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22 January 2018

Dear Sir/Madam

STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE

A meeting of the Strategic (Overview and Scrutiny) Committee has been arranged to take place **WEDNESDAY, 31ST JANUARY, 2018 at 6.00 PM IN THE COMMITTEE ROOM** District Council House, Lichfield to consider the following business.

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

Yours Faithfully

A handwritten signature in black ink, appearing to read 'Neil Turner', written in a cursive style.

Neil Turner BSc (Hons) MSc
Director of Transformation & Resources

To: Members of Strategic (Overview and Scrutiny) Committee

Councillors Strachan (Chairman), A Yeates (Vice-Chair), Mrs Woodward (Vice-Chair), Mrs Barnett, Constable, Drinkwater, Greatorex, Powell, Tittle and White



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AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. Minutes of the Previous Meeting 1 - 4
4. Work Programme 5 - 8
5. Review of the Council's Constitution Verbal Report
6. Medium Term Financial Strategy (Revenue and Capital) 2017-22 9 - 38
7. Performance Management Framework and Consultation Principles Verbal Report

Briefing Papers

Your View 2017 – Budget Consultation for the 2018/19 Budget

Money Matters: 2017/18 Review of Financial Performance against the Financial Strategy for the first eight months of 2017/18



STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE

6 SEPTEMBER 2017

PRESENT:

Councillors Strachan (Chairman), A Yeates (Vice-Chairman) Mrs Barnett, Greatorex, Powell, Tittley and White.

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

APOLOGIES FOR ABSENCE were received from Councillors Constable and Mrs Woodward (Vice-Chairman).

DECLARATIONS OF INTEREST:

There were no declarations of interest

MINUTES

The Minutes of the Meeting held 12th June 2017 were taken as read, approved as a correct record and signed by the Chairman.

RESOLVED: That the Minutes of the Meeting held on 12th June 2017 be approved as a correct record.

WORK PROGRAMME

Members considered the Work Programme. It was noted that a briefing paper on the Money Matters: 2017/18 Review of Financial Performance against the Financial Strategy for the first three months of 2017/18 had been sent.

RESOLVED: That the Work Programme be noted.

FIT FOR THE FUTURE: OUR APPROACH TO CREATING A COMMERCIAL COUNCIL

The Leader of the Council introduced a report on the Council's desire to become more commercial to help meet the challenges faced by Local Government by refreshing the Fit for the Future Programme.

It was reported that many local authorities had already taken a more commercial approach in order to ensure their financial sustainability.

The Assistant Chief Executive presented the Committee with emerging thoughts as to the approach to creating a commercial council. It was noted that this presentation would be shared with all Members and Officers through a series of forthcoming events.

It was suggested that the council's approach to commercialisation will be based on three principles: investment, income and innovation.

Examples of what other councils had done was reported and it was asked if, based on these, there were any initial ideas. It was noted that there was learning from them including long and short term projects.

Potential opportunities around One Public Estate were queried, particularly on making better use of the council house site, and it was reported that OPE could provide opportunities in the long term but there were some challenges to overcome. . It was also reported that a draft submission had been prepared for consideration by the Staffordshire OPE partnership but before this could progress the Council's own needs had to be understood. However, officers were continuing to explore the potential for an OPE project.

The Committee asked of the potential of PSP (Lichfield) LLP and it was reported that development options on a number of sites were being explored and that if sites had the potential for redevelopment, business cases would be brought forward for approval.

The budget for this project was then discussed and it was noted that £200k had been earmarked. When asked it was noted that this was to provide additional officer capacity – particularly for project management - and not for direct investment.

The expectations of residents and deliverability was discussed by the Committee and it suggested that focus could be concentrated on areas where there had been less success like investment in affordable housing. It was also suggested that all areas should be considered as the financial pressure the Council will face is getting closer.

It was noted that this was a long term culture change as to how the Council operates and not a short term financial fix and this would contribute to sustainability.

Members noted that this was an initial report outlining thoughts and workstreams and that the Committee would be involved with more specific details and governance arrangements.

RESOLVED: That the report and issues raised within be noted.

CIVIC FUNCTION REVIEW

The Committee received a report from the Chairman of the Civic Function Member Task Group, Councillor Tittley, on the meeting held to review the impact of changes made. It was reported that it was now 12 months since the Task Group had recommended different procedures and criteria when deciding which events the Council's Chairman could attend. It was reported that due to these changes, savings had been made.

It was reported that during the 12 month evaluation, issues had been considered further and additional recommendations were presented from the Task Group for the Committee to consider. These included a move away from social and charity type events and towards attendance at events which helped to promote and deliver the Strategic Plan. There was also a recommendation for the role to be a two year term to allow the Chairman to become familiar with the role as well as receiving training in chairmanship skills.

The Committee discussed the recommendations and felt that there was no need for the role of Chairman to be for two terms as there was scope in the Constitution to allow for the same Councillor to be voted to the post for a year more than once. Members also felt that training was provided via being Vice-Chairman albeit informally but this could be considered further. The Committee agreed that the Chairman's Car did not need to be reviewed by the Task Group in 2019.

The Committee agreed with the recommendation that the role should be a more representative one with emphasis being meeting the Strategic needs of the Council as well as reducing Charity work and events that could be carried out by Parish Council Chairmen.

RESOLVED: That the Strategic (O&S) Committee recommend to Cabinet that the following recommendations are considered and adopted:

1. That no nominated charity and charity events, including those of Burntwood Town Council and Lichfield City Council, are attended unless in very exceptional circumstances which are justified by the Chairman in writing and agreed by the Leader of the Council and/or Chairman of this Task Group. In normal circumstances, this role can be carried out by Parish equivalents; and
2. That the role of Chairman be a representative role and not a social one with emphasis on meeting the Strategic needs of the Council through networking opportunities and publicity. This would also link into the Commercialisation agenda of the Council. To achieve this, training should be provided to prospective Chairmen along with Chairing skills training to aid the role in Full Council meetings.

UPDATE FROM THE INNOVATION MEMBER TASK GROUP

The Committee received a verbal report from the Chairman of the Innovation Member Task Group, Councillor A. Yeates and it was noted that the group had met for an initial meeting and agreed their terms of reference and next steps. It was also reported that the first big issue they would work through was the use of IT to enable Garden Waste charging. It was noted that reports would be submitted to the Committee as and when required.

RESOLVED: That the information received be noted.

(The Meeting finished at 7.31 p.m.)

CHAIRMAN

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STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE WORK PROGRAMME FOR 2017-18

Item	12 June 2017	6 Sept 2017	15 Nov 2017	31 Jan 2018	Details/Reasons	Link to 2017/18 One Year Action Plan	Officer	Member Lead
Policy Development								
Terms of Reference	✓				To remind the Committee of the terms of reference and suggest any amendments		NT	RS
Work Programme	✓				Developing the 2017/18 work programme of the Committee.		CL	RS
Money Matters 2016/17 : Review of Financial Performance against the Financial Strategy	✓				Scrutinise the Council's performance against the Medium Term Financial Strategy. Scrutinise performance of the Treasury Management Strategy	A Well Managed Council - We'll keep a tight control and management of the Council's finances	AT	CS
Our approach to Innovation	✓		✓		Via a task group, to consider the council's emerging approach to innovation, channel shift and digitisation and required investment in new systems and ways of working. To consider the principles behind changes and to scrutinise the impact on the customer and their experience of dealing with the council.	A Well Managed Council -	NT/CT	AS

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Agenda Item 4

STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE WORK PROGRAMME FOR 2017-18

Item	12 June 2017	6 Sept 2017	15 Nov 2017	31 Jan 2018	Details/Reasons	Link to 2017/18 One Year Action Plan	Officer	Member Lead
Civic Function Review		✓			Report from reconvened Task Group reviewing new procedures for Civic matters 12 months on	A Well Managed Council -		CS
Our Approach to Creating a Commercial Council		✓			Via a task group, to look at options for commercialisation and to scrutinise the council's strategic approach to asset and property management including the future of the district council house, the relationship with PSP (Lichfield) LLP	A Well Managed Council - We'll keep a tight control and management of the Council's finances	DT/BW /NT	MW
Revenues and Benefits Review			✓		To scrutinise progress following last year's review.	A Well Managed Council - We'll keep a tight control and management of the Council's finances	NT/PL	AS
Constitution				✓	To set up a Task Group to look at the re-drafted Council Constitution before adoption.	A Well Managed Council	NT/BN	CS
Medium Term Financial Strategy (Revenue and Capital) 2017-21				✓	Scrutinise the Council's resource plans in relation to the delivery of the Strategic Plan priorities	A Well Managed Council - We'll keep a tight control and management of the Council's finances	NT/AT	CS

STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE WORK PROGRAMME FOR 2017-18

Item	12 June 2017	6 Sept 2017	15 Nov 2017	31 Jan 2018	Details/Reasons	Link to 2017/18 One Year Action Plan	Officer	Member Lead
Annual Action Plan 2018/19 Directorate Top 10 2018/19				✓	This will accompany the three year medium term financial forecast for Revenue/Capital and reflect the one year actions needed to deliver the Plan for Lichfield District	A Well Managed Council - We'll maximise the Council's performance, innovation and efficiency, so we use our resources well and deliver good quality and better value services	NT/AT	Leader / AS
Consultation Strategy				✓	To consider the council's approach to consultation	A Well Managed Council	NT/CT	AS
Briefing Papers								
Money Matters 2017/18: Review of Financial Performance against the Financial Strategy - April to November 2017				✓	Scrutinise financial performance and the revised estimate for the full year.	A Well Managed Council - We'll keep a tight control and management of the Council's finances	AT	CS

STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE WORK PROGRAMME FOR 2017-18

Item	12 June 2017	6 Sept 2017	15 Nov 2017	31 Jan 2018	Details/Reasons	Link to 2017/18 One Year Action Plan	Officer	Member Lead
Performance Against Corporate Annual Action Plan and Service Annual Action Plans	✓		✓		To monitor progress against targets and milestones		NT/CT	AS

DRAFT

The Medium Term Financial Strategy (Revenue and Capital) 2017-22 (MTFS)

Report of the Cabinet Member for Finance and Democracy

Date: 31 January 2018

Contact Officers: Diane Tilley/Anthony Thomas

Tel Number: 01543 308001/308012

Email: diane.tilley@lichfielddc.gov.uk/
anthony.thomas@lichfielddc.gov.uk

Key Decision? YES

Local Ward Full Council

Members



**Strategic
(Overview and
Scrutiny)
Committee**

1. Executive Summary

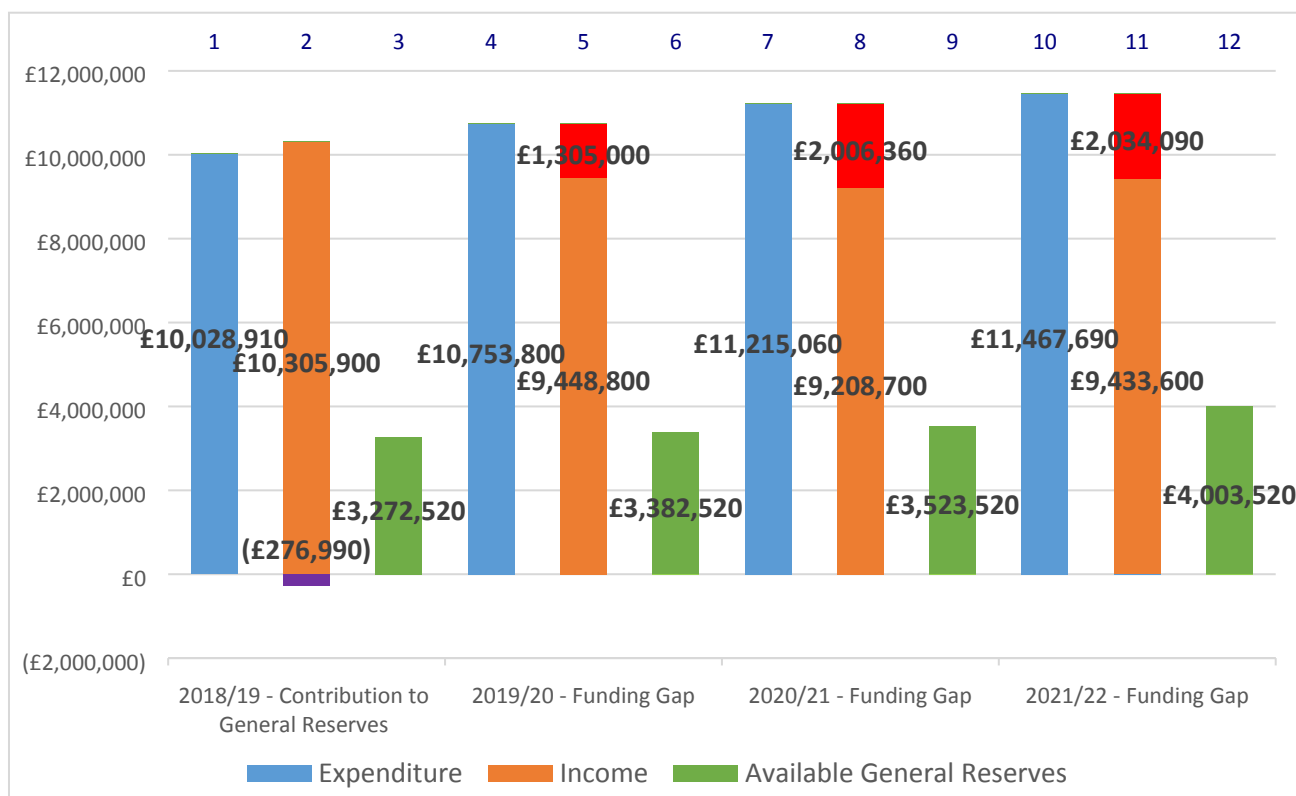
The Medium Term Financial Strategy

- 1.1 The ability to deliver the outcomes set out in the **Lichfield District Council Strategic Plan 2016-20** 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 financial performance against the financial strategy for the first eight months of 2017/18 has been circulated as a separate Briefing Note to the Committee however the key headlines are:
 - The Revenue performance is projected to be **(£353,040)** below the Approved Budget and this will reduce the Approved transfer from General Reserves.
 - The Capital Programme is projected to be below budget by **(£1,279,000)**.
 - The Council is projected to receive **(£190,000)** of Right to Buy Receipts from Bromford Housing.
 - Council Tax collection performance is **76.45%** and this is consistent with previous years.
 - A surplus is projected on the Council Tax Collection Fund and the Council's share is **(£42,410)**.
 - Invoices outstanding have reduced compared to the same period last year due mainly to no Section 106 Invoices being raised due to the implementation of the Community Infrastructure Levy.
 - Business Rates collection performance is **74.95%** and this is consistent with previous years.
 - A surplus is projected on the Business Rates Collection Fund and the Council's share is **(£599,700)**.

1.5 The Revenue Budget with a transfer to general reserves in 2018/19 and Funding Gaps (shown in red in the graph below) in later years is shown in detail at **APPENDIX A** and in summary below:



1.6 The Council is legally required to balance the budget in the first year (2018/19) of the MTFS and to set out its proposals to balance the further financial years - 2019/20, 2020/21 and 2021/22.

1.7 The MTFS proposes a transfer to General Reserves of **£276,990** for 2018/19 and in later years a projected Funding Gap has been identified. The Council would have **£3,272,520** 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.

1.8 The Council will need to make significant levels of savings or achieve additional income to close the Funding Gap by 2021/22.

The Capital Strategy and the Capital Programme

1.9 The Capital Strategy and Capital Programme is outlined in **APPENDICES B & C**.

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

1.10 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 D**).

2. Recommendations

That the Committee scrutinise the MTFS and provide feedback to Cabinet in relation to:

2.1 The 2018/19 Revenue Budget, including the Amount to be met from Government Grants and Local Taxpayers of **£10,305,900** and a proposed level of Council Tax (the District Council element) for 2018/19 of **£169.99** (an increase of £5 or 3.03%) for a Band D equivalent property.

2.2 The MTFS 2017-22 Revenue Budgets set out in **APPENDIX A**.

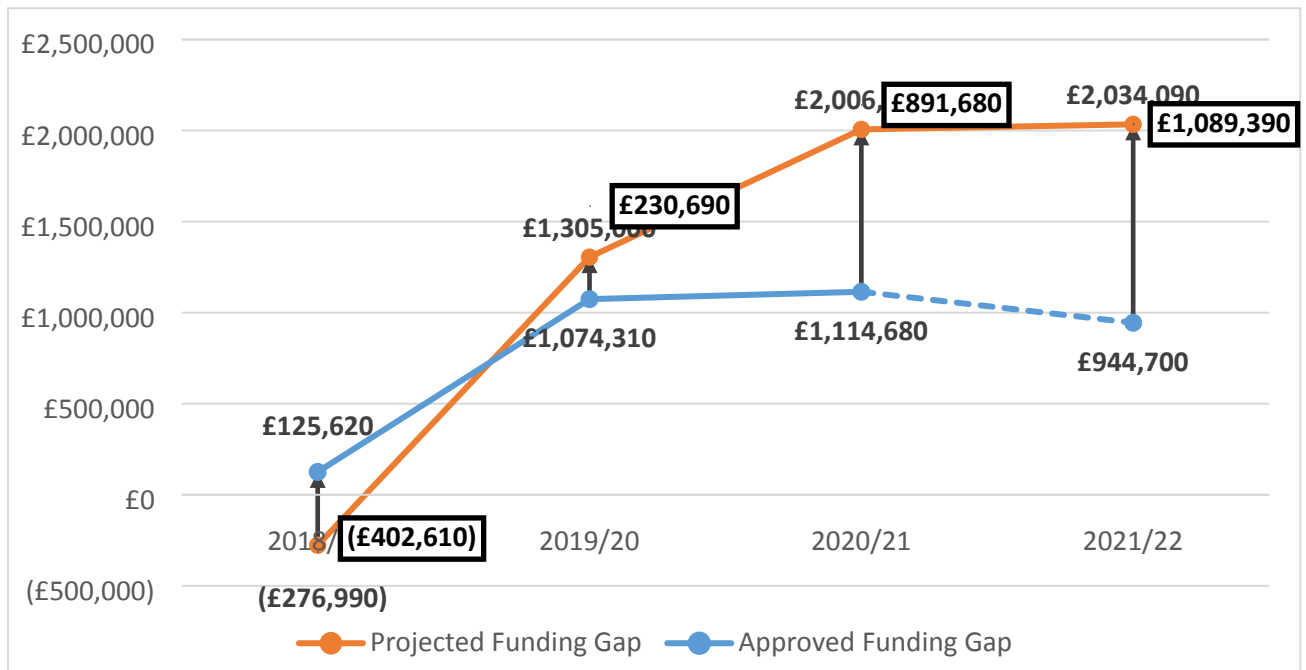
2.3 The MTFS 2017-22 Capital Strategy and Capital Programme (**APPENDICES B & C**).

2.4 The requirements and duties that the Local Government Act 2003 places on the Authority on how it sets and monitors its Budgets, including the CFO's report on the robustness of the Budget and adequacy of Reserves shown in **APPENDIX D**.

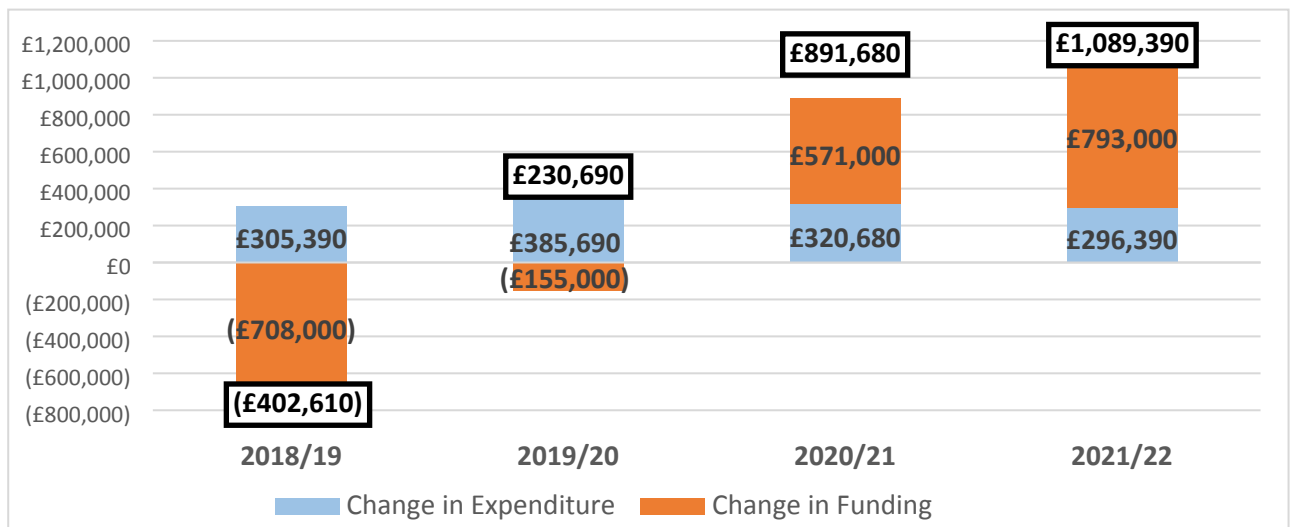
3. Background

The Revenue Budget

- 3.1 The MTFs covering 2016-21 was approved by Council on 21 February 2017 and included the projected level of Funding Gaps for 2018/19 to 2020/21.
- 3.2 Throughout the financial year, Money Matters reports have been provided to both Cabinet and Strategic (Overview and Scrutiny) Committee at three, six and eight month (a separate report on this agenda) intervals to monitor financial performance.
- 3.3 The Revenue Budget is shown by both Strategic Priority and Service Area in detail at **APPENDIX A** (the savings resulting from the garden waste subscription service and Leisure Outsourcing are now included in the Approved Budget).
- 3.4 The projected Funding Gap compared to the Approved Funding Gap (taking account of Approved changes during 2017/18) plus a further projection for 2021/22 is shown in the graph below:



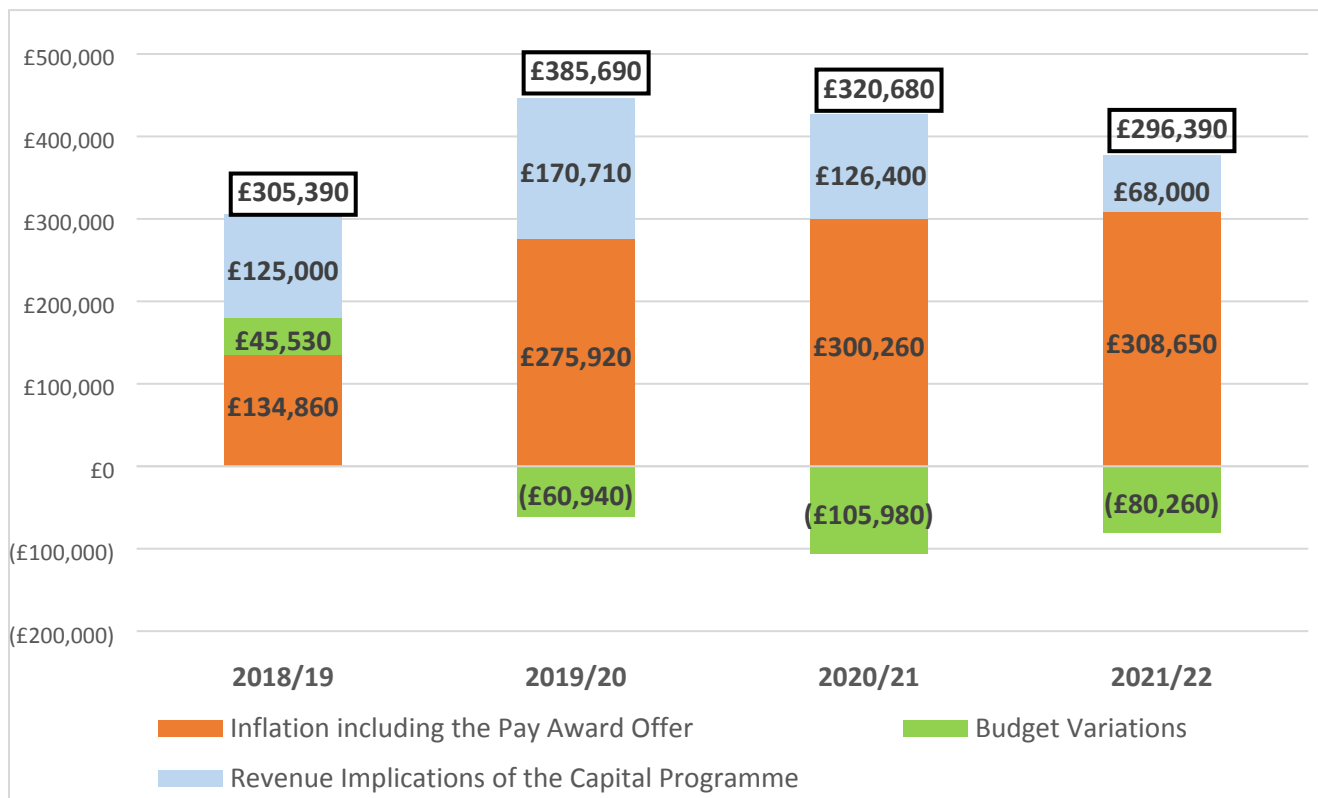
3.5 There has been an increase in the size of the projected Funding Gap in 2020/21 and 2021/22 and this is as a result of increases in expenditure and changes in funding as summarised in the graph below:



3.6 The MTFS is based on the Provisional Local Government Financial Settlement published on 19 December 2017. The final Settlement will not be announced until February 2018. There are a number of areas where results of the consultation and subsequent Government decisions, could impact on our Settlement thus requiring further changes to the MTFS.

Increases in Expenditure

3.7 The key reasons for the increase in expenditure compared to the Approved MTFS are explained in the chart below:



3.8 These increases in expenditure are explained in more detail below:

Inflation - The 2 Year Pay Award Offer and Other Items

- On 5 December 2017 the National Employers made a final pay offer covering the period 1 April 2018 to 31 March 2020.
- The measures included in the pay offer accommodate the future National Living Wage and redefine the pay spine accordingly from 2019.
- In year 1 from 1 April 2018 the offer includes bottom loading on scale points 6 to 19 and then a flat rate increase of 2% on scale points 20 and above.
- In year 2 from April 2019 the offer involves changes in scale points to introduce new scale points 1 to 22 to deal with compacting differentials and then a flat rate increase of 2% for the new scale point 23 and above.
- We have continued to include a pay award of **1%** for the remaining financial years of the Medium Term Financial Strategy. This is subject to change although as a rough guide a **1%** pay increase equates to circa **£100,000** in additional costs each year.
- No inflation is added to other budgets unless there is a contractual requirement.

Budget Variations

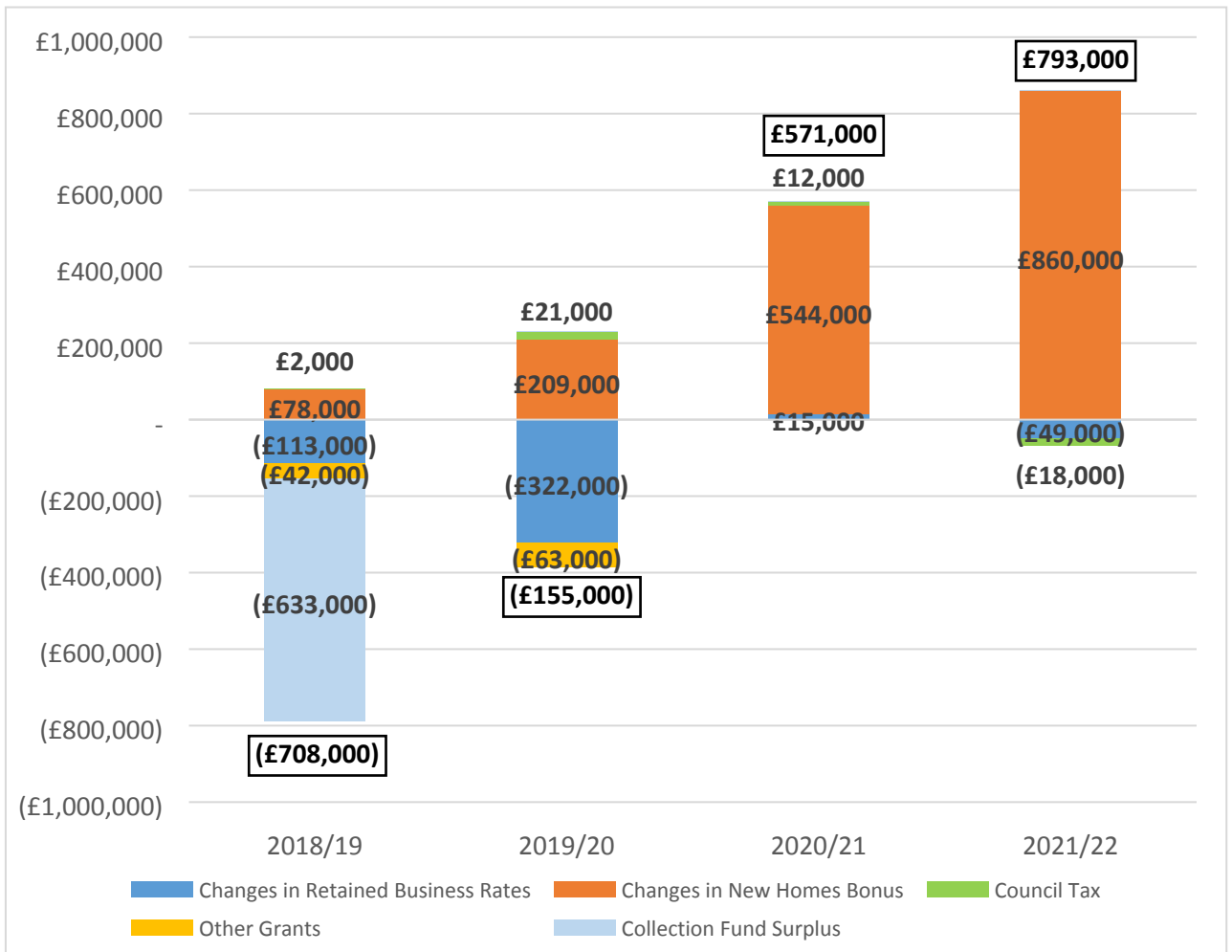
- **Changes to Pay** – these are a combination of changes resulting from the Personal Assistants review and the Management Restructure (such as officers not being appointed at the top of the grade).
- **Local Plan** – these are budget pressures related to the Local Plan allocations and review of **£90,000** in 2018/19 and **£80,000** in 2019/20 in excess of the earmarked reserve.
- **Reduction in income** – this is a combination of reduced Community Infrastructure Levy income in 2018/19 of **£33,000**, projected reduced Department of Works and Pensions grant in 2020/21 of **£20,000** and in 2021/22 of a further **£20,000**, the ceasing of card surcharges of **£7,000** and the reduction in SLA income from the Garrick for ICT Services of **£39,970**.
- **Reduction in expenditure** – this reflects the approved reduction in the Garrick subsidy of **(£60,000)** from £310,000 to £250,000 from 2018/19 and the achievement of the **(£50,000)** Fit for the Future target for Revenues and Benefits (further savings were included as part of the management restructuring).
- **Other** – other relatively small changes in expenditure budgets including an increase in investment income as a result of the recent interest rate increase.

Revenue Implications of the Capital Programme

- These now only include the revenue implications related to the Friarsgate Report to Cabinet on 5 December 2017 and updated projections for the Property Investment Strategy.
- In terms of the Property Investment Strategy, in the early years of 2018/19 and 2019/20 where management costs and borrowing repayments exceed income the net cost has been included in the Draft Medium Term Financial Strategy. In later years from 2020/21 onwards where income exceeds costs it is assumed income equals costs and therefore no surplus is currently included.

Changes in Funding

- 3.9 The key reasons for the change in funding compared to the Approved MTFS are explained in the chart below:



3.10 These changes in funding are explained below:

- New Homes Bonus** – the Local Government Finance Settlement for 2017/18 introduced the concept of a **0.4%** deadweight or baseline where no bonus would be paid and reduced the payment from six years to four years from 2018/19 onwards. The Local Government Finance Settlement consultation for 2018/19 introduced the prospect of further changes to the regime based on measures linked to planning effectively. These potential measures relate to withholding bonus from houses granted on appeal and linking bonus to the housing delivery test or the standard approach to local housing need. The Provisional Local Government Finance Settlement for 2018/19 indicated that there would be no change to the baseline and the planning effectively measures would also not be implemented. The position is uncertain for 2019/20 onwards.

The calculation of New Homes Bonus used to be relatively straightforward, however with the introduction of the deadweight or baseline (the Government has reserved the right to alter this based on national levels of growth to remain within budget) and the proposed planning effectively measures, the risk has increased significantly.

It was in anticipation of the proposed changes that a report was taken to Cabinet on 11 July 2017 recommending that a reducing ‘cap’ was introduced for the level of New Homes Bonus utilised as core funding. Any funding received in excess of the approved ‘cap’ will be transferred to general reserves.

The funds will be in general reserves should they need to be utilised, but it is still with the strong belief that as Council we should be in a position where we are not reliant on New Homes Bonus to meet service costs.

- **Retained Business Rates** – there have been a number of consultations on the proposed new system and it now looks increasingly likely that the reset of the baselines to reflect need **will occur in 2020/21 rather than 2019/20**. This means a higher share of Business Rates growth can be included in the Medium Term Financial Strategy for 2019/20 only.
In 2017/18 the projection indicates the Council's share of Business Rates Growth will be growth of **(£500,000)** above the baseline and this level is also assumed for 2018/19 and 2019/20. However from 2020/21 to reflect the Fair Funding Review this growth has been reduced to **(£100,000)** per year.
- **The Collection Fund Surpluses** – The six month's Money Matters Report projects a surplus on the Council Tax and Business Rates Collection Fund. The Council's projected share of the Council Tax Collection Fund surplus is **(£42,000)** and for Business Rates the projected share is **(£591,000)**.
- **Council Tax** – the approved MTFS is based on a year on year increase of **£5.00** (3.03% for 2018/19) and this assumption continues in this MTFS.

3.11 The detailed assumptions used in the calculation of funding in the revenue budget are shown in detail at **APPENDIX A**.

3.12 To provide an element of certainty for Revenue Support Grant and Transition Grant the Council accepted the Government's invitation to be part of a four year settlement covering the years 2016/17 to 2019/20.

3.13 As part of this multi-year settlement process, the Council was required to develop and publish an Efficiency Plan. This Plan sets out the Council's approach to identifying the savings identified in the MTFS. This plan includes four strands:

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

The Capital Strategy

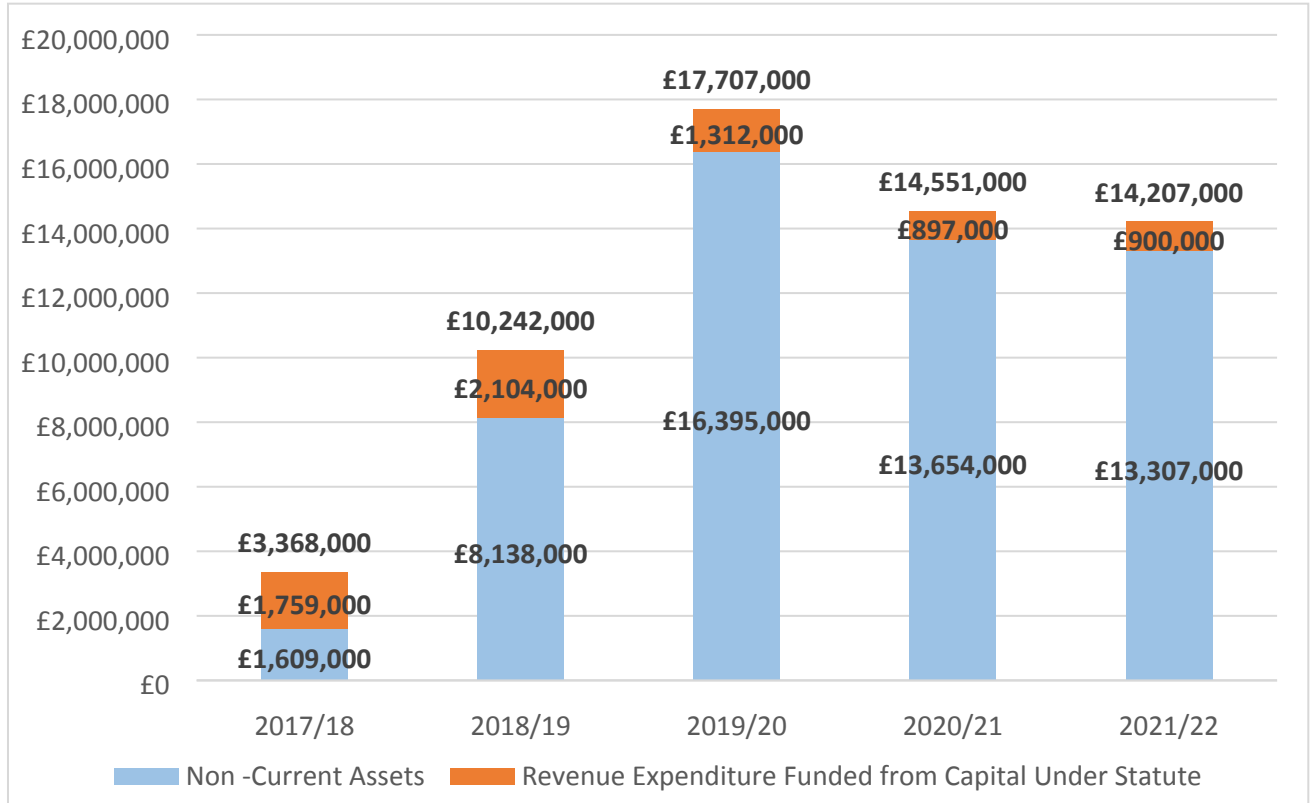
3.14 The Capital Strategy is shown at **APPENDIX B** and sets out the Council's framework for managing the Capital Programme including:

- Project identification and prioritisation.
- Planning obligations.
- The disposal of assets.

- Project and service procurement.
- Project implementation and monitoring.
- Performance Measurement.

The Capital Programme

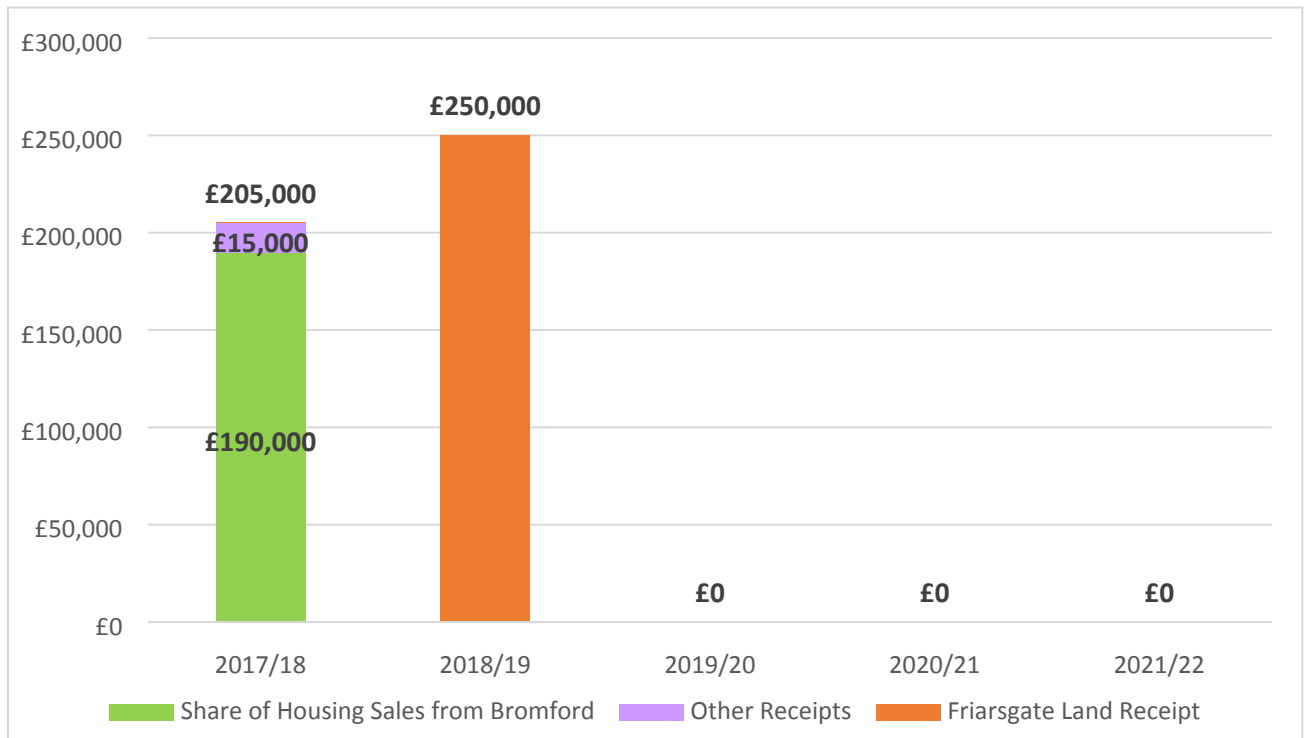
3.15 The Draft Capital Programme (Revenue Expenditure Funded from Capital under Statute relates to projects such as Disabled Facilities Grants) is shown in detail at **APPENDIX C** and in summary below:



3.16 The Property Investment Strategy was approved by Cabinet and income will contribute to offset the Funding Gap from 2020/21 onwards.

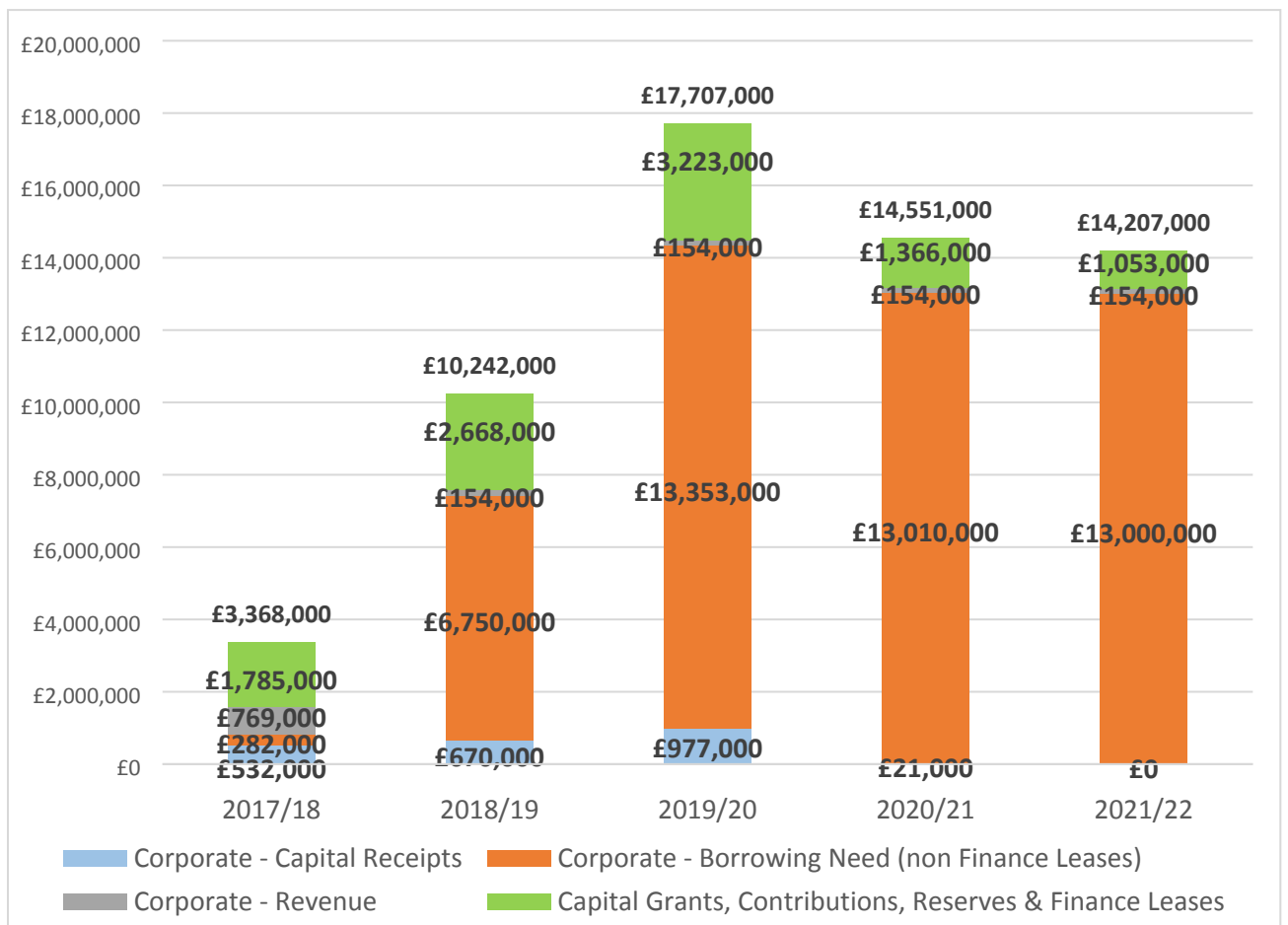
Capital Receipts

3.17 The projected Capital Receipts (due to its uncertainty, the **(£250,000)** Friarsgate Land Receipt is not currently used for funding the Draft Capital Programme) included in the MTFs are shown in the graph below:



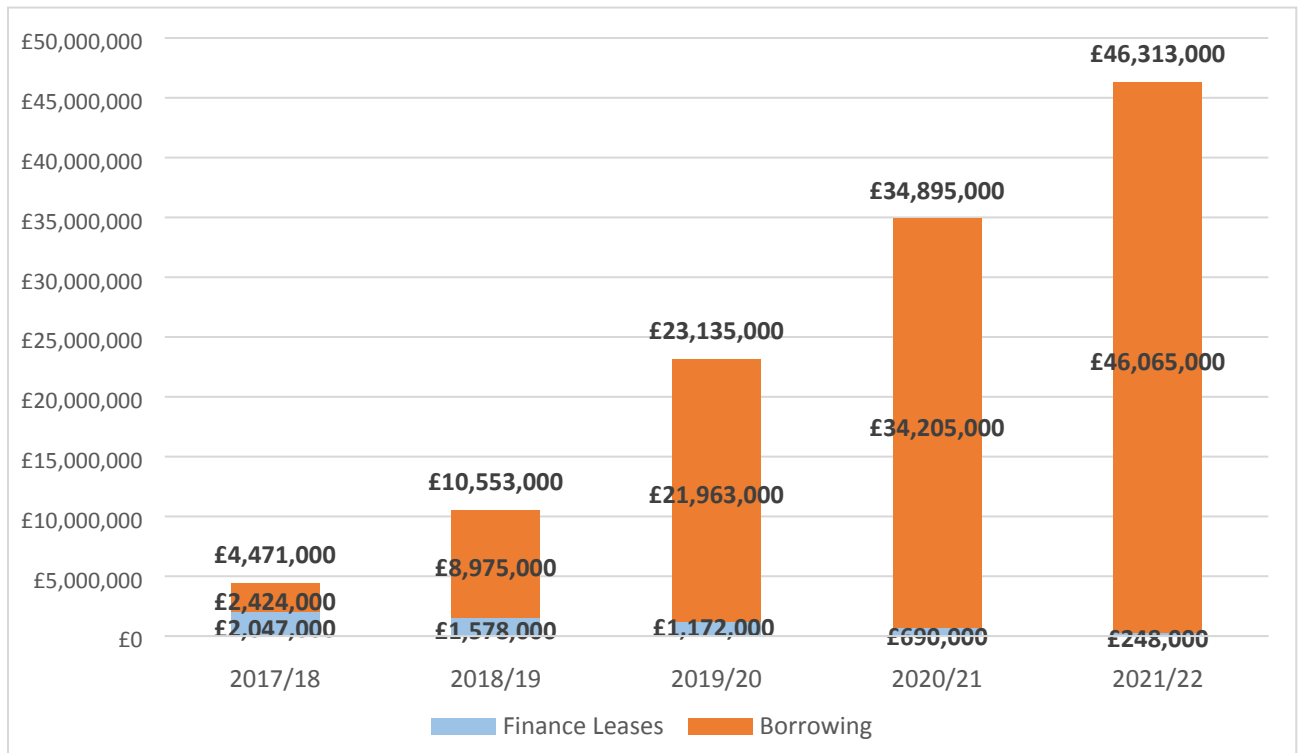
The Funding of the Capital Programme

3.18 The funding of the Draft 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:



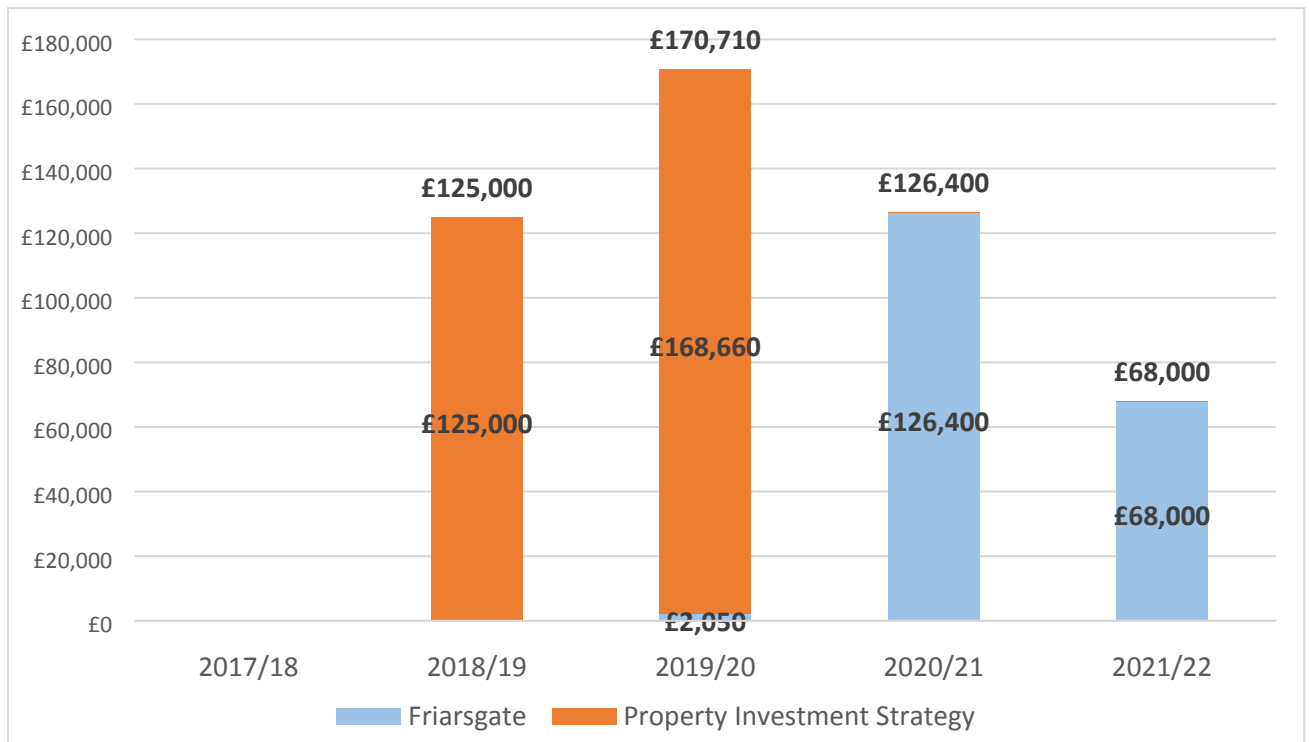
The Cumulative Borrowing Need and its Financing

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



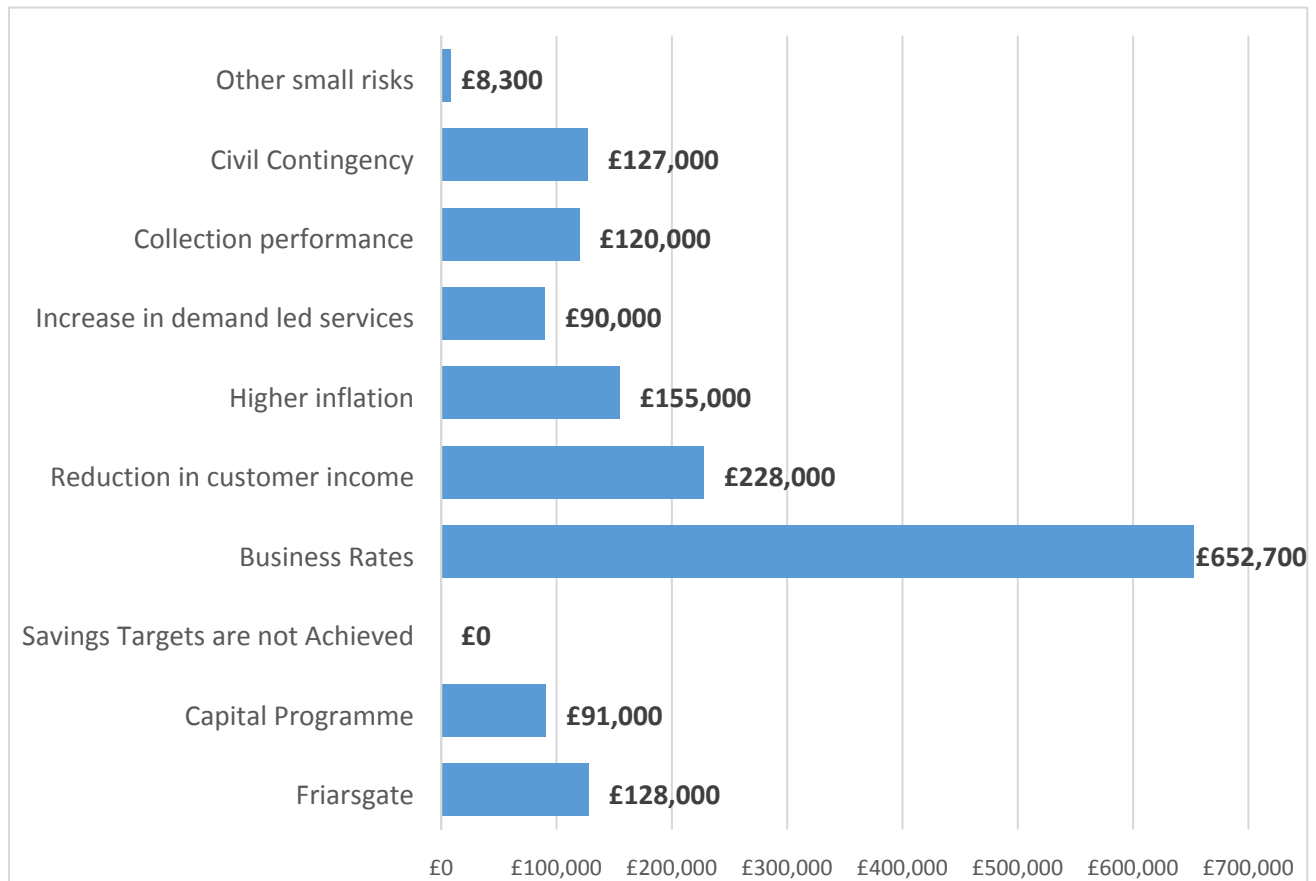
Revenue Implications of the Capital Programme

3.20 The Revenue Implications of the draft Capital Programme (using a prudent approach to the net income for the Property Investment Strategy) compared to the Approved Budget (including those related to the Leisure Facilities Outsource) are shown in detail at **APPENDIX C** and in summary below:

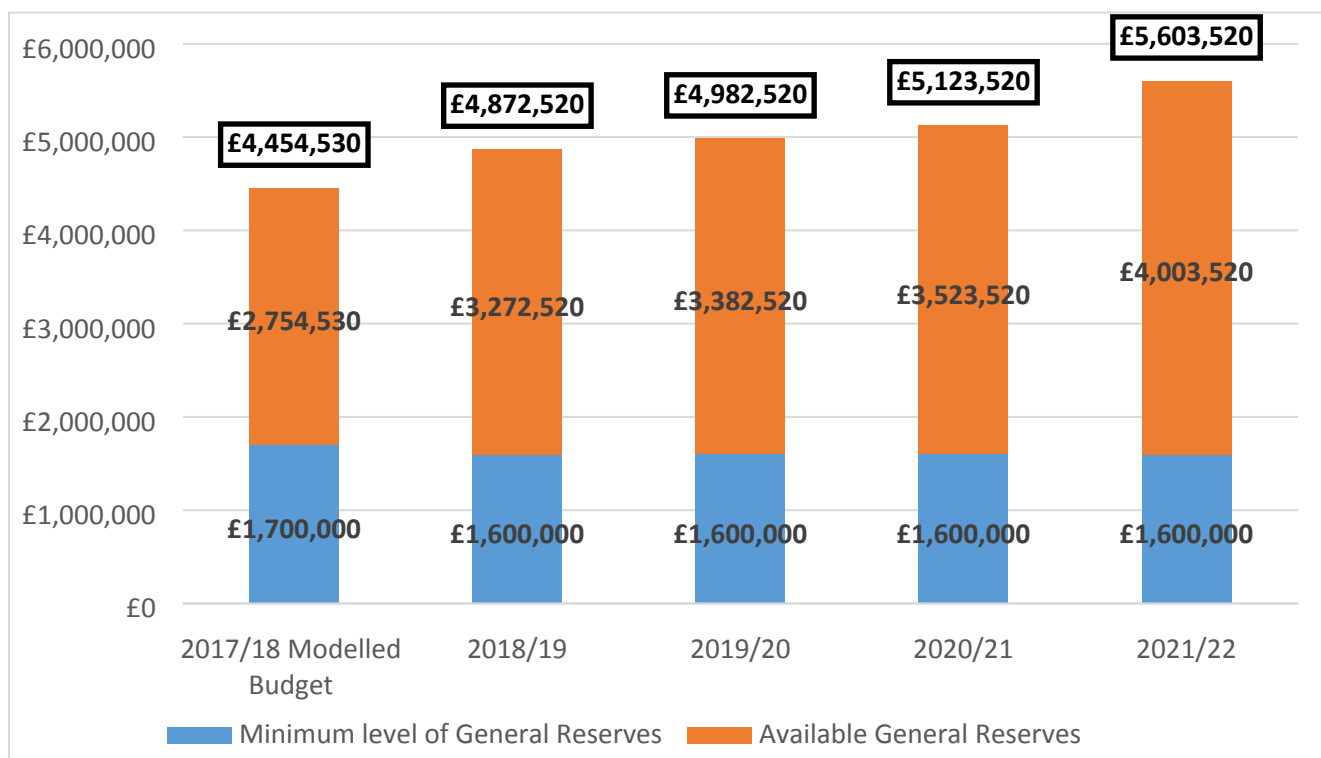


The Use of General Reserves and the Minimum Level

- 3.21 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.
- 3.22 The Approved Minimum Level is **£1,700,000** and the MTFs projects a decrease in this Minimum Level to **£1,600,000**. The main elements of the risk assessment are shown in detail at **APPENDIX D** and are summarised in the graph below:



- 3.23 The projected level of general reserves categorised by the Minimum Level and the level of reserves available for use by the Council for the MTFs are shown in the chart below:



Alternative Options	There are no alternative options.
Consultation	<p>Audit and Member Standards Committee scrutinised the Treasury Management Strategy Statement 2018/19 and the Prudential Indicators at its meeting on 22 January.</p> <p>In addition, a specific budget consultation exercise was undertaken for the 2018/19 Budget between 21 November 2017 and 22 December 2017 with the results circulated to Members in a Briefing Note. The headline results are shown below:</p> <ul style="list-style-type: none"> • We received 129 responses (0.3% of Council Taxpayers) to the Your View 2017 questionnaire. • The top three most important services and identified as those the Council should definitely fund were: <ol style="list-style-type: none"> 1. Waste collection from homes (71%). 2. Street cleansing and public toilets (36%). 3. Parks and open spaces (34%). • The top three least important services and highest ranked for reducing or stopping were: <ol style="list-style-type: none"> 1. Central costs (41%). 2. The arts including the Garrick (35%). 3. Private sector housing (28%). • 69% would support a £5 increase in Council Tax.
Financial Implications	The financial implications of the MTFs are included in the background section and the Appendices of this report.

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

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Council Tax is not set by the Statutory Date of 11 March 2018 .	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
E	The financial impact of changes to the New Homes Bonus regime.	The housing projections utilised in the projections for New Homes Bonus take account of the reduction in payments from 6 to 4 years , the inclusion of a baseline of 0.40% and potential changes related to planning effectively.	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

Background documents:

- CIPFA Code of Practice for Treasury Management in the Public Services.
- The Prudential Code for Capital Finance in Local Authorities.
- Fit for the Future Leisure Review Leisure Services Options Appraisal – Cabinet 8 March 2016.
- Money Matters: Council Tax, National Non Domestic Rates and Pension Contributions – Cabinet 17 January 2017.
- Money Matters: Medium Term Financial Strategy (Revenue and Capital) 2016-21 Cabinet – Cabinet 7 February 2017.
- The introduction of a Garden Waste Subscription Service – Cabinet 4 April 2017.
- Development of Land adjacent to Milestone Way and rear of 29-39 Cannock Road, Burntwood – Cabinet 25 May 2017.
- Money Matters: 2016/17 Review of Financial Performance against the Financial Strategy – Cabinet 13 June 2017.
- Money Matters: 2017/18 Review of Financial Performance against the Financial Strategy – Cabinet 5 September 2017.
- Money Matters: 2017/18 Review of Financial Performance against the Financial Strategy – Cabinet 5 December 2017.

Relevant web link:

The Provisional Local Government Finance Settlement:

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2018-to-2019>

APPENDIX A

BUDGET	2017/18		2018/19	2019/20	2020/21	2021/22
	Original Budget	Revised Budget	Original Budget	Original Budget	Original Budget	Original Budget
	£	£	£	£	£	£
LEVEL OF UNCERTAINTY / RISK	LOW			MEDIUM	HIGH	
Strategic Priority						
Healthy and safe communities	1,814,520	1,993,740	1,808,850	1,517,080	1,344,110	1,316,830
Clean, green and welcoming places to live	3,882,240	3,380,750	3,427,580	3,534,400	3,540,510	3,625,610
A vibrant and prosperous economy	(709,990)	(945,550)	(652,350)	(511,400)	(574,980)	(550,510)
A council that is fit for the future	5,653,680	5,892,760	6,031,510	6,186,320	6,452,750	6,689,440
Efficiency Plan	(250,000)	(86,900)	(71,180)	(71,180)	(71,180)	(71,180)
Savings Required	0	0	0	(1,305,000)	(2,006,360)	(2,034,090)
Net Cost of Services	10,390,450	10,234,800	10,544,410	9,350,220	8,684,850	8,976,100
Service Area						
Chief Executive	767,480	694,490	546,010	476,850	481,690	486,810
Finance & Procurement	1,489,630	1,460,050	1,628,490	1,773,760	1,949,280	2,113,650
Legal, Property & Democratic Services	281,610	216,260	424,800	510,460	363,530	344,780
Revenues, Benefits and Customer Services	701,630	722,830	725,470	792,320	835,600	874,680
Corporate Services	2,313,110	2,403,960	2,560,830	2,599,060	2,668,670	2,727,340
Leisure & Operational Services	2,514,620	2,683,760	2,422,310	2,162,840	2,009,090	2,012,250
Regulatory Services, Housing & Wellbeing	1,279,760	1,191,470	1,264,250	1,299,680	1,318,680	1,330,140
Development Services	39,360	(33,450)	61,310	93,280	91,760	106,410
Economic Growth	30,530	(180,910)	82,920	76,990	83,030	106,010
Waste Services	1,222,720	1,163,240	899,200	941,160	961,060	979,300
Efficiency Plan	(250,000)	(86,900)	(71,180)	(71,180)	(71,180)	(71,180)
Savings Required	0	0	0	(1,305,000)	(2,006,360)	(2,034,090)
Net Cost of Services	10,390,450	10,234,800	10,544,410	9,350,220	8,684,850	8,976,100
Net Treasury Position	(15,600)	(19,450)	104,860	108,260	134,610	124,610
Revenue Contributions to the Capital Programme	154,000	769,000	154,000	154,000	154,000	154,000
Net Operating Cost	10,528,850	10,984,350	10,803,270	9,612,480	8,973,460	9,254,710
Less : Transfer (from) / to General Reserve	1,060	(517,220)	276,990	0	0	0
Less : Transfer to (from) / to Earmarked Reserves	504,840	592,960	(774,360)	(163,680)	235,240	178,890
Amount to be met from Government Grants and Local Taxpayers	£11,034,750	£11,060,090	£10,305,900	£9,448,800	£9,208,700	£9,433,600

Retained Business Rates	(2,484,000)	(2,469,800)	(2,479,900)	(2,523,800)	(2,187,700)	(2,253,600)
Business Rates Cap	0	(32,360)	(42,000)	(63,000)	0	0
Revenue Support Grant / Tariff Adjustment	(236,000)	(236,000)	0	453,000	463,000	477,000
Returned New Homes Bonus	(5,000)	(5,000)	0	0	0	0
Parish Local Council Tax Support	87,000	87,000	0	0	0	0
New Homes Bonus	(1,422,000)	(1,422,000)	(800,000)	(700,000)	(600,000)	(500,000)
Other Government Grants	0	(7,180)	0	0	0	0
Transition Grant	(51,750)	(51,750)	0	0	0	0
Council Tax Collection Fund (surplus) / deficit	(40,000)	(40,000)	(42,000)	0	0	0
Business Rates Collection Fund (surplus) / deficit	(789,000)	(789,000)	(591,000)	0	0	0
Council Tax Requirement	(6,094,000)	(6,094,000)	(6,351,000)	(6,615,000)	(6,884,000)	(7,157,000)
Council Tax Base	36,935	36,935	37,360	37,803	38,245	38,688
Council Tax assuming a £5.00 annual increase	£164.99	£164.99	£169.99	£174.99	£179.99	£184.99

Amount to be met from Government Grants and Local Taxpayers	10,305,900	9,448,800	9,208,700	9,433,600
Transfer to General Reserves / Funding Gap	(276,990)	1,305,000	2,006,360	2,034,090
Total Expenditure	£10,028,910	£10,753,800	£11,215,060	£11,467,690

Funding Lichfield District Council’s Strategic Plan 2016-20: The Financial Strategy

1. The ability to deliver the outcomes set out in the Strategic Plan is dependent on resources, and therefore this must drive the Medium Term Financial Strategy.

2. The Local Government Act 2003 (Sections 25-28) places duties on Local Authorities on how they set and monitor budgets.

The Council’s Chief Financial Officer (CFO), is of the opinion that the estimates are robust and the Council’s proposed Reserves are adequate (Sections 25-27).

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

Supporting information on the Chief Financial Officer’s Report on the robustness of the budget and the adequacy of Reserves is shown in **APPENDIX H**.

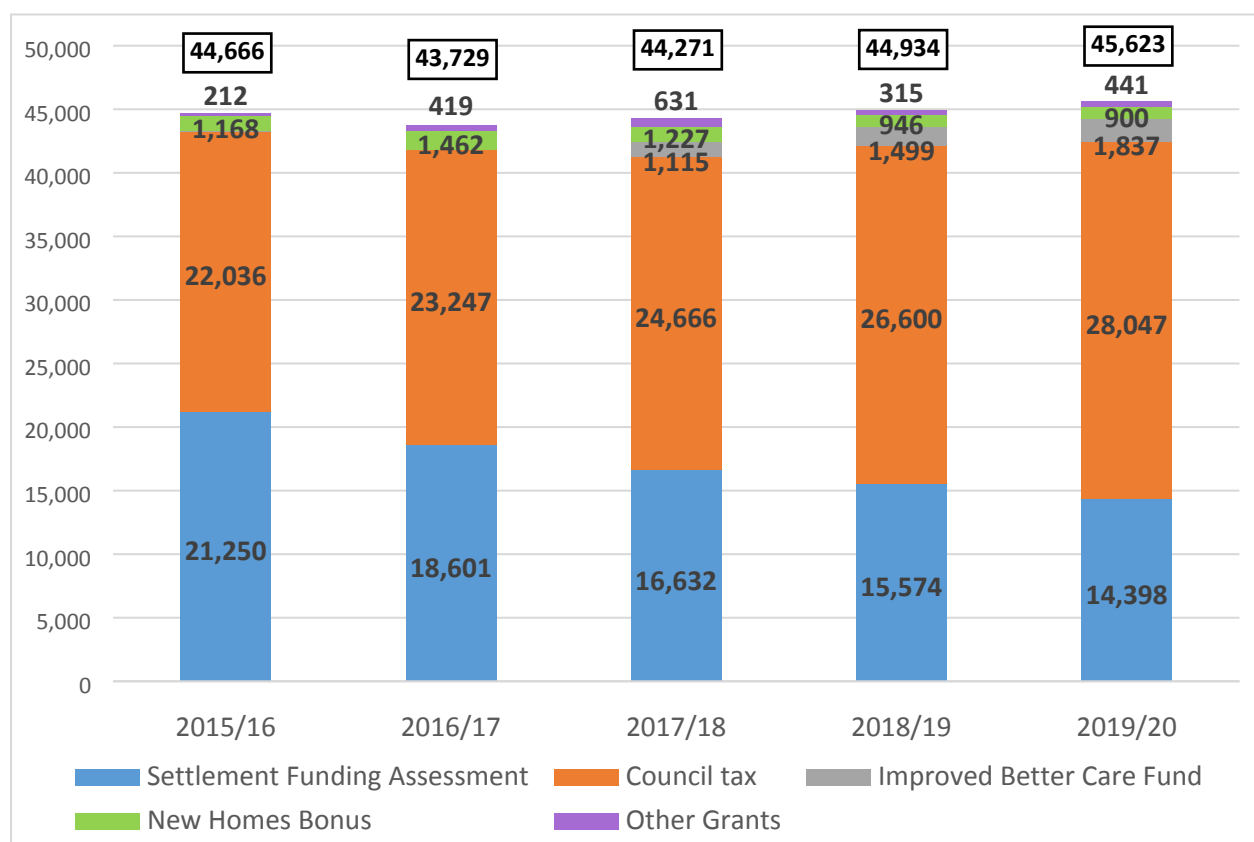
Revenue Budget

The Provisional Local Government Settlement

3. The Council was advised of its Provisional Financial Settlement for 2018/19 to 2019/20 on 19 December 2017.

Core Spending Power

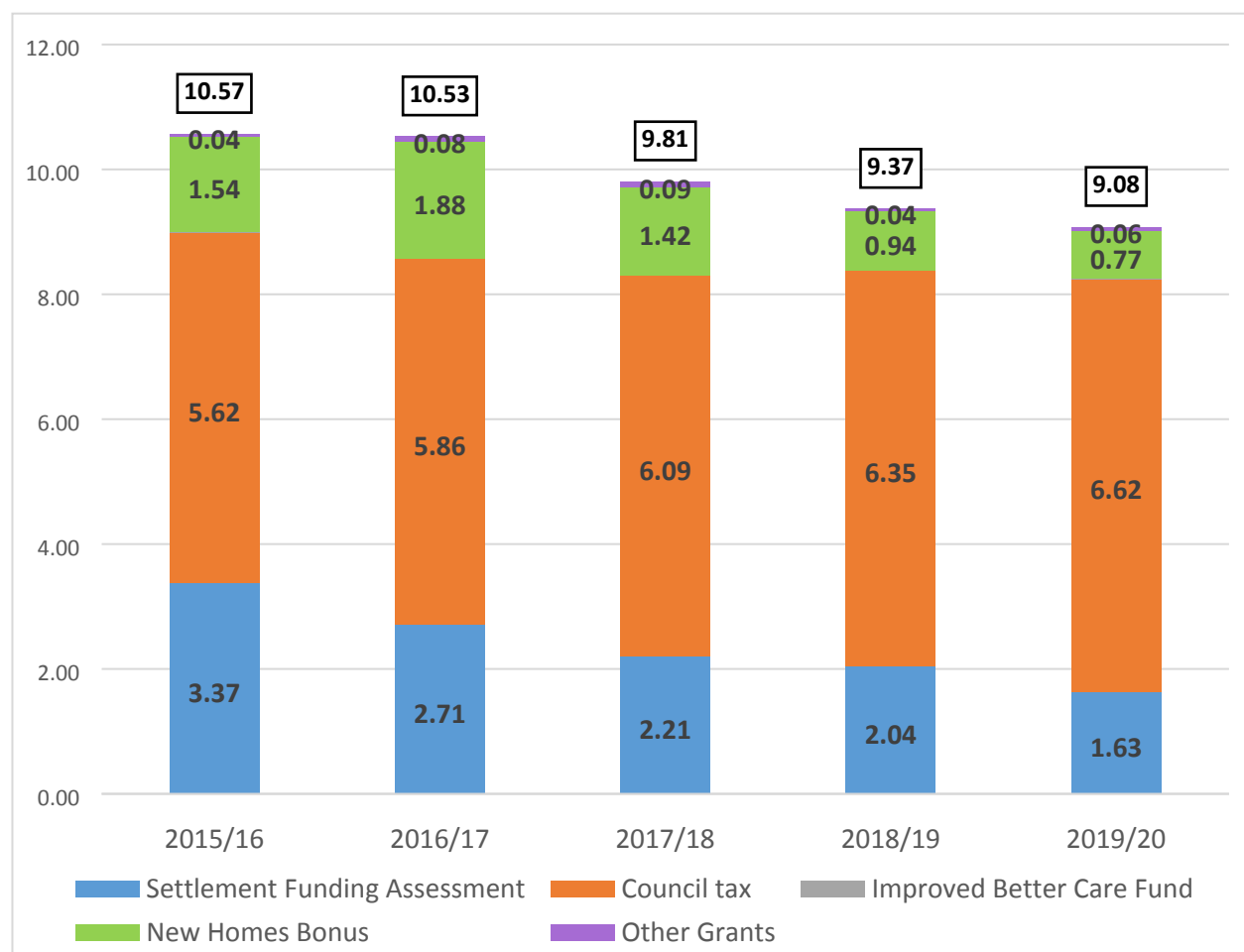
4. The Settlement Funding Assessments (SFA) and Core Spending Powers for all Councils in England in £m are shown in the chart below :



5. These figures show an increase in Core Spending Power from 2015/16 to 2019/20 of **£956m** or **2.1%**. The reduction in funding from the Government of **£5,055m** is being more than offset through additional income raised from Council Tax of **£6,011m**.

6. **Government’s Assessment of Lichfield’s Core Spending Power**

Government has produced for each local authority *notional* figures known as ‘core spending power’ based on national projections to enable comparisons to be made between different years. These core spending power figures consist of the Council’s main income streams such as Council Tax, Settlement Funding Assessments (consisting of Revenue Support Grant and Retained Business Rates) and New Homes Bonus. The figures in £m for Lichfield are provided in the following chart:



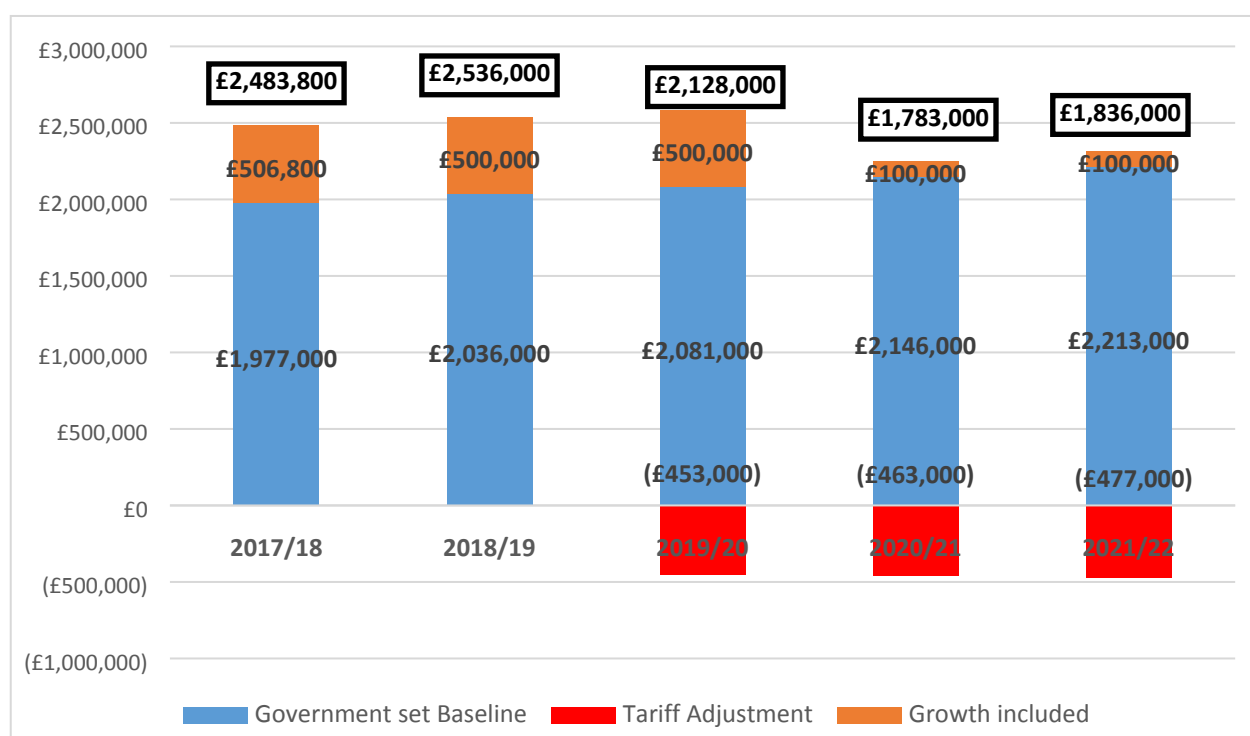
7. These figures show a reduction in Core Spending Power from 2015/16 to 2019/20 of **£1.5m** or **14%**.

8. Using these *notional* core spending power figures, the equivalent Settlement Funding Assessment percentage reduction is **8%** in 2018/19 in comparison with adjusted core spending power 2017/18.

9. Revenue Support Grant (RSG) for 2018/19 represents **0%** (9% in 2017/18) of the Settlement Funding Assessment for the Council. RSG Funding for 2017/18 is **(£236,000)** and is reduced by **£236,000** or **100%** to **£0** for 2018/19 in comparison with 2017/18.

Retained Business Rates (including the Tariff Adjustment)

10. The approved Medium Term Financial Strategy was based on the following key assumptions related to retained Business Rates:
 - The introduction of 100% retention of Business Rates by Local Government would occur in 2019/20.
 - The reset of Government set baselines for Business Rates as part of the Fair Funding Review would also occur in 2019/20 and the majority of business rates growth in excess of the baseline would be redistributed to reflect need in the wider Local Government Sector.
11. There have been a number of consultations on the proposed new system and it now looks increasingly likely that the reset of the baselines to reflect need **will occur in 2020/21 rather than 2019/20**. This means a higher share of Business Rates growth can be included in the Medium Term Financial Strategy for 2019/20 only.
12. In 2017/18 the projection indicates the Council's share of Business Rates Growth will be growth of **(£500,000)** above the baseline and this level is also assumed for 2018/19 and 2019/20. However from 2020/21 to reflect the anticipated impact of the Fair Funding Review and a new baseline this growth has been reduced to **(£100,000)** per year.
13. The projected Government Set Baseline and the projected level of growth included in the Medium Term Financial Strategy are shown below:

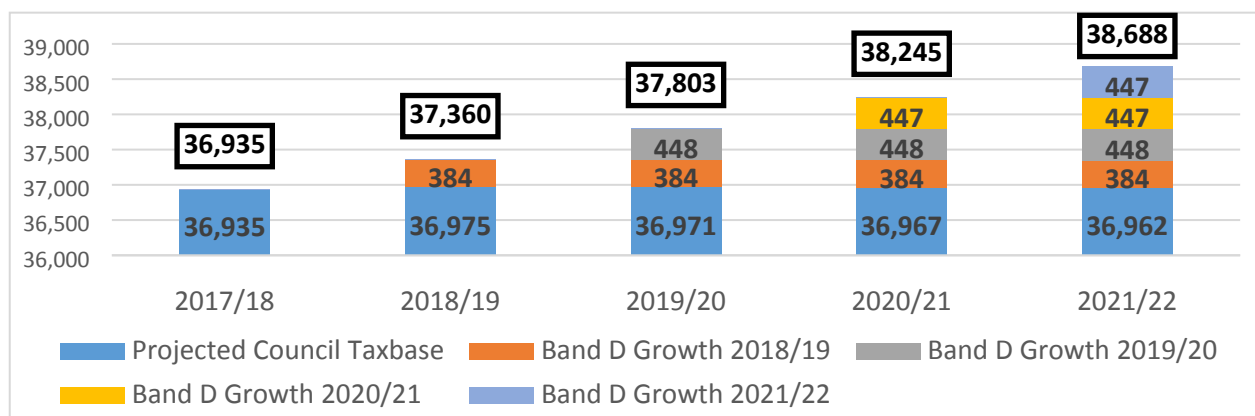


14. The change in retained Business Rates projected income (including the Tariff Adjustment) compared to the Approved Budget is shown below:

	2017/18	2018/19	2019/20	2020/21	2021/22
Approved MTFS	2,484,000	2,423,000	1,806,000	1,798,000	1,787,000
Projections	2,483,800	2,536,000	2,128,000	1,783,000	1,836,000
Change	£200	(£113,000)	(£322,000)	£15,000	(£49,000)

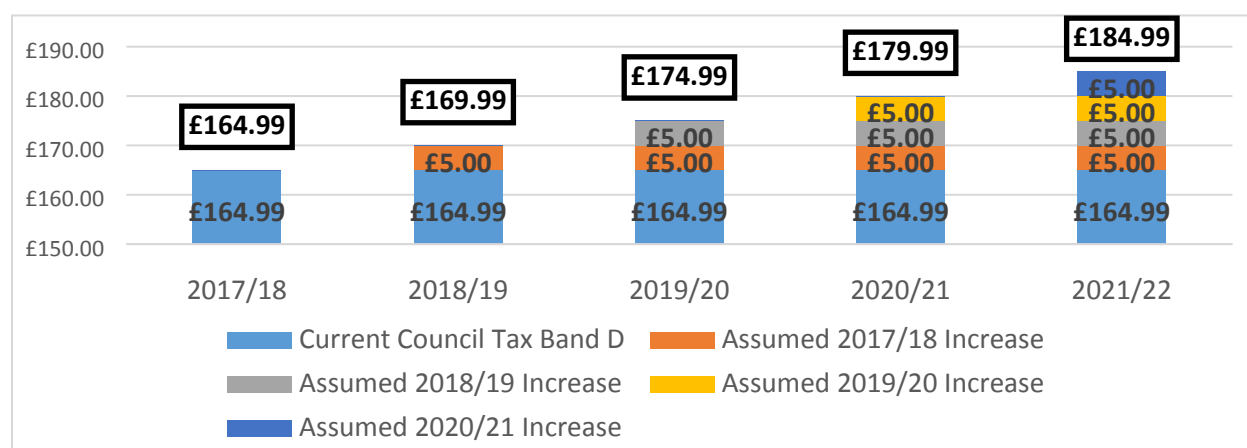
Council Tax Base (CTB) Projections

15. The key assumptions in the calculation of Council Tax income are:
 - The Council Taxbase including the projected growth.
 - The level of Council Tax increase.
16. The mid-point housing growth projections using the Strategic Housing Land Availability Assessment (SHLAA) included in the Report to Cabinet on 5 December 2017 have been used. These completions are all converted to Band D equivalents.
17. The Council Taxbase including Band D equivalents growth is shown below:



Modelled Council Tax Increase

18. Under the Localism Act 2011, local communities have the power to decide on Council Tax rises. It was announced as part of the Provisional Finance Settlement, that the limit for Council Tax increases for 2018/19 will be the higher of 3% or £5.00 (the increase to 3% has no impact for this Council). Any increases proposed above this level will require a referendum.
19. The Approved MTFS is based on a year-on-year increase of £5.00 and this assumption continues for the MTFS. The modelled level of Council Tax increases included in the MTFS are shown in the chart below:

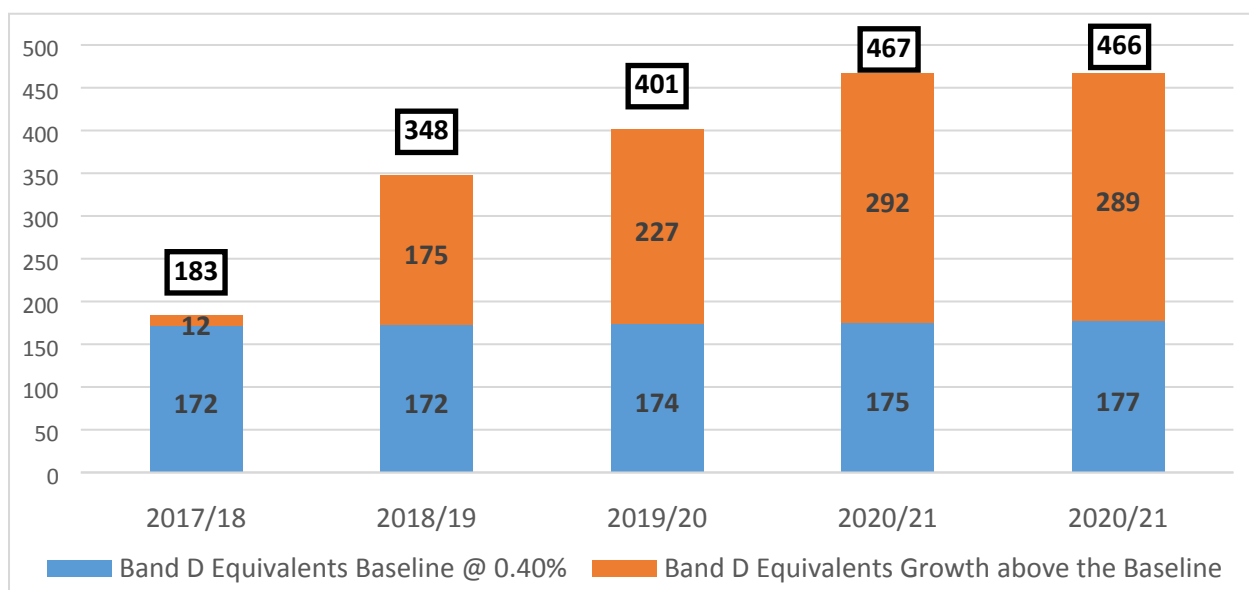


20. A summary of the latest Council Tax income projections compared to the Approved Medium Term Financial Strategy are shown below:

	2017/18	2018/19	2019/20	2020/21	2021/22
Approved MTFS	6,094,000	6,353,000	6,636,000	6,896,000	7,139,000
Projections	6,094,000	6,351,000	6,615,000	6,884,000	7,157,000
Change	£0	£2,000	£21,000	£12,000	(£18,000)

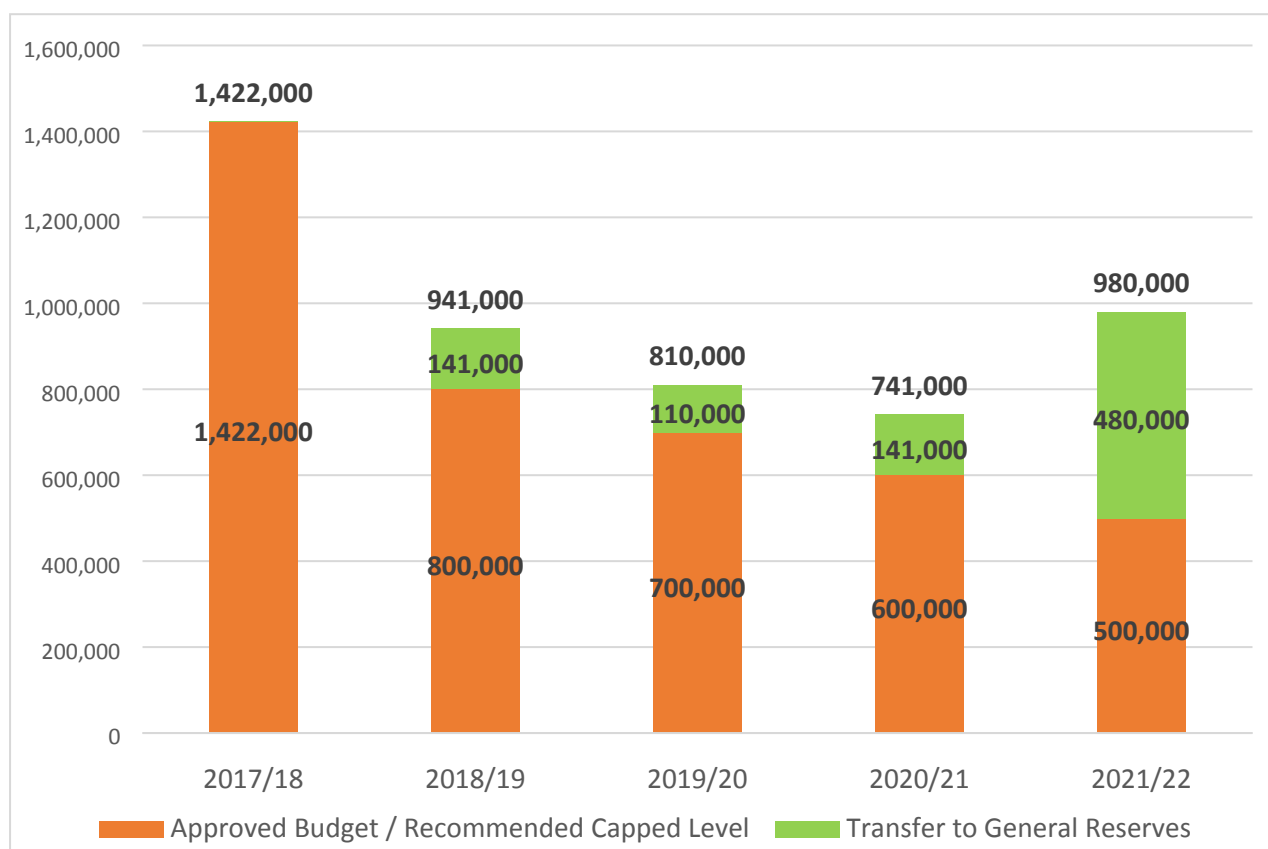
New Homes Bonus

21. The key assumption in the calculation of New Homes Bonus remains the number of residential units delivered as measured in the Council Tax Base Return based on a September to September year.
22. The mid-point housing growth projections using the Strategic Housing Land Availability Assessment (SHLAA) included in the Report to Cabinet on 5 December 2017 have been used **with a one year delay** to reflect the New Homes Bonus claim year. These completions are all converted to Band D equivalents.
23. The projected Band D deadweight or baseline at **0.40%** (rounded), the Band D equivalent housing completions in excess of the baseline subject to reward and the total Band D equivalent housing completions based on the midpoint scenario are shown below:



24. In addition, to the risk around the deadweight or baseline the Local Government Finance Settlement for 2018/19 introduced the prospect of further changes to the regime based on measures linked to planning effectively.
25. These potential measures relate to withholding bonus from houses granted on appeal and linking bonus to the housing delivery test or the standard approach to local housing need.
26. In terms of 2018/19 and appeals performance, the Head of Development Services has calculated that the potential reduction to the bonus would be **2.4%** for housing granted following successful appeals.
27. The Provisional Local Government Finance Settlement for 2018/19 indicated that the reduction based on appeals performance would not be implemented for 2018/19. However from 2019/20 onwards a reduction of **5%** will be applied to each New Homes Bonus award.
28. In terms of 2019/20 and housing delivery, the Council on average has delivered **245** houses per annum and the standardised approach indicates a target of **340** homes per annum. Therefore should we continue to deliver the average level we would only be delivering **72%** of this target.
29. In anticipation of this reduction in the bonus a further reduction of **30%** will be applied from 2019/20.
30. This means the total reduction related to measures linked to planning effectively from 2019/20 is projected at this stage to be **35%**.

31. The calculation of New Homes Bonus used to be relatively straightforward however with the introduction of the deadweight or baseline (the Government has reserved the right to alter this based on national levels of growth to remain within budget) and the proposed planning effectively measures the risk has increased significantly.
32. **It was in anticipation of the proposed changes that a report was taken to Cabinet on 11 July 2017 recommending that a reducing ‘cap’ was introduced for the level of New Homes Bonus utilised as core funding. Any funding received in excess of the approved ‘cap’ will be transferred to general reserves.**
33. The increasing risk related to New Homes Bonus has meant a number of Councils are taking a similar approach to that approved by Cabinet. In Staffordshire 7 out of the 10 Councils in receipt of New Homes Bonus are now reducing the level of income included in the base budget with the County Council fully removing it from 2021/22.
34. The chart below shows for the midpoint New Homes Bonus calculation:
- The approved budget for 2017/18 and the recommended ‘cap’ from 2018/19 onwards.
 - The transfer to general reserves for bonus in excess of the ‘cap’.



35. A summary of the latest New Homes Bonus income projections compared to the Approved Medium Term Financial Strategy are shown below:

	2017/18	2018/19	2019/20	2020/21	2021/22
Approved MTFS	1,422,000	878,000	909,000	1,144,000	1,360,000
Projections	1,422,000	800,000	700,000	600,000	500,000
Change	£0	£78,000	£209,000	£544,000	£860,000

Resourcing our Investment Plans: The Capital Programme

36. The Capital Programme identifies all Capital projects approved by Council in line with its Capital Strategy. The Capital Programme is updated either as a result of Cabinet approvals, or through delegation approved by the Council. The Capital Programme 2017-22 is shown by the Strategic Plan priority in **APPENDIX C**.

The Capital Strategy

Project Identification and Prioritisation

37. The Capital Programme is a rolling programme subject to change that identifies the Council’s capital investment plans for both its assets and the wider community’s needs to achieve its strategic aims and objectives.
38. The Capital Programme is managed by the Council’s Leadership Team and Service Managers.

Project Prioritisation

- All new capital investment needs are identified using a standard Capital Investment template.
- These documents identify the project title, lead officer and the service area.
- They also outline what the funding is to be used for and the outcomes anticipated and the financial profile.

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

39. 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).
40. 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.
41. 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.
42. 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.

The Disposal of Assets.

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

- The strategic aims that the ownership of the asset helps The Council to achieve.
- The rate of return that investment properties generate.
- Whether disposal of the asset would further enhance the achievement of strategic aims.

44. The Council reviews its assets on a regular basis. In addition, as part of F4F Reviews, the potential to transfer assets to other organisations or to dispose of assets is always considered.
45. The Spending Review 2015 announced that Government would *“let Councils spend 100% of the receipts from the assets they sell to improve their local services”*. The Guidance published by Communities and Local Government permits Revenue Expenditure to be treated as Capital Expenditure, and this is funded from capital receipts where expenditure is *“incurred on projects designed to reduce future revenue costs and/or transform service delivery” from 1 April 2016 to 31 March 2019*.

Project and Service Procurement

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

Driver for Change	Lichfield District Council's Initiatives
Committed leadership	<ul style="list-style-type: none"> • Clarity of decision making is provided through the role of Cabinet being specified. • Committees have been set up to scrutinise the decisions of the Cabinet.
A focus on the customer	<ul style="list-style-type: none"> • The design of major capital projects involves stakeholder participation at the design stage. • A number of major capital projects involve a management board consisting of stakeholders.
Integrated processes and teams	<ul style="list-style-type: none"> • The Council utilises the Projects in a Controlled Environment (PRINCE2) methodology to project manage all new major projects. • The Council engages in value engineering dialogue with appointed contractors to determine cost savings and quality enhancements in major capital contracts. • A risk management strategy to identify possible risks to successful outcomes and the ways these risks could be managed has been developed.
A quality driven agenda	<ul style="list-style-type: none"> • The evaluation of supplier bids takes account of both cost and quality criteria as determined by the project manager for each project.
Commitment to people	<ul style="list-style-type: none"> • The Council's Financial Procedure Rules and Contract Procedure Rules require evaluation of potential contractors' records on Health & Safety etc.

Project Implementation and Monitoring

47. The Project Manager for each project is responsible for managing the project implementation and delivering its objectives. This monitoring is often in partnership with professional services such as architects and service users. Additionally, some projects are subject to external monitoring, particularly when projects are using grant funding.
48. Project Managers hold regular meetings with parties involved in the procurement process.
49. Member involvement in capital monitoring, in conformance with the requirements of the Local Government Act, consists of regular reporting on the Capital Programme to Cabinet and Overview and Scrutiny Committees.

Performance Measurement

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

<ul style="list-style-type: none"> • As part of the project development, the project manager identifies the objectives that the success of the project will be measured against. • Regular reports to Cabinet and the Overview and Scrutiny Committees in relation to the progress of major projects such as Friarsgate are undertaken.

Full Capital Programme 2017-22

Project	Actual	Draft Budget (R=>£500k, A=£250k to £500k and G= Less than £250k)					Total £000	Corporate £000
	2017/18 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000		
Community Building / Play Area at Hawksyard	320	320	1				321	
Oakenfield Play Area (Sinking Fund)	9	9					9	9
Burntwood Leisure Centre Enhancement Work	11	202	42	3			247	
Squash Court and Sports Hall Floors (FGLC)		50					50	
Friary Grange (Boiler, Lighting)		15					15	15
Accessible Homes (Disabled Facilities Grants)	828	1,010	772	850	850	850	4,332	490
Housing Monies / Decent Homes Standard			1,049				1,049	
Leisure Facilities Outsource		282	750	353	10		1,395	
Energy Insulation / Home Repair Assistance		45	35	25	25	25	155	130
Housing Redevelopment Scheme - Packington	40	80					80	
Healthy and Safe Communities Total	1,209	2,013	2,649	1,231	885	875	7,653	644
Ancient Monument (Friary)	1	1					1	
Canal Culvert at Huddlesford	1	10	90				100	100
Environmental Improvements - Upper St John			7				7	
Fazeley Crossroads Environmental Imps	4	4					4	
The Leomansley Area Improvement Project			3				3	
Darnford / Shortbutts Parks		10	36				46	20
Swan Road - Whittington Parish Council	28	28					28	
Stowe Pool Improvements			100	450	450		1,000	5
Vehicle Replacement Programme	18	18	168	288	144	307	925	31
Clean, Green and Welcoming Places to Live Total	53	71	404	738	594	307	2,114	156
Cannock Chase SAC	86	86	43	32	22	25	208	
City Centre Strategy - Interpretation / Car Parks		2	32				34	
Friarsgate Support	365	592	868	2,487			3,947	1,724
Old Mining College - Refurbish access and signs		14					14	
Sankey's Corner Environmental Improvements		3					3	
Data Management System		5	6				11	
A Vibrant and Prosperous Economy Total	451	702	949	2,519	22	25	4,217	1,724
Bin Storage Area Resurfacing	20	20					20	
Asset Management - District Council House	69	291	88	187	50		616	616
Property Investment Strategy			6,000	13,000	13,000	13,000	45,000	
IT and Channel Shift Programme	230	250	152	32			434	434
Multi Media in the Committee Room	10	10					10	
Depot Sinking Fund		11					11	11
A Council That is Fit for the Future Total	329	582	6,240	13,219	13,050	13,000	46,091	1,061
Grand Total	2,042	3,368	10,242	17,707	14,551	14,207	60,075	3,585

Funding Source	Draft Budget					
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Usable Capital Receipts	532	670	977	21		2,200
Revenue	769	154	154	154	154	1,385
Corporate Council Sources	1,301	824	1,131	175	154	3,585
Other Sources	1,785	2,668	3,223	1,366	1,053	10,095
Grand Total	3,086	3,492	4,354	1,541	1,207	13,680
FUNDING GAP (Borrowing Need)	282	6,750	13,353	13,010	13,000	46,395
Total FUNDING GAP Inc. previous years (Borrowing Need)	2,424	8,975	21,963	34,205	46,065	46,065
Available Capital Receipts	(2,457)	(1,787)	(810)	(789)	(789)	(789)

APPENDIX C

The Original Capital Programme was **£13,013,000** and the Draft Capital Programme is **£60,075,000**, an increase of **£47,062,000**. This increase is explained below (The Property Investment Strategy and Leisure Outsourcing are the main reasons):

	Approved MTFS				New	Total
	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s	£000s
Slippage from 2016/17	426					426
Project Spend Rephasing	(1,330)	1,139	174	(79)	96	0
<u>New Projects</u>						
Property Investment Strategy	0	6,000	13,000	13,000	13,000	45,000
Leisure Facilities Outsource	282	750	353	10	0	1,395
<u>Friarsgate</u>						
Police Station acquisition and reimbursement - U&I will now acquire and transfer to the Council	(1,409)					(1,409)
Inclusion of the Coach Parking contribution and related spend		450				450
<u>Spend funded by External Funding</u>						
Cannock Chase SAC	49	43	32	22	25	171
Swan Road: Whittington Parish	28					28
Disabled Facilities Grants	20				752	772
<u>Ongoing Budgets additional Year (for modelling)</u>						
Disabled Facilities Grants					98	98
Home Repair Assistance Grants					15	15
Energy Insulation Programme					10	10
<u>Spend funded by Reserves and Revenue</u>						
Multi Media in the Committee Room	10					10
Friary Grange (Boiler, Lighting)	15					15
Bin Storage Area Resurfacing	20					20
<u>Vehicle Replacement Programme</u>						
Changes to plan	(75)	0	(75)	0	211	61
Total	(£1,964)	£8,382	£13,484	£12,953	£14,207	£47,062

Revenue Implications

	Projected					Total
	2017/18	2018/19	2019/20	2020/21	2021/22	
Income	(£54,600)	(£218,380)	(£218,380)	(£218,380)	(£218,380)	(£928,120)
Friarsgate (Cabinet 5/12/2017)	£0	£0	£2,050	£126,400	£68,000	£196,450
Minimum Revenue Provision (non-Finance Leases)	£97,870	£199,500	£193,500	£225,440	£225,440	£941,750
Loss of Investment Income	£5,450	£6,400	£7,100	£8,800	£8,930	£36,680
External Borrowing Interest	£39,180	£47,400	£45,800	£44,210	£44,210	£220,800
Sub Total - Other Projects	£87,900	£34,920	£30,070	£186,470	£128,200	£467,560
Income	£0	£0	(£354,580)	(£1,122,900)	(£1,891,200)	(£3,368,680)
Management Costs	£0	£125,000	£250,000	£250,000	£250,000	£875,000
Minimum Revenue Provision	£0	£0	£171,430	£542,860	£914,290	£1,628,580
External Borrowing Interest	£0	£0	£101,810	£322,390	£542,980	£967,180
Sub Total - Property Investment Strategy	£0	£125,000	£168,660	(£7,650)	(£183,930)	£102,080
Total Direct Revenue Implications	£87,900	£159,920	£198,730	£178,820	(£55,730)	£569,640
Revenue Funding	£769,000	£154,000	£154,000	£154,000	£154,000	£1,385,000
Total Revenue Implications	£856,900	£313,920	£352,730	£332,820	£98,270	£1,954,640
Total MTFS	£856,900	£313,920	£352,730	£340,470	£282,200	£2,146,220
Approved Capital Programme	£856,900	£188,920	£182,020	£214,070	£214,200	£1,656,110
Change included in the MTFS	£0	£125,000	£170,710	£126,400	£68,000	£490,110

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

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

Adequacy of Reserves

2. The CFO assesses and determines the appropriate level of Reserves and Provisions using a variety of mechanisms, including:
 - Being significantly involved in the Budget setting process, the annual financial cycle and engaged in the strategic leadership of the organisation as a member of the Leadership Team including wider corporate roles beyond that of finance;
 - Leading and writing on the annual revision of the 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.
3. It is prudent for Councils to maintain an adequate 'working balance', that is part of General Reserves. A Risk Assessment approach is used to determine the required level of General Reserves and Provisions.
4. The Council's aim is to have a prudent level of General Reserves available for unforeseen financial risks. The Council projects general reserves of **£4,454,530** at 31 March 2018. The minimum level of Reserves for 2018/19 onwards is **£1,600,000** and has been determined by Risk Assessment. This is **16%** of the amount to be met from Government Grants and Local Taxpayers in 2018/19 of **£10,305,900**. The total General Reserve Projections are shown below:

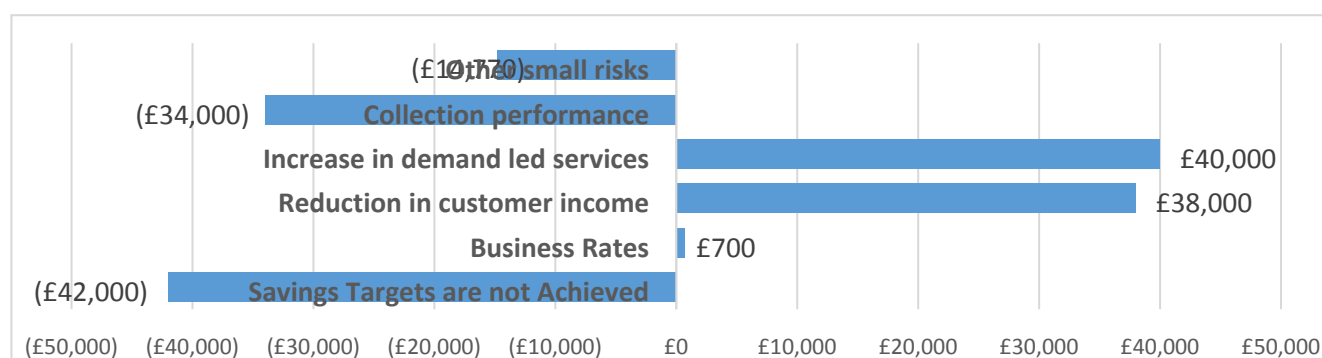
Usable Reserve	2016/17 Actual £000s	2017/18 Budget £000s	2018/19 Budget £000s	2019/20 Budget £000s	2020/21 Budget £000s	2021/22 Budget £000s
General Reserve	(4,971)	(4,455)	(4,873)	(4,983)	(5,124)	(5,604)

5. In recommending an adequate level of Reserves, the CFO considers and monitors the opportunity costs of maintaining particular levels of Reserves and Balances and compares these to the benefits accrued from having such Reserves. The opportunity cost of maintaining a specific level of Reserves is the 'lost' opportunity for example, of investing elsewhere to generate additional investment income, or using the funds to invest in service improvements.
6. In assessing this, it is important to consider that Reserves can only be used once and are therefore potentially only "one off" sources of funding. Therefore, any use of General Reserves above the lower minimum threshold is only ever used on one-off items of expenditure.
7. Expenditure - the level of Reserves is also determined by use of a comprehensive risk assessment to ensure they represent an appropriately robust "safety net" that adequately protects The Council against potential unbudgeted costs.

Use of General Revenue Reserves

8. 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 2017/18 budget and beyond.
9. 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).
10. The table below shows the financial risk assessment made for **2018/19** :

Activity Area	Explanation of Risk / Justification of Balances	Severity of Risk	2018/19 Reserve Amounts	2017/18 Reserve Amounts	Change
Friarsgate	Friarsgate	Material	£128,000	£128,000	£0
IT Systems are no longer fit for purpose	Capital Programme	Material	£91,000	£91,000	£0
Savings Targets	Savings Targets are not achieved	Material	£0	£42,000	(£42,000)
Business Rates	Business Rates	Severe	£652,700	£652,000	£700
High Risk Streams of Income including Fees and Charges	Reduction in customer income	Material	£228,000	£190,000	£38,000
Inflation Assumptions	Higher inflation	Material	£155,000	£242,930	(£87,930)
Demand Led Services	Increase in demand led services	Material	£90,000	£50,000	£40,000
Collection of Income Performance	Collection performance	Material	£120,000	£154,000	(£34,000)
Civil Contingency	Civil Contingency	Tolerable	£127,000	£127,000	£0
Other	Other small risks	Tolerable	£8,300	£23,070	(£14,770)
Total Minimum Reserves			£1,600,000	£1,700,000	(£100,000)



Other Reserves (in addition to General Reserves)

11. A review of the level of Earmarked Reserves has been undertaken as part of the annual Budget preparation. For each Reserve established, the purpose, usage and basis of transactions has been identified.

Usable Reserve excluding General Reserves	Reason for the Reserve	2016/17 Actual £000s	2017/18 Budget £000s	2018/19 Budget £000s	2019/20 Budget £000s	2020/21 Budget £000s	2021/22 Budget £000s
Revenue							
Other Earmarked Reserves	To finance specific capital and revenue projects	(3,326)	(3,223)	(3,079)	(2,901)	(2,782)	(2,576)
Grant Aid - Development	To provide assistance to Historic Buildings, Nature Conservation and Biodiversity projects	(26)	(26)	(26)	(26)	(26)	(26)
Elections	This reserve is required to ensure sufficient resources are available to meet the District Council Elections	(226)	(226)	(226)	(226)	(226)	(226)
Public Open Spaces	To fund the cost of equipment in public open spaces	(476)	(476)	(476)	(476)	(476)	(476)
Building Regulations	To manage the risks related to the Building Control Function	(209)	(209)	(209)	(209)	(209)	(209)
Capital							
Three Spires Multi Storey	Provides for future capital works to the car park.	(1,979)	(2,129)	(2,279)	(729)	(729)	(729)
Capital Grants Unapplied	The Capital grants reserve is to meet specific capital grant expenditure in future years	(1,460)	(1,298)	(232)	(232)	(216)	(216)
Capital Receipts Reserve	The usable capital receipts reserve represents capital receipts available to finance capital expenditure in future years in accordance with best practice	(2,918)	(2,591)	(1,921)	(944)	(923)	(923)
Sinking Funds	These have been setup for Burntwood Leisure Centre including the synthetic pitch , King Edwards Leisure Centre synthetic pitch	(272)	(70)	(28)	(25)	(25)	(25)
Total		(£10,892)	(£10,248)	(£8,476)	(£5,768)	(£5,612)	(£5,406)

12. 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.
13. 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 in the table below :

Unusable Reserve	Reason for the Reserve	2016/17 Actual £000s	2017/18 Budget £000s	2018/19 Budget £000s	2019/20 Budget £000s	2020/21 Budget £000s	2021/22 Budget £000s
Revaluation Reserve	This is a reserve that records unrealised gains in the value of non-current assets including available for sale reserve	(7,800)	(7,800)	(7,800)	(7,800)	(7,800)	(7,800)
Available For Sale Reserve	The difference between cost and current value of the Property Fund	187	187	187	187	187	187
Capital Adjustment Account	This provides a balancing mechanism between the different rates at which assets are depreciated under the Statement of Recommended practice(SORP) and are refinanced through the capital control system	(36,624)	(36,770)	(37,042)	(39,069)	(39,180)	(39,283)
Deferred Credits	This item consists of mortgage principal outstanding on the sale of council houses properties	(47)	(47)	(47)	(47)	(47)	(47)
Pension Scheme	This is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes in accordance with the scheme requirements and the net change in the authority's recognised liability under IAS19 (FRS 17)	36,562	36,562	36,562	36,562	36,562	36,562
Benefits Payable During Employment Adjustment Account	This is a specific accounting mechanism used to reconcile employee benefits (accrued holiday entitlements) under IAS 19	225	225	225	225	225	225
Collection Fund	This is required under the Statement of Recommended practice (SORP) for Council Tax & Non Domestic rates accrued income	(1,115)	(634)	0	0	0	0
Total		(£8,612)	(£8,277)	(£7,915)	(£9,942)	(£10,053)	(£10,156)

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 2017 and the draft budget was completed in December 2017 prior to the Provisional Financial Settlement for Local Government 2018/19. This enabled formal scrutiny of the budget making process in January 2018. The final budget is due to be set at Council on 20 February 2018, well within the statutory deadline.¹

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 December 2017, 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 2018/19. 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 2017/18 outturn and 2018/19 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.

¹ Statutory deadline date for setting Council Tax is by 11 March 2018.

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