Public Document Pack

LICHFIELD DISTRICT COUNCIL

DIANE TILLEY BSc., MRICS
Chief Executive
Tel (01543) 308001

District Council House
Frog Lane
Lichfield
WS13 6YY

11 February 2019

To: Members of the Lichfield District Council

In accordance with Paragraph 4(2) of Part 1 of Schedule 12 to the Local Government Act 1972, you are hereby summoned to attend the meeting of the Lichfield District Council which will be held in the Council Chamber, District Council House, Frog Lane Lichfield on **TUESDAY, 19 FEBRUARY 2019** at **6.00 pm.**

Prayers will be said by Reverend L Collins.

Access to the Council Chamber is via the Members' Entrance or the main door to the vestibule.

Chief Executive

A G E N D A

5. Report of the Leader of the Council on Cabinet Decisions from the Meetings held on 15 January and 12 February (to follow) and Cabinet Member Decisions (grey enclosure)
   Pages 3 - 6

10. The Chairmen indicated below to move that the proceedings of the following committees be received and, where necessary, approved and adopted

Committee	2018/2019	Pages	Chairman
Planning	17 December		T. Marshall
Planning	14 January		T. Marshall
Regulatory & Licensing	5 February		B. W. Yeates
Audit & Member Standards	6 February		M. C. Tittley
Employment	7 February		Mrs M. G. Boyle
Planning	11 February	7 - 8	T. Marshall

11. Medium Term Financial Strategy

    To agree the Medium Term Financial Strategy (Revenue and Capital) 2018-23 (Pages 9 – 66) and the Council Tax Resolution 2019-20 (Pages 67 - 74)

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FOR COUNCIL
19 FEBRUARY 2019
(GREY ENCLOSURE)

REPORT OF THE LEADER OF THE COUNCIL

CABINET DECISIONS – 12 FEBRUARY 2019

5. Adoption of Revised CCTV Code of Practice

5.1 The Cabinet approved the CCTV Code of Practice.

6. Money Matters: 2018/19 Review of Financial Performance against the Financial Strategy

The Cabinet:

6.1 Noted the report and issues raised within, and that Leadership Team with Cabinet Members will continue to closely monitor and manage the Medium Term Financial Strategy 2017-22

6.2 Approved an update to the Capital Programme expenditure budget for Disabled Facilities Grants in 2018/19 to £1,193,000**,** funded by £22,000 of council resources, £100,000 from Housing Grant Monies, £906,000 of Better Care Fund (BCF) and £165,000 of MHCLG Grant.

6.3 Delegated to the Cabinet Member for Finance and Democratic Services and the Cabinet Member for Regulatory Services, Housing & Wellbeing to update the Capital Programme expenditure budget for Disabled Facilities Grants to reflect any further receipt of external grant.

6.4 Approved an update to the Capital Programme expenditure budget for City Centre Strategy and Interpretation in 2018/19 to £23,500, funded by £1,000 of council resources, £1,500 of Section 106, £7,000 from city centre sinking fund and £14,000 contribution from Lichfield City Council.

6.5 Noted the successful net claim for repayment of leisure VAT of (£896,940) for the Council from HMRC with this sum recommended to be transferred to an earmarked reserve pending a decision on its use.

7. Medium Term Financial Strategy (Revenue and Capital) 2018-23

The Cabinet recommended to Council for approval:

7.1 The 2019/20 Revenue Budget, including the Amount to be met from Government Grants and Local Taxpayers of £11,371,400 and a proposed level of Council Tax (the District Council element) for 2019/20 of £175.07 (an increase of £5.08 or 2.99%) for a Band D equivalent property.

7.2 The Medium Term Financial Strategy 2018-23 (MTFS 2018-23) Revenue Budgets set out in Appendix A of the Cabinet report including the results of the Budget Consultation.

7.3 The MTFS 2018-23 Capital Strategy and Capital Programme (Appendices B & C of the Cabinet report).

7.4 The Minimum Revenue Provision Statement 2019/20, at Appendix D of the Cabinet report, which sets out the Council's policy of using the asset life method as the basis for making prudent provision for debt redemption.

7.5 Treasury Management Strategy Statement for 2019/20 including proposed changes (Appendix E of the Cabinet report).

7.6 The Investment Strategy Report (Appendix F of the Cabinet report) including the proposed limits for 2019/20.

7.7 The Capital and Treasury Prudential Indicators for 2018-23 in the financial implications section of the Cabinet report.

7.8 The Authorised Limit Prudential Indicator shown within the financial implications section of the Cabinet report.

7.9 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 G of the Cabinet report.

8. Fradley Neighbourhood Plan Final Decision Statement

The Cabinet:

8.1 Noted the results of the referendum for the Fradley Neighbourhood Plan.

8.2 Agreed to the making of the Fradley Neighbourhood Plan and that this decision be reported to Full Council.

9. Transfer of Public Open Space to Armitage with Handsacre Parish Council

The Cabinet:

9.1 Agreed to the transfer of District Council assets in the Parish of Armitage with Handsacre to the parish council.

9.2 Agreed that covenants are placed on the land to protect the council's financial position from future sale and or development of the sites, in particular where an asset has a potential capital receipt value.

9.3 Agreed that the S106 Agreement Commuted Sum of £185,913 and all its obligations for its intended use of the management and maintenance of Hawksyard play area, be transferred to the parish council.

9.4 Acknowledged that a license to operate at the war memorial car park has been granted to support the parish council's ambitions of improvement works to the War Memorial.

MICHAEL J WILCOX
LEADER OF THE COUNCIL

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PLANNING COMMITTEE

11 FEBRUARY 2019

PRESENT:

Councillors Marshall (Chairman), Powell (Vice-Chair), Mrs Baker, Bamborough, Cox, Mrs Evans, Matthews, Pritchard, Mrs Stanhope MBE and A Yeates

5 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Mrs Bacon, Councillor Mrs Barnett and Drinkwater.

6 DECLARATIONS OF INTEREST

There were no Declarations of Interests.

7 MINUTES OF PREVIOUS MEETING

The Minutes of the Meeting held on 14 January 2019 previously circulated were taken as read, approved as a correct record and signed by the Chairman.

8 PLANNING APPLICATIONS

Applications for permission for development were considered with the recommendations of the Director of Place and Community and any letters of representation and petitions of observations/representations received since the publication of the agenda in association with Planning Applications 18/01781/FUL and 18/01782/FUL

18/01781/FUL – Demolition of existing bungalow and erection of 1 no. replacement dormer bungalow (Plot 3)
1 Hood Lane, Armitage
For PIA Housing Limited

> **RESOLVED:** That subject to the owners/applicants first entering into a Unilateral Undertaking for a financial contribution to mitigate the impact on the Cannock Chase Special Area of Conservation, then planning permission be approved subject to conditions contained in the report of the Director of Place and Community and an additional condition to remove permitted development rights to read as follows:
>
> 12. Notwithstanding the provisions of Schedule 2, Part 1 Classes A-E of the Town and Country Planning (General Permitted Development) Order 2015 (or any Order revoking, re-enacting or modifying that Order) no extensions, porches, or outbuildings, shall be constructed without the prior grant of planning permission by the Local Planning Authority.
>
> Reason:
>
> 12. To prevent the over-development of the site and safeguard the amenity of existing, neighbouring and/or future occupants of the development hereby approved, in

accordance with Core Policy 3 and Policy BE1 of the Local Plan Strategy, the Sustainable Design SPD and the National Planning Policy Framework.

(PRIOR TO CONSIDERATION OF THE APPLICATION REPRESENTATIONS WERE MADE BY MR ROB DUNCAN (ON BEHALF OF THE APPLICANT)).

18/01782/FUL – Erection of 1no detached three bedroom dwellinghouse
1 Hood Lane, Armitage
For PIA Housing Limited

RESOLVED: That subject to the owners/applicants first entering into a Unilateral Undertaking for a financial contribution to mitigate the impact on the Cannock Chase Special Area of Conservation, then planning permission be approved subject to conditions contained in the report of the Director of Place and Community.

(PRIOR TO CONSIDERATION OF THE APPLICATION REPRESENTATIONS WERE MADE BY MR ROB DUNCAN (ON BEHALF OF THE APPLICANT)).

9 CONFIRMATION OF TREE PRESERVATION ORDER 423-2018 AT 81 HINTS ROAD, HOPWAS, TAMWORTH, STAFFORDSHIRE. B78 3AB

RESOLVED: That the Planning Committee confirm the Tree Preservation Order without modification.

(PRIOR TO CONSIDERATION OF THE APPLICATION REPRESENTATIONS WERE MADE BY MR WAUGH (OBJECTOR)).

10 PLANNING APPLICATION LOCAL VALIDATION GUIDANCE UPDATE

Mr Jon Allinson presented the Planning Application Local Validation Requirements document which had recently been reviewed, as required every two years. This document sets out the requirements for a valid planning application and discussion took place around the contents. Mr Allinson explained that there had been very minor amendments made to the document which were updated telephone numbers, web addresses and policy references. As the changes were minor a full consultation process was not required.

Comments were made by some members about the importance of assessing applications in accordance with local and national policy, including the importance of design considerations. Also, comments were made about the future requirements of certain documents that should be included when this document is to be fully reviewed.

RESOLVED: That the Planning Committee approve the revised Local Validation Guidance and approve its adoption for publication on the Council website with immediate effect.

(The Meeting closed at 7.15 pm)

CHAIRMAN

Medium Term Financial Strategy (Revenue and Capital) 2018-2023 (MTFS)

Report of the Cabinet Member for Finance and Democratic Services

Lichfield district council
www.lichfielddc.gov.uk

Date:	19 February 2019
Agenda Item:	11a
Contact Officer:	Diane Tilley / Anthony Thomas
Tel Number:	01543 308001 / 01543 308012
Email:	Diane.tilley@lichfielddc.gov.uk Anthony.thomas@lichfielddc.gov.uk
Key Decision?	**YES**
Local Ward Members	Full Council

Council

1. Executive Summary

The Medium Term Financial Strategy (MTFS)

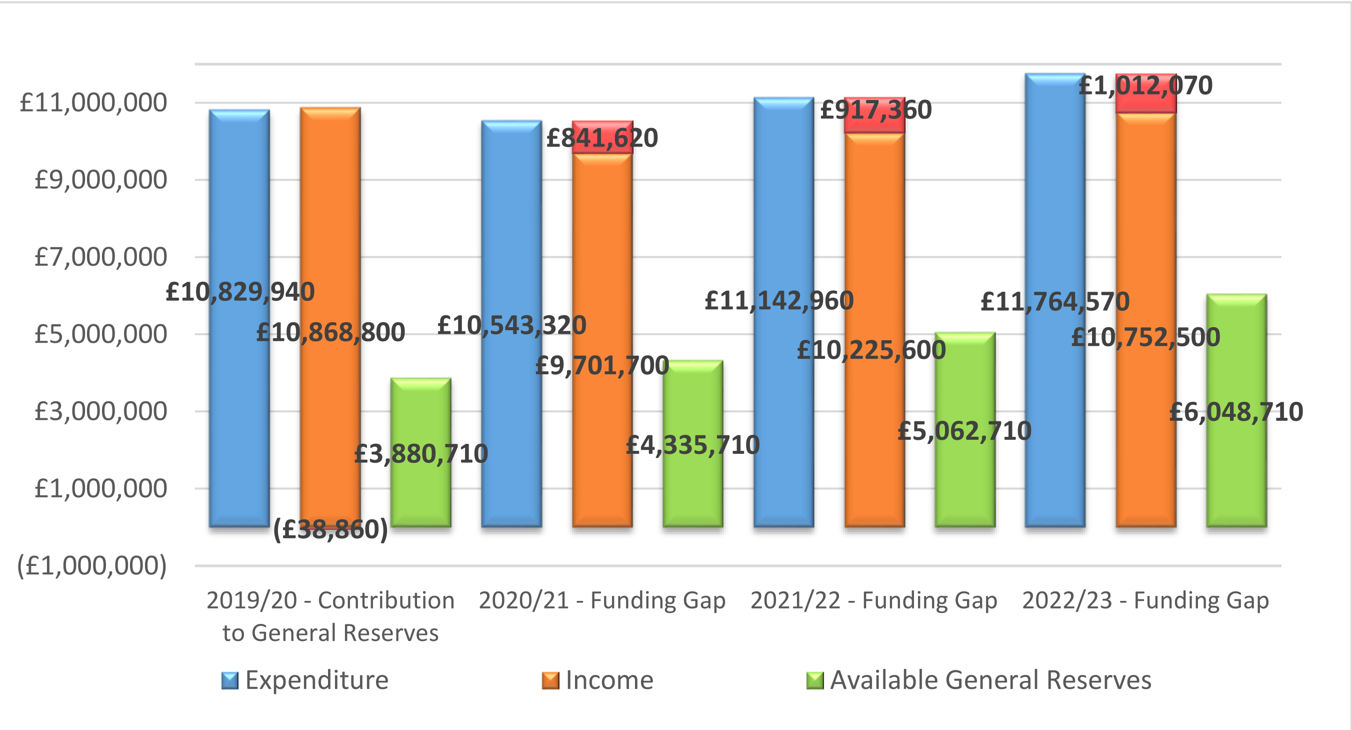
1.1 The ability to deliver the outcomes set out in the **Lichfield District Council Strategic Plan 2016-20** and beyond is dependent on the resources available in the MTFS.

1.2 The Council has a statutory duty to set a balanced budget and to calculate the level of Council Tax for its area. The Chief Financial Officer (CFO) has a statutory duty to ensure the figures provided for estimating and financial planning are robust and will stand up to Audit scrutiny.

1.3 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 and this report forms part of the MTFS.

The Revenue Budget

1.4 The Revenue Budget with a transfer to general reserves in 2019/20 and Funding Gaps (shown in red in the graph below) in later years is shown in detail at **APPENDIX A** and in summary below:



1.5 The Council is legally required to balance the budget in the first year (2019/20) of the MTFS and to set out its proposals to balance the further financial years - 2020/21, 2021/22 and 2022/23.

1.6 The MTFS proposes a transfer to General Reserves of **£38,860** plus **£110,000** of New Homes Bonus in excess of the 'cap' for 2019/20 and in later years a projected Funding Gap has been identified. The Council would have **£3,880,710** of general reserves available (after taking account of the Minimum Level of Reserves) after this contribution to assist with balancing the budget in future years, if needed.

1.7 The Council will need to make savings or achieve additional income to close the Funding Gap by 2022/23.

Treasury Management, the Capital Strategy and the Capital Programme

1.8 The Treasury Management Strategy Statement incorporates the Annual Investment Strategy and it covers the financing and investment strategy for the forthcoming financial year.

1.9 The purpose of this paper is, therefore, to review:

- The Capital Strategy and Capital Programme, outlined in **APPENDICES B** & **C.**
- Minimum Revenue Provision Statement 2019/20 **(APPENDIX D).**
- Treasury Management Strategy Statement for 2019/20 **(APPENDIX E).**
- Treasury Investments and their Limits **(APPENDIX E)**.
- The Investment Strategy Report for 2019/20 (**APPENDIX F**) as required under Statutory Guidance in January 2018.
- The Capital and Treasury Prudential Indicators 2018-23 in the financial implications section.

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

The CFO's Report on the Robustness of the Budget and the Adequacy of Reserves

1.11 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 **(APPENDIX G)**.

2. Recommendations

That Council approve:

2.1 The 2019/20 Revenue Budget, including the Amount to be met from Government Grants and Local Taxpayers of **£11,371,400** and a proposed level of Council Tax (the District Council element) for 2019/20 of **£175.07** (an increase of **£5.08** or **2.99%**) for a Band D equivalent property.

2.2 The MTFS 2018-23 Revenue Budgets set out in **APPENDIX A** including the results of the Budget Consultation.

2.3 The MTFS 2018-23 Capital Strategy and Capital Programme **(APPENDICES B & C)**.

2.4 The Minimum Revenue Provision Statement 2019/20, at **APPENDIX D**, which sets out the Council's policy of using the asset life method as the basis for making prudent provision for debt redemption.

2.5 Treasury Management Strategy Statement for 2019/20 including proposed changes (**APPENDIX E)**.

2.6 The Investment Strategy Report (**APPENDIX F**) including the proposed limits for 2019/20.

2.7 The Capital and Treasury Prudential Indicators for 2018-23 in the financial implications section.

2.8 The Authorised Limit Prudential Indicator shown within the financial implications section.

2.9 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 G**.

3. Background

The Revenue Budget

Inflation

3.1. The key inflation based assumptions (including the Past Service element of employer Pensions assessed by the Pension Fund Actuary for the period 1 April 2017 until 31 March 2020 with a new valuation from 1 April 2020) are shown below:

Key Assumptions	**Financial Year**				
	2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Pay Award **(from 2020/21 was 1%)**	2.00%	2.00%	**2.00%**	**2.00%**	**2.00%**
Employer's National Insurance Rate (average)	9.13%	9.26%	9.34%	9.44%	9.53%
Employer's Pension (%)	16.20%	16.20%	16.20%	16.20%	16.20%
Employer's Pension (Actuary Past Service Element)	£664,270	£777,270	£921,270	£1,066,270	£1,211,270
Employer's Pension (Other)	£170,980	£169,220	£172,560	£176,000	£179,540
Non Contractual Inflation	2.00%	2.00%	2.00%	2.00%	2.00%
Base Rate (for borrowing and investment)	0.75%	0.75%	0.75%	0.75%	0.75%
Investment Returns	0.87%	1.07%	1.06%	1.08%	1.08%

3.2. The inflationary impact contained in the Medium Term Financial Strategy compared to the approved Medium Term Financial Strategy is shown below:

Inflation by Type		**2019/20**	**2020/21**	**2021/22**	**2022/23**
Pay - award			104,600	211,100	319,900
Pay - other		28,560	12,120	10,950	16,690
Premises:	Utilities & NDR Inflation	480	3,400	5,230	7,300
Transport		420	(630)	(1,740)	(840)
Services:	Supplies, Services, Third Party, Transfer	(7,110)	(13,940)	(15,140)	(20,860)
Expenditure Inflation		**22,350**	**105,550**	**210,400**	**322,190**
Fees & Charges Inflation (Waste & Building Control)		(12,430)	(21,260)	(31,720)	(42,270)
Total Change in Inflation		**£9,920**	**£84,290**	**£178,680**	**£279,920**

Budget Variations

3.3. The budget variations, identified by Heads of Service and through detailed review of the base budgets, compared to the approved Medium Term Financial Strategy are:

Base Budget Variations by Type	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Increments / NI / Pension and NLW Differentials	61,650	50,090	60,670	65,900
Payroll Contract	10,000	10,000	12,000	12,000
Communications Review	5,000	5,000	5,000	5,000
Terms and Conditions Review	20,000	20,000	(12,000)	(8,000)
Website Replacement	17,500	17,500	17,500	17,500
Building Control Shared Service Expansion	(47,430)	(51,320)	(55,280)	(59,330)
Money Matters six months recurring savings	(5,250)	(5,250)	(5,250)	(5,250)
Money Matters eight months recurring savings	(22,000)	(22,000)	(22,000)	(22,000)
Net Treasury Position	(65,500)	(63,500)	(35,500)	(29,500)
Corporate Earmarked Reserve Changes	1,244,560	(57,120)	(770)	59,230
All Other	11,360	3,750	2,750	(8,250)
Total Variations	**£1,229,890**	**(£92,850)**	**(£32,880)**	**£27,300**

The Provisional Finance Settlement for 2019/20 and a Summary of the Revenue Budget

3.4. The elements of the Provisional Finance Settlement for 2019/20 received on 13 December 2018, relevant to this Council, have been included:

- The removal of Negative Revenue Support Grant for 2019/20 – **reducing the funding gap** by **£453,000**.
- Additional New Homes Bonus for 2019/20 of **£468,000** (£1,278,000 compared to the Budget of £810,000) – **this is proposed to be used to part fund the loan to the Development Company**.
- Staffordshire and Stoke on Trent were one of 15 successful Business Rate Pilots for 2019/20 and this will result in an estimated **£568,000** of additional Business Rates income – **this is proposed to be set aside for economic growth / income generating activities.**
- Other additional grants for 2019/20 (receivable in 2018/19) – this will increase general reserves by **£37,000**.

3.5. However these financial benefits impact on 2019/20 only with the majority of key income streams (Business Rates, Fair Funding and New Homes Bonus) being reviewed from 2020/21.

3.6. The Provisional Finance Settlement for 2019/20 is better than projected and a number of changes have been made to the Funding Gap proposals presented to the Strategic (Overview and Scrutiny) Committee on 22 November 2018:

- The income from the Property Investment Strategy has an updated profile based on acquisitions commencing in 2019/20, rather than 2018/19, with the total being **£45m** rather than **£58m**.
- The projected procurement savings from the new arrangement with Wolverhampton MBC (1% per annum) have been reclassified to an amber deliverability rating (from red).
- The projected savings related to all proposals classified with a red deliverability rating have now been removed (although work will continue on their assessment).

3.7. The detailed Revenue Budget by Strategic Priority and Service Area is shown at **APPENDIX A** and below:

Revenue Budget	**Financial Year**				
	2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Approved Net Budget Requirement	**£10,454,390**	**£10,641,070**	**£10,750,040**	**£11,004,280**	**£11,286,850**
Provision for inflation	Included in the Net Budget Requirement	£9,920	£84,290	£178,680	£279,920
Budget variations		(£19,110)	(£92,850)	(£32,880)	£27,300
Transfers to corporate reserves		£1,359,000	£455,000	£727,000	£986,000
Capital Programme revenue implications		(£271,000)	(£272,000)	(£468,000)	(£615,000)
Funding gap proposals - Green		(£22,580)	(£22,850)	£48,860	£62,770
Funding gap proposals - Amber		(£364,760)	(£323,710)	(£280,380)	(£228,670)
Revised Net Budget Requirement	**£10,454,390**	**£11,332,540**	**£10,577,920**	**£11,177,560**	**£11,799,170**
Funding	(£11,096,960)	(£11,371,400)	(£9,736,300)	(£10,260,200)	(£10,787,100)
Funding Gap / (Transfer to General Reserves)	**(£642,570)**	**(£38,860)**	**£841,620**	**£917,360**	**£1,012,070**

3.8. The transfers to earmarked reserves are related to:

Transfers to corporate reserves	**Financial Year**				
	2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**
New Homes Bonus in excess of "cap"	Included in the Net Budget Requirement	£110,000	£455,000	£727,000	£986,000
New Homes Bonus (Property Company Loan)		£468,000	£0	£0	£0
Business Rates Pilot		£568,000	£0	£0	£0
Business Rates Collection Fund Surplus		£213,000	£0	£0	£0
Total transfer to Reserves	**£0**	**£1,359,000**	**£455,000**	**£727,000**	**£986,000**

3.9. The Council will still need to identify initiatives to close the projected funding gap from 2020/21 onwards.

The Capital Strategy

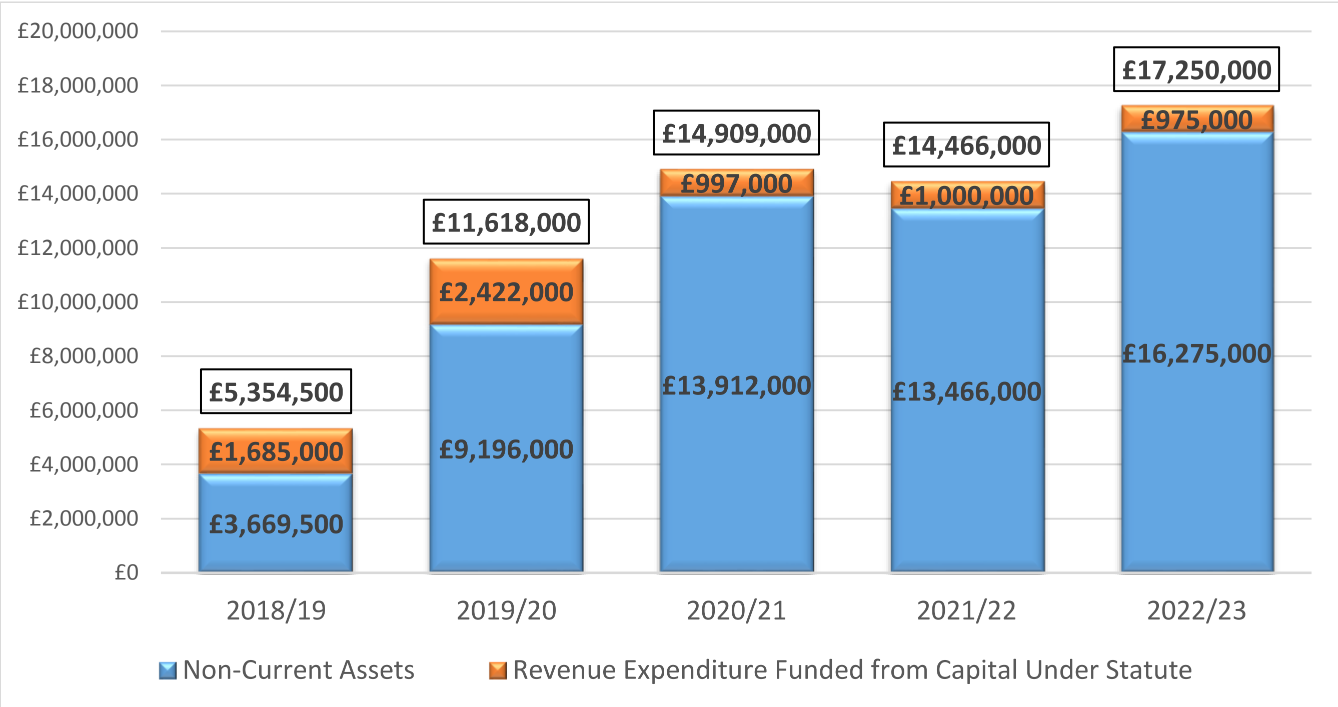
3.10 The Capital Strategy is shown at **APPENDIX B** and sets out the Council's framework for managing the Capital Programme including:

- **Capital expenditure**, including the approval process, long-term financing strategy, asset management, maintenance requirements, planned disposals and funding restrictions.
- **Debt and borrowing and treasury management**, including projections for the level of borrowing, capital financing requirement and liability benchmark, provision for the repayment of debt, the authorised limit and operational boundary for the coming year and the authority's approach to treasury management.
- **Commercial activities**, including due diligence processes, the authority's risk appetite, proportionality in respect of overall resources, requirements for independent and expert advice and scrutiny arrangements.
- **Other long-term liabilities**, such as financial guarantees.
- **Knowledge and skills**, including a summary of that available to the authority and its link to the authority's risk appetite.

3.11 The key risks associated with the Capital Strategy are principally related to the Property Investment Strategy and its funding given this is planned to be funded through borrowing. As the Council's Chief Financial Officer I have assessed the current overall risk as **a yellow or material level of risk**.

The Capital Programme

3.12 The Capital Programme (Revenue Expenditure Funded from Capital under Statute relates to projects such as Disabled Facilities Grants) is shown in detail at **APPENDIX C** and below:

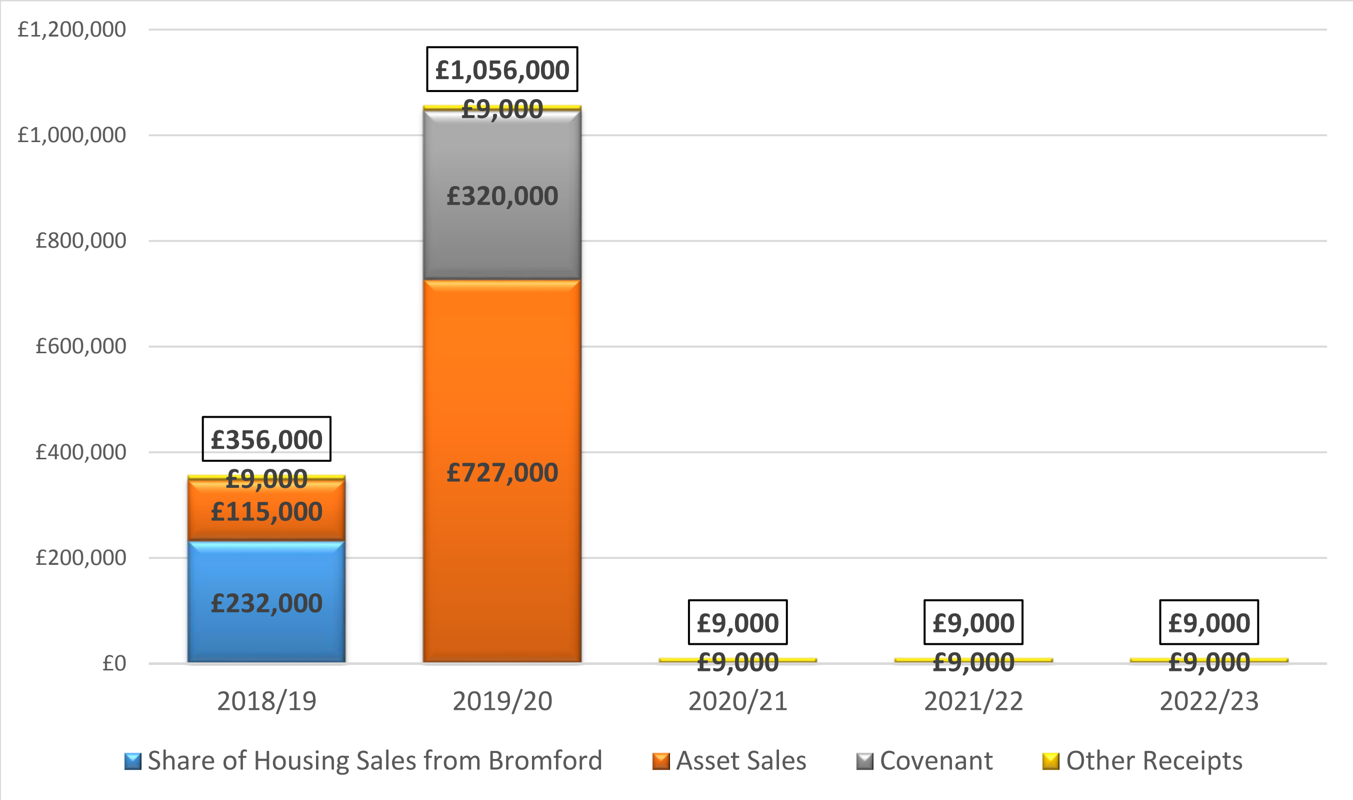


3.13 As an interim measure pending a detailed planning exercise to agree a longer term re-development plan for the Birmingham Road site, the District Council will shortly be seeking the necessary consents to carry out works to parts of the existing site. This scheme will allow the Council to address issues relating to some of the existing structures (former police station, bus station buildings and the bus station itself) and the quality of the environment and provide for a more presentable form of development within the townscape whilst more substantial and comprehensive plans are worked up.

3.14 The approved and recommended additional budgets for the Birmingham Road Site together with the Birmingham Road Site earmarked reserve are shown in detail at **APPENDIX C**.

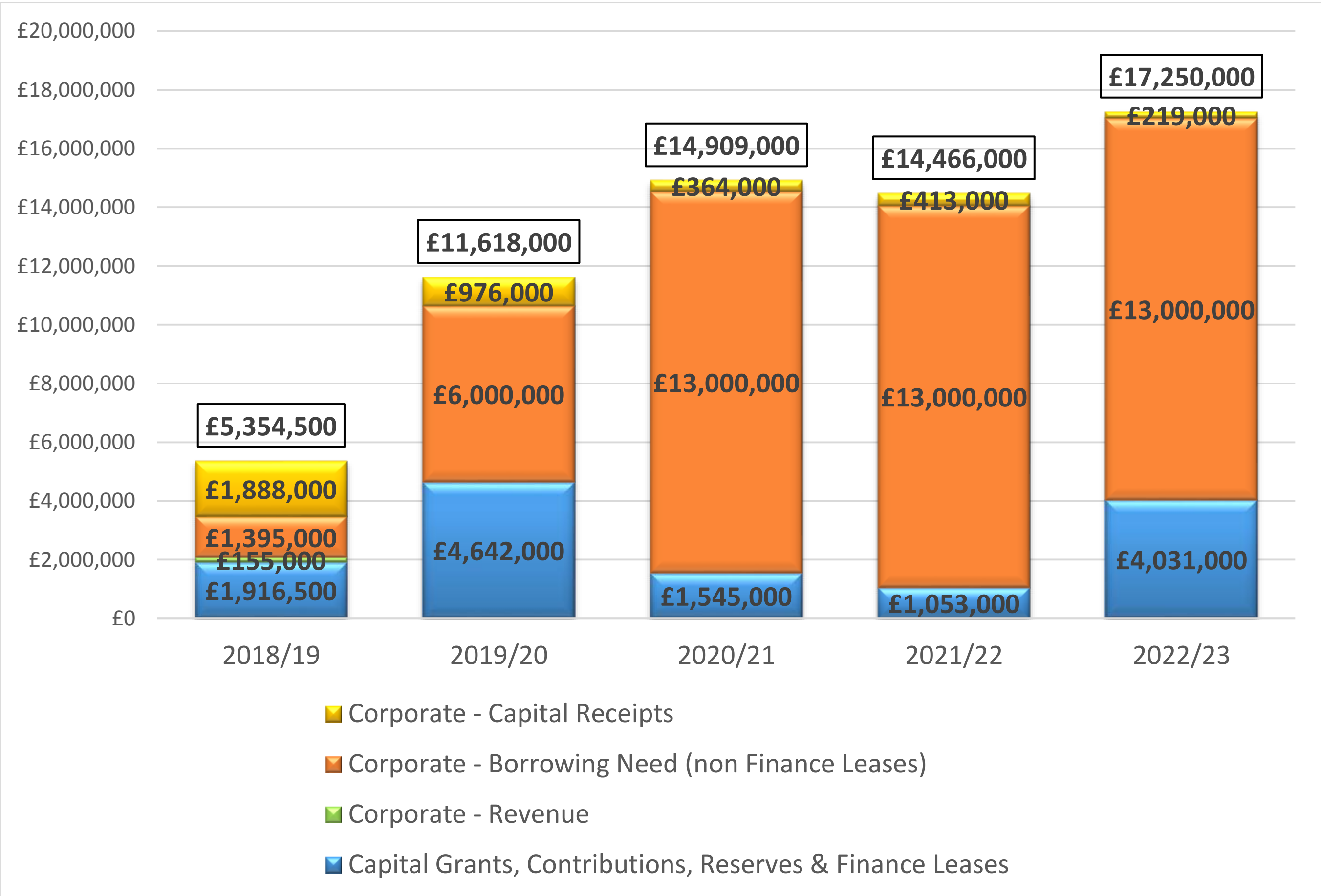
Capital Receipts

3.15 The projected Capital Receipts included in the MTFS are shown in the graph below:



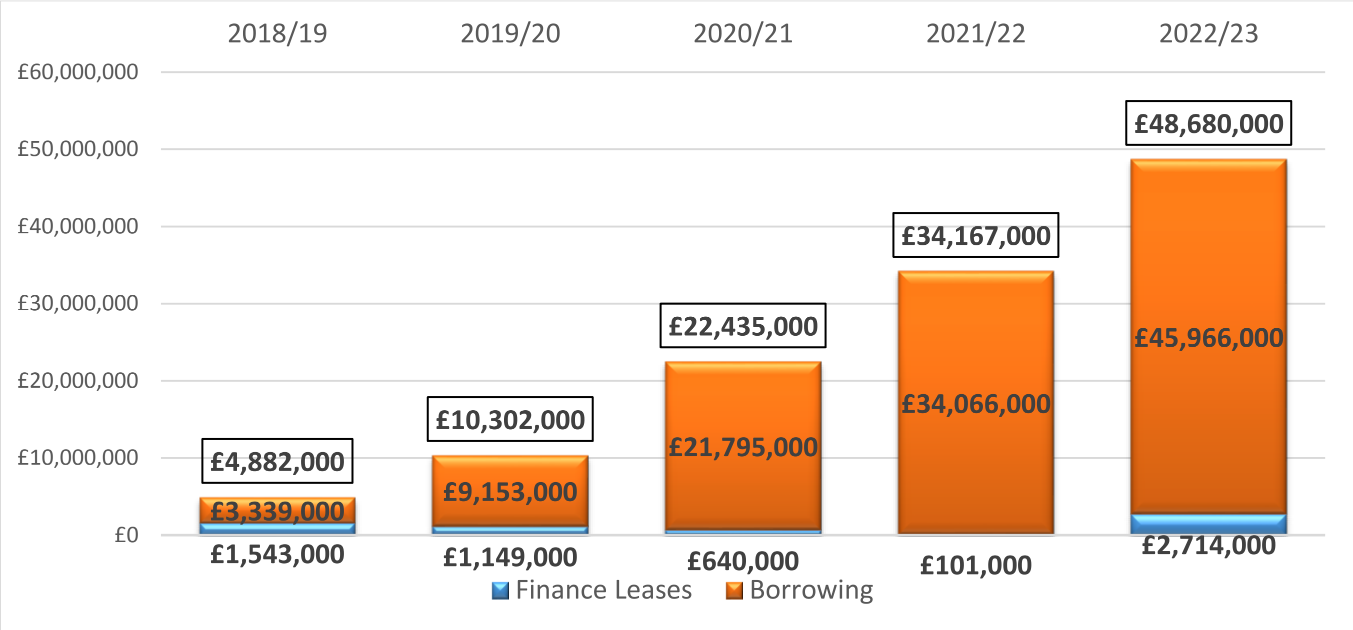
The Funding of the Capital Programme

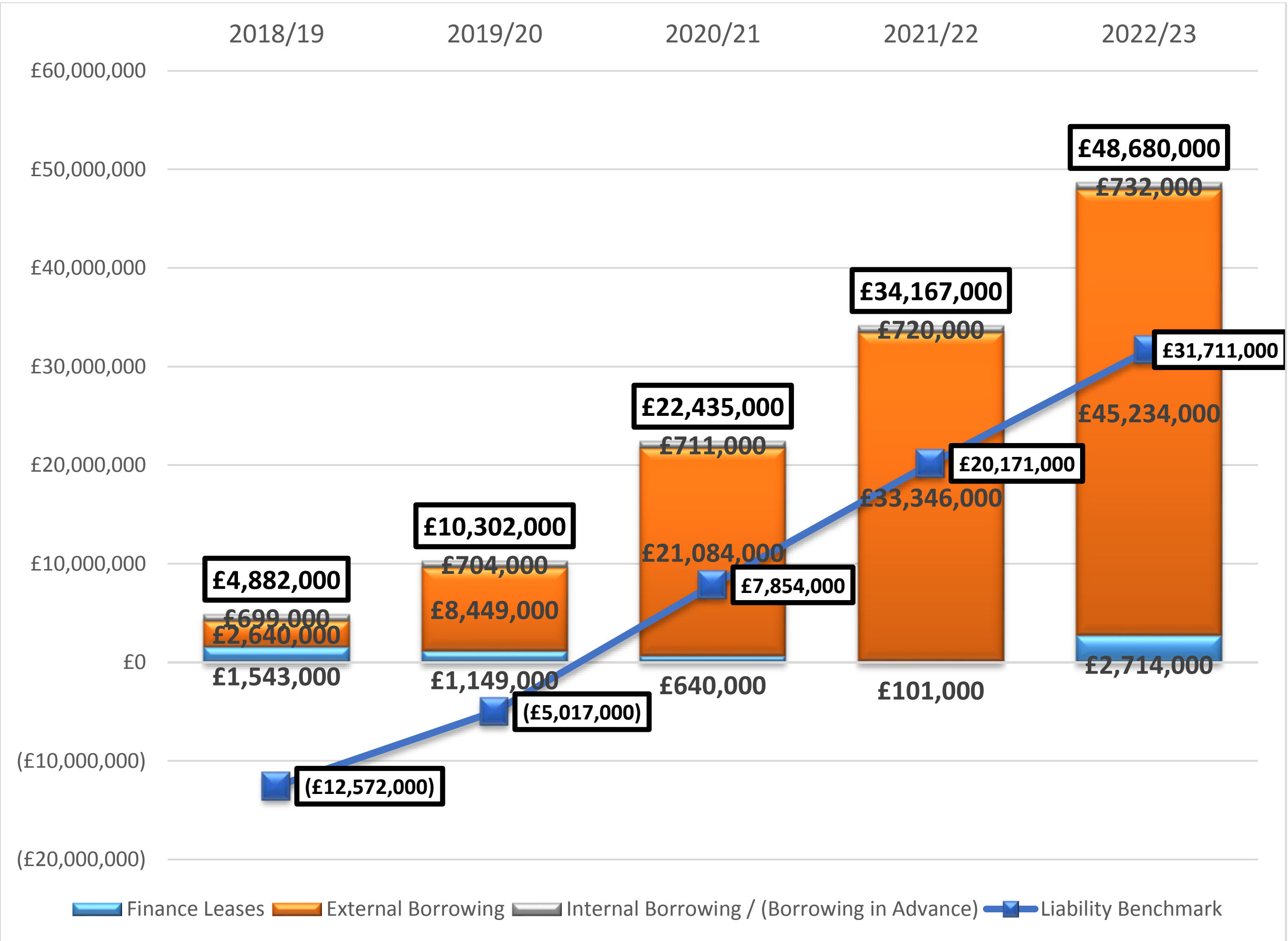
3.16 The funding of the Capital Programme including the element funded by the corporate sources of funding of revenue, borrowing and capital receipts is shown in detail at **APPENDIX C** and in summary below:



The Cumulative Borrowing Need and its Financing

3.17 The projected Cumulative Borrowing Need related to the Capital Programme and its financing from borrowing and finance leases is shown in detail at **APPENDIX C** and in summary below:



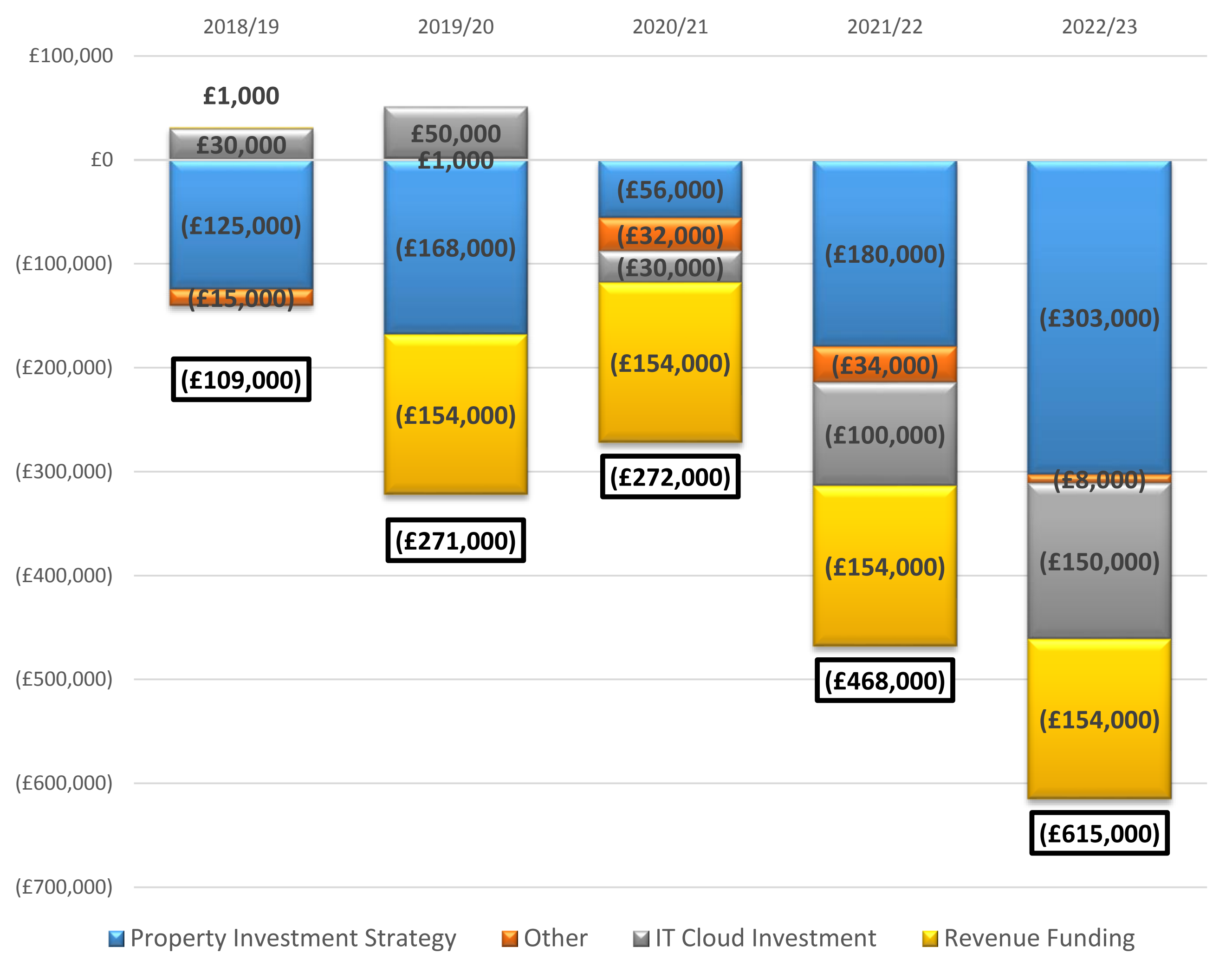


3.18 The **liability benchmark** is the lowest risk level of borrowing determined by keeping cash and investment balances to a minimum level at the end of each year (**£10m** in 2018/19) to maintain liquidity but minimise credit risk.

3.19 The chart above indicates that based on current Balance Sheet projections the Council can reduce external borrowing by circa **£12m** through the use of internal borrowing and this approach will be considered as part of the financing strategy.

Revenue Implications of the Capital Programme

3.20 The Revenue Implications of the Capital Programme (using a prudent approach to the net income for the Property Investment Strategy) compared to the Approved Budget are shown in detail at **APPENDIX B** and in summary below:



Treasury Management

3.21 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."

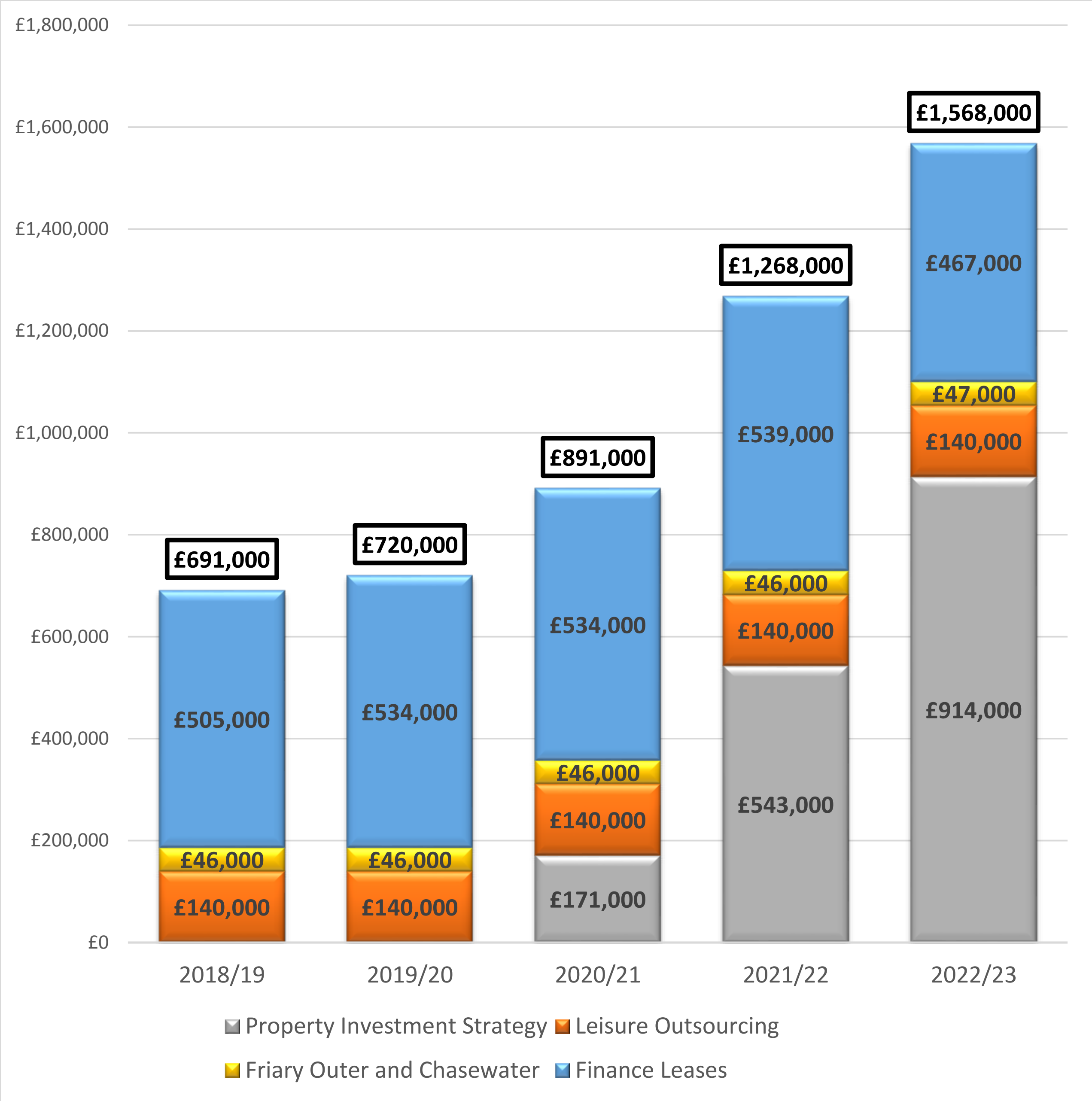
3.22 The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are an important and integral element of its treasury management activities. The main risks to the Council's treasury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

3.23 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.

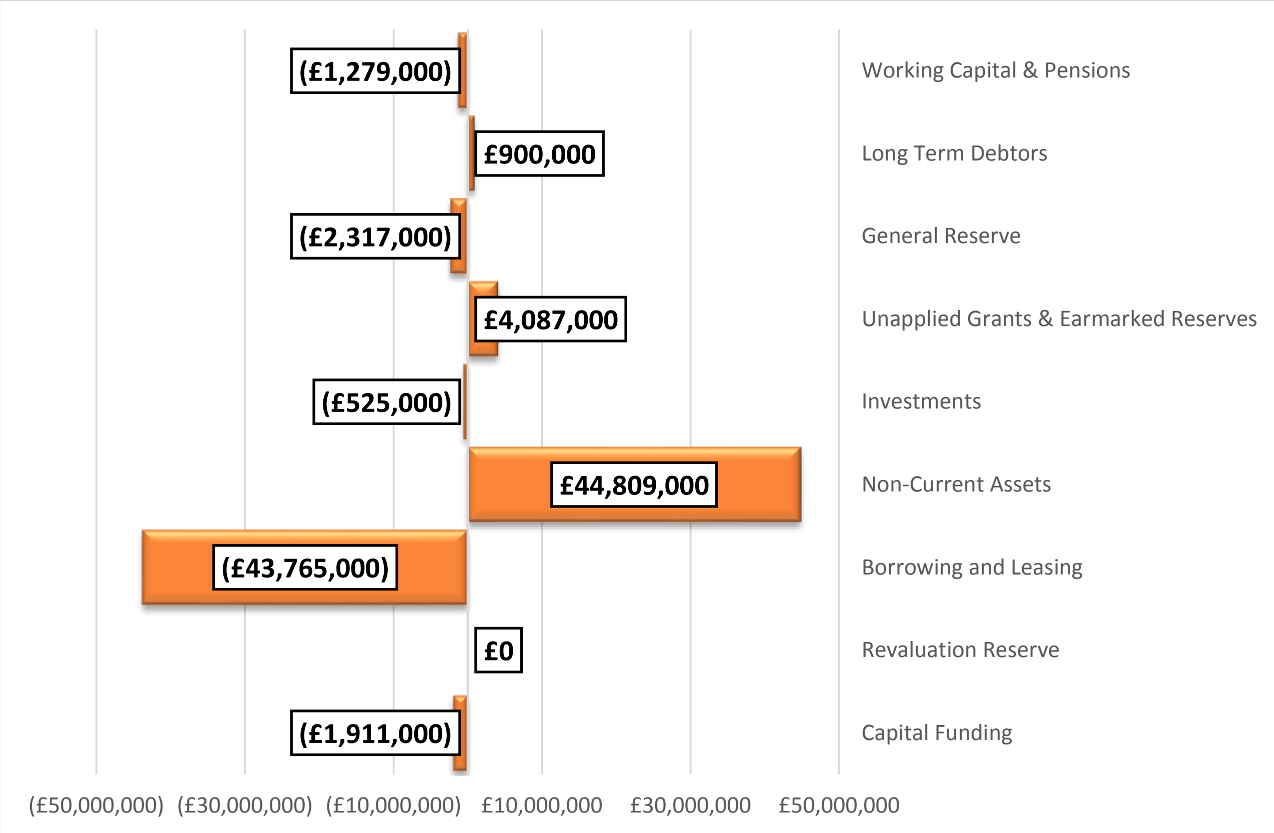
3.24 **Minimum Revenue Provision Statement 2019/20**

- The Council is required to make prudent provision for debt redemption (known as Minimum Revenue Provision (MRP)) and each year the Council must approve its MRP statement and this will include an allowance for finance leases that appear on the Council's Balance Sheet.
- As in previous years, the Council proposes to base its MRP on the estimated life of the asset **(APPENDIX D)**. The estimated MRP chargeable during the Medium Term Financial Strategy is shown below:



3.25 **Balance Sheet Projections**

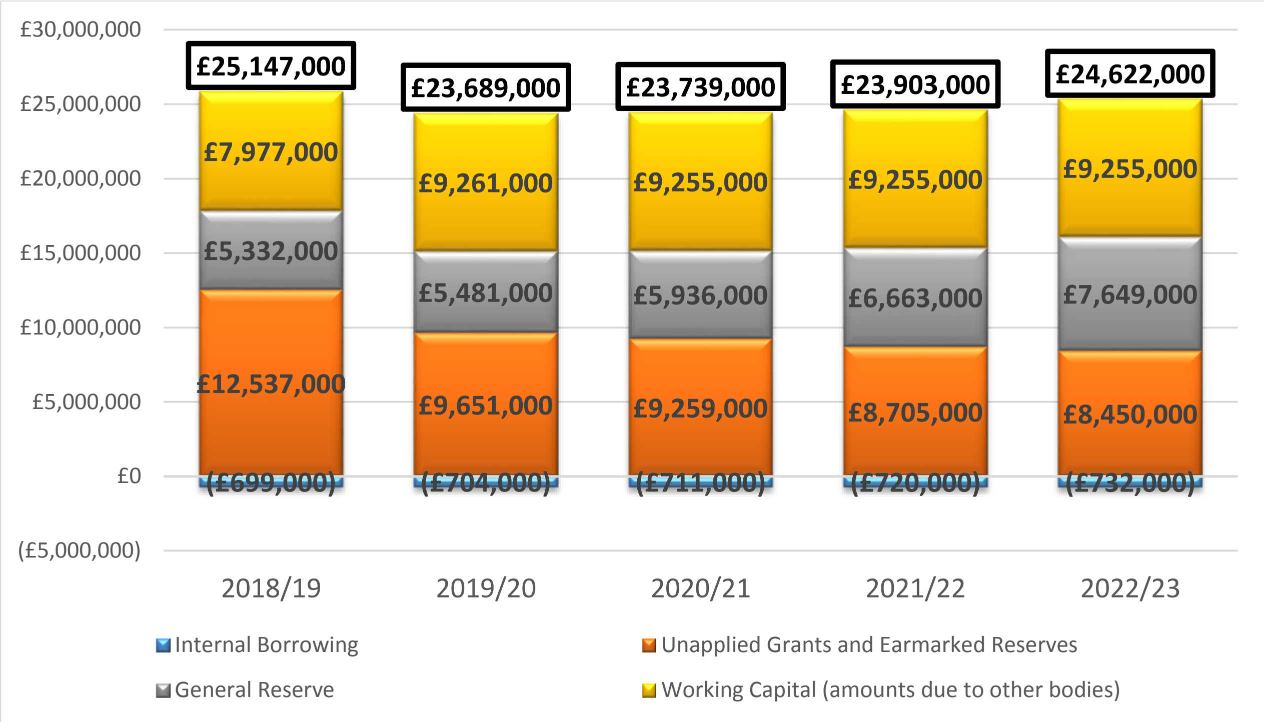
- We prepare integrated Revenue Budgets and a Capital Programme. These budgets together with the actual Balance Sheet from the previous financial year are used to also prepare Balance Sheet projections.
- These Balance Sheet projections (**APPENDIX E**) are significant in assessing the Council's Treasury Management Position in terms of borrowing requirement, investment levels and our Investment Strategy. The projected changes in the Balance Sheet over the Strategy period 2018/19 to 2022/23 are summarised below:



- The reasons for these projected changes are explained below:

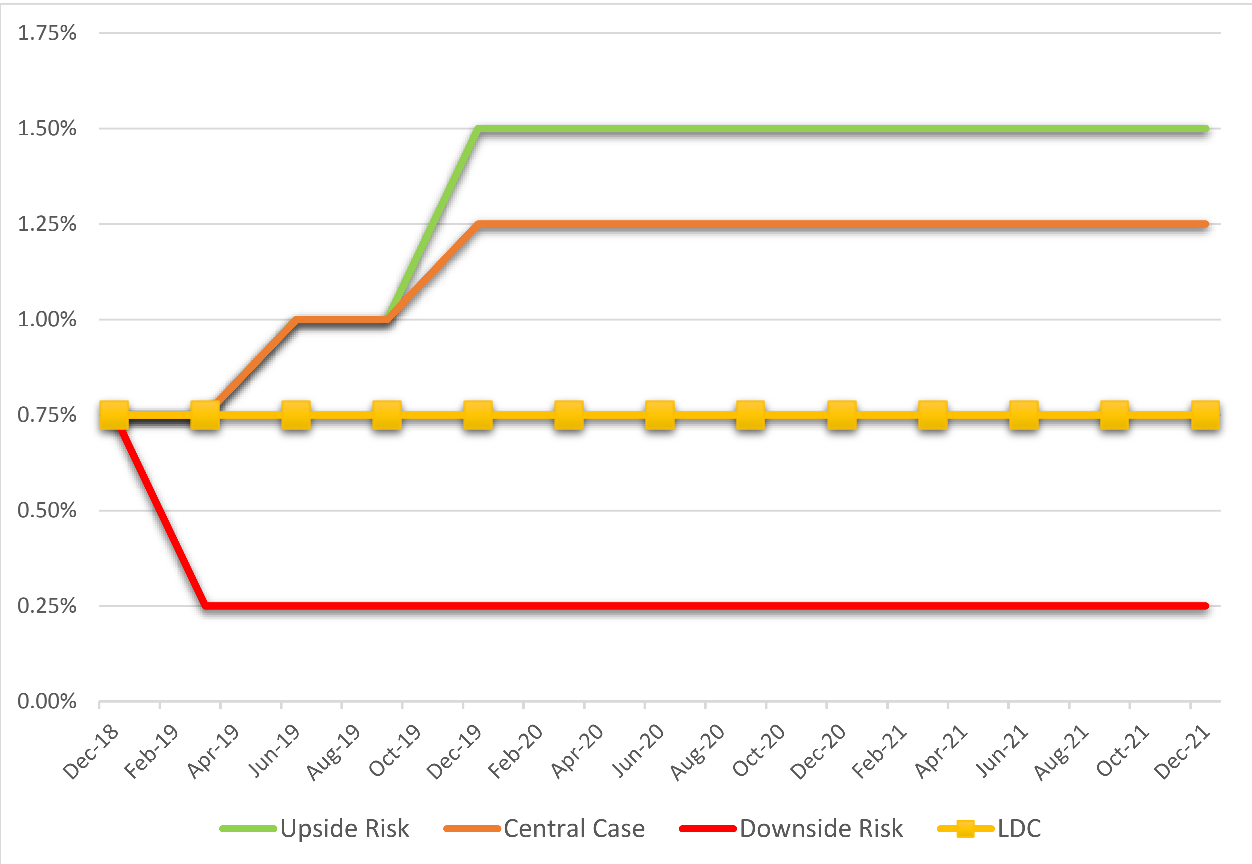
1. **Working Capital & Pensions** – no significant change is projected. However the Pension Fund Actuary will provide an up to date assessment at 31 March 2019 and a three year Pension Fund Revaluation will take place for 2020/21 to 2022/2023 and these both could result in material changes.
2. **Long Term Debtors** – Council agreed on 16 October 2018 a loan of up to **£900,000** to the Local Authority Company for a period of 5 years (repayment is assumed in 2023/24 as a capital receipt).
3. **General Reserve** – there will be an increase as a result of the contributions in 2018/19 and 2019/20 together with the transfer of projected New Homes Bonus in excess of the 'cap'.
4. **Unapplied Grants and Earmarked Reserves** - the value is projected to reduce as capital receipts, grants, contributions and reserves are used to fund the Capital Programme, are used to fund projects in the Revenue Budget and are paid to others.
5. **Investments** – the value is projected to reduce as capital receipts, grants, contributions and reserves are used to fund the Capital Programme.
6. **Non-Current Assets** – Non Current Assets will significantly increase with the delivery of the Property Investment Strategy.
7. **Borrowing and Leasing** – the capital investment in Non-Current Assets will predominantly be financed through an increase in external borrowing.
8. **Capital Funding** – this will increase as a result of the use of grants, contributions and capital receipts to fund capital investment.

- The Balance Sheet Projections (**APPENDIX E**) also show the projected year end investment levels and the sources of cash:



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

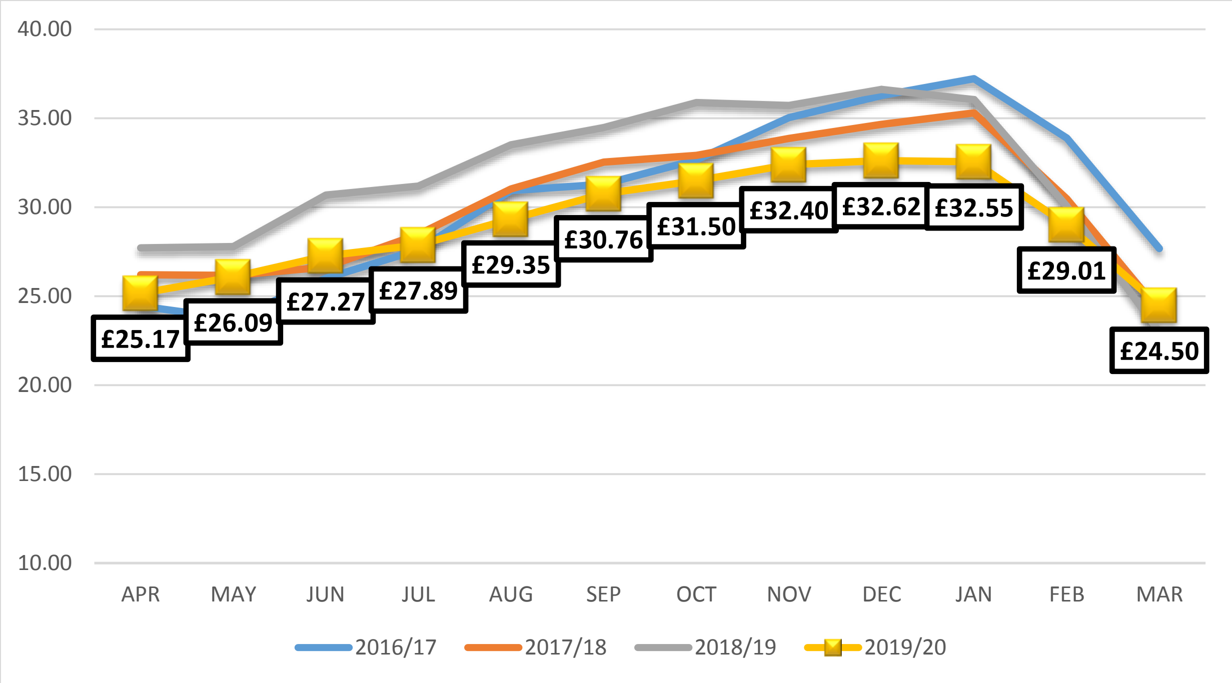
- The Official Bank Rate outlook provided by the Council's Treasury Advisor, together with the Council's assumption where interest rates remain at the current level of **0.75%** is shown below:



- The Council assumption is based on BREXIT uncertainty and the possible monetary policy responses including the level of interest rates. The Council assumptions has been used as the basis for preparation of the investment income and borrowing budgets for 2019/20 and future years.

3.27 **Cash Flow Forecast**

- Treasury Management includes the management of the Council's cash flows as a key responsibility. The cash flow forecast takes account of the income the Council receives including Housing Benefits Grant, Council Tax and Business Rate income and expenditure such as payments to precepting bodies, employee costs and Housing Benefit payments.
- The graph below shows average investment levels throughout the financial year with a significant reduction in February and March due to minimal Council Tax income being received.



- The planned monthly cash flow forecast for the 2019/20 financial year has been used to calculate the investment income budget. The key components of this calculation are the average level of investment balances and the rate or yield achieved.
- The Treasury Management estimates for 2019/20 for both investment income and borrowing are shown in the table below:

Treasury Management	2019/20	
	Investment Income	Borrowing
Average Balance	£27.28M	£5.54M
Average Rate	1.00%	2.36%

Investment Income	(£230,000)	
CCLA Transfer to Reserves	£30,000	
External Interest		£56,000
Internal Interest		£4,000
Minimum Revenue Provision		£186,000
Total	**(£200,000)**	**£246,000**
	£46,000	

- The gross interest receipts have been estimated as **(£230,000)** (this equates to **9%** of The Council's income from Retained Business Rates of **£2,525,800** in **2019/20**), transfers to the Property Reserve of **£30,000** and therefore Net Investment income is **(£200,000).**

3.28 **Treasury Management Strategy Statement and the Annual Investment Strategy**

- The Treasury Investments and their Limits are shown in detail at **APPENDIX E** with proposed changes shown in red.
- The proposed changes for 2019/20 compared to those approved for 2018/19 are:
  1. The majority of Money Market Funds are domiciled in Luxembourg or Ireland and therefore to provide contingency up to and following BREXIT, a new category of UK Domiciled Pooled Funds has been created with a limit of **£5m per fund** (there are currently two and the Council has accounts with both).
  2. As part of the move to greater diversification, a new category of Corporates (excluding the Council Company) has been created with a limit of **£250,000 per Company**. Loans to unrated Companies will only be considered following an external credit assessment.
  3. A new investment limit for Real Estate Investment Trusts of **£5m**.

3.29 **Investment Strategy Report for 2019/20**

- This investment strategy is a new report for 2019/20 **(APPENDIX F)**, meeting the requirements of statutory guidance issued by the government in January 2018, and focuses on how the Authority invests its money to support local public services and earns investment income from commercial investments.

The Use of General Reserves and the Minimum Level

Summary - Opinion of CFO on the Adequacy of Reserves and the Robustness of the Estimates

3.30 The Chartered Institute of Finance and Accountancy (CIPFA) has recently consulted on the provision of a Financial Resilience Index. The Council responded to the consultation on 15 August 2018 and the outcome of the consultation was published on 4 December 2018.

3.31 CIPFA's key changes as a result of the consultation include:

- The removal of the composite index that combined a number of factors into a single weighted measure.
- Providing the report initially to local authorities and their auditors, via their S151 officer, themselves rather than publishing openly; and
- Adaptations to some of the indicators – and these will remain under review and subject to feedback from users in the coming months.

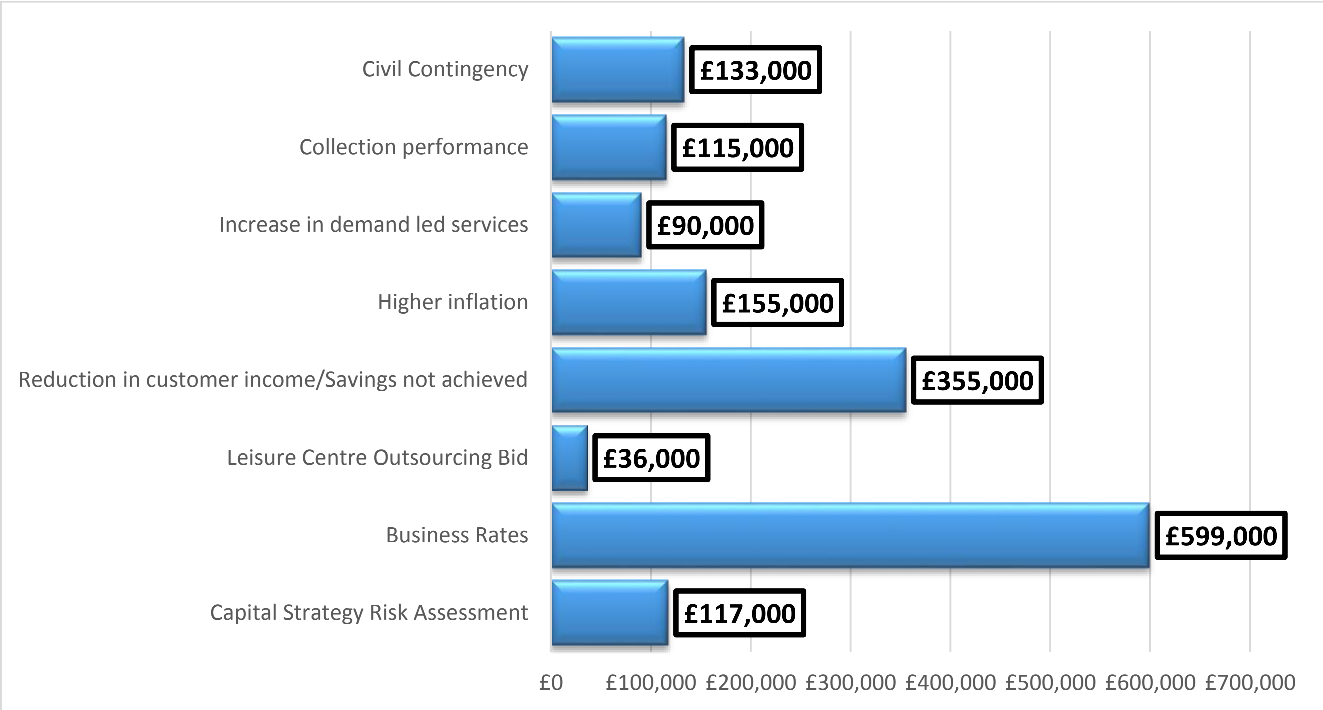
3.32 The factors now relate to the level of reserves and the trend on use and change plus ratios of key income streams (Council Tax, Government Grants and Business Rates) to Net Revenue Expenditure and the External Auditor's Value for Money Assessment.

3.33 CIPFA's recommended good practice is that the Chief Finance Officer refers to the range of indicators in the Section 25 statement for 2019/20 prior to it becoming a requirement in the Financial Management Code.

3.34 It is prudent for the Council to maintain an adequate 'working balance' or Minimum Level that is part of its general reserves. A risk assessment approach in line with Best Practice is used to determine the required Minimum Level and the level of general and earmarked reserves.

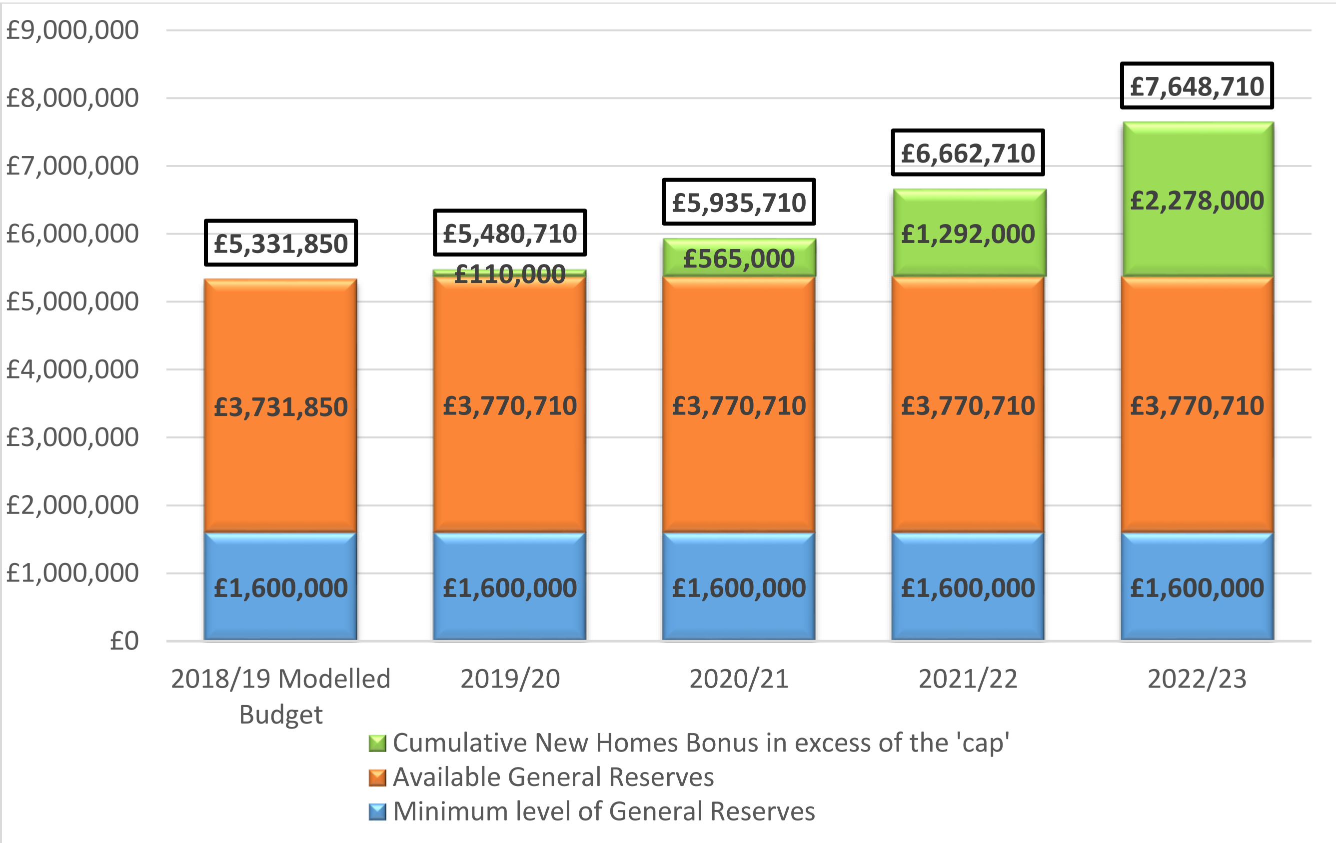
3.35 The Chief Finance Officer has been involved throughout the entire budget process, including revising the MTFS, input to the drafting of the budget, the ongoing financial monitoring and reporting process, evaluation of investments and savings, engagement with Members of the Cabinet and Overview and Scrutiny Committees, advising colleagues, the strategic choices activities, challenge and evaluation activities, and scrutiny of the budget.

3.36 The Proposed Minimum Level is **£1,600,000**. The main elements of the risk assessment are shown in detail at **APPENDIX G** and are summarised below:



3.37 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 **£1,600,000** is adequate.

3.38 The projected level of general reserves categorised by the Minimum Level, the level of reserves available for use by the Council for the MTFS and New Homes Bonus in excess of the "cap" should New Homes Bonus continue in its current form from 2020/21 are shown below:



Alternative Options	There are no alternative options.

Consultation	There were **340** (**129** in 2017) responses and the results of the Budget Consultation for 2019 are summarised below. The three Council Services classified as high importance (75% to 100% of respondents agree the service is very or fairly important) were: 1. Waste Collection from homes (**97.4%**) - **High** 2. Street cleansing and public toilets (**92.9%**) - **High** 3. Parks and open spaces (**92.3%**) - **High** **In terms of Funding Gap proposals:** • **No proposals aimed at reducing investment in waste collection from homes or parks and open spaces were identified.** • **A proposal related to reducing investment in public toilets and Shopmobility was identified but has subsequently been removed.** The three Council services classified as low or some importance (0% to 49% of respondents agree the service is very or fairly important) were: 1. Central costs (**22.4%**) - **Low** 2. Private sector housing (**36.0%**) - **Some** 3. The arts including the Lichfield Garrick (**41.1%**) - **Some** **In terms of Funding Gap proposals and previous initiatives:** • **In terms of central costs, a number of proposals were identified including improved procurement and ICT investment that have been included in the MTFS. In addition, there are a number of Fit for the Future reviews planned in relation to central costs.** • **A Fit for the Future review for Housing including Private Sector Housing is planned.** • **The subsidy provided to the Lichfield Garrick has reduced from £663,200 in 2013/14 to £310,000 in 2017/18 and to £250,000 in 2018/19.** In terms of **fees, charges, income** and **other opportunities**: • The Council should explore opportunities for any other new fees or charges – **29%** • The Council should not introduce additional fees unless absolutely necessary to deliver basic services – **53%** • The current approach is about right – **16%** In terms of **setting the Council Tax**: • Some increase in the Council Tax – **59%** with **41%** indicating they would not be receptive to any increase in 2019/20 • Increase the Council Tax by 2.99% - **49%** The information provided through the budget consultation is based on the views of **0.75%** of Council Taxpayers (45,440) and therefore must not be considered in isolation when considering the Medium Term Financial Strategy. Strategic (Overview and Scrutiny) Committee at its meeting on 29 January 2019 scrutinised the MTFS 2018-23 and the Chair will provide feedback to the Cabinet, as appropriate. Audit and Member Standards scrutinised the Treasury Management Strategy Statement 2019/20 at its meeting on 6 February 2019 and the Chair will provide feedback as appropriate.

Financial Implications

Prudential and Local Indicators (PIs)

The Prudential and Local Indicators are shown below:

Capital Strategy Indicators

Prudential Indicators

Indicators	2017/18 Actual	2018/19 Original	2018/19 Revised	2019/20 Original	2020/21 Original	2021/22 Original	2022/23 Original
Capital Investment							
Capital Expenditure (£m)	£2.608	£10.242	£5.355	£11.618	£14.909	£14.466	£17.250
Capital Financing Requirement (£m)	£4.177	£10.552	£4.881	£10.301	£22.435	£34.167	£48.680
Gross Debt and the Capital Financing Requirement							
Gross Debt	(£3.418)	(£10.142)	(£4.183)	(£9.598)	(£21.725)	(£33.448)	(£47.949)
Borrowing in Advance - Gross Debt > Capital Financing Requirement	No	No	No	No	No	No	No
Total Debt							
Authorised Limit (£m)	£3.991	£21.377	£15.082	£21.598	£34.787	£47.435	£59.481
Operational Boundary (£m)	£3.991	£13.122	£7.197	£13.006	£25.641	£37.903	£49.791
Proportion of Financing Costs to Net Revenue Stream (%)	5%	7%	5%	6%	11%	18%	24%

Local Indicators

Indicators	2017/18 Actual	2018/19 Original	2018/19 Revised	2019/20 Original	2020/21 Original	2021/22 Original	2022/23 Original
Replacement of Debt Finance (£m)	(£0.616)	(£0.699)	(£0.691)	(£0.720)	(£0.891)	(£1.268)	(£1.568)
Capital Receipts (£m)	(£0.426)	£0.000	(£0.356)	(£1.056)	(£0.009)	(£0.009)	(£0.009)
Liability Benchmark (£m)	£13.242	£2.345	£12.572	£5.017	(£7.854)	(£20.171)	(£31.711)
Treasury Investments (£m)	£24.519	£20.911	£25.147	£23.689	£23.739	£23.903	£24.622

Treasury Management Indicators

Prudential Indicators

	Lower Limit	Upper Limit
Refinancing Rate Risk Indicator	0%	100%
Under 12 months	0%	100%
12 months and within 24 months	0%	100%
24 months and within 5 years	0%	100%
5 years and within 10 years	0%	100%
10 years and within 20 years	0%	100%
20 years and within 30 years	0%	100%
30 years and within 40 years	0%	100%
40 years and within 50 years	0%	100%
50 years and above	0%	100%

Investment Income - Interest Rate Exposure (excluding property and Diversified Income funds)

	2019/20	2020/21
Budget - Investment Income	(£230,000)	(£232,000)
Budget - Interest Rate Exposure	**(£150,000)**	**(£92,000)**
Budget with a 1% fall	(£80,000)	(£140,000)
Budget with a 1% rise	(£481,000)	(£452,000)

External Borrowing - Interest Rate Exposure

	2019/20	2020/21
Budget - External Interest	£56,000	£226,000
Budget - Interest Rate Exposure	**£0**	**£174,000**
Budget with a 1% fall	£56,000	£162,000
Budget with a 1% rise	£56,000	£282,000

Indicators	2017/18 Actual	2018/19 Original	2018/19 Revised	2019/20 Original	2020/21 Original	2021/22 Original	2022/23 Original
Principal Sums invested for periods longer than a year (£m)	£2.000	£6.000	£6.000	£6.000	£6.000	£6.000	£6.000

Local Indicators							
Indicators	2017/18 Actual	2018/19 Original	2018/19 Revised	2019/20 Original	2020/21 Original	2021/22 Original	2022/23 Original
	£m	£m	£m	£m	£m	£m	£m
Balance Sheet Summary and Forecast							
Borrowing Capital Financing Requirement	£2.129	£8.975	£3.338	£9.152	£21.794	£34.065	£45.965
Internal (over) Borrowing	£0.759	£0.410	£0.698	£0.703	£0.710	£0.719	£0.731
Investments (or New Borrowing)	(£24.519)	(£20.910)	(£25.147)	(£23.689)	(£23.739)	(£23.903)	(£24.622)
Liability Benchmark	(£13.242)	(£2.345)	(£12.572)	(£5.017)	£7.854	£20.171	£31.711

	Target
Security	
Portfolio average credit rating	A-
Liquidity	
Temporary Borrowing undertaken	£0.000
Total Cash Available within 100 days (maximum)	90%

Contribution to the Delivery of the Strategic Plan	The report directly links to overall performance and especially the delivery of Lichfield District Council's Strategic Plan 2016-20 and beyond.

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.

GDPR/Privacy Impact Assessment	There are no specific implications related to the Medium Term Financial Strategy

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Council Tax is not set by the Statutory Date of **11 March 2019**.	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.	The budget for capital receipts will be monitored as part of The Council's normal budget monitoring procedures.	Green - Tolerable
C	Achievement of The Council's key Council priorities.	Close monitoring of performance and expenditure; maximising the potential of efficiency gains; early identification of any unexpected impact on costs including Central Government Policy changes, movement in the markets, and changes in the economic climate.	Green - Tolerable
D	Implementation of the Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations.	To closely monitor the level of appeals. An allowance of **4.7%** (in line with the DCLG Allowance) for appeals has been included in the Business Rate Estimates.	Red - Severe

	Risk Description	How We Manage It	Severity of Risk (RYG)
E	The review of the New Homes Bonus regime in 2020/21.	Not all of the projected New Homes Bonus is included as core funding in the Base Budget. In 2020/21 £600,000 is included and this is then being reduced by £100,000 per annum.	Red - Severe
F	The increased Localisation of Business Rates and the Fair Funding Review in 2020/2021.	To assess the implications of proposed changes and respond to consultations to attempt to influence the policy direction in the Council's favour.	Red - Severe
G	The affordability and risk associated with the Capital Strategy.	Recruit an estates management team to provide professional expertise and advice in relation to the Property Investment Strategy and to continue to take a prudent approach to budgeting.	Yellow - Material

Background documents

- CIPFA Code of Practice for Treasury Management in the Public Services.
- The Prudential Code for Capital Finance in Local Authorities.
- Money Matters: Medium Term Financial Strategy (Revenue and Capital) 2017-22 – Cabinet 13 February 2018.
- Friarsgate – Coach Park Land Acquisition – Cabinet 13 February 2018.
- Award of Insurance Contract – Cabinet 13 March 2018.
- Managing the end of the ICT Support Contract – Cabinet 1 May 2018.
- Friarsgate – Cabinet 12 June 2018.
- Money Matters: 2017/18 Review of Financial Performance against the Financial Strategy – Cabinet 12 June 2018.
- Money Matters: 2018/19 Review of Financial Performance against the Financial Strategy – Cabinet 4 September 2018.
- The Medium Term Financial Strategy (Revenue and Capital) 2018-23 (MTFS) – Cabinet 9 October 2018.
- Delivering the Property Investment Strategy – Cabinet 4 September 2018 and Council 16 October 2018.
- Money Matters: 2018/19 Review of Financial Performance against the Financial Strategy – Cabinet 4 December 2018.
- Budget Consultation Report 2019/20

Relevant web links

APPENDIX A

Revenue Budget 2018/19 to 2022/23

GENERAL FUND TOTAL REQUIREMENT DISTRICT COUNCIL PURPOSES						
FOR FINANCIAL YEARS 2018/19 to 2022/23 ANALYSED BY STRATEGIC PRIORITY AND SERVICE AREA						
BUDGET	**2018/19**		**2019/20**	**2020/21**	**2021/22**	**2022/23**
	Original Budget	**Revised Budget**	**Original Budget**	**Original Budget**	**Original Budget**	**Original Budget**
	£	**£**	**£**	**£**	**£**	**£**
LEVEL OF UNCERTAINTY / RISK	**LOW**		**LOW**	**HIGH**		
Strategic Priority						
Healthy and safe communities	1,808,850	1,901,820	1,602,920	1,446,230	1,437,950	1,433,270
Clean, green and welcoming places to live	3,427,580	2,916,970	3,463,090	3,481,720	3,586,350	3,685,170
A vibrant and prosperous economy	(652,350)	(1,066,880)	(1,206,470)	(1,865,070)	(2,421,540)	(2,947,530)
A council that is fit for the future	6,281,510	6,168,650	6,181,710	6,467,610	6,726,310	7,004,150
Efficiency Plan	(71,180)	0	0	0	0	0
Additional Savings Required	0	0	0	(841,620)	(917,360)	(1,012,070)
Funding Gap Proposals (less Revenue Contribution to the Capital Programme and Council Tax Empty Property Charges)	0	0	(469,740)	(429,960)	(510,920)	(592,300)
Net Cost of Services	**10,794,410**	**9,920,560**	**9,571,510**	**8,258,910**	**7,900,790**	**7,570,690**
Service Area						
Chief Executive	796,010	681,380	459,650	468,870	476,770	487,010
Finance & Procurement	1,628,490	1,563,880	1,798,770	1,971,690	2,144,420	2,316,330
Legal, Property & Democratic Services	424,800	399,650	249,790	(495,350)	(1,100,980)	(1,680,830)
Revenues, Benefits and Customer Services	725,470	596,270	763,730	813,940	868,040	918,900
Corporate Services	2,560,830	2,625,630	2,568,180	2,643,380	2,695,350	2,770,730
Leisure & Operational Services	2,422,310	2,432,460	2,163,860	2,015,940	2,025,650	2,041,470
Regulatory Services, Housing & Wellbeing	1,264,250	1,281,330	1,300,670	1,335,180	1,363,740	1,390,090
Development Services	61,310	(67,250)	12,220	14,560	33,030	54,150
Economic Growth	82,920	(242,040)	(223,930)	(211,540)	(176,020)	(142,280)
Waste Services	899,200	649,250	948,310	973,820	999,070	1,019,490
Efficiency Plan	(71,180)	0	0	0	0	0
Additional Savings Required	0	0	0	(841,620)	(917,360)	(1,012,070)
Funding Gap Proposals (less Revenue Contribution to the Capital Programme and Council Tax Empty Property Charges)	0	0	(469,740)	(429,960)	(510,920)	(592,300)
Net Cost of Services	**10,794,410**	**9,920,560**	**9,571,510**	**8,258,910**	**7,900,790**	**7,570,690**
Net Treasury Position	104,860	51,710	316,000	936,360	1,546,380	2,144,380
Revenue Contributions to the Capital Programme	154,000	154,000	0	0	0	0
Net Operating Cost	**11,053,270**	**10,126,270**	**9,887,510**	**9,195,270**	**9,447,170**	**9,715,070**
Transfer to General Reserve	26,990	501,570	38,860	0	0	0
New Homes Bonus (Transfer to General Reserves)	0	141,000	110,000	455,000	727,000	986,000
Less : Transfer (from) / to Corporate Earmarked Reserves	(774,360)	328,120	1,335,030	86,030	86,030	86,030
Amount to be met from Government Grants and Local Taxpayers	**£10,305,900**	**£11,096,960**	**£11,371,400**	**£9,736,300**	**£10,260,200**	**£10,787,100**
Retained Business Rates	(2,479,900)	(3,082,000)	(2,525,800)	(1,726,700)	(1,779,600)	(1,835,500)
Business Rates Cap	(42,000)	(47,000)	(68,000)	0	0	0
Levy Account Surplus	0	(32,000)	0	0	0	0
Business Rates Pilot	0	0	(568,000)	0	0	0
Other Government Grants	0	(10,960)	0	0	0	0
New Homes Bonus	(800,000)	(800,000)	(1,168,000)	(600,000)	(500,000)	(400,000)
New Homes Bonus (Transfer to General Reserves)	0	(141,000)	(110,000)	(455,000)	(727,000)	(986,000)
Council Tax Collection Fund surplus	(42,000)	(42,000)	(63,600)	(34,600)	(34,600)	(34,600)
Business Rates Collection Fund surplus	(591,000)	(591,000)	(213,000)	0	0	0
Council Tax Requirement	(6,351,000)	(6,351,000)	(6,655,000)	(6,920,000)	(7,219,000)	(7,531,000)
Council Tax Base	**37,360**	**37,360**	**38,011**	**38,381**	**38,877**	**39,376**
Lichfield District Council Tax Requirement (Maximum 2.99%)	**£169.99**	**£169.99**	**£175.07**	**£180.31**	**£185.70**	**£191.25**

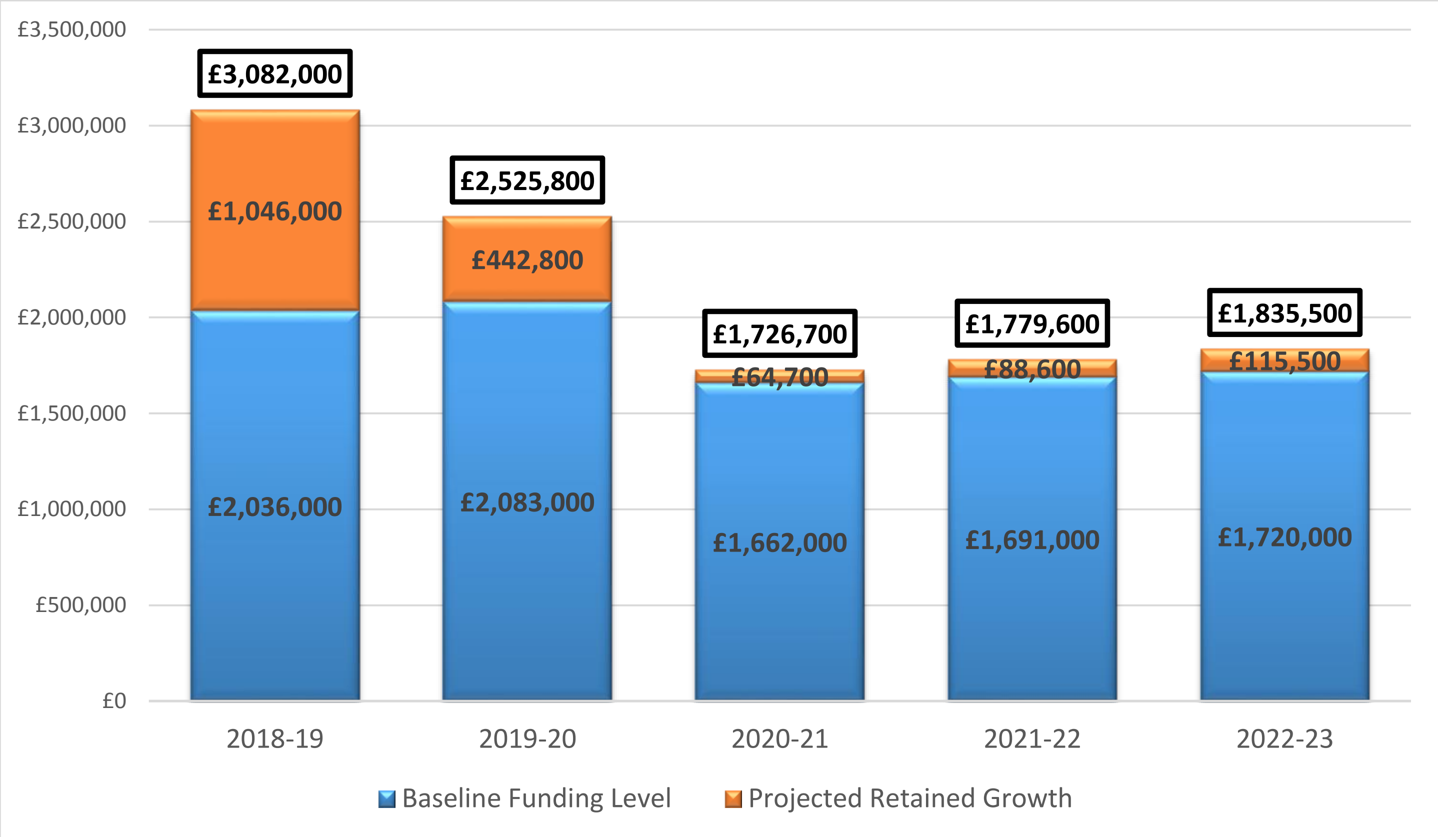
APPENDIX A

Funding Gap Audit Trail	Financial Year				
	2018/19	2019/20	2020/21	2021/22	2022/23
LEVEL OF UNCERTAINTY/RISK	**LOW**	**LOW**	**HIGH**	**HIGH**	**HIGH**
ORIGINAL FUNDING GAP	**(£26,990)**	**£1,305,000**	**£2,006,360**	**£2,034,090**	**£2,086,000**
Budget Monitoring in 2018/19					
2017/18 Money Matters	(£17,700)	(£17,700)	(£17,700)	(£17,700)	(£17,700)
3 Month's Money Matters	£29,560	£32,370	£32,370	£5,140	£5,140
6 Month's Money Matters	(£49,680)	(£5,250)	(£5,250)	(£5,250)	(£5,250)
8 Month's Money Matters	(£644,560)	(£22,000)	(£22,000)	(£22,000)	(£22,000)
Cabinet and Council Reports	£80,650	(£120,900)	(£473,190)	(£444,350)	(£443,590)
Efficiency Plan Target Exceeded	(£13,850)	(£13,850)	(£13,850)	(£13,850)	(£13,850)
Modelled Changes	Included in 8 Month's Money Matters Report				
Inflation		£9,920	£84,290	£178,680	£279,920
Budget Variations		(£19,110)	(£92,850)	(£32,880)	£27,300
Negative Revenue Support Grant		(£453,000)	£0	£0	£0
Business Rates Cap		(£5,000)	£0	£0	£0
Council Tax		(£40,000)	(£36,000)	(£62,000)	(£100,000)
Levy Account Surplus		£0	£0	£0	£0
Council Tax Collection Fund		(£29,000)	£0	£0	£0
Retained Business Rates		(£2,000)	(£2,000)	(£3,000)	(£3,000)
"Windfall" or Projected High Risk Income Transferred to Reserves					
Business Rates Pilot		(£568,000)	£0	£0	£0
Transfer of Business Rates Pilot to Reserves		£568,000	£0	£0	£0
New Homes Bonus in excess of the "cap"		(£110,000)	(£455,000)	(£727,000)	(£986,000)
Transfer of New Homes Bonus to Reserves		£110,000	£455,000	£727,000	£986,000
Business Rates Collection Fund		(£213,000)	£0	£0	£0
Transfer of Business Rate Collection Fund to Reserves		£213,000	£0	£0	£0
Funding Gap Proposals					
Capital Programme		(£271,000)	(£272,000)	(£468,000)	(£615,000)
Green		(£22,580)	(£22,850)	£48,860	£62,770
Amber		(£364,760)	(£323,710)	(£280,380)	(£228,670)
MTFS FUNDING GAP	**(£642,570)**	**(£38,860)**	**£841,620**	**£917,360**	**£1,012,070**

Revenue Budget key Revenue Streams

Retained Business Rates

The budgets for Retained Business Rates income, with Business Retention reform and the Fair Funding Review presenting significant risks to the assumptions made from 2020/21, are:



The change in retained Business Rates income compared to the Approved Medium Term Financial Strategy is shown below:

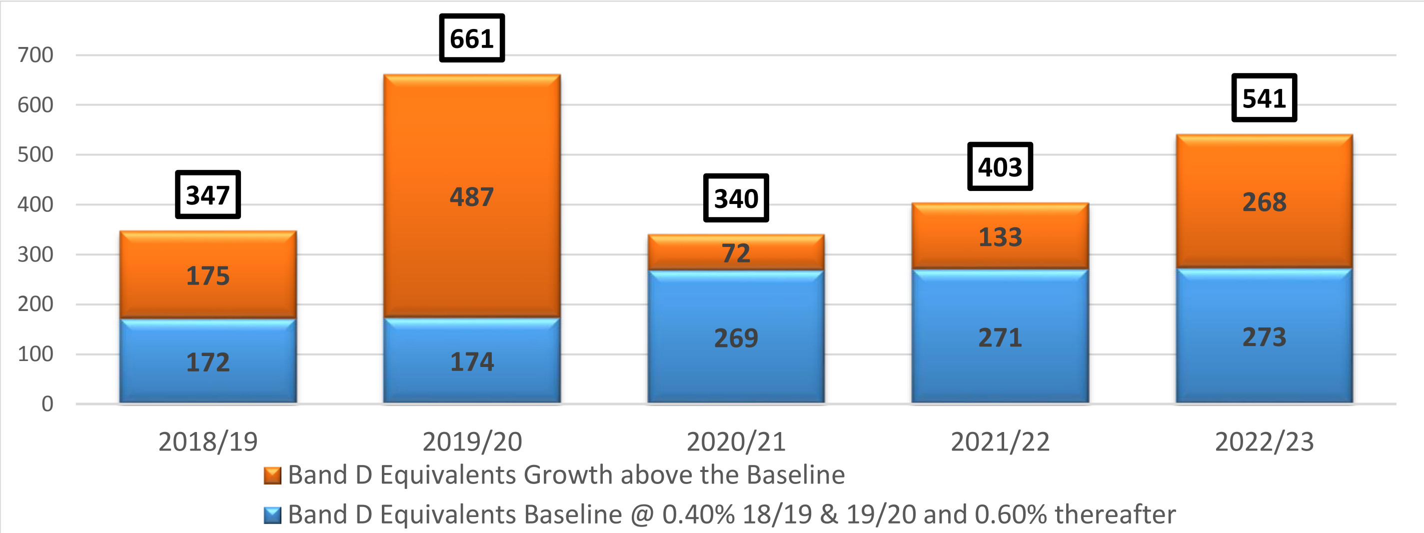
	2018-19	2019-20	2020-21	2021-22	2022-23
Approved MTFS (2019/20 - Negative RSG of £453,000)	£2,732,000	£2,070,800	£1,724,700	£1,776,600	£1,832,500
MTFS	£3,082,000	£2,525,800	£1,726,700	£1,779,600	£1,835,500
Change	**£350,000**	**£455,000**	**£2,000**	**£3,000**	**£3,000**

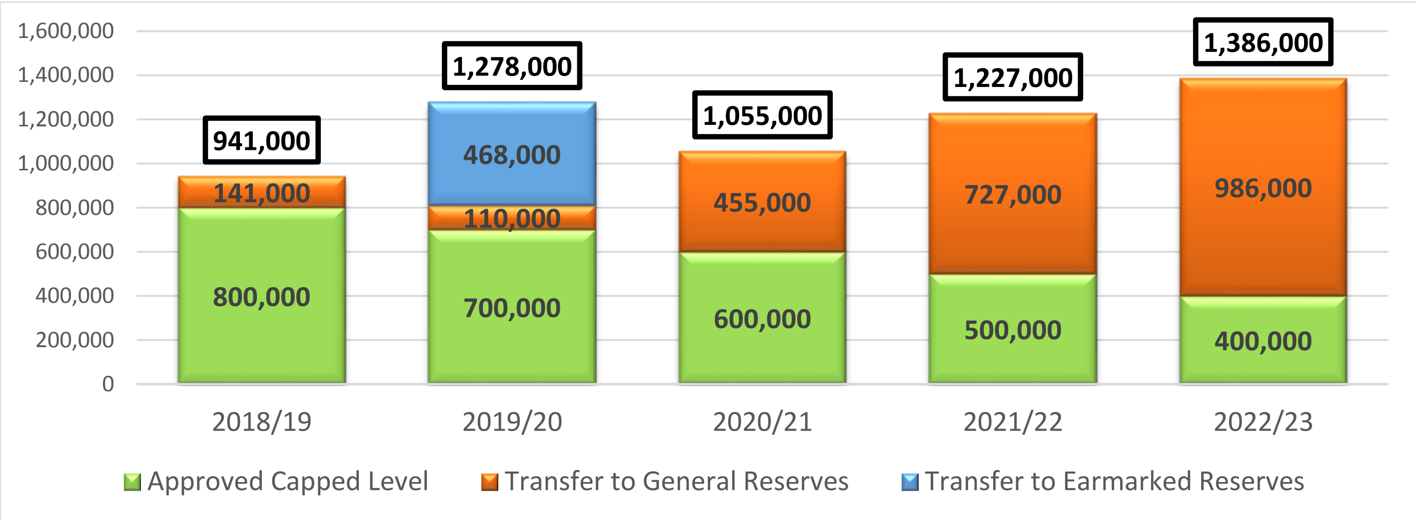
The Council has access to a number of financial models and these can be used to identify alternative outcomes (using various parameters such as national Local Government expenditure, how the expenditure is split between policy areas, tier splits and tax bases, relative needs and spend funded by Council Tax) to those identified above:

	2019-20	2020-21	2021-22	2022-23
CIPFA Central (No impact of Fair Funding Review)	£3,500,000	£2,800,000	£2,700,000	£3,100,000
Pixel – MTFP (Current Baseline for 2020/21 plus CPI pa thereafter)	£2,898,000	£1,662,000	£1,691,000	£1,720,000
Pixel - Fair Funding (scenario 1 for 2020/21 plus 2% pa thereafter)	£2,083,000	£1,458,000	£1,487,000	£1,517,000
Pixel - Fair Funding (scenario 2 for 2020/21 plus 2% pa thereafter)	£2,083,000	(£1,056,000)	(£1,077,000)	(£1,099,000)
Pixel - Fair Funding (scenario 3 for 2020/21 plus 2% pa thereafter)	£2,083,000	(£2,012,000)	(£2,052,000)	(£2,093,000)

New Homes Bonus

The budgets for housing supply and New Homes Bonus income, with the review from 2020/21 presenting a significant risk, are:





The change in New Homes Bonus income compared to the Approved Medium Term Financial Strategy is shown below:

Capped Level	**2018-19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Approved MTFS	£800,000	£700,000	£600,000	£500,000	£400,000
MTFS	£800,000	£700,000	£600,000	£500,000	£400,000
Change	-	-	-	-	-

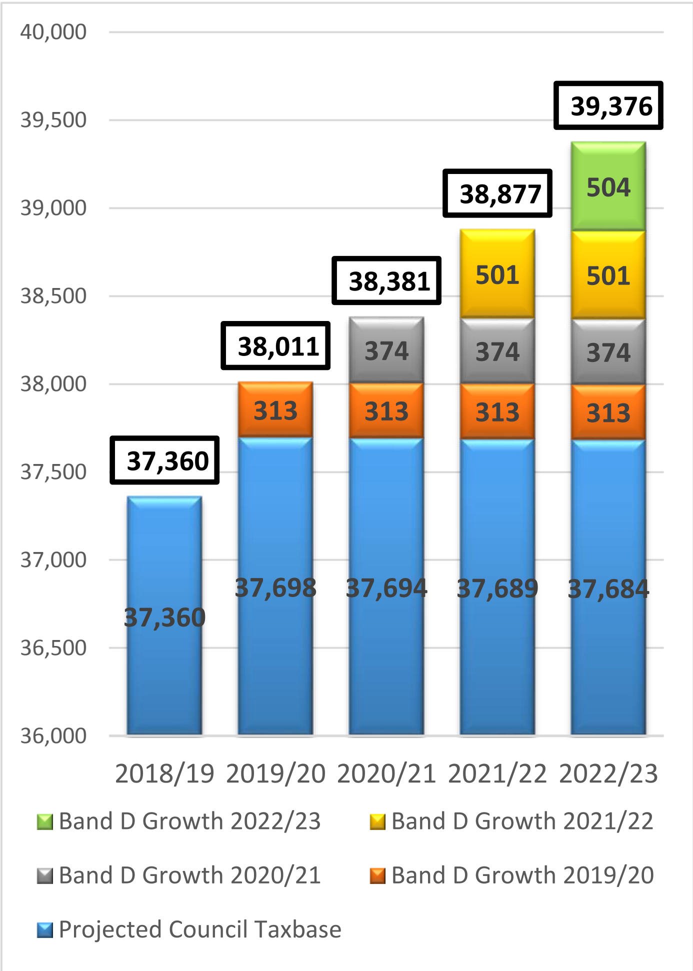
Total amount of New Homes Bonus	**2018-19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Approved MTFS	£941,000	£810,000	£741,000	£980,000	£1,015,000
MTFS	£941,000	£1,278,000	£1,055,000	£1,227,000	£1,386,000
Change	-	**£468,000**	**£314,000**	**£247,000**	**£371,000**

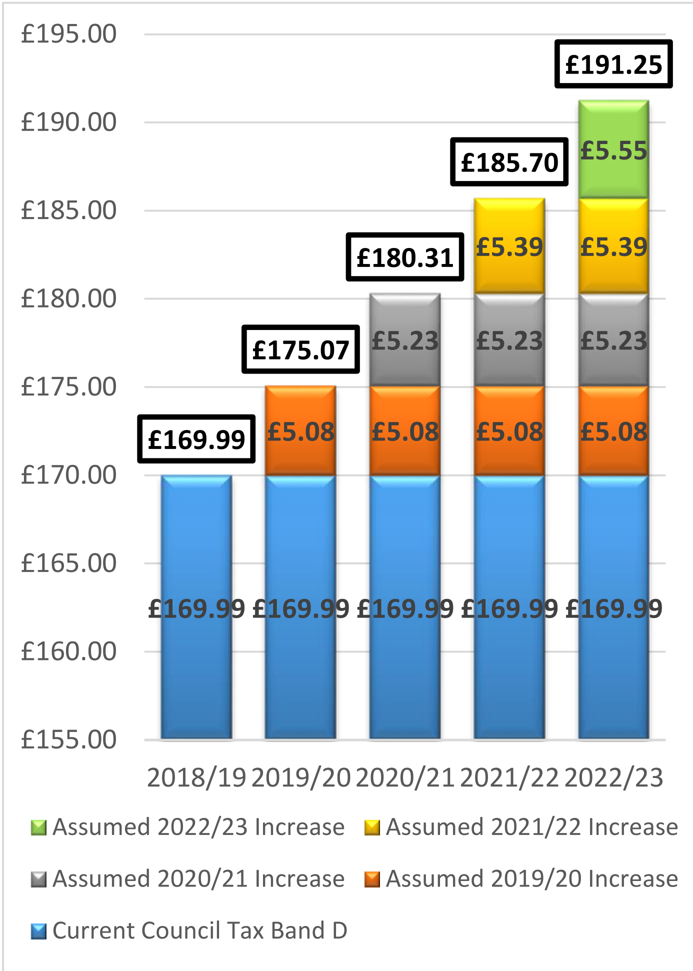
The Council has access to a number of different financial models and these can be used to identify alternative outcomes to those presented above:

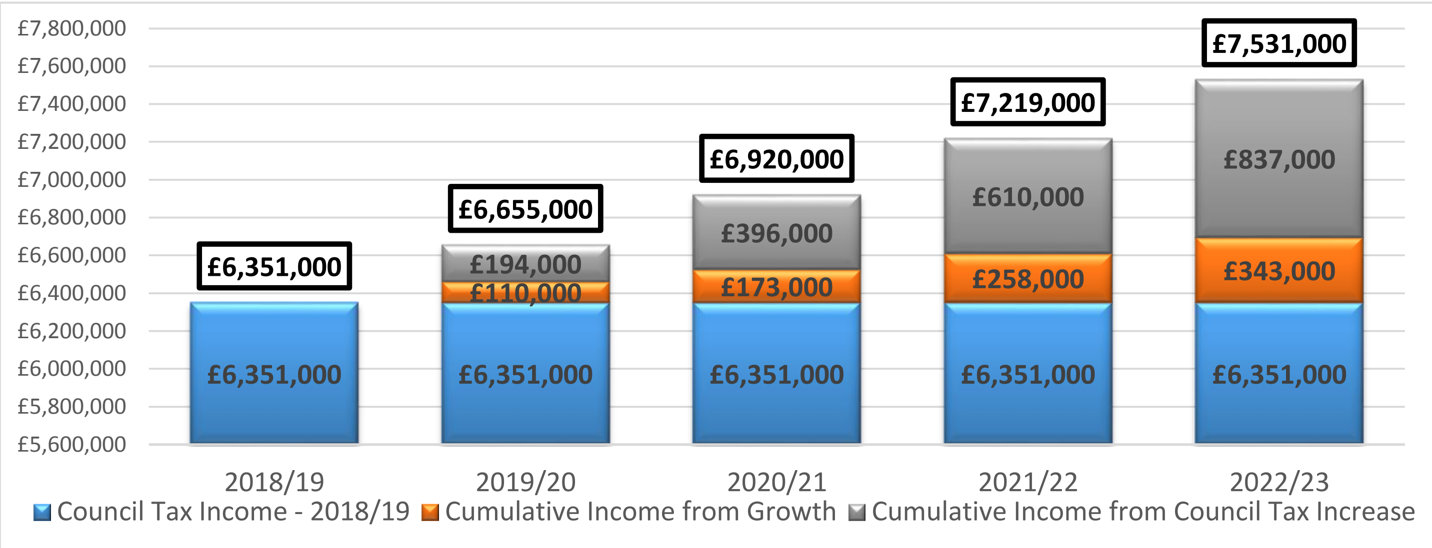
	2019-20	**2020-21**	**2021-22**	**2022-23**
Pixel - Continues Post 2020/21 (0.4%)	£1,278,000	£1,181,000	£1,492,000	£1,600,000
Pixel - Legacy Payments only (0.4%)	£1,278,000	£939,000	£911,000	£680,000
CIPFA Central, remains with 'pot' lower	£1,500,000	£1,200,000	£1,000,000	£800,000
Pixel - Ends 2020/21 (0.4%)	£1,278,000	£0	£0	£0

Council Tax

The Approved Budgets for Council Taxbase (with a modelled **2.99%** increase to Council Tax Band D) and income are:







The change in Council Tax income compared to the Approved Medium Term Financial Strategy is shown below:

	2018-19	2019/20	2020/21	2021/22	2022/23
Approved MTFS	£6,351,000	£6,615,000	£6,884,000	£7,157,000	£7,431,000
MTFS	£6,351,000	£6,655,000	£6,920,000	£7,219,000	£7,531,000
Change	-	**£40,000**	**£36,000**	**£62,000**	**£100,000**

Capital Strategy

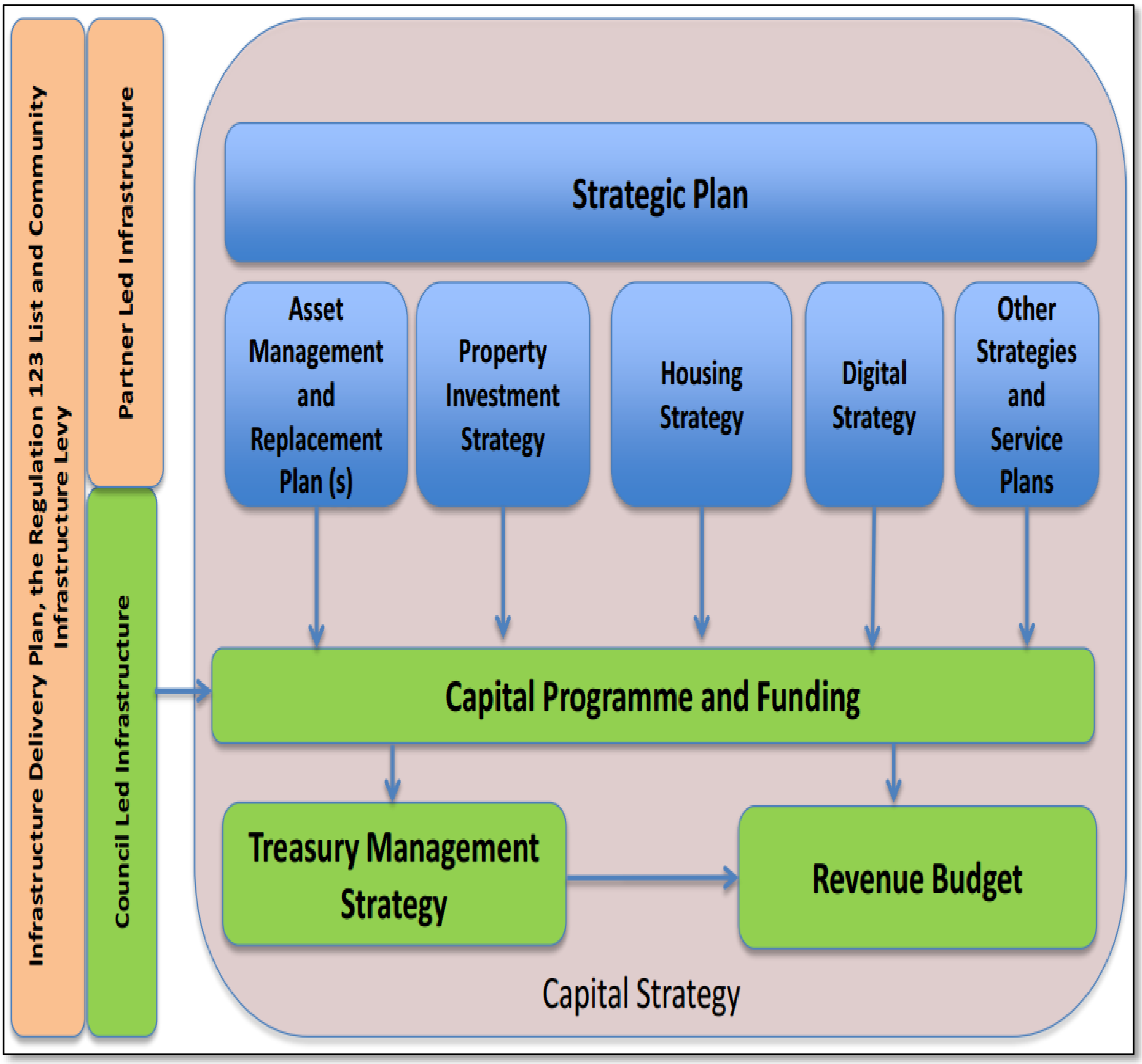
1. Introduction

1.1. The updated Prudential Code requires the completion of a Capital Strategy that will need to be approved by Full Council.

1.2. The Capital Strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

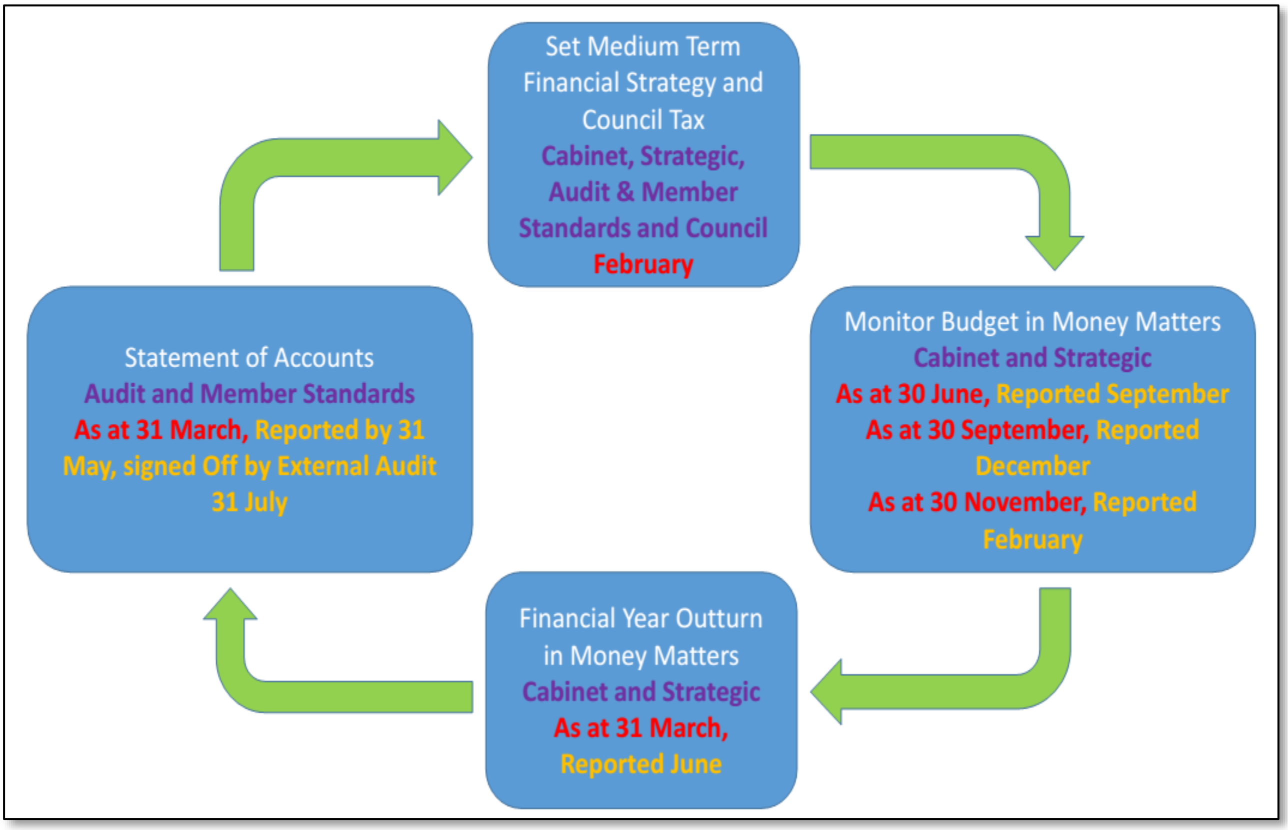
1.3. It will form part of the Councils integrated revenue, capital and balance sheet planning. The Council already undertakes elements of the new requirements although some areas such as Asset Management Planning will need further development.

1.4. The Prudential Code now requires all of this information to be all brought together in a single place as shown below:



2. The Capital Programme

2.1. The financial planning process including the Capital Programme and its Governance is shown below:



The Capital Programme Process

2.2. Capital Programme Bids and their revenue implications are identified by Leadership Team annually in August/September, together with changes to resources such as new disposals, to inform the process for compiling the Medium Term Financial Strategy.

2.3. Where capital investment exceeds the resources available then a prioritisation process is applied.

Planning Obligations - Section 106 and Community Infrastructure Levy (CIL)

2.4. As part of the planning process planning obligations including the Community Infrastructure Levy are received from new developments. The vast majority is spent directly on infrastructure works or will be spent in line with the Infrastructure Delivery Plan (IDP).

2.5. There is however 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.

2.6. 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.

2.7. The Council's Capital Programme includes a number of projects that are to be funded by Section 106 and will begin to include projects funded by CIL; 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.

2.8. The **Capital Programme** and its **funding** covering the period 2018/19 to 2022/23 by Strategic Priority to be approved by Council on 19 February 2019 is summarised below:

Project	Capital Programme 2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000	Corporate £000
Healthy & Safe Communities	2,914	2,376	975	975	975	8,215	352
Clean, Green and Welcoming Places to Live	80	2,158	616	332	3,100	6,286	351
A Vibrant and Prosperous Economy	2,089	673	0	0	0	2,762	2,197
A Council that is Fit For the Future	272	6,411	13,318	13,159	13,175	46,335	1,115
Grand Total	**5,355**	**11,618**	**14,909**	**14,466**	**17,250**	**63,598**	**4,015**

Funding Source	Capital Programme 2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000	
Usable Capital Receipts	1,888	976	364	413	219	3,860	
Revenue	155	0	0	0	0	155	
Corporate Council Sources	**2,043**	**976**	**364**	**413**	**219**	**4,015**	
External Grants and Contributions	1,281	1,863	1,358	931	931	6,364	
Section 106	264	906	43	25	0	1,238	
Earmarked Reserves	365	1,498	119	97	20	2,099	
Sinking Fund	7	235	0	0	0	242	
Finance Leases	0	140	25	0	3,080	3,245	
Grand Total	**3,960**	**5,618**	**1,909**	**1,466**	**4,250**	**17,203**	**63,598**
In Year FUNDING GAP (Borrowing Need)	**1,395**	**6,000**	**13,000**	**13,000**	**13,000**	**46,395**	
Cumulative FUNDING GAP (Borrowing Need)	**3,338**	**9,151**	**21,793**	**34,064**	**45,964**	**45,964**	
Available Capital Receipts	**(1,538)**	**(1,618)**	**(1,263)**	**(859)**	**(649)**	**(649)**	

2.9. The Revenue implications are shown below (excluding contributions to or from earmarked reserves):

Revenue Implications	Capital Programme 2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
<u>Leisure Outsourcing</u>						
Income	(218)	(218)	(218)	(218)	(218)	(1,090)
Minimum Revenue Provision	139	139	140	139	140	697
External Interest	12	22	20	18	15	87
Sub Total	**(67)**	**(57)**	**(58)**	**(61)**	**(63)**	**(306)**
<u>Property Investment Strategy</u>						
Income	0	(180)	(750)	(1,530)	(2,310)	(4,770)
Management and External Interest	0	180	523	808	1,094	2,605
Minimum Revenue Provision	0	0	171	542	913	1,626
Sub Total	**0**	**0**	**(56)**	**(180)**	**(303)**	**(539)**
Digital Strategy	**30**	**50**	**(30)**	**(100)**	**(150)**	**(200)**
<u>Chasewater and Friary Outer etc.</u>						
Minimum Revenue Provision	47	47	47	47	47	235
Loss of Investment Income	5	6	7	10	9	38
External Interest	35	34	32	30	29	160
Sub Total	**88**	**87**	**86**	**87**	**85**	**432**
Revenue Budget	155	0	0	0	0	155
Capital Programme	**205**	**80**	**(58)**	**(254)**	**(431)**	**(458)**
Change to Approved Budget	**(109)**	**(271)**	**(272)**	**(468)**	**(615)**	**(1,735)**

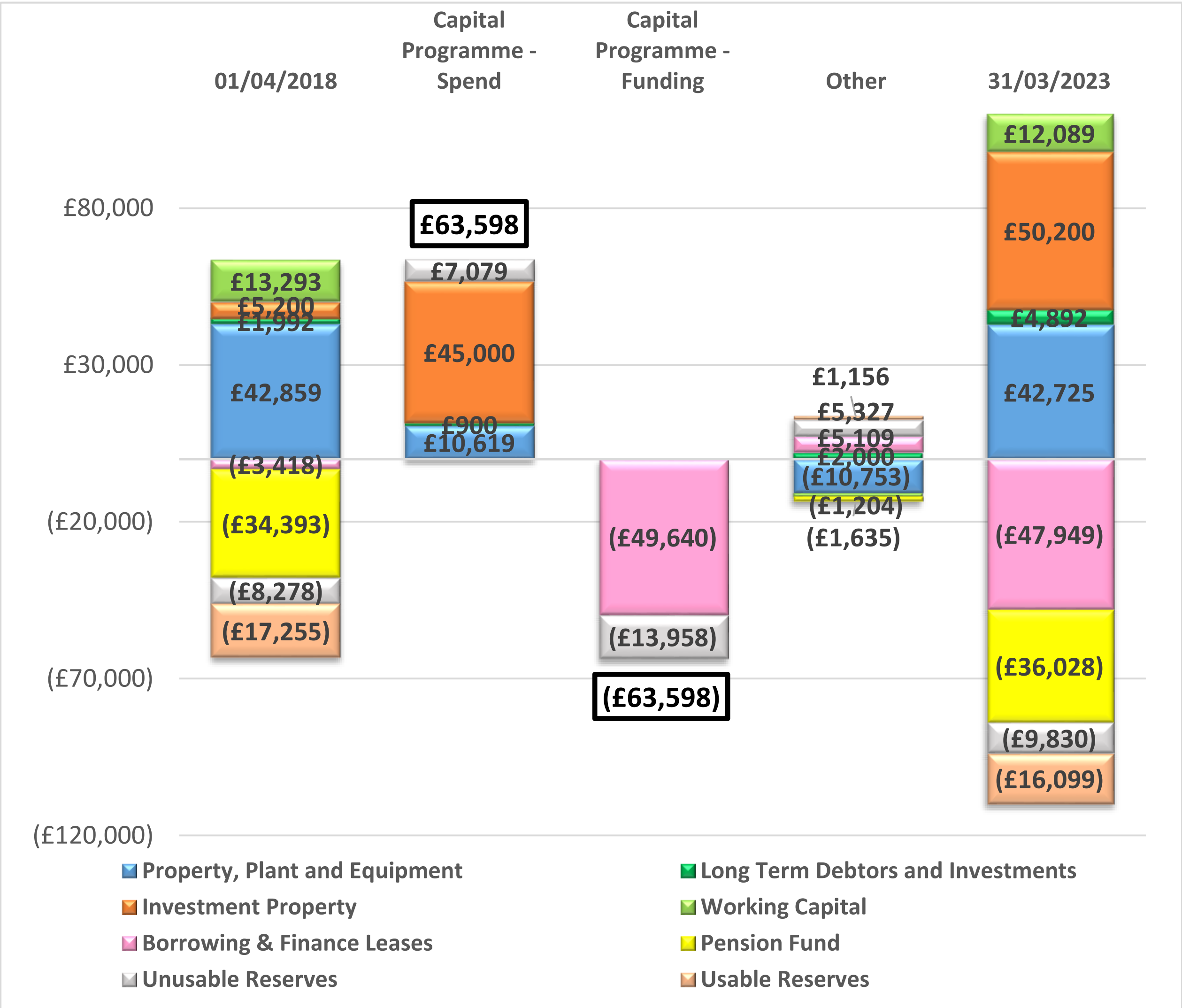
2.10. Planned disposals (and grant repayments) resulting in capital receipts and their use in funding the Capital Programme are shown in the table below:

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Opening Balance	**(3,070)**	**(1,538)**	**(1,618)**	**(1,263)**	**(859)**	**(3,070)**
Sale of Mill Lane Link, Fazeley	(115)	0	0	0	0	(115)
Sale of Beacon Cottage*	0	(200)	0	0	0	(200)
Sale of land at Netherstowe and Leyfields*	0	(527)	0	0	0	(527)
Right to Buy Receipts	(232)	0	0	0	0	(232)
Release of Covenant Guardian House*	0	(320)	0	0	0	(320)
Other Receipts	(9)	(9)	(9)	(9)	(9)	(45)
Utilised in Year	1,888	976	364	413	219	3,860
Closing Balance	**(1,538)**	**(1,618)**	**(1,263)**	**(859)**	**(649)**	**(649)**

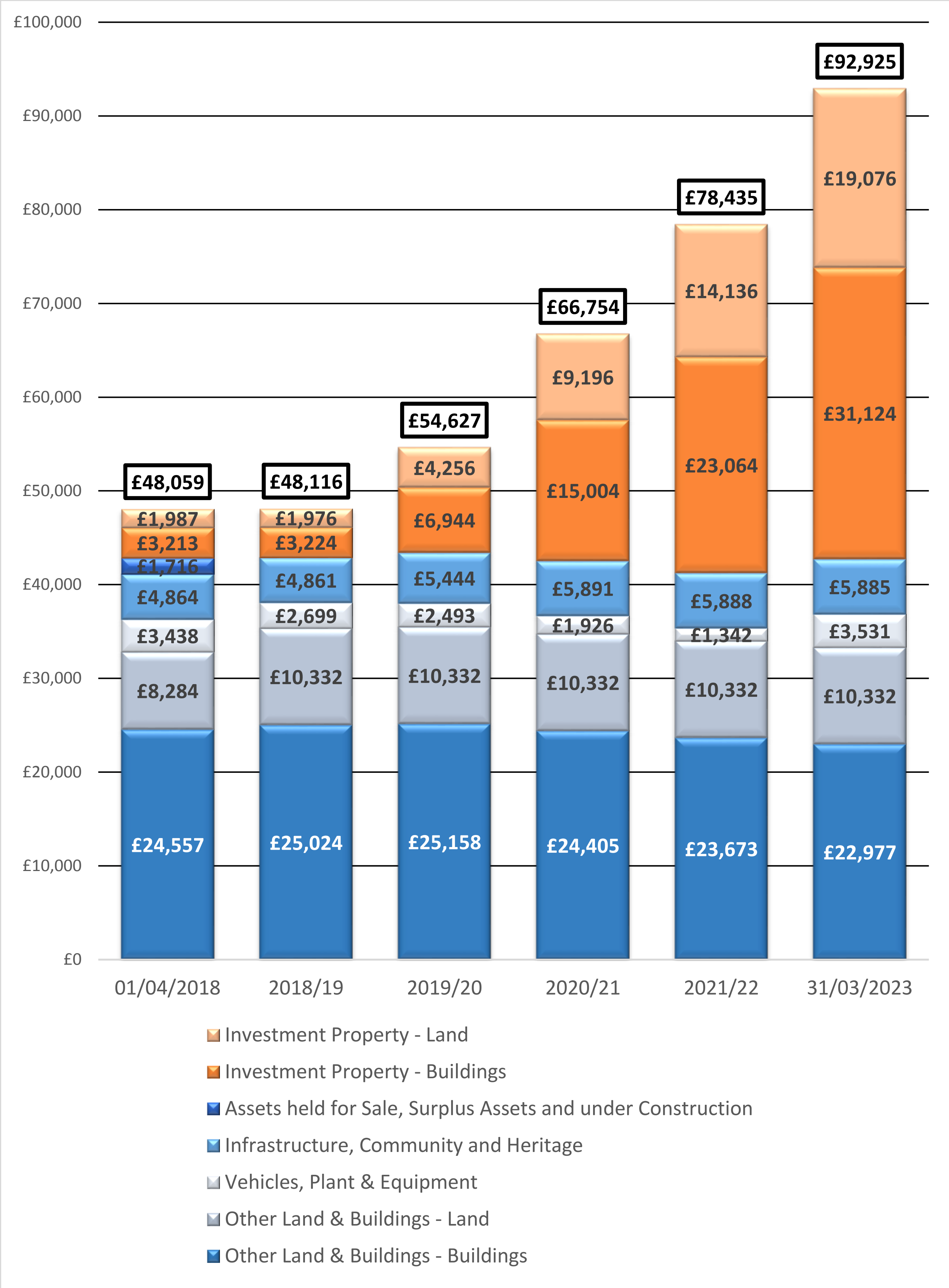
* - these capital receipts are subject to risks such as receipt of planning permission or an option agreement and therefore £649,000 has not been used to fund spend.

3. The Balance Sheet

3.1. The Capital Programme and its funding will significantly impact on the Council's Balance Sheet through property acquisitions funded by borrowing:

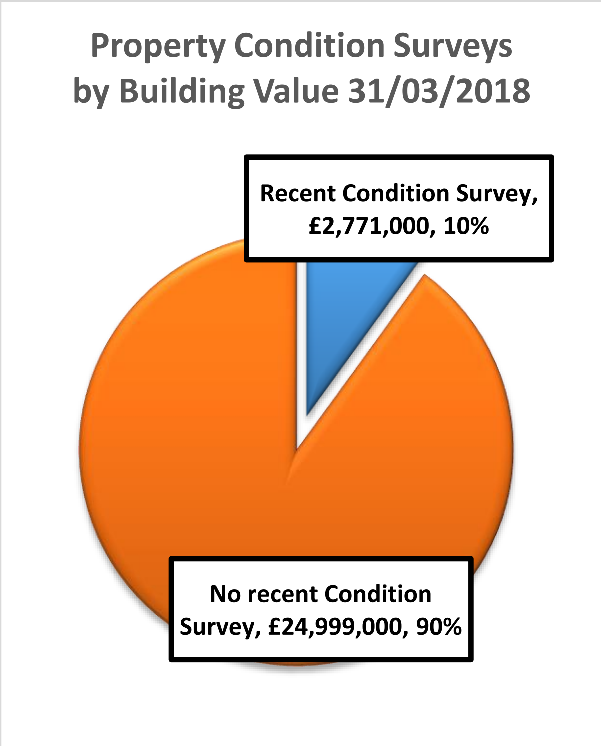


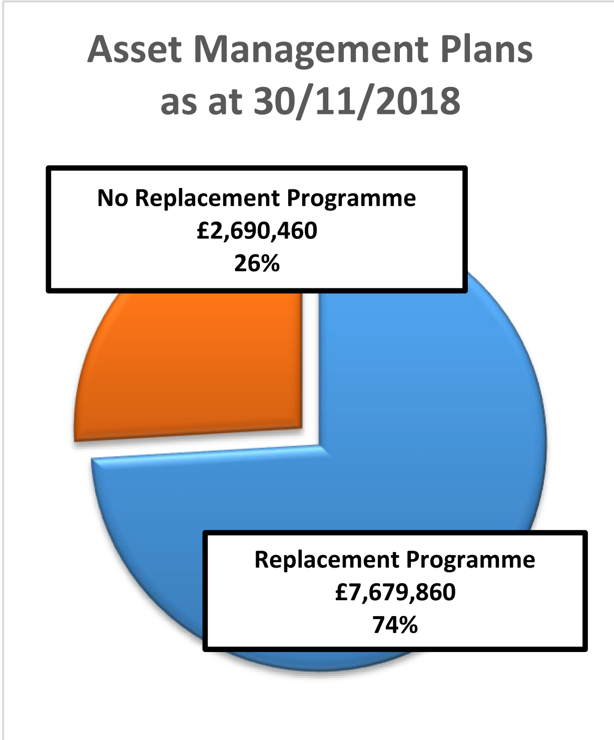
3.2. The property asset element of long term assets i.e. excluding long term investments and debtors together with investment property is shown in more detail below in £000:



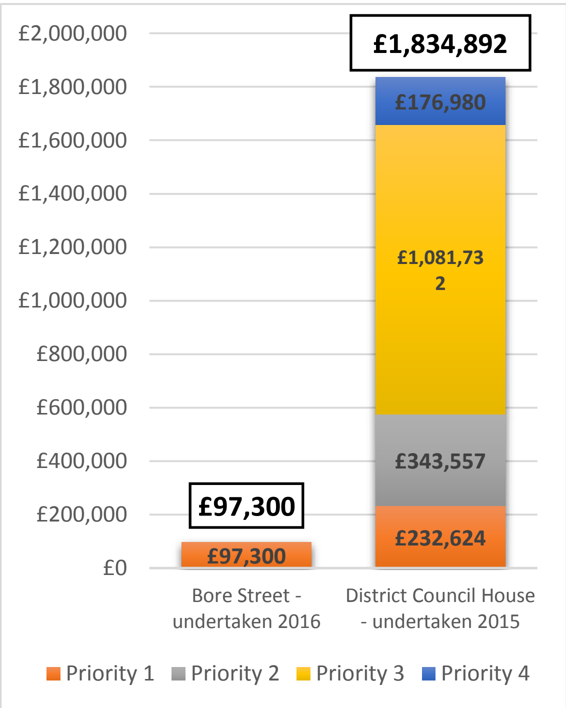
4. Asset Management Planning

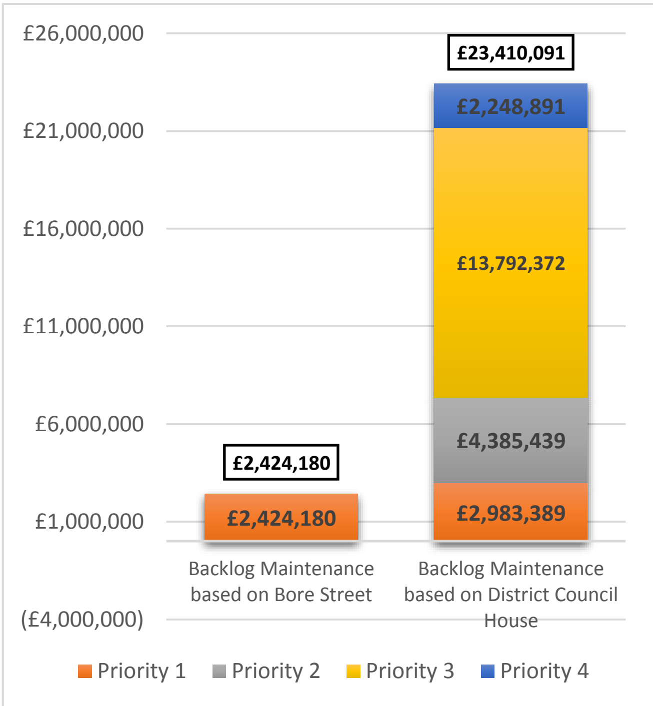
4.1. The level of property assets with recent Property Condition Surveys (i.e. undertaken within the last five years) and the current level of Asset Management Plans by asset value is shown below:



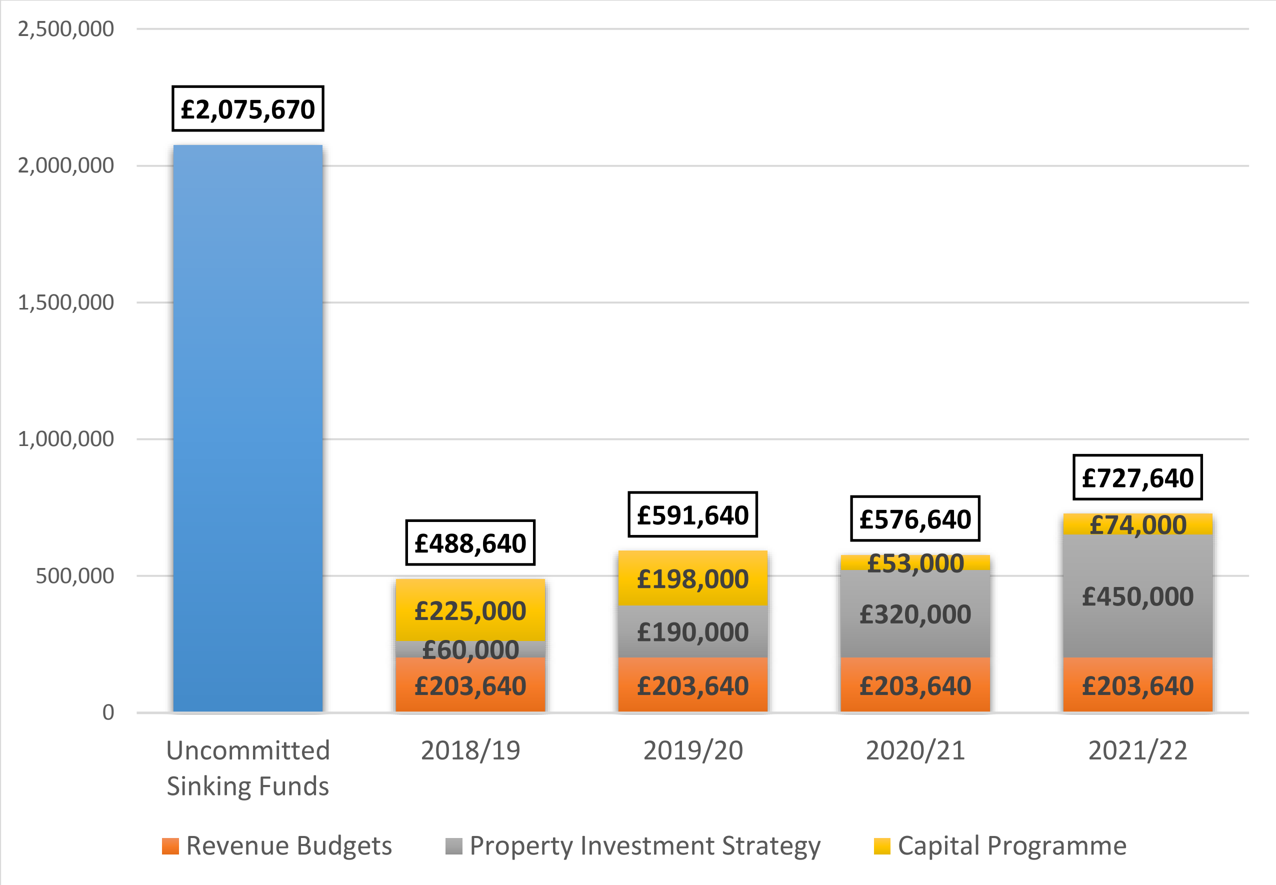


4.2. The level of backlog maintenance identified in the two recent condition surveys can be used to project the potential level for all property assets using the ratios identified in these surveys:

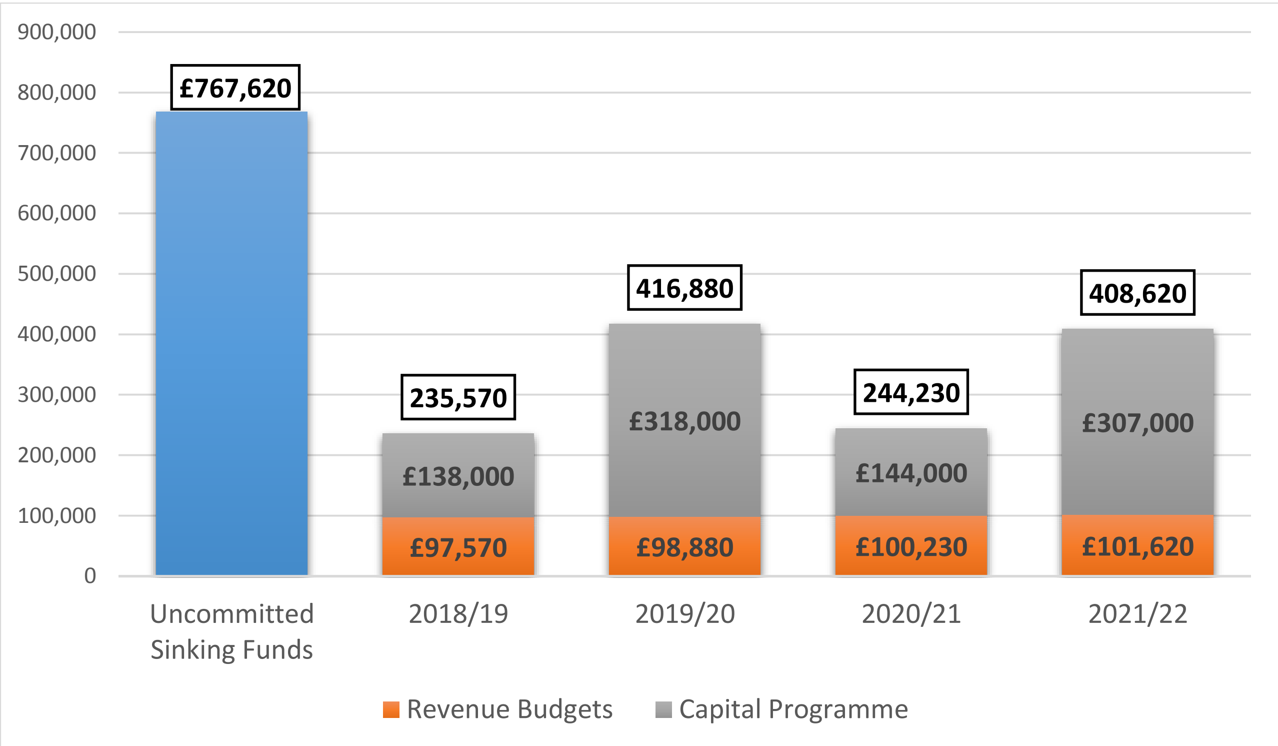




4.3. The resources identified for enhancement and maintenance of property assets are:



4.4. The resources identified for replacement and maintenance of vehicles, plant and equipment assets are:



5. The Property Investment Strategy

5.1. Council approved the property investment strategy on 16 October 2018 and plans to invest **£45m** to develop a prudent investment property portfolio to provide an ongoing source of income while supporting the strategic objectives of the Council by; promoting economic growth, facilitating development, shaping communities and enabling financial sustainability.

5.2. The Council must give due consideration to the drivers for investment (below), along with the guidance from CIPFA and the Ministry of Housing, Communities and Local Government. The latter is a clear steer to look at investments as listed below, where yield is the last consideration after security and liquidity, so that a focus on the potential return on investment does not hamper the need for appropriate due diligence and assessment of risk.

1. **Security** – ensure capital sums are largely protected from loss.
2. **Liquidity** – ensure money is available when required to meet ongoing needs.
3. **Yield** – ensure there is a viable and sustainable return on investment.

5.3. To ensure the maximum number of benefits are achieved, that public perception is considered and that management cost are optimised, the following principles have been selected by the Council to govern any decisions made on property investment;

- **Local** – property will be within the District of Lichfield, or within the functional economic geography. It should be close enough to allow it to be effectively managed and maintained, as well as being appealing to tenants or purchasers now and in the future.
- **Diversified** – property investment will be diversified to broaden the portfolio and so reduce the risk, with a focus given to particular groups, such as housing and offices, when justification is clear and evidenced
- **Strategic** – property investment should be for the long-term and be regularly rebalanced to support our strategic priorities as well as being acceptable to our community
- **Prudent** – property investment will be appropriately risk assessed. Where acquisition is being considered, the current tenancy should offer some security in relation to the length of tenure, strength of the covenant and ongoing viability of the tenant. Where development is being considered, likely tenancies and pre-lets would need to be leveraged to support any financial assessment.
- **Profitable** – property investment will provide a return on investment, either through lettings or sales. The yield on the property should exceed the ongoing costs for management, maintenance and borrowing, while considering the full costs of acquisition or development (e.g. Stamp Duty, legal fees, external valuations and structural surveys). To ensure these principles are considered in each case any decision to invest will be supported by the introduction of an assessment methodology, considering the key aspects of the property, such as; location, tenancy strength, tenure, lease length, repairing terms and size. This could be done through an assessment matrix, which would provide a level of assurance and objectivity to decision making.

5.4. Investment, including property acquisitions, always attracts a level of risk and higher returns are often associated with higher risks. This is one of the reasons for every decision to be appropriately risk assessed, while the overall portfolio should be adequately managed to reduce the overall risk attached to it.

5.5. Risk will come from a number of factors, including;

- **Economic** – periods of rental decline or lack of income, the costs of maintaining the property and falls in property values in a recessionary environment, certain property market segments or certain geographical areas becoming less attractive than others.
- **Political** – changes to national government or local priorities
- **Customer** – reputational damage from resident perception of investment
- **Legislative** – changes to ownership, investment or borrowing legislation

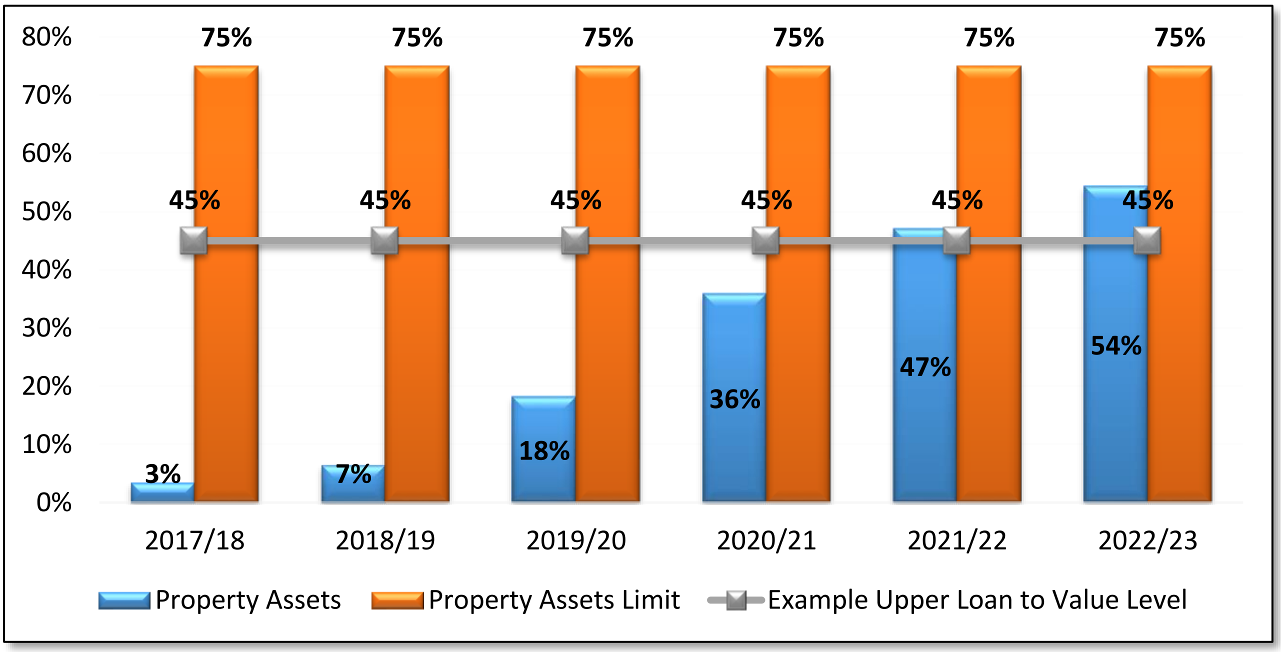
5.6. Ongoing risk, will be managed through standard risk management policies and procedures, ensuring appropriate transparency and challenge.

5.7. The Property Investment Strategy acquisitions are planned to be funded by borrowing. The level of property value funded by borrowing is known as gearing and in the private sector is measured as the loan to value (LTV) ratio.

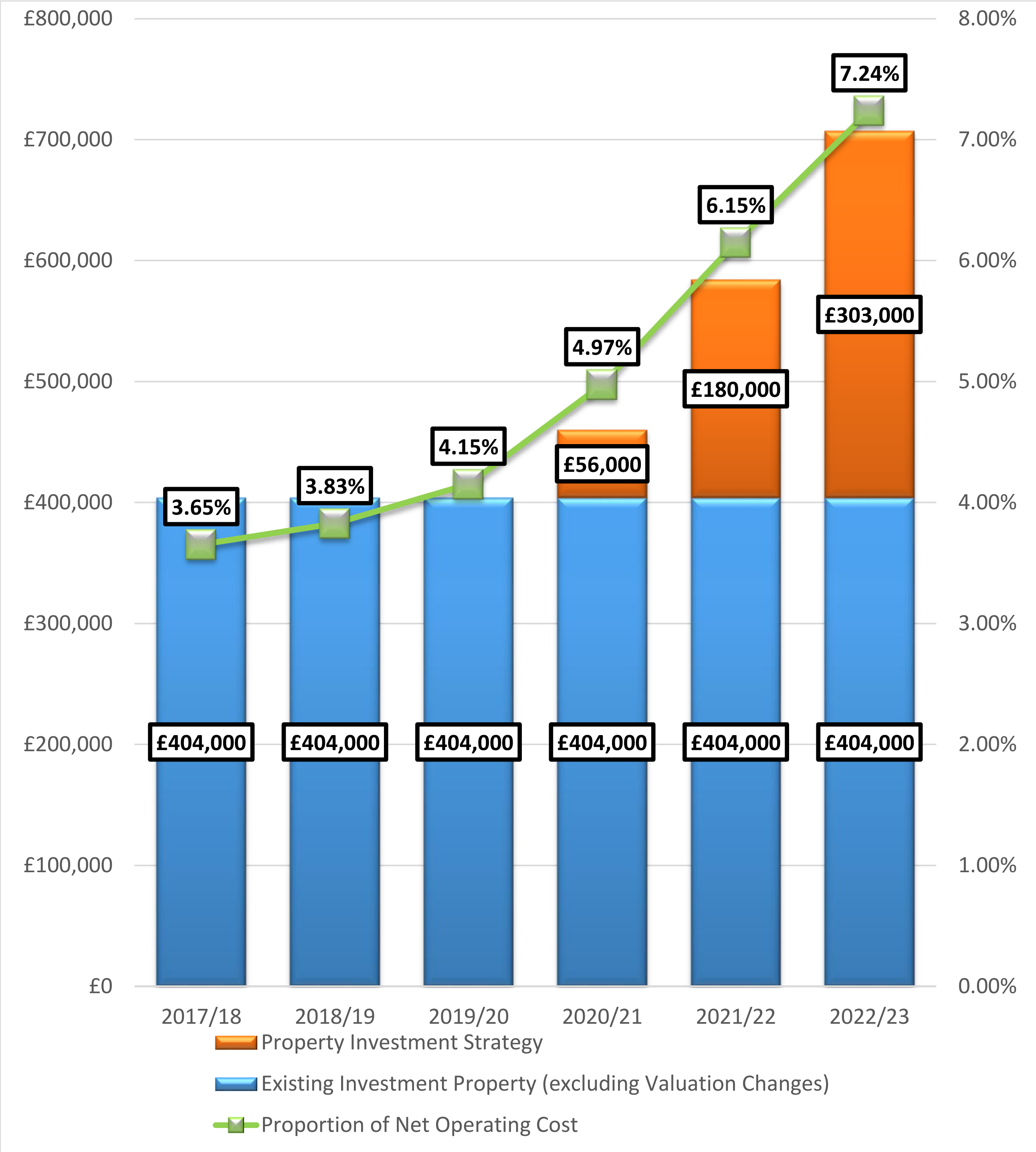
5.8. The private sector will set a maximum loan to value range for property typically **35%** to **45%** to manage the risk that the loans outstanding are unable to adapt to changing asset strategy or property value. This will be evident in a recession where typically property values reduce and loans therefore can exceed property value (known as negative equity).

5.9. A negative equity scenario can make it difficult to rebalance the portfolio through disposals due to the existing loan repayments that will still need to be paid whilst income is no longer received.

5.10. The projected gearing ratio, the limit identified in the property investment strategy and an example upper loan to value limit from a property investment company is shown below:



5.11. The level of the Net Budget that will be supported by the Property Investment Strategy (excluding valuation movements) is:



5.12. The Council has a joint venture partnership with PSP for property and also approved the creation of a Local Authority company to deliver on development and housing ambitions.

5.13. The Capital Programme includes a loan of up to **£900,000** in 2019/20 for a period of 5 years to facilitate housing development and is assumed to be interest free.

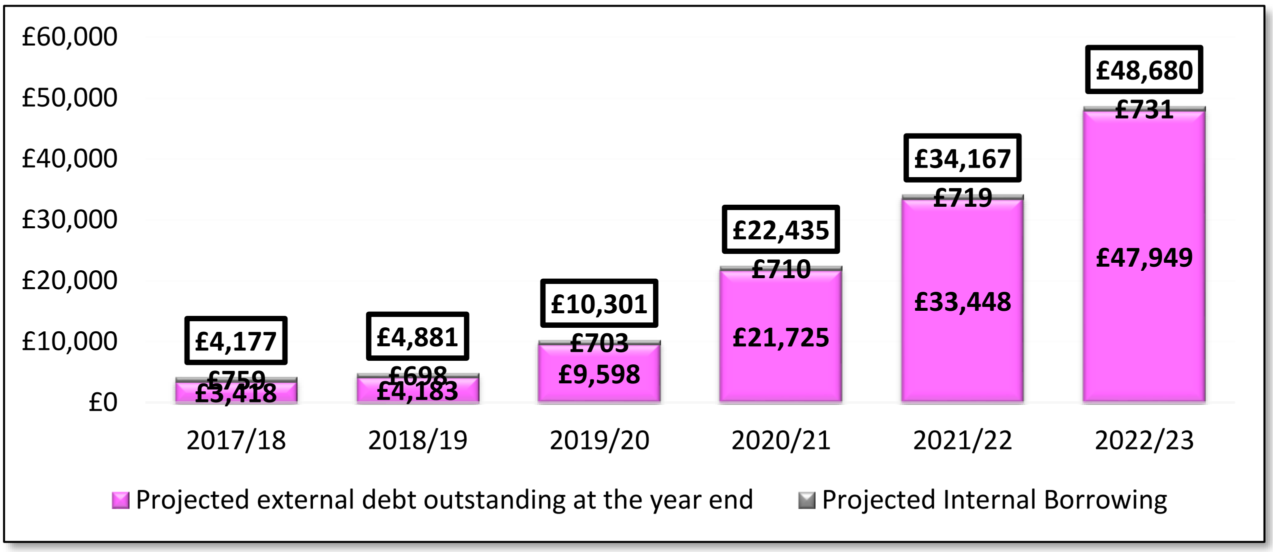
5.14. At present no income stream from the company other than the loan repayment that will be treated as a capital receipt is assumed in the Medium Term Financial Strategy.

6. Debt Management

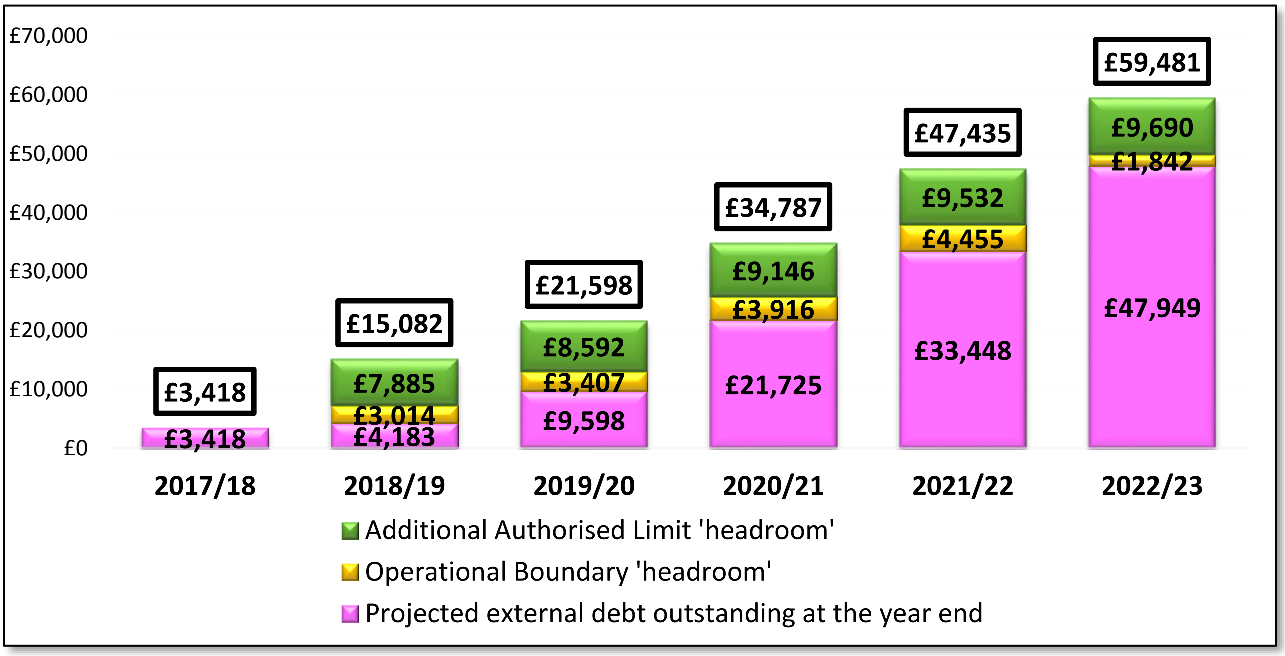
6.1. At the 31 March 2018 the Council had a relatively low level of debt outstanding of **£3.418m** in the form of external borrowing and finance leases.

6.2. The investment in Burntwood Leisure Centre as part of the Leisure Outsourcing, the implementation of the Property Investment Strategy and the renewal of the waste fleet through a contract hire arrangement will mean debt is projected to increase to **£47.949m** by 31 March 2023.

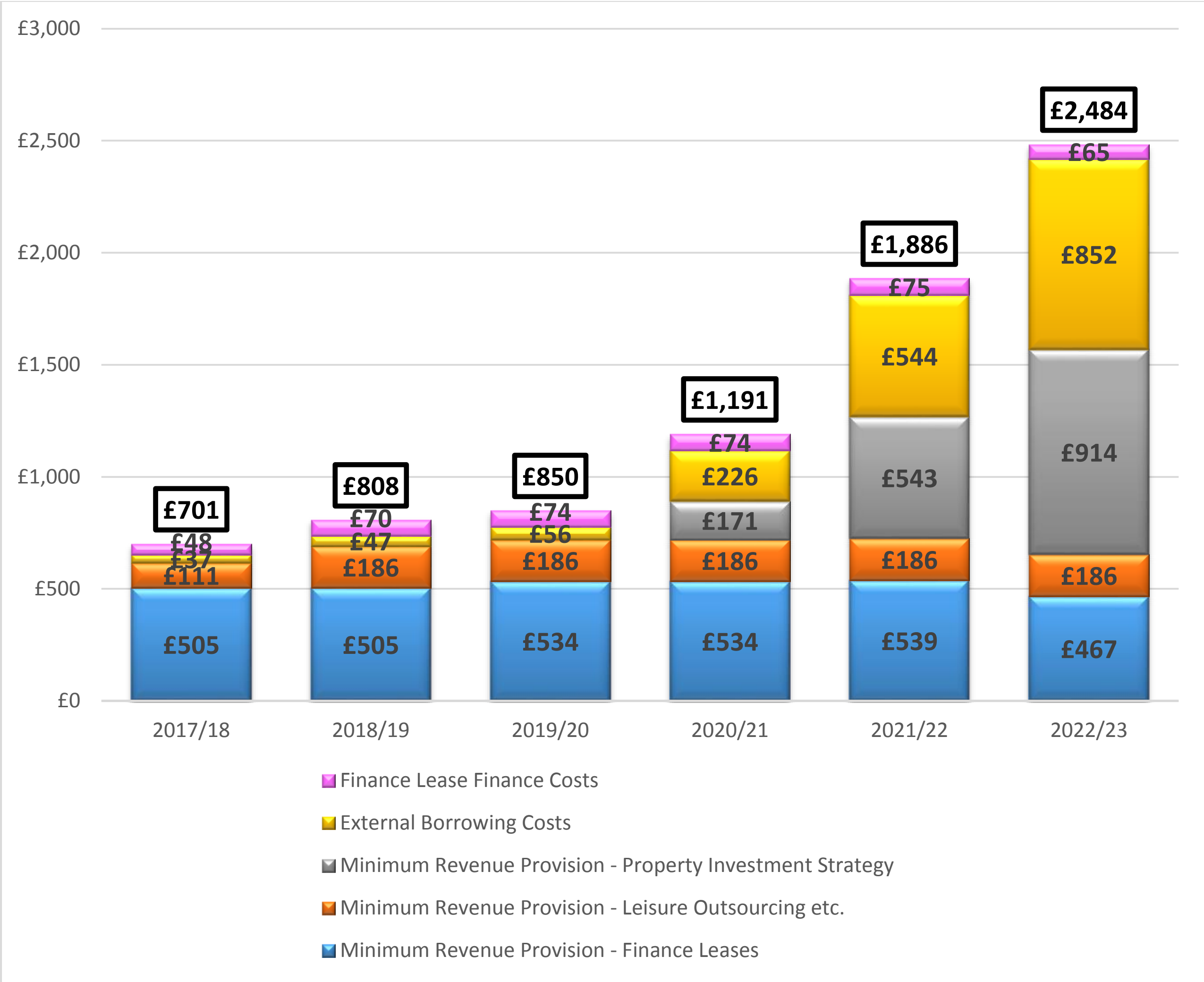
6.3. The projected **Capital Financing Requirement** or borrowing need, **projected level of external debt** and projected level of internal borrowing in (£000) is shown below:



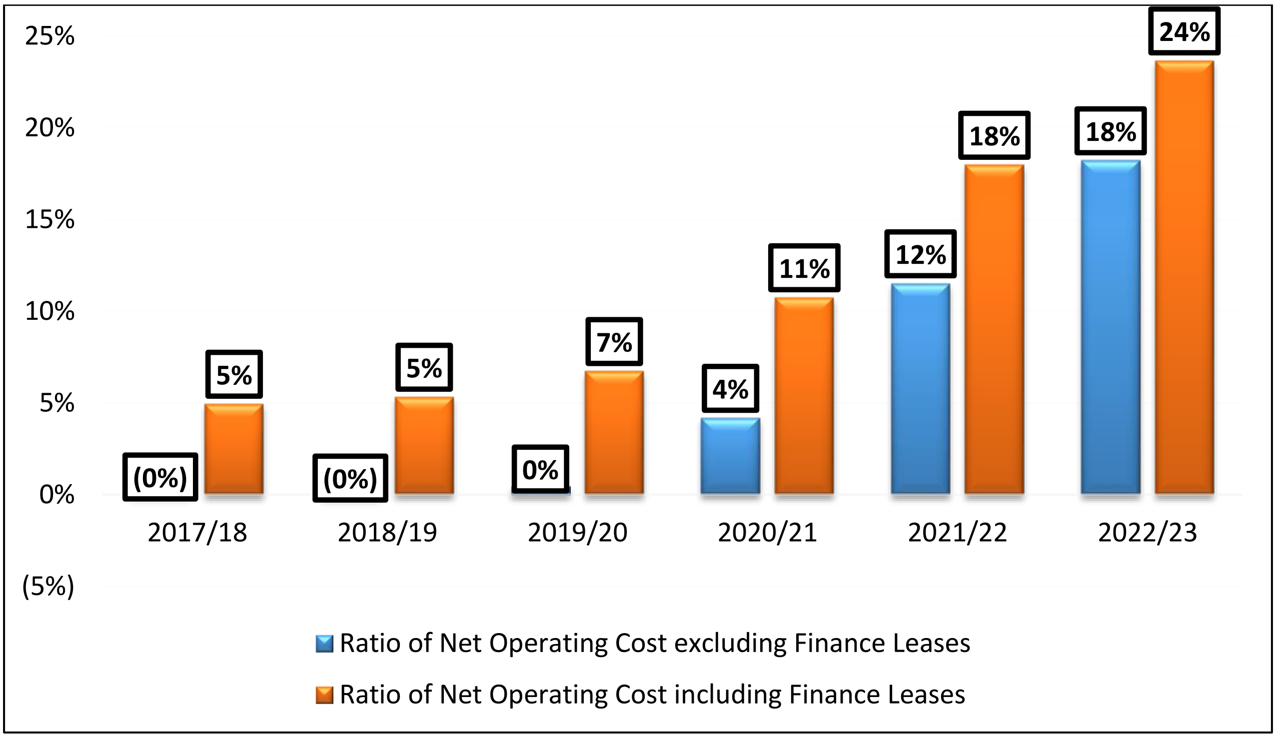
6.4. The Council is managing its debt through setting Prudential Indicators related to the statutory maximum known as the **Authorised Limit** and an **Operational Boundary** as shown below in (£000):



6.5. The level of debt determines the cost of debt servicing (Minimum Revenue Provision which is similar to depreciation with asset cost divided by assessed asset life plus the cost of finance) in £000:



6.6. The proportion of the net budget allocated to financing costs (net of investment income) is below:



7. Financial Guarantees

7.1. In addition, to the debt projections shown above in relation to external borrowing and finance leases, the Council also acts as a guarantor for an admitted body that delivers services on behalf of the Council.

7.2. In the event that it is probable that these guarantees will be required a financial provision would be created to mitigate the risk.

7.3. The guarantees identified in the Statement of Accounts under the Contingent Liabilities note are:

- **The Lichfield Garrick** – the guarantee relates to the pensions of transferred employees and at 31 March 2018 the risk of default was assessed as less than **1%** and therefore the financial risk to the Council is **£5,000.**
- **Freedom Leisure -** the guarantee relates to the pensions of transferred employees and at 31 March 2018 the risk of default was assessed as less than **1%** and therefore the financial risk to the Council is **£97,000.** Freedom Leisure have been admitted to the Pension Fund using a 'pass through' agreement where the Council bears all market related risks such as investment returns. The Pension Fund actuary assessed a market related bond to manage these risks to be **£677,000**. The Council agreed to the creation of an earmarked reserve projected to total **£267,080** at the end of the ten year contract period from the leisure outsourcing savings with any additional sum to be provided by General Reserves.

7.4. These guarantees are assessed throughout the year, in terms of the financial viability of the organisations for which the guarantee is provided, to determine whether a financial provision will need to be created.

8. The Authority's Risk Appetite, Knowledge and Skills

8.1. The Council's risk appetite along with the majority of Local Government is increasing due to the need to offset funding reductions from Central Government with income from alternative and commercial sources. This approach is evident with the approval by Council on 16 October 2018 of the Property Investment Strategy that involves the creation of a Local Authority Development Company and plans to invest in commercial property.

8.2. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Head of Finance and Procurement is a qualified accountant with 30 years' experience, the Council is in the process of recruiting a new Estates Team to manage existing property and deliver the Property Investment Strategy. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA and the Association of Accounting Technicians.

8.3. Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers and has access to property professionals through the PSP joint venture. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

8.4. The Council does not plan to utilise the flexible use of capital receipts for transformation projects.

9. Prudential and Local Indicators

9.1. The Prudential and Local Indicators in relation to the Capital Strategy are shown below:

Prudential Indicators							
Indicators	**2017/18 Actual**	**2018/19 Original**	**2018/19 Revised**	**2019/20 Original**	**2020/21 Original**	**2021/22 Original**	**2022/23 Original**
Capital Investment							
Capital Expenditure (£m)	£2.608	£10.242	£5.355	£11.618	£14.909	£14.466	£17.250
Capital Financing Requirement (£m)	£4.177	£10.552	£4.881	£10.301	£22.435	£34.167	£48.680
Gross Debt and the Capital Financing Requirement							
Gross Debt	(£3.418)	(£10.142)	(£4.183)	(£9.598)	(£21.725)	(£33.448)	(£47.949)
Borrowing in Advance - Gross Debt > Capital Financing Requirement	No	No	No	No	No	No	No
Total Debt							
Authorised Limit (£m)	£3.991	£21.377	£15.082	£21.598	£34.787	£47.435	£59.481
Operational Boundary (£m)	£3.991	£13.122	£7.197	£13.006	£25.641	£37.903	£49.791
Proportion of Financing Costs to Net Revenue Stream (%)	5%	7%	5%	7%	11%	18%	24%
Local Indicators							
Indicators	**2017/18 Actual**	**2018/19 Original**	**2018/19 Revised**	**2019/20 Original**	**2020/21 Original**	**2021/22 Original**	**2022/23 Original**
Replacement of Debt Finance (£m)[1]	(£0.616)	(£0.699)	(£0.691)	(£0.720)	(£0.891)	(£1.268)	(£1.568)
Capital Receipts (£m)	(£0.426)	£0.000	(£0.356)	(£1.056)	(£0.009)	(£0.009)	(£0.009)
Liability Benchmark (£m)[2]	£13.243	£2.345	£12.572	£5.017	(£7.854)	(£20.171)	(£31.711)
Treasury Investments (£m)	£24.519	£20.911	£25.147	£23.689	£23.739	£23.903	£24.622

10. Chief Finance Officer Assessment of the Capital Strategy

10.1. The key risks associated with the Capital Strategy are principally related to the Property Investment Strategy and its funding given this is planned to be funded through borrowing.

10.2. I have assessed the current overall risk as **85** out of **144** based on the following factors:

	Likelihood	Impact	Overall
Minimum			**0**
Capital Strategy			
Slippage Occurs in the Capital Spend	4	2	8
Planned Capital Receipts are not received	3	4	12
Actual Cash flows differ from planned Cash flows	2	2	4
Property Investment Strategy			
Slippage Occurs in the Capital Spend	4	2	8
Change of Government policy including regulatory change	2	4	8
The form of exit from the EU adversely impacts on the UK economy including the Property Market and Borrowing Costs	3	4	12
There is a cyclical 'downturn' in the wider markets	3	3	9
There is insufficient expertise to implement the Property Investment Strategy	3	4	12
Inability to acquire or dispose of assets due to good opportunities not being identified	3	4	12
Assessed Level of Risk			**85**
Maximum			**144**

[1] Total Minimum Revenue Provision.

[2] The lowest risk level of borrowing by keeping cash and investment balances to a minimum level of £10m at each year end to maintain liquidity but minimise credit risk (the liability benchmark calculation reduces the level of cash that is invested in the financial markets to the minimum level through the use of internal borrowing).

Capital Programme

Project	Capital Programme (R=>£500k, A= £250k to £500k and G = <£250k) 2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000	Corporate £000
LOPS - BLC Enhancement Work	0	95	0	0	0	95	0
LOPS - Other Burntwood Leisure Centre Sinking Fund	0	140	0	0	0	140	0
LOPS - Friary Grange Capital Works	50	0	0	0	0	50	0
LOPS - Leisure Review: Capital Investment	1,395	0	0	0	0	1,395	0
ECON - Play Equipment at Hill Ridware Village Hall	0	71	0	0	0	71	0
ECON - New Build Parish Office/Community Hub	0	92	0	0	0	92	0
ECON - Fradley Village Heating & CCTV	15	0	0	0	0	15	0
ECON - Fradley Youth & Community Centre	15	0	0	0	0	15	0
ECON - Replacement of children's play equipment	21	0	0	0	0	21	0
ECON - Armitage with Handsacre Village Hall heating	20	0	0	0	0	20	0
ECON - Armitage with Handsacre Village Hall storage	16	0	0	0	0	16	0
ECON - Re-siting/improvement of Armitage War Memorial	80	40	0	0	0	120	0
ECON - Replacement of canopy and artificial grass	13	0	0	0	0	13	0
REGH - Accessible Homes (Disabled Facilities Grants)	1,193	1,104	950	950	950	5,147	352
REGH - Home Repair Assistance Grants	15	15	15	15	15	75	0
REGH - Decent Homes Standard	0	197	0	0	0	197	0
REGH - Energy Insulation Programme	41	10	10	10	10	81	0
REGH - DCLG Monies	0	212	0	0	0	212	0
REGH - Unallocated S106 Affordable Housing Monies	0	400	0	0	0	400	0
REGH - Housing Redevelopment Scheme - Packington	40	0	0	0	0	40	0
Healthy & Safe Communities Total	**2,914**	**2,376**	**975**	**975**	**975**	**8,215**	**352**
LOPS - Darnford Park (S106)	0	13	0	0	0	13	0
LPDE - Loan to Council Dev. Co.	0	900	0	0	0	900	116
ECON - Canal Towpath (Brereton & Ravenhill)	0	211	0	0	0	211	0
WC - Vehicle Replacement Programme	0	140	25	0	3,080	3,245	0
LOPS - Vehicle Replacement Programme	15	301	119	307	20	762	210
LOPS - Shortbutts Park, Lichfield	0	23	0	0	0	23	20
ECON - Env. Improvements - Upper St John St	0	7	0	0	0	7	0
LOPS - Stowe Pool Improvements (S106) (Jul 2012)	0	550	450	0	0	1,000	5
ECON - The Leomansley Area Improvement Project	3	0	0	0	0	3	0
ECON - Cannock Chase SAC	62	13	22	25	0	122	0
Clean, Green and Welcoming Places to Live Total	**80**	**2,158**	**616**	**332**	**3,100**	**6,286**	**351**
REGH - Data Management System	11	0	0	0	0	11	0
ECON - Birmingham Road Site Support	143	0	0	0	0	143	143
ECON - Birmingham Road Site - Coach Park	5	238	0	0	0	243	243
ECON - Birmingham Road Site - Police Station Acquisition	1,805	0	0	0	0	1,805	1,676
ECON - Birmingham Road Site - Short Term Redevelopment	0	353	0	0	0	353	0
ECON - Sankey's Corner Environmental Improvements	3	0	0	0	0	3	0
ECON - City Centre Strategy and Interpretation	24	0	0	0	0	24	1
ECON - Car Parks Variable Message Signing	0	32	0	0	0	32	0
ECON - Old Mining College - Refurbish access and signs	14	0	0	0	0	14	0
ECON - Lichfield Festival Parade and Website	14	0	0	0	0	14	14
ECON - St Mary's Cultural Hub	45	0	0	0	0	45	45
ECON - Erasmus Darwin Lunar Legacy	25	0	0	0	0	25	25
ECON - St. Chads Sculpture	0	50	0	0	0	50	50
A Vibrant and Prosperous Economy Total	**2,089**	**673**	**0**	**0**	**0**	**2,762**	**2,197**
LPDE - Property Investment Strategy	0	6,000	13,000	13,000	13,000	45,000	0
LOPS - Depot Sinking Fund	0	11	0	0	0	11	11

Project	Capital Programme (R=>£500k, A= £250k to £500k and G = <£250k) 2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000	Corporate £000
CORP - IT Innovation	187	167	110	50	50	564	459
CORP - IT Infrastructure	0	105	55	35	15	210	210
CORP - IT Cloud	0	25	100	0	0	125	125
CORP - District Council House	85	103	53	74	110	425	310
A Council that is Fit For the Future Total	**272**	**6,411**	**13,318**	**13,159**	**13,175**	**46,335**	**1,115**
Grand Total	**5,355**	**11,618**	**14,909**	**14,466**	**17,250**	**63,598**	**4,015**

Funding Source	Capital Programme 2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000	
Usable Capital Receipts	1,888	976	364	413	219	3,860	
Revenue	155	0	0	0	0	155	
Corporate Council Sources	**2,043**	**976**	**364**	**413**	**219**	**4,015**	
External Grants and Contributions	1,281	1,863	1,358	931	931	6,364	
Section 106	264	906	43	25	0	1,238	
Earmarked Reserves	365	1,498	119	97	20	2,099	
Sinking Fund	7	235	0	0	0	242	
Finance Leases	0	140	25	0	3,080	3,245	
Grand Total	**3,960**	**5,618**	**1,909**	**1,466**	**4,250**	**17,203**	**63,598**
In Year FUNDING GAP (Borrowing Need)	**1,395**	**6,000**	**13,000**	**13,000**	**13,000**	**46,395**	
Cumulative FUNDING GAP (Borrowing Need)	**3,338**	**9,151**	**21,793**	**34,064**	**45,964**	**45,964**	
Available Capital Receipts	**(1,538)**	**(1,618)**	**(1,263)**	**(859)**	**(649)**	**(649)**	

MTFS Audit Trail	Financial Year 2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Cabinet 13 February 2018	**10,242**	**17,707**	**14,551**	**14,207**	**0**	**56,707**
Budget Monitoring in 2018/19						
2017/18 Money Matters (Slippage)	918					918
3 Month's Money Matters						
• Rephasing	(649)	649				0
• Other Changes	154					154
6 Month's Money Matters						
• Rephasing	(3,544)	3,544				0
8 Month's Money Matters						
• Rephasing	(3,569)	3,579	(10)			0
• Other Changes	(101)					(101)
Cabinet and Council Reports		900				900
Completed Projects	(1)					(1)
Section 106 Allocations	488	106				594
Allocation of 'Old Father Time' monies under delegation	84	50				134
Birmingham Road Site including Police Station Acquisition	1,333	(2,658)	(50)			(1,375)
Modelled Changes						
Capital Bids		388	418	259	4,250	5,315
Rephasing of Property Investment Strategy		(13,000)			13,000	0
Birmingham Road Site - Short Term Redevelopment		353				353
Capital Programme	**5,355**	**11,618**	**14,909**	**14,466**	**17,250**	**63,598**

APPENDIX C

Birmingham Road Site - Short Term Redevelopment and Future Options Appraisal

Approved Budget

Birmingham Road Site	Approved Budget					
	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Support	143					143
Police Station Acquisition	1,805					1,805
Coach Park Acquisition	5	238				243
Sub Total Capital Programme	**1,953**	**238**	**0**	**0**	**0**	**2,191**
Police Station Acquisition						
Other	8					8
Demolition	100					100
Sub Total Revenue Budget	**108**	**0**	**0**	**0**	**0**	**108**
Total Approved Budget	**2,061**	**238**	**0**	**0**	**0**	**2,299**

Funded by:						
Corporate Capital Resources	1,824	238				2,062
Earmarked Reserve – Condition Survey	39					39
Earmarked Reserve - BRS	198					198
Total Funding	**2,061**	**238**	**0**	**0**	**0**	**2,299**

APPENDIX C

Birmingham Road Site - Short Term Redevelopment and Future Options Appraisal

Recommended Additional Budgets

Short Term Development and Future Options Appraisal	Recommended Budget					
	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Bus Station Works		167				167
Landscaping Works		111				111
Other Works		30				30
Fees		45				45
Sub Total Capital Programme	**0**	**353**	**0**	**0**	**0**	**353**
Master Planning		60				60
Fees	49	45	28	28		150
<u>Demolition</u>						
Total Cost		233				233
Less : Approved	(100)					(100)
Sub Total Revenue Budget	**(51)**	**338**	**28**	**28**	**0**	**343**
Total Recommended Budget	**(51)**	**691**	**28**	**28**	**0**	**696**

Funded by:						
Earmarked Reserve - BRS	(51)	691	28	28	0	696
Total Funding	**(51)**	**691**	**28**	**28**	**0**	**696**

Birmingham Road Site Earmarked Reserve

Short Term Development and Future Option Appraisal	BRS Earmarked Reserve					
	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Opening Balance	**(1,306)**	**(1,159)**	**(452)**	**(408)**	**(380)**	**(1,306)**
<u>Approved Budget</u>						
Police Station Acquisition	198					198
Major Projects Team		16	16			32
<u>Recommended Budget</u>						
Revenue	(51)	338	28	28	0	343
Capital	0	353	0	0	0	353
Closing Balance	**(1,159)**	**(452)**	**(408)**	**(380)**	**(380)**	**(380)**

Minimum Revenue Provision Statement 2019/20

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP). Although there has been no statutory minimum since 2008. The Local Government Act 2003 requires this Authority to have regard to the Ministry of Housing, Communities and Local Government's (MGCLG) guidance on MRP most recently issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that debt is repaid over the period that is reasonably commensurate with that over which the capital expenditure provides benefits.

The MHCLG Guidance requires the Authority to approve an annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP.

- For capital expenditure incurred after 1 April 2008 where no financial support is provided by the Government through the Finance Settlement, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments. MRP on purchases of **freehold land** will be charged over a maximum of **50 years**. MRP on expenditure not related to assets but that has been **capitalised by regulation or direction** (Revenue Expenditure Funded by Capital under Statute or REFCUS) will be charged over a maximum of **20 years**.
- For assets acquired by **finance leases**, MRP will be determined as being equal to the **element of the charge that is used to reduce the Balance Sheet liability**.
- For **capital expenditure loans to third parties that are repaid** in annual or more frequent instalments of principal, the Council will make **nil MRP**, but instead apply the capital receipts arising to reduce the Capital Financing Requirement or Borrowing Need. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate delaying the MRP until the year after the assets become operational.

Treasury Management

Introduction

Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has invested and is planning to borrow substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risks are therefore central to the Authority's prudent financial management.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

As part of the MTFS, we prepare integrated Revenue Budgets and a Capital Programme. These budgets together with the actual Balance Sheet from the previous financial year are used to also prepare Balance Sheet projections. These Balance Sheet Projections are shown on the next page.

These Balance Sheet projections are significant in assessing the Council's Treasury Management Position in terms of borrowing requirement (including comparison to a **Liability Benchmark** explained below), investment levels and our Investment Policy and Strategy.

A Liability benchmark compares the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as used in the Balance Sheet projections, but that cash and investment balances are kept to a minimum level (**£10m** in 2018/19) to maintain sufficient liquidity but minimise credit risk through the use of Internal Borrowing.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast Capital Financing Requirement (CFR) or Borrowing Need over the next three years. The table shows that the Authority expects to comply with this recommendation during 2019/20.

	2017/18 £000	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**	**2022/23 £000**
Capital Financing Requirement (Borrowing)	£2,130	£3,338	£9,153	£21,795	£34,066	£45,966
Capital Financing Requirement (Finance Leases)	£2,047	£1,543	£1,149	£640	£101	£2,714
Total	**£4,177**	**£4,881**	**£10,302**	**£22,435**	**£34,168**	**£48,680**

External Borrowing	(£1,370)	(£2,640)	(£8,449)	(£21,084)	(£33,346)	(£45,234)
Finance Leases	(£2,048)	(£1,543)	(£1,150)	(£641)	(£102)	(£2,715)
Total	**(£3,418)**	**(£4,183)**	**(£9,598)**	**(£21,725)**	**(£33,448)**	**(£47,949)**

Liability Benchmark	£13,243	£12,572	£5,017	(£7,854)	(£20,171)	(£31,711)
Higher Projected External Borrowing compared to Liability Benchmark	(£14,612)	(£15,212)	(£13,466)	(£13,230)	(£13,175)	(£13,523)

Balance Sheet Projections 2018-23

	Type	2017/18 Actual £000s	2018/19 Budget £000s	2019/20 Budget £000s	2020/21 Budget £000s	2021/22 Budget £000s	2022/23 Budget £000s	2018/23 Change £000s
Property, Plant and Equipment	ASSET	41,968	42,325	42,836	41,963	40,644	42,134	(191)
Heritage Assets	ASSET	515	515	515	515	515	515	0
Investment Property	ASSET	5,200	5,200	11,200	24,200	37,200	50,200	45,000
Intangible Assets	ASSET	76	76	76	76	76	76	0
Assets Held for Sale	ASSET	300	0	0	0	0	0	0
Long Term Debtors	DEBT	93	93	93	93	93	93	0
Long Term Debtors (Company Loan)	LOAN	0	0	900	900	900	900	900
Investments	INV	24,418	25,046	23,588	23,638	23,802	24,521	(525)
Borrowing	BOLE	(1,370)	(2,640)	(8,449)	(21,084)	(33,346)	(45,234)	(42,594)
Finance Leases	BOLE	(2,048)	(1,543)	(1,150)	(641)	(102)	(2,715)	(1,172)
Working Capital	CRED	(9,227)	(9,030)	(8,540)	(8,534)	(8,534)	(8,534)	496
Pensions	CRED	(34,393)	(35,154)	(36,028)	(36,028)	(36,028)	(36,028)	(874)
TOTAL ASSETS LESS LIABILITIES		**25,532**	**24,887**	**25,041**	**25,098**	**25,219**	**25,928**	**1,041**
Unusable Reserves								
Revaluation Reserve	REV	(9,016)	(9,016)	(9,016)	(9,016)	(9,016)	(9,016)	0
Capital Adjustment Account	CAP	(34,865)	(34,217)	(36,208)	(36,202)	(36,150)	(36,128)	(1,911)
Deferred Credits	CRED	(47)	(47)	(947)	(947)	(947)	(947)	(900)
Pension Scheme	CRED	36,028	36,028	36,028	36,028	36,028	36,028	0
Benefits Payable During Employment Adjustment Account	CRED	132	132	132	132	132	132	0
Collection Fund	UGER	(611)	(208)	0	0	0	0	208
Available for Sale Financial Instruments Reserve	INV	101	101	101	101	101	101	0
Usable Reserves								
Unapplied Grants and Contributions	UGER	(1,641)	(1,418)	(582)	(542)	(517)	(492)	926
Usable Capital Receipts	UGER	(3,070)	(1,538)	(1,618)	(1,263)	(859)	(649)	889
Burntwood Leisure Centre Sinking Fund	UGER	(236)	(236)	0	0	0	0	236
City Centre Redevelopment Sinking Fund	UGER	(25)	(18)	(18)	(18)	(18)	(18)	0
Elections, Public Open Spaces & Building Regulations	UGER	(780)	(780)	(780)	(780)	(780)	(780)	0
Three Spires Multi Storey	UGER	(2,057)	(2,207)	(2,357)	(2,507)	(2,507)	(2,507)	(300)
Other Earmarked Reserves	UGER	(4,904)	(6,111)	(4,275)	(4,128)	(4,003)	(3,983)	2,128
Grant Aid - Development	UGER	(20)	(20)	(20)	(20)	(20)	(20)	0
General Fund Balance	GEN	(4,521)	(5,332)	(5,481)	(5,936)	(6,663)	(7,649)	(2,317)
TOTAL EQUITY		**(25,532)**	**(24,887)**	**(25,041)**	**(25,098)**	**(25,219)**	**(25,928)**	**(1,041)**
Reserves Available to cover Investment Losses		**(9,470)**	**(11,481)**	**(9,794)**	**(10,102)**	**(10,704)**	**(11,670)**	**(189)**
Summary								
Capital Funding	CAP	(34,865)	(34,217)	(36,208)	(36,202)	(36,150)	(36,128)	(1,911)
Revaluation Reserve	REV	(9,016)	(9,016)	(9,016)	(9,016)	(9,016)	(9,016)	0
Borrowing and Leasing	BOLE	(3,418)	(4,183)	(9,598)	(21,725)	(33,448)	(47,949)	(43,765)
Non-Current Assets	ASSET	48,059	48,116	54,627	66,754	78,435	92,925	44,809
Investments	INV	24,519	25,147	23,689	23,739	23,903	24,622	(525)
Unapplied Grants & Earmarked Reserves	UGER	(13,344)	(12,536)	(9,650)	(9,258)	(8,704)	(8,449)	4,087
General Reserve	GEN	(4,521)	(5,332)	(5,481)	(5,936)	(6,663)	(7,649)	(2,317)
Long Term Debtors	DEBT	93	93	93	93	93	93	0
Long Term Debtors (Company Loan)	LOAN	0	0	900	900	900	900	900
Working Capital & Pensions	CRED	(7,507)	(8,071)	(9,355)	(9,349)	(9,349)	(9,349)	(1,278)
Total		**0**	**0**	**0**	**0**	**0**	**0**	**0**
Internal Borrowing		**760**	**699**	**704**	**711**	**720**	**732**	**33**
Liability Benchmark								
Capital Financing Requirement (Borrowing)		2,130	3,339	9,153	21,795	34,066	45,966	42,627
Working Capital & Pensions		(7,507)	(8,071)	(9,355)	(9,349)	(9,349)	(9,349)	(1,278)
Usable Reserves		(17,865)	(17,868)	(15,131)	(15,194)	(15,367)	(16,098)	1,770
Minimum Level of Investments		10,000	10,028	10,316	10,602	10,821	11,192	1,164
Total		**(13,242)**	**(12,572)**	**(5,017)**	**7,854**	**20,171**	**31,711**	**44,283**

Borrowing Strategy

The Authority currently projects **£2.640 million** of loans at 31 March 2019, an increase of **£1.270 million** on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast above shows that the Authority expects to borrow up to **£6.000 million** in 2019/20.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs 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 modestly. 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 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during 2019/20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.

Sources of borrowing: 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
- any other UK public sector body
- UK public and private sector pension funds (except Staffordshire County Council Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

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

- leasing
- hire purchase
- sale and leaseback

The Authority has previously raised all of its long-term borrowing from the Public Works Loans Board (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.

Municipal Bonds Agency: UK Municipal Bonds Agency plc 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 two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. 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 interest rate exposure limits in the treasury management indicators.

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Investment Strategy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In 2019/20, the Authority's investment balance is projected to range between **£24.50 million** and **£32.62 million**.

Objectives: The CIPFA Code requires 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 of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates: If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2019/20. This is especially the case for the estimated **£8 million** that is available for longer-term investment. The majority of the Authority's surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit and money market funds. This diversification will represent a continuation of the new strategy adopted in the last few years.

Business models: Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

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

Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	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
None	£0.5m 6 months	n/a	£2m 25 years	£50,000 5 years	£0.5m 5 years
Pooled funds and real estate investment trusts		£2m per fund			
UK Domiciled Pooled Funds		**£5m per fund**			

This table must be read in conjunction with the notes below

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

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. See below for arrangements relating to operational bank accounts.

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 higher 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 generally a lower risk of insolvency, although they are not zero risk. 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 either following an external credit assessment or to a maximum of **£250,000** per company 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 and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England). As providers of public services, they retain the likelihood of receiving government support if needed.

Pooled funds: Shares or units in diversified investment vehicles consisting of 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 will 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.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Operational bank accounts: The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below **£500,000** per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

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 existing investments with the counterparty.

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

Other information on the security of investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above 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.

Investment limits: The Authority's revenue reserves available to cover investment losses are forecast to be **£11.481 million** on 31st March 2019. In order that no more than **1%** 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, other Local Authorities and UK Domiciled Pooled Funds) will be **£1 million**. 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.

Investment limits

	Cash limit
Any single organisation, except the UK Domiciled Pooled Funds, UK Central Government and UK Local Authorities	£1m each
UK Domiciled Pooled Funds	**£5m each**
UK Central Government	unlimited
UK Local Authorities	£2m each
Any group of organisations under the same ownership	£1m per group
Any group of pooled funds under the same management	£4m per manager
Negotiable instruments held in a broker's nominee account	£12m per broker
Foreign countries	£2m per country
Registered providers and registered social landlords	£5m in total
Unsecured investments with building societies	£2m in total
Loans to unrated corporates (excluding the Council's Company)	£2m in total
Money market funds	£12m in total
Real estate investment trusts	**£5m in total**

Liquidity management: The Authority uses cash flow forecasting via excel to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis 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 medium-term financial strategy and cash flow forecast.

Related Matters

The CIPFA Code requires the Authority to include the following in its treasury management strategy.

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

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds 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.

Financial Derivatives: In the absence of any explicit legal power to do so, the Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

Markets in Financial Instruments Directive: The Authority has opted up to **professional client status** with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Head of Finance and Procurement believes this to be the most appropriate status.

Other Options Considered

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

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; (however long-term interest costs may be less certain)

Investment Strategy Report 2019/20

Introduction

The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy is a new report for 2019/20, meeting the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

Treasury Management Investments

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between **£24.50 million** and **£32.62 million** during the 2019/20 financial year.

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Further details: Full details of the Authority's policies and its plan for 2019/20 for treasury management investments are covered in a separate document in this report, the treasury management strategy.

Service Investments: Loans

Contribution: The Council lends money to its employees for car loans, inherited housing loans from Birmingham City Council, makes loans to individuals to reduce the risk of homelessness and will lend to its subsidiary to support the development of local housing.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Category of borrower	31.3.2018 actual			2018/19	2019/20
	Balance owing	Loss allowance	Net figure in accounts	Projection	Proposed Limit
Subsidiaries	£0	£0	£0	£0	£900,000
Employees – car loans	£17,830	£0	£17,830	£17,830	£100,000
Housing Loans - secured	£44,320	£0	£44,320	£44,320	£45,000
Housing Loans - unsecured	£2,771	£0	£2,771	£2,771	£3,000
Homelessness Loans	£28,555	(£11,299)	£17,256	£17,256	£50,000
TOTAL	**£93,476**	**(£11,299)**	**£82,177**	**£82,177**	**£1,098,000**

Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts from 2018/19 onwards will be shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent including placing charges on properties for housing loans (secured) and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The most significant loan for a service purpose is the **£900,000** loan for **5 years** to the Council Development Company for the provision of housing. The Board of Directors of the Company will initially consist of Council employees and therefore the Council will be able to manage the repayment risk through project due diligence and the monitoring of selected projects.

Commercial Investments: Property

See the Capital Strategy at **APPENDIX B**.

Loan Commitments and Financial Guarantees

See the Capital Strategy at **APPENDIX B**.

Proportionality

See the Capital Strategy at **APPENDIX B**.

Borrowing in Advance of Need

Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Authority has chosen not to follow this guidance and plans to borrow for this purpose to fund the approved Property Investment Strategy. The Authority's policies in investing the money borrowed, including management of the risks, for example, of not achieving the desired profit or borrowing costs will be managed as part of the Authority's overall management of its treasury risks.

Capacity, Skills and Culture

See the Capital Strategy at **APPENDIX B**.

Investment Indicators

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Total Investment Exposure	31/03/2018 Actual £000	31/03/2019 Forecast £000	31/03/2020 Forecast £000	31/03/2021 Forecast £000	31/03/2022 Forecast £000	31/03/2023 Forecast £000
Treasury Management Investments	£24,519	£25,147	£23,689	£23,739	£23,903	£24,622
Commercial Investments: Property	£5,200	£5,200	£11,200	£24,200	£37,200	£50,200
TOTAL INVESTMENTS	**£29,719**	**£30,347**	**£34,889**	**£47,939**	**£61,103**	**£74,822**
Commitments to Lend	£0	£0	£900	£900	£900	£900
TOTAL EXPOSURE	**£29,719**	**£30,347**	**£35,789**	**£48,839**	**£62,003**	**£75,722**

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Investments funded by borrowing

Investments Funded by Borrowing	31/03/2018 Actual £000	31/03/2019 Forecast £000	31/03/2020 Forecast £000	31/03/2021 Forecast £000	31/03/2022 Forecast £000	31/03/2023 Forecast £000
Commercial Investments: Property	£0	£0	£6,000	£19,000	£32,000	£45,000
TOTAL FUNDED BY BORROWING	**£0**	**£0**	**£6,000**	**£19,000**	**£32,000**	**£45,000**

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Investment rate of return (net of all costs)

Investments Net Rate of Return	31/03/2018 Actual %	31/03/2019 Forecast %	31/03/2020 Forecast %	31/03/2021 Forecast %	31/03/2022 Forecast %	31/03/2023 Forecast %
Treasury Management Investments	0.66%	0.86%	0.98%	1.01%	1.03%	1.03%
Commercial Investments						
Property (exc. valuation changes)	7.77%	7.77%	7.77%	7.77%	7.77%	7.77%
Property Investment Strategy	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%
ALL INVESTMENTS	**8.43%**	**8.63%**	**9.75%**	**9.78%**	**9.80%**	**9.80%**

See the Capital Strategy at **APPENDIX B**.

APPENDIX G

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

Context

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

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 (including a comparison to the level at other Councils) 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.

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.

The Council’s aim is to have a prudent level of General Reserves available for unforeseen financial risks. The Council projects general reserves of **£3,731,850** at 31 March 2019. The minimum level of Reserves for 2019/20 onwards is **£1,600,000** and has been determined by Risk Assessment**.** This is **14%** of the amount to be met from Government Grants and Local Taxpayers in 2019/20 of **£11,371,400**.

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.

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.

Expenditure - the level of Reserves is also determined by use of a comprehensive risk assessment to ensure they represent an appropriately robust "safety net" that adequately protects The Council against potential unbudgeted costs.

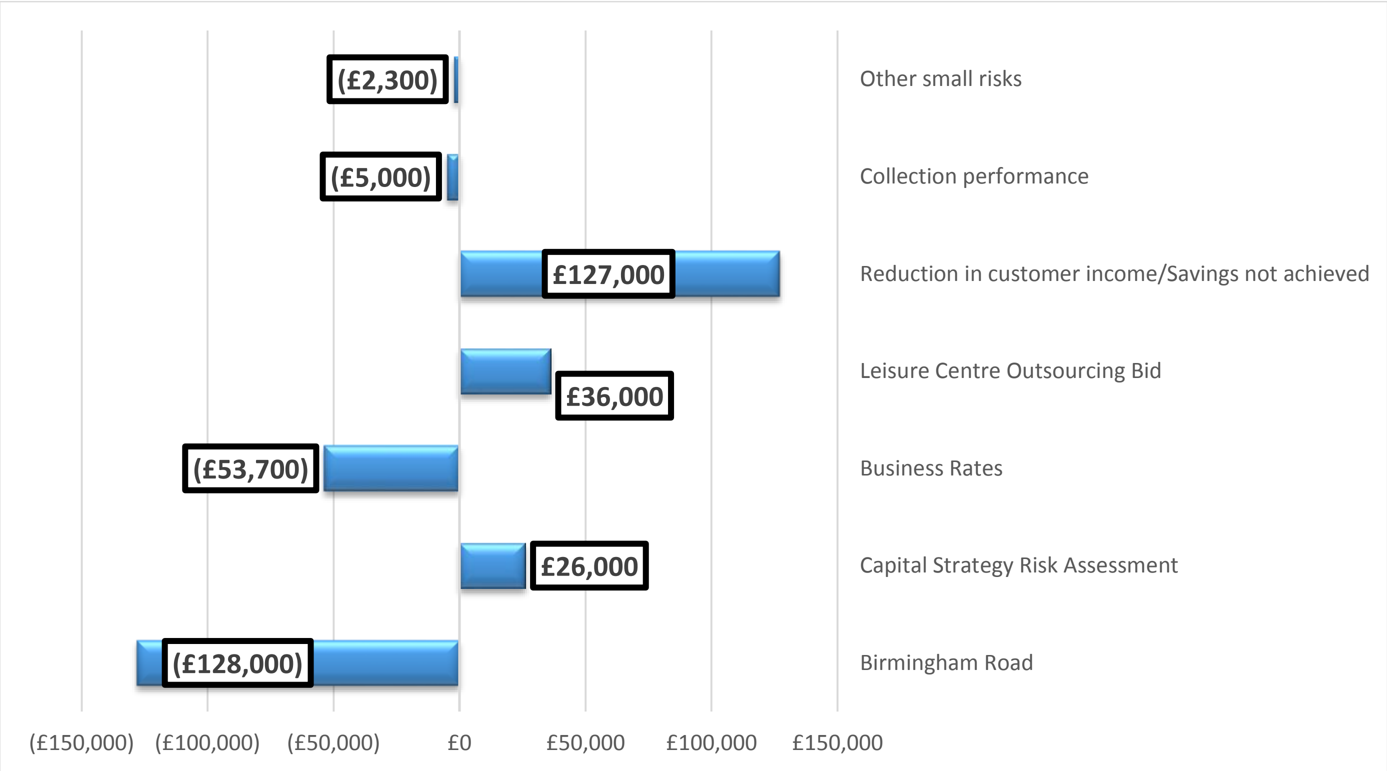
Use of General Revenue Reserves

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 2019/20 budget and beyond.

CIPFA guidance provides guidance for determining the minimum level of Reserves. The Council 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).

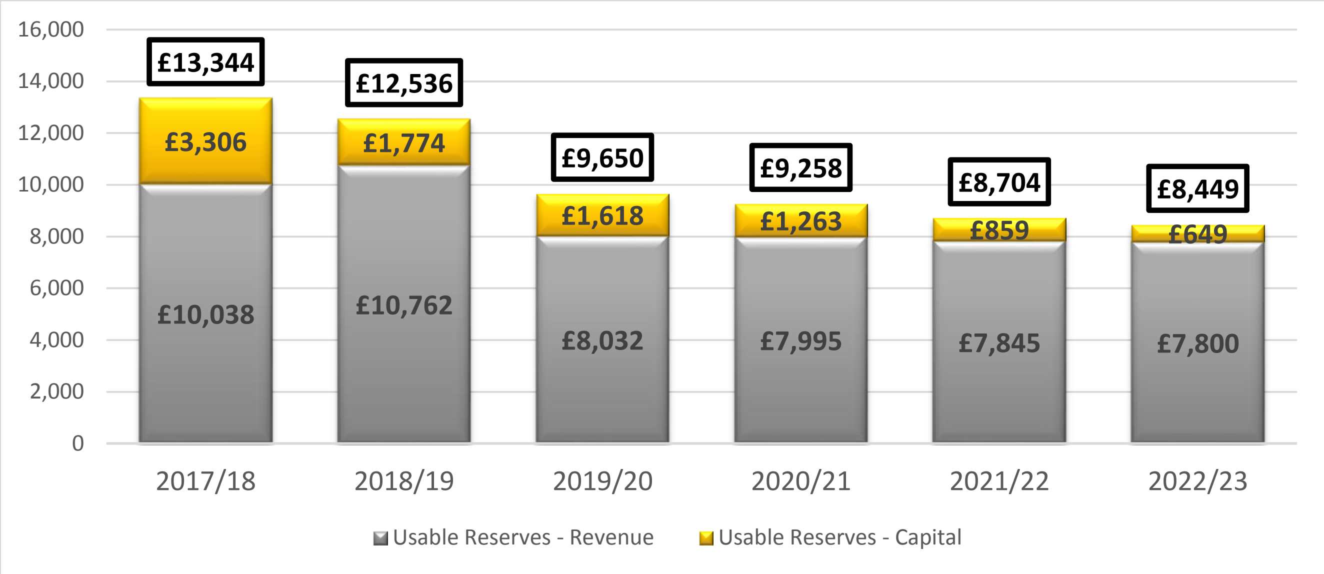
The table below shows the financial risk assessment made for **2019/20**:

Explanation of Risk / Justification of Balances	Severity of Risk	2019/20 Reserve Amounts £	2018/19 Reserve Amounts £	Change £
Birmingham Road Site Revenue Implications	Tolerable	£0	£128,000	(£128,000)
Capital Strategy Risk Assessment	Material	£117,000	£91,000	£26,000
Business Rates	Severe	£599,000	£652,700	(£53,700)
Leisure Centre Outsourcing Bid	Tolerable	£36,000	£0	£36,000
Reduction in customer income/Savings not achieved	Material	£355,000	£228,000	£127,000
Higher inflation	Material	£155,000	£155,000	£0
Increase in demand led services	Material	£90,000	£90,000	£0
Collection performance	Material	£115,000	£120,000	(£5,000)
Civil Contingency	Tolerable	£127,000	£127,000	£0
Other small risks	Tolerable	£6,000	£8,300	(£2,300)
		£1,600,000	**£1,600,000**	**£0**



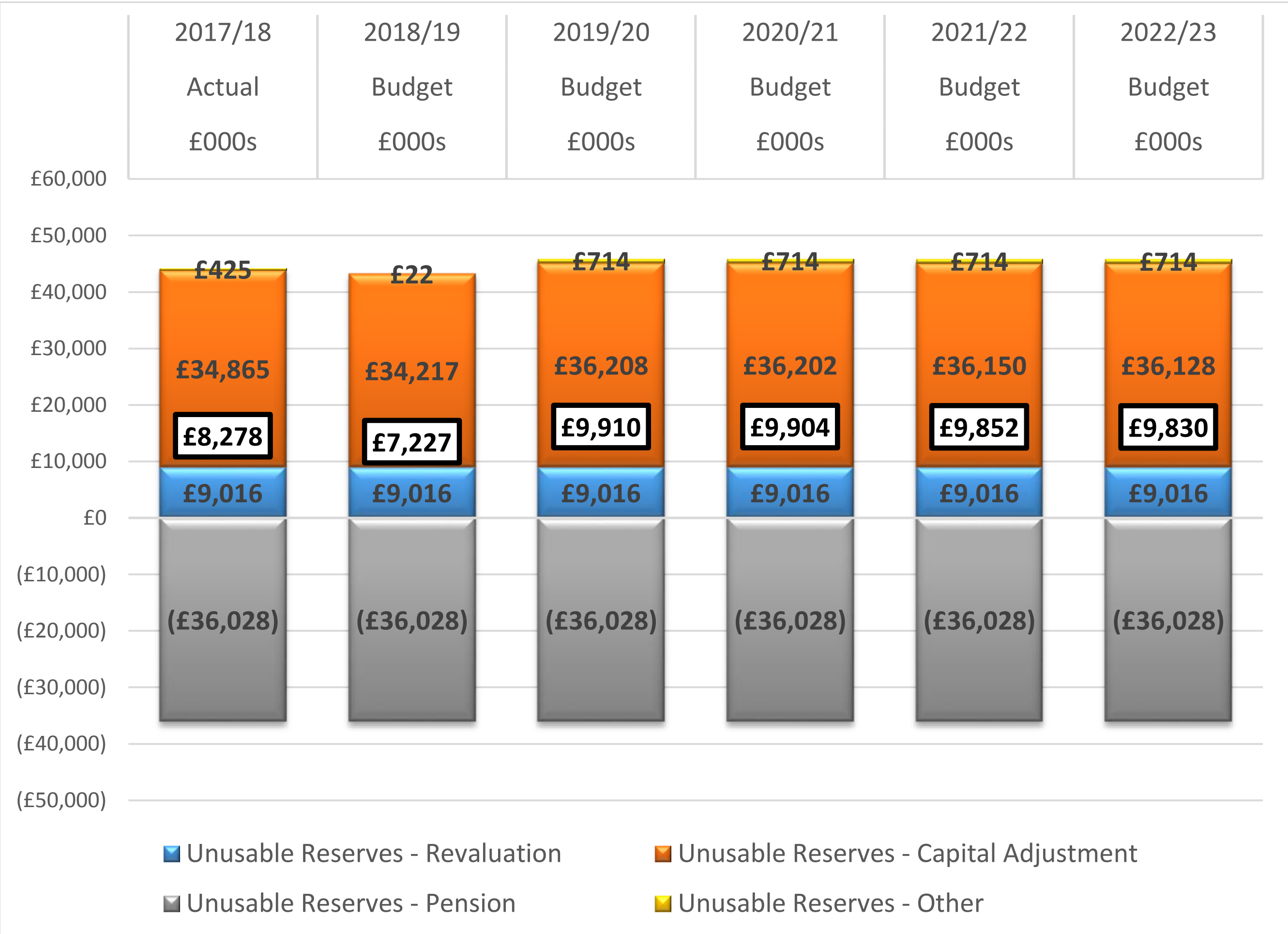
Other Reserves (in addition to General Reserves)

A review of the level of Earmarked Reserves has been undertaken as part of the annual Budget preparation. The projected levels are shown below in £000:



Ongoing review of Earmarked Reserves will take place as part of the Money Matters Reports to ensure we are only holding funds for known and essential purposes.

The Council also holds other Unusable Reserves that arise out of the interaction of legislation and proper accounting practice and the Balance Sheet projections are shown below in £000:



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, 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 2018 and the draft budget was completed in December 2018 prior to the Provisional Financial Settlement for Local Government 2019/20. This enabled formal scrutiny of the budget making process in January 2019. The final budget is due to be set at Council on 19 February 2019, well within the statutory deadline.[3]

Member involvement and Scrutiny (including budget monitoring) - formal Member involvement has been extensive, particularly through the Cabinet in conjunction with Leadership Team, Strategic Overview & Scrutiny Committee and Audit and Member Standards Committee, which has fed upwards to Cabinet.

Consultation – In Autumn 2018, we carried out a budget consultation to find out what people who live in the District think about the services we provide and their view on an acceptable level of Council Tax increase.

Challenge - there are various points of challenge at various stages of the Budget, meetings of Leadership Team, various Service 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 **3%** or **£5.00** (whichever is the higher) limit for Council Tax increases for 2019/20. 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 The Council's vision, plans and priorities. It also sets the financial spending parameters for each financial year and as such, the CFO assessment of the adequacy of Reserves, also includes the risk of services overspending and/or under-spending their budgets and the impact of this on the financial health of The Council and its level of Reserves. The current financial position has been reported throughout the year.

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

Financial risks – The Council continues to use an embedded good practice Risk Assessment approach both when setting the Budget and in validating estimated outturns. This continues for the 2018/19 outturn and 2019/20 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 **£1,600,000** is adequate.

[3] Statutory deadline date for setting Council Tax is by 11 March 2019.

COUNCIL TAX RESOLUTION 2019/20

1. PURPOSE OF REPORT

The purpose of this report is to enable the Council to calculate and set the Council Tax for 2019/20. The Formal Council Tax Resolution is at **Appendix A.**

2. BACKGROUND

The Localism Act 2011 made significant changes to the Local Government Finance Act 1992. It now requires the billing authority to calculate a Council Tax requirement for the year.

Since the meeting of the Cabinet the precept levels of other precepting bodies have been received. These are detailed below:

City, Town and Parish Councils

The City, Town and Parish Councils Precepts for 2019/20 are detailed in **Appendix C** and total **£1,860,904**. The increase in the average Band D Council Tax for City, Town and Parish Councils is **4.50%** and results in an average Band D Council Tax figure of **£48.96** for 2019/20.

Staffordshire County Council

Staffordshire County Council met on 14 February 2019 and set their precept at **£47,370,199** adjusted by a Collection Fund contribution of **£164,620** (a total payable of **£47,534,819**). This results in a Band D Council Tax of **£1,246.23**.

Staffordshire Commissioner – Police and Crime

The Staffordshire Commissioner – Police and Crime set their precept on 11 February 2019 at **£8,231,618.85** adjusted by a Collection Fund contribution of **£26,190** (a total amount payable of **£8,257,808.85**). This results in a Band D Council Tax of **£216.56.**

Staffordshire Commissioner – Fire and Rescue

The Staffordshire Commissioner – Fire and Rescue set their precept on 15 February 2019 at **£2,878,558** adjusted by a Collection Fund contribution of **£10,000** (a total amount payable of **£2,888,558**). This results in a Band D Council Tax of **£75.73.**

3. Recommendation

The recommendations are set out in the formal Council Tax Resolution at **Appendix A.**

If the formal Council Tax Resolution at **Appendix A** is approved, the total Band D Council Tax will be as follows[1]:

	2018/19 £	2019/20 £	Increase £	Increase %
Lichfield District Council	£169.99	£175.07	£5.08	2.99%
Staffordshire County Council	£1,210.52	£1,246.23	£35.71	2.95%
Staffordshire Commissioner – Police and Crime	£192.56	£216.56	£24.00	12.46%
Staffordshire Commissioner – Fire and Rescue	£73.53	£75.73	£2.20	2.99%
Sub Total	**£1,646.60**	**£1,713.59**	**£66.99**	**4.07%**
City, Town and Parish Councils (average)	£46.85	£48.96	£2.11	4.50%
Total	**£1,693.45**	**£1,762.55**	**£69.10**	**4.08%**

Authorisation of Officers to collect and recover Council Tax and National Non Domestic (Business) Rates:

Mr A Thomas Head of Finance and Procurement (Section 151 Officer); Mrs P Leybourne, Head of Customer Services, Revenues and Benefits; Mrs N Begley, Recovery Manager; Miss J Irving, Senior Business Advisor; Miss Sarah Magill, Senior Business Advisor; Ms B Nahal, Head of Legal, Property and Democratic Services, or any other person specifically authorised by Mr CN Turner Director of Transformation and Resources or the Section 151 Officer, appointed by the said offices under Section 112 of the Local Government Act 1972, be hereby authorised:-

a) To demand, collect and recover any Council Tax or National Non-Domestic Rate made by the Council under the Local Government Finance Acts 1988 and 1992;

b) To demand, collect and recover any penalties under schedules 3 and 4 to the Local Government Acts 1988 and 1992;

c) Under Section 223 of the Local Government Act 1972 and all other powers enabling them to prosecute and to appear on behalf of the Council at the hearing of legal proceedings in connection with the demand, collection and recovery of any Council Tax, National Non-Domestic Rate, Community Charge and General Rates made by the Council and/or any penalties imposed under the Local Government Finance Acts 1988 and 1992; and

d) To make such amendments to the Council Tax and National Non-Domestic Rate as are authorised by the Local Government Finance Acts 1988 and 1992 and other legislation in force from time to time. Further, the Head of Finance and Procurement be authorised to impose penalties in accordance with Schedule 3 to the Local Government Act 1992, with regard to the supply of information for Council Tax purposes.

[1] The percentage increases are to two decimal places.

APPENDIX A

COUNCIL TAX RESOLUTION 2019/20

1. That the recommendations contained in the Medium Term Financial Strategy (Revenue and Capital) 2018/23 relating to the Revenue and Capital Estimates 2018/23 be approved.

2. That the Cabinet recommendation (Agenda Item 3 of 4 December 2018 refers) in respect of calculating the Council Tax Base 2019/20 as follows be approved:

   a) for the whole Council area as **38,010.8** (Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended(the "Act"));and

   b) for dwellings in those parts of its area which a Parish precept relates as in the attached **Appendix B.**

3. That, as a preliminary step the Council Tax requirement for the Council's own purposes for 2019/20 (excluding Parish precepts) is calculated as **£6,654,551 (38,010.8 x £175.07).**

4. That the following amounts be calculated for the year 2019/20 in accordance with Sections 30 and 36 of the Act:

a	being the aggregate amounts which the Council estimates for the items set out in Section 31A (2) of the Act taking into account all precepts issued to it by Parish Councils. **(*Gross expenditure including Parish precepts and special expenses)***	**£63,023,704**
b	being the aggregate of the amounts which the Council estimates for the items, set out in Section 31A(3) of the Act. **(*Income*)**	**£54,508,249**
c	being the amount by which the aggregate at 4(a) above exceeds the aggregate at 4(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year (item R in the formula in Section 31B of the Act). **(*Council Tax requirement for the year*)**	**£8,515,455**
d	being the amount at 4 (c) above (item R), all divided by item T(2(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).	**£224.03**
e	being the aggregate of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per attached **Appendix C**).	**£1,860,904**
f	being the amount at 4 (d) above less the results given by dividing the amount at 4 (e) above by item T (2(a) above), calculated by the Council, in accordance with section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish Precept relates.	**£175.07**

5. That it be noted that for the year 2019/20 Staffordshire County Council, The Staffordshire Commissioner – Police and Crime and the Staffordshire Commissioner – Fire and Rescue have stated the following amounts in precepts issued to the District Council, in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below.

Valuation Bands							
A (6/9)	**B (7/9)**	**C (8/9)**	**D 1**	**E (11/9)**	**F (13/9)**	**G (15/9)**	**H 2**
Lichfield District Council							
£116.71	£136.17	£155.62	£175.07	£213.97	£252.88	£291.78	£350.14
Staffordshire County Council							
£830.82	£969.29	£1,107.76	£1,246.23	£1,523.17	£1,800.11	£2,077.05	£2,492.46
Staffordshire Commissioner - Police & Crime							
£144.37	£168.44	£192.50	£216.56	£264.68	£312.81	£360.93	£433.12
Staffordshire Commissioner - Fire & Rescue							
£50.49	£58.90	£67.32	£75.73	£92.56	£109.39	£126.22	£151.46
Aggregate of all Council Tax Requirements							
£1,142.39	**£1,332.80**	**£1,523.20**	**£1,713.59**	**£2,094.38**	**£2,475.19**	**£2,855.98**	**£3,427.18**

6. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts set out in **Appendix B** as the amounts of Council Tax for 2019/20 for each part of its area and for each of the categories of dwellings.

7. The Council has determined that its relevant basic amount of Council tax for 2019/20 is **not** excessive in accordance with the principles approved under section 52ZB Local Government Act 1992.

8. As the billing authority, the Council has **not** been notified by a major precepting authority that its basic amount of Council Tax for 2019/20 is excessive and that the billing authority is not required to hold a referendum in accordance with section 52ZK Local Government Act 1992.

APPENDIX B

Council Tax Schedule for 2019/20

Parts of the Council's Area		**Valuation Bands**							
-		**A (6/9) £**	**B (7/9) £**	**C (8/9) £**	**D 1 £**	**E (11/9) £**	**F (13/9) £**	**G (15/9) £**	**H 2 £**
-									
Lichfield District Council		£116.71	£136.17	£155.62	£175.07	£213.97	£252.88	£291.78	£350.14
Staffordshire County Council		£830.82	£969.29	£1,107.76	£1,246.23	£1,523.17	£1,800.11	£2,077.05	£2,492.46
Staffordshire Commissioner - Police & Crime		£144.37	£168.44	£192.50	£216.56	£264.68	£312.81	£360.93	£433.12
Staffordshire Commissioner - Fire & Rescue		£50.49	£58.90	£67.32	£75.73	£92.56	£109.39	£126.22	£151.46
Alrewas Parish Council	(a)	£22.45	£26.19	£29.93	£33.68	£41.16	£48.64	£56.13	£67.35
Parish and District	(b)	£139.16	£162.36	£185.55	£208.75	£255.13	£301.52	£347.91	£417.49
	Total (c)	£1,164.84	£1,358.99	£1,553.13	£1,747.27	£2,135.54	£2,523.83	£2,912.11	£3,494.53
Armitage-with-Handsacre	(a)	£34.40	£40.13	£45.86	£51.60	£63.06	£74.53	£85.99	£103.19
Parish and District	(b)	£151.11	£176.30	£201.48	£226.67	£277.03	£327.41	£377.77	£453.33
	Total (c)	£1,176.79	£1,372.93	£1,569.06	£1,765.19	£2,157.44	£2,549.72	£2,941.97	£3,530.37
Burntwood	(a)	£25.27	£29.48	£33.69	£37.90	£46.32	£54.74	£63.17	£75.80
Parish and District	(b)	£141.98	£165.65	£189.31	£212.97	£260.29	£307.62	£354.95	£425.94
	Total (c)	£1,167.66	£1,362.28	£1,556.89	£1,751.49	£2,140.70	£2,529.93	£2,919.15	£3,502.98
Clifton Campville with Thorpe Constantine*	(a)	£32.23	£37.60	£42.97	£48.34	£59.08	£69.83	£80.57	£96.68
Parish and District	(b)	£148.94	£173.77	£198.59	£223.41	£273.05	£322.71	£372.35	£446.82
	Total (c)	£1,174.62	£1,370.40	£1,566.17	£1,761.93	£2,153.46	£2,545.02	£2,936.55	£3,523.86
Colton	(a)	£28.66	£33.43	£38.21	£42.99	£52.54	£62.09	£71.64	£85.97
Parish and District	(b)	£145.37	£169.60	£193.83	£218.06	£266.51	£314.97	£363.42	£436.11
	Total (c)	£1,171.05	£1,366.23	£1,561.41	£1,756.58	£2,146.92	£2,537.28	£2,927.62	£3,513.15
Curborough & Elmhurst and Farewell & Chorley*	(a)	£16.08	£18.76	£21.45	£24.13	£29.49	£34.85	£40.21	£48.25
Parish and District	(b)	£132.79	£154.93	£177.07	£199.20	£243.46	£287.73	£331.99	£398.39
	Total (c)	£1,158.47	£1,351.56	£1,544.65	£1,737.72	£2,123.87	£2,510.04	£2,896.19	£3,475.43
Drayton Bassett	(a)	£33.76	£39.39	£45.02	£50.64	£61.90	£73.15	£84.40	£101.28
Parish and District	(b)	£150.47	£175.56	£200.64	£225.71	£275.87	£326.03	£376.18	£451.42
	Total (c)	£1,176.15	£1,372.19	£1,568.22	£1,764.23	£2,156.28	£2,548.34	£2,940.38	£3,528.46
Edingale	(a)	£34.34	£40.06	£45.79	£51.51	£62.95	£74.40	£85.85	£103.02
Parish and District	(b)	£151.05	£176.23	£201.41	£226.58	£276.92	£327.28	£377.63	£453.16
	Total (c)	£1,176.73	£1,372.86	£1,568.99	£1,765.10	£2,157.33	£2,549.59	£2,941.83	£3,530.20
Elford	(a)	£32.58	£38.01	£43.44	£48.87	£59.73	£70.59	£81.45	£97.73
Parish and District	(b)	£149.29	£174.18	£199.06	£223.94	£273.70	£323.47	£373.23	£447.87
	Total (c)	£1,174.97	£1,370.81	£1,566.64	£1,762.46	£2,154.11	£2,545.78	£2,937.43	£3,524.91
Fazeley	(a)	£27.55	£32.14	£36.74	£41.33	£50.51	£59.70	£68.88	£82.66
Parish and District	(b)	£144.26	£168.31	£192.36	£216.40	£264.48	£312.58	£360.66	£432.80
	Total (c)	£1,169.94	£1,364.94	£1,559.94	£1,754.92	£2,144.89	£2,534.89	£2,924.86	£3,509.84
Fradley with Streethay	(a)	£40.87	£47.68	£54.49	£61.31	£74.93	£88.55	£102.18	£122.61
Parish and District	(b)	£157.58	£183.85	£210.11	£236.38	£288.90	£341.43	£393.96	£472.75
	Total (c)	£1,183.26	£1,380.48	£1,577.69	£1,774.90	£2,169.31	£2,563.74	£2,958.16	£3,549.79
Hammerwich	(a)	£12.98	£15.15	£17.31	£19.47	£23.80	£28.13	£32.45	£38.94
Parish and District	(b)	£129.69	£151.32	£172.93	£194.54	£237.77	£281.01	£324.23	£389.08
	Total (c)	£1,155.37	£1,347.95	£1,540.51	£1,733.06	£2,118.18	£2,503.32	£2,888.43	£3,466.12
Hamstall Ridware	(a)	£28.17	£32.87	£37.56	£42.26	£51.65	£61.04	£70.43	£84.52
Parish and District	(b)	£144.88	£169.04	£193.18	£217.33	£265.62	£313.92	£362.21	£434.66
	Total (c)	£1,170.56	£1,365.67	£1,560.76	£1,755.85	£2,146.03	£2,536.23	£2,926.41	£3,511.70

* = Grouped Parishes

APPENDIX B (Continued)

Parts of the Council's Area		A (6/9) £	B (7/9) £	C (8/9) £	D 1 £	E (11/9) £	F (13/9) £	G (15/9) £	H 2 £
-		Valuation Bands							
Lichfield District Council		£116.71	£136.17	£155.62	£175.07	£213.97	£252.88	£291.78	£350.14
Staffordshire County Council		£830.82	£969.29	£1,107.76	£1,246.23	£1,523.17	£1,800.11	£2,077.05	£2,492.46
Staffordshire Commissioner - Police & Crime		£144.37	£168.44	£192.50	£216.56	£264.68	£312.81	£360.93	£433.12
Staffordshire Commissioner - Fire & Rescue		£50.49	£58.90	£67.32	£75.73	£92.56	£109.39	£126.22	£151.46
Harlaston	(a)	£39.19	£45.73	£52.26	£58.79	£71.86	£84.92	£97.99	£117.58
Parish and District	(b)	£155.90	£181.90	£207.88	£233.86	£285.83	£337.80	£389.77	£467.72
	Total (c)	£1,181.58	£1,378.53	£1,575.46	£1,772.38	£2,166.24	£2,560.11	£2,953.97	£3,544.76
Hints and Canwell	(a)	£30.24	£35.28	£40.32	£45.36	£55.44	£65.51	£75.59	£90.71
Parish and District	(b)	£146.95	£171.45	£195.94	£220.43	£269.41	£318.39	£367.37	£440.85
	Total (c)	£1,172.63	£1,368.08	£1,563.52	£1,758.95	£2,149.82	£2,540.70	£2,931.57	£3,517.89
King's Bromley	(a)	£19.35	£22.57	£25.79	£29.02	£35.47	£41.92	£48.36	£58.04
Parish and District	(b)	£136.06	£158.74	£181.41	£204.09	£249.44	£294.80	£340.14	£408.18
	Total (c)	£1,161.74	£1,355.37	£1,548.99	£1,742.61	£2,129.85	£2,517.11	£2,904.34	£3,485.22
Lichfield	(a)	£42.00	£49.00	£56.00	£63.00	£77.01	£91.01	£105.01	£126.01
Parish and District	(b)	£158.71	£185.17	£211.62	£238.07	£290.98	£343.89	£396.79	£476.15
	Total (c)	£1,184.39	£1,381.80	£1,579.20	£1,776.59	£2,171.39	£2,566.20	£2,960.99	£3,553.19
Longdon	(a)	£23.17	£27.03	£30.89	£34.75	£42.47	£50.19	£57.91	£69.50
Parish and District	(b)	£139.88	£163.20	£186.51	£209.82	£256.44	£303.07	£349.69	£419.64
	Total (c)	£1,165.56	£1,359.83	£1,554.09	£1,748.34	£2,136.85	£2,525.38	£2,913.89	£3,496.68
Mavesyn Ridware	(a)	£30.84	£35.99	£41.13	£46.27	£56.55	£66.83	£77.11	£92.53
Parish and District	(b)	£147.55	£172.16	£196.75	£221.34	£270.52	£319.71	£368.89	£442.67
	Total (c)	£1,173.23	£1,368.79	£1,564.33	£1,759.86	£2,150.93	£2,542.02	£2,933.09	£3,519.71
Shenstone	(a)	£34.91	£40.73	£46.55	£52.37	£64.01	£75.64	£87.28	£104.74
Parish and District	(b)	£151.62	£176.90	£202.17	£227.44	£277.98	£328.52	£379.06	£454.88
	Total (c)	£1,177.30	£1,373.53	£1,569.75	£1,765.96	£2,158.39	£2,550.83	£2,943.26	£3,531.92
Swinfen and Packington	(a)	£25.16	£29.35	£33.55	£37.74	£46.13	£54.52	£62.90	£75.48
Parish and District	(b)	£141.87	£165.52	£189.17	£212.81	£260.10	£307.40	£354.68	£425.62
	Total (c)	£1,167.55	£1,362.15	£1,556.75	£1,751.33	£2,140.51	£2,529.71	£2,918.88	£3,502.66
Wall	(a)	£39.41	£45.98	£52.55	£59.11	£72.25	£85.39	£98.52	£118.23
Parish and District	(b)	£156.12	£182.15	£208.17	£234.18	£286.22	£338.27	£390.30	£468.37
	Total (c)	£1,181.80	£1,378.78	£1,575.75	£1,772.70	£2,166.63	£2,560.58	£2,954.50	£3,545.41
Weeford	(a)	£11.16	£13.02	£14.88	£16.73	£20.45	£24.17	£27.89	£33.47
Parish and District	(b)	£127.87	£149.19	£170.50	£191.80	£234.42	£277.05	£319.67	£383.61
	Total (c)	£1,153.55	£1,345.82	£1,538.08	£1,730.32	£2,114.83	£2,499.36	£2,883.87	£3,460.65
Whittington and Fisherwick*	(a)	£29.81	£34.77	£39.74	£44.71	£54.65	£64.58	£74.52	£89.42
Parish and District	(b)	£146.52	£170.94	£195.36	£219.78	£268.62	£317.46	£366.30	£439.56
	Total (c)	£1,172.20	£1,367.57	£1,562.94	£1,758.30	£2,149.03	£2,539.77	£2,930.50	£3,516.60
Wigginton and Hopwas	(a)	£24.92	£29.08	£33.23	£37.38	£45.69	£54.00	£62.31	£74.77
Parish and District	(b)	£141.63	£165.25	£188.85	£212.45	£259.66	£306.88	£354.09	£424.91
	Total (c)	£1,167.31	£1,361.88	£1,556.43	£1,750.97	£2,140.07	£2,529.19	£2,918.29	£3,501.95

* = Grouped Parishes

APPENDIX C

Parish Precepts

City, Town and Parish Councils	2018/19			2019/20			Increase / (decrease)
	Tax Base	Precept	Band D	Tax Base	Precept	Band D	
		£	£		£	£	%
Alrewas	1,193.8	39,270	32.89	1,207.0	40,645	33.68	2.4%
Armitage with Handsacre	2,065.2	96,038	46.50	2,094.0	108,043	51.60	11.0%
Burntwood	8,275.6	313,645	37.90	8,408.7	318,690	37.90	0.0%
Clifton Campville with Thorpe Constantine*	358.4	16,520	46.09	366.0	17,692	48.34	4.9%
Colton	327.0	14,810	45.29	329.2	14,150	42.99	(5.1%)
Curborough and Elmhurst and Farewell and Chorley*	245.3	4,741	19.33	245.6	5,926	24.13	24.8%
Drayton Bassett	429.4	21,629	50.37	443.0	22,432	50.64	0.5%
Edingale	270.2	13,000	48.11	271.8	14,000	51.51	7.1%
Elford	284.8	13,000	45.65	286.5	14,000	48.87	7.0%
Fazeley	1,468.2	57,872	39.42	1,484.3	61,344	41.33	4.8%
Fradley and Streethay*	1,466.9	74,730	50.94	1,614.2	98,958	61.31	20.3%
Hammerwich	1,352.0	26,333	19.48	1,355.8	26,400	19.47	0.0%
Hamstall Ridware	145.2	5,500	37.88	149.1	6,300	42.26	11.6%
Harlaston	184.3	8,863	48.09	184.8	10,863	58.79	22.3%
Hints and Canwell	179.4	7,900	44.04	180.8	8,200	45.36	3.0%
King's Bromley	548.1	15,665	28.58	554.4	16,088	29.02	1.5%
Lichfield	11,866.2	717,905	60.50	12,017.8	757,180	63.00	4.1%
Longdon	747.5	25,280	33.82	753.1	26,170	34.75	2.7%
Mavesyn Ridware	440.4	18,785	42.65	466.5	21,585	46.27	8.5%
Shenstone	3,456.0	175,000	50.64	3,475.3	182,000	52.37	3.4%
Swinfen and Packington	130.5	4,675	35.82	132.5	5,000	37.74	5.4%
Wall	196.1	10,600	54.05	196.2	11,600	59.11	9.4%
Weeford	93.6	1,625	17.36	95.3	1,595	16.73	(3.6%)
Whittington and Fisherwick*	1,131.9	47,744	42.18	1,164.0	52,043	44.71	6.0%
Wigginton and Hopwas	503.6	19,000	37.73	535.0	20,000	37.38	(0.9%)
Total /Average	**37,359.6**	**£1,750,130**	**£46.85**	**38,010.8**	**£1,860,904**	**£48.96**	**4.5%**

* = Grouped Parishes

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