

# Money Matters : 2016/17 Review of Financial Performance against the Financial Strategy

## Cabinet Member for Finance and Democracy

Date: 6 September 2016  
Agenda Item: 4  
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Key Decision? YES  
Local Ward Members : Full Council

**Cabinet**

## 1. Executive Summary

- 1.1 The report covers the financial performance from April to June (Quarter one) for the financial year 2016/17.
- 1.2 The Revenue Budget (Net Operating Cost) is projected to be above budget by **£2,940** compared to the Approved Budget and this sum will be transferred from general reserves.
- 1.3 A significant element of **(£233,220)** of the Efficiency Plan target of **(£350,000)** has been identified and therefore there remains **(£116,780)** to be identified during 2016/17.
- 1.4 The budgeted transfer to general reserves was **£8,560** as approved by Council on 23 February 2016. The Council's performance in the year to date projects that **(£113,880)** will be transferred from general reserves. This means the Council's general reserves are projected to reduce by **£122,440** for the financial year 2016/17 in comparison with the Original Budget.
- 1.5 The Capital Programme is projected to be below budget by **(£1,342,000)**; this will result in updates being made to the profiling of project spend to later financial years.
- 1.6 The Council is projected to receive lower capital receipts of **£50,000** compared to the Approved Budget.
- 1.7 In terms of Council Tax and Business Rates:
  - The Council's collection performance on Council Tax based on debt covering all years is **29.21%** and this is consistent with previous years.
  - There is a projected surplus for Council Tax and the Council's share of **(£23,481)** will be included in the 2017/18 budget.
  - The Council is projected to be paying Business Rate levy of **£398,700** to the GBS pool and will receive **(£130,000)** of returned levy. This is **£4,400** more net levy than the Approved Budget after taking account of the budgeted volatility allowance.
  - Overall Retained Business Rate Income is projected to be in line with the Approved Budget.
  - The Council's collection performance on Business Rates based on debt covering all years is **28.56%** and this is consistent with previous years.
  - There is a projected surplus for Business Rates and the Council's share of **(£612,860)** will be included in the 2017/18 budget.
- 1.8 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.

## 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 an increase of **£154,000** in the Capital Programme Approved Budget for the Hawksyard Community Building from **£166,000** to **£320,000** with funding provided by Section 106 contributions.
- 2.4 To approve an increase of **£205,000** in the Capital Programme Approved Budget for Synthetic Pitch replacement from **£165,000** to **£370,000** with funding provided by capital receipts of **£165,000** and an earmarked reserve of **£40,000**.
- 2.5 To approve the establishment of an Earmarked Reserve to manage the potential underlying asset price risk related to the Property Fund investment. All income in excess of the approved income budget will be transferred to the Earmarked Reserve for the duration of the investment to mitigate the risk of a reduction in asset prices.

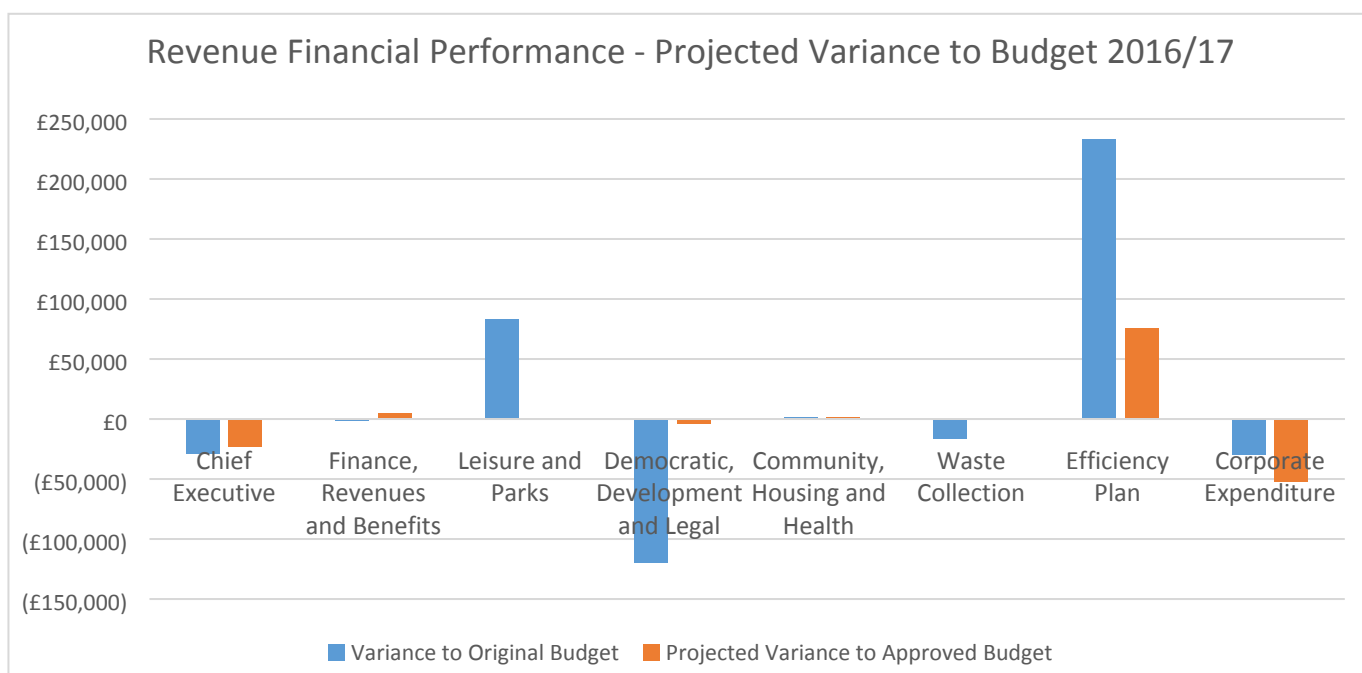
## 3. Background

### Budget Management

- 1.1. The MTFS (R&C) 2016-20 approved by Council on 23 February 2016 included the Original Budget for 2016/17 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 will be 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 will form the basis of the Revised Approved Budget for 2016/17 and will be approved by Council on 21 February 2017.

### The Revenue Budget

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



### Performance compared to the Original Budget

3.5 There are four areas where there is projected to be a significant variance to the Original Budget:

- The approval by Cabinet of **£100,000** for professional advisors for the Leisure Review have increased the Approved Budget in this area.
- The approval by Cabinet of a car parking strategy has increased income in this area by **(£114,870)**.
- The details of the savings made in relation to the efficiency plan are explained below.
- A property fund investment has been undertaken and this has generated additional income and is explained further below.

### Performance compared to the Approved Budget

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

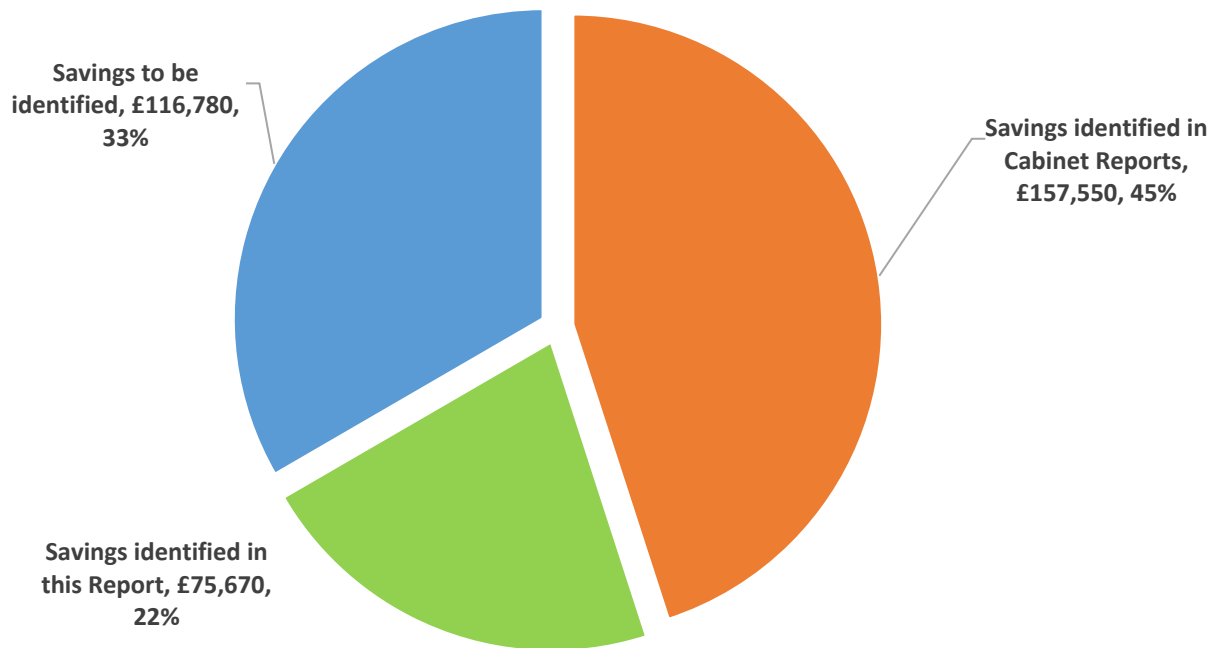
- Net Operating Cost is projected to be above budget by **£2,940**.
- The level of General reserves will reduce by **£2,940** compared to the Original Budget.

3.7 In order to understand the reasons for this above budget performance of **£2,940**, analysis work has been undertaken and the details are shown in **APPENDIX B**. In summary, the budget variance falls into two categories :

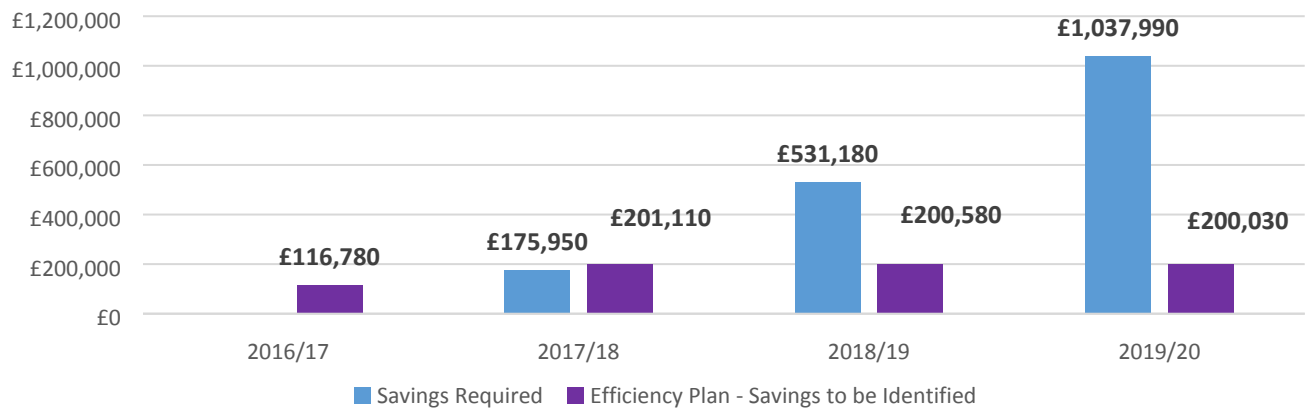
- One-off net savings (additional expenditure offset by additional income) of **£2,940**. The most significant items are the costs of a temporary support for Information Technology of **£21,340** less savings in Civic Expenses of **(£5,860)** and additional Housing Benefit Grant of **(£10,080)**.
- Ongoing savings/additional income of **(£75,670)**. The most significant items are savings in Civic Expenses **(£8,880)**, savings in communications **(£8,000)**, additional income from the Business Improvement District of **(£6,700)**, savings in Tourism of **(£22,000)** and Members Allowances increases of **£18,500**.

3.8 The ongoing savings/additional income have reduced the Efficiency Plan Approved Budget of **(£192,450)** and means there is **(£116,780)** of the Efficiency Plan target to identify during the remainder of 2016/17. The progress to date on the Efficiency Plan and the further savings to be identified over the period of the current Medium Term Financial Strategy is shown in the graphs below:

### The Efficiency Plan Target of £350,000 in 2016/17, Progress at 3 Months



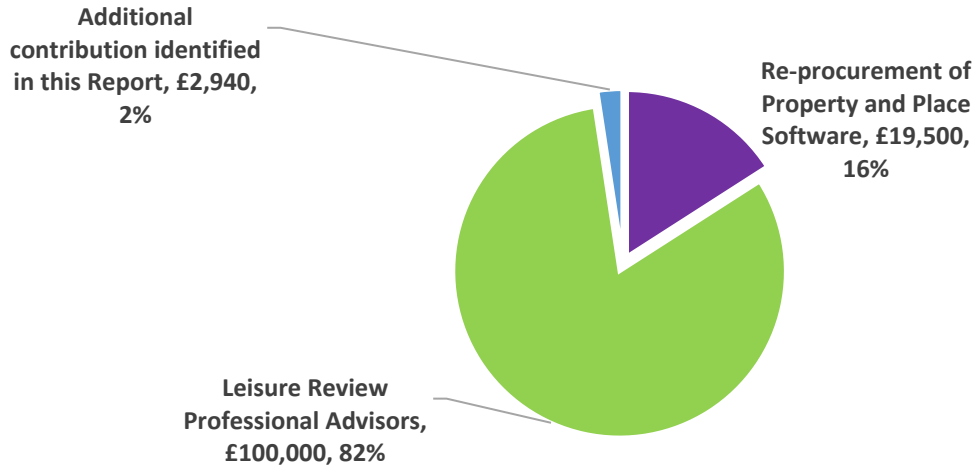
### Efficiency Plan and Further Savings to be Identified over the MTFs - Progress at 3 Months



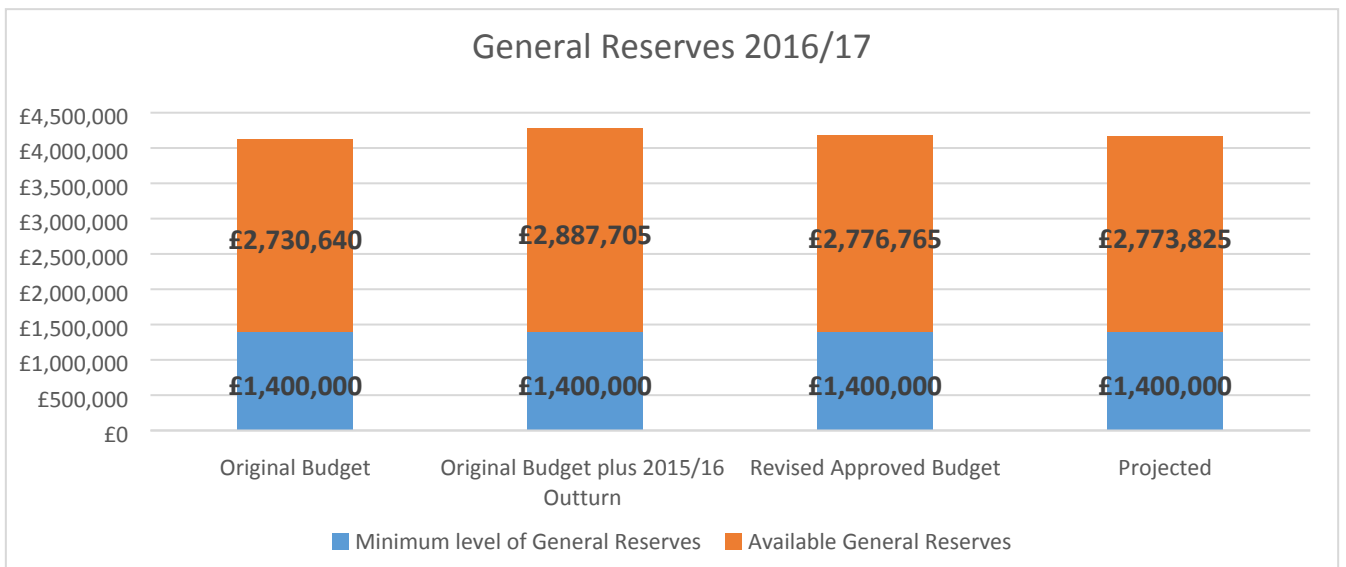
### Revenue General Reserves

3.9 The reasons for the change of **(£122,440)** from a contribution to general reserves of **£8,560** to a contribution from general reserves of **(£113,880)** is shown in the graph below:

### Changes in the Contribution to or from General Reserves



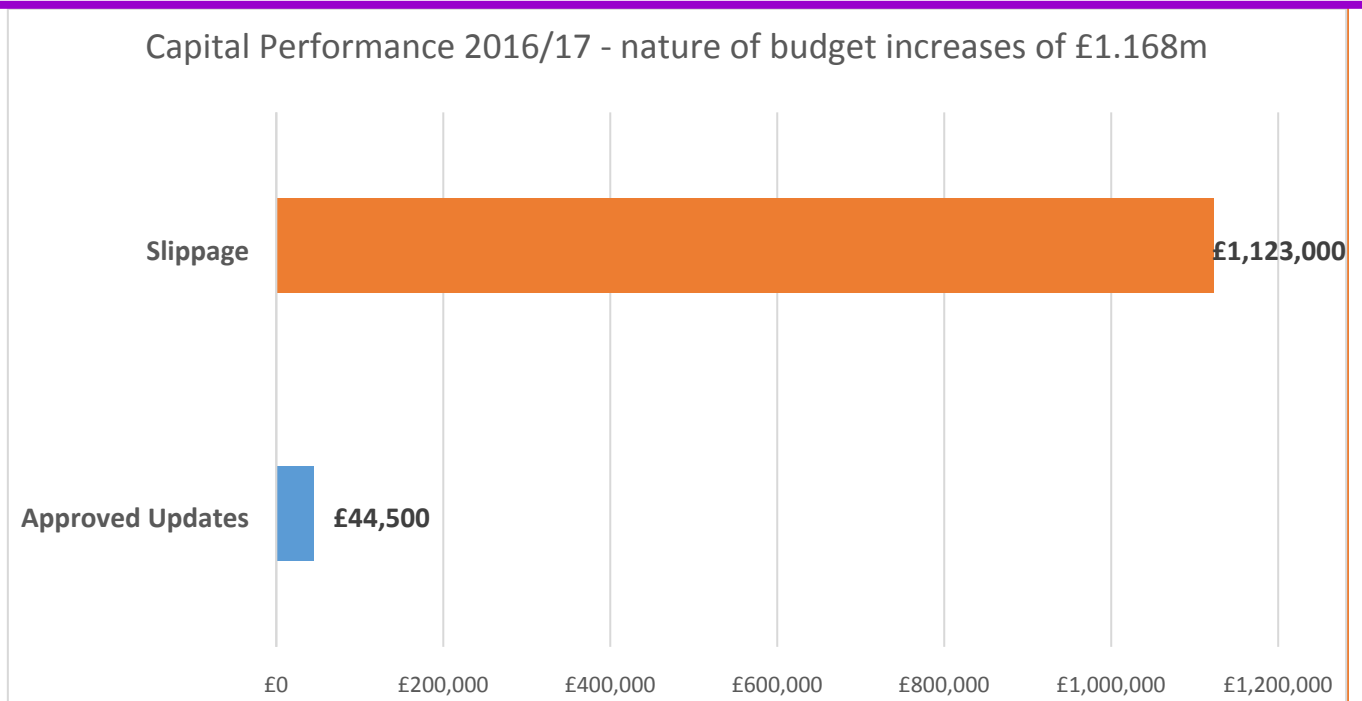
3.10 The following Revenue general reserves are available to assist the Council in meeting General Fund expenditure as part of the Medium Term Financial Strategy:



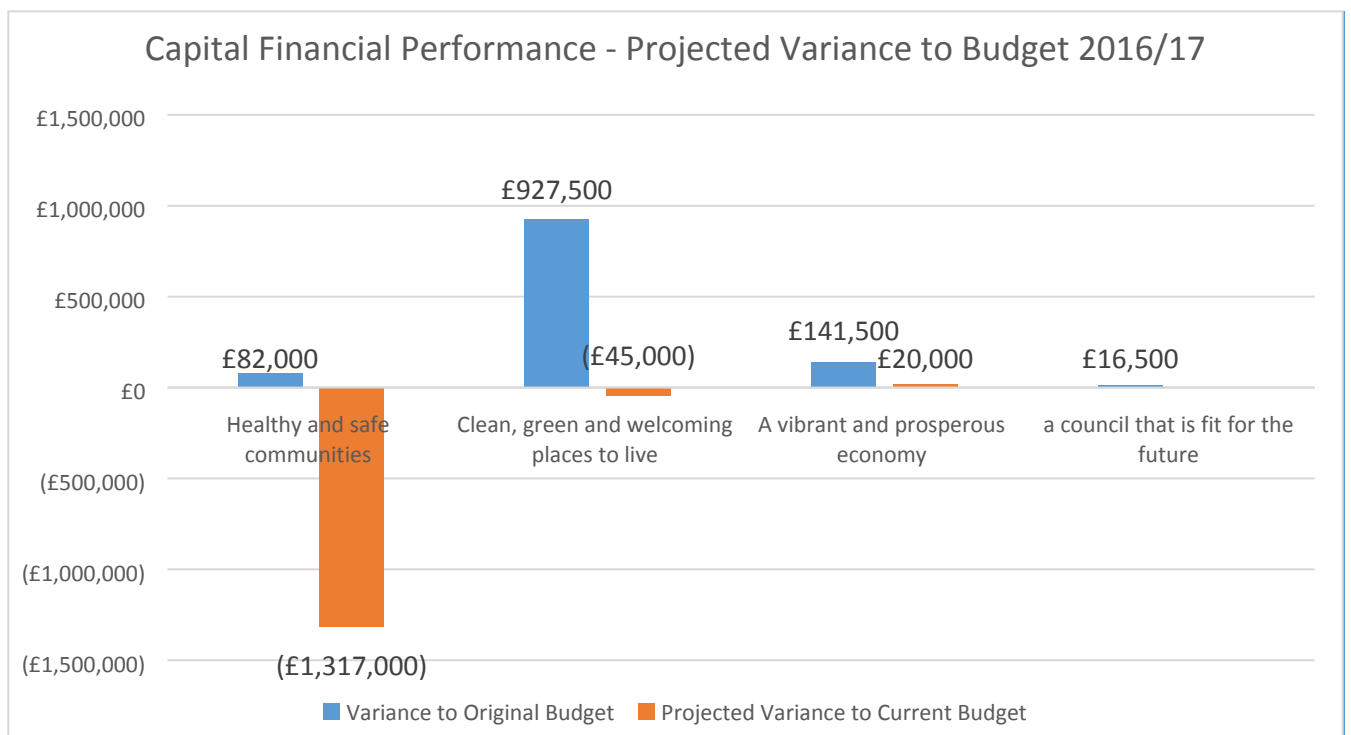
3.11 Earmarked reserves are classified into unrestricted reserves where there are no restrictions over their use and restricted reserves where their establishment or use is determined by a legal or partnership agreement such as the car park reserve. We are currently reviewing our earmarked reserves approach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

### The Capital Programme

3.12 A summary of the budgetary changes from the Original Budget of **£7,505,000** to the Approved Budget of **£8,672,500** undertaken throughout the financial year totalling **£1,167,500** is shown in the graph below:



3.13 We are projecting that the Capital Programme performance will be below budget by **(£1,342,000)** or **15%** compared to the Approved Budget. This below budget performance compared to both the Original and the Approved Budgets is shown by the new Strategic Plan's priorities in the graph below and in detail at **APPENDIX C**:



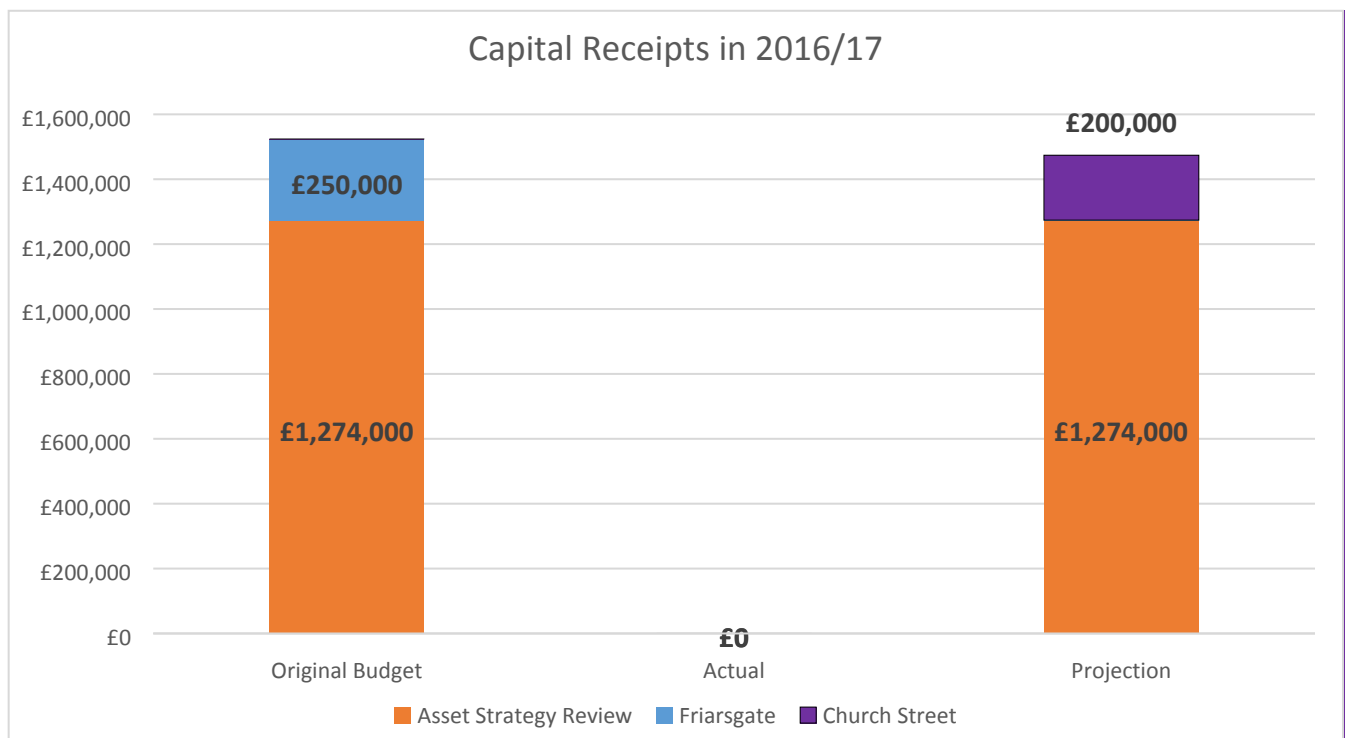
#### Performance compared to the Original Budget

1.1. The increases in three strategic priorities reflect the inclusion of slippage in capital expenditure from 2015/16.

#### Performance compared to the Approved Budget

1.2. The reason for the significant projected below budget variance to the Approved Budget on Healthy and Safe Communities is related to rephrasing of Affordable Housing projects of **(£1,154,000)** to 2017/18 to reflect latest project plans such as Friarsgate.

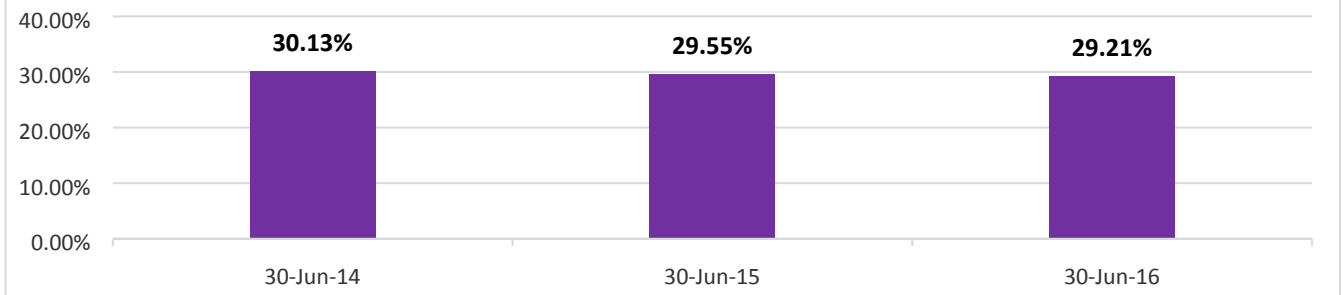
- 1.3. There are two projects in the Approved Capital Programme that require updates in excess of the key decision limit of £50,000, these projects are:
- The Community Building at Hawksyard has an Approved Budget of **£166,000** funded by Section 106 contributions from the housing development on the site. A further **£154,000** has been received in Section 106 contributions and therefore it is recommended that this budget is increased to **£320,000**.
  - The Replacement of two synthetic pitches has an Approved Budget of **£165,000** funded by capital receipts and an earmarked reserve. The replacement of these two pitches is estimated to cost **£370,000** and will enable revenue savings to be generated from King Edwards Leisure Centre being transferred to the school and the Leisure Services review being undertaken. An additional earmarked reserve has been established for **£40,000** and therefore the shortfall in funding is **£165,000**. It is recommended that this shortfall is funded from the additional capital receipts received in 2015/16.
- 1.4. There have been no actual capital receipts received during the first three months of 2016/17 compared to the Original and Approved Budgets of **(£1,524,000)**.
- 1.5. We are projecting capital receipts of **(£1,474,000)** because there is an interested party in the Bore Street Shops (Asset Strategy Review) who is currently undertaking due diligence and although the land receipt of **(£250,000)** from Friarsgate (this sum has not been assumed available to fund capital investment) is unlikely to be received in 2016/17 a land sale at Church Street for **(£200,000)** has taken place.
- 1.6. The Approved Budget, actual capital receipts received in the first three months and the projected capital receipts are shown in the graph below:



### Council Tax

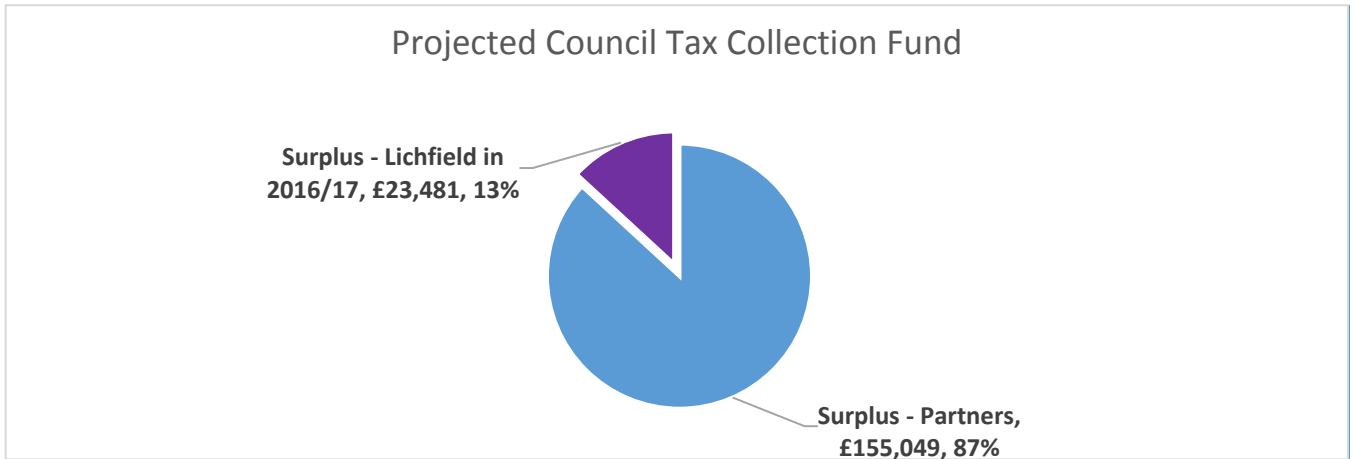
- 1.7. The Council is responsible for the collection of Council Tax for all precepting authorities in 2016/17 totalling **£56m**.
- 1.8. The collection performance for Council Tax for the first three months of the last three financial years is shown in the graph below:

### Council Tax Collection Performance (Debt for All Years)



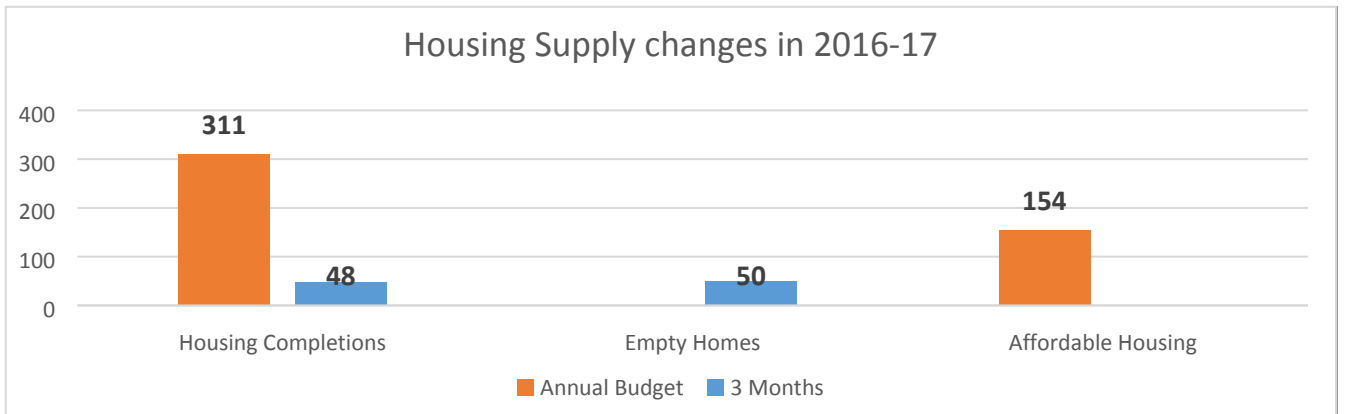
1.9. The collection performance has remained consistent with the same period in previous financial years.

1.10. A summary of the Projected Council Tax Collection Fund performance (The Budget assumed a breakeven position) is shown in the graph below with detail shown at **APPENDIX D** and is based on Lichfield’s (including Parishes) current share of Council Tax of **13%**:



1.11. The projected surplus in 2016/17 includes the actual surplus in 2015/16 together with performance related to 2016/17. The Council’s share of the projected surplus of **(£23,481)** will be included in the 2017/18 Budget.

1.12. Housing supply is one of the key assumptions in the Medium Term Financial Strategy because it impacts on the income we receive from Council Tax and New Homes Bonus. The progress to date using information on housing completions and empty homes from Council Tax is shown in the graph below:



### Business Rates

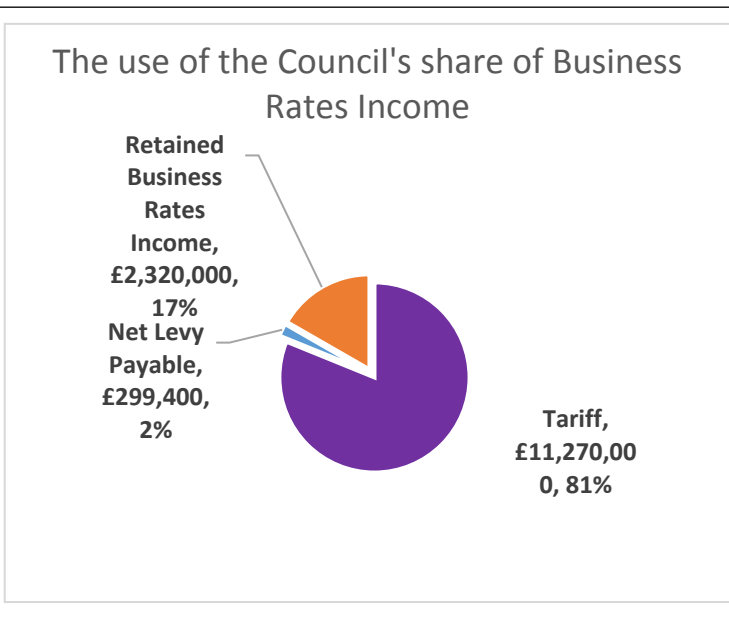
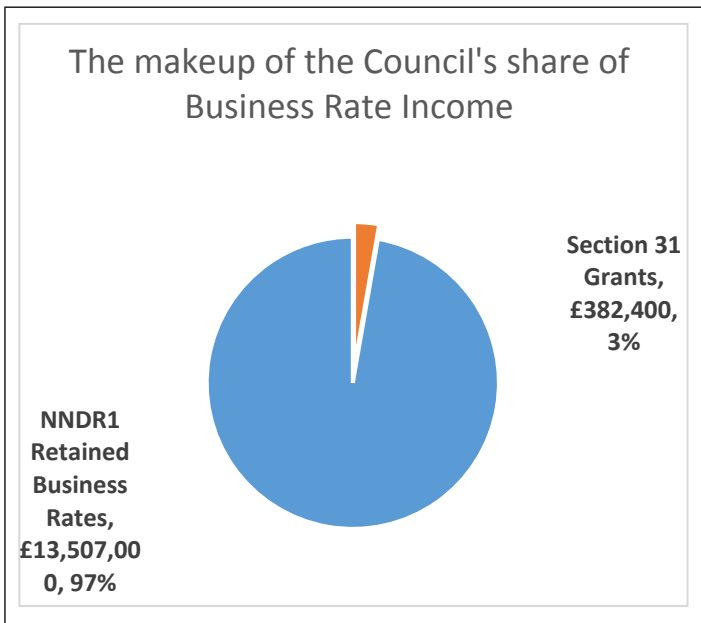
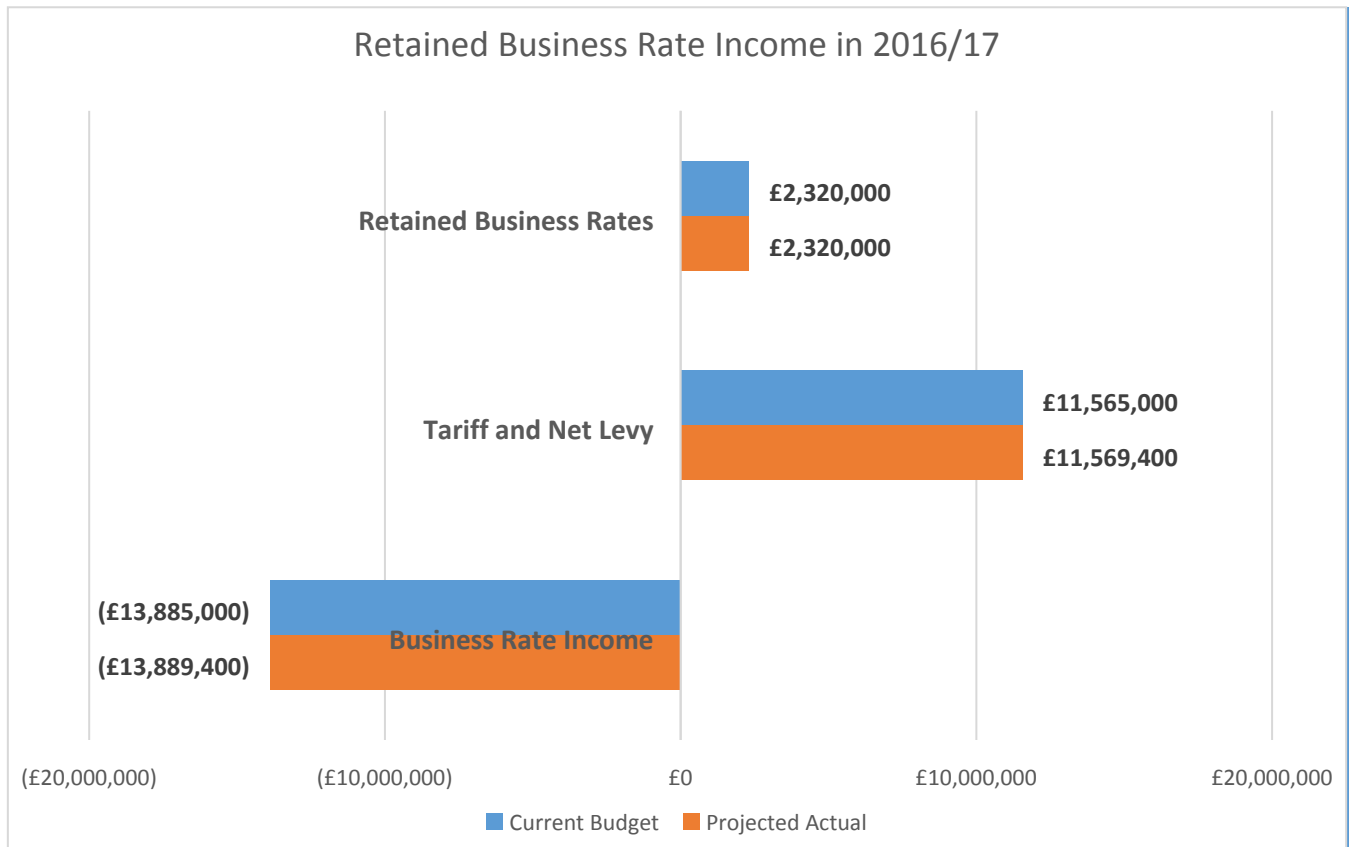
1.13. The Council will collect Business Rates for all partners in 2016/17 totalling **£35m**.

1.14. 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



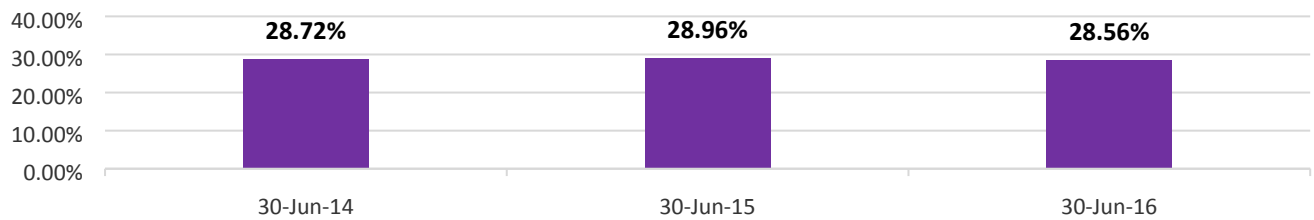
Government set baseline (or receive safety net in the event of business rates have reduced more than a set percentage below the baseline).

- 1.15. The Retained Business Rate income for 2016/17 is projected to be **(£2,320,000)** compared to the Approved Budget of **(£2,320,000)**. The detail of the Council's actual and budgeted share of Business Rates income, the tariff and net levy and retained Business Rates in 2016/17 is shown in detail at **APPENDIX D** and in the graphs below:



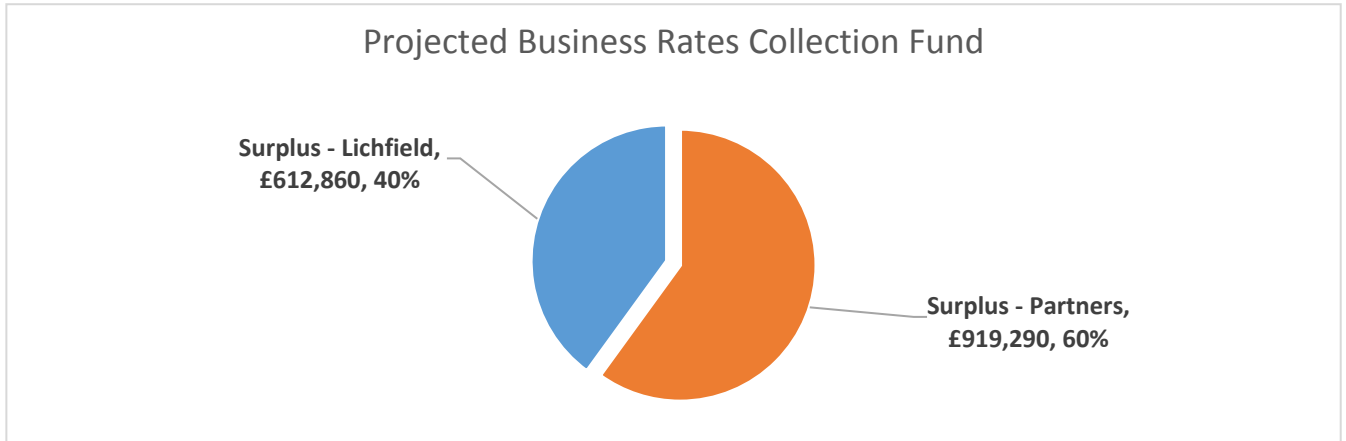
- 3.30 The collection performance for Business Rates for the first three months of the last three financial years is shown in the graph below:

### Business Rates Collection Performance (Debt for All Years)



3.31 The collection performance has remained consistent with the same period in previous financial years.

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

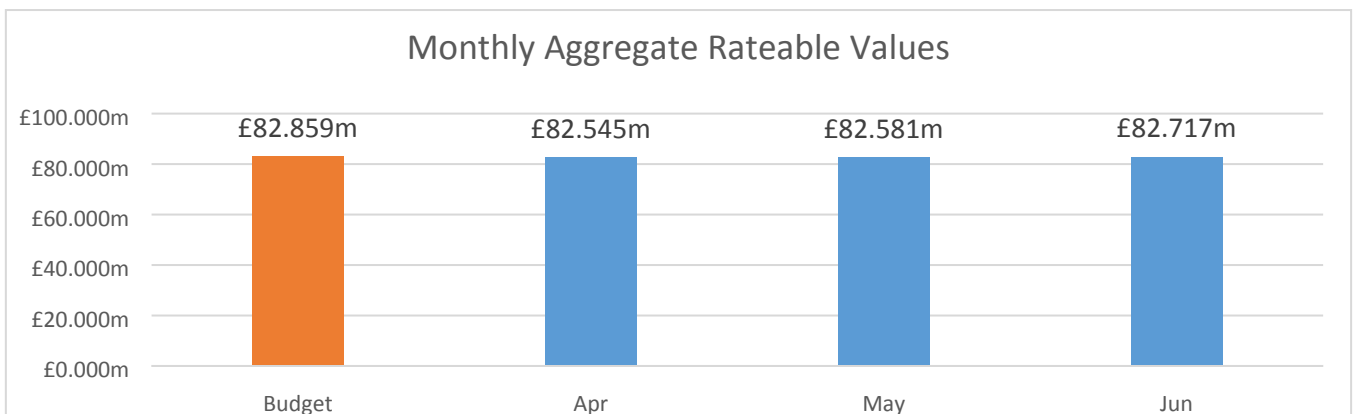


3.33 The main reasons for the surplus of **(£1,532,150)** are:

- There was a lower than projected deficit in 2015/16 of **(£1,245,000)**.
- The projected net yield from Business Rates in 2016/17 after taking account of reliefs is projected to be **(£287,150)** higher than estimated.

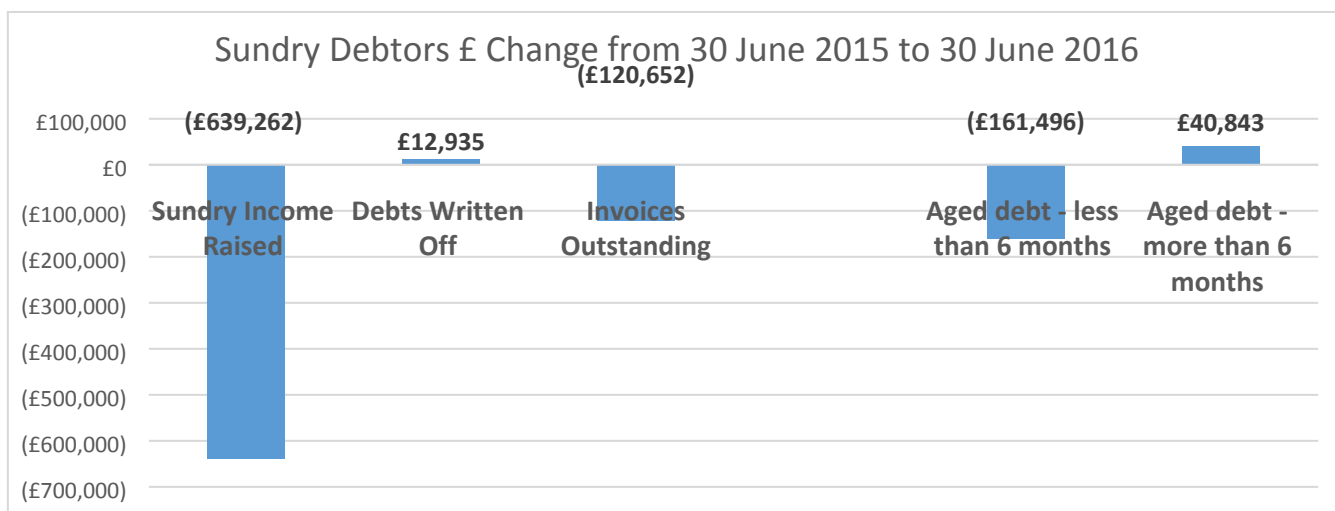
3.34 Therefore the Council's share of the projected surplus in 2016/17 is **(£612,860)** and this will be included in the 2017/18 Budget.

3.35 Another key assumption in the Medium Term Financial Strategy is the level of growth or decline in Business Rates. The Original Budget assumed the only reduction in Rateable Value during 2016/17 would be in relation to properties impacted by the Friarsgate development. The level of Rateable Value in the first three months compared to the Approved Budget is shown in the graph below:



### Sundry Debtors

3.36 A summary of key transactions levels and collection performance for Sundry Debtors in 2016/17 compared to 2015/16 is shown in the graph below:



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

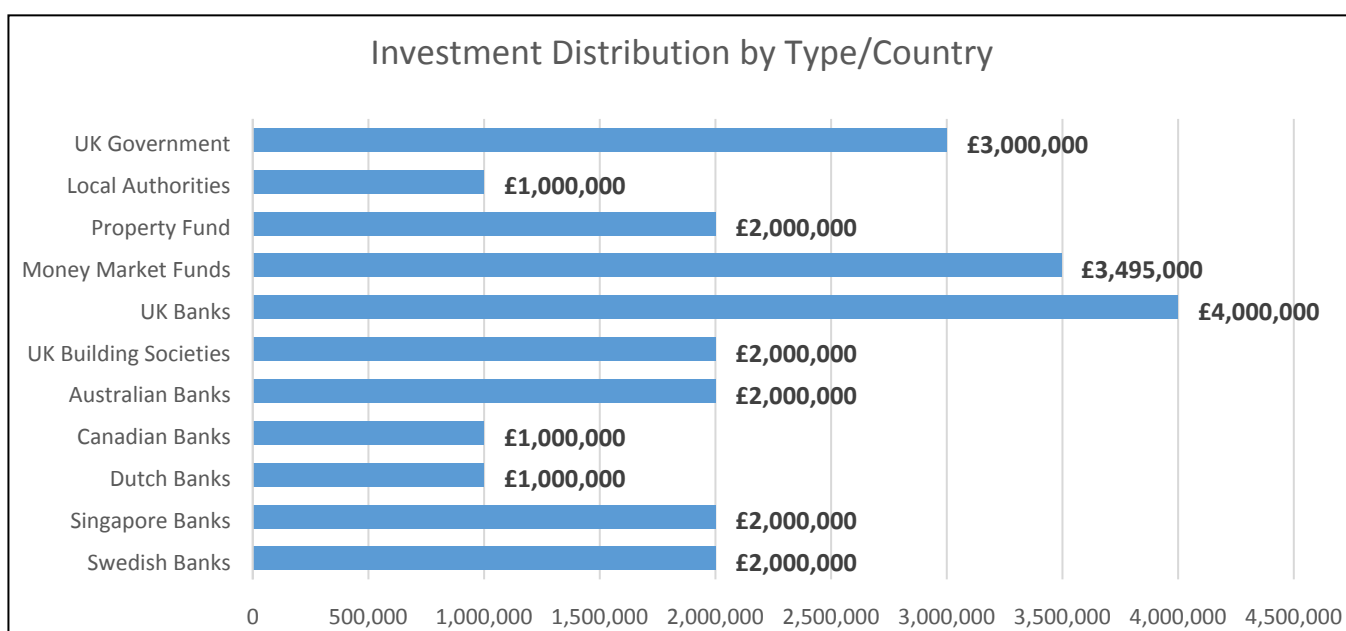
- The value of income raised has reduced by **(£639,262)** or 32% due in part to the sale of the industrial units.
- The value of write offs has increased by **£12,935** or 935% due to several write offs of Housing debts and Housing Benefit Overpayments.
- Overall invoices outstanding have reduced by **(£120,652)** or (6.78%) with a reduction in those outstanding for less than 6 months by **(£161,496)** or (12.67%) and an increase in those outstanding for more than six months by **£40,843** or 8.10%.

### Treasury Management

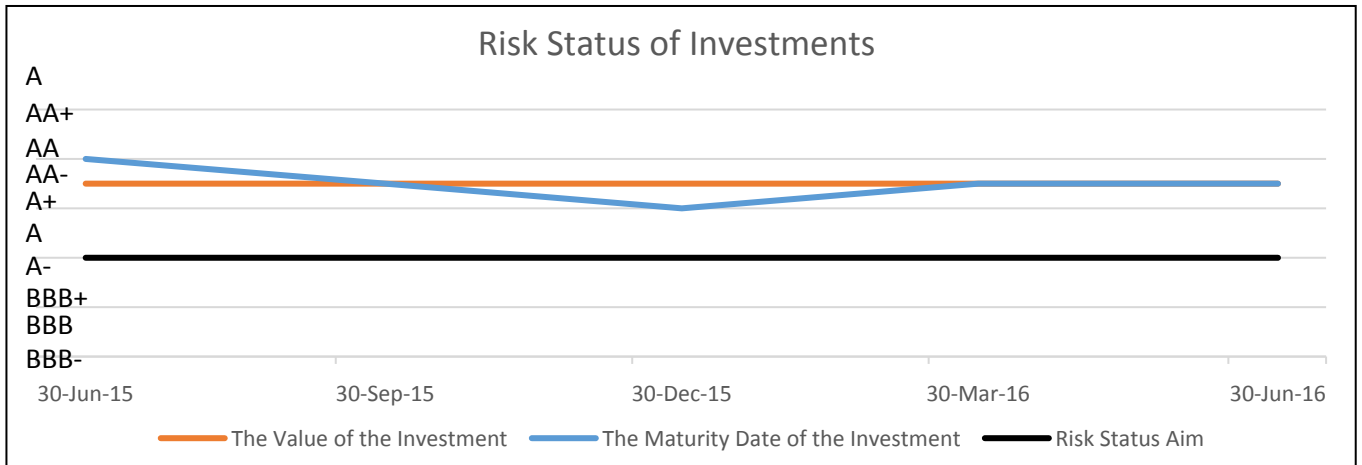
3.38. The performance of the Treasury Management function should be measured against the investment objectives of Security (the safe return of our monies), Liquidity (making sure we have sufficient money to pay for our services) and Yield (the return on our investments).

### The Security of Our Investments

3.39. The investments the Council had at the 30 June 2016 of **£23,495,000** by type and Country are summarised in the graph below and in more detail at **APPENDIX E**:

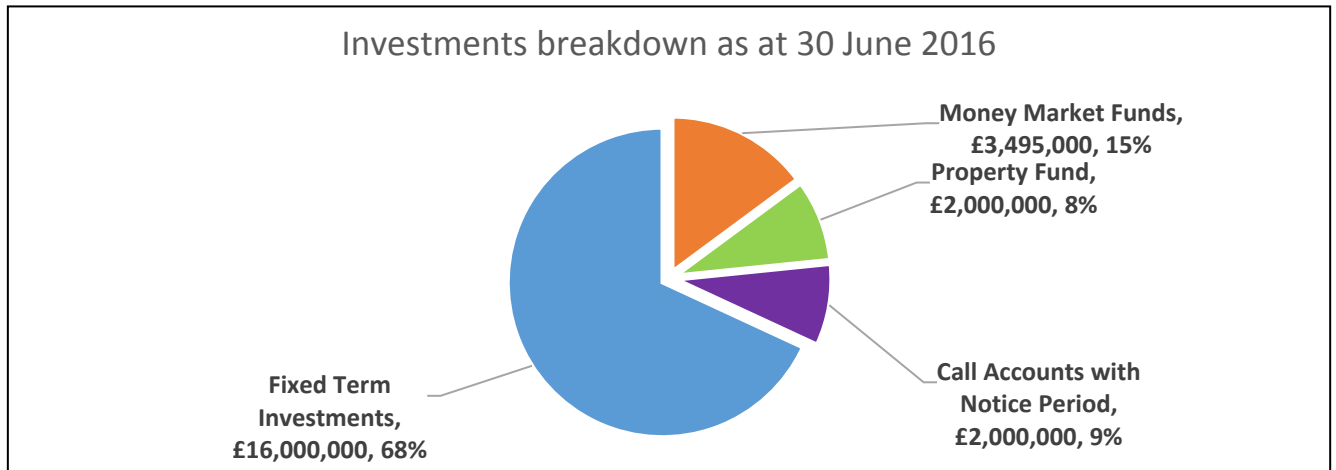


3.40. Our aim for the risk status of our investments was **A-**. The risk status based on the length of the investment and the value for a twelve month period is summarised in the graph below:



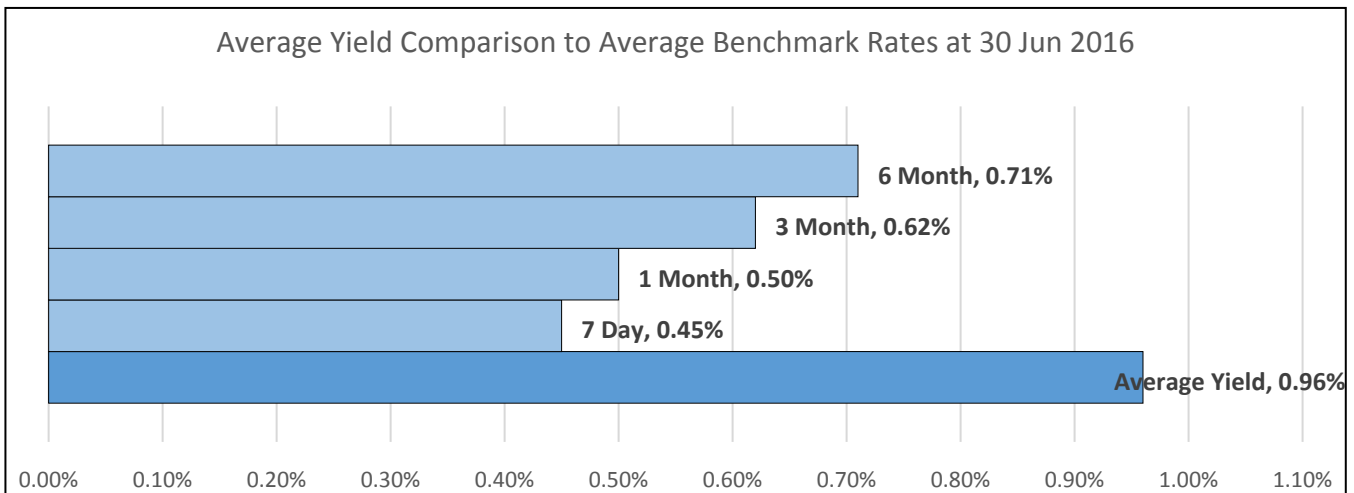
### The Liquidity of our Investments

3.41. The Council has not had to temporarily borrow during 2016/17 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

3.42. The yield the Council achieved for the first three months (the recent 0.25% reduction in interest rates will reduce the annual projected return) compared to a number of industry standard benchmarks (including our preferred benchmark of the 7 day LIBID rate) is shown in the graph below:



- 3.43. The investment activity during the financial year is projected to generate **(£176,855)** of net investment income compared to a budget of **(£124,400)** and overall the Net Treasury position is projected to be below budget by **(£52,455)**.
- 3.44. The main reason for the projected additional net investment income is the approved investment of £2m in a property fund that is projected to generate **(£80,860)** in 2016/17.
- 3.45. This investment whilst generating additional yield has the risk that the investment value could fall in line with the underlying property assets in the fund. It is therefore recommended that a volatility reserve is established for the duration of the investment and that any investment income in excess of a threshold currently set at **(£50,000)** per annum is contributed to this reserve to mitigate this risk.
- 3.46. In 2016/17 the contribution to this volatility reserve is projected to be **(£30,860)**.

<b>Alternative Options</b>	There are no alternative options.
<b>Consultation</b>	Consultation is undertaken as part of the Strategic Plan 2016-20 and with Leadership Team.
<b>Financial Implications</b>	At this three months stage in the year, for the period up to June 2016, we forecast a contribution <u>from</u> general reserves of <b>(£113,880)</b> will be made, against a budgeted contribution of <b>£8,560</b> <u>to</u> general reserves.  Further detailed analysis on the Financial Performance up to June 2016 is shown in the attached Appendices.
<b>Contribution to the Delivery of the Strategic Plan</b>	The MTFs underpins the delivery of the Strategic Plan 2016-20.
<b>Equality, Diversity and Human Rights Implications</b>	There are no additional Equality, Diversity or Human Rights implications.
<b>Crime &amp; Safety Issues</b>	There are no additional Crime and Safety Issues.

	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	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	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

<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	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
<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>Background Documents</b>	<ul style="list-style-type: none"> <li>• CIPFA Code of Practice for Treasury Management in the Public Services</li> <li>• The Prudential Code for Capital Finance in Local Authorities</li> <li>• Money Matters: Calculation Of Business Rates – National Non Domestic Rates 2016/17 and Council Tax Base 2016/17, together with Collection Fund Surplus / (Deficit) For 2015/16 – 12 January 2016.</li> <li>• Money Matters: Medium Term Financial Strategy (Revenue and Capital) 2016-20 Cabinet - 9 February 2016.</li> <li>• Procurement of Contract Hire Vehicles – Cabinet 9 February 2016</li> <li>• Review of the Civic Function – Cabinet 5 April 2016</li> <li>• Re-procurement of property and place related software applications – Cabinet 5 April 2016</li> <li>• Re-procurement of Desktop Operating Software Contract – Cabinet 5 April 2016</li> <li>• Approval of Formal Car Parking Strategy – Cabinet 10 May 2016</li> <li>• Proposed Revised Charges for Street Naming and Numbering – Cabinet 5 July 2016</li> <li>• Broadband Connections – Cabinet 5 July 2016</li> <li>• Money Matters : 2015/16 Review of Financial Performance against the Financial Strategy – Cabinet 6 September 2016</li> </ul>
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<b>Relevant web link</b>	<a href="#"><u>Cabinet - Lichfield District Council</u></a>
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## Transfers from General Reserves

Cabinet Date	Report Title	2016/17
05/04/2016	Re-procurement of property and place related software applications	19,500
05/07/2016	Fit for the Future Leisure Review Appointment of Professional Advisors	100,000
	<b>General Reserve</b>	<b>£119,500</b>

## Cabinet Reports

Cabinet Date	Report Title	2016/17	2017/18	2018/19	2019/20
09/02/2016	Procurement of Contract Hire Vehicles	(17,870)	(17,870)	(17,870)	(17,870)
05/04/2016	Review of the Civic Function	(5,810)	(7,380)	(7,380)	(7,380)
05/04/2016	Re-procurement of property and place related software applications	4,930	3,930	3,400	2,850
05/04/2016	Re-procurement of Desktop Operating Software Contract	2,800	2,800	2,800	2,800
10/05/2016	Approval of Formal Car Parking Strategy	(114,870)	(172,300)	(172,300)	(172,300)
05/07/2016	Proposed Revised Charges for Street Naming and Numbering	(4,530)	(10,200)	(10,200)	(10,200)
05/07/2016	Broadband connections	7,490	7,490	7,490	7,490
06/09/2016	Money Matters : 2015/16 Review of Financial Performance against the Financial Strategy	(29,690)	(29,690)	(29,690)	(29,690)
	<b>Efficiency Plan</b>	<b>(£157,550)</b>	<b>(£223,220)</b>	<b>(£223,750)</b>	<b>(£224,300)</b>

## Audit Trail - The Approved Revenue Budget

	Original Budget	15/16 Recurring Outturn Adjustments	Revised Insurance Allocations	Cabinet Reports	Cabinet Leisure Fit for the Future	Approved Budget
Chief Executive	824,080		(6,740)	(5,810)		811,530
Finance, Revenues and Benefits	2,358,020	(5,450)	(18,790)	(320)		2,333,460
Leisure and Parks	2,889,240	(17,560)	176,210	630	100,000	3,148,520
Democratic, Development and Legal	998,640	(6,680)	(69,200)	(109,430)		813,330
Community, Health and Housing	2,221,330		(16,860)	0		2,204,470
Waste	1,338,750		(64,620)	(15,930)		1,258,200
Efficiency Plan	(350,000)	29,690	0	127,860		(192,450)
<b>Net Cost of Services</b>	<b>10,280,060</b>	<b>0</b>	<b>0</b>	<b>(3,000)</b>	<b>100,000</b>	<b>10,377,060</b>
Net Treasury Position	(25,000)			0		(25,000)
Revenue Contributions to the Capital Programme	154,000			22,500		176,500
<b>Net Operating Cost</b>	<b>10,409,060</b>	<b>0</b>	<b>0</b>	<b>19,500</b>	<b>100,000</b>	<b>10,528,560</b>
Less : Transfer (from) / to General Reserve	8,560			(19,500)	(100,000)	(110,940)
Less : Transfer to Earmarked Reserves	108,020			0		108,020
<b>Amount to be met from Government Grants and Local Taxpayers:</b>	<b>£10,525,640</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£10,525,640</b>
Revenue Support Grant	(773,000)					(773,000)
Business Rates	(2,320,000)					(2,320,000)
Transition Grant	(51,940)					(51,940)
Local Council Tax Support	107,000					107,000
New Homes Bonus	(1,882,700)					(1,882,700)
Council Tax Collection Fund	(58,000)					(58,000)
Business Rates Collection Fund	310,000					310,000
Council Tax	(5,857,000)					(5,857,000)

## Revenue Financial Performance – Projected Variance to Budget 2016/17

Area	2016/17						● = adverse ☑ = favourable	2016/17 Target Variance (+/-) £
	Original Budget £	Approved Budget £	Year to Date Actual £	Projected Outturn £	Projected Variance £			
Chief Executive	824,080	811,530	145,395	788,790	(22,740)	☑	7,000	
Finance, Revenues and Benefits	2,358,020	2,333,460	1,267,652	2,338,020	4,560	●	33,000	
Leisure and Parks	2,889,240	3,148,520	867,223	3,148,520	-		59,000	
Democratic, Development and Legal	998,640	813,330	(447,454)	809,830	(3,500)	☑	63,000	
Community, Housing and Health	2,221,330	2,204,470	350,340	2,205,880	1,410	●	20,000	
Waste Collection	1,338,750	1,258,200	1,251,303	1,258,200	-		68,000	
Efficiency Plan	(350,000)	(192,450)	-	(116,780)	75,670	☑	-	
<b>Net Cost of Services</b>	<b>10,280,060</b>	<b>10,377,060</b>	<b>3,434,459</b>	<b>10,432,460</b>	<b>55,400</b>		<b>250,000</b>	
Net Treasury Position	(25,000)	(25,000)	(3,031)	(77,460)	(52,460)	☑		
Revenue Contributions to the Capital Programme	154,000	176,500	-	176,500	-			
<b>Net Operating Cost</b>	<b>10,409,060</b>	<b>10,528,560</b>	<b>3,431,428</b>	<b>10,531,500</b>	<b>2,940</b>			
Less: Transfer (from) / to General Reserve	8,560	(110,940)	-	(113,880)	(2,940)	●		
Add: Transfer to Earmarked Reserves	108,020	108,020	-	108,020	-			
<b>Net Revenue Expenditure</b>	<b>£10,525,640</b>	<b>£10,525,640</b>	<b>£3,431,428</b>	<b>£10,525,640</b>	<b>0</b>			
<b>Financed by:</b>								
Retained Business Rates	(2,320,000)	(2,320,000)	(1,247,094)	(2,320,000)	-			
Business Rates Cap	-	-	(2,697)	-	-			
Revenue Support Grant	(773,000)	(773,000)	(139,220)	(773,000)	-			
Transition Grant	(51,940)	(51,940)	(12,984)	(51,940)	-			
Parish Local Council Tax Support	107,000	107,000	26,701	107,000	-			
New Homes Bonus	(1,882,700)	(1,882,700)	(474,915)	(1,882,700)	-			
Returned New Homes Bonus	-	-	(4,411)	-	-			
Business Rates Collection Fund Deficit	310,000	310,000	0	310,000	-			
Council Tax Collection Fund (Surplus)	(58,000)	(58,000)	(14,500)	(58,000)	-			
Council Tax	(5,857,000)	(5,857,000)	(219,389)	(5,857,000)	-			

## Analysis of gross expenditure, income and net expenditure for 2016/2017

Area	Approved Budget			Projected Outturn £
	Gross Expenditure £	Gross Income £	Net Expenditure £	
Chief Executive	815,210	(3,680)	811,530	788,790
Finance, Revenues and Benefits	23,242,050	(20,908,590)	2,333,460	2,338,020
Leisure and Parks	5,729,940	(2,581,420)	3,148,520	3,148,520
Democratic, Development and Legal	4,843,050	(4,029,720)	813,330	809,830
Community, Health and Housing	2,404,180	(199,710)	2,204,470	2,205,880
Waste	5,192,020	(3,933,820)	1,258,200	1,258,200
Efficiency Plan	(192,450)	-	(192,450)	(116,780)
<b>Net cost of services</b>	<b>42,034,000</b>	<b>(31,656,940)</b>	<b>10,377,060</b>	<b>10,432,460</b>
Net Treasury Position	104,900	(129,900)	(25,000)	(77,460)
Revenue Contributions to the Capital Programme	176,500	-	176,500	176,500
<b>Net Revenue Expenditure</b>	<b>£42,315,400</b>	<b>(£31,786,840)</b>	<b>£10,528,560</b>	<b>£10,531,500</b>



## Reasons for the 3 Months Budget Performance

Projected Variance £		Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(22,740)	Chief Executive	(5,860)	(15,560)	-	(1,320)
4,560	Finance, Revenues and Benefits	21,340	-	(10,080)	(6,700)
-	Leisure and Parks	-	-	-	-
(3,500)	Democratic, Development and Legal Services	-	(3,500)	-	-
1,410	Community, Housing and Health	-	(630)	-	2,040
-	Waste Collection Service	-	-	-	-
(52,460)	Net Treasury Position	-	-	(2,460)	(50,000)
<b>(£72,730)</b>	<b>Net Operating Cost</b>	<b>£15,480</b>	<b>(£19,690)</b>	<b>(£12,540)</b>	<b>(£55,980)</b>

## Chief Executive

Projected Variance £	Directorate	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(8,000)	Communications - savings and additional income	-	(5,000)	-	(3,000)
(14,740)	Civic Expenses - savings from reduced activity and balance of previous Chair and Vice Chair Allowances	(5,860)	(10,560)	-	1,680
<b>(£22,740)</b>	<b>Total</b>	<b>(£5,860)</b>	<b>(£15,560)</b>	<b>-</b>	<b>(£1,320)</b>

## Finance, Revenues and Benefits

Projected Variance £	Directorate	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(10,080)	Benefits - additional Housing Benefit Grant	-	-	(10,080)	-
(6,700)	Revenue Collection - BID administration income	-	-	-	(6,700)
21,340	ICT - temporary Administration Assistant	21,340	-	-	-
<b>£4,560</b>	<b>Total</b>	<b>£21,340</b>	<b>-</b>	<b>(£10,080)</b>	<b>(£6,700)</b>

## Democratic, Development and Legal

Projected Variance £	Directorate	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(22,000)	Tourism - identified underspends	-	(22,000)	-	-
18,500	Members Allowances increases	-	18,500	-	-
<b>(£3,500)</b>	<b>Total</b>	<b>-</b>	<b>(£3,500)</b>	<b>-</b>	<b>-</b>

## Community, Housing and Health

Projected Variance £	Directorate	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
2,040	Pressure on Environmental Protection Acts income following changes in regulations made by DEFRA	-	-	-	2,040
(630)	Community Safety budget no longer required	-	(630)	-	-
<b>£1,410</b>	<b>Total</b>	<b>-</b>	<b>(£630)</b>	<b>-</b>	<b>£2,040</b>

## Net Treasury Position

Projected Variance £	Directorate	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(80,860)	CCLA Property Fund investment	-	-	-	(80,860)
30,860	Transfer CCLA Income to a Volatility Reserve	-	-	-	30,860
(2,460)	Other Investment Income	-	-	(2,460)	-
<b>(£52,460)</b>	<b>Total</b>	<b>-</b>	<b>-</b>	<b>(£2,460)</b>	<b>(£50,000)</b>

### Capital Programme Performance in 2016/17

Priority	Original Budget £	Current Budget £	Year to Date Actual £	Projected Outturn £	Projected Variance £	
Healthy and safe communities	2,771,000	2,853,000	136,804	1,536,000	(1,317,000)	●
Clean, green and welcoming places to live	1,219,000	2,146,500	0	2,101,500	(45,000)	☑
A vibrant and prosperous economy	2,749,000	2,890,500	23,225	2,910,500	20,000	☑
A council that is fit for the future	766,000	782,500	9,640	782,500	0	☑
<b>Total Capital Expenditure</b>	<b>£7,505,000</b>	<b>£8,672,500</b>	<b>£169,669</b>	<b>£7,330,500</b>	<b>(£1,342,000)</b>	

**KEY :** ☑ Projected actual within **£0.1m** of our current budget  
 ● Projected actual not within **£0.1m** of our current budget

### Vehicle, Equipment and Systems Renewal Schedule 2016/17

The vehicle, equipment and systems renewal schedule in 2016/17 included in the Capital Programme is shown in the table below:

Area	Vehicle Type	Estimated Replacement Cost	Capital Programme	Progress on procurement during 2016/17
Joint Waste Grounds Maintenance	New Arrangement Invest to Save	£1,314,000	£1,314,000	In progress. This budget is utilised to fund Invest to Save Business Cases.
Grounds Maintenance	Sinking Fund		£47,000	
Environmental Health Vehicle	Van		£24,000	
				To be Purchased in Quarter 2

### 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 2016/17		
	Current Budget £	Projected Outturn £	Variance £
Planned maintenance	£258,000	£95,000	(£163,000)
<b>TOTAL</b>	<b>£258,000</b>	<b>£95,000</b>	<b>(£163,000)</b>

## Council Tax

## Collection Performance

	Council Tax			
	30th June 2015	30th June 2016	Change	
<b>Amount Collected as a %</b>	<b>29.55%</b>	<b>29.21%</b>	<b>(0.34%)</b>	<b>●</b>
In year arrears outstanding at 30 June	£789,366	£733,998		
Previous years arrears at 30 June	£1,132,931	£1,204,224		
Total arrears outstanding at 30 June	£1,922,297	£1,938,221	0.83%	●
Write offs as at 30 June	£8,932	£7,676	(14.00%)	☑

## Collection Fund

	Budget £m	30-Jun-16 £m	Projected Outturn £m	Projected Variance £m
<b>(Surplus) / Deficit Brought Forward</b>	<b>(£0.45)</b>	<b>(£0.32)</b>	<b>(£0.32)</b>	<b>£0.13</b>
Amount Due	(£56.34)	(£56.69)	(£56.73)	(£0.39)
Bad Debt Provision	£0.00	£0.01	£0.08	£0.08
Payments to Partners including LDC	£56.34	£56.34	£56.34	£0.00
Transfers estimated surplus to Partners	£0.45	£0.45	£0.45	£0.00
<b>(Surplus) / Deficit Carried Forward</b>	<b>(£0.00)</b>	<b>(£0.21)</b>	<b>(£0.18)</b>	<b>(£0.18)</b>
<b>Share of the (Surplus) or Deficit</b>				
Lichfield District Council	(0.00)	(0.03)	(0.02)	(0.02)
Office of the Police and Crime Commissioner Staffordshire	(0.00)	(0.02)	(0.02)	(0.02)
Staffordshire County Council	(0.00)	(0.15)	(0.13)	(0.13)
Staffordshire Fire and Rescue	(0.00)	(0.01)	(0.01)	(0.01)
	<b>(£0.00)</b>	<b>(£0.21)</b>	<b>(£0.18)</b>	<b>(£0.18)</b>

Lichfield District Council Projected (Surplus) / Deficit in 2016/17 to be included in 2017/18 Budget	<b>(£0.02)</b>
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## Business Rates

## The Council's Retained Business Rates Income

The Council's Budget in 2016/17				
	Budget £	30-Jun-16 £	Projected Outturn £	Projected Variance £
<b>NNDR 1 Based Retained Business Rates</b>				
Retained Business Rates	(£13,507,000)	(£13,507,000)	(£13,507,000)	£0
<u>Section 31 Grants (Lichfield's 40% Share)</u>				
Small Business Rates Relief	(£373,000)	(£376,000)	(£376,000)	(£3,000)
New Empty Properties	£0	£0	£0	£0
Long Term Empty Properties	£0	(£800)	(£800)	(£800)
Retail Relief	(£5,000)	£3,200	(£5,600)	(£600)
Less : Tariff Payable	£11,270,000	£11,270,000	£11,270,000	£0
<b>Pre Levy or Safety Net Income</b>	<b>(£2,615,000)</b>	<b>(£2,610,600)</b>	<b>(£2,619,400)</b>	<b>(£4,400)</b>
<b>NNDR 3 Based Levy Payments</b>				
Less : Levy Payable @ 50%	£338,000	£776,300	£398,700	£60,700
Volatility Allowance	£67,000	£67,000	£30,700	(£36,300)
Levy from the Business Rates Pool (32.5%)	(£110,000)	(£252,000)	(£130,000)	(£20,000)
<b>Post Levy or Safety Net Income</b>	<b>(£2,320,000)</b>	<b>(£2,019,300)</b>	<b>(£2,320,000)</b>	<b>£0</b>

## Collection Performance

	Non Domestic Rates			
	30th June 2015	30th June 2016	Change	
<b>Amount Collected as a %</b>	<b>28.96%</b>	<b>28.56%</b>	<b>(0.40%)</b>	●
In year arrears outstanding at 30 June	£329,673	£1,209,058		
Previous years arrears at 30 June	£423,578	£538,541		
Total arrears outstanding at 30 June	£753,251	£1,747,599	132.00%	●
Write offs as at 30 June	£23,856	£52,774	121.00%	●

## Collection Fund

	Budget £m	30-Jun-16 £m	Projected Outturn £m	Projected Variance £m
<b>(Surplus) / Deficit Brought Forward</b>	<b>£1.46</b>	<b>£0.22</b>	<b>£0.22</b>	<b>(£1.25)</b>
Amount Due	(£34.53)	(£36.28)	(£34.82)	(£0.29)
Bad Debt Provision	£0.32	£0.12	£0.32	£0.00
Appeals	£0.32	£0.08	£0.32	£0.00
Payments to Partners including LDC	£33.77	£33.77	£33.77	£0.00
Collection Allowance	£0.12	£0.12	£0.12	£0.00
Transitional Protection	£0.00	£0.00	£0.00	£0.00
Transfers estimated deficit from Partners	(£1.46)	(£1.46)	(£1.46)	£0.00
<b>(Surplus) / Deficit Carried Forward</b>	<b>£0.00</b>	<b>(£3.44)</b>	<b>(£1.53)</b>	<b>(£1.53)</b>
<b>Share of the (Surplus) or Deficit</b>				
Lichfield District Council (40%)	£0.00	(£1.38)	(£0.61)	(£0.61)
Central Government (50%)	£0.00	(£1.72)	(£0.77)	(£0.77)
Staffordshire County Council (9%)	£0.00	(£0.31)	(£0.14)	(£0.14)
Staffordshire Fire and Rescue (1%)	£0.00	(£0.03)	(£0.02)	(£0.02)
	<b>£0.00</b>	<b>(£3.44)</b>	<b>(£1.53)</b>	<b>(£1.53)</b>

Lichfield District Council Projected (Surplus) / Deficit in 2016/17 to be included in 2017/18 Budget	<b>(£0.61m)</b>
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Favourable ● Adverse

## Sundry Debtor Performance

Details	30th June 2015	30th June 2016	All Debts Change (%)	Variance
	All Debts £	All Debts £		
Value of sundry income raised in quarter	1,978,545	1,339,283	(32.30%)	●
Value of debts written off	1,383	14,317	935.00%	●
Value of all invoices outstanding	1,778,000	1,657,348	(6.78%)	☑
% of income raised	89.86%	123.75%	33.89%	

Aged Debtor Analysis				
<b>Less than 6 months</b>	<b>1,274,257</b>	<b>1,112,762</b>	<b>(12.67%)</b>	☑
<b>More than 6 months</b>	<b>503,743</b>	<b>544,586</b>	<b>8.10%</b>	●

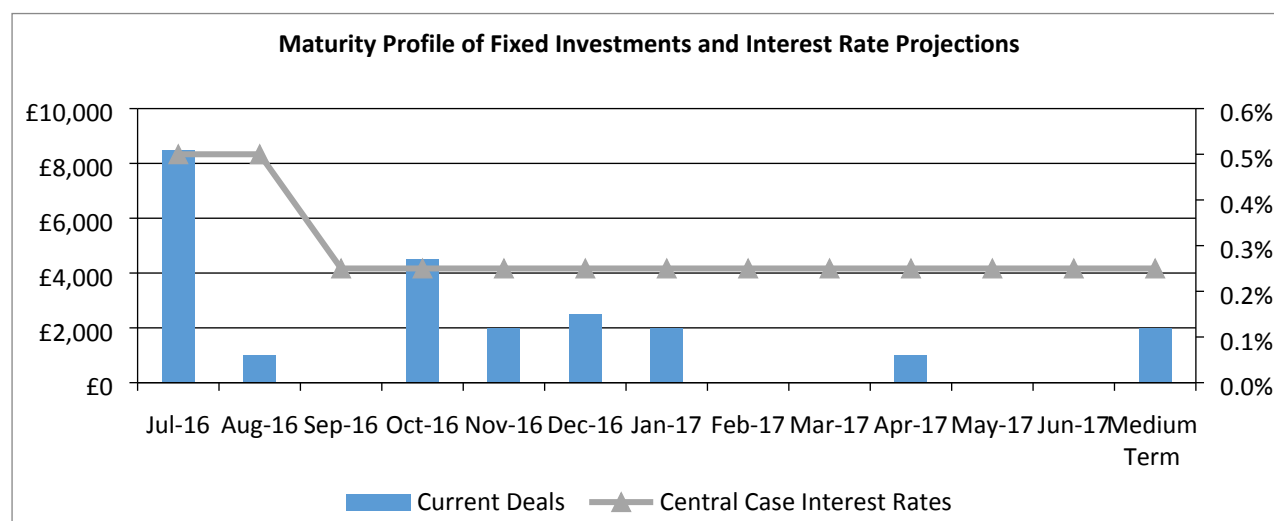
☑ Favourable ● Adverse

## Investments in the 2016/17 Financial Year

The table below shows a breakdown of our investments at the end of June 2016:

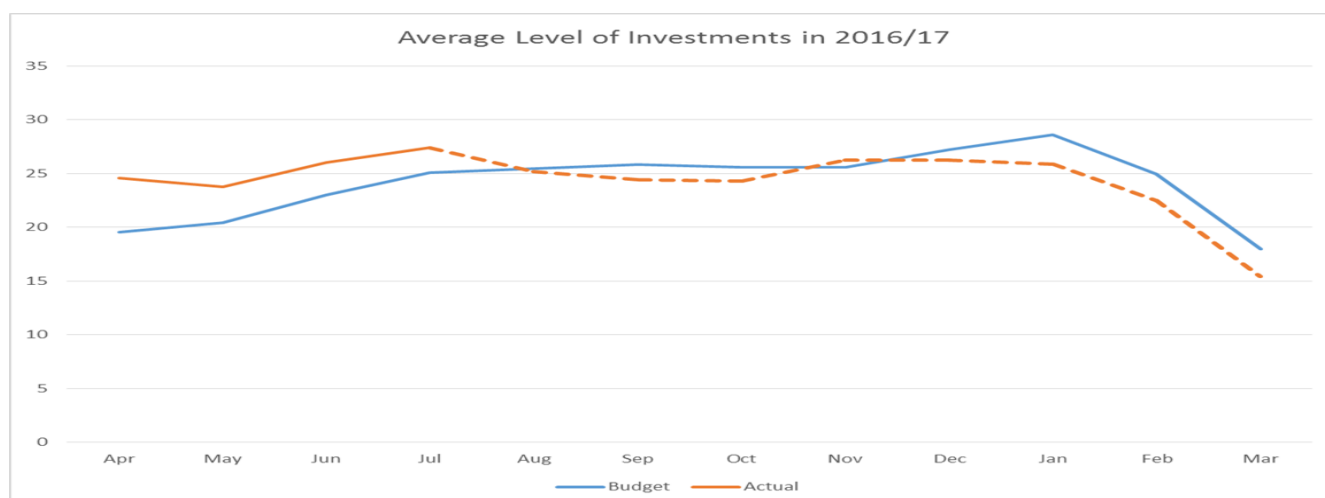
Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Foreign Parent
<b>Money Market Funds</b>						
Invesco	£630,000	01-Jul-16	Instant Access		AA-	N/A
Legal & General	£1,000,000	01-Jul-16	Instant Access		AA-	N/A
Standard Life	£1,000,000	01-Jul-16	Instant Access		A+	N/A
Insight	£165,000	01-Jul-16	Instant Access		AA-	N/A
BNP Paribas	£700,000	01-Jul-16	Instant Access		A+	N/A
<b>Property Fund</b>						
LAMIT Property Fund	£2,000,000	30-Apr-21				
<b>Fixed Term Investments</b>						
Nationwide	£1,000,000	18-Oct-16	110	0.71%	A	No
Lloyds	£1,000,000	16-Nov-16	139	1.07%	A	No
Close Bros.	£1,000,000	31-Oct-16	123	0.65%	A	No
National Counties Building Society	£500,000	09-Dec-16	162	0.72%	Not Rated	No
Australia and New Zealand Banking Group	£1,000,000	12-Dec-16	165	0.53%	AA-	Yes
Commonwealth Bank of Australia	£1,000,000	03-Oct-16	95	0.63%	AA-	Yes
Coventry Building Society	£500,000	05-Oct-16	97	0.59%	A	No
DBS	£1,000,000	14-Jul-16	14	0.70%	AA-	Yes
HSBC	£1,000,000	14-Jul-16	14	0.45%	AA-	No
Salford City Council	£1,000,000	28-Oct-16	120	0.55%	AA	No
United Overseas Bank	£1,000,000	18-Nov-16	141	0.72%	AA-	Yes
<b>Call Accounts with Notice Period</b>						
Santander	£1,000,000	27-Dec-16	180	1.15%	A	Yes
Handelsbanken	£1,000,000	04-Aug-16	35	0.45%	AA-	Yes
<b>Treasury Bills</b>						
	£3,000,000	11-Jul-16	11	0.47%	AA	No
<b>Certificates of Deposit</b>						
Rabobank	£1,000,000	05-Jan-17	189	0.72%	A+	Yes
Nordea Bank AB	£1,000,000	13-Apr-17	287	0.75%	AA-	Yes
Toronto-Dominion	£1,000,000	27-Jan-17	211	0.92%	AA-	Yes
<b>Total Investments</b>	<b>£23,495,000</b>					

The maturity profile of these investments at 30 June 2016 compared to our Treasury Management advisor Arlingclose interest rate forecasts is shown in the graph below:



## Cash Flow for 2016/17

The graph below compares the budget for average investment levels in 2016/17 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 30 June 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.

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 2016/17 was **223 days**.

#### Liquidity:

Measuring the performance in relation to liquidity is a much more difficult task and the easiest way to assess performance is to see how frequently we needed to borrow on a temporary basis during the financial year. We are actively managing liquidity risk in 2016/17 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 2016/17 we did not need to temporarily borrow.

**Yield:**

In the three months of 2016/17 we have achieved an average interest rate of **0.96%** (we project this to reduce following the recent 0.25% reduction in interest rates) and this compares to our performance indicator of the average 7-day London Inter-bank Bid (LIBID) rate, which was **0.45%**, the 1 month rate was **0.50%**, the 3 month rate was **0.62%** and the 6 month rate was **0.71%**.

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:

<b>Details</b>	<b>2016/17 Approved Budget</b>	<b>2016/17 Projected Outturn</b>
Average amount we had available to invest (£m)	£24.10m	£27.44m
Average Interest Rate (%)	0.51%	0.78%
Interest Receipts	(128,900)	(181,355)
Interest Paid and Other Costs	4,500	4,500
<b>Net Investment Income (£)</b>	<b>(£124,400)</b>	<b>(£176,855)</b>
Car Loan and Other Interest	(1,000)	(1,000)
External Borrowing Interest	37,400	37,400
Minimum Revenue Provision	63,000	63,000
<b>Net Treasury Position (£)</b>	<b>(£25,000)</b>	<b>(£77,455)</b>