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13<sup>th</sup> January 2015

Dear Sir/Madam

**STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE**  
**WEDNESDAY 21<sup>st</sup> JANUARY 2015 at 6.00 pm** in the **Committee Room**, District Council House, Lichfield, to consider the following business.

Access to the Committee Room is via the Members' Entrance.

Yours faithfully



Strategic Director

**To: Strategic (Overview and Scrutiny) Committee**

Councillors Strachan (Chairman), Norman (Vice-Chairman), Pullen (Vice-Chairman)  
Mrs, Arnold, Mrs Barnett, Constable, Derrick, Mynott, Powell, Thomas, Wilson, White  
Mrs. Woodward.



## AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. To approve as a correct record the Minutes of the meeting held on the 18<sup>th</sup> November 2014 (copy attached)
4. Forward Plan and Work Programme (copy attached)
5. Money Matters : 2014/15 Review of Financial Performance against the Financial Strategy (copy attached)
6. The Medium Term Financial Strategy (Revenue & Capital) 2015-18 (MTFS (R&C) 2015-18) (copy attached)
7. Directorate Top 10 – 15/16 (copy attached)
8. Annual Action Plan 2015/16 (copy attached)
9. Fit For Future (F4F) - Review Of Revenues & Benefits Service (RBS) (copy attached)

Briefing Papers to be issued separately:

\*Briefing Papers were introduced after the Overview and Scrutiny Committee Co-ordinating Group requested that the length and volume of agendas be addressed. Briefing papers, which are intended to provide Members with information on relevant issues, are an alternative to placing items on the Agenda. If Members wish a paper to be discussed it can be included on the Work Programme and scheduled for a future meeting.



## **STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE**

**18 NOVEMBER 2014**

### **PRESENT:**

Councillors Strachan (Chairman) Pullen (Vice-Chairman) Norman (Vice-Chairman), Mrs Barnett, Derrick, Leytham, Mynott, and Mrs Woodward.

(In accordance with Council Procedure Rule No.17 Councillors Eadie, Greatorex, Pritchard, Spruce and Wilcox attended the meeting)

Councillor Pullen (Vice-Chairman) took the Chair at this point as the Chairman had notified the Committee that he would be late.

**APOLOGIES FOR ABSENCE** were received from Councillors Constable and Powell.

### **DECLARATIONS OF INTEREST:**

No declarations of interest were made.

### **MINUTES**

The Minutes of the Meeting held on 23<sup>rd</sup> September 2014 were taken as read, approved as a correct record and signed by the Chairman.

**RESOLVED:** That the Minutes of the Meeting held on 23<sup>rd</sup> September 2014 be approved as a correct record.

### **FORWARD PLAN AND WORK PROGRAMME**

Consideration was given to the Forward Plan and Work Programme. Clarification was sought on an item for the Forward Plan regarding action on an empty property and it was confirmed that it was for a property where the owners/occupiers had died and there was no probate and was a complex legal matter. When asked it was confirmed that the item on a Sales and Marketing contract was for Leisure Services.

**RESOLVED:** That the Forward plan and Work Programme be noted and more details provided where appropriate to clarify subject matter and nature of decision.

Councillor Strachan (Chairman) arrived and took the Chair.

### **MONEY MATTERS: 2013/14 REVIEW OF FINANCIAL PERFORMANCE AGAINST THE FINANCIAL STRATEGY**

A report was submitted on the Council's financial performance against the Financial Strategy for the half year April to September 2014 for the financial year 2014/15.

It was reported that the Approved Net Revenue Expenditure 2014/15 originally required a transfer from General Reserves however due to a reduction of the use of Reserves and the

projected net operating cost, there would now be a transfer of £1,040 to General Reserves rather than a transfer from it.

It was then reported that Council Tax collection had decreased due to recovery action being suspended for one month because of the unscheduled direct debit made on the 13<sup>th</sup> August 2014. It was noted that arrears outstanding were lower in this quarter compared to last year.

It was reported that latest projections indicated a surplus on the Collections Fund for Council Tax of £1,005,460 with the District Council's share of this being £131,115. It was noted that this would be shown in the Budget for 2015/16 and the growth in the Council Tax base was likely to be permanent s could be incorporated into future year's budgets.

Consideration was given to the reduction in civic expenses and it was noted that it had come from undertaking events differently and a reduction in the use of Chairman's Car. Members wished to express caution as there had been documented attacks on Civic Heads elsewhere in the Country and it was felt that the Chairman could be in an unsafe and vulnerable position without the use of a civic vehicle.

Clarity was given to the Committee regarding the Council no longer requiring the Community Assets Earmarked Reserve. It was noted that the reserve was for any claim in compensation by private owners and after assessing the risk, it was deemed as very low as based on the types of properties on the Community Asset Register, it was unlikely that they would be sold or were owned by the District Council. It was noted that all that had been agreed was to no longer have an earmarked reserve but General Reserves could still be accessed if there were ever a need in the future.

When asked for the reason for the reduction in property rental income, it was agreed that this be investigated and the Committee informed. It was also agreed that the Cabinet Member to clarify what the reduction in fees re Management Fees for Cannock Chase Special Area of Conservation were. The Committee also requested details on the projects that had caused the slippage from 2013/14 capital programme into 2014/15 capital programme.

It was asked that because the surplus in the Council Tax Collections Fund was partly due to changes to the discounts and exemptions, whether that money could go towards supporting those who were no longer receiving as much assistance with their Council Tax. It was reported that the District Council had an agreed Local Council Tax Support Scheme which was means tested and was in line with a County wide policy. It was noted that any change to this policy could be legally challenged.

The recent news of Dudley, Sandwell, Wolverhampton, Walsall and Birmingham Councils announcing they had signed an agreement in principle to work together as a combined authority was noted. It was reported that as the District Council was a member of the Greater Birmingham and Solihull Local Enterprise Partnership, this could have implications and opportunities and it was noted that the Leader of the Council would be part of discussions to understand these and ensure the best outcome for the District.

- RESOLVED:** (1) That the report be noted; and
- (2) That the closely monitoring and management of the Medium Term Financial Strategy and the Capital Financial Strategy 2014-17 be noted.

## **MID YEAR PERFORMANCE REPORT – ONE YEAR ACTION PLAN 14/15 FOR FINANCE, DEMOCRATIC AND LEGAL DIRECTORATES**

The Committee received a report on progress against activities and projects set out in the Directorates One Year Action Plan for 14/15. It was reported that all projects were on target or in progress.

It was asked why it was only at this point the Council would be contacting those affected by the Spare Room Subsidy to notify them they could make a claim for a Discretionary Housing Payment (DHP). It was reported that the DHP had been advertised widely and the Council was continually working with partners like Bromford Housing and the Citizens Advice Bureau to reach those who would be eligible and directly contacting residents would maximise pro-activeness to ensure no one was missed. When asked it was reported that around 30% of the fund had been spend. It was agreed that the very latest position be sent to the Committee.

The Committee congratulated Officers for reaching a 100% invoice payment target within 30 days.

It was requested that any consultation regarding Polling Places and Polling Districts be forwarded to all Councillors to enable them to comment and raise proposals. When asked it was also noted that the Council was slightly above average compared nationally regarding Individual Electoral Registration and it was noted that the canvass had finished the day before so would soon know its additional impact.

**RESOLVED:** That the report be noted.

#### **COMMUNITY CONSULTATION 2014**

The Committee received a report on the Community Consultation exercise that was carried out from 23<sup>rd</sup> May to 23<sup>rd</sup> June 2014. It was reported that the consultation was to help inform the Fit for the Future Programme and get the views of the public regarding services. It was reported that a questionnaire was developed by a cross party Member Working Group along with the Staffordshire Intelligence Hub and Officers. It was also reported that the questionnaire was delivered directly to over 40,000 homes via the InTouch magazine along with being on the Council's website and hard copies being delivered to publicly accessible buildings and some street interviews. It was noted that Members had also helped distribute and promote the questionnaire.

The response rate was reported and it was noted that 1148 were received resulting in an approximately 3% return rate which was considered a robust number. It was noted that there had been more responses from urban areas compared to rural and there had been an underrepresentation of the under 35 year old bracket but this wasn't considered a surprise. Overall the Intelligence Hub felt the number and range of respondents was more than satisfactory.

The Committee then discussed how the data from the consultation would be used to inform decision making and they felt that residents should be able to see evidence that the results being used by it being referenced in reports and policy development. Members also felt there was a real opportunity to investigate some results deeper through the Overview and Scrutiny process. It was reported that the data from the consultation would be used to help inform service reviews. It was also reported that it was planned to produce a summary report at both 12 and 24 months after the consultation to show how the results have been used and might be appropriate within a service review for resident focus groups to be used to add qualitative data to the review.

The Committee praised Officers on conducting a success consultation at minimal cost with a good level and wide demographic spread of responses.

**RESOLVED:** That the use of the data from the Community Consultation 2014 to inform Service Reviews under the Fit for the Future Programme be agreed.

## PEER REVIEW REPORT

Consideration was given to a report following the Peer Review of Lichfield District Council by the Local Government Association (LGA) in September 2014. It was reported that all Local Authorities had the opportunity to have a peer review and that the District Council had never had one before.

It was reported that the peer review team from the LGA were made up of Members and Officers from other Authorities and organisations and they looked at various areas of the District Council including financial planning, governance and decision making and leadership. The District Council requested that the peer reviewers also looked at two specific areas. These were economic development and overview & scrutiny. It was noted that it was hoped Ed Hammond of the Peer Review Team and an Officer of the Centre for Public Scrutiny, would come back and work with the Council in improving overview and scrutiny.

Some Members of the Committee disagreed with the peer reviewers that relationships between Members and Officers were at times too informal and over-familiar. It was felt that Members and Officers were one big team and a casual style of working aiding this. The Chief Executive reported that her observations had been similar to those of the peer reviewers and felt there were some deep cultural issues that needed addressing at the Council. She reported that these informal relationships could pose a risk to sound governance.

When discussed, it was felt that any decision on changes to the overview and scrutiny structure along with any training would be best after the next election when there would most likely be new Members.

There was some disappointment from some Committee Members that it was reported that there were no surprises in the conclusions of the review even though there were some serious criticisms and it was agreed that a one off meeting of Overview & Scrutiny Members could help identify and prioritise what areas of work needed to be carried out to take the recommendations forward.

**RESOLVED:** (1) That a one off meeting be held to identify what key priorities should be for the Council to address regarding overview & Scrutiny.

(2) That a task group would likely be formed to develop proposals on future Overview & Scrutiny procedures.

(The Meeting finished at 8.04 p.m.)

CHAIRMAN

# LICHFIELD DISTRICT COUNCIL

## FORWARD PLAN

Issued: 05.01.2015

Effective for the Period 01.02.2015 – 31.05.2015

Representations in respect of all the matters shown should be sent in writing to the contact officer indicated at Lichfield District Council, District Council House, Frog Lane, Lichfield, Staffs. WS13 6YU no later than one week before the decision is due to be made. Copies of documents can also be obtained by contacting the relevant Officer. Facsimile: 01543 309899; Telephone: 01543 308000

- Key decisions are:
1. A decision made in connection with setting the Council Tax
  2. Expenditure or savings if they exceed £50,000
  3. A decision which significantly affects the community in two or more wards

MATTER FOR KEY DECISION <sup>(1)</sup>	DECISION EXPECTED TO UNDERTAKE <sup>(2)</sup>	DATE OR PERIOD WHEN DECISION LIKELY <sup>(3)</sup>	CONSULTATION <sup>(4)</sup> INCLUDING CONSULTATION WITH OVERVIEW & SCRUTINY (If no consultation has been undertaken please briefly explain why)	DOCUMENTS AVAILABLE <sup>(5)</sup>	WHO WILL MAKE DECISION <sup>(6)</sup>	CONTACT OFFICER/CABINET MEMBER <sup>(7)</sup>
<b>Money Matters Reports:</b> 1) Council's Financial Performance 2014/15 for first 6 months April to		13/01/2015			Cabinet	<b>OFFICER:</b> Mrs J Kitchen (01543) 308770  <b>CABINET MEMBER:</b> Councillor C Spruce (07879) 714003

MATTER FOR KEY DECISION <sup>(1)</sup>	DECISION EXPECTED TO UNDERTAKE <sup>(2)</sup>	DATE OR PERIOD WHEN DECISION LIKELY <sup>(3)</sup>	CONSULTATION <sup>(4)</sup> INCLUDING CONSULTATION WITH OVERVIEW & SCRUTINY (If no consultation has been undertaken please briefly explain why)	DOCUMENTS AVAILABLE <sup>(5)</sup>	WHO WILL MAKE DECISION <sup>(6)</sup>	CONTACT OFFICER/CABINET MEMBER <sup>(7)</sup>
September 2014 2) Treasury Management Performance for first 6 months April to September 2014						
Managing the Parks Estate	To consider management arrangements of specific parks and open spaces	13/01/2015	Burntwood Town Council Leisure, Parks and Waste Management (O&S) Committee	Service Review Documents Correspondence with Parish Councils	Cabinet	<b>OFFICER:</b> Mr N Turner (01543) 308761 <b>CABINET MEMBER:</b> Councillor A F Smith (01543) 410685
Award of resurfacing contract for Bird Street Car Park	To approve the results of a formal purchasing exercise undertaken in co-operation with SCC	13/01/2015	BID and Town Team Partners have been made aware of this project	Pricing matrix from the tender exercise	Cabinet	<b>OFFICERS:</b> Mr R King (01543) 308060 Mr J Roobottom (01543) 687546 <b>CABINET MEMBER:</b> Councillor C J Spruce (07879) 714003



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Local Land Charges – Shared Service	Approve	13/01/2015	Unison	Business Case	Cabinet	<b>OFFICER:</b> Mr G Cooper (01543) 308155  <b>CABINET MEMBER:</b> Mr I M P Pritchard (01543) 472732
Acceptance of funding from Staffordshire County Council	To agree to accept £166k of funding from the Council as a contribution towards locality commissioning	13/01/2015	None	Offer letters from the County Councils	Cabinet	<b>OFFICER:</b> Mrs H Titterton (01543) 308700  <b>CABINET MEMBER:</b> Councillor C Greatorex (01543) 416677

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<b>Money Matters:</b>  Council Tax Base 2015/16 and Collection Fund Surplus/Deficit 2014/15	To report the Calculation of Business Rates – NNDR1 2015-16 and Council Tax Base 2015/15, together with Collection Fund Surplus (Deficit) for 2014/15	13/01/2015	None		Cabinet	<b>OFFICER:</b> Mrs J Kitchen (01543) 308770  <b>CABINET MEMBER:</b> Councillor C Spruce (07879) 714003
Insurance Contract	To approve the letting of a contract for the Council's Insurance Policies	03/02/2015	Insurance Broker	Tender documents Tender appraisals	Cabinet	<b>OFFICERS:</b> Mr N Turner (01543) 308761 Mr S Langston (01543) 308107  <b>CABINET MEMBER:</b> Councillor A F Smith (01543) 410685

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Sales and Marketing Contract	To approve the letting of a contract for sales and marketing services for Inspire Fitness at Burntwood Leisure Centre	03/02/2015		Tender documents Tender appraisals	Cabinet	<b>OFFICERS:</b> Mr N Turner (01543) 308761 Mr S Hoddinott (01543) 308825  <b>CABINET MEMBER:</b> Councillor A F Smith (01543) 410685
Equality Statement 2015	To approve the Equality Statement 2015	03/02/2015	Consultation with Community, Housing & Health (Overview & Scrutiny) Committee	Equality Statement 2015	Cabinet	<b>OFFICER:</b> Mr C Gibbins (01543) 308702  <b>CABINET MEMBER:</b> Councillor C Greatorex (01543) 416677

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Better Care Fund	To endorse progress on the development of the Better Care Fund for Staffordshire	03/02/2015	To be included on the Work Programme for CHH O&S in 14/15	Member decision report (reported to Council in April) Better Care Fund submission	Cabinet	<b>OFFICER:</b> Ms H Titterton (01543) 308700  <b>CABINET MEMBER:</b> Councillor C Greatorex (01543) 416677
Annual Action Plan 2015/16	To approve the content of the Plan for the next financial year	03/02/2015	Strategic (Overview & Scrutiny) Committee	Draft Annual Action Plan	Cabinet	<b>OFFICER:</b> Ms H Titterton (01543) 308700  <b>CABINET MEMBER:</b> Councillor C Greatorex (01543) 416677

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Friarsgate – Future Actions	To agree the future actions regarding the Friarsgate Development	03/02/2015	Presentation to Economic Growth, Environment & Development (O&S) Committee 11/11/2014		Cabinet	<b>OFFICERS:</b> Mr R King (01543) 308060 Miss H Cook (01543) 308252  <b>CABINET MEMBER:</b> Councillor M Wilcox (01283) 791761
Update on and progression of Implementation arrangements for Community Infrastructure Levy (CIL)	Approval to consult on the draft Charging Schedule for the Community Infrastructure Levy (CIL)	03/02/2015	Consultation has been undertaken with Key Officers and a representative from all four of the Scrutiny Committees and Leadership	Infrastructure Officer and Member Working Group Minutes, CIL task and finish group action notes PID, reports and supplementary information	Cabinet	<b>OFFICERS:</b> Mrs A Coates (01543) 308149 Mrs C Eggington (01543) 308193 Mr C Jordon (01543) 308202  <b>CABINET MEMBER:</b> Councillor I Pritchard (01543) 472732

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New powers under the Anti-Social Behaviour, Crime and Policing Act 2014	To agree amendments to the Constitution and to set the Level of Fixed Penalty Notices	03/02/2015	Community, Housing and Health (Overview and Scrutiny) Committee 14/1/15		Cabinet	<b>OFFICERS:</b> Mr G Davies (01543) 308741 Ms J Coleman (01543) 308005  <b>CABINET MEMBER:</b> Councillor C Greatorex (01543) 416677
Non Domestic Rates – Discretionary rate relief	To approve changes to the existing policy	03/02/2015				<b>OFFICER:</b> Mrs J Kitchen (01543) 308770  <b>CABINET MEMBER:</b> Councillor C Spruce (07879) 714003
Acceptance of Funding from Police and Crime Commissioner (PCC)	To agree to accept funding from the PCC as a contribution towards locality commissioning	03/02/2015	Report on locality commissioning to CHH O&S in January which referred to this income	Letter offering funding from PCC	Cabinet	<b>OFFICER:</b> Mrs H Titterton (01543) 308700  <b>CABINET MEMBER:</b> Councillor C Greatorex (01543) 416677

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Acceptance of funding from South East Staffordshire and Seisdon Peninsula Clinical Commissioning Group	To agree to accept funding from CCG as a contribution towards locality commissioning	03/02/2015	Report on locality commissioning to CHH O&S in January which referred to this income	Letter offering funding from CCG	Cabinet	<b>OFFICER:</b> Mrs H Titterton (01543) 308700  <b>CABINET MEMBER:</b> Councillor C Greatorex (01543) 416677
<b>Money Matters Reports:</b> 1) Medium Term Financial Strategy 2) Treasury Management Policy and Strategy 3) Council's Tax Resolution 2015/16		17/02/2015			Council	<b>OFFICER:</b> Mrs J Kitchen (01543) 308770  <b>CABINET MEMBER:</b> Councillor C Spruce (07879) 714003

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New powers under the Anti-Social Behaviour, Crime and Policing Act 2014	To agree amendments to the Constitution and to set the Level of Fixed Penalty Notices	17/02/2015	Community, Housing and Health (Overview and Scrutiny) Committee 14/1/15		Council	<b>OFFICERS:</b> Mr G Davies (01543) 308741 Ms J Coleman (01543) 308005  <b>CABINET MEMBER:</b> Councillor C Greatorex (01543) 416677
Action on an Empty Property	To consider options available to bring an empty property back into use and determination of the appropriate option.	10/03/2015			Cabinet	<b>OFFICER:</b> Mr C Gibbins (01543) 308072  <b>CABINET MEMBER:</b> Councillor C Greatorex (01543) 416677
Review of Corporate Printers Contract	Award of new contract	10/03/2015	Consultation with business managers		Cabinet	<b>OFFICER:</b> Mr K Sleeman (01543) 308120  <b>CABINET MEMBER:</b> Councillor I Eadie (01543) 268157



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Safeguarding Policy	Approval of updated Policy	07/04/2015	Report to be considered by CHH (O&S) 26/03/2015	Report to CHH O&S	Cabinet	<b>OFFICER:</b> Mr C Gibbins (01543) 308702  <b>CABINET MEMBER:</b> Councillor C Greatorex (01543) 416677
Exception and Exemptions Financial Regulations 2014/15		08/04/2015			Audit Committee	<b>OFFICER:</b> Mrs J Kitchen (01543) 308770  <b>CABINET MEMBER:</b> Councillor C Spruce (07879) 714003
Review of the Financial Regulations and Contract Standing Orders		08/04/2015			Audit Committee	<b>OFFICER:</b> Mrs J Kitchen (01543) 308770  <b>CABINET MEMBER:</b> Councillor C Spruce (07879) 714003

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Temporary accommodation review	To consider a final report on the review of temporary accommodation	26/05/2015	Report to be considered by CHH (O&S) 26/03/2015	Report to CHH O&S	Cabinet	<b>OFFICER:</b> Mr C Gibbins (01543) 308702  <b>CABINET MEMBER:</b> Councillor C Greatorex (01543) 416677
Housing services review	To consider a final report on the review of Housing Services	July 2015	Report to be considered by CHH (O&S) June 2015	Report to CHH O&S	Cabinet	<b>OFFICER:</b> Mr C Gibbins (01543) 308702  <b>CABINET MEMBER:</b> Councillor C Greatorex (01543) 416677

1. The matter in respect of which the decision is to be made
2. What decision the Council will be asked to make
3. A date on which, or period within which, the decision will be made
4. What groups of people and/or organisations will be consulted before the decision is made and how the consultation will be carried out.
5. What background documents will be available to the person or Committee making the decision
6. Who will make the decision, i.e. the Cabinet, an Cabinet Member alone, an Officer under Delegated Powers
7. The Officer or Member who should be contacted regarding the matter under consideration.

## MEMBERS OF THE CABINET

**Leader of Cabinet and Cabinet Member for Communications**  
**Deputy Leader of Cabinet and**  
**Cabinet Member for Economic Growth, Tourism & Development**  
**Cabinet Member for Leisure and Parks**  
**Cabinet Member for Community, Housing and Health**  
**Cabinet Member for I.T. and Waste Management**  
**Cabinet Member for Finance, Democratic and Legal Services**

**Councillor M. J. Wilcox**

**Councillor I. M. P. Pritchard**  
**Councillor A. F. Smith**  
**Councillor C. Greatorex**  
**Councillor I. M. Eadie**  
**Councillor C. J. Spruce**

## MEMBERS OF THE COUNCIL

Allsopp, Mrs J A  
Arnold, Mrs S P  
Awty, R J  
Bacon, B F  
Bacon, Mrs N  
Barnett, Mrs S A  
Bland, Mrs M P  
Boyle, Mrs M G  
Constable, Mrs B L  
Constable, D H  
Cox, R E  
Derrick, B W  
Drinkwater E N

Eadie, I M  
Eagland, Mrs J M  
Evans, Mrs C D  
Fisher, Mrs H E  
Flowith, Mrs L E  
Greatorex, C  
Hancocks, Mrs R  
Heath, H R  
Hogan, P  
Humphreys, K P  
Isaacs, D  
Leytham, D J  
Marshall, T

Mosson, R C  
Mynott, G  
Norman, S G  
Pearce, A  
Perkins, Mrs E C  
Powell, J J R  
Pritchard, I M P  
Pullen, D.R.  
Richards, Mrs V  
Roberts, N J  
Salter, D F  
Smedley, D  
Smith, A F

Smith, D S  
Spruce, C J  
Stanhope MBE, Mrs M  
Strachan, R W  
Taylor, S D  
Thomas, T J  
Tittley, M.C  
Tranter, Mrs H  
Walker, J T  
Warfield, M A  
White, A G  
Wilcox, M J  
Willis-Croft, K A

Wilson, B  
Woodward, Mrs S E  
Yeates, B W

**STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE DRAFT WORK PROGRAMME FOR 2014-15 (v8)**

Item	17th June 2014	23 <sup>rd</sup> Sept 2014	18 <sup>th</sup> Nov 2014	21 <sup>st</sup> Jan 2015	Details/Reasons	Link to 2014/15 One Year Action Plan	Officer	Member Lead
<b>Policy Development</b>								
Terms of Reference	✓				To remind the Committee of the terms of reference and suggest any amendments		RK	Cllr Spruce
Compliments and Complaints	✓				To provide members with an overview of the compliments and complaints received corporately during the last financial year and a more detailed analysis of those which are of specific relevance to this Committee	A Well Managed Council - We'll maximise the council's performance, innovation and efficiency, so we use our resources well and deliver good quality and better value services	RK	Cllr Spruce
Fit for Future	BP	BP			This will outline progress on the programme to date and propose budget reductions	A Well Managed Council - We'll keep a tight control and management of the council's finances	DT	Cllr Wilcox
End of Year Performance Overview for 2013/2014	✓				Scrutinise performance against the projects and activities set out in the One Year Action Plan 12/13 which fall within the remit of the Strategic O&S Committee	A Well Managed Council - We'll maximise the council's performance, innovation and efficiency, so we use our resources well and deliver good quality and better value services	HT	Cllr Greatorex

**STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE DRAFT WORK PROGRAMME FOR 2014-15** (v8)

Item	17th June 2014	23 <sup>rd</sup> Sept 2014	18 <sup>th</sup> Nov 2014	21 <sup>st</sup> Jan 2015	Details/Reasons	Link to 2014/15 One Year Action Plan	Officer	Member Lead
Council's Financial Performance for 2013/14		✓			Scrutinise the Council's performance against the Medium Term Financial Strategy	A Well Managed Council - We'll keep a tight control and management of the council's finances	JK	Cllr Spruce
Statement of Accounts 2013/14		✓			Scrutinise the Statement of Accounts	A Well Managed Council - We'll maximise the council's performance, innovation and efficiency, so we use our resources well and deliver good quality and better value services	JK	Cllr Spruce
Treasury Management Outturn & Prudential Indicators for 2013/14		✓			Scrutinise performance of the Treasury Management Strategy	A Well Managed Council - We'll maximise the council's performance, innovation and efficiency, so we use our resources well and deliver good quality and better value services	JK	Cllr Spruce
Asset Review		✓			Confidential item relating to the potential disposal of assets held by the District Council.		RKK	Cllr Spruce
Half yearly performance report for 2014/15			✓		Scrutinise performance against the projects and activities set out in the One Year Action Plan 13/14 which fall within the remit of the Strategic O&S Committee	A Well Managed Council - We'll maximise the council's performance, innovation and efficiency, so we use our resources well and deliver good quality and better value services	RK	Cllr Spruce

**STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE DRAFT WORK PROGRAMME FOR 2014-15 (v8)**

Item	17th June 2014	23 <sup>rd</sup> Sept 2014	18 <sup>th</sup> Nov 2014	21 <sup>st</sup> Jan 2015	Details/Reasons	Link to 2014/15 One Year Action Plan	Officer	Member Lead
Half-yearly report on financial performance for 2014/15			✓		Monitor the position in relation to the Medium Term Financial Strategy for 2013/2014	A Well Managed Council - We'll keep a tight control and management of the council's finances	JK	Cllr Spruce
Half Year Report on Treasury Management Services and Projected Prudential Indicators 2014/15			✓		Monitor Treasury Management activities and Prudential Indicators	A Well Managed Council - We'll keep a tight control and management of the council's finances	JK	Cllr Spruce
Medium Term Financial Forecast for Revenue /Capital 2012/15				✓	Scrutinise the Council's resource plans in relation to the delivery of the Strategic Plan priorities	A Well Managed Council - We'll keep a tight control and management of the council's finances	JK	Cllr Spruce
Treasury Management Strategy Report				✓	Outline District Council's strategy to manage investments and banking and control risks	A Well Managed Council - We'll keep a tight control and management of the council's finances	JK	Cllr Spruce
One Year Action Plan 2015/16				✓	This will accompany the three year medium term financial forecast for Revenue/Capital and reflect the one year actions needed to deliver the Plan for Lichfield District	A Well Managed Council - We'll maximise the council's performance, innovation and efficiency, so we use our resources well and deliver good quality and better value services	HT	Cllr Greatorex

**STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE DRAFT WORK PROGRAMME FOR 2014-15** (v8)

Item	17th June 2014	23 <sup>rd</sup> Sept 2014	18 <sup>th</sup> Nov 2014	21 <sup>st</sup> Jan 2015	Details/Reasons	Link to 2014/15 One Year Action Plan	Officer	Member Lead
F4F Service Review - RBS				✓	To describe the proposals to initiate and complete the service review for Lichfield District Council's (LDC) RBS.	A Well Managed Council - We'll keep a tight control and management of the council's finances	JK	Cllr Spruce
Third Quarter Review of Performance against Financial Strategy 2014/15				✓	Scrutinise financial performance and the revised estimate for the full year.	A Well Managed Council - We'll keep a tight control and management of the council's finances	JK	Cllr Spruce
<b>Briefing Papers</b>								
Individual Electoral Registration	✓				Update on progress to implement individual electoral registration		RK	Cllr Spruce

## SUBMISSION TO STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE

Date : 21 January 2015

Agenda Item: 5

Contact Officer: Mrs Jane Kitchen

Telephone: 01543 308770

Local Ward Members:  
Full Council

### SUBMISSION BY CABINET MEMBER FOR FINANCE, DEMOCRATIC AND LEGAL SERVICES

#### Money Matters : 2014/15 Review of Financial Performance against the Financial Strategy

#### 1. Purpose of Report

- 1.1 To provide Members with the opportunity to scrutinise Lichfield District Council's (LDC) financial performance for April to November 2014 for the financial year 2014/15.
- 1.2 The Revenue Budget on a Net Direct Expenditure basis is shown in the table at 2.13.
- 1.3 The projected net operating cost of **£10,286,140** is based on performance to 30 November 2014 and a forecast for the period to the end of March 2015.
- 1.4 At eight months it is projected LDC will be transferring **£91,640 TO** General Reserves, rather than the budgeted transfer **FROM** General Reserves of **£240,290**. This means General Reserves will be **£331,930** higher than planned at the end of 2014/15.
- 1.5 To provide the views of Members from this Committee to Cabinet at its meeting on 3 February 2015.

#### 2. Background

##### Revenue Budget

- 2.1 As part of leading the organisation, managers have to account to Members for their management of financial resources and for performance of the organisation, against what the Council has agreed.
- 2.2 'A Plan for Lichfield District 2012-16' approved by Council in February 2012, sets out the ambition, focus and priorities for the next four years, covering the life of this Council. This Plan includes milestones for each year, so that we can bring appropriate focus to delivery.
- 2.3 The Leadership Team, together with their Cabinet Members, are responsible for delivering against the milestones for the 'Plan for Lichfield District 2012-16' and are required to report progress on this to Cabinet, enabling Cabinet as a whole to review the performance of the organisation.
- 2.4 The Medium Term Financial Strategy (Revenue and Capital) 2014-17 (MTFS (R&C) 2014-17) sets out the allocation of resources and the policies and parameters within which managers are required to operate. We are required by Law to set a three year balanced Budget. The MTFS (R&C) 2014-17 relevant to this report covers R&C expenditure that was approved on 24 February 2014 and covers Revised Estimates 2013/14 and Original Estimates 2014/15 to 2016/17.



- 2.5 Aspects including Community Safety, Human Rights, Financial Implications, Sustainability Issues and Risk Management are all dealt with as part of this report, so have not been separately identified.
- 2.6 The level of recent change in Local Government Finance is unprecedented, ranging from the Localisation of Council Tax Support, wider Welfare Reforms and local retention of an element of Non Domestic Rates (NDR). This change introduces some significant additional financial risks, such as a major proportion of LDC's funding being dependent on the level of NDR.
- 2.7 As a consequence, preparation and planning to implement changes and identify strategies that can be used to manage these risks continue during 2014/15. These risks, together with Financial Successes, Challenges and Future Actions are shown in more detail at **APPENDIX A**.
- 2.8 In future, LDC is likely to be funded principally by income generated locally through Council Tax (CT), NDR, New Homes Bonus (NHB) and Fees and Charges. Therefore, the management of CT, NDR and Sundry Income Debt is a key component of LDC's funding and is shown in **APPENDIX B**.
- 2.9 CT collection has decreased by **0.34%** although this is largely consistent with the previous year. Arrears outstanding are marginally higher when compared to last year.
- 2.10 To date, NDR collection is down by **3.49%**. The reasons for this are mainly due to the inclusion of the new Premier Inn and the option to pay over twelve months in this financial year rather than over the first ten months of the year has had an impact, as 234 companies have elected to pay this way.
- 2.11 The Approved Fit for the Future (F4F) savings detailed below, have been built into the Approved Budget for 2014/15 and subsequent years of the MTFS (R&C) 2014-17 :

Area	2014/15 £	2015/16 £	2016/17 £	Total £
Old Mining College	0	(20,720)	(20,720)	(41,440)
Lichfield Garrick	0	0	(150,000)	(150,000)
<b>Sub Total</b>	<b>0</b>	<b>(20,720)</b>	<b>(170,720)</b>	<b>(191,440)</b>
Reported in Money Matters Quarter 2	(183,590)	(330,510)	(408,430)	(922,530)
<b>Total Approved Savings</b>	<b>(183,590)</b>	<b>(351,230)</b>	<b>(579,150)</b>	<b>(1,113,970)</b>
Medium Term Financial Strategy	£0	(990,300)	(1,494,270)	(2,484,570)
<b>Remaining Savings to be Identified</b>	<b>£0</b>	<b>£639,070</b>	<b>£915,120</b>	<b>£1,554,190</b>

#### LDC's Projected Collection Fund Surpluses or Deficits :

CT Surplus	131,000
NDR Surplus	138,000
<b>Total</b>	<b>£269,000</b>

- 2.12 Further F4F savings will continue to be identified as Service Reviews proceed throughout the financial year. When any Reviews are approved by Council, relevant income/savings will be built into the MTFS (R&C) 2014-17.
- 2.13 The financial performance covering the period April to November 2014 has been reviewed and below we report our eight months projection for the full year against the Budget.

## The Revenue Budget on a Net Direct Expenditure Basis

Area	2014/15					
	Original Budget £	Approved Budget £	Year to Date Actual £	Projected Outturn £	Projected Variance £	● = adverse ☑ = favourable
Chief Executive	888,430	753,490	469,499	886,980	133,490	●
Finance, Revenues and Benefits	2,114,230	2,230,380	2,055,667	2,152,640	(77,740)	☑
Leisure and Parks	3,252,140	3,203,560	1,877,309	3,135,250	(68,310)	☑
Democratic, Development and Legal	639,300	510,160	(116,757)	280,250	(229,910)	☑
Community, Housing and Health	2,251,740	2,250,320	1,342,143	2,165,330	(84,990)	☑
Joint Waste	1,606,350	1,596,490	1,808,417	1,494,990	(101,500)	☑
<b>Net Cost of Services</b>	<b>10,752,190</b>	<b>10,544,400</b>	<b>7,436,278</b>	<b>10,115,440</b>	<b>(428,960)</b>	☑
Net Treasury Position	62,470	79,670	(38,454)	1,700	(77,970)	☑
Revenue Contributions to the Capital Programme	158,000	169,000	0	169,000	-	☑
<b>Net Operating Cost</b>	<b>10,972,660</b>	<b>10,793,070</b>	<b>7,397,824</b>	<b>10,286,140</b>	<b>(506,930)</b>	☑
<b>Less: Transfer (from) / to General Reserve</b>	<b>(358,880)</b>	<b>(240,290)</b>	<b>0</b>	<b>91,640</b>	<b>331,930</b>	☑
<b>Add: Transfer to Earmarked Reserves</b>	<b>0</b>	<b>92,000</b>	<b>0</b>	<b>92,000</b>	<b>-</b>	☑
<b>Net Revenue Expenditure</b>	<b>10,613,780</b>	<b>10,644,780</b>	<b>7,397,824</b>	<b>10,469,780</b>	<b>(175,000)</b>	☑
<b>Financed by:</b>						
Revenue Support Grant	(2,116,000)	(2,116,000)	(1,216,883)	(2,116,000)	-	
Retained Business Rates	(1,986,000)	(2,015,000)	(978,801)	(1,840,000)	175,000	●
Business Rates Cap Reimbursement	(20,000)	(20,000)	(12,440)	(20,000)	-	
Less Local Council Tax Support paid to Parishes	135,000	135,000	80,817	135,000	-	
New Homes Bonus	(1,194,000)	(1,202,000)	(803,989)	(1,202,000)	-	
Returned New Homes Bonus	(6,000)	0	0	0	-	
Collection Fund (Surplus)Deficit	(63,000)	(63,000)	(37,566)	(63,000)	-	
<b>Total District Council purposes</b>	<b>5,363,780</b>	<b>5,363,780</b>	<b>3,218,268</b>	<b>5,363,780</b>	<b>-</b>	

2.14 The Gross Income and Expenditure to support this table are shown at **APPENDIX C**. This gives members more of an insight into the gross flows of Income and Expenditure expected to move through the Council within the year.

## Key Issues - Budget Monitoring Eight Months 2014/15

2.15 The Net Operating Cost projected outturn at 31 March 2015 is estimated to be better than the Approved Budget by **£506,930**. This has been generated by the following items :

### Chief Executive **£133,490** adverse variance:

- **£200,000** Capacity Building – It is vital that in order to meet the financial savings targets through the fit for the future programme, and in order to address some of the corporate issues raised through the Peer review that additional capacity is temporarily bought into the organisation. This earmarked reserve from under spends will assist in the delivery of approximately £2.0m over the next MTFs, and as such can be seen as a ‘Spend to Save’ measure.
- **(£4,430)** Additional income from charging of services to external organisations such as the District Councils (DC’s) Network.
- **(£10,780)** Employee cost savings.
- **(£13,330)** Savings in Web Development Costs.
- **(£10,870)** Reduction in printing contract costs.
- **(£7,390)** Savings in Civic Expenses.
- **(£11,030)** Savings as a result of a reduction in Disclosure Barring Services (DBS) checks and Medical Fees.
- **(£4,260)** Reduced spend in year on Member Training given new Council in 2015.
- **(£4,420)** Savings as a result of renegotiation of Payroll Service Level Agreement with Stafford Borough Council.

### Finance, Revenues & Benefits **(£77,740)** favourable variance:

- **(£39,000)** Employee cost savings due to vacant posts.
- **(£30,000)** Additional Court Fee income.
- **(£32,000)** Additional CT overpayments.
- **(£9,000)** Earmarked Reserves that are no longer required due to staffing changes within IT.
- **£33,000** Additional IT software contract to maintain the IT infrastructure.
- **(£740)** Other small items.

### Leisure and Parks **(£68,310)** favourable variance:

- **(£14,700)** Employee cost savings within Parks due to reduced reliance on casual staff since the new annualised hours contracts were introduced, plus one member of staff is on secondment to cover maternity leave **£10,100** plus smaller one-off savings identified on other cost centres.
- **(£5,000)** Savings on Utility bills as a result of the mild weather.
- **(£10,610)** Small savings on Supplies and Services.
- **(£38,000)** Savings on Public Conveniences **(£20,000)** due to ill-health retirement of one attendant and rescheduling of hours of the remaining two attendants, in addition to underspending on premises costs. Underspend of **(£18,000)** on the Depot, mainly due to lower premises, equipment and utilities expenditure anticipated this year.

### Democratic, Development and Legal Services **(£229,910)** favourable variance:

- **£13,730** Reduction in property rental income mainly related to the Three Spires Shopping Centre.
- **(£6,500)** Additional income - recharge of property insurance to leaseholders.

- (£5,360) Reduction in subscription fees.
- (£171,330) Savings in employee costs, vacant posts, reduction in hours and Members' Allowances.
- (£840) Additional Income from Legal Services.
- (£82,260) Additional Planning Fee Income.
- (£35,000) Savings in contribution towards HS2 Petition.
- £36,480 Reduction in Section 106 Monitoring Fees.
- (£54,000) Additional car parks income and reduced premises costs net of increases in NDR costs.
- £10,000 Insurance Excess payment - Bus Station.
- (£8,700) Lower expenditure on district highways this year (this is demand led).
- £94,460 Reduction in income re Management fees Special Areas of Conservation Cannock Chase, and River Mease.
- (£20,590) Section 31 New Burdens Grant - Community Assets Earmarked Reserve no longer required.

The Localism Act 2011 places a duty on District Council's to administer a scheme to identify assets of community value whether they are in public or private ownership. If assets on the list are put up for sale a moratorium period can be triggered to allow time for the local community to raise funds and prepare a bid for the asset. Private owners may claim compensation for loss and expenses incurred through the asset being listed or previously listed. This includes claims arising from delays caused by the interim or full moratorium period; and for legal expenses incurred in a successful appeal to the Tribunal. It is deemed that the risk to LDC is very low.

**Community, Housing and Health (£84,990) favourable variance:**

- (£25,640) Section 31 New Burdens Grant - Community Right to Challenge. Earmarked Reserve no longer required. The Community Right to Challenge requires relevant authorities (including DC's) to consider expressions of interest in running Council services which may be received from various bodies specified in legislation, and when expressions of interest are accepted, carry out a procurement exercise. There may be requirements for specialist legal, procurement and personnel management advice, as well as support to draft service specifications. It is deemed that the risk to the authority is very low.
- (£17,800) Savings in employee costs, vacant posts less turnover savings.
- (£11,320) Additional Income from Rental Income and Residential Caravan Site Licences
- (£5,140) Savings as a result of ending of Car Lease agreements.
- (£10,400) Savings as a result of changes Disabled Facilities Funding Administration.
- (£9,690) Savings as a result of an agreement with Fusion Credit to provide and administer Homeless Prevention Fund grants.
- (£5,000) CCTV maintenance expenditure expected to be lower than budgeted.

**Joint Waste Service (£101,500) favourable variance:**

- (£12,250) Civic Amenity Lease (built into base Budget for 2015/16).
- (£16,420) Reduction in Leasing payments.
- (£7,000) Additional income from second brown bins.
- (£26,000) Compensation from Her Majesty's Revenues and Customs (HMRC) related to VAT charged on Trade Refuse following a successful claim by LDC's Internal Business Support Services and Price Waterhouse Cooper.
- (£36,800) Increase in income from trade customers not anticipated when Budget was set.
- (£3,030) Additional Sundry Waste Income not budgeted for.

## Net Treasury Position including Investment Interest (£77,970) favourable variance:

2.16 Further details are provided in the Treasury Management section of this report.

### Council Tax (CT)

- 2.17 The Local Government Finance Act 1988 as amended by Schedule 10 of the Local Government Act 1992 sets out the statutory provisions concerning the operation of the Collection Fund.
- 2.18 The Local Authorities (Funds) (England) Regulations 1992 requires the Billing Authority to estimate on 15 January any (surplus)/deficit in their Collection Fund for the year.
- 2.19 Any such estimated (surplus)/deficit are shared between the Billing Authority and its major precepting authorities. It is apportioned on the basis of the Billing Authority's demand, and each major precepting authority's precept.
- 2.20 The detailed Collection Fund for 2014/15 is shown in detail at **APPENDIX D**. Latest projections indicates a surplus on the Collection Fund for CT of **£1,005,460**. The reason this surplus is projected is that we estimated a CT base of **35,295** and the projected CT base for 2014/15 is **36,093** this is an increase of **798**. This increase is due to a variety of reasons including changes to discounts and exemptions, new properties and the impact of the LCTS Scheme.
- 2.21 LDC's share of this projected surplus would be **£131,115** and this would be shown in the Budget in 2015/16. The growth in CT base is also likely to be permanent and this means this can also be incorporated into future year's budgets.

### Non Domestic Rates (NDR)

- 2.22 From 1 April 2013, LDC is able to retain a share of any NDR growth within the area. This is one of a number of significant changes to the way local Government is funded and whilst it provides opportunities for additional income it also carries some significant risks.
- 2.23 These risks include the financial implications resulting from business closures. Given the level of financial risk and its potential impact on LDC's Budget, it is critical that this area is monitored closely. The budgeted level of NDR was submitted in the NNDR1 (National Non Domestic Rates) return. The actual position at the end of September 2014 and a projection for the year for the NDR Collection Fund is shown in **APPENDIX D**.
- 2.24 LDC's share (**40%**) of the NDR in the Collection Fund plus applicable Section 31 Grants for designated reliefs is used to assess the level of growth or decline in NDR in each financial year. This information is then used to calculate the level of levy payments to or safety net income from the Greater Birmingham and Solihull Business Rates Pool (GBSBP)
- 2.25 On 30 July 2014, Leaders of the GBSBP agreed to a three year levy distribution basis, whereby **32.5%** of levy payable will be returned to the Authority.
- 2.26 Whilst these initial projections are currently indicating a positive level of retained growth there are two key risks that are difficult to project:
- a) The level of Mandatory Reliefs relating to empty and partly occupied premises;
  - b) The level of appeals that are still outstanding and their impact on retained growth.
- 2.27 LDC's Budget for its share of NDR is required under Statute to be based on the estimated income contained in the 2014/15 NNDR 1 form which is **£12,516,063** not the actual level of income contained within the Collection Fund of **£12,794,875**. Any NDR growth or decline will be included in future financial years as part of the Collection Fund surplus or deficit.

2.28 The revised projection now includes the actual level of award of Retail Relief at **£399,000** compared to **£537,000** and a revised projection of **£8,467** for Long Term Empty Properties, compared to **£796,252**. These revised projections will result in budget variances related to when income is received and these are detailed below:

- Less relief is awarded and therefore the income in the Collection Fund is higher resulting in a surplus that will be distributed in 2015/16.
- The level of Section 31 Grant in 2014/15 related to these reliefs will be lower than estimated in LDC's Budget, although this reduction has been partially reduced by applying the **£180,000** Business rates reserve in 2014/15.

2.29 The NDR Collection Fund is projecting a surplus in 2014/15 of **£344,298** and LDC's share would be **£137,719** and this would be shown in the Budget in 2015/16.

2.30 The Half Year Money Matters Report projected a deficit of **£146,287** with LDC's share being **£58,515**.

## Capital Programme

### Managing the Current Budget

2.31 Council approved an original Budget for 2014/15 of **£2,422,000** on 24 February 2014.

2.32 There was slippage of **£482,500** in the Capital Programme in 2013/14 that has been carried forward to 2014/15.

2.33 This has resulted in a revised Budget for 2014/15 of **£2,904,500**.

2.34 In addition, there have been a number of other changes, such as the allocation of Section 106, re-phasing of some project spend and new grant awards that total **£266,500** that resulted in a current Budget of **£3,171,000**.

2.35 Below we look at spend by strategic priority for the 2014/15 financial year, focussing on the actual position for the year, compared with the Current Budget.

Priority	Original Budget £	Current Budget £	Year to Date Total £	Projected Outturn £	Projected Variance £	
We'll support local people	750,000	1,135,500	393,794	1,135,500	0	☑
We'll support local places	119,000	237,500	82,263	237,500	0	☑
We'll boost local businesses	413,000	850,000	58,289	850,000	0	☑
How our core principles help us deliver	1,140,000	948,000	502,054	948,000	0	☑
<b>Total Capital Expenditure</b>	<b>£2,422,000</b>	<b>£3,171,000</b>	<b>£1,036,400</b>	<b>£3,171,000</b>	<b>£0</b>	

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

2.36 An important element of the Capital Programme relates to asset replacement. The renewals of vehicles, equipment and systems renewals during 2014/15 is shown in detail at **APPENDIX E**.

## Capital Investment at Burntwood Leisure Centre - the Sinking Fund

2.37 Under the terms of the funding agreement with the National Lottery in relation to Burntwood Leisure Centre (BLC), LDC is required to set aside resources to be used for the future repair and renewal of BLC in a 'Sinking Fund'. Both the level of investment and BLC in terms of LDC's leisure provision is significant, therefore, monitoring information is provided in the table on page 8 for all approved projects in 2014/15 :

Project Name	Annual Spend in 2014/15		
	Current Budget £	Projected Outturn £	Variance £
Planned maintenance	56,000	56,000	0
<b>TOTAL</b>	<b>£56,000</b>	<b>£56,000</b>	<b>£0</b>

### Treasury Management

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

### Working Balance, Reserves and Provisions

2.39 The following General Revenue Reserves are available to assist the Council in meeting General Fund expenditure from 2013 to 2016 as part of the MTFS :

Detail	2014/2015 £	2015/2016 £	2016/2017 £
General Reserves available as at 1 April	2,810,190	2,901,830	2,901,830
Less : Contribution from/(to) Revenue Budget	91,640	0	0
<b>General Reserves balance as at 31 March</b>	<b>2,901,830</b>	<b>2,901,830</b>	<b>2,901,830</b>
Minimum Reserves requirement policy	(1,000,000)	(1,000,000)	(1,000,000)
<b>General Reserves available for use</b>	<b>£1,901,830</b>	<b>£1,901,830</b>	<b>£1,901,830</b>

**Note:** The Approved MTFS (R&C) 2014-17 forecasts **£nil** utilisation of General Reserves from 2015/16. However, a **£331,930** favourable variance forecast at eight months, means LDC has additional reserves of **£1,901,830** to be utilised in the MTFS 2015-2018.

## 3. Recommendations

- 3.1 To note the report and issues raised within.
- 3.2 To note that Leadership Team with Cabinet Members, will continue to closely monitor and manage the MTFS and the Capital Financial Strategy 2014-17.

#### **4. Financial Implications**

- 4.1 At this eight months stage in the year, for the period up to November 2014, we forecast a contribution to General Reserves of **£91,640** will be made, against a budgeted contribution of **£240,290** from General Reserves.
- 4.2 Further detailed analysis on the Financial Performance up to November 2014 is shown in the attached Appendices.

#### **5. Plan for Lichfield District Implications**

- 5.1 The MTF5 (R&C) 2014-17 underpins the delivery of the '*Plan for Lichfield District 2012-16.*'

#### **6. Community Benefits**

- 6.1 The robust management of LDC's budget is seen as a key priority for LDC with a target of being within **£250,000** of the Approved Budget being set. This eight month Projected Outturn will now become the Revised Budget for 2014/15 and financial performance will be monitored against this Revised Budget.

#### **7. Equality & Diversity Implications**

- 7.1 There are no additional Equality and Diversity Implications.

#### **8. Human Rights Issues**

- 8.1 There are no Human Rights Issues.

#### **9. Crime and Safety Issues**

- 9.1 There are no additional Crime and Safety Issues.



## 10. Risk Management Issues

Risk Description	Likelihood/ Impact	Status	Countermeasure
<b>A</b> Management of the Council's Revenue and Capital budget is critical to the successful delivery of key Council's priorities, and control measures need to be in place to manage the re-scheduling or re-profiling of projects and to respond to the changing financial climate.	Medium/ High	Financial	Close monitoring of expenditure. Maximising the potential of efficiency gains. Early identification of any unexpected impact on costs, for example, central Government policy changes, movement in the markets, and changes in the economic climate. Prioritisation of capital expenditure. Project management of projects.
<b>B</b> Planned Capital receipts are not received.	Low/ Low	Financial	The budget for Capital receipts is monitored as part of the LDC's normal Budget monitoring procedures.
<b>C</b> The Performance of the Economy	High/ High	Financial/ Economic/ Environmental/ Social/Legal	Close monitoring of the higher risk key business areas and those areas affected by the downturn. Managers continuously gather and analyse information and are taking action where it is possible to do so.
<b>D</b> Friary Outer Car Park	Medium/ Low	Financial	Close monitoring of the position as part of LDC's normal Budget monitoring procedures.

### Background Documents:

CIPFA Code of Practice for Treasury Management in the Public Services

Money Matters : Medium Term Financial Strategy (Revenue and Capital) 2014-17 - Cabinet 4 February 2014.

Money Matters : 2014/15 Review of Financial Performance against the Financial Strategy (3 months) - Cabinet 9 September 2014

Money Matters : 2014/15 Review of Financial Performance against the Financial Strategy (6 months) - Cabinet 18 November 2014

Prudential Code for Capital Finance in Local Authorities

## Successes, Risks, Challenges and Future Actions

Financial Successes	Financial Risks
<p>The Leaders of the GBSBP have agreed a three year (2014/15, 2015/16 and 2016/17) distribution basis for retained levy. The levy will be distributed as follows:</p> <p>Economic Development <b>40%</b>            Safety Net <b>20%</b> (up to a maximum of <b>£2m</b>)            LDC and other tariff Authorities <b>32.5%</b>            Birmingham City Council <b>7.5%</b></p> <p>LDC has been notified by Bromford that it will receive <b>£275,000</b> as its share of Right to Buy sales from former Council Houses.</p>	<p>Government funding is in part replaced by the retention of Business Rates meaning we are more financially reliant on local economic growth. This represents a significant change to local Government funding.</p> <p>Car Parking Income potentially could be impacted by a number of external factors such as alternative forms of transport, internet shopping and alternative shopping centres and car parking.</p> <p>The new Dry Recycling contract is currently being finalised and this could potentially impact on the level of expenditure and income in the Joint Waste Service.</p>
Financial Challenges	Finance Future Actions
<p>To ensure businesses claim their entitlements to Business Rate Reliefs.</p> <p>To ensure LDC's financial performance is within <b>£250,000</b> of the Approved Revenue Budget.</p> <p>To monitor the impact of the Localisation of Business Rates on LDC's Budget.</p> <p>To monitor the impact of technical changes and LCTS on Collection Rates and the level of Income in the Collection Fund.</p>	<p>F4F is a programme of activities that will be delivered during the MTFs period. It brings together a series of projects that all aim to reduce the expenditure of LDC and also reshape and redesign LDC and its services into one that is fit for the future.</p> <p>To manage the exposure of Business Rate growth risk by liaising with our local authority partners in the GBSBP.</p> <p>To ensure we help our residents manage the financial impact of Welfare Reform.</p>

## Sundry Debtor Performance

Details	30 November 2013		30 November 2014		All Debts Change (%)	Variance ● = adverse ☑ = favourable
	All Debts £	Property Debts £	All Debts £	Property Debts £		
Value of sundry income raised	4,174,682	512,200	3,861,526	718,809	(7.50%)	☑
Value of debts written off	13,045	182	18,249	183	39.90%	●
Value of invoices outstanding	942,746	50,047	897,785	58,868	(4.77%)	☑
% of income raised	22.58%	9.77%	23.25%	8.19%	2.95%	●

Aged Debt Analysis						
Less than 6 months	471,614	32,808	372,055	44,137	(21.11%)	☑
More than 6 months	471,132	17,239	525,729	14,730	11.59%	●

## Council Tax and Business Rate Performance

	Council Tax				Non Domestic Rates			
	30 November 2013	30 November 2014	Change		30 November 2013	30 November 2014	Change	
Net Collectable in year	£53,403,130	£54,211,470			£34,518,083	£35,010,711		
Amount Collected in year	£41,900,418	£42,352,542			£27,417,048	£26,586,589		
Amount Collected as a %	78.46%	78.12%	0.34%	●	79.43%	75.94%	3.49%	●
In year arrears outstanding at 30 November	£863,848	£774,599			£367,732	£323,922		
Previous years arrears at 30 November	£642,314	£766,131			£124,946	£254,794		
Total arrears outstanding at 30 November	£1,506,162	£1,540,730	2.3%	●	£492,678	£578,716	17.46%	●
Write offs as at 30 November	£27,692.39	£31,164.42			£29,047.58	£66,406.02		

**ANALYSIS OF GROSS EXPENDITURE AND INCOME  
TOGETHER WITH NET EXPENDITURE FOR 2014/2015**

Area	Gross Expenditure £	Gross Income £	Net Expenditure £	Projected Outturn £
Chief Executive	856,930	(103,440)	753,490	886,980
Finance, Revenues & Benefits	23,475,110	(21,244,730)	2,230,380	2,152,640
Leisure & Parks	6,582,830	(3,379,270)	3,203,560	3,135,250
Democratic, Development & Legal	4,955,540	(4,445,380)	510,160	280,250
Community, Housing & Health	2,694,630	(444,310)	2,250,320	2,165,330
Joint Waste	4,588,860	(2,992,370)	1,596,490	1,494,990
<b>Net Expenditure of Services</b>	<b>43,153,900</b>	<b>(32,609,500)</b>	<b>10,544,400</b>	<b>10,115,440</b>
Net Treasury Position	162,700	(83,030)	79,670	1,700
Revenue Contributions to the Capital Programme	169,000	0	169,000	169,000
<b>Net Operating Cost</b>	<b>43,485,600</b>	<b>(32,692,530)</b>	<b>10,793,070</b>	<b>10,286,140</b>

## The Collection Fund

## Council Tax (CT)

	The Collection Fund in 2014/15			
	Budget	30 November 2014	Projected Outturn	Projected Variance
	£	£	£	£
<b>Total number of dwellings</b>	<b>43,487</b>	<b>43,786</b>	<b>43,734</b>	<b>247</b>
<b>Average number of band D dwellings</b>	<b>35,295</b>	<b>36,242</b>	<b>36,093</b>	<b>798</b>
CT Liability	(61,988,000)	(62,986,993)	(63,020,950)	(1,032,950)
Exemptions	798,000	809,636	888,400	90,400
Discounts	4,620,000	4,550,466	4,723,930	103,930
Discount - Local Support for CT	4,922,000	4,593,960	4,592,820	(329,180)
<b>CT Due</b>	<b>(51,648,000)</b>	<b>(53,032,931)</b>	<b>(52,815,800)</b>	<b>(1,167,800)</b>
<b>Add-</b>				
Collection Fund(surplus) deficit brought Forward	(488,430)	(476,862)	(476,862)	11,568
<b>Less-</b>				
Impairment provision	0	30,650	150,770	150,770
Declared CT (surplus)/deficit	488,430	488,430	488,430	0
<b>Net CT income</b>	<b>(51,648,000)</b>	<b>(52,990,713)</b>	<b>(52,653,642)</b>	<b>(1,005,462)</b>
<b>Less Precept Demands</b>				
Staffordshire County Council	36,256,867	36,256,867	36,256,867	0
Stoke-on-Trent and Staffordshire Fire and Rescue Authority	2,387,354	2,387,354	2,387,354	0
Office of the Police and Crime Commissioner Staffordshire	6,268,745	6,268,745	6,268,745	0
LDC	5,363,780	5,363,780	5,363,780	0
Parish Precepts	1,371,256	1,371,256	1,371,256	0
<b>Total Precept Demands</b>	<b>51,648,002</b>	<b>51,648,002</b>	<b>51,648,002</b>	<b>0</b>
<b>CT Collection Fund(surplus)/deficit</b>	<b>2</b>	<b>(1,342,711)</b>	<b>(1,005,460)</b>	<b>(1,005,462)</b>
<b>Allocation of CT Collection Fund(surplus)/deficit</b>				
Staffordshire County Council	0	(942,582)	(705,832)	(705,832)
Stoke-on-Trent and Staffordshire Fire and Rescue Authority	0	(62,065)	(46,476)	(46,476)
Office of the Police and Crime Commissioner Staffordshire	0	(162,971)	(122,037)	(122,037)
LDC	0	(175,093)	(131,115)	(131,115)
<b>Total CT (surplus)/deficit allocation</b>	<b>0</b>	<b>(1,342,711)</b>	<b>(1,005,460)</b>	<b>(1,005,460)</b>

LDC Projected Collection Fund Surplus in 2014/15 to be included in the 2015/16 Budget	<b>£131,115</b>
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## Business Rates

	The Collection Fund in 2014/15			
	Budget NNDR 1 £	30-Nov-14 £	Projected Outturn £	Projected Variance £
Gross Business Rates Yield	38,465,166	38,834,878	38,684,200	219,034
Mandatory Reliefs	(3,316,315)	(3,094,379)	(3,310,433)	5,882
Discretionary Reliefs	(85,650)	(73,372)	(79,511)	6,139
Small Business Rates Relief	(1,549,094)	(1,800,493)	(1,800,493)	(251,399)
New Empty Properties	0	0	0	0
Long Term Empty Properties	(796,252)	(4,939)	(8,467)	787,785
Retail Relief	(537,000)	(157,993)	(399,000)	138,000
Estimated Losses on Collection	(321,000)	(374,141)	(374,141)	(53,141)
Business Rate Appeals	(445,000)	(600,270)	(600,270)	(155,270)
Allowance for Cost of Collection	(124,697)	(124,697)	(124,697)	0
<b>In Year Non-Domestic Rating Income</b>	<b>31,290,158</b>	<b>32,604,595</b>	<b>31,987,188</b>	<b>697,030</b>
Opening Balance on the Collection Fund	0	(993,129)	(993,129)	(993,129)
Previous Year's declared Deficit	0	640,397	640,397	640,397
<b>Total Non-Domestic Rating Income</b>	<b>31,290,158</b>	<b>32,251,863</b>	<b>31,634,456</b>	<b>344,298</b>
LDC's share of in-year NDR Income at 40%	12,516,063	13,041,838	12,794,875	278,812

LDC (40%)	12,516,063	12,516,063	12,516,063	0
Central Government (50%)	15,645,079	15,645,079	15,645,079	0
Staffordshire County Council (9%)	2,816,114	2,816,114	2,816,114	0
Staffordshire Fire and Rescue (1%)	312,902	312,902	312,902	0
<b>Total</b>	<b>31,290,158</b>	<b>31,290,158</b>	<b>31,290,158</b>	<b>0</b>
<b>Surplus or (deficit) on the Collection Fund</b>	<b>0</b>	<b>961,705</b>	<b>344,298</b>	<b>344,298</b>

Share of the Surplus or Deficit

LDC (40%)	0	384,682	137,719	137,719
Central Government (50%)	0	480,852	172,149	172,149
Staffordshire County Council (9%)	0	86,553	30,987	30,987
Staffordshire Fire and Rescue (1%)	0	9,617	3,443	3,443

LDC's Projected Collection Fund Surplus in 2014/15 to be included in the 2015/16 Budget	<b>£137,719</b>
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**APPENDIX D (continued)**

	<b>Levy/Safety Net Calculation</b>	
	<b>30 November 2014</b>	<b>Projected Outturn</b>
	<b>£</b>	<b>£</b>
LDC's share of NDR Income @ 40%	13,041,838	12,794,875
<u>Section 31 Grants (LDC's 40% Share)</u>		
Small Business Rates Relief	360,099	360,099
New Empty Properties	0	0
Long Term Empty Properties	1,600	3,200
Retail Relief	64,000	161,600
Less : Tariff Payable	(10,967,000)	(10,967,000)
<b>Retained Business Rates Prior to Levy and Safety Net</b>	<b>2,500,536</b>	<b>2,352,774</b>
Business Rates Baseline	1,885,184	1,885,184

Growth or (Decline) from the Business Rates Baseline	615,352	467,590
Levy Payable @ 50%	(307,676)	(233,795)

	<b>LDC's Budget in 2014/15</b>			
	<b>Budget</b>	<b>30 November 2014</b>	<b>Projected Outturn</b>	<b>Projected Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
NDR Income based on NNDR 1	12,516,063	12,516,063	12,516,063	0
Collection Fund Deficit in 2013/14	(256,063)	(256,063)	(256,063)	0
Contribution from or (to) Business Rates Reserve	0	0	180,000	180,000
<u>Section 31 Grants (LDC's 40% Share)</u>				
Small Business Rates Relief	313,000	360,099	360,099	47,099
New Empty Properties	0	0	0	0
Long Term Empty Properties	322,000	1,600	3,200	(318,800)
Retail Relief	217,000	64,000	161,600	(55,400)
Less : Tariff Payable	(10,967,000)	(10,967,000)	(10,967,000)	0
Less : Levy Payable @ 50%	(130,000)	(307,676)	(233,795)	(103,795)
<b>Retained Business Rates prior to Levy Redistribution</b>	<b>2,015,000</b>	<b>1,411,023</b>	<b>1,764,104</b>	<b>(250,896)</b>
Levy from the GBSBP (32.5%)	0	100,000	76,000	76,000
<b>Retained Business Rates</b>	<b>2,015,000</b>	<b>1,511,023</b>	<b>1,840,104</b>	<b>(174,896)</b>

## Vehicle Replacement Programme 2014/15

Area	Vehicle Type	Estimated Replacement Cost £	Capital Programme	Progress on procurement during 2014/15
Street Cleansing	TIPPER	22,000	Yes	
Street Cleansing	TIPPER	25,000	Yes	
Grounds Maintenance	3 TORO MOWERS	44,000	Yes	Delivered in April 2014



## Treasury Management

### Security

Our aim for the risk status of our portfolio was **A-** using the lowest rating from the three credit rating agencies as the basis for assessing the risk status.

Investments outstanding at the 30 November 2014 had a risk status of **A** based on the length of the investment and **AA-** based on the value of the investment, which has a more secure risk status, and this is both compliant with our aim and the recommendations from our Treasury Management advisors. The recent history of the security of our investments is shown in the table below:

Date	The Value of the Investment	The Maturity Date of the Investment
30 November 2013	AA-	AA-
31 March 2014	AA-	A+
30 June 2014	AA	A+
30 September 2014	AA-	A
30 November 2014	AA-	A+

In addition, we are currently keeping the length of our investments relatively short term to ensure that we can react to changes in counterparty credit risk very easily. Our Treasury Management advisors recommend for each bank or building society the new investment time limit to manage counterparty credit risk. At the 30 November 2014, the investment time limits were:

Bank or Building Society	Country	Investment Time Limit
Santander (UK)	United Kingdom	6 Months
Lloyds	United Kingdom	6 Months
Bank of Scotland	United Kingdom	6 Months
Barclays	United Kingdom	100 Days
HSBC	United Kingdom	6 Months
Nationwide Building Society	United Kingdom	6 Months
Standard Chartered	United Kingdom	6 Months
Close Bros	United Kingdom	100 Days
Australia and New Zealand Banking Group	Australia	6 Months
Commonwealth Bank of Australia	Australia	6 Months
National Australia Bank Ltd	Australia	6 Months
Westpac Banking Corporation	Australia	6 Months
Bank of Montreal	Canada	6 Months
Bank of Nova Scotia	Canada	6 Months
Canadian Imperial Bank of Commerce	Canada	6 Months
Royal Bank of Canada	Canada	6 Months
Toronto Dominion Bank	Canada	6 Months
DBS Bank	Singapore	6 Months
Overseas Chinese Banking Corporation	Singapore	6 Months
United Overseas Bank Ltd	Singapore	6 Months

To manage the interest rate risk where possible, we are spreading investment maturities. The average length of investments we have made in 2014/15 is **102 days**.

## Liquidity

Measuring the performance in relation to liquidity is a much more difficult task and the easiest way to assess performance is to see how frequently we needed to borrow on a temporary basis during the current financial year. In 2014/15 we have not needed to borrow temporarily. Currently, we use call accounts and Money Market Funds for short-term liquidity requirements that gives us same day access to funds if needed.

## Yield

To date in 2014/15, we have achieved an average interest rate of **0.57%** and this compares to our performance indicator of the average 7-day London Inter-bank Bid (LIBID) rate that was **0.42%**. In addition, to compare performance with longer-term benchmarks, the average 1 month LIBID rate is **0.43%**, the average 3 month LIBID rate is **0.49%** and the average 6 month LIBID rate is **0.67%**.

The projected overall net Treasury position compared with the Budget is shown in the table below:

Details	2014/15 Approved Budget	2014/15 Projected Outturn	2014/15 Variance
Average amount we had available to invest (£m)	11.68	16.92	5.24
Average Interest Rate (%)	0.70%	0.57%	(0.13%)

Interest Receipts	(80,000)	(103,000)	(23,000)
Car Loan Interest	(3,030)	(1,000)	2,030
Internal Interest Payments	8,000	5,000	(3,000)
Other Costs	4,500	4,500	0
External Borrowing Interest	0	0	0
Minimum Revenue Provision - Invest to Save	16,200	16,200	0
Minimum Revenue Provision - Capital Projects	134,000	80,000	(54,000)
<b>Net Treasury Position</b>	<b>£79,670</b>	<b>£1,700</b>	<b>(£77,970)</b>

## STRATEGIC OVERVIEW & SCRUTINY COMMITTEE

Contact Officer: Mrs Jane Kitchen

Telephone Extension: 308770

Agenda item : 6

Date: 21 January 2015

Telephone : 01543 308770

Local Ward Members:

Full Council

### SUBMISSION BY CABINET MEMBER FOR FINANCE, DEMOCRATIC AND LEGAL SERVICES

#### THE MEDIUM TERM FINANCIAL STRATEGY (REVENUE & CAPITAL) 2015-18 (MTFS (R&C) 2015-18)

#### 1. Purpose of Report

- 1.1 To provide Members with the opportunity to scrutinise the proposals for Lichfield District Council's (LDC) three year MTFS (R&C) 2015-18.
- 1.2 The outcome of the scrutiny will be reported to Cabinet on 3 February 2015 before being considered by Council on 17 February 2015.

#### 2. Background and Rationale

##### 2.1 The MTFS (R & C) 2015-18

##### 2.2 Funding our Plan for the District 2012-16 : The Three Year MTFS (R&C) 2015-18

The ability to deliver the outcomes set out in the **Plan for the District 2012-16** is dependent on the resources available over the life of the plan, and therefore the Plan must drive the MTFS. It is proposed that LDC makes appropriations from General Reserves for the first year, 2015/16, of the three year MTFS (R&C) 2015-18, 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 MTFS. The MTFS (R & C) 2015-18 is set out in **APPENDIX A**.

- 2.3 The Capital Programme is the investment plan for our **Plan for the District 2012-16**. The way in which the Capital Programme is managed is set out in **APPENDIX B**, together with a summary of the programme and how it is financed at **APPENDIX C**. The Chief Financial Officer's (CFO) report on the robustness of the budget and the level of reserves is set out in **APPENDIX D**.

- 2.4 The total Funding Gap in the MTFS (R&C) 2015-18 is **£1,705,030** over the period 2015/16 to 2017/18. LDC is legally required to balance the budget in the first year of the three year MTFS (R&C) 2015-18 and to set out its proposals to balance the second two financial years - 2016/17 & 2017/18. The MTFS (R&C) 2015-18 proposes that LDC only uses its General Reserves for the first year of the MTFS (R&C) 2015-18 to balance the Revenue Budget 2015/16. The use of Reserves of (**£400,450**) in 2015/16, reduces the net Funding Gap that needs to be closed to **£1,304,580**. LDC's overall position is summarised in the table below :

	Financial Year				
	2014/15	2015/16	2016/17	2017/18	3 year total (2015/16 to 2017/18)
	£	£	£	£	£
Net Budget Requirement for all Services <sup>1</sup>	10,378,140	11,314,450	11,506,390	12,049,190	34,870,030
Total Funding Available	(10,469,780)	(10,914,000)	(11,020,000)	(11,231,000)	(33,165,000)
<b>Funding Gap / (Surplus) prior to the use of Reserves</b>	<b>(£91,640)</b>	<b>£400,450</b>	<b>£486,390</b>	<b>£818,190</b>	<b>£1,705,030</b>
Total Reserves Available to Fund Services <sup>2</sup>	(1,810,190)				
Contribution to / (Utilisation of) Reserves for Services	91,640	(400,450)	Nil	Nil	(400,450)
2016/17 savings/additional after the use of Reserves	Nil	Nil	(486,390)	(486,390)	(972,780)
2017/18 savings/additional after the use of Reserves	Nil	Nil	Nil	(331,800)	(331,800)
<b>Total Savings/Additional Income</b>	<b>£Nil</b>	<b>£Nil</b>	<b>(£486,390)</b>	<b>(£818,190)</b>	<b>(£1,304,580)</b>
General Reserves available after being used to Fund Services	(£1,901,830)	(£1,501,380)	(£1,501,380)	(£1,501,380)	(£1,501,380)

<sup>1</sup> This after the transfer to Earmarked Reserves in 2014/15, 2015/16, 2016/17 and 2017/18 of £92,000.

<sup>2</sup> Reserves available to fund services exclude the £1m Minimum Level in 2014/15 and £1.2 million from 2015/16 onwards.

2.5 The main reasons for the net Funding Gap of **£1,304,580** in the MTF5 (R&C) 2015-18 are set out below. LDC has a “starting” Funding Gap of **£2,945,650 (£1,554,190** up to 2016/17 and a further **£1,391,460** for 2017/18) and this reduced by a series of adjustments amounting to **(£1,641,070)**. These adjustments are explained in **APPENDIX A** and are summarised below :

- **Council Tax Income** - the increase in the Council Tax Base due to a variety of reasons such as changes to discounts and exemptions and new properties results in additional income of **(£426,000)**.
- **Government Funding and Retained Business Rates** - consists of Revenue Support Grant (RSG), Retained Business Rates and Business Rate Cap Reimbursement. There has been a significant reduction in RSG and at the same time the local economy is such that we have seen an increase in income from Business Rates. There is an overall funding increase of **(£707,890)**.
- **Local Council Tax Support (LCTS) for Parishes** - increasing the support from 2016/17 onwards produces an additional cost of **£4,000**.
- **New Homes Bonus (NHB)** - additional Income of **(£181,000)**.
- **Provision for Inflation, Investment Income and Other Variations** - a Budgetary Pressure of **£408,270**.
- **Use of Reserves to Balance the Budget in 2015/16 only** - reduces the Gap by **(£400,450)**.
- **Collection Fund** - a surplus is projected on both Council Tax and Business Rates Collection Funds in 2014/15 and LDC's share is **(£269,000)**. Both of these are legally required to be credited to the budget in the following Financial Year 2015/16.
- **Revenue Implications of the Capital Programme** - a Budgetary Saving of **(£69,000)** due to projected lower borrowing costs.

2.6 In 2013, in order to bridge LDC's net Funding Gap and to meet changes facing local government following the fundamental review of local government finances, LDC launched its programme called Fit for the Future (F4F). This is designed to manage the change that will be needed across LDC and its services in order to meet the changes and the predicted Revenue Budget Funding Gap. It brings together a series of projects that all aim to reduce the expenditure of LDC and also reshape and redesign LDC and its services into one that is fit for the future, with all the challenges that brings. In 2014/15, F4F savings of **£930,380** have been identified and are included in the MTF5. LDC is still required to continue working to achieve the balance of savings needed through the F4F projects to close the net Funding Gap for the MTF5 (R&C) 2015-18 of **£1,304,580**.

### **Treasury Management**

2.7 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the “CIPFA TM Code”) and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement and Prudential Indicators on an annual basis. This Treasury Management Strategy Statement also incorporates the Annual Investment Strategy that is a requirement of Communities and Local Government's Investment Guidance. Together, these cover the financing and investment strategy for the forthcoming financial year. CIPFA has defined Treasury Management as:

*“the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

2.8 The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are an important and integral element of its treasury management activities. The main risks to the Council's treasury activities are:

- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels)
- Inflation Risk (Exposure to inflation)
- Credit and Counterparty Risk (Security of Investments)
- Refinancing Risk (Impact of debt maturing in future years)
- Legal and Regulatory Risk

2.9 The Strategy also takes into account the impact of the Council's Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position, the Prudential Indicators and the outlook for interest rates.

2.10 The purpose of the Treasury Management Strategy Statement is, therefore, to approve :

- Cash Flow forecast for 2015/16
- Balance Sheet Projections and Borrowing Requirement and Strategy for 2015/16
- Minimum Revenue Provision Statement 2015/16
- Treasury Management Policy Statement and Annual Investment Strategy
- Use of Specified and Non-Specified Investments
- Prudential Indicators 2015-18

2.11 All treasury activity will comply with relevant statute, guidance and accounting standards

### **3. Recommendation**

3.1 It is recommended that Committee scrutinises the information provided at **APPENDICES A to J** and provide views to Cabinet.

### **4. Financial Implications**

#### **The Medium Term Financial Strategy (Revenue and Capital) 2015-18**

- 4.1 The Plan for the District 2012-16, sets out the opportunities and challenges we face, the community's needs, LDC's aspirations, our focus and our priorities covering the life of this Council.
- 4.2 To fund our Plan for the District, we prepare a **MTFS**. This covers how we will use reserves, our investments, the approach to Council Tax and how we deploy our Capital. It also looks over the medium term at the cost pressures we are likely to face and how these could be financed. The Strategy is set out in **APPENDIX A** for R&C and **APPENDICES B & C** outline our indicative Capital Investment Plans.
- 4.3 LDC has a statutory duty to set a balanced budget in each of the three years and to calculate the level of Council Tax for its area. The CFO has a statutory duty to ensure that the figures provided for estimating and financial planning are robust and will stand up to audit scrutiny. LDC 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.
- 4.4 The Local Government Act 2003 places duties and requirement on the Authority on how it sets and monitors its budgets, including the CFO's report on the Robustness of the Budget and adequacy of Reserves as shown in **APPENDIX D**.

#### **Treasury Management**

##### **4.5 Cash Flow Forecast**

- Treasury Management includes the management of LDC's cash flows as a key responsibility. The planned monthly cash flow forecast for the 2015/16 financial year has been used to calculate the investment income budget. This has been estimated as **(£96,000)** (this equates to **3%** of LDC's income from Central Government grants and Retained Business Rates of **£3,555,000** in **2015/16**), interest payments of **£62,000** and Minimum Revenue Provision of **£79,000**.
- The Capital Programme assumes LDC externally borrows **£1,636,000** in 2015/16. This sum is included in our cash flow forecast and our Balance Sheet projections.
- The graph of cash flow trends for 2012-16 shows the level of our investments is reducing due to the funding of our Capital Programme and the use of Balances to fund the Revenue Budget.
- In addition, the monthly cash flow together with the graph shows investment levels increase in the first half of the year peaking in January 2016. This is due to receipt of Council Tax and Business Rate income instalments. However, these receipts reduce in the second half of the year because of our spend profile and the majority of Council Tax and Business Rate instalments end in January 2016.

##### **4.6 Balance Sheet Projections**

- We prepare four year Revenue Forecasts and Capital Programme budgets and these together with the actual Balance Sheet from the previous financial year are used to also prepare four year Balance Sheet projections.
- These Balance Sheet projections (**APPENDIX E**) are significant in assessing the LDC's Treasury Management Position in terms of borrowing requirement, investment levels and our Investment Policy and Strategy.

#### 4.7 **Minimum Revenue Provision Statement 2015/16**

4.8

- LDC is required to make prudent provision for debt redemption (known as Minimum Revenue Provision (MRP) and each year LDC must approve its MRP statement and this will include an allowance for leases that appear on LDC's Balance Sheet.
- As in previous years, LDC proposes to base its MRP on the estimated life of the asset (**APPENDIX F**).

#### 4.9 **Treasury Management Advice and the Expected Movement in Interest Rates**

- The Official Bank Rate outlook provided by LDC's Treasury Advisor is shown in the table below :

Projection	Mar 2015	Jun 2015	Sep 2015	Dec 2015	Mar 2016	Jun 2016	Sep 2016	Dec 2016	Mar 2017	Jun 2017	Sep 2017	Dec 2017
Optimistic <sup>3</sup>				1.00	1.25	1.50	1.50	1.75	2.00	2.00	2.25	2.25
Central Case	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75

The Central Case rates have been used as the basis for preparation of the investment income budgets for 2015/16 and future years.

#### 4.9 **Treasury Management Policy Statement, Annual Investment Strategy and Specified and Non-Specified Investments**

- The criteria and limits for Specified Investments and Non-Specified Investments are shown in detail at **APPENDICES G, H & I**.
- The investment climate has changed significantly with the possibility of Bank Bail-Ins<sup>4</sup> and this will necessitate the need for a fundamental review of the Annual Investment Strategy. Therefore, at this stage this report only updates the Counterparty Limits to reflect current projections for the level of funds to be invested in 2015/16.
- In the interim, to increase diversity, this report recommends adding **Leeds Building Society** to our approved Counterparties for 2015/16 with a limit of **£1.5m**. This is because they are the only Credit Rated Building Society (rated as A-) apart from the Nationwide Building Society (rated as A).
- A Report will be prepared for Cabinet on **7 April 2015** that will provide recommendations for the Annual Investment Strategy in light of the Bail-In risk.

#### 4.10 **Prudential Indicators (PIs)**

- The Prudential Indicators are shown in detail at **APPENDIX J**, and in the summary table overleaf :

<sup>3</sup> This is a scenario where Interest Rates increases earlier that the central case projection.

<sup>4</sup> A bail-in is the tool we expect regulators to use to resolve failing banks from now on in most developed countries. In the past, governments had only two options – to place a bank into insolvency, ceasing essential services immediately and possibly risking financial stability (as the US did with Lehman Brothers); or to conduct a taxpayer funded bail-out, either by buying new shares (e.g. RBS and Lloyds) or by subsidising a takeover (e.g. Bradford & Bingley and Dunfermline Building Society). The bail-in is a third option, which allows customers to retain access to their bank accounts, and passes the banks losses onto its investors instead of taxpayers.

PI	Description	2014/15 Revised	2015/16 Original	2016/17 Original	2017/18 Original
1	Capital Expenditure (£m)	£3.171m	£5.051m	£5.314m	£3.134m
2	Ratio of Financing Costs to Net Revenue Stream (%)	2%	6%	5%	4%
3	Capital Financing Requirement (£m)	£3.335m	£5.116m	£5.194m	£5.098m
	Net external borrowing does not exceed the Capital Financing Requirement in the current year plus the next two years	True	True	True	True
4	Actual External Debt including Finance Leases (£m)	(£0.293m)	(£3.460m)	(£3.391m)	(£3.180m)
	Incremental impact of capital investment decisions on Band D Council Tax (£)	(£2.18)	(£0.58)	(£0.57)	(£0.72)
5	Authorised Limit (Maximum) (£m)	£12.004m	£13.557m	£13.564m	£13.597m
7	Operational Boundary (Maximum) (£m)	£2.995m	£4.550m	£4.469m	£4.404m
8	Adoption of CIPFA Code of Practice in Treasury Management	Yes			
9	Is our Gross Debt in excess of our Capital Financing Requirement and are we therefore borrowing in advance of need ?	No	No	No	No
	<b>Interest Rate Exposures (%)</b>				
10	Upper Limit for Investments (Fixed Interest Rate Exposure)	(100%)	(100%)	(100%)	(100%)
10	Upper Limit for Investments (Variable Interest Rate Exposure)	100%	100%	100%	100%
11	Upper Limit for Borrowings (Fixed Interest Rate Exposure)	(100%)	(100%)	(100%)	(100%)
11	Upper Limit for Borrowings (Variable Interest Rate Exposure)	30%	30%	30%	30%
	<b>Maturity Structure of Fixed Rate Borrowing (Upper Limit) (%)</b>	<b>Lower Limit</b>	<b>Upper Limit</b>		
12	Under 12 months	0%	100%		
12	12 months and within 24 months	0%	100%		
12	24 months and within 5 years	0%	100%		
12	5 years and within 10 years	0%	100%		
12	10 years and within 20 years	0%	100%		
12	20 years and within 30 years	0%	100%		
12	30 years and within 40 years	0%	100%		
12	40 years and within 50 years	0%	100%		
12	50 years and above	0%	100%		
13	Principal sums invested > 364 days (£m)	£1,900m	£2,300m	£1,700m	£1,300m
14	Credit Risk	We consider security; liquidity and yield, in that order, when making investment decisions			

## 5. Community Benefits

- 5.1 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.

## 6. Equality and Diversity

- 6.1 These areas are addressed as part of the specific areas of activity prior to being included in the Plan for the District 2012-16.

## 7. 'A Plan for Lichfield District Council' Implications

- 7.1 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 under Action Plan 2015/16 and the Corporate Risk Register.

## 8. Crime and Community Safety Issues

- 8.1 These areas are addressed as part of the specific areas of activity prior to being included in the Plan for the District 2012-16.

**9. Risk Management Issues**

<b>Risk Description</b>	<b>Likelihood/Impact</b>	<b>Risk Category</b>	<b>Countermeasure</b>	<b>Responsibility</b>
Council Tax is not set by the Statutory Date of <b>11 March 2015</b>	Low/High	Financial/Reputational	Full Council is set with reference to when major preceptors and Parishes have Approved their Council Tax requirements.	Director of Finance, Revenues and Benefits
The General Election in 2015	High/High	Economic/Financial/Social	To monitor the policies of the new Government following the General Election result.	Leadership Team
Government will carry out a review of the future structure of Business Rates and this will report by the Budget 2016	High/Medium	Financial	LDC will need to respond to any consultation and will need to continue to monitor the process to identify any implications for LDC.	Director of Finance, Revenues and Benefits
Planned Capital receipts are not received related to the Asset Strategy Review.	Medium/High	Financial	The budget for Capital receipts will be monitored as part of the LDC's normal budget monitoring procedures.	Director of Finance, Revenues and Benefits
Achievement of LDC'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.	Cabinet and Leadership Team



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

- 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.
- It is proposed that the Council makes appropriations from General Reserves to finance the Net Operating Expenditure in 2015/16 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.
- 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

- On 3 December 2014, the Chancellor of the Exchequer presented his Autumn Statement to the House of Commons. (Further details can be accessed via HM Treasury website - <https://www.gov.uk/government/publications/autumn-statement-documents> ).
- LDC was advised of its Funding Settlement for one year only covering 2015/16 on 18 December 2014. In previous years, LDC has been advised of its Funding Settlement for a two year period. This is most likely due to the pending General Election.

### Revenue Spending Power

- The Settlement Funding Assessments (SFA) for Councils in 2014/15 is **£23.8bn**. This will be funded by **£11.1bn** from retained Business Rates and **£12.7bn** from Revenue Support Grant (RSG).
- The Settlement Funding Assessments (SFA) for Councils in 2015/16 has been confirmed in 2015/16 as **£20.8bn**. This will be funded by **£11.3bn** from retained Business Rates and **£9.5bn** from Revenue Support Grant.
- Government's Assessment of Lichfield's Revenue Spending Power**  
Government has produced for each local authority *notional* figures known as 'revenue spending power' based on national projections to enable comparisons to be made between different years. These revenue spending power figures consist of the LDC's main income streams such as Council Tax, Settlement Funding Assessments (consisting of RSG and Retained Business Rates) and New Homes Bonus (HNB). The figures provided for LDC are shown in the following table:

Income Stream	2014/15 Adjusted £m	2015/16 £m
Council Tax	5.36	5.38
Settlement Funding Assessments:		
Revenue Support Grant (43% in 2015/16)	2.11	1.45
Retained Business Rates (57% in 2015/16)	1.89	1.92
<b>Sub Total : Settlement Funding Assessment</b>	<b>4.00</b>	<b>3.37</b>
Section 31 Business Rates Cap	0.02	0.03
Council Tax Support Funding to Parishes	(0.13)	(0.13)
Council Tax Freeze Grant	0.00	0.06
New Homes Bonus Returned Funding	0.01	0.01
New Homes Bonus	1.20	1.54
<b>Sub Total : Total Funding Available</b>	<b>10.46</b>	<b>10.26</b>
Other Grants	0.02	0.00
Housing Benefit Administration Subsidy		
Local Council Tax Support and Housing Benefit Administration Subsidy	0.42	0.37
Council Tax Support New Burdens Funding	0.06	0.01
<b>Sub Total : Specific Grants</b>	<b>0.50</b>	<b>0.38</b>
<b>Revenue Spending Power</b>	<b>£10.96m</b>	<b>£10.64m</b>

% Reduction 2015/16 to 2014/15	(2.9%)
Average % Reduction 2015/16 to 2014/15 England (excluding the GLA)	(1.8%)

## APPENDIX A

Using these *notional* spending power figures, the equivalent Settlement Funding Assessment percentage reduction is **15.75%** in 2015/16 in comparison with adjusted spending power 2014/15.

Revenue Support Grant (RSG) for 2015/16 represents **43%** (53% in 2014/15) of the Settlement Funding Assessment for LDC. RSG Funding for 2014/15 is **£2,116,000** and is reduced by **£666,000** or **31.5%** to **£1,450,000** for 2015/16 in comparison with 2014/15.

### 9. The MTFS2015-18 Total Funding Available

LDC's MTFS utilises some of the information from the Government's Revenue Spending Power calculation. However, it also updates elements of this notional information based on more relevant local information such as the level of Retained Business Rates, NHB projections and Council Tax. The levels of Total Funding Available in the Approved Three Year MTFS (R&C) 2014-17 and the proposed MTFS (R&C) 2015-18 are shown in the table below :

Income Stream	2015/16		2016/17		2017/18	
	2014-17 Approved £m	2015-18 Proposed £m	2014-17 Approved £m	2015-18 Proposed £m	2014-17 Projected £m	2015-18 Proposed £m
Council Tax	5.513	5.621	5.690	5.799	5.794	6.009
Collection Fund Surplus		0.269				
<u>Settlement Funding Assessments:</u>						
Revenue Support Grant	1.440	1.450	0.884	1.025	0.468	0.687
Retained Business Rates	2.070	2.105	2.044	2.285	1.526	2.260
<b>Sub Total : Settlement Funding Assessment</b>	<b>3,510</b>	<b>3,555</b>	<b>2,928</b>	<b>3,310</b>	<b>1,994</b>	<b>2,947</b>
Section 31 Business Rates Cap	0.020	0.029	0.020		0.020	
New Homes Bonus Returned Funding	0.016	0.016	0.044	0.026	0.035	0.017
Council Tax Support Funding to Parishes	(0.115)	(0.115)	(0.099)	(0.107)	(0.099)	(0.095)
New Homes Bonus	1.503	1.539	1.957	1.992	2.119	2.353
<b>Total Funding Available</b>	<b>£10.447m</b>	<b>£10.914m</b>	<b>£10.540m</b>	<b>£11.020m</b>	<b>£9.863m</b>	<b>£11.231m</b>

<b>Starting Funding Gap for the MTFS (R&amp;C) 2015-18:</b>	<b>£2,945,650</b>
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10. The MTFS (R&C) 2014-17 identified savings of **£2,484,570** and F4F reviews during 2014/15 have identified savings of **(£930,380)** for 2015/16 and 2016/17. The remaining savings to be identified based on the MTFS (R & C) 2014-17 are **£1,554,190<sup>5</sup>**.
11. In addition to 2014/15, 2015/16 and 2016/17, included in the MTFS (R&C) 2014- 17 a further set of projections for 2017/18 were prepared and these projections (after incorporating savings identified) have identified a further **£1,391,460** of savings for this financial year.
12. Therefore the Starting Funding Gap before any other adjustments including Council Tax income, Government Funding and retained Business Rates, NHB, Inflation, Collection Fund, other variations and revenue implications of the Capital Programme detailed below for the MTFS (R&C) 2015-18 is **£2,945,650**.

### The Level of Council Tax

<b>Council Tax :</b>	<b>Additional Income of (£426,000)</b>
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#### Council Tax Base

13. The Council Tax Base calculation changed last year due to the Localisation of Council Tax Support and this approach is also applied to the MTFS (R&C) 2015-18. In terms of the calculation, the following key assumptions have been made and the additional income is related to an increase in the Council Tax Base:

<sup>5</sup> This figure is shown in the Money Matters: 2014/15 Review of Financial Performance for eight months on this Agenda.

**APPENDIX A**

	<b>Medium Term Financial Strategy 2015-18</b>			
	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
<u>Provision for Growth</u> Housing Completions per Annual Monitoring Report H4, November 2014		390	851	1,181
Risk Allowance for Non-Completions and timing differences		62%	50%	50%
Housing Completions Projection	<b>0</b>	<b>239.85</b>	<b>425.5</b>	<b>590.0</b>
<u>Council Tax Base (per CTB 1 Return)</u>				
Band A Disabled Relief Reduction		19.0	19.0	19.0
Band A		4,921.0	4,921.0	4,921.0
Band B		9,165.3	9,165.3	9,165.3
Band C		9,385.0	9,385.0	9,385.0
Band D		5,981.5	5,981.5	5,981.5
Band E		4,388.3	4,388.3	4,388.3
Band F		3,252.0	3,252.0	3,252.0
Band G		2,341.5	2,341.5	2,341.5
Band H		366.5	366.5	366.5
<u>Reduction in Council Tax Base due to Family Annex Discount</u>				
Band A		(3.0)	(3.0)	(3.0)
Band E		(1.0)	(1.0)	(1.0)
<u>Reduction in the Council Tax Base to reflect the Local Council Tax Support Scheme</u>				
Band A Disabled Relief Reduction		(5.6)	(5.6)	(5.6)
Band A		(1,401.5)	(1,401.5)	(1,401.5)
Band B		(1,493.4)	(1,493.4)	(1,493.4)
Band C		(787.6)	(787.6)	(787.6)
Band D		(207.0)	(207.0)	(207.0)
Band E		(78.3)	(78.3)	(78.3)
Band F		(21.7)	(21.7)	(21.7)
Band G		(21.4)	(21.4)	(21.4)
Band H		(2.8)	(2.8)	(2.8)
<b>Total Equivalent Dwellings after Discounts and Reliefs</b>	<b>0.0</b>	<b>35,796.8</b>	<b>39,816.1</b>	<b>39,816.1</b>
<b>Band D Equivalents</b>	<b>35,296.0</b>	<b>36,262.2</b>	<b>36,262.2</b>	<b>36,262.2</b>
<u>Provision for Growth</u>				
2015/16		239.9	239.9	239.9
2016/17			425.5	425.5
2017/18				590.0
<b>Revised Council Tax Base Assuming 100% Collection</b>	<b>35,296.0</b>	<b>36,502.1</b>	<b>36,927.6</b>	<b>37,517.6</b>
Less : 1% provision for non-collection		(365.0)	(369.3)	(375.2)
Add : Contribution in lieu for MOD dwellings		127.3	127.3	127.3
<b>Revised Council Tax Base for Council Tax Setting</b>	<b>35,296</b>	<b>36,264</b>	<b>36,686</b>	<b>37,270</b>
Council Tax Band D (assumes an annual increase of 1.99%)	£151.97	£154.99	£158.08	£161.22
<b>Council Tax Income</b>	<b>(£5,364,000)</b>	<b>(£5,621,000)</b>	<b>(£5,799,000)</b>	<b>(£6,009,000)</b>
<b>Council Tax (surplus) / deficit</b>	<b>(£63,000)</b>	<b>(£131,000)</b>	<b>£0</b>	<b>£0</b>

**Council Tax Increase**

14. The Approved MTFs (R&C) 2014-17 is based on a year-on-year increase of **1.99%** and this assumption continues for the MTFs (R&C) 2015-18.
15. Under the Localism Act 2011, local communities have the power to decide on Council Tax rises. The Local Government Minister announced, as part of the Finance Settlement on 18 December 2014, that the limit determined for Council Tax increases for 2015/16 will be **2%** or above. Any increases proposed of **2%** and above will require a local referendum.

<b>Government Funding and Retained Business Rates:</b>	<b>Additional Funding of (£707,890)</b>
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16. The Government Funding consists of the Settlement Funding Assessment (Retained Business Rates and RSG), reimbursement for the capping of the Business Rates increase in 2014/15 and 2015/16 to **2%** as announced in the Autumn Statements 2013 and 2014 plus the return of NHB budget that has not been spent.
17. Latest RSG projections indicate higher levels than previously budgeted of **(£370,000)** and additional income from returned NHB will total **(£58,000)** over the period 2015-18.
18. Retained Business Rates is projected to increase by **(£310,890)** and the Government's reimbursement for the Business Rate cap is lower than we budgeted by **£31,000** over the period 2015-18.
19. We have to provide a three year budget and we have therefore had to predict the reduction in funding for 2016/17 and 2017/18. Realistically, although we are technically in a consultation period, the Settlement figures announced on 18 December 2014, are unlikely to change significantly.
20. The Chancellor also announced that a Spending Review 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 2015/16 for Districts could be higher than the national average for local government. We have used the latest information available to estimate the reduction in funding for 2016/17 and 2017/18 and the reduction for 2017/18 would be **33%** equating to **£338,000**.
21. The process LDC uses for estimating retained Business Rates and the detailed estimates are shown in the flowchart and table overleaf. There are a number of key risks to these figures :
- Performance of the National Economy and its impact at a local level.
  - Plans following the General Election for reliefs such as Small Business Rate Relief. Any reliefs that are discontinued or reformed would mean the Council having to collect this income from business ratepayers and this could impact on collection rates.
  - Projected level of the Retail Price Index.
  - Level and timing of current and future Business Rate Appeals.
  - Impact of any future changes to the timing and design of the Friarsgate project.
  - The Government has promised to look at reforming the Business Rate system and there have been a number of calls for reform from various Business Groups.
22. Business Rate Appeals continue to be a major risk to the level of Retained Business Rates for LDC primarily because LDC has no influence over the result of an Appeal submitted by businesses.
23. The history of the level of Appeals Outstanding and the Appeals Provision calculated using the Externally Audited methodology, plus information using a new Business Rates analysis package from Analyse Local (in the Mid-Point modelling we have used) given the level of risk and volatility the latest figure of **£600,270** are shown in the table below:

	Outstanding Appeals £	Potential Liability Losses £	Percentage of Outstanding Appeals %	Change to 31/03/2014 £
31/03/2014 - LDC	27,096,190	1,604,403	5.92	0
30/06/2014 - LDC	26,984,840	2,258,496	8.37	654,093
31/08/2014 - LDC	24,460,640	1,962,668	8.02	358,265
30/09/2014 - LDC	23,573,700	1,890,789	8.02	286,386
30/09/2014 - Analyse Local	23,573,700	2,204,674	9.35	600,271

24. Historic data is used to assess the potential liability of losses from successful appeals. Therefore, the more data that is available, the more robust the estimates. The level of the potential loss from successful appeals fluctuates based on:
- Number and value of appeals and their business classification.
  - Historic probability of a successful appeal in each business classification.
  - Historic average saving resulting from a successful appeal by business classification.

### Retained Business Rates Budget Process

<b>Retained Business Rates</b>	
Current level of Rateable Value	
<b>Add/Less</b>	
Provision for new business premises, business closures or demolitions	
<b>Multiplied by</b>	
Business Rate pence in the Pound (increased by September's RPI)	
<b>Equals</b>	
Gross Business Rates Income	
<b>Less</b>	
Mandatory, Discretionary and Section 31 Reliefs	
<b>Less</b>	
Cost of Collection Allowance, Provision for Appeals, Allowance for Write Offs and Impairment	
<b>Equals</b>	
Net Business Rates Income	
<b>Multiplied by</b>	
District Council Share of Business Rates 40%	
<b>Add</b>	
District Council Section 31 Grants	
<b>Less</b>	
Tariff	
<b>Equals</b>	
Pre Levy or Safety Net Income	
<b>Growth - Less</b>	<b>Decline - Add</b>
Levy Payment to GBS Pool @ 50% of growth in excess of the Baseline	Safety Net Payment from GBS Pool up to 92.5% of Baseline
<b>Less</b>	
50% Business Rate Growth Volatility Allowance	
<b>Add</b>	
Returned Levy from GBS Pool for 3 years @ 32.5% of 50%	
<b>Equals</b>	
Post Levy or Safety Net Retained Business Rates	
<b>Add or deduct</b>	
Collection Fund Surplus or Deficit from the Previous Financial Year	

## Retained Business Rate Estimates (Mid-Point)

Retained Business Rates	Financial Year			
	2014/15	2015/16	2016/17	2017/18
OBR Projected Level of the Retail Price Index (RPI)	3.20%	2.10%	2.90%	3.40%
Level of RPI used in Projections	2.00%	2.00%	2.90%	3.40%
Friarsgate Implications?	No	No	Yes	Yes
Real Growth in the Tax Base including Friarsgate	0.08%	(0.11%)	0.44%	0.44%
Business Rates Volatility Allowance	0.00%	50.00%	50.00%	50.00%
Business Rates Baseline (for Levy Calculation)	£1,885,000	£1,921,000	£1,977,000	£2,044,000
Safety Net Level @ 92.5%	£1,744,000	£1,777,000	£1,829,000	£1,891,000
Levy Rate	50.00%	50.00%	50.00%	50.00%
Level of Levy Reimbursed by the GBS Pool	32.50%	32.50%	32.50%	0.00%

Retained Business Rates	Financial Year			
	2014/15	2015/16	2016/17	2017/18
Estimated Current Level of Rateable Value	(£82,200,000)	(£82,200,000)	(£82,200,000)	(£82,200,000)
Provision for new business premises, business closures or demolitions	£67,941	(£90,059)	£361,891	£361,891
Business Rate Pence in the Pound	0.47	0.48	0.49	0.51
<b>Gross Business Rates Income</b>	<b>(£38,684,200)</b>	<b>(£39,533,790)</b>	<b>(£40,456,848)</b>	<b>(£41,832,381)</b>
Transitional Relief	(£171,132)	£0	£0	£0
Mandatory Reliefs (inc Small Business Rate Relief partly funded by Section 31 grant)	£5,110,926	£5,228,477	£5,380,103	£5,563,026
Discretionary Reliefs	£79,511	£81,340	£83,698	£86,544
Section 31 Reliefs	£407,467	£620,927	£638,934	£660,658
<b>Net Rates Payable</b>	<b>(£33,257,429)</b>	<b>(£33,603,046)</b>	<b>(£34,354,112)</b>	<b>(£35,522,152)</b>
Transitional Relief Reimbursement	£171,132	£0	£0	£0
Cost of Collection	£124,697	£124,697	£124,697	£124,697
Provision for Appeals	£600,270	£600,270	£600,270	£600,270
Allowance for Write Offs and Impairment	£374,141	£321,000	£321,000	£321,000
<b>Net Business Rate Income</b>	<b>(£31,987,188)</b>	<b>(£32,557,079)</b>	<b>(£33,308,145)</b>	<b>(£34,476,185)</b>
District Council Share (2014/15 = NNDR 1)	(£12,516,063)	(£13,022,832)	(£13,323,258)	(£13,790,474)
Section 31 Grants	(£525,000)	(£619,000)	(£637,000)	(£659,000)
Tariff	£10,967,000	£11,176,270	£11,500,382	£11,891,395
<b>Pre Levy or Safety Net Income</b>	<b>(£2,074,063)</b>	<b>(£2,465,562)</b>	<b>(£2,459,876)</b>	<b>(£2,558,079)</b>
Levy payable to GBS Pool	£234,000	£272,000	£242,000	£257,000
Business Rates Volatility Allowance	(£180,000)	£176,690	£12,499	£41,446
Returned Levy from the GBS Pool	(£76,050)	(£88,400)	(£78,650)	£0
<b>Post Levy of Safety Net Income</b>	<b>(£2,096,113)</b>	<b>(£2,105,271)</b>	<b>(£2,284,027)</b>	<b>(£2,259,633)</b>
Collection Fund (Surplus) or Deficit	£256,159	(£137,719)	£0	£0

## Local Council Tax Support (LCTS) for Parishes:

A Cost Pressure of £4,000

25. The localisation of Support for Council Tax took effect from 1 April 2013.
26. Government has advised that funding attributable to the parish precept will be provided to the Billing Authority. It is included in the Revenue Spending Power and it also expects the Billing Authority to work with local parish and town councils to provide certainty over their funding.
27. The Revenue Spending Power calculations Government has provided, assumes Council Tax Support to Parishes will remain constant at **£134,700**.
28. In deciding the amount of funding to be passed down to local precepting authorities, the Billing Authority needs to decide how much of a contribution the local preceptor needs to make towards the cost of LCTS, where it exceeds the level of funding provided by Government.
29. The table below shows LDC's estimates of Settlement Funding Assessment figures for 2014/1,; the provisional settlement for 2015/16 together with estimates for 2016/17 and 2017/18 :

**APPENDIX A**

Settlement Funding Assessment	Financial Year				Total (3 Years 2015/16 to 2017/18)
	2014/15	2015/16	2016/17	2017/18	
Revenue Support Grant	(£2,116,000)	(£1,450,000)	(£1,025,000)	(£687,000)	<b>(£3,162,000)</b>
Retained Business Rates (excluding Collection Fund)	(£2,096,000)	(£2,105,000)	(£2,285,000)	(£2,260,000)	<b>(£6,650,000)</b>
<b>Settlement Funding Assessment</b>	<b>(£4,212,000)</b>	<b>(£3,555,000)</b>	<b>(£3,310,000)</b>	<b>(£2,947,000)</b>	<b>(£9,812,000)</b>
% Annual Change		(15.60%)	(6.89%)	(10.97%)	
<b>Approved Budget</b>	<b>(£4,131,000)</b>	<b>(£3,510,000)</b>	<b>(£2,928,000)</b>		

30. The use of the District Council's Settlement Funding Assessment based figures provides a basis to determine the percentage change in funding allocated to parishes for LCTS. An alternative would be to use the Government's Revenue Spending Power which includes Council Tax and NHB, however, this would mean smaller reductions.
31. In 2014/15 it was agreed that the allocation remained the same as for 2013/14 at **£134,700** and for 2015/16 a **15%** reduction will apply reducing Funding Allocation to **£114,700**.
32. It is proposed that for 2016/17, a **7%** reduction will apply to reduce the Funding Allocation to **£106,800**. The Approved MTFs (R&C) 2014-17 assumed allocations of **£98,700** for both 2016/17 and 2017/18. The table below summarises the agreed funding for 2014/15 and 2015/16 together with the proposed funding for the two years 2016/17 and 2017/18 based on the changes to the District Council's Settlement Funding Assessment figures :

Allocation to Parish Councils	Financial Year				Total (3 Years 2015/16 to 2017/18)
	2014/15	2015/16	2016/17	2017/18	
Settlement Funding Assessment Change			(6.89%)	(10.97%)	
Government Allocation published November 2012	£134,700				
Approved Allocation	£134,700	£114,700			£114,700
<b>Projected Allocation</b>			<b>£106,800</b>	<b>£95,100</b>	<b>£201,900</b>
% Annual Change			(6.89%)	(10.96%)	
<b>Approved MTFs (R&amp;C) 2014-17</b>	<b>£135,000</b>	<b>£115,000</b>	<b>£99,000</b>		

<b>New Homes Bonus:</b>	<b>Additional Income of (£181,000)</b>
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33. 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 LDC 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 (**£1,468** for 2015/16) is paid to LDC 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, LDC retains **80%** of NHB, with the remaining **20%** being paid to Staffordshire County Council.
34. In 2015/16 Government will fund **£250m** of NHB and the balance estimated to be **£0.917m** is funded from a deduction from RSG. For 2015/16 NHB funding amounts to **£1.167bn** nationally.
35. The process LDC uses for estimating the Council Tax Base and NHB is shown on the flow chart below :

**Council Tax Base and New Homes Bonus Budget Process**

Council Tax Base	New Homes Bonus	
	Non-Affordable Housing	Affordable Housing
Council Tax Base Return Properties		
<b>Less</b>		
Family Annex and Local Council Tax Support Discounts		
<b>Multiplied by</b>		
Ratio to Convert to Band D Equivalents		
<b>Equals</b>		
Band D Equivalents		
<b>Add</b>		
Provision for Growth using the Housing completions from Annual Monitoring Report H4		
<b>Multiplied by</b>		
Risk Allowance for Non-Completions and Timing Differences, 62% in 2015/16 and 50% in later years		
<b>Equals</b>	<b>Add</b>	Affordable Housing Completions provided by the Housing Team
Revised Council Tax Base assuming 100% collection	Empty Homes brought back into use	
<b>Less</b>	<b>Multiplied by</b>	
1% provision for non- collection	Ratio to Convert to Band D Equivalents	
<b>Add</b>	<b>Equals</b>	
Contribution in lieu of MOD dwellings	Band D Equivalents	
<b>Equals</b>	<b>Multiplied by</b>	
Council Tax Base	Assumed National Band D Council Tax - £1,456 in 2014/15 and £1,468 in later years	
<b>Multiplied by</b>	<b>Multiplied by</b>	
LDC Band D Council Tax Rate	District Council Share of 80%	
<b>Equals</b>	<b>Equals</b>	
Council Tax Income	New Homes Bonus Income	
<b>Add or deduct</b>		
Collection Fund Surplus or Deficit from the Previous Financial Year		



36. The estimates of NHB and the key assumptions used for 2015-18 are shown in the table below :

	<b>Medium Term Financial Strategy 2015-18</b>			
	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
<b>Provision for Growth</b>				
Housing Completions per Annual Monitoring Report H4, November 2014		390	851	1,181
Risk Allowance for Non-Completions and timing differences		62%	50%	50%
<b>Housing Completions Projection</b>		<b>240</b>	<b>426</b>	<b>590</b>
Housing Completions Projection	330	240	426	590
Empty Homes brought back into Use	94	58	0	0
<b>Total Projected New Housing Supply</b>	<b>424</b>	<b>298</b>	<b>426</b>	<b>590</b>
Ratio applied to calculate Band D Equivalents	0.9	0.9	0.9	0.9
<b>Band D Equivalents Projected New Housing Supply</b>	<b>398</b>	<b>273</b>	<b>367</b>	<b>503</b>
Assumed National Band D Council Tax	(1,456)	(1,468)	(1,468)	(1,468)
<b>District Council's 80% Share</b>	<b>(464,000)</b>	<b>(321,000)</b>	<b>(431,000)</b>	<b>(591,000)</b>
Affordable Housing Completions	57	78	84	113
Affordable Housing Supplement	(350)	(350)	(350)	(350)
<b>District Council's 80% Share</b>	<b>(16,000)</b>	<b>(22,000)</b>	<b>(24,000)</b>	<b>(32,000)</b>
<b>Total District Council's 80% Share</b>	<b>(480,000)</b>	<b>(343,000)</b>	<b>(455,000)</b>	<b>(623,000)</b>
Year 1 Payment 2011/12	(261,000)	(261,000)	(261,000)	0
Year 2 Payment 2012/13	(224,000)	(224,000)	(224,000)	(224,000)
Year 3 Payment 2013/14	(231,000)	(231,000)	(231,000)	(231,000)
Year 4 Payment 2014/15	(480,000)	(480,000)	(480,000)	(480,000)
Year 5 Payment 2015/16		(343,000)	(343,000)	(343,000)
Year 6 Payment 2016/17			(455,000)	(455,000)
Year 7 Payment 2017/18				(623,000)
Revenue Implications of the Capital Programme (Friarsgate)			2,000	3,000
<b>Budgeted New Homes Bonus</b>	<b>(£1,196,000)</b>	<b>(£1,539,000)</b>	<b>(£1,992,000)</b>	<b>(£2,353,000)</b>

#### Other Factors:

37. The level of Government funding and retained Business Rates are significant contributors to our net Funding Gap. However, there are other elements that will impact and these are outlined below.

#### Budget Variations

<b>Provision for Inflation on Existing Levels of Service:</b>	<b>A Budgetary Pressure of £225,350</b>
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38. **Pay Award 2014/15** was agreed in November 2014; this is made up of an increase of **2.2%** from January 2015, plus a lump sum payment dependant on grade. The impact of this pay award has been included in the MTFS (R&C) 2015-18. It has yet to be confirmed if this pay award will also apply to CFO Grades (five posts in LDC).
39. **Employers' National Insurance Contributions** will increase in 2016/17 to reflect Government's policy of implementing a Single Tier Pension from 1 April 2016 of **£144.00** per week. The Local Government Pension Scheme is a 'contracted out' scheme and as a result of this policy decision, Employers' National Insurance Contributions will increase on average by **2.30%** from 1 April 2016. This is already included in the Approved Budget.

40. **Employer's Pension Contributions** will increase by **1%** per annum on a cumulative basis from 2014/15 onwards following the triennial revaluation of Staffordshire Pension Fund 2013 this is already included in the Approved Budget.
41. These costs are treated as inflation as they are not as a result in growth of service provision. The table below shows the changes in assumptions compared to the MTFs (R&C) 2014-17 (shown in brackets) as a result of these assumptions :

Pay Award and Employer Costs	Financial Year			
	2014/15	2015/16	2016/17	2017/18
	%	%	%	%
Pay Award (exc lump sum)	0.6% (1%)	1.6% (1%)	2% (2%)	2.0%
Employers National Insurance (average)	6.9% (7.0%)	7.0% (7.0%)	9.3% (9.5%)	9.4%
Employers Pension	19.6% (19.6%)	20.6% (20.6%)	21.6% (21.6%)	22.6%

### General Inflation

42. General Inflation estimates have been prepared in a similar way to previous years. An estimate of future inflation is taken from a mixture of history, market indications and supplier contracts.
43. The MTFs (R&C) 2015-18 assumes that there is an annual inflationary increase to our income targets. We review price rises each year in the autumn and as such we are not in a position to say what the total price rises will be beyond 2015/16. In 2015, some slight price rises have been agreed and implemented, however, most prices have remained stable. Also, consumer price inflation is relatively low at present, particularly in the leisure industry; this has meant fees and charges for activities in our leisure centre and park are facing deflationary pressures. Consequently, fees are only being slightly increased.
44. Car parking charges are reviewed on an annual basis and were last increased on 1 April 2008 and there have been no further general changes to charges for car parking since then. The MTFs (R&C) 2015-18 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 nine financial years from 2009/10 to 2017/18. A comprehensive review of LDC's car parking strategy is underway and will report in 2015/16.

### Investment Income:

**No Change**

### 45. Interest on Balances

The level of the base rate remains at **0.5%** and projections indicate that interest rates will potentially not rise until 2016. The level of investment returns included in the budget is shown below (the figures for the Approved MTFs (R&C) 2014-17 are shown in brackets):

Treasury Management	Financial Year			
	2014/15	2015/16	2016/17	2017/18
	%	%	%	%
Investment Returns	0.57% (0.77%)	0.70% (0.77%)	1.27% (0.76%)	1.72%

### Other Variations:

**Budgetary Pressure of £182,920**

46. Other variations will result in a net budgetary pressure of **£182,920** over three years. The main variations are due to : BIG TO LITTLE
- Additional Election Staff **£108,150**
  - Microsoft Software Contract **£105,000**
  - Non-achievement of staff turnover savings in Community, Housing and Health **£65,790**
  - Housing Benefit Grant Reduction **£57,900**
  - All other Minor Variations **£43,680**
  - Loss of Rental Income from APCOA vacating Plant Lane Depot **£30,900**
  - Street lighting Darwin Park - Reserve exhausted **£23,400**
  - Loss of Income due to sunbed removal from Burntwood Leisure Centre **£19,890**
  - Revenue implications of Asset Management District Council House **£14,250**

- Net Treasury position **£10,510**
- Insurance Premium Cover increase no longer required (**£126,720**)
- Joint Waste Savings due to new operating processes (**£121,710**)
- Additional Rental Income for Civic Amenity site (**£48,000**)

<b>No Planned Use of General Reserves post 2015/16:</b>	<b>A Reduction in Savings of (£400,450)</b>
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47. The MTFs (R&C) 2015-18 makes the assumption that General Reserves are used to balance the Budget for 2015/16 only. The reason for this is that the use of reserves does not create a financially sustainable budget over the Medium Term as all the reserves in excess of the Minimum Level of **£1,200,000** for 2015/16 would at some point all be spent creating a financial 'cliff edge'.

<b>Collection Fund:</b>	<b>Additional Income of (£269,000)</b>
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48. The Council Tax Collection Fund is projected to be in surplus in 2014/15 and LDC's share of the surplus receivable under Statute in 2015/16 will be (**£131,000**).
49. The Business Rate Collection Fund is projected to be in surplus in 2014/15 and LDC's share of the surplus receivable under Statute in 2015/16 will be (**£138,000**).

### Capital Programme

<b>Revenue Implications of the Capital Programme:</b>	<b>A Budgetary Saving of (£69,000)</b>
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50. One of the stated principles of a good and balanced budget is to ensure that the Revenue Budget is integrated with the Capital Programme.
51. The total Capital Programme 2015-18 totals **£13,499,000**. It is funded from eight sources of funding :

<b>Total Indicative Capital Programme 2015-18</b>	<b>£m</b>
Capital Receipts	2.617
Revenue Contributions	0.462
Section 106 Funds	0.746
Sinking Funds	0.250
Grants and Contributions	4.386
Earmarked Reserves	1.563
Internal/External Borrowing	0.673
Finance Leases	2.802
<b>Total Sources of Funding</b>	<b>£13.499m</b>

52. LDC's resources available to fund the Capital Programme consists of Capital Receipts amounting to **£2,617,000** and Revenue Contributions of **£462,000**.
53. A projection of the Revenue Implications of both externally borrowing **£1,636,000** (to fund the Borrowing Requirement from 2013/14) and funding the remainder from internal borrowing is shown in the table below:

**£1,636,000** borrowed 1 April 2015 using a repayment loan over **25** years at **3.04%**.

Borrowing costs include Minimum Revenue Provision based on asset life, external interest and loss of investment interest income.

	2015/16 £	2016/17 £	2017/18 £	Total £
Budgeted Borrowing Costs	161,000	169,000	183,000	513,000
Projected Borrowing Costs	140,000	148,000	156,000	444,000
<b>Projected (Saving)/Cost</b>	<b>(£21,000)</b>	<b>(£21,000)</b>	<b>(£27,000)</b>	<b>(£69,000)</b>

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54. Revenue Implications of the Capital Programme included in the MTFs (R&C) 2015-18 include **£1.368m** of direct implications plus **£0.462m** of Revenue Contributions. The total including **£0.444m** of projected borrowing costs is **£2.274m** over the period 2015-18. This compares to the Approved MTFs (R&C) 2014-17 of **£2.343m**. Further details are provided below under **Capital Strategy**.
55. 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 Plan and applying a levy to each development. This may increase the amount of resources available to us. However, the scheme is not yet agreed and any scheme cannot be put into operation until the Local Plan is adopted.
56. For the MTFs (R&C) 2015-18 we have not estimated the value of any CIL funding to LDC for Capital Investment.
57. The Revenue Budget showing the Amount to be met from Government Grants and Local Tax Payers for the next **three** years, together with 2014/15 is set out in the table below:

<b>GENERAL FUND TOTAL REQUIREMENT DISTRICT COUNCIL PURPOSES</b>					
<b>FOR FINANCIAL YEARS 2014/15 to 2017/18 ANALYSIS IN ACCORDANCE WITH THE AUTHORITY'S ORGANISATIONAL STRUCTURE</b>					
<b>BUDGET</b>	<b>2014/15</b>		<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>Approved Budget</b>	<b>Revised Budget</b>	<b>Original Budget</b>	<b>Original Budget</b>	<b>Original Budget</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	753,490	886,980	889,230	917,000	937,950
Finance, Revenues and Benefits	2,230,380	2,152,640	2,311,520	2,341,630	2,565,470
Leisure and Parks	3,203,560	3,135,250	3,167,270	3,179,800	3,327,000
Democratic, Development and Legal <sup>6</sup>	510,160	280,250	1,097,170	1,136,620	1,253,090
Community, Health and Housing	2,250,320	2,165,330	2,217,360	2,294,190	2,344,420
Waste	1,596,490	1,494,990	1,311,000	1,320,750	1,352,360
Savings Required	0	0	0	(486,390)	(818,190)
<b>Net Cost of Services</b>	<b>10,544,400</b>	<b>10,115,440</b>	<b>10,993,550</b>	<b>10,703,600</b>	<b>10,962,100</b>
Net Treasury Position	79,670	1,700	74,900	70,400	22,900
Revenue Contributions to the Capital Programme	169,000	169,000	154,000	154,000	154,000
<b>Net Operating Cost</b>	<b>10,793,070</b>	<b>10,286,140</b>	<b>11,222,450</b>	<b>10,928,000</b>	<b>11,139,000</b>
Less : Transfer (from) / to General Reserve	(240,290)	91,640	(400,450)	0	0
Less : Transfer to Earmarked Reserves	92,000	92,000	92,000	92,000	92,000
<b>Amount to be met from Government Grants and Local Taxpayers</b>	<b>£10,644,780</b>	<b>£10,469,780</b>	<b>£10,914,000</b>	<b>£11,020,000</b>	<b>£11,231,000</b>

Retained Business Rates	(2,015,000)	(2,096,000)	(2,105,000)	(2,285,000)	(2,260,000)
Revenue Support Grant	(2,116,000)	(2,116,000)	(1,450,000)	(1,025,000)	(687,000)
Returned New Homes Bonus	(6,000)	(6,000)	(16,000)	(26,000)	(17,000)
Business Rates Cap (2014/15)	(20,000)	(20,000)	(20,000)	0	0
Business Rates Cap (2015/16)	0	0	(9,000)	0	0
Parish Local Council Tax Support	135,000	135,000	115,000	107,000	95,000
New Homes Bonus	(1,196,000)	(1,196,000)	(1,539,000)	(1,992,000)	(2,353,000)
Council Tax Collection Fund (surplus) / deficit	(63,000)	(63,000)	(131,000)	0	0
Business Rates Collection Fund (surplus) / deficit	0	256,000	(138,000)	0	0
Council Tax Requirement	(5,363,780)	(5,363,780)	(5,621,000)	(5,799,000)	(6,009,000)
<b>Council Tax Base</b>	<b>35,296</b>	<b>35,296</b>	<b>36,264</b>	<b>36,686</b>	<b>37,270</b>
<b>Lichfield District Council Tax Requirement assuming a 1.99% annual increase</b>	<b>£151.97</b>	<b>£151.97</b>	<b>£154.99</b>	<b>£158.08</b>	<b>£161.23</b>

<sup>6</sup> The increase in the Original Budget 2015/16 compared to the Revised Budget 2014/15 for Democratic, Development and Legal is related to a number of one off occurrences in 2014/15. These include the loss of income from the proposed sale of the Industrial Units and Bore Street Shops, staffing vacancies, additional one off income sums for Planning Applications and Car Parking together with new resources to support Elections and Electoral Registration in 2015/16.

## Resourcing our Investment Plans : The Capital Programme

58. 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.
59. The Capital Programme 2015-18 (including Revised Estimate 2014/15) is shown by top priority in **APPENDIX C**, along with the schemes proposed to be funded from LDC's resources.

### The Capital Strategy

#### Project Identification and Prioritisation

60. 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.
61. Operationally, LDC manages its Capital Strategy through Service Managers and LDCs 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.

#### Planning Obligations - Section 106

62. As part of the planning process in relation to planning obligations, LDC 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.
63. 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.
64. LDC'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.
65. LDC'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.
66. The introduction of the CIL will mean that the current Section 106 processes will need to be updated to reflect this additional new source of capital investment funding (see paragraphs 55 and 56).

#### The Disposal of Assets.

67. LDC has determined an Asset Disposal policy. This policy involves evaluating each asset that LDC owns against the following criteria to determine if ownership should be retained:

- The strategic aims that the ownership of the asset helps LDC to achieve.
- The rate of return that the asset generates.
- Whether disposal of the asset would further enhance the achievement of strategic aims.

68. LDC reviews its assets on an annual basis. As a consequence of the review in 2014, LDC made the decision to market some of its investment properties<sup>7</sup>. LDC also responds to opportunities in respect of purchase or to lease land, for example, St Matthews Community Centre and Lichfield City Football Club.

<sup>7</sup> Council meeting held 30 September 2014.

69. Following the evaluation, an annual report is submitted to Cabinet detailing the assets currently owned by LDC; the conclusions of the evaluation and assets that are recommended for disposal.

**Project and Service Procurement**

70. LDC has evaluated its procurement policies in line with best practice . 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"> <li>• Clarity of decision making is provided through the roles of Cabinet being specified.</li> <li>• Committees have been set up to scrutinise the decisions of the Cabinet including the Capital Strategy.</li> </ul>
A focus on the customer	<ul style="list-style-type: none"> <li>• The design of major capital projects involves stakeholder participation at the design stage.</li> <li>• A number of major capital projects are or will be managed by a management board consisting of stakeholders.</li> </ul>
Integrated processes and teams	<ul style="list-style-type: none"> <li>• LDC requires the Projects in a Controlled Environment (PRINCE2) methodology be used to project manage all new major projects.</li> <li>• LDC engages in value engineering dialogue with appointed contractors to determine cost savings and quality enhancements in major capital contracts.</li> <li>• A risk management strategy to identify possible risks to successful outcomes and the ways these risks could be managed has been developed.</li> </ul>
A quality driven agenda	<ul style="list-style-type: none"> <li>• LDC has developed a procurement strategy. This is due to be reviewed in 2015/16.</li> </ul>
Commitment to people	<ul style="list-style-type: none"> <li>• LDC's Financial Regulations and Contract Standing Orders require within pre tender questionnaires a section for the evaluation of potential contractors' records on Health &amp; Safety and environmental policies.</li> </ul>

**Project Implementation and Monitoring**

71. 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, particularly when projects are using grant funding, such as the refurbishment of Friary Grange Leisure Centre.
72. Project managers hold regular meetings with 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.
73. 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**

74. LDC undertakes performance measurement in relation to capital investment in a number of different ways :

<ul style="list-style-type: none"> <li>➤ As part of the project development, the project manager identifies the objectives that the success of the project will be measured against.</li> <li>➤ Regular reports to Cabinet and the Overview and Scrutiny Committees in relation to the progress of major projects are undertaken.</li> <li>➤ The Infrastructure Officer Working Group undertakes regular checking of project progress that are funded by Section 106.</li> </ul>
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**Capital Programme 2015-18<sup>8</sup>**  
(Including Revised Estimate 2014/15)

Top Priority	2014/15		2015/16		2016/17		2017/18		Total
	Council Funded	Other Funding	Council Funded	Other Funding	Council Funded	Other Funding	Council Funded	Other Funding	
	£000		£000		£000		£000		£'000
Theme 1 - We'll support local people	£314	£822	£409	£1,135	£409	£1,267	£409	£483	£5,248
Theme 2 - We'll shape local places	£44	£194	£121	£2,266	£0	£2,215	£0	£750	£5,590
Theme 3 - We'll boost local businesses	£581	£269	£320	£265	£286	£1,000	£836	£500	£4,057
How our core principals help us deliver	£935	£13	£535	£0	£137	£0	£156	£0	£1,776
<b>TOTAL</b>	<b>£1,874</b>	<b>£1,297</b>	<b>£1,385</b>	<b>£3,666</b>	<b>£832</b>	<b>£4,482</b>	<b>£1,401</b>	<b>£1,733</b>	<b>£16,670</b>
	<b>£3,171</b>		<b>£5,051</b>		<b>£5,314</b>		<b>£3,134</b>		
									<b>£13,499</b>

Funding	2014/15		2015/16		2016/17		2017/18		Total
	£000		£000		£000		£000		£'000
Usable Capital Receipts		£1,101		£985		£541		£1,091	£3,718
Prudential Borrowing (including Finance Leases)		£626		£2,393		£626		£456	£4,101
Burntwood Leisure Centre Sinking Fund		£101		£128		£80		£42	£351
Other Sinking Funds		£0		£0		£0		£0	£0
Grants, Contributions and Section 106		£992		£1,359		£2,882		£891	£6,124
Revenue		£169		£154		£154		£154	£631
Earmarked Reserves etc.		£183		£32		£1,031		£500	£1,746
<b>TOTAL</b>		<b>£3,171</b>		<b>£5,051</b>		<b>£5,314</b>		<b>£3,134</b>	<b>£16,670</b>

<b>SHORTFALL</b>		<b>£0</b>		<b>£0</b>		<b>£0</b>		<b>£0</b>	<b>£0</b>
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<sup>8</sup> Includes Council funded schemes, Grants, Contributions and Section 106 Funded Schemes, Sinking Funds and Earmarked Reserves. Council Funded schemes are from Usable Capital Receipts and the Revenue Budget.

**Capital Programme 2015-18 by Theme<sup>9</sup>**  
**(Including Revised Estimate 2014/15)**

Project	2014/15 £000	Draft Budget			3 Years £000
		2015/16 £000	2016/17 £000	2017/18 £000	
Evolve Fitness Equipment	10				
Accessible Homes (Disabled Facilities Grants)	269	379	379	379	1,137
Home Repair Assistance Grants	15	20	20	20	60
Energy Insulation Programme	11	10	10	10	30
Oakenfield Play Area (Sinking Fund)	9				
<b>We'll Help Local People</b>	<b>314</b>	<b>409</b>	<b>409</b>	<b>409</b>	<b>1,227</b>
Invest to Save Toro GM360 Mowers	44				0
Shortbutts Park, Lichfield		20			20
Stowe Pool Improvements		5			5
Canal Culvert at Huddlesford		96			96
<b>We'll Shape Local Places</b>	<b>44</b>	<b>121</b>	<b>0</b>	<b>0</b>	<b>121</b>
Friarsgate Support	410	286	286	836	1,408
City Centre - Enhancement of Public Areas	143				0
Lichfield Garrick Lift	6				0
Lombard Street/Cross Keys Car Park	14				0
Friary Outer Car Park Development	8				0
Refurbishment of Bird Street Car Park Surface		34			34
<b>We'll Boost Local Business</b>	<b>581</b>	<b>320</b>	<b>286</b>	<b>836</b>	<b>1,442</b>
Depot Sinking Fund	11				0
Asset Management - Health & Safety Issues	7				0
Asset Management - District Council House		57	2	1	60
IT Investment - Phase 1	917	108			108
IT Investment - Phase 2		370	135	155	660
<b>How Our Core Principles Help Us Deliver</b>	<b>935</b>	<b>535</b>	<b>137</b>	<b>156</b>	<b>828</b>
<b>TOTAL</b>	<b>£1,874</b>	<b>£1,385</b>	<b>£832</b>	<b>£1,401</b>	<b>£3,618</b>

<sup>9</sup> Only includes Council funded schemes.



## 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. LDC's aim is to have a prudent level of General Reserves available for unforeseen financial risks. LDC has established opening General Reserves of **£2,810,190**; the precise level is determined by risk assessment. The minimum level of Reserves for 2015/16 onwards is **£1,200,000**. This is **11%** of the amount to be met from Government Grants and Local Taxpayers in 2015/16 of **£10,914,000**.
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
7. 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 LDC against potential unbudgeted costs.

### Use of General Revenue Reserves

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 2014/15 budget and beyond.

8. CIPFA guidance provides guidance for determining the minimum level of Reserves. LDC uses the method based on risk assessment. The approach to the risk assessment of Reserves has taken into account CIPFA guidance (LAAP 99) (Guidance note on Local Authority Reserves and Balances).
9. The table below shows the financial risk assessment made for **2015/16** :

Activity Area	Explanation of Risk/ Justification of Balances	Level of Risk : Impact/Likelihood	2015/16 Reserve Amounts £
Friarsgate	The Financial Implications of Friarsgate are higher than the Approved Budget.	Significant/ Medium	79,000
IT Systems are no longer Fit for Purpose and the Public Sector Network	The Financial Implications are higher than the Approved Budget.	Significant/ Medium	108,000
Financial Resilience:			
Savings Targets	Savings targets are not achieved.	Significant / Medium	24,000
Business Rates	LDC's share of Business Rates reduces due to performance of the national economy and/or local factors such as business closure.	Significant/ Medium	328,000
High Risk streams of Income including Fees and Charges	Reduction in customer demand.	Significant/ Medium	179,000
Inflation Assumptions	Inflation increases at a higher rate than assumed for items such as Pay Awards, Utilities and Supplies and Service Costs.	Significant/ Medium	161,000
Collection of Income Performance	There is a reduction in Collection Performance for example for Council Tax, Business Rates and Sundry Debtors.	Significant/ Medium	160,000
Partnerships and Outsourcing	LDC is now working with the Locality Commissioning Board and VAT could be deducted from Clinical Commissioning Group and Office of Police and Crime Commissioner funding unlike Council funding <sup>10</sup> .	Significant/ Medium	23,000
Civil Contingency	To meet any Civil Contingency that may arise.	Significant/ Medium	127,000
Other	Other small risks.	Low / Low	11,000
<b>Total Minimum Reserves</b>			<b>£1,200,000</b>

### Earmarked Reserves (Usable Reserves)

10. 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 and Balance Sheet projections are shown overleaf :

<sup>10</sup> Councils are classed as Section 33 bodies and this enables them to reclaim all of their VAT (subject to remaining with a partial exemption limit however other bodies, such as the National Health Service are not able to reclaim all of their VAT. The status of these two bodies and the VAT treatment are currently being assessed.

**APPENDIX D**

<b>Usable Reserve</b>	<b>Reason for the Reserve</b>	<b>2013/14 Actual £000</b>	<b>2014/15 Budget £000</b>	<b>2015/16 Budget £000</b>	<b>2016/17 Budget £000</b>	<b>2017/18 Budget £000</b>
<b>Revenue</b>						
Other Earmarked Reserves	To finance specific capital and revenue projects	(2,345)	(1,963)	(1,931)	(1,900)	(1,900)
Grant Aid - Development	To provide assistance to Historic Buildings, Nature Conservation and Biodiversity projects	(52)	(52)	(52)	(52)	(52)
Elections	This reserve is required to ensure sufficient resources are available to meet the District Council Elections	(117)	(117)	(117)	(117)	(117)
Public Open Spaces	To fund the cost of equipment in public open spaces	(104)	(104)	(104)	(104)	(104)
Building Regulations	To manage the risks related to the Building Control Function	(61)	(61)	(61)	(61)	(61)
<b>Capital</b>						
Three Spires Multi Storey	Provides for future capital works to the car park.	(1,402)	(1,523)	(1,644)	(765)	(386)
Capital Grants Unapplied	The Capital grants reserve is to meet specific capital grant expenditure in future years	(1,328)	(1,351)	(760)	(14)	(14)
Capital Receipts Reserve	The usable capital receipts reserve represents capital receipts available to finance capital expenditure in future years in accordance with best practice	(996)	(229)	(1,762)	(1,223)	(134)
Sinking Funds	These have been setup for Burntwood Leisure Centre including the synthetic pitch and King Edwards Leisure Centre synthetic pitch	(467)	(366)	(238)	(158)	(116)
<b>Revenue and Capital Earmarked Reserves Total</b>		<b>(£6,872)</b>	<b>(£5,766)</b>	<b>(£6,669)</b>	<b>(£4,394)</b>	<b>(£2,884)</b>

11. LDC also holds other Unusable Reserves that arise out of the interaction of legislation and proper accounting practice and the Balance Sheet projections are shown in the table below :

<b>Unusable Reserve</b>	<b>Reason for the Reserve</b>	<b>2013/14 Actual £000s</b>	<b>2014/15 Budget £000s</b>	<b>2015/16 Budget £000s</b>	<b>2016/17 Budget £000s</b>	<b>2017/18 Budget £000s</b>
Revaluation Reserve	This is a reserve that records unrealised gains in the value of non-current assets	(3,474)	(3,474)	(3,474)	(3,474)	(3,474)
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	(37,734)	(39,346)	(38,051)	(40,465)	(42,845)
Deferred Credits	This item consists of principal outstanding on the sale of council houses properties sold on a mortgage.	(69)	(67)	(65)	(63)	(61)
Pension Scheme	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).	34,017	34,017	34,017	34,017	34,017
Benefits Payable During Employment Adjustment Account	This is a specific accounting mechanism used to reconcile employee benefits (accrued holiday entitlements) under IAS 19	222	222	222	222	222
Collection Fund	This is required under the Statement of Recommended practice (SORP) for Council Tax & Non Domestic rates accrued income.	336	336	336	336	336
<b>Legislation and Proper Accounting Reserves Total</b>		<b>(£6,702)</b>	<b>(£8,312)</b>	<b>(£7,015)</b>	<b>(£9,427)</b>	<b>(£11,805)</b>

The **CFO** has been involved throughout the entire budget process, including revising the MTFS, 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 Overview and Scrutiny Committees, 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 MTFS. The process, timetable and the overall budget framework were approved by Cabinet.

**Timetable** - the process started in June 2014 and the draft budget was completed in December 2014 prior to the Provisional Financial Settlement for Local Government 2015/16. This enabled formal scrutiny of the budget making process in January 2015. The final budget is due to be set at Council on 17 February 2015, well within the statutory deadline.<sup>11</sup>

**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** - In summer 2014, we carried out a survey 'Your View' to find out what people who live in the District think about the services we provide.

**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 **2%** limit for Council Tax increases for 2015/16. 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.

**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.

**Current financial position** - the budget is a statement of financial intent, reflecting LDC'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 LDC 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** - LDC continues to use an embedded good practice risk assessment approach both when setting the budget and in validating estimated outturns. This continues for the 2014/15 outturn and 2015/16 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 CFO 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 **£1,200,000** is adequate.

<sup>11</sup> Statutory deadline date for setting Council Tax is by 11 March 2015.

## Treasury Management Strategy Statement

### Cash Flow Forecast for 2015/16

### Investments at 31 December 2014

The table below shows a breakdown of our investments as at the end of the third quarter using the lowest acceptable credit rating as a guide to the quality of the investment counterparty :

Counterparty	Principal £m	Matures	Days to Maturity	Rate %	Credit Rating	Foreign Parent
<b>Money Market Funds</b>						
Deutsche Bank	0.69	01-Jan-15	1	0.37%	AAA	
Invesco	1	01-Jan-15	1	0.39%	AAA	
Goldman Sachs	1	01-Jan-15	1	0.42%	AAA	
Blackrock	1	01-Jan-15	1	0.41%	AAA	
Ignis	1	01-Jan-15	1	0.42%	AAA	
Legal & General	1	01-Jan-15	1	0.44%	AAA	
Insight	1	01-Jan-15	1	0.38%	AAA	
Aberdeen	0.54	01-Jan-15	1	0.41%	AAA	
BNP Paribas	1	01-Jan-15	1	0.46%	AAA	
Federated Prime Rate	1	01-Jan-15	1	0.38%	AAA	
<b>Other Counterparties</b>						
Nationwide	1	01-Apr-15	90	0.81%	A	
Nationwide	0.5	01-Apr-15	90	0.73%	A	
Lloyds Bank	1	01-Apr-15	90	0.95%	A	
Lloyds Bank	0.5	01-Apr-15	90	0.76%	A	
Santander	1.5	26-Aug-15	237	0.90%	A	Yes
HSBC	1.5	14-Jul-15	194	0.50%	AA-	
Close Bros	1.5	23-Jan-15	22	0.60%	A-	
Barclays Bank	1.5	06-Feb-15	36	0.48%	A	
DMO	2	08-Jan-15	7	0.25%	AAA	
Standard Chartered	1.5	23-Mar-15	81	0.66%	A+	
<b>Total</b>	<b>£21.73m</b>					

The aim for the risk status of our portfolio is **A-** or a higher credit rating. This reflects our current investment approach with the main focus on security and the safe return of our investments. Our risk rating at 31 December 2014 had a more secure risk status of **A+** based on the length of the investment and **AA** based on the value of the investment.

## APPENDIX E

### Detailed Cash flow for 2015/16 (figures may not sum due to rounding)

2015/16 (£m)													
Detail	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
<b>Income</b>													
Council Tax Collected	-£5.24	-£5.05	-£4.77	-£4.89	-£4.87	-£4.89	-£4.92	-£4.91	-£4.88	-£4.64	-£0.60	-£0.64	<b>-£50.29</b>
Business Rates Collected	-£3.13	-£4.07	-£3.05	-£3.21	-£4.23	-£3.08	-£3.01	-£3.03	-£2.89	-£2.81	-£0.73	-£0.56	<b>-£33.80</b>
Rent Allowance Grant	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	<b>-£20.22</b>
New Homes Bonus	-£0.07	-£0.07	-£0.07	-£0.07	-£0.07	-£0.07	-£0.07	-£0.07	-£0.07	-£0.07	-£0.07	-£0.07	<b>-£0.85</b>
Net Revenue Income	-£0.41	-£0.52	-£0.52	-£0.52	-£0.52	-£0.48	-£0.52	-£0.52	-£0.52	-£0.52	-£0.52	-£0.52	<b>-£6.07</b>
Revenue Support Grant	-£0.82	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	-£0.48	-£0.13	<b>-£1.42</b>
Capital Income	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	<b>-£0.33</b>
New Borrowing	-£1.64	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	<b>-£1.64</b>
<b>Spend</b>													
Capital Programme	£0.42	£0.42	£0.42	£0.42	£0.42	£0.42	£0.42	£0.42	£0.42	£0.42	£0.42	£0.42	<b>£5.05</b>
Other Spend	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	<b>£0.49</b>
Rent Allowance Payments	£1.62	£1.54	£1.56	£1.78	£1.55	£1.60	£1.55	£1.55	£2.75	£1.55	£1.55	£1.62	<b>£20.22</b>
Employees	£1.07	£1.07	£1.07	£1.07	£1.07	£1.07	£1.07	£1.07	£1.07	£1.07	£1.07	£1.07	<b>£12.80</b>
Business Rate Payments	£2.33	£3.41	£3.06	£3.06	£3.06	£3.06	£3.06	£3.06	£3.06	£2.63	£0.95	£0.95	<b>£31.70</b>
Precepts	£5.36	£4.37	£0.00	£4.37	£4.37	£4.69	£4.37	£4.37	£0.00	£4.37	£4.37	£4.37	<b>£45.03</b>
<b>Cash Flow</b>	<b>-£2.17</b>	<b>-£0.57</b>	<b>-£3.97</b>	<b>£0.35</b>	<b>-£0.89</b>	<b>£0.64</b>	<b>£0.28</b>	<b>£0.28</b>	<b>-£2.73</b>	<b>£0.33</b>	<b>£4.30</b>	<b>£4.85</b>	<b>£0.69</b>
<b>Average Level of Investments</b>	<b>£8.64</b>	<b>£10.01</b>	<b>£12.28</b>	<b>£14.09</b>	<b>£14.37</b>	<b>£14.49</b>	<b>£14.03</b>	<b>£13.76</b>	<b>£14.98</b>	<b>£16.18</b>	<b>£13.87</b>	<b>£9.29</b>	

### Investment Income and Borrowing Cost Budgets for 2015/16

Based on the cash flow forecast on the previous page and the revenue implication of the Capital Programme, the estimate for interest payments in 2015/16 is **£61,500**, Minimum Revenue Provision is **£79,200** and for interest receipts is **(£96,000)**.

In terms of interest receipts, there are two key risks/sensitivities:

- a) The interest rate receivable.
- b) The amount of money we have available to invest.

What if

Interest Rates Change	We have more cash available to invest £000				
	+£1m	+£2m	+£3m	+£4m	+£5m
Current Estimate	116	124	132	140	149
+0.50%	186	199	212	226	239

## Balance Sheet Projections 2015-18

(Figures may not sum due to rounding)

	Type	2013/14 Actual £000s	2014/15 Budget £000s	2015/16 Budget £000s	2016/17 Budget £000s	2017/18 Budget £000s
Property, Plant and Equipment	CFR	37,624	39,536	42,989	45,481	47,765
Heritage Assets	CFR	515	515	515	515	515
Investment Property	CFR	5,928	5,928	2,961	2,961	2,961
Intangible Assets	CFR	177	177	177	177	177
Investments	INV	9,725	7,554	9,287	6,865	5,240
Borrowing	BOR	(63)	(47)	(1,602)	(1,521)	(1,440)
Finance Leases	LEA	(457)	(246)	(1,858)	(1,870)	(1,740)
Working Capital	CRED	(3,048)	(2,419)	(2,266)	(2,268)	(2,270)
Pensions	PEN	(34,017)	(34,017)	(34,017)	(34,017)	(34,017)
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>£16,384</b>	<b>£16,980</b>	<b>£16,185</b>	<b>£16,322</b>	<b>£17,190</b>
<b>Unusable Reserves</b>						
Revaluation Reserve	CFR	(3,474)	(3,474)	(3,474)	(3,474)	(3,474)
Capital Adjustment Account	CFR	(37,734)	(39,346)	(38,051)	(40,465)	(42,845)
Deferred Credits	CRED	(69)	(67)	(65)	(63)	(61)
Pension Scheme	PEN	34,017	34,017	34,017	34,017	34,017
Benefits Payable During Employment Adjustment Account	CRED	222	222	222	222	222
Collection Fund	BAL	336	336	336	336	336
<b>Usable Reserves</b>						
Unapplied Grants and Contributions - General	BAL	(767)	(746)	(746)	(0)	(0)
Unapplied Grants and Contributions - Affordable Housing	BAL	0	0	0	0	0
Unapplied Grants and Contributions - Section 106	BAL	(561)	(605)	(14)	(14)	(14)
Unapplied Grants and Contributions - Revenue	BAL	0	0	0	0	0
Usable Capital Receipts	BAL	(862)	(95)	(1,628)	(1,089)	0
Usable Capital Receipts - Arts Statue	BAL	(134)	(134)	(134)	(134)	(134)
Burntwood Leisure Centre Sinking Fund	BAL	(396)	(295)	(167)	(87)	(45)
Burntwood Leisure Centre Synthetic Pitch Sinking Fund	BAL	(29)	(29)	(29)	(29)	(29)
City Centre Redevelopment Sinking Fund	BAL	(25)	(25)	(25)	(25)	(25)
King Edwards Leisure Centre Sinking Fund	BAL	(17)	(17)	(17)	(17)	(17)
Lombard Street Car Park Sinking Fund	BAL	0	0	0	0	0
Elections	BAL	(117)	(117)	(117)	(117)	(117)
Promotion of District	BAL	0	0	0	0	0
Public Open Spaces	BAL	(104)	(104)	(104)	(104)	(104)
Three Spires Multi Storey	BAL	(1,402)	(1,523)	(1,644)	(765)	(386)
Building Regulations	BAL	(61)	(61)	(61)	(61)	(61)
Other Earmarked Reserves	BAL	(2,345)	(1,963)	(1,931)	(1,900)	(1,900)
Grant Aid - Development	BAL	(52)	(52)	(52)	(52)	(52)
Depot Sinking Fund	BAL	0	0	0	0	0
General Fund Balance	BAL	(2,810)	(2,902)	(2,501)	(2,501)	(2,501)
<b>TOTAL EQUITY</b>		<b>(£16,384)</b>	<b>(£16,980)</b>	<b>(£16,185)</b>	<b>(£16,322)</b>	<b>(£17,190)</b>

## Borrowing Requirement and Strategy

We finance our capital spend from a variety of sources including capital receipts, revenue and grants and contributions. Any capital spend we do not fund from these sources increases our underlying need to borrow for capital purposes (the Capital Financing Requirement (CFR)).

The Capital Financing Requirement together with the level of our Balances and Reserves (B&R) are the core drivers of Treasury Management Activity. A summary of our Balance Sheet Projections detailed on the previous page showing the estimated level of our Working Capital, Pensions, Balances and Reserves, Capital Financing Requirement, External Debt including Finance Leases and Investments is provided in the table below :

		2013/14 Actual £000s	2014/15 Budget £000s	2015/16 Budget £000s	2016/17 Budget £000s	2017/18 Budget £000s
Working Capital	CRED	(2,895)	(2,264)	(2,109)	(2,109)	(2,109)
Pensions	PEN	0	0	0	0	0
Usable Reserves	BAL	(9,346)	(8,332)	(8,834)	(6,559)	(5,049)
<b>Total Cash Available</b>		<b>(£12,242)</b>	<b>(£10,596)</b>	<b>(£10,943)</b>	<b>(£8,668)</b>	<b>(£7,158)</b>

This cash available is planned to be used for :

Capital Financing Requirement	CFR	3,036	3,336	5,116	5,194	5,098
Less : Other Debt Liabilities (Finance Leases)	LEA	(457)	(246)	(1,858)	(1,870)	(1,740)
Less : New External Borrowing	BOR	0	0	(1,571)	(1,505)	(1,440)
Less : Existing External Borrowing	BOR	(63)	(47)	(31)	(16)	0
<b>Equals : Internal Borrowing</b>		<b>2,516</b>	<b>3,043</b>	<b>1,657</b>	<b>1,803</b>	<b>1,919</b>
Investments	INV	9,726	7,553	9,286	6,864	5,239
<b>Total</b>		<b>£12,242</b>	<b>£10,596</b>	<b>£10,943</b>	<b>£8,668</b>	<b>£7,158</b>

We can use the capital financing related elements of these projections to assess when LDC would need to borrow to fund its Capital Programme, and these estimates are shown in the table below :

	2013/14 Actual £000s	2014/15 Budget £000s	2015/16 Budget £000s	2016/17 Budget £000s	2017/18 Budget £000s
Capital Financing Requirement	3,036	3,336	5,116	5,194	5,098
Less : Current Funding provided by Finance Leases and Long Term Borrowing (excluding any new borrowing)	(520)	(293)	(1,889)	(1,886)	(1,740)
<b>Projected Borrowing Need</b>	<b>2,516</b>	<b>3,043</b>	<b>3,227</b>	<b>3,308</b>	<b>3,358</b>
Less : the Projected Level of Balances and Reserves we hold as Investments	(9,346)	(8,332)	(8,834)	(6,559)	(5,049)
Less : Working Capital	(2,895)	(2,264)	(2,109)	(2,109)	(2,109)
<b>Our Net Borrowing Need (or Investments)</b>	<b>(£9,726)</b>	<b>(£7,554)</b>	<b>(£7,716)</b>	<b>(£5,360)</b>	<b>(£3,800)</b>

What if

Our Balances and Reserves and Working Capital were £1m lower than planned		(6,554)	(6,716)	(4,360)	(2,800)
Our Balances and Reserves and Working Capital were £2m lower than planned		(5,554)	(5,716)	(3,360)	(1,800)

Minimum Level of Investments to manage the risk of unplanned changes in Balances and Reserves and Working Capital	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)
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## Minimum Revenue Provision Statement 2015/16

The level of our Capital Financing Requirement measures our underlying need to borrow for a capital purpose. To ensure that this expenditure will ultimately be financed, we are required to make a Minimum Revenue Provision for Debt Redemption (MRP) from within the Revenue budget each year. Capital Expenditure that is not financed from capital receipts, revenue or grants and contributions will increase the Capital Financing Requirement and this will in turn produce an increased requirement to charge Minimum Revenue Provision in the Revenue Account.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (Statutory Instrument 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. The Secretary of State has issued guidance on Minimum Revenue Provision and local authorities are required to "have regard" to such Guidance under Section 21(1A) of the Local Government Act 2003.

The four Minimum Revenue Provision options available are:

- Option 1: Regulatory Method
- Option 2: Capital Financing Requirement Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

The changes due to the 2009 Statement of Recommended Practice and International Financial Reporting Standards have resulted in new assets and leases being brought onto the Balance Sheet. Therefore, the Capital Financing Requirement has increased, and has led to an increase in the Minimum Revenue Provision charge to revenue. Minimum Revenue Provision for these items will match the annual principal repayment for the associated deferred liability.

Minimum Revenue Provision in 2015/16: Options 1 and 2 may be used only for supported expenditure (where the Government provides financial support to offset the borrowing costs through the RSG mechanism). Methods of making prudent provision for self-financed expenditure include Options 3 and 4 (which may also be used for supported expenditure if LDC chooses).

The Minimum Revenue Provision Statement will be submitted to Council before the start of the 2015/16 financial year. If it is ever proposed to vary the terms of the original Minimum Revenue Provision Statement during the year, a revised statement should be put to Council at that time.

**The Council will apply Option 3 in respect of supported and unsupported capital expenditure and Minimum Revenue Provision in respect of leases brought on Balance Sheet and will match the annual principal repayment for the associated Finance Lease liability.**

## Treasury Management

### Introduction and Background

LDC adopts the key recommendations of Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code. Accordingly, LDC will create and maintain, as the cornerstones for effective treasury management :

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
- Suitable treasury management practices (TMPs), setting out the manner in which LDC will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The Council (ie full Council) will receive reports on its Treasury Management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year (this report), a mid-year review and an annual report after its close, in the form prescribed in its Treasury Management Practices.

LDC delegates responsibility for the implementation and monitoring of its Treasury Management policies and practices to Cabinet and for the execution and administration of treasury management decisions to the Director of Finance, Revenues & Benefits, who will act in accordance with the organisation's policy statement and Treasury Management Practices and Chartered Institute of Public Finance and Accountancy's (CIPFA) Standard of Professional Practice on Treasury Management.

LDC nominates the Strategic (Overview and Scrutiny) Committee be responsible for ensuring effective scrutiny of the Treasury Management strategy and policies.

### Policies and Objectives of Treasury Management Activities

LDC defines its treasury management activities as:

"The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

LDC regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

LDC acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement.

LDC currently does not plan to borrow to fund its capital expenditure. However, should this situation change and LDC approve borrowing for a capital purpose, LDC's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow LDC transparency and control over its debt.

LDC's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

### Borrowing Strategy

The Authority currently holds **£0.063** million of loans from Salix for lighting in the Friary Outer Car Park which was a new loan in 2013/14, as part of its strategy for funding previous years' capital programmes. The Balance Sheet projections show that the Authority expects to borrow up to **£1.636m** in 2015/16.

**Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

**Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2015/16 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

**Sources:** The approved sources of long-term and short-term borrowing are :

- Public Works Loan Board (PWLB)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Staffordshire County Council Pension Fund)
- capital market bond investors
- Local Capital Finance Company and other special purpose companies created to enable local authority bond issues
- Salix.

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities :

- operating and finance leases
- hire purchase
- sale and leaseback

The Authority plans to raise its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

**LGA Bond Agency:** Local Capital Finance Company was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for three reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable; and up to 5% of the loan proceeds will be withheld from the Authority and used to bolster the Agency's capital strength instead. Any decision to borrow from the Agency will therefore be the subject of a separate report to Full Council.

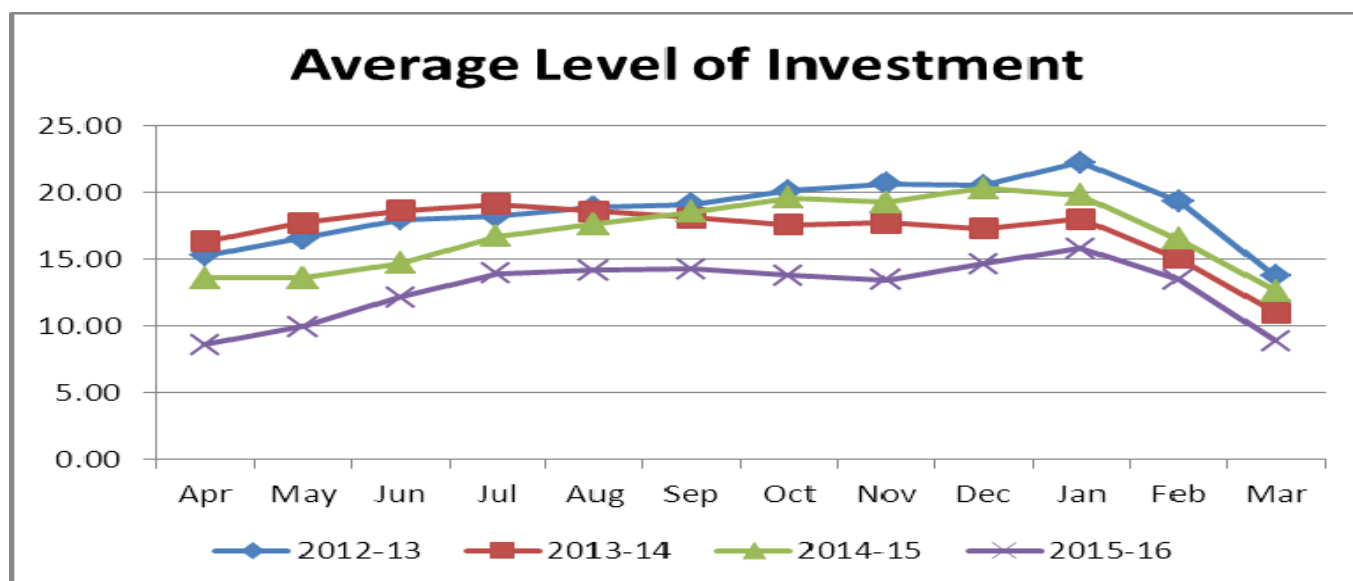
**Short-term and Variable Rate loans:** These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

## **Investment Strategy**

### **Background**

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In 2013/14, the Authority's investment balance has ranged between **£9.080m** and **£23.200 million**, and similar trends are expected to be maintained in the forthcoming year.

The graph overleaf shows the actual trend of average investment levels in 2012/13, 2013/14 and 2014/15 together with projected levels for 2015/16. The level of our investments is reducing due to the use of reserves to support our Revenue Budget together with the funding of our Capital Programme.



**Objectives:** Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.

**Strategy:** Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority aims to diversify into more secure and/or higher yielding asset classes during 2015/16. This is especially the case for the estimated £5 million that is available for longer-term investment. All of the Authorities surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit and money market funds. This diversification will therefore represent a substantial change in strategy over the coming year.

**Risk Assessment and Credit Ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then :

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

**Other Information on the Security of Investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be

deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

### **Maximum Periods for which Funds can be Committed**

The maximum sums that could be invested for a period of greater than 364 days are based on our Balance Sheet position with the limit being set in Prudential Indicator 13 – Upper Limit for total principal sums invested over 364 days.

### **Borrowing in Advance of Need<sup>12</sup>**

The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of **£13.557** million in 2015/16. The maximum period between borrowing and expenditure is expected to be one year, although the Authority is not required to link particular loans with particular items of expenditure.

We are planning to borrow on a long term basis to fund capital expenditure in 2015/16 however it is likely this borrowing will not take place in advance of the capital expenditure.

### **Investments managed in-house**

Our investments are made with reference to our cash flow forecast and the level of projected interest rates shown at Section 4.8. In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Office.

Currently LDC has restricted its investment activity to:

- The Debt Management Agency Deposit Facility (The rates of interest from the DMADF are below equivalent money market rates. However, the returns are an acceptable trade-off for the guarantee that the Council's capital is secure)
- Rated Money Market Funds with a Constant Net Asset Value (CNAV)
- Deposits with other local authorities
- Treasury Bills
- Business reserve accounts, Certificates of Deposit (CDs) and term deposits. *These have been primarily restricted to UK institutions that are considered systemically important.*

The Director of Finance, Revenues and Benefits, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported to future Cabinet meetings.

### **Policy on Use of Financial Derivatives**

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

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<sup>12</sup> This is a practice where you borrow early and then invest the money until the capital spend takes place.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

### **Balanced Budget Requirement**

We comply with the provisions of Section 32 of the Local Government Finance Act 1992 to set a Balanced Budget.

### **Monitoring and Reporting on the Treasury Outturn and Prudential Indicators**

Treasury activity is monitored daily and reported internally to the IBSS Executive. The IBSS Executive will monitor the Prudential Indicators through the year. The Director of Finance, Revenues and Benefits will report to the Cabinet on treasury management activity/performance as follows:

- (a) Quarterly (including a Half Year) investment and borrowing activity as part of the Money Matters Report.
- (b) A Money Matters outturn report including its treasury activity no later than 30 September after the financial year-end.

In addition, the Strategic Overview and Scrutiny Committee will be responsible for the Scrutiny of treasury management activity and practices.

### **Investment Training**

The needs of the Authority's treasury management staff for training in investment management are assessed every half yearly as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Our Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

### **Member Training**

Our approach is:

- To identify Members who require training.
- To assess the level of training required and to procure training from an external organisation with expertise in this area.
- To monitor the ongoing training needs of Members based on legislative, regulatory and best practice requirements.

As part of the ongoing training approach which included training all new Members, we invited all Members to a training event on 27 July 2011 in relation to the principles of Treasury Management.

### **Investment Consultants**

The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on the Treasury Management Strategy Statement such as capital spend and funding, Balance Sheet projections, Prudential Indicators, Investment Guidance and assistance in assessing the impact of Legislative and Regulatory changes on the Council's budgets and policies.

The quality of this service is controlled through a regular market testing exercise (recently undertaken in June 2012) and through regular contact with the advisors.

### **Publication**

Our Treasury Management Statement is published on the Council's website.

## Specified and Non-Specified Investments

### Specified Investments identified for use by LDC

**Specified Investments:** The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of “high credit quality”.

The Authority defines “high credit quality” organisations and securities as those having a credit rating of **A-** or higher that are domiciled in the UK or a foreign country with a sovereign rating of **AA+** or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of **A-** or higher.

Specified Investments identified for LDC’s use are :

- Deposits in the Debt Management Office’s (DMO) Debt Management Account Deposit Facility
- Treasury Bills
- Deposits with UK local authorities
- Call accounts, deposits in term investments or certificates of deposit with banks and building societies
- Rated Money Market Funds (MMF) with a Constant Net Asset Value (CNAV)
- Other money market and collective investment schemes

LDC will also take into account information on corporate developments and market sentiment towards investment counterparties.

Within the categories above, and in accordance with the Code, LDC has developed additional criteria to set the overall amount of monies, which will be invested in these bodies. These criteria are:

- No more than **£2m** (Current Limit is **£3m**) with one counterparty group, including any subsidiaries, at the time the investment is undertaken known as the “group limit”.
- The Sovereign Limit for the UK will be **100%**. This means that up to **100%** of investments can be placed with UK Domiciled banks and building societies.
- The Sovereign Limits for Canadian financial institutions will be **25%** of total investments, for Australian financial institutions will be **25%** of total investments and for Singapore financial institutions will be **25%**.

## APPENDIX H

New specified investments will be made within the following limits (and subject to our Treasury Management Advisors guidance):

Instrument	Country	Counterparty	Current Limit £m	Recommended Limit £m	
Term Deposits	UK	Debt Management Office (DMO)	No limit	No limit	
Treasury Bills	UK	Debt Management Office (DMO)	No limit	No limit	
Term Deposits	UK	Other UK Local Authorities	No limit	No limit	
Money Market Funds (each Fund)	UK/Ireland/ Luxembourg	CNAV MMFs	£1.5m	£2m	
	UK	Santander UK Plc	£2m	£1.5m	
	UK	Bank of Scotland/Lloyds	£2m	£1.5m	
	UK	Barclays	£2m	£1.5m	
	UK	Clydesdale	£2m	£1.5m	
	UK	HSBC	£2m	£1.5m	
	UK	Nationwide	£2m	£1.5m	
	UK	Royal Bank of Scotland	£2m	£1.5m	
	UK	National Westminster Bank	£2m	£1.5m	
	UK	Standard Chartered Bank	£2m	£1.5m	
	UK	Close Brothers	£2m	£1.5m	
	UK	Leeds Building Society	New	£1.5m	
	Term Deposits / Certificates of Deposit / Call Accounts	Australia	Australia and New Zealand Banking Group	£2m	£1.5m
		Australia	Commonwealth Bank of Australia	£2m	£1.5m
		Australia	National Australia Bank Ltd (National Australia Bank Group)	£2m	£1.5m
		Australia	Westpac Banking Corp	£2m	£1.5m
Canada		Bank of Montreal	£2m	£1.5m	
Canada		Bank of Nova Scotia	£2m	£1.5m	
Canada		Canadian Imperial Bank of Commerce	£2m	£1.5m	
Canada		Royal Bank of Canada	£2m	£1.5m	
Canada		Toronto-Dominion Bank	£2m	£1.5m	
Singapore		DBS Bank Ltd	£2m	£1.5m	
Singapore	Overseas Chinese Banking Corporation Ltd	£2m	£1.5m		
Singapore	United Overseas Bank Ltd	£2m	£1.5m		

**Authority's Banker** – The Authority banks with National Westminster Bank. At the current time, it does not meet the minimum credit criteria of A- (or equivalent) long term. However, Even if the credit rating falls below the Authority's minimum criteria National Westminster Bank will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.



## Non-Specified Investments determined for use by LDC

Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in the table below.

	Maximum maturity <sup>13</sup>	Current Limit £m	Recommended Limit £m
<ul style="list-style-type: none"> <li>▪ Deposits with individual banks and building societies</li> </ul>	2 years	£1.5m	£1.5m
<ul style="list-style-type: none"> <li>▪ Certificates of deposit with individual banks and building societies</li> </ul>	5 years	£1.5m	£1.5m

The Authority defines “high credit quality” organisations and securities as those having a credit rating of **A-** or higher that are domiciled in the UK or a foreign country with a sovereign rating of **AA+** or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of **A-** or higher.

Within the categories above, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies, which will be invested in these bodies. These criteria are:

- No more than **£2m** (Current Limit is £3m) with one counterparty group, including any subsidiaries, at the time the investment is undertaken known as the “group limit”.
- The Sovereign Limit for the UK will be **100%**. This means that up to **100%** of investments can be placed with UK Domiciled banks and building societies.
- The Sovereign Limits for Canadian financial institutions will be **25%** of total investments, for Australian financial institutions will be **25%** of total investments and for Singapore financial institutions will be **25%**.

**Liquidity Management:** The Authority uses excel based cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority’s medium term financial plan and cash flow forecast.

## Treasury Management Strategy

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance, Revenues and Benefits, having consulted the Cabinet Member for Finance, Democratic and Legal Services, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

<sup>13</sup> In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.

## Prudential Indicators 2015-18

### 1. Background:

There is a requirement under the Local Government Act 2003 for Local Authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

### 2. Gross Borrowing and the Capital Financing Requirement:

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

The Director of Finance, Revenues and Benefits reports that the Authority had no difficulty meeting this requirement in 2014/15, and there are no difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3.1 **Estimates of Capital Expenditure:** This indicator is set to ensure that the level of proposed Capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

<b>Number 1 Capital Financing</b>	<b>2014/15 Original £m</b>	<b>2014/15 Approved £m</b>	<b>2014/15 Revised £m</b>	<b>2015/16 Original £m</b>	<b>2016/17 Original £m</b>	<b>2017/18 Original £m</b>
Non-Current Assets	1.645	1.912	1.912	3.453	2.492	2.284
Revenue Expenditure funded from Capital under Statute	0.777	1.260	1.260	1.598	2.822	0.850
<b>Total</b>	<b>£2.422</b>	<b>£3.171</b>	<b>£3.171</b>	<b>£5.051</b>	<b>£5.314</b>	<b>£3.134</b>

<b>Number 1 Capital Financing</b>	<b>2014/15 Original £m</b>	<b>2014/15 Approved £m</b>	<b>2014/15 Revised £m</b>	<b>2015/16 Original £m</b>	<b>2016/17 Original £m</b>	<b>2017/18 Original £m</b>
Capital Receipts	0.708	0.785	1.101	0.985	0.541	1.091
Burntwood Sinking Fund	0.045	0.101	0.101	0.128	0.080	0.042
Other Sinking Funds	0.000	0.000	0.000	0.000	0.000	0.000
Capital Grants and Contributions	0.475	0.992	0.992	1.359	2.882	0.891
Earmarked Reserves	0.050	0.182	0.183	0.032	1.031	0.500
Revenue Contributions	0.158	0.169	0.169	0.154	0.154	0.154
Finance Leases, Invest to Save and Borrowing	0.986	0.942	0.626	2.393	0.626	0.456
<b>Total</b>	<b>£2.422</b>	<b>£3.171</b>	<b>£3.171</b>	<b>£5.051</b>	<b>£5.314</b>	<b>£3.134</b>

Note: the element to be financed from borrowing, Invest to Save and finance leases impacts on the movement in the Capital Financing Requirement.

### 4. Ratio of Financing Costs to Net Revenue Stream:

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The definition of financing costs is set out in the Prudential Code.

4.2 The ratio is based on costs net of investment income (where investment income exceeds the costs of borrowing, the indicator will be negative).

<b>Number 2 Ratio of Financing Costs to Net Revenue Stream</b>	<b>2014/15 Original £m</b>	<b>2014/15 Approved £m</b>	<b>2014/15 Revised £m</b>	<b>2015/16 Original £m</b>	<b>2016/17 Original £m</b>	<b>2017/18 Original £m</b>
%	3%	3%	2%	6%	5%	4%

### 5. Capital Financing Requirement:

5.1 The Capital Financing Requirement (CFR) measures LDC's underlying need to borrow for a capital purpose. The calculation of the Capital Financing Requirement is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing. It is an aggregation of the amounts shown for Non-Current Assets, the Revaluation Reserve, the Capital Adjustment Account and any other balances treated as capital expenditure.

## APPENDIX J

<b>Number 3</b> Capital Financing Requirement	2014/15 Original £m	2014/15 Approved £m	2014/15 Revised £m	2015/16 Original £m	2016/17 Original £m	2017/18 Original £m
<b>Balance Brought Forward</b>	3.157	3.036	3.036	3.335	5.116	5.194
Capital Expenditure financed from borrowing and Invest to Save and Leases	0.986	0.942	0.626	2.393	0.626	0.456
Minimum Revenue Provision Including Invest to Save and Leases)	-0.403	-0.403	-0.326	-0.613	-0.548	-0.552
<b>Balance Carried Forward</b>	<b>£3.740</b>	<b>£3.575</b>	<b>£3.335</b>	<b>£5.116</b>	<b>£5.194</b>	<b>£5.098</b>

### 6. Actual External Debt:

- 6.1 This indicator is obtained directly from LDC's Balance Sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.
- 6.2 Net external borrowing does not exceed the CFR in any of the financial years 2014/15, 2015/16, 2016/17 and 2017/18.

<b>Number 4</b>	£m 31/03/14 £m
Long Term Borrowing	0.047
Short Term Element of LT Borrowing	0.016
Short Term Element of LT Liabilities	0.209
Other Long Term Liabilities	0.248
<b>Total</b>	<b>£0.520</b>

2014/15 Revised £m	2015/16 Original £m	2016/17 Original £m	2017/18 Original £m
0.031	1.520	1.440	1.358
0.016	0.081	0.081	0.081
0.211	0.488	0.410	0.410
0.035	1.370	1.460	1.330
<b>£0.293</b>	<b>£3.460</b>	<b>£3.391</b>	<b>£3.180</b>

### 7. Incremental Impact of Capital Investment Decisions:

- 7.1 This is an indicator of affordability that shows the impact of Capital investment decisions on Council Tax levels. The incremental impact is calculated by comparing the total Revenue Budget requirement of the current approved Capital Programme with an equivalent calculation of the Revenue Budget requirement arising from the proposed Capital Programme.

<b>Number 5</b> Incremental Impact of Capital investment Decisions	2014/15 Original £m	2014/15 Approved £m	2014/15 Revised £m	2015/16 Original £m	2016/17 Original £m	2017/18 Original £m
Band D Equivalent	£5.27	£5.27	-£2.18	-£0.58	-£0.57	-£0.72

- 7.2 The estimate of procurements made by Finance Leases which are included in the Capital Programme mainly for the replacement of current assets is shown in the table below:

	2014/15 Original £m	2014/15 Approved £m	2014/15 Revised £m	2015/16 Original £m	2016/17 Original £m	2017/18 Original £m
New Vehicle and Plant Procurements	£0.000	£0.000	£0.000	£2.100	£0.422	£0.280

### 8. Authorised Limit and Operational Boundary for External Debt:

- 8.1 LDC has an integrated Treasury Management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the Capital Financing Requirement.
- 8.2 The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external-borrowing items on the Balance Sheet (i.e. long and short-term borrowing, overdrawn bank balances and long-term liabilities). This Prudential Indicator separately identifies borrowing from other long-term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved Treasury Management Policy statement and practices.

8.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

8.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit) :

<b>Number 6</b> Authorised Limit for External Debt	2014/15 Original £m	2014/15 Approved £m	2014/15 Revised £m	2015/16 Original £m	2016/17 Original £m	2017/18 Original £m
Borrowing	7.331	7.331	7.556	9.109	9.116	9.149
Finance Leases - New	4.448	4.448	4.448	4.448	4.448	4.448
<b>Total</b>	<b>£11.779</b>	<b>£11.779</b>	<b>£12.004</b>	<b>£13.557</b>	<b>£13.564</b>	<b>£13.597</b>

8.5 The **Operational Boundary** links directly to the Council's estimates of the Capital Financing Requirement and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

8.6 The Director of Finance, Revenues and Benefits has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Full Council.

<b>Number 7</b> Operational Boundary for External Debt	2014/15 Original £m	2014/15 Approved £m	2014/15 Revised £m	2015/16 Original £m	2016/17 Original £m	2017/18 Original £m
Borrowing	0.548	0.548	0.547	2.102	2.021	1.956
Finance Leases	2.448	2.448	2.448	2.448	2.448	2.448
<b>Total</b>	<b>£2.996</b>	<b>£2.996</b>	<b>£2.995</b>	<b>£4.550</b>	<b>£4.469</b>	<b>£4.404</b>

## 9 Adoption of the CIPFA Treasury Management Code:

9.1 This indicator demonstrates that the Council has adopted the principles of best practice.

<b>Number 8</b>	<b>Adoption of the CIPFA Code of Practice in Treasury Management</b>
	LDC approved the adoption of the CIPFA Treasury Management Code at its Full Council meeting on 25 February 2003. LDC has incorporated any changes resulting from the revisions to the CIPFA Treasury Management Code within its treasury policies, practices and procedures.

## 10. Gross Debt<sup>14</sup>

10.1 The purpose of this treasury indicator is to highlight a situation where the Council is planning to borrow in advance of need :

<b>Number 9</b>	2014/15 Original £m	2014/15 Approved £m	2014/15 Revised £m	2015/16 Original £m	2016/17 Original £m	2017/18 Original £m
Outstanding Borrowing	-2.665	-0.047	-0.047	-1.602	-1.521	-1.440
Other Long Term Liabilities	-0.709	-0.246	-0.246	-1.857	-1.869	-1.739
<b>Gross Debt</b>	<b>-£3.374</b>	<b>-£0.293</b>	<b>-£0.293</b>	<b>-£3.459</b>	<b>-£3.390</b>	<b>-£3.179</b>
Capital Financing Requirement <b>Is our Gross Debt in excess of our Capital Financing Requirement and are we therefore borrowing in advance of need ?</b>	<b>£3.740</b> <b>No</b>	<b>£3.575</b> <b>No</b>	<b>£3.335</b> <b>No</b>	<b>£5.116</b> <b>No</b>	<b>£5.194</b> <b>No</b>	<b>£5.098</b> <b>No</b>

<sup>14</sup> At nominal value.

**11. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:**

- 11.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The Council calculates these limits on net principal outstanding sums (i.e. fixed rate debt net of fixed rate investments).
- 11.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises, which could adversely impact on the revenue budget :

<b>Numbers 10 and 11</b>	<b>2014/15 Original £m</b>	<b>2014/15 Approved £m</b>	<b>2014/15 Revised £m</b>	<b>2015/16 Original £m</b>	<b>2016/17 Original £m</b>	<b>2017/18 Original £m</b>
<b>Fixed Interest Rates</b>						
Upper Limit on Fixed Interest Rate Exposure on Investments	-100%	-100%	-100%	-100%	-100%	-100%
Upper Limit on Fixed Interest Rate Exposure on Debt	100%	100%	100%	100%	100%	100%
<b>Net Fixed Exposure (Number 10)</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Variable Interest Rates</b>						
Upper Limit for Variable Rate Exposure on Investments	-100%	-100%	-100%	-100%	-100%	-100%
Upper Limit for Variable Rate Exposure on Debt	30%	30%	30%	30%	30%	30%
<b>Net Variable Exposure (Number 11)</b>	<b>-70%</b>	<b>-70%</b>	<b>-70%</b>	<b>-70%</b>	<b>-70%</b>	<b>-70%</b>

**12. Maturity Structure of Fixed Rate borrowing:**

- 12.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.
- 12.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

<b>Number 12 Maturity Structure of Fixed Rate Borrowing</b>	<b>£</b>	<b>%</b>	<b>Lower Limit</b>	<b>Upper Limit</b>
Under 12 months	16,203	25.53%	0%	100%
12 months and within 24 months	16,203	25.53%	0%	100%
24 months and within 5 years	31,056	48.94%	0%	100%
5 years and within 10 years		0.00%	0%	100%
10 years and within 20 years		0.00%	0%	100%
20 years and within 30 years		0.00%	0%	100%
30 years and within 40 years		0.00%	0%	100%
40 years and within 50 years		0.00%	0%	100%
50 years and above		0.00%	0%	100%
<b>Total</b>	<b>£63,462</b>			

**13. Upper Limit for total principal sums invested over 364 days:**

- 13.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of LDC having to seek early repayment of the sums invested.

<b>Number 13 Upper Limit for total principal sums invested over 364 days</b>	<b>2014/15 Original £m</b>	<b>2014/15 Approved £m</b>	<b>2014/15 Revised £m</b>	<b>2015/16 Original £m</b>	<b>2016/17 Original £m</b>	<b>2017/18 Original £m</b>
<b>Upper Limit</b>	<b>£1,500</b>	<b>£1,500</b>	<b>£1,900</b>	<b>£2,300</b>	<b>£1,700</b>	<b>£1,300</b>

## SUBMISSION TO (STRATEGIC) OVERVIEW AND SCRUTINY COMMITTEE

Date : 21 January 2015

Agenda item: 7

Contact officer : Richard King

Telephone : 01543 308060

Local Ward Members :

Full Council

### REPORT OF THE CABINET MEMBER FOR FINANCE, DEMOCRATIC AND LEGAL SERVICES

#### DIRECTORATE TOP 10 - 2015/16

#### 1. PURPOSE OF THE REPORT

- 1.1 To advise Members of the top 10 issues which are facing the Finance, Democratic and Legal Directorates in 2015/16 and to seek comments / feedback.
- 1.2 To advise Members that the proposed activity and performance indicators for the Directorate will be emailed to Members in March 2015 for comment and endorsement.

#### 2. BACKGROUND AND RATIONALE

- 2.1 In 2014, we moved away from producing a lengthy and detailed annual plan and instead we identified and focused on a smaller number of key activities/projects that needed to be progressed. Consequently for 14/15, a corporate top 10 issues was produced. This approach is to be continued for the next financial year and the Top 10 for 2015/16 will be considered by this Committee on 21 January 2015 for subsequent approval by Cabinet and Council in February 2015.
- 2.2 In developing the corporate Top 10, each Directorate identified their own critical issues for the coming year having regard to strategic priorities (as set out in the Plan for Lichfield District) and service plans, national legislation and policy changes, the Fit for the Future programme (phases 1 and 2), financial pressures and performance targets. The Top 10 for Finance, Revenues and Benefits Directorate is attached at **Appendix A**. The Top 10 for the Democratic and Legal Directorate is attached at **Appendix B**. Some of these issues are also included in the corporate Top 10.
- 2.3 A progress report on the Top 10 issues for these Directorates will be provided to this Committee at their January and June 2015 meetings as part of the corporate performance management framework.
- 2.4 The approach taken to performance management varies across teams and directorates. Limited activity and performance data is presented to Council, Committees and Cabinet or is available on the website. In order to address this, each Directorate is reviewing the activity and performance indicators which are collected in order to identify up to 20 indicators to routinely report in to Members. Proposals for these indicators will be advised to Members in March.

#### 3. RECOMMENDATION

- 3.1 Members are requested to consider and comment on the top 10 issues for the Finance, Revenues and Benefits Directorate attached at **Appendix A** and the Democratic and Legal Services Directorate attached at **Appendix B**.

#### **4. COMMUNITY BENEFITS**

- 4.1 This report sets out how council resources will be used to secure positive outcomes for the local community in 2015/16 including:
- Administering the 2015 elections in accordance with the new Ward Boundaries following the Polling Places review
  - Implementing Individual Electoral Registration
  - Reviewing Statement of Licensing Policy
- 4.2 The regular reporting and effective scrutiny of performance drives performance improvement leading to direct benefits for the community through improved services and value for money based on achieving key priorities.

#### **5. FINANCIAL IMPLICATIONS**

- 5.1 None arising directly from this report; the Medium Term Financial Programme (which is the financial underpinning of the work of the Directorate including for the delivery of the Top Ten Issues) will be considered by the Strategic Overview and Scrutiny Committee, Cabinet and Full Council in the usual way.

#### **6. PLAN FOR LICHFIELD DISTRICT IMPLICATIONS**

- 6.1 The Top Ten Issues set out in **Appendix A** and **Appendix B** of this report are consistent with the following Themes and Aims set out in the Plan for Lichfield District:
- Supporting people in the electoral process
  - Boosting business by disposing of Council assets for commercial use only

#### **7. CRIME AND COMMUNITY SAFETY ISSUES**

- 7.1 The Service has regard to crime and community safety issues in dealing with Democratic and Legal matters, particularly land and property issues.

#### **8. EQUALITY IMPLICATIONS**

- 8.1 The Service has regard to Equality issues in dealing with Democratic and Legal matters, particularly relating to land and property.

**9. RISK MANAGEMENT ISSUES**

<b>Risk</b>	<b>Likelihood / impact</b>	<b>Risk Category</b>	<b>Countermeasure</b>	<b>Responsibility</b>
An issue which should be included in the top 10 has been overlooked	Low / high	Reputational Financial	The process of identifying the top 10 is rigorous and give the opportunity for all elected Members and officers to contribute	Cabinet Member and Director
A new priority issue emerges which could potentially be a top 10 matter	Medium / High	Reputational Financial	Any new issue would need to be considered and any amendments made to the existing top 10 (with appropriate Member approvals)	Cabinet Member and Director
The Council has insufficient financial or staffing capacity to deliver all of the top 10	Medium / High	Reputational	Regular progress monitoring will be undertaken	Cabinet Member and Director



## ANNUAL ACTION PLAN 2015 / 16

## Top Ten Issues – Finance, Revenues and Benefits

**Note:** the shaded issues / activities and milestones are also included in the corporate top ten which will be considered by Cabinet and Full Council in February.

	<b>Issue/task for inclusion on the AAP, 2015/16</b>	<b>Activities and milestones</b>	<b>Lead Cabinet Member</b>
1	<b>Balancing the Medium Term Financial Strategy (Revenue and Capital) 2014-17</b>	<ul style="list-style-type: none"> <li>• Council to operate within +/- £250k of the approved budget</li> <li>• Quarterly production of Money Matters Report accounting for financial performance of Council for revenue and capital</li> <li>• Deliver approved Fit for Future savings and increased income</li> <li>• Maximise external funding</li> </ul>	Councillor Spruce
2	<b>Unqualified Auditor Opinion on Statement of Accounts 2014/15</b>	<ul style="list-style-type: none"> <li>• Completion of draft unaudited Statement of Accounts 2014/15 by 30 June 2015</li> <li>• Report to Council on Audited Statement of Accounts by External Auditor by 30 September 2015</li> <li>• The Annual Audit Letter for Lichfield District council presented to Audit Committee by January 2016.</li> </ul>	Councillor Spruce
3	<b>Improving Corporate Procurement</b>	<ul style="list-style-type: none"> <li>• Revised financial regulations approved by Council</li> <li>• Managers trained on new financial regulations.</li> </ul>	Councillor Spruce Councillor Eadie
4	<b>Review Local Council Tax Support Scheme (LCTS)</b>	<ul style="list-style-type: none"> <li>• LCTS does not have to be changed annually unless required. There is no immediate requirement to change</li> </ul>	Councillor Spruce
5	<b>Maximise take up of Discretionary Housing Payments (DHPs)</b>	<ul style="list-style-type: none"> <li>• Working with partners to identify those in difficulty/need in managing their finances six months from the start of Universal Credit.</li> <li>• As part of Annual Action Plan 2014/15 we will contact all those HB claimants who are affected by the Spare Room Subsidy and who have not made a claim for a DHP to make them aware of the scheme by the end of January 2015. With respect to new HB claims we will write to claimants advising those eligible to apply for a DHP.</li> </ul>	Councillor Spruce  Councillor Spruce
6	<b>Monitor impact of Universal Credit (UC)</b>	<ul style="list-style-type: none"> <li>• In February 2015, Central Government is intending that UC will be available to all single people and possibly couples without children, irrespective of what Benefit they will be applying for.</li> <li>• We will monitor the impact of this on the workload of the Benefits Team and ensure that they have adequate training to give advice to customers. It is not anticipated that it will have a significant effect as the bulk of the work currently undertaken by the team is from applicants for LCTS, either as owner occupiers or from tenants of rented accommodation.</li> <li>• There is no firm date as yet for the migration of existing claims for HB into UC.</li> </ul>	Councillor Spruce
7	<b>Achievement of targets for Council Tax and Non Domestic Rates</b>	<ul style="list-style-type: none"> <li>• Monitor and improve the performance of the Revenues Team</li> </ul>	Councillor Spruce
8	<b>Revenues and Benefits Service Review as part of Fit for the Future programme</b>	<ul style="list-style-type: none"> <li>• Full implementation of the Review by 31<sup>st</sup> March 2016</li> </ul>	Cllr Spruce
9	<b>Completion of ICT upgrade project</b>	<ul style="list-style-type: none"> <li>• Complete phase 1 and initiate phase 2 of the upgrade project</li> <li>• 100% of devices converted to the new IT platform.</li> <li>• Achieve compliance with Government Security requirements (Public Sector Network) (PSN) achieved and maintained</li> </ul>	Councillor Eadie
10	<b>Monitor performance of ICT contract</b>	<ul style="list-style-type: none"> <li>• Monthly service reviews and reporting on contract performance indicators</li> </ul>	Councillor Eadie

## ANNUAL ACTION PLAN 2015 / 16

## Top Ten Issues – Democratic, Development and Legal Services

**Note:** the shaded issues / activities and milestones are also included in the corporate top ten which will be considered by Cabinet and Full Council in February.

	<b>Issue/task for inclusion on the AAP, 2015/16</b>	<b>Activities and milestones</b>	<b>Lead Cabinet Member</b>
1	<b>Operate within the Directorate's budget and implement Fit for the Future (Phase 2) Service Reviews</b>	<ul style="list-style-type: none"> <li>To ensure the Directorate operates within approved budgets</li> <li>Complete Review of Assets by December 2015</li> </ul>	Councillor Spruce
2	<b>Deliver 2015 elections and facilitate a smooth transfer to the new Council</b>	<ul style="list-style-type: none"> <li>Administer the Parliamentary, District and Parish Elections on 7 May 2015</li> <li>Provide comprehensive induction pack and training for Members in May 2015</li> </ul>	Councillor Spruce
3	<b>Implement Individual Electoral Registration</b>	<ul style="list-style-type: none"> <li>Organise the first full household canvass under Individual Registration and publish a register of electors on 1 December 2015</li> </ul>	Councillor Spruce
4	<b>Implement the Parliamentary Order regarding new Ward Boundaries</b>	<ul style="list-style-type: none"> <li>Order to be implemented for May 2015 elections</li> </ul>	Councillor Spruce
5	<b>Seek to dispose of Bore Street Shops and Industrial Units if reasonable offers are received</b>	<ul style="list-style-type: none"> <li>Complete legal documentation giving effect to the transfer of the total assets by June</li> </ul>	Councillor Spruce
6	<b>Progress Partnership Agreement to maximise the return on the Council's property portfolio</b>	<ul style="list-style-type: none"> <li>Enter into Partnership Agreement as appropriate</li> <li>Report progress and options to Overview and Scrutiny Committee in June</li> </ul>	Councillor Spruce
7	<b>Complete Section 106 Agreements</b>	<ul style="list-style-type: none"> <li>Complete a minimum of 10 Section 106 Agreements during the year</li> </ul>	Councillor Spruce
8	<b>Consider and where appropriate implement the findings of the Peer Review</b>	<ul style="list-style-type: none"> <li>Review purpose, structure and approach to Overview &amp; Scrutiny by October; implement changes by May 2016</li> </ul>	Councillor Spruce
9	<b>Review Statement of Licensing Policy and Statement of Principles</b>	<ul style="list-style-type: none"> <li>Review Statement of Licensing Policy and Statement of Principles by December 2015</li> </ul>	Councillor Spruce
10	<b>Implement proposed changes to Licensing Act</b>	<ul style="list-style-type: none"> <li>Determine Licenses in accordance with the revised Licensing Act requirements</li> </ul>	Councillor Spruce

## SUBMISSION TO STRATEGIC OVERVIEW AND SCRUTINY COMMITTEE

Date : 21<sup>st</sup> January 2015

Agenda item: 8

Contact officer: Helen Titterton

Telephone : 01543 308700

**Local Ward Members:** No specific consultation - relevant to all wards

### SUBMISSION BY THE LEADER OF THE COUNCIL AND CABINET MEMBER FOR COMMUNITY, HOUSING AND HEALTH

#### ANNUAL ACTION PLAN 2015/16

#### 1. PURPOSE OF THE REPORT

- 1.1 To outline the current operating environment / context of the District Council and the strategic challenges it is facing
- 1.2 To endorse the Annual Action Plan 15/16

#### 2. BACKGROUND AND RATIONALE

- 2.1 We have a **Strategic Plan**, called 'A Plan for Lichfield District 2012 - 2016' which was approved by Full Council in February 2012 and by the Lichfield District Board in March 2012. This sets out three strategic themes and thirteen aims / ambitions for the District Council and its partners to pursue. These are attached at **Appendix A**.
- 2.2 The Plan for Lichfield District sets out our strategic direction and provides the context for Annual Action Plans (which are approved by Council each year in February).
- 2.3 In 2014, we moved away from producing a lengthy and detailed Annual Plan and instead we identified and focused on a smaller number of key activities / projects in order to achieve progress against the aspirations in the Strategic Plan. Consequently for 2014/15, a corporate top 10 issues was produced which built upon top 10s for each of the Directorates (which were endorsed by the January 2014 round of Overview and Scrutiny Committees). It is proposed that this approach be continued for the next financial year.
- 2.4 Officers are at the initial stages of developing a project plan to underpin the production of the next Strategic Plan 2016-2020. An evidence base is being developed and this will be shared with Members after the May elections. A new Strategic Plan will be prepared by the end of 2015 and considered by this Committee, Cabinet and Full Council in spring 2016.

#### **Our Operating Environment: Challenges we face**

- 2.5 In developing the corporate Top 10 for 2015/16, each Directorate has identified their own critical issues for the coming year having regard to the strategic priorities (as set out in the Plan for Lichfield District), service plans, national legislation and policy changes, the Fit for the Future programme (phase 2), financial pressures and performance targets. We have also considered the issues arising from the Community Consultation exercise (though these will be specifically referenced in service plans and the Fit for the Future reviews as appropriate) and the Peer Review (upon which we await feedback from Strategic Overview and Scrutiny). We have reviewed our operating environment and the issues that are likely to impact upon us over the next twelve months (and beyond) and have represented this in the form of a PEST (Political, Economic, Social and Technological) analysis below. We

recognise that the general and local elections have the potential to materially change some of these environmental influences; these will be considered more fully in the development of the new Strategic Vision and Plan for the Council for 2016-2020 as detailed at paragraph 2.4

## PEST Analysis

<b>PEST analysis for Lichfield District Council 15/16</b>	
<p><b>Political</b></p> <ul style="list-style-type: none"> <li>Funding from government</li> <li>Individual Electoral Registration</li> <li>National and local elections in 2015</li> <li>Boundary Commission Review</li> <li>Changes to other partner organisations including pressures on financial resources</li> <li>Advent of Combined Authorities</li> <li>Expectations of Public Sector reform</li> </ul>	<p><b>Social</b></p> <ul style="list-style-type: none"> <li>Impact of Locality Commissioning and devolution of responsibilities (and funding) from national and county to local level</li> <li>Availability of capital for Disabled Facilities Grants and impact of Better Care Fund</li> <li>Customer expectations of access to council services through electronic channels</li> <li>Customer satisfaction levels</li> <li>Customer complaints – increasing due to increased expectations and dissatisfaction with national and local policy</li> <li>Health agenda; reducing health inequalities</li> <li>Universal credit and welfare reform (including risk of increased homelessness and increasing council tax debt)</li> </ul>
<p><b>Economic</b></p> <ul style="list-style-type: none"> <li>National Planning Policy Framework</li> <li>Local Plan status</li> <li>Implementation of planning consents and Growth Deal schemes</li> <li>Local Enterprise Partnerships</li> <li>Business rate growth / reduction</li> <li>General economy and impact on our trading position</li> <li>Friarsgate development</li> <li>Local Employment levels</li> </ul>	<p><b>Technological</b></p> <ul style="list-style-type: none"> <li>Capital - IT replacement &amp; modernisation</li> <li>Increased ability for electronic transactions</li> <li>More streamlined ways of working</li> </ul>

- 2.6 The Annual Action Plan (AAP) for 2015/16 (corporate Top 10) is attached at **Appendix B**. Following consideration by this Committee, the AAP 2015/16 will be referred to Cabinet and Full Council in February.
- 2.7 Of course, the District Council will continue to plan, commission and deliver a whole range of statutory and discretionary services, many of which will not be specifically referred to in the AAP. Consequently, each Cabinet Member has developed their own top 10 issues pertinent to their respective portfolio area (some of which are also included in the corporate top 10 actions); each of these have been reviewed by the relevant Overview and Scrutiny Committee during the January cycle of meetings and were included in service plans

## Performance Management

- 2.7 The AAP will be performance managed in the usual way using the council's covalent system; update reports will be made to Leadership Team on a quarterly basis and reports made to Cabinet in November and May.

- 2.8 A progress report on the Top 10 issues for each of the five Cabinet Members will be provided to the Overview and Scrutiny Committees at their January and June meetings as part of the corporate performance management framework. These reports will also include activity and performance indicators which will enable Members to track performance across the range of statutory and discretionary services which the Council provides.

**3. RECOMMENDATION**

- 3.1 Members are requested to endorse the proposed Annual Action Plan 2015/16 (attached at **Appendix B**).

**4. FINANCIAL IMPLICATIONS**

- 4.1 There are no specific financial implications arising from this report. The costs of delivering the AAP are incorporated within the Medium Term Financial Strategy which is considered elsewhere on this Committee's agenda.

**5. HUMAN RIGHTS ISSUES**

- 5.1 No specific issues arising from this report

**6. CRIME AND COMMUNITY SAFETY ISSUES**

- 6.1 No specific issues arising from this report; more detailed consideration of each of the corporate Top 10 will include reference to community safety implications

**7. EQUALITY IMPLICATIONS**

- 7.1 None specifically arising from this report; however, equality impact assessments will be undertaken as required.

**8. RISK MANAGEMENT ISSUES**

<b>Risk</b>	<b>Likelihood / impact</b>	<b>Risk Category</b>	<b>Countermeasure</b>	<b>Responsibility</b>
An issue which should be included in the AAP has been overlooked	Low / high	Reputational Financial	The process of identifying the top 10 is rigorous and give the opportunity for all elected Members and officers to contribute	Leader of the Council and Chief Executive
A new priority issue emerges which could potentially be a top 10 matter	Medium / High	Reputational Financial	Any new issue would need to be considered and any amendments made to the existing top 10 (with appropriate Member approvals)	Leader of the Council and Chief Executive
The Council has insufficient financial or staffing capacity to deliver the AAP	Medium / High	Reputational	Regular progress monitoring will be undertaken	Cabinet Members and Directors

## THE PLAN FOR LICHFIELD DISTRICT 2012/16

Theme	Aims / ambitions <sup>1</sup>
<b>We'll support people</b>	Help people to be and feel secure in their homes, neighbourhoods and town and city centres by tackling crime and anti social behaviour
	Support and encourage individuals and groups to take responsibility for shaping and improving communities through voluntary effort and social action, and support a thriving and diverse community and voluntary sector
	Help and support vulnerable adults, families and children to live independent and fulfilled lives in their own homes and communities, and prevent homelessness where we can
	Improve the health and well being of the whole population of the district making sure we make the biggest improvement for people with the lowest life expectancy
<b>We'll shape place</b>	We'll enhance and protect the district's built environment assets, its historic environment, open spaces and local distinctiveness
	Ensure a cleaner and greener environment with high levels of environmental cleanliness and stewardship
	Work with others to provide access and choice to a range of market, specialist and affordable homes that meet the needs of our existing and future residents
	Require a range of sustainable transport choices for our communities with good local, regional and national transport links
	Reduce carbon emissions and promote energy efficiency and renewable energy within the home and workplace
<b>We'll boost business</b>	Grow our local economy with improved retail offer in both Lichfield and Burntwood and encourage a spread of sectors with more high quality manufacturing and service sector jobs
	Position the District as a good place to do business and maintain its position as one of the highest employment areas in the West Midlands by encouraging entrepreneurship, innovation, inward investment, wealth creation and skills development
	Build a more prosperous District through heritage, tourism and culture and by encouraging the development of creative, visitor and leisure industries
	Create a vibrant rural economy and encourage rural enterprise

<sup>1</sup> These aims and ambitions have been endorsed by our partner organisations which form the Lichfield District Board; delivering them is a shared responsibility

## Final Draft Annual Action Plan 2015/16

	Issue/task for inclusion on the AAP, 2015/16	Link to the Plan for Lichfield District	Activities and milestones	Lead Cabinet Member	Governance
1	Balance the budget in the Medium Term Financial Strategy (Revenue and Capital) 2015-18	Our core principles – tight control and management of the Council's finances	<ul style="list-style-type: none"> <li>• Council to operate within +/- £250k of the approved budget</li> <li>• Quarterly production of Money Matters Report accounting for financial performance of Council for revenue and capital</li> <li>• Deliver approved Fit for Future savings and increased income</li> <li>• Maximise external funding</li> </ul>	Councillor Spruce	Strategic O&S
2	Implement Fit for the Future Phase 2	Our core principles – maximise Council's performance, innovation and efficiency so we use our resources well and deliver good quality and better value services	<p>Complete Service Reviews in the following areas by 31<sup>st</sup> March 2016:</p> <ul style="list-style-type: none"> <li>• Planning</li> <li>• Housing</li> <li>• Assets</li> <li>• Revenues and Benefits</li> <li>• Parks, Grounds Maintenance and Countryside</li> <li>• Economic Development</li> </ul> <p>Undertake Service Reviews in:</p> <ul style="list-style-type: none"> <li>• Environmental Health</li> <li>• Leisure Services</li> </ul>	Cabinet Members	All O&S Committees
3	Consider and where appropriate implement the findings of the Peer Review	Our core principles – maximise Council's performance, innovation and efficiency so we use our resources well and deliver good quality and better value services	<ul style="list-style-type: none"> <li>• Strategic Plan 2016-20 approved by Council in February 2016</li> <li>• Develop organisational values by July (having regard to outcome of the Employee Survey) and introduced in autumn</li> <li>• Review purpose, structure and approach to Overview and Scrutiny by October; implement changes by May 2016</li> <li>• Produce Economic Development Strategy by October 2015; review service delivery by March 2016</li> <li>• See footnote<sup>2</sup></li> </ul>	Councillor Wilcox  Councillor Pritchard	Strategic Overview and Scrutiny Committee  Economic Growth and Development O&S

<sup>2</sup> At the meeting of the Strategic Overview and Scrutiny Committee on 18<sup>th</sup> November 2014, Members agreed that a task group would be formed to identify issues arising from the Peer Review. At the time of writing, feedback from this group is awaited and may lead to amendments to the list of activities and milestones

	<b>Issue/task for inclusion on the AAP, 2015/16</b>	<b>Link to the Plan for Lichfield District</b>	<b>Activities and milestones</b>	<b>Lead Cabinet Member</b>	<b>Governance</b>
4	Deliver elections and facilitate a smooth transfer to the new Council	Our core principles – strengthen our community leadership role	<ul style="list-style-type: none"> <li>Administer the Parliamentary, District and Parish elections on 7<sup>th</sup> May</li> <li>Provide a comprehensive induction pack and training programme for Members in May 2015</li> </ul>	Councillor Spruce	Strategic O&S
5	Develop and embed Locality Commissioning	Our core principles – strengthen our community leadership role especially through effective relationships with partner organisations	<ul style="list-style-type: none"> <li>Work with partners to expand the role and influence of locality commissioning arrangements including the new Prevention Fund</li> <li>Performance manage new contracts (to be let in April 2015)</li> <li>Account to Members for LDC investment in community and voluntary sector</li> </ul>	Councillor Greatorex	Community, Housing and Health O&S
6	Complete ICT upgrade project	Our core principles - maximise the council's performance, innovation and efficiency, so we use our resources well	<ul style="list-style-type: none"> <li>Complete phase 1 and initiate phase 2 of the upgrade project</li> <li>100% of devices converted to the new IT platform.</li> <li>Achieve compliance with Government Security requirements (Public Sector Network) (PSN) achieved and maintained.</li> </ul>	Councillor Eadie	Strategic O&S
7	Adopt and deliver the Local Plan	We'll shape place	<ul style="list-style-type: none"> <li>Adopt the Local Plan and commence work on the associated Site Allocations Plan</li> <li>Adopt the Community Infrastructure Levy Scheme Charging Schedule and Regulation 123 List</li> </ul>	Councillor Pritchard	Economic Growth and Development O&S
8	Develop Lichfield City and Burntwood town centres	We'll boost business - growing our local economy with improved retail offer	<ul style="list-style-type: none"> <li>Support the creation of a Business Improvement District for Lichfield City and ballot in summer 2015</li> <li>Provide support to the Burntwood business community</li> <li>Complete car parking Strategy Review</li> </ul>	Councillor Pritchard	Economic Growth and Development O&S
9	Implement the Friarsgate scheme	We'll boost business – improved retail offer in Lichfield	<ul style="list-style-type: none"> <li>Complete an amended Development Agreement</li> <li>Determine planning application for revised scheme</li> </ul>	Councillor Pritchard	Economic Growth and Development O&S
10	Review and update safeguarding policy and procedures	We'll support people – we'll help and support vulnerable adults, families and children to live independent and fulfilled lives	<ul style="list-style-type: none"> <li>Update policy and procedures to ensure they are robust and that issues of child sexual exploitation are taken into account</li> <li>Implement recommendations from internal audit report</li> <li>Review governance arrangements on safeguarding</li> <li>Offer training to all elected Members</li> <li>Provide training to all staff who come into contact with children and vulnerable adults</li> </ul>	Councillor Greatorex	Community, Housing and Health O&S



**SUBMISSION BY CABINET MEMBER FOR FINANCE, DEMOCRATIC  
AND LEGAL SERVICES**

**FIT FOR FUTURE (F4F) - REVIEW OF REVENUES AND BENEFITS SERVICE (RBS)**

**1. Purpose of Report**

- 1.1 To describe the proposals to initiate and complete the service review for Lichfield District Council's (LDC) RBS. This review is part of Phase 2 of F4F.

**2. Background and Rationale**

- 2.1 As part of Phase 2, F4F a comprehensive review of RBS is to take place.

- 2.2 The areas of service in scope for the review are as follows :

- The 'front end' customer interface on behalf of the service which is delivered by the Lichfield Connects team specialist advisors.
- All aspects of the Revenues Service including billing for Non Domestic Rates (NDR) and Council Tax (CT).
- Civil Enforcement for Single Person Discount (SPD) and Local Council Tax Support (LCTS).
- Assessments for Housing Benefits (HB), Social Care for Residential and Non Residential Services.
- Provision of information for Single Fraud Investigation Service (SFIS) requirements.
- Debt Recovery.
- Systems and Quality Monitoring, including Training.

- 2.3 A Project Initiation Document (PID) has been prepared and this is attached at **Appendix A**. The outcomes the project is seeking to achieve are :

- To ensure that RBS is organised and delivered in the most cost efficient and effective way to meet current and future customer needs within the context of changing legislative requirements.
- To reduce the overall cost of RBS.
- To maximise income generation from NDR, CT and Fees and Charges, through appropriate and robust policies and procedures.
- To ensure that RBS complies with its statutory duties to an acceptable level and meets all contractual requirements.

**3. Recommendation**

- 3.1 It is recommended that the Committee notes the contents of this report.

**4. Financial Implications**

4.1 At this early stage of the review, it is not possible to quantify the level of savings that will be achieved from the review. However, the review will be seeking to reduce the overall cost of RBS and to ensure that the service is delivered in the most cost efficient and effective way.

**5. Community Benefits**

5.1 RBS is an important statutory service within LDC as its customer base includes every household and business located in the District. Most households are liable to pay CT, businesses pay NDR and approximately 6,800 residents are in receipt of HB and/or CT support. The revenue collected by the service is used to help fund the range of Statutory and Discretionary services which LDC delivers and therefore it is important that collection rates remain high. RBS is also critical to the welfare and well-being of vulnerable people and helps to prevent homelessness.

5.2 It is important that RBS continues to respond to the needs of the community and this will be a key factor in the ongoing review.

**6. Equality and Diversity**

6.1 We work to make our services available and accessible to all, by seeking to remove barriers that may prevent certain individuals and groups from getting the services they need. We recognise and accept that people's needs are different and will work to make our services as flexible and responsive as we can. This means that our residents, customers, contractors, partner organisations, job seekers and employees will all be treated fairly and equally, regardless of their characteristics or lifestyle.

**7. 'A Plan for Lichfield District Council' Implications**

7.1 An effective RBS will be at the forefront of helping and supporting vulnerable adults, families and children to live independent and fulfilled lives in their own homes and communities and to prevent homelessness wherever we can. We also need to ensure that RBS is efficient and fit for the future.

**8. Crime and Community Safety Issues**

8.1 None

**9. Risk Management Issues**

<b>Risk Description</b>	<b>Likelihood/ Impact</b>	<b>Risk Category</b>	<b>Countermeasure</b>	<b>Responsibility</b>
Adverse reaction from customers to change.	Medium/ Medium	Reputational	Any proposed changes to the delivery of services will be reported to Committee first and accompanied by Communications Plan.	Project Team
Adverse reaction from employees.	Medium/ Medium	Reputational	Any proposed changes that affect employment will be considered by the Employee Liaison Group and shared with the unions.	Project Team
Failure to progress.	Medium/ High	Financial	Project Team to ensure satisfactory progress.	Project Team

## Project Initiation Document (PID)

<b>Document Purpose</b>
<p>The PID is the collation of information that defines the project and how it will be managed. It has three main purposes :</p> <ol style="list-style-type: none"> <li>1. To ensure that Members and Leadership Team have all information necessary to assess the project.</li> <li>2. To be a baseline document that future progress and ongoing viability can be assessed against.</li> <li>3. To provide a single-source of reference about the project, enabling people to access the information needed to familiarise themselves with what the project is about and how it is being managed.</li> </ol>

<b>Project Details</b>	
<b>Project Name</b>	Revenues and Benefits Service (RBS) Review
<b>Project Executive</b>	Jane Kitchen
<b>Project Manager</b>	Project Manager to be appointed
<b>Project Sponsor</b>	Leadership Team
<b>Project Team</b>	Jane Kitchen, Helen Titterton, Cathy Pepper, Ysanne Williams, Pat Leybourne, Nicola Begley, Martin Hunt, Sue Roberts, Janet Spencer, Toni Sayce, Kevin Sleeman, Julie Walker, Bromford, Project Manager TBA.
<b>Lead Councillor</b>	Councillor Chris Spruce
<b>Challenge Director</b>	Helen Titterton

<b>Document Details</b>	
<b>Version</b>	10
<b>Version date</b>	7 January 2015
<b>Status</b>	Final
<b>Source file location</b>	T:Fit for the Future/PID

## PROJECT DEFINITION

### Project Description :

The project will review all elements of our Revenues and Benefits Service (RBS) to ensure that the service is fit for purpose now and sustainable into the future. An externally facilitated diagnostic exercise will be undertaken to assess the strengths and weaknesses of the current operation and the extent to which current and future/anticipated customer needs are being met within the context of national legislation and local policy. There will be an end to end review of the processes used within the service with a view to improving the efficiency and effectiveness of these.

As part of this we will gain an understanding of our customers' experience and perception of the service they receive from RBS and we will explore the opportunities for improvements in the future. Options for the future delivery of the service will be identified and a preferred option recommended for implementation by RBS Project Team to Cabinet. Cabinet will subsequently recommend their preferred option to full Council.

### Project Background and Approach :

Lichfield District Council (LDC) has launched a programme called Fit for the Future (F4F) which includes undertaking service reviews for all parts of the Council. The reviews will check to see :

- a) Whether we are doing the right things in the best way;
- b) Whether there are any alternative ways of delivering services (including focusing on improving the effectiveness of our processes);
- c) Whether these alternative ways should be adopted by us;
- d) Whether we can do things cheaper than at the moment.

A set of principles that we will apply to the service review process are:

- Be open to all ideas.
- Accept a lower standard of service delivery than is presently provided, subject to this lower standard being clearly addressed in the business case and meeting the minimum outcomes identified at the start of the service review.
- Consider alternative ways of delivering the RBS including shared services with another council<sup>1</sup>.
- Work in partnership with neighbouring or like- minded authorities and partners wherever we can.
- Benchmark, compare and embrace external challenge.
- Use other Councils ideas and best practice where appropriate, and not reinvent the wheel.
- Inform and involve the RBS team at all stages of the review and keep the union apprised of developments.
- Consider the needs and seek the views of customers, stakeholders and partners at appropriate points in the review.
- A flow chart for the RBS review is attached as an Annex.

<sup>1</sup> A Memorandum of Understanding with Tamworth BC was approved by Cabinet in February 2014 in which it has been agreed to look for future shared service opportunities with them. Any recommendation to develop a shared service should reflect what is in the best interests of all council tax payers and be fair and equitable.

**Project Objectives :**

The objectives of the project are :

- To assess the level and nature of future customer need / demand for each part of the RBS taking account of demographic, legislative and technological changes
- To define the minimum acceptable outcomes for the RBS
- To identify opportunities to improve the service and achieve better outcomes for customers; to assess these opportunities and deliver changes. This will include an end to end review of all of the processes used by the RBS and proposals for their redesign where appropriate
- To significantly increase the number of self- service customer transactions achieved through the web; we regard this project as a key component of our channel shift agenda and aim to redirect the preferred method of customer access from face to face and phone contacts to electronic means
- To review decision making processes including the scheme of delegation from Committees to Officers
- To consider opportunities for fee charging for intellectual property/officer time (or requesting benefit in kind) in return for sharing processes and procedures designed at LDC with partners/neighbouring authorities.
- To explore and assess a range of delivery options for each area of the RBS including shared services with other Local Authorities, contracting out or ceasing activities that are no longer required, creating trusts or mutual arrangements and working with the private sector
- To identify the best/preferred option(s) for service delivery to ensure that it meets statutory requirements and delivers the priorities identified in accordance with the Council's Plan for the District
- To produce an action plan which will underpin the delivery of the preferred option(s)
- To produce a workforce plan to underpin the delivery of the preferred option(s)
- To implement cost savings and encourage income generation as part of the F4F programme.

**Project Outcomes :**

- To ensure that RBS is organised and delivered in the most cost efficient and effective way to meet current and future customer needs within the context of changing legislative requirements.
- To reduce the overall cost of RBS.
- To maximise income generation from NDR, CT and Fees and Charges through appropriate and robust policies and procedures
- To ensure that RBS complies with its statutory duties to an acceptable level and meets all contractual requirements
- To ensure that RBS continues to be able deliver the priorities identified in LDC's 'Plan for the District'.

**In scope :**

- The 'front end' customer interface on behalf of the service which is delivered by the Lichfield Connects team specialist advisors.
- All aspects of the Revenues Service including billing for Non Domestic Rates (NDR) and Council Tax (CT).
- Civil Enforcement for Single Person Discount (SPD) and Local Council Tax Support (LCTS) .
- Assessments for Housing Benefits (HB), Social Care for Residential and Non Residential Services.
- Provision of information for Single Fraud Investigation Service (SFIS) requirements.
- Debt Recovery.
- Systems and quality monitoring, including training.

**Not in scope :**

- Central support services in general.
- Lichfield Connects generic customer service advisors.

**Constraints :**

- Officer capacity to complete the Review within the set timescale (noting that some members of the project team are involved in other reviews plus there are general capacity issues currently facing the organisation).
- Statutory requirements will still need to be met during the Review period.
- Customer needs and demands will need to be met whilst the Review is ongoing.
- Existing legal agreements and contracts to be observed.

**Assumptions :**

- That the project team will remain available throughout the project.
- That an external specialist adviser / project manager will be recruited who will prepare the Project Plan and lead on the delivery Review and produce a Report with findings and recommendations
- That we will use part of the New Burdens Grant together with other savings identified within RBS to fund external capacity in order to review this service area. This will enable the existing RBS team to continue to deliver the service on a day to day basis.
- That the demand and need for RBS will continue. Levels will vary for aspects of the service :
  - Local Taxation (CT and NDR) - this will increase over time as a result of growth in properties and value of NDR is likely to rise.
  - Debt Recovery - this will continue at similar levels to now.
  - HB - this will reduce with the implementation of Universal Credit.
  - SFIS - demand will depend on the level of potential frauds identified.
  - Financial Assessment for Residential and Non Residential Care Services. At this stage, as it is a new service, it is assumed it will continue at similar levels.
- That service providers and partners continue as at present

**Dependencies :**

- Impact of WR.
- Availability of resources for the review.
- Homelessness prevention.

**Timescales**

- PID to Leadership Team 17 December 2014.
- PID to Strategic Overview and Scrutiny Committee on 21 January 2015.
- External Advisor/Project Manager recruited by end February 2015.
- Project Plan prepared by 30 April 2015.
- Review completed by 30 September 2015.
- Reports to Strategic Overview and Scrutiny Committee and Cabinet November/December 2015.
- Full implementation of the recommendations of the Review by 31 March 2016.

## SUMMARY BUSINESS CASE

### Business Justification :

RBS is an important statutory service within LDC as its customer base includes every household and business located in the district. Most households are liable to pay CT, businesses pay NDR and approximately 6,800 residents are in receipt of HB and/or CT support. The revenue collected by the service is used to help fund the range of statutory and discretionary services which LDC delivers and therefore it is important that collection rates remain high. The RBS is also critical to the welfare and well-being of vulnerable people and helps to prevent homelessness.

RBS is a key front facing service and has many customer interactions on a day-to-day basis. The quality of customer care is therefore important and impacts upon the reputation of LDC. However, not all customers wish to phone or visit LDC with their enquiries and more customers have the tools, skills and preference to access the service in other ways using digital technologies. The service therefore needs to adapt and innovate which is not only better for customers, it also improves the efficiency and effectiveness of the service, enabling redirection of resources elsewhere within LDC. Welfare Reform (WR), together with the localisation of NDR, technical changes to CT and SFIS, together with Universal Credit means that the Revenues and Benefits Service has undergone a significant period of change, at the same time as there has been growth of approximately 22% in the RBS team's workload.

It is recognised that service demands will continue to increase, resulting in increased workload for the team. To date, the increased Revenues workload has resulted in backlogs. This, in turn, has led to more customer interaction and increased volumes of complaints.

WR continues at a pace with the roll out of UC in 2015. This means that the team will continue to experience major changes in the services that it delivers together with workload implications. The way in which the team operates will need to change to reflect these fundamental changes to service delivery, with administration of HB transferring to DWP.

In the last six months, two senior managers have resigned from RBS.

RBS has not been reviewed in a structured manner since 2004, only some minor adjustments to the way in which work is done by the teams, in response to changing requirements.

Since 2012, Government has awarded funding for Councils in respect of WR, to meet 'New Burdens'. Currently, there is £80,000 available for the Review, together with budgetary savings within RBS.

All of this now indicates it is the appropriate time to complete a review for RBS.

**COMMUNICATIONS**

**Communication Management :**

Most communications will be by e-mail in addition to meetings of the project group. Progress reports will be submitted to Strategic Overview and Scrutiny Committee over the next 18 months.

Other methods of communication will include:

- Written meeting minutes and agendas.
- Face to face meetings with staff, employee representatives and partners as needed.
- Briefing notes for stakeholders and partners.
- The main stakeholders of the project are:
- Customers using this service (this includes businesses, residents, HB claimants, LCTS applicants, FC and WB, LDC's Housing and Economic Development Teams).
- Bromford and other Housing Associations.
- Private Landlords.
- Staffordshire County Council, Staffordshire Police, Stoke and Staffordshire Fire and Rescue Service and neighbouring District Councils.
- Voluntary sector (SESCAB, Support Staffordshire etc).
- Greater Birmingham Solihull Local Enterprise Partnership and Stoke and Staffordshire Local Enterprise Partnership.

**Document Purpose :**

- The Project Executive and Lead Councillors will ensure the project is managed in an effective and efficient manner.
- Decisions will be agreed by the Project Team and communicated to Leadership Team and Cabinet periodically.
- A comprehensive project plan will be developed, monitored and updated throughout the project.
- A risk register will be developed, monitored and updated throughout the project.
- Equality Impact Assessments will also be undertaken in reviewing any proposed changes to the Service in the future.

**Approvals :**

Name	Signature	Title	Date	Version

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FLOW CHART FOR CHANGE PROGRAMME

