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1 February 2016

Dear Sir/Madam

CABINET MEETING

A meeting of the Cabinet has been arranged to take place on **TUESDAY 9 FEBRUARY 2016** at **6.30 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

R.K. King.

Strategic Director

To: Members of the Cabinet

Councillors: Wilcox (Leader), Pritchard (Deputy Leader), Eadie, Fisher, Greatorex, Pullen, Smith and Spruce.

1. Apologies for Absence
2. Declarations of Interest
3. Money Matters: Review of Financial Performance against the Financial Strategy (copy attached)
4. Strategic Plan 2016 – 2020 (copy attached)
5. Strategic Plan - Annual Action Plan 2016/17 (copy attached)
6. Medium Term Financial Strategy (Revenue and Capital) 2016–20 (copy attached)
7. Borrowcop Lane Area Supplementary Planning Document (copy attached)

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

Cabinet Member for Finance and Democracy

Lichfield district council
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Date:	9 February 2016
Agenda Item:	3
Contact Officer:	Jane Kitchen
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Email:	jane.kitchen@lichfielddc.gov.uk
Key Decision?	**YES**
Local Ward Members	**Full Council**

CABINET

1. Executive Summary

1.1 This report covers the financial performance from April to November 2015 (eight months) for the year 2015/16.

1.2 For the period up to November 2015, we forecast a further transfer of **£396,530** (in addition to the **£200,100** in Quarter One, **£424,410** in Quarter Two and **£122,370** related to the Housing Services Review) **TO** General Reserves, rather than the budgeted transfer **FROM** General Reserves of **£400,450**. This projected financial position based on eight months is as a result of savings totalling **£1,543,860** being included as detailed below:

- Fit for the Future savings of **£473,770**.
- Ongoing savings and additional income identified in 2014/15 of **£92,660**.
- Quarter One 2015/16 projected performance of **£156,490**.
- Quarter Two 2015/16 projected performance of **£424,410**.
- Eight months 2015/16 projected additional performance of **£396,530**.

1.3 In 2016/17, the savings target of **£486,390** is projected to be exceeded by **£112,960** and will result in a further contribution to General Reserves.

1.4 These financial projections are based on the first eight months of the current financial year. Since the last Money Matters report was produced, the Autumn Statement 2015 has effectively changed the financial landscape for Lichfield District Council (LDC) in the medium term, principally for two main reasons :

- A tapering and a reduction in the amount of New Homes Bonus (NHB) to be paid to Councils. This is to ensure nationally that **£800 million** of the NHB fund can be redirected to Adult Social Care.

- RSG - the level of RSG takes account of Government's new approach, detailed above and it is to be reduced to **£ZERO** at an earlier date than originally projected. The Government's has introduced a 'Tariff Adjustment'. This adjustment reflects Government's new approach in determining Revenue Support Grant (RSG) allocations. This approach now takes into account the amount that can be raised locally through Council Tax; in practice this means that for Councils such as Lichfield which has a higher tax base, that is, more properties above the average Band D, will have less RSG. Potentially, for LDC, any further national reductions could result in a negative RSG. Government has put in place the 'Tariff Adjustment' mechanism to avoid negative RSG.

1.5 The Council Tax Collection Fund is projected to be in surplus by **£448,449** with LDC's share projected to be **£58,425**. The Business Rates Collection Fund is projected to be in deficit by **£1,463,340** with LDC's share projected to be **£585,336**. These balances will be accounted for in 2016/17.

1.6 The Capital Programme is projected to be below budget by **£465,000** in 2015/16 due to revised projections for projects such as Disabled Facilities Grants and Information and Technology investment being based on latest project plans. This will result in updates being made to the profiling of project spend to later financial years.

1.7 In terms of capital receipts, the remaining sale of Bore Street shops, Lichfield is proceeding at the current time.

2. Recommendations

2.1 To note the report and issues raised within.

2.2 To note that Leadership Team with Cabinet Members will continue to closely monitor and manage the Medium Term Financial Strategy (Revenue and Capital) 2015-18 (MTFS (R&C) 2015-18).

3. Background

Revenue Budget

3.1 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.

3.2 '*A Plan for Lichfield District 2012-16'* approved by Council in February 2012, sets out the ambition, focus and priorities for this period. This plan includes milestones for each year, so that we can bring appropriate focus to delivery.

3.3 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.

3.4 The MTFS (R&C) 2015-18 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 covers Revenue and Capital expenditure for the three financial years 2015-18. It was approved by Council on 17 February 2015.

3.5 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.

3.6 Since 2013/14 there have been significant changes in Local Government Finance, ranging from the Localisation of Council Tax Support, wider Welfare Reforms and local retention of an element of Business Rates. These changes introduced additional financial risks such as a major proportion (**19%**) of LDC's funding being dependent on the level of Business Rates growth or decline. Consequently, Council implemented plans and strategies to manage these financial risks. These risks, together with financial successes, challenges and future actions are shown in more detail at **APPENDIX A**.

3.7 Increasingly LDC is being funded by income generated locally through Council Tax, Local Business Rates, NHB and Fees and Charges. Therefore, the management of debt is a key component of the Council's funding with a key summary below (further details are shown at **APPENDIX B**) :

- Collection performance for Council Tax has decreased by **1.04%** and is therefore consistent with the same stage of the previous financial year. Council Tax arrears outstanding are **£76,002** higher when compared with the same period for last year. The reason for this increase is the impact of Welfare and Council Tax Reforms, together with the limited options available for recovering small scale debts.
- Collection performance for Business Rates has decreased by **1.52%** although it is largely consistent with the same stage of the previous financial year. Business Rate arrears outstanding are **£255,029** higher when compared with same period for last year. The arrears include two large liability orders of **£106,911** and **£157,115** that were issued recently.
- The total value of invoices outstanding has increased by **£748,763**, with debt less than six months old increasing by **£678,851** and debt more than six months old increasing by **£69,912** compared to the same period last year. The increase in debts less than six months old is due to the issue of a large Section 106 invoice of **£363,000** issued on 24 November 2015 and several large invoices issued over **£10,000**.

3.8 Approved Fit for the Future (F4F) and other savings are detailed in the table below and have been built into the Base Budget for 2016/17 onwards :

	Approved MTFS		
	2015/16 £	**2016/17 £**	**2017/18 £**
Sub total Quarter One F4F Savings	**(351,400)**	**(312,280)**	**(326,220)**
Housing Services Review	(122,370)	(2,000)	(2,000)
Sub total F4F Savings	**(473,770)**	**(314,280)**	**(328,220)**
Ongoing savings/additional income identified in 2014/15[1]	(92,660)	(92,660)	(92,660)
Quarter One 2015/16 performance	(156,490)	(84,400)	(84,400)
Quarter Two 2015/16 performance	(424,410)	(77,720)	(77,720)
Eight Months 2015/16 further performance	(396,530)	(30,290)	(30,290)
Total savings : F4F, 2014/15 and performance in 2015/16	**(1,543,860)**	**(599,350)**	**(613,290)**
Approved MTFS savings target	0	(486,390)	(818,190)
General Reserves position - (Increase)/Decrease	(1,543,860)	(112,960)	N/A
Savings to be identified to achieve Approved MTFS savings target	**N/A**	**N/A**	**(£204,900)**

3.9 As shown above, at the end of eight months Council needs to identify savings of **£204,900** to achieve the approved MTFS savings target. However, the MTFS (R&C) 2015-20 on this agenda updates this position following the Provisional Local Government Finance Settlement on 17 December 2015.

3.10 As also shown above, a savings target was not set for 2015/16; the Approved MTFS (R&C) 2015-18 assumed a contribution from Reserves of **£400,450** to balance the Budget for 2015/16 only. The reason for this was that at the time Council approved the Budget, work was ongoing to find further savings as part of F4F Reviews and efficiencies in service delivery.

3.11 Further F4F savings will be identified as Service Reviews, processes and initiatives continue over the medium term. When any reviews are approved by Council, relevant savings will be built into the MTFS (R&C).

3.12 The financial performance covering the period April to November 2015 has been reviewed and below we report our eight month projection for the full year against the Budget.

[1] This links to the figure of **£117,660** detailed in the 'Money Matters Report : 2014/15 Review of Financial Performance against the Financial Strategy' for Cabinet 8 September 2015. However, this figure needs to be reduced by **£25,000 to £92,660** as there is an element that has been re-classified 'F4F savings', as shown in the table above.

The Revenue Budget on a Net Direct Expenditure Basis

Area	2015/16					
	Original Budget £	Approved Budget £	Year to Date Actual £	Projected Outturn £	Projected Variance £	● = adverse = ☑favourable
Chief Executive	889,230	766,830	486,854	765,030	(1,800)	☑
Finance, Revenues and Benefits	2,311,520	2,288,390	2,319,405	2,294,110	5,720	●
Leisure and Parks	3,167,270	2,863,880	1,656,032	2,818,790	(45,090)	☑
Democratic, Development and Legal	1,097,170	571,170	(138,981)	392,170	(179,000)	☑
Community, Housing and Health	2,217,360	2,019,820	912,072	1,885,810	(134,010)	☑
Waste Collection	1,311,000	1,261,280	1,457,983	1,228,930	(32,350)	☑
Net Cost of Services	**10,993,550**	**9,771,370**	**6,693,365**	**9,384,840**	**(386,530)**	☑
Net Treasury Position	74,900	(29,500)	(46,907)	(39,500)	(10,000)	☑
Revenue Contributions to the Capital Programme	154,000	154,000	0	154,000	-	☑
Net Operating Cost	**11,222,450**	**9,895,870**	**6,646,458**	**9,499,340**	**(396,530)**	☑
Less: Transfer (from) / to General Reserve	(400,450)	727,880	0	1,124,410	396,530	☑
Add: Transfer to Earmarked Reserves	92,000	290,250	0	290,250	-	☑
Net Revenue Expenditure	**10,914,000**	**10,914,000**	**6,646,458**	**10,914,000**	**0**	☑
Financed by:						
Retained Business Rates	(2,105,000)	(2,105,000)	(1,234,095)	(2,105,000)	-	
Revenue Support Grant	(1,450,440)	(1,450,440)	(1,103,207)	(1,450,440)	-	
Returned New Homes Bonus	(16,000)	(16,000)	0	(16,000)	-	
Business Rates Cap	(29,000)	(29,000)	(13,466)	(29,000)	-	
Parish Local Council Tax Support	115,000	115,000	80,291	115,000	-	
New Homes Bonus	(1,539,000)	(1,539,000)	(1,160,425)	(1,539,000)	-	
Business Rates Collection Fund (Surplus)/Deficit	(131,000)	(131,000)	0	(131,000)	-	
Council Tax Collection Fund (Surplus)/Deficit	(138,000)	(138,000)	(91,781)	(138,000)	-	
Council Tax	(5,620,560)	(5,620,560)	(3,477,561)	(5,620,560)	-	

3.13 The Gross Income and Expenditure to support this table and the reconciliation of the Original Budget to the Current Approved Budget 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.

3.14 The Net Operating Cost Projected Outturn at 31 March 2016 is estimated to be better than the Approved Budget by **£396,530**. This has been generated by the following items :

Projected Variance £		Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(1,800)	Chief Executive	(1,800)	-	-	-
5,720	Finance, Revenues and Benefits	-	-	5,720	-
(45,090)	Leisure and Parks	(23,630)	(24,290)	8,830	(6,000)
(179,000)	Democratic, Development and Legal Services	(12,820)	-	(166,180)	-
(134,010)	Community, Housing and Health	(63,910)	-	(70,100)	-
(32,350)	Waste Collection Service	(350)	-	(32,000)	-
(10,000)	Net Treasury Position	(1,000)	-	(9,000)	-
(£396,530)	**Net Operating Cost**	**(£103,510)**	**(£24,290)**	**(£262,730)**	**(£6,000)**

Chief Executive (£1,800) favourable variance :

Projected Variance £	Directorate	Expenditure One Off £	Expenditure Recurring £	Income One Off £	Income Recurring £
(1,800)	Savings in Members Training	(1,800)			
(1,800)	**Total**	**(£1,800)**	**-**	**-**	**-**

Finance, Revenues & Benefits £5,720 adverse variance :

Projected Variance £	Directorate	Expenditure One Off £	Expenditure Recurring £	Income One Off £	Income Recurring £
5,720	Reduction in income as a result of termination of Lichfield Garrick Audit Services SLA			5,720[2]	
5,720	**Total**	**-**	**-**	**£5,720**	**-**

Leisure and Parks (£45,090) favourable variance :

Projected Variance £	Directorate	Expenditure One Off £	Expenditure Recurring £	Income One Off £	Income Recurring £
(16,770)	Fuel savings on Grounds Maintenance and Street Cleansing due to lower fuel prices, plus lower than anticipated spend at the Depot	(16,770)			
(9,630)	Burntwood Depot - lower than anticipated spend on utilities		(9,630)		
5,960	Under achievement on Cesspool income due to falling customer base in addition to under achievement on difficult to predict ad hoc external contract income on Grounds Maintenance			5,960	
(5,540)	Trunk Road Cleansing Reserve - the remaining balance is not required as minor works covered by own staff in conjunction with the Highways Agency	(5,540)			
23,160	Friary Grange - overspends on repairs, equipment and employee costs partly offset by increased income as a result of increased activity levels	38,360		(15,200)	
(1,560)	King Edward VI Leisure Centre - lower than anticipated spend on catering supplies		(1,560)		
(19,380)	Burntwood Leisure Centre - lower spend on utilities, supplies and services and employee costs offsetting pressures (as yet uncommitted) on repairs, in addition to over achievement on income	(8,980)	(7,400)	(3,000)	
(5,000)	Burntwood Leisure Centre - pressure on catering income offset by lower than anticipated spend on supplies	(35,500)		30,500	
(10,900)	Beacon Park - underspends on employee costs, utilities with minor overspend on supplies and services, plus over achievement on income	600	(5,700)	(5,800)	
12,710	Burntwood Parks - pressure from legal and security fees and Hospital Road, partly offset by underspending on premises in addition to over achievement on income	14,610		(1,900)	
(1,990)	Other Parks and Open Spaces- minor over spends offset by additional income	1,740		(1,730)	(2,000)
(13,550)	Insurance - lower than anticipated spend on policy costs	(13,550)			
(7,600)	Health and Safety - honorarium budget no longer required plus re-negotiated SLA agreements (half year effect for 2015/16)	(3,600)			(4,000)
5,000	Garrick - pressure on premises (ventilation system)	5,000			
(£45,090)	**Total**	**(£23,630)**	**(£24,290)**	**£8,830**	**(£6,000)**

[2] Finance were made aware of this change following the completion of 6 months Money Matters Report and were able to incorporate the change in the Medium Term Financial Strategy for 2016/17 to 2019/20 as a budget variation. Therefore, given the change is already incorporated in future years, the 2015/16 element is shown as a one off.

Democratic, Development and Legal Services (£179,000) favourable variance :

Projected Variance £	Directorate	Expenditure One Off £	Expenditure Recurring £	Income One Off £	Income Recurring £
(76,790)	Increase in property rental income relating to the delay in the sale of Industrial Units and Bore Street and additional income from Sale of Freehold interests			(76,790)	
(58,840)	Savings in Employee costs as a result of Maternity Leave/Vacant Posts	(58,840)			
(79,440)	Section 31 New Burden Grant (LLCR Claim) Local Land Charge Search Fees			(79,440)	
45,000	Earmarked Reserve EU Referendum Costs	45,000			
(29,200)	Capital recharges Project management Friarsgate Development			(29,200)	
7,000	Fradley Business Improvement bid Feasibility Study	7,000			
460	Lichfield BID Postage	460			
5,000	Reduction in Management Fees Gentleshaw Common			5,000	
(3,000)	Savings in Members printing costs	(3,000)			
(17,950)	Increase in Cashless Parking and Parking Fee Incomed			(17,950)	
(3,440)	Savings in Corporate Subscriptions	(3,440)			
32,200	Reduction in income in relation to Special Area of Conservation River Mease[3]			32,200	
(£179,000)		**(£12,820)**	**-**	**(£166,180)**	**-**

[3] Finance were made aware of this change following the completion of 6 months Money Matters Report and were able to incorporate the change in the Medium Term Financial Strategy for 2016/17 to 2019/20 as a budget variation. Therefore, given the change is already incorporated in future years, the 2015/16 element is shown as a one off.

Community, Housing and Health (£134,010) favourable variance :

Projected Variance £	Directorate	Expenditure One Off £	Expenditure Recurring £	Income One Off £	Income Recurring £
(22,620)	Old Mining College - income received from room letting and NDR refund			(22,620)	
(6,000)	Consultation and Research - budget will not spend in full this year	(5,890)		(110)	
(6,700)	Partnerships and Policy - lower than anticipated spend in a number of areas including administration and community transport in addition to income pressure on Mill Lane Link	(9,270)		2,570	
(3,660)	Community Safety - one-off income that will not be spent plus small underspend	(540)		(3,120)	
(5,530)	CRM - lower than anticipated spend plus income received that will not be needed this year	(1,040)		(4,490)	
(28,070)	Homelessness Service - expenditure down on void loss and bed and breakfast accommodation and over on hostel support, plus income is over achieving	(18,570)		(9,500)	
(15,470)	Homeless Prevention - expenditure on prevention and education lower than anticipated	(15,470)			
(13,800)	Housing Strategy and the Enabling Role - one-off income from Bromford that will not be spent plus lower than anticipated spend	(2,940)		(10,860)	
(5,850)	Other Housing Services - underspends on various budget heads plus income received that will not be needed this year	(2,800)		(3,050)	
(14,660)	Food Safety - vacancy filled at the end of Q1 plus underspends on supplies and services	(14,660)			
(11,780)	Taxi Licensing - over achievement on income offsetting pressures on expenditure budgets	3,460		(15,240)	
10,260	Contaminated Land - expenditure on new mapping and updating GIS	10,820		(560)	
(10,130)	Environmental Health Other Areas - a combination of income received that will not be needed this year plus lower than anticipated spend on expenditure budgets	(7,010)		(3,120)	
(£134,010)	**Total**	**(£63,910)**	-	**(£70,100)**	-

Waste Collection Position (£32,350) favourable variance :

Projected Variance £	Directorate	Expenditure One Off £	Expenditure Recurring £	Income One Off £	Income Recurring £
(14,000)	Trade Waste Services - new customers producing additional income for this year.			(14,000)	
(18,000)	Additional income this year from second brown bin and bulky waste charges this year			(18,000)	
(350)	Efficiency Savings - remaining budget not required	(350)			
(32,350)	**Total**	**(350)**	-	**(32,000)**	-

Net Treasury Position (£10,000) favourable variance :

Projected Variance £	Directorate	Expenditure One Off £	Expenditure Recurring £	Income One Off £	Income Recurring £
(9,000)	Additional investment income due to higher level of investment balances			(9,000)	
(1,000)	Lower external interest payment than projected.	(1,000)			
(£10,000)	**Total**	**(£1,000)**	-	**(£9,000)**	-

3.15 The overall projected variance of **£396,530** for 2015/16 will improve LDC's General Reserves position. The recurring expenditure and income savings amounting to **£30,290** will be built into the base Budget for 2016/17 onwards.

Council Tax (CT)

3.16 The detailed Collection Fund for 2015/16 is shown in detail at **APPENDIX D**. Latest projections indicate a surplus on the Collection Fund for CT of **£448,449**. The reason this surplus is projected is that we estimated a CT base of **36,264** and the projected CT base for 2015/16 is **36,486** this is an increase of **222**. This increase is due to a variety of reasons including changes to discounts and exemptions, new properties and the impact of the Local Council Tax Support Scheme. LDC's share of this projected surplus would be **£58,425** and this would be shown in the Budget in 2016/17.

Non-Domestic Rates (NDR)

3.17 LDC's Budget for its share of NDR is required under Statute to be based on the estimated income contained in the 2015/16 NNDR 1 form which is **£13,023,000,** not the projected level of income contained within the Collection Fund of **£13,144,000**. Any NDR growth or decline will be included in future financial years as part of the Collection Fund surplus or deficit. The NDR Collection Fund is projecting a deficit in 2015/16 of **£1,463,340,** LDC's share would be **£585,336** and this would be shown in the Budget in 2016/17.

3.18 LDC is a member of the Greater Birmingham and Solihull Business Rates Pool. Half of any retained Business Rates income in excess of the Government set baseline of **£1,937,216** is paid in levy to the Pool. Conversely, should retained Business Rate income fall below the Safety Net threshold of **£1,791,925** (**92.5%** of **£1,937,000**) then Safety Net up to this threshold would be receivable from the Pool.

3.19 Current projections are that levy of **£325,000** would be payable to the Pool in 2015/16 with **32.5%** or **£106,000** being received back from the Pool as part of the agreed three year distribution basis.

3.20 The monthly aggregate Rateable Value (RV), details significant movements in RV and details of the high value RV properties in Lichfield District are also shown in **APPENDIX D**.

Capital Programme

Managing the Current Budget

3.21 LDC approved an original Budget for 2015/16 of **£5,051,000** on 17 February 2015.

3.22 The Revised Budget presented in the quarter one report to Cabinet on 8 September 2015 was **£6,444,000**.

3.23 LDC has subsequently approved the following changes to the 2015/16 budget :

- A report to Cabinet on 7 July 2015 approved an additional **£1,165,000** for Friarsgate.
- The quarter one report to Cabinet on 8 September 2015 approved the inclusion of additional capital spend funded from earmarked reserves of **£115,810** and increased the vehicle replacement budget by **£965,000.** It also identified **(£1,138,000)** of slippage that has therefore been profiled for spend in later years.
- The quarter two report to Cabinet on 1 December 2015 identified **(£2,206,000)** slippage that has therefore been profiled for spend in later years.

3.24 In addition, there have been a number of other changes, such as the allocation of Section 106, and re-phasing of some project spend that totals **£9,810.** These changes have resulted in a current Budget of **£5,336,000**.

3.25 Below we look at spend by current strategic priority for the 2015/16 financial year, focussing on the actual position for the year, compared with the Current Budget :

Priority	Original Budget £	Current Budget £	Year to Date Actual £	Projected Outturn £	Projected Variance £	
We'll support local people	1,544,000	885,000	440,785	685,000	(200,000)	●
We'll support local places	2,387,000	3,215,500	7,466	3,211,500	(4,000)	☑
We'll boost local businesses	585,000	605,500	180,573	601,500	(4,000)	☑
How our core principles help us deliver	535,000	630,000	148,808	373,000	(257,000)	●
Total Capital Expenditure	**£5,051,000**	**£5,336,000**	**£777,632**	**£4,871,000**	**(£465,000)**	

KEY : ☑ Projected actual within **£100,000** of our current budget
● Projected actual not within **£100,000** of our current budget

3.26 The main reasons for the significant projected variances are detailed below:

We'll Support Local People

- **Disabled Facilities Grants** (DFGs) **(£200,000) -** the new arrangement with Revival HIA continues to present several challenges to service delivery, in particular completion of DFGs which will mean that an element of this year's budget will need to be transferred to later financial years. However, there continues to be very high demand for DFGs in the District with **148** cases currently pending where works have been determined as necessary for adaptations to be completed with an estimated value of **£1.1m**.

How Our Core Principles Help Us Deliver

- **IT Capital Budget (£246,000)** – a number of the projects included in the Capital Programme in 2015/16 are dependent on the completion of F4F and other reviews that will mean spend is likely to take place in future years.

3.27 An important element of the Capital Programme relates to asset replacement. The renewals of vehicles, equipment and systems during 2015/16 is shown in detail at **APPENDIX E**.

Capital Receipts

3.28 The Council included in 2015/16 as part of the MTFS (R&C) 2015-18, **£2,516,000** of capital receipts from the disposal of three investment property assets. Two disposals have been completed and the current progress on the one remaining sale is detailed below :

- **Bore Street, Lichfield shops** (Budget **£1,469,000**). A new Lease of 44 Bore Street, Lichfield has now been completed. With regard to the sale of the freehold of 36-44 Bore Street, Lichfield, a definite purchaser is yet to be identified although there are a number of investors interested.

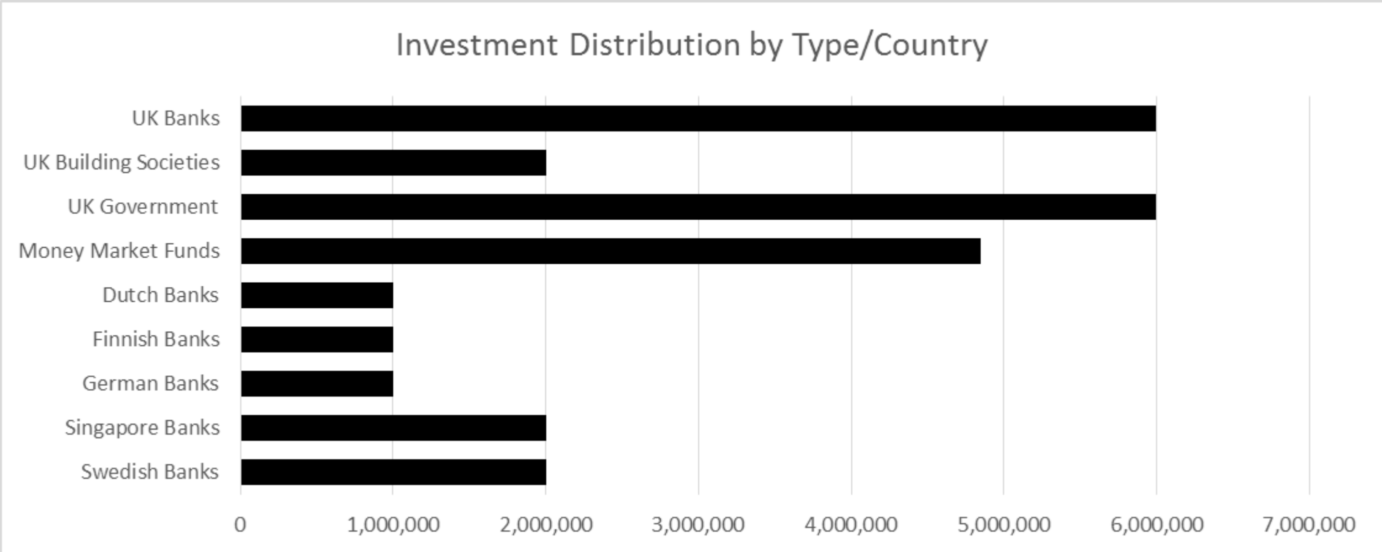
Capital Investment at Burntwood Leisure Centre (BLC) **- the Sinking Fund**

3.29 Under the terms of the funding agreement with the National Lottery in relation to 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 below for all approved projects in 2015/16 :

Project Name	Annual Spend in 2015/16		
	Current Budget £	Projected Outturn £	Variance £
Planned maintenance	50,000	50,000	-
TOTAL	**£50,000**	**£50,000**	**-**

Treasury Management

3.30 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** and the graph below summarises the investment position at 30 November 2015**.**



Working Balance, Reserves and Provisions

3.31 The Approved MTFS (R&C) 2015-18 forecast **£400,450** utilisation of General Reserves in 2015/16. Eight month budget projections now show a contribution to General Reserves of **£1,124,410**, rather than the budgeted use of Reserves to balance the Budget. This means that there will be additional Reserves of **£1,524,860** available to the Council related to 2015/16 financial performance.

3.32 The projected General Reserves at 31 March 2016 are shown below :

Detail	Approved £000s	Projected £000s	Variance £000s
General Reserves available as at 1 April	2,902	2,998	(96)
Contribution from/(to) Revenue Budget	(400)	1,124	(1,524)[4]
General Reserves balance as at 31 March	**2,502**	**4,122**	**(1,620)**
Minimum Reserves requirement policy	(1,200)	(1,200)	0
General Reserves available for use	**£1,302**	**£2,922**	**(£1,620)**

[4] The savings of £1,543,860 less the approved contribution to the Lichfield Business Improvement District of £19,000.

Alternative Options	There are no alternative options.
Consultation	Consultation is undertaken as part of the '*Plan for Lichfield District 2012-16*' and with Leadership Team. This Money Matters Report was discussed at Strategic (Overview and Scrutiny) Committee to be held on 2 February 2016.
Financial Implications	At this eight months stage in the year, for the period up to November 2015, we forecast a contribution to General Reserves of **£1,124,410** will be made, against a budgeted contribution of **£400,450** from General Reserves. Further detailed analysis on the Financial Performance up to November 2015 is shown in the attached Appendices.
Contribution to the Delivery of the Strategic Plan	The MTFS underpins the delivery of the '*Plan for Lichfield District 2012-16*'.
Equality, Diversity and Human Rights Implications	There are no additional Equality and Diversity or Human Rights Implications.
Crime & Safety Issues	There are no additional Crime and Safety Issues.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Management of the Council's Revenue and Capital budget is critical to the successful delivery of key Council's priorities, and control measures need to be in place to manage the re-scheduling or re-profiling of projects and to respond to the changing financial climate.	Close monitoring of expenditure. Maximising the potential of efficiency gains. Early identification of any unexpected impact on costs, for example, central Government policy changes (including the stability budget in July 2015), movement in the markets, and changes in the economic climate. Prioritisation of capital expenditure. Project management of projects.	Red - Severe
B	Counterparty default	A new Annual Investment Strategy was approved by Cabinet on 7 April 2015. This new Strategy utilises more counterparties and financial instruments to diversify the portfolio and reduce this risk.	Red - Severe
C	The Performance of the Economy	Close monitoring of the higher risk key business areas and those areas affected by the downturn. Managers continuously gather and analyse information and are taking action where it is possible to do so.	Red - Severe
D	Actual cash flows are different to those that are planned	The Council maintains a comprehensive cash flow model that is updated on a daily basis to reflect actual and planned cash flows. An element of the Council's investment portfolio will be invested in instant access accounts.	Yellow - Material
E	Planned capital receipts are not received	The Council plans to dispose of a number of assets to fund capital investment including Industrial Units and Shops. Two of these sales have been completed and the remaining one is being monitored closely to ensure any subsequent financial implications are included in the MTFS.	Red - Severe
F	The level of cuts to Non "Ring fenced" Government Departments including Communities and Local Government exceeds the level already identified in the Council's approved MTFS	To ensure the new MTFS incorporates the likely impact of the new Comprehensive Spending Review and the Local Government Finance Settlement.	Red - Severe

Background documents

CIPFA Code of Practice for Treasury Management in the Public Services.

Award of Contract for the Processing of Dry Recyclate.
9 September 2014.

Money Matters : Medium Term Financial Strategy (Revenue and Capital) 2015-18.
Cabinet 3 February 2015.

Money Matters : 2015/16 Review of Financial Performance against the Financial Strategy.
Cabinet 8 September 2015.

Housing Services Review.
Cabinet 6 October 2015.

Money Matters : 2015/16 Review of Financial Performance against the Financial Strategy.
Cabinet 1 December 2015.

Treasury Management Policy Statement and the Annual Investment Strategy 2015/16.
Cabinet 7 April 2015.

Procurement of Contract Hire Vehicles for the Joint Waste Service.
Cabinet 7 April 2015.

Friarsgate Report.
Cabinet 7 July 2015.

The Prudential Code for Capital Finance in Local Authorities.

Relevant web links

Cabinet - Lichfield District Council

Successes, Risks, Challenges and Future Actions

Financial Successes	Financial Risks
The Leaders of the Greater Birmingham and Solihull Business Pool have agreed a three year (2014/15, 2015/16 and 2016/17) distribution basis for retained levy. The levy will be distributed as follows: Economic Development **40%** Safety Net **20%** (up to a maximum of **£2m**) LDC and other tariff Authorities **32.5%** Birmingham City Council **7.5%** LDC externally borrowed **£1,522,000** at **2.59%** compared to the approved budget of **£1,636,000** at **3.04%.**	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. 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. It was agreed at Cabinet on 9 September 2014 to award the new Dry Recycling contract to Biffa Waste Services Ltd. This contract is impacting on the level of expenditure and income. Further work has been undertaken in 2015/16 to fully understand the actual financial implications based on actual activity levels. This work will continue and the full impact will not be known until towards the end of the financial year.
Financial Challenges	**Finance Future Actions**
To ensure businesses claim their entitlements to Business Rate Reliefs. To ensure LDC's financial performance is within **£250,000** of the Approved Revenue Budget. To monitor the impact of the Localisation of Business Rates on LDC's Budget. To monitor the impact of technical changes and LCTS on Collection Rates and the level of Income in the Collection Fund. The Government has announced a new Comprehensive Spending Review with "non-ring fenced" Government Departments, including Communities and Local Government, being asked to model cuts to their budgets of **25%** and **40%** by 2019/20. The Local Government Association has indicated "A 25% real terms reduction to the Local Government Finance Settlement would mean a decrease of **£4 billion** by 2020 while a **40%** reduction would mean this rises to **£7 billion**". The implementation of the National Living Wage.	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. To manage the exposure of Business Rate growth risk by liaising with our local authority partners in the GBSBP. To ensure we help our residents manage the financial impact of Welfare Reform.

Council Tax and Business Rate Performance

	Council Tax				Non Domestic Rates			
	30 Nov 2014	30 Nov 2015	Change		30 Nov 2014	30 Nov 2015	Change	
Net Collectable in year	£54,211,470	£55,740,802			£35,010,711	£36,309,953		
Amount Collected in year	£42,352,542	£42,968,646			£26,586,589	£27,019,807		
Amount Collected as a %	78.12%	77.09%	1.04%	●	75.99%	74.41%	1.52%	●
In year arrears outstanding	£774,599	£737,760			£323,922	£548,537		
Previous years arrears	£766,131	£878,972			£254,794	£285,209		
Total arrears outstanding	£1,540,730	£1,616,732	4.93%	●	£578,716	£833,745	44.07%	●
Write offs	£31,164	£25,574		☑	£66,406	£124,987		●

Sundry Debtor Performance

Details	30 Nov 2014 All Debts £	30 Nov 2015 All Debts £	All Debts Change (%)	Variance
Value of sundry income raised	3,861,526	4,412,563	14.27%	☑
Value of debts written off	18,249	12,956	(29.00%)	☑
Value of invoices outstanding	897,785	1,646,547	83.40%	●
% of income raised	23.25%	37.31%		●
<u>Aged Debt Analysis</u>				
Less than 6 months	372,055	1,050,906	182.46%	●
More than 6 months	525,729	595,641	13.30%	●

<u>Variances</u>

Favourable	☑
Adverse	●

ORIGINAL AND CURRENT BUDGETED NET EXPENDITURE FOR 2015/2016

	Original Budget	Quarter 2 Projected Outturn	Housing Services Review	Current Approved Budget
Chief Executive	889,230	766,830	0	766,830
Finance, Revenues and Benefits	2,311,520	2,288,390	0	2,288,390
Leisure and Parks	3,167,270	2,863,880	0	2,863,880
Democratic, Development and Legal	1,097,170	571,170	0	571,170
Community, Housing and Health	2,217,360	2,142,190	(122,370)	2,019,820
Waste Collection	1,311,000	1,261,280	0	1,261,280
Net Cost of Services	**10,993,550**	**9,893,740**	**(122,370)**	**9,771,370**
Net Treasury Position	74,900	(29,500)	0	(29,500)
Revenue Contributions to the Capital Programme	154,000	154,000	0	154,000
Net Operating Cost	**11,222,450**	**10,018,240**	**(122,370)**	**9,895,870**
Less : Transfer (from) / to General Reserve	(400,450)	605,510	122,370	727,880
Less : Transfer to Earmarked Reserves	92,000	290,250	0	290,250
Amount to be met from Government Grants and Local Taxpayers:	**10,914,000**	**10,914,000**	**0**	**10,914,000**
Revenue Support Grant	(1,450,440)	(1,450,440)	0	(1,450,440)
Business Rates	(2,105,000)	(2,105,000)	0	(2,105,000)
Returned New Homes Bonus	(16,000)	(16,000)	0	(16,000)
Business Rates Cap	(29,000)	(29,000)	0	(29,000)
Parish Local Council Tax Support	115,000	115,000	0	115,000
New Homes Bonus	(1,539,000)	(1,539,000)	0	(1,539,000)
Collection Fund (Surplus) or Deficit	(269,000)	(269,000)	0	(269,000)
Council Tax	(5,620,560)	(5,620,560)	0	(5,620,560)
Total	**(10,914,000)**	**(10,914,000)**	**0**	**(10,914,000)**

ANALYSIS OF GROSS EXPENDITURE AND INCOME FOR 2015/16

	Gross Expenditure £	Gross Income £	Net Expenditure £	Projected Outturn £
Chief Executive	795,970	(29,140)	766,830	765,030
Finance, Revenues and Benefits	23,304,100	(21,015,710)	2,288,390	2,294,110
Leisure and Parks	5,750,740	(2,886,860)	2,863,880	2,818,790
Democratic, Development and Legal	4,899,270	(4,328,100)	571,170	392,170
Community, Health and Housing	2,290,810	(270,990)	2,019,820	1,885,810
Waste	5,070,350	(3,809,070)	1,261,280	1,228,930
Net Expenditure of Services	**42,111,240**	**(32,339,870)**	**9,771,370**	**9,384,840**
Net Treasury Position	111,500	(141,000)	(29,500)	(39,500)
Revenue Contributions to the Capital Programme	154,000	0	154,000	154,000
Net Operating Cost	**42,376,740**	**(32,480,870)**	**9,895,870**	**9,499,340**

The Collection Fund

Council Tax

	The Collection Fund in 2015/16			
	Original Budget £	**30 Nov 2015 £**	**Projected Outturn £**	**Projected Variance £**
Total Number of Dwellings	43,727	43,946	43,921	194
Average Number of Band D Properties	36,264	36,606	36,486	222
Council Tax Liability	(64,153,919)	(64,427,605)	(64,208,940)	(55,021)
Exemptions	888,400	856,622	848,643	(39,757)
Discounts	4,723,930	4,670,004	4,611,518	(112,412)
Discount-Local Support for Council Tax	4,592,820	4,442,824	4,469,038	(123,782)
Council Tax Due	**(53,948,769)**	**(54,458,155)**	**(54,279,742)**	**(330,972)**
Add				
Collection Fund (Surplus)/Deficit Brought Forward	(1,005,460)	(1,139,792)	(1,139,792)	(134,3320
Less				
Impairment provision	0	25,124	16,855	16,8555
Declared Council tax Surplus/(deficit)	1,005,460	1,005,460	1,005,460	0
Net Council Tax Due	**(53,948,769)**	**(54,567,363)**	**(54,397,220)**	**(448,449)**
Less Precept Demands				
Staffordshire County Council	37,978,528	37,978,528	37,978,528	0
Stoke-on-Trent and Staffordshire Fire and Rescue Authority	2,500,765	2,500,765	2,500,765	0
Office of the Police and Crime Commissioner Staffordshire	6,440,849	6,440,849	6,440,849	0
Lichfield District Council	5,620,560	5,620,560	5,620,560	0
Parish Precepts	1,408,067	1,408,067	1,408,067	0
Total Precept Demand	**53,948,769**	**53,948,769**	**53,948,769**	0
Council Tax Collection Fund (Surplus)/Deficit	**(0)**	**(618,594)**	**(448,449)**	**(448,449)**
Allocation of Council Tax Collection Fund (Surplus)/Deficit				
Staffordshire County Council		(435,474)	(315,697)	(315,697)
Stoke-on-Trent and Staffordshire Fire and Rescue Authority		(28,675)	(20,788)	(20,788)
Office of the Police and Crime Commissioner Staffordshire		(73,853)	(53,540)	(53,540)
Lichfield District Council		(80,593)	(58,425)	(58,425)
	0	**(618,594)**	**(448,449)**	**(448,449)**

LDC Projected Collection Fund Surplus in 2015/16 to be included in the 2016/17 budget	**(£58,425)**

APPENDIX D (continued)

Business Rates

	The Collection Fund in 2015/16			
	Budget £	**30 Nov 2015 £**	**Projected Outturn £**	**Projected Variance £**
Aggregate Rateable Value	82,290,059	83,097,124	83,130,576	840,517
Gross Business Yield	(39,533,790)	(40,358,546)	(39,902,676)	(368,886)
Transitional Relief	0	(3,208)	7,377	7,377
Mandatory Reliefs	1,470,126	1,552,467	1,504,778	34,652
Discretionary Reliefs	81,340	77,173	81,340	0
Small Business Rates Relief (Section 31 Grant)	1,841,904	1,821,701	1,808,198	(33,706)
Small Business Rates Relief (Previous Years)	0	33,706	33,706	33,706
Unoccupied Property	1,916,447	1,290,634	2,220,011	303,564
Long Term Empty Properties (Section 31 Grant)	8,661	6,180	8,661	0
Retail relief (Section 31 Grant)	612,266	599,275	612,266	0
Estimated Losses on Collection	321,000	101,531	321,000	0
Business Rates appeals	600,270	0	320,174	(280,096)
Non-Domestic Rating income	**(32,681,776)**	**(34,879,087)**	**(32,985,165)**	**(303,389)**
Less Other Income-Cost of Collection Allowance	124,697	124,275	124,275	(422)
In Year Non Domestic Rating Income	**(32,557,079)**	**(34,754,812)**	**(32,860,890)**	**(303,811)**
Opening Deficit on the Collection Fund	0	1,422,853	1,422,853	1,422,853
Previous years declared surplus	0	344,298	344,298	344,298
Total Non-Domestic Rating Income	**(32,557,079)**	**(32,987,661)**	**(31,093,739)**	**1,463,340**
LDC's share of in-year NDR Income @ 40%	(£13,023,000)	(£13,902,000)	(£13,144,000)	(£121,524)

Lichfield District Council (40%)	13,022,938	13,022,938	13,022,938	0
Central Government (50%)	16,278,674	16,278,674	16,278,674	0
Staffordshire County Council (9%)	2,930,161	2,930,161	2,930,161	0
Staffordshire Fire and Rescue (1%)	325,573	325,573	325,573	0
Total Precept Demand	**32,557,346**	**32,557,346**	**32,557,346**	0
NDR Collection Fund (Surplus /Deficit	**267**	**(430,315)**	**1,463,607**	**1,463,340**
Share of the (Surplus) or Deficit				
Lichfield District Council (40%)	107	(172,126)	585,443	585,336
Central Government (50%)	134	(215,158)	731,804	731,670
Staffordshire County Council (9%)	24	(38,728)	131,725	131,701
Staffordshire Fire and Rescue (1%)	3	(4,303)	14,636	14,633
	267	**(430,315)**	**1,463,607**	**1,463,340**

Lichfield District Council Projected Deficit in 2015/16 to be included in 2016/17 Budget	**£585,336**

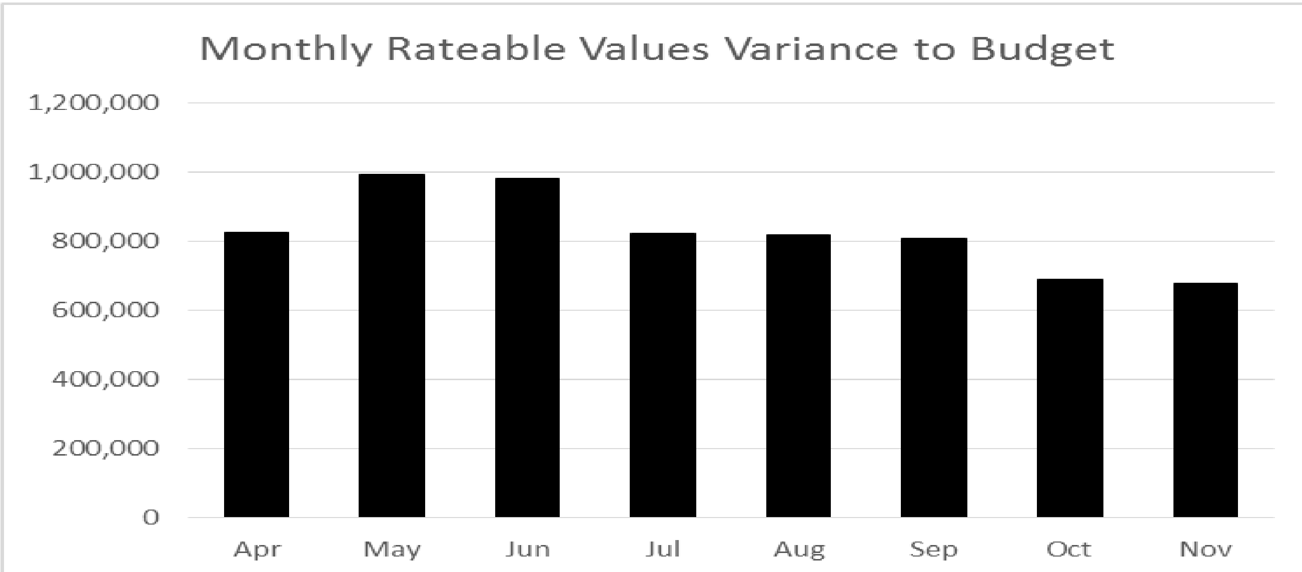
	Levy/Safety Net Calculation		
	Budget £	30 Nov 2015 £	Projected Outturn £
Lichfield's Share of NDR Income @ 40%	(13,023,000)	(13,902,000)	(13,144,000)
Section 31 Grants (Lichfield's 40% Share)			
Small Business Rates Relief	(368,600)	(369,600)	(367,200)
New Empty Properties	0	0	0
Long Term Empty Properties	(3,200)	(2,400)	(3,200)
Retail Relief	(247,200)	(243,200)	(248,800)
Less : Tariff Payable	11,176,270	11,176,270	11,176,270
Retained Business Rates Prior to Levy and Safety Net	**(2,465,730)**	**(3,340,930)**	**(2,586,930)**
Business Rates Baseline	(1,921,000)	(1,937,000)	(1,937,000)

Growth or (Decline) from the Business Rates Baseline	(544,730)	(1,403,930)	(649,930)
Levy Payable @ 50%	272,000	701,965	324,965

The Council's Budget in 2015/16				
	Budget £	30-Nov-15 £	Projected Outturn £	Projected Variance £
NDR Income based on NNDR 1	(13,023,000)	(13,023,000)	(13,023,000)	0
Contribution (from) or to Business Rates Reserve	177,130	(117,035)	141,965	(35,165)
Section 31 Grants (Lichfield's 40% Share)				
Small Business Rates Relief	(368,600)	(369,600)	(367,200)	1,400
New Empty Properties	0	0	0	0
Long Term Empty Properties	(3,200)	(2,400)	(3,200)	0
Retail Relief	(247,200)	(243,200)	(248,800)	(1,600)
Less : Tariff Payable	11,176,270	11,176,270	11,176,270	0
Less : Levy Payable @ 50%	272,000	701,965	324,965	52,965
Retained Business Rates prior to Levy Redistribution	**(2,016,600)**	**(1,877,000)**	**(1,999,000)**	**17,600**
Levy from the Business Rates Pool (32.5%)	(88,400)	(228,000)	(106,000)	(17,600)
Retained Business Rates	**(£2,105,000)**	**(£2,105,000)**	**(£2,105,000)**	**£0**

Rateable Value Analysis in 2015/16

The change in aggregate of Rateable Values in Lichfield District by month compared to the Budgeted level included in the Medium Term Financial Strategy is shown in the graph below :



The MTFS assumed an aggregate RV of **£82,290,000** for 2015/16 and the equivalent figure at 30 November 2015 was **£82,966,000,** an increase of **£676,000**.

The actual RV for 30 April 2015 was **£83,114,000** and the 30 November 2015figure was **£82,966,000** and is a decrease of **£148,000.**

The reasons for the decrease from April to November 2015 are detailed below :

- A Prison and Premises increase on 19 May 2015 from **£545,000** to **£720,000**. LDC was notified on 20 May 2015 of the increase of **£175,000**.
- A Hotel decrease by **(£90,000)** on 26 October 2015 from **£460,000** to **£370,000.**
- Three Quarries decrease with a cumulative effect of **(£126,650).**
- Other RV increases/decreases on various dates totalled **(£106,000**).

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

- Tesco, Fradley **£2,730,000**
- Tesco, Lichfield **£2,130,000**
- Swish, Fradley **£1,660,000**
- Morrisons, Burntwood **£1,330,000**
- Drayton Manor, Fazeley **£1,315,000**
- Ideal Standard, Armitage **£1,070,000**

APPENDIX E

Vehicle Replacement Programme 2015/16

Area	Vehicle Type	Estimated Replacement Cost	Capital Programme	Progress on procurement during 2015/16
Joint Waste	New Arrangement	£3,065,000	£3,065,000	A report was presented to Cabinet on 8 April 2015.
Grounds Maintenance	Invest to Save	£0	£47,000	This budget is utilised to fund for Invest to Save Business Cases.

APPENDIX F

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 2015 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 2014	AA-	A+
31 March 2015	AA-	A+
30 June 2015	AA	A+
30 September 2015	AA	AA-
30 November 2015	AA	A+

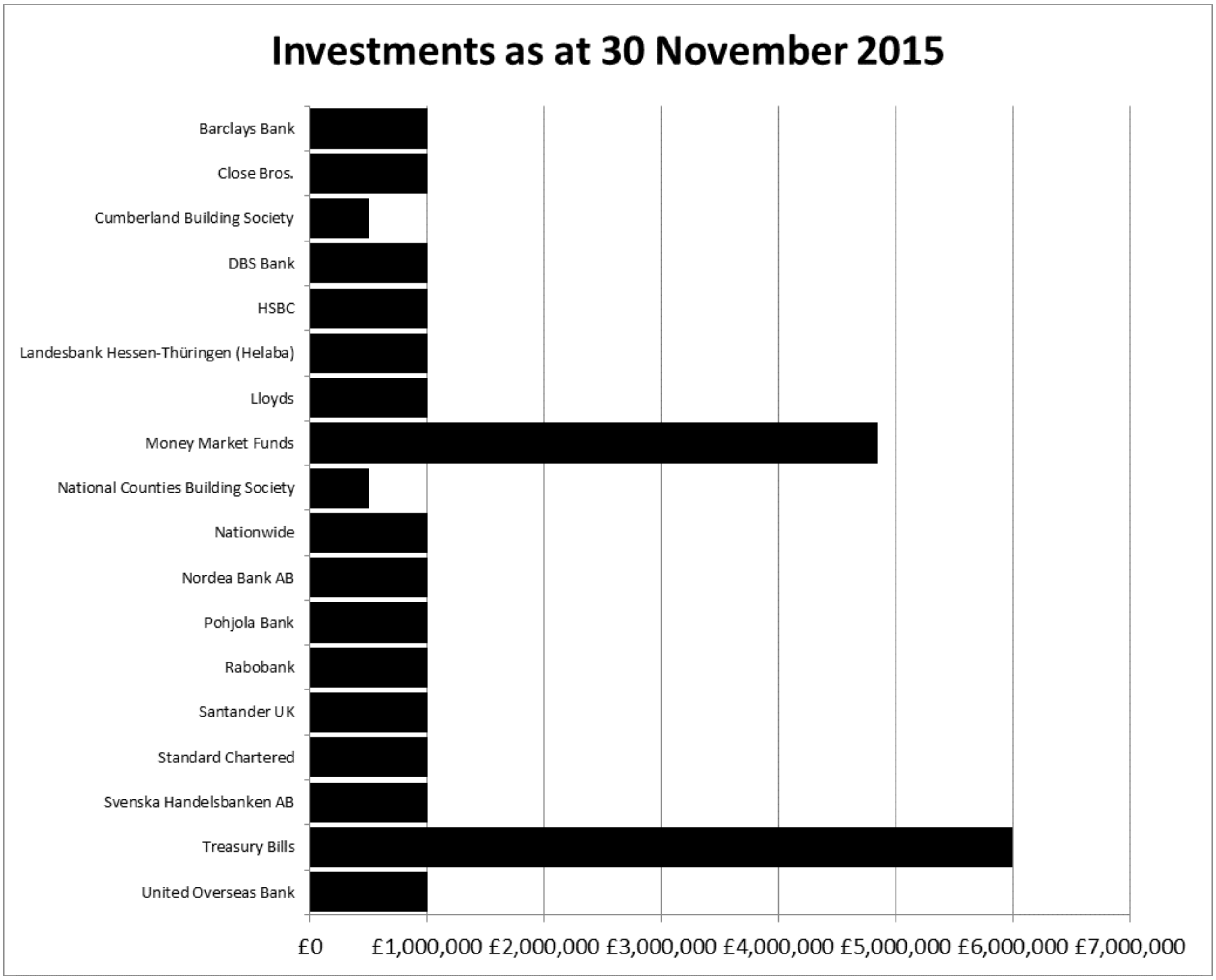
In addition, we are currently keeping the length of our investments relatively short term to ensure that we can react to changes in counterparty credit risk very easily. Our Treasury Management advisors recommend for each bank or building society the new investment time limit to manage counterparty credit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

At 30 November 2015, the investment time limits were :

Bank or Building Society	Country	Recommended Time Limit
Bank of Scotland	United Kingdom	13 months
Barclays	United Kingdom	100 days
Close Bros	United Kingdom	6 months
Goldman Sachs International Bank	United Kingdom	100 days
HSBC	United Kingdom	13 months
Lloyds Bank plc	United Kingdom	13 months
National Westminster Bank plc	United Kingdom	35 days
Royal Bank of Scotland plc	United Kingdom	35 days
Santander (UK)	United Kingdom	6 months
Standard Chartered	United Kingdom	6 months
Coventry Building Society	United Kingdom	6 months
Cumberland Building Society	United Kingdom	100 days
Darlington Building Society	United Kingdom	100 days
Furness Building Society	United Kingdom	6 months
Harpenden Building Society	United Kingdom	100 days
Hinckley & Rugby Building Society	United Kingdom	6 months
Leeds Building Society	United Kingdom	100 days
Leek United Building Society	United Kingdom	6 months
Loughborough Building Society	United Kingdom	100 days
Mansfield Building Society	United Kingdom	6 months
Market Harborough Building Society	United Kingdom	6 months
Marsden Building Society	United Kingdom	6 months
Melton Mowbray Building Society	United Kingdom	6 months
National Counties Building Society	United Kingdom	6 months
Nationwide Building Society	United Kingdom	6 months
Newbury Building Society	United Kingdom	6 months
Scottish Building Society	United Kingdom	100 days
Stafford Railway Building Society	United Kingdom	6 months
Tipton & Coseley Building Society	United Kingdom	6 months
Vernon Building Society	United Kingdom	100 days
Australia & New Zealand Banking Group	Australia	6 months
Commonwealth Bank of Australia	Australia	6 months
National Australia Bank Ltd	Australia	6 months
Westpac Banking Group	Australia	6 months
Bank of Montreal	Canada	13 months
Bank of Nova Scotia	Canada	13 months
Canadian Imperial Bank of Commerce	Canada	13 months
Royal Bank of Canada	Canada	13 months

Bank or Building Society	Country	Recommended Time Limit
Toronto Dominion Bank	Canada	13 months
Danske Bank	Denmark	100 days
Pohjola Bank	Finland	6 months
Deutsche Bank AG	Germany	35 days
Landesbank Hessen-Thuringen (Helaba)	Germany	6 months
Bank Nederlandse Gemeenten	Netherlands	13 months
Rabobank	Netherlands	13 months
ING Bank N.V.	Netherlands	100 days
DBS Bank	Singapore	13 months
Oversea-Chinese Banking Corporation	Singapore	13 months
United Overseas Bank	Singapore	13 months
Nordea Bank AB	Sweden	13 months
Svenska Handelsbanken AB	Sweden	13 months
Credit Suisse AG	Switzerland	100 days
JP Morgan Chase Bank	United States	13 months

The detailed list of investments at 30 November 2015 is shown in the graph below :



To manage the interest rate risk where possible, we are spreading investment maturities. The average length of investments we have made in 2015/16 is **94 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 2015/16 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 2015/16, we have achieved an average interest rate of **0.54%** and this compares to our performance indicator of the average 7-day London Inter-bank Bid (LIBID) rate that was **0.46%.** 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 **0.53%** and the average 6 month LIBID rate is **0.76%.**

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

Details	**2015/16 Approved Budget**	**2015/16 Projected Outturn**	**2015/16 Variance**
Average amount we had available to invest (m)	27.33	27.30	(0.03)
Average Interest Rate (**%**)	0.52%	0.53%	0.01%

Interest Receipts	(140,000)	(149,000)	(9,000)
Car Loan Interest	(1,000)	(1,000)	0
Internal Interest Payments	8,000	8,000	0
Other Costs	500	500	0
External Borrowing Interest	39,000	39,000	0
Minimum Revenue Provision	64,000	63,000	(1,000)
Net Treasury Position	**(£29,500)**	**(£39,500)**	**(£10,000)**

STRATEGIC PLAN 2016-2020

Report of the Leader and Cabinet Member for Community

Date:	9th February 2016
Agenda Item:	4
Contact Officer:	Helen Titterton
Tel Number:	01543 308700
Email:	Helen.titterton@lichfielddc.gov.uk
Key Decision?	**YES**
Local Ward Members	Relevant to all wards.

Lichfield district council
www.lichfielddc.gov.uk

CABINET

1. Executive Summary

1.1 The process of drafting and consulting on the next Strategic Plan for Lichfield District Council is nearing completion. Members of Cabinet, along with all District Councillors, managers and staff, stakeholders (including the business, community and voluntary sectors) and local residents have had an opportunity to contribute to the Plan over a six month period and their comments have fed into the gradual evolution of the document.

1.2 A copy of the final draft Plan is attached at **APPENDIX A**. Subject to endorsement by Cabinet, the Plan will be forwarded for consideration and approval by Full Council in February and will then be published on the Council's website.

1.3 The delivery of the Strategic Plan is achieved through an Annual Action Plan; the Plan for 2016/17 is a separate agenda item.

2. Recommendations

2.1 Members are requested to endorse the Strategic Plan 2016-20.

2.2 To delegate authority to the Cabinet Member for Tourism and Communications in consultation with the Communications, Tourism and Print Manager to finalise the inclusion of appropriate images within the document.

3. Background

3.1 The development of a new Strategic Plan was one of the five work streams within the Creating a Corporate Council (CCC) Fit for the Future project. The CCC report (to be considered by Strategic Overview and Scrutiny Committee on 2nd February) summarises the background to and development of the Plan as follows:

3.1.1 *There is a clear need to develop a new Strategic Plan. The current Plan comes to an end in March 2016 so needs renewing. But more importantly, the local context (e.g. increasing overall population and numbers of older people), the national policy environment, and continued financial challenges facing local government suggest it is fundamental to review our priorities and role as a Council. Central Government funding of local government continues to reduce and our budget in 2015/16 is £3.5million less than it was when the last Strategic Plan was published in 2012. Funding is set to decrease further.*

3.1.2 *It is therefore increasingly important we are clear on where we need to allocate our resources, and that we are confident we are focussing on the things that will make the biggest impact and difference. Whilst needing to take account of the key pledges and promises from the Administration's local election manifesto, the new Plan also needs to focus increasingly on those* *outcomes that are known to reduce demand and dependency on council services (and the wider public state).*

3.1.3 *Drawing on the Evidence Base produced for the Council by the Staffordshire Intelligence Hub, it is suggested that the three key things that enable people to be more self sufficient are being in employment, staying active and healthy, and having somewhere safe and affordable to live. Engagement with elected members (Cabinet Away Day, Member Focus Group) and residents (focus group and 'In Touch' consultation) suggest that there is broad agreement to these being areas the Council should focus on.*

3.1.4 *The Plan needs to articulate clearly the contribution the Council will make to the achievement of each priority outcome through its own direct delivery of services and activity. But it should also state where we will seek to influence and encourage partners and stakeholder to act, and how communities can help to achieve the outcomes.*

3.1.5 *In addition to a focus on the three key outcomes, it is also vital that the Council actively explores and pursues new ways of delivering services so that they can be delivered more efficiently and effectively. The Plan should make this clear, along with the focus and possible investment it will make in how it operates, such as the channels by which it interacts with customers. So the Plan will benefit from having a priority theme focussed on ensuring the Council is 'fit for the future'.*

3.1.6 *The new Plan also needs to be more measurable so that members and officers are able to demonstrate its successful delivery. An annual review and publication of Annual Action Plans (as per the practice in the past) will help with this. In addition it is proposed that the Plan includes some measurable outcomes against each of the priority themes and helps to articulate the difference the delivery of the Plan will make come 2020. For example by supporting a vibrant and prosperous economy we will expect to see more people in employment and increased numbers of visitors who spend more per head.*

3.2 The final draft of the Strategic Plan is attached at **APPENDIX A**. Following consideration by Cabinet, the document will be forwarded for approval by Full Council and will then be placed on the website.

Alternative Options	During the development of the Strategic Plan, various options have been considered regarding the Council's strategic priorities. Given the extent of consultation and engagement, it is not possible to amend these priorities at this stage. However, any minor amendments can still be incorporated into the text of the document.

Consultation	The process of developing the priorities in the Strategic Plan has involved a wide range of groups and individuals. There have been Focus Groups with elected Members, local residents and young people and discussions with managers and staff. The Plan was considered by the District Board in November 2015 and further engagement has taken place with the business and voluntary and community sectors during the autumn. An article about the Plan has appeared in the Council's community magazine intouch and this invited local residents to email ideas into the council having regard to the proposed main priorities. This exercise elicited four responses. Three reports about the Plan have been considered by Strategic O&S Committee and their comments taken into account. Any feedback from the meeting of Strategic O&S Committee on 2nd February (when the Strategic Plan will be an agenda item) will be fed back verbally at the Cabinet meeting

Financial Implications	There are no financial implications arising directly from this report. However, the implementation of the Strategic Plan will require considerable investment of funding and officer time to achieve the described outcomes.

	Some possible areas for further investment in support of the strategic priorities of the Council have been highlighted eg. economic development, healthy ageing etc. Mindful of the Local Government Finance Settlement 2015, officers will be reviewing the feasibility of redirecting current spend into these priority areas, having regard to the impact elsewhere and the overall need to reduce the Council's budget requirement. This will be the subject of future financial reports. We have endeavoured to ensure the Strategic Plan is sufficiently flexible so that despite pressure on our budget, it will still be possible to progress the priorities we have identified, albeit the depth and breadth of our ambition will need to be influenced by the resources we have available to us. Given the rapidly changing environment we are operating in, the Council will review the Plan each year through our Annual Action Plan process to ensure it continues to reflect the needs of the District.

Contribution to the Delivery of the Strategic Plan	The new Strategic Plan will guide the direction of the Council over the coming four years and will be an important yardstick for determining service plans, business cases and ultimately how officers invest their time. All reports considered by Members include an assessment of how policy and investment decisions will help us achieve our strategic objectives so that we can keep on track with our overall vision for 2020.

Equality, Diversity and Human Rights Implications	During the development of the Strategic Plan, we have been mindful of the protected characteristics of our population and how the Plan can have a positive effect on relevant individuals and groups. For example, the evidence base reinforced the challenges and opportunities of our growing older population. We have taken account of this with plans to create opportunities to keep those with disabilities and older people stay active and healthy, including delivery of disabled facilities grants to enable more people to live independently at home. We also want to encourage more older people to volunteer. The consultation process highlighted the need to support younger people. We have reflected this through plans to promote active lifestyles for young people, ensure the Friarsgate scheme meets the needs of young people, encourage apprenticeships and encourage investment in affordable housing. An equality impact assessment will be carried out on the Plan in late January.

Crime & Safety Issues	The Strategic Plan will impact positively on our duty to prevent crime and disorder within the District (Section 17 of the Crime and Disorder Act, 1988). We are continuing to prioritise '*safe communities'* and commit to working with our partners, including the Police and Crime Commissioner, to reduce the fear of crime. We will also be implementing our anti-terrorism duty through the Prevent Strategy.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Our priorities become outdated and do not reflect the needs and aspirations of the community	Undertaking an annual desk top review of the Strategic Plan and also keeping abreast of updated evidence and public opinion	Green (tolerable risk)
B	Our budget is so constrained that we are unable to make progress against all the outcomes listed	Prioritisation will be required plus an innovative and creative approach, working with partners and releasing capacity within the community, voluntary and business sectors	Amber (material risk)
C	A new issue or issues emerge that require considerable investment /	Through discussion with Members, we will need to reschedule other priorities	Green (tolerable)

	attention which is likely to divert us from our vision		
D	The Strategic Plan is not used to drive the organisation forward	Service planning and individual performance targets will be guided by the Plan. All policy and business decisions will need to make it clear how they contribute to the achievement of strategic objectives	Green (tolerable)

Background documents

Report to Strategic O&S Committee **Strategic Plan 2016-20**, February 2016
Report to Strategic O&S Committee ***Strategic Plan 2016-20 Update***, November 2015
Report to Strategic O&S Committee ***Strategic Plan 2016-20***, June 2015

APPENDIX A

Lichfield District Council Strategic plan 2016 - 2020

Lichfield district council

www.lichfielddc.gov.uk

Contents

Foreword

We are pleased to present our strategic plan which sets out our vision for the district and the priorities we will focus on between 2016 and 2020.

The plan has been developed with the input of councillors, residents, partners and staff. It summarises what we will do, sets out where we will seek to influence other organisations, and suggests how communities can help to make our sure our district has:

- **A vibrant and prosperous economy**
- **Healthy and safe communities**
- **Clean, green and welcoming places to live**

Our plan sets out how we think we can best contribute to these three priorities. We know people who are in employment, stay active and healthy, and have somewhere safe and affordable to live, need less support and services from the council and other public sector organisations. Our overall aim is to help our communities become more self-sufficient and resilient and ensure people have the support and opportunities to help themselves, so that we can better support those most in need.

It is more important than ever that we are clear on how we allocate resources, and that we are confident we are focussing on the right things. Central government funding of local government continues to reduce. Our current budget is £3.5 million less than it was when we published our last strategic plan in 2012. We know funding will reduce even further, and that changes to our population will mean demand for some services will increase and customer expectations will change.

As part of our approach to being **a council that is fit for the future**, we need to continue to find new ways to deliver our services, adopt different approaches to using our resources, and influence more organisations and individuals to help achieve what we know are the most important outcomes for our district and communities.

We need and expect other organisations to do their bit. We remain committed to working collaboratively with a range of partners across the district including schools and colleges, the county council, health, police and fire services to achieve what is needed for our district. We also need the continued support of the voluntary, business and community sectors, to maximise the huge contribution they make to the quality of life of local communities and residents.

Local councillors play a vital role and are the voice of our communities at council. Our councillors keep in touch with residents, help to solve local problems and represent ward needs and interests in council decisions. As part of the democratic process, councillors drive through changes to improve the quality of life for everyone.

Given the rapidly changing environment we are operating in, we are committed to reviewing our plan each year through our annual action plan process to ensure it continues to reflect the needs of our district. We will also publish an annual action plan that sets out the key activities, programmes and projects we will deliver to help us achieve the outcomes set out in our plan.

Thank you for reading our plan. If you would like to contact us to give any feedback please email **feedback@lichfielddc.gov.uk**

Councillor Mike Wilcox
Leader of
Lichfield District Council

Diane Tilley
Chief Executive of
Lichfield District Council

our vision

To be a strong, flexible council that delivers good value, quality services and helps to support a **vibrant and prosperous economy, healthy and safe communities** and **clean, green and welcoming places to live**.

How it all fits together

Vibrant & prosperous economy

By 2020

- More local jobs and more people in employment.
- More new businesses locate in our district.
- More businesses succeed.
- More visitors and greater visitor spend in our district.
- A regenerated Lichfield City centre and an improved retail offer in Burntwood.

A council that is fit for the future

Clean, green & welcoming places to live

By 2020

- More affordable homes in the district.
- Our heritage and open spaces will be well maintained or enhanced.
- Our streets will be clean and well maintained.
- More people will use parks and open spaces
- New homes, office, retail and manufacturing spaces will be built or developed in line with our Local Plan and planning guidance.

Healthy & safe communities

By 2020

- More people will be active and healthy.
- More people will be involved in volunteering and community activity.
- Fewer people and families will be homeless.
- More people will feel safer and less worried about crime and anti-social behaviour.
- More people will be living independently at home.

A snapshot of our services

540 inspections
WE MAKE SURE RESTAURANTS ARE CLEAN AND SAFE

55.3% of all waste
RECYCLED

5,500 inspections
of building work to keep people
SAFE & SOUND

£192,000 a year
FUNDING
for community services

850+
APPLICATIONS
for planning approval

900,000 metres
of roads, streets and green areas
CLEANED

4 SITES OF SPECIAL SCIENTIFIC INTEREST
and hundreds of acres of heathland maintained and protected

600,000
visits to leisure centres

Three million visitors spend
£90 million
in the local economy

6,000
claims for housing benefit & council tax support

Advice & support
offered to 4,500 businesses

602
properties named and numbered

Fly-tipping, graffiti & flyposting **cleaned and removed**

75 DISABLED ADAPTATIONS
We help to keep people in their homes for longer

60 new affordable homes

150
We stopped people from becoming homeless

111,000 BINS
emptied every week across Tamworth and Lichfield

These facts and figures are taken from 2015 and give a good flavour of what we help to deliver in an average year.

Vibrant & prosperous economy

We work to support and strengthen our local economy, with high employment, good local jobs, growing visitor numbers and thriving local businesses. We want people to be able to live and work locally and have the choice of great jobs and training opportunities – from apprenticeships through to high-skilled senior roles – so that they can fulfill their potential. We want our town and city centres and rural areas to be thriving and sustainable, and we want new businesses to start up, innovate and succeed.

What we know

This is a snapshot of some of the key issues facing our local communities:

- Communities recognise that both our major retail centres, Lichfield City and Sankeys Corner in Burntwood, need a new destination led shopping and leisure offer.
- In general residents' salaries are higher than the national average (£29,276 compared to £27,195 nationally). However, 4% of the population (nearly 4,000 people) live in areas of relative deprivation (Chadsmead and Chasetown wards).
- Relatively few people claim Job Seekers Allowance. However, unemployment is above the national average in Chadsmead, Chasetown and Curborough.
- 11.5% of children live in income deprived households.
- The number of adults with NVQ3 qualifications is in line with the national average, and the number with NVQ4 qualifications is below.
- Relatively high numbers of young people leave the district for education and employment.
- Half of our residents work in the district and half commute to places, including Birmingham, Walsall and North Warwickshire, for work.

This is just a snapshot of the key local issues. We commissioned Staffordshire Intelligence Hub to identify the challenges, issues and needs of our district. To read the full evidence base visit **www.lichfielddc.gov.uk/strategicevidence**

Our services

We deliver a range of services which we adapt and review to meet local needs and opportunities and to take account of our funding situation. Current services (as at 2016) we deliver that support a vibrant and prosperous economy include:

- licensing • food safety inspections • business support
- economic regeneration • CCTV
- car park management • business waste recycling
- tourist information • arts and culture support
- tourism development • business rates and relief
- planning • building control • land charges
- asset management • street trading

What we will do

Between 2016 and 2020 we will place particular importance on:

- Promoting Lichfield District as a good place to invest through the roll out of the Local Plan.
- Ensuring our district is 'open for business' by welcoming and nurturing new enterprises to start up and succeed in our key business centres and rural areas.
- Delivering support, signposting and networking opportunities to existing businesses to help them thrive.
- Making it easy for businesses to interact with us.
- Understanding, monitoring and adapting to business needs and issues across the district.
- Encouraging increased visitors to our district, increased spend in the local economy and more overnight stays.
- Delivering good quality, accessible and safe car parking in our key retail areas.

How the community, voluntary and business sectors can help

- Provide mutual support, networking and learning.
- Actively support BIDs.
- Become ambassadors and champions for the district at home, regionally, nationally and overseas.
- Continuing to support and develop our thriving arts, culture and tourism offer.

We will influence and encourage

We will work with a range of partners to:

- Help to deliver Friarsgate, a mixed use retail, leisure and housing development in Lichfield City centre, and ensure it meets the needs of our community, particularly young people.
- Help to support the delivery of an improved retail experience in Burntwood.
- Work with our two Local Enterprise Partnerships to attract growth funding into the district, bringing more jobs into the area.
- Work with, influence and encourage landowners to make better use of under-used or derelict brownfield sites.
- Encourage more visitors by enhancing and better promoting the arts, heritage, retail and cultural offer of the city and district with partnerships including the Lichfield Business Improvement District (BID), Lichfield City Centre Development Partnership and the Burntwood Business Community.
- Foster and encourage other BIDs in key areas.
- Work with partners, including Staffordshire County Council and developers, to deliver infrastructure improvements in line with the Local Plan.
- Encourage apprenticeships and other youth based work schemes.
- Encourage improved broadband services, particularly in our rural areas.

By 2020

- More local jobs and more people in employment.
- More new businesses locate in our district.
- More businesses succeed.
- More visitors and greater visitor spend in our district.
- A regenerated Lichfield City centre and an improved retail offer in Burntwood.

Healthy & safe communities

We want local people to have access to opportunities to be active and live healthy, fulfilled lives. We want to prevent social isolation and loneliness, particularly in older members of our community. We want our communities to be even safer and for people to be less worried about crime and anti-social behaviour. We want to encourage and support people to volunteer and help shape their communities, and be an active part of local life.

What we know

This is a snapshot of some of the key issues facing our local communities:

- Our population will increase by 5% to 107,400 by 2024.
- We have an ageing population – 23% of our residents are over 65, 9.5% are over 75, 2.7% are over 85.
- The number of residents aged over 75 is set to increase by 62% by 2024.
- The risk of social isolation and loneliness is high, with a reducing occupancy per house.
- Over 1,400 people seek housing advice every year and around 3,000 people are registered with the social housing register.
- We have a greater number of lone pensioners living with limiting long-term illnesses in and around Burntwood.
- One quarter of people living here consider themselves inactive (24,400 residents).
- Two thirds of adults are overweight and a quarter are obese.
- 25% of residents aged 18 to 64 are estimated to have a mental health condition.
- A relatively high number of households live in temporary accommodation.
- With partners we provide more than 200 people with homelessness prevention advice every year.
- While there is only a 3.6% chance of becoming a victim of crime, 21% of residents are worried about this.
- Lots of people volunteer for good causes – more than the county and national average.

This is just a snapshot of the key local issues. We commissioned Staffordshire Intelligence Hub to identify the challenges, issues and needs of our district. To read the full evidence base visit **www.lichfielddc.gov.uk/strategicevidence**

Our services

We deliver a range of services which we adapt and review to meet local needs and opportunities and to take account of our funding situation. Current services (as at 2016) we deliver that support a healthy and safe communities include:

- homelessness prevention
- housing options • housing adaptations
- community grant funding and support
- community safety • CCTV • building control
- planning • licensing • food safety inspections
- leisure services • parks and open spaces
- countryside maintenance • events and festivals
- promotion of local events and groups
- health and safety inspections • accident inspections
- pollution control and response • shopmobility
- community transport • safeguarding
- partnership support • street trading
- energy efficiency advice and guidance

What we will do

Between 2016 and 2020 we will place particular importance on:

- Creating policies and events that promote healthy and active lifestyles for all, including young people – from cycle and safe walking routes, through to events, community activities and more.
- Providing support to help those with disabilities and older people stay healthy and active.
- Creating opportunities to increase the number of residents who are physically active, especially in hard to reach groups.
- Supporting and encouraging the development of clubs and other organisations to increase the quantity and quality of leisure and cultural opportunities across the district.
- Delivering a programme of disabled facilities grants to help people remain living safely at home.
- Providing help and advice to prevent homelessness.

How the community, voluntary and business sectors can help

- Look out for neighbours, especially the elderly and vulnerable.
- Pursue a healthy lifestyle and take responsibility for personal and family health.
- Take responsibility for sustaining projects and activities which the council initiates.
- Be responsible for personal safety and property.
- Volunteer to help good causes, from sports clubs to projects that support the elderly.
- Encourage employers to create healthy workplaces.

We will influence and encourage

We will work with a range of partners to:

- Deliver joined up, cohesive plans and funding decisions across partners.
- Encourage the prioritisation of preventative physical and mental health and social activities through the Staffordshire Health and Wellbeing Board.
- Lobby NHS England and Staffordshire County Council to ensure a new health centre is delivered in Burntwood.
- Make sure our police service is open and transparent through the Office of the Police & Crime Commissioner.
- Deliver a coordinated approach to Prevent (anti-terrorism duty), safeguarding, child sexual exploitation, anti-social behaviour and other linked issues.
- Reduce the fear of crime by promoting and communicating successes in community safety and crime trends.
- Encourage volunteering and recruitment opportunities, particularly for older people.
- Encourage cycle route improvements, improved public transport and better walking routes.

By 2020

- More people will be active and healthy.
- More people will be involved in volunteering and community activity.
- Fewer people and families will be homeless.
- More people will feel safer and less worried about crime and anti-social behaviour.
- More people will be living independently at home.

Clean, green & welcoming places to live

We want to create great communities where people want to and can afford to live. We want a good balance of homes, including enough affordable homes, and we want the right mix and quantity of office, retail and manufacturing spaces. We want to protect our stunning heritage and make sure our green spaces, streets and public areas are looked after and well managed.

What we know

This is a snapshot of some of the key issues facing our local communities:

- It's more expensive to privately rent in our district than anywhere else in Staffordshire.
- We don't have enough affordable homes, especially for young people, which is putting pressure on social rented housing.
- Over 300 people are on the top priority need band for social rented housing.
- It's estimated that a third of private homes need repairs, maintenance or improved insulation to meet national standards.
- One in ten households are in fuel poverty and spend more than 10% of their household income on keeping warm.
- We have a large rural population - 29% of our residents live in rural areas, compared with a 17% national average.
- Our heritage and our rural landscape are important to our residents.

This is just a snapshot of the key local issues. We commissioned Staffordshire Intelligence Hub to identify the challenges, issues and needs of our district. To read the full evidence base visit **www.lichfielddc.gov.uk/strategicevidence**

Our services

We deliver a range of services which we adapt and review to meet local needs and opportunities and to take account of our funding situation. Current services (as at 2016) we deliver that help to create clean, green and welcoming spaces include:

- street cleaning • waste collection and recycling
- parks and open spaces
- facilitating delivery of the local plan
- supporting neighbourhood planning
- housing benefits • council tax support
- public toilets • planning
- countryside management • events and festivals
- promotion of local events and groups
- housing strategy • landlord support and enforcement
- removal of abandoned cars and fly-tipping
- council tax collection • asset management
- street naming and numbering

What we will do

Between 2016 and 2020 we will place particular importance on:

- Implementing our Local Plan which will ensure a controlled and balanced growth of the district.
- Developing supplementary planning guidance which will help to preserve our historic environment, support rural communities, and ensure the district continues to be an attractive place.
- Maintaining our parks and open spaces which encourage residents to enjoy the outdoors.
- Restoring the historic features of Stowe Pool and Fields.
- Continuing to help our residents recycle a large percentage of waste.
- Pursuing opportunities to transfer some open spaces to local organisations who can look after them for the enjoyment of all (e.g. playing fields).

How the community, voluntary and business sectors can help

- Residents can recycle as much as possible and compost at home. Where it's not possible to recycle onsite, residents can help by taking their rubbish home.
- Parish councils to continue to develop and deliver Neighbourhood Plans for their areas.
- Help to keep the local environment clean and tidy through community gardens and volunteer clean-ups.
- Local groups can take on the responsibility for the management of open spaces and other assets.

We will influence and encourage

We will work with a range of partners to:

- Work with developers and social landlords to encourage investment in affordable housing.
- Encourage the development of owner occupied, shared ownership and rented housing to meet the needs of local people.
- Work to mitigate the adverse impact of HS2 on communities and businesses across the district.
- Work with Staffordshire County Council on how local waste is processed.

By 2020

- More affordable homes in the district.
- Our heritage and open spaces will be well maintained or enhanced.
- Our streets will be clean and well maintained.
- More people will use parks and open spaces.
- New homes, office, retail and manufacturing spaces will be built or developed in line with our Local Plan and planning guidance.

A council that is fit for the future

We want to be a strong, listening and flexible council, in tune with our customers and able to tailor our services to best suit local needs. We want to operate as 'one council' that doesn't see divisions between services, and works across all teams in a unified way to deliver the best outcomes. Making good decisions based on facts and value for money underpins all that we do.

What we know

This is a snapshot of some of the key issues facing our council:

- Our budget has reduced by nearly £3.5 million since 2012, which means tough choices have had to be made and some services can no longer be delivered.
- During the course of this plan, we aim to become independently financially sustainable and no longer reliant on government funding for our core activities.
- We are among the lowest charging district councils in the country and raise only 9% of our funding through council tax.
- In coming years we will be more reliant on business rates as a source of income and our business rate base will be important to us.
- We handle more than 135,000 customer enquiries every year through our Lichfield Connects customer services team and our teams handle thousands of direct calls, emails and web transactions.
- We receive about 110 complaints and 90 compliments a year.
- In coming years we will need to maximise all income opportunities.

This is just a snapshot of the key local issues. We commissioned Staffordshire Intelligence Hub to identify the challenges, issues and needs of our district. To read the full evidence base visit **www.lichfielddc.gov.uk/strategicevidence**

Our internal services

We deliver a range of internal services that support the many functions of the council, which we adapt and review to meet the organisation's needs and to take account of our funding situation. Current internal services (as at 2016) that support the public facing services we deliver include:

- customer services • HR services • IT services
- communications • data protection • equalities
- complaints and MP enquiries
- freedom of information requests • data protection
- financial services • debt recovery
- legal and democratic services
- member code of conduct • audit • health and safety
- risk management • mapping services
- insurance services • channel shift
- scanning and indexing • enabling democracy
- elections and giving voters their say • equalities
- policy and performance

What we will do

Between 2016 and 2020 we will place particular importance on:

- Being financially stable, developing innovative approaches to generating income, and less reliant on government grant funding.
- Embedding our corporate values throughout the organisation.
- Deliver good customer service in line with our customer promise.
- Making our top service requests fully bookable online and so easy to use that people choose to go online as a first port of call.
- Consulting with local residents in a variety of ways.
- Working together as one council.
- Seeking out ways to increase productivity and efficiency through our Fit for the Future programme and service reviews.

How the community, voluntary and business sectors can help

- Accept that we cannot solve all local issues alone and work with us to deliver initiatives in partnership or independently.
- Understand our resources are reducing and that we will adapt service delivery over the coming years.
- Pay council tax by direct debit.
- Use web and phone apps to do business with us wherever possible.

We will influence and encourage

We will work with a range of partners to help deliver the following:

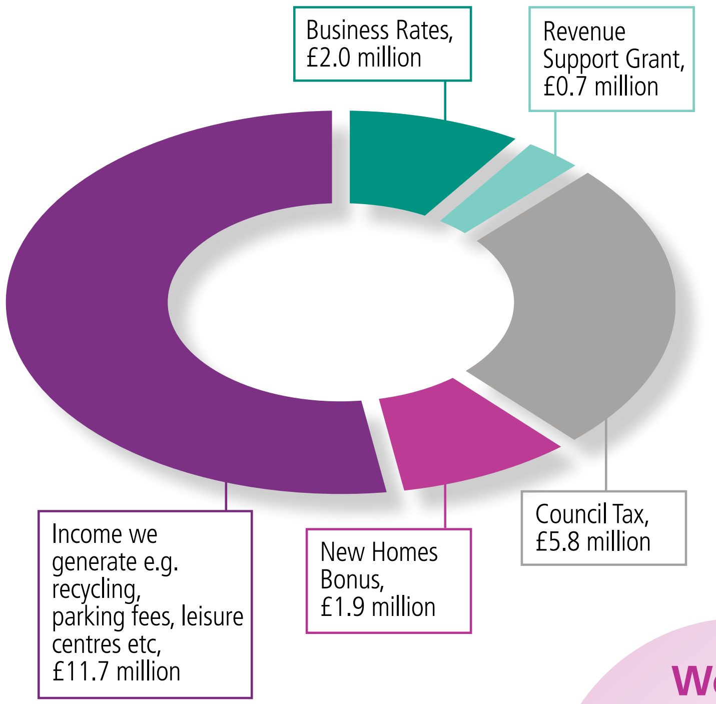
- Efficient public services including joining with others where it makes sense.
- Reduced back office costs through innovative collaborative approaches.
- Transfer of assets to local groups.

By 2020

- Our customers will be more satisfied.
- We will continue to be financially responsible.
- Our organisation will have clear corporate values and be committed to openness and transparency.
- More people will interact with us through our website and digital channels.
- We'll be more innovative in how we deliver services and make a difference locally.

Changing the way we do business

We want to maximise the potential of the internet and mobile devices to give our customers the opportunity to contact us and access our services electronically. In order to do this we need to know what customers want, to design how this can be best delivered, and then use the right technology to enable it. This process will form part of all our service reviews. Our website is the first part of this journey giving better access to more information. Mobile applications and the ability to do business with us electronically are our next steps.



Our funding

We are funded by council tax, income from fees and charges, business rates, government core grant and government grant related to New Homes.

During the course of this plan, we aim to become independently financially sustainable and no longer reliant on government funding for our core activities. Our Fit for the Future transformation programme has been designed to help us achieve this and to meet our financial challenges.

Our medium term financial strategy targets our resources to the priorities set out in this plan and is underpinned by sound financial management that helps us to spend wisely, attract external funding and become more efficient.

Our values

We have three core values that all our staff and councillors work towards. These were developed with the input of teams across the council and help us to deliver on a day-to-day basis, as well as work towards our vision and priorities. Our corporate values mean that together …

Together we can

We put customers first

We are passionate about our customer service. We always listen and work with our customers to meet their needs. We take responsibility for things we can change and improve and encourage our customers to do the same.

We improve & innovate

We challenge each other to look for ways to do things better. We listen to feedback and learn from it so we can improve. We welcome change and move forward with confidence.

We have respect for everyone

We listen to one another and understand each other's views and pressures. We appreciate each other and trust our colleagues to do a good job to the best of their ability.

Our way of working

Our way of working is shared by teams across the council, supports our values and underpins the type of council we aim to be.

- We put our customers first in our planning and delivery of services.
- We listen to and involve our communities in our decision making about how we use our resources.
- We focus our work where it's most needed.
- We communicate clearly, honestly and simply.
- We treat people fairly and we seek to make a positive difference to people's quality of life, recognising that some people will need more help than others.
- We work in partnership to achieve value for money and pool our resources to deliver shared goals.
- We aim to innovate and improve what we do by finding new ways to deliver services individually and collectively.

Listening to you

We are committed to improving and modernising the services we deliver to our customers and have developed a customer promise that reflects our wishes – from how quickly we respond to letters and emails, through to how we handles complaints. As part of our customer promise we are committed to listening to your feedback, whether that's through a formal consultation exercise, or when you tell us you can't find the information you are looking for on our website. We use your feedback to improve our services and address any issues. Find out more at **www.lichfielddc.gov.uk/customerpromise** and **www.lichfielddc.gov.uk/voiceit**

Being accountable

We are committed to providing high quality services to residents and businesses that deliver value for money. To be transparent we publish a range of information so it's easy to see how we spend the money we get, what it delivers, and how well we are performing. Find out more at **www.lichfielddc.gov.uk/accountable**

Measuring our outcomes

This plan sets out the high level outcomes we want to achieve over the next four years. Every year we produce a one-year action plan that sets out the key activities we will deliver to drive forward our priorities, and the measures and targets we will use to check how we are doing. Our action plans also cross reference key strategies we have in place, the governance arrangements that keep things on track, and our service plans that show how each of our service areas and teams contribute to our overall ambitions. Read our action plans at **www.lichfielddc.gov.uk/actionplans**

Being fair and accessible

We want all our services to be as accessible as possible to people living, working in and visiting our district, while we accept that not everyone will benefit in the same way or at the same time. When we develop new policies and plans, or change our services, we take account of how this may impact on those who use our services. We publish an equalities statement every year. This sets out what we have done to make our services more accessible, as well as what we plan to do. Find out more at **www.lichfielddc.gov.uk/equalities**

Feedback

We hope you have found our strategic plan easy to read and that it clearly outlines what we are working to achieve over the next four years. If you would like to feedback on our plan, please email **feedback@lichfielddc.gov.uk** We've tried to fit in as much as possible, but of course it's not been possible to fit everything in, so we'll add more to our annual action plans at **www.lichfielddc.gov.uk/actionplans**

If you don't have access to the internet, you can request a copy of our action plans by calling **01543 308000**.

If you would like our strategic plan in another format, such as large print, please call our Lichfield Connects team on **01543 308000**.

our **plan** at a **glance**

To be a strong, flexible council that delivers good value, quality services and helps to support a **vibrant and prosperous economy, healthy and safe communities** and **clean, green and welcoming places to live**.

How we create a vibrant and prosperous economy	How we create healthy and safe communities	How we create clean, green & welcoming places to live

What we will do

Between 2016 and 2020 we will place particular importance on:

How we create a vibrant and prosperous economy

- Promoting Lichfield District as a good place to invest through the roll out of the Local Plan.
- Ensuring our district is 'open for business' by welcoming and nurturing new enterprises to start up and succeed in our key business centres and rural areas.
- Delivering support, signposting and networking opportunities to existing businesses to help them thrive.
- Making it easy for businesses to interact with us.
- Understanding, monitoring and adapting to business needs and issues across the district.
- Encouraging increased visitors to our district, increased spend in the local economy and more overnight visitors.
- Delivering good quality and safe car parking in our key retail areas.

How we create healthy and safe communities

- Creating policies and events that promote healthy and active lifestyles for all, including young people – from cycle and safe walking routes, through to events, community activities and more.
- Providing support to help those with disabilities and older people stay healthy and active.
- Creating opportunities to increase the number of residents who are physically active, especially in hard to reach groups.
- Supporting and encouraging the development of clubs and other organisations to increase the quantity and quality of leisure and cultural opportunities across the district.
- Delivering a programme of disabled facilities grants to help people remain living safely at home
- Providing help and advice to prevent homelessness.

How we create clean, green & welcoming places to live

- Implementing our Local Plan which will ensure a controlled and balanced growth of the district.
- Developing supplementary planning guidance which will help to preserve our historic environment, support rural communities, and ensure the district continues to be an attractive place.
- Maintaining our parks and open spaces which encourage residents to enjoy the outdoors.
- Restoring the historic features of Stowe Pool and Fields.
- Our joint waste service continues to help our residents recycle a large percentage of their waste.
- Pursuing opportunities to transfer some open spaces to local organisations who can look after them for the enjoyment of all (e.g. playing fields).

By 2020 there will be:

How we create a vibrant and prosperous economy

- More local jobs and more people in employment.
- More new businesses locate in our district.
- More businesses succeed.
- More visitors and greater visitor spend in our district.
- A regenerated Lichfield City centre and an improved retail offer in Burntwood.

How we create healthy and safe communities

- More people will be active and healthy.
- More people will be involved in volunteering and community activity.
- Fewer people and families will be homeless.
- More people will feel safer and less worried about crime and anti-social behaviour.
- More people will be living independently at home.

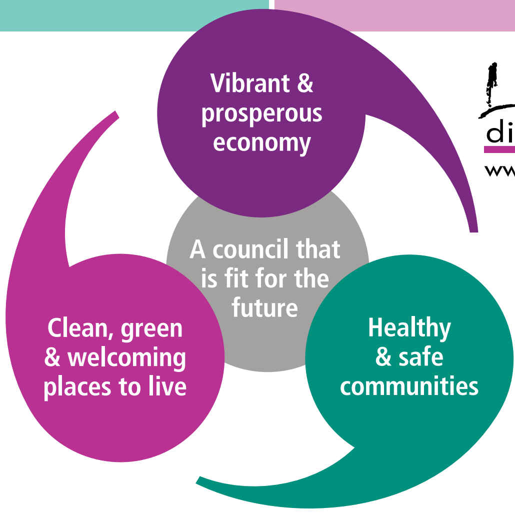
How we create clean, green & welcoming places to live

- More affordable homes in the district.
- Our heritage and open spaces will be well maintained or enhanced.
- Our streets will be clean and well maintained.
- More people will use parks and open spaces.
- New homes, office, retail and manufacturing spaces will be built or developed in line with our Local Plan and planning guidance.

Our council **By 2020:**

- Our customers will be more satisfied.
- We will continue to be financially responsible.
- Our organisation will have clear corporate values and be committed to openness and transparency.
- More people will interact with us through our website and digital channels.
- We'll be more innovative in how we deliver services and make a difference locally.

This plan sets out the high level outcomes we want to achieve over the next four years. Every year we produce a one-year action plan that sets out the key activities we will deliver to drive forward the priorities set out in this plan in detail, and the measures and targets we use to check how we are doing. Read our actions plans at **www.lichfielddc.gov.uk/actionplans**



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STRATEGIC PLAN 2016-2020:
ANNUAL ACTION PLAN – 2016/17

Report of the Leader and Cabinet Member for Community

Lichfield district council
www.lichfielddc.gov.uk

CABINET

Date:	9th February 2016
Agenda Item:	5
Contact Officer:	Helen Titterton
Tel Number:	01543 308700
Email:	Helen.titterton@lichfielddc.gov.uk
Key Decision?	**NO**
Local Ward Members	Relevant to all wards.

1. Executive Summary

1.1 The Strategic Plan for 2016-20 is close to completion and is a separate agenda item for consideration by Cabinet (and then by Full Council for approval). The Plan sets out a long term direction of travel for the Council for the next four years. In order to achieve the Council's strategic ambitions, we need to ensure that we have clear plans and targets for each financial year and that the budget is aligned accordingly.

1.2 This report describes the top 10 activities that the Council will be focusing on during the 2016/17 financial year to start delivering the commitments set out in the Strategic Plan. The draft Annual Action Plan is attached at **Appendix A**. The Annual Action Plan (or Corporate Top Ten) is underpinned by Top Ten Plans for each of the Directorates and these are being considered by the O&S Committees during the January / February round of meeting. Members are being requested to consider whether they believe the most appropriate and relevant issues have been selected, that there is a 'good fit' with the Strategic Plan and that the expected outcomes are sufficiently ambitious and measurable.

1.3 Of course, there are a range of other services which are delivered by the Council which are not specifically referenced in the Corporate or Directorate Top 10s; these will continue to be provided / delivered and Members will be able to monitor progress by receiving performance indicators which are presented to the Overview and Scrutiny Committees at the mid year and end of year meetings.

1.4 Once agreed, all the Top Ten activities will be worked up in more detail through the Service Plans which will be produced during the spring and will ultimately inform the performance targets for individual officers.

2. Recommendations

2.1 Members are requested to approve the Annual Action Plan 2016/17 which is attached at **Appendix A**

3. Background

3.1 The Strategic Plan has been developed having regard to:

- Evidence base (developed by the Staffordshire Intelligence Hub)
- Manifesto commitments of the new administration
- Consultation feedback
- Resource availability

Details are set out in the background reports to Strategic Overview and Scrutiny Committee of June and November 2015.

3.2 A corporate Annual Action Plan has been drafted which identifies what the District Council will be prioritising during 2016/17 and this is comprised in part from the Directorate Top 10s for the same period. Having regard to the Council's four strategic priorities, ten issues have been identified as a focus for financial and officer investment as set out at **Appendix A**. The reasons why these issues have been selected is as follows:

Reference	Activity / Task	Reason for inclusion
AAP1	City and town centre regeneration	Communities recognise that both our major retail centres need a new destination led shopping and leisure offer which will provide a wider range of services to local residents and attract visitors from further afield
AAP2	Encourage visitors	Better promotion of the arts, heritage, retail and cultural offer of the city and district will help to increase footfall and therefore spend which will contribute towards the sustainability of local businesses and the District as a whole
AAP3	Help people remain living safely at home	Contributes to health and well being of people with disabilities and their carers; continues to be a focus at national level within the context of the Better Care Fund
AAP4	Prevent homelessness	A service targeting the most vulnerable members of the community plus additional issue of Syrian refugees this year; the evidence base indicates that a relatively high number of households live in temporary accommodation
AAP5	Prevent (anti terrorism) strategy	A new legal duty on the Council introduced by the Counter Terrorism and Security Act 2015; we must have 'due regard to the need to prevent people from being drawn into terrorism'
AAP6	Implement the Local Plan	The Local Plan is critical to ensuring controlled and balanced growth within the district. Housing development is important to meet need and also generates New Homes Bonus income for the Council. Accessing affordable housing, especially for those on low income, is an ongoing challenge and an important issue for local residents. The evidence base indicates that it is expensive to rent privately Developing land for commercial purposes will bring jobs and greater prosperity to the District
AAP7	Fit for the Future Programme	The Council's transformation programme is ensuring that we plan and deliver the services that local people need in ways that are appropriate and cost effective
AAP8	Corporate Council Review	This review will underpin a major structural reorganisation of the Council during 2016 and take forward the recommendation

		of the Peer Review (2014) to develop a more 'corporate' organisation with new values and improved policies consistently applied
AAP9	Balancing the budget	It is essential to control the available budget so that we can assure Members and the public that we are delivering value for money
AAP10	Customer service on line	There is an increasing expectation that customers can conduct their business with the Council on line; better and more convenient for customers and offers opportunities to improve the efficiency of service delivery

3.3 Following consideration by Cabinet, the document will be forwarded for approval by Full Council and will then be placed on the website.

Alternative Options	The top 10 were identified through discussions with Leadership Team and then with the respective Cabinet Members. There was a high degree of consensus on the most important issues. However, Cabinet Members may wish to suggest amendments / make alternative proposals

Consultation	The selection of the top 10 has had regard to the outcome of consultation (with Members, partner organisations, residents and staff) which has been conducted as part of the development of the new Strategic Plan. A report about the Annual Action Plan is being considered by Strategic O&S Committee on 2nd February. Any feedback from the meeting of Strategic O&S Committee will be fed back verbally at the Cabinet meeting

Financial Implications	There are no financial implications arising directly from this report. However, Members and officers need to be mindful of ensuring that the distribution of resources and capacity is adequate to progress the items listed

Contribution to the Delivery of the Strategic Plan	The Top 10 as set at **Appendix A** have been categorised according to the Council's four strategic priorities. The Directorate has identified at least one issue in support of each priority area • Vibrant and prosperous economy – 2 issues • Healthy and safe – 3 issues • Clean, green and welcoming – 1 issue • Strong and flexible Council – 4 issues

Equality, Diversity and Human Rights Implications	The equality, diversity and human rights implications of the top 10 issues will be considered in more detail as work is progressed on each one and equality impact assessments undertaken where needed.

Crime & Safety Issues	It is anticipated that the top 10 issues will impact positively on our duty to prevent crime and disorder within the District (Section 17 of the Crime and Disorder Act, 1988). This is particularly the case with the Prevent Strategy

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	An issue which should be included in the Top 10 has been overlooked	The process of identifying the Top 10 is rigorous and gives the opportunity for elected Members and officers	Yellow

		to contribute. However, if another issue arises or escalates, the Top 10 may need to be reviewed and rescheduled	
B	A new priority emerges which could potentially be a Top 10 matter	Any new issue would need to be considered and amendments made to the existing Top 10 (with appropriate Member approvals)	Yellow
C	The Council has insufficient financial or staffing capacity to deliver all of the Top 10	Regular progress monitoring will be undertaken including biannual reports to this Committee	Yellow
D			

Background documents

Draft Strategic Plan 2016 – 2020

Reports to Strategic overview and Scrutiny Committee, June and November 2015 and February 2016

Relevant web links

APPENDIX A

CORPORATE ANNUAL ACTION PLAN 2016 / 17

Reference	Activity / task	What will success look like? All timescales are by March 2017 unless specified	Lead Cabinet member	Governance (O&S)
Vibrant and prosperous economy				
AAP1	Improve and enhance the health and viability of Lichfield City and Burntwood	Planning application for Friarsgate considered by April 2016 Friarsgate scheme under construction Planning application brought forward for an improved retail offer in Burntwood Property vacancy rates reduced by 1% to 8.2% in Lichfield city and 1% to 3.6% in Burntwood town (baseline @ December 2015)	Councillor Pritchard	EGED O&S
AAP2	Encourage visitors to our District	Lichfield City Centre Development Partnership Strategy launched by April 2016 Visitor numbers increased across the District by at least 1% (from 2,853,000)	Councillor Pritchard and Cllr Mrs Fisher	EGED O&S
Healthy and safe communities				
AAP3	Prevent homelessness and rehouse eligible households who become homeless	At least 200 homelessness preventions Homes identified within the District for up to 5 refugee families	Councillor Greatorex	CHH O&S
AAP4	Deliver a programme of disabled facilities grants to help people remain living safely at home	100% of budget for disabled facilities grants spent	Councillor Greatorex	CHH O&S
AAP5	Develop and implement a Strategy for Prevent (anti terrorism)	Strategy approved by June 2016	Councillor Pullen	CHH O&S and District Board

Reference	Activity / task	What will success look like? All timescales are by March 2017 unless specified	Lead Cabinet member	Governance (O&S)
Clean, green and welcoming places to live				
AAP6	Implement the adopted Local Plan	Pre application discussions in relation to Deans Slade and Cricket Lane, Lichfield (major allocated development sites) underway Draft Site Allocations Plan prepared and submitted for examination A 20% increase in dwellings delivered in 2016/17 (compared to 2015/16) Revised planning proposal for Liberty Park (13 hectares) considered 32 affordable homes delivered	Councillor Pritchard Councillor Greatorex	EGED O&S
A council that is fit for the future				
AAP7	Continue to implement Fit for the Future programme	Delivery Plans developed and implemented for the following reviews • Leisure • Parks and Open Spaces • Revenues and Benefits • Economic Development Service • Car Parking	 Councillor Smith Councillor Smith Councillors Spruce / Pullen Councillor Pritchard Councillor Mrs Fisher	 EGED O&S and LPWM O&S
AAP8	Implement outcomes of the Corporate Council Review	New organisational structure in place Customer promise and organisational values launched by May 2016 Code of Conduct launched by May 2016 Terms and conditions review completed and recommendations implemented by May 2016	Councillor Wilcox	Employment Committee
AAP9	Ensure revenue and capital budgets are managed efficiently and effectively	Outturn to be +/- £250,000 of the revised revenue budget 98.5% of council tax and business rates collected Quarterly Money Matters reports produced and approved by O&S and Cabinet	Councillor Spruce	Strategic O&S Full Council

Reference	Activity / task	What will success look like? All timescales are by March 2017 unless specified	Lead Cabinet member	Governance (O&S)
		Unqualified, audited accounts and Value for Money conclusion for 2015/16 approved by 30 September 2016		
AAP10	Develop and implement a Strategy to encourage and enable customers to meet their service requests on line	Our critical IT systems are available for at least 99.96% of the time At least 4 new services to be accessible to customers via the mobile app Increased downloads of mobile app by Lichfield residents from 459 (@ December 2015) to 3000	Councillor Pullen	Strategic O&S
		Increased number of forms submitted on line from monthly average of 199 (@ December 2015) to 290 (for 2016/17)	Councillor Wilcox	Strategic O&S
		Direct customers of RBS able to self serve on line Landlord portal introduced within RBS On line billing introduced for RBS customers	Councillor Spruce	Strategic O&S
		Introduce on-line booking capability for sports facilities for members	Councillor Smith	LPWM O&S
		Electronic consultation with parish councils on planning applications introduced	Councillor Pritchard	EGED O&S
		Cabinet meeting papers distributed electronically	Councillor Spruce	Strategic O&S

The Medium Term Financial Strategy (Revenue and Capital) 2016-20 (MTFS (R&C) 2016-20)

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Report of the Cabinet Member for Finance and Democracy

Date:	9 February 2016
Agenda Item:	6
Contact Officers:	Diane Tilley/Jane Kitchen
Tel Number:	01543 308001/308770
Email:	diane.tilley@lichfielddc.gov.uk/ jane.kitchen@lichfielddc.gov.uk
Key Decision?	**YES**
Local Ward Members	Full Council

CABINET

1. Executive Summary

The MTFS (R&C) 2016-20

1.1 **Funding Lichfield District Council's (LDC) Strategic Plan 2016-20 : The Financial Strategy**

The ability to deliver the outcomes set out in the **Lichfield District Council Strategic Plan 2016-20** shown elsewhere on this agenda is dependent on the resources available over the life of the Strategic Plan, and therefore the Strategic Plan must drive the Financial Strategy. The MTFS (R&C) 2016-20 is set out in **APPENDIX A**.

1.2 The Capital Programme is the investment plan for our **Lichfield District Council Strategic Plan 2016-20**. The way in which it 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**.

1.3 The total Funding Gap in the MTFS (R&C) 2016-20, together with the Revised Estimate for 2015/16 is **£1,314,990**, over the period 2016/17 to 2019/20. This is due to a combination of factors and the Provisional Local Government Settlement announced by Government in December 2015, detailed in **APPENDIX A**. LDC is legally required to balance the budget in the first year of the four year MTFS (R&C) 2016-20 and to set out its proposals to balance the further financial years - 2017/18, 2018/19 and 2019/20.

1.4 The MTFS (R&C) 2016-20 proposes a transfer **to** General Reserves of **£36,620** for the first year of the MTFS (R&C) 2016-20. The Council would have **£2,758,700** General Reserves available after this contribution to assist with balancing the budget in future years, if needed.

1.5 The Council will need to make significant levels of savings or achieve additional income to close the Funding Gap by 2019/20. If the Council wishes to take up a four year Funding Settlement to 2019/20, it is required to have an **Efficiency Plan**. The Council has developed an **Efficiency Plan**, to both meet the Funding Gap and achieve the Government's requirements. The **Efficiency Plan** has four strands :

- **In Year Efficiency Savings/Income Generation.** This is in recognition of the Council's favourable financial performance over the last three financial years, in comparison with the Approved Budget.
- **Fit for the Future (F4F) Efficiency Savings/Income Generation**. This is part of the Council's ongoing F4F programme. This programme is designed to manage the change that will be needed across LDC and its services in order to meet all of the changes following the fundamental review of Local Government finances.
- **F4F Transformational Change**. This is the element of the F4F programme designed to reshape and redesign LDC and its services into one that is fit for the future.
- **Growing the Business Rates and Council Tax base**. The Council will seek to maximise the growth of both of these in order to increase the income from these funding sources. This will help to enable LDC to become financially self-sufficient over the medium term.

1.6 The projected Funding Gap excludes the savings target set for current F4F Reviews for example Car Parking **£200,000**, Leisure Services **£200,000** and Grounds Maintenance **£150,000** which are still in progress. When completed and approved by Council the MTFS (R&C) 2016-20 will be adjusted to reflect any savings from these Reviews.

1.7 LDC's overall position is summarised in the table below :

	2015/16 (£)	**Financial Year 2016/17 (£)**	**2017/18 (£)**	**2018/19 (£)**	**2019/20 (£)**
Net Budget Requirement for all Services (1)	9,789,590	10,367,080	10,671,540	10,466,390	11,101,020
Total Funding Available	(10,914,000)	(10,403,700)	(10,303,840)	(9,637,210)	(9,786,030)
Funding Gap / (surplus) prior to the use of Reserves	**(£1,124,410)**	**(£36,620)**	**£367,700**	**£829,180**	**£1,314,990**
Total Reserves Available to Fund Services (2)	(1,797,670)				
Contribution (to) / Utilisation Reserves Services	(1,124,410)	(36,620)	0	0	0
2017/18 savings/income after Reserves			(367,700)	(367,700)	(367,700)
2018/19 savings/income after Reserves				(461,480)	(461,480)
2019/20 savings/income after Reserves					(485,810)
Total Savings/Additional Income	**£0**	**£0**	**(£367,700)**	**(£829,180)**	**(£1,314,990)**
General Reserves Available after Funding Services	**(£2,922,080)**	**(£2,758,700)**	**(£2,758,700)**	**(£2,758,700)**	**(£2,758,700)**

(1) This is after the transfer to Earmarked Reserves.

(2) Reserves available to Fund Services exclude the £1.2m Minimum Level in 2015/16 and £1.4 million from 2016/17 onwards.

1.8 The cumulative net Funding Gap over the four years amounts to **£2,511,870**. LDC has a 'starting' Funding Surplus of (**£495,940)** explained in detail in **Appendix A**, bullet points 10 and 11. This is reduced by a series of adjustments amounting to **£3,007,810 (£2,511,870** plus **£495,940**)**.** The adjustments compared with the Approved MTFS (R&C) 2015-18 and 2018/19 and 2019/20 are summarised below :

	2016/17 (£)	2017/18 (£)	2018/19 (£)	2019/20 (£)	Total (£)
Current Funding Gap for Approved MTFS 2015-18 plus 2018/19 and 2019/20	(112,960)	204,900	(244,320)	(343,560)	(495,940)
Total change in Inflation	(164,800)	(211,190)	(308,920)	(394,110)	(1,079,020)
Budget Variations	(50,160)	(47,170)	(98,370)	(88,310)	(284,010)
Efficiency Plan	(500,000)	(500,000)	(500,000)	(500,000)	(2,000,000)
Capital Programme	138,000	(7,000)	(7,000)	(36,000)	88,000
Funding Gap prior to Funding Changes	**(689,920)**	**(560,460)**	**(1,158,610)**	**(1,361,980)**	**(3,770,970)**
Funding Changes					
Retained Business Rates	2,000	(33,000)	(180,000)	(17,000)	(228,000)
Tariff Adjustment	-	-	89,000	453,000	542,000
Revenue Support Grant	252,000	451,000	556,440	418,440	1,677,880
Council Tax	12,000	40,000	37,560	24,560	114,120
Parish Local Council Tax Support	-	(8,000)	(21,000)	(28,000)	(57,000)
New Homes Bonus	135,300	478,160	1,505,790	1,825,970	3,945,220
Council Tax Collection Fund	(58,000)	-	-	-	(58,000)
Business Rates Collection Fund	310,000	-	-	-	310,000
	(36,620)	**367,700**	**829,180**	**1,314,990**	**2,475,250**
Transfer to or (from) General Reserves	36,620	-	-	-	36,620
MTFS 2015-20 Funding Gap after General Reserves	**-**	**£367,700**	**£829,180**	**£1,314,990**	**£2,511,870**

1.9 These adjustments are explained in **APPENDIX A** and are summarised below :

- **Inflation** - A budgetary saving of **(£1,079,020).** Reduction in inflation is principally due to the assumption that there will now be an annual **1%** pay award (Approved MTFS (R&C) 2015-18 assumed a **2%** pay award). Clearly, if a national settlement above 1% is negotiated there will be a budget impact, which in 2016/17 would need to be met from General Reserves. This saving has been partially offset by the costs of the National Living Wage and the Apprenticeship Levy.
- **Budget Variations - Investment Income** - Additional income of **(£180,600**). This additional income is as a result of higher projected investment balances.
- **Budget Variations - Other Variations** - A budgetary saving of **(£103,410**). These are detailed in **APPENDIX A.**
- **Efficiency Plan -Reduce the Base Budget by £500,000 from 2016/17**. This will deliver a recurring saving of **(£2,000,000)** over the four years to 2019/20
- **Revenue Implications of the Capital Programme** - a Budgetary Pressure of **£88,000** due to the revenue implications of new capital investment bids.
- **Business Rates** -
  - **Retained Business Rates** - The current projections are based on the existing Retained Business Rates framework ie 50% retained by Local Government. However, the Chancellor has indicated that it is Government's aim that by 2020 all Business Rates will be retained by Local Government. Latest Business Rate projections show there is an overall funding increase of **(£228,000)**.
  - **Tariff Adjustment** - The estimate for Retained Business Rates includes a funding reduction of **£542,000**. This reduction is due to the Government's new approach in determining Revenue Support Grant (RSG). This approach now takes into account the amount that can be raised locally through Council Tax; in practice this means that for councils such as Lichfield which has a higher Tax Base will have less RSG. For our Council, this means that by 2018/19 RSG will be reduced to **£Zero**. Potentially, for Lichfield any further national reductions could result in **negative** RSG. The Government has put in place a mechanism called a 'Tariff Adjustment' to avoid negative RSG. For Lichfield, the Business Rate tariff has been adjusted upwards with the result that it will have to pay more Business Rates to Government.

- **RSG** - The level of RSG takes account of the Government's new approach, detailed above. There is an overall funding reduction of **£1,677,880.**
- **Council Tax Income** - The reduction in the projected Council Tax Base is due to a variety of reasons, such as changes to discounts and exemptions, Local Council Tax Support and new properties, resulting in a reduction in projected income of **£114,120**.
- **Local Council Tax Support (LCTS) for Parishes** - Reducing the support from 2017/18 onwards, in line with the Council's Settlement Funding Assessment, produces an additional saving of (**£57,000)**.
- **New Homes Bonus** (NHB) - As part of the Provisional Settlement, Government has commenced a technical consultation regarding the future of NHB, including initiatives to "sharpen the incentive". The proposals include reducing payments from 6 to 4 years to identify savings of at least **£800m** for the funding of Social Care**.** Government has produced projections of NHB as part of the Provisional Settlement based on their preferred options including from 2018/19 substantially reducing payments to produce the savings for Social Care. These projections show a reduction of **£3,945,220.**
- **Collection Fund** - A surplus is projected on the Council Tax Collection Fund and a deficit is projected on the Business Rates Collection Fund in 2015/16; LDC's share of the overall deficit is **£252,000**. Both of these are legally required to be included in the Budget in the following Financial Year 2016/17.
- **Transfer to General Reserves in 2016/17** - **£36,620**.

Treasury Management

1.10 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management in Public Services 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."

1.11 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

1.12 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.

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

- Cash Flow forecast for 2016/17
- Balance Sheet Projections and Borrowing Requirement and Strategy for 2016/17
- Minimum Revenue Provision Statement 2016/17
- Treasury Management Policy Statement and Annual Investment Strategy
- Use of Specified and Non-Specified Investments
- Prudential Indicators 2016-20

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

2. Recommendations

That Cabinet recommend to Council for approval:

2.1 The 2016/17 Revenue Budget, including the Amount to be met from Government Grants and Local Taxpayers of **£10,403,700,** forecasts a proposed level of Council Tax (the District Council element) for 2016/17 of **£158.08** for a Band D equivalent property.

2.2 The MTFS (R&C) 2016-20 set out in **APPENDIX A**.

2.3 The Capital Strategy, outlined in **APPENDICES B** & **C**.

2.4 Notes the requirements and duties that the Local Government Act 2003 places 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 shown in **APPENDIX D**.

2.5 Balance Sheet Projections and Borrowing Requirement and Strategy 2016-20, contained within **APPENDIX E**.

2.6 The Minimum Revenue Provision Statement 2016/17, contained within **APPENDIX F**, which sets out the Council's policy of using the asset life method as the basis for making prudent provision for debt redemption.

2.7 Treasury Management Policy Statement and The Annual Investment Strategy 2016/17 **APPENDIX G** and the detailed criteria.

2.8 The use of Specified and Non-Specified Investments - **APPENDIX H.**

2.9 The amendment of the following Specified Investment Limits:

- The introduction of a limit for UK Local Authorities of **£2m** per Authority.
- Negotiable Instruments held in a broker's nominee account - an increase from **£10m** to **£12m** for the total investment.
- Money Market Funds - an increase from **£10m** to **£12m** for the total investment with these instruments.

2.10 The investment of **£2m** during 2016/17 in a pooled property investment fund.

2.11 The Prudential Indicators and limits for 2016-20 contained within **APPENDIX I** of this report.

2.12 The Authorised Limit Prudential Indicator shown within **APPENDIX I**.

3. Background

The MTFS (R&C) 2016-20

3.1 **Lichfield District Council's Strategic Plan 2016-20**, 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.

3.2 To fund our Strategic Plan, we prepare a Financial Strategy. 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 Financial Strategy is set out in **APPENDIX A** for Revenue and Capital; **APPENDICES B** and **C** outline our indicative Capital Investment Plans.

3.3 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 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.

3.4 The Local Government Act 2003 places duties and requirements 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.**

3.5 The MTFS (R&C) 2016-20 is based on the Provisional Local Government Financial Settlement published in December 2015. The final Settlement will not be announced until 15 February 2016. There are a number of areas, for example New Homes Bonus, where results of consultation and subsequent Government decisions, could impact on our Settlement thus requiring further changes to the MTFS.

Treasury Management

3.6 **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 2016/17 financial year has been used to calculate the investment income budget. This has been estimated as (**£128,900**) (this equates to **4%** of LDC's income from Central Government grants and Retained Business Rates of **£3,093,000** in **2016/17**), interest and other payments of **£40,900** and Minimum Revenue Provision of **£63,000**.
- The graph of cash flow trends for 2013-17 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 2017. 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 2017.

3.7 **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.

3.8 **Minimum Revenue Provision Statement 2016/17**

- 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**).

3.9 **Treasury Management Advice and the Expected Movement in Interest Rates**

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

Projection	Mar 2016	Jun 2016	Sep 2016	Dec 2016	Mar 2017	Jun 2017	Sep 2017	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018
Optimistic[1]	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75	2.00	2.00
Central Case	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.50	1.50

The Central Case rates have been used as the basis for preparation of the investment income budgets for 2016/17 and future years.

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

- The projected level of cash available and revenue reserves available to cover investment losses (excluding capital receipts and the Multi Storey Car Park) are forecast to be between **£6.93m** and **£7.16m** during 2016/17. Potential investment limits are shown in the table below :

	Balance Sheet Projections		
	Lowest £m	**Highest £m**	**Average £m**
Maximum Level of Investments in 2016/17	£18.00	£28.64	£24.11
Projected Internal Borrowing in 2016/17	£0.84	£0.84	£0.84
Projected Level of Cash Available	**£18.85**	**£29.48**	**£24.95**
General Fund Balance	£4.12	£4.16	£4.14
Earmarked Reserves available to cover losses	£2.80	£3.00	£2.90
Projected Level of Reserves available to Cover Losses	**£6.93**	**£7.16**	**£7.04**
Reserves available as a % of Projected Level of Cash Available	**36.75%**	**24.27%**	**28.22%**

Potential Investment Limits based on Cash Available	**Lowest £m**	**Highest £m**	**Average £m**	**Approved £m**
50.00%	£9.00	£14.00	**£12.00**	**£10.00**
25.00%	£5.00	£7.00	£6.00	£5.00
10.00%	£2.00	£3.00	£2.00	£2.00
5.00%	£1.00	£1.00	£1.00	£1.00
2.50%	£0.00	£1.00	£0.50	£0.50

- The applicable approved limits utilised in the Annual Investment Strategy will need to be updated to reflect increases in the average level of projected cash available. The applicable aggregate limits recommended to be updated from **£10m** to **£12m** are Negotiable instruments held in a broker's nominee account and Money Market Funds.
- It is also recommended that a new investment limit is introduced for UK Local Authorities of **£2m** per Authority.

[1] This is a scenario where Interest Rates increases earlier that the central case projection.

- The criteria and limits for Specified Investments and Non-Specified Investments are shown in detail at **APPENDICES G & H**.
- The investment strategy being approved as part of this report enables the Council to invest in shares in diversified investment vehicles including those related to property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Pooled funds whose value changes with market prices and/or have a notice period will be used for **longer investment periods**.
- Property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.
- It is recommended that **£2m** is invested for the medium term in a property fund during 2016/17 to increase diversification and the yield available from investments.

3.11 **Prudential Indicators (PIs)**

- The Prudential Indicators are shown in detail at **APPENDIX I**, and in the table below:

PI	Description	2015/16 Revised	2016/17 Original	2017/18 Original	2018/19 Original	2019/20 Original
1	Capital Expenditure (£m)	£4.871m	£7.505m	£3.739m	£1.118m	£0.790m
2	Ratio of Financing Costs to Net Revenue Stream (%)	2%	6%	6%	4%	5%
3	Capital Financing Requirement (£m)	£5.448m	£5.283m	£5.094m	£4.925m	£4.439m
3	Net external borrowing does not exceed the Capital Financing Requirement in the current year plus the next two years	True	True	True	True	True
4	Actual External Debt including Finance Leases (£m)	(£4.544m)	(£4.342m)	(£3.997m)	(£3.415m)	(£2.813m)
5	Incremental impact of capital investment decisions on Band D Council Tax (£)	(£0.28)	£3.77	(£0.19)	(£0.19)	(£0.95)
6	Authorised Limit (Maximum) (£m)	£13.732m	£13.733m	£13.771m	£14.046m	£13.147m
7	Operational Boundary (Maximum) (£m)	£5.405m	£5.329m	£5.252m	£5.191m	£5.131m
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	No
	Interest Rate Exposures (%)					
10	Upper Limit for Investments (Fixed Interest Rate Exposure)	(100%)	(100%)	(100%)	(100%)	(100%)
10	Upper Limit for Investments (Variable Interest Rate Exposure)	100%	100%	100%	100%	100%
11	Upper Limit for Borrowings (Fixed Interest Rate Exposure)	(100%)	(100%)	(100%)	(100%)	(100%)
11	Upper Limit for Borrowings (Variable Interest Rate Exposure)	30%	30%	30%	30%	30%
	Maturity Structure of Fixed Rate Borrowing (Upper Limit) (%)	**Lower Limit**	**Upper Limit**			
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)	£2.300m	£3.500m	£2.500m	£2.500m	£2.500m
14	Credit Risk	We consider security; liquidity and yield, in that order, when making investment decisions				

Alternative Options	There are no alternative options.
Consultation	In designing the **Efficiency Plan** we have taken into account results of consultation with the public in 2014. Member Briefings have been provided. Strategic (Overview and Scrutiny) Committee at its meeting on 2 February 2016 scrutinised the MTFS (R&C) 2016-20 and the Chair will provide feedback to Cabinet, as appropriate.
Financial Implications	See the Background Section together with the Appendices.
Contribution to the Delivery of Lichfield District Council's Strategic Plan	The report directly links to overall performance and especially the delivery of Lichfield District Council's Strategic Plan 2016-20.

Equality, Diversity and Human Rights Implications	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan 2016-20.
Crime & Safety Issues	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan 2016-20.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Council Tax is not set by the Statutory Date of **11 March 2016**.	Full Council set with reference to when major preceptors and Parishes have approved their Council Tax Requirements	Green - Tolerable
B	Planned Capital Receipts are not received related to the Asset Strategy Review and other Reviews	The budget for capital receipts will be monitored as part of LDC's normal budget monitoring procedures.	Yellow - Material
C	Achievement of LDC's key Council priorities	Close monitoring of performance and expenditure; maximising the potential of efficiency gains; early identification of any unexpected impact on costs including Central Government Policy changes, movement in the markets, and changes in the economic climate.	Green - Tolerable
D	The Business Rates revaluation in 2017	To assess the implications of proposed changes.	Red - Severe
E	The New Homes Bonus Consultation	To assess the implications of proposed changes and respond to consultations to attempt to influence the policy direction in the Council's favour.	Red - Severe
F	The Full Localisation of Business Rates from 2020	To assess the implications of proposed changes and respond to consultations to attempt to influence the policy direction in the Council's favour.	Red - Severe

Background documents :

CIPFA Code of Practice for Treasury Management in the Public Services.

Award of Contract for the Processing of Dry Recyclate 9 September 2014.

Money Matters : Medium Term Financial Strategy (Revenue and Capital) 2015-18 Cabinet 3 February 2015.

Treasury Management Policy Statement and the Annual Investment Strategy 2015/16 Cabinet 7 April 2015

Procurement of Contract Hire Vehicles for the Joint Waste Service Cabinet 7 April 2015.

Friarsgate Report to Cabinet 7 July 2015

Money Matters : 2015/16 Review of Financial Performance against the Financial Strategy Cabinet 8 September 2015.

Housing Services Review Cabinet 6 October 2015.

Money Matters : 2015/16 Review of Financial Performance against the Financial Strategy Cabinet 1 December 2015.

Money Matters : 2015/16 Review of Financial Performance against the Financial Strategy Cabinet 8 February 2016.

The Prudential Code for Capital Finance in Local Authorities.

Relevant web link :

The Provisional Local Government Finance Settlement
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479749/52229_Blue_Book_PU1865_Web_Accessible.pdf

Funding Lichfield District Council's (LDC) Strategic Plan 2016-20 : The Financial Strategy

1. The ability to deliver the outcomes set out in the Strategic Plan is dependent on resources, and therefore this must drive the Medium Term Financial Strategy.
2. The Local Government Act 2003 (Sections 25-28) places duties on Local Authorities on how they set and monitor budgets.
   The Director of Finance, Revenues & 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 Provisional Local Government Settlement

3. On 25 November 2015, the Chancellor of the Exchequer presented his Spending Review and Autumn Statement to the House of Commons. (Further details can be accessed via the website : https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479749/52229_Blue_Book_PU1865_Web_Accessible.pdf).

4. LDC was advised of its Provisional Funding Settlement for one year only covering 2016/17 on 17 December 2015. However, *"The Government will offer any Council that wishes to take it up a four-year funding settlement to 2019-20. Councils should also use their multi-year settlements to strengthen financial management and efficiency, including by maximising value in arrangements with suppliers and making strategic use of reserves in the interests of residents."* Councils that choose to accept the offer, will need to have published an **Efficiency Plan**. As set out earlier in this report under section 1.5, LDC has developed an **Efficiency Plan** in order to be able to accept the Government's offer.

Core Spending Power

5. The Settlement Funding Assessments (SFA) and Core Spending Powers for all Councils in England are shown in the table below (figures may not sum due to rounding) :

Details	**2015/16 £bn**	**2016/17 £bn**	**2017/18 £bn**	**2018/19 £bn**	**2019/20 £bn**
Settlement Funding Assessment	21.250	18.601	16.622	15.536	14.500
Revenue Support Grant	9.927	7.184	4.980	3.550	2.131
Retained Business Rates	11.323	11.417	11.642	11.986	12.369
Total SFA Funding	**21.250**	**18.601**	**16.622**	**15.536**	**14.500**
Council Tax	22.036	23.148	24.436	25.821	27.314
Council Tax Improved Better Care Fund			0.105	0.825	1.500
New Homes Bonus	1.200	1.485	1.493	0.938	0.900
Rural Services Delivery Grant	0.016	0.020	0.035	0.050	0.065
Core Spending Power	**£44.501**	**£43.255**	**£42.690**	**£43.170**	**£44.279**
Change %		**(2.8%)**	**(1.3%)**	**1.1%**	**2.6%**
Cumulative Change %		**(2.8%)**	**(4.1%)**	**(3.0%)**	**(0.5%)**

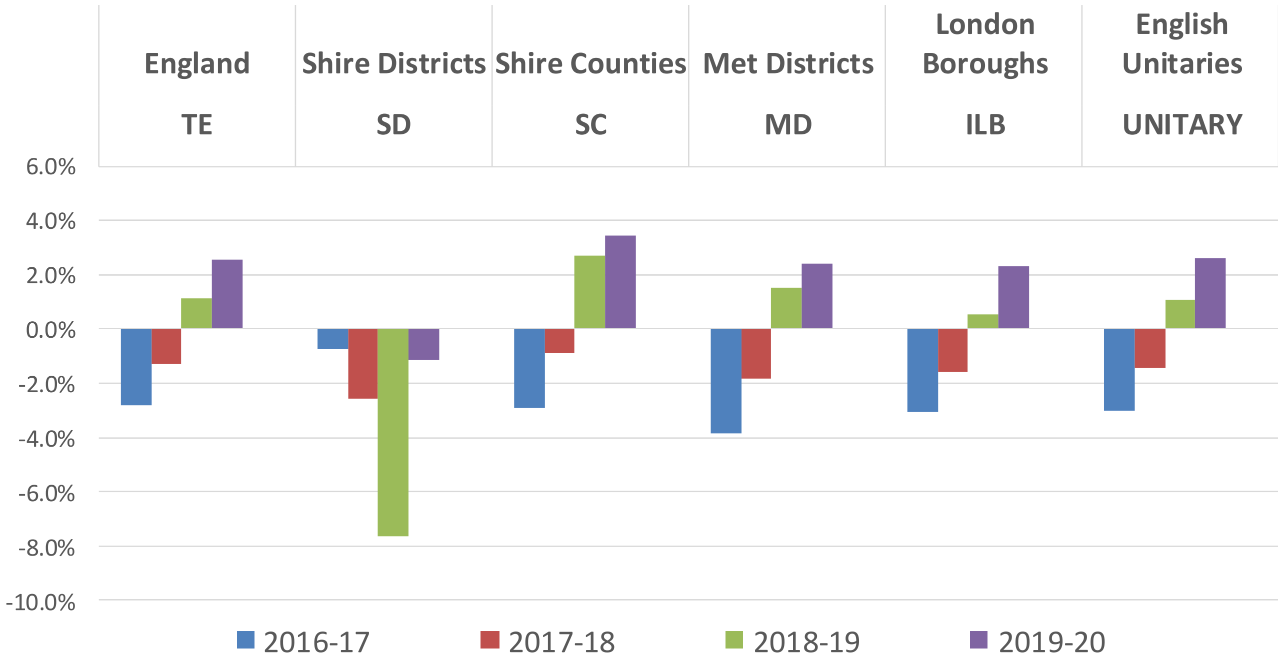
6. Government's Assessment of Lichfield's Core Spending Power

Government has produced for each local authority *notional* figures known as 'core spending power' based on national projections to enable comparisons to be made between different years. These core 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 NHB. The figures for Lichfield are provided in the following table :

Details	**2015/16**	**Financial Year**			
	£m	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Revenue Support Grant	1.5	0.8	0.2	0.0	0.0
Retained Business Rates	1.9	1.9	2.0	2.0	2.1
Tariff Adjustment	0.0			(0.1)	(0.5)
Settlement Funding Assessment	**3.4**	**2.7**	**2.2**	**1.9**	**1.6**
Council Tax	5.6	5.8	6.0	6.2	6.4
New Homes Bonus and Returned Funding	1.5	1.9	1.9	1.2	1.1
Core Spending Power	**10.5**	**10.4**	**10.1**	**9.3**	**9.1**
Change over the Spending Review Period (£m)					(1.4)
Change over the Spending Review Period (%)					(13.3)

Using these *notional* core spending power figures, the equivalent Settlement Funding Assessment percentage reduction is **20.59%** in 2016/17 in comparison with adjusted core spending power 2015/16.

The Year-on-Year Percentage Change in Core Spending Power is shown in the graph below:



Across England, for the first two years of the Settlement, there is a year-on-year percentage reduction in core spending power for all tiers of Councils. In 2018/19 and 2019/20 there is an increase in core spending power for all tiers **with the exception** of Shire Districts who see a reduction of just less than 8% in 2018/19 and just less than 2% in 2019/20. This is principally due to the redirection of NHB for Adult Social Care.

Revenue Support Grant (RSG) for 2016/17 represents **30%** (44% in 2015/16) of the Settlement Funding Assessment for LDC. RSG Funding for 2015/16 is **£1,450,000** and is reduced by **£677,000** or **47%** to **£773,000** for 2016/17 in comparison with 2015/16.

7. **The MTFS 2016-20 Total Funding Available**

LDC's MTFS utilises some of the information from the Government's Core Spending Power calculation such as New Homes Bonus (due to the current consultation). However, it also updates elements of this notional information based on more relevant local information such as the level of Retained Business Rates and Council Tax. The levels of Total Funding Available in the Approved MTFS (R&C) 2015-18 and the proposed MTFS (R&C) 2016-20 are shown in the table below:

Income Stream	**2016/17**		**2017/18**		**2018/19**		**2019/20**	
	2015-18 Approved £m	**2016-20 Proposed £m**	**2015-18 Approved £m**	**2016-20 Proposed £m**	**2015-18 Projected £m**	**2016-20 Proposed £m**	**2015-18 Projected £m**	**2016-20 Proposed £m**
Council Tax	5.799	5.787	6.009	5.969	6.220	6.182	6.412	6.387
Collection Fund Deficit		(0.252)						
<u>Settlement Funding:</u>								
Revenue Support Grant	1.025	0.773	0.687	0.236	0.556	0.000	0.418	0.000
Retained Business Rates	2.285	2.320	2.260	2.293	2.256	2.347	2.775	2.339
Settlement Funding	**3.310**	**3.093**	**2.947**	**2.529**	**2.812**	**2.347**	**3.193**	**2.339**
Council Tax Support Funding to Parishes	(0.107)	(0.107)	(0.095)	(0.087)	(0.102)	(0.081)	(0.109)	(0.081)
New Homes Bonus	2.018	1.883	2.370	1.893	2.695	1.189	2.967	1.141
Total Funding Available	**£11.020m**	**£10.404m**	**£11.231m**	**£10.304m**	**£11.625m**	**£9.637m**	**£12.463m**	**£9.786m**

Starting Funding Surplus for the MTFS (R&C) 2016-20 : (£495,940)

8. The MTFS (R&C) 2015-18 identified savings of **£1,304,580** and F4F Reviews and other efficiencies during 2015/16 have identified savings of **(£2,756,500)** for 2015/16, 2016/17 and 2017/18 although **£1,543,860** of these savings in 2015/16 have been used to increase General Reserves. The remaining savings for 2016/17 and 2017/18 to be identified based on the MTFS (R & C) 2015-18 are **£91,940[2].**

9. In addition to 2015/16, 2016/17and 2017/18, included in the MTFS (R&C) 2015- 18, a further set of projections for 2018/19 and 2019/20 were prepared and these projections (after incorporating savings identified) have identified there was a Funding Surplus of (**£587,880)**. Therefore, the Starting Funding Surplus before any other adjustments detailed below for the MTFS (R&C) 2016-20 is (**£495,940)**.

[2] This figure is shown in the Money Matters: 2015/16 Review of Financial Performance for eight months on this agenda 2016/17 (£112,960) and 2017/18 £204,900.

Budget Variations

Provision for Inflation on Existing Levels of Service :	**A Budgetary Saving of (£1,079,020)**

10. **Pay Awards** were assumed annually of **2%** in the Approved MTFS in 2016/17 and 2017/18 and in its further projections for 2018/19 and 2019/20. The Chancellor announced a further **1%** cap on public sector pay rises for the next four years (2016/17 to 2019/20). Local Government pay awards are negotiated separately and therefore the pay cap is not directly applicable. However, a cap could influence the level of pay awards in Local Government. Therefore, any pay award lower than **2%** will lead to budget savings. An assumption of annual pay awards of **1%** has been included in the Draft MTFS 2016-20 and results in a significant inflationary saving.

11. **Employers' National Insurance Contributions** will increase 1 April 2016 to reflect Government's policy of implementing a Single Tier Pension 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 will increase on average by **2.30%** from 1 April 2016 (included in the Approved Budget).

12. **Employer's Pension Contributions** will increase by **1%** per annum on a cumulative basis from 2015/16 onwards following the triennial revaluation of Staffordshire Pension Fund 2013 (included in the Approved Budget).

13. **The Apprenticeship Levy** - The apprenticeship levy of **0.5%** of the pay bill will commence from April 2017. It has been assumed that the Council will be liable for this levy and the projected cost to the Council is **£45,000** per annum and has been included in the Draft MTFS 2016-20.

14. **The National Living Wage (NLW)** - The Chancellor introduced a NLW commencing at **£7.20** per hour in April 2016 and increasing to **£9.00** per hour by 2020. NLW will apply to all employees aged over 25. The path of increases in the NLW using a flat rate **80p** increase per year together with the annual and the cumulative increase are shown below :

Financial Year	Hourly Rate	Annual Increase	Cumulative Increase
April 2016	£7.20		
April 2017	£7.80	8%	
April 2018	£8.40	8%	
April 2019	£9.00	7%	25%

15. These costs are treated as inflation as they are not as a result in growth of service provision. The changes in assumptions compared to the MTFS (R&C) 2015-18 is shown below:

Pay Award and Employer Costs	2015/16	Financial Year 2016/17	2017/18	2018/19	2019/20
Pay Award	1.6% (1.6%)	1% (2%)	1% (2%)	1% (2%)	1% (2%)
Employers National Insurance	7% (7%)	9.3% (9.3%)	9.3% (9.4%)	9.4% (9.4%)	9.4% (9.4%)
Employers Pension	20.6% (20.6%)	21.6% (21.6%)	22.6% (22.6%)	23.6% (23.6%)	24.6% (24.6%)

General Inflation

16. 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.

17. The MTFS (R&C) 2016-20 assumes that there is an annual inflationary increase to our income targets. Prices for activities in our leisure centres and parks are reviewed annually in the autumn and as such we are not in a position to say what the total price rises will be beyond 2016.

Budget Variations - Investment Income :	**Additional Income of (£180,600)**

18. 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) 2015-18 are shown in brackets):

Treasury Management	**2015/16**	**Financial Year 2016/17**	**2017/18**	**2018/19**	**2019/20**
Investment Returns	0.52% (0.70%)	0.52% (1.26%)	0.85% (1.72%)	1.78% (1.86%)	1.92% (1.87%)

19. The additional income is as a result of higher projected investment balances.

Budget Variations - Other Variations :	**Budgetary Savings of (£103,410)**

20. Other variations will result in a net budgetary saving of **(£103,410)** over four years. The main variations are due to :

- Termination of Service Level Agreements by the Lichfield Garrick **£89,840**.
- A new Economic Development Post **£160,000.**
- Human Resources Recruitment Portal **£23,240**.
- Housing Benefit Administration Grant reduction **£217,270**.
- Printer Contract Savings **(£158,880)**.
- Car Parking Income from additional usage levels **(£91,800)**.
- Additional recharges to the Capital Programme for Friarsgate **(£84,280)**.
- Reduction in income related to the Special Area of Conservation for the River Mease **£152,000**.
- Reduction in income related to Street Trading **£48,000**.
- Street Cleansing retendering of arrangements **£104,000**.
- Cesspools cessation of surplus and therefore loss of surplus **£31,560**.
- Increased cost of a new Footway Sweeper and Compactor **£32,040**.
- Trunk Road Clearing Operations **£172,000**.
- Street Lighting savings at the three leisure Centres **(£20,800)**.
- Waste Service National Living Wage Agency Staff **£183,540**.
- Waste Service stop contribution to property growth reserve **(£190,800)**.
- Waste Service salary changes **£384,200**.
- Waste Service other changes **£196,490**.
- Waste Service contribution from Tamworth BC towards the additional costs **(£246,660).**
- Friarsgate changes **(£73,640)**.
- Deletion of vacant post of Leisure Project Officer **(£160,000)**.
- Deletion of two vacant posts in Revenues and Benefits **(£312,000)**.
- Design and Conservation reductions **(£80,000)**.
- Other Variations **(£478,730)**.

Please note that the figures shown above are totals over four years of the MTFS (R&C) 2016-20, not annual amounts.

Efficiency Plan : Reduce the base Budget by £500,000 from 2016/17 onwards :	**Budgetary Savings of (£2,000,000)**

21. A recurring saving to the base Budget of £500,000 has been made from 2016/17 onwards to reflect the Council's favourable financial performance over the last three years in comparison with the Approved Budget.

Revenue Implications of the Capital Programme :	**A Budgetary Pressure of £88,000**

22. One of the stated principles of a good and balanced budget is to ensure that the Revenue Budget is integrated with the Capital Programme.

23. The total Capital Programme 2016-20 totals **£13,152,000**. It is funded from eight sources of funding:

Total Indicative Capital Programme 2016-20	**£m**
Capital Receipts	3.010
Revenue Contributions	0.616
Section 106 Funds	0.716
Sinking Funds	0.329
Grants and Contributions	4.958
Earmarked Reserves	1.893
Internal/External Borrowing	0.908
Finance Leases	0.722
Total Sources of Funding	**£13.152m**

24. LDC's resources available to fund the Capital Programme consists of Capital Receipts amounting to **£3,010,000** and Revenue Contributions of **£616,000**.

25. A projection of the Revenue implications of the Capital Programme are shown in the table below :

Revenue Implication	**2015/16 £000**	**Financial Year 2016/17 £000**	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**	**Total £000**
Minimum Revenue Provision	63	63	63	60	81	267
Loss of Investment Income	2	7	14	26	31	77
External Interest	39	37	36	34	33	140
Asset Management - Property Condition (Priority 1)		48				48
Asset Management - Property Condition (Priority 2)		54	7	7	7	75
Asset Management - Property Condition (Priority 3)		43	13	13	13	82
Asset Management - Property Condition (Priority 4)		9	5	5	5	24
Asset Management - Property Condition Sub Total	**0**	**154**	**25**	**25**	**25**	**229**
Revenue Implications	(340)	18	185	4	(291)	(84)
Total Direct Revenue Implications	**(237)**	**279**	**322**	**149**	**(121)**	**629**
Revenue Funding	154	154	154	154	154	616
Total Revenue Implications	**(83)**	**433**	**476**	**303**	**33**	**1,245**
Approved Capital Programme	**(72)**	**295**	**483**	**310**	**69**	**1,157**
CHANGE	**(10)**	**138**	**(7)**	**(7)**	**(36)**	**88**

26. Revenue Implications of the Capital Programme included in the MTFS (R&C) 2016-20 include **£0.629m** of direct implications plus **£0.616m** of Revenue Contributions. The total including **£0.484m** of projected borrowing costs is **£1.245m** over the period 2016-20. This compares to the Approved MTFS (R&C) 2015-18 of **£1.157m**. Further details are provided below under **Capital Strategy.**

27. 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 based on viability. This may increase the amount of resources available to us. However, the scheme is not yet agreed.

28. For the MTFS (R&C) 2016-20 we have not estimated the value of any CIL funding to LDC for Capital Investment.

Retained Business Rates :	**Increased Funding of (£228,000)**

29. As part of the Provisional Local Government Settlement, Government has produced its own assessments of the level of Retained Business Rates by each Authority.

30. We produce our own estimates for Retained Business Rates that also take into account local factors.

31. 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 :

- The performance of the National Economy and its impact at a local level.
- The projected level of the Retail Price Index.
- The Business Rate revaluation in 2017.
- The European Referendum.
- The Business Rate reset and full Localisation in 2020.
- The level and timing of current and future Business Rate Appeals.
- The impact of any future changes to the timing and design of the Friarsgate project.

Retained Business Rates Budget Process

<table>
<tr><td colspan="2">Retained Business Rates</td></tr>
<tr><td colspan="2">Current level of Rateable Value</td></tr>
<tr><td colspan="2">Add / Less</td></tr>
<tr><td colspan="2">Provision for new business premises, business closures or demolitions</td></tr>
<tr><td colspan="2">Multiplied by</td></tr>
<tr><td colspan="2">Business Rate pence in the Pound (increased by September's RPI)</td></tr>
<tr><td colspan="2">Equals</td></tr>
<tr><td colspan="2">Gross Business Rates Income</td></tr>
<tr><td colspan="2">Less</td></tr>
<tr><td colspan="2">Mandatory, Discretionary and Section 31 Reliefs</td></tr>
<tr><td colspan="2">Less</td></tr>
<tr><td colspan="2">Cost of Collection Allowance, Provision for Appeals, Allowance for Write Offs and Impairment</td></tr>
<tr><td colspan="2">Equals</td></tr>
<tr><td colspan="2">Net Business Rates Income</td></tr>
<tr><td colspan="2">Multiplied by</td></tr>
<tr><td colspan="2">District Council Share of Business Rates 40%</td></tr>
<tr><td colspan="2">Add</td></tr>
<tr><td colspan="2">District Council Section 31 Grants</td></tr>
<tr><td colspan="2">Less</td></tr>
<tr><td colspan="2">Tariff</td></tr>
<tr><td colspan="2">Equals</td></tr>
<tr><td colspan="2">Pre Levy or Safety Net Income</td></tr>
<tr><td>Growth - Less</td><td>Decline - Add</td></tr>
<tr><td>Levy Payment to GBS Pool @ 50% of growth in excess of the Baseline</td><td>Safety Net Payment from GBS Pool up to 92.5% of Baseline</td></tr>
<tr><td colspan="2">Less</td></tr>
<tr><td colspan="2">50% Business Rate Growth Volatility Allowance</td></tr>
<tr><td>Add</td><td></td></tr>
<tr><td>Returned Levy from GBS Pool for 3 years @ 32.5% of 50%</td><td></td></tr>
<tr><td colspan="2">Equals</td></tr>
<tr><td colspan="2">Post Levy or Safety Net Retained Business Rates</td></tr>
<tr><td colspan="2">Add or deduct</td></tr>
<tr><td colspan="2">Collection Fund Surplus or Deficit from the Previous Financial Year</td></tr>
</table>

Retained Business Rate Estimates (Mid-Point)

Retained Business Rates	2015/16	Financial Year 2016/17	2017/18	2018/19	2019/20
OBR Projected Level of the Retail Price Index (RPI)		2.20%	3.00%	3.10%	3.10%
Level of RPI used in Projections		1.20%	2.00%	2.10%	2.10%
Friarsgate Implications?	No	Yes	Yes	Yes	Yes
Real Growth in the Tax Base including Friarsgate	0.86%	(0.33%)	(0.56%)	1.14%	2.97%
Business Rates Volatility Allowance	40.91%	50.00%	50.00%	50.00%	50.00%
Business Rates Baseline (for Levy Calculation)	1,937,000	1,940,000	1,980,000	2,030,000	2,100,000
Safety Net Level @ 92.5%	1,792,000	1,795,000	1,832,000	1,878,000	1,943,000
Levy Rate	50.00%	50.00%	50.00%	50.00%	50.00%
Level of Levy Reimbursed by the GBS Pool	32.50%	32.50%	0.00%	0.00%	0.00%

Retained Business Rates	2015/16	Financial Year 2016/17	2017/18	2018/19	2019/20
Estimated Current Level of Rateable Value	(£83,130,576)	(£83,131,000)	(£83,131,000)	(£83,131,000)	(£83,131,000)
Provision for new business premises, business closures or demolitions	£0	£272,096	£466,450	(£947,139)	(£2,465,228)
Business Rate Pence in the Pound	0.48	0.49	0.50	0.51	0.52
Gross Business Rates Income	**(£38,979,609)**	**(£39,315,397)**	**(£40,005,408)**	**(£41,560,628)**	**(£43,217,500)**
Transitional Relief	£7,377	£0	£0	£0	£0
Mandatory Reliefs (inc Small Business Rate Relief partly funded by Section 31 grant)	£4,643,626	£4,699,350	£2,892,050	£2,952,783	£3,014,791
Discretionary Reliefs	£81,340	£82,316	£83,962	£85,726	£87,526
Section 31 Reliefs	£620,927	£0	£0	£0	£0
Net Rates Payable	**(£33,626,339)**	**(£34,533,732)**	**(£37,029,396)**	**(£38,522,120)**	**(£40,115,183)**
Transitional Relief Reimbursement	£0	£0	£0	£0	£0
Cost of Collection	£124,275	£124,275	£124,275	£124,275	£124,275
Provision for Appeals	£320,174	£320,174	£600,270	£600,270	£600,270
Allowance for Write Offs and Impairment	£321,000	£321,000	£321,000	£321,000	£321,000
Net Business Rate Income	**(£32,860,890)**	**(£33,768,283)**	**(£35,983,851)**	**(£37,476,575)**	**(£39,069,638)**
District Council Share (2015/16 = NNDR 1)	(£13,022,938)	(£13,507,313)	(£14,393,540)	(£14,990,630)	(£15,627,855)
Section 31 Grants	(£626,000)	(£378,000)	£0	£0	£0
Tariff	£11,176,270	£11,270,000	£11,490,000	£11,920,000	£12,660,000
Pre Levy or Safety Net Income	**(£2,472,668)**	**(£2,615,313)**	**(£2,903,540)**	**(£3,070,630)**	**(£2,967,855)**
Levy payable to GBS Pool	£329,000	£338,000	£462,000	£521,000	£434,000
Business Rates Volatility Allowance	£145,913	£67,222	£149,136	£203,181	£195,293
Returned Levy from the GBS Pool	(£106,925)	(£109,850)	£0	£0	£0
Post Levy of Safety Net Income	**(£2,104,681)**	**(£2,319,941)**	**(£2,292,404)**	**(£2,346,449)**	**(£2,338,562)**
Collection Fund (Surplus) or Deficit	(£137,719)	£310,403	£0	£0	£0

Business Rates - Tariff Adjustment : Reduced Funding of £542,000

32. As part of the Provisional Local Government Settlement, Lichfield’s RSG will be **£Zero** from 2018/19 and therefore any further national funding reductions would result in negative RSG. Government has proposed, as part of the Provisional Settlement that in these instances a Tariff Adjustment (increase) is introduced.

Revenue Support Grant : Reduced Funding of £1,677,880

33. Revenue Support Grant (RSG) is projected to reduce by **£1,677,880** over the period 2016-20.

34. As part of the Local Government Settlement, Government has announced RSG for 2016/17 plus indicative allocations for a further three years 2017/18, 2018/19 and 2019/20. These are shown in the table below:

Revenue Support Grant		**Financial Year**			
	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Revenue Support Grant	**(£1,450,000)**	**(£773,000)**	**(£236,000)**	**£0**	**£0**
% Annual Change		(46.69%)	(69.47%)	(100.00%)	N/a
Approved Budget	**(£1,450,000)**	**(£1,025,000)**	**(£687,000)**		

35. These indicative RSG allocations show a much greater level of reduction than had previously been projected and the Council will no longer receive this grant from 2018/19.

36. The removal of RSG much earlier than had previously been projected is because Government has proposed a new methodology for determining RSG allocations. Government propose to take into account the amount of revenue that can be raised locally through Council Tax, thereby increasing the reduction in RSG for higher tax base authorities, such as Lichfield.

37. Government has also altered the spilt of funding between the tiers of local government and as a consequence this has led to higher funding reductions for District Councils, including LDC.

Council Tax : Lower Income of £114,120

Council Tax Base (CTB) Projections

38. These include the following key assumptions used to calculate the income from Council Tax :

	2015/16	Financial Year 2016/17	2017/18	2018/19	2019/20
Provision for Growth					
Housing Completions per Annual Monitoring Report		621	931	1,191	1,003
Risk Allowance		50%	50%	50%	50%
Housing Completions Projection	**0**	**311**	**466**	**596**	**502**
Band D Ratio		0.90	0.90	0.90	0.90
Band D Equivalents		**280**	**419**	**536**	**452**
Council Tax Base (per CTB 1 Return)					
Band A Disabled Relief Reduction		17	17	17	17
Band A		4,896	4,896	4,896	4,896
Band B		9,175	9,175	9,175	9,175
Band C		9,474	9,474	9,474	9,474
Band D		6,022	6,022	6,022	6,022
Band E		4,367	4,367	4,367	4,367
Band F		3,279	3,279	3,279	3,279
Band G		2,348	2,348	2,348	2,348
Band H		370	370	370	370
Reduction due to Family Annex Discount					
Band A		(3)	(3)	(3)	(3)
Band E		(1)	(1)	(1)	(1)
Reduction to reflect the Local Council Tax Support					
Band A Disabled Relief Reduction		(5)	(5)	(5)	(5)
Band A		(1,324)	(1,324)	(1,324)	(1,324)
Band B		(1,446)	(1,446)	(1,446)	(1,446)
Band C		(751)	(751)	(751)	(751)
Band D		(182)	(182)	(182)	(182)
Band E		(69)	(69)	(69)	(69)
Band F		(20)	(20)	(20)	(20)
Band G		(17)	(17)	(17)	(17)
Band H		(4)	(4)	(4)	(4)
Total Equivalent Dwellings after Discounts and Reliefs	**0**	**36,127**	**36,127**	**36,127**	**36,127**
Band D Equivalents	**36,502**	**36,569**	**36,569**	**36,569**	**36,569**
Provision for Growth (Band D Equivalents)					
2016/17		280	280	280	280
2017/18			419	419	419
2018/19				536	536
2019/20					452
Revised Council Tax Base Assuming 100% Collection	**36,502**	**36,849**	**37,268**	**37,804**	**38,256**
Less : 1% provision for non-collection	(365)	(368)	(373)	(378)	(383)
Add : Contribution in lieu for MOD dwellings	127	129	129	129	129
Revised Council Tax Base for Council Tax Setting	**36,264**	**36,610**	**37,024**	**37,555**	**38,003**
Council Tax Band D	£154.99	£158.08	£161.22	£164.43	£167.70
Council Tax Income	**(£5,621,000)**	**(£5,787,000)**	**(£5,969,000)**	**(£6,175,000)**	**(£6,373,000)**
Friarsgate	**£0**	**£0**	**£0**	**(£7,000)**	**(£14,000)**
Council Tax (surplus) / deficit	**(£131,000)**	**(£58,000)**	**£0**	**£0**	**£0**

Council Tax Increase

39. The Approved MTFS (R&C) 2015-18 is based on a year-on-year increase of **1.99%** and this assumption continues for the MTFS (R&C) 2016-20.

40. Under the Localism Act 2011, local communities have the power to decide on Council Tax rises. It was announced as part of the Finance Settlement, that the limit for Council Tax increases for 2016/17 will be **2**% or above. Any increases proposed of **2%** and above will require a referendum.

Local Council Tax Support (LCTS) for Parishes : Additional savings of (£57,000)

41. The localisation of Support for Council Tax took effect from 1 April 2013.

42. Government has advised that funding attributable to the parish precept will be provided to the Billing Authority. It is included in the Core Spending Power and it also expects the Billing Authority to work with local parish and town councils to provide certainty over their funding.

43. The Core Spending Power calculations Government has provided assumes Council Tax Support to Parishes will remain constant at **£134,700**.

44. 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.

45. The table below shows estimates of Settlement Funding Assessment (SFA) figures for 2015/16; the provisional settlement for 2016/17 together with estimates for 2017/18, 2018/19 and 2019/20 :

Settlement Funding Assessment	**2015/16**	**Financial Year** 2016/17	**Financial Year** 2017/18	**Financial Year** 2018/19	**Financial Year** 2019/20
Settlement Funding Allocation	(£3,555,000)	(£3,093,000)	(£2,529,000)	(£2,347,000)	(£2,339,000)
% Annual Change		(13.00%)	(18.23%)	(7.20%)	(0.34%)

46. The use of the District Council's SFA based figures provides a basis to determine the percentage change in funding allocated to parishes for LCTS. An alternative would be to use Government's Core Spending Power which includes Council Tax and NHB.

47. In 2015/16 it was agreed that the allocation would reduce from **£134,700** to **£114,700** and for 2016/17 a **7%** reduction will apply, reducing the Funding Allocation to **£106,800.**

48. It is proposed that for 2017/18, an **18%** reduction will apply to reduce the Funding Allocation to **£87,300**. The table below summarises the agreed funding for 2015/16 and 2016/17 together with the proposed funding for the three years 2017/18, 2018,19 and 2019/20 based on the changes to the Council's SFA figures :

Allocation to Parish Councils	**2015/16**	**Financial Year** 2016/17	**Financial Year** 2017/18	**Financial Year** 2018/19	**Financial Year** 2019/20
Settlement Funding Assessment Change			(18.23%)	(7.20%)	(0.34%)
Government Allocation published November 2012	£134,700				
Approved Allocation	£114,700	£106,800			
Projected Allocation			£87,300	£81,000	£80,700
% Annual Change			**(18.26%)**	**(7.22%)**	**(0.37%)**
Approved Budget	**£114,700**	**£106,800**	**£95,100**		

New Homes Bonus :	**Reduced Funding of £3,945,220**

49. NHB was introduced in 2011/12 by financially rewarding LDC for each new home that is built within its area. Currently LDC retains **80%** with the remaining **20%** being paid to the County Council.

50. In 2016/17, the total is estimated to be **£1.485bn**. Government will fund **£210m** of NHB and the balance of **£1.275bn** is funded from a deduction from RSG.

51. The totals for the scheme are **£1.493bn** in 2017/18, **£0.938bn** in 2018/19 and **£0.900bn** in 2019/20**.** The two totals in 2018/19 and 2019/20 have been scaled downwards to reflect Government's preferred option to create savings of *"at least £800m"* which can be used for Adult Social Care.

52. Government has announced a consultation on NHB on *"sharpening the Incentive"* and the proposals included in the consultation are summarised below :

    - **Changing the number of years** - Government proposes to reduce the number of years payments are received from 6 years to 4 years with other alternatives identified.
    - **Reforms to the incentive** - The current incentive takes account of the national Band D Council Tax level. Government cites concern that this approach favours areas where house prices are higher, therefore leading to homes being placed in higher Council Tax bands leading to higher amounts of NHB.
    - **Withholding the Bonus where no Local Plan has been produced**.
    - **Reducing payments for homes allowed under appeal**.
    - **Removing "deadweight"** - This would differentiate between houses that would be built through the Local Plan and those additional homes that would be incentivised through the payment of NHB.
    - **National Parks, Development Corporations and County Councils -** The consultation asks whether County Councils should have their payments reduced by the proposed changes.

53. The deadline to respond to the New Homes Bonus is **10 March 2016**.

54. The process LDC uses for estimating the Council Tax Base and NHB is shown on the flow chart on the next page.

Council Tax Base and Current New Homes Bonus Budget Process

Council Tax Base	**New Homes Bonus** **Non Affordable Housing**	**Affordable Housing**
Council Tax Base Return Properties		
Less		
Family Annex and Local Council Tax Support Discounts		
Multiplied by		
Ratio to Convert to Band D Equivalents		
Equals		
Band D Equivalents		
Add		
Provision for Growth using the Housing completions from Annual Monitoring Report H4		Affordable Housing Completions provided by the Housing Team
Multiplied by		
Risk Allowance for Non-Completions and Timing Differences, 50% in all years		
Equals	**Add**	
Revised Council Tax Base assuming 100% collection	Empty Homes brought back into use	
Less	**Multiplied by**	
1% provision for non-collection	Ratio to Convert to Band D Equivalents	
Add	**Equals**	
Contribution in lieu of MOD dwellings	Band D Equivalents	
Equals	**Multiplied by**	**Multiplied by**
Council Tax Base	Assumed National Band D Council Tax - £1,468 in 2015/16 and £1,484 in later years	Affordable Housing Rate of £350 per Completion
Multiplied by	**Multiplied by**	
LDC Band D Council Tax Rate	District Council Share of 80%	
Equals	**Equals**	
Council Tax Income	NHB Income	
Add or deduct		
Collection Fund Surplus or Deficit from the Previous Financial Year		

55. The estimates of NHB and the key assumptions used for 2016-20 are shown in the table below :

	Medium Term Financial Strategy 2016-20				
	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Provision for Growth					
Housing Completions per Annual Monitoring Report H4, December 2015 (1 year delay)			621	931	1,191
Risk Allowance for Non-Completions etc.			50%	50%	50%
Housing Completions Projection	**240**	**190**	**311**	**466**	**596**
Empty Homes brought back into Use	58	62	0	0	0
Total Projected New Housing Supply	**298**	**252**	**311**	**466**	**596**
Ratio applied to calculate Band D Equivalents	0.9	1.1	0.9	0.9	0.9
Band D Equivalents Projected New Housing Supply	**273**	**278**	**285**	**435**	**556**
Assumed National Band D Council Tax	(1,468)	(1,484)	(1,484)	(1,484)	(1,484)
District Council's 80% Share	**(321,000)**	**(330,000)**	**(338,000)**	**(516,000)**	**(660,000)**
Affordable Housing Completions	78	31	154	211	183
Affordable Housing Supplement	(350)	(350)	(350)	(350)	(350)
District Council's 80% Share	**(22,000)**	**(9,000)**	**(43,000)**	**(59,000)**	**(51,000)**
Total District Council's 80% Share	**(343,000)**	**(339,000)**	**(381,000)**	**(575,000)**	**(711,000)**
Year 1 Payment 2011/12	(261,000)	(261,000)	0	0	0
Year 2 Payment 2012/13	(224,000)	(224,000)	(224,000)	0	0
Year 3 Payment 2013/14	(231,000)	(231,000)	(231,000)	(231,000)	0
Year 4 Payment 2014/15	(480,000)	(480,000)	(480,000)	(480,000)	(480,000)
Year 5 Payment 2015/16	(343,000)	(343,000)	(343,000)	(343,000)	(343,000)
Year 6 Payment 2016/17		(339,000)	(339,000)	(339,000)	(339,000)
Year 7 Payment 2017/18			(381,000)	(381,000)	(381,000)
Year 8 Payment 2018/19				(575,000)	(575,000)
Year 9 Payment 2019/20					(711,000)
Friarsgate		2,000	2,000	2,000	(109,000)
Projected NHB under existing scheme	**(1,539,000)**	**(1,876,000)**	**(1,996,000)**	**(2,347,000)**	**(2,938,000)**
Government Projections used in the MTFS 2016-20 including Returned NHB	**(1,539,000)**	**(1,882,700)**	**(1,892,840)**	**(1,189,210)**	**(1,141,030)**

Collection Fund : A Budgetary Pressure of £252,000

56. The Council Tax Collection Fund is projected to be in surplus in 2015/16 and LDC's share of the surplus receivable under Statute in 2016/17 will be **(£58,000).**

57. The Business Rate Collection Fund is projected to be in deficit in 2015/16 and LDC's share of the deficit payable under Statute in 2015/16 will be **£310,000.**

Planned contribution to General Reserves in 2016/17 : A contribution of £36,620

58. The MTFS (R&C) 2016-20 makes the assumption that General Reserves are not used to balance the Budget. The reason for this is that the use of reserves does not create a financially sustainable budget over the Medium Term as all Reserves in excess of the Minimum Level of **£1,400,000** for 2016/17 would at some point all be spent creating a financial 'cliff edge'.

59. The Revenue Budget showing the amount to be met from Government Grants and Local Tax Payers for the next **four** years, together with 2015/16, is set out in the table below :

GENERAL FUND TOTAL REQUIREMENT DISTRICT COUNCIL PURPOSES

FOR FINANCIAL YEARS 2015/16 to 2019/20 ANALYSIS IN ACCORDANCE WITH THE AUTHORITY'S ORGANISATIONAL STRUCTURE

BUDGET	2015/16 Original Budget	2015/16 Revised Budget	2016/17 Original Budget	2017/18 Original Budget	2018/19 Original Budget	2019/20 Original Budget
	£	£	£	£	£	£
Chief Executive	889,230	765,030	824,080	838,510	850,740	863,570
Finance, Revenues and Benefits	2,311,520	2,294,110	2,358,020	2,499,930	2,604,560	2,703,870
Leisure and Parks	3,167,270	2,818,790	2,889,240	2,992,260	3,136,170	3,313,460
Democratic, Development and Legal	1,097,170	392,170	998,640	1,074,610	1,173,380	1,244,870
Community, Health and Housing	2,217,360	1,885,810	2,221,330	2,254,360	2,287,230	2,323,430
Waste	1,311,000	1,228,930	1,338,750	1,333,400	1,365,930	1,353,850
Efficiency Plan	0	0	(500,000)	(500,000)	(500,000)	(500,000)
Savings Required	0	0	0	(367,700)	(829,180)	(1,314,990)
Net Cost of Services	**10,993,550**	**9,384,840**	**10,130,060**	**10,125,370**	**10,088,830**	**9,988,060**
Net Treasury Position	74,900	(39,500)	(25,000)	(69,500)	(221,800)	(205,000)
Revenue Contributions to the Capital Programme	154,000	154,000	154,000	154,000	154,000	154,000
Net Operating Cost	**11,222,450**	**9,499,340**	**10,259,060**	**10,209,870**	**10,021,030**	**9,937,060**
Less : Transfer (from) / to General Reserve	(400,450)	1,124,410	36,620	0	0	0
Less : Transfer to Earmarked Reserves	92,000	290,250	108,020	93,970	(383,820)	(151,030)
Amount to be met from Government Grants and Local Taxpayers	**£10,914,000**	**£10,914,000**	**£10,403,700**	**£10,303,840**	**£9,637,210**	**£9,786,030**

Retained Business Rates	(2,105,000)	(2,105,000)	(2,320,000)	(2,293,000)	(2,347,000)	(2,339,000)
Revenue Support Grant	(1,450,440)	(1,450,000)	(773,000)	(236,000)	0	0
Returned New Homes Bonus	(16,000)	(16,000)	0	0	0	0
Business Rates Cap (2014/15)	(20,000)	(20,000)	0	0	0	0
Business Rates Cap (2015/16)	(9,000)	(9,000)	0	0	0	0
Parish Local Council Tax Support	115,000	115,000	107,000	87,000	81,000	81,000
New Homes Bonus	(1,539,000)	(1,539,000)	(1,882,700)	(1,892,840)	(1,189,210)	(1,141,030)
Council Tax Collection Fund (surplus) / deficit	(131,000)	(131,000)	(58,000)	0	0	0
Business Rates Collection Fund (surplus) / deficit	(138,000)	(138,000)	310,000	0	0	0
Council Tax Requirement	(5,620,560)	(5,621,000)	(5,787,000)	(5,969,000)	(6,182,000)	(6,387,000)
Council Tax Base	**36,264**	**36,264**	**36,610**	**37,024**	**37,555**	**38,003**
Lichfield District Council Tax Requirement assuming a 1.99% annual increase	**£154.99**	**£154.99**	**£158.08**	**£161.22**	**£164.43**	**£167.70**

Resourcing our Investment Plans : The Capital Programme

60. The Capital Programme identifies all Capital projects approved by 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. The Capital Programme 2016-20 is shown by the current Strategic Plan priority in **APPENDIX C**.

The Capital Strategy

Project Identification and Prioritisation

61. 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.

62. LDC manages its Capital Strategy through Service Managers and LDC's Leadership Team.

Project Prioritisation

- All new capital investment needs are identified using a standard Capital Investment template.
- These documents identify the project title, officers and the Cabinet Member with responsibility.
- They also included key project information such as reasons for the project, options considered and links to the corporate objectives together with financial and risk information.

Planning Obligations - Section 106

63. 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.

64. Whilst some of these financial contributions are very specific in terms of the projects on which they must be spent, a proportion is to be allocated towards appropriate social and community schemes that result in time from the proposed development.

65. 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.

66. 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.

67. The introduction of the CIL will mean that the current processes are being updated.

The Disposal of Assets.

68. 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 investment properties generate.
- Whether disposal of the asset would further enhance the achievement of strategic aims.

69. LDC reviews its assets on an annual basis and in 2014 made the decision to market some of its investment properties[3]. In addition, as part of F4F Reviews, the potential to transfer assets to other organisations or to dispose of assets is currently being considered.

[3] Council Meeting held 30 September 2014.

70. The Spending Review 2015 announced that Government would *"let Councils spend 100% of the receipts from the assets they sell to improve their local services*". The Draft Guidance published by Communities and Local Government permits Revenue Expenditure to be treated as Capital Expenditure, and this funded from capital receipts where expenditure is *"incurred on projects designed to reduce future revenue costs and/or transform service delivery"*.

Project and Service Procurement

71. 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	• Clarity of decision making is provided through the role of Cabinet being specified. • Committees have been set up to scrutinise the decisions of the Cabinet.
A focus on the customer	• The design of major capital projects involves stakeholder participation at the design stage. • A number of major capital projects are or will be managed by a management board consisting of stakeholders.
Integrated processes and teams	• LDC requires the Projects in a Controlled Environment (PRINCE2) methodology be used to project manage all new major projects. • LDC engages in value engineering dialogue with appointed contractors to determine cost savings and quality enhancements in major capital contracts. • A risk management strategy to identify possible risks to successful outcomes and the ways these risks could be managed has been developed.
A quality driven agenda	• LDC has developed a procurement strategy.
Commitment to people	• LDC's Financial Procedure Rules and Contract Standing Orders / Contract Procedure Rules require evaluation of potential contractors' records on Health & Safety etc.

Project Implementation and Monitoring

72. 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.

73. Project Managers hold regular meetings with parties involved in the procurement process, but increasingly, on larger projects, meetings are held with the local community to inform them of progress, address any concerns and promote the project to potential users.

74. 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

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

- As part of the project development, the project manager identifies the objectives that the success of the project will be measured against.
- Regular reports to Cabinet and the Overview and Scrutiny Committees in relation to the progress of major projects such as Friarsgate are undertaken.
- The Infrastructure Officer Working Group undertakes regular checking of project progress that is funded by Section 106.

APPENDIX C

Capital Programme 2016-20 (Including Revised Estimate 2015/16)

Project	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
		Financial Year				
Accessible Homes (Disabled Facilities Grants)	400	850	650	650	650	2,800
Home Repair Assistance Grants	15	15	15	15	15	60
Energy Insulation Programme	41	30	30	30	30	120
Replacement Community Transport Minibuses		90				90
Burntwood Leisure Centre Enhancement Work	50	242	42	42	3	329
Stychbrook Park Play Area	12					0
Burntwood Park Play Equipment	9					0
Play Area at Hawksyard	110					0
Squash Court and Sports Hall Floor		50				50
King Edwards Synthetic Pitch Renewal		115				115
Decent Homes Standard		542				542
DCLG Monies		212				212
Unallocated S106 Affordable Housing Monies		400				400
Environmental Health Vehicle	24					0
Customer Services - Counter Call	24					0
Community Building at Hawksyard		166				166
Oakenfield Play Area (Sinking Fund)		9				9
We'll Help Local People	**685**	**2,721**	**737**	**737**	**698**	**4,893**
Shortbutts Park, Lichfield	38					0
Darnford Park	13					0
Parks / Grounds Maintenance Vehicles	32	24				24
Vehicle Replacement Programme	3,112	489	300	35	32	856
Environmental Improvements - Upper St. John Street		7				7
Linking Lichfield Phase 3 - Light Fantastic	8					0
Fazeley Crossroads Environmental Improvements		4				4
Fradley Youth and Community Building	2					0
Leomansley Area Improvements	5					0
Ancient Monument	2					0
Stowe Pool Improvements		595	450			1,045
Replacement of floodlights at KEVILC synthetic pitch		50				50
Canal Culvert at Huddlesford		100				100
We'll Shape Local Places	**3,212**	**1,269**	**750**	**35**	**32**	**2,086**
Friarsgate Support	250	2,655	2,036	286		4,977
Website Development - Rate my Place	11					0
Garrick Square		58				58
Sankey's Corner Environmental Improvements	4	4				4
City Centre Strategy and Interpretation	1					0
Car Parks Variable Message Signing		32				32
Old Mining College Refurbishment	19					0
Redcourt Parking Scheme	45					0
City Centre - Enhancement of Public Areas	165					0
Refurbishment of Bird Street Car Park Surface	106					0
We'll Boost Local Business	**601**	**2,749**	**2,036**	**286**	**0**	**5,071**
Depot Sinking Fund		11				11
Asset Management - District Council House / H&S	36	30	1			31
Asset Management - Condition Survey (all Priorities)		344	60	60	60	524
IT Investment	337	381	155			536
How Our Core Principles Help Us Deliver	**373**	**766**	**216**	**60**	**60**	**1,102**
TOTAL	**4,871**	**7,505**	**3,739**	**1,118**	**790**	**13,152**

Funding Source	2015/16	Financial Year				
		2016/17	2017/18	2018/19	2019/20	Total
	£000	£000	£000	£000	£000	£000
Usable Capital Receipts	(689)	(2,026)	(984)	0	0	(3,010)
Revenue	(154)	(154)	(154)	(154)	(154)	(616)
Burntwood Sinking Fund	(50)	(242)	(42)	(42)	(3)	(329)
Reserves	(221)	(693)	(1,200)			(1,893)
Section 106	(225)	(716)				(716)
Grants	(420)	(3,185)	(891)	(441)	(441)	(4,958)
Invest to Save	(47)	(67)	(20)	(15)	(32)	(134)
Leasing	(3,065)	(422)	(280)	(20)		(722)
TOTAL FUNDING	(4,871)	(7,505)	(3,571)	(672)	(630)	(12,378)
FUNDING GAP (Borrowing Need)	**0**	**0**	**168**	**446**	**160**	**774**

Council Corporate Funded Capital Programme 2016-20 by Theme[4]
(Including Revised Estimate 2015/16)

Project	2015/16	Financial Year 2016/17	2017/18	2018/19	2019/20	Total
	£000	£000	£000	£000	£000	£000
Accessible Homes (Disabled Facilities Grants)		408	229	229	229	1,095
Home Repair Assistance Grants	2	15	15	15	15	60
Energy Insulation Programme	21	10	10	10	10	40
Replacement Community Transport Minibuses		90				90
Oakenfield Play Area (Sinking Fund)		9				9
We'll Help Local People	**23**	**532**	**254**	**254**	**254**	**1,294**
Shortbutts Park, Lichfield	20					0
Stowe Pool Improvements		5				5
Replacement of floodlights at KEVILC synthetic pitch		50				50
Canal Culvert at Huddlesford		96				96
We'll Shape Local Places	**20**	**151**	**0**	**0**	**0**	**151**
Friarsgate Support	250	731	836	286		1,853
City Centre - Enhancement of Public Areas	143					0
Refurbishment of Bird Street Car Park Surface	34					0
We'll Boost Local Business	**427**	**731**	**836**	**286**	**0**	**1,853**
Depot Sinking Fund		11				11
Asset Management - Health & Safety Issues	7					0
Asset Management - District Council House	29	30	1			31
Asset Management - Condition Survey (all Priorities)		344	60	60	60	524
IT Investment - Phase 1	213					0
IT Investment - Phase 2	124	381	155			536
How Our Core Principles Help Us Deliver	**373**	**766**	**216**	**60**	**60**	**1,102**
TOTAL	**843**	**2,180**	**1,306**	**600**	**314**	**4,400**

An Earmarked Reserve of £13,000 will be used to part fund Home Repair Assistance Grants in 2015/16.

[4] Only includes Council funded schemes.

CFO Report on Robustness of the Budget and Adequacy of Reserves - Supporting Information

Context

82. 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

83. 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 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.

84. 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.

85. LDC's aim is to have a prudent level of General Reserves available for unforeseen financial risks. LDC has established opening General Reserves of **£2,997,670**; the precise level is determined by Risk Assessment. The minimum level of Reserves for 2016/17 onwards is **£1,400,000.** This is **13%** of the amount to be met from Government Grants and Local Taxpayers in 2016/17 of **£10,403,700**.

86. 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.

87. In assessing this, it is important to consider that Reserves can only be used once and are therefore potentially only "one off" sources of funding. Therefore, any use of General Reserves above the lower minimum threshold is only ever used on one-off items of expenditure.

88. 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

89. The above assessment demonstrates that General Revenue Reserves are at an appropriate level as determined in accordance with the MTFS and the CFO's professional advice. The MTFS 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 2016/17 budget and beyond.

90. 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).

91. The table below shows the financial risk assessment made for **2016/17** :

Activity Area	Explanation of Risk/Justification of Balances	Severity of Risk	2016/17 Reserve Amounts £
Friarsgate	The financial implications of Friarsgate are higher than the Approved Budget	Material	£70,000
IT systems are no longer fit for purpose and the Public Sector Network is disconnected	The financial implications are higher than the Approved Budget	Material	£36,000
Financial Resilience			
Savings Targets	Savings Targets are not Achieved	Material	£0
Business Rates	LDC's share of Business Rates reduces to the Safety Net Level or Levy Payments are higher than projected	Severe	£525,000
High Risk Streams of Income including Fees and Charges	Reduction in customer demand	Material	£234,000
Inflation Assumptions	Inflation increases at a higher rate than assumed for items such as Pay Awards, Utilities and Supplies and Service Cost	Material	£269,250
Collection of Income Performance	There is a reduction in collection performance, for example, for Council Tax, Business Rates and Sundry Debtors	Material	£160,000
Civil Contingency	To meet any Civil Contingency that may arise	Tolerable	£127,000
Proposed Management Restructure	To meet one-off redundancy payments which may be required	Material	£250,000
Other	Small risks/(opportunities)	Tolerable	(£21,250)
Total Minimum Reserves			**£1,400,000**

Other Reserves (in addition to General Reserves)

92. 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 with Balance Sheet projections are shown overleaf.

Usable Reserve	Reason for the Reserve	2015/16 Budget £000s	2016/17 Budget £000s	2017/18 Budget £000s	2018/19 Budget £000s	2019/20 Budget £000s
Revenue						
Earmarked Reserves	To finance specific capital and revenue projects	(2,598)	(2,405)	(2,405)	(2,405)	(2,405)
Grant Aid	To provide assistance to Historic Buildings, Nature Conservation and Biodiversity projects	(55)	(55)	(55)	(55)	(55)
Elections		(97)	(97)	(97)	(97)	(97)
Public Open Spaces	To fund the cost of equipment in public open spaces	(91)	(91)	(91)	(91)	(91)
Building Regulations	To manage the risks related to the Building Control Function	(85)	(85)	(85)	(85)	(85)
Capital						
Three Spires Multi Storey	Future capital works to the car park.	(1,673)	(1,294)	(215)	(336)	(457)
Capital Grants Unapplied	The Capital grants reserve is to meet specific capital grant expenditure in future years	(1,370)	(32)	(32)	(31)	(31)
Capital Receipts Reserve	The usable capital receipts reserve represents capital receipts available to finance capital expenditure in future years in accordance with best practice	(1,870)	(1,368)	(384)	(384)	(384)
Sinking Funds	These have been setup for Burntwood Leisure Centre and synthetic pitches	(400)	(158)	(116)	(74)	(71)
Total		**(£8,239)**	**(£5,585)**	**(£3,480)**	**(£3,558)**	**(£3,676)**

93. Further review of Earmarked Reserves will take place in 2016/17 to ensure we are only holding funds for known and essential purposes.

94. 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 :

Unusable Reserve	Reason for the Reserve	2015/16 Budget £000s	2016/17 Budget £000s	2017/18 Budget £000s	2018/19 Budget £000s	2019/20 Budget £000s
Revaluation Reserve	This is a reserve that records unrealised gains in the value of non-current assets	(3,450)	(3,450)	(3,450)	(3,450)	(3,450)
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	(34,869)	(38,648)	(40,439)	(39,607)	(38,787)
Deferred Credits	This item consists of principal outstanding on the sale of council houses properties sold on a mortgage.	(48)	(48)	(48)	(48)	(48)
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).	44,069	44,069	44,069	44,069	44,069
Benefits Payable During Employment	This is a specific accounting mechanism used to reconcile employee benefits (accrued holiday entitlements) under IAS 19	226	226	226	226	226
Collection Fund	This is requires under the Statement of Recommended practice (SORP) for Council Tax & Non Domestic rates accrued income.	527	(0)	(0)	(0)	(0)
Total		**£6,455**	**£2,148**	**£358**	**£1,190**	**£2,009**

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.

Timetable - the process started in June 2015 and the draft budget was completed in December 2015 prior to the Provisional Financial Settlement for Local Government 2016/17. This enabled formal scrutiny of the budget making process in January 2016. The final budget is due to be set at Council on 23 February 2016, well within the statutory deadline.[5]

Member involvement and Scrutiny (including budget monitoring) - formal Member involvement has been extensive, particularly through the Cabinet in conjunction with Leadership Team and 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.

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 2016/17. 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 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 2015/16 outturn and 2016/17 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 **£1,400,000** is adequate.

[5] Statutory deadline date for setting Council Tax is by 11 March 2016.

APPENDIX E

Balance Sheet Projections 2016-20

(Figures may not sum due to rounding)

	Type	2014/15 Actual £000s	2015/16 Budget £000s	2016/17 Budget £000s	2017/18 Budget £000s	2018/19 Budget £000s	2019/20 Budget £000s
Property, Plant and Equipment	CFR	36,832	39,531	43,189	44,833	43,856	42,551
Heritage Assets	CFR	515	515	515	515	515	515
Investment Property	CFR	6,578	5,408	3,611	3,611	3,611	3,611
Intangible Assets	CFR	153	110	67	24	0	0
Investments	INV	16,375	18,963	16,683	14,422	14,088	14,090
Borrowing	BOR	(47)	(1,492)	(1,416)	(1,339)	(1,278)	(1,217)
Finance Leases	LEA	(248)	(3,052)	(2,926)	(2,658)	(2,137)	(1,596)
Working Capital	CRED	(8,380)	(8,210)	(8,058)	(8,058)	(8,058)	(8,058)
Pensions	PEN	(44,069)	(44,069)	(44,069)	(44,069)	(44,069)	(44,069)
TOTAL ASSETS LESS LIABILITIES		**£7,709**	**£7,703**	**£7,595**	**£7,281**	**£6,528**	**£5,826**

Unusable Reserves							
Revaluation Reserve	CFR	(3,450)	(3,450)	(3,450)	(3,450)	(3,450)	(3,450)
Capital Adjustment Account	CFR	(37,938)	(36,666)	(38,648)	(40,439)	(39,607)	(38,787)
Deferred Credits	CRED	(54)	(48)	(48)	(48)	(48)	(48)
Pension Scheme	PEN	44,069	44,069	44,069	44,069	44,069	44,069
Benefits Payable During Employment Adjustment Account	CRED	226	226	226	226	226	226
Collection Fund	BAL	420	527	(0)	(0)	(0)	(0)
Usable Reserves							
Unapplied Grants and Contributions - General	BAL	(760)	(760)	(6)	(6)	(6)	(6)
Unapplied Grants and Contributions - Cannock Chase	BAL	(13)	(13)	(13)	(13)	(13)	(13)
Unapplied Grants and Contributions - Section 106	BAL	(958)	(597)	(13)	(13)	(12)	(12)
Unapplied Grants and Contributions - Revenue	BAL	0	0	0	0	0	0
Usable Capital Receipts	BAL	(769)	(1,736)	(1,234)	(250)	(250)	(250)
Usable Capital Receipts - Arts Statue	BAL	(134)	(134)	(134)	(134)	(134)	(134)
Burntwood Leisure Centre Sinking Fund	BAL	(379)	(329)	(87)	(45)	(3)	(0)
Burntwood Leisure Centre Synthetic Pitch Sinking Fund	BAL	(29)	(29)	(29)	(29)	(29)	(29)
City Centre Redevelopment Sinking Fund	BAL	(25)	(25)	(25)	(25)	(25)	(25)
King Edwards Leisure Centre Sinking Fund	BAL	(17)	(17)	(17)	(17)	(17)	(17)
Lombard Street Car Park Sinking Fund	BAL	0	0	0	0	0	0
Elections	BAL	(97)	(97)	(97)	(97)	(97)	(97)
Promotion of District	BAL	0	0	0	0	0	0
Public Open Spaces	BAL	(91)	(91)	(91)	(91)	(91)	(91)
Three Spires Multi Storey	BAL	(1,552)	(1,673)	(1,294)	(215)	(336)	(457)
Building Regulations	BAL	(85)	(85)	(85)	(85)	(85)	(85)
Other Earmarked Reserves	BAL	(3,019)	(2,598)	(2,405)	(2,405)	(2,405)	(2,405)
Grant Aid - Development	BAL	(55)	(55)	(55)	(55)	(55)	(55)
Depot Sinking Fund	BAL	0	0	0	0	0	0
General Fund Balance	BAL	(2,998)	(4,122)	(4,159)	(4,159)	(4,159)	(4,159)
TOTAL EQUITY		**(£7,709)**	**(£7,703)**	**(£7,595)**	**(£7,281)**	**(£6,528)**	**(£5,826)**

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 :

		2014/15 Actual £000s	**2015/16 Budget £000s**	**2016/17 Budget £000s**	**2017/18 Budget £000s**	**2018/19 Budget £000s**	**2019/20 Budget £000s**
Working Capital	CRED	(8,208)	(8,032)	(7,880)	(7,880)	(7,880)	(7,880)
Pensions	PEN	0	0	0	0	0	0
Usable Reserves	BAL	(10,562)	(11,834)	(9,744)	(7,639)	(7,717)	(7,835)
Total Cash Available		**(£18,770)**	**(£19,867)**	**(£17,625)**	**(£15,520)**	**(£15,598)**	**(£15,716)**

This cash available is planned to be used for:

Capital Financing Requirement	CFR	2,690	5,448	5,284	5,094	4,925	4,440
Less : Other Debt Liabilities (Finance Leases)	LEA	(248)	(3,052)	(2,926)	(2,658)	(2,137)	(1,596)
Less : New External Borrowing	BOR	0	0	0	0	0	0
Less : Existing External Borrowing	BOR	(47)	(1,492)	(1,416)	(1,339)	(1,278)	(1,217)
Equals : Internal Borrowing		**2,395**	**904**	**941**	**1,097**	**1,510**	**1,626**
Investments	INV	16,375	18,963	16,684	14,423	14,088	14,090
Total		**£18,770**	**£19,867**	**£17,625**	**£15,520**	**£15,598**	**£15,716**

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:

	2014/15 Actual £000s	**2015/16 Budget £000s**	**2016/17 Budget £000s**	**2017/18 Budget £000s**	**2018/19 Budget £000s**	**2019/20 Budget £000s**
Capital Financing Requirement	2,690	5,448	5,284	5,094	4,925	4,440
Less : Current Funding provided by Finance Leases and Long Term Borrowing (excluding any new borrowing)	(295)	(4,544)	(4,342)	(3,997)	(3,415)	(2,813)
Projected Borrowing Need	**2,395**	**904**	**941**	**1,097**	**1,510**	**1,626**
Less : the Projected Level of Balances and Reserves we hold as Investments	(10,562)	(11,834)	(9,744)	(7,639)	(7,717)	(7,835)
Less : Working Capital	(8,208)	(8,032)	(7,880)	(7,880)	(7,880)	(7,880)
Our Net Borrowing Need (equivalent to Investments)	**(£16,375)**	**(£18,963)**	**(£16,684)**	**(£14,423)**	**(£14,088)**	**(£14,090)**

What if

Our Balances and Reserves and Working Capital were £1m lower than planned		(17,963)	(15,684)	(13,423)	(13,088)	(13,090)
Our Balances and Reserves and Working Capital were £2m lower than planned		(16,963)	(14,684)	(12,423)	(12,088)	(12,090)

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)	(3,500)

APPENDIX F

Minimum Revenue Provision Statement 2016/17

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 2016/17: Options 1 and 2 may be used only for supported expenditure (where 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 2016/17 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.

APPENDIX G

Treasury Management

Introduction and Background

In February 2003 the Council adopted the CIPFA Treasury Management in the Public Services: Code of Practice (the CIPFA Code), which requires the Council to approve a treasury management strategy before the start of each financial year.

In addition, the Department of Communities and Local Government (CLG) issued revised guidance in Local Authority Investments in March 2010 that requires the Council to approve an investment strategy before the start of the financial year.

This report fulfils the legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance.

The Council has invested substantial sums of money and is therefore expose to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

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), in year reviews 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 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.

Treasury Management Strategy Statement

Investments at 31 December 2015

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	Domiciled in
Money Market Funds						
Invesco Aim	1.00	01-Jan-16	1	0.46%	AAA	UK
Goldman Sachs	0.25	01-Jan-16	1	0.44%	AAA	UK
Standard Life	1.00	01-Jan-16	1	0.45%	AAA	UK
Legal & General	1.00	01-Jan-16	1	0.47%	AAA	UK
Federated	1.00	01-Jan-16	1	0.43%	AAA	UK
Insight	1.00	01-Jan-16	1	0.45%	AAA	UK
Aberdeen	1.00	01-Jan-16	1	0.46%	AAA	UK
BNP Paribas	1.00	01-Jan-16	1	0.52%	AAA	UK
Other Counterparties						
DMO	3.00	07-Jan-16	7	0.25%	AA+	UK
Treasury Bills	3.00	11-Jan-16	11	0.49%	AA+	UK
HSBC	1.00	14-Jan-16	14	0.45%	AA-	UK
DBS Bank	1.00	14-Jan-16	14	0.61%	AA-	Singapore
Pohjola Bank	1.00	15-Jan-16	15	0.73%	A+	Finland
Landesbank Hessen-Thüringen	1.00	29-Jan-16	29	0.72%	A	Germany
Svenska Handelsbanken	1.00	04-Feb-16	35	0.45%	AA-	Sweden
United Overseas Bank	1.00	18-Feb-16	49	0.61%	AA-	Singapore
Treasury Bills	3.00	29-Feb-16	60	0.42%	AA+	UK
Barclays Bank	1.00	04-Mar-16	64	0.53%	A-	UK
Santander	1.00	08-Mar-16	68	0.90%	A	UK
Cumberland Building Society	0.50	18-Mar-16	78	0.53%	No Rating	UK
Standard Chartered	1.00	23-Mar-16	83	0.73%	A+	UK
Rabobank	1.00	05-Apr-16	96	0.64%	A+	Netherlands
Nordea Bank AB	1.00	15-Apr-16	106	0.65%	AA-	Sweden
Nationwide	1.00	18-Apr-16	109	0.66%	A	UK
Close Bros.	1.00	29-Apr-16	120	0.65%	A	UK
National Counties Building Society	0.50	10-Jun-16	162	0.72%	No Rating	UK
Lloyds	1.00	16-Nov-16	321	1.07%	A	UK
	£31.25					

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 2015 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 G (continued)

Detailed Cash flow for 2016/17 (figures may not sum due to rounding)

2016/17 (£m)													
Detail	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Total**
Income													
Council Tax Collected	-£5.74	-£5.53	-£5.23	-£5.36	-£5.34	-£5.36	-£5.39	-£5.38	-£5.35	-£5.09	-£0.65	-£0.70	**-£55.12**
Business Rate	-£3.08	-£4.01	-£3.00	-£3.16	-£4.17	-£3.04	-£2.97	-£2.98	-£2.85	-£2.77	-£0.72	-£0.55	**-£33.31**
Housing Benefit 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	**-£20.22**
New Homes Bonus	-£0.16	-£0.16	-£0.16	-£0.16	-£0.16	-£0.16	-£0.16	-£0.16	-£0.16	-£0.16	-£0.16	-£0.16	**-£1.88**
Net Revenue Income	-£0.19	-£0.27	-£0.27	-£0.27	-£0.27	-£0.24	-£0.30	-£0.27	-£0.27	-£0.27	-£0.27	-£0.27	**-£3.16**
Revenue Support Grant	-£0.44	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	-£0.26	-£0.07	**-£0.77**
Capital Income	-£1.53	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	**-£1.83**
New Borrowing	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	**£0.00**
Spend													
Capital Programme	£0.63	£0.63	£0.63	£0.63	£0.63	£0.63	£0.63	£0.63	£0.63	£0.63	£0.63	£0.63	**£7.51**
Other Spend	£0.05	£0.05	£0.05	£0.05	£0.05	£0.05	£0.05	£0.05	£0.05	£0.05	£0.05	£0.05	**£0.55**
Housing Benefits	£1.62	£1.54	£1.56	£1.78	£1.55	£1.60	£1.55	£1.55	£2.75	£1.55	£1.55	£1.62	**£20.22**
Employees	£0.98	£0.98	£0.98	£0.98	£0.98	£0.98	£0.98	£0.98	£0.98	£0.98	£0.98	£0.98	**£11.76**
Business Rates	£2.46	£3.01	£2.73	£2.73	£2.57	£2.57	£2.57	£2.57	£2.57	£2.57	£2.57	£2.57	**£31.49**
Precepts	£5.98	£4.78	£0.00	£4.78	£4.78	£5.10	£4.78	£4.78	£0.00	£4.78	£4.78	£4.78	**£49.31**
Cash Flow	**-£1.12**	**-£0.70**	**-£4.43**	**£0.29**	**-£1.10**	**£0.41**	**£0.02**	**£0.05**	**-£3.36**	**£0.55**	**£6.78**	**£7.16**	£4.54
Average Investments	£19.52	£20.43	£22.99	£25.06	£25.47	£25.82	£25.61	£25.57	£27.23	£28.64	£24.97	£18.00	

Investment Income and Borrowing Cost Budgets for 2016/17

Based on the cash flow forecast above and the revenue implications of the Capital Programme, the budgeted overall net Treasury position is shown in the table below :

Details	**2016/17 Budget**
Average amount we have available to invest (£m)	22.10
Average Interest Rate (**%**)	0.52%

Interest Receipts[6]	(128,900)
Car Loan Interest	(1,000)
Internal Interest Payments	4,000
Other Costs	500
External Borrowing Interest	37,400
Minimum Revenue Provision	63,000
Net Treasury Position	**(£25,000)**

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	133	138	144	149	154
+0.50%	261	271	282	292	302

6 This is the projected monthly amount we had available to invest (not the average) multiplied by the projected interest rate.

Borrowing Strategy

Balance Sheet projections show that the Authority will have total external borrowing at 31 March 2016 of **£1.492m**. The authority does not expect to externally borrow in 2016/17.

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 2016/17 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. The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- 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 and 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.

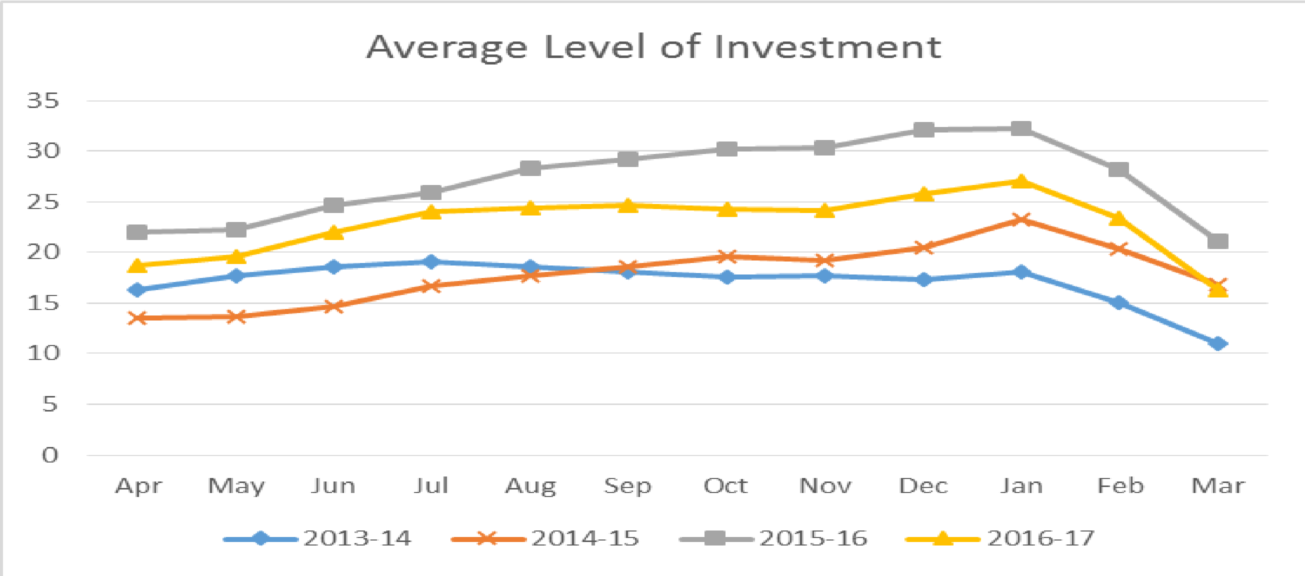
LGA Bond Agency: Local Capital Finance Company was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for three 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

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In 2015/16, the Authority's investment balance is projected to range between **£21.11m** and **£32.19m**, and the projected levels for 2016/17 range from **£18.00m** to **£28.64m**.

The graph below shows the actual trend of average investment levels in 2013/14, 2014/15 and 2015/16 together with projected levels for 2016/17. 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 **£5m** that is available for longer-term investment. The majority 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.

Approved Counterparties: The Authority may invest its surplus funds with any of the counterparty types in Table 1 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 1: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Government	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£1m 5 years	£1m 20 years	£2m 50 years	£1m 20 years	£1m 20 years
AA+	£1m 5 years	£1m 10 years	£2m 25 years	£1m 10 years	£1m 10 years
AA	£1m 4 years	£1m 5 years	£2m 15 years	£1m 5 years	£1m 10 years
AA-	£1m 3 years	£1m 4 years	£2m 10 years	£1m 4 years	£1m 10 years
A+	£1m 2 years	£1m 3 years	£2m 5 years	£1m 3 years	£1m 5 years
A	£1m 13 months	£1m 2 years	£2m 5 years	£1m 2 years	£1m 5 years
A-	£1m 6 months	£1m 13 months	£2m 5 years	£1m 13 months	£1m 5 years
BBB+	£0.5m 100 days	£1m 6 months	£2m 2 years	£0.5m 6 months	£0.5m 2 years
BBB or BBB-	£0.5m next day only	£1m 100 days	n/a	n/a	n/a
None	£0.5m 6 months	n/a	£2m 25 years	£50,000 5 years	£0.5m 5 years
Pooled funds	£2m per fund				

Credit Rating: Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. **These investments are subject to the risk of credit loss via a Bail-In should the regulator determine that the bank is failing or likely to fail**. Unsecured investment with banks rated **BBB** are restricted to overnight deposits at the Authority's current account bank with the National Westminster Bank.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from Bail-In. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to Bail-In, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to Bail-In, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short term Money Market Funds that offer same-day liquidity and very low or no volatility be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

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 as soon as possible after the change 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.

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.

Non-specified Investments: 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 Table 2 below.

Table 2 : Non-Specified Investment Limits (recommended changes are in bold)

	Approved limit	**Recommended Limit**
Total long-term investments	£2.3m	**£3.5m**
Total investments without credit ratings or rated below **[A-]**	£5m	£5m
Total investments with institutions **(except pooled funds)** domiciled in foreign countries rated below **[AA+]**	£1m	£1m
Total non-specified investments	**£8.3m**	**£9.5m**

Investment Limits: The Authority's revenue reserves available to cover investment losses (excluding capital grants and contributions, capital receipts and the multi storey reserve) are forecast to be between **£6.93m** and **£7.16m** during 2016/17. In order that no more than **20%** of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government and other UK Local Authorities) will be **£1m**. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below (investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries):

Table 3 : Investment Limits (recommended changes are in bold)

	Approved limit	Recommended Limit
Any single organisation, except the UK Central Government **and UK Local Authorities**	£1m each	£1m each
UK Central Government	unlimited	unlimited
UK Local Authorities	N/a	**£2m each**
Any group of organisations under the same ownership	£1m per group	£1m per group
Any group of pooled funds under the same management	£4m per manager	£4m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker	**£12m per broker**
Foreign countries	£2m per country	£2m per country
Registered Providers	£5m in total	£5m in total
Unsecured investments with Building Societies	£2m in total	£2m in total
Loans to unrated corporates	£2m in total	£2m in total
Money Market Funds	£10m in total	**£12m in total**

Liquidity Management: The Authority uses excel for 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 and Democracy, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness.

Other Items

There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

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. Lenders Option Borrowers

Option (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 and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

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.

Investment Training: The needs of the Authority's treasury management staff for training in investment management are assessed every six months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

Investment Advisers: The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled by the specification related to the procurement and regular contact with the Adviser.

Investment of Money Borrowed in Advance of Need: 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 **£9.285m** in 2016/17. The maximum period between borrowing and expenditure is expected to be **two** years, although the Authority is not required to link particular loans with particular items of expenditure.

Prudential Indicators 2016-20

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. **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.

No. 1 Capital Financing	2015/16 Original £m	2015/16 Approved £m	2015/16 Revised £m	2016/17 Original £m	2017/18 Original £m	2018/19 Original £m	2019/20 Original £m
Non-Current Assets	3.453	4.356	4.099	5.058	3.044	0.423	0.095
Revenue Expenditure funded from Capital under Statute	1.598	0.980	0.772	2.447	0.695	0.695	0.695
Total	**£5.051**	**£5.336**	**£4.871**	**£7.505**	**£3.739**	**£1.118**	**£0.790**

No. 1 Capital Financing	2015/16 Original £m	2015/16 Approved £m	2015/16 Revised £m	2016/17 Original £m	2017/18 Original £m	2018/19 Original £m	2019/20 Original £m
Capital Receipts	0.985	0.875	0.689	2.026	0.984	0.000	0.000
Burntwood Sinking Fund	0.128	0.050	0.050	0.242	0.042	0.042	0.003
Other Sinking Funds	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Capital Grants and Contributions	1.359	0.674	0.645	3.901	0.891	0.441	0.441
Earmarked Reserves	0.032	0.221	0.221	0.693	1.200	0.000	0.000
Revenue Contributions	0.154	0.154	0.154	0.154	0.154	0.154	0.154
Finance Leases, Invest to Save and Borrowing	2.393	3.362	3.112	0.489	0.468	0.481	0.192
Total	**£5.051**	**£5.336**	**£4.871**	**£7.505**	**£3.739**	**£1.118**	**£0.790**

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).

No. 2 Ratio of Financing Costs to Net Revenue Stream	2015/16 Original %	2015/16 Approved %	2015/16 Revised %	2016/17 Original %	2017/18 Original %	2018/19 Original %	2019/20 Original %
%	**6%**	**3%**	**2%**	**6%**	**6%**	**4%**	**5%**

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 it's 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.

No. 3 **Capital Financing Requirement**	**2015/16 Original £m**	**2015/16 Approved £m**	**2015/16 Revised £m**	**2016/17 Original £m**	**2017/18 Original £m**	**2018/19 Original £m**	**2019/20 Original £m**
Balance Brought Forward	3.335	2.690	2.690	5.448	5.283	5.094	4.925
Capital Expenditure financed from borrowing and Invest to Save	2.393	3.362	3.112	0.489	0.468	0.481	0.192
Minimum Revenue Provision	(0.613)	(0.370)	(0.354)	(0.654)	(0.658)	(0.650)	(0.677)
Balance Carried Forward	**£5.116**	**£5.682**	**£5.448**	**£5.283**	**£5.094**	**£4.925**	**£4.439**

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 2015/16, 2016/17, 2017/18, 2018/19 and 2019/20.

No. 4	**£m 31/03/15 £m**	**2015/16 Revised £m**	**2016/17 Original £m**	**2017/18 Original £m**	**2018/19 Original £m**	**2019/20 Original £m**
LT Borrowing	0.031	1.415	1.339	1.278	1.217	1.157
Short Term Element of LT Borrowing	0.016	0.077	0.077	0.061	0.061	0.061
Short Term Element of LT Liabilities	0.188	0.261	0.548	0.548	0.541	0.541
Other Long Term Liabilities	0.060	2.791	2.378	2.110	1.596	1.055
Total	**£0.295**	**£4.544**	**£4.342**	**£3.997**	**£3.415**	**£2.813**

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.

No.5 **Incremental Impact of Capital investment Decisions**	**2015/16 Original £m**	**2015/16 Approved £m**	**2015/16 Revised £m**	**2016/17 Original £m**	**2017/18 Original £m**	**2018/19 Original £m**	**2019/20 Original £m**
Band D Equivalent	**£5.27**	**(£0.72)**	**(£0.28)**	**£3.77**	**(£0.19)**	**(£0.19)**	**(£0.95)**

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:

	2015/16 Original £m	**2015/16 Approved £m**	**2015/16 Revised £m**	**2016/17 Original £m**	**2017/18 Original £m**	**2018/19 Original £m**	**2019/20 Original £m**
New Vehicle and Plant Procurements	£2.100	£3.065	£3.065	£0.422	£0.280	£0.020	£0.000

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):

No. 6 **Authorised Limit for External Debt**	**2015/16** **Original** **£m**	**2015/16** **Approved** **£m**	**2015/16** **Revised** **£m**	**2016/17** **Original** **£m**	**2017/18** **Original** **£m**	**2018/19** **Original** **£m**	**2019/20** **Original** **£m**
Borrowing	9.109	9.109	9.284	9.285	9.323	9.598	8.699
Finance Leases - New	4.448	5.413	4.448	4.448	4.448	4.448	4.448
Total	**£13.557**	**£14.522**	**£13.732**	**£13.733**	**£13.771**	**£14.046**	**£13.147**

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.

No. 7 **Operational Boundary for External Debt**	**2015/16** **Original** **£m**	**2015/16** **Approved** **£m**	**2015/16** **Revised** **£m**	**2016/17** **Original** **£m**	**2017/18** **Original** **£m**	**2018/19** **Original** **£m**	**2019/20** **Original** **£m**
Borrowing	2.102	2.102	1.992	1.916	1.839	1.778	1.718
Finance Leases	2.448	3.413	3.413	3.413	3.413	3.413	3.413
Total	**£4.550**	**£5.515**	**£5.405**	**£5.329**	**£5.252**	**£5.191**	**£5.131**

9 Adoption of the CIPFA Treasury Management Code:

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

Number 8	**Adoption of the CIPFA Code of Practice in Treasury Management** 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[7]

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

No. 9	2015/16 Original £m	2015/16 Approved £m	2015/16 Revised £m	2016/17 Original £m	2017/18 Original £m	2018/19 Original £m	2019/20 Original £m
Outstanding Borrowing	(1.602)	(1.492)	(1.492)	(1.416)	(1.339)	(1.278)	(1.218)
Other Long Term Liabilities	(1.857)	(3.052)	(3.052)	(2.926)	(2.658)	(2.137)	(1.596)
Gross Debt	**(£3.459)**	**(£4.544)**	**(£4.544)**	**(£4.342)**	**(£3.997)**	**(£3.415)**	**(£2.813)**
Capital Financing Requirement	**£5.116**	**£5.682**	**£5.448**	**£5.283**	**£5.094**	**£4.925**	**£4.439**
Is our Gross Debt in excess of our Capital Financing Requirement and are we therefore borrowing in advance of need?	**No**	**No**	**No**	**No**	**No**	**No**	**No**

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:

No. 10 and 11	2015/16 Original %	2015/16 Approved %	2015/16 Revised %	2016/17 Original %	2017/18 Original %	2018/19 Original %	2019/20 Original %
Fixed Interest Rates							
Upper Limit on Fixed Interest Rate Exposure on Investments	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)
Upper Limit on Fixed Interest Rate Exposure on Debt	100%	100%	100%	100%	100%	100%	100%
Net Fixed Exposure (No. 10)	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Variable Interest Rates							
Upper Limit for Variable Rate Exposure on Investments	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)
Upper Limit for Variable Rate Exposure on Debt	30%	30%	30%	30%	30%	30%	30%
Net Variable Exposure (No. 11)	**(70%)**	**(70%)**	**(70%)**	**(70%)**	**(70%)**	**(70%)**	**(70%)**

[7] At nominal value.

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.

No. 12 **Maturity Structure of Fixed Rate Borrowing**	**£**	**%**	**Lower Limit**	**Upper Limit**
Under 12 months	77,083	5.17%	0%	100%
12 months and within 24 months	75,733	5.08%	0%	100%
24 months and within 5 years	182,640	12.24%	0%	100%
5 years and within 10 years	304,400	20.40%	0%	100%
10 years and within 20 years	608,800	40.80%	0%	100%
20 years and within 30 years	243,520	16.32%	0%	100%
30 years and within 40 years	0	0.00%	0%	100%
40 years and within 50 years	0	0.00%	0%	100%
50 years and above	0	0.00%	0%	100%
Total	**£1,492,176**			

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.

No 13 **Upper Limit for total principal sums invested over 364 days**	**2015/16** **Original** **£m**	**2015/16** **Approved** **£m**	**2015/16** **Revised** **£m**	**2016/17** **Original** **£m**	**2017/18** **Original** **£m**	**2018/19** **Original** **£m**	**2019/20** **Original** **£m**
Upper Limit	**£2.300**	**£2.300**	**£2.300**	**£3.500**	**£2.500**	**£2.500**	**£2.500**

Borrowcop Lane Area Supplementary Planning Document (SPD)

Cabinet Member: Councillor I. Pritchard

Date:	8th February, 2016
Agenda Item:	7
Contact Officer:	Craig Jordan
Tel Number:	01543 308202
	Craig.jordan@lichfielddc.gov.uk
Key Decision?	**NO**
Local Ward Members	

Lichfield district council
www.lichfielddc.gov.uk

Cabinet

1. Executive Summary

1.1 The Borrowcop Lane Area Supplementary Planning Document (SPD) is out of date and should be withdrawn.

2. Recommendations

2.1 The Committee agrees to the withdrawal of the Borrowcop Lane Area SPD.

3. Background

3.1 Within the adopted Local Plan a number of new SPD's were deemed necessary in order to compliment a number of the new policies. A number of these new SPD's have already been considered by this Committee and some are still being prepared. As part of the finalising of the Local Plan Strategy it is therefore necessary to review the adopted supplementary planning documents which remain. Many of the previously adopted SPD's have been withdrawn as they have been replaced such as the reuse of rural buildings SPD which was withdrawn as part of the adoption of the rural development SPD. The only remaining SPD which has not currently been withdrawn or reviewed is the Borrowcop Lane Area SPD. The Borrowcop Lane Area SPD is out of date as it is aligned with the superseded Local Plan policies and national guidance. It is therefore recommended to withdraw it.

3.2 The withdrawal of the SPD was considered at Economic Growth, Environment and Development Committee on 27th January, 2015, where it was agreed the SPD be formally withdrawn by the Council.

Alternative Options	1. The adopted SPD is withdrawn and its contents reviewed to form local policy guidance/ evidence. Little weight could be afforded to such a document for the purposes of decision taking.
Consultation	1. The Regulations require the authority to place on the website a notice advising of the withdrawal of the SPD and to notify those who made representations of the withdrawal of the document.
Financial Implications	1. Risk of mis-advised decision taking if the document is not withdrawn.
Contribution to the Delivery of the	1. None.

Strategic Plan	
Equality, Diversity and Human Rights Implications	1. The extensive consultation procedures provided for by the Planning and Compulsory Purchase Act 2004 cover human rights matters.
Crime & Safety Issues	1. None.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	The adopted SPD is not updated and would continue to not provide the necessary guidance to assist in the preparation of policy and decision making.	Withdraw the SPD	Red

Background documents: Borrowcop Lane Area Supplementary Planning Document, Local Development Scheme

Relevant web links: Local Development Scheme 2015

Procurement of Contract Hire Vehicles for the Joint Waste Service

Cabinet Member for Finance and Democracy and Cabinet Member for Waste Management

Lichfield district council
www.lichfielddc.gov.uk

Date:	9 February 2016
Agenda Item:	
Contact Officer:	Jane Kitchen
Tel Number:	01543 308770
Email:	Jane.kitchen@lichfielddc.gov.uk
Key Decision?	**YES**
Local Ward Members	**Full Council**

CABINET

In accordance with Section 100B (4)(b) of the Local Government Act 1972, the Chairman of Strategic (Overview & Scrutiny) Committee and the Chairman of Leisure, Parks and Waste Management (Overview & Scrutiny) Committee determined that this item be considered as a matter of urgency in view of the opportunity to reduce the annual contractual payment in relation to the procurement of contract hire vehicles for the Joint Waste Service. The decision is an urgent decision under Section 16 of the Access to Information Procedure Rules and is not subject to call-in in accordance with Section 15.3 of the Overview and Scrutiny Procedure Rules.

1. Executive Summary

1.1 Cabinet approved on 7 April 2015 the procurement of a replacement vehicle fleet for the Joint Waste Service using a Contract Hire arrangement.

1.2 As part of the negotiations with the preferred supplier, the supplier has indicated that they would be prepared to reduce the annual contractual payment should the Council agree to pay the amount due in advance.

1.3 This report seeks approval to make annual in advance payments to the supplier of the new Joint Waste Fleet contract commencing on 10 February 2016. This would net a considerable saving to both Lichfield District and Tamworth Borough Councils over the period of the new contract.

2. Recommendations

2.1 It is recommended that Cabinet approve:

- Annual in advance payments for the new Joint Waste Contract Hire arrangement commencing on 1 April 2016.

3. Background

3.1 Cabinet approved a report on 7 April 2015 related to the Procurement of Contract Hire Vehicles for the Joint Waste Service. In line with this decision, the Council has procured a new Fleet for the Joint Waste Service selecting the most economically advantageous tender.

3.2 As part of the negotiations with the preferred supplier, the supplier has indicated that they would be prepared to reduce the annual contractual payment should the Council agree to pay the amount due in advance rather than on a monthly in arrears basis. The saving would be marginally reduced by a loss of investment income.

3.3 The Council is due to take delivery of 16 vehicles on 10 February 2016 and the net saving over the six year contract for both Lichfield and Tamworth would be £125,000. A further 6 vehicles are due to be delivered between April and September 2016, and this will increase the saving. Lichfield's share of this saving would be £72,000 over the contract period or £12,000 each year.

3.4 The £72,000 is not currently included in the Council's approved or recommended Medium Term Financial Strategy due to negotiations only very recently being concluded. As the saving exceeds the Council's key decision limit of £50,000, Cabinet approval is needed to agree the payment in advance principle with the Supplier.

Alternative Options	Payment monthly in arrears with no financial savings.

Consultation	Consultation has been undertaken with the Chairman of the Strategic and Leisure and Parks and Waste Management Overview and Scrutiny Committees.

Financial Implications	Paying annual in advance over a six year period will save Lichfield District Council £12,000 per annum or £72,000 over the contract period.

Contribution to the Delivery of the Strategic Plan	The new fleet will contribute to the promotion of a cleaner and greener environment.

Equality, Diversity and Human Rights Implications	There are no additional Equality and Diversity or Human Rights Implications.

Crime & Safety Issues	There are no additional Crime and Safety Issues.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Fleet Supplier becomes bankrupt.	There were rigorous financial checks made at tender evaluation, Supplier owned by multi National group.	Green

Background documents

Cabinet approval on 7 April 2015 for the Procurement of Contract Hire Vehicles for the Joint Waste Service.

Relevant web links