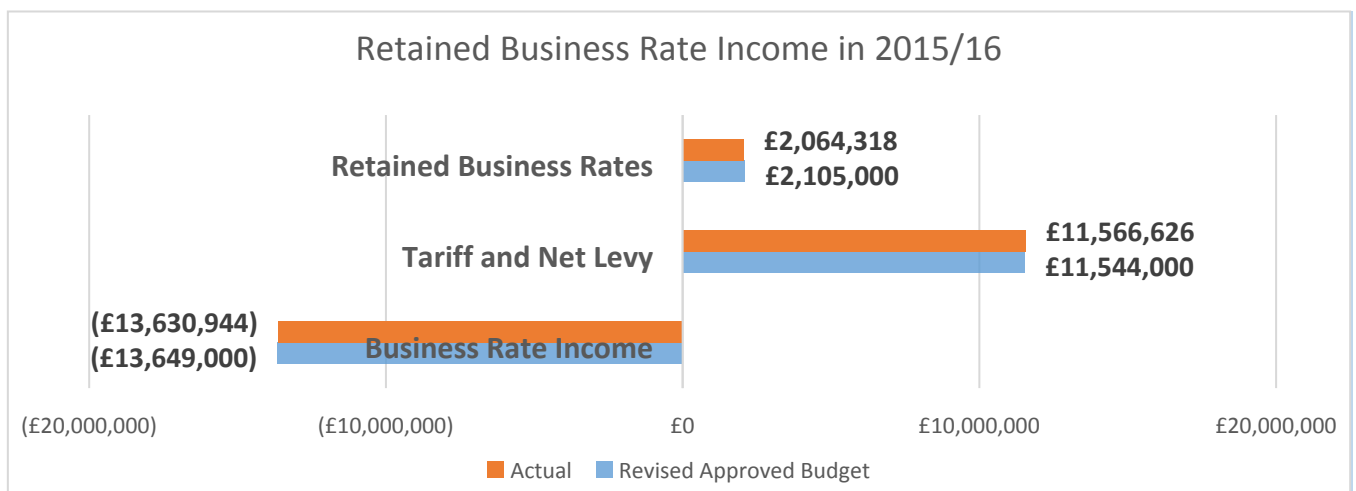
3.23 The reduction in the Council’s share of the surplus of **£16,809** will be included in the 2017/18 Budget.

Business Rates

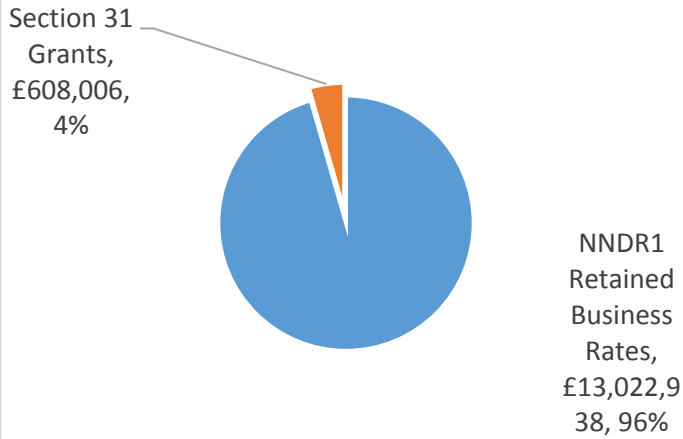
3.24 The Council collected Business Rates for all partners in 2015/16 totalling **£34m**.

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 have reduced more than a set percentage below the baseline).

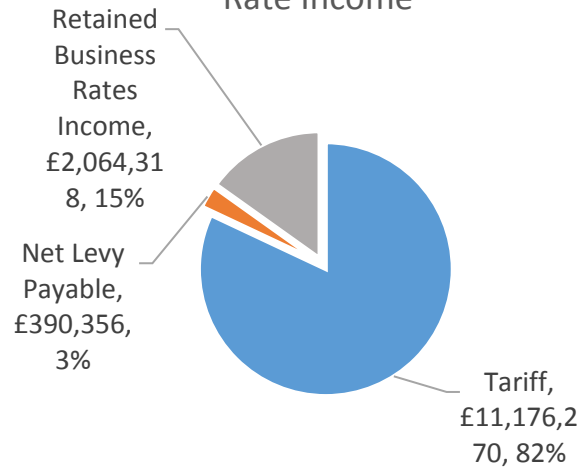
3.26 The Retained Business Rate income for 2015/16 was **(£2,064,318)** compared to the Revised Approved Budget of **(£2,105,000)**, a shortfall of **£40,682**. The detail of the Council’s actual and budgeted share of Business Rates income, the tariff and net levy and retained Business Rates in 2015/16 is shown in detail at **APPENDIX C** and in the graphs below:



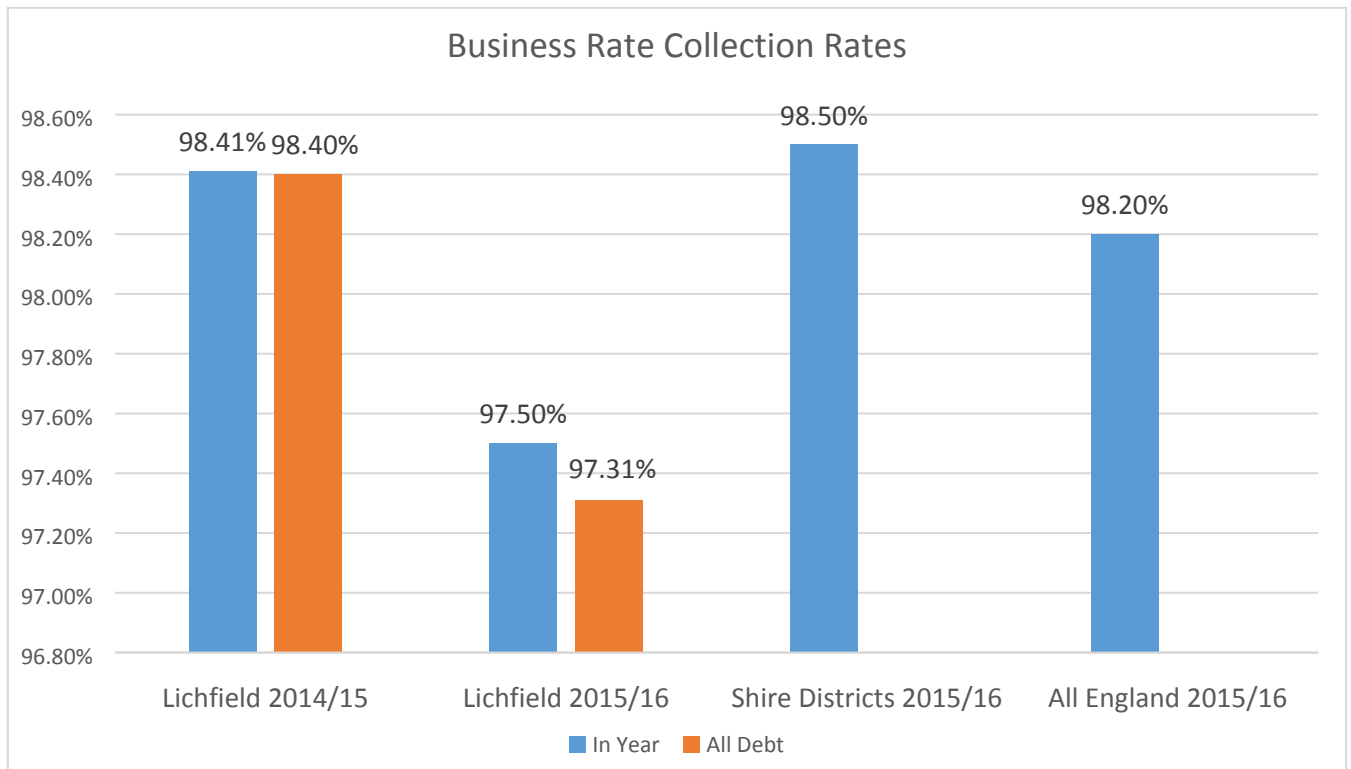
The makeup of the Council's share of Business Rate Income



The use of the Council's share of Business Rate Income



3.27 The collection performance for Business Rates in 2014/15 and 2015/16 compared to the overall in year performance in 2015/16 for shire districts and England is shown in the graph below:

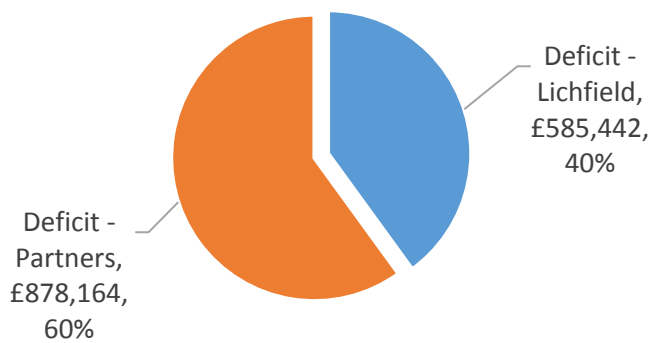


3.28 In year debt collection performance has deteriorated from 2014/15 and is now lower than the average for Shire Districts and England. The reason for the reduction in performance (reported previously in Money Matters Reports) for both in year and all debt was as a result of:

- The amount of collectable debt has increased from **£35.1m** to **£36.4m**.
- New rating assessments, appeals and other changes equating to a **(0.88%)** reduction in the collection rate.
- A payment deferral as part of the Council's support for economic development in the District equating to a **(0.17%)** reduction in the collection rate.

3.29 A summary of the budgeted Business Rates Collection Fund performance is shown in the graphs below with detail shown at **APPENDIX C** and is based Lichfield's prescribed share of **40%**:

Budget Business Rates Collection Fund



Actual Business Rates Collection Fund



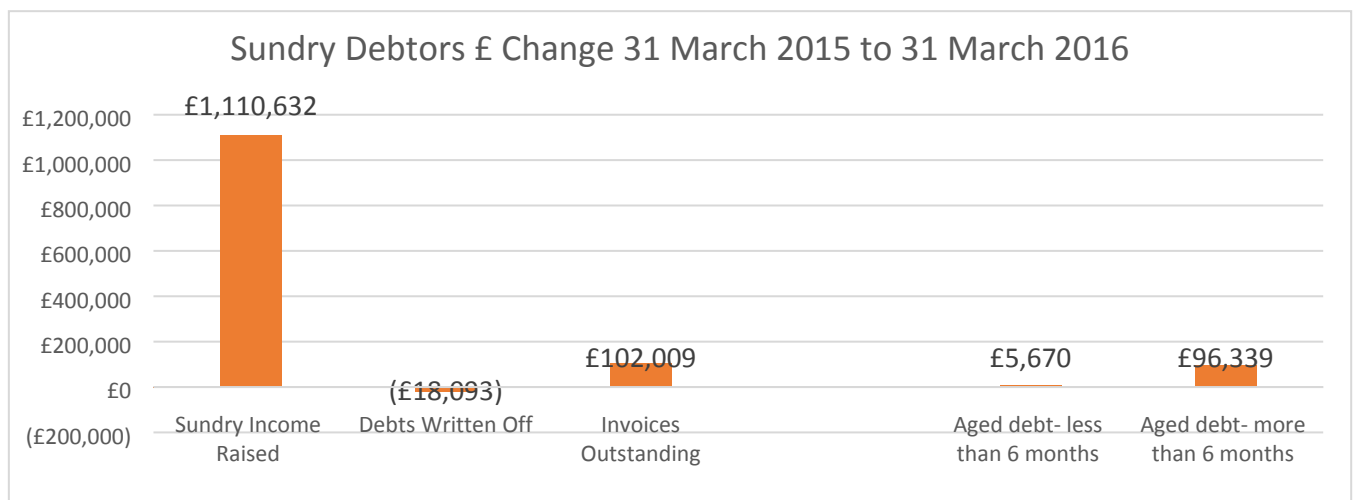
3.30 The main reasons the deficit is lower than estimated of **(£1,245,308)** are:

- The Corporate Debt Team has assessed that a lower transfer to the bad debt provision is required to reflect the current risk on non-collection **(£252,722)**.
- The level of provision for business rate appeals is lower than estimated **(£374,174)**.
- There has been lower relief granted to empty properties than estimated **(£901,189)**.
- Other reasons **£282,777**.

3.31 The reduction in the Council's share of the deficit of **(£498,123)** will be included in the 2017/18 Budget.

Sundry Debtors

3.32 A summary of key transactions levels and collection performance for Sundry Debtors in 2015/16 compared to 2014/15 is shown in the graph below:



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

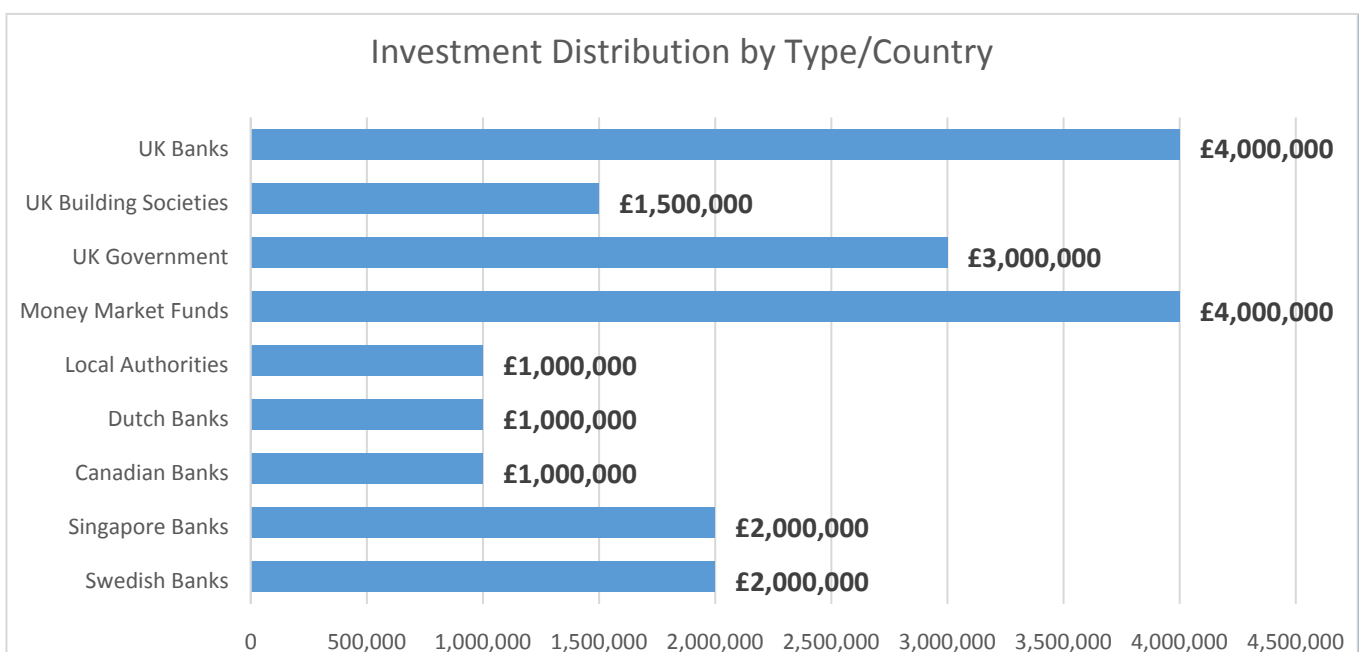
- The collection of sundry debts has remained consistent throughout 2015/16.
- The value of income raised has increased by **£1,110,632** or **16.22%** and the value of write offs has reduced by **(£18,093)** or **(28.70%)**.
- Overall invoices outstanding has increased by **£5,670** or **5.87%** with an increase in those outstanding for more than 6 months by **£96,339** or **19.52%** due to an increase in housing benefit overpayment debts that take longer to collect. The introduction of Real Time Information (RTI) has contributed to more overpayments being identified related to unreported changes in circumstances (such as income not declared, savings not declared).

Treasury Management

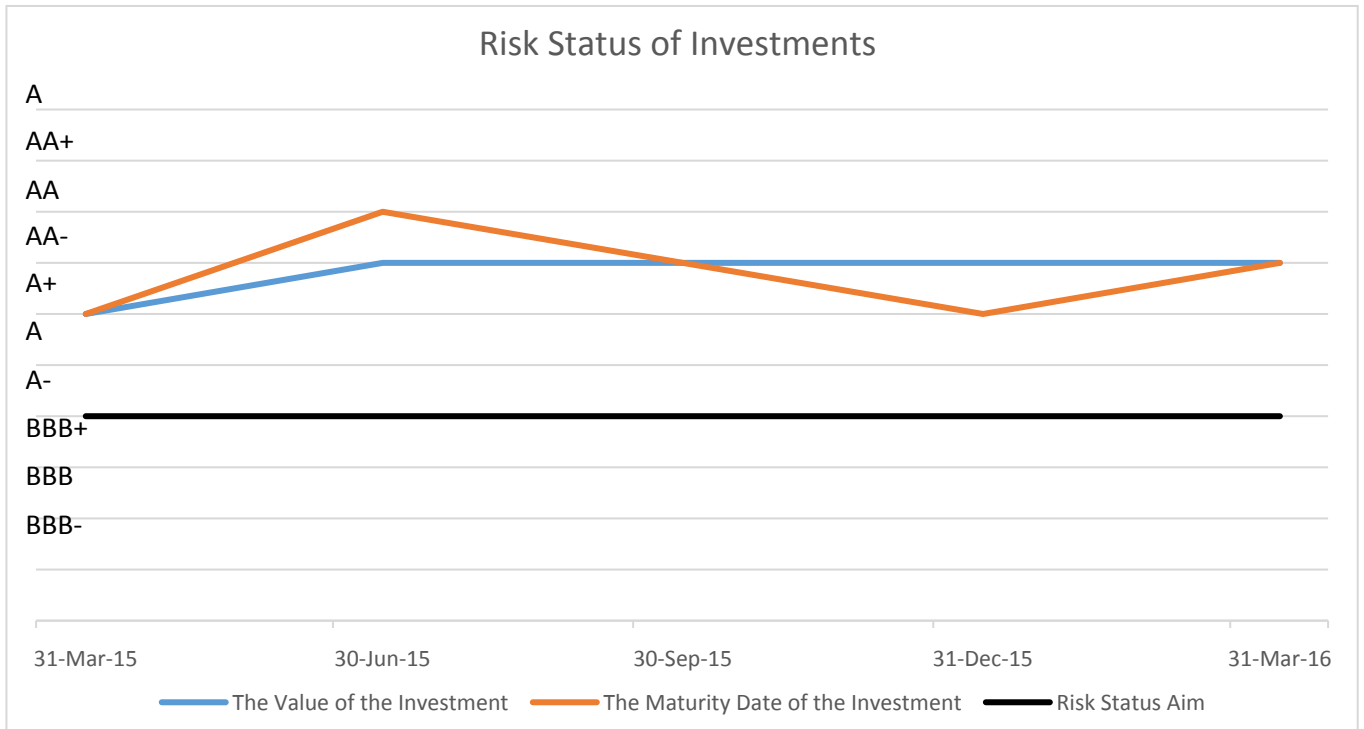
- 3.34 This Annual Treasury Report is a requirement of the Council's reporting procedures. It covers the Treasury activity during 2015/16 and the actual Prudential Indicators for 2015/16.
- 3.35 Our Treasury Management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members be informed of treasury management activities at least twice a year. We report quarterly to the Cabinet and Strategic Overview and Scrutiny Committee on Treasury policy; strategy and activity.
- 3.36 Treasury Management is defined as: *"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*
- 3.37 Overall responsibility for Treasury Management remains with the Council. No Treasury Management activity is without risk; the effective identification and management of risk are integral to our Treasury Management objectives.
- 3.38 This report is prepared in accordance with the revised CIPFA Treasury Management Code and the revised Prudential code and
- presents details of capital spend, capital financing, borrowing and investment transactions;
 - reports on the risk implications of Treasury decisions and transactions;
 - gives details of the outturn position on Treasury Management transactions in 2015/16;
 - confirms compliance with Treasury limits and Prudential Indicators and
 - provides details of the results of recent reviews undertaken in relation to Treasury Management Activity to provide assurance that systems and controls work as expected.
- 3.39. The report is to full Council and in addition is also submitted to the Strategic Overview and Scrutiny Committee who are responsible for scrutiny of the Treasury Management function.

The Security of Our Investments

- 3.40. The investments the Council had at the 31 March 2016 of **£19,500,000** by type and Country are summarised in the graph below and in more detail at **APPENDIX E**:

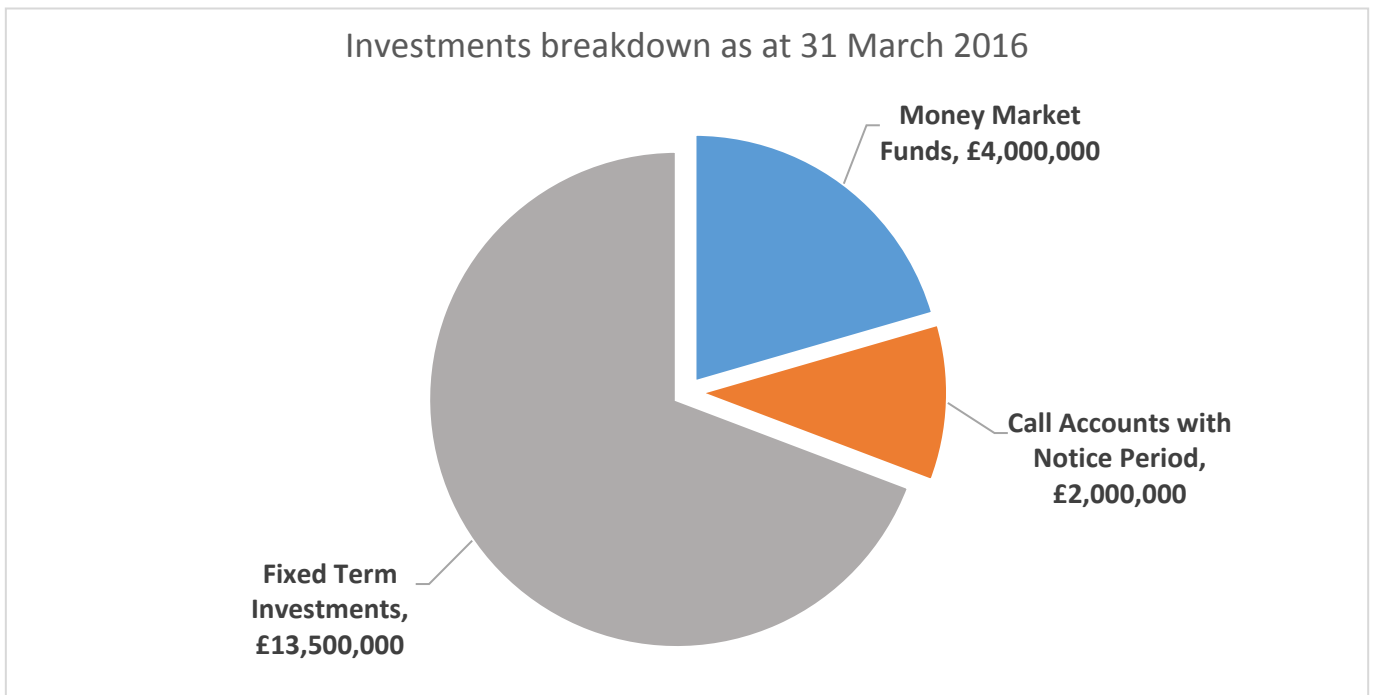


3.41. Our aim for the risk status of our investments was **A-**. The risk status based on the length of the investment and the value throughout 2015/16 is summarised in the graph below:



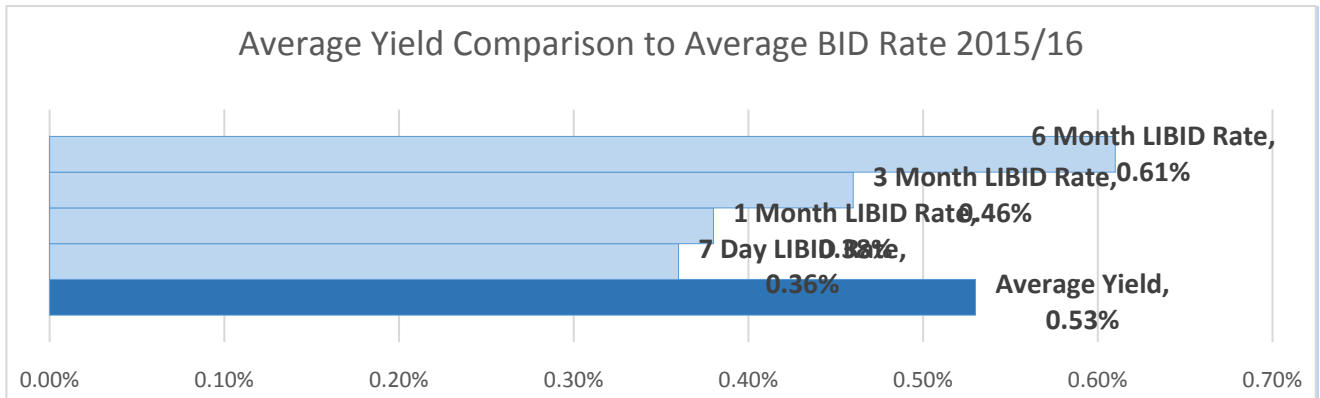
The Liquidity of our Investments

3.42. The Council has not had to temporarily borrow during 2015/16 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 proportion of investments of this type is shown in the graph below:



The Return or Yield of our Investments

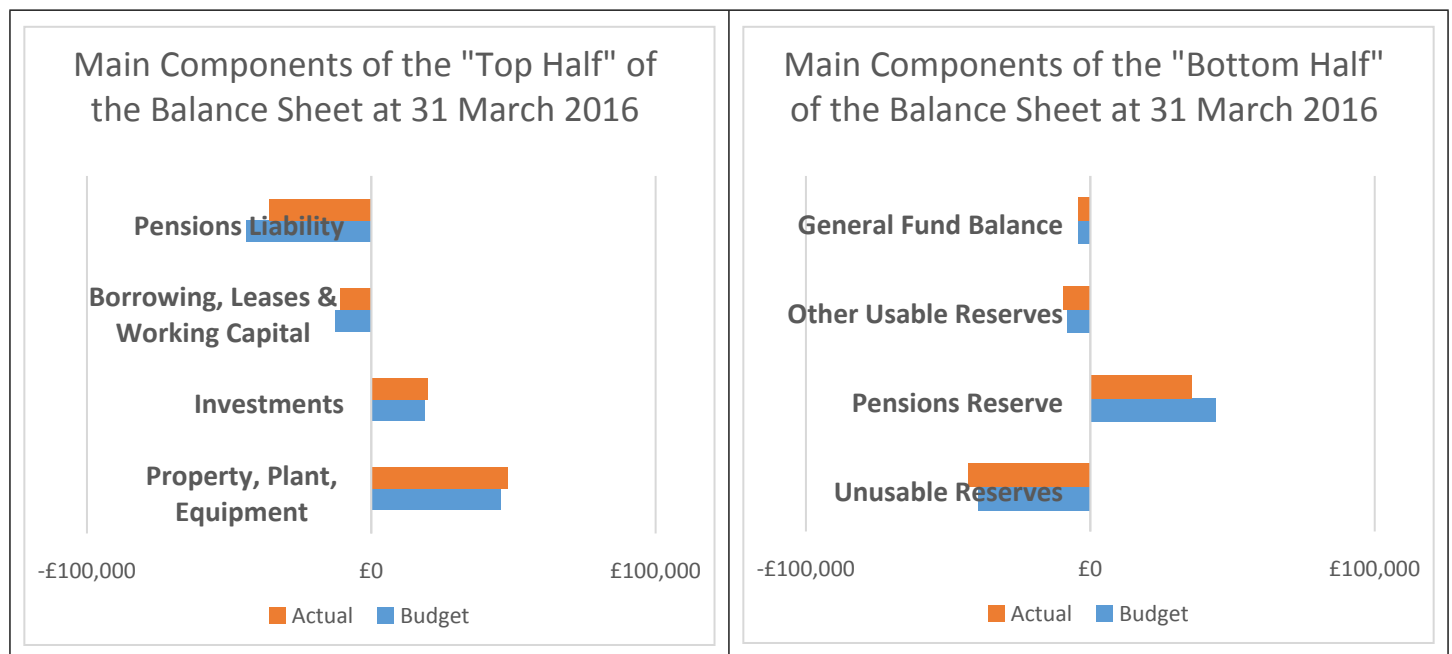
3.43. The yield the Council achieved compared to a number of industry standard benchmarks (including our preferred benchmark of the 7 day LIBID rate) is shown in the graph below:



3.44. The investment activity during the financial year generated (£140,992) of net investment income compared to a budget of (£140,500) and overall the Net Treasury position was below budget by (£2,374).

The Council's Balance Sheet

3.45. The Council's Balance Sheet at 31 March 2016 is shown at **APPENDIX F** and in summary below:

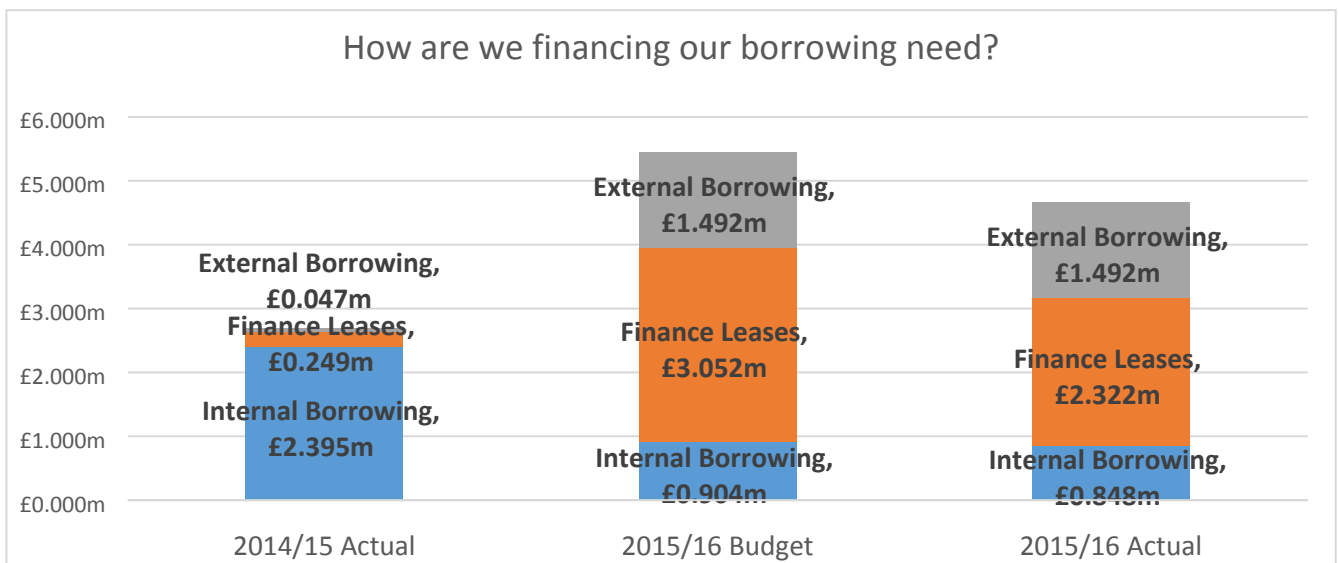
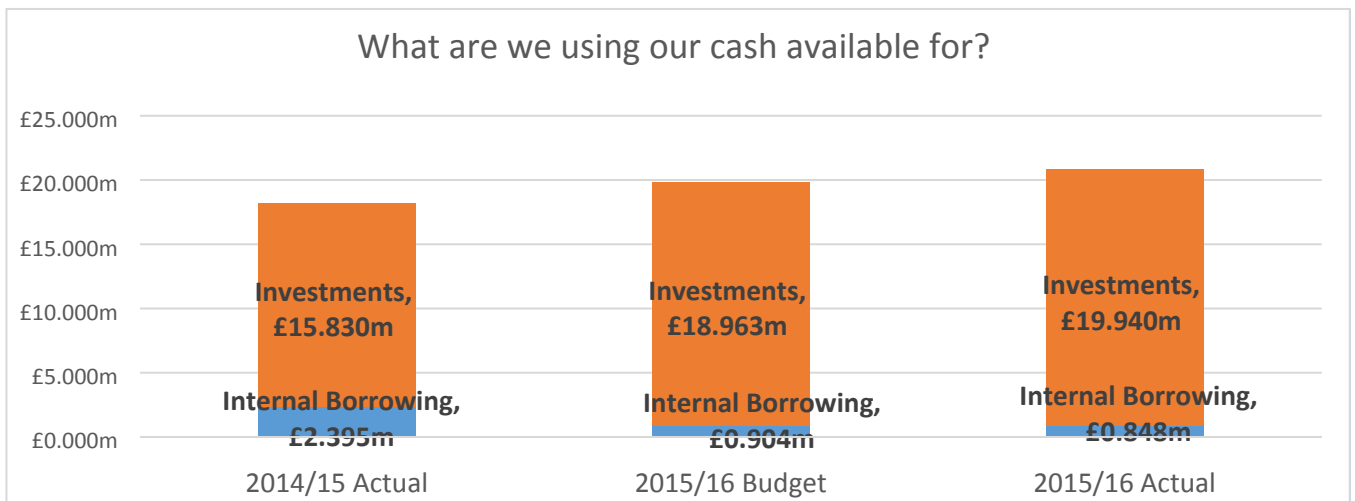


3.46. The Council externally borrowed £1.5m in April 2015 and this is being repaid over a period of 25 years. In addition, a new waste fleet was procured using a contract hire arrangement with a value of vehicles received in 2015/16 totalling £2.2m. This arrangement has been assessed as being a finance lease and therefore the assets and liabilities appear on the Council's Balance Sheet.

3.47. There is a variance of £13.3m between the budgeted and actual Balance Sheets and the main reasons are detailed below:

- The actuary's valuation of the pension fund liability in the "Top Half" of the Balance Sheet is £8.2m lower than last year's valuation due to changes in the assumptions used. The impact of the pensions fund liability is reversed under statutory arrangements via a pensions reserve in the "Bottom Half" of the Balance Sheet.
- The value of property, plant and equipment is higher by £2.1m mainly due to revaluations by the District Valuer of the Leisure Centres and the Lichfield Garrick. These increases in valuation reflect the valuation method used that is based on the cost of replacement.

3.48. The Council's Treasury position at 31 March 2016 in terms of how available cash has been utilised together with the level of borrowing need and how it has been financed is summarised in the two graphs below:



Treasury Management Assurance

3.49. As part of the Council's assurance framework, Internal Audit undertake periodic reviews of the Treasury Management function. A review was undertaken in 2015/16 and the Council received the second highest level of assurance known as **Substantial Assurance**². The detail of the results of the review findings are shown at **APPENDIX G**.

Alternative Options	There are no alternative options.
Consultation	Consultation is undertaken as part of the 'Plan for Lichfield District' and with Leadership Team.

² The Council's Internal Audit assurance levels are: Excellent, Substantial, Adequate, Limited and Poor.

Financial Implications

Prudential indicators (PI) 2015/16:

- We can confirm that the Council has complied with its Prudential Indicators for 2015/16; these were originally approved by Council at its meeting on 17 February 2015 and were fully revised and approved by Council on 23 February 2016 as part of the Council's Treasury Management Strategy Statement.
- 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 2015/16.
- None of the other Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield. The Prudential Indicators are shown in detail in **APPENDIX H** and are summarised in the table below :

PI	Details	2015/16 Final Budget	2015/16 Actual	Compliant
1	Capital Expenditure (£)	£4.871m	£3.940m	
2	Ratio of Financing Costs to Net Revenue Stream (%)	2%	3%	
3	Capital Financing Requirement (£)	£5.448m	£4.664m	
4	Net external borrowing does not exceed the Capital Financing Requirement in the current year plus the next two years	True	True	
5	Incremental impact of capital investment decisions on Band D Council Tax (£)	(£0.28)	(£0.18)	
6	Authorised Limit (£)	£13.732m	£4.587m	
7	Operational Boundary (£)	£5.405m	£4.587m	
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%)	(87%)	
10	Upper limit for investments variable interest rate exposure (Highest)	100%	100%	
11	Upper limit for borrowings fixed interest rate exposure (Highest)	(100%)	(43%)	
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%	5.17%	
12	12 months and within 24 months	100%	5.08%	
12	24 months and within 5 years	100%	12.24%	
12	5 years and within 10 years	100%	20.40%	
12	10 years and within 20 years	100%	40.80%	
12	20 years and within 30 years	100%	16.32%	
12	30 years and within 40 years	100%	0%	
12	40 years and within 50 years	100%	0%	
12	50 years and above	100%	0%	
13	Principal Sums invested > 364 days (£m)	£2.300m	£1.000m	
14	Credit Risk	We consider security; liquidity and yield, in that order, when making investment decisions.		

- Detailed analysis of the Financial Performance for 2015/16 is shown in the **APPENDICES** attached.

Contribution to the Delivery of the Strategic Plan	The MTFS underpins the delivery of the ' <i>Plan for Lichfield District 2012-16</i> '.
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Equality, Diversity and Human Rights Implications	There are no additional Equality, Diversity or Human Rights implications.
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Crime & Safety Issues	There are no additional Crime and Safety Issues.
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	Risk Description	How We Manage It	Severity of Risk (RYG)
A	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	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	A new Annual Investment Strategy was approved by Cabinet on 7 April 2015. This new Strategy utilises more counterparties and financial instruments to diversify the portfolio and reduce this risk.	Yellow - Material
C	The Performance of the Economy in light of the EU Referendum	Close monitoring of the higher risk key business areas and those areas affected by the downturn. Managers continuously gather and analyse information and are taking action where it is possible to do so.	Red - Severe
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 Council plans to dispose of a number of assets to fund capital investment including Industrial Units and Shops. Two of these sales have been completed and the remaining one is being monitored closely to ensure any subsequent financial implications are included in the MTFS.	Red - Severe
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	<ul style="list-style-type: none">• CIPFA Code of Practice for Treasury Management in the Public Services• Money Matters : Medium Term Financial Strategy (Revenue and Capital) 2015-18 Cabinet 3 February 2015.• Money Matters : 2015/16 Review of Financial Performance against the Financial Strategy (3 months) - Cabinet 8 September 2015• Money Matters : 2015/16 Review of Financial Performance against the Financial Strategy (6 months) - Cabinet 1 December 2015• Money Matters : 2015/16 Review of Financial Performance against the Financial Strategy (8 months) - Cabinet 9 February 2016• The Prudential Code for Capital Finance in Local Authorities
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Relevant web link	<u>Cabinet - Lichfield District Council</u>
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The Revenue Budget

	Original Budget (£)	Approved Budget (£)	Actual Outturn (£)	2015/16 Variance (£)	2015/16 Target Variance (+/-) (£)
Chief Executive	772,460	765,030	863,554	98,524	6,000
Community, Housing & Health	2,217,360	1,885,810	1,850,605	(35,205)	20,000
Democratic, Development & Legal	1,097,170	392,170	241,745	(150,425)	61,000
Finance, Revenues & Benefits	2,428,290	2,294,110	2,281,698	(12,412)	31,000
Leisure & Parks	3,167,270	2,818,790	2,752,471	(66,319)	71,000
Waste Collection	1,311,000	1,228,930	1,200,013	(28,917)	61,000
Net cost of services	10,993,550	9,384,840	9,190,085	(194,755)	250,000
Net Treasury Position	74,900	(39,500)	(41,874)	(2,374)	
Revenue Contributions to the Capital Programme	154,000	154,000	154,000	0	
Net Revenue Expenditure	11,222,450	9,499,340	9,302,211	(197,129)	
Approved Earmarked reserves	92,000	290,250	290,250	0	
Cost of local services met by local and national taxes	11,314,450	9,789,590	9,592,461	(197,129)	
How we plan to fund this					
Local Taxes	(5,620,560)	(5,620,560)	(5,620,560)	0	
Grants and Business Rates	(5,293,440)	(5,293,440)	(5,253,376)	40,064	
Funding Sub Total	(10,914,000)	(10,914,000)	(10,873,936)	40,064	
Sub Total	400,450	(1,124,410)	(1,281,475)	(157,065)	
General Reserve	(400,450)	1,124,410	1,281,475	157,065	
Net Expenditure	0	0	0	0	

Analysis of gross expenditure, income and net expenditure for 2015/2016

Area	Actual Gross Expenditure (£)	Actual Gross Income (£)	Actual Net Expenditure (£)
Chief Executive	906,139	(42,585)	863,554
Community, Housing & Health	2,493,407	(642,802)	1,850,605
Democratic, Development & Legal	4,833,278	(4,591,533)	241,745
Finance, Revenues & Benefits	22,966,601	(20,684,903)	2,281,698
Leisure & Parks	6,094,896	(3,342,426)	2,752,471
Waste Collection	5,148,830	(3,948,817)	1,200,013
Net cost of services	42,443,151	(33,253,066)	9,190,085
Net Treasury Position	106,438	(148,312)	(41,874)
Revenue Contributions to the Capital Programme	154,000	0	154,000
Net Revenue Expenditure	£42,703,589	(£33,401,378)	£9,302,211

Reasons for the end of year below Budget Performance

	Variance (£)	Expenditure		Income	
		One Off (£)	Recurring (£)	One Off (£)	Recurring (£)
Chief Executive					
Communications and Information - additional income for services	(3,523)	(306)		(3,217)	
Minor Balance	(953)	1,275	0	(2,228)	0
Approved at Leadership Team Earmarked reserves	103,000	103,000		0	
Chief Executive Total	£98,524	£103,969	£0	(£5,445)	£0
Community, Housing & Health					
Homelessness Service - bad debt provision 7.7k and courses 750, B&B overspent. Over recovered storage and B&B income budgets	5,980	9,017		(3,037)	
Homelessness Prevention - Grant received from Shropshire Council put into reserve, small underspend other fees (homeless prevention) and bad debt over provided for	(9,332)	(1,037)		(8,295)	
Private Sector Housing - reduction in Warmer Healthier Homes Healthier People payments	(4,178)	(4,179)		1	
Building Safer Communities - some expenditure has no budget but was Grant funded or covered by reserve	(4,197)	7,503		(11,700)	
Food Safety - Rate my Place income (no budget)	(6,554)	161		(6,715)	
Repossession Prevention Fund -3 loans awarded and bad debt provision 8.5K (no budget), income covers 3 loans awarded	6,051	13,551		(7,500)	
Prevention Assistance Fund - loan underwritten but bad debt over provided for	(4,036)	(4,035)		(1)	
Housing Strategy and the Enabling Role - reserve given up (EARM no longer required CHH 033), small income balance	(30,430)	(30,399)		(31)	
Minor Balance	1,409	20,353	0	(18,944)	0
Approved at Leadership Team Earmarked reserves	10,083	10,083			
Community, Housing & Health Total	(£35,205)	£21,017	£0	(£56,222)	£0
Democratic, Development & Legal					
District Council House - additional Repairs and Maintenance	9,429	9,484		(55)	
Democratic Services - savings in employee cost/supplies & Services	(9,012)	(7,349)		(1,664)	
Legal Services - savings in employee cost, Legal fees and additional Legal fees income	(23,939)	(17,129)		(6,810)	
Other Land and Property - savings in professional fees and additional freehold sales income	(14,516)	(4,934)		(9,582)	
Countryside Projects-Earmarked Reserve No Longer Required	(23,252)	(23,252)		0	
Business Support and Investment-Earmarked Reserve Not Required	(34,628)	(34,628)		0	
District Highways - underspends on street name plates and unadopted roads	(11,521)	(3,521)	(8,000)	0	
Multi Storey car park	(19,754)	(3,646)		(5,108)	(11,000)
Parking Enforcement	15,416	3,581		835	11,000
Lichfield Car Parks - vandalism repairs offset with insurance claims	491	12,340		(11,850)	
Conservation and Listed Buildings – Earmarked Reserve No Longer Required and reduction in Shared Service income	(40,582)	(42,372)		469	1,320
Minor Balance	(832)	(12,273)	0	11,441	0
Approved at Leadership Team Earmarked reserves	2,276	2,276			
Democratic, Development & Legal Total	(£150,425)	(£121,422)	(£8,000)	(£22,793)	£1,320
Finance, Revenues & Benefits					
Additional New Burdens Grant received for Revenues & Benefits	(5,409)	(319)		(5,090)	
Street Naming and Numbering - additional income	(7,051)	640		(7,691)	
Director - Finance Revenues & Benefits - additional income	(2,597)	(2,537)		(60)	
Lichfield BID - additional income for administering the BID	(6,641)	59		0	(6,700)
Housing Benefit Payments - actual Subsidy Claim reflected	(260)	951,213		(951,473)	
Minor Balance	(3,616)	31,904	1,250	(36,770)	0
Approved Earmarked reserves	13,160	13,160			
Finance, Revenues & Benefits Total	(£12,412)	£994,121	£1,250	(£1,001,083)	(£6,700)

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	Variance (£)	Expenditure		Income	
		One Off (£)	Recurring (£)	One Off (£)	Recurring (£)
<u>Leisure & Parks</u>					
Administration Budget - Saving in relation to marketing, office expenditure/ printing/ equipment and lower employee costs	(8,962)	(8,889)		(73)	
Health & Safety- minor balance	(3,101)	(3,757)		656	
Sports Development and Positive Futures - Some projects started later than anticipated resulting in lower costs versus budget and income received later in year	(19,490)	18,431		(21,150)	
Parks and Open Spaces - Overspends on tree works and premises maintenance at Beacon Park partly offset by over performance on income from core activities. Pressures at Burntwood Parks in particular due to the works on Hospital Road and the reduction in income from the lease and that at St Matthews. Unplanned income received for Wharf Lane close to year end so could not be utilised	28,513	65,729		(37,217)	
Friary Grange Leisure Centre – Over performance on income following the refurbishment and upgrade of facilities. The charge from SCC for the Joint User Agreement was significantly less than budget	(34,505)	(13,765)	440	(8,180)	(13,000)
King Edward VI Leisure Centre - Savings on employees due to leavers and utilities due to mild winter and efficient usage	(9,066)	12,285	(25,000)	(16,351)	20,000
Burntwood Leisure Centre – Underspending on marketing budget, other supplies and services lines and employee costs and premises (utilities)	(32,935)	(32,833)		(102)	
Garrick – Repairs to ventilation system slipped so reserve for £15k	(12,218)	(12,218)		0	
Insurance - Savings on consultant fees, commission to brokers and course fees	(3,367)	(3,387)		21	
Streetscene - Grounds Maintenance - Expenditure includes capital purchase of equipment to be moved to asset register, income includes part exchange allowance for this equipment. Ad hoc higher than budget for external contracts	4,081	21,825		(17,744)	
Public Conveniences – Minor balance	(2,096)	(2,131)		35	
Streetscene Management - Minor balance	(2,145)	(2,145)		0	
Street Cleansing Approved Earmarked reserves – trunk road cleansing	28,971	28,971			
Leisure & Parks Total	(£66,319)	£68,116	(£24,560)	(£116,876)	£7,000
<u>Waste Collection</u>					
Joint Waste - Q4 saw increase in recycling tonnages after a fall over the first 3 quarters. Due to milder winter hence more organic waste and also increase in dry recycling. This affects both expenditure (gate fee) and income (recycling credit and sale proceeds from dry recycling)	(21,715)	67,883		(89,598)	
Other Waste - increased 2nd brown bin income and bulky income	(1,399)	0		(1,399)	
Trade Waste - new customers hence increased disposal costs and income	(5,062)	9,020		(14,082)	
Minor Balance	(741)	1,928	0	(2,669)	0
Waste Collection Total	(£28,917)	£78,830	£0	(£107,747)	£0
<u>Net Treasury Position</u>					
Treasury Management – lower internal interest payments.	(2,374)	(4,062)		1,688	0
Net Treasury Position Total	(£2,374)	(£4,062)	£0	£1,688	£0
<u>Local Taxes</u>					
Minor Balance	0	499	0	(499)	0
Local Taxes Total	0	499	0	(499)	0
<u>Grants</u>					
Section 31 grants are lower than forecast and additional net levy on Business Rate Growth	40,064	254,190	0	(214,126)	0
Grants Total	£40,064	£254,190	£0	(£214,126)	£0
Total	(£157,065)	£1,395,259	(£31,310)	(£1,522,634)	£1,620

Unrestricted Earmarked reserves Summary 2015/16 as at 31st March 2016

Reserve Name	Initial Set Up Year	1 April 2015 £	31 March 2016 £
Web Site Development	2008/09	(31,000)	(40,200)
Fit for the Future	2013/14	(321,925)	(418,225)
Fit for the Future	2013/14	(25,730)	0
IAS 19 - Employee Benefits	2014/15	(69,650)	(69,650)
Chief Executive Total		(448,305)	(528,075)
SMBC Refresh Costs	2010/11	(12,000)	0
Benefits - New Burdens Grant	2014/15	(96,320)	(185,380)
Public Access Upgrade	2014/15	(6,000)	0
IT Health check	2014/15	(30,500)	0
Spend Analysis - Prospend in 2016/17 & 2017/18	2014/15	(8,198)	(16,298)
Business Rates	2014/15	(162,379)	(275,039)
Payment Kiosk	2014/15	(20,000)	(20,000)
Finance, Revenues & Benefits Total		(335,397)	(496,717)
City Centre Pedestrianisation Sinking Fund	2011/12	(27,663)	0
Inward Investment and Place Marketing	2010/11	(60,000)	(44,000)
High Street Innovation Fund - Lichfield	2012/13	(6,650)	0
High Street Innovation Fund - Burntwood	2012/13	(2,594)	0
Three Spires Head Lease Rent	2014/15	(66,000)	(33,000)
Individual Electoral Registration	2014/15	(35,850)	(33,270)
Lichfield District Council Election	1984/85	(97,469)	(14,000)
Grant Aid -Development Historic Building Grants	1982/83	(39,649)	(9,600)
Grant Aid -Development Nature Conservation Fund	1982/83	(19,284)	(10,000)
Canal Culvert at Huddlesford	2013/14	(4,200)	0
Refurbishment of Bird Street Car Park	2013/14	(116,912)	0
HS2	2013/14	(50,930)	(44,806)
Judicial Review/Planning Appeals	2013/14	(266,139)	(199,160)
Friarsgate	2014/15	(92,000)	(382,250)
Arts Development	2014/15	(600)	(1,026)
Tourism Strategy	2014/15	(8,067)	0
Tourism System Upgrade	2015/16		(15,700)
Elections Additional Support	2015/16		(114,780)
Spatial Policy Office Expenses	2015/16		(1,250)
Democratic, Development & Legal Total		(894,008)	(902,842)
Wharf Lane	2007/08	(24,217)	(4,314)
Comprehensive Tree Survey	2012/13	(34,280)	(32,280)
Beacon Park Composting Bays	2011/12	(2,836)	0
Friary Grange Leisure Centre - Reception, Catering/Viewing area & Gym	2013/14	(807)	(807)
FGLC - Evolve Cardio Equipment	2013/14	(2,970)	(2,970)
Burntwood Leisure Centre Synthetic Pitch Renewal	2013/14	(40,000)	(40,000)
King Edward VI Leisure Centre Synthetic Pitch Renewal	2013/14	(115,000)	(115,000)
National Memorial Arboretum	2014/15	(20,000)	(14,745)
Vehicle for Parks Team	2014/15	(32,170)	(6,604)

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Reserve Name	Initial Set Up Year	1 April 2015 £	31 March 2016 £
Transfer of Property	2014/15	(25,000)	(24,250)
Squash Courts and Sports Hall Floors Friary Grange Leisure Centre	2014/15	(50,000)	(50,000)
Leisure Services Review	2014/15	(20,000)	(2,000)
Grounds Maintenance Vehicles and Equipment Sinking Fund	2014/15	(24,300)	(69,600)
Trunk Road Sweeping	2014/15	(50,540)	(40,550)
Friarsgate Shop mobility Equipment	2015/16		(5,000)
Pockets Parks Programme	2015/16		(11,000)
Positive Futures POC Funding	2015/16		(2,971)
Garrick - Repairs to ventilation system	2015/16		(15,000)
Leisure & Parks Total		(442,120)	(437,090)
Old Mining College Repairs	2005/06	(7,750)	0
Building Safer Communities	2010/11	(12,723)	(10,203)
Domestic Homicide	2011/12	(2,500)	0
Assistant CDW - delayed redundancy	2013/14	(11,448)	0
Customer Services Channel Shift	2011/12	(17,000)	(17,000)
Environmental Health Legal Costs	2011/12	(10,000)	0
EH - Vehicle Maintenance/Replacement	2011/12	(23,941)	(23,941)
Homelessness Strategy	2010/11	(57,610)	0
DCLG Grant Homelessness	2010/11	(39,802)	0
Warmer Homes Healthier Homes	2012/13	(27,727)	0
Homeless & Repossession Prevention Fund	2010/11	(34,549)	(16,022)
Stock Condition Survey	2015/16		(65,000)
Housing Strategy - Evidence Base Update	2015/16		0
Housing Void Loss	2011/12	(8,089)	0
Choose Housing Register	2011/12	(9,592)	0
CCTV Review & Infrastructure	2010/11	(180)	0
Home Repair Assistant Grants - Capital Bid	2013/14	(13,000)	0
Public Health Funding	2013/14	(11,666)	(11,666)
Customer Services – Counter call System	2014/15	(24,000)	(3,648)
Transfer of Old Mining College	2014/15	(3,000)	0
Evidence Base Strategic Plan	2014/15	(12,000)	0
Web Site Development Rate My Place	2014/15	(11,400)	(11,400)
CCTV Sinking Fund	2015/16		(20,358)
Shropshire & Staffordshire Homelessness Prevention Partnership residual grant	2015/16		(8,487)
Letting Agent Regulations	2015/16		(761)
Smoke & Carbon Monoxide Regulations	2015/16		(835)
Community, Housing & Health Total		(337,977)	(189,321)
Dry Recycling Contract - LDC Share (Note 1)	2014/15	(115,000)	(100,570)
IAS 19 Employee Benefits - LDC Share	2014/15	(20,200)	(20,200)
Joint Waste Total		(135,200)	(120,770)
Total Earmarked reserves		(£2,593,007)	(£2,674,815)

Restricted Earmarked reserves Summary 2015/16

Reserve Name	Initial Set Up Year	1 April 2015 £	31 March 2016 £
Democratic, Development & Legal			
South Staffordshire Building Control Partnership - Building Regulations Reserve	2014/15	(85,241)	(146,055)
Friary Multi Storey Sinking Fund	2015/16	0	(1,140)
Land Charges Partnership	2015/16	0	(19,499)
POS-Worthington Road, Fradley	2010/11	(1,834)	(1,834)
Darwin Park Estate Lights	2010/11	(10,684)	(10,684)
Birmingham Road Car Park Repairs and Renewals	1995/96	(1,551,888)	(1,715,560)
Democratic, Development & Legal Total		(1,649,646)	(1,894,772)
Leisure & Parks			
POS-Cannock Road (97/00877) Area K Larks Rise Burntwood	2010/11	(7,853)	(7,853)
POS-St Matthews Site, Burntwood(97/00295)	2010/11	(72,110)	(72,065)
POS-Beacon School, Lichfield (99/00638) Beacon Park	2010/11	(3,212)	(3,212)
Section 106-Forest of Mercia 10/01563	2011/12	(700)	(700)
POS-Fradley South (96/00203) Alexander Close	2010/11	(1,517)	(1,517)
Public Open Spaces	1991/92	(5,534)	(5,534)
Commuted Sums – Hawksyard	2015/16	0	(218,218)
Commuted Sum – Darwin Park	2015/16	0	(14,437)
POS – Darwin Park	2015/16	0	(123,676)
HLF LDC Contribution	2011/12	(34,401)	(34,401)
Heritage Lottery Fund - Management	2013/14	(8,250)	(8,250)
* Friary Grange Synthetic Pitch Sinking Fund	2011/12	(10,020)	(13,360)
Leisure & Parks Total		(143,597)	(503,223)
Joint Waste			
Waste Shared Service Property growth - LDC Share	2010/11	(237,190)	(284,628)
Waste Shared Service Property growth - TBC Share	2010/11	(175,310)	(210,373)
Dry Recycling Contract - TBC Share	2014/15	(85,000)	(74,340)
IAS 19 Employee Benefits TBC Share	2014/15	(14,930)	(14,930)
Joint Waste Total		(512,430)	(584,270)
Total Earmarked reserves		(£2,305,673)	(£2,982,265)

- Friary Grange Synthetic Pitch Sinking Fund was reclassified as restricted during 2015/16

Capital Programme Performance in 2015/16

Priority	Original Budget	Final Budget	Actual Outturn	Variance	
	£	£	£	£	
We'll support local people	1,544,000	685,000	705,096	20,096	☑
We'll support local places	2,387,000	3,211,500	2,292,300	(919,200)	●
We'll boost local businesses	585,000	601,500	476,778	(124,722)	●
How our core principles help us deliver	535,000	373,000	466,168	93,168	☑
Total Capital Expenditure	£5,051,000	£4,871,000	£3,940,342	(930,658)	

KEY : ☑ Actual within **£0.1m** of our final budget
 ● Actual not within **£0.1m** of our final budget

Vehicle, Equipment and Systems Renewal Schedule 2015/16

The vehicle, equipment and systems renewal schedule in 2015/16 included in the Capital Programme is shown in the table below:

Detail	Final Budget £	Actual Spend £	Budgeted Funding	Comments
Kubota Mower	0	14,750	Revenue	
Parks Team Vehicle	32,000	25,566	Earmarked Reserve	
Environmental Health Vehicle	24,000	0	Earmarked Reserve	Slipped to 16/17
Refuse Vehicles	3,112,000	2,240,000	Finance Lease	16 delivered in 15/16, remainder to arrive in 16/17
Vehicles	£3,168,000	£2,280,316		
IT Upgrades	337,000	340,953	Capital Receipts, Revenue and Grant	
Other	£337,000	£340,953		

Capital Investment at Burntwood Leisure Centre - The Sinking Fund

Under the terms of the funding agreement with the National Lottery in relation to Burntwood Leisure Centre (BLC), LDC is required to set aside resources to be used for the future repair and renewal of BLC in a 'Sinking Fund'. Monitoring information for all approved projects is shown in the table below:

Project Name	Annual Spend in 2015/16		
	Final Budget £	Actual Outturn £	Variance £
Planned maintenance	30,000	34,394	4,394
TOTAL	£30,000	£34,394	£4,394

Projected Capital Programme Budget for 2016/17

Project	Original Budget £	Approved Updates £	Slippage £	Projected Budget £
CE - City Centre Strategy and Interpretation	0		1,500	1,500
CHH - Accessible Homes (Disabled Facilities Grants)	850,000		16,000	866,000
CHH - Customer Services - Counter Call System	0		4,000	4,000
CHH - DCLG Monies	212,000		0	212,000
CHH - Decent Homes Standard	542,000		0	542,000
CHH - EH Vehicle	0		24,000	24,000
CHH - Energy Insulation Programme	30,000		21,000	51,000
CHH - Home Repair Assistance Grants	15,000		0	15,000
CHH - Replacement Community Transport Minibuses	90,000		0	90,000
CHH - Unallocated S106 Affordable Housing Monies	400,000		0	400,000
CHH - Website Development : 'Rate my Place'	0		11,000	11,000
DDL - Ancient Monument (Friary)	0		1,500	1,500
DDL - Asset Management - Works resulting from Condition Survey	344,000		0	344,000
DDL - Asset Management: District Council House	30,000		1,000	31,000
DDL - Canal Culvert at Huddlesford	100,000		0	100,000
DDL - Car Parks Variable Message Signing	32,000		0	32,000
DDL - Community Building at Hawksyard	166,000		0	166,000
DDL - Env. Improvements - Upper St John St & Birmingham Road	7,000		0	7,000
DDL - Fazeley Crossroads Environmental Improvements	4,000		0	4,000
DDL - Oakenfield Play Area (Sinking Fund)	9,000		0	9,000
DDL - Old Mining College - Refurbish access and signs	0		14,000	14,000
DDL - Planning Software (Implementation Costs)		19,500	0	19,500
DDL - Sankey's Corner Environmental Improvements - Phase 4	4,000		1,000	5,000
DDL - The Leomansley Area Improvement Project	0		3,000	3,000
FRB - Proactive Information Solutions Upgrade Programme	381,000		-4,000	377,000
LDV - Friarsgate Support	2,655,000	25,000	89,000	2,769,000
LDV - Garrick Square	58,000		0	58,000
LP - BLC Enhancement Work	99,000		-4,000	95,000
LP - Darnford Park	0		13,000	13,000
LP - Depot Sinking Fund	11,000		0	11,000
LP - Grounds Maintenance Vehicles and Equipment	24,000		0	24,000
LP - King Edwards Synthetic Pitch Renewal + Floodlights	165,000		0	165,000
LP - Other Burntwood Leisure Centre Sinking Fund Projects	143,000		20,000	163,000
LP - Play Area at Hawksyard (S106)	0		1,000	1,000
LP - Shortbutts Park, Lichfield	0		38,000	38,000
LP - Squash Court and Sports Hall Floors (FGLC)	50,000		0	50,000
LP - Stowe Pool Improvements	595,000		0	595,000
WC - Vehicle Replacement Programme	489,000		872,000	1,361,000
Total Capital Programme	£7,505,000	£44,500	£1,123,000	£8,672,500

Council Tax

Collection Performance

	Council Tax			
	31 March 2015	31 March 2016	Change	
Amount Collected as a %	98.83%	98.79%	(0.04%)	●
In year arrears outstanding at 31 March	£908,963	£798,209		
Previous years arrears at 31 March	£704,610	£828,107		
Total arrears outstanding at 31 March	£1,613,573	£1,626,316	0.80%	●
Write offs as at 31 March	£43,307	£59,999		

Collection Fund

	Budget £m	Actual £m	Variance £m
(Surplus) Brought Forward	(£1.14)	(£1.14)	(£0.00)
Amount Due	(£54.28)	(£54.42)	(£0.14)
Bad Debt Provision	£0.02	£0.28	£0.27
Precept Payments	£53.95	£53.95	£0.00
Transfer Estimated Surplus to Preceptors	£1.01	£1.01	£0.00
(Surplus) Carried Forward	(£0.45)	(£0.32)	£0.13

Allocation of (Surplus)			
Lichfield District Council	(£0.06)	(£0.04)	£0.02
Staffordshire County Council	(£0.32)	(£0.22)	£0.09
Staffordshire Fire and Rescue Authority	(£0.02)	(£0.01)	£0.01
OPCC	(£0.05)	(£0.04)	£0.02

Business Rates

The Council's Retained Business Rates Income

	Approved Budget £	Actual £	Variance £
NNDR 1 Based Retained Business Rates			
Retained Business Rates	(£13,023,000)	(£13,022,938)	£62
Section 31 Grants	(£626,000)	(£608,006)	£17,994
Tariff	£11,176,000	£11,176,270	£270
Pre Levy or Safety Net Income	(£2,473,000)	(£2,454,674)	£18,326
NNDR 3 Based Levy Payments			
Levy Payable	£329,000	£578,305	£249,305
Volatility Allowance	£146,000	£0	(£146,000)
Returned Levy from GBS Pool	(£107,000)	(£187,949)	(£80,949)
Post Levy or Safety Net Income	(£2,105,000)	(£2,064,318)	£40,682

Collection Performance

	Non Domestic Rates			
	31 March 2015	31 March 2016	Change	
Amount Collected as a %	98.40%	97.31%	(1.09%)	●
In year arrears outstanding at 31 March	£827,450	£905,635		
Previous years arrears at 31 March	£507,606	£363,120		
Total arrears outstanding at 31 March	£1,335,056	£1,268,755	(5.00%)	<input checked="" type="checkbox"/>
Write offs as at 31 March	£82,102	£137,080		

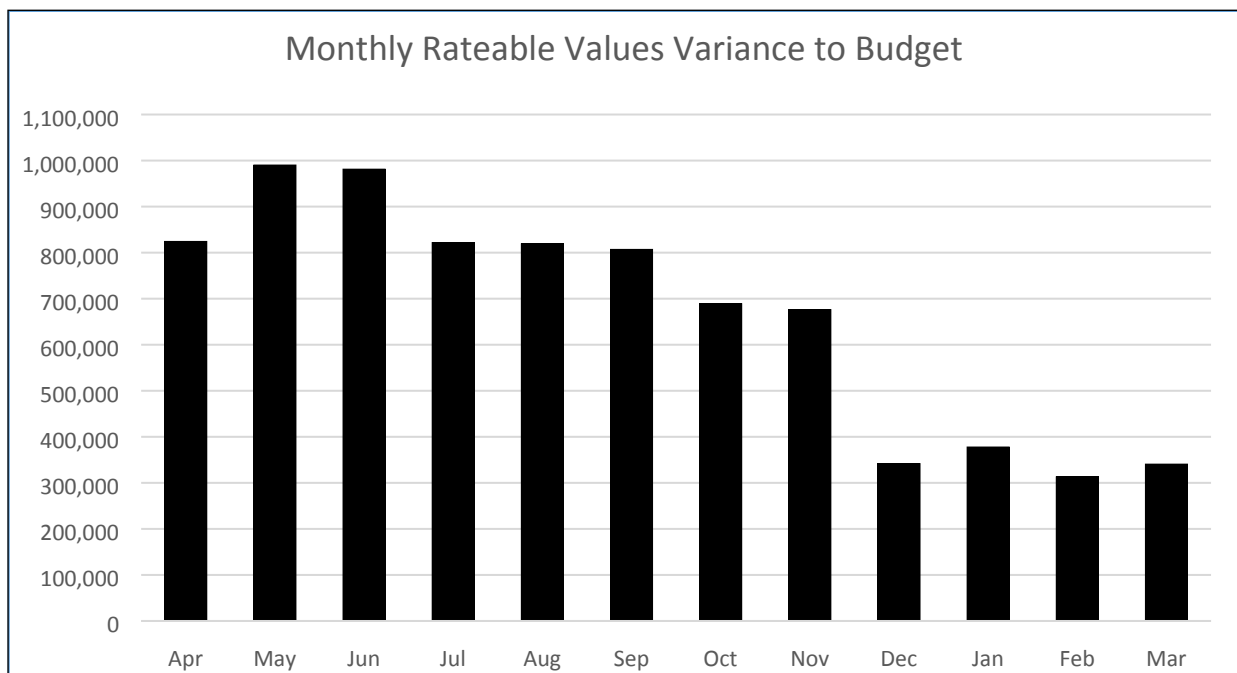
Collection Fund

	Budget £m	Actual £m	Variance £m
Deficit Brought Forward	£1.42	£1.42	(£0.00)
Amount Due	(£33.63)	(£34.46)	(£0.83)
Bad Debt Provision	£0.32	£0.07	(£0.25)
Appeals	£0.32	(£0.05)	(£0.38)
Payments to Partners including LDC	£32.56	£32.56	£0.00
Collection Allowance	£0.12	£0.12	£0.00
Transitional Protection	£0.01	£0.22	£0.21
Transfer estimated surplus to Partners	£0.34	£0.34	£0.00
Deficit Carried Forward	£1.46	£0.22	(£1.25)
Allocation of Deficit			
Lichfield District Council	£0.59	£0.09	(£0.50)
Staffordshire County Council	£0.13	£0.02	(£0.11)
Staffordshire Fire and Rescue Authority	£0.01	£0.00	(£0.01)
Central Share	£0.73	£0.11	(£0.62)

- Favourable
 Adverse

Rateable Value Analysis in 2015/16

The change in Rateable Value by month (compared to the Budgeted level included in the Medium Term Financial Strategy of **£82,290,000**) is shown in the graph below:



The individual Rateable Values that were greater than **£1m** in Lichfield District in 2015/16 were:

- Tesco, Fradley **£2,730,000**
- Tesco, Lichfield **£2,130,000**
- Swish, Fradley **£1,660,000**
- Morrisons, Burntwood **£1,330,000**
- Drayton Manor, Fazeley **£1,315,000**

Sundry Debtor Performance

Details	31 March 2015		31 March 2016		All Debts Change	Variance
	All Debts	Property Debts	All Debts	Property Debts		
Value of sundry income raised	6,848,530	836,274	7,959,162	763,860	16.22%	☑
value of debts written off	63,039	834	44,946	14	-28.70%	☑
value of invoices outstanding	1,737,782	60,434	1,839,791	80,330	5.87%	●
% of income raised	25%	7%	23%	11%		

Aged Debtor Analysis						
Less than 6 months	1,244,266	52,670	1,249,936	48,416	0.46%	●
more than 6 months	493,516	7,764	589,855	31,914	19.52%	●

☑ Favourable

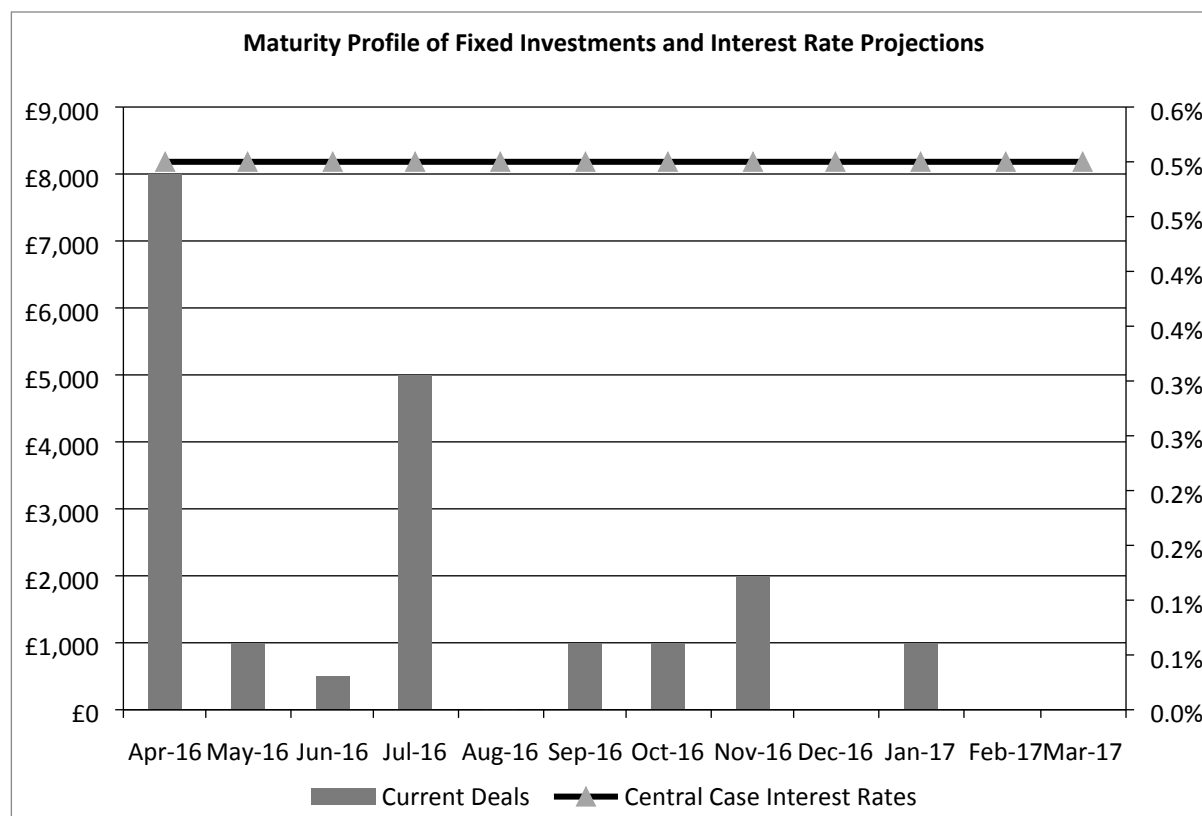
● Adverse

Investments in the 2015/16 Financial Year

The table below shows a breakdown of our investments at the end of the financial year:

Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Foreign Parent
Money Market Funds						
Invesco	£1,000,000	01-Apr-16	Instant Access		AAA	N/A
Legal & General	£1,000,000	01-Apr-16	Instant Access		AAA	N/A
Federated	£1,000,000	01-Apr-16	Instant Access		AAA	N/A
BNP Paribas	£1,000,000	01-Apr-16	Instant Access		AAA	N/A
Fixed Term Investments						
Nationwide	£1,000,000	18-Apr-16	18	0.66%	A	No
Lloyds	£1,000,000	16-Nov-16	230	1.07%	A	No
Close Bros.	£1,000,000	29-Apr-16	29	0.65%	A	No
National Counties Building Society	£500,000	10-Jun-16	71	0.72%	Unrated	No
DBS	£1,000,000	14-Jul-16	105	0.70%	AA-	Yes
HSBC	£1,000,000	14-Jul-16	105	0.45%	AA-	No
Salford City Council	£1,000,000	28-Oct-16	211	0.55%	Unrated	No
United Overseas Bank	£1,000,000	18-Nov-16	232	0.72%	AA-	Yes
Call Accounts with Notice Period						
Santander	£1,000,000	27-Sep-16	180	1.15%	A	Yes
Handelsbanken	£1,000,000	05-May-16	35	0.45%	AA-	Yes
Treasury Bills						
	£3,000,000	11-Jul-16	82	0.47%	AA+	No
Certificates of Deposit						
Rabobank	£1,000,000	05-Apr-16	5	0.64%	A+	Yes
Nordea Bank AB	£1,000,000	15-Apr-16	15	0.65%	AA-	Yes
Toronto-Dominion	£1,000,000	27-Jan-17	302	0.92%	AA-	Yes
Total Investments	£19,500,000					
Accounting Adjustments and Other Balances	£440,000					
Balance Sheet Total	£19,940,000					

The maturity profile of these investments at 31 March 2016 compared to our Treasury Management advisor Arlingclose interest rate forecasts is shown in the graph below:



However, the previous table only shows the investment position on one particular day of the financial year; the table below shows a summary for the whole of the financial year:

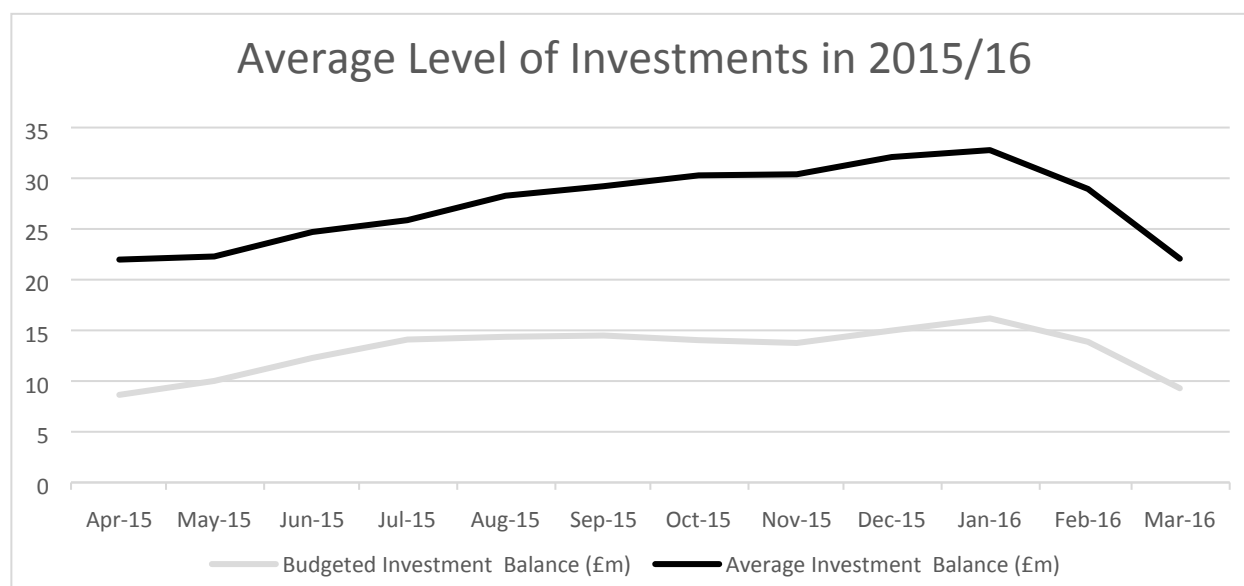
Counterparty	Number of Deals	Total Principal Invested	Is the Counterparty on our list of eligible institutions at 31 March 2016?
Debt Management Office	13	31,500,000	Yes
UK Government - Treasury Bills	6	16,000,000	Yes
Federated	24	13,940,000	Yes
Insight	17	13,300,000	Yes
Deutsche Bank	14	9,690,000	Yes
Invesco Aim	15	9,220,000	Yes
Ignis	13	7,760,000	Yes
SWIP	10	6,465,000	Yes
Blackrock	9	4,470,000	Yes
Goldman Sachs	7	3,800,000	Yes
Barclays Bank	3	3,000,000	Yes
Lloyds	3	3,000,000	Yes
Nationwide	3	3,000,000	Yes
DBS Bank	2	2,000,000	Yes
HSBC	2	2,000,000	Yes
Nordea Bank AB	2	2,000,000	Yes
Telford & Wrekin Council	1	2,000,000	Yes
United Overseas Bank	2	2,000,000	Yes
Cumberland Building Society	3	1,500,000	Yes
National Counties Building Society	3	1,500,000	Yes
Close Bros	1	1,000,000	Yes
Credit Suisse AG	1	1,000,000	Yes
Handelsbanken	1	1,000,000	Yes
Landesbank Hessen-Thüringen	1	1,000,000	Yes
Pohjola Bank	1	1,000,000	Yes
Rabobank	1	1,000,000	Yes
Salford City Council	1	1,000,000	Yes
Santander	1	1,000,000	Yes
Standard Chartered	1	1,000,000	Yes
Toronto-Dominion Bank	1	1,000,000	Yes
BNY Mellon	2	890,000	Yes
Legal & General	1	740,000	Yes
Total	165	£149,775,000	

This list is reviewed on an ongoing basis and takes account of the following sources of information:

- Advice from our Treasury Management advisors.
- Credit Ratings.
- Credit Default Swaps prices.
- Share Prices.
- Information in the general and financial media.

Cash Flow for 2015/16

The graph below compares the budget for average investment levels in 2015/16 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 **A-** utilising the lowest rating from the three credit rating agencies.

The investments outstanding at the 31 March 2016 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. The recent history of the security of our investments is shown in the table below³:

Date	The Value of the Investment	The Maturity Date of the Investment
31 March 2015	A+	A+
30 June 2015	AA-	AA
30 September 2015	AA-	AA-
31 December 2015	AA-	A+
31 March 2016	AA-	AA-

In addition, we are currently keeping the length of our investments relatively short term to ensure that we can react to changes in counterparty credit risk very easily.

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 made in 2015/16 was **100 days**.

³ This data is now supplied by our Treasury Management Advisors and may differ slightly to what has been reported previously.

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 are actively managing liquidity risk in 2015/16 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 have 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 2015/16 we did not need to temporarily borrow.

Yield:

In 2015/16 we achieved an average interest rate of **0.53%** and this compares to our performance indicator of the average 7-day London Inter-bank Bid (LIBID) rate, which was **0.36%**, the 1 month rate was **0.38%**, the 3 month rate was **0.46%** and the 6 month rate was **0.61%**.

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 is shown in the table below:

Details	2015/16 Final Budget	2015/16 Actual Outturn
Average amount we had available to invest (£m)	£27.34m	£27.48m
Average Interest Rate (%)	0.51%	0.53%
Interest Receipts	(149,000)	(145,322)
Interest Paid and Other Costs	8,500	4,330
Net Investment Income (£)	(£140,500)	(£140,992)
Car Loan and Other Interest	(1,000)	(2,990)
External Borrowing Interest	38,000	38,221
Minimum Revenue Provision	64,000	63,887
Net Treasury Position	(£39,500)	(£41,874)

Balance Sheet

	Type	2014/15 Actual £	2015/16 Actual £	2015/16 Budget £	Variance to Budget £
Property, Plant and Equipment + Heritage Assets + Assets Held for Sale	CFR	37,347	42,230	40,046	2,184
Investment Property	CFR	6,578	5,572	5,408	164
Intangible Assets	CFR	153	119	110	9
Investments	INV	15,830	19,940	18,963	977
Borrowing	BOR	(47)	(1,492)	(1,492)	0
Finance Leases	LEA	(248)	(2,323)	(3,052)	729
Working Capital	CRED	(7,835)	(7,175)	(8,210)	1,035
Pensions	PEN	(44,069)	(35,820)	(44,069)	8,249
Total Assets Less Liabilities		£7,709	£21,051	£7,703	£13,348

<u>Unusable Reserves</u>					
Revaluation Reserve	CFR	(3,450)	(6,571)	(3,450)	(3,121)
Capital Adjustment Account	CFR	(37,938)	(36,687)	(36,666)	(21)
Deferred Credits	CRED	(54)	(47)	(48)	1
Pension Scheme	PEN	44,069	35,820	44,069	(8,249)
Benefits Payable During Employment Adjustment Account	CRED	226	213	226	(13)
Collection Fund	BAL	421	46	527	(481)
<u>Usable Reserves</u>					
Unapplied Grants and Contributions - General	BAL	(760)	(759)	(760)	1
Unapplied Grants and Contributions - SAC	BAL	(13)	(20)	(13)	(7)
Unapplied Grants and Contributions - Section 106	BAL	(960)	(465)	(597)	132
Usable Capital Receipts	BAL	(769)	(2,094)	(1,736)	(358)
Usable Capital Receipts - Arts Statue	BAL	(134)	(134)	(134)	0
Burntwood Leisure Centre Sinking Fund	BAL	(379)	(345)	(329)	(16)
Burntwood Leisure Centre Synthetic Pitch Sinking Fund	BAL	(29)	(29)	(29)	0
City Centre Redevelopment Sinking Fund	BAL	(25)	(25)	(25)	0
King Edwards Leisure Centre Sinking Fund	BAL	(17)	(17)	(17)	0
Elections	BAL	(97)	(129)	(97)	(32)
Public Open Spaces	BAL	(91)	(447)	(91)	(356)
Three Spires Multi Storey	BAL	(1,552)	(1,716)	(1,673)	(43)
Building Regulations	BAL	(85)	(146)	(85)	(61)
Other Earmarked reserves	BAL	(3,015)	(3,199)	(2,598)	(601)
Grant Aid - Development	BAL	(59)	(20)	(55)	35
General Fund Balance	BAL	(2,998)	(4,279)	(4,122)	(157)
Total Equity		(£7,709)	(£21,051)	(£7,703)	(£13,348)

		2014/15 Actual £	2015/16 Actual £	2015/16 Budget £	Variance to Budget £
Working Capital	CRED	(7,663)	(7,009)	(8,032)	1,023
Pensions	PEN	0	0	0	0
Usable Reserves	BAL	(10,562)	(13,778)	(11,834)	(1,944)
Total Cash Available		(£18,225)	(£20,787)	(£19,866)	(921)

This cash available is planned to be used for :

Capital Financing Requirement	CFR	2,690	4,663	5,448	(785)
Less : Other Debt Liabilities (Finance Leases)	LEA	(248)	(2,323)	(3,052)	729
Less : External Borrowing	BOR	(47)	(1,492)	(1,492)	0
Equals : Internal Borrowing		2,395	848	904	(56)
Investments	INV	15,830	19,940	18,963	977
Total		£18,225	£20,787	£19,866	£921

1516 Treasury Management

Report Type: Audit File Report

Report Author: Alison Swift

Generated on: 30 September 2015



Executive Summary	In accordance with the 2015/16 Internal Audit Plan an audit of the Treasury Management system has been undertaken. This report highlights the areas assessed and the findings of the audit work, making recommendations for improvements where control weaknesses, including the potential for fraud to occur, have been identified.		
Overall Opinion of Audit Area	Audit are pleased to be able to report substantial assurance can be given that the system, process or activity should achieve its objectives safely and effectively and that controls are in place and operating satisfactorily.	Substantial	
Expected Control Title	01 The Council has a clearly defined and approved strategy for Treasury Management in line with the CIPFA TM Code and the prudential code	Substantial	
	02 Transfer of funds should be appropriately authorised and documented	Adequate	
	03 Investments and loans are only made in accordance with the Council's approved strategy	Substantial	
	04 There is regular monitoring and reporting of investment performance	Substantial	
	05 There should be effective cash flow forecasting records to support decisions	Substantial	
	06 Adequate separation of duties exists in the processing of investments	Substantial	
	07 There are clearly defined procedures for the use of investment brokers and specialist advisors	Substantial	
Observations	Overall the review highlighted 4 recommendations including 1 medium and 3 low recommendations. Management has accepted 3 of the recommendations.		
Areas of Notable Practice			

COMPLIANCE WITH PRUDENTIAL INDICATORS 2015/16

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 in early 2008 and issued revised Code in November 2009.

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. Net Borrowing and the Capital Financing Requirement:

This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Local Authority should ensure that the net external borrowing does not, except in the short term, exceed the total of Capital Financing Requirement in the preceding year plus the estimates of any additional Capital Financing Requirement for the current and next two financial years.

The Deputy Section 151 reports that the Authority had no difficulty meeting this requirement in 2015/16. There are there no difficulties envisaged for future years.

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

- 3.1 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	2015/16 Original £m	2015/16 Approved £m	2015/16 Revised £m	2015/16 Actual £m
Non-Current Assets	3.453	4.356	4.099	3.226
Revenue Expenditure funded from Capital under Statute	1.598	0.980	0.772	0.714
Total	£5.051	£5.336	£4.871	£3.940

3.2 This capital expenditure has been financed as follows:

No. 1 Capital Financing	2015/16 Original £m	2015/16 Approved £m	2015/16 Revised £m	2015/16 Actual £m
Capital Receipts	0.985	0.875	0.689	0.512
Burntwood Sinking Fund	0.128	0.050	0.050	0.034
Other Sinking Funds	0.000	0.000	0.000	0.000
Capital Grants and Contributions	1.359	0.674	0.645	0.591
Earmarked reserves etc.	0.032	0.221	0.221	0.324
Revenue Contributions	0.154	0.154	0.154	0.154
Finance Leases, Invest to Save and Borrowing	2.393	3.362	3.112	2.325
Total	£5.051	£5.336	£4.871	£3.940

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

4.1 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.

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

No. 2 Ratio of Financing Costs to Net Revenue Stream	2015/16 Original £m	2015/16 Approved £m	2015/16 Revised £m	2015/16 Actual £m
Investment Income	(0.091)	(0.140)	(0.149)	(0.148)
Internal Interest	0.013	0.008	0.008	0.015
External Borrowing Interest	0.049	0.039	0.039	0.039
Finance Lease Interest Charges	0.048	0.020	0.020	0.015
Minimum Revenue Provision	0.613	0.370	0.354	0.351
Total Financing Costs	0.632	0.297	0.272	0.272
Total Funding Available	£10.914	£10.914	£10.914	£10.874
%	6%	3%	2%	3%

5. Capital Financing Requirement (Prudential Indicator 3):

5.1 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 net borrowing will only be for a capital purpose, the Council ensures that net 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	2015/16 Original £m	2015/16 Approved £m	2015/16 Revised £m	2015/16 Actual £m
Balance Brought Forward	3.335	2.690	2.690	2.690
Capital Expenditure financed from borrowing and Invest to Save	2.393	3.362	3.112	2.325
Minimum Revenue Provision	(0.613)	(0.370)	(0.354)	(0.351)
Balance Carried Forward	£5.116	£5.682	£5.448	£4.664

6. Actual External Debt (Prudential Indicator 4):

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

No. 4	£m 31/03/16 £m	2015/16 Revised £m
LT Borrowing	1.415	1.415
Short Term Element of LT Borrowing	0.077	0.077
Short Term Element of LT Liabilities	0.414	0.261
Other Long Term Liabilities	1.908	2.791
Total	£3.814	£4.544

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

- 7.1 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	2015/16 Original £	2015/16 Approved £	2015/16 Revised £	2015/16 Actual £
Band D Equivalent	£5.27	(£0.72)	(£0.28)	(£0.18)

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

- 8.1 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.

8.2 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 originally set at **£13,557,000** for 2015/16 and revised to **£13,732,000**.

8.3 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 originally set at **£4,550,000** and revised to **£5,405,000**.

- 8.4 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	2015/16 Maximum £m	2015/16 Year Start £m	2015/16 Year End £m
External Borrowing - Long Term	1.415	0.031	1.415
External Borrowing - Short Term	0.077	0.016	0.077
Bank Overdraft	0.773	0.000	0.000
Other Long Term Liabilities - Short Term	0.414	0.188	0.414
Other Long Term Liabilities - Long Term	1.908	0.060	1.908
Total	£4.587	£0.295	£3.814

<u>Details</u>	2015/16 Original £m	2015/16 Approved £m	2015/16 Final £m	2015/16 Maximum £m
Authorised Limit	13.557	14.522	13.732	4.587
Operational Boundary	4.550	5.515	5.405	4.587

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	
•	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 17 February 2015, Council originally approved its Prudential Indicators for 2015/16.
•	The Prudential Indicators were fully revised and approved by Council on 23 February 2016.

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	2015/16 Original £m	2015/16 Approved £m	2015/16 Revised £m	2015/16 Actual £m
Outstanding Borrowing	(1.602)	(1.492)	(1.492)	(1.492)
Other Long Term Liabilities	(1.857)	(3.052)	(3.052)	(2.322)
Gross Debt	(£3.459)	(£4.544)	(£4.544)	(£3.814)
Capital Financing Requirement	£5.116	£5.682	£5.448	£4.664
Is our Gross Debt in excess of our Capital Financing Requirement and are we therefore borrowing in advance of need?	No	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	2015/16 Original %	2015/16 Approved %	2015/16 Revised %	2015/16 Highest %	2015/16 Lowest %	2015/16 Average %
Fixed Interest Rates						
Upper Limit on Fixed Interest Rate Exposure on Investments	(100%)	(100%)	(100%)	(87%)	(57%)	(68%)
Upper Limit on Fixed Interest Rate Exposure on Debt	100%	100%	100%	100%	100%	100%
Net Fixed Exposure (No. 10)	0%	0%	0%	13%	43%	32%
Variable Interest Rates						
Upper Limit for Variable Rate Exposure on Investments	(100%)	(100%)	(100%)	(43%)	(13%)	(31%)
Upper Limit for Variable Rate Exposure on Debt	30%	30%	30%	0%	0%	0%
Net Variable Exposure (No. 11)	(70%)	(70%)	(70%)	(43%)	(13%)	(31%)

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 projected borrowing that is fixed rate maturing in each period as a percentage of total projected 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	77,083	5.17%	0%	100%
12 months and within 24 months	75,733	5.08%	0%	100%
24 months and within 5 years	182,640	12.24%	0%	100%
5 years and within 10 years	304,400	20.40%	0%	100%
10 years and within 20 years	608,800	40.80%	0%	100%
20 years and within 30 years	243,520	16.32%	0%	100%
30 years and within 40 years		0.00%	0%	100%
40 years and within 50 years		0.00%	0%	100%
50 years and above		0.00%	0%	100%
Total	1,492,176			

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	2015/16 Original £m	2015/16 Approved £m	2015/16 Revised £m	2015/16 Actual £m
Upper Limit	2.300	2.300	2.300	1.000

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);
 - Sovereign support mechanisms;
 - 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.