

**SUBMISSION BY LEADER OF THE COUNCIL & CABINET MEMBER
FOR FINANCE, REVENUES & BENEFITS**

THE MEDIUM TERM FINANCIAL STRATEGY (REVENUE & CAPITAL) 2013-16 (MTFS (R&C) 2013-16)

1. Purpose of Report

- 1.1 To provide Members with the opportunity to scrutinise the proposals for the Council's three year Medium Term Financial Strategy (Revenue & Capital) 2013-2016.
- 1.2 The outcome of the scrutiny will be reported to Cabinet on 8 February 2013.

2. Summary

2.1 Funding a Plan for the District: The Three year Financial Strategy

The ability to deliver the outcomes set out in the **Plan for the District 2013-2016** is dependant on the resources available over the four year period, and therefore this must drive the Medium Term Financial Strategy. It is the Council's policy to make appropriations from General Reserves to finance Net Operating Expenditure in a planned and prudent manner whilst maintaining a level of reserves to mitigate the financial business risk over the period of the Medium Term Financial Strategy.

- 2.2 The Local Government Act 2003 (Sections 25-28) places duties on Local Authorities on how they set and monitor budgets. The Director of Finance, Revenues and Benefits in the capacity as the Council's Chief Financial Officer (CFO) is of the opinion that the estimates are robust and the Council's proposed Reserves are adequate (Sections 25-27).

- 2.3 Section 28 of the Act places a statutory duty on an authority to review its budget from time to time during the year. If the Budget Monitoring Report shows that there has been deterioration in the Authority's financial position, the Authority must take such action as it considers necessary. The Council currently reviews the Budget on a quarterly basis and this practice will continue.

3. Statement of Reasons

- 3.1 The Plan for the District 2012-16 sets out the ambition, focus and priorities for four years. Each year we produce a delivery plan which sets out the specific actions for the year. The 2013/14 Action Plan is itemised separately on the agenda for this meeting.
- 3.2 To fund our Plan for the District, we prepare a **Medium Term Financial Strategy**. This covers things like how we will use reserves, our investments, the approach to Council Tax and how we deploy our Capital. Its also looks over the medium term at the cost pressures we are likely to face and how these could be financed. This is set out in **Appendix A** for Revenue & Capital and **Appendices B & C** outline our Capital Investment Plans.
- 3.3 The Council has a statutory duty to set a balanced budget in each of the 3 years and to calculate the level of Council Tax for its area. The Chief Financial Officer has a statutory duty to ensure that the figures provided for estimating and financial planning are robust and will stand up to audit scrutiny. The Council is required to set out Prudential Indicators for Capital Expenditure and financing, these are detailed elsewhere on the Agenda under the Treasury Management Strategy Report.
- 3.4 The Local Government Act 2003 places duties and requirements on the Authority on how it sets and monitors it Budgets, including the Chief Financial Officer's report on the Robustness of the Budget and adequacy of Reserves shown in **Appendix D**.

4. Community Benefits

- 4.1 The reporting of timely budget performance statements enables Members to make informed decisions for the efficient and effective use of resources, in the interest of the community, for the delivery of services and key priorities, as set out in the Plan for the District 2012-16.

5. Recommendation

5.1 That the Committee scrutinises the data provided at **Appendix A, B C & D** and provides views to Cabinet.

6. Plan for the District Implications

6.1 The report directly links to overall performance and especially the delivery of the Plan for the District 2012-16 as detailed elsewhere on the Agenda and the Corporate Risk Register.

7. Sustainability, Human Rights & Community Safety Issues

7.1 These areas are addressed as part of the specific areas of activity prior to being included in the Plan.

8. Consultation

8.1 The Plan for the District 2012-16 is informed by extensive consultation, and is supported by surveys which test the quality of services and what is important to people, and where they wish the Council to focus. The views obtained support the direction set out in the Plan for the District 2012-16 and the Medium Term Financial Strategy.

9. Risk Management Issues

Risk Description	Likelihood /Impact	Status	Countermeasure
Local Government Resource Review – Localisation of Business Rates: managing economic, financial and social impact	High/High	Economic/ Financial/ Social	Council policies will need to be developed to mitigate the impact of the Local Government Resource Review on the Council's Plan for the District 2012-16 and its finances.
Local Government Resource Review – Localisation of support for Council Tax	High/High	Financial	A local scheme has been designed for Lichfield District Council.
The Recession	High/High	Financial/ Economic	Close monitoring of the higher risk key business areas and those areas affected by the downturn.
Planned Capital receipts are not received.	Medium/ High	Financial	The budget for Capital receipts will be monitored as part of the Council's normal budget monitoring procedures.
Achievement of the Council's key Council's priorities	Medium/ High	Financial	Close monitoring of performance and expenditure; maximising the potential of efficiency gains; early identification of any unexpected impact on costs incl. central Government policy changes, movement in the markets, and changes in the economic climate.

Background Documents

Local Government Finance Information including the Grant Settlement for 2013/14 and the Provisional Settlement for 2014/15 can be found at:

<http://www.local.communities.gov.uk>

Funding our Plan for the District 2012-16 : The Three Year Financial Strategy

1. The ability to deliver the outcomes set out in the Plan for the District 2012-16 is dependent on resources, and therefore this must drive the Medium Term Financial Strategy.
2. It is the Council's policy to make appropriations from General Reserves to finance Net Operating Expenditure in a planned and prudent manner whilst maintaining a level of Reserves to mitigate the financial business risk over the period of the Medium Term Financial Forecast.
3. The Local Government Act 2003 (Sections 25-28) places duties on Local Authorities on how they set and monitor budgets.

The Director of Finance, Revenues & Benefits in the capacity as the Council's Chief Financial Officer (CFO), is of the opinion that the estimates are robust and the Council's proposed Reserves are adequate (Sections 25-27).

Section 28 of the Act places a statutory duty on an authority to review its budget from time to time during the year. If the Budget Monitoring Report shows that there has been deterioration in the Authority's financial position, the Authority must take such action as it considers necessary. The Council currently reviews the Budget on a quarterly basis and this practice will continue.

Supporting information on the Chief Financial Officer's Report on the robustness of the budget and the adequacy of Reserves is shown in **Appendix D**.

Revenue Budget

The Settlement

Government Funding:	Additional Cumulative Reduction over three years £1.939m
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4. On 5 December 2012, the Chancellor of the Exchequer presented his Autumn Statement to the House of Commons. (Further details can be accessed via HM Treasury website)¹.
5. Lichfield District Council (LDC) was advised of its Funding Settlement for two years covering 2013/14 and 2014/15 on 19 December 2012. Details of the Settlement were provided on 20 December 2012; the Department for Communities and Local Government advised that it had not proved possible to get the Settlement to Councils before then, as the late Autumn Statement meant that numbers were being calculated up to the last minute.
6. This is the beginning of a 'new look' Settlement. It is a fundamental change from the old system; Councils who encourage and stimulate economic and housing growth will be rewarded with increased revenue.

Spending Power

7. The total National expected Business Rates income is **£26.3bn**. The total amount deducted before arriving at the **50%** split between central and local shares is **£4.5bn**. This means that the Estimated Business Rates aggregate for Councils is **£21.8bn**, the local share is **50%** of this or **£10.9bn**.
8. The Start-Up Funding Allocations for Councils in 2013/14 have been confirmed. It has also been confirmed that of this total **£10.9bn** will be in the local share and **£15.2bn** in Revenue Support Grant. For 2014/15 Revenue Support Grant will be reduced to **£12.6bn**.
9. **Government's assessment of Lichfield's Spending Power (including New Homes Bonus)**

Due to the fundamental level of change in the 'new look' settlement the Government has produced for each local authority *notional* figures known as 'spending power' to enable comparisons to be made between different years. These spending power figures consist of the Council's main income streams such as Council Tax, Start-up Funding Allocations (consisting of Revenue Support Grant and Retained Business Rates) and New Homes Bonus. The figures provided for LDC are shown in the following table:

¹http://www.hm-treasury.gov.uk/as2012_index.htm

Income Stream	2012/13 £m	2013/14 £m	2014/15 £m
Council Tax	5.598	5.598	5.598
Formula Grant	4.994	-	-
Start-Up Funding Allocations:			
Revenue Support Grant (60% in 2013/14)	-	2.780	2.135
Retained Business Rates (40% in 2013/14)	-	1.849	1.906
Sub Total Start-Up Funding	-	4.629	4.041
Other Grants	0.013	0.016	0.016
Council Tax Freeze Grant	0.000	0.056	0.056
New Homes Bonus	0.485	0.717	0.948
Spending Power	£11.091m	£11.016m	£10.659m
% Reduction 2013/14 to 2012/13	(0.68%)		
Average % Reduction 2013/14 to 2012/13 all Districts	(1.30%)		
% Reduction 2014/15 to 2013/14			(3.24%)
Average % Reduction 2014/15 to 2013/14 all Districts			(3.35%)

Using these *notional* spending power figures, the equivalent Formula Grant or Start-Up Funding Allocation percentage reductions are **7.3%** and **12.7%** in 2013/14 and 2014/15 respectively.

Revenue Support Grant for 2013/14 represents **60%** of the Start-Up Funding for LDC. Revenue Support Grant Funding for 2013/14 is **£2.780m** and is reduced by **£0.645m** or **23.2%** for 2014/15 in comparison with 2013/14. Government's intention is to reduce Revenue Support Grant Funding for all Councils to **£ZERO** by 2019/20.

New Homes Bonus:	Additional Income over three years £1.573m
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New Homes Bonus (NHB) was introduced in 2011/12 and is intended to ‘.. provide a powerful, simple, transparent and permanent means of incentivising local authorities to increase their housing supply..’ by financially rewarding the Council for each new home that is built within its area. The scheme provides that, for each additional home provided within the District, compared with the previous year, an amount equating to the national average Council Tax (**£1,444** for 2012/13) is paid to the Council for **six** financial years. In addition, for each additional affordable home a flat rate of **£350** per home will be paid. Of the total amount calculated, our Council retains **80%** of NHB, with the remaining **20%** being paid to Staffordshire County Council.

NHB is now funded from the **£4.5bn** deduction of total Estimated Business Rates income. For 2013/14 NHB funding amounts to **£411m** nationally.

10. **Comparison of our Allocations with Medium Term Financial Strategy (Revenue and Capital) 2012-15 (MTFS (R&C) 2012-15)**

Overall we estimate our reduction in Government funding net of additional NHB will be **£0.366m**. The figures we included for the Start-up funding Allocations (Formula Grant) and Council Tax in the MTFS(R&C) 2012-15 compared with the allocations issued recently for 2013/14 and 2014/15, together with modelling for 2015/16 are shown in the table below :

	2013/14 £m	2014/15 £m	2015/16 £m	Total £m
Medium Term Financial Strategy (including Council Tax Freeze Grant and Homelessness Grant)	10.183	10.125	10.228	30.536
Government Allocations and latest Modelling	9.750	9.292	9.035	28.077
Change	(£0.433m)	(£0.833m)	(£1.193m)	(£2.459m)
% Change	(4.1%)	(8.0%)	(11.3%)	(7.8%)

The reduction of **£2.459m** is related to:

- A reduction in the assumed Council Tax increase from **3.4%** down to **1.8%** equating to **£0.518m** and; Government Funding of **£1.939m**.

In terms of Formula Grant allocations, the Approved MTFs (R&C) 2012-15 assumed the following reductions :

- In 2013/14 a reduction of **0.4%** or **£0.016m**
- In 2014/15 a reduction of **6.4%** or **£0.278m**
- In total a reduction of **3.4%** or **£0.294m** over the two years 2013-15

In total over the three years 2013-16, we now estimate a loss in Formula Grant of **£0.977m** or **21.7%**. In addition we can do a similar comparison for New Homes Bonus :

	2013/14 £m	2014/15 £m	2015/16 £m	Total £m
Medium Term Financial Strategy	0.497	0.497	0.497	1.491
Government Allocations and Modelling for 2014/15 and 2015/16	0.716	1.045	1.303	3.064
Change	£0.219m	£0.548m	£0.806m	£1.573m
% Change	44.0%	110.3%	162.2%	105.5%

In terms of Start-up Funding Allocations or Formula Grant for LDC compared with our Approved MTFs (R&C) 2012-15 will have a reduction of funding of **7.0%** in 2013/14 and an increase of **0.1%** in 2014/15. In total over the two years 2013-15, the reduction is **3.6%**.

11. We have to provide a three year budget and we have therefore had to predict the reduction in funding for the third year. Realistically, although we are technically in a consultation period, the Settlement figures announced on 19 December 2012 are unlikely to change.
12. The Chancellor also announced that a Spending Review 2013 will determine funding levels up to 2017/18. Councils need to be realistic in estimating funding for this period. It is reasonable to assume that the average reductions beyond 2014/15 for Districts could be higher than the national average for local government. This is in addition to the eventual loss of Revenue Support Grant Funding by 2019/20. We have used a number of models to estimate the reduction in funding for 2015/16 and utilising a prudent set of results the reduction would be **6.8%** equating to **£0.268m**.

Localisation of Support for Council Tax

Support for Council Tax Support:	No net change over three years
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13. The localisation of Support for Council Tax is due to take effect from 1 April 2013.
14. As part of the Settlement for 2013/14, funding of **£0.517m** will be provided for Council Tax Support. This has been reduced by **10%** compared with the old Council Tax Benefit Funding that will be abolished with effect from 31 March 2013.
15. LDC approved its own local scheme for local support of Council Tax at Full Council on 11 December 2012. This Scheme is intended to mitigate the financial impact of the **10%** reduction in funding for Council Tax Support on the Council's finances.
16. Council Tax Support is effectively a discount rather than a benefit and this has implications for the number of Band D equivalents. The diagram below illustrates the impact of the new discounts on the number of Council Tax Band D properties :

Council Tax Requirement

This is reduced because the Billing and major Precepting Authorities now receive a new grant, reducing the amount they need to raise through Council Tax

Band D Council Tax =

Collection	X	Number of Band D Equivalents
Proportion of Council Tax that a Billing Authority thinks it will collect		will be reduced because more dwellings will be eligible for reductions under the terms of the new local scheme

Footnote: Under the new scheme, the number of Band D Equivalents will be reduced. There was no reduction in the number of Band D equivalents under Council Tax Benefit as Authorities received 100% funding for Council Tax liable via DWP.

17. Government has set grant allocations for the first two years 2013/14 and 2014/15 following introduction, allowing new allocations to be set for 2014/15 if required. Government has only identified in 2013/14 the element of funding directly related to support for Council Tax. From 2014/15 onwards this funding has not been separately identified.
18. Government Funding for the first two years of localised schemes is based on the Office of Budget Responsibility forecast for spending on Council Tax Benefit that reflects existing spending and therefore assumptions about underlying demographic changes and Council Tax increase. After the first two years, decisions about the level of funding will be taken as part of the Spending Review 2013.

The Level of Council Tax

Council Tax:	Reduction in Income £0.518m over three years
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19. Currently the Approved MTFS (R&C) 2012-15 is based on a year-on-year increase of **3.4%**.
20. Government has offered a specific grant to Councils and Fire Authorities for **two years only** to freeze Council Tax equivalent to a **1%** increase in Council Tax. This offer is on far less generous terms than the Council Tax 'freeze' announced as part of the 2010 Spending Review.²
21. Under the Localism Act 2011, local communities have the power to decide on Council Tax rises. The Secretary of State has determined the limit for Council Tax increases at **2%** for 2013/14. If our Council proposes to raise Council Tax equal to or above **2%**, we are required to hold a referendum to get approval for this from the local electorate who would have to be asked to approve or veto the rise. The reduction in the Council Tax increase from **3.4%** to **1.8%** will yield less income for the Council. For the MTFS (R&C) 2013-16, income reduction will amount to **£0.518m**.
22. This report proposes an annual increase in Council Tax of **1.8%** for each of the three financial years 2013-16. For 2013/14 the increase of **1.8%** for a family in an average home (Band D) is **£2.63** a year or **5p** a week for services delivered by the District Council.

Council Tax Base

23. The Council Tax Base calculation has significantly changed due to the Localisation of Council Tax Support and it is not possible to make direct comparisons with the previous methodology. In terms of the calculation the following key assumptions have been made:

² This one-off freeze in Council Tax in 2011/12 was met in part by a specific Government Grant equivalent to a **2.5%** increase in Council Tax and will be available for 4 years – 2011/12 to 2014/15. The specific Grant for the freeze offered for 2013/14 is a one-off year offer only.

New Council Tax Base Estimate			
Council tax base (per Council Tax Base 1 return)	38,431	38,431	38,431
Growth (0.5% 2013/14)	192	192	192
Growth (0.6% 2014/15)		232	232
Growth (0.6% 2015/16)			233
Technical Changes (abolishing Second Homes & Empty dwellings discount)	354	354	354
Equivalent No. of Band D properties to value of Council Tax Benefit (after 10% top slice) = impact of Localised support for Council Tax	-3,448	-3,448	-3,448
Revised Council Tax Base Estimate assuming 100% collection	35,529	35,761	35,994
1.1% provision for non-collection	-377	-379	-382
Contribution in Lieu - MOD dwellings	122	122	122
Revised Council Tax Base	35,275	35,504	35,734

Other Factors:

24. Since the downturn began we have been tracking the financial impact of the Recession because we have been adversely affected by it, and we will continue to be and we also know that the capping of Council Tax at **2%** or above will also add to our financial challenge.
25. The reduction in Government funding is the significant contributor to our Funding Gap. However, there are other elements that will impact and these are outlined below.

Budget Variations

Provision for Inflation on Existing Levels of Service:	Budgetary Pressure of £0.307m over three years
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26. Generally, financial forecasts for 2011/12 onwards have continued with the policy of no inflationary adjustments for budgets where there is no contractual inflationary adjustment in place. Other price increases have to be contained within budgets.
27. Provision for inflation for 2013/14 onwards for pay awards, fuel and income are as follows :
 - Pay Award - The Chancellor announced in November 2012 that a wider public sector pay freeze due to end in 2013 would be followed by a **1%** cap on rises for the following 2 years. We have assumed a **1%** increase for each of the three years. The Approved MTFS (R&C) 2012-15 assumed a **0%** increase for 2013/14, **1%** for 2014/15 with a projected **2%** increase for 2015/16.
 - Fuel costs have not increased as expected and the MTFS (R&C) 2012-16 has been adjusted to reflect this.

Planned price increases for services such as Leisure Centres have not been implemented due to price elasticity and local competition.
28. The last review of Car Parking charges was completed in January 2008. Car Parking charges were increased on 1 April 2008 and there have been no further general changes to charges for car parking since then. The MTFS (R&C) 2013-16 at present assumes no increase in charges over the next three years. Therefore, this effectively means there has been no provision for increases over the Medium Term for car parking charges for **seven** financial years from 2009/10 to 2015/16.

Investment Income:	Reduction £0.124m over three years
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29. Interest on Balances

The level of our investment balances at the 31 December 2012 was **£22.095m**. Investment interest rates as advised by our Treasury Management Consultants in December 2012 have been built into the estimates for 2013/14 onwards as follows :

Year	Rates built into Approved MTFS (R&C) 2012-15	Latest Rates
	%	%
2013/14	0.89	0.61
2014/15	1.02	0.65
2014/16	1.20	0.66

30. Pre-credit crunch 2008, the Council used to receive investment income in excess of **£1.3m** per annum. The MTFS (R&C) 2013-16 assumes total investment income of **£0.322m** over the three years, a net reduction of **£0.124m** in comparison with the Approved MTFS (R&C) 2012-15. This reduction has been mitigated through higher investment balances which generate **£0.108m** of additional investment income. Therefore, the overall reduction is **£0.016m** over the three years.
31. This reduction in investment income continues to adversely impact on the Council's finances.

Other Variations:	Budgetary Pressure of £0.394m over three years
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32. The borrowing costs for Chasewater Dam and Friary Outer projects shown in the Indicative Capital Programme amount to **£0.472m** over the three years and have been offset by a reduction in Revenue Contributions to the Capital Programme. Further details are provided below under **Capital Strategy**. For the Indicative Capital Programme initially the reduction in Revenue Contributions has resulted in less funding for Capital projects under the Council's theme of "we'll support local people". The risk assessment of the potential changes of this indicative Programme are included at pages 17-23.
33. Other variations will result in net budgetary savings of **£0.078m** over three years.

Total Savings Reflected in Base Budget

34. We reported to Council on 14 February 2012 that our estimated Funding Gap for the MTFS (R&C) 2012-15 was **£0.939m**. This arose in year three 2014/15. When the MTFS (R&C) 2012-15 is projected forwards another year to 2015/16 there is an additional gap of **£1.616m**.
35. During 2011 we completed a Budget Reduction Programme 2011-14 that secured savings of **£4.456m**.
36. Since 2008, the Financial Strategy has identified savings up to 2013/14 of **£12.486m** as shown in the table below :

Total Savings Reflected in Base Budget	Amount taken out of the Budget during Savings Review 2007-11						
	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	Total 2008-14 £m
Budget Reduction Programme 2011			0.013	0.887	1.766	1.790	4.456
Expenditure Review 2010 Savings			1.068	1.030	1.156		3.254
Expenditure Review 2009 Savings	0.800	0.822	1.236	1.253	Built into the base budget	Built into the base budget	3.391
Expenditure Review 2008 Savings	0.372	0.463	0.550	Built into the base budget	Built into the base budget	Built into the base budget	1.385
Total Cumulative Savings	£0.452m	£1.285m	£2.867m	£3.170m	£2.922m	£1.790m	£12.486m

Revenue Budget Summary

The changes to the three year MTFS (R&C) 2013-16 including the revised estimate 2012/13, as detailed above result in a funding gap of **£3.664m**. This takes account of Capital Strategy funding implications detailed below.

Capital Strategy

Revenue Contributions to Fund Indicative Capital Programme:	Reduction £0.472m over three years
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37. One of the stated principles of a good and balanced Budget is to ensure that the Revenue Budget is integrated with the Capital Programme.
38. The total Indicative Capital Programme 2013-16 amounts to **£6.539m**. It is funded from seven sources of funding:

Total Indicative Capital Programme 2013-16	£m
Council Resources	1.336
Section 106 Funds	0.435
Sinking Funds	0.291
Grants and Contributions	1.743
Earmarked Reserves	0.437
External Borrowing	0.024
Finance Leases	2.273
Total Sources of Funding	£6.539m

39. The Council's Resources available to fund the Indicative Capital Programme consists of Capital Receipts amounting to **£0.777m** and Revenue Contributions of **£0.559m**.
40. The Council plans to undertake external borrowing of **£2.720m** to fund two major projects: Chasewater Dam **£0.800m** and Friary Outer **£1.920m**. The majority of expenditure for these two projects was planned to take place in 2012/13. However, the actual external borrowing is likely to take place over two financial years in 2012/13 and 2013/14 to take advantage of a reduced borrowing rate³ in 2012/13 for Chasewater Dam costs.
41. The Approved MTFS (R&C) 2012-15 assumed Capital Contributions of **£0.653m** together with a projection of **£0.378m** related to the 2015/16 financial year, a total of **£1.031m** contribution from the Revenue budget. The Revenue Contributions to the Indicative Capital Programme 2012-16 have been reduced by **£0.472m** to **£0.559m**.
42. Currently, consultation for unallocated Section 106 funds for Lichfield is underway. As part of this we will be reviewing whether any of the Council's projects or aspects of them could be submitted for consideration that would increase the resources available to fund the Capital Programme.
43. The Localism Act also referred to has potential funding implications for the Indicative Capital Programme:
- **Community Infrastructure Levy (CIL)** - a tariff based developed contribution system, building on the principles of Section 106, bringing together funds that can be spent on community infrastructure. The tariff would be worked out by assessing the total costs of the infrastructure requirements of our Local Development Framework (LDF) and applying a levy to each development. This may increase the amount of resources available to us.
- The Government has also consulted on another potential source of funding the Council could use to fund Capital Investment needs in the future :
44. **Tax Increment Financing** – The Local Government Finance Act 2012 enabled the used of Tax Increment Financing (TIF), this permits local authorities to borrow for capital schemes against projected business rate growth.
45. For the MTFS (R&C) 2013-16 we have not estimated the value of any of these two additional potential sources of funding to the Council for Capital Investment.

³ The Certainty Rate provides for a discount of 20 basis points on Public Works Loans Board (PWLB) loans that have been agreed with the Board.

The Position on our General Reserves

46. Currently our Revenue General Reserves are estimated to stand at **£2.297m** at the end of 2012/13.
47. In light of the Settlement, the ongoing impact of the Recession and the risks/uncertainties, it is appropriate to maintain the Council policy in respect of the minimum level of Reserves, currently held at **£1m**, equivalent to **9%** of the net Budget requirements.
48. The way we use Reserves to help balance the Budget has to take account of the minimum requirement and be balanced by the organisation's ability to meet the Funding Gap by reductions in expenditure in a realistic and achievable way. The MTFS (R&C) 2013-16 assumes that General Reserves of **£1.297m** will be used to help balance the Budget.

Balancing the Budget: Bridging the new Funding Gap

49. We are legally required to present a Balanced Budget over three years, and this requires that it is prudent, robust and sustainable.
50. It is clear that the impact of the loss of Government funding totalling **£1.939m** plus the ongoing impact of the Recession, and our relatively low Council Tax income will mean that Lichfield District Council is going to have to make significant budget reductions.
51. There is a total Funding Gap of **£3.664m** over the three year period 2013/14 to 2015/16 after having used Reserves. In addition, LDC will need to factor in the eventual loss of Revenue Support Grant by 2019/20; **£2.780m** based on 2013/14 Settlement.
52. This Settlement means we must now consider a fundamental change in our strategic approach as a Council, resulting in us scaling back our operations and changing our view on the type of Council we are. This responds to the Government's view of a small state, and a new relationship between the citizen and the state.
53. This is not a quick fix, as it is not easy to move from the Council we are to what we need to become. We will need to start the Programme early in 2013 to allow the Council adequate room for manoeuvre, whilst undertaking the actions required in the best financial interests of the Council. The Programme needs to be aimed at taking out significant costs and reducing the operational activity of the Council but also at repositioning our role with our partners and communities.
54. Full details of the programme will be developed with Cabinet, Leadership Team and staff over the next three months and a progress report outlining the agreed approach will be submitted to Cabinet in early April 2013.

The Revenue Budget showing the Amount to be met from Government Grants and Local Tax Payers for the next 3 years:

55. The Revenue Budget showing the Amount to be met from Government Grants and Local Tax Payers for the next **three** years, together with 2012/13 is set out in the table below:

GENERAL FUND TOTAL REQUIREMENT - DISTRICT COUNCIL PURPOSES					
FOR FINANCIAL YEARS 2012/13 TO 2015/16					
ANALYSIS IN ACCORDANCE WITH SERVICE REPORTING ACCOUNTING CODE OF PRACTICE					
BUDGET	2012/13		2013/14	2014/15	2015/16
	Approved Budget £	Revised Budget £	Original Budget £	Original Budget £	Original Budget £
Central Services including Finance, Revenue Collection, Personnel, Emergency Planning	1,246,080	1,159,440	1,145,830	1,265,750	1,381,900
Cultural, Environmental and Planning Services including Leisure, Waste	9,210,720	9,563,840	9,648,860	9,597,700	9,746,640
Housing Services including Housing & Housing Benefits	1,771,430	1,764,530	2,089,040	2,135,040	2,179,000
Highways, Roads and Transport including Car Parking	(568,210)	(527,980)	(560,880)	(553,440)	(545,260)
Corporate and Democratic Core Services	2,273,740	2,273,320	2,184,200	2,203,700	2,223,140
Non-Distributed Costs	177,140	167,490	167,420	171,000	160,030
Savings Realisation	-	-	-	(1,670,220)	(1,993,580)
Net cost of services	14,110,900	14,400,640	14,674,470	13,149,530	13,151,870
Investment income					
Interest Payments	12,500	12,500	12,500	12,500	12,500
Interest Receipts	(128,540)	(138,540)	(113,040)	(113,040)	(105,040)
	(116,040)	(126,040)	(100,540)	(100,540)	(92,540)
LESS:					
Transfer from Capital, Pension Reserves	(3,105,390)	(3,105,390)	(2,810,340)	(2,707,340)	(2,707,340)
Transfer to/(from) Revenue Reserves					
Transfer to/(from) Earmarked Revenue Reserves	45,930	(35,730)	-	(5,000)	(14,000)
Transfer to/(from) General Revenue Reserves	(581,000)	(779,080)	(1,297,000)	-	0
	(535,070)	(814,810)	(1,297,000)	(5,000)	(14,000)
Amount to be met from Government Grants and Local Taxpayers	10,354,400	10,354,400	10,466,590	10,336,650	10,337,990
Total Formula Grant	(4,270,280)	(4,270,280)	(4,494,160)	(3,906,160)	(3,517,160)
Council Tax Freeze Grant	-	-	-	-	-
New Homes Bonus Scheme Grants	(485,790)	(485,790)	(716,360)	(1,045,030)	(1,302,810)
Transfer to/(from) Collection Fund	-	-	-	-	-
Council Tax Requirement	5,598,330	5,598,330	5,256,070	5,385,460	5,518,020
Council Tax Base	38,248	38,248	35,274	35,504	35,734
Lichfield District Council Tax Requirement assuming a 1.8% increase in 2013/14 and a 1.8% increase onwards	£146.37	£146.37	£149.01	£151.69	£154.42

Glossary: Description of the functional areas in the table above. These are categories used in our Statement of Accounts

Central services include >> Revenue collection • Emergency planning • Financial Services **Cultural, environmental and planning services** include >> Culture and heritage • Sports • Parks and open spaces • Waste collection • Planning • Street cleansing • Community safety • Public conveniences • Environmental health and licensing • Economic development **Housing services** include >> Preventing homelessness • Housing and council tax benefits • Housing services **Highways, roads and transport services** include >> Car parking • Concessionary fares **Corporate and democratic core** include >> Democratic representation • Corporate management **Non distributed costs** include >> Retirement benefits.

Resourcing our Investment Plans : the Capital Programme

1. The Capital Programme identifies all Capital projects approved by the Council in line with its Capital Strategy. The Capital Programme is updated either as a result of Cabinet approvals, or through delegation approved by the Council.

Capital Investment

2. An indicative Capital Programme 2013-16 (including Revised Estimate 2012/13) is shown by top priority in **Appendix C** along with the schemes proposed to be funded from the Council's resources.

The Capital Strategy

Project Identification and Prioritisation

3. The Capital Programme is a rolling programme subject to change that identifies the Council's capital investment plans for both its assets and the wider community's needs to achieve its strategic aims and objectives.
4. Operationally, the Council manages its Capital Strategy through the corporate Capital Programme and Funding Working Group (CPFVG). This group is a sub group of the Council's Leadership Team.

Project Prioritisation

- All new capital investment needs are identified using a standard Capital Investment needs document.
- These documents identified the project title, project director and directorate, project manager and Cabinet Member responsible for the project.
- They also included key project information such as reasons for the project, options considered and links to the corporate objectives together with the capital financial profile, revenue implications, project outputs and a risk assessment for the preferred option.
- The last Capital Programme review was undertaken in 2009/10 where both Cabinet and Leadership Team discussed all Capital Investment needs in a series of meetings, which also identified the impact on the Revenue Budget of the options under consideration. A new Capital Programme review will be undertaken following the approval of the indicative Capital Programme in February 2013.

Planning Obligations - Section 106

5. As part of the planning process in relation to planning obligations, the Council secures substantial financial contributions in relation to new developments. The vast majority is spent directly on infrastructure works, however there is an element of contributions, which afford an element of discretion on how they are allocated. These contributions towards social and community facilities are linked to the development proposed.
6. Whilst some of these financial contributions are very specific in terms of the projects on which they must be spent, a large proportion is to be allocated towards appropriate social and community schemes that result in time from the proposed development.

7. The Council's Capital Programme includes a number of projects that are to be funded by Section 106; this is a significant source of funding and there is a significant level of interest from the community in relation to the allocation of sums to projects.
8. The Council's Cabinet has approved a policy in relation to the allocation of these sums. This policy has improved the allocation process, making it more transparent and providing for a level of consistency in terms of allocation.
9. The introduction of the Community Infrastructure Levy (CIL) will mean that the current Section 106 processes will need to be updated to reflect this new source of capital investment funding.

The Disposal of Assets.

10. The Council has determined an asset disposal policy. This policy involves evaluating each asset that the Council owns against the following criteria to determine if ownership should be retained:
 - The strategic aims that the ownership of the asset helps the Council to achieve.
 - The rate of return that the asset generates.
 - Whether disposal of the asset would further enhance the achievement of strategic aims.
11. One example of this process was related to an area of land that the Council owned in the North Lichfield Area. The North Lichfield Action Plan identified in the area a shortage of health provision due to the size of the existing surgery. Therefore, the Council decided to sell this land for the provision of a new surgery with increased capacity.
12. Following the evaluation, an annual report is submitted to the Cabinet detailing the assets currently owned by the Council, the conclusions of the evaluation and assets that are recommended for disposal.

Project and Service Procurement

13. The Council has evaluated its procurement policies in line with best value requirements and the report 'Rethinking Construction'. The table below shows the five drivers of change identified within the report and the action the Council has taken or is taking to improve its procurement practices.

Driver for Change	Lichfield District Council's Initiatives
Committed leadership	<ul style="list-style-type: none"> Clarity of decision making is provided through the roles of Cabinet being specified. Committees have been set up to scrutinise the decisions of the Cabinet including the Capital Strategy.
A focus on the customer	<ul style="list-style-type: none"> The design of major capital projects involves stakeholder participation at the design stage. A number of major capital projects are or will be managed by a management board consisting of stakeholders.
Integrated processes and teams	<ul style="list-style-type: none"> The Council requires the Projects in a Controlled Environment (PRINCE2) methodology be used to project manage all new major projects. The Council engages in value engineering dialogue with appointed contractors to determine cost savings and quality enhancements in major capital contracts. A risk management strategy to identify possible risks to successful outcomes and the ways these risks could be managed has been developed.
A quality driven agenda	<ul style="list-style-type: none"> The Council has developed a procurement strategy.
Commitment to people	<ul style="list-style-type: none"> The Council's Financial Regulations and Contract Standing Orders require within pre tender questionnaires a section for the evaluation of potential contractors' records on Health & Safety and environmental policies.

14. Increasingly, the design of a project and its objectives are determined in partnership with the future users of the project. This can be demonstrated in relation to the Lichfield Garrick:

- The project brief involved user organisations such as local arts groups.
- The chosen design has been based on the views of these focus groups and the public.
- This project has also been successful in securing demonstration project status under the Government's Movement for Innovation scheme, which aims to promote best practice in construction.

Project Implementation and Monitoring.

15. The project manager for each project is responsible for managing the project implementation and delivering its objectives. This monitoring is often in partnership with professional services such as architects and service users. Additionally, some projects are subject to external monitoring such as the Heritage Parks Project.
16. Project managers hold regular meetings with the parties involved in the procurement process, but increasingly, on larger projects such as Section 106 funded projects, meetings are held with the local community to inform them of progress, address any concerns and promote the project to potential users.
17. Member involvement in capital monitoring, in conformance with the requirements of the Local Government Act, consists of regular reporting on the Capital Programme, to Cabinet and Overview and Scrutiny Committees.

Performance Measurement.

18. The Council undertakes performance measurement in relation to capital investment in a number of different ways:

- As part of the project development, the project manager identifies the objectives that the success of the project will be measured against.
- Regular reports to Cabinet and the Overview and Scrutiny Committees in relation to the progress of major projects are undertaken.
- The Capital Programme and Funding Working Group undertake regular checking of project progress.

Post Project Appraisal.

19. When projects have been completed, the project manager completes a post project appraisal form or report (with larger projects, including those which benefit from external funding, having a report). The project appraisal form is reviewed by the officer group, with the larger projects being scrutinised by Members through Overview and Scrutiny. The lessons learned are applied either during project implementation or to future projects.
20. The outcome of projects is monitored through a number of mechanisms such as public consultation and customer feedback. However, in certain cases partners are actively involved in running the service via a Management Board and this enhances this monitoring.

Indicative Capital Programme 2013-16⁴
(Including Revised Estimate 2012/13)

Top Priority	2012/13		2013/14		2014/15		2015/16		Total
	Council Funded Schemes	Other Funding	Council Funded Schemes	Other Funding	Council Funded Schemes	Other Funding	Council Funded Schemes	Other Funding	
	£'000		£'000		£'000		£'000		£'000
Theme 1 – We'll support local people	185	731	124	709	129	372	111	1,201	3,562
Theme 2 – We'll shape local places	953	591	72	247	72	47	69	2,137	4,188
Theme 3 – We'll boost local businesses	3,290	59	307	67	77	0	80	399	4,279
How our core principles help us deliver	242	82	158	0	82	0	79	0	643
TOTAL	4,670	1,463	661	1,023	360	419	339	3,737	12,672
	6,133		1,684		779		4,076		
	6,539								

Funding	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	Total £'000
Usable capital receipts	1,924	521	140	116	2,701
Prudential Borrowing (including Finance Leases)	2,814	197	0	2,100	5,111
Burntwood Leisure Centre Sinking Fund	67	58	45	128	298
Other Sinking Funds	0	60	0	0	60
Grants, Contributions and Section 106	1,272	698	327	1,153	3,450
Revenue	50	116	220	223	609
Earmarked Reserves etc	6	34	47	356	443
TOTAL	6,133	1,684	779	4,076	12,672

SHORTFALL	0	0	0	0	0
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⁴ Includes Council funded schemes, Grants, Contributions and Section 106 Funded Schemes, Sinking Funds and Earmarked Reserves.

Indicative Capital Programme 2013-16 by Theme⁵
(Including Revised Estimate 2012/13)

Capital Programme Expenditure	2012/13	2013/14	2014/15	2015/16	Total 2012/16
	£	£	£	£	£
Oakenfield Play Area Sinking Fund	£9,000				£9,000
Housing Investment	£176,000	£124,000	£129,000	£111,000	£540,000
Theme 1 - We'll support local people	£185,000	£124,000	£129,000	£111,000	£549,000
Chasewater Dam	£800,000				£800,000
Capital Programme Management Costs	£100,000	£72,000	£72,000	£69,000	£313,000
Heritage Parks Project	£42,000				£42,000
Insurance Claims	£11,000				£11,000
Theme 2 - We'll shape local places	£953,000	£72,000	£72,000	£69,000	£1,166,000
City Centre - Enhancement of Public Areas	£30,000	£141,000			£171,000
Friary Outer Development	£3,034,000	£59,000			£3,093,000
Lichfield District Venture Project Management	£116,000	£75,000	£57,000	£57,000	£305,000
Friarsgate Support	£51,000	£20,000	£20,000	£20,000	£111,000
Lombard Street / Cross Keys Car Park	£9,000				£9,000
Lichfield Garrick Auditorium	£50,000				£50,000
Garrick Square				£3,000	£3,000
Garden of Remembrance - National Arboretum		£12,000			£12,000
Theme 3 - We'll boost local businesses	£3,290,000	£307,000	£77,000	£80,000	£3,754,000
Asset Management - Health & Safety Issues	£4,000	£3,000			£7,000
District Council House Backup System	£3,000				£3,000
Information Technology Upgrades	£213,000	£144,000	£71,000	£68,000	£496,000
Depot Sinking Fund	£22,000	£11,000	£11,000	£11,000	£55,000
How our core principles help us deliver	£242,000	£158,000	£82,000	£79,000	£561,000
TOTAL PROGRAMME	£4,670,000	£661,000	£360,000	£339,000	£6,030,000

⁵ Only includes Council funded schemes.

Indicative Capital Programme 2013-16 by Category⁶
(Including Revised Estimate 2012/13)

Capital Programme Expenditure	Director	Theme	2012/13			2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	Total 2013/16 Budget £
			Spend to Date £	Committed Spend £	Budget £				
			Friary Outer Development	Richard King	We'll boost local businesses				
Oakenfield Play Area Sinking Fund	Neil Turner	We'll support local people	£0	£9,000	£9,000				£0
Chasewater Dam	Neil Turner	We'll support local places	£0	£800,000	£800,000				£0
Heritage Parks	Richard King	We'll support local places	£30,891	£42,000	£53,000				£0
Insurance Claims	Richard King	We'll support local places	£0	£11,000	£11,000				£0
City Centre - Enhancement of Public Areas	Richard King	We'll boost local businesses	£26,605	£28,792	£30,000				£0
Information Technology Upgrades	Jane Kitchen	Our core principles	£167,280	£179,184	£213,000	£144,000	£71,000	£68,000	£283,000
Lichfield Garrick Auditorium	Richard King	We'll boost local businesses	£43,756	£45,994	£50,000				£0
Sub Total – contracts or legal agreements in place			£1,419,127	£4,150,170	£4,189,000	£203,000	£71,000	£68,000	£342,000
Housing Investment - Disabled Facilities Grants	Helen Spearey	We'll support local people	£78,940	£118,240	£131,000	£94,000	£99,000	£81,000	£274,000
Sub Total – statutory duty			£78,940	£118,240	£131,000	£94,000	£99,000	£81,000	£274,000
Housing Investment - Home Repair Assistance Grants	Helen Spearey	We'll support local people	£6,318	£7,578	£19,000	£15,000	£15,000	£15,000	£45,000
Housing Investment - Energy Insulation Programme	Helen Spearey	We'll support local people	£5,848	£8,413	£26,000	£15,000	£15,000	£15,000	£45,000
Capital Programme Management Costs	Richard King	We'll support local places	£67,450	£100,000	£100,000	£72,000	£72,000	£69,000	£213,000
City Centre - Enhancement of Public Areas	Richard King	We'll boost local businesses				£141,000			£141,000
Lichfield District Venture Project Management	Richard King	We'll boost local businesses	£86,669	£116,000	£116,000	£75,000	£57,000	£57,000	£189,000
Friarsgate Support	Richard King	We'll boost local businesses	£16,193	£16,193	£51,000	£20,000	£20,000	£20,000	£60,000
Lombard Street / Cross Keys Car Park	Richard King	We'll boost local businesses	£0	£0	£9,000				£0
Garden of Remembrance - National Arboretum	Neil Turner	We'll boost local businesses				£12,000			£12,000
Garrick Square	Richard King	We'll boost local businesses						£3,000	£3,000
Asset Management - Health & Safety Issues	Richard King	Our core principles	£296	£296	£4,000	£3,000			£3,000
District Council House Backup System	Richard King	Our core principles	£845	£845	£3,000				£0
Depot Sinking Fund	Ruth Plant	Our core principles	£0	£0	£22,000	£11,000	£11,000	£11,000	£33,000
Sub Total - other projects			£183,619	£249,325	£350,000	£364,000	£190,000	£190,000	£744,000
TOTAL PROGRAMME			£1,681,685	£4,517,734	£4,670,000	£661,000	£360,000	£339,000	£1,360,000

⁶ Only includes Council funded schemes.

Indicative Capital Programme 2013-16 Risk Assessment of Reducing Investment⁷

Housing Investment

Housing investment consists of three projects in relation to Disabled Facilities Grants, Home Repair Assistance Grants and the Energy Insulation Programme.

Housing Investment - Disabled Facilities Grants

Details	2012/13	2013/14	2014/15	2015/16	Total
Approved Budget 2012/15	£131,000	£272,000	£162,000	See Note ⁸	£565,000
Indicative Budget 2012/16	£131,000	£94,000	£99,000	£81,000	£405,000
Change	£0	-£178,000	-£63,000	£81,000	-£160,000

In addition, to this Council funding, this project receives funding from the government and other sources. The indicative external funding is shown below:

Details	2012/13	2013/14	2014/15	2015/16	Total
Grant (2012/13 includes slippage)	£418,000	£327,000	£327,000	£327,000	£1,399,000
Other Sources	£51,000				£51,000

And what if we don't undertake this project?

1. The number of DFGs which can be supported will reduce from **78** (annual average 09/10 -11/12) to approximately **60** per year until 2015/16; a **24%** reduction. This assumes that all housing investment is spent on DFGs and zero on home repair or energy measures (see below). In reality, it is likely that some spend will be required in the other two areas, and therefore DFG delivery will be further reduced.
2. It is likely that a waiting list for DFG's will develop and grow, particularly due to the ageing population. Legally where an application meets the relevant criteria, the Council is required to approve it and then has a further 6 months to make payment after the completion of the works. If we are unable to meet this timescale, we risk complaints to the Housing Ombudsman, judicial review or legal action from applicants who are refused grants or unhappy about timescales. In reality, local experience has shown that waiting applicants are usually very patient and not vociferous complainants. There is however case law to show that applications cannot be refused by Councils owing to a lack of resources (R v Birmingham CC exp P Taj Mohammed 1998).
3. Whilst waiting for an adaptation, the health and quality of life of applicants is compromised through difficulties in entering or getting around their home; they may need to be carried into their home and unable to access the upper storey unaided; they may have a bed downstairs, be unable to use the bath (so rely on a strip wash in the kitchen), rely on a chemical toilet and if in a wheelchair, may struggle to cook or use power sockets. There is case law where a Council has been taken to court on human rights grounds (Article 8 Right to family life) by not acting on assessments and allowing a family to live in unsuitable conditions (R v Enfield LBC 2002).
4. Within the context of a growing elderly population who need and want to continue to live safely at home despite growing frailty and disability, the demand for adaptations will increase and therefore the gap between demand and supply will widen unless alternative funding sources can be secured
5. Through projects such as Let's Work Together and work we are doing with the South East Staffordshire and Seisdon Peninsular CCG to identify frail elderly and vulnerable adults, we are likely to identify some needs that we may not be in a position to meet.
6. We reduce our resource investment in our strategic priorities to Support People (Plan for Lichfield District) and also undermine our recent commitment to Champion the needs of Older People.

⁷ Only includes Council Funded Schemes.

⁸ The Approved Budget 2012-15 did not include a Budget for 2015/16.

Home Repair Assistance Grants

Details	2012/13	2013/14	2014/15	2015/16	Total
Approved Budget 2012/15	£44,000	£15,000	£15,000	See Note ⁸	£74,000
Indicative Budget 2012/16	£19,000	£15,000	£15,000	£15,000	£64,000
Change	-£18,000	£0	£0	£15,000	-£3,000

And what if we don't undertake this project?

When a property comes to the District Council's attention which presents a serious hazard to the occupier or visitors, we have a duty to take action to remedy the identified problem(s). If the owner cannot afford to make the necessary repairs or fails to do so, the District Council may do so 'in default'. The HRA helps to fund carrying out works in these circumstances. If the hazard cannot be remedied and the property becomes uninhabitable, the occupier could become homeless and the Council's duty under homelessness legislation would be activated. During 12/13, 3 households were helped using HRA funding (and whilst improvements were made to one resident's home, approximately £2000 was expended on bed and breakfast accommodation).

1. Vulnerable people will continue to live in homes that are in a dangerous or unhealthy condition; ultimately, this could lead to homelessness, placing a duty on the council to rehouse.
2. If vulnerable householders are not able to afford works to remedy the hazard(s) then either the Council will have to carry out works in default or issue prohibition or closing orders which again would result in homelessness.
3. With the recession it is likely that the number of vulnerable people who are unable to afford essential repairs will increase.
4. Living unhealthy and dangerous homes will impact on the health of the occupant.

Energy Insulation Programme

Details	2012/13	2013/14	2014/15	2015/16	Total
Approved Budget 2012/15	£26,000	£15,000	£15,000	See Note ⁸	£56,000
Indicative Budget 2012/16	£19,000	£15,000	£15,000	£15,000	£64,000
Change	-£7,000	£0	£0	£15,000	£8,000

And what if we don't undertake this project?

1. 22% of households within the District are in fuel poverty. There is an average of 70 excess winter deaths each year, mainly among older people with respiratory problems. With the current economic climate it is anticipated that the number of people falling into fuel poverty will increase; to reduce the help available would mean more people would have to live in poor housing (cold/ damp) conditions with its related health implications.
2. People not eligible for the free assistance who may be in fuel poverty and are not able to afford the cost will continue as they are.
3. The introduction of Green Deal and new ECO funding arrangements along with the ending of Warm Front means that there is no longer a national safety net in place to help vulnerable residents in emergency situations. HRA funding enables the District Council to help any vulnerable residents in emergency crisis situations with, for example, emergency heating repairs or boiler replacements.
4. We reduce our investment in our carbon reduction agenda.

Other Projects

Capital Programme Management Costs

Details	2012/13	2013/14	2014/15	2015/16	Total
Approved Budget 2012/15	£147,000	£147,000	£72,000	See Note ⁸	£366,000
Indicative Budget 2012/16	£100,000	£72,000	£72,000	£69,000	£313,000
Change	-£47,000	-£75,000	£0	£69,000	-£53,000

And what if we don't undertake this project?

The management of capital projects is an integral part of the delivery of the District Council's and Local Strategic Partnership's 'Plan for Lichfield District'. The Projects Team identifies, develops and delivers a range of economic, physical and community regeneration projects using a variety of external funding sources. The Team is currently delivering projects totalling in excess of £400,000 with funding raised from external sources and will also be critical to the delivery of Neighbourhood Plans, CIL funded projects and partnership projects. A reduction in this budget would severely impair the Council's ability to deliver its corporate aims and those contained in the District Plan and emerging Local Plan Strategy.

A planned reduction in the Capital Management Costs is currently taking place through the identification of projects funded through alternative funding streams. This includes supporting local communities in putting together Neighbourhood Plans and delivering essential infrastructure necessary for delivering our spatial strategy to 2028. Funding streams secured include grants for Local Planning Authorities to support Neighbourhood Plans and English Heritage monies intended to support a heritage at risk project across Lichfield District and Tamworth Borough.

City Centre – Enhancement of Public Areas

Details	2012/13	2013/14	2014/15	2015/16	Total
Approved Budget 2012/15	£30,000	£141,000	£0	See Note ⁸	£171,000
Indicative Budget 2012/16	£30,000	£141,000	£0	£0	£171,000
Change	£0	£0	£0	£0	£0

And what if we don't undertake this project?

The City Centre Paving Scheme has delivered significant improvements to the public realm in the centre of Lichfield City, a project befitting the City and its historic core. In the coming years, remedial works may be required to ensure the physical integrity of the Scheme is retained. The quality of this Scheme supports the aims within The Plan for Lichfield District to both boost business and shape place.

This budget is needed to ensure there is a quality Paving Scheme in keeping with the character of the surrounding area. The area will be ultimately maintained by Staffordshire County Council.

Lichfield District Venture Project Management

Details	2012/13	2013/14	2014/15	2015/16	Total
Approved Budget 2012/15	£116,000	£117,000	£57,000	See Note ⁸	£290,000
Indicative Budget 2012/16	£116,000	£75,000	£57,000	£57,000	£305,000
Change	£0	-£42,000	£0	£57,000	-£15,000

And what if we don't undertake this project?

To reduce the level of approved funding could affect the Council's ability to deliver Friarsgate.

Friarsgate Support

Details	2012/13	2013/14	2014/15	2015/16	Total
Approved Budget 2012/15	£51,000	£40,000	£40,000	See Note ⁸	£131,000
Indicative Budget 2012/16	£51,000	£20,000	£20,000	£20,000	£111,000
Change	£0	-£20,000	-£20,000	£20,000	-£20,000

And what if we don't undertake this project?

The Friarsgate Professional Support figure for 2013 onwards will depend on whether the developer can secure an anchor tenant and whether the Development Agreement (DA) is to be formally extended. We will only know this in June/July. If an anchor tenant can be secured and the DA is extended then the figures shown for 2013/14, 14/15 and 15/16 - £20k in each year - to cover the costs of continuing advice from advisors and to employ a 'Council Surveyor' are unlikely to be sufficient for moving the scheme forward. Therefore to reduce the level of approved funding, would severely affect the Council's ability to deliver Friarsgate.

Lombard Street / Cross Keys Car Park

Details	2012/13	2013/14	2014/15	2015/16	Total
Approved Budget 2012/15	£9,000	£0	£0	See Note ⁸	£9,000
Indicative Budget 2012/16	£9,000	£0	£0	£0	£9,000
Change	£0	£0	£0	£0	£0

And what if we don't undertake this project?

We are in the later stages of negotiation regarding payment of outstanding works relating to the delivery of the archaeology report element of this project. Specialist technical support and guidance needs to be sought from the County Council. Despite stagnation regarding progress on this matter over recent years it is very likely that a resolution will be reached shortly. A reduction in the budget at this time would result in a significant risk that funding will not be available to pay for works completed.

Garden of Remembrance – National Memorial Arboretum

Details	2012/13	2013/14	2014/15	2015/16	Total
Approved Budget 2012/15	£12,000	£0	£0	See Note ⁸	£12,000
Indicative Budget 2012/16	£12,000	£0	£0	£0	£12,000
Change	£0	£0	£0	£0	£0

And what if we don't undertake this project?

When the National Memorial Arboretum (NMA) was established the district council was invited to 'build' a small garden that reflected the district. Members have indicated that what we have there does not reflect well on the council or on the district and have agreed that we would spend some money on improving the look of the garden, to more appropriately mirror the increasing national and international importance of the NMA and the purpose for which it was built.

Originally £30k was earmarked and the budget was later reduced to £12K. We will deliver a scheme to whatever budget is available but obviously any reduction will impact on the quality and extent of any scheme.

Garrick Square (Second phase Castle Dyke and Frog Lane)

Details	2012/13	2013/14	2014/15	2015/16	Total
Approved Budget 2012/15	£0	£0	£0	£3,000	£3,000
Indicative Budget 2012/16	£0	£0	£0	£3,000	£3,000
Change	£0	£0	£0	£0	£0

In addition, to this Council funding, this project receives funding from Section 106. The indicative external funding is shown below:

Details	2012/13	2013/14	2014/15	2015/16	Total
Section 106	£0	£0	£0	£80,000	£80,000

And what if we don't undertake this project?

This project is related to improving the environment between the City Centre, the Lichfield Garrick and the new Friarsgate Development and was planned in two phases. The first phase was to provide a terrace style area adjacent to the Lichfield Garrick which has been completed together with a second phase related to Castle Dyke and Frog Lane. The remaining budget relates to the second phase.

If this funding wasn't available it would have a significant impact on the project as, unless other sources of funding could be found, the project wouldn't happen at all. Consideration therefore needs to be given as to the desirability and need of the project in the current financial climate and pending the delivery of Friarsgate.

Asset Management – Health and Safety Issues

Details	2012/13	2013/14	2014/15	2015/16	Total
Approved Budget 2012/15	£4,000	£3,000	£0	See Note ⁸	£7,000
Indicative Budget 2012/16	£4,000	£3,000	£0	£0	£7,000
Change	£0	£0	£0	£0	£0

And what if we don't undertake this project?

Any capital investment related to Health and Safety requirements such as electrical testing would have to be funded directly from the revenue budget.

District Council House – Back up Electrical Generator

Details	2012/13	2013/14	2014/15	2015/16	Total
Approved Budget 2012/15	£3,000	£0	£0	See Note ⁸	£3,000
Indicative Budget 2012/16	£3,000	£0	£0	£0	£3,000
Change	£0	£0	£0	£0	£0

And what if we don't undertake this project?

The remaining element of the project would not be undertaken.

Depot Sinking Fund

Details	2012/13	2013/14	2014/15	2015/16	Total
Approved Budget 2012/15	£22,000	£11,000	£11,000	See Note ⁸	£44,000
Indicative Budget 2012/16	£22,000	£11,000	£11,000	£11,000	£55,000
Change	£0	£0	£0	£11,000	£11,000

And what if we don't undertake this project?

The Depot is a new building which opened in 2008. It is the base for approximately 125 staff and 60 vehicles. This is the approved operating centre and is where the Council's Goods Vehicle Operator's License is registered. The Depot is critical to being able to deliver front line services to the public. The infrastructure is heavily used and as such is subject to significant wear and tear.

A Sinking Fund was created in 2010/11 to allow the Council to maintain the structural integrity of the Depot. This Fund currently has a balance of £22k. The annual contributions of £11k are based on a 10 year fair wear and tear replacement programme to cover the cost of replacing the following items:

- Heating system - £10K
- Security system - £10K
- Air handling system upgrade - £10K
- Floor covering - £8K
- Water recycling unit - £27.5K
- Electric hydraulic gates - £8K
- Welfare facilities - £6K
- Resurfacing of roads and vehicle parking areas - £25K
- Fuelling system (pumps) - £5K
- Roller shutter doors (motors) - £5K

The first likely call on the fund will be erecting fencing around the land adjacent to the County Council site. This will become urgent as soon as the County Council finds a tenant.

The electric hydraulic gates are also coming up to needing replacing.

There are a number of options available regarding the Sinking Fund:

- No further contributions and hold the Fund at £22K. The risk is that this will be insufficient to maintain the structural integrity of the Depot.
- Reduce the annual contributions to the Fund. The risk is that this will also be insufficient to maintain the structural integrity of the Depot.
- Maintain contributions at £11K per annum. The risk is that this may still not be sufficient to maintain the structural integrity of the Depot. However it carries the least risk of the three options to allow the Depot to continue to deliver front line services to the public.

Chief Financial Officer (CFO) Report on Robustness of the Budget and Adequacy of Reserves – Supporting Information

Context

1. In accordance with the Local Government Act 2003 (Sections 25-27) and to comply with CIPFA Guidance on Local Authority Reserves and Balances, the CFO is required to formally report to Members on the robustness of the Budget and the adequacy of Reserves. The CFO is appropriately qualified under the terms of Section 113 of the Local Government Finance Act 1988.

Adequacy of Reserves

2. The CFO assesses and determines the appropriate level of Reserves and Provisions using a variety of mechanisms, including :
 - Being significantly involved in the Budget setting process, the annual financial cycle, and engaged in the strategic leadership of the organisation as a member of the Leadership Team including wider corporate roles beyond that of finance;
 - Leading and writing on the annual revision of the Medium Term Financial Strategy (MTFS);
 - Challenging the budget at various stages of preparation, including the reasonableness of the key budget assumptions and sensitivities such as estimates for inflation and corporate financial pressures, realism of income targets and the extent to which known trends and liabilities are provided for;
 - Meetings with specific colleagues to examine particular areas or issues;
 - An in-depth review of the financial risks assessment;
 - Review of the movements, trends and availability of contingency, provisions and earmarked reserves to meet unforeseen cost pressures in the context of future pressures and issues;
 - The use of professional experience and best professional judgement;
 - The use of appropriate professional, technical guidance and local frameworks;
 - Knowledge of the colleagues involved in the process, particularly finance professionals, including their degree of experience and qualifications;
 - Review of the strength of financial management and reporting arrangements, including internal control and governance arrangements.

This is undertaken in consultation with relevant colleagues and Members of the Cabinet.

3. It is prudent for Councils to maintain an adequate "working balance", that is part of General Reserves. A risk assessment approach is used to determine the required level of General Reserves and Provisions.
4. The Council's aim is to have a prudent level of General Reserves available for unforeseen financial risks. The Council has established opening General Reserves of **£3.076m**; the precise level is determined by risk assessment. The minimum level of Reserves for 2013/14 onwards is **£1.000m**. This is **9.8%** of the amount to be met from Government Grants and Local Taxpayers⁹.
5. In recommending an adequate level of Reserves, the CFO considers and monitors the opportunity costs of maintaining particular levels of Reserves and Balances and compares these to the benefits accrued from having such Reserves. The opportunity cost of maintaining a specific level of Reserves is the 'lost' opportunity for example, of investing elsewhere to generate additional investment income, or using the funds to invest in service improvements.
6. In assessing this, it is important to consider that Reserves can only be used once and are therefore potentially only "one off" sources of funding. Therefore, any use of General Reserves above the lower minimum threshold is only ever used on one-off items of expenditure. The level of Reserves is also determined by use of a comprehensive risk assessment to ensure they represent an appropriately robust "safety net" that adequately protects the Council against potential unbudgeted costs.

Use of General Revenue Reserves

7. The above assessment demonstrates that General Revenue Reserves are at an appropriate level as determined in accordance with the Medium Term Financial Strategy and the CFO's professional advice. The Medium Term Financial Strategy allows any Reserves above the level required by the Strategy to be used to fund one-off items of expenditure. No General Revenue Reserves below the minimum threshold are being used to support the 2013/14 budget and beyond.

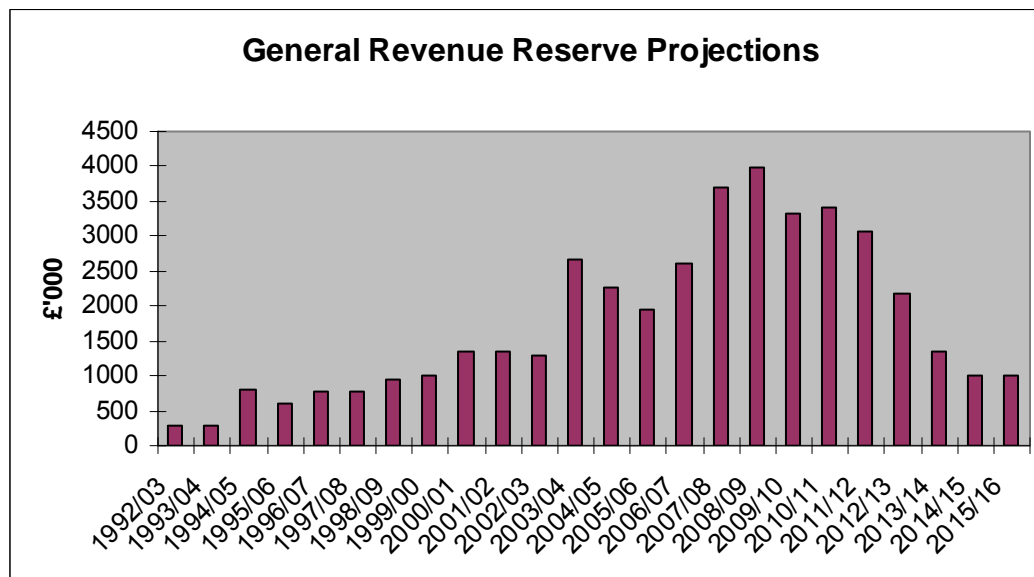
⁹ Cabinet 14 February 2012. The Medium Term Financial Strategy (Revenue and Capital) 2012-15.

8. CIPFA guidance (LAAP 55) provides two methods of determining the minimum level of Reserves. Lichfield District Council uses the method based on risk assessment. The approach to the risk assessment of Reserves has taken into account CIPFA guidance (LAAP 77) (Guidance note on Local Authority Reserves and Balances).
9. The table below shows the financial risk assessment made for **2013/14**:

Activity Area	Explanation of Risk/ Justification of Balances	Level of Risk : Impact/Likelihood	2013/14 Reserve Amounts £m
Bad Debts	Increase in Council Tax & Business Rates Arrears due to the changes in Local Government Finance	Significant/Medium	0.600
Other Income	Risk of Unexpected Income Losses	Significant/Medium	0.100
Car Parking Fees	Reduction in Customer Demand	Significant/Medium	0.100
Leisure Centres	Reduction in Customer Demand	Significant/Medium	0.100
Commercial Rents	Reduction in Income	Significant/Medium	0.080
Civil Contingency	To meet any Civil Contingency that may arise	Significant/Medium	0.020
Total Minimum Reserves			£1.000m

10. Other significant areas of operational and financial risk that have been taken into account in the budget setting process are:
- Economic and World Recession
 - Interest rate and income volatility

The projected position for the General Revenue Reserve to 2015/16 is shown below :



Earmarked Reserves (Usable Reserves)

A review of the level of Earmarked Reserves has been undertaken as part of the annual budget preparation. For each Reserve established, the purpose, usage and basis of transactions has been identified. Earmarked Reserves have been set aside for specific policy purposes :

Reserve	Reason for Reserve	Balance as at 1 April 2012 £m	Commitment (Contribution) as at 30 November 2012 £m	Remaining Balance £m
Revenue				
Specific Projects	To finance specific capital and revenue projects	(1.697)	0.362	(1.335)
Grant Aid	To provide assistance to Historic Buildings, Nature Conservation and Biodiversity projects	(0.046)	(0.009)	(0.055)
District Council Elections	This reserve is required to ensure sufficient resources are available to meet the District Council Elections	(0.075)	(0.009)	(0.084)
Public Open Spaces	To fund the cost of equipment in public open spaces	(0.006)	-	(0.006)
Capital				
Birmingham Road Car Park	Provides for future capital works to the car park.	(1.124)	(0.156)	(1.280)
Lombard Street Car Park	Provides for future asset maintenance works	(0.034)	(0.010)	(0.044)
Capital Grants Unapplied	The Capital grants reserve is to meet specific capital grant expenditure in future years	(1.269)	0.243	(1.026)
Capital Receipts Reserve	The usable capital receipts reserve represents capital receipts available to finance capital expenditure in future years in accordance with best practice	(2.066)	0.461	(1.605)
Revenue and Capital Earmarked Reserves Total		(£6.317m)	£0.882m	(£5.435m)

11. The Council also holds other Unusable Reserves that arise out of the interaction of legislation and proper accounting practice :

Legislation and Proper Accounting Reserves				
Unusable Reserve	Reason for Reserve	Balance as at 1 April 2012 £m	Commitment (Contribution) as at 30 November 2012 £m	Remaining Balance £m
The Pension Reserve	This is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes in accordance with the scheme requirements and the net change in the authority's recognised liability under IAS19 (FRS 17).	25.037	-	25.037
The Revaluation Reserve	This is a reserve that records unrealised gains in the value of fixed assets	(4,939)	-	(4,939)
The Capital Adjustment Account	This provides a balancing mechanism between the different rates at which assets are depreciated under the Statement of Recommended practice(SORP) and are refinanced through the capital control system	(41.550)	(0.283)	(41.833)
Deferred Credits Reserve	This item consists of principal outstanding on the sale of council houses properties sold on a mortgage.	(0.010)	(0.074)	(0.084)
Collection Fund Adjustment Account	This is requires under the Statement of Recommended practice (SORP) for Council Tax & Non Domestic rates accrued income.	0.008	-	0.008
Accumulated Absences Account	This is a specific accounting mechanism used to reconcile employee benefits (accrued holiday entitlements) under IAS 19	0.264	-	0.264
Legislation and Proper Accounting Reserves Total		(£21.190m)	(£0.357m)	(£21.547m)

Further details are provided in the Statement of Accounts 2011/12 : see web link http://www.lichfielddc.gov.uk/downloads/file/4254/2012_statement_of_accounts

The **CFO** has been involved throughout the entire budget process, including revising the Medium Term Financial Strategy, input to the drafting of the Budget, the ongoing financial monitoring and reporting process, evaluation of investments and savings, engagement with Members of the Cabinet and

Scrutiny, advising colleagues, the strategic choices activities, the public consultation process, challenge and evaluation activities, and scrutiny of the budget. The following sections of this statement outline particular activities and documents.

Process - a robust Budget process has been used within the overall context of the Medium Term Financial Strategy. The process, timetable and the overall Budget framework were approved by Cabinet.

Timetable - the process started in June 2012 and the draft Budget was completed in December 2012 prior to the Provisional Financial Settlement for Local Government 2013/14. This enabled formal scrutiny of the budget making process in January 2013. The final Budget is due to be set at Council on 19 February 2013, well within the statutory deadline.¹⁰

Member involvement and Scrutiny - formal Member involvement has been extensive, particularly through the Cabinet in conjunction with Leadership Team. Scrutiny panels have met and have reported in their recommendations and comments to Strategic Overview & Scrutiny Committee, which has fed upwards to Cabinet.

Consultation - internally and externally, has been comprehensive.

Challenge - there are various points of challenge at various stages of the Budget, meetings of Leadership Team, various Directorate Management Teams, Cabinet and the Scrutiny process itself.

Budget monitoring - reports continue to be submitted to Cabinet, Leadership Team and Directorate Management Teams across the Council throughout the year.

Localism Act

- **Right to approve or veto excessive council tax rises** – The Secretary of State has determined a limit for Council Tax increases for 2013/14 of **2.0%**. If an Authority proposes to raise taxes above the limit they will have to hold a referendum to get approval for this from the local voters who will be asked to approve or veto the rises.
- **Support for Council Tax and Local Government Funding through retention of Business Rates** – The impact of the localisation of Council Tax Support and Business Rates for 2013/14 onwards has been included in the Medium Term Financial Strategy.

Ownership and accountability - the Budget has progressed through various stages including review by management within services and Leadership Team. Budget holders were sent copies of budget estimate working papers for their respective areas of service responsibility. Budget holders are required to sign and return a copy of the papers to Financial Services.

Current financial position - the Budget is a statement of financial intent, reflecting the Council's vision, plans and priorities. It also sets the financial spending parameters for each financial year and as such, the CFO assessment of the adequacy of Reserves, also includes the risk of services overspending and/or under-spending their budgets and the impact of this on the financial health of the Council and its level of Reserves. The current financial position has been reported on consistently throughout the year.

Key assumptions - The pay and prices used in the Budget are derived from current intelligence, are considered appropriate and compare with those used by other Councils. Fees and charges have been reviewed and changes are reflected in the overall budget. The Capital Receipts to be used for the Capital Programme are based on estimates of both timing and value.

Financial risks - the Council continues to use an embedded good practice risk assessment approach both when setting the Budget and in validating estimated outturns. This continues for the 2012/13 outturn and 2013/14 plus Budget. The minimum level of General Reserves is considered to be adequate to cover all but the most unusual and serious combination of risks.

Summary

Opinion of Chief Financial Officer on the Adequacy of Reserves and the Robustness of the Estimates

I am of the opinion that, for a Council of this size and with our recent record of prudent spending, effective Risk Management, robust budgeting and effective Budget monitoring and control, a General Minimum Reserve level of **£1.000m** is adequate.

¹⁰ Statutory deadline date for setting Council Tax is by 11 March 2013.