

# Money Matters : 2019/20 Review of Financial Performance against the Financial Strategy

## Cabinet Member for Finance and Procurement

Date: 3 December 2019  
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 from April to September (Quarter Two) for 2019/20.
- 1.2 The Original Budget estimated a transfer to general reserves of **£148,860**. At the six month stage it is projected that a contribution of **£753,710** will be made to general reserves, an increase of **£66,000** compared to the Approved Budget of **£687,710**.
- 1.3 The Capital Programme is projected to be **(£1,664,000)** lower than the Approved budget.
- 1.4 Capital Receipts are projected to be lower than the Approved Budget by **£5,000**.
- 1.5 In terms of Council Tax, Business Rates, Sundry Debtors and Supplier Performance:
  - Council Tax collection performance was **56.83%** and total arrears were **£2,447,889**.
  - The **Council Tax Collection Fund** is projected to be in surplus, with the Council's 13% share being **(£193,140)** compared to the Approved Budget of **(£34,600)** in 2020/21.
  - Sundry Debt for income to be collected in 2019/20 has reduced by **(£369,116)** compared to 2018/19 and the value outstanding at 30 September 2019 has increased by **£742,542**.
  - **Retained Business Rate Income** is currently projected to be in line with the Approved Budget.
  - The **Business Rates Collection Fund** is projected to be in surplus with the Council's 40% share being **(£121,300)** compared to the Approved Budget of **£0** in 2020/21.
  - Business Rates collection performance was **55.91%** and total arrears were **£628,737**.
  - The payment of suppliers within 30 days was **87.40%** and remains below our **90%** target.
- 1.6 The Council's treasury investments (excluding the two long dated pooled funds) achieved a risk status of **AA-** that was more secure than the aim of **A-** and yield exceeded all four of the industry standard London Interbank (LIBID) yield benchmarks.

## 2. Recommendations

- 2.1 To note the report and issues raised within and that Leadership Team with Cabinet Members will continue to closely monitor and manage the Medium Term Financial Strategy.

## 3. Background

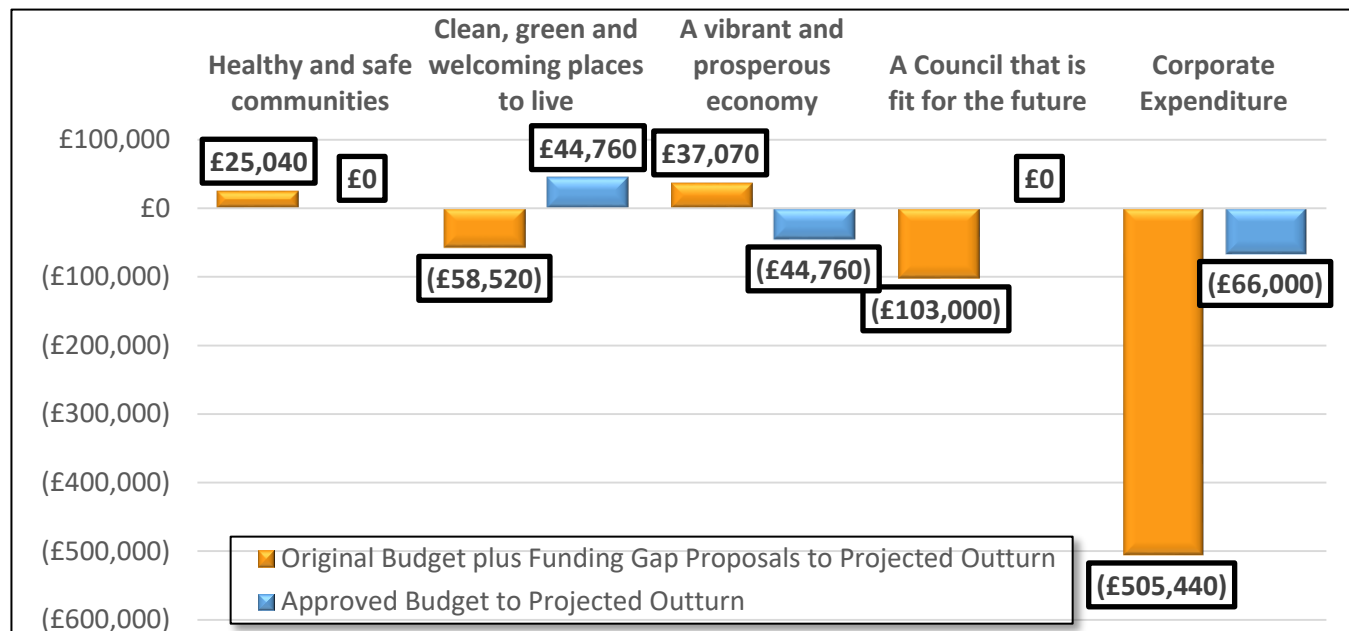
### Budget Management

- 3.1. The MTFS 2018-23 approved by Council on 19 February 2019 included the Original Budget for 2019/20 and set out the allocation of resources and the policies and parameters within which managers are required to operate.

- 3.2. Throughout the financial year, Money Matters reports are provided to both Cabinet and Strategic (Overview and Scrutiny) Committee at three, six and eight month intervals to monitor performance.
- 3.3. The Money Matters reports update the Approved Budget for latest projections and the eight month report will form the basis of the Revised Approved Budget for 2019/20 and will be approved by Council on 18 February 2020.

## The Revenue Budget

- 3.4. Financial performance is shown in detail at **APPENDIX A** and in summary by Strategic Priority below:



## Performance compared to the Approved Budget

- 3.5. The variance is shown in summary below and in detail at **APPENDIX B** by Service Area:

	Variance	
	Virement	Other Variances
<b>Clean, green and welcoming places to live</b>		
• Additional Spend on Local Plan Review		51,200
• Transfers	(6,440)	
<b>A vibrant and prosperous economy</b>		
• Employee savings from Vacant Posts		(29,200)
• Additional Car Park Income		(22,000)
• Transfers	6,440	
<b>Total - Net Cost of Services</b>	<b>0</b>	<b>0</b>
<b>Corporate Expenditure</b>		
Net Treasury - increased interest receipts		(66,000)
<b>Transfer (to)/from General Reserves</b>		<b>(£66,000)</b>

- 3.6. At present, these projections assume projected budget pressures can be funded through savings in existing budgets and the impact of the review of the management structure will be financially neutral.
- 3.7. In addition, the progress to date on delivering Funding Gap proposals submitted by Leadership Team for 2019/20 is shown at **APPENDIX B**. A significant proportion (**£401,000**) or **85%** has been delivered with the only major item of non-delivery being related to Procurement savings (see later in the report for more details). Any shortfall in this area in 2019/20 will be funded through an earmarked reserve or existing budgets.

## Earmarked Reserves

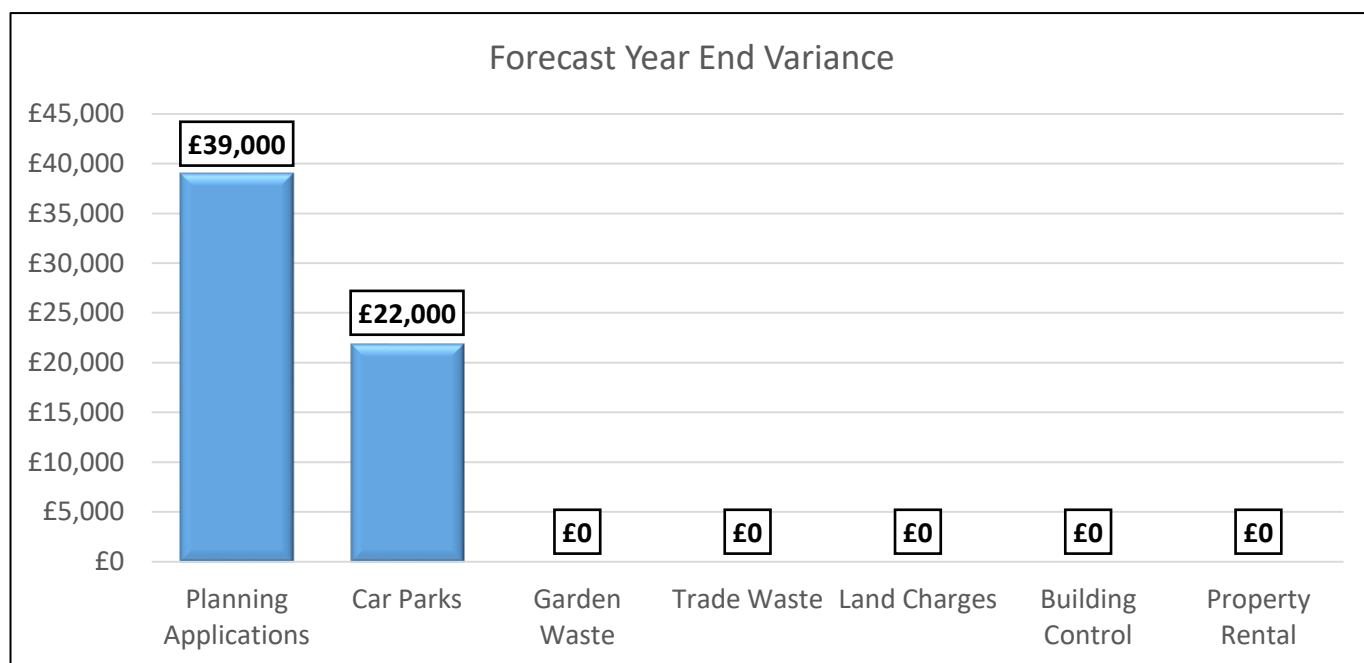
3.8. The earmarked reserves scheduled to be returned to General Reserves in 2019/20 under the three year time limit contained in the approved policy are detailed below along with updates where appropriate:

Reserve Name	Balance 30-Sep-19 £	Earmarked Reserves No longer required £	Comments
Digitisation Programme	(£78,234)		This has been used to offset expenditure during 2019/20 and the balance will be reviewed at period 8
Revenues & Benefits Service	(£195,190)		Awaiting outcome of the Revenues & Benefits Review and hence to be reviewed at period 8
Individual Electoral Registration	(£50,716)		Expenditure plan in place to spend during 2019/20 and progress will be reviewed at period 8
Elections Additional Support	(£24,999)		Expenditure plan in place to spend during 2019/20
CCTV Sinking Fund	(£60,996)		Awaiting outcome of CCTV consultancy report findings
Building Safer Communities	(£6,703)		May be used as part of wider work on anti-social behaviour and progress will be reviewed at period 8
Stock Condition Survey	(£32,000)		Will be spent during 2019/20
<b>Total Earmarked Reserves</b>	<b>(£448,838)</b>	<b>£0</b>	

3.9. Finance will continue to assess with Services throughout the financial year, if there are Business Cases that justify the retention beyond the three year limit.

## Fees and Charges

3.10. The gross fees and charges budgets for 2019/20 together with actual income achieved over the last five years are shown in detail at **APPENDIX B**. The projected variance to Budget for those with the highest value are shown below:



3.11. The reasons for any significant variances are:

- **Planning Applications** – April to September income shows an increased performance against budget of **£39,000**, there will be corresponding expenditure incurred in relation to this income.
- **Car Parks** – April to September income shows an increased performance against budget of **£22,000**, 12% will be subject to income sharing arrangements.

## Closing the Funding Gap Progress

3.12. The progress to date on closing the Funding Gap is summarised below:

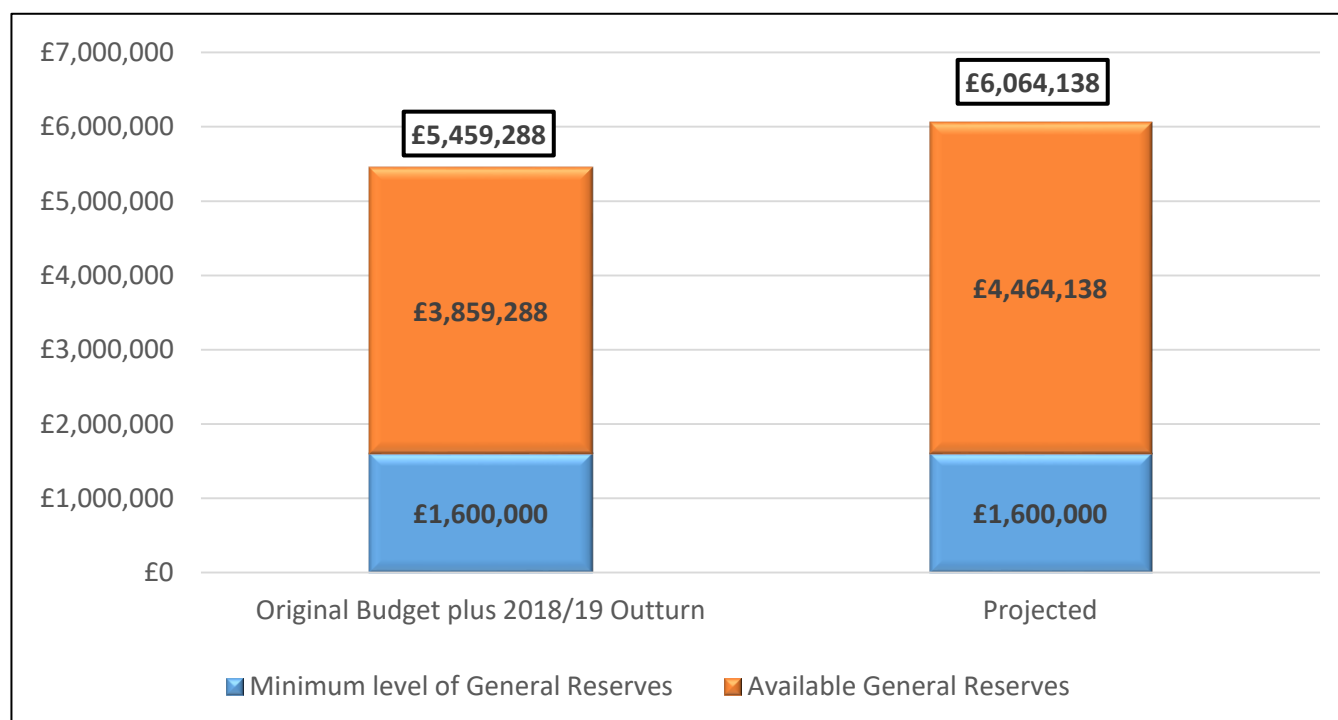
	Cabinet Report	2020/21	2021/22	2022/23	2023/24
<b>Original Funding Gap</b>		<b>£841,620</b>	<b>£917,360</b>	<b>£1,012,070</b>	<b>£1,338,700</b>
Upfront pension payment with savings	12/03/2019	4,420	(72,940)	(114,480)	(114,480)
Outturn 2018/19 Members Allowances	13/06/2019	(10,000)	(10,000)	(10,000)	(10,000)
Jigsaw Funding Agreement	09/07/2019	(9,660)	(9,660)	(9,660)	(9,660)
Higher Insurance - higher property values	10/09/2019	34,410	34,410	34,410	34,410
Lower Business Rate payments for Council Property following transitional arrangements		(36,750)	(36,750)	(36,750)	(36,750)
National Living Wage - scale points lower than projected		(54,900)	(54,900)	(54,900)	(54,900)
Additional Pensions – revised projections		(8,470)	(8,730)	(11,620)	(14,820)
Arts Development Residue Savings		(3,090)	(3,090)	(3,090)	(3,090)
Treasury Management - Increased Interest		(50,000)	(50,000)	(50,000)	(50,000)
Economic Growth Posts		100,000	100,000	100,000	100,000
Pensions Repayment		(57,970)	(57,970)	(57,970)	(57,970)
Collection Fund Surplus		(133,000)			
Interest on Property Company Loan	07/10/2019	(4,000)	(18,000)	(22,000)	(22,000)
Friary Grange Leisure Centre		135,000	135,000	135,000	135,000
<b>Revised Funding Gap</b>		<b>£747,610</b>	<b>£864,730</b>	<b>£911,010</b>	<b>£1,234,440</b>

3.13. The Finance Settlement could significantly influence the scale of the Funding Gap, although savings/additional income initiatives will continue to be pursued.

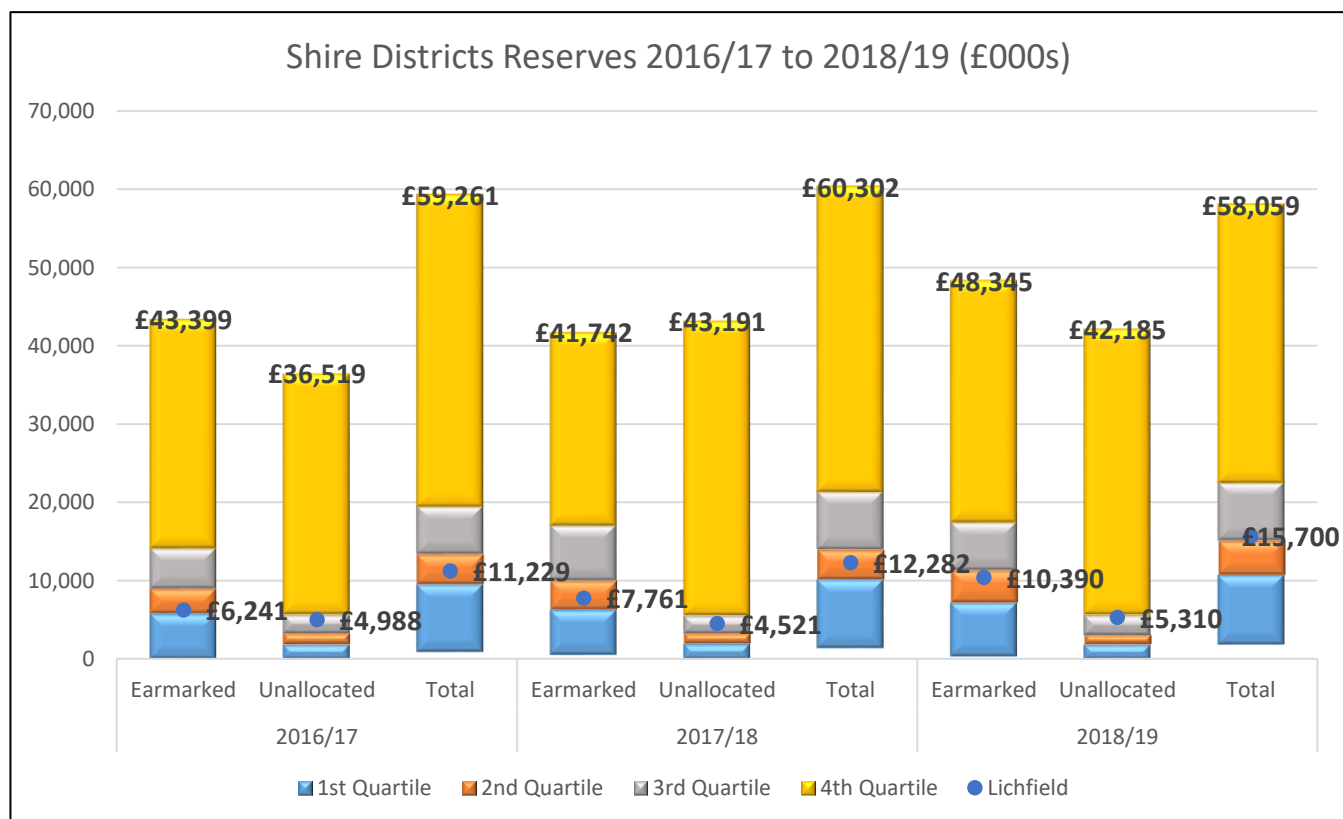
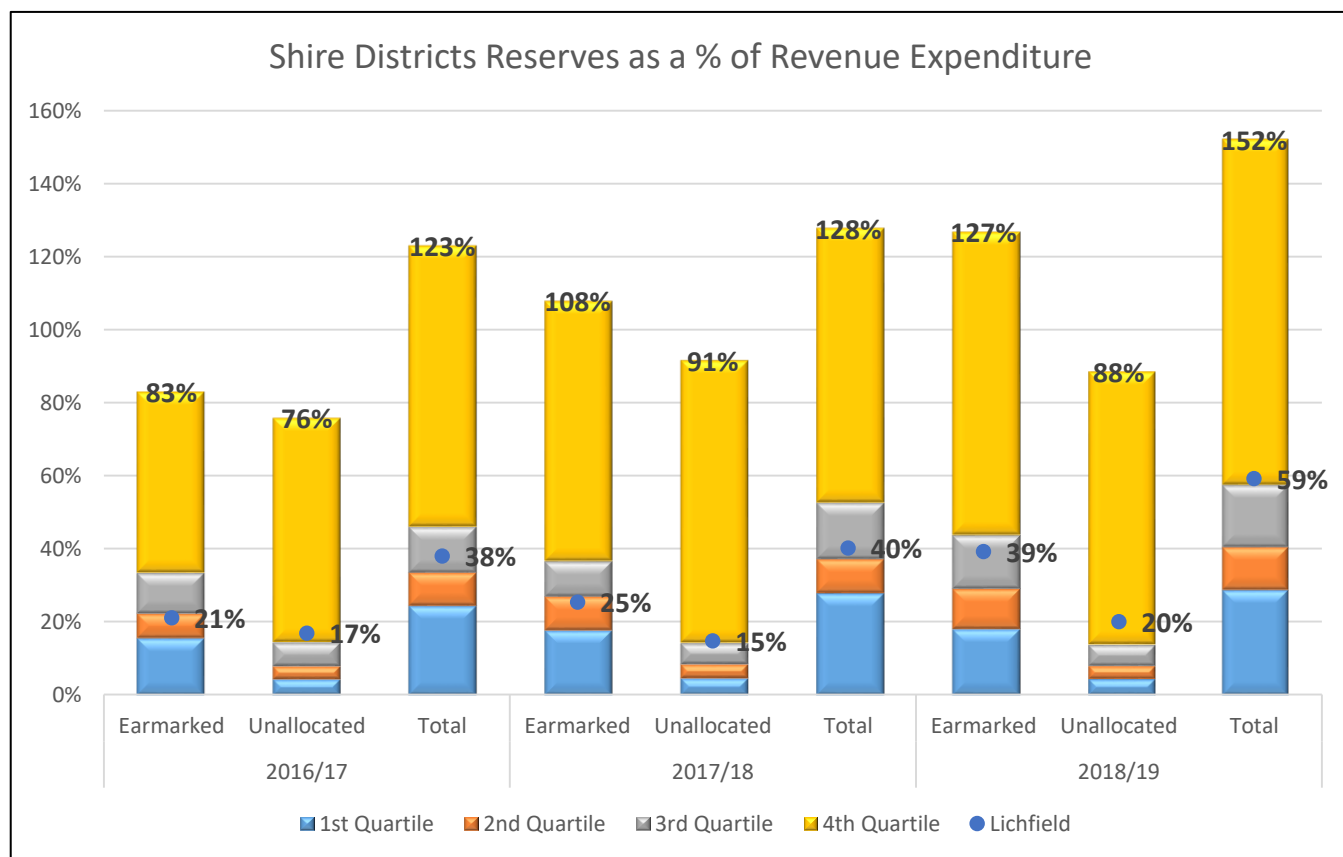
3.14. The progress on closing the Funding Gap will continue to be monitored throughout the year.

## Revenue General Reserves

3.15. The Original Budget estimated a contribution to general reserves of **£148,860**, the Approved Budget a contribution to General Reserves of **£687,710** and this report shows a projected contribution of **£753,710**, an increase of **£66,000** compared to Approved Budget.



3.16 To determine how the level of Council's reserves compare to other District Councils, the level of General (unallocated) and Earmarked Reserves in relative terms and as a percentage of Revenue Expenditure (as defined in the Revenue Outturn Form) is shown for the last three years in the graphs below:



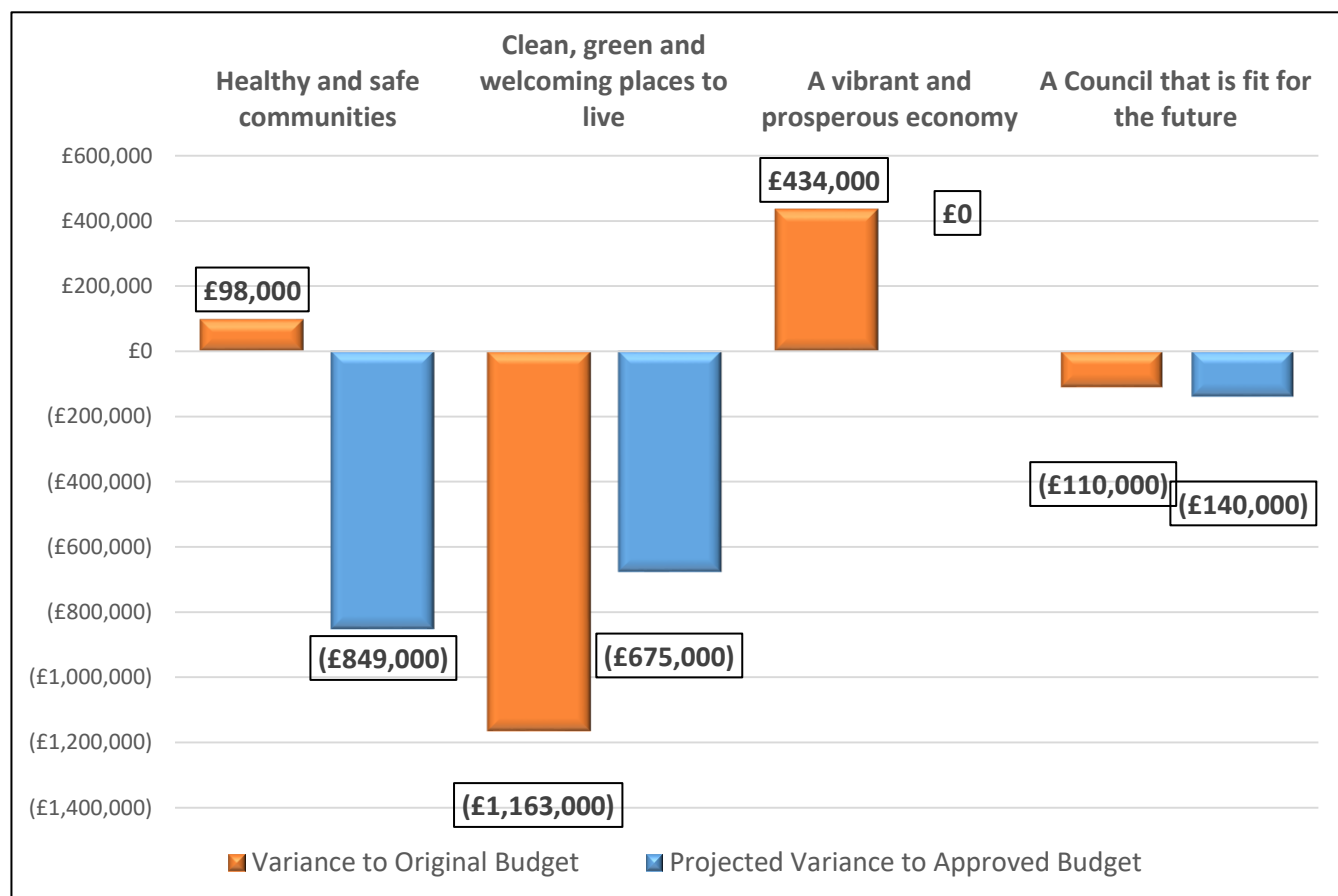
## The Capital Programme

3.16. The Original Budget of **£11,618,000** was approved by Council on 19 February 2019. There have been a number of updates to this budget during 2019/20:

- Allocation of Community Infrastructure Levy of **£255,000** approved by Cabinet on 12 March 2019.
- Multi Storey Car Park refurbishment of **£300,000** approved by Council on 16 April 2019.
- Slippage from 2018/19 of **£819,000** approved by Cabinet on 13 June 2019.
- Changes relating to Quarter 1 Money Matters of **(£805,000)** approved by Cabinet on 10 September 2019
- Birmingham Road Enabling Works of **£120,000** approved by Cabinet on 10 September 2019.
- Friary Grange Leisure Centre expenditure of **£212,000** approved by Cabinet on 7 October 2019.
- St. Stephen's School Section 106 bid of **£22,000** approved by the Cabinet Member on 24 October 2019

3.17. The Approved Budget is therefore **£12,541,000**.

3.18. The Capital Programme performance is projected to be below budget by **(£1,664,000)** or 13% compared to the Approved Budget. This below budget performance compared to both the Original and the Approved Budgets, is shown by Strategic Plan Priority below and in detail at **APPENDIX C**:



## Performance compared to the Approved Budget

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

	Approved Budget Variance
<b>Healthy and Safe Communities</b>	
• New Build Parish Office/Community Hub – Parish appraising location options. Delay till 2020/21	(£92,000)
• Armitage with Handsacre Village Hall Storage Container - Scouts appraising location options. Delay till 2020/21	(£6,000)
• Decent Homes Standard – See below delay until 2020/21	(£197,000)
• DCLG Monies – See below delay until 2020/21	(£212,000)
• Unallocated S106 Affordable Housing Monies – See below delay until 2020/21	(£342,000)
<b>Clean, Green and Welcoming Places to Live</b>	
• Loan to Council Development Company – Delay until 2020/21	(£675,000)
<b>A Council that is Fit for the Future</b>	
• IT Innovation – Delay until 2020/21	(£140,000)
<b>Total Projected Variance</b>	<b>(£1,664,000)</b>

3.20. Loan to the Council Development Company

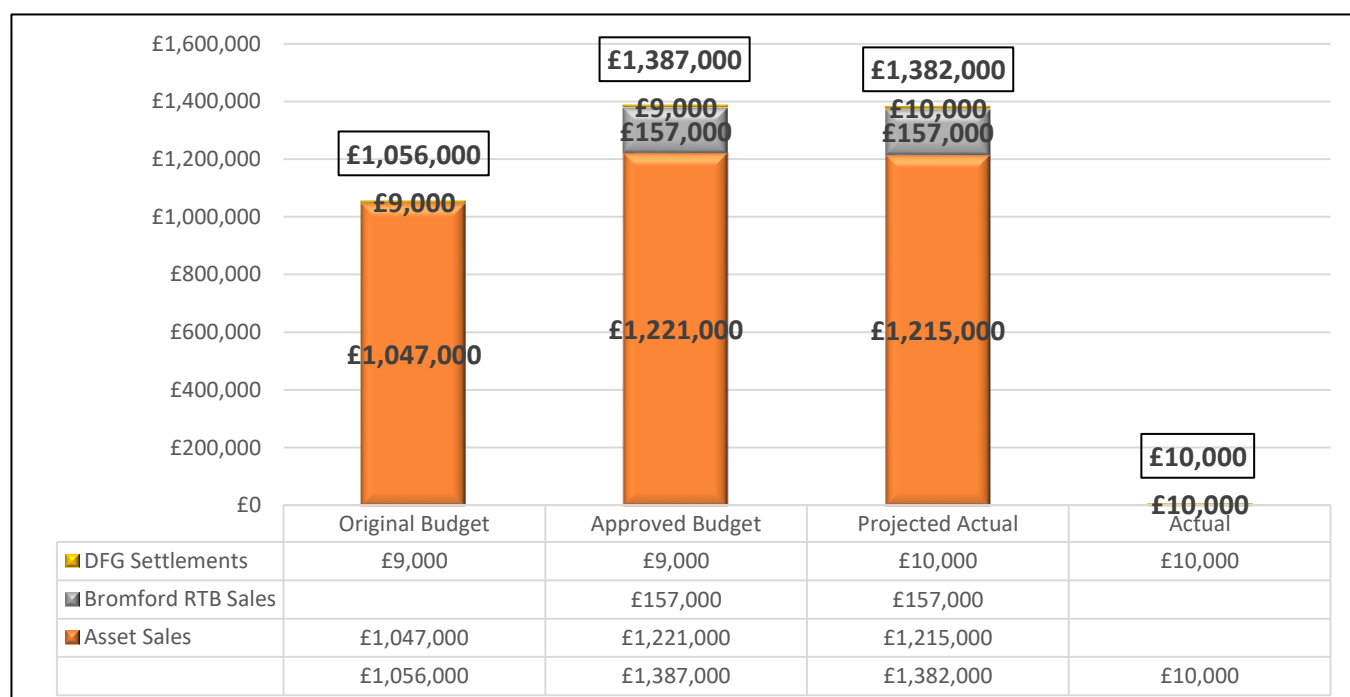
- The Company is unlikely to require the funding provided by the loan of **£675,000** in 2019/20. This is because any expenditure undertaken by the Company can be funded through the equity investment of **£225,000**.

3.21. Housing Grants and S106 Affordable Housing

- Our partners Spring, have identified the type of properties the Council will need to achieve its desired housing outcomes. We are currently trying to identify suitable properties that match our needs and purchase them. This process including due diligence will mean it is unlikely that any purchases will be completed by 31 March 2020.

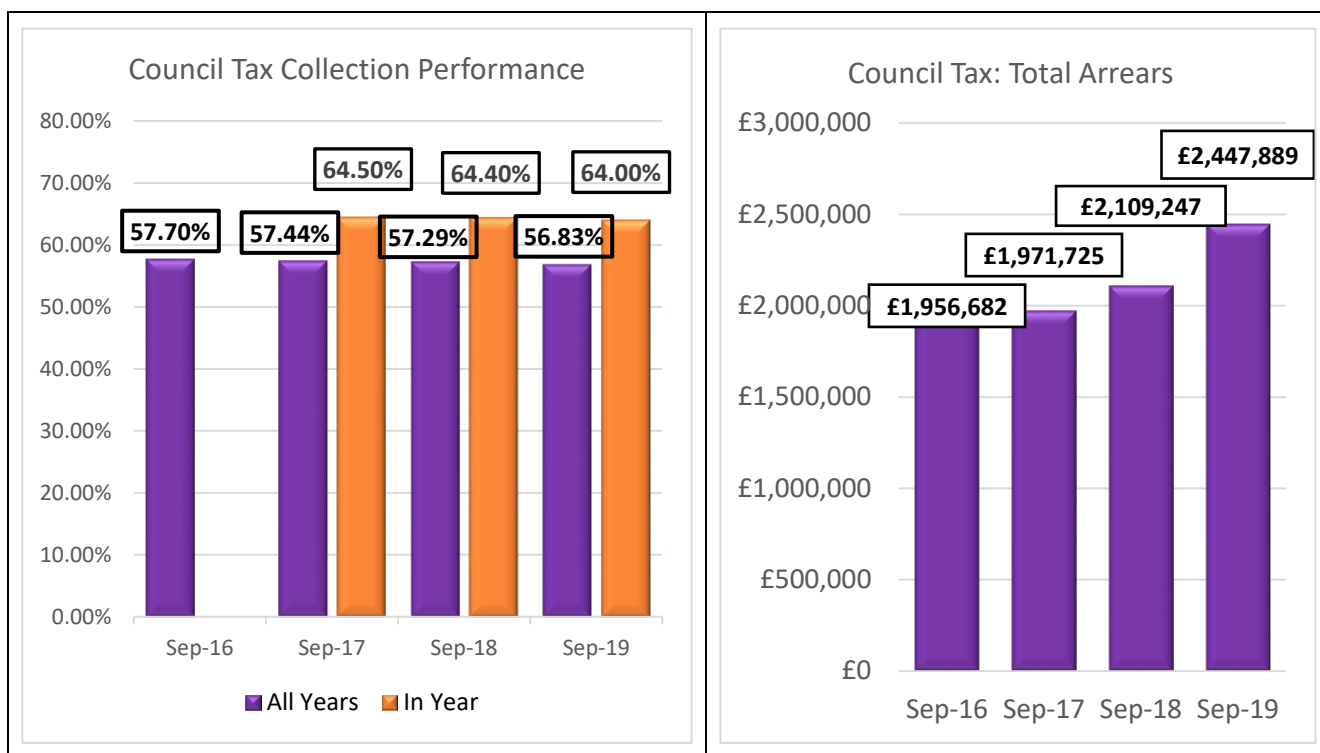
## Capital Receipts

3.22. The Original Budget, projected and actual capital receipts received are:

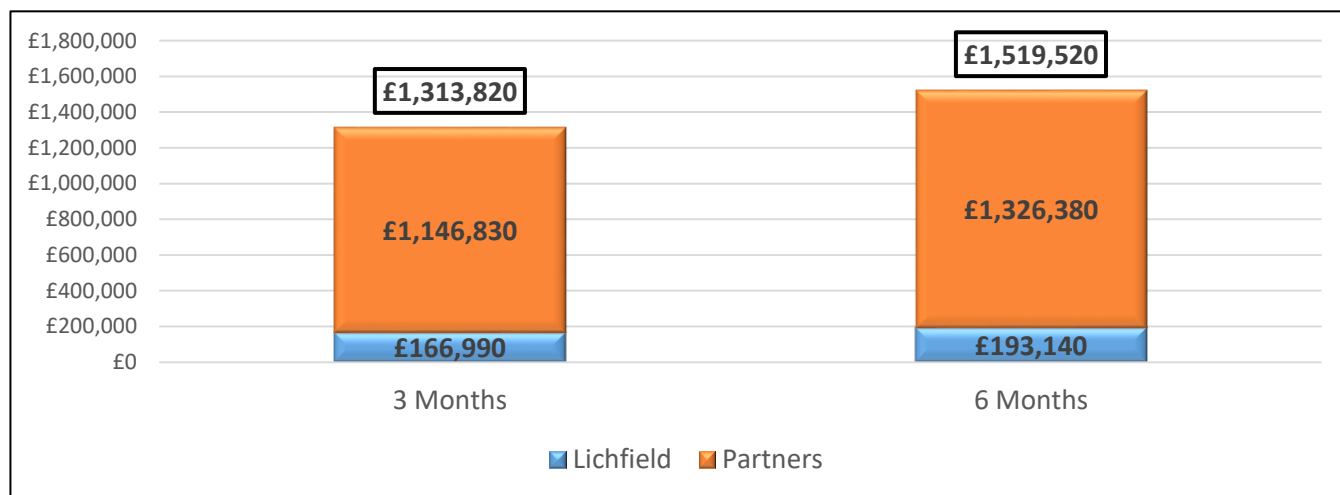


## Council Tax

3.23. The collection performance for Council Tax debt is shown below:<sup>1</sup>



3.24. The Council Tax Collection Fund is projected to be in surplus by **(£1,519,520)** and the Council's share is **(£193,140)** based on Lichfield's (including Parishes) current share of Council Tax of **13%**:



3.25. The main reasons for the surplus compared to the Approved Budget are:

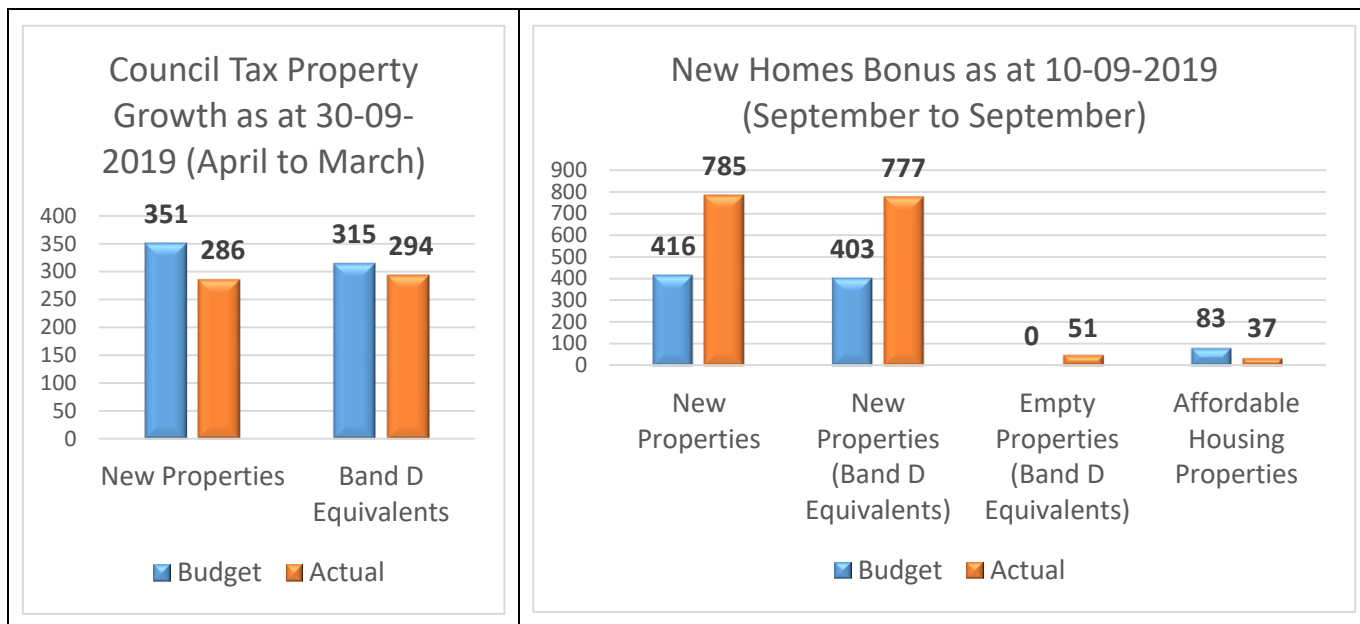
- There was a higher surplus than projected in 2018/19 of **(£591,225)** due primarily to a lower level of bad debt provision.
- The projected net yield (after allowing for discounts and changes to the bad debt provision) from Council Tax in 2019/20 is **(£928,295)** higher than estimated.
- The Report to Cabinet on 13 June 2019 identified that Housing Supply had exceeded the Budget by **291** dwellings (68%) or **312** Band D equivalents (81%). This growth is projected to continue in 2019/20 (see Housing Supply below) and will be reflected in the Council Taxbase calculation for 2020/21 that is the subject of a separate report on the agenda.

<sup>1</sup> The in-year council tax collection performance data has only been collated since 2017.



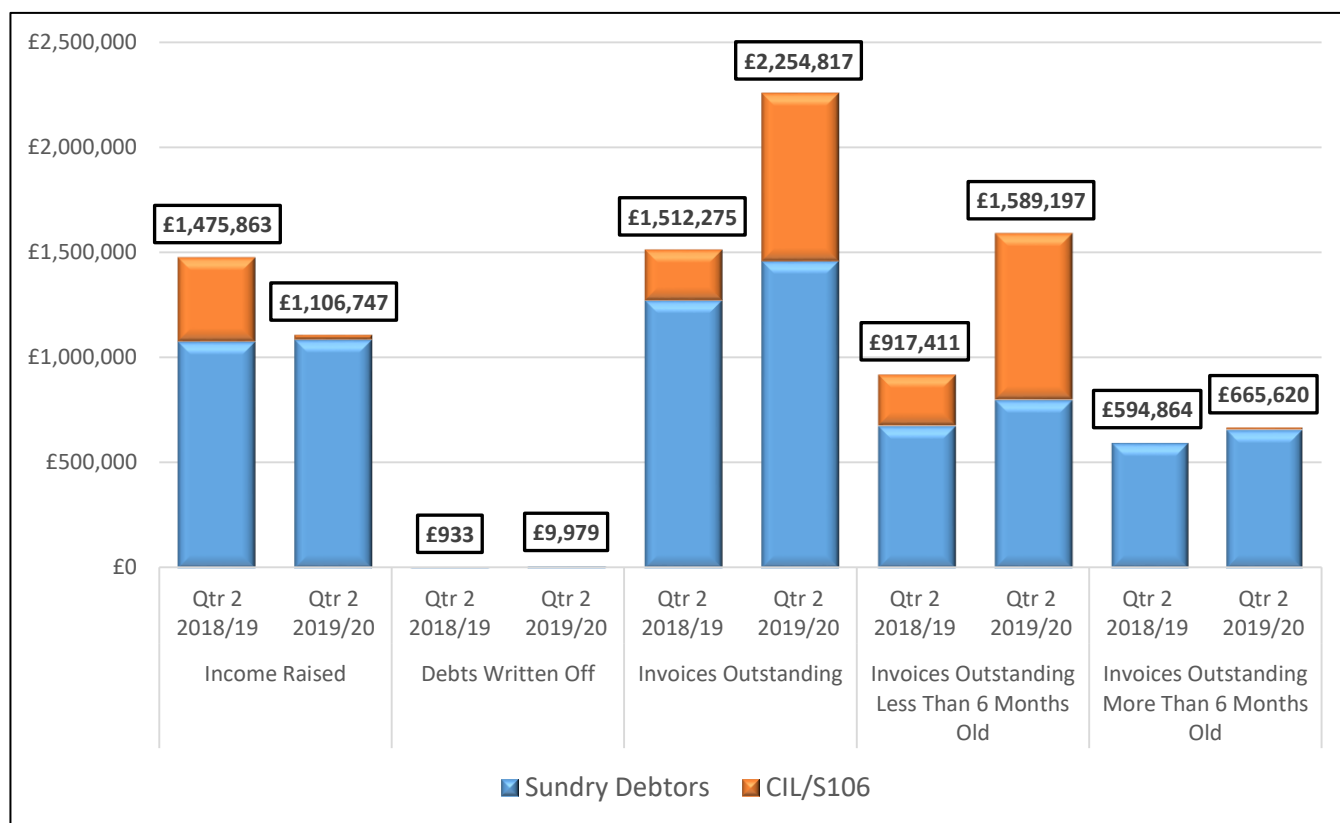
## Housing Supply

3.26. The completions for Council Tax (left hand chart) from April 2019 to September 2019 and New Homes Bonus (right hand chart) from September 2018 to September 2019 are shown below:



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

3.27. The transaction levels and collection performance in 2019/20 compared to 2018/19 is shown below:



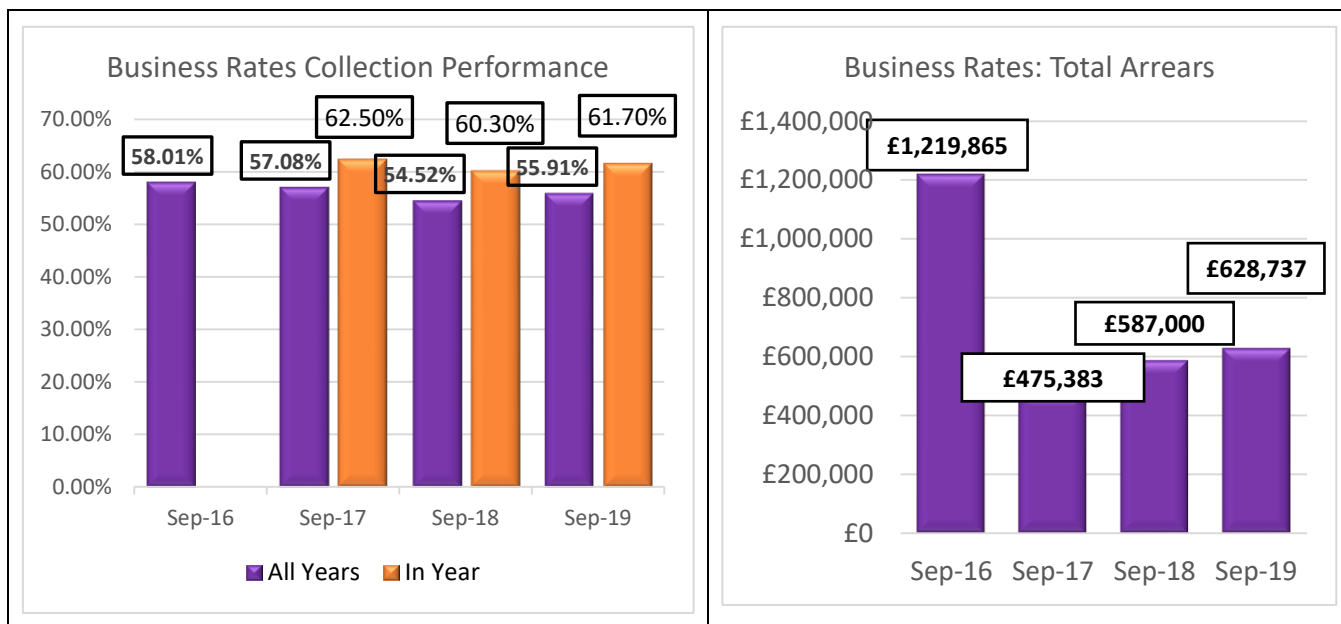
3.28. The increases in invoices outstanding are mainly related to CIL and Section 106 where the demand is raised when development triggers related to housing completions are reached.

3.29. The payment of these demands is based on the approved CIL/Section 106 policies including the ability to pay by instalments.

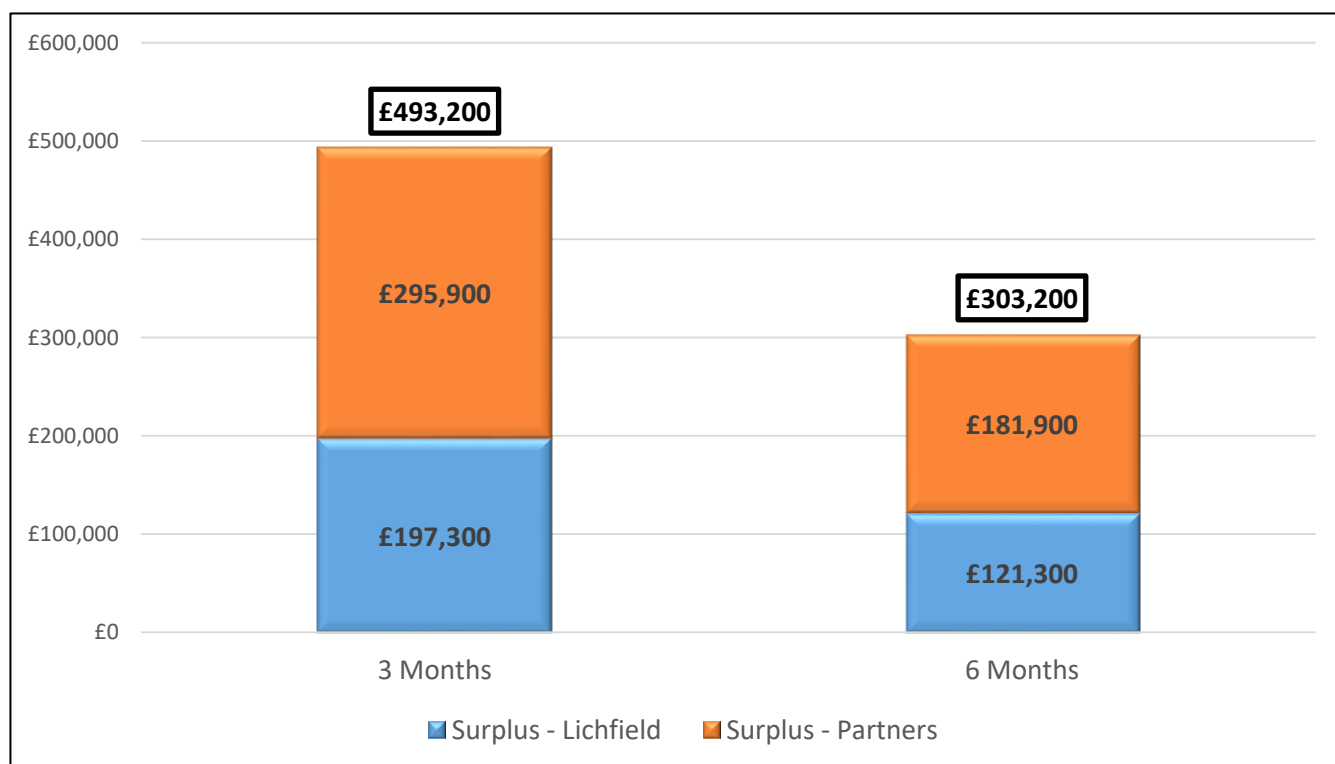
## Business Rates

3.30. The Retained Business Rate income is projected to be **(£2,829,210)** in line with the Approved Budget with any variance being managed through the Business Rates Volatility Earmarked Reserve.

3.31. The collection performance for Business Rates is shown below:<sup>2</sup>



3.32. The Business Rates Collection Fund is projected to be in surplus by **(£303,200)** with the Council's share being **(£121,300)** based on our **40%** share of Business Rates:



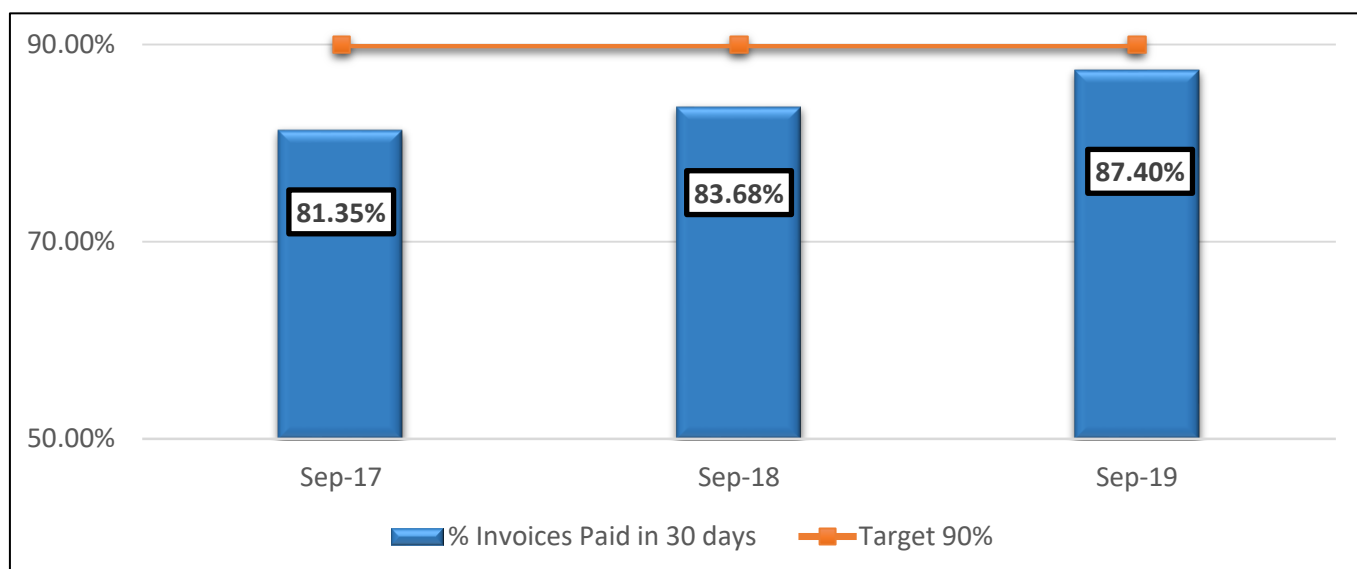
3.33. The main reasons for the projected surplus are:

- A higher than projected surplus in 2018/19 of **(£67,000)** and;
- A higher than projected surplus in 2019/20 by **(£236,200)** mainly due to lower appeals projections.

<sup>2</sup> The in year business rates collection performance data has only been collated since 2017.

## Supplier Payment Performance

3.34. The performance of invoice payments to suppliers within 30 days for the last three years is:



3.35. There are initiatives taking place, including the improvements to procurement detailed below, wider use of payment cards for low value transactions and analysis of the performance by Service Area, that are aimed at improving payment performance.

### Procurement Activity

3.36. The City of Wolverhampton Council notified us of their intention to withdraw from the Service Level Agreement for procurement support, the arrangement ended in early October. An interim Procurement Manager has been procured for six months to provide procurement support and investigate future options for the service provision.

3.37. Advice provided during the last three months has been in relation to ongoing procurements reported in the previous quarter.

## Investment Strategy

3.38. The Council undertakes investments for three broad purposes:

- It approves the support of public services by lending or buying shares in other organisations – **Service Investments**.
- To earn investment income – **Commercial Investments**.
- It has surplus cash, as a result of its day to day activities, when income is received in advance of expenditure or where it holds cash on behalf of another body ready for payment in the future – **Treasury Management Investments**.

3.39. The Government has recognised in recent Ministry of Housing, Community and Local Government (MHCLG) guidance, as a result of increased commercial activity, that the principles included in Statutory Guidance requiring that all investments should prioritise security and liquidity over yield must also be applied to service and commercial investments.

3.40. The MHCLG Guidance requires the approval by Council of an Investment Strategy Report to increase the transparency around service and commercial investment activity. The Council approved its Investment Strategy Report on **19 February 2019**.

## Service Investments

3.41. There are three approved investments of a service nature (the loan to the LA Company is shown at the approved level where no income to the Council was assumed). The investment and net return included in the Approved Budget is detailed below:

	Approved Budget				
	2019/20	2020/21	2021/22	2022/23	2023/24
<b>Loan to the Local Authority Company</b>	<b>£675,000</b>	<b>£675,000</b>	<b>£675,000</b>	<b>£675,000</b>	<b>£675,000</b>
Net Income (net of loss of investment income)	£0	(£4,000)	(£18,000)	(£22,000)	(£22,000)
Net Return	0.00%	0.59%	2.67%	3.26%	3.26%
<b>Equity in the Local Authority Company</b>	<b>£225,000</b>	<b>£225,000</b>	<b>£225,000</b>	<b>£225,000</b>	<b>£225,000</b>
Net Income	£0	£0	£0	£0	£0
Net Return	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Investment in Burntwood Leisure Centre</b>	<b>£1,395,000</b>	<b>£1,395,000</b>	<b>£1,395,000</b>	<b>£1,395,000</b>	<b>£1,395,000</b>
VAT Benefit	(£19,000)	(£20,000)	(£23,000)	(£25,000)	(£25,000)
Net Income (after loan repayments)	(£38,000)	(£38,000)	(£38,000)	(£38,000)	(£38,000)
Net Return (excluding VAT Benefit)	2.72%	2.72%	2.72%	2.72%	2.72%
<b>ICT Cloud</b>	<b>£25,000</b>	<b>£125,000</b>	<b>£125,000</b>	<b>£125,000</b>	<b>£125,000</b>
Net Income	(£30,000)	(£100,000)	(£150,000)	(£150,000)	(£150,000)
Net Return	120.00%	80.00%	120.00%	120.00%	120.00%
<b>Total Investment</b>	<b>£2,320,000</b>	<b>£2,420,000</b>	<b>£2,420,000</b>	<b>£2,420,000</b>	<b>£2,420,000</b>
Total Net Income	(£68,000)	(£142,000)	(£206,000)	(£210,000)	(£210,000)
<b>Net Return</b>	<b>2.93%</b>	<b>5.87%</b>	<b>8.51%</b>	<b>8.68%</b>	<b>8.68%</b>

3.42. To date, only the investment in Burntwood Leisure Centre has taken place and is generating net income.

## Commercial Investments

3.43. The only commercial investment currently planned relates to the Property Investment Strategy and the investment and net return in the Approved Budget is detailed below:

	Approved Budget				
	2019/20	2020/21	2021/22	2022/23	2023/24
<b>Property Investment</b>	<b>£6,000,000</b>	<b>£19,000,000</b>	<b>£32,000,000</b>	<b>£45,000,000</b>	<b>£45,000,000</b>
Net Income		(£56,000)	(£180,000)	(£303,000)	(£427,000)
<b>Net Return (previous year end)</b>		<b>0.93%</b>	<b>0.95%</b>	<b>0.95%</b>	<b>0.95%</b>

3.44. To date, no property investment has taken place and therefore the budgeted net income is not currently being generated.

## Public Works Loans Board (PWLB) Interest Rate Rise

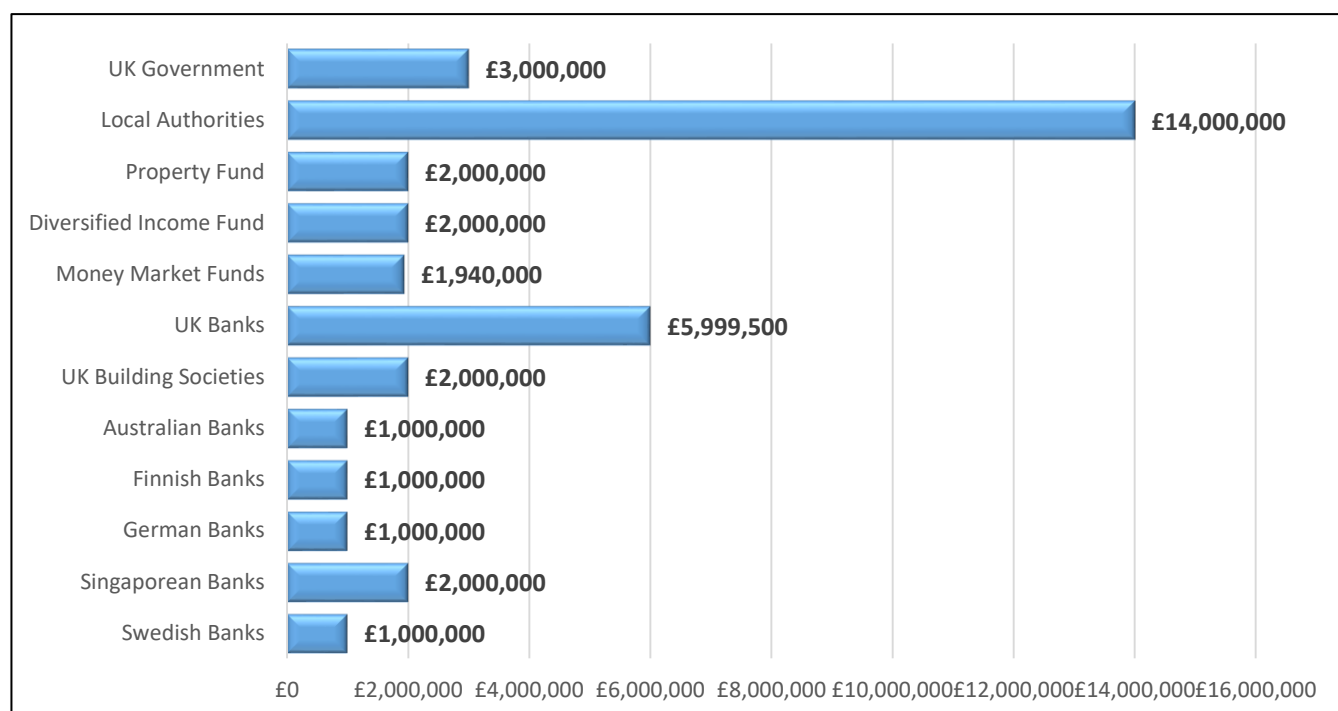
- 3.45. HM Treasury made an announcement on 9th October that with immediate effect the PWLB new loan rates would be increased by **100 basis points** or **1%**.
- 3.46. The PWLB will remain a funding source for the Council, however the Council will explore alternative funding sources which are likely to be cheaper than the now higher PWLB rates but will involve a longer lead time and more administration (lender's credit assessment, loan documentation, negotiation of terms etc).
- 3.47. The Council plans to borrow **£45m** over the next four years to fund its Property Investment Strategy and a further **£5m** to fund a replacement for Friary Grange Leisure Centre. Any increase in interest rates either from the Bank of England or other another arm of Government will impact on the viability of planned projects.
- 3.48. The external borrowing rates used in the Medium Term Financial Strategy (MTFS) compared to current rates (excluding any potential discounts) are shown below:
- **Property Investment Strategy** – MTFS rate **2.83%**, current rate **3.13%** (additional cost of £2,396,250 or on average £68,460 per year over 35 years).
  - **Replacement for Friary Grange Leisure Centre** – MTFS rate **1.87%**, current rate **2.79%** (additional cost of £586,500 or on average £23,460 per year over 25 years).

## Treasury Management Investments

- 3.49. The performance of the Treasury Management function should be measured against the investment objectives of Security (the safe return of our monies), Liquidity (making sure we have sufficient money to pay for our services) and Yield (the return on our investments).
- 3.50. In addition, external borrowing is considered against the objectives of it being affordable (the impact on the budget and Council Tax), prudent and sustainable (over the whole life).

## The Security of Our Investments

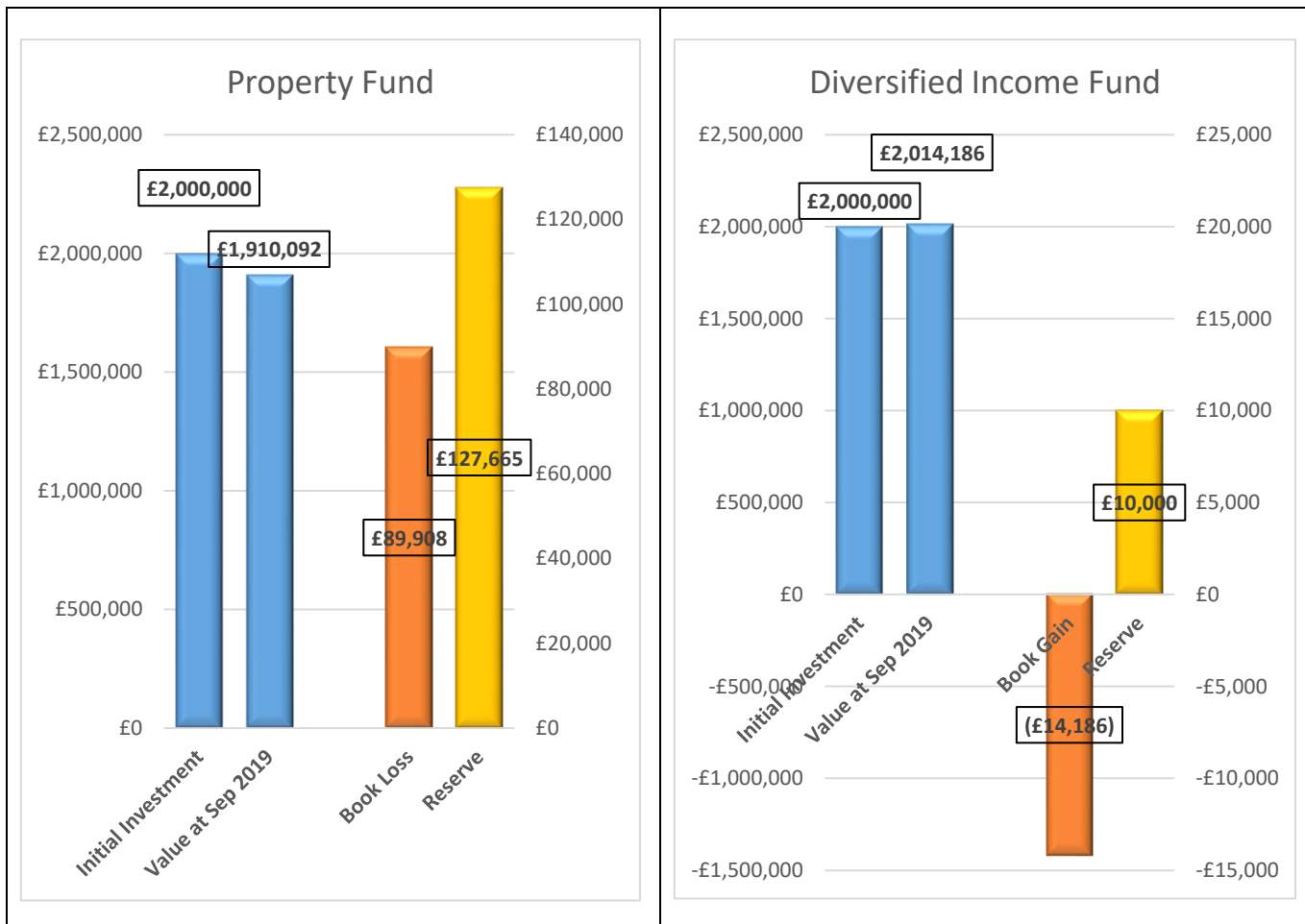
- 3.51. The investments the Council had at the 30 September 2019 of **£36.94m** (with the Property and Diversified Income Fund valued at original investment of **£2m** that was undertaken on 23 May 2019) by type and Country are summarised below and in detail at **APPENDIX D**:



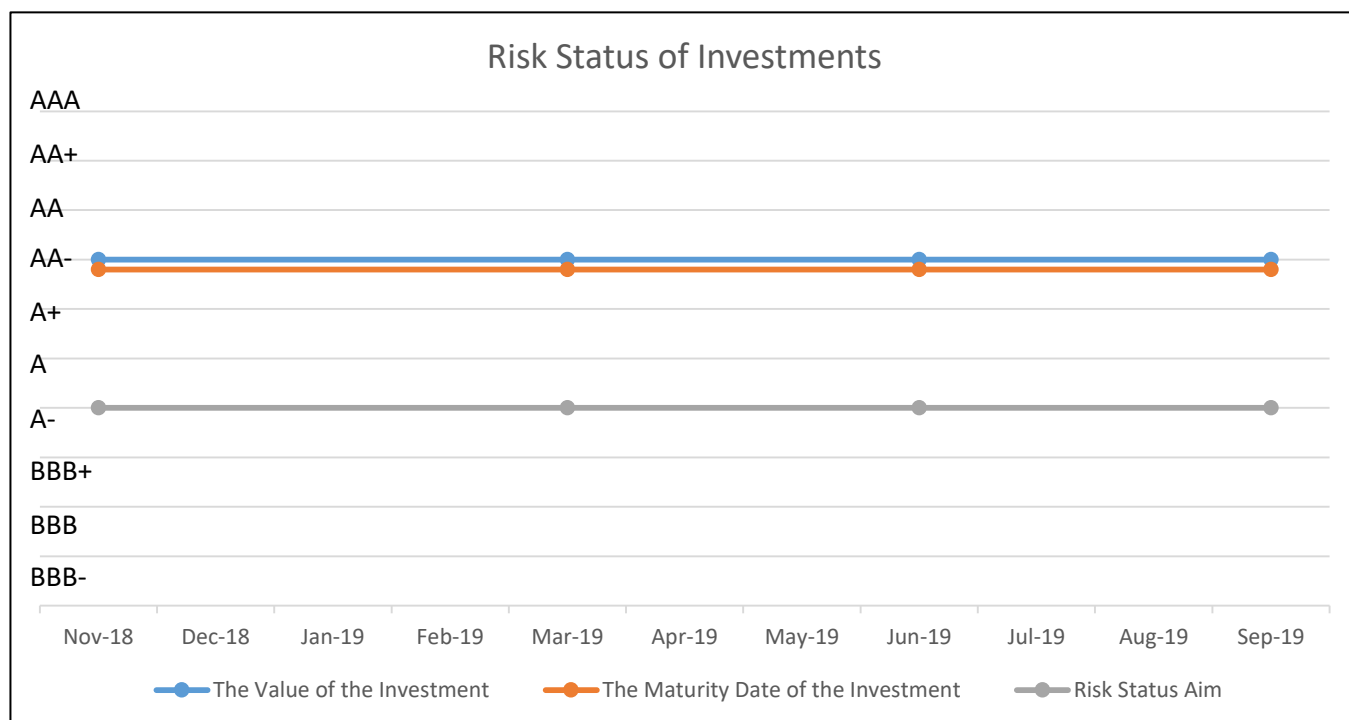
3.52. The Council's portfolio size (with the Property and Diversified Income Fund valued at its current value of **£3.9m**), average credit score, diversification and exposure to 'Bail in' risk compared to Arlingclose Clients is shown below:



3.53. The current value of the Property Fund and the new Diversified Income Fund together with the projected value of the earmarked reserves in 2019/20 intended to offset reductions in value (these are a book loss or gain until the investment is sold and they become actual) are shown below:

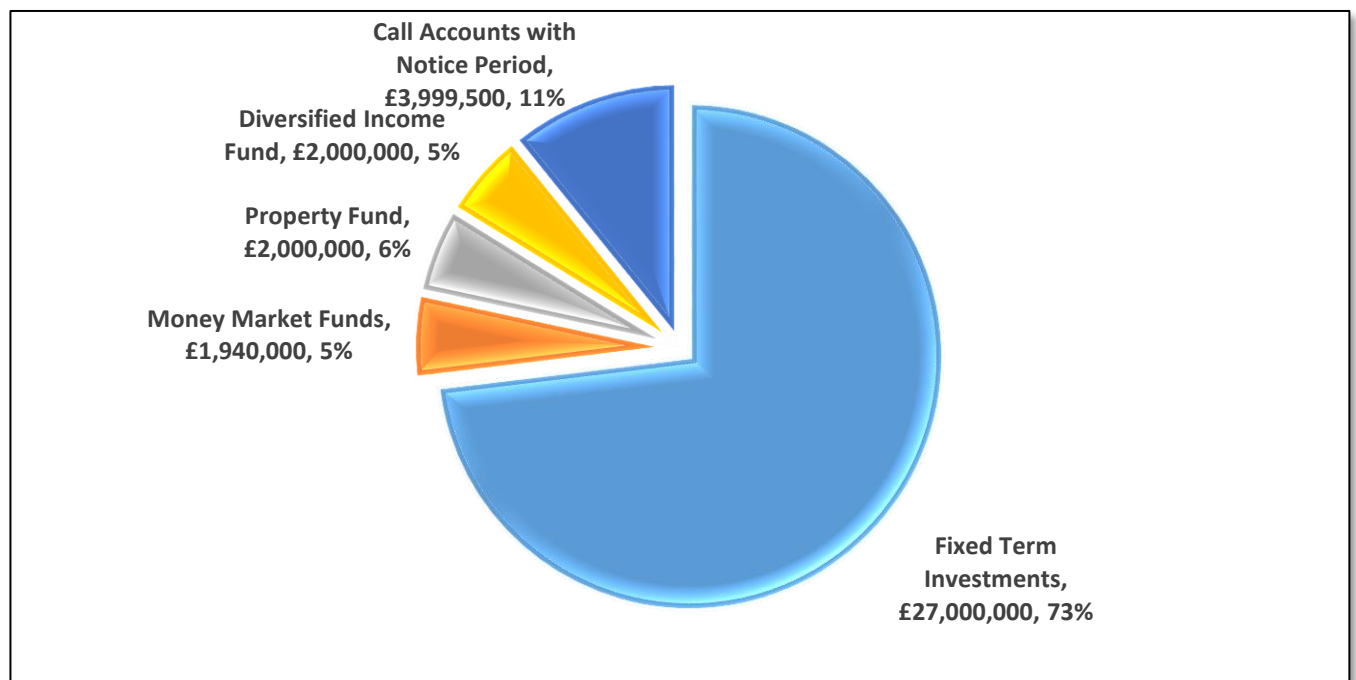


3.54. Our aim for the risk status of our investments was **A-** or higher. The risk status based on the length of the investment and the value for a 9 month period is summarised in the graph below:

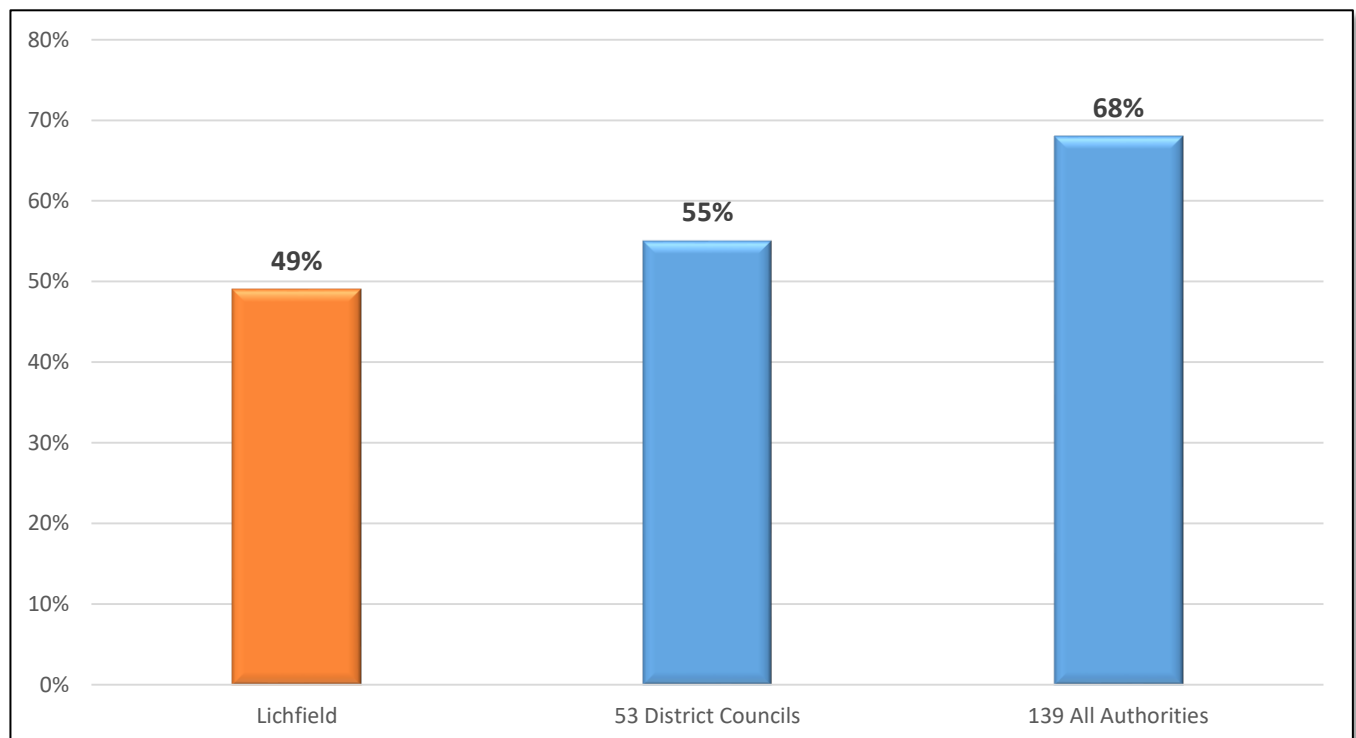


### The Liquidity of our Investments

3.55. The Council has not had to temporarily borrow during 2019/20 and retains a proportion of its investments in instant access Money Market Fund investments to ensure there is sufficient cash available to pay for goods and services. The investments by type are shown below:



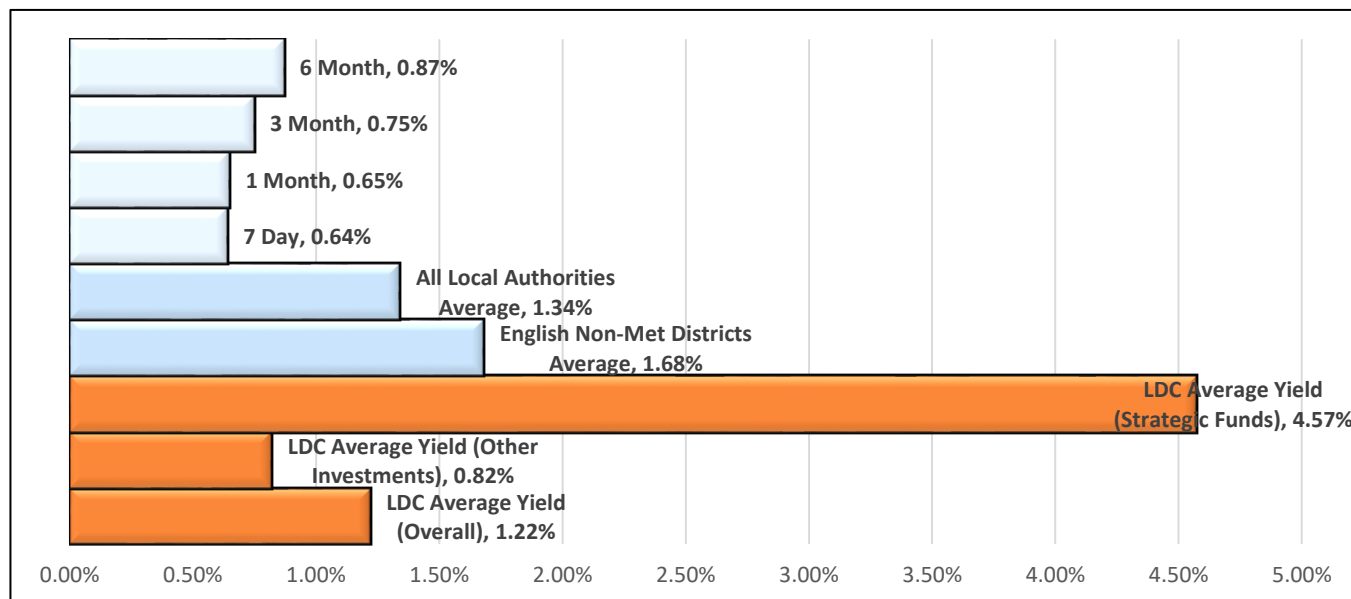
3.56. The proportion of the investment portfolio available within 100 days compared to all Arlingclose clients is shown below:





## The Return or Yield of our Investments

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



3.58. The gross investment income is projected to be **(£408,000)** during the financial year and this is (£67,000) higher than the Approved budget of **(£341,000)**.

## The External Borrowing Portfolio

3.59. The Council's external borrowing portfolio including the premiums for early repayment is shown below:

	Principal	Average Rate	Years to Final Maturity	(Premium) /Discount
PWLB Fixed Maturity	£0	-	-	£0
PWLB Fixed Equal Instalment of Principal (EIP)	£1,248,040	2.59%	20.5	(£284,836)
PWLB Fixed Annuity	£1,265,944	1.71%	8.7	(£89,523)
PWLB Variable Maturity	£0	-	-	£0
PWLB Variable EIP	£0	-	-	£0
<b>TOTAL PWLB</b>	<b>£2,513,984</b>	<b>2.15%</b>	<b>14.5</b>	<b>(£374,359)</b>
Lender Option Borrower Option (LOBO) Loans	£0	-	-	£0
Other Loans	£0	-	-	£0
<b>TOTAL BORROWING</b>	<b>£2,513,984</b>	<b>2.15%</b>	<b>14.5</b>	<b>(£374,359)</b>

## Alternative Options

The approach to Treasury Management has been reviewed and will be incorporated into the Draft Medium Term Financial Strategy 2019-2024 process.

## Consultation

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

## Financial Implications

### General Reserves

At this six months stage in the year, for the period up to September 2019, we forecast a contribution to general reserves of **£753,710** will be made, against a budgeted contribution of **£148,860** (£38,860 related to the Revenue Budget plus £110,000 of New Homes Bonus in excess of the 'cap') to general reserves.

Further detailed analysis on the Financial Performance up to September 2019 is shown in the attached Appendices.

## Contribution to the Delivery of the Strategic Plan

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

## Equality, Diversity and Human Rights Implications

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

## Crime & Safety Issues

There are no additional Crime and Safety Issues.

	Risk Description	How We Manage It	Severity of Risk
A	Achievement of The Council's key Council priorities.	Close monitoring of performance and expenditure; maximising the potential of efficiency gains; early identification of any unexpected impact on costs including Central Government Policy changes, movement in the markets, and changes in the economic climate.	Green - Tolerable
B	Implementation of the Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations.	To closely monitor the level of appeals. An allowance of <b>4.7%</b> (in line with the MHCLG Allowance) for appeals has been included in the Business Rate Estimates.	Red - Severe
C	The review of the New Homes Bonus regime in 2020/21.	Not all of the projected New Homes Bonus is included as core funding in the Base Budget. In 2020/21 £600,000 is included and this is then being reduced by £100,000 per annum.	Red - Severe
D	The increased Localisation of Business Rates and the Fair Funding Review in 2020/2021.	To assess the implications of proposed changes and respond to consultations to attempt to influence the policy direction in the Council's favour.	Red - Severe
E	The affordability and risk associated with the Capital Strategy.		Yellow - Material
E1	Planned Capital Receipts are not received.	The budget for capital receipts will be monitored as part of the Council's normal budget monitoring procedures.	Yellow - Material
E2	Slippage Occurs in the Capital Spend	Spend will be monitored through normal budget monitoring procedures with budgets updated to reflect latest plans and projections.	Yellow - Material
E3	Actual cash flows differ planned cash flows	Cash flow is monitored on a daily basis through normal Treasury Management processes.	Green Tolerable
F	The affordability and risk associated with the Property Investment Strategy.		Yellow - Material
F1	Slippage occurs in the Capital Spend	Spend will be monitored through normal budget monitoring procedures with budgets updated to reflect latest plans and projections.	Yellow - Material
F2	Change in Government Policy including Regulatory Change	To monitor proposed changes to policy and regulation and seek to influence in the Council's favour.	Yellow - Material
F3	The form of exit from the EU adversely impacts on the UK economy including the Property Market and Borrowing Costs	To monitor the situation and where possible identify alternative options.	Red - Severe
F4	There is a cyclical 'downturn' in the wider markets	To monitor the wider markets and where possible adapt plans to minimise the Council's risk exposure.	Yellow - Material
F5	There is insufficient expertise to implement the Property Investment Strategy	Recruit an estates management team to provide professional expertise and advice in relation to the Property Investment Strategy.	Yellow - Material

	Risk Description	How We Manage It	Severity of Risk
F6	Inability to acquire or dispose of assets due to good opportunities not being identified	To utilise Property Agents to identify opportunities for potential acquisitions and disposals.	Red - Severe
<div> <div>Background Documents</div> <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: Medium Term Financial Strategy (Revenue and Capital) 2018-23 – Cabinet 12 February 2019.</li> <li>• Allocation of Strategic Community Infrastructure Levy (CIL) Funding – Cabinet 12 March 2019.</li> <li>• Multi Storey Car Park – Cabinet 12 March 2019.</li> <li>• Money Matters: 2018/19 Review of Financial Performance against the Financial Strategy – Cabinet 13 June 2019.</li> <li>• Jigsaw Funding Agreement – Cabinet 9 July 2019.</li> <li>• Money Matters: 2019/20 Review of Financial Performance against the Financial Strategy – Cabinet 10 September 2019.</li> <li>• Birmingham Road Site Enabling Works – Cabinet 10 September 2019.</li> <li>• Friary Grange Leisure Centre – Cabinet 7 October 2019.</li> <li>• Medium Term Financial Strategy 2019-24 – Cabinet 8 October 2019.</li> <li>• St Stephen's School allocation of Section 106 – Cabinet Member Decision 24 October 2019.</li> </ul> </div>			

Relevant web link	
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## Revenue Financial Performance – Variance to Budget 2019/20

Area	2019/20						
	Original Budget plus Funding Gap Proposals £	Approved Budget £	Projected Outturn £	Projected Variance £	● = adverse ☑ = favourable	Variance to Original Budget £	2019/20 Target Variance (+/-) £
Healthy and safe communities	1,529,270	1,554,310	1,554,310	-		25,040	
Clean, green and welcoming places to live	3,258,720	3,155,440	3,200,200	44,760	●	(58,520)	
A vibrant and prosperous economy	(1,079,200)	(997,370)	(1,042,130)	(44,760)	☑	37,070	
A council that is fit for the future	6,184,720	6,081,720	6,081,720	-		(103,000)	
Efficiency Plan	0	0	0	-		0	
<b>Net Cost of Services</b>	<b>9,893,510</b>	<b>9,794,100</b>	<b>9,794,100</b>	<b>-</b>		<b>(99,410)</b>	<b>0</b>
Chief Executive	459,650	388,650	388,650	-		(71,000)	4,000
Finance and Procurement	1,764,980	1,698,080	1,698,080	-		(66,900)	15,000
Legal, Property and Democratic Services	348,790	334,400	334,400	-		(14,390)	18,000
Revenues, Benefits and Customer Services	761,530	757,240	757,240	-		(4,290)	17,000
Corporate Services	2,609,180	2,639,620	2,639,620	-		30,440	23,000
Leisure & Operational Services	2,142,850	2,156,790	2,156,790	-		13,940	27,000
Regulatory Services, Housing & Wellbeing	1,300,670	1,259,390	1,259,390	-		(41,280)	16,000
Development Services	(25,550)	(26,930)	(26,930)	-		(1,380)	32,000
Economic Growth	(248,500)	(144,330)	(144,330)	-		104,170	34,000
Waste Services	779,910	731,190	731,190	-		(48,720)	64,000
Efficiency Plan	0	0	0	-		0	-
<b>Net Cost of Services</b>	<b>9,893,510</b>	<b>9,794,100</b>	<b>9,794,100</b>	<b>0</b>		<b>(99,410)</b>	<b>250,000</b>
Net Treasury Position	(6,000)	(56,000)	(122,000)	(66,000)			
Revenue Contributions to the Capital Programme	0	0	0	-			
<b>Net Operating Cost</b>	<b>9,887,510</b>	<b>9,738,100</b>	<b>9,672,100</b>	<b>(66,000)</b>			
Transfer (from) / to General Reserve	148,860	687,710	753,710	66,000			
Transfer (from) / to Earmarked Reserves	1,335,030	1,249,000	1,249,000	-			
<b>Net Revenue Expenditure</b>	<b>11,371,400</b>	<b>11,674,810</b>	<b>11,674,810</b>	<b>0</b>			
<b>Financed by:</b>							
Retained Business Rates	(2,525,800)	(2,829,210)	(2,829,210)	-			
Business Rates Cap	(68,000)	(68,000)	(68,000)	-			
Business Rates Pilot	(568,000)	(568,000)	(568,000)	-			
New Homes Bonus	(1,278,000)	(1,278,000)	(1,278,000)	-			
Business Rates Collection Fund (Surplus)/Deficit	(213,000)	(213,000)	(213,000)	-			
Council Tax Collection Fund (Surplus)/Deficit	(63,600)	(63,600)	(63,600)	-			
Council Tax	(6,655,000)	(6,655,000)	(6,655,000)	-			

## Reasons for the Outturn Budget Performance by Service Area

Projected Variance £		Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
-	Chief Executive	-	-	-	-
-	Finance and Procurement	-	-	-	-
-	Legal, Property and Democratic Services	-	-	-	-
-	Revenues, Benefits and Customer Services	-	-	-	-
-	Corporate Services	-	-	-	-
-	Leisure & Operational Services	-	-	-	-
-	Regulatory Services, Housing & Wellbeing	-	-	-	-
-	Development Services	-	-	-	-
-	Economic Growth	-	-	-	-
-	Waste Services	-	-	-	-
(66,000)	Net Treasury Position	-	-	(66,000)	-
-	Efficiency Plan	-	-	-	-
<b>(£66,000)</b>	<b>Net Operating Cost</b>	<b>£0</b>	<b>£0</b>	<b>(£66,000)</b>	<b>£0</b>
-	Earmarked Reserves	-	-	-	-
<b>(£66,000)</b>	<b>Net Operating Cost</b>	<b>£0</b>	<b>£0</b>	<b>(£66,000)</b>	<b>£0</b>
-	Funding	-	-	-	-
<b>(£66,000)</b>	<b>Transfer (to)/from General Reserves</b>	<b>£0</b>	<b>£0</b>	<b>(£66,000)</b>	<b>£0</b>

## Net Treasury Position

Projected Variance £	Reason	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(66,000)	Increased interest receipts			(66,000)	
<b>(£66,000)</b>	<b>Total</b>	-	-	<b>(£66,000)</b>	-

## Funding Gap Proposals for 2019/20 Progress to Date

Initiatives	Service	2019/20	Achieved
Capital - IT Cloud	Corporate Services	£50,000	
Sharing Insurance expertise	Corporate Services	(£5,000)	
Extending the services of the new corporate service desk	Corporate Services	(£4,000)	
Recovery of HS2 costs.	Economic Growth & Development	(£10,000)	
Recover costs from The Bower of loss of car parking income for use of Bird Street Car Park	Economic Growth & Development	(£6,000)	(£1,000)
Charging for entry onto the Council's Self-Build Register.	Economic Growth & Development	(£1,500)	
Facilitating small workshops and networking events and charging for no shows at events	Economic Growth & Development	(£270)	
Procurement Savings from new arrangement with Wolverhampton MBC (1% per annum)	Finance & Procurement	(£86,970)	
Exploiting the Estate Fee Income	Legal, Property and Democratic	(£4,000)	
Democratic Services	Legal, Property and Democratic	(£1,000)	
Review of elections costs	Legal, Property and Democratic	(£1,000)	
<b>Total</b>		<b>(£69,740)</b>	<b>(£1,000)</b>
Funding Gap Proposals Achieved		(£400,000)	(£400,000)
<b>Total Funding Gap Proposals</b>		<b>(£469,740)</b>	<b>(£401,000)</b>

## Fees and Charges

Income Type	Annual Budget £000	Forecast	Forecast
		Year End	Year End
		Q2 £000	Variance £000
Planning Applications	781	820	39
Car Parks	2,178	2,200	22
Garden Waste	1,351	1,351	0
Trade Waste	440	440	0
Land Charges	283	283	0
Building Control <sup>3</sup>	871	871	0
Property Rental	838	838	0
<b>Total of Highest Value Fees &amp; Charges</b>	<b>6,742</b>	<b>6,803</b>	<b>61</b>
<b>Other Income</b>			
Licensing			
Leisure Centres <sup>4</sup>			
VAT Claim <sup>5</sup>			
Court Costs			
Recycling			
Grounds Maintenance			
Other			
<b>Total Income</b>			

Annual Trend				
2014/15	2015/16	2016/17	2017/18	2018/19
Actual	Actual	Actual	Actual	Actual
£000	£000	£000	£000	£000
771	629	1,030	824	797
1,746	1,748	1,986	2,078	2,198
0	0	0	231	1,495
338	390	407	415	443
183	297	312	279	286
454	507	557	547	553
644	681	687	729	839
<b>4,134</b>	<b>4,251</b>	<b>4,980</b>	<b>5,102</b>	<b>6,611</b>
217	185	236	224	241
1,782	1,819	1,879	1,629	183
0	0	0	0	1,103
252	233	218	198	214
14	347	439	463	331
162	161	168	195	217
1,839	1,139	1,319	1,124	1,057
<b>8,400</b>	<b>8,136</b>	<b>9,239</b>	<b>8,936</b>	<b>9,957</b>

<sup>3</sup> The shared service has expanded in 2019/20.

<sup>4</sup> Responsibility transferred to Freedom Leisure from February 2018.

<sup>5</sup> Gross income before the deduction of related expenditure.

## Capital Programme 2019/20 (£000)

Project	Original Budget	Approved Budget	Actual to Date	Projected Actual	Projected Variance
Leisure Review: Capital Investment	0	30	25	30	0
Replacement of Play Equipment at Hill Ridware Village Hall	71	30	30	30	0
New Build Parish Office/Community Hub	92	92	0	0	(92)
Fradley Village Heating & CCTV	0	5	0	5	0
Fradley Youth & Community Centre Cladding & Porch	0	15	10	15	0
Armitage with Handsacre Village Hall heating upgrade	0	5	5	5	0
Armitage with Handsacre Village Hall storage container	0	6	0	0	(6)
Re-siting/improvement of Armitage War Memorial	40	120	0	120	0
Canopy and installation of artificial grass at Armitage	0	13	10	13	0
Burntwood LC CHP Unit	235	235	9	235	0
Westgate Practice Refurbishment	0	120	0	120	0
King Edwards VI School	0	101	0	101	0
Friary Grange - Short Term Refurbishment	0	174	0	174	0
Replacement Leisure Centre	0	38	0	38	0
St. Stephen's School, Fradley	0	22	0	22	0
Accessible Homes (Disabled Facilities Grants)	1,104	1,500	660	1,500	0
Home Repair Assistance Grants	15	28	0	28	0
Decent Homes Standard	197	197	0	0	(197)
Energy Insulation Programme	10	38	0	38	0
DCLG Monies	212	212	0	0	(212)
Unallocated S106 Affordable Housing Monies	400	342	0	0	(342)
<b>Healthy &amp; Safe Communities Total</b>	<b>2,376</b>	<b>3,323</b>	<b>749</b>	<b>2,474</b>	<b>(849)</b>
Darnford Park	13	0	0	0	0
Canal Towpath Improvements (Brereton & Ravenhill)	211	211	0	211	0
Loan to Council Dev Co.	900	675	0	0	(675)
Lichfield St Johns Community Link	0	10	0	10	0
Staffordshire Countryside Explorer	0	0	0	0	0
Equity in Council Dev Co.	0	225	0	225	0
Vehicle Replacement Programme	441	426	18	426	0
Shortbutts Park, Lichfield	23	23	0	23	0
Env. Improvements - Upper St John St & Birmingham Road	7	7	0	7	0
Stowe Pool Improvements	550	50	0	50	0
The Leomansley Area Improvement Project	0	3	0	3	0
Cannock Chase SAC	13	40	39	40	0
<b>Clean, Green and Welcoming Places to Live Total</b>	<b>2,158</b>	<b>1,670</b>	<b>57</b>	<b>995</b>	<b>(675)</b>
Multi Storey Car Park Refurbishment Project	0	300	0	300	0
Birmingham Road Site - Coach Park	238	236	0	236	0
Birmingham Road Site - Short Term Redevelopment	353	473	0	473	0
Car Parks Variable Message Signing	32	32	0	32	0
Old Mining College - Refurbish access and signs	0	13	0	13	0
Erasmus Darwin Lunar Legacy (Lichfield City Art Fund)	0	3	3	3	0
St. Chads Sculpture (Lichfield City Art Fund)	50	50	45	50	0
<b>A Vibrant and Prosperous Economy Total</b>	<b>673</b>	<b>1,107</b>	<b>48</b>	<b>1,107</b>	<b>0</b>
Property Investment Strategy	6,000	6,000	0	6,000	0
Depot Sinking Fund	11	0	0	0	0
IT Infrastructure	105	105	0	105	0
IT Cloud	25	25	0	25	0
IT Innovation	167	200	7	60	(140)
District Council House Repair Programme	103	111	0	111	0
<b>A Council that is Fit for the Future Total</b>	<b>6,411</b>	<b>6,441</b>	<b>7</b>	<b>6,301</b>	<b>(140)</b>
<b>Approved Budget</b>	<b>11,618</b>	<b>12,541</b>	<b>861</b>	<b>10,877</b>	<b>(1,664)</b>

Funding Source	Original Budget	Approved Budget
Capital Receipts	976	728
Borrowing Need - Borrowing and Finance Leases	6,140	6,208
Capital Grants and Contributions	2,769	3,210
Reserves and Sinking Funds	1,733	2,395
<b>Capital Programme Total</b>	<b>11,618</b>	<b>12,541</b>

Projected Actual	Projected Variance
517	(211)
6,208	0
2,361	(849)
1,791	(604)
<b>10,877</b>	<b>(1,664)</b>

### Investments in the 2019/20 Financial Year

The table below shows a breakdown of our investments at the end of September 2019:

Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Foreign Parent
<b>Money Market Funds</b>						
CCLA MMF	£1,940,000	01-Oct-19	Instant Access	0.74%	0	N/A
<b>Strategic Funds</b>						
CCLA Property Fund	£2,000,000	N/A	N/A	3.92%	N/A	No
CCLA Diversified Income Fund	£2,000,000	N/A	N/A	3.02%	N/A	No
<b>Fixed Term Investments</b>						
Lloyds	£1,000,000	15-Nov-19	46	1.00%	A+	
Coventry Building Society	£1,000,000	04-Oct-19	4	0.93%	A-	
Landesbank Hessen-Thüringen (Helaba)	£1,000,000	09-Oct-19	9	0.89%	A	
Fife Council	£2,000,000	07-Feb-20	130	1.00%	LOCAL	
United Overseas Bank	£1,000,000	18-Nov-19	49	0.86%	AA-	
Surrey Heath Borough Council	£2,000,000	13-Dec-19	74	0.80%	LOCAL	
Australia and New Zealand Banking Group	£1,000,000	12-Dec-19	73	0.92%	AA-	
Brentwood Borough Council	£2,000,000	29-Jul-20	303	0.93%	LOCAL	
Barclays Bank	£1,000,000	25-Oct-19	25	0.63%	A	
Nationwide	£1,000,000	20-Jan-20	112	0.79%	A	
Highland Council	£2,000,000	29-Jan-20	121	0.75%	LOCAL	
Monmouthshire Council	£2,000,000	27-Mar-20	179	0.78%	LOCAL	
Rugby Borough Council	£2,000,000	27-Mar-20	179	0.77%	LOCAL	
Aberdeen City Council	£2,000,000	24-Feb-20	147	0.75%	LOCAL	
DBS Bank	£1,000,000	19-Mar-20	171	0.82%	AA-	
Treasury Bills	£3,000,000	21-Oct-19	21	0.70%	UK Government	
<b>Call Accounts with Notice Period</b>						
Santander	£1,000,000	28-Mar-20	180	0.95%	A	
Goldman Sachs International Bank	£1,000,000	03-Jan-20	95	0.89%	A	
Svenska Handelsbanken AB	£1,000,000	04-Nov-19	35	0.65%	AA-	
HSBC	£999,500	31-Oct-19	31	0.85%	AA-	
<b>Certificates of Deposit</b>						
Standard Chartered	£1,000,000	04-Oct-19	4	0.98%	A	
Nordea Bank AB	£1,000,000	17-Oct-19	17	0.85%	AA-	
<b>Total Investments</b>	<b>£36,939,500</b>					