# Public Document Pack

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**Lichfield, Staffordshire WS136YU**

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Monday, 3 February 2020

Dear Sir/Madam

**CABINET**

A meeting of the Cabinet has been arranged to take place **TUESDAY, 11TH FEBRUARY, 2020 at 6.00 PM IN THE THE COMMITTEE ROOM** District Council House, Lichfield to consider the following business.

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

Yours faithfully

Christie Tims
**Head of Corporate Services and Monitoring Officer**

**To: Members of Cabinet**

Councillors Pullen (Chairman), Eadie (Vice-Chair), E Little, Lax, Smith, Strachan and A Yeates

## AGENDA

# Strategic Plan 2020 - 2024

Cllr Doug Pullen, Leader of Lichfield District Council, and Cllr Andrew Smith, Cabinet Member for Customer Services and Innovation

| | |
|---|---|
| Date: | February 2020 |
| Contact Officer: | Christie Tims |
| Tel Number: | 01543 308002 |
| Email: | christie.tims@lichfielddc.gov.uk |
| **Key Decision?** | **Y** |
| **Local Ward Members** | (All Wards) |

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**Cabinet**

## 1. Executive Summary

1.1 This report sets out the council's new strategic plan ready for approval by Cabinet and formal adoption by full Council.

## 2. Recommendations

2.1 To endorse the final Strategic Plan 2020- 2024 **(Appendix A)** and recommend its adoption to Full Council.

2.2 To note consultations received and amendments made to the draft plan as a result.

## 3. Background

3.1 A strategic plan sets out the long term vision for the council, that shapes its activities and the impact it expects to make. It is high level and should be memorable for officers and residents to understand and remember.

3.2 The strategic plan is supported by our Delivery Plan (DP) which details all the activity which will take place as part of our performance management framework. This is informed by our corporate indicators (CIs). This framework enables the council to have plans that can change and adapt over the term of the council rather than being fixed for the entire four year period and as such, allows the council to plan effectively but also to respond to external factors and the changing needs of our community.

3.3 Because of this approach, we can develop a much more concise and high level plan than the previous iteration, which will be able to adapt through the DP in the next 4 years. Once our strategic plan is approved a DP will be developed to identify how the outcomes will be achieved for approval and monitoring by Cabinet.

3.4 The new strategic plan has been informed by a number of key elements:

- The aspirations of the council.
- The views of local residents gathered in consultations since October 2018.
- Existing commitments, such as the Local Plan and existing strategies that extend beyond the current plan period.
- The current and future financial situation of the council – the Medium Term Financial Strategy.
- Local statistics that highlight areas of concern/focus.
- The views of partners and stakeholders (including via the Parish forum).
- The views of staff and an officer working group.
- Formal consultation via resident and stakeholder focus groups.
- Input and shaping by a cross-party Strategic Overview and Scrutiny member task group.

3.5 The cross party O&S Member Task Group was created/overseen by the council's Strategic O&S Committee, to lead the creation of the plan, in partnership with Cabinet. It originally met on 23 July and 24 September 2019 to consider the issues, consultation, and evidence and recommend approaches and the draft plan which was approved by Cabinet in November for formal consultation. A further meeting took place on 20 January 2020 to review the consultation responses and make recommendations to the Strategic O&S Committee and Cabinet. Notes from this task group meeting are at **Appendix B**.

3.6 As a result the O&S Committee has recommended the final strategic plan for approval as detailed in **Appendix A**.

| | |
|---|---|
| Alternative Options | 1. Alternative wording or layouts have been considered and discounted as part of the development and consultation process.<br>2. Cabinet can choose not to adopt or update a Strategic Plan but this may render the current objectives irrelevant.<br>3. Cabinet can choose to opt for a more detailed Strategic Plan but this will delay approval and adoption before April 2020. |

| | |
|---|---|
| Consultation | 1. Residents, stakeholders, members and staff have been consulted on the development of the new strategic plan.<br>2. Strategic O&S Committee have been consulted following development by a member task group. |

| | |
|---|---|
| Financial Implications | 1. There are no direct financial implications arising from creation of the strategic plan. All plan activities will need to be built into financial planning.<br>2. Costs including consultation, design and print that will be associated with the production of the plan can be met from existing corporate services budgets.<br>3. The strategic plan will be reviewed against the Medium Term Financial Strategy, to ensure any financial implications are captured and addressed and resources are effectively targeted to help achieve the strategic aims. |

| | |
|---|---|
| Contribution to the Strategic Plan | 1. The process will support the delivery of the new Strategic Plan 2020 – 2024. |

| | |
|---|---|
| Crime & Safety Issues | 1. There are no specific crime and safety issues arising from the production of the strategic plan. |
| Environmental Issues | 2. There are no specific environmental issues arising from the production of the strategic plan. |

| | |
|---|---|
| GDPR/Privacy Impact Assessment | 3. There are no GDPR/privacy issues arising from the production process of the strategic plan. |

| | Risk Description | How We Manage It | Severity of Risk (RYG) |
|---|---|---|---|
| A | The Strategic Plan is too ambitious and sets out aspirations we do not have the resources to achieve | The Strategic Plan will be delivered through a delivery plan that will be assessed and prioritised to deliver within our resources. | Green |
| B | The Strategic Plan does not reflect the aspirations of members, stakeholders | Cross party O&S working group and the councillor consultation have | Green |

| | | | |
|---|---|---|---|
| | or residents. | enabled cross party views to be collected and tested via resident and stakeholder focus groups. | |
| C | The plan is not evidence led. | The plan will continue to be evidenced through a set of corporate indicators. | Green |
| F | The plan is not financially deliverable. | We have worked closely with the team developing the MTFS. | Green |

## Background documents

Cabinet Agenda Pack 9 July 2019
https://democracy.lichfielddc.gov.uk/ieListDocuments.aspx?CId=138&MId=1499&Ver=4
Strategic (Overview and Scrutiny) Committee Agenda Pack 22 October 2019
https://democracy.lichfielddc.gov.uk/ieListDocuments.aspx?CId=142&MId=1615&Ver=4
Cabinet Agenda Pack November 2019
https://lichfieldintranet.moderngov.co.uk/ieListDocuments.aspx?CId=138&MId=1533&Ver=4

## Relevant web links

Appendix A

# Strategic Plan 2020-2024

We will work collaboratively to **enable people, shape place and develop prosperity** across Lichfield District.

We will be a good council that innovates and puts our customers at the heart of all we do.

## Enabling people

- to help themselves and others
- to collaborate and engage with us
- to live healthy and active lives

## Shaping Place

- to keep it clean, green and safe
- to preserve the characteristics
- to ensure sustainability and infrastructure needs are balanced

## Developing Prosperity

- to encourage economic growth
- to enhance the district for all (visitors/residents/employers)
- to invest in the future

## A good council that is:

- financially sound
- transparent and accountable
- responsive and customer focussed

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Appendix B

Lichfield District Council

# Strategic Plan 2020 – 2024 O&S task group - session three outcome

**Present:** Cllrs Grange, Leytham, Norman, Baker and Tapper. Apologies: Cllrs Pullen, Ray and Smith **Supported by:** Christie Tims
**Date:** 20 January 2020

The third and final meeting of the O&S task group which is supporting the creation of the new strategic plan 2020 – 2020 took place on 20 January 2019. The group met to consider the consultation responses received and determine what changes if any, should be made to the draft plan.

Consultation had been carried out informally from 15th November 2019, with key recruitment phases postponed until after the election – beginning 16 December, culminating in stakeholder and resident focus groups on 9 January 2020.

**Key Themes**

At the previous task group three key themes of people, place and prosperity emerged along with a fourth underpinning theme of a 'good council'. It was acknowledged that these echo the previous plan themes, but the task group still felt the council needs to adopt a simpler approach, that is more catchy/memorable. Regardless of the words selected, it was recognised that the themes would need further description and detail will be provided in the Delivery Plan.

| Stakeholders | Residents | Residents |
|---|---|---|
| Attendance from Lichfield BID, Chamber of Commerce, South Staffs College, Freedom Leisure, Sport England, Voluntary Sector, SCC, Police | Universal support for enabling people | Financially sound was felt to be key |
| Interesting and lively debate – welcomed collaborative approach and new emphasis on people | Some scepticism over level of collaboration and engagement | Respect is part of customer service |
| Challenged some terminology – shaping places seen as a community initiative by some professionals | Confusion over some terms in shaping place – valuable assets? | Innovation is repeated from the vision and not linked to customer service so needs to be separate |
| Challenged our level of aspiration – why be 'good' when we could be 'great' | Universal dislike of growth without definition | |

Therefore the recommended changes suggested by the group are:

We will work **collaboratively** to enable people, shape place and develop prosperity across Lichfield District.

Enabling people – no change

Shaping place - to protect our most valuable assets becomes:

- **to preserve the characteristics**

Developing prosperity

- to encourage **economic** growth
- to enhance the district for **all (visitors/residents/employers)**

A good council that is: **financially sound**

- **responsible, responsive and customer focussed**

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# Money Matters : 2019/20 Review of Financial Performance against the Financial Strategy

**Cabinet Member for Finance and Procurement**

| | |
|---|---|
| Date: | 11 February 2020 |
| Agenda Item: | |
| Contact Officer: | Anthony Thomas |
| Tel Number: | 01543 308012 |
| Email: | Anthony.thomas@lichfielddc.gov.uk |
| **Key Decision?** | **YES** |
| **Local Ward Members :** | **Full Council** |

Lichfield district council

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**Cabinet**

# 1. Executive Summary

1.1 The report covers the financial performance from April to November (Revised Estimate) for 2019/20. It is now presented using the draft Strategic Priorities because the new Strategic Plan will be approved by Council in February 2020 and the projection is beyond this date up to 31 March 2020.

1.2 The Original Budget estimated a transfer to general reserves of **£148,860.** Money Matters Reports during 2019/20 have identified favourable financial performance that has resulted in an Approved Budget transfer to general reserves of **£740,710.**

1.3 At the eight month stage, it is projected that a contribution of **£1,113,560** will be made to general reserves and this is **£964,700** higher than estimated in the Original Budget.

1.4 It is important to note that **£235,540** is related to net cost of services (comparable with the target of +/- £250,000) with the balance of **£729,160** related to one off items (additional Business Rates grants £336,660, earmarked reserves being returned £276,500 and higher treasury income £116,000).

1.5 The Capital Programme is projected to be **£4,782,000** higher than the Approved budget to reflect a potential investment in property.

1.6 Capital Receipts are projected to be lower than the Approved Budget by **£527,000**.

1.7 In terms of Council Tax, Business Rates, Sundry Debtors and Supplier Performance:

- Council Tax collection performance was **75.41%** and total arrears were **£2,379,121**.
- The **Council Tax Collection Fund** is projected to be in surplus, with the Council's 13% share being **(£208,510)** compared to the Approved Budget of **(£34,600)** in 2020/21.
- Sundry Debt for income to be collected in 2019/20 has increased by **£398,154** compared to 2018/19 and the value outstanding at 30 November 2019 has increased by **£696,005**.
- **Retained Business Rate Income** is currently projected to be in line with the Approved Budget.
- The **Business Rates Collection Fund** is projected to be in surplus with the Council's 40% share being **(£122,100)** compared to the Approved Budget of **£0** in 2020/21.
- Business Rates collection performance was **73.86%** and total arrears were **£497,777**.
- The payment of suppliers within 30 days was **87.07%** and remains below our **90%** target.

1.8 The Council's treasury investments (excluding the two long dated pooled funds) achieved a risk status of **AA-** that was more secure than the aim of **A-** and yield exceeded all four of the industry standard London Interbank (LIBID) yield benchmarks.

# 2. Recommendations

2.1 To note 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.

# 3. Background

## Budget Management

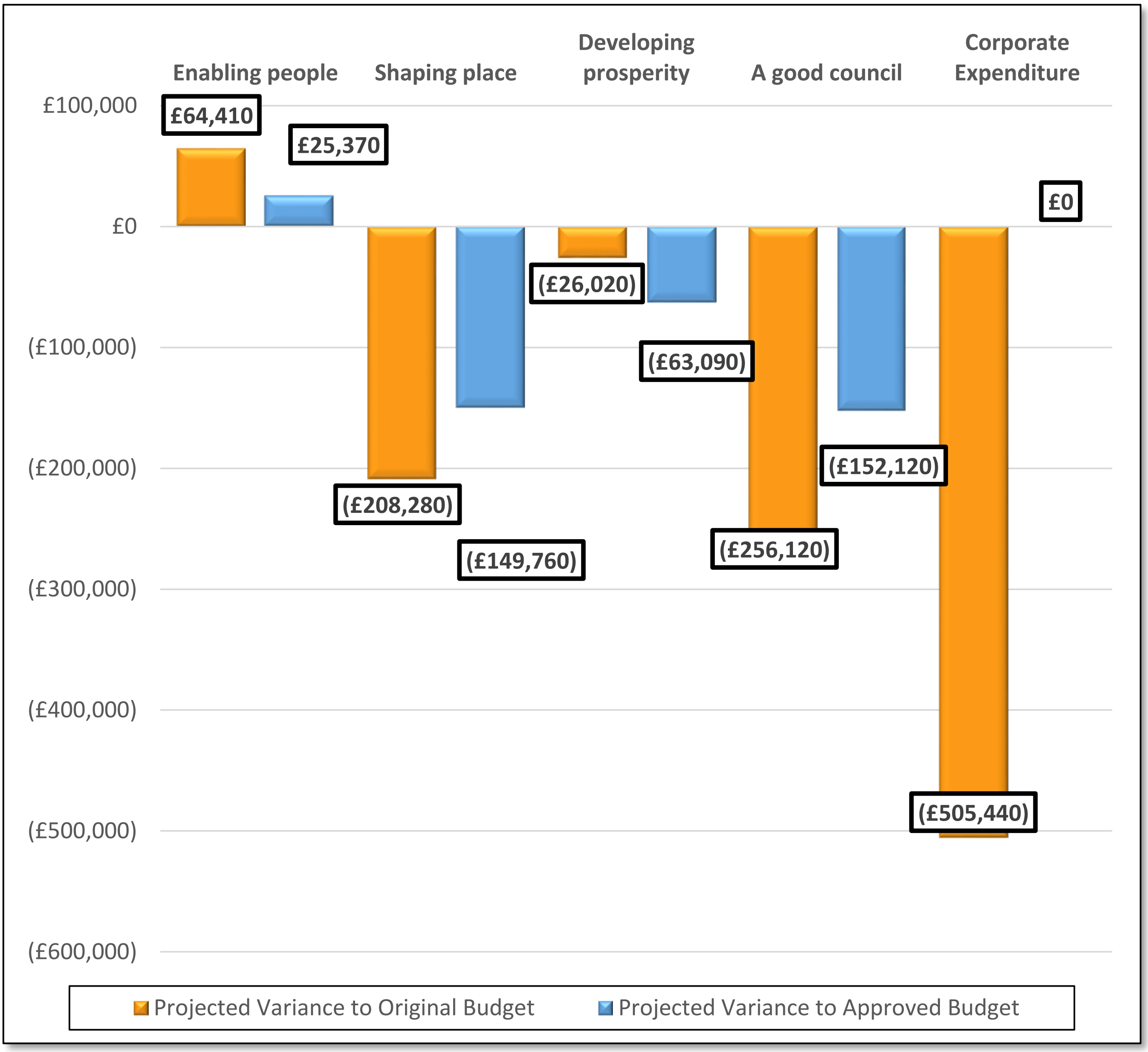
3.1. The MTFS 2018-23 approved by Council on 19 February 2019 included the Original Budget for 2019/20 and set out the allocation of resources and the policies and parameters within which managers are required to operate.

3.2. Throughout the financial year, Money Matters reports are provided to both Cabinet and Strategic (Overview and Scrutiny) Committee at three, six and eight month intervals to monitor performance.

3.3. The Money Matters reports update the Approved Budget for latest projections and the eight month report will form the basis of the Revised Approved Budget for 2019/20 and will be approved by Council on 18 February 2020.

## The Revenue Budget

3.4. Financial performance is shown in detail at **APPENDIX A** and in summary by Strategic Priority below:



**Performance compared to the Approved Budget**

3.5. The variance is shown in summary below and in detail at **APPENDIX B** by Service Area:

| | Variance | | |
|---|---|---|---|
| | **Virement** | **Earmarked Reserves Time Expired** | **Other Variances** |
| **Enabling People** | | | |
| • Earmarked Reserve time expired | | (67,690) | |
| • Underachievement of income target (on self-funding post) | | | 52,920 |
| • Friary Grange Leisure Centre premises expenditure | | | 15,600 |
| • Transfers | 24,540 | | |
| **Shaping place** | | | |
| • Management restructure savings related to Head of Leisure & Operational Services post | | | (57,000) |
| • Vacant Posts | | | (43,800) |
| • Additional net income (including government grants) | | | (12,920) |
| • Joint Waste service net increase in performance (including increased garden waste income) | | | (39,700) |
| • Additional spend related to tree surveys | | | 27,000 |
| • Transfers | (23,340) | | |
| **Developing prosperity** | | | |
| • Management Restructure savings related to Head of Development Services & Head of Economic Growth & Development | | | (23,860) |
| • Additional planning income | | | (35,510) |
| • Net Additional property rental income | | | (31,220) |
| • Earmarked Reserve Request property | | | 60,000 |
| • Underspend of premises related budgets | | | (25,000) |
| • Minor balance | | | (7,500) |
| **A good council** | | | |
| • Earmarked Reserve time expired | | (85,960) | |
| • Management Restructure savings related to Director of Transformation & Resources, Director of Place & Community & Head of Legal, Property & Democratic Services | | | (42,970) |
| • Vacant Posts | | | (70,530) |
| • Financial administration support restructure | | | 58,700 |
| • Delay of Terms and conditions review | | | (20,000) |
| • Earmarked Reserve request for Terms and conditions review | | | 20,000 |
| • Minor balance | | | (10,160) |
| • Transfers | (1,200) | | |
| **Total - Net Cost of Services** | **0** | **(153,650)** | **(185,950)** |
| | | **(339,600)** | |
| **Corporate Expenditure** | | | |
| Net Treasury - increased interest receipts | | | 0 |
| | | | **(339,600)** |
| **Funding** | | | (33,250) |
| **Transfer (to)/from General Reserves** | | | **(£372,850)** |

**Earmarked Reserves**

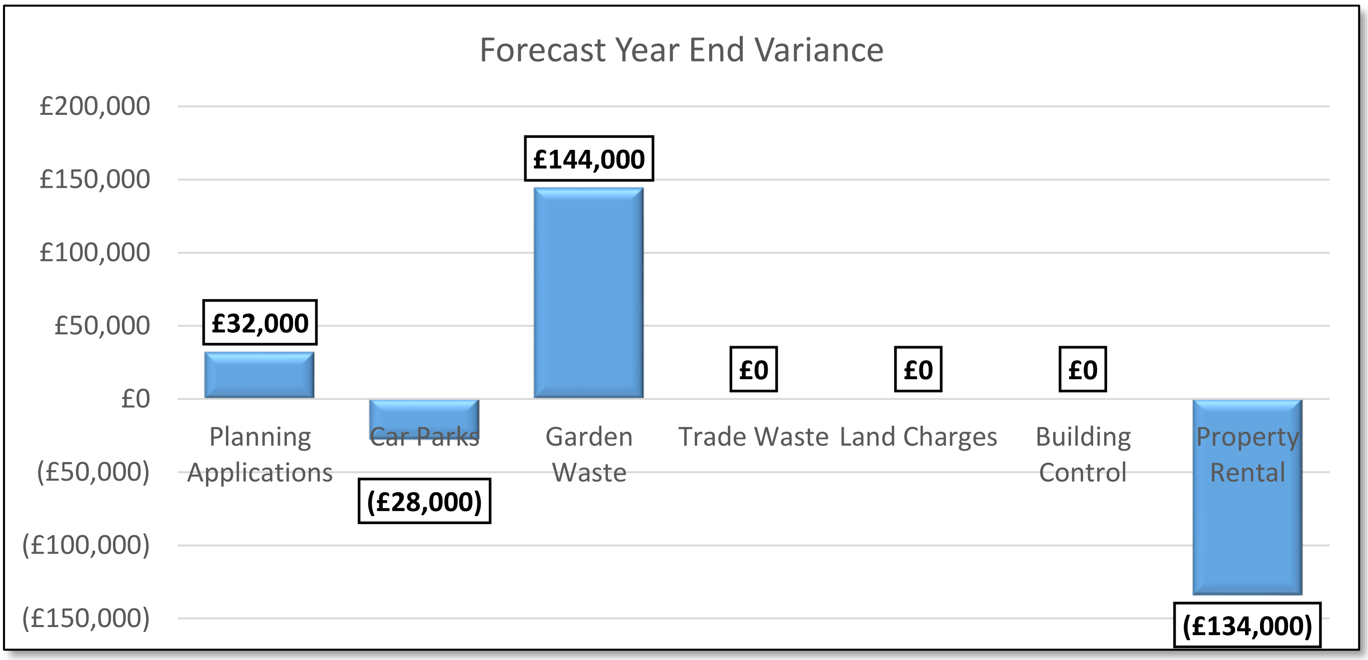
3.6. The earmarked reserves scheduled to be returned to General Reserves in 2019/20, under the three year time limit contained in the approved policy, are detailed below along with updates where appropriate:

| Reserve Name | Balance 31-Dec-19 £ | Allocated £ | Expired £ | Comments |
|---|---|---|---|---|
| Digitisation Programme | (94,150) | 75,000 | (19,150) | No business case received |
| Revenues & Benefits Service | (195,190) | 195,190 | 0 | Cabinet approved on 3rd December 2019 the procurement of a new contract. The earmarked reserve has been extended to March 2021 |
| Individual Electoral Registration | (41,810) | | (41,810) | No business case received |
| Elections Additional Support | (25,000) | | (25,000) | No business case received |
| CCTV Sinking Fund | (60,990) | | (60,990) | No business case received |
| Building Safer Communities | (6,700) | | (6,700) | No business case received |
| **Total Earmarked Reserves** | **(£423,840)** | **£270,190** | **(£153,650)** | |

3.7. The earmarked reserves totalling **£153,650** because no business case for retention has been received, will be returned to general reserves.

## Fees and Charges

3.8. The gross fees and charges budgets for 2019/20 together with actual income achieved over the last five years are shown in detail at **APPENDIX B**. The projected variance to Budget for those with the highest value are shown below:




3.9. The reasons for any significant variances are:

- **Garden Waste** – April to November income shows an increased performance against budget of **£144,000, 41.71%** of this will be transferred to Tamworth Borough Council as part of the joint service arrangements.
- **Property Rental** – April to November income shows a decreased performance against budget of **£134,000.** To date there has been no Investment in Property with a return resulting in an income shortfall of **£180,000** (there is a corresponding expenditure budget that has also not been incurred) although this has been partially offset by **£46,000** of increased property rental income.

## Closing the Funding Gap Progress

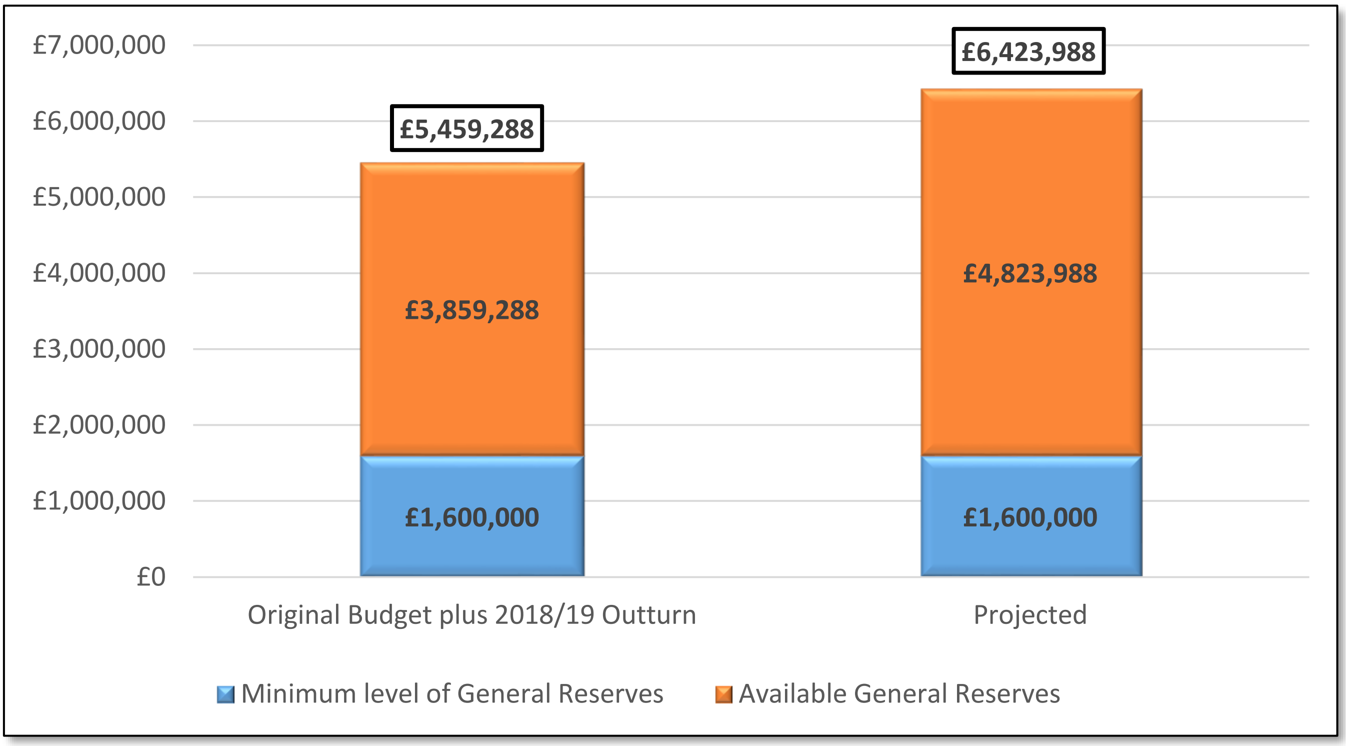
3.10. The progress to date on closing the Approved Funding Gap before changes included in the MTFS are incorporated is summarised below:

| | Cabinet Report | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|---|
| **Original Funding Gap** | | **£841,620** | **£917,360** | **£1,012,070** | **£1,338,700** |
| Upfront pension payment with savings | 12/03/2019 | 4,420 | (72,940) | (114,480) | (114,480) |
| Outturn 2018/19 Members Allowances | 13/06/2019 | (10,000) | (10,000) | (10,000) | (10,000) |
| Jigsaw Funding Agreement | 09/07/2019 | (9,660) | (9,660) | (9,660) | (9,660) |
| Higher Insurance - higher property values | 10/09/2019 | 34,410 | 34,410 | 34,410 | 34,410 |
| Lower Business Rate payments for Council Property following transitional arrangements | | (36,750) | (36,750) | (36,750) | (36,750) |
| National Living Wage - scale points lower than projected | | (54,900) | (54,900) | (54,900) | (54,900) |
| Additional Pensions – revised projections | | (8,470) | (8,730) | (11,620) | (14,820) |
| Arts Development Residue Savings | | (3,090) | (3,090) | (3,090) | (3,090) |
| Treasury Management - Increased Interest | | (50,000) | (50,000) | (50,000) | (50,000) |
| Economic Growth Posts | | 100,000 | 100,000 | 100,000 | 100,000 |
| Pensions Repayment | | (57,970) | (57,970) | (57,970) | (57,970) |
| Collection Fund Surplus | | (133,000) | | | |
| Interest on Property Company Loan | | (4,000) | (18,000) | (22,000) | (22,000) |
| Friary Grange Leisure Centre | 07/10/2019 | 135,000 | 135,000 | 135,000 | 135,000 |
| Community Lottery | 12/11/2019 | 9,700 | 9,700 | 9,700 | 9,700 |
| **Revised Funding Gap** | | **£757,310** | **£874,430** | **£920,710** | **£1,244,140** |

3.11. The progress on closing the Funding Gap will continue to be monitored throughout the year.

## Revenue General Reserves

3.12. The Original Budget estimated a contribution to general reserves of **£148,860**, the Approved Budget a contribution to General Reserves of **£740,710** and this report shows a projected contribution of **£1,113,560,** an increase of **£372,850** compared to Approved Budget.



## The Capital Programme

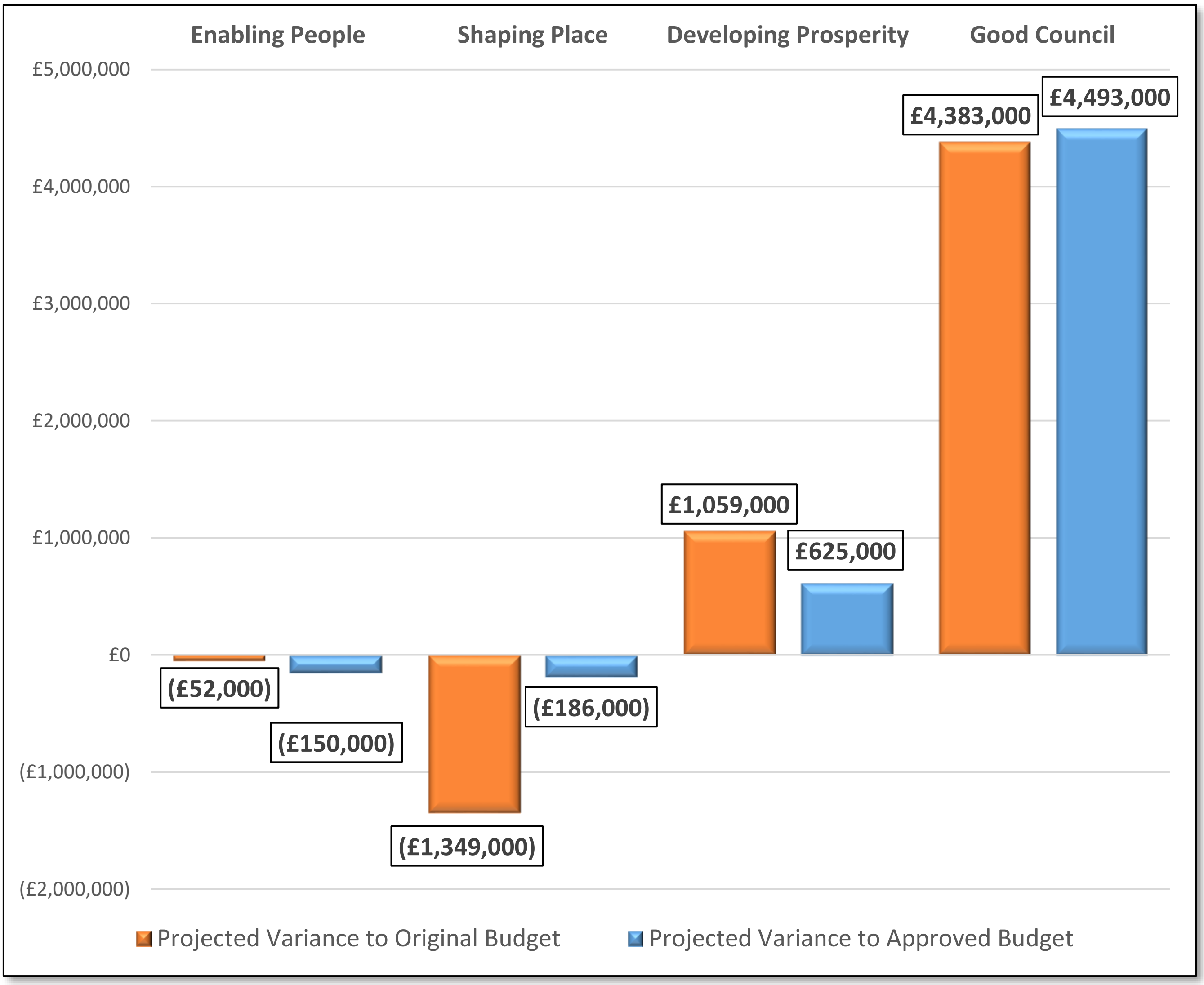
3.13. The Original Budget of **£11,618,000** was approved by Council on 19 February 2019. There have been a number of updates to this budget during 2019/20:

- Allocation of Community Infrastructure Levy of **£255,000** approved by Cabinet on 12 March 2019.
- Multi Storey Car Park refurbishment of **£300,000** approved by Council on 16 April 2019.
- Slippage from 2018/19 of **£819,000** approved by Cabinet on 13 June 2019.
- Changes relating to Quarter 1 Money Matters of **(£805,000)** approved by Cabinet on 10 September 2019
- Birmingham Road Enabling Works of **£120,000** approved by Cabinet on 10 September 2019.
- Friary Grange Leisure Centre expenditure of **£212,000** approved by Cabinet on 7 October 2019.
- St. Stephen's School Section 106 bid of **£22,000** approved by the Cabinet Member on 24 October 2019
- Changes relating to Quarter 2 Money Matters of **(£1,664,000)** approved by Cabinet on 3 December 2019

3.14. The Approved Budget is therefore **£10,877,000**.

3.15. The Capital Programme performance is projected to be above budget by **£4,782,000** or **44%** compared to the Approved Budget to reflect a potential investment in property.

3.16. This projected budget performance, compared to both the Original and the Approved Budgets, is shown by Strategic Plan Priority below and in detail at **APPENDIX C**:



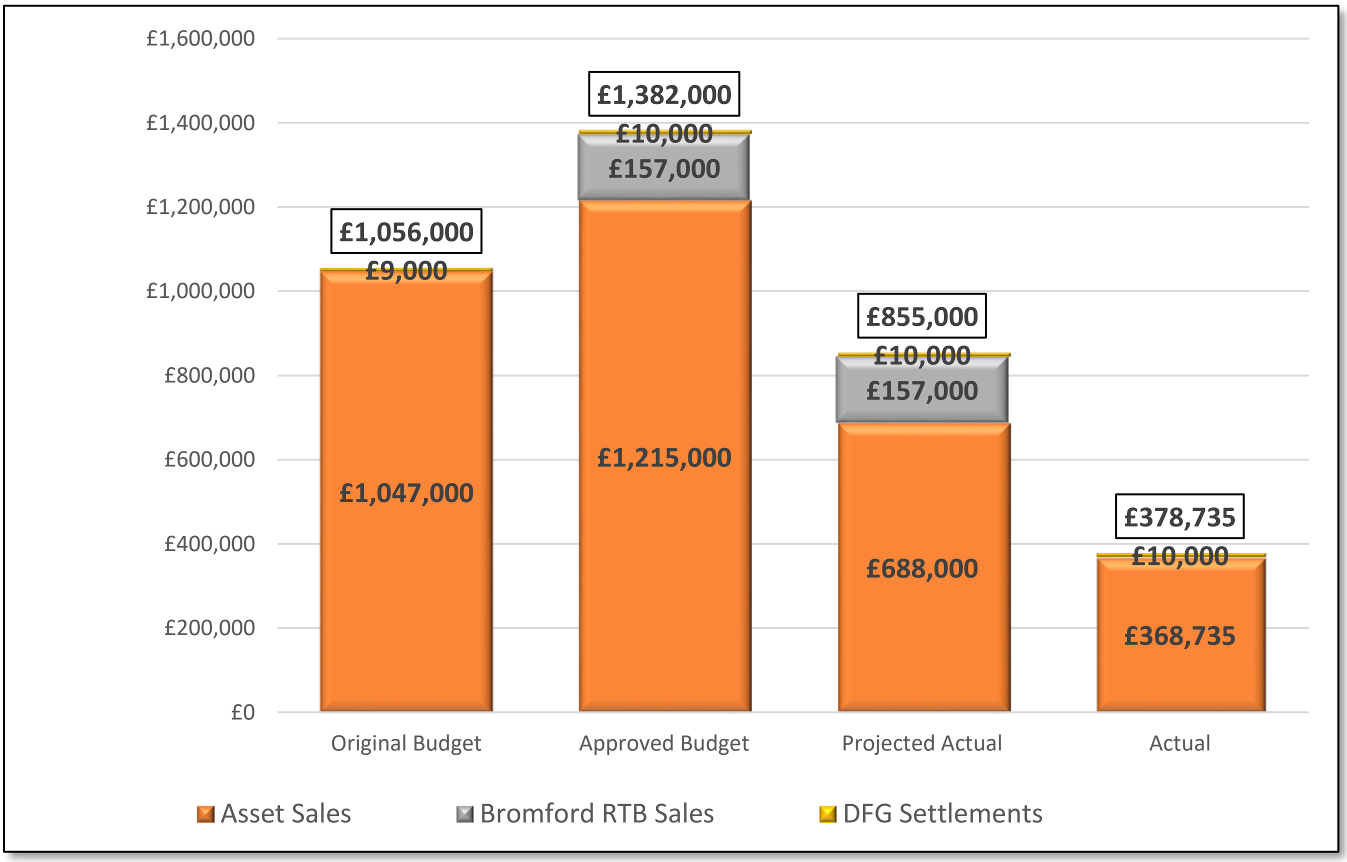
**Performance compared to the Approved Budget**

3.17. There are projected variances compared to the Approved Budget related to:-

| | Budget Profiling Changes | Other Projected Variances |
|---|---|---|
| **Enabling People** | | |
| • Re-siting/improvement of Armitage War Memorial and surrounding area | (£120,000) | |
| • Accessible Homes (Disabled Facilities Grants) | (£300,000) | |
| • Section 106 Affordable Housing projects – reflects extra funding | £340,000 | (£70,000) |
| **Shaping Place** | | |
| • Lichfield St Johns Community Link | (£10,000) | |
| • Vehicle Replacement Programme | (£280,000) | |
| • Stowe Pool Improvements | (£50,000) | |
| • Bin Purchase – reflects a new Capital bid | | £150,000 |
| • Cannock Chase SAC – reflects extra funding | | £4,000 |
| **Developing Prosperity** | | |
| • Coach Park – reflects a new Capital Bid | | £625,000 |
| **Good Council** | | |
| • Investment in Property to reflect a potential purchase | £4,500,000 | |
| • Property Planned Maintenance – reflects a new Capital bid | | £104,000 |
| • District Council House Repair Programme | (£111,000) | |
| **Total Projected Variance** | **£3,969,000** | **£813,000** |
| | **£4,782,000** | |

## Capital Receipts

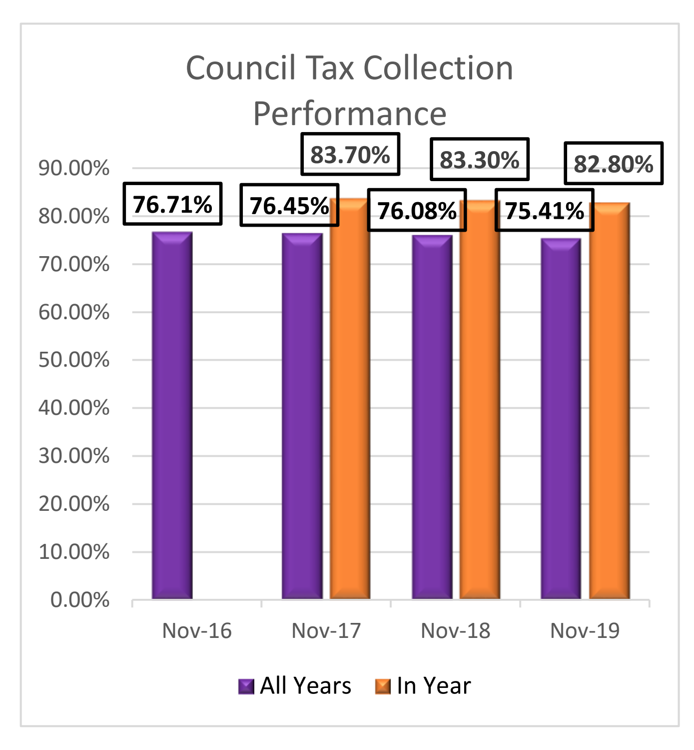
3.18. The Original Budget, projected and actual capital receipts received are shown below:

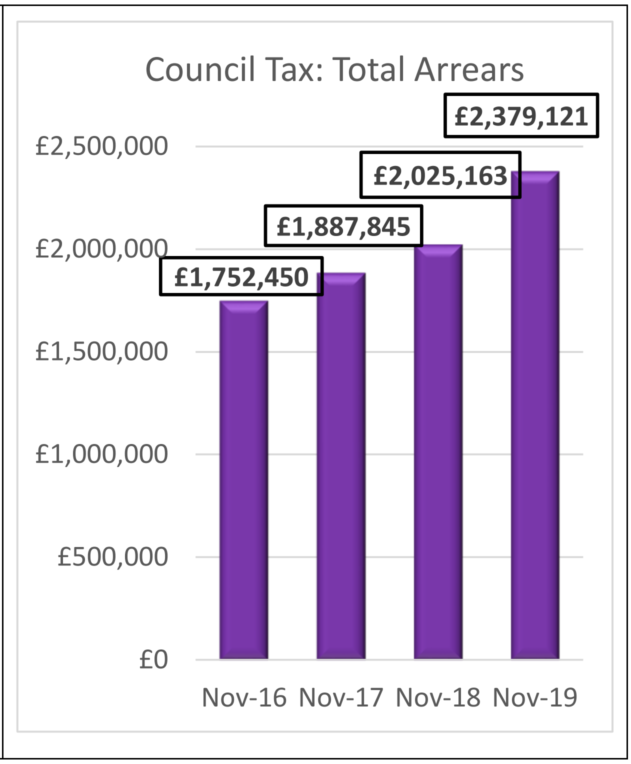



3.19. The sale of land at Netherstowe and Leyfields **(£527,000)** is now expected to be received in 2020/21.

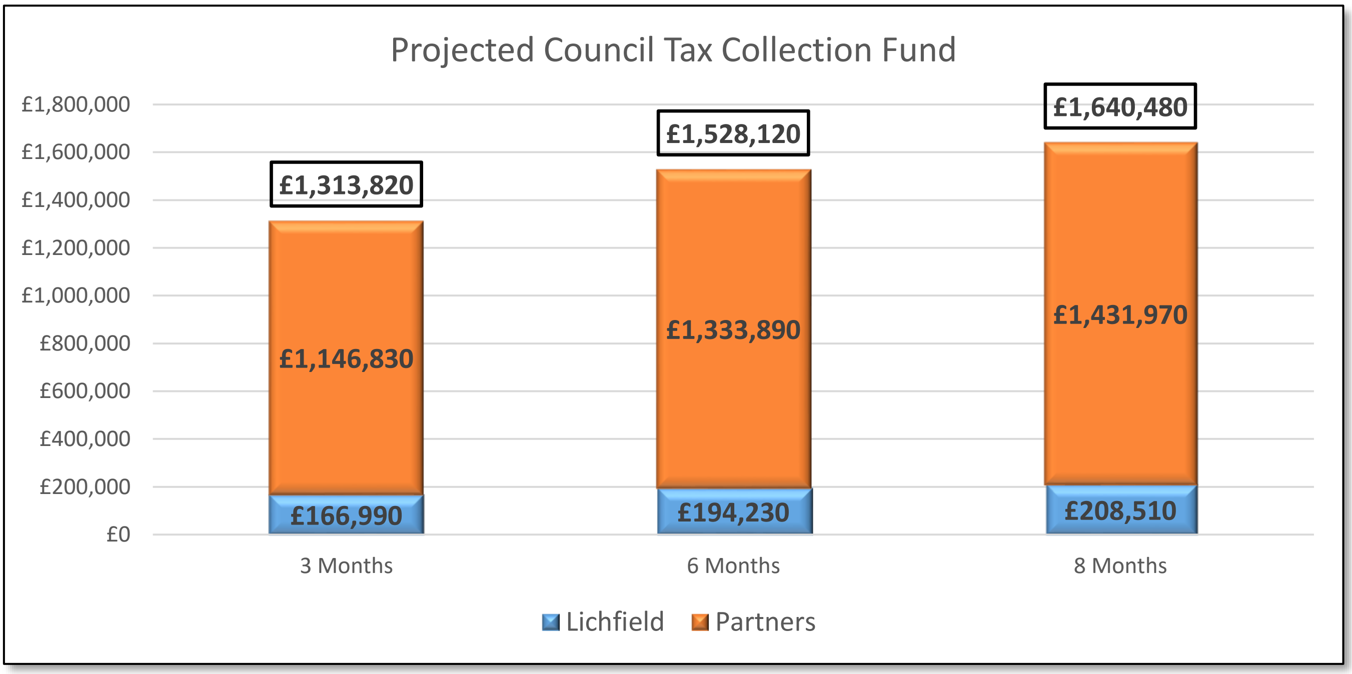
## Council Tax

3.20. The collection performance for Council Tax debt is shown below:[1]




3.21. The Council Tax Collection Fund is projected to be in surplus by **(£1,640,480)** and the Council's share is **(£208,510)** based on Lichfield's (including Parishes) current share of Council Tax of **13%**:



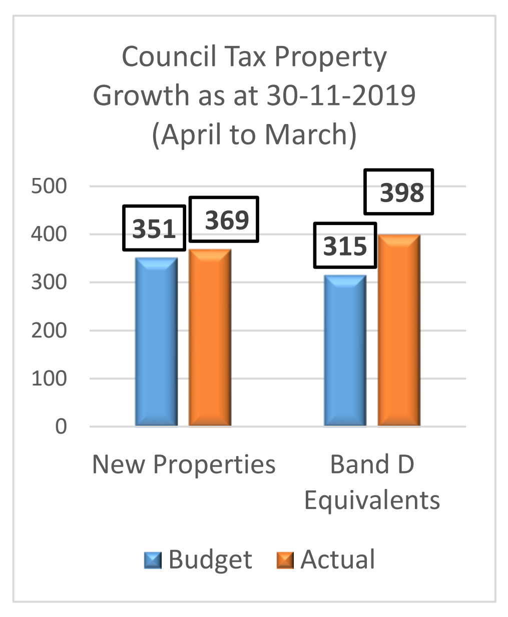

3.22. The main reasons for the surplus compared to the Approved Budget are:

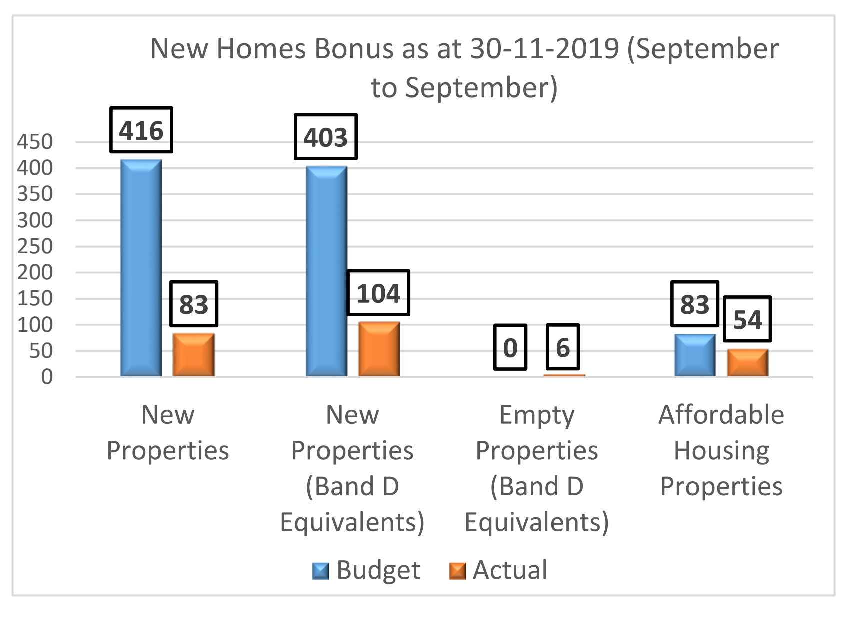
- There was a higher surplus than projected in 2018/19 of **(£591,225)** due primarily to a lower level of bad debt provision.
- The projected net yield (after allowing for discounts and changes to the bad debt provision) from Council Tax in 2019/20 is **(£1,049,255)** higher than estimated.

[1] The in-year council tax collection performance data has only been collated since 2017.

## Housing Supply

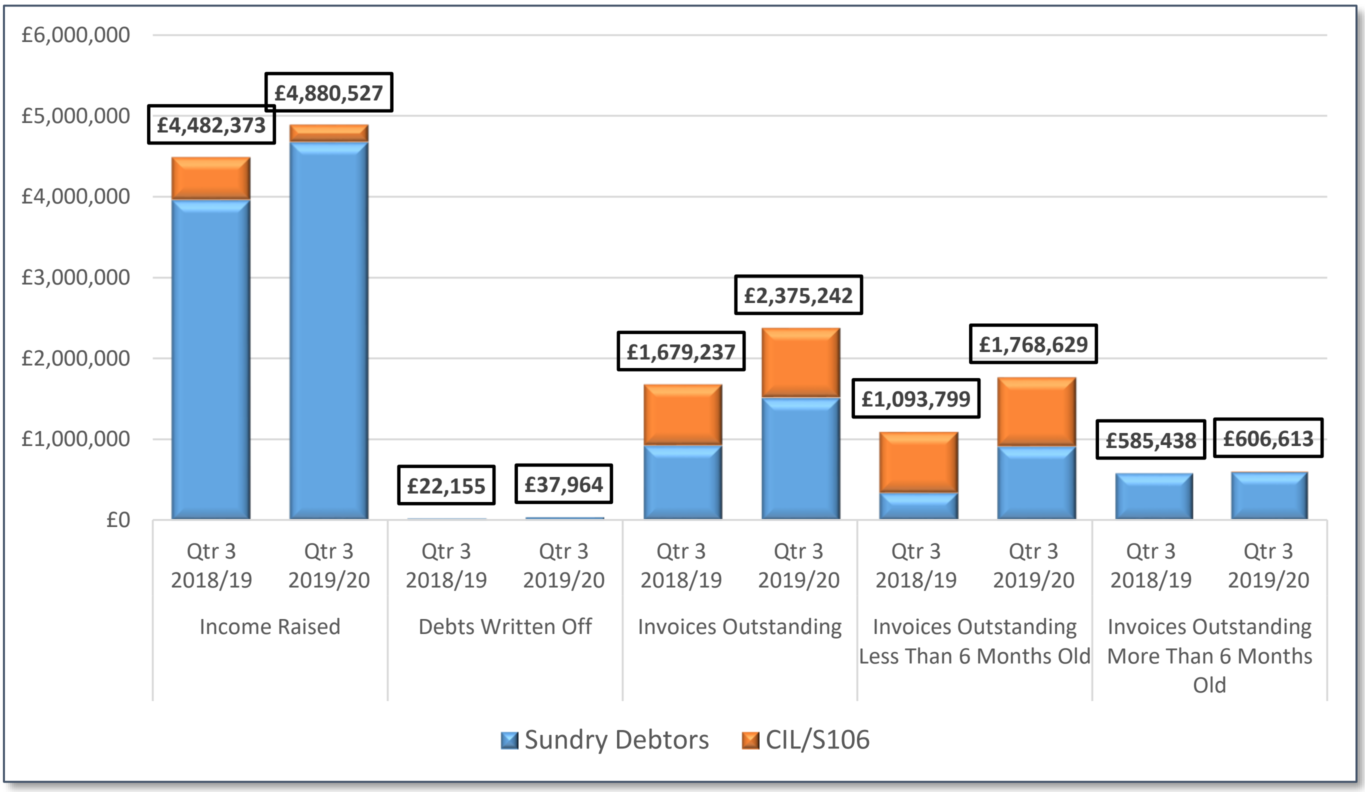
3.23. The completions for Council Tax (left hand chart) from April 2019 to November 2019 and New Homes Bonus (right hand chart) from September 2019 to November 2019 are shown below:




## Sundry Debtors (including Community Infrastructure Levy (CIL) and Section 106 (S106))

3.24. The transaction levels and collection performance in 2019/20 compared to 2018/19 is shown below:



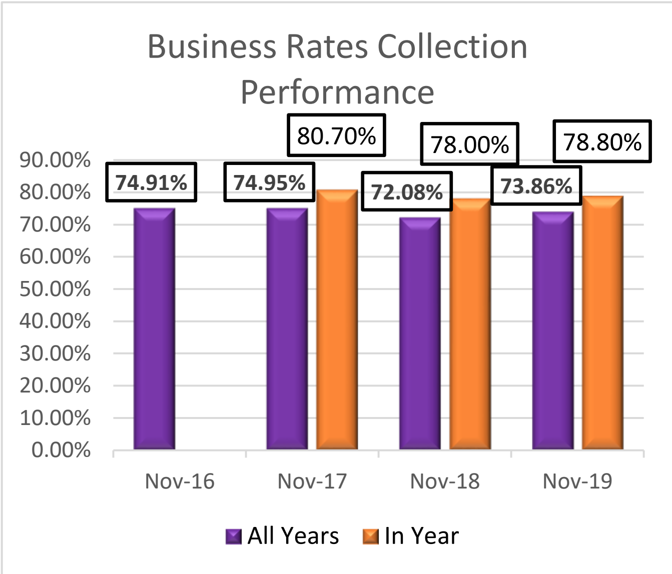

3.25. The increases in several categories of Sundry Debtors are mainly related to invoices raised for Section 106 (£123,000), the Guardian House Covenant (£320,000), Housing Benefit Overpayments (£329,000) and an increase in Building Control income due to more authorities being part of the partnership.

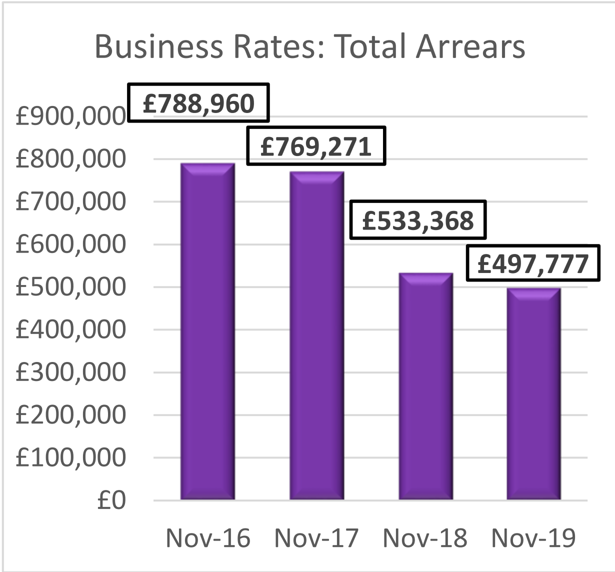
3.26. The increases in invoices outstanding related to CIL and Section 106 are where the demand is raised when development triggers related to housing completions are reached. The payment of these demands is based on the approved CIL/Section 106 policies including the ability to pay by instalments.

**Business Rates**

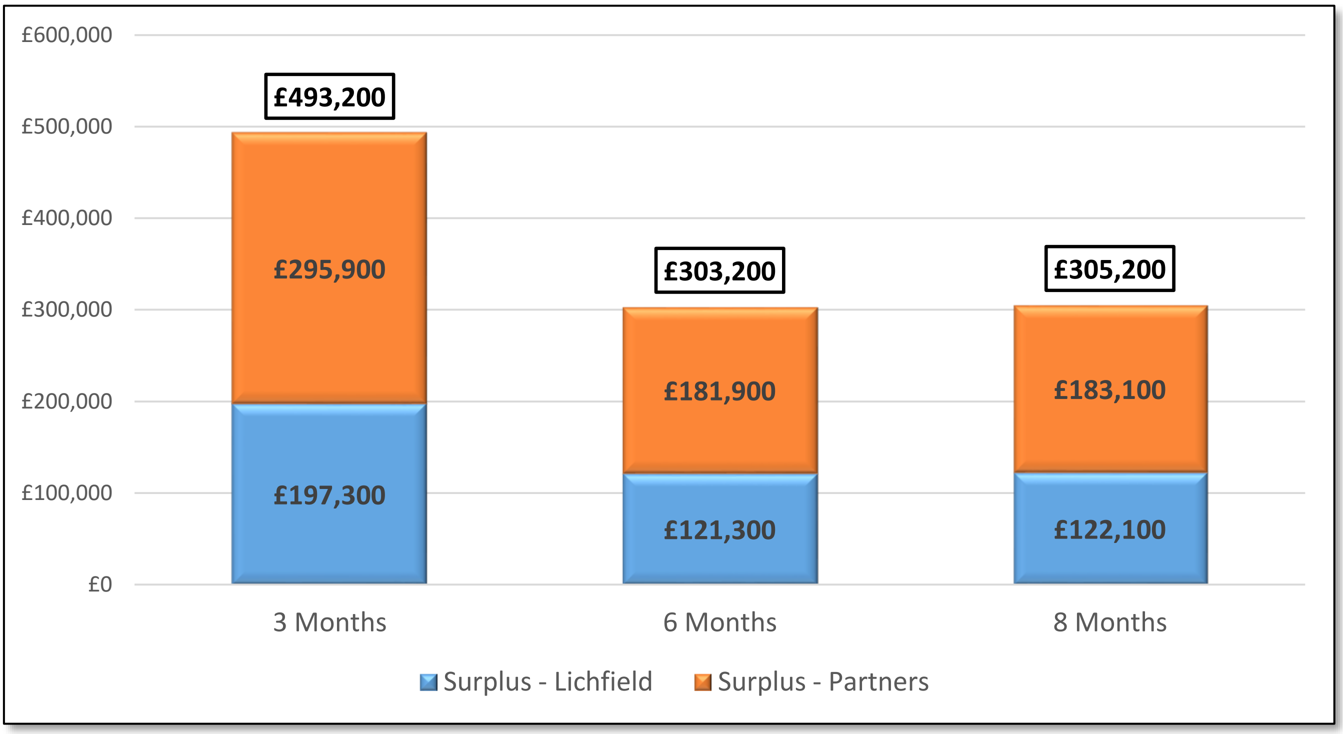
3.27. The Retained Business Rate income is projected to be **(£2,829,210)** in line with the Approved Budget with any variance being managed through the Business Rates Volatility Earmarked Reserve.

3.28. The collection performance for Business Rates is shown below:[2]




3.29. The Business Rates Collection Fund is projected to be in surplus by **(£305,200)** with the Council's share being **(£122,100)** based on our **40%** share of Business Rates:



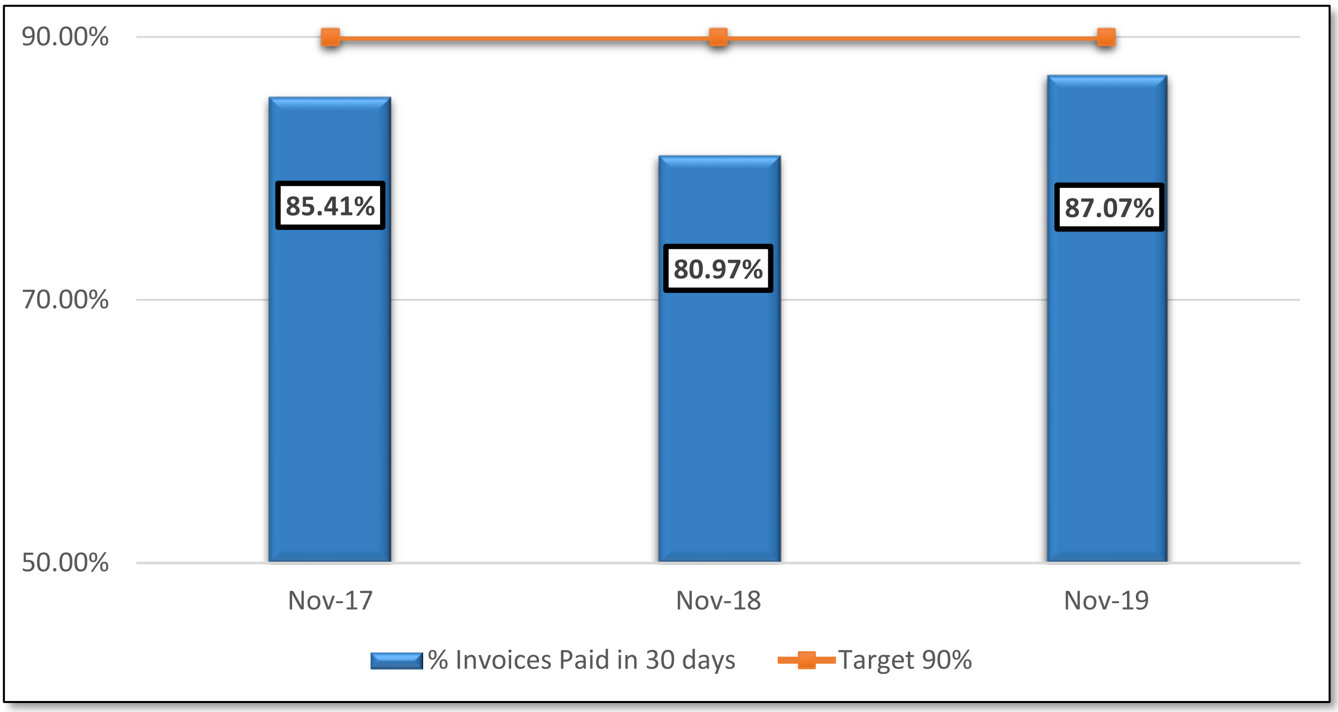

3.30. The main reasons for the projected surplus are:

- A higher than projected surplus in 2018/19 of **(£67,000)** and;
- A higher than projected surplus in 2019/20 by **(£238,200)** mainly due to lower appeals and bad debt provision projections.

[2] The in-year business rates collection performance data has only been collated since 2017.

## Supplier Payment Performance

3.31. The performance of invoice payments to suppliers within 30 days for the last three years is shown below:




3.32. There continue to be initiatives being implemented to improve performance. These include improvements to procurement detailed below, wider use of payment cards for low value transactions and analysis of the performance by Service Area to target support and process improvements.

## Procurement Activity

3.33. The City of Wolverhampton Council notified us of their intention to withdraw from the Service Level Agreement for procurement support, the arrangement ended in early October.

3.34. An interim Procurement Manager has been procured for six months to provide procurement support and investigate future options for the service provision.

3.35. The interim Procurement Manager has been involved in in the provision of procurement advice in relation to 33 potential procurements totalling circa £1.8m in anticipated value.

## Investment Strategy

3.36. The Council undertakes investments for three broad purposes:

- It approves the support of public services by lending or buying shares in other organisations – **Service Investments.**
- To earn investment income – **Commercial Investments**.
- It has surplus cash, as a result of its day to day activities, when income is received in advance of expenditure or where it holds cash on behalf of another body ready for payment in the future – **Treasury Management Investments**.

3.37. The Government has recognised in recent Ministry of Housing, Community and Local Government (MHCLG) guidance, as a result of increased commercial activity, that the principles included in Statutory Guidance requiring that all investments should prioritise security and liquidity over yield must also be applied to service and commercial investments.

3.38. The MHCLG Guidance requires the approval by Council of an Investment Strategy Report to increase the transparency around service and commercial investment activity. The Council approved its Investment Strategy Report on **19 February 2019**.

## Service Investments

3.39. There are three approved investments of a service nature (the loan to the LA Company is shown at the approved level where no income to the Council was assumed). The investment and net return included in the Approved Budget is detailed below:

| | Approved Budget | | | | |
|---|---|---|---|---|---|
| | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **2023/24** |
| **Loan to the Local Authority Company** | **£675,000** | **£675,000** | **£675,000** | **£675,000** | **£675,000** |
| Net Income (net of loss of investment income) | £0 | (£4,000) | (£18,000) | (£22,000) | (£22,000) |
| Net Return | 0.00% | 0.59% | 2.67% | 3.26% | 3.26% |
| **Equity in the Local Authority Company** | **£225,000** | **£225,000** | **£225,000** | **£225,000** | **£225,000** |
| Net Income | £0 | £0 | £0 | £0 | £0 |
| Net Return | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Investment in Burntwood Leisure Centre** | **£1,395,000** | **£1,395,000** | **£1,395,000** | **£1,395,000** | **£1,395,000** |
| VAT Benefit | (£19,000) | (£20,000) | (£23,000) | (£25,000) | (£25,000) |
| Net Income (after loan repayments) | (£38,000) | (£38,000) | (£38,000) | (£38,000) | (£38,000) |
| Net Return (excluding VAT Benefit) | 2.72% | 2.72% | 2.72% | 2.72% | 2.72% |
| **ICT Cloud** | **£25,000** | **£125,000** | **£125,000** | **£125,000** | **£125,000** |
| Net Income | (£30,000) | (£100,000) | (£150,000) | (£150,000) | (£150,000) |
| Net Return | 120.00% | 80.00% | 120.00% | 120.00% | 120.00% |
| **Total Investment** | **£2,320,000** | **£2,420,000** | **£2,420,000** | **£2,420,000** | **£2,420,000** |
| Total Net Income | (£68,000) | (£142,000) | (£206,000) | (£210,000) | (£210,000) |
| **Net Return** | **2.93%** | **5.87%** | **8.51%** | **8.68%** | **8.68%** |

3.40. To date, only the investment in Burntwood Leisure Centre has taken place and is generating net income.

## Commercial Investments

3.41. The only commercial investment currently planned relates to Investment in Property and the investment and net return in the Approved Budget is detailed below:

| | Approved Budget | | | | |
|---|---|---|---|---|---|
| | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **2023/24** |
| **Property Investment** | **£6,000,000** | **£19,000,000** | **£32,000,000** | **£45,000,000** | **£45,000,000** |
| Net Income | | (£56,000) | (£180,000) | (£303,000) | (£427,000) |
| **Net Return (previous year end)** | | **0.93%** | **0.95%** | **0.95%** | **0.95%** |

3.42. To date, no property investment has taken place and therefore the budgeted net income is not currently being generated.

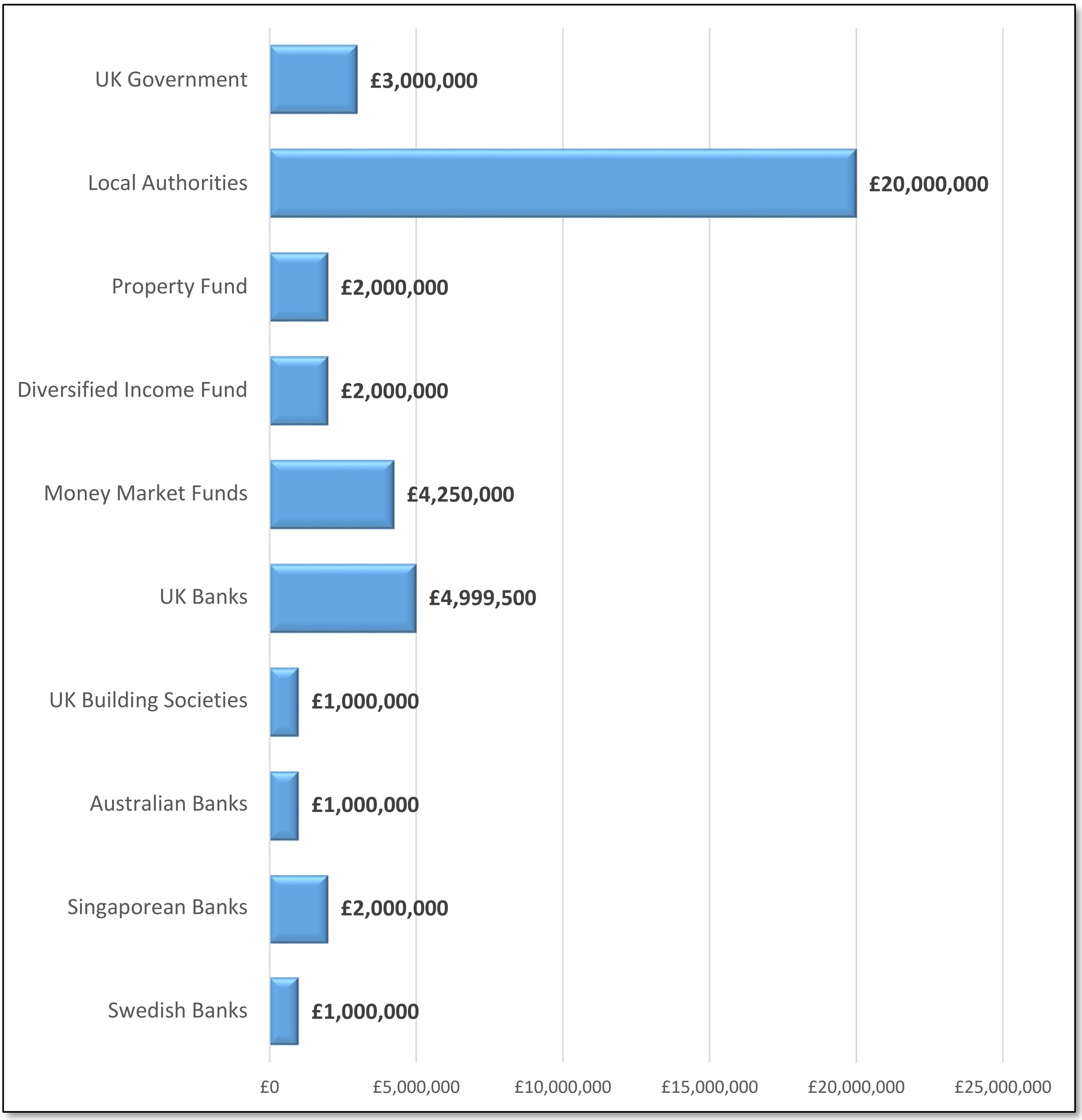
## Treasury Management Investments

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

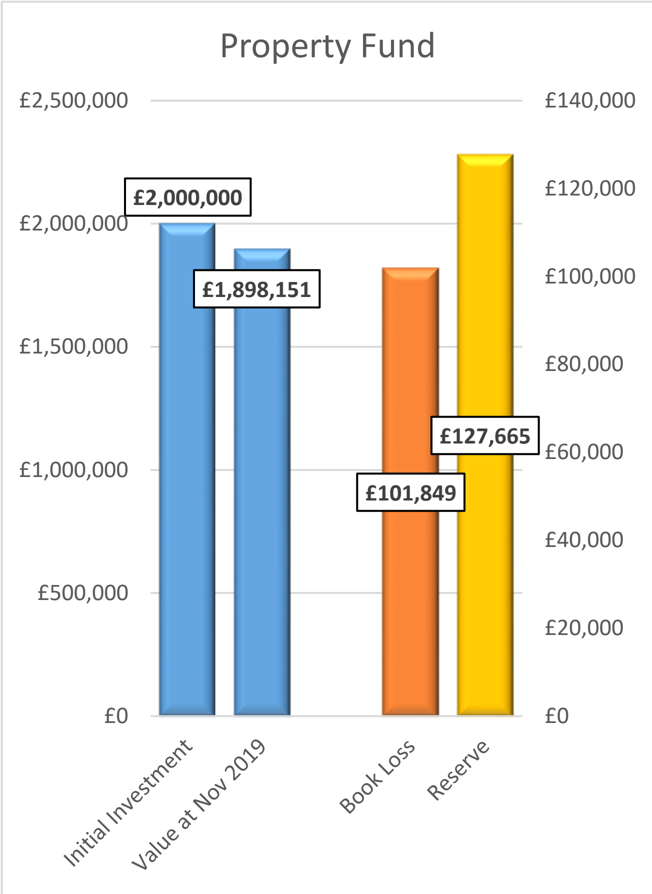
3.44. In addition, external borrowing is considered against the objectives of it being affordable (the impact on the budget and Council Tax), prudent and sustainable (over the whole life).

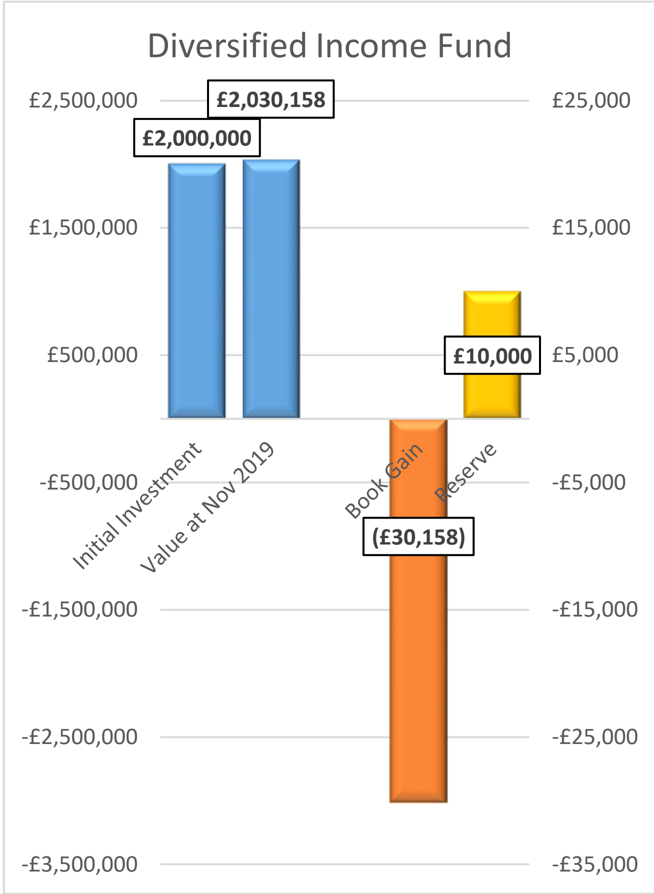
### The Security of Our Investments

3.45. The investments the Council had at the 30 November 2019 of **£41.25m** (with the Property and Diversified Income Fund valued at original investment of **£2m**) by type and Country are summarised below and in detail at **APPENDIX D**:

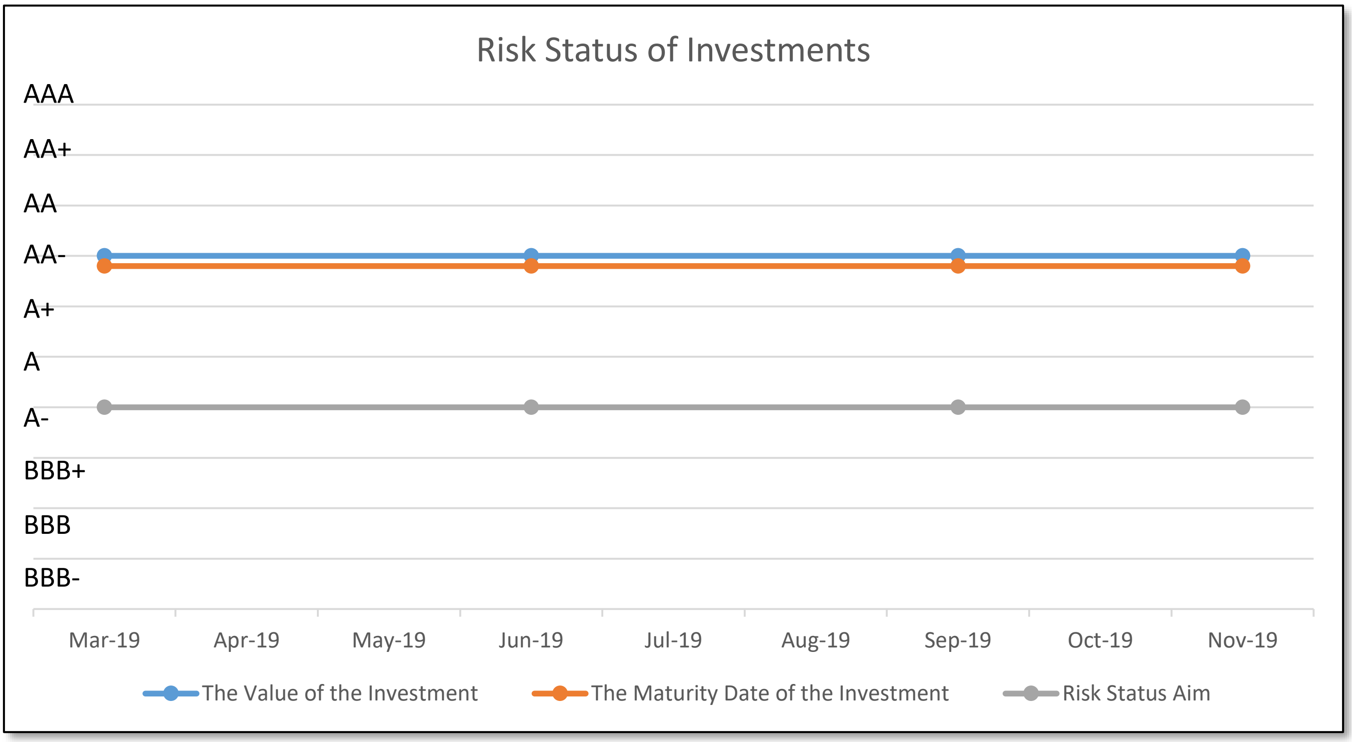


3.46. The current value of the Property Fund and the new Diversified Income Fund together with the projected value of the earmarked reserves in 2019/20 intended to offset reductions in value (these are a book loss or gain until the investment is sold and they become actual) are shown below:



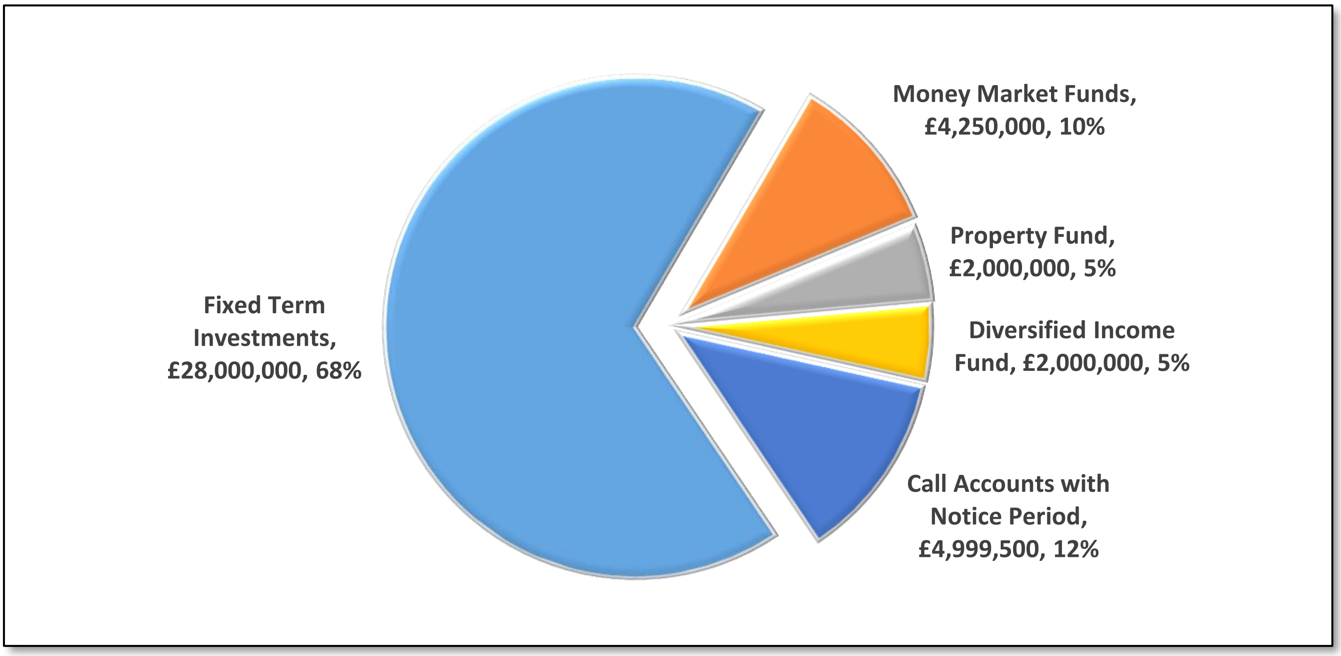




3.47. Our aim for the risk status of our investments was **A-** or higher. The risk status based on the length of the investment and the value for a 9 month period is summarised in the graph below:



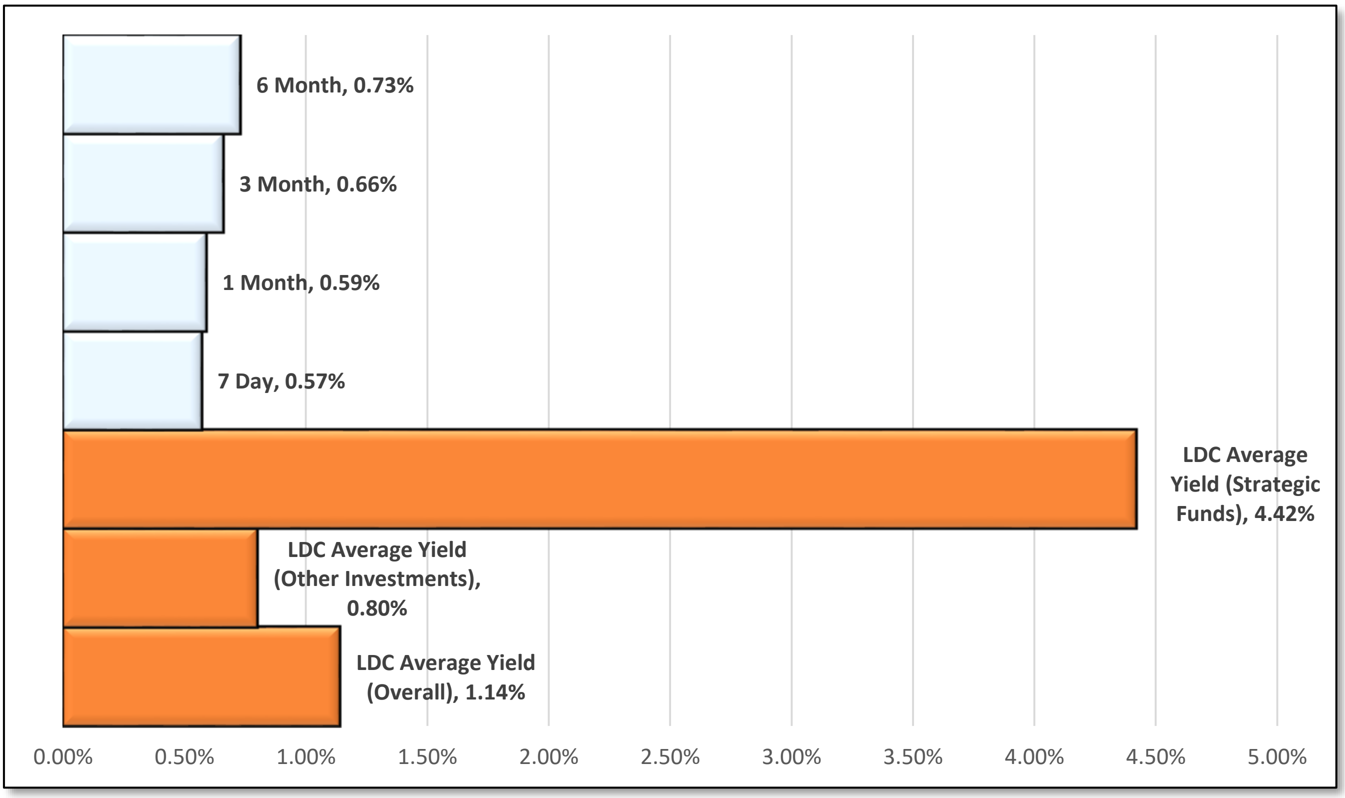
**The Liquidity of our Investments**

3.48. The Council has not had to temporarily borrow during 2019/20 and retains a proportion of its investments in instant access Money Market Fund investments to ensure there is sufficient cash available to pay for goods and services. The investments by type are shown below:




**The Return or Yield of our Investments**

3.49. The yield the Council achieved compared to a number of industry standard benchmarks (including our preferred benchmark of the seven day LIBID rate) is shown below:




3.50. The gross investment income is projected to be **(£408,000)** during the financial year and this is the same as the Approved budget of **(£408,000).**

## The External Borrowing Portfolio

3.51. The Council's external borrowing portfolio including the premiums for early repayment is shown below:

| | Principal | Average Rate | Years to Final Maturity | (Premium) /Discount |
|---|---|---|---|---|
| PWLB Fixed Maturity | £0 | - | - | £0 |
| PWLB Fixed Equal Instalment of Principal (EIP) | £1,248,040 | 2.59% | 20.3 | (£251,604) |
| PWLB Fixed Annuity | £1,200,587 | 1.71% | 8.5 | (£74,177) |
| PWLB Variable Maturity | £0 | - | - | £0 |
| PWLB Variable EIP | £0 | - | - | £0 |
| **TOTAL PWLB** | **£2,448,627** | **2.16%** | **14.5** | **(£325,780)** |
| Lender Option Borrower Option (LOBO) Loans | £0 | - | - | £0 |
| Other Loans | £0 | - | - | £0 |
| **TOTAL BORROWING** | **£2,448,627** | **2.16%** | **14.5** | **(£325,780)** |

| | |
|---|---|
| **Alternative Options** | The approach to Treasury Management has been reviewed and will be incorporated into the Draft Medium Term Financial Strategy 2019-2024 process. |

| | |
|---|---|
| **Consultation** | Consultation is undertaken as part of the Strategic Plan and with Leadership Team. |

| | |
|---|---|
| **Financial Implications** | **General Reserves**<br>At this eight month stage in the year, for the period up to November 2019, we forecast a contribution to general reserves of **£1,113,560** will be made, against a budgeted contribution of **£148,860** (£38,860 related to the Revenue Budget plus £110,000 of New Homes Bonus in excess of the 'cap') to general reserves.<br><br>Further detailed analysis on the Financial Performance up to November 2019 is shown in the attached Appendices. |

| | |
|---|---|
| **Contribution to the Delivery of the Strategic Plan** | The MTFS underpins the delivery of the Strategic Plan. |

| | |
|---|---|
| **Equality, Diversity and Human Rights Implications** | There are no additional Equality, Diversity or Human Rights implications. |

| | |
|---|---|
| **Crime & Safety Issues** | There are no additional Crime and Safety Issues. |

| | |
|---|---|
| **GDPR/Privacy Impact Assessment** | These areas are addressed as part of the specific areas of activity prior to being included in the Strategic Plan. |

| | Risk Description | How We Manage It | Severity of Risk |
|---|---|---|---|
| A | 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 |
| B | Implementation of the Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations | To closely monitor the level of appeals.<br>An allowance of **4.7%** (in line with the MHCLG Allowance) for appeals has been included in the Business Rate Estimates | Red - Severe |
| C | 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 | Yellow - Material |

| | Risk Description | How We Manage It | Severity of Risk |
|---|---|---|---|
| | | included and this is then being reduced by £100,000 per annum | |
| D | 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 |
| E | The affordability and risk associated with the Capital Strategy. | | Yellow - Material |
| E1 | Planned Capital Receipts are not received | The budget for capital receipts will be monitored as part of the Council's normal budget monitoring procedures. | Yellow - Material |
| E2 | Slippage Occurs in the Capital Spend | Spend will be monitored through normal budget monitoring procedures with budgets updated to reflect latest plans and projections | Yellow - Material |
| E3 | Actual cash flows differ to planned cash flows | Cash flow is monitored on a daily basis through normal Treasury Management processes | Green - Tolerable |
| F | The affordability and risk associated with Investment in Property. | | Yellow - Material |
| F1 | Slippage occurs in the Capital Spend | Spend will be monitored through normal budget monitoring procedures with budgets updated to reflect latest plans and projections | Yellow - Material |
| F2 | Change in Government Policy including Regulatory Change | To monitor proposed changes to policy and regulation and seek to influence in the Council's favour | Yellow - Material |
| F3 | The form of exit from the EU adversely impacts on the UK economy including the Property Market and Borrowing Costs | To monitor the situation and where possible identify alternative options | Red - Severe |
| F4 | There is a cyclical 'downturn' in the wider markets | To monitor the wider markets and where possible adapt plans to minimise the Council's risk exposure | Yellow - Material |
| F5 | There is insufficient expertise to implement the Property Investment Strategy | Recruit an estates management team to provide professional expertise and advice in relation to Investment in Property Investment | Yellow - Material |
| F6 | Inability to acquire or dispose of assets due to good opportunities not being identified | To utilise Property Agents to identify opportunities for potential acquisitions and disposals | Red - Severe |

| | |
|---|---|
| **Background Documents** | • CIPFA Code of Practice for Treasury Management in the Public Services<br>• The Prudential Code for Capital Finance in Local Authorities<br>• Money Matters: Medium Term Financial Strategy (Revenue and Capital) 2018-23 – Cabinet 12 February 2019.<br>• Allocation of Strategic Community Infrastructure Levy (CIL) Funding – Cabinet 12 March 2019.<br>• Multi Storey Car Park – Cabinet 12 March 2019.<br>• Money Matters: 2018/19 Review of Financial Performance against the Financial Strategy – Cabinet 13 June 2019.<br>• Jigsaw Funding Agreement – Cabinet 9 July 2019.<br>• Money Matters: 2019/20 Review of Financial Performance against the Financial Strategy – Cabinet 10 September 2019.<br>• Birmingham Road Site Enabling Works – Cabinet 10 September 2019.<br>• Friary Grange Leisure Centre – Cabinet 7 October 2019.<br>• Medium Term Financial Strategy 2019-24 – Cabinet 8 October 2019.<br>• St Stephen's School allocation of Section 106 – Cabinet Member Decision 24 October 2019.<br>• Money Matters: 2019/20 Review of Financial Performance against the Financial Strategy – Cabinet 3 December 2019. |
| **Relevant web link** | |

## Revenue Financial Performance – Variance to Budget 2019/20

| Area | 2019/20 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Original Budget plus Funding Gap Proposals £ | Approved Budget £ | Projected Outturn £ | Projected Variance £ | ● = adverse ☑ = favourable | Variance to Original Budget £ | 2019/20 Target Variance (+/-) £ |
| Enabling people | 1,528,270 | 1,567,310 | 1,592,680 | 25,370 | ● | 64,410 | |
| Shaping place | 3,258,720 | 3,200,200 | 3,050,440 | (149,760) | ☑ | (208,280) | |
| Developing prosperity | (1,079,200) | (1,042,130) | (1,105,220) | (63,090) | ☑ | (26,020) | |
| A good council | 6,185,720 | 6,081,720 | 5,929,600 | (152,120) | ☑ | (256,120) | |
| **Net Cost of Services** | **9,893,510** | **9,807,100** | **9,467,500** | **(339,600)** | | **(426,010)** | **0** |
| Chief Executive | 459,660 | 388,660 | 366,010 | (22,650) | ☑ | (93,650) | 4,000 |
| Assistant Chief Executive | 1,253,960 | 1,211,290 | 1,202,020 | (9,270) | ☑ | (51,940) | 17,000 |
| Finance and Procurement | 1,764,980 | 1,698,080 | 1,745,920 | 47,840 | ● | (19,060) | 15,000 |
| Revenues, Benefits and Customer Services | 761,530 | 757,240 | 711,930 | (45,310) | ☑ | (49,600) | 17,000 |
| Corporate Services | 1,704,000 | 1,762,720 | 1,634,920 | (127,800) | ☑ | (69,080) | 24,000 |
| Regulatory Services, Housing & Wellbeing | 1,300,670 | 1,272,390 | 1,266,890 | (5,500) | ☑ | (33,780) | 16,000 |
| Economic Growth & Development Services | (274,050) | (171,260) | (297,990) | (126,730) | ☑ | (23,940) | 66,000 |
| Operational Services | 2,922,760 | 2,887,980 | 2,837,800 | (50,180) | ☑ | (84,960) | 91,000 |
| **Net Cost of Services** | **9,893,510** | **9,807,100** | **9,467,500** | **(339,600)** | | **(426,010)** | **250,000** |
| Net Treasury Position | (6,000) | (122,000) | (122,000) | - | | | |
| **Net Operating Cost** | **9,887,510** | **9,685,100** | **9,345,500** | **(339,600)** | | | |
| Transfer (from) / to General Reserve | 148,860 | 740,710 | 1,113,560 | 372,850 | | | |
| Transfer (from) / to Earmarked Reserves | 1,335,030 | 1,249,000 | 1,249,000 | - | | | |
| **Net Revenue Expenditure** | **11,371,400** | **11,674,810** | **11,708,060** | **33,250** | | | |
| **Financed by:** | | | | | | | |
| Retained Business Rates | (2,525,800) | (2,829,210) | (2,829,210) | - | | | |
| Business Rates Cap | (68,000) | (68,000) | (86,000) | (18,000) | | | |
| Business Rates Pilot | (568,000) | (568,000) | (568,000) | - | | | |
| Levy Account Surplus | - | - | (36,000) | (36,000) | | | |
| New Homes Bonus | (1,278,000) | (1,278,000) | (1,278,000) | - | | | |
| Other Government Grants | - | - | (13,400) | (13,400) | | | |
| Business Rates Collection Fund (Surplus)/Deficit | (213,000) | (213,000) | (213,000) | - | | | |
| Council Tax Collection Fund (Surplus)/Deficit | (63,600) | (63,600) | (29,450) | 34,150 | | | |
| Council Tax | (6,655,000) | (6,655,000) | (6,655,000) | - | | | |

**APPENDIX B**

# Reasons for the Outturn Budget Performance by Service Area

| Projected Variance £ | | Expenditure One Off £ | Expenditure Recurring £ | Income One Off £ | Income Recurring £ |
|---|---|---|---|---|---|
| (22,650) | Chief Executive | (22,650) | - | - | - |
| (9,270) | Assistant Chief Executive | (114,180) | (1,200) | 106,110 | - |
| 47,840 | Finance and Procurement | 47,840 | - | - | - |
| (45,310) | Revenues, Benefits and Customer Services | (29,000) | - | (16,310) | - |
| (127,800) | Corporate Services | (127,800) | - | - | - |
| (50,180) | Operational Services | 89,260 | - | (139,440) | - |
| (5,500) | Regulatory Services, Housing & Wellbeing | (6,700) | 1,200 | - | - |
| (126,730) | Economic Growth & Development Services | (153,260) | - | 26,530 | - |
| - | Net Treasury Position | - | - | - | - |
| - | Efficiency Plan | - | - | - | - |
| **(£339,600)** | **Net Operating Cost** | **(£316,490)** | **-** | **(£23,110)** | **-** |
| - | Earmarked Reserves | - | - | - | - |
| **(£339,600)** | **Net Operating Cost** | **(£316,490)** | **-** | **(£23,110)** | **-** |
| **(£33,250)** | Funding | - | - | (£33,250) | - |
| **(£372,850)** | **Transfer (to)/from General Reserves** | **(£316,490)** | **-** | **(£56,360)** | **-** |

## Chief Executive

| Projected Variance £ | Reason | Expenditure One Off £ | Expenditure Recurring £ | Income One Off £ | Income Recurring £ |
|---|---|---|---|---|---|
| 8,020 | Management restructure | 8,020 | | | |
| (30,670) | Vacant posts | (30,670) | | | |
| **(£22,650)** | **Total** | **(£22,650)** | **-** | **-** | **-** |

## Assistant Chief Executive

| Projected Variance £ | Reason | Expenditure One Off £ | Expenditure Recurring £ | Income One Off £ | Income Recurring £ |
|---|---|---|---|---|---|
| (93,330) | Adjustment to bad debt provision | (93,330) | | | |
| 110,000 | Additional pay costs from agency staff | 110,000 | | | |
| (1,890) | Additional Property Services income | | | (1,890) | |
| (46,000) | Additional Property Services rental income | | | (46,000) | |
| - | Delay to Investment in Property | (180,000) | | 180,000 | |
| 60,000 | Earmarked Reserve Request for Property Services | 60,000 | | | |
| (11,700) | Reduction in printing costs | (11,700) | | | |
| (1,200) | IT License transfer from Regulatory Services | | (1,200) | | |
| (26,000) | Additional Street Naming & Numbering Income | | | (26,000) | |
| (10,000) | Reduction of IT Licence Fee | (10,000) | | | |
| 30,000 | Creation of Employee Provision | 30,000 | | | |
| (19,150) | Earmarked Reserve - Time Expired | (19,150) | | | |
| **(£9,270)** | **Total** | **(£114,180)** | **(£1,200)** | **£106,110** | **-** |

**APPENDIX B**

## Finance and Procurement

| Projected Variance £ | Reason | Expenditure One Off £ | Expenditure Recurring £ | Income One Off £ | Income Recurring £ |
|---|---|---|---|---|---|
| (10,860) | Vacant posts | (10,860) | | | |
| 58,700 | Financial Administration support restructure financial implications | 58,700 | | | |
| **£47,840** | **Total** | **£47,840** | **-** | **-** | **-** |

## Revenues, Benefits and Customer Services

| Projected Variance £ | Reason | Expenditure One Off £ | Expenditure Recurring £ | Income One Off £ | Income Recurring £ |
|---|---|---|---|---|---|
| (16,310) | Additional income (including government grant income) | | | (16,310) | |
| (29,000) | Vacant posts | (29,000) | | | |
| **(£45,310)** | **Total** | **(£29,000)** | **-** | **(£16,310)** | **-** |

## Corporate Services

| Projected Variance £ | Reason | Expenditure One Off £ | Expenditure Recurring £ | Income One Off £ | Income Recurring £ |
|---|---|---|---|---|---|
| (20,000) | Delay of Terms and Conditions Review | (20,000) | | | |
| 20,000 | Earmarked Reserve Request for Terms and Conditions Review | 20,000 | | | |
| (10,000) | Savings on HR Service Level Agreement | (10,000) | | | |
| (50,990) | Management restructure | (50,990) | | | |
| (66,810) | Earmarked Reserve - Time Expired | (66,810) | | | |
| **(£127,800)** | **Total** | **(£127,800)** | **-** | **-** | **-** |

## Operational Services

| Projected Variance £ | Reason | Expenditure One Off £ | Expenditure Recurring £ | Income One Off £ | Income Recurring £ |
|---|---|---|---|---|---|
| (57,000) | Management restructure | (57,000) | | | |
| 52,920 | Underachievement of income target on self-funding post | | | 52,920 | |
| (17,500) | Vacant Posts | (17,500) | | | |
| 27,000 | Additional spend related to tree surveys | 27,000 | | | |
| (25,000) | Underspend on premises related budgets | (25,000) | | | |
| (6,500) | Additional ad hoc Grounds Maintenance income | | | (6,500) | |
| 15,600 | Friary Grange Leisure Centre premises expenditure | 15,600 | | | |
| 146,160 | Joint Waste increased expenditure for fuel and purchase of bins | 146,160 | | | |
| (185,860) | Joint Waste increased income for garden waste and recycling credits | | | (185,860) | |
| **(50,180)** | **Total** | **89,260** | **-** | **(139,440)** | **-** |

## Regulatory Services, Housing & Wellbeing

| Projected Variance £ | Reason | Expenditure One Off £ | Expenditure Recurring £ | Income One Off £ | Income Recurring £ |
|---|---|---|---|---|---|
| 1,200 | IT License transfer to Regulatory Services | | 1,200 | | |
| (6,700) | Earmarked Reserve - Time Expired | (6,700) | | | |
| **(£5,500)** | **Total** | **(£6,700)** | **£1,200** | **-** | **-** |

## Economic Growth & Development Services

| Projected Variance £ | Reason | Expenditure One Off £ | Expenditure Recurring £ | Income One Off £ | Income Recurring £ |
|---|---|---|---|---|---|
| (23,860) | Management Restructure | (23,860) | | | |
| (40,410) | Vacant Posts | (40,410) | | | |
| (32,000) | Increased Planning Income | | | (32,000) | |
| (60,990) | Earmarked Reserve - Time Expired | (60,990) | | | |
| 34,040 | Reduction in CIL administration income | | | 34,040 | |
| - | Reduction in Car Park income and expenditure | (28,000) | | 28,000 | |
| (3,510) | Minor balance | | | (3,510) | |
| **(£126,730)** | **Total** | **(£153,260)** | **-** | **£26,530** | **-** |

## Funding

| Projected Variance £ | Reason | Expenditure One Off £ | Expenditure Recurring £ | Income One Off £ | Income Recurring £ |
|---|---|---|---|---|---|
| (67,400) | Increase in funding received from central government | | | (67,400) | |
| 34,150 | Adjustment to Council Tax collection fund account | | | 34,150 | |
| **(£33,250)** | **Total** | **-** | **-** | **(£33,250)** | **-** |

**APPENDIX B**

## Fees and Charges

| Income Type | Annual Budget £000 | Forecast Year End Month 8 £000 | Forecast Year End Variance £000 | Annual Trend 2014/15 Actual £000 | 2015/16 Actual £000 | 2016/17 Actual £000 | 2017/18 Actual £000 | 2018/19 Actual £000 |
|---|---|---|---|---|---|---|---|---|
| Planning Applications | 781 | 813 | 32 | 771 | 629 | 1,030 | 824 | 797 |
| Car Parks | 2,200 | 2,172 | (28) | 1,746 | 1,748 | 1,986 | 2,078 | 2,198 |
| Garden Waste | 1,351 | 1,495 | 144 | 0 | 0 | 0 | 231 | 1,495 |
| Trade Waste | 440 | 440 | 0 | 338 | 390 | 407 | 415 | 443 |
| Land Charges | 283 | 283 | 0 | 183 | 297 | 312 | 279 | 286 |
| Building Control[3] | 871 | 871 | 0 | 454 | 507 | 557 | 547 | 553 |
| Property Rental | 838 | 704 | (134) | 644 | 681 | 687 | 729 | 839 |
| **Total of Highest Value Fees & Charges** | **6,765** | **6,779** | **14** | **4,134** | **4,251** | **4,980** | **5,102** | **6,611** |
| **Other Income** | | | | | | | | |
| Licensing | | | | 217 | 185 | 236 | 224 | 241 |
| Leisure Centre[4] | | | | 1,782 | 1,819 | 1,879 | 1,629 | 183 |
| VAT Claim[5] | | | | 0 | 0 | 0 | 0 | 1,103 |
| Court Costs | | | | 252 | 233 | 218 | 198 | 214 |
| Recycling | | | | 14 | 347 | 439 | 463 | 331 |
| Grounds Maintenance | | | | 162 | 161 | 168 | 195 | 217 |
| Other | | | | 1,839 | 1,139 | 1,319 | 1,124 | 1,057 |
| **Total Income** | | | | **8,400** | **8,136** | **9,239** | **8,936** | **9,957** |



[3] The shared service has expanded in 2019/20.
[4] Responsibility transferred to Freedom Leisure from February 2018.
[5] Gross income before the deduction of related expenditure.

# Capital Programme 2019/20 (£000)

| Project | Original Budget | Approved Budget | Actual to Date | Projected Actual | Projected Variance |
|---|---|---|---|---|---|
| Burntwood Leisure Centre Enhancement Work | 235 | 0 | 0 | 0 | 0 |
| Leisure Review: Capital Investment | 0 | 30 | 25 | 30 | 0 |
| Play Equipment at Hill Ridware Village Hall | 71 | 30 | 30 | 30 | 0 |
| New Build Parish Office/Community Hub | 92 | 0 | 0 | 0 | 0 |
| Fradley Village Heating & CCTV | 0 | 5 | 0 | 5 | 0 |
| Fradley Youth & Community Centre Cladding & Porch | 0 | 15 | 10 | 15 | 0 |
| Armitage with Handsacre Village Hall heating upgrade | 0 | 5 | 5 | 5 | 0 |
| Armitage War Memorial and surrounding area | 40 | 120 | 0 | 0 | (120) |
| Replacement of canopy and installation of artificial grass at Armitage | 0 | 13 | 10 | 13 | 0 |
| Burntwood LC CHP Unit | 0 | 235 | 9 | 235 | 0 |
| Westgate Practice Refurbishment (CIL) | 0 | 120 | 60 | 120 | 0 |
| King Edwards VI School (CIL) | 0 | 101 | 0 | 101 | 0 |
| Friary Grange - Short Term Refurbishment | 0 | 174 | 0 | 174 | 0 |
| Replacement Leisure Centre | 0 | 38 | 0 | 38 | 0 |
| St. Stephen's School, Fradley (S106) | 0 | 22 | 0 | 22 | 0 |
| Accessible Homes (Disabled Facilities Grants) | 1,104 | 1,500 | 660 | 1,200 | (300) |
| Home Repair Assistance Grants | 15 | 28 | 4 | 28 | 0 |
| Decent Homes Standard / Housing Monies | 409 | 0 | 0 | 0 | 0 |
| Energy Insulation Programme | 10 | 38 | 0 | 38 | 0 |
| Unallocated S106 Affordable Housing Monies | 400 | 0 | 0 | 270 | 270 |
| **Enabling People Total** | **2,376** | **2,474** | **813** | **2,324** | **(150)** |
| Darnford Park (S106) | 13 | 0 | 0 | 0 | 0 |
| Canal Towpath Improvements (Brereton & Ravenhill) | 211 | 211 | 44 | 211 | 0 |
| Lichfield St Johns Community Link (CIL) | 0 | 10 | 0 | 0 | (10) |
| Loan / Equity in Council Dev Co. | 900 | 225 | 0 | 225 | 0 |
| Vehicle Replacement Programme (Waste) | 140 | 140 | 0 | 0 | (140) |
| Vehicle Replacement Programme (Other) | 301 | 286 | 55 | 146 | (140) |
| Bin Purchase | 0 | 0 | 0 | 150 | 150 |
| Shortbutts Park, Lichfield | 23 | 23 | 0 | 23 | 0 |
| Env. Improvements - Upper St John St & Birmingham Road (S106) | 7 | 7 | 0 | 7 | 0 |
| Stowe Pool Improvements (S106) (Jul 2012) | 550 | 50 | 0 | 0 | (50) |
| The Leomansley Area Improvement Project | 0 | 3 | 0 | 3 | 0 |
| Cannock Chase SAC | 13 | 40 | 44 | 44 | 4 |
| **Shaping Place Total** | **2,158** | **995** | **142** | **809** | **(186)** |
| Multi Storey Car Park Refurbishment Project | 0 | 300 | 0 | 300 | 0 |
| Birmingham Road Site - Coach Park | 238 | 236 | 0 | 861 | 625 |
| Birmingham Road Site - Short Term Redevelopment | 353 | 473 | 0 | 473 | 0 |
| Car Parks Variable Message Signing (S106) (Jul 2012) | 32 | 32 | 0 | 32 | 0 |
| Old Mining College - Refurbish access and signs (S106) | 0 | 13 | 0 | 13 | 0 |
| Erasmus Darwin Lunar Legacy (Lichfield City Art Fund) | 0 | 3 | 3 | 3 | 0 |
| St. Chads Sculpture (Lichfield City Art Fund) | 50 | 50 | 45 | 50 | 0 |
| **Developing Prosperity Total** | **673** | **1,107** | **48** | **1,732** | **625** |
| Investment in Property | 6,000 | 6,000 | 0 | 10,500 | 4,500 |
| Property Planned Maintenance | 0 | 0 | 0 | 104 | 104 |
| Depot Sinking Fund | 11 | 0 | 0 | 0 | 0 |
| IT Infrastructure | 105 | 105 | 0 | 105 | 0 |
| IT Cloud | 25 | 25 | 2 | 25 | 0 |
| IT Innovation | 167 | 60 | 29 | 60 | 0 |
| District Council House Repair Programme | 103 | 111 | 0 | 0 | (111) |
| **Good Council Total** | **6,411** | **6,301** | **31** | **10,794** | **4,493** |
| **Capital Programme Total** | **11,618** | **10,877** | **1,034** | **15,659** | **4,782** |

| | | | | | |
|---|---|---|---|---|---|
| Capital Receipts | 976 | 517 | | 600 | 83 |
| Borrowing Need - Borrowing and Finance Leases | 6,140 | 6,208 | | 10,568 | 4,360 |
| Capital Grants and Contributions | 2,769 | 2,361 | | 2,160 | (201) |
| Reserves, Existing Revenue Budgets and Sinking Funds | 1,733 | 1,791 | | 2,331 | 540 |
| **Funding Total** | **11,618** | **10,877** | | **15,659** | **4,782** |

# Investments in the 2019/20 Financial Year

The table below shows a breakdown of our investments at the end of November 2019:

| Counterparty | Principal | Matures | Days to Maturity | Rate | Credit Rating | Foreign Parent |
|---|---|---|---|---|---|---|
| **Money Market Funds** | | | | | | |
| CCLA MMF | £4,250,000 | 01-Dec-19 | Instant Access | 0.69% | AAA | N/A |
| **Strategic Funds** | | | | | | |
| CCLA Property Fund | £2,000,000 | N/A | N/A | 4.23% | N/A | No |
| CCLA Diversified Income Fund | £2,000,000 | N/A | N/A | 3.02% | N/A | No |
| **Fixed Term Investments** | | | | | | |
| Fife Council | £2,000,000 | 07-Feb-20 | 69 | 1.00% | LOCAL | No |
| Surrey Heath Borough Council | £2,000,000 | 13-Dec-19 | 13 | 0.80% | LOCAL | No |
| Australia and New Zealand Banking Group | £1,000,000 | 12-Dec-19 | 12 | 0.92% | AA- | Yes |
| Brentwood Borough Council | £2,000,000 | 29-Jul-20 | 242 | 0.93% | LOCAL | No |
| Nationwide | £1,000,000 | 20-Jan-20 | 51 | 0.79% | A | No |
| Highland Council | £2,000,000 | 29-Jan-20 | 60 | 0.75% | LOCAL | No |
| Monmouthshire Council | £2,000,000 | 27-Mar-20 | 118 | 0.78% | LOCAL | No |
| Rugby Borough Council | £2,000,000 | 27-Mar-20 | 118 | 0.77% | LOCAL | No |
| Aberdeen City Council | £2,000,000 | 24-Feb-20 | 86 | 0.75% | LOCAL | No |
| Ashford Borough Council | £2,000,000 | 07-Jul-20 | 220 | 0.76% | LOCAL | No |
| DBS Bank | £1,000,000 | 19-Mar-20 | 110 | 0.82% | AA- | Yes |
| Broxtowe Borough Council | £2,000,000 | 11-May-20 | 163 | 0.72% | LOCAL | No |
| Kirklees Metropolitan Borough Council | £2,000,000 | 04-Feb-20 | 66 | 0.73% | LOCAL | No |
| Treasury Bills | £3,000,000 | 20-Jan-20 | 51 | 0.70% | UK Government | No |
| United Overseas Bank | £1,000,000 | 18-Jun-20 | 201 | 0.83% | AA- | Yes |
| **Call Accounts with Notice Period** | | | | | | |
| Santander | £1,000,000 | 28-May-20 | 180 | 0.95% | A | No |
| Lloyds | £1,000,000 | 04-Mar-20 | 95 | 1.10% | A+ | No |
| Goldman Sachs International Bank | £1,000,000 | 04-Mar-20 | 95 | 0.89% | A | No |
| Handelsbanken | £1,000,000 | 04-Jan-20 | 35 | 0.65% | AA- | No |
| HSBC | £999,500 | 31-Dec-19 | 31 | 0.85% | AA- | No |
| **Certificates of Deposit** | | | | | | |
| Standard Chartered | £1,000,000 | 09-Apr-20 | 131 | 0.85% | A | No |
| **Total Investments** | **£41,249,500** | | | | | |

# Medium Term Financial Strategy (Revenue and Capital) 2019-2024 (MTFS)

Report of the Cabinet Member for Finance and Procurement


| | |
|---|---|
| Date: | 11 February 2020 |
| Agenda Item: | |
| Contact Officer: | Diane Tilley / Anthony Thomas |
| Tel Number: | 01543 308001 / 01543 308012 |
| Email: | Diane.tilley@lichfielddc.gov.uk<br>Anthony.thomas@lichfielddc.gov.uk |
| **Key Decision?** | **YES** |
| **Local Ward Members** | Full Council |


Lichfield district council

www.lichfielddc.gov.uk

**Cabinet**

## 1. Executive Summary

**The Medium Term Financial Strategy (MTFS)**

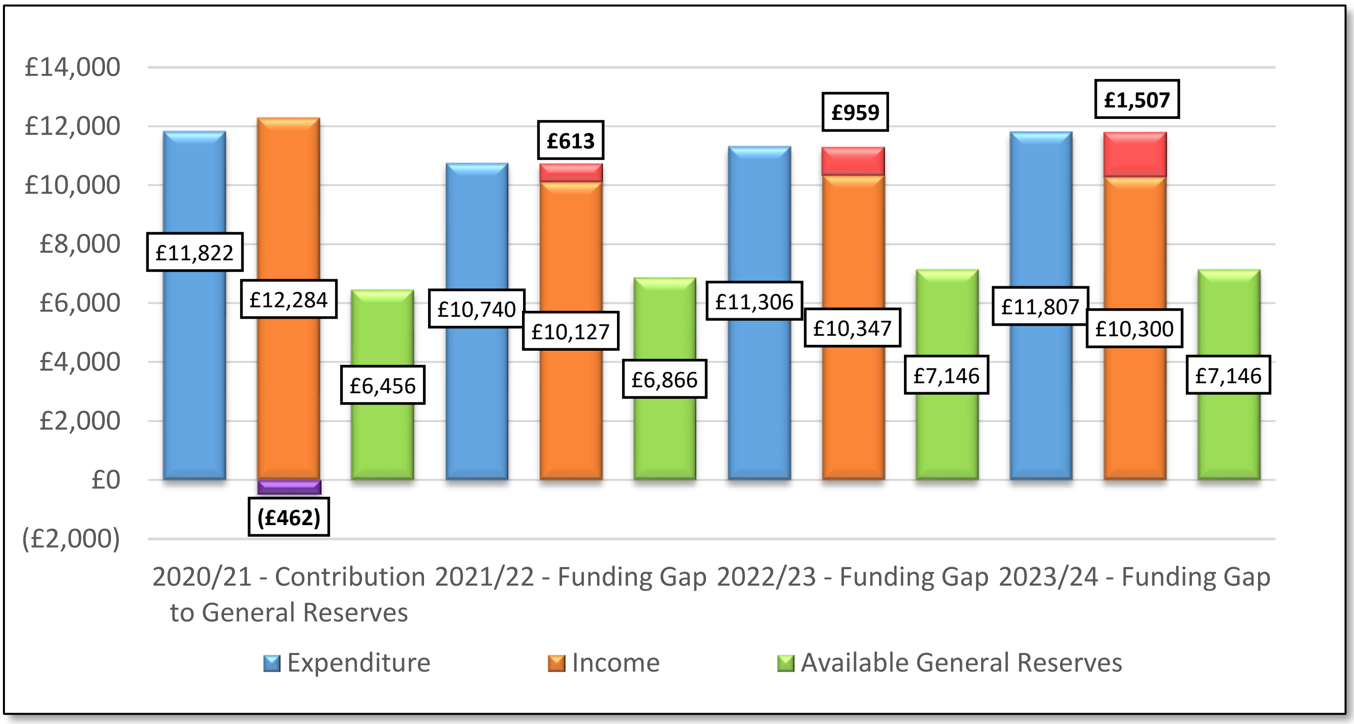
1.1 The ability to deliver the outcomes set out in the **Strategic Plan** is dependent on the resources available in the MTFS. The MTFS is presented using the Strategic Priorities identified in the new draft Strategic Plan.

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 (in £000) with a transfer to general reserves in 2020/21 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 (2020/21) of the MTFS and to set out its proposals to balance the further financial years.

1.6 The MTFS proposes a transfer to General Reserves of **£462,000** plus **£1,171,000** of New Homes Bonus in excess of the 'cap' for 2020/21 and in later years a projected Funding Gap has been identified. The Council would have **£6,456,000** 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 2023/24.

**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 for 2020/21 **(APPENDIX D).**
- Treasury Management Strategy Statement for 2020/21 **(APPENDIX E).**
- Treasury Investments and their Limits **(APPENDIX E)**.
- The Investment Strategy Report for 2020/21 **(APPENDIX F)** as required under Statutory Guidance.
- The Capital and Treasury Prudential Indicators 2019-24 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)**.

**Longer Term Financial Planning**

1.12 The MTFS covers a relatively short period of time (current financial year plus the next four years) and given the potentially significant changes to the Local Government financing regime, and the more commercial approach being adopted by the Council, it is prudent to begin producing financial plans that cover a longer financial planning horizon **(APPENDIX H)**.

# 2. Recommendations

That Cabinet recommend to Council for approval:

2.1 The 2020/21 Revenue Budget, including the Amount to be met from Government Grants and Local Taxpayers of **£12,284,000** and a proposed level of Council Tax (the District Council element) for 2020/21 of **£180.07** (an increase of **£5.00** or **2.86%**) for a Band D equivalent property.

2.2 The MTFS 2019-24 Revenue Budgets set out in **APPENDIX A**.

2.3 The MTFS 2019-24 Capital Strategy and Capital Programme **(APPENDICES B & C)**.

2.4 The Minimum Revenue Provision Statement for 2020/21, 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 2020/21 including proposed limits **(APPENDIX E)**.

2.6 The Investment Strategy Report **(APPENDIX F)** including the proposed limits for 2020/21.

2.7 The Capital and Treasury Prudential Indicators for 2019-24 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**.

That Cabinet notes and approves:

2.10 The plan to undertake further Strategic Fund investments up to **£4m** although this will be subject to the approval by Council of recommendations 2.5 to 2.7.

2.11 The longer term financial planning model shown at **APPENDIX H**.

# 3. Background

### MTFS Budget Principles and Assumptions

3.1. To assist in preparing the Medium Term Financial Strategy, in common with a number of Councils, a set of principles were established to guide the preparation and management of the MTFS.

3.2. Council, on 15 October 2019, approved the budget principles identified below:

- Council will consider the medium term outlook when setting the level of Council Tax to ensure that a sustainable budget position is maintained;
- Council will prioritise funding for statutory and regulatory responsibilities to ensure these are delivered in a way that meets our legal requirements and customer needs;
- Council will continue to seek continuous improvement to enable further savings, efficiencies and income gains and provide budgets that are appropriate to service needs;
- Council will ensure that all growth in the staffing establishment will be fully understood through robust business cases in order to ensure our resources match service and customer needs. Growth will usually be allowed where costs are offset by external funding, savings or additional income.
- Council will not add to other ongoing revenue budgets unless these are unavoidable costs or corresponding savings are identified elsewhere.
- Council will use robust business cases to prioritise capital funding so that we have a sustainable Capital Programme that meets statutory responsibilities, benefits the Council's overall revenue budget position, and ensures that existing assets are properly maintained.
- Council will maintain an overall level of revenue reserves that are appropriate for the overall level of risks that the organisation faces, in order to overcome any foreseeable financial impact.

3.3. Council also approved the following budget assumptions:

| Key Assumptions | Financial Year | | | | |
|---|---|---|---|---|---|
| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| Pay Award | 2% | 2% | 2% | 2% | 2% |
| Employers National Insurance Rate (average) | 9.26% | 9.34% | 9.44% | 9.53% | 9.64% |
| Employers Pension (%) | 16.20% | 16.20% | 16.20% | 16.20% | 16.20% |
| Employers Pension (Actuary Past Service Element excluding transfers) | £777,270 | £1,000,420 | £1,102,060 | £1,206,520 | £1,316,520 |
| Employers Pension (Other) | £103,820 | £106,120 | £109,300 | £109,950 | £110,400 |
| Non contractual inflation | 2% | 2% | 2% | 2% | 2% |
| Applicable fees and charges inflation | 2% | 2% | 2% | 2% | 2% |
| Base Rate (for borrowing and investment) | 0.75% | 0.75% | 0.75% | 0.75% | 0.75% |

## The Provisional Local Government Finance Settlement for 2020/21

3.4. The elements of the Provisional Finance Settlement for 2020/21 received on **20 December 2019**, relevant to this Council, have been confirmed subject to the final settlement and are included in the MTFS:

- **Council Tax** – As previously announced at Spending Round 2019, the council tax referendum limit will be 2% for local authorities. The provisional settlement confirmed districts will be allowed to apply the higher of the referendum limit or £5.
- **New Homes Bonus** - The 2020/21 allocations will be paid with the legacy payments due from previous years (2017/18 to 2019/20). As previously announced, there will be no legacy payments for the 2020/21 in year allocations. The deadweight of 0.4% was maintained, with an additional £7m added from departmental resources (total funding of £907m). In addition, the New Homes Bonus regime will be reviewed, "It is not clear that the New Homes Bonus in its current form is focussed on incentivising homes where they are needed most. The government will consult on the future of the housing incentive in the spring. This will include moving to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes we need, and which is aligned with other measures around planning performance."
- **Negative RSG** – The government has decided to eliminate the negative RSG in 2020/21.
- **Business Rates Pilots** – No new business rates pilots were announced for 2020/21, with all areas (aside) from the original 2017/18 pilot areas reverting back to the 50% scheme.

3.5. The Provisional Settlement is in line with the assumptions used in the Draft MTFS presented to this Committee on 21 November 2019. The clarification of the majority of key income streams for **2020/21** mean that the level of uncertainty or risk allocated to 2020/21 has been reduced from **Medium** to **Low**.

3.6. However the financial benefits only impact on 2020/21 with the majority of key income streams (Business Rates, Fair Funding and New Homes Bonus) being reviewed from 2021/22. Therefore the level of uncertainty or risk from **2021/22** remains as **High**.

## The Revenue Budget

Inflation

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

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|---|---|---|---|---|
| **Inflation Changes** | **0** | **(3)** | **(2)** | **0** | **3** |

Budget Variations and Funding

3.8. The budget variations compared to the approved Medium Term Financial Strategy are shown below:

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|---|---|---|---|---|
| General Pressures | | | | | |
| Money Matters 8 Months 2019/20 | (340) | | | | |
| Other General Budget Variations | | 11 | 4 | 64 | 86 |
| Local Plan & Related Reviews | | | | 90 | 90 |
| Establishment Changes | | | | | |
| Assistant Chief Executive Post | | 77 | 85 | 87 | 89 |
| Environmental Protection Officer | | 24 | 25 | 25 | 26 |
| Facilities Management | | 55 | 56 | 57 | 58 |
| Property Service | | 108 | 111 | 114 | 116 |
| Funding from Existing Budgets | | (264) | (277) | (283) | (289) |
| Finance and Procurement Restructure | | (18) | (19) | (19) | (19) |
| Joint Waste Service (LDC Share) Pressures | | | | | |
| Costs of Employment | | 136 | 138 | 141 | 144 |
| Recycling Contract ends 2022 | | | | 361 | 380 |
| Costs of a new round due to growth | | | | 99 | 99 |
| Property Growth in the Base Budget | | | (72) | (88) | (88) |
| **Ongoing Budget Variations** | **(340)** | **129** | **51** | **648** | **692** |
| New Homes Bonus to reserves (see below) | | 716 | (316) | (706) | (796) |
| Business Rates Collection fund surplus | | (75) | | | |
| Climate Change Initiatives | | 100 | | | |
| Less : Dry Recycling Contract Reserve | | | | (162) | |
| **Other Budget Variations** | **0** | **741** | **(316)** | **(868)** | **(796)** |
| **Total Budget Variations** | **(340)** | **870** | **(265)** | **(220)** | **(104)** |

3.9. The funding changes compared to the approved Medium Term Financial Strategy are shown below:

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|---|---|---|---|---|
| New Homes Bonus change (see above) | | (716) | 316 | 706 | 796 |
| Council Tax – additional property growth | | (109) | (131) | (191) | (276) |
| Retained Business Rates – no reset in 20/21 | | (830) | | | (78) |
| Negative RSG - eliminate for 2020/21 | | (463) | | | |
| Grant - Business Rates Cap | (18) | (86) | | | |
| Grant - Levy Account Surplus | (36) | (49) | | | |
| Grant - Family Annexe | (13) | | | | |
| Grant - Returned New Homes Bonus | | | (51) | (74) | |
| Collection Fund - Council Tax | 35 | (40) | | | |
| Collection Fund - Business Rates | | 75 | | | |
| **Funding Changes** | **(32)** | **(2,218)** | **134** | **441** | **442** |

3.10. The changes to the Treasury Management budgets compared to the approved Medium Term Financial Strategy are shown below:

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|---|---|---|---|---|
| Investment Income & Invest to Save | | (97) | (97) | (97) | (97) |
| **Treasury Management** | **0** | **(97)** | **(97)** | **(97)** | **(97)** |

## Modelled Changes and their Impact on the Revenue Budget and the Funding Gap

3.11. A summary of the modelled changes to the Revenue Budget compared to the approved Medium Term Financial Strategy and their impact on the Revenue Budget Funding Gap are shown below:

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|---|---|---|---|---|
| Inflation Changes | 0 | (3) | (2) | 0 | 3 |
| Budget Variations | (340) | 870 | (265) | (220) | (104) |
| Funding Changes | (32) | (2,218) | 134 | 441 | 442 |
| Revenue Implications of Capital Bids | 0 | 229 | (30) | (85) | 19 |
| Treasury Management | 0 | (97) | (97) | (97) | (97) |
| **Sub Total Modelled Changes** | **(372)** | **(1,219)** | **(260)** | **39** | **263** |

| | 2019/20 | | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|---|---|
| | Original Budget £000 | Revised Budget £000 | £000 | £000 | £000 | £000 |
| **LEVEL OF UNCERTAINTY / RISK** | **LOW** | **LOW** | **LOW** | **HIGH** | **HIGH** | **HIGH** |
| Approved Funding Gap | (149) | (741) | 757 | 873 | 920 | 1,244 |
| Modelled Changes | 0 | (372) | (1,219) | (260) | 39 | 263 |
| **Funding Gap (transfer to General Reserves)** | **(149)** | **(1,113)** | **(462)** | **613** | **959** | **1,507** |

3.12. The Revenue Budget is shown in detail at **APPENDIX A** and in summary below:

| | 2019/20 | | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|---|---|
| | Original Budget £000 | Revised Budget £000 | £000 | £000 | £000 | £000 |
| **LEVEL OF UNCERTAINTY / RISK** | **LOW** | **LOW** | **LOW** | **HIGH** | **HIGH** | **HIGH** |
| Enabling people | 1,528 | 1,593 | 1,480 | 1,463 | 1,454 | 1,480 |
| Shaping place | 3,259 | 3,050 | 3,570 | 3,625 | 4,269 | 4,554 |
| Developing prosperity | (1,079) | (1,105) | (1,234) | (2,039) | (2,811) | (3,451) |
| A good Council | 6,186 | 5,929 | 6,301 | 6,411 | 6,585 | 6,865 |
| Corporate Inc. New Homes Bonus Transfers | 1,329 | 1,127 | 1,705 | 1,280 | 1,809 | 2,359 |
| **Revenue Expenditure** | **11,223** | **10,594** | **11,822** | **10,740** | **11,306** | **11,807** |
| Revenue Funding | (11,372) | (11,707) | (12,284) | (10,127) | (10,347) | (10,300) |
| **Funding Gap (transfer to General Reserves)** | **(149)** | **(1,113)** | **(462)** | **613** | **959** | **1,507** |

## The Capital Strategy

3.13. 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.

3.14. The key risks associated with the Capital Strategy are principally related to Investment in Property and its funding 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

3.15. Leadership Team with Cabinet Members were requested to submit capital bids for consideration in the MTFS. These Capital Bids are summarised below:

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|---|---|---|---|---|
| Bids submitted 21/11/2019 | | | | | |
| Vehicle Replacement Programme (score 80) | | | (210) | | 132 |
| Property Planned Maintenance (score 72) | 104 | 125 | 150 | 180 | 215 |
| Disabled Facilities Grants (score 68) | | | | | 44 |
| New Financial Information System (score 65) | | 250 | | | |
| ICT Hardware (score 59) | | 202 | 161 | 160 | 174 |
| Coach Park - Acquisition (score 55) | 50 | | | | |
| Coach Park - Works (score 55) | 575 | 625 | | | |
| Bids - Existing Revenue or External Funding | | | | | |
| Joint Waste Service Bin Purchase (score 84) | 150 | 150 | 150 | 150 | 150 |
| Energy Insulation Programme (score 68) | | (10) | | | 10 |
| Home Repair Assistance Grants (score 60) | | (15) | | | 15 |
| **Total Bids** | **879** | **1,327** | **251** | **490** | **740** |

| | | | | | |
|---|---|---|---|---|---|
| Usable Capital Receipts | (161) | (520) | (101) | (340) | (352) |
| Revenue Budget | | (182) | | | (213) |
| Existing Revenue Budgets | (150) | (150) | (150) | (150) | (150) |
| External Funding – coach park works | | (475) | | | (25) |
| Business Rates Pilot – coach park works | (568) | | | | |
| **Total Funding** | **(879)** | **(1,327)** | **(251)** | **(490)** | **(740)** |
| Shortfall in Funding & Borrowing Need | 0 | 0 | 0 | 0 | 0 |

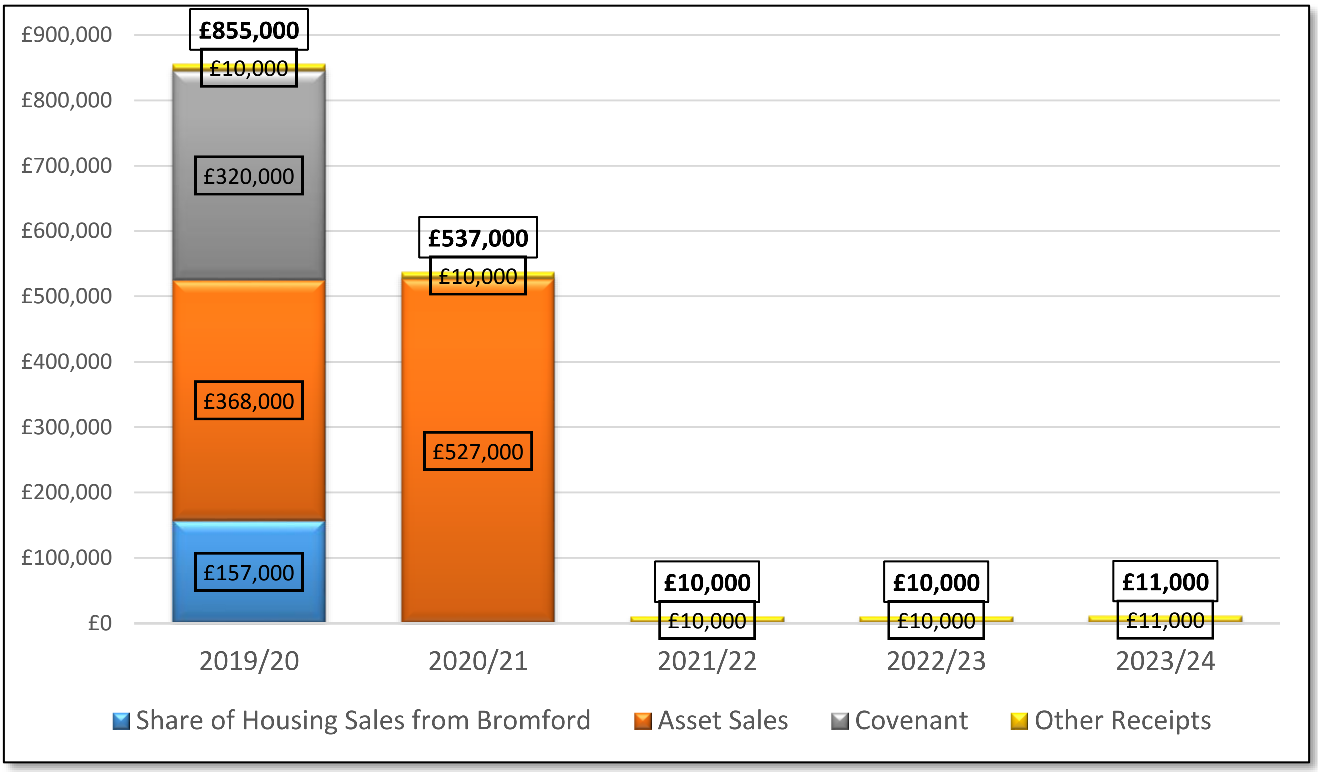
3.16. The Capital Bids submitted and changes to the funding of the Capital Programme have revenue implications and these are shown below:

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|---|---|---|---|---|
| Coach Park Operating Costs | | 50 | 50 | 50 | 50 |
| IT Hardware | | 9 | 9 | 4 | (38) |
| Oracle Cloud Solution Option | | 19 | 9 | 25 | 25 |
| **Capital Bids Revenue Implications** | **0** | **78** | **68** | **79** | **37** |
| Revenue Budget | | 182 | | | 213 |
| Investment in Property - Internal Borrowing | | (31) | (98) | (164) | (231) |
| **Revenue Implications of the Capital Programme** | **0** | **229** | **(30)** | **(85)** | **19** |

3.17. The Capital Programme is summarised below and is shown in detail at **APPENDIX C**:

| | 2019/20 | | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|---|---|
| | Original Budget £000 | Revised Budget £000 | £000 | £000 | £000 | £000 |
| **LEVEL OF UNCERTAINTY / RISK** | **LOW** | **LOW** | **LOW** | **HIGH** | **HIGH** | **HIGH** |
| Enabling people | 2,376 | 2,324 | 3,424 | 1,164 | 3,324 | 3,235 |
| Shaping place | 2,158 | 809 | 1,045 | 502 | 3,482 | 427 |
| Developing prosperity | 673 | 1,732 | 625 | 0 | 0 | 0 |
| A good Council | 6,411 | 10,794 | 12,657 | 11,970 | 12,015 | 389 |
| **Capital Expenditure** | **11,618** | **15,659** | **17,751** | **13,636** | **18,821** | **4,051** |
| Capital Funding | (5,618) | (5,091) | (6,087) | (1,947) | (4,972) | (1,791) |
| Borrowing Need | 6,000 | 10,568 | 11,664 | 11,689 | 13,849 | 2,260 |
| Usable Capital Receipts | (1,618) | (2,259) | (1,394) | (890) | (341) | 0 |

3.18. The projected Capital Receipts included in the Medium Term Financial Strategy are shown at **APPENDIX B** and below:



## Treasury Management

3.19. 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."*

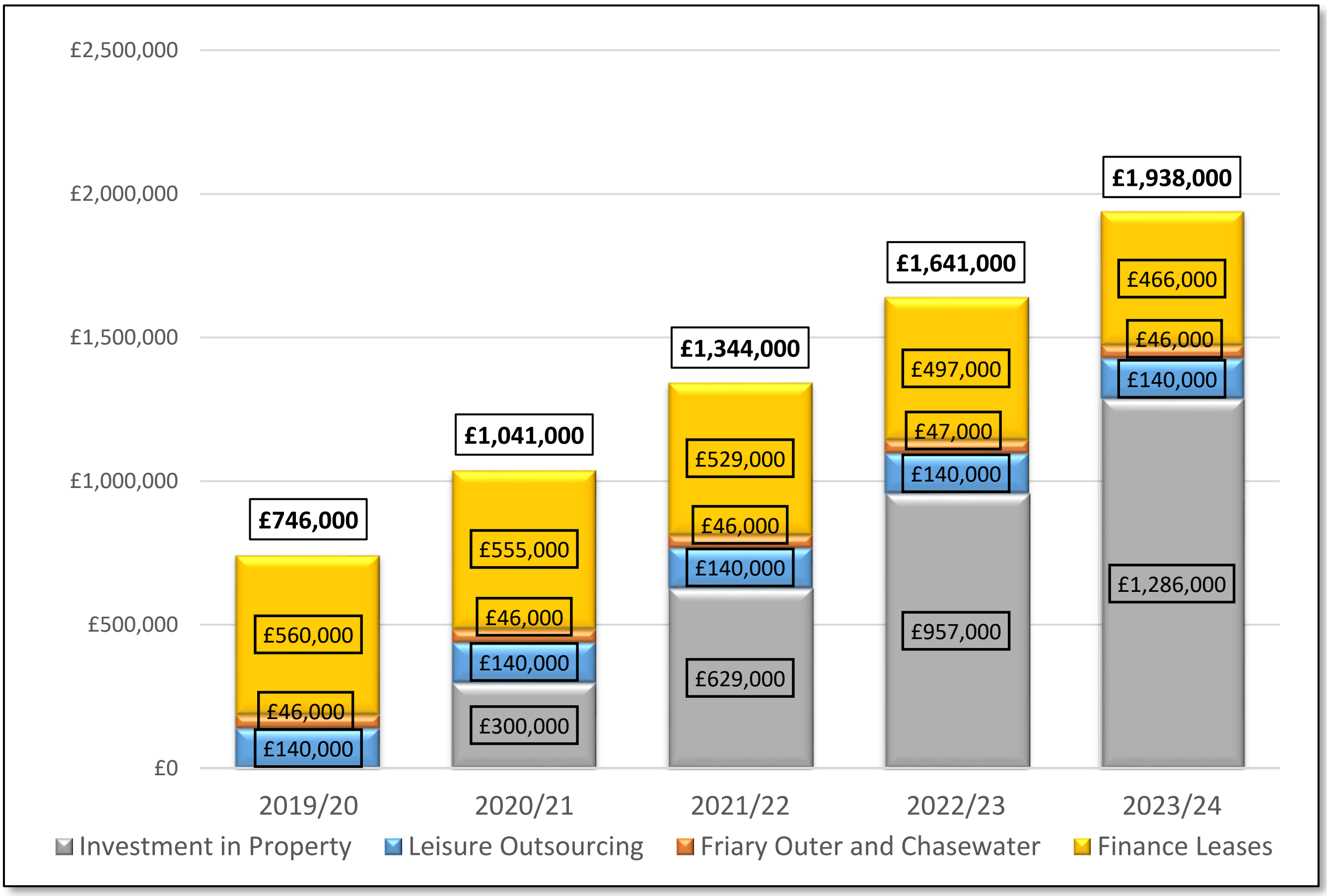
3.21 The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are an important and integral element of its treasury management activities. The main risks to the Council's treasury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

3.22 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.

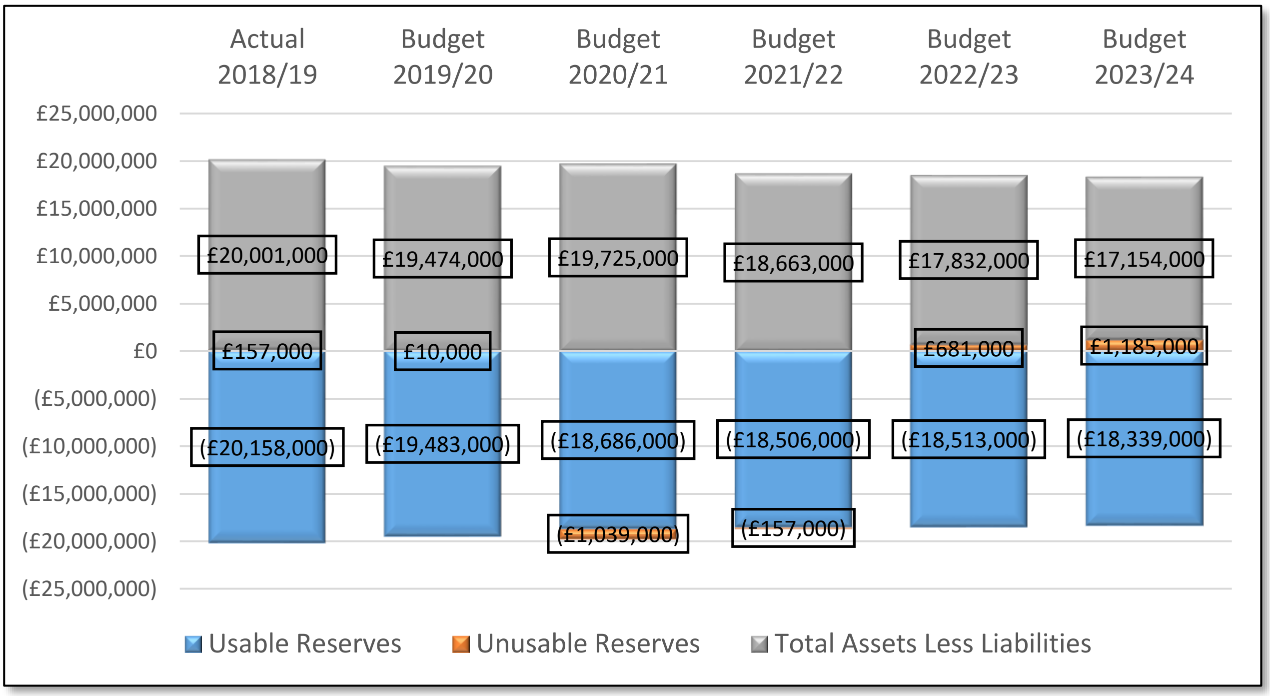
3.23 **Minimum Revenue Provision Statement 2020/21**

- 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:



3.24 **Balance Sheet Projections**

- Integrated Revenue Budgets and a Capital Programme budgets are prepared. These budgets together with the actual Balance Sheet from the previous financial year are used to 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 the Investment Strategy.
- The projected changes in the Balance Sheet over the Strategy period 2018/19 to 2023/24 are summarised below:




<u>Total Assets less Liabilities (a reduction of £2,847,000):</u>

1. **Non-Current Assets** – Non Current Assets will significantly increase with Investment in Property and the capital provision for a replacement Leisure Centre
2. **Borrowing and Leasing** – the capital investment in Non-Current Assets will partly be financed through an increase in external debt (borrowing and leases).
3. **Investments** – the value is projected to reduce due to the financing of the Capital Programme and an increase in the level of Internal Borrowing.
4. **Long term liability for pensions** – this value is projected to increase.

<u>Unusable Reserves (a reduction of £1,028,000):</u>

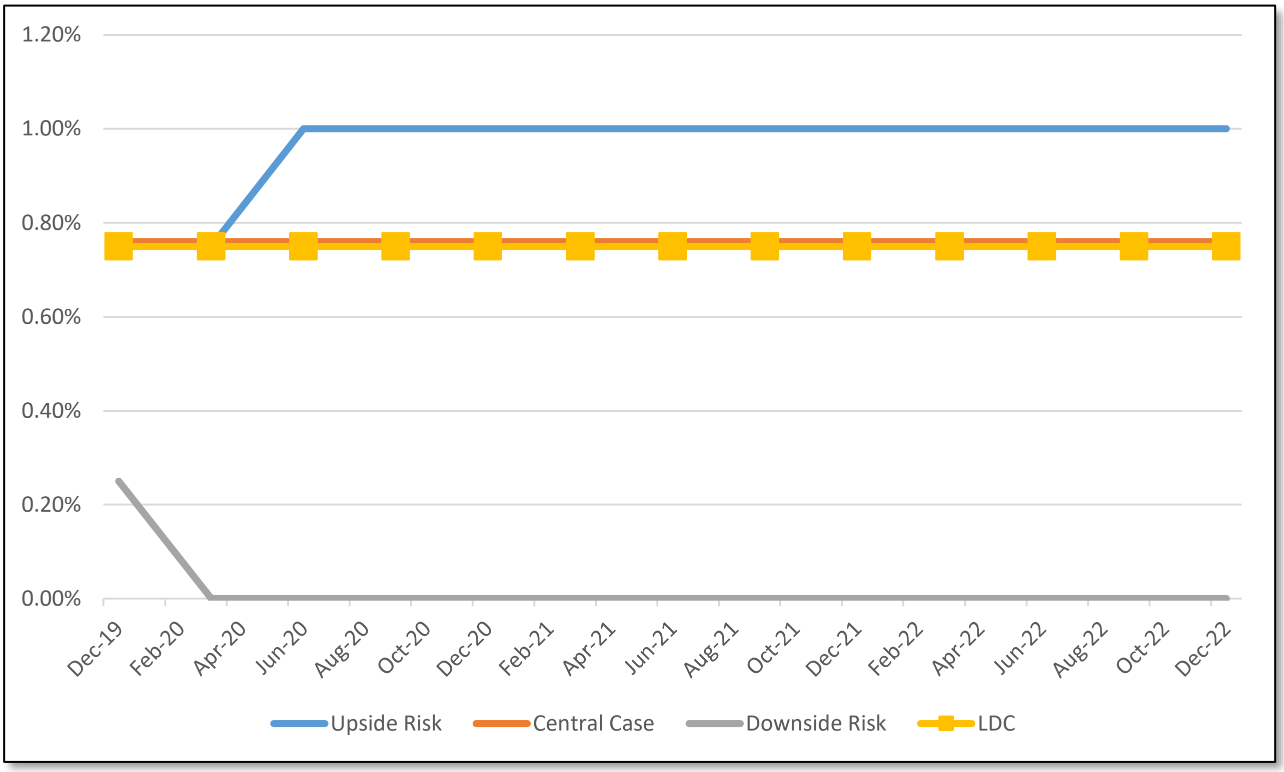
5. **Capital Funding** – this will increase as a result of the use of grants, contributions and capital receipts to fund capital investment.
6. **Pensions Reserve** – the negative value will increase to offset projected increases in the long term liability for pensions.

<u>Usable Reserves (a reduction of £1,819,000):</u>

7. **Earmarked Reserves** – these will reduce as they are used to fund both revenue expenditure and the Capital Programme.
8. **General Reserve** – there will be an increase as a result of the contributions from 2019/20 and 2020/21 together with the transfer of projected New Homes Bonus in excess of the 'cap' up to 2022/23.

3.25 **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:

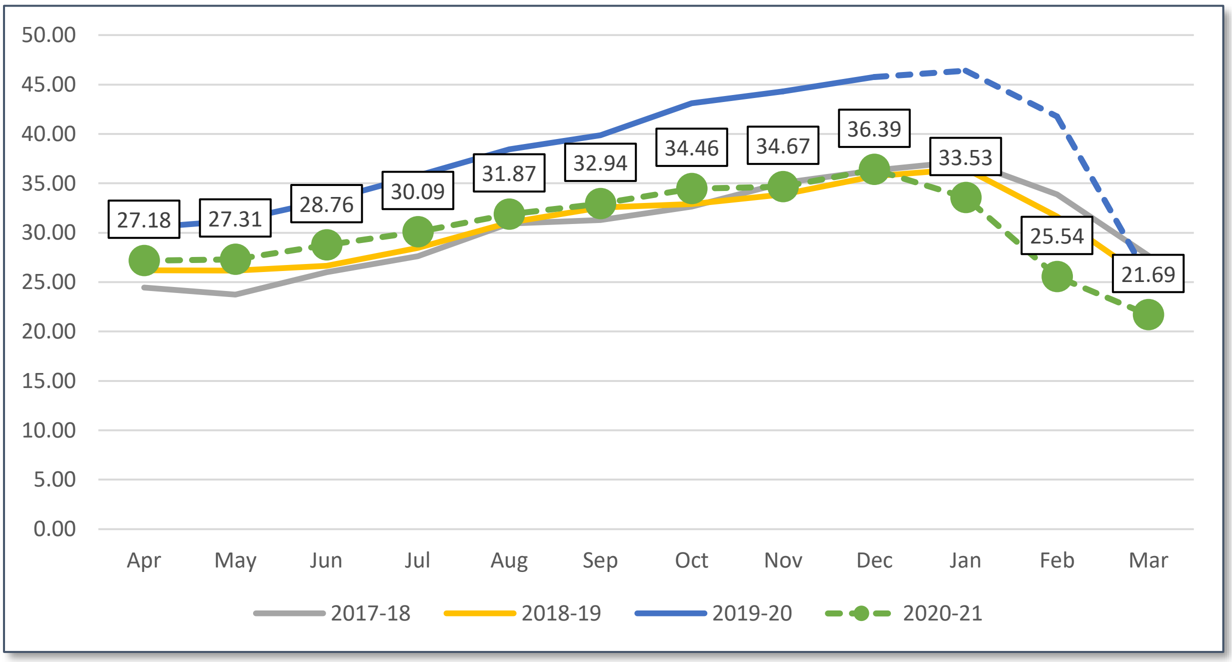



- The Council assumptions has been used as the basis for preparation of the investment income and borrowing budgets for 2020/21 and future years.

3.26 **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 2020/21 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 2020/21 for both investment income and borrowing are shown in the table below:

| Treasury Management | 2020/21 Approved Budget | |
|---|---|---|
| | Investment Income | Borrowing |
| Average Balance | £31.27m | £10.10m |
| Average Rate | 1.27% | 2.68% |

| | | |
|---|---|---|
| Gross Investment Income | (£397,000) | |
| Property Fund Transfer to Reserves | £45,000 | |
| DIF Transfer to Reserves | £15,000 | |
| External Interest | | £273,000 |
| Internal Interest | | £4,000 |
| Minimum Revenue Provision (less Finance Leases) | | £486,000 |
| **Net Treasury Position** | **(£337,000)** | **£763,000** |
| | **£426,000** | |

- The gross interest receipts have been estimated as **(£397,000)** (this equates to 13**%** of The Council's income from Retained Business Rates of **£3,020,000** in **2020/21**), transfers to the Property and Diversified Income Reserves of **£60,000** and therefore Net Investment income is **(£337,000).**

3.27 **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 2020/21 compared to those approved for 2019/20, principally to accommodate higher investment balances, are:
  1. **Approved Investment Counterparties and Limits** – Pooled Funds and Real Estate Investment Trusts. Recommended increase from **£2m per fund** to **£4m per fund** (based on Arlingclose advice of 10% of £42.3m[1]).
  2. **Investment Limits** – Any Group of Funds under the same Management. Recommended increase from **£9m per manager** to **£11m per manager** (based on Arlingclose advice of 25% of £42.3m).
  3. **Investment Limits** – Money Market Funds. Recommended increase from **£12m in total** to **£21m in total** (based on Arlingclose advice of 50% of £42.3m).
  4. **Strategic Fund Investments** – the Council diversified its investment portfolio to include two Strategic Fund investments with CCLA totalling **£4m**. To further diversify the investment portfolio and achieve higher returns, further potential investment of up to **£4m** is planned.

3.28 **Investment Strategy Report for 2020/21**

- This investment strategy for 2020/21 **(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.

[1] Highest projected balance in 2020/21 of £36m plus Internal Borrowing of £6.3m.

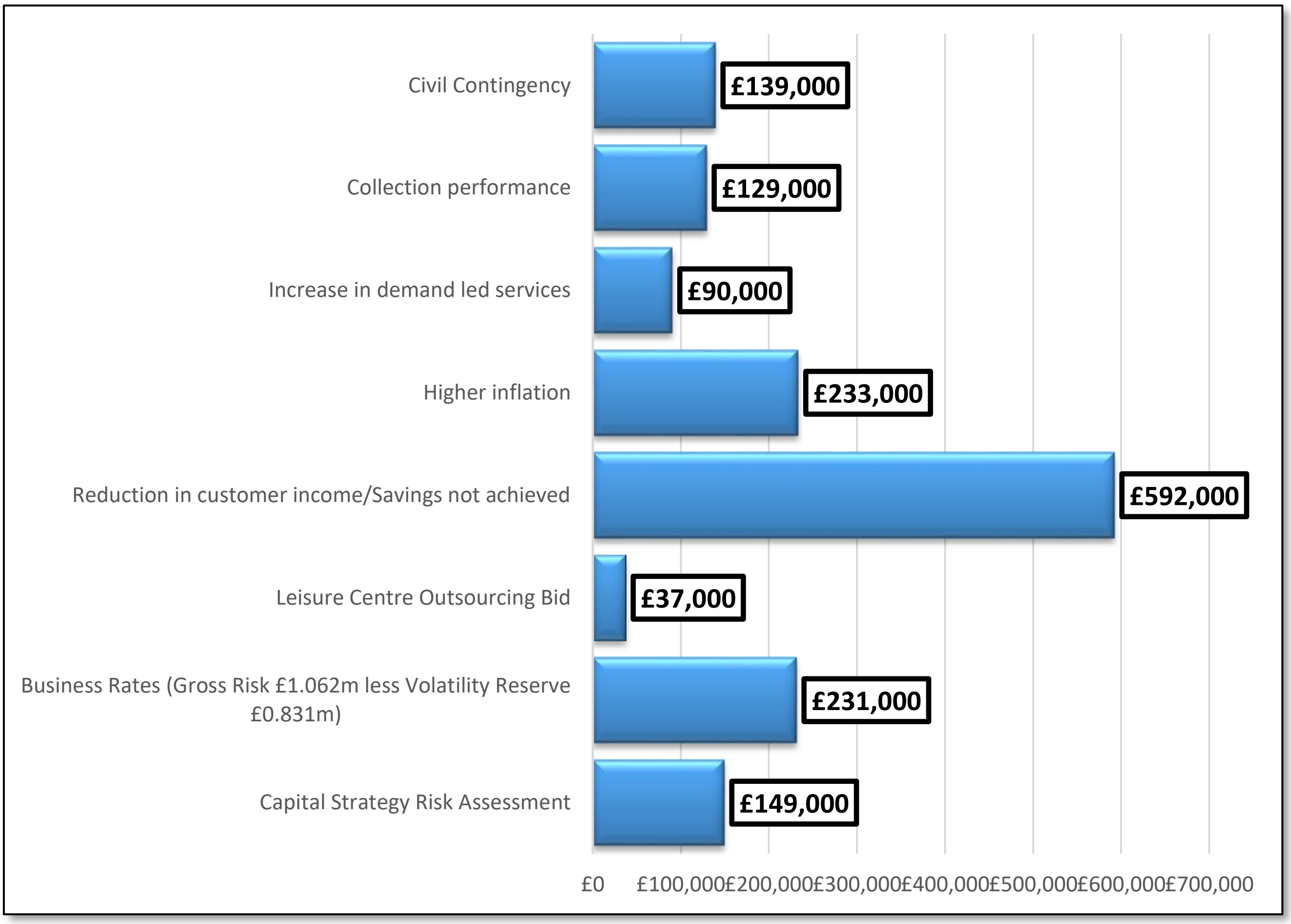
## Opinion of CFO on the Adequacy of Reserves and the Robustness of the Estimates

3.29 The Chartered Institute of Finance and Accountancy (CIPFA) provided the first release of its Financial Resilience Index on 16 December 2019 (Lichfield DC's information compared to all District Councils and Nearest Neighbours is shown at **APPENDIX G**). The index shows this Council's position on a range of measures associated with financial risk. The selection of indicators has been informed by the extensive financial resilience work undertaken by CIPFA over the past four years, public consultation and technical stakeholder engagement.

3.30 My conclusion is that on the range of measures selected by CIPFA, we compare favourably with the majority at the lower end of the risk spectrum. However I must emphasise the Resilience Index is currently based on backward looking measures rather than the future financial challenges identified in forward looking Medium Term Financial Strategies.

3.31 It is therefore 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.

3.32 The main elements of the risk assessment are shown in detail at **APPENDIX G** and below:




3.33 The Chief Finance Officer (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.

3.34 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.

## Projected General Reserves

3.35 The total projected level of general reserves categorised by the level of reserves available for use (including New Homes Bonus in excess of the "cap") and the Minimum Level are shown below:

| | 2019/20 | | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|---|---|
| | Original Budget £000 | Revised Budget £000 | £000 | £000 | £000 | £000 |
| **Available General Reserves Year Start** | **3,710** | **3,710** | **4,823** | **6,456** | **6,867** | **7,147** |
| Contributions from Revenue Budget | 39 | 1,003 | 462 | 0 | 0 | 0 |
| New Homes Bonus in excess of the 'Cap' | 110 | 110 | 1,171 | 411 | 280 | 0 |
| **Available General Reserves Year End** | **3,859** | **4,823** | **6,456** | **6,867** | **7,147** | **7,147** |
| Minimum Level | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 |
| **Total Projected General Reserves** | **5,459** | **6,423** | **8,056** | **8,467** | **8,747** | **8,747** |

| | | | | | |
|---|---|---|---|---|---|
| **Available General Reserves assuming no Savings/income identified** | **4,823** | **6,456** | **6,253** | **5,575** | **4,068** |

## Longer Term Financial Planning

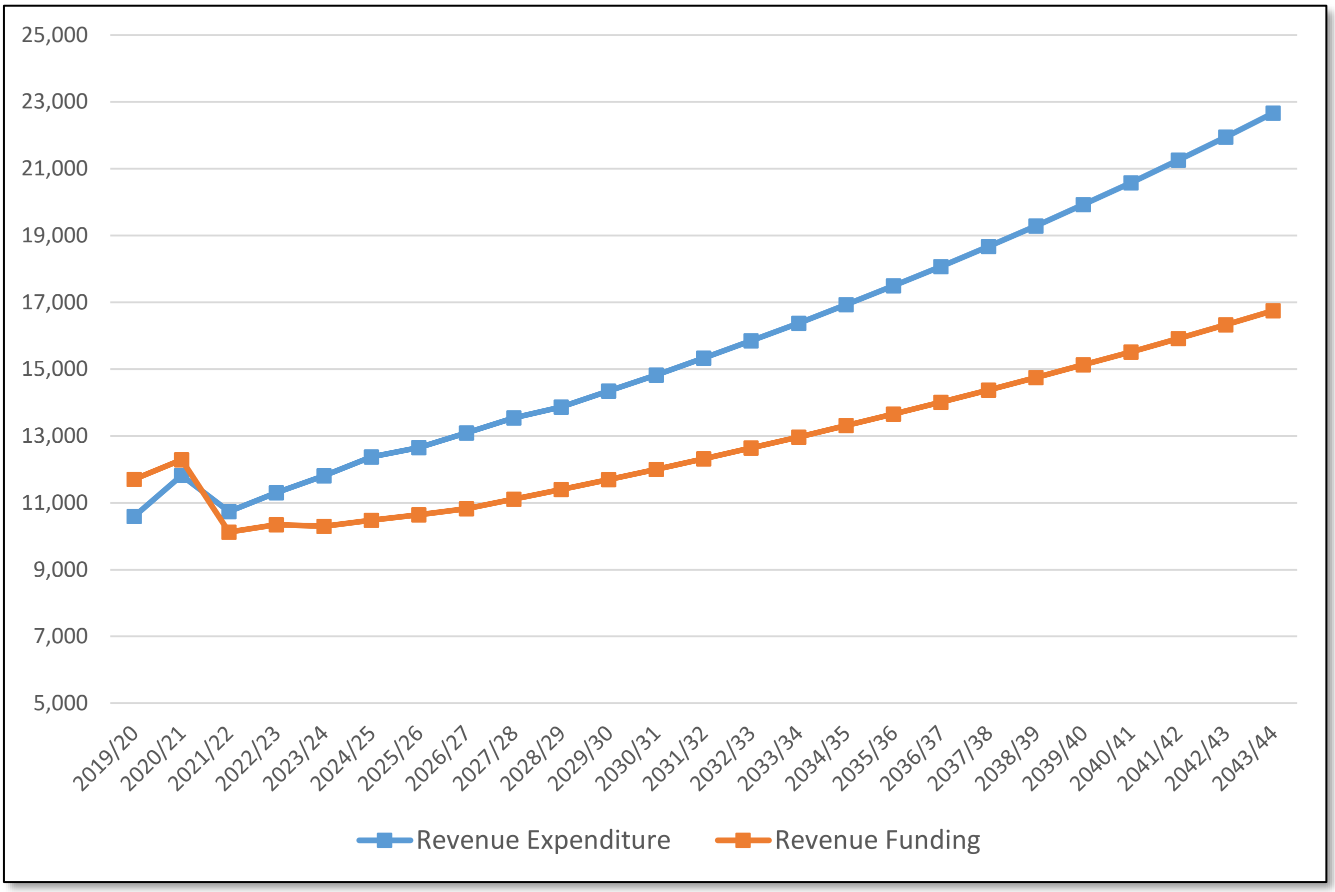
3.36 The MTFS covers a relatively short period of time (current financial year plus the next four years) and given the potential significant changes to the Local Government Financing Regime, and the more commercial approach being adopted by the Council, it is prudent to begin producing financial plans that cover a longer financial planning horizon such as 25 years.

3.37 The potential significant changes to the Local Government Financing Regime mean that whilst there is significant uncertainty beyond 2020/21, there is a benefit for the Council to understand the financial challenges that it could face in the medium to long term.

3.38 The following key assumptions have been utilised in producing the longer term financial plan:

- Annual core inflation of **2.5%** and funding increases by **2%**.
- Residential growth based on **75%** of the Strategic Housing Land Availability Assessment (SHLAA) until 2024/25 and then the Local Housing Need (LHN) assessed figure of **331** per annum.
- Council Tax increases of **£5** per annum until 2023/24 and then **1.99%** per annum.
- Service delivery budgetary growth resulting from residential growth is included. The use of the LG Futures nearest neighbours highest Unit Cost for Waste and Council Tax collection of £53 per property in 2019/20 uprated by inflation to **£58** per property in 2024/25.
- The Past Service element of Pensions increases by **£100,000** per annum from 2024/25 and is also increased annually by inflation of **2%**.
- Retained Business Rates – a full reset in 2021/22 with the majority of growth above the baseline redistributed and phased resets between full resets. These resets mean growth will only be retained for relatively short periods of time. Therefore at this stage, a prudent annual allowance of **(£100,000)** retained growth is included from 2024/25 with annual inflation increases of **2%**.
- Negative Revenue Support Grant – the principles used where funding is redistributed from relatively low need authorities that are relatively more able to fund the need through Council Tax, such as Lichfield District Council, are applied in the Fair Funding Review from 2021/22.
- New Homes Bonus – legacy payments continue to 2022/23 and then the scheme is phased out.

3.39 The longer term financial plan is shown in detail at **APPENDIX H** and in the chart below:




3.40 The Council will need to identify initiatives (including Invest to Save projects) to close the projected funding gap from 2021/22 onwards that will be focussed around:

- **Transformation and a more commercial approach** – this is designed to manage the change that will be across LDC and its services in order to meet all of the changes following the fundamental review of Local Government Finances. This includes three strands; income, innovation and investment (the latter of which includes the capital strategy). The anticipated outcomes are identified at the scoping stage of each project and benefit realisation assessed post implementation. The investment in property is regularly reviewed and re-profiled as necessary to mitigate risk.
- **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 enable the Council to become financially self-sufficient over the medium term.

| | |
|---|---|
| Alternative Options | In the main, the options are focused on the level of resource allocated to Strategic Priorities and the level of Council Tax increase. |

| | |
|---|---|
| Consultation | The Strategic Plan consultation including the Budget Consultation was undertaken from 16 December 2019 to Mid-January 2020. The report on the Strategic Plan on the agenda provides further details of the key themes including those relevant to the MTFS.<br><br>Strategic (Overview and Scrutiny) Committee at its meeting on 28 January 2020 scrutinised the MTFS 2019-24 and the Chair will provide feedback to Cabinet as appropriate.<br><br>Audit and Member Standards scrutinised the Treasury Management Strategy Statement 2020/21 at its meeting on 5 February 2020 and the chair will provide feedback to the Cabinet as appropriate. |

Financial Implications

**Prudential and Local Indicators (PIs)**

The Prudential and Local Indicators are shown below:

## Capital Strategy Indicators

### Prudential Indicators

| Indicators | 2018/19 Actual | 2019/20 Original | 2019/20 Revised | 2020/21 Original | 2021/22 Original | 2022/23 Original | 2023/24 Original |
|---|---|---|---|---|---|---|---|
| **Capital Investment** | | | | | | | |
| Capital Expenditure (£m) | £4.910 | £11.618 | £15.659 | £17.751 | £13.636 | £18.821 | £4.051 |
| Capital Financing Requirement (£m) | £4.987 | £10.301 | £14.809 | £25.432 | £35.777 | £51.245 | £51.567 |
| **Gross Debt and the Capital Financing Requirement** | | | | | | | |
| Gross Debt | (£4.315) | (£9.598) | (£11.439) | (£19.091) | (£26.520) | (£36.993) | (£40.362) |
| Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement | No | No | No | No | No | No | No |
| **Total Debt** | | | | | | | |
| Authorised Limit (£m) | £3.991 | £21.598 | £23.473 | £31.906 | £40.515 | £48.379 | £51.933 |
| Operational Boundary (£m) | £3.991 | £13.006 | £14.881 | £23.088 | £31.046 | £38.755 | £42.590 |
| Proportion of Financing Costs to Net Revenue Stream (%) | 5% | 6% | 4% | 10% | 17% | 22% | 27% |

### Local Indicators

| Indicators | 2018/19 Actual | 2019/20 Original | 2019/20 Revised | 2020/21 Original | 2021/22 Original | 2022/23 Original | 2023/24 Original |
|---|---|---|---|---|---|---|---|
| Replacement of Debt Finance/MRP (£m) | (£0.709) | (£0.720) | (£0.746) | (£1.041) | (£1.344) | (£1.641) | (£1.938) |
| Capital Receipts (£m) | (£0.760) | (£1.056) | (£0.855) | (£0.537) | (£0.010) | (£0.010) | (£0.011) |
| Liability Benchmark (£m) | £14.168 | £5.017 | £3.938 | (£11.249) | (£21.191) | (£32.672) | (£35.963) |
| Treasury Management Investments (£m) | £26.876 | £23.689 | £23.749 | £16.769 | £14.785 | £11.013 | £11.557 |

## Treasury Management Indicators

### Prudential Indicators

| | Lower Limit | Upper Limit | As at 31/03/19 | As at 31/12/19 |
|---|---|---|---|---|
| **Refinancing Rate Risk Indicator** | 0% | 100% | | |
| Under 12 months | 0% | 100% | 7.24% | 7.89% |
| 12 months and within 24 months | 0% | 100% | 7.32% | 7.99% |
| 24 months and within 5 years | 0% | 100% | 22.49% | 24.53% |
| 5 years and within 10 years | 0% | 100% | 36.43% | 33.48% |
| 10 years and within 20 years | 0% | 100% | 23.06% | 24.86% |
| 20 years and within 30 years | 0% | 100% | 3.46% | 1.24% |
| 30 years and within 40 years | 0% | 100% | | |
| 40 years and within 50 years | 0% | 100% | | |
| 50 years and above | 0% | 100% | | |

| Indicators | 2018/19 Actual | 2019/20 Original | 2019/20 Revised | 2020/21 Original | 2021/22 Original | 2022/23 Original | 2023/24 Original |
|---|---|---|---|---|---|---|---|
| Principal Sums invested for periods longer than a year (£m) | £2.000 | £6.000 | £6.000 | £10.000 | £10.000 | £10.000 | £10.000 |

### Local Indicators

| Indicators | 2018/19 Actual | 2019/20 Original | 2019/20 Revised | 2020/21 Original | 2021/22 Original | 2022/23 Original | 2023/24 Original |
|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m |
| **Balance Sheet Summary and Forecast** | | | | | | | |
| Borrowing Capital Financing Requirement | £3.312 | £9.152 | £13.694 | £24.871 | £35.745 | £48.450 | £49.238 |
| Internal (over) Borrowing | £0.672 | £0.703 | £3.370 | £6.340 | £9.256 | £14.252 | £11.205 |
| Investments (or New Borrowing) | (£26.519) | (£23.689) | (£23.748) | (£16.093) | (£14.109) | (£10.337) | (£10.881) |
| Liability Benchmark | (£14.168) | (£5.017) | (£3.938) | £11.249 | £21.191 | £32.672 | £35.963 |

| | Target |
|---|---|
| **Security** | |
| Portfolio average credit rating | A- |
| **Liquidity** | |
| Temporary Borrowing | £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 the Strategic Plan. |
| Equality, Diversity and Human Rights Implications | These areas are addressed as part of the specific areas of activity prior to being included in the Strategic Plan. |
| Crime & Safety Issues | These areas are addressed as part of the specific areas of activity prior to being included in the Strategic Plan. |
| 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 2020**. | 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 | Non 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 | The Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations. | To closely monitor the level of appeals.<br>An allowance of **4.7%** (in line with the MHCLG Allowance) for appeals has been included in the Business Rate Estimates. | Yellow - Material |
| E | The review of the New Homes Bonus regime in 2021/22. | Not all of the projected New Homes Bonus is included as core funding in the Base Budget. In 2021/22 £500,000 is included and this is then being reduced by £100,000 per annum. | Yellow - Material |
| F | The increased Localisation of Business Rates and the Fair Funding Review in 2021/2022. | 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. | An estates management team has been recruited to provide professional expertise and advice in relation to investment in property 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) 2018-23 – Cabinet 12 February 2019
- Allocation of Strategic Community Infrastructure Levy (CIL) Funding – Cabinet 12 March 2019
- Multi Storey Car Park – Cabinet 12 March 2019
- Money Matters: 2018/19 Review of Financial Performance against the Financial Strategy – Cabinet 13 June 2019.
- Jigsaw Funding Agreement – Cabinet 9 July 2019
- Money Matters: 2019/20 Review of Financial Performance against the Financial Strategy – Cabinet 10 September 2019
- Birmingham Road Site Enabling Works – Cabinet 10 September 2019
- Friary Grange Leisure Centre – Cabinet 7 October 2019
- Medium Term Financial Strategy 2019-24 – Cabinet 8 October 2019
- St Stephen's School allocation of Section 106 – Cabinet Member Decision 24 October 2019
- Community Lottery – Cabinet 12 November 2019
- Money Matters: 2019/20 Review of Financial Performance against the Financial Strategy – Cabinet 3 December 2019
- Money Matters: Calculation of Business Rates 2020/21, Council Tax Base for 2020/21 and the projected Collection Fund Surplus / Deficit for 2019/20 – Cabinet 3 December 2019
- Money Matters: 2019/20 Review of Financial Performance against the Financial Strategy – Cabinet 11 February 2020
- Capital Bids

## Relevant web links

**APPENDIX A**

## Revenue Budget 2019/20 to 2023/24 (£000)

| | 2019/20 Original Budget | 2019/20 Revised Budget | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|---|---|
| **LEVEL OF UNCERTAINTY / RISK** | **LOW** | **LOW** | **LOW** | **HIGH** | **HIGH** | **HIGH** |
| Enabling people | 1,528 | 1,593 | 1,480 | 1,463 | 1,454 | 1,480 |
| Shaping place | 3,259 | 3,050 | 3,570 | 3,625 | 4,269 | 4,554 |
| Developing prosperity | (1,079) | (1,105) | (1,234) | (2,039) | (2,811) | (3,451) |
| A good council | 6,186 | 5,930 | 6,302 | 6,410 | 6,585 | 6,864 |
| Revenue Implications of Capital Programme | 0 | 0 | 229 | (30) | (85) | 19 |
| Corporate Expenditure | 1,329 | 1,127 | 305 | 899 | 1,614 | 2,340 |
| **Total Expenditure** | **11,223** | **10,595** | **10,651** | **10,329** | **11,026** | **11,807** |
| Retained Business Rates Baseline Funding | (2,083) | (2,083) | (2,117) | (1,691) | (1,720) | (1,749) |
| Retained Business Rates Growth Allowance | (443) | (746) | (903) | (89) | (116) | (123) |
| Business Rates Cap | (68) | (86) | (85) | 0 | 0 | 0 |
| Business Rates Pilot | (568) | (568) | 0 | 0 | 0 | 0 |
| Levy Account Surplus/ Other Grants | 0 | (49) | (49) | (51) | (74) | 0 |
| New Homes Bonus - Base Budget | (700) | (700) | (600) | (500) | (400) | (300) |
| New Homes Bonus - to Earmarked Reserve | (468) | (468) | 0 | 0 | 0 | 0 |
| New Homes Bonus - to General Reserve | (110) | (110) | (1,171) | (411) | (280) | 0 |
| Collection Fund (Surplus)/Deficit | (277) | (242) | (330) | (35) | (35) | (35) |
| Council Tax | (6,655) | (6,655) | (7,029) | (7,350) | (7,722) | (8,093) |
| **Total Funding** | **(11,371)** | **(11,708)** | **(12,284)** | **(10,127)** | **(10,347)** | **(10,300)** |
| Transfer to general reserves | 39 | 1,004 | 0 | 0 | 0 | 0 |
| New Homes Bonus to general reserves | 110 | 110 | 1,171 | 411 | 280 | 0 |
| **Funding Gap (transfer to general reserves)** | **0** | **0** | **(462)** | **613** | **959** | **1,507** |
| **Council Tax Base** | **38,011** | **38,011** | **39,032** | **39,717** | **40,627** | **41,487** |
| **Band D Council Tax (assumes maximum £5)** | **175.07** | **175.07** | **180.07** | **185.07** | **190.07** | **195.07** |

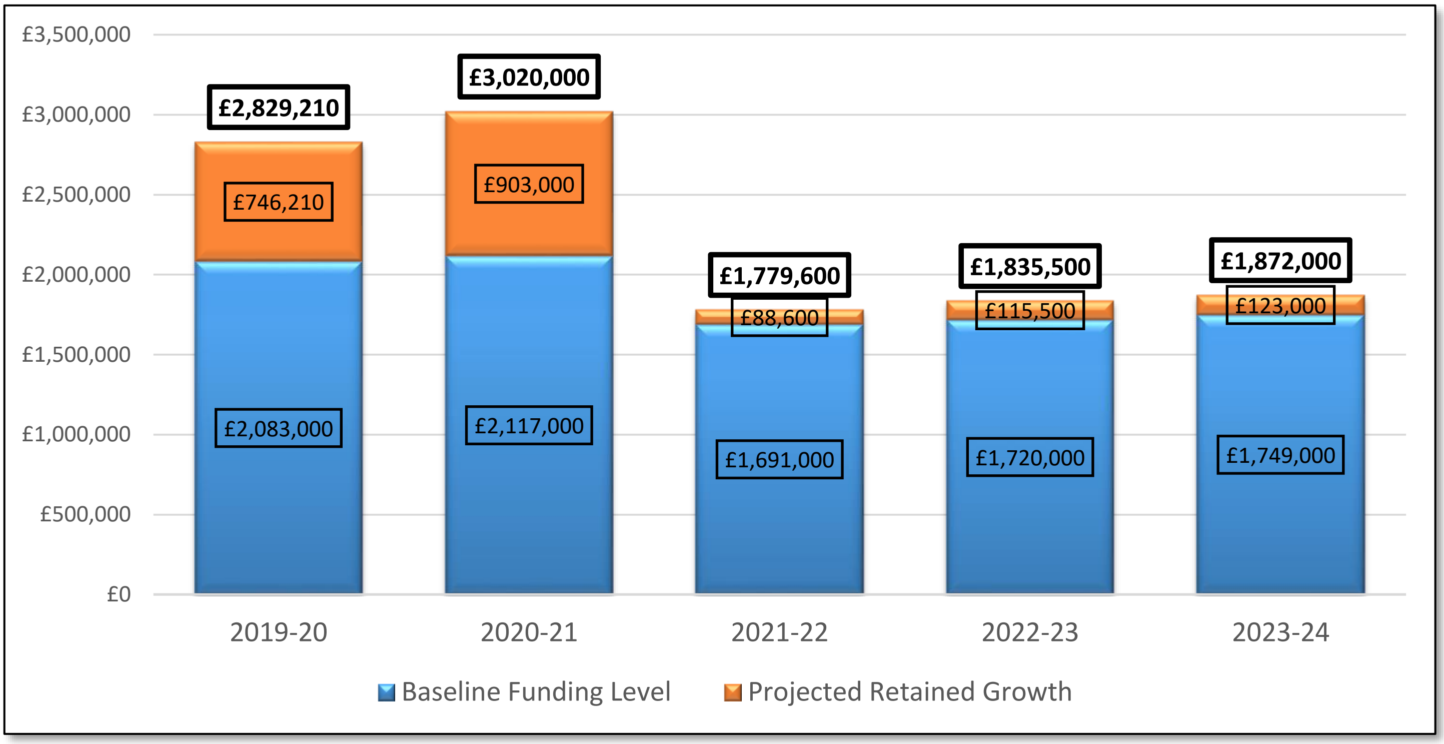
### Reconciliation of Original Funding Gap to MTFS Funding Gap

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|---|
| **ORIGINAL FUNDING GAP/ (Transfer to general reserves)** | **(£149)** | **£842** | **£917** | **£1,012** | **£1,339** |
| Budget Monitoring in 2019/20 | | | | | |
| 2018/19 Money Matters | (10) | (10) | (10) | (10) | (10) |
| 3 Month's Money Matters | (489) | (10) | (10) | (10) | (10) |
| 6 Month's Money Matters | (66) | 0 | 0 | 0 | 0 |
| 8 Month's Money Matters | (373) | 0 | 0 | 0 | 0 |
| Cabinet and Council Reports | (27) | (64) | (23) | (71) | (74) |
| **Approved Funding Gap/ (Transfer to general reserves)** | **(1,114)** | **757** | **874** | **921** | **1,244** |
| Modelled Changes | Included in 8 Month's Money Matters Report | | | | |
| Inflation | | (3) | (2) | (0) | 3 |
| Budget Variations – includes changes to NHB transfers | | 870 | (266) | (221) | (105) |
| Revenue Implications of the Capital Programme | | 229 | (30) | (85) | 19 |
| Net Treasury | | (97) | (97) | (97) | (97) |
| Retained Business Rates / Negative RSG | | (1,293) | (0) | (1) | (78) |
| Business Rates Cap | | (85) | 0 | 0 | 0 |
| Council Tax | | (109) | (131) | (191) | (276) |
| New Homes Bonus – income changes offset by transfers to general reserves | | (716) | 265 | 632 | 796 |
| Levy Account Surplus | | (49) | 0 | 0 | 0 |
| Business Rates Collection Fund | | 75 | 0 | 0 | 0 |
| Council Tax Collection Fund | | (40) | 0 | 0 | 0 |
| **MTFS FUNDING GAP / (Transfer to general reserves)** | **(£1,114)** | **(£462)** | **£613** | **£959** | **£1,507** |

# 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 2021/22, are:




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

| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|---|---|---|---|---|
| Approved MTFS (assumed Fair Funding and 75% Business Rates from 2020/21) | £2,829,210 | £1,726,700 | £1,779,600 | £1,835,500 | £1,794,490 |
| Draft MTFS (assumes Fair Funding and 75% Business Rates from 2021/22) | £2,829,210 | £3,020,000 | £1,779,600 | £1,835,500 | £1,872,000 |
| **Change** | - | **£1,293,300** | - | - | **£77,510** |

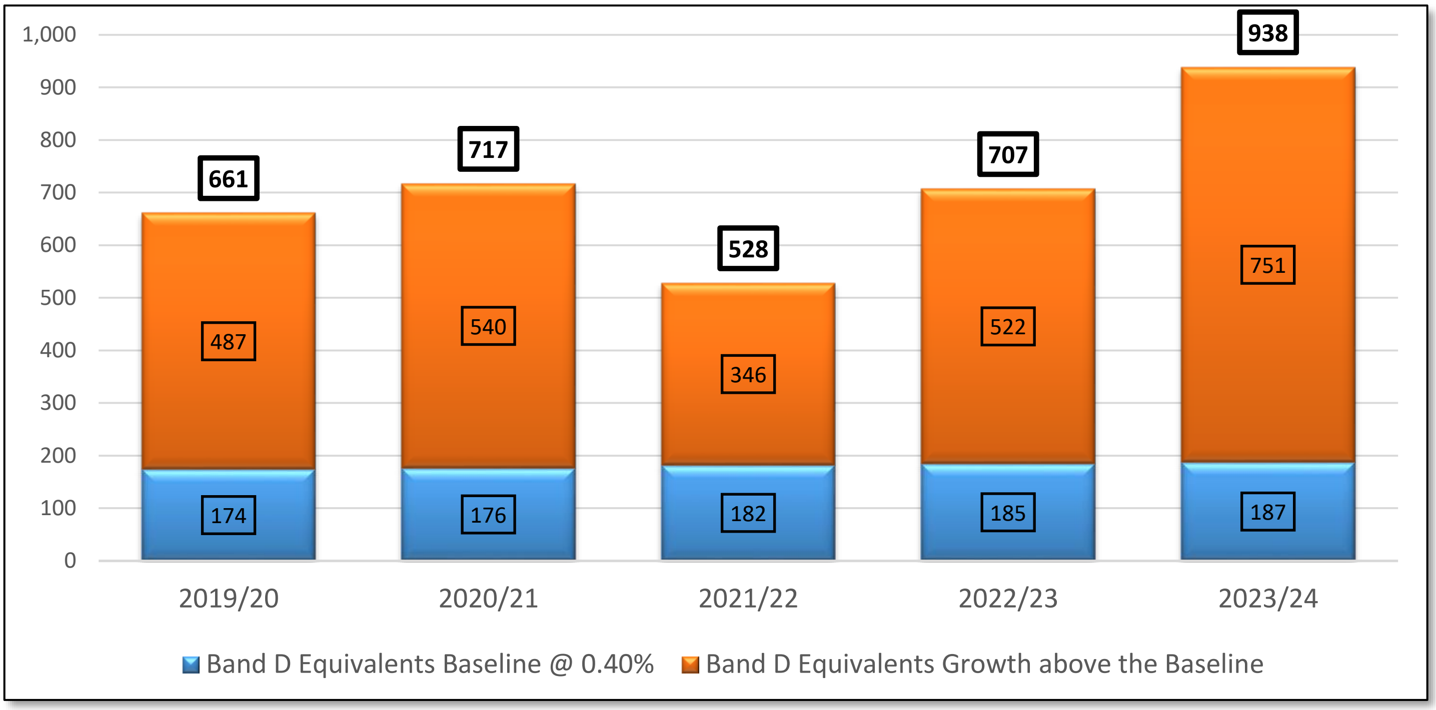
The Council has access to sector expert's financial models and these can be used to identify alternative scenarios (using various parameters such as the level of need funded by Council Tax income, how Council Tax is split in two tier areas and whether car parking income is included) to the one identified in the graph above following the Fair Funding Review:

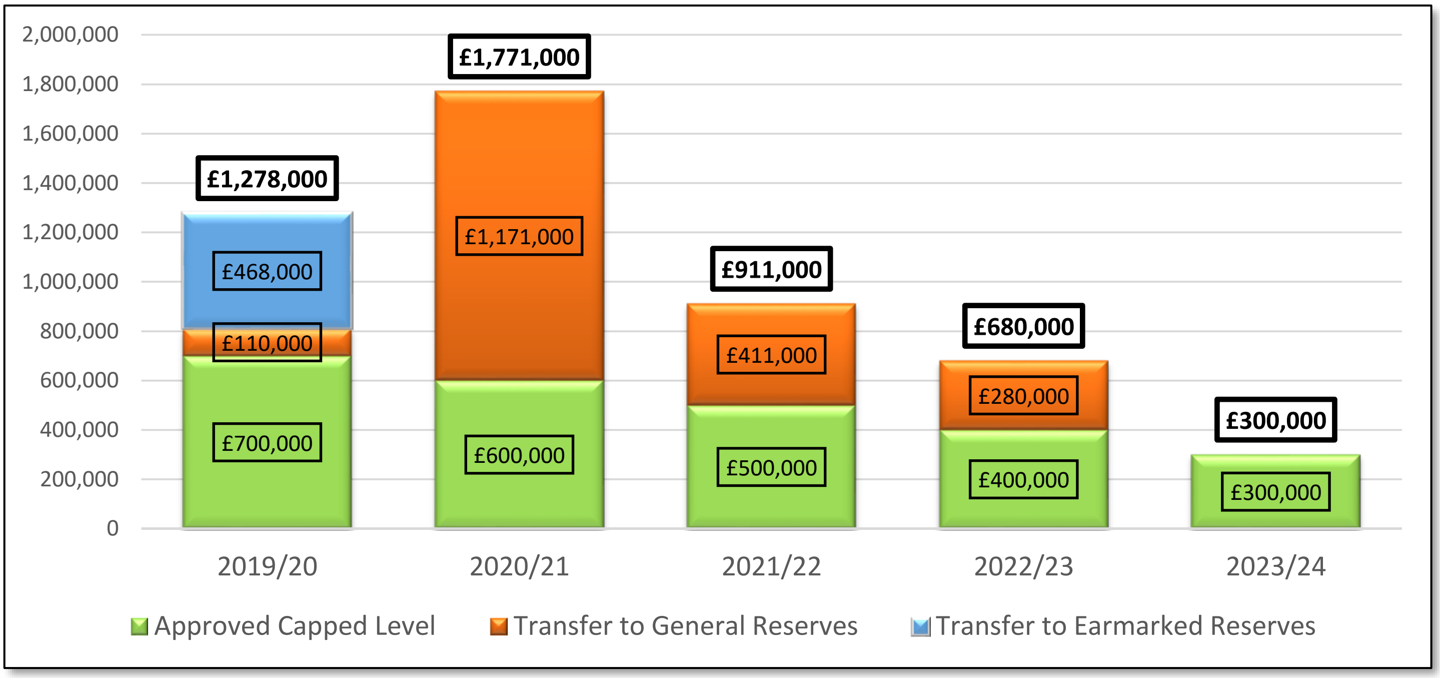
| **Fair Funding Review Scenarios 2021/22** | | | | | |
|---|---|---|---|---|---|
| **Need Funded by Council Tax** | **Council Tax Tier Split** | | | **Car Park Income** | |
| | **Upper** | **Lower** | **Fire** | **Excluding** | **Including** |
| **Baseline Funding Level Budget** | | | | **£1,691,000** | |
| 75% | 83.9% | 12.8% | 3.3% | £1,620,000 | £1,024,000 |
| 100% | 83.9% | 12.8% | 3.3% | £1,247,000 | £657,000 |
| 75% | 83.8% | 12.9% | 3.3% | £1,576,000 | £980,000 |
| 100% | 83.8% | 12.9% | 3.3% | £1,189,000 | £600,000 |
| 75% | 83.2% | 11.9% | 4.8% | £2,014,000 | £1,416,000 |
| 100% | 83.2% | 11.9% | 4.8% | £1,768,000 | £1,176,000 |

At present, the Medium Term Financial Strategy does not include any allowance for managing the transition from the current Local Government Finance system to the new Local Government Finance System.

## New Homes Bonus

The budgets for housing supply and New Homes Bonus, with the review from 2021/22 presenting a material risk, are:



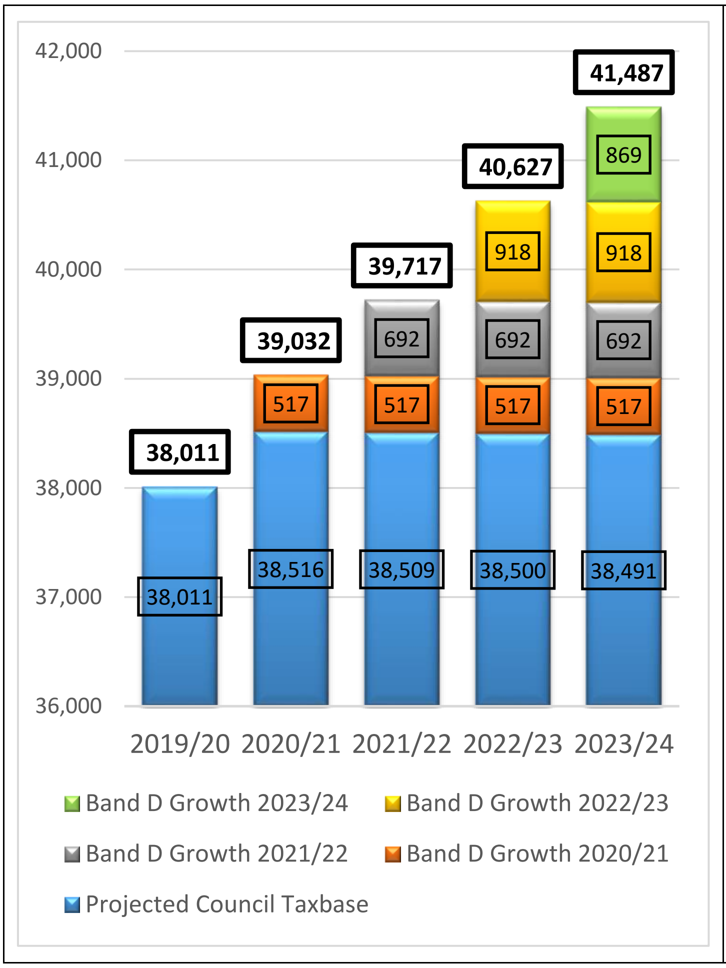

The change in New Homes Bonus income compared to the Approved Medium Term Financial Strategy is shown below:

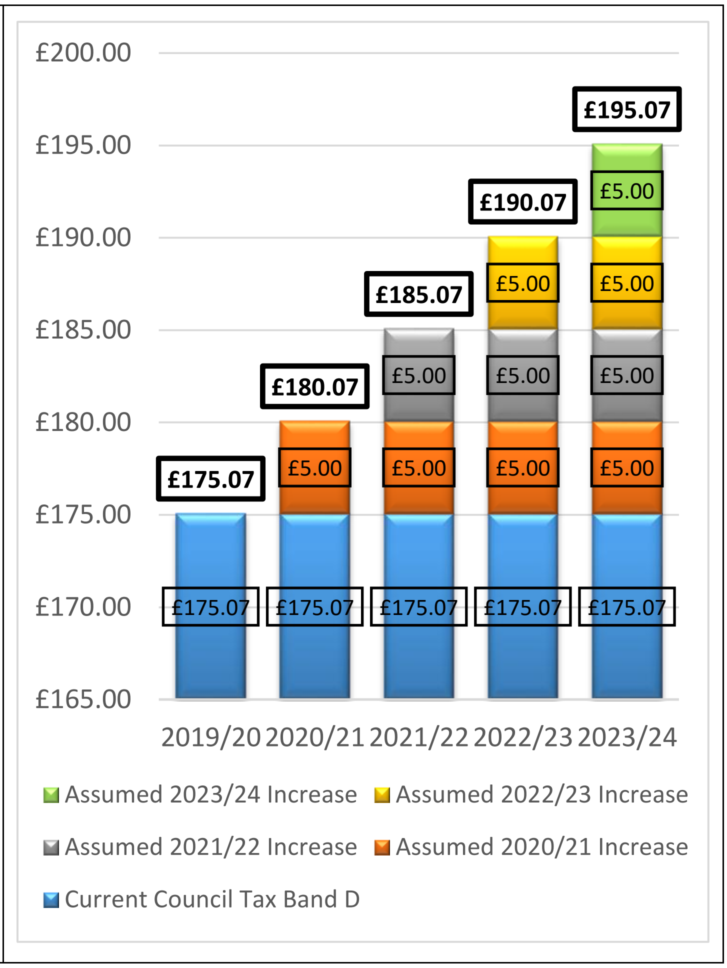
| **Capped Level** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **2023/24** |
|---|---|---|---|---|---|
| Approved MTFS | £700,000 | £600,000 | £500,000 | £400,000 | £300,000 |
| Draft MTFS | £700,000 | £600,000 | £500,000 | £400,000 | £300,000 |
| **Change** | - | - | - | - | - |

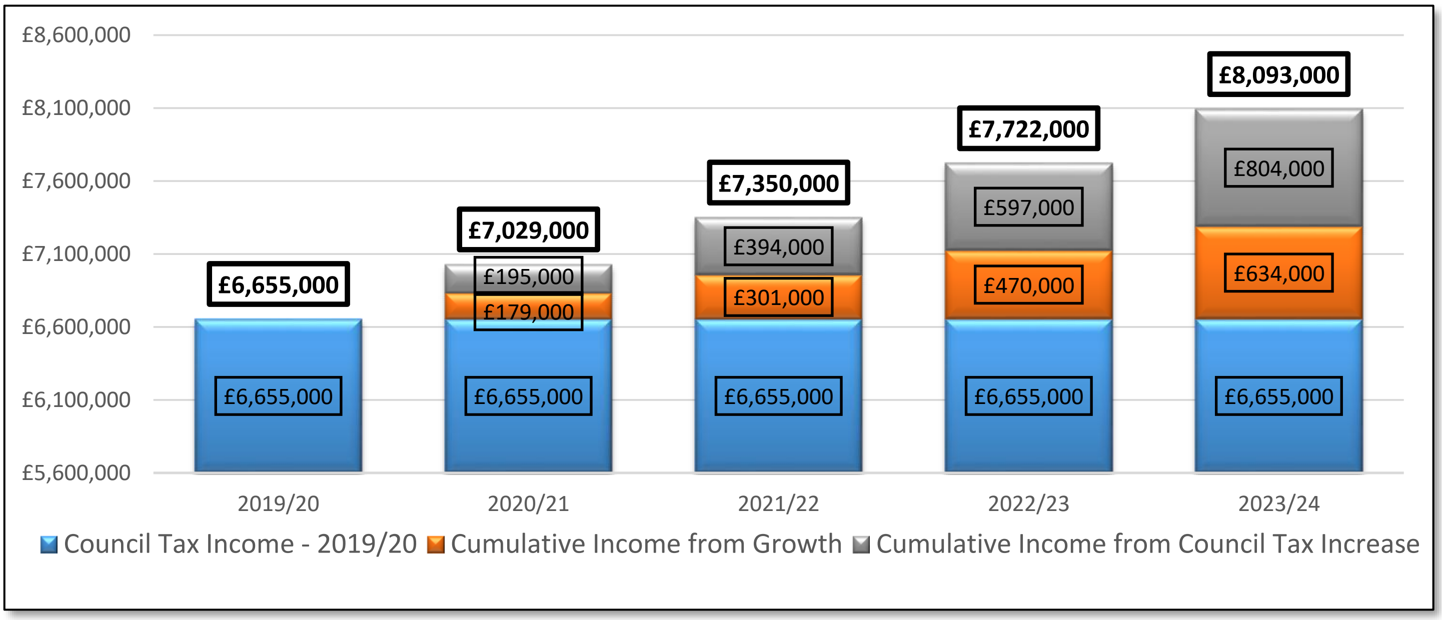
| **Total amount of New Homes Bonus** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **2023/24** |
|---|---|---|---|---|---|
| Approved MTFS | £1,278,000 | £1,055,000 | £1,227,000 | £1,386,000 | £1,096,000 |
| Draft MTFS | £1,278,000 | £1,771,000 | £911,000 | £680,000 | £300,000 |
| **Change** | - | **£716,000** | **(£316,000)** | **(£706,000)** | **(£796,000)** |

# Council Tax

The Approved Budgets for Council Tax base (with a modelled **£5** 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:

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|---|
| Approved MTFS | £6,655,000 | £6,920,000 | £7,219,000 | £7,531,000 | £7,817,000 |
| MTFS | £6,655,000 | £7,029,000 | £7,350,000 | £7,722,000 | £8,093,000 |
| **Change** | - | **£109,000** | **£131,000** | **£191,000** | **£276,000** |

# Capital Strategy

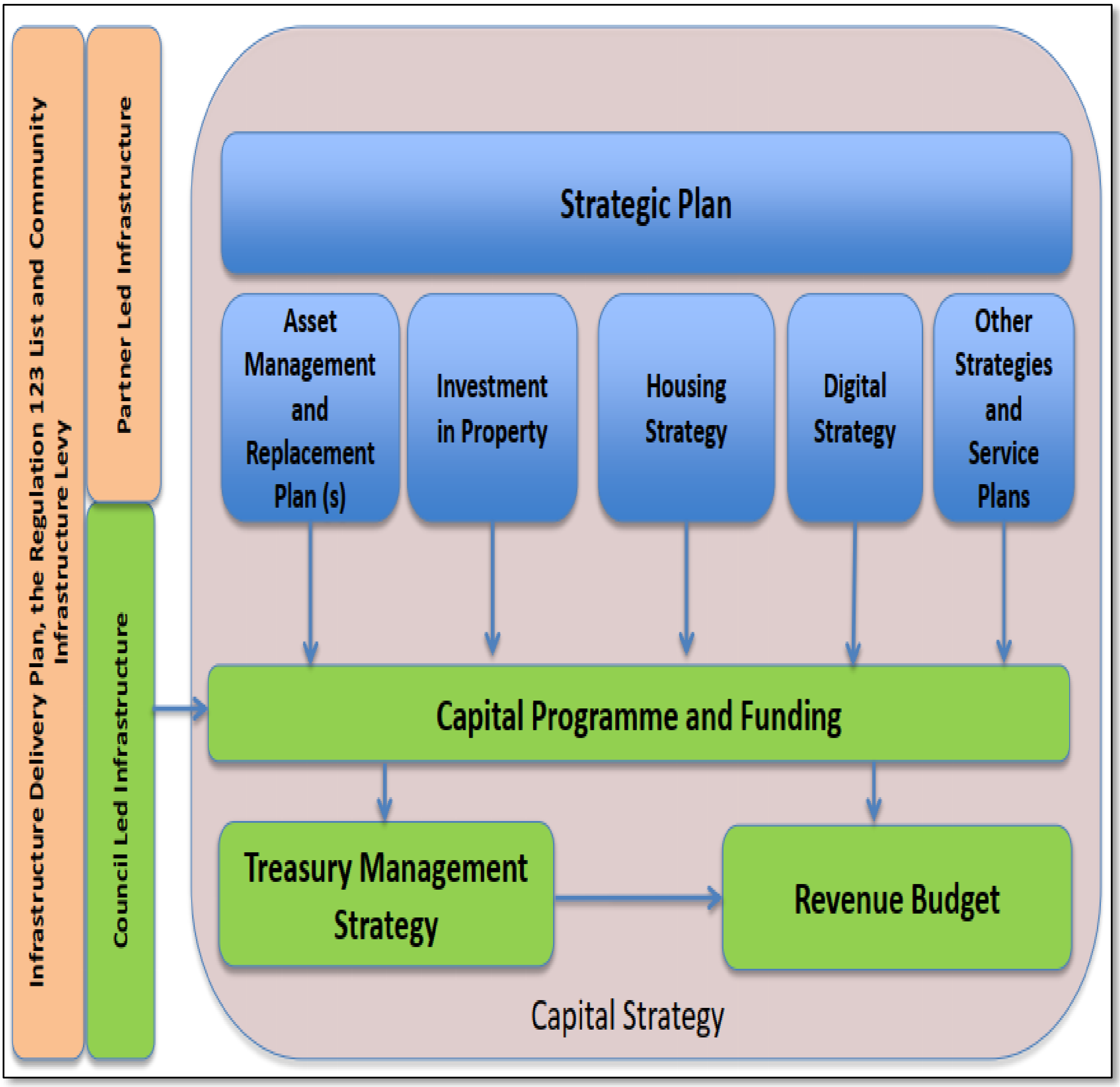
## 1. Introduction

1.1. The Prudential Code requires the completion of a Capital Strategy that is approved by Full Council.

1.2. The Capital Strategy provides 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.

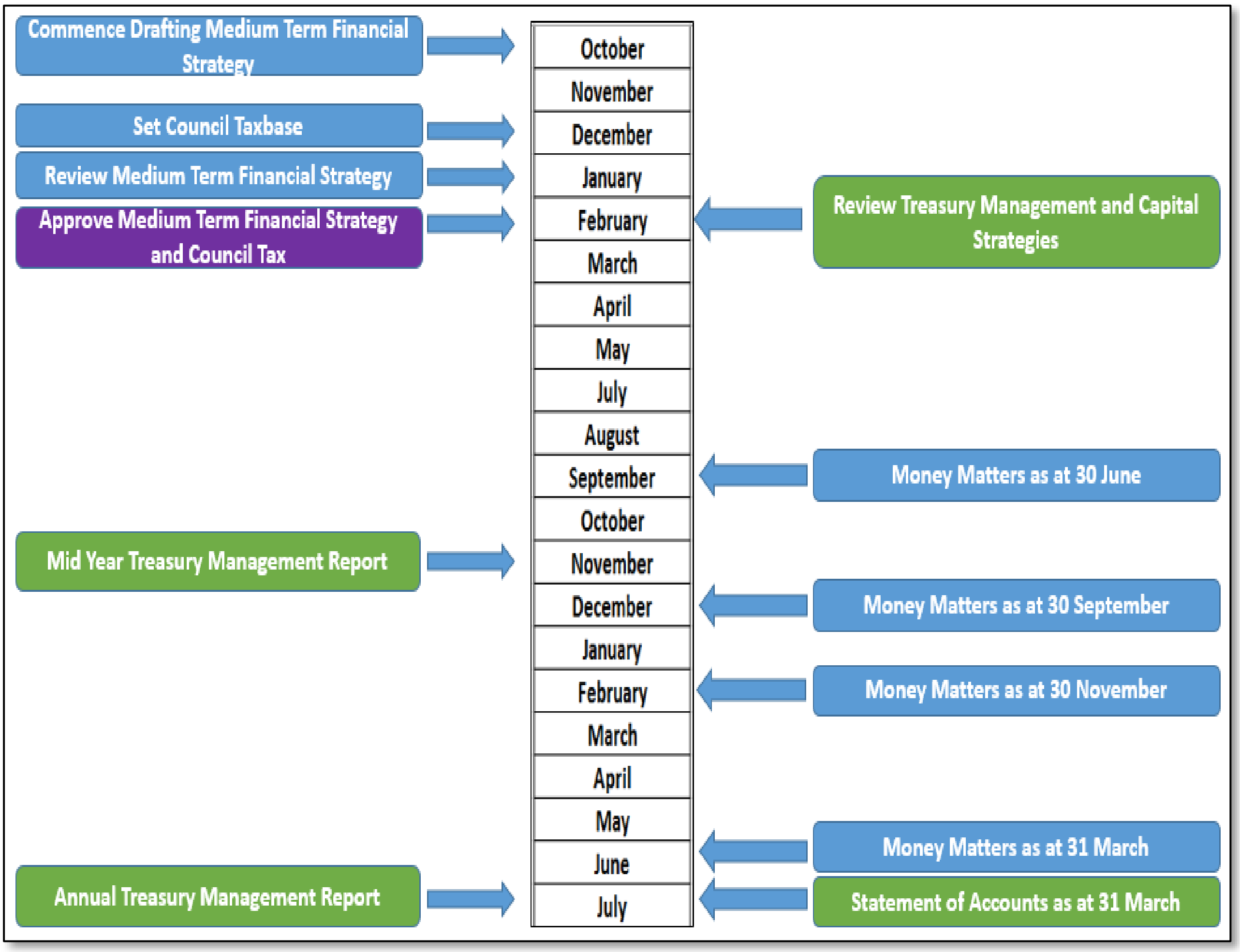
1.3. It forms part of the Councils integrated revenue, capital and balance sheet planning. The Council already undertakes elements of the new requirements although some areas, such as Asset Management Planning, need further development.

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



## 2. The Capital Programme

2.1. The financial planning process and its Governance (Blue is Cabinet and Strategic (Overview and Scrutiny) Committee, Green is Audit and Member Standards and Purple is Council) is shown below:




**The Capital Programme Process**

2.2. As the Council becomes more commercial and Asset Management Plans are developed, it is probable that capital needs will be identified that exceed resources available thus necessitating a more transparent and robust process to inform Members during the development of the MTFS.

2.3. This process has been designed to ensure consistency, objectivity, equity and transparency to the prioritisation and allocation of capital funding, while ensuring we get maximum value for money.

2.4. A summary of the new process is identified below:

- Service identifies a budget requirement and consults with the Finance and Procurement Team.
- Service requests funding by completing and submitting a funding bid form.
- Service completes a funding bid financial profile form and submits this with their bid.
- Service completes a funding bid assessment form and submits this with their bid.
- The Finance and Procurement Team reviews all bids and assessments and requests clarification where required.
- The Finance and Procurement Team reviews bids using the assessment criteria and submits a report to Leadership Team.

- Leadership Team review all bids and recommend changes before recommending the allocation of funding either through a Cabinet Report or through the MTFS.
- Finance and Procurement monitor funding allocations and spend, reporting to Leadership Team as part of Money Matters Reports.
- Service completes work / project outlined within the bid and undertakes a review (i.e. post-project review) within 6 months of work being completed, providing this to Finance and Procurement to include in a report to Leadership Team.

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

2.5. 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).

2.6. 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.

2.7. 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.

2.8. 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.

2.9. The **Capital Programme** and its **funding** by Strategic Priority is summarised below:

| Strategic Priority | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | Total £000 | Corporate £000 |
|---|---|---|---|---|---|---|---|
| Enabling People | 2,324 | 3,424 | 1,164 | 3,324 | 3,235 | 13,471 | 396 |
| Shaping Place | 809 | 1,045 | 502 | 3,482 | 427 | 6,265 | 273 |
| Developing Prosperity | 1,732 | 625 | 0 | 0 | 0 | 2,357 | 471 |
| A Good Council | 10,794 | 12,657 | 11,970 | 12,015 | 389 | 47,825 | 2,682 |
| **Grand Total** | **15,659** | **17,751** | **13,636** | **18,821** | **4,051** | **69,918** | **3,822** |

| Funding Source | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | Total £000 |
|---|---|---|---|---|---|---|
| Capital Receipts | 547 | 1,402 | 514 | 559 | 352 | 3,374 |
| Capital Receipts - Statue | 53 | 0 | 0 | 0 | 0 | 53 |
| Revenue - Corporate | 0 | 182 | 0 | 0 | 213 | 395 |
| **Corporate Council Funding** | **600** | **1,584** | **514** | **559** | **565** | **3,822** |
| Grant | 1,266 | 2,343 | 931 | 931 | 931 | 6,402 |
| Section 106 | 673 | 865 | 25 | 0 | 0 | 1,563 |
| CIL | 221 | 79 | 0 | 0 | 0 | 300 |
| Reserves | 1,946 | 1,066 | 327 | 72 | 145 | 3,556 |
| Revenue (Joint Waste Service) | 150 | 150 | 150 | 150 | 150 | 750 |
| Sinking Fund | 235 | 0 | 0 | 0 | 0 | 235 |
| Leases | 0 | 0 | 0 | 3,260 | 0 | 3,260 |
| **Total** | **5,091** | **6,087** | **1,947** | **4,972** | **1,791** | **19,888** |
| **Borrowing Need** | **10,568** | **11,664** | **11,689** | **13,849** | **2,260** | **50,030** |
| **Funding Total** | **15,659** | **17,751** | **13,636** | **18,821** | **4,051** | **69,918** |

2.10. The Revenue implications are shown below:

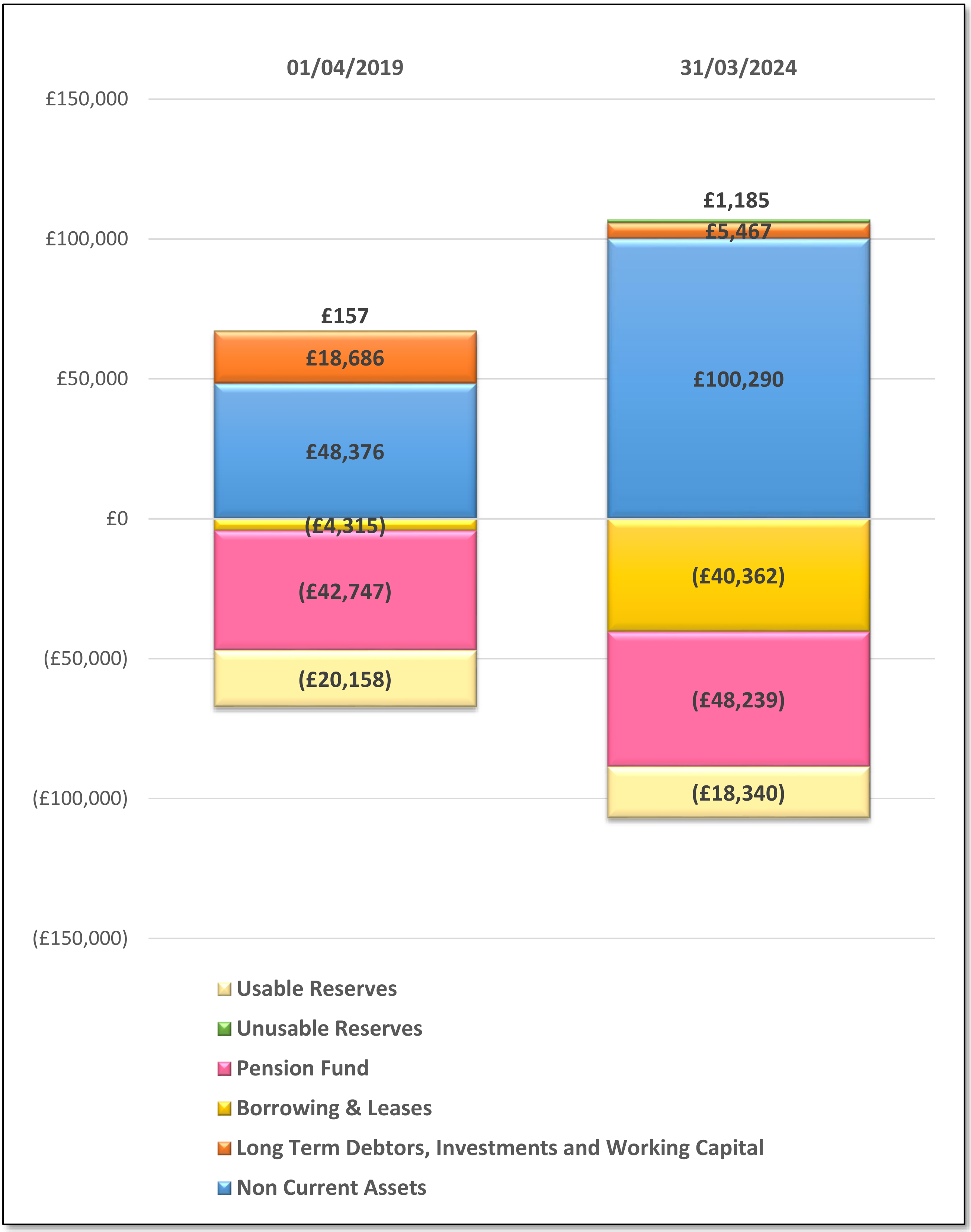
| Revenue Implications | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | Total £000 |
|---|---|---|---|---|---|---|
| Approved Budgets | | | | | | |
| Investment in Property | 0 | (56) | (180) | (303) | (427) | (966) |
| Interest on Loan to the LA Company | 0 | (4) | (18) | (22) | (22) | (66) |
| Leisure Outsourcing | (57) | (58) | (61) | (63) | (63) | (302) |
| Friary Grange - Refurbishment | 33 | 135 | 135 | 135 | 135 | 573 |
| Digital Strategy | 50 | (30) | (100) | (150) | (150) | (380) |
| **Approved Budget** | **26** | **(13)** | **(224)** | **(403)** | **(527)** | **(1,141)** |
| Capital Programme | | | | | | |
| Revenue Implications of Bids | 0 | 78 | 68 | 79 | 37 | 262 |
| Property - Internal Borrowing | 0 | (31) | (98) | (164) | (231) | (524) |
| Revenue Budget | 0 | 182 | 0 | 0 | 213 | 395 |
| **Changes to Approved Budget** | **0** | **229** | **(30)** | **(85)** | **19** | **133** |
| **Capital Programme** | **26** | **216** | **(254)** | **(488)** | **(508)** | **(1,008)** |

2.11. Capital Programme are shown in the table below:

| Capital Receipts | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Opening Balance** | **(2,004)** | **(2,259)** | **(1,394)** | **(890)** | **(341)** | **(2,004)** |
| Guardian House Covenant | (320) | | | | | (320) |
| Sale of Beacon Cottage | (368) | | | | | (368) |
| Sale of land at Netherstowe and Leyfields | | (527) | | | | (527) |
| Right to Buy Receipts | (157) | | | | | (157) |
| Other Receipts | (10) | (10) | (10) | (10) | (11) | (51) |
| Utilised in Year | 600 | 1,402 | 514 | 559 | 352 | 3,427 |
| **Closing Balance** | **(2,259)** | **(1,394)** | **(890)** | **(341)** | **0** | **0** |

## 3. The Balance Sheet (in £000s)

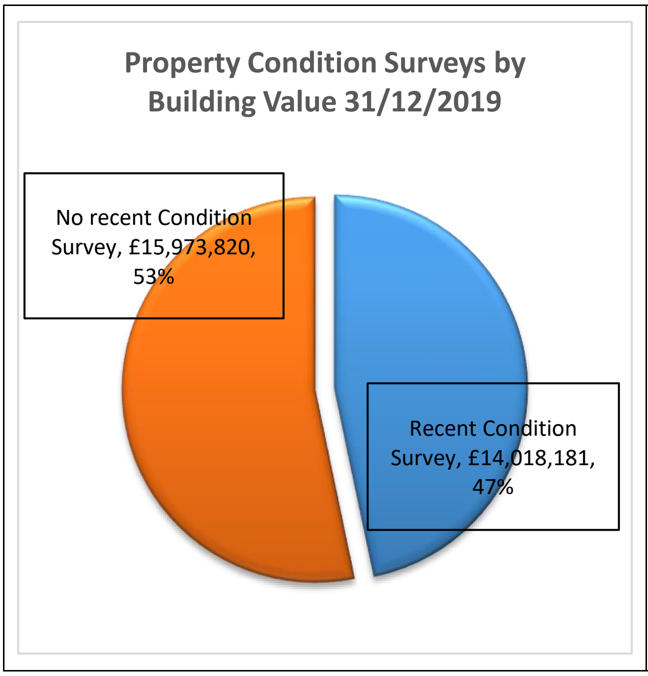
3.1. The Capital Programme and its funding will significantly impact on the Council's Balance Sheet through investment in property funded by borrowing:

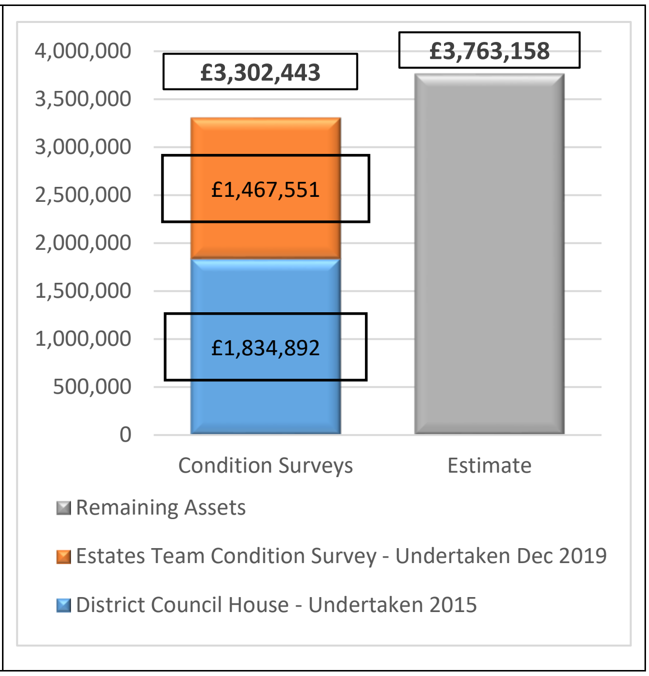


## 4. Asset Management Planning

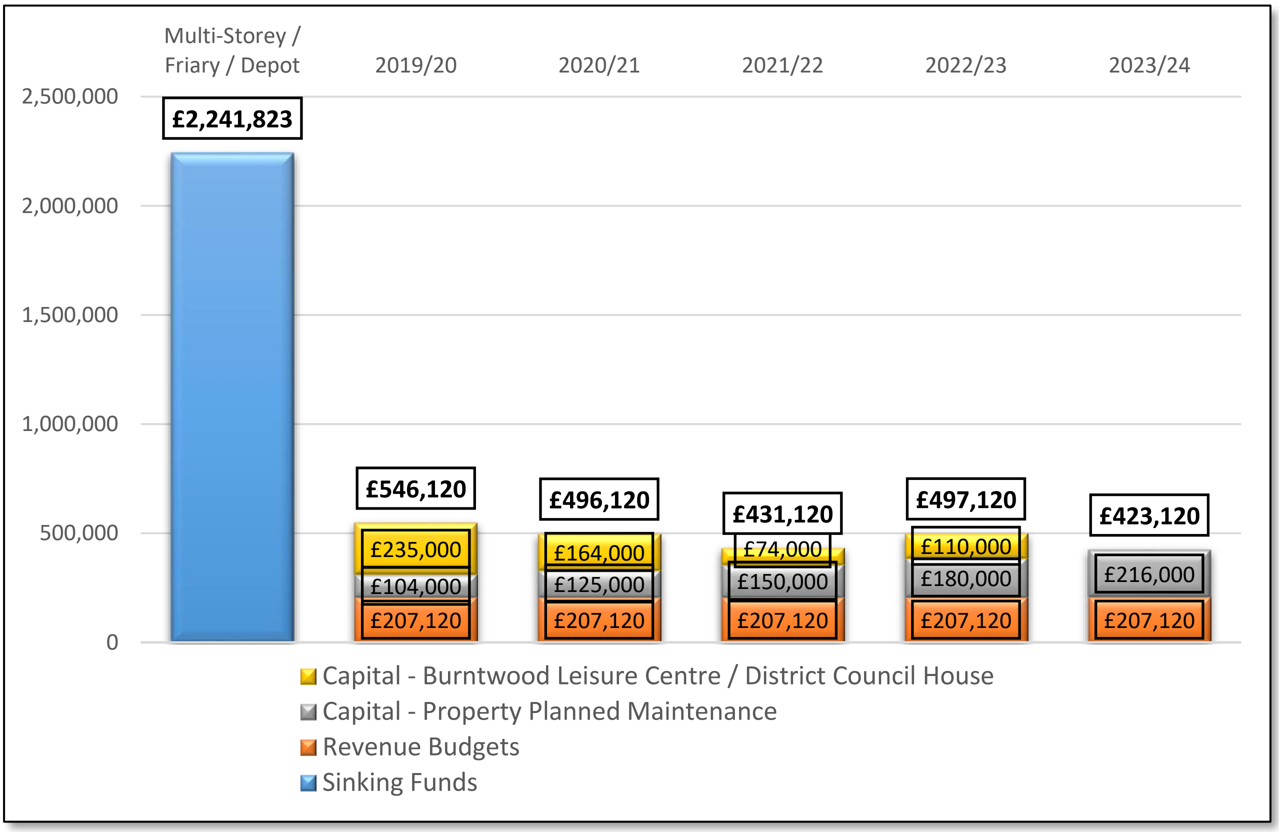
4.1. The Estates Team is currently in the process of undertaking Property Condition Surveys for Property Assets owned by the Council.

4.2. Property assets with recent Property Condition Surveys and the backlog maintenance identified plus a projection for all property assets is shown below:

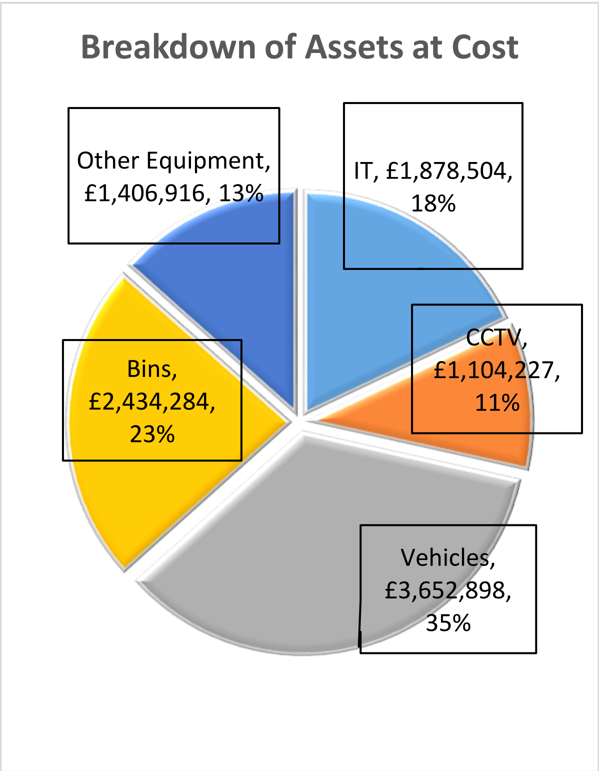


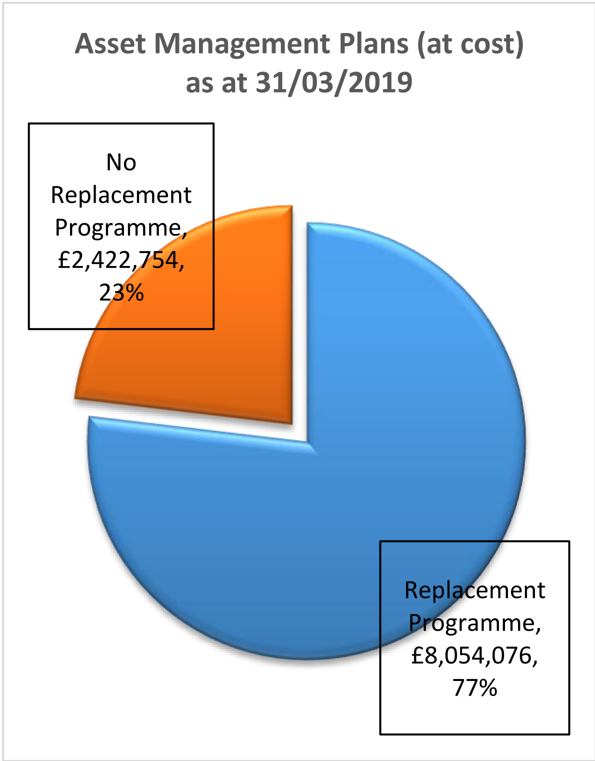




4.3. The resources identified for enhancement and maintenance of property assets are:

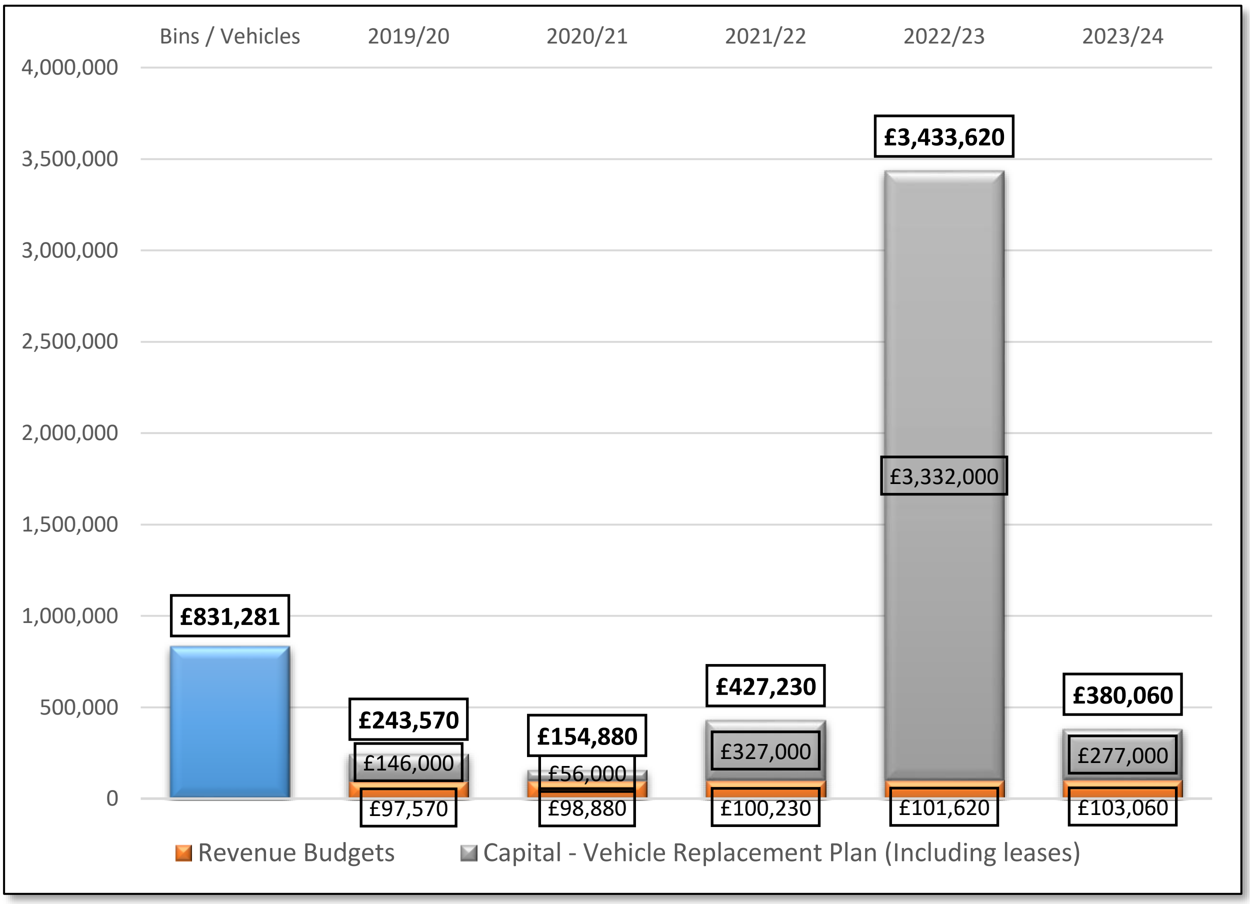


4.4. The Asset Management Plans in place for vehicles, plant and equipment assets are:




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



## 5. Investment in Property

5.1. The Council is committed to investing in land and property to shape places, enable regeneration, enhance communities, grow the economy, meet local housing needs and thereby deliver its strategic objectives whilst also providing opportunities to realise an ongoing source of income. For this reason, the council approved an investment fund of £45m to invest in land and property assets across the district.

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;

- **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.
- **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.
- **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.
- **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.
- **Sustainable** – property investment decisions will support the council to reduce the impact it has on the environment. Property acquisitions will consider the environmental impact of either the property or the nature of the businesses who will utilise it. In addition, when undertaking development the council will seek to adopt sustainable forms of construction wherever feasible and practicable.

- **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.

5.4. Investment, including property acquisitions and development, 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 risk attached to it.

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

- **Customer** – reputational damage from resident perception of investment.
- **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
- **Legislative** – changes to ownership, investment or borrowing legislation.
- **Political** – changes to national government or local priorities
- **Tenant** - in the form of default/insolvency, resulting in loss of rental income and voids

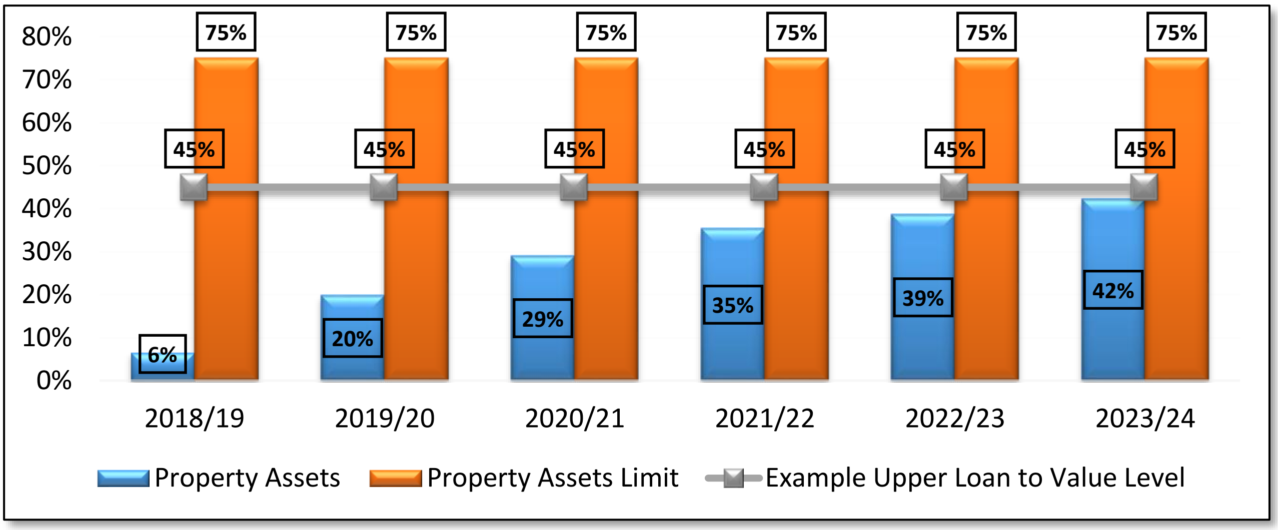
5.6. Ongoing risk, will be managed through standard risk management policies and procedures, ensuring appropriate transparency and challenge.

5.7. Investment in property will predominantly be funded through borrowing, however other funding routes will be considered where it would support the affordability of the investment being proposed and the non-financial benefits it would offer.

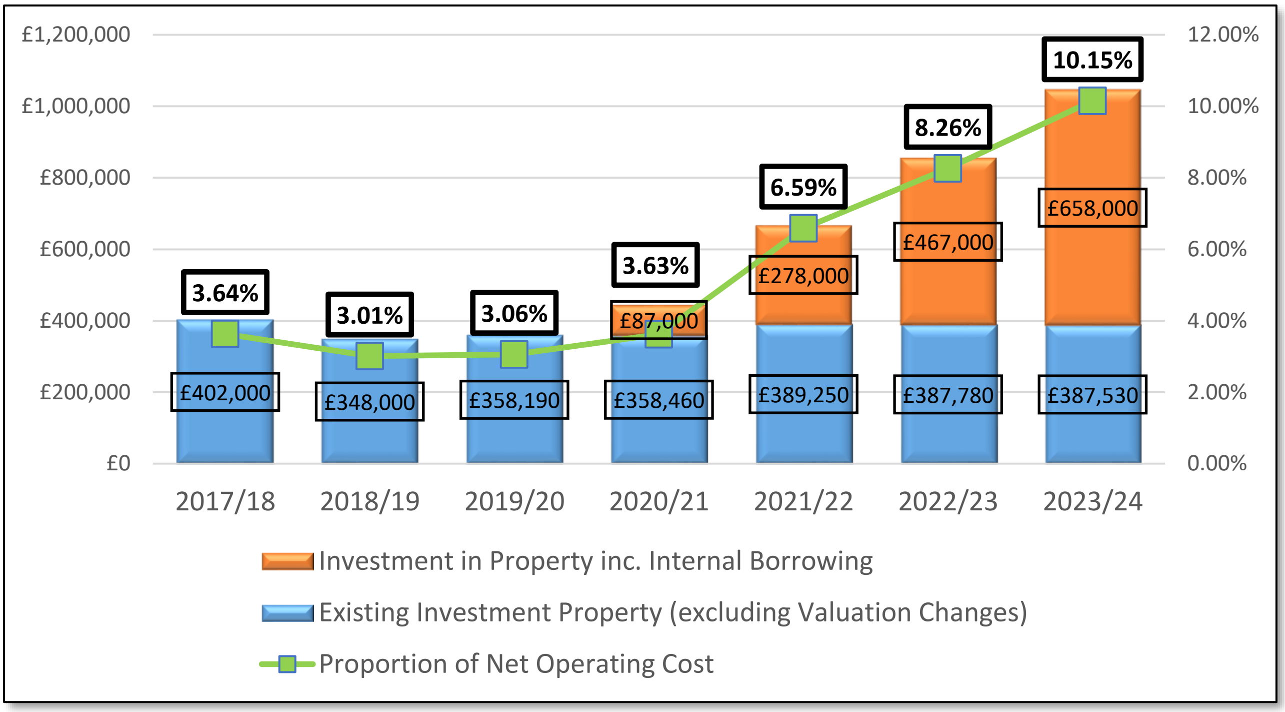
5.8. The level of property value funded by borrowing is known as gearing and in the private sector is measured as the loan to value (LTV) ratio. The private sector will set a maximum loan to value range for property typically **35%** to **45%** to manage the risk that the loans outstanding are unable 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.

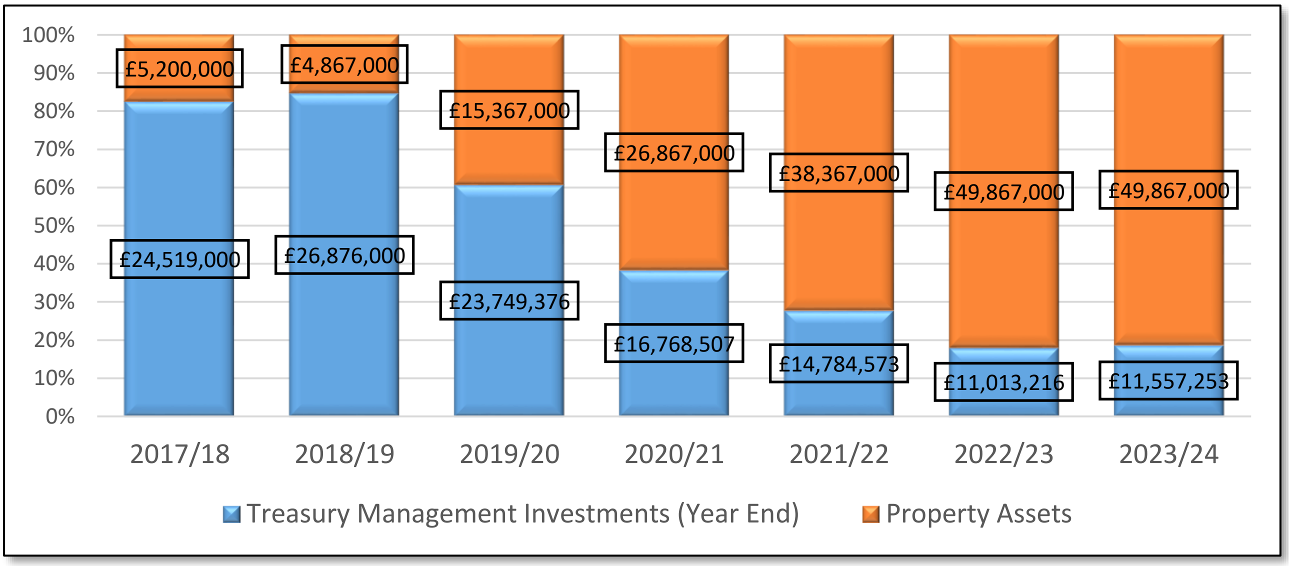
5.10. The projected gearing ratio and an example upper loan to value limit from a property investment company is shown below:



5.11. The Revenue Budget supported by income (including the savings from Internal Borrowing) is:




5.12. The ratio of Treasury Management Investments to relevant Property Investments is shown below:




5.13. The Council has a joint venture partnership with PSP for property, established in 2016/17, and Lichfield Housing Limited (a Local Authority Trading Company) was incorporated in September 2019 with an aim to deliver development and housing ambitions.

5.14. The Capital Programme includes an equity investment of **£225,000** in 2019/20 and a loan of up to **£675,000** in 2020/21 for a period of **5 years** to facilitate housing development.

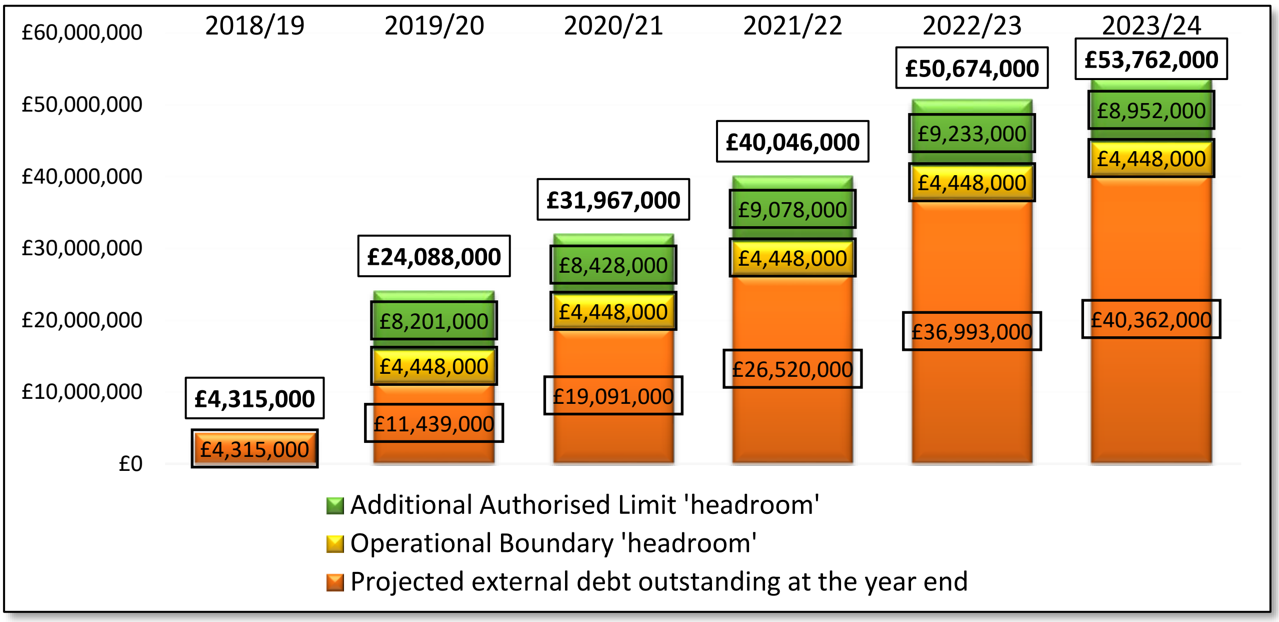
5.15. The loan to the Company will produce an income stream at **4%** from the company and the loan repayment will be treated as a capital receipt in 2024/25 in the Medium Term Financial Strategy. At present, no dividend income is assumed to be received from the Company.

5.16. The investment rate of return (net of all costs) is forecast to be **9.38%** for 2020/21.

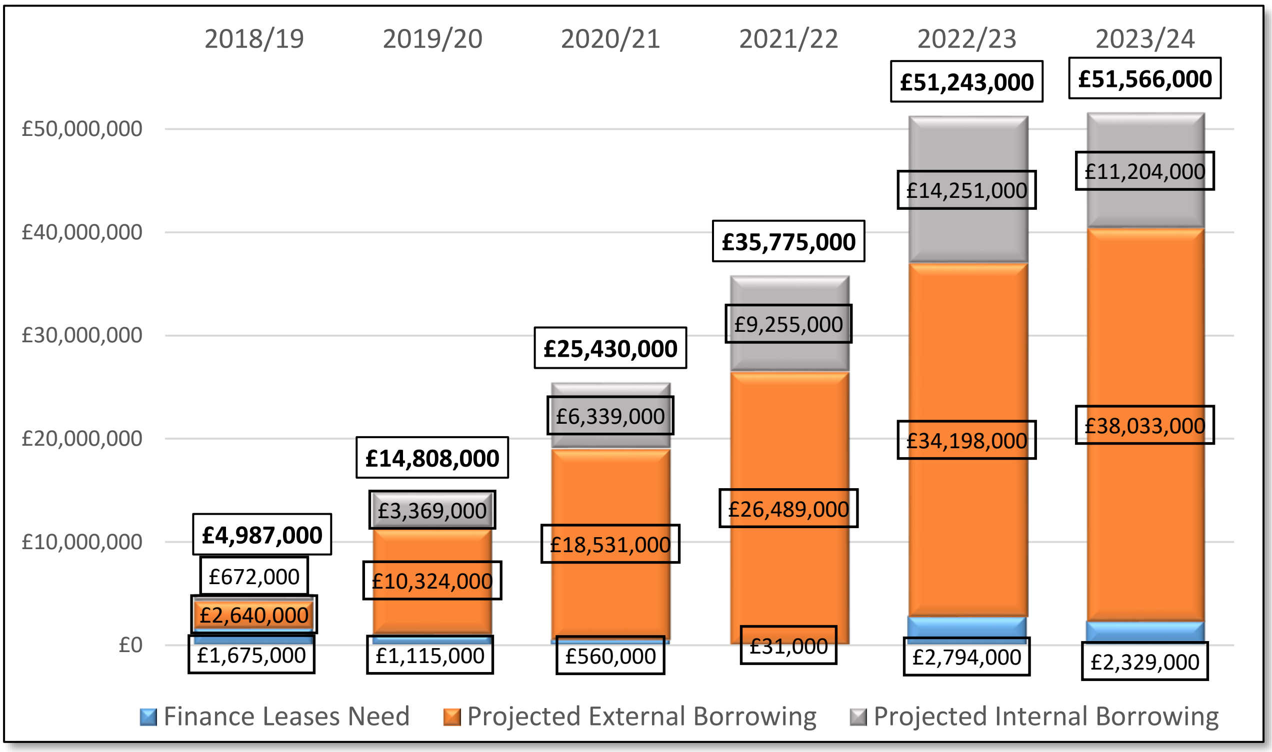
## 6. Debt Management

6.1. At 31 March 2019 the Council had a relatively low level of debt outstanding of **£4.315m**. The Investment in Property and the renewal of the waste fleet will mean external debt is projected to increase to **£40.362m** by 31 March 2024.

6.2. The Council is managing its debt through setting Prudential Indicators, related to the statutory maximum, known as the **Authorised Limit** and **Operational Boundary** as shown below:

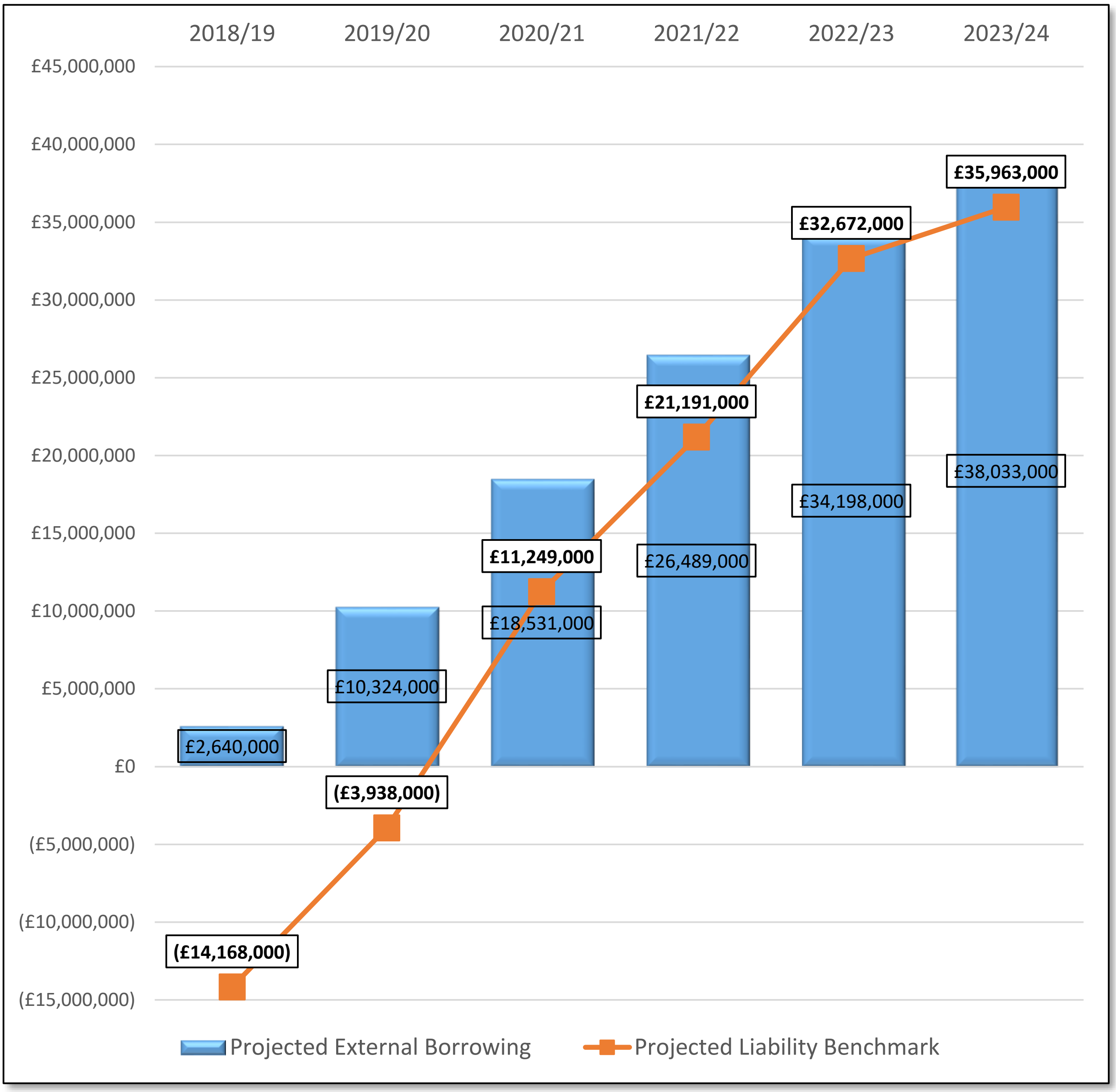



6.3. The projected **Capital Financing Requirement** or borrowing need (the total for each column), **external debt** (finance leases and external borrowing) and **internal borrowing** is shown below:



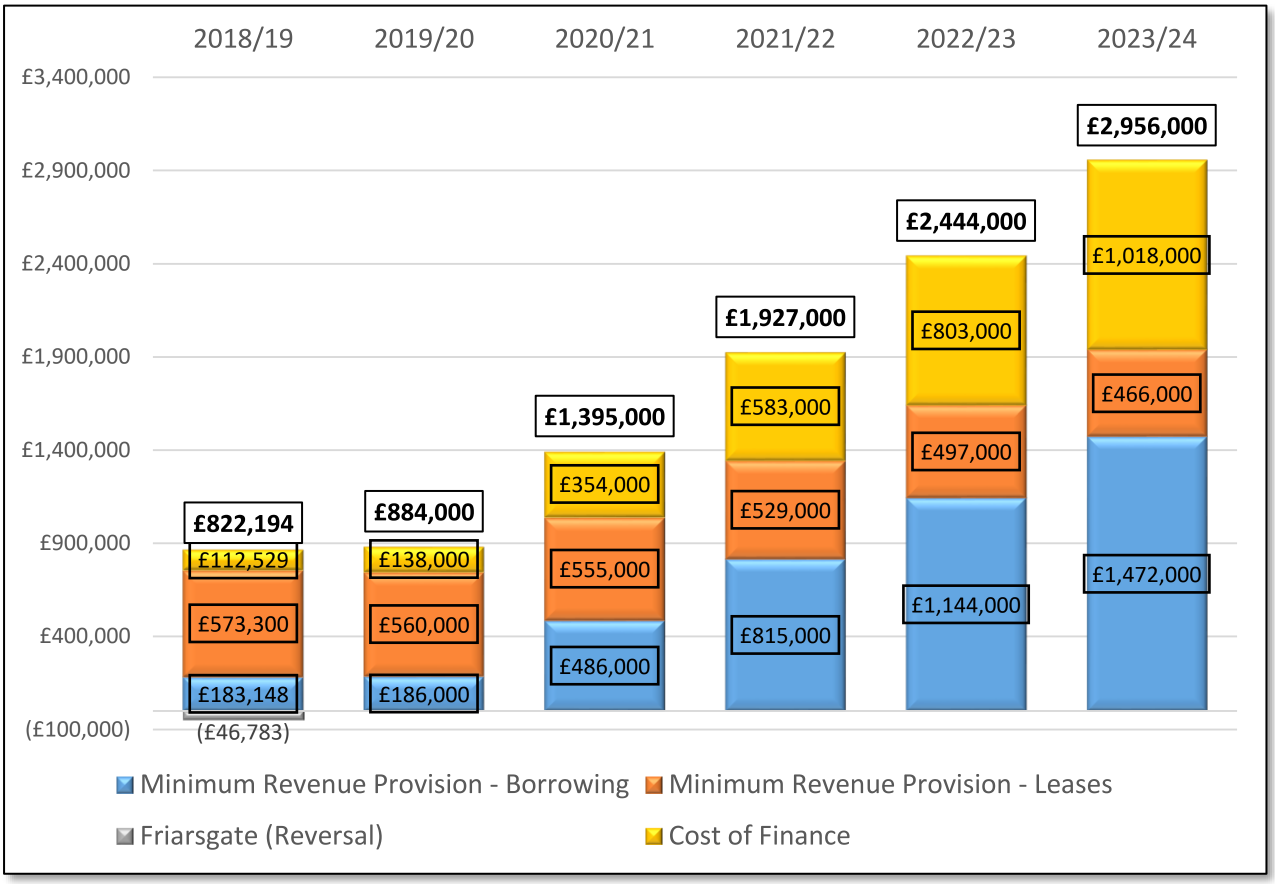
6.4. The **liability benchmark** is the lowest risk level of external borrowing by keeping cash and investment balances to a minimum level of **£10m** at each year end to maintain liquidity but minimise credit risk.

6.5. The projected level of external borrowing, together with the projected liability benchmark in the Medium Term Financial Strategy, is shown in the chart below:

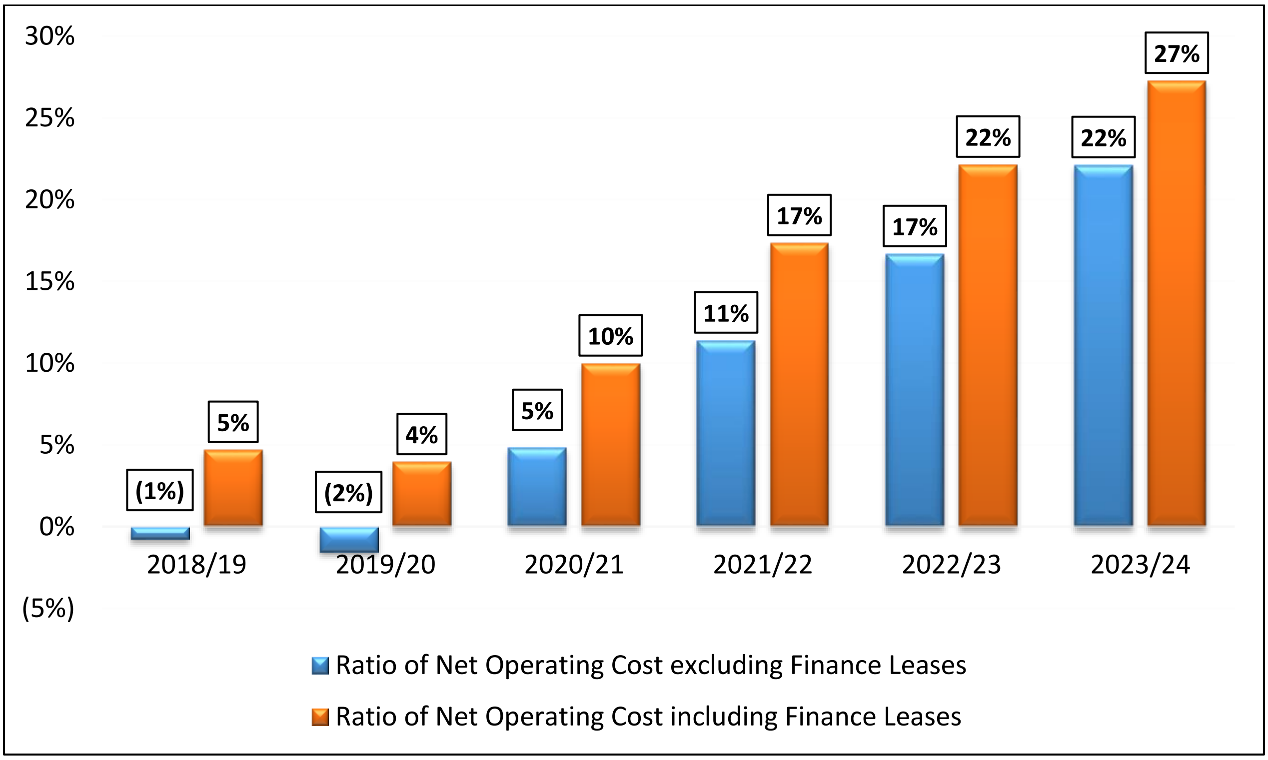



6.6. The chart above indicates that, based on current Balance Sheet projections and funding **£11m** of Investment in Property though Internal Borrowing, the Council's projected External Borrowing from 2022/23 will be closer to the liability benchmark.

6.7. 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):




6.8. 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. 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 2019 the risk of default was assessed as less than **1%** and therefore the financial risk to the Council is **£4,250.**
- **Freedom Leisure -** the guarantee relates to the pensions of transferred employees and at 31 March 2019 the risk of default was assessed as less than **1%** and therefore the financial risk to the Council is **£85,750.** 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** (£33,390 at 31 March 2019) at the end of the ten year contract period, from the leisure outsourcing savings with any additional sum to be provided by General Reserves.

7.3. 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.

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 has recruited a new Estates Team to optimise the management of existing property and support the future investment in land and property. 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 Estates Team and 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 | 2018/19 Actual | 2019/20 Original | 2019/20 Revised | 2020/21 Original | 2021/22 Original | 2022/23 Original | 2023/24 Original |
| **Capital Investment** | | | | | | | |
| Capital Expenditure (£m) | £4.910 | £11.618 | £15.659 | £17.751 | £13.636 | £18.821 | £4.051 |
| Capital Financing Requirement (£m) | £4.987 | £10.301 | £14.809 | £25.432 | £35.777 | £51.245 | £51.567 |
| **Gross Debt and the Capital Financing Requirement** | | | | | | | |
| Gross Debt | (£4.315) | (£9.598) | (£11.439) | (£19.091) | (£26.520) | (£36.993) | (£40.362) |
| Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement | No | No | No | No | No | No | No |
| **Total Debt** | | | | | | | |
| Authorised Limit (£m) | £3.991 | £21.598 | £23.473 | £31.906 | £40.515 | £48.379 | £51.933 |
| Operational Boundary (£m) | £3.991 | £13.006 | £14.881 | £23.088 | £31.046 | £38.755 | £42.590 |
| Proportion of Financing Costs to Net Revenue Stream (%) | 5% | 6% | 4% | 10% | 17% | 22% | 27% |

| Local Indicators | | | | | | | |
|---|---|---|---|---|---|---|---|
| Indicators | 2018/19 Actual | 2019/20 Original | 2019/20 Revised | 2020/21 Original | 2021/22 Original | 2022/23 Original | 2023/24 Original |
| Replacement of Debt Finance or MRP (£m) | (£0.709) | (£0.720) | (£0.746) | (£1.041) | (£1.344) | (£1.641) | (£1.938) |
| Capital Receipts (£m) | (£0.760) | (£1.056) | (£0.855) | (£0.537) | (£0.010) | (£0.010) | (£0.011) |
| Liability Benchmark (£m) | £14.168 | £5.017 | £3.938 | (£11.249) | (£21.191) | (£32.672) | (£35.963) |
| Treasury Management Investments (£m) | £26.876 | £23.689 | £23.749 | £16.769 | £14.785 | £11.013 | £11.557 |

## 10. Chief Finance Officer Assessment of the Capital Strategy

10.1. The key risks associated with the Capital Strategy are principally related to the Investment in Property and its funding given this is planned to be funded through borrowing. I have assessed the current overall risk as **81** out of **144** based on the following factors:

| | Likelihood | Impact | 2020/21 | 2019/20 |
|---|---|---|---|---|
| **Minimum** | | | **0** | **0** |
| **Capital Strategy** | | | | |
| Slippage Occurs in the Capital Spend | 4 | 2 | 8 | 8 |
| Planned Capital Receipts are not received | 3 | 4 | 12 | 12 |
| Actual Cash flows differ from planned Cash flows | 2 | 2 | 4 | 4 |
| **Investment in Property** | | | | |
| Slippage Occurs in the Capital Spend | 4 | 2 | 8 | 8 |
| Change of Government policy including regulatory change | 3 | 4 | 12 | 8 |
| The form of exit from the EU adversely impacts on the UK economy including the Property Market and Borrowing Costs | 3 | 4 | 12 | 12 |
| There is a cyclical 'downturn' in the wider markets | 3 | 3 | 9 | 9 |
| Insufficient expertise to Invest in Property | 1 | 4 | 4 | 12 |
| Inability to acquire or dispose of assets due to good opportunities not being identified | 3 | 4 | 12 | 12 |
| **Assessed Level of Risk** | | | **81** | **85** |
| **Maximum** | | | **144** | **144** |

## Capital Programme

| Project | Capital Programme (R=>500k, A=250k to 500k and G=<250k) 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | Total £000 | Corporate |
|---|---|---|---|---|---|---|---|
| Leisure Review: Capital Investment | 30 | 0 | 0 | 0 | 0 | 30 | 0 |
| Play Equipment at Hill Ridware Village Hall | 30 | 0 | 0 | 0 | 0 | 30 | 0 |
| New Build Parish Office/Community Hub | 0 | 92 | 0 | 0 | 0 | 92 | 0 |
| Fradley Village Heating & CCTV | 5 | 0 | 0 | 0 | 0 | 5 | 0 |
| Fradley Youth & Community Centre Cladding | 15 | 0 | 0 | 0 | 0 | 15 | 0 |
| Armitage with Handsacre Village Hall heating | 5 | 0 | 0 | 0 | 0 | 5 | 0 |
| Armitage with Handsacre Village Hall storage | 0 | 6 | 0 | 0 | 0 | 6 | 0 |
| Improvement of Armitage War Memorial | 0 | 120 | 0 | 0 | 0 | 120 | 0 |
| Replacement of canopy and artificial grass | 13 | 0 | 0 | 0 | 0 | 13 | 0 |
| Burntwood LC CHP Unit | 235 | 0 | 0 | 0 | 0 | 235 | 0 |
| Westgate Practice Refurbishment | 120 | 0 | 0 | 0 | 0 | 120 | 0 |
| King Edwards VI School | 101 | 0 | 0 | 0 | 0 | 101 | 0 |
| Friary Grange - Short Term Refurbishment | 174 | 521 | 0 | 0 | 0 | 695 | 0 |
| Replacement Leisure Centre | 38 | 164 | 189 | 2,349 | 2,260 | 5,000 | 0 |
| St. Stephen's School, Fradley | 22 | 0 | 0 | 0 | 0 | 22 | 0 |
| Accessible Homes (Disabled Facilities Grants) | 1,200 | 1,698 | 950 | 950 | 950 | 5,748 | 396 |
| Home Repair Assistance Grants | 28 | 15 | 15 | 15 | 15 | 88 | 0 |
| Decent Homes Standard | 0 | 172 | 0 | 0 | 0 | 172 | 0 |
| Energy Insulation Programme | 38 | 10 | 10 | 10 | 10 | 78 | 0 |
| DCLG Monies | 0 | 212 | 0 | 0 | 0 | 212 | 0 |
| Unallocated S106 Affordable Housing Monies | 270 | 414 | 0 | 0 | 0 | 684 | 0 |
| **Enabling People Total** | **2,324** | **3,424** | **1,164** | **3,324** | **3,235** | **13,471** | **396** |
| Darnford Park (S106) | 0 | 13 | 0 | 0 | 0 | 13 | 0 |
| Canal Towpath (Brereton & Ravenhill) | 211 | 0 | 0 | 0 | 0 | 211 | 0 |
| Loan to Council Dev Co. | 0 | 675 | 0 | 0 | 0 | 675 | 116 |
| Lichfield St Johns Community Link (CIL) | 0 | 35 | 0 | 0 | 0 | 35 | 0 |
| Staffordshire Countryside Explorer (CIL) | 0 | 44 | 0 | 0 | 0 | 44 | 0 |
| Equity in Council Dev Co. | 225 | 0 | 0 | 0 | 0 | 225 | 0 |
| Vehicle Replacement Programme (Waste) | 0 | 0 | 0 | 3,190 | 75 | 3,265 | 75 |
| Vehicle Replacement Programme (Other) | 146 | 56 | 327 | 142 | 202 | 873 | 57 |
| Bin Purchase | 150 | 150 | 150 | 150 | 150 | 750 | 0 |
| Shortbutts Park, Lichfield | 23 | 0 | 0 | 0 | 0 | 23 | 20 |
| Env. Improvements - Upper St John St | 7 | 0 | 0 | 0 | 0 | 7 | 0 |
| Stowe Pool Improvements | 0 | 50 | 0 | 0 | 0 | 50 | 5 |
| The Leomansley Area Improvement Project | 3 | 0 | 0 | 0 | 0 | 3 | 0 |
| Cannock Chase SAC | 44 | 22 | 25 | 0 | 0 | 91 | 0 |
| **Shaping Place Total** | **809** | **1,045** | **502** | **3,482** | **427** | **6,265** | **273** |
| Multi Storey Car Park Refurbishment Project | 300 | 0 | 0 | 0 | 0 | 300 | 0 |
| Birmingham Road Site - Coach Park | 861 | 625 | 0 | 0 | 0 | 1,486 | 418 |
| Birmingham Road Site - Short Term Use | 473 | 0 | 0 | 0 | 0 | 473 | 0 |
| Car Parks Variable Message Signing | 32 | 0 | 0 | 0 | 0 | 32 | 0 |
| Old Mining College - Refurbish access | 13 | 0 | 0 | 0 | 0 | 13 | 0 |
| Erasmus Darwin Lunar Legacy (Lichfield Art) | 3 | 0 | 0 | 0 | 0 | 3 | 3 |
| St. Chads Sculpture (Lichfield City Art Fund) | 50 | 0 | 0 | 0 | 0 | 50 | 50 |
| **Developing Prosperity Total** | **1,732** | **625** | **0** | **0** | **0** | **2,357** | **471** |
| Investment in Property | 10,500 | 11,500 | 11,500 | 11,500 | 0 | 45,000 | 0 |
| Property Planned Maintenance | 104 | 125 | 150 | 180 | 215 | 774 | 774 |

| Project | Capital Programme (R=>500k, A=250k to 500k and G=<250k) 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | Total £000 | Corporate |
|---|---|---|---|---|---|---|---|
| Depot Sinking Fund | 0 | 11 | 0 | 0 | 0 | 11 | 11 |
| New Financial Information System | 0 | 250 | 0 | 0 | 0 | 250 | 250 |
| IT Infrastructure | 105 | 55 | 35 | 15 | 0 | 210 | 210 |
| IT Cloud | 25 | 100 | 0 | 0 | 0 | 125 | 125 |
| IT Innovation | 60 | 250 | 50 | 50 | 0 | 410 | 305 |
| IT Hardware | 0 | 202 | 161 | 160 | 174 | 697 | 697 |
| District Council House Repair Programme | 0 | 164 | 74 | 110 | 0 | 348 | 310 |
| **A Good Council Total** | **10,794** | **12,657** | **11,970** | **12,015** | **389** | **47,825** | **2,682** |
| **Capital Programme** | **15,659** | **17,751** | **13,636** | **18,821** | **4,051** | **69,918** | **3,822** |

| Funding Source | Capital Programme 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | Total £000 |
|---|---|---|---|---|---|---|
| Capital Receipts | 547 | 1,402 | 514 | 559 | 352 | 3,374 |
| Capital Receipts - Statue | 53 | 0 | 0 | 0 | 0 | 53 |
| Revenue - Corporate | 0 | 182 | 0 | 0 | 213 | 395 |
| **Corporate Council Funding** | **600** | **1,584** | **514** | **559** | **565** | **3,822** |
| Grant | 1,266 | 2,343 | 931 | 931 | 931 | 6,402 |
| Section 106 | 673 | 865 | 25 | 0 | 0 | 1,563 |
| CIL | 221 | 79 | 0 | 0 | 0 | 300 |
| Reserves | 1,946 | 1,066 | 327 | 72 | 145 | 3,556 |
| Revenue (Joint Waste Service) | 150 | 150 | 150 | 150 | 150 | 750 |
| Sinking Fund | 235 | 0 | 0 | 0 | 0 | 235 |
| Leases | 0 | 0 | 0 | 3,260 | 0 | 3,260 |
| **Total** | **5,091** | **6,087** | **1,947** | **4,972** | **1,791** | **19,888** |
| **Borrowing Need** | **10,568** | **11,664** | **11,689** | **13,849** | **2,260** | **50,030** |
| **Funding Total** | **15,659** | **17,751** | **13,636** | **18,821** | **4,051** | **69,918** |

## Reconciliation of Original Capital Programme to this Capital Programme

| | Cabinet or Decision Date | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **Original Budget Council 19/02/2019** | | **11,618** | **14,909** | **14,466** | **17,250** | **0** | **58,243** |
| **Approved Changes** | | | | | | | |
| Allocation of Community Infrastructure Levy | 12/03/2019 | 255 | 45 | | | | 300 |
| Multi Storey Car Park Refurbishment | 12/03/2019 | 300 | | | | | 300 |
| Slippage from 2018/19 | 13/06/2019 | 819 | | | | | 819 |
| Quarter 1 Money Matters | 10/09/2019 | (805) | 333 | | | | (472) |
| Birmingham Road Enabling Works | 10/09/2019 | 120 | | | | | 120 |
| St. Stephen's School (S106) | 24/10/2019 | 22 | | | | | 22 |
| Quarter 2 Money Matters | 03/12/2019 | (1,664) | 1,664 | | | | 0 |
| 8 Months Money Matters | 11/02/2020 | 4,183 | (1,109) | (1,500) | (1,500) | | 74 |
| **Friary Grange Leisure Centre** | | | | | | | |
| Replacement Facility | 07/10/2019 | 38 | 164 | 189 | 2,349 | 2,260 | 5,000 |
| Short Term Refurbishment | 07/10/2019 | 174 | 521 | | | | 695 |
| **Capital Bids Received - 21/11/2019** | | | | | | | |
| Vehicle Replacement Programme (score 80) | Medium Term Financial Strategy | (280) | (103) | 20 | 232 | 277 | 146 |
| Property Planned Maintenance (score 72) | | 104 | 125 | 150 | 180 | 215 | 774 |
| Disabled Facilities Grants (score 68) | | | | | | 950 | 950 |
| New Financial Information System (score 65) | | | 250 | | | | 250 |
| ICT Hardware (score 59) | | | 202 | 161 | 160 | 174 | 697 |
| Coach Park - Acquisition (score 55) | | 50 | | | | | 50 |
| Coach Park - Works (score 55) | | 575 | 625 | | | | 1,200 |
| **Capital Bids fully funded by Revenue or External** | | | | | | | |
| Joint Waste Service Bin Purchase (score 84) | | 150 | 150 | 150 | 150 | 150 | 750 |
| Energy Insulation Programme (score 68) | | | (10) | | | 10 | 0 |
| Home Repair Assistance Grants (score 60) | | | (15) | | | 15 | 0 |
| **Capital Programme** | | **15,659** | **17,751** | **13,636** | **18,821** | **4,051** | **69,918** |

# Minimum Revenue Provision Statement 2020/21

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**) 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.

| | **2018/19 £000** | **2019/20 £000** | **2020/21 £000** | **2021/22 £000** | **2022/23 £000** | **2023/24 £000** |
|---|---|---|---|---|---|---|
| Capital Financing Requirement (Borrowing) | £3,312 | £13,694 | £24,872 | £35,746 | £48,451 | £49,238 |
| Capital Financing Requirement (Finance Leases) | £1,675 | £1,115 | £560 | £31 | £2,794 | £2,329 |
| **Total** | **£4,987** | **£14,809** | **£25,432** | **£35,777** | **£51,245** | **£51,567** |

| | | | | | | |
|---|---|---|---|---|---|---|
| External Borrowing | (£2,640) | (£10,324) | (£18,531) | (£26,489) | (£34,198) | (£38,033) |
| Finance Leases | (£1,675) | (£1,115) | (£560) | (£31) | (£2,794) | (£2,329) |
| **Total** | **(£4,315)** | **(£11,439)** | **(£19,091)** | **(£26,520)** | **(£36,993)** | **(£40,362)** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Liability Benchmark | £14,168 | £3,938 | (£11,249) | (£21,191) | (£32,672) | (£35,963) |

# APPENDIX E

## Balance Sheet Projections 2019-24

| | Type | 2018/19 Actual £000s | 2019/20 Budget £000s | 2020/21 Budget £000s | 2021/22 Budget £000s | 2022/23 Budget £000s | 2023/24 Budget £000s | 2019/24 Change £000s |
|---|---|---|---|---|---|---|---|---|
| Non-Current Assets | ASSET | 48,376 | 59,743 | 72,087 | 82,938 | 98,999 | 100,290 | 40,547 |
| Equity Investment in Local Authority Company | ASSET | 0 | 225 | 225 | 225 | 225 | 225 | 0 |
| Long Term Debtors | CRED | 288 | 288 | 288 | 288 | 288 | 288 | 0 |
| Long Term Investment (Company Loan) | LOAN | 0 | 0 | 675 | 675 | 675 | 675 | 675 |
| Investments | INV | 26,808 | 23,681 | 16,701 | 14,717 | 10,945 | 11,489 | (12,192) |
| Borrowing | BOLE | (2,640) | (10,324) | (18,531) | (26,489) | (34,198) | (38,033) | (27,710) |
| Finance Leases | BOLE | (1,675) | (1,115) | (561) | (32) | (2,795) | (2,329) | (1,213) |
| Working Capital | CRED | (8,409) | (8,095) | (7,212) | (7,212) | (7,212) | (7,212) | 883 |
| Pensions | CRED | (42,747) | (44,930) | (43,948) | (46,448) | (49,096) | (48,239) | (3,309) |
| **TOTAL ASSETS LESS LIABILITIES** | | **20,001**[2] | **19,474** | **19,725** | **18,663** | **17,832** | **17,154** | **(2,319)** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Unusable Reserves | | | | | | | | |
| Revaluation Reserve | REV | (9,419) | (9,419) | (9,419) | (9,419) | (9,419) | (9,419) | 0 |
| Capital Adjustment Account | CAP | (33,970) | (35,741) | (38,137) | (38,643) | (39,236) | (40,205) | (4,464) |
| Deferred Credits | CRED | (47) | (47) | (47) | (47) | (47) | (47) | 0 |
| Pension Scheme | CRED | 43,621 | 44,930 | 46,278 | 47,666 | 49,096 | 50,569 | 5,639 |
| Benefits Payable During Employment Adjustment Account | CRED | 219 | 219 | 219 | 219 | 219 | 219 | 0 |
| Collection Fund | CRED | (315) | 0 | 0 | 0 | 0 | 0 | 0 |
| Available for Sale Financial Instruments Reserve | CRED | 68 | 68 | 68 | 68 | 68 | 68 | 0 |
| Usable Reserves | | | | | | | | |
| Unapplied Grants and Contributions | UGER | (2,220) | (1,817) | (994) | (969) | (944) | (919) | 898 |
| Usable Capital Receipts | UGER | (2,004) | (2,259) | (1,394) | (890) | (341) | 0 | 2,259 |
| Burntwood Leisure Centre Sinking Fund | UGER | (236) | 0 | 0 | 0 | 0 | 0 | 0 |
| Earmarked Reserves - Unrestricted | UGER | (6,591) | (5,321) | (4,352) | (4,082) | (4,175) | (4,191) | 1,130 |
| Earmarked Reserves - Restricted | UGER | (3,798) | (3,663) | (3,891) | (4,099) | (4,306) | (4,483) | (819) |
| General Fund Balance | GEN | (5,310) | (6,423) | (8,056) | (8,467) | (8,747) | (8,747) | (2,324) |
| **TOTAL EQUITY** | | **(20,001)** | **(19,474)** | **(19,725)** | **(18,663)** | **(17,832)** | **(17,154)** | **2,319** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Reserves Available to cover Investment Losses** | **(11,901)** | **(11,744)** | **(12,408)** | **(12,549)** | **(12,922)** | **(12,938)** | **(1,194)** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Summary** | | | | | | | | |
| Capital Funding | CAP | (33,970) | (35,741) | (38,137) | (38,643) | (39,236) | (40,205) | (4,464) |
| Revaluation Reserve | REV | (9,419) | (9,419) | (9,419) | (9,419) | (9,419) | (9,419) | 0 |
| Borrowing and Leasing | BOLE | (4,315) | (11,439) | (19,091) | (26,520) | (36,993) | (40,362) | (28,923) |
| Non-Current Assets | ASSET | 48,376 | 59,968 | 72,312 | 83,163 | 99,224 | 100,515 | 40,547 |
| Investments | INV | 26,876 | 23,749 | 16,769 | 14,785 | 11,013 | 11,557 | (12,192) |
| Unapplied Grants & Earmarked Reserves | UGER | (14,848) | (13,060) | (10,630) | (10,039) | (9,766) | (9,592) | 3,468 |
| General Reserve | GEN | (5,310) | (6,423) | (8,056) | (8,467) | (8,747) | (8,747) | (2,324) |
| Long Term Debtors | DEBT | 288 | 288 | 288 | 288 | 288 | 288 | 0 |
| Long Term Investment (Company Loan) | LOAN | 0 | 0 | 675 | 675 | 675 | 675 | 675 |
| Working Capital & Pensions | CRED | (7,678) | (7,923) | (4,710) | (5,822) | (7,040) | (4,710) | 3,213 |
| **Total** | | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Internal Borrowing** | | **672** | **3,369** | **6,339** | **9,255** | **14,251** | **11,204** | **7,835** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Liability Benchmark** | | | | | | | |
| Capital Financing Requirement (Borrowing) | 3,312 | 13,468 | 24,645 | 35,519 | 48,224 | 49,012 | 35,545 |
| Working Capital | (7,322) | (7,923) | (4,710) | (5,822) | (7,040) | (4,710) | 3,213 |
| Usable Reserves | (20,158) | (19,483) | (18,686) | (18,506) | (18,513) | (18,339) | 1,144 |
| Minimum Level of Investments | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 0 |
| **Total** | **(14,168)** | **(3,938)** | **11,249** | **21,191** | **32,672** | **35,963** | **39,902** |

[2] The Mid Year Treasury Management Report to Committee on 14 November 2019 showed Total Assets less Liabilities and Total Equity of £21.350m which was the figure prior to Statement of Accounts External Audit adjustments related to Pension valuations of £1.349m

**Borrowing Strategy**

The Authority currently projects **£10.324 million** of loans at 31 March 2020, an increase of **£7.684 million** on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast above and the Capital Programme shows that the Authority expects to borrow up to **£11.664 million** in 2020/21.

**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 2020/21 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Authority has previously raised all of its long-term borrowing from the PWLB but the government increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. The Authority will now look to borrow any long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

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 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 2020/21, the Authority's investment balance is projected to range between **£21.69 million** and **£36.39 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 2020/21, 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 2020/21. This is especially the case for the estimated **£12 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<br>50 years | n/a | n/a |
| AAA | £1m<br>5 years | £1m<br>20 years | £2m<br>50 years | £1m<br>20 years | £1m<br>20 years |
| AA+ | £1m<br>5 years | £1m<br>10 years | £2m<br>25 years | £1m<br>10 years | £1m<br>10 years |
| AA | £1m<br>4 years | £1m<br>5 years | £2m<br>15 years | £1m<br>5 years | £1m<br>10 years |
| AA- | £1m<br>3 years | £1m<br>4 years | £2m<br>10 years | £1m<br>4 years | £1m<br>10 years |
| A+ | £1m<br>2 years | £1m<br>3 years | £2m<br>5 years | £1m<br>3 years | £1m<br>5 years |
| A | £1m<br>13 months | £1m<br>2 years | £2m<br>5 years | £1m<br>2 years | £1m<br>5 years |
| A- | £1m<br>6 months | £1m<br>13 months | £2m<br>5 years | £1m<br>13 months | £1m<br>5 years |
| None | £0.5m<br>6 months | n/a | £2m<br>25 years | £50,000<br>5 years | £0.5m<br>5 years |
| **Pooled funds and real estate investment trusts** | £4m per fund (previously £2m)<br>Arlingclose recommendation is 10% of maximum investments for the year projected to be £36m plus internal borrowing of £6.3m = £42.3m. | | | | |
| **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 (REIT):** 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. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

**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 **£11.218 million** on 31st March 2020. In order that no more than **10%** 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 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

| | **Approved Cash limit** | **Recommended Cash Limit** | **Rationale for the Recommended Change** |
|---|---|---|---|
| Any single organisation, except Pooled Funds, UK Central Government and UK Local Authorities | £1m each | £1m each | To reflect recommended increases in pooled fund limits. |
| UK Domiciled Pooled Funds | £5m each | £5m each | |
| UK Central Government | unlimited | unlimited | |
| UK Local Authorities | £2m each | £2m each | |
| Any group of organisations under the same ownership | £1m per group | £1m per group | |
| Any group of pooled funds under the same management | £9m per manager | £11m per manager | This needs to reflect the potential total investments with CCLA, Arlingclose recommendation is 25% of maximum investments for the year projected to be £36m plus internal borrowing of £6.3m = £42.3m. |
| Negotiable instruments held in a broker's nominee account | £12m per broker | £12m per broker | |
| Foreign countries | £2m per country | £2m per country | |
| Registered providers and registered social landlords | £5m in total | £5m in total | |
| Unsecured investments with building societies | £2m in total | £2m in total | |
| Loans to unrated corporates (excluding the Council's Company) | £2m in total | £2m in total | |
| Money market funds | £12m in total | £21m in total | Arlingclose recommendation is 50% of maximum investments for the year projected to be £36m plus internal borrowing of £6.3m = £42.3m. |
| Real estate investment trusts | £5m in total | £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.

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

**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 2020/21

## 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, 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 **£21.69 million** and **£36.39 million** during the 2020/21 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 2020/21 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 | 31.3.2019 actual | | | 2019/20 | 2020/21 |
|---|---|---|---|---|---|
| | Balance owing | Loss allowance | Net figure in accounts | Projection | Proposed Limit |
| Subsidiaries | £0 | £0 | £0 | £0 | £675,000 |
| Employees – car loans | £3,927 | £0 | £3,927 | £3,927 | £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 | £21,848 | (£18,006) | £3,842 | £3,842 | £50,000 |
| **TOTAL** | **£72,866** | **(£18,006)** | **£54,860** | **£54,860** | **£873,000** |

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 2019/20 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 **£675,000** 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 | 31/03/2019 Actual £000 | 31/03/2020 Forecast £000 | 31/03/2021 Forecast £000 | 31/03/2022 Forecast £000 | 31/03/2023 Forecast £000 | 31/03/2024 Forecast £000 |
|---|---|---|---|---|---|---|
| Treasury Management Investments | £26,876 | £23,749 | £16,769 | £14,785 | £11,013 | £11,557 |
| Commercial Investments: Property | £4,867 | £15,367 | £26,867 | £38,367 | £49,867 | £49,867 |
| **TOTAL INVESTMENTS** | **£31,743** | **£39,116** | **£43,636** | **£53,152** | **£60,880** | **£61,424** |
| Commitments to Lend | £0 | £0 | £675 | £675 | £675 | £675 |
| **TOTAL EXPOSURE** | **£31,743** | **£39,116** | **£44,311** | **£53,827** | **£61,555** | **£62,099** |

**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 (cumulative at year-end)** | **31/03/2019 Actual £000** | **31/03/2020 Forecast £000** | **31/03/2021 Forecast £000** | **31/03/2022 Forecast £000** | **31/03/2023 Forecast £000** | **31/03/2024 Forecast £000** |
|---|---|---|---|---|---|---|
| Commercial Investments: Property | £0 | £10,500 | £22,000 | £33,500 | £45,000 | £45,000 |
| **TOTAL FUNDED BY BORROWING** | **£0** | **£10,500** | **£22,000** | **£33,500** | **£45,000** | **£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** | **31/03/2019 Actual %** | **31/03/2020 Forecast %** | **31/03/2021 Forecast %** | **31/03/2022 Forecast %** | **31/03/2023 Forecast %** | **31/03/2024 Forecast %** |
|---|---|---|---|---|---|---|
| Treasury Management Investments | 0.90% | 1.08% | 1.27% | 1.43% | 1.64% | 1.97% |
| Commercial Investments | | | | | | |
| Property (excluding valuation changes) | 8.30% | 8.30% | 8.30% | 8.30% | 8.30% | 8.30% |
| Investment in Property | 0.00% | 0.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| **ALL INVESTMENTS** | **9.20%** | **9.38%** | **10.57%** | **10.73%** | **10.95%** | **11.27%** |

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 available general reserves of **£4,824,000** at 31 March 2020. This is **39%** of the amount to be met from Government Grants and Local Taxpayers in 2020/21 of **£12,284,000**.

The minimum level of Reserves for 2020/21 onwards is **£1,600,000** and has been determined by Risk Assessment**.**

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 2020/21 budget and beyond.

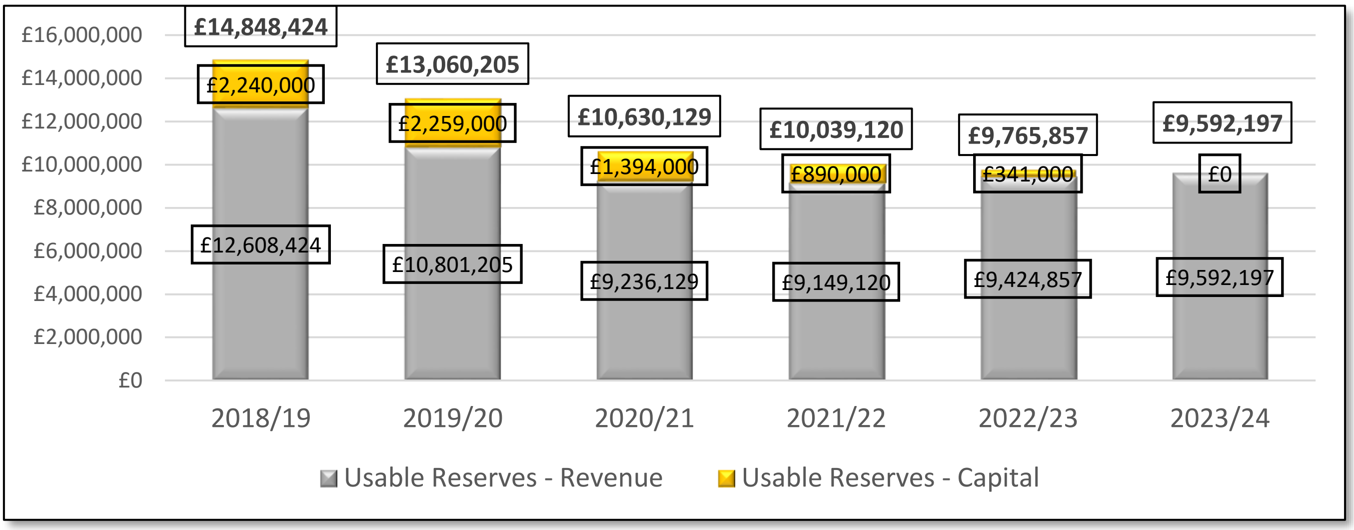
CIPFA provides guidance for determining the minimum level of Reserves. The Council uses the method based on risk assessment. The approach to the risk assessment of Reserves has taken into account CIPFA guidance (LAAP 99) (Guidance note on Local Authority Reserves and Balances).

The table below shows the financial risk assessment made for **2020/21**:

| Explanation of Risk / Justification of Balances | Severity of Risk | 2020/21 Reserve Amounts £ | 2019/20 Reserve Amounts £ | Change £ |
|---|---|---|---|---|
| Capital Strategy Risk Assessment | Material | £149,000 | £117,000 | £32,000 |
| Business Rates (Gross Risk £1.062m less Volatility Reserve £0.831m) | Severe | £231,000 | £599,000 | (£368,000) |
| Leisure Centre Outsourcing Bid | Tolerable | £37,000 | £36,000 | £1,000 |
| Reduction in customer income/Savings not achieved | Material | £592,000 | £355,000 | £237,000 |
| Higher inflation | Material | £233,000 | £155,000 | £78,000 |
| Increase in demand led services | Material | £90,000 | £90,000 | £0 |
| Collection performance | Material | £129,000 | £115,000 | £14,000 |
| Civil Contingency | Tolerable | £127,000 | £127,000 | £0 |
| Other small risks | Tolerable | £12,000 | £6,000 | £6,000 |
| | | **£1,600,000** | **£1,600,000** | **£0** |

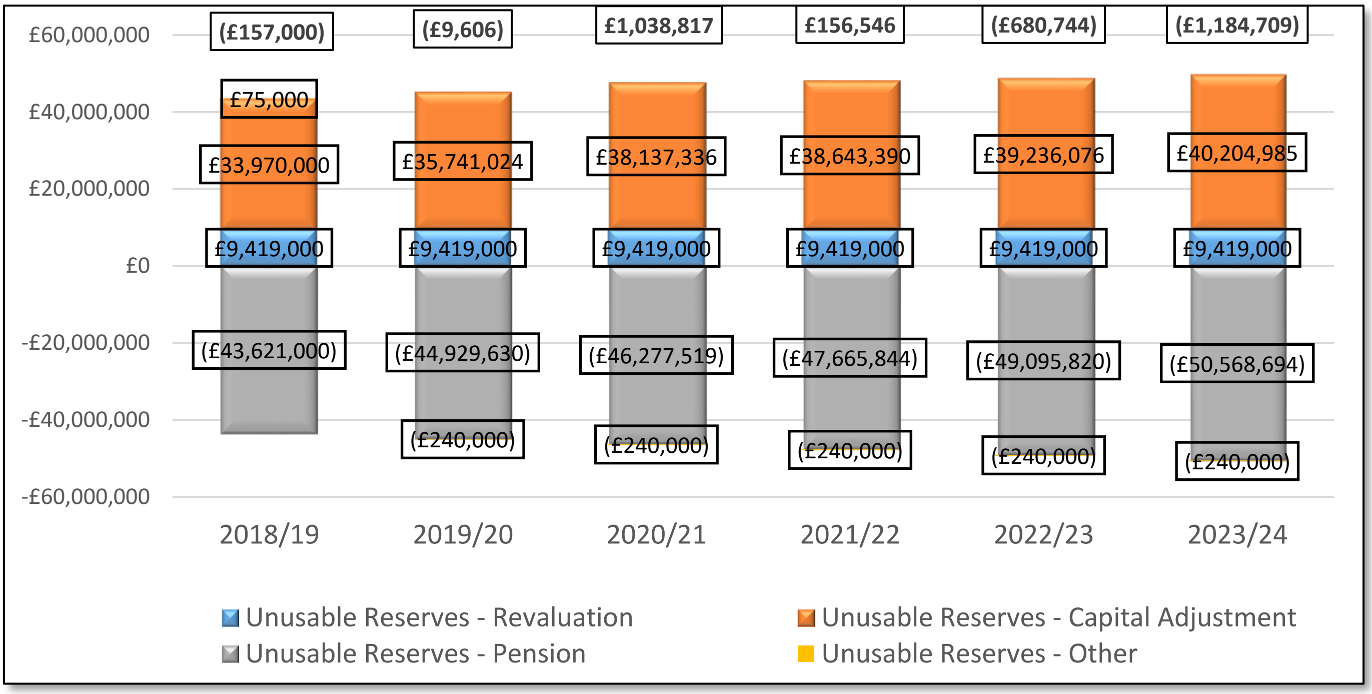
**Other Reserves (in addition to General Reserves)**

A review of the level of Earmarked Reserves has been undertaken as part of the annual Budget preparation. The projected levels are shown below – revised estimate transfer to general reserves:




Ongoing review of Earmarked Reserves takes place as part of the Money Matters Reports in line with the approved earmarked reserves policy 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:




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 2019 and the draft budget was completed in December 2019 prior to the Provisional Financial Settlement for Local Government 2020/21. This enabled formal scrutiny of the budget making process in January 2020. The final budget is due to be set at Council on 18 February 2020, 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 December 2019 to Mid-January 2020, 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, Cabinet and the Scrutiny process itself.

**Localism Act - Right to approve or veto excessive Council Tax rises -** The Secretary of State has determined a **2%** or **£5.00** (whichever is the higher) limit for Council Tax increases for 2020/21. 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 2019/20 outturn and 2020/21 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.

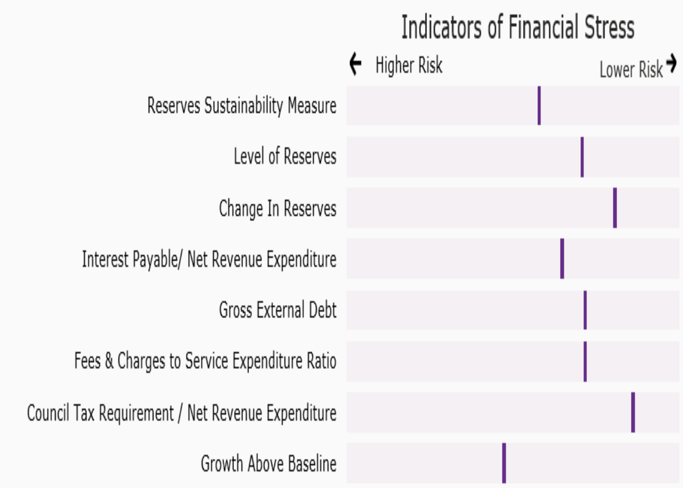
**The CIPFA Resilience Index**

CIPFA published the first release of its Resilience Index in December 2019. The selection of indicators has been informed by the extensive financial resilience work undertaken by CIPFA over the past four years, public consultation and technical stakeholder engagement. The index shows this Council's position on a range of measures associated with financial risk with the results breakdown summarised below:

[3] Statutory deadline date for setting Council Tax is by 11 March 2020.

## District Councils

*Results Breakdown*



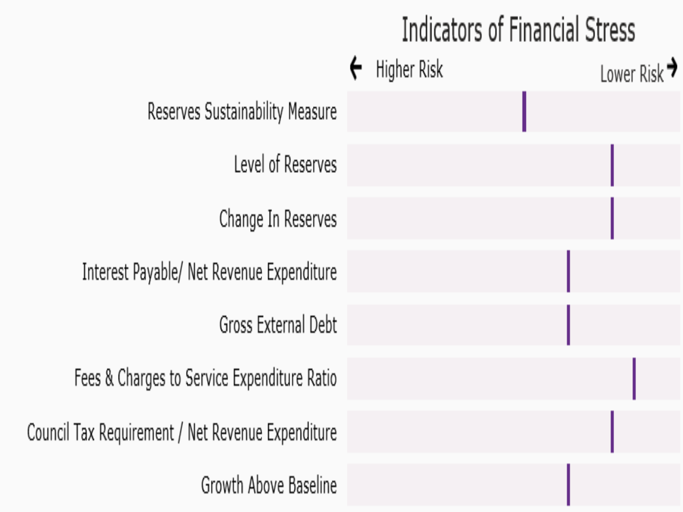

| Indicator | Min | Indicator Value | Max |
|---|---|---|---|
| Reserves Sustainability Measure | 2.86 | 100.00 | 100.00 |
| Level of Reserves | 23.28% | 173.29% | 300.00% |
| Change In Reserves | -51.16% | 57.77% | 490.83% |
| Interest Payable/ Net Revenue Expenditure | -7.13% | 0.64% | 525.04% |
| Gross External Debt | £0k | £4,314k | £1,212,343k |
| Fees & Charges to Service Expenditure Ratio | 1.58% | 29.76% | 70.32% |
| Council Tax Requirement / Net Revenue Expenditure | 36.95% | 89.42% | 100.00% |
| Growth Above Baseline | -129.00% | 68.00% | 287.00% |

Auditors VfM Assessment

Unqualified

## Nearest Neighbours

*Results Breakdown*




| Indicator | Min | Indicator Value | Max |
|---|---|---|---|
| Reserves Sustainability Measure | 14.99 | 100.00 | 100.00 |
| Level of Reserves | 59.40% | 173.29% | 256.25% |
| Change In Reserves | -16.67% | 57.77% | 164.32% |
| Interest Payable/ Net Revenue Expenditure | 0.00% | 0.64% | 27.90% |
| Gross External Debt | £0k | £4,314k | £104,047k |
| Fees & Charges to Service Expenditure Ratio | 6.93% | 29.76% | 39.98% |
| Council Tax Requirement / Net Revenue Expenditure | 48.62% | 89.42% | 100.00% |
| Growth Above Baseline | 52.00% | 68.00% | 270.00% |

Auditors VfM Assessment

Unqualified

## 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.

APPENDIX H

## Revenue Budget – 25 Year Model (1 to 10 years, 15 years, 20 years and 25 years)

| Key Assumptions | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Year** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **15** | **20** | **25** |
| Council Tax Base | 38,011 | 39,032 | 39,717 | 40,627 | 41,487 | 41,999 | 41,999 | 42,330 | 42,661 | 42,992 | 44,647 | 46,302 | 47,957 |
| Projected Residential Growth - LHN | | | | | | | 331 | 331 | 331 | 331 | 331 | 331 | 331 |
| **Projected Council Tax Base** | | | | | | | **42,330** | **42,661** | **42,992** | **43,323** | **44,978** | **46,633** | **48,288** |
| Council Tax Band D | £175 | £180 | £185 | £190 | £195 | £199 | £203 | £207 | £211 | £215 | £238 | £262 | £289 |
| Modelled Council Tax Increase | £5.00 | £5.00 | £5.00 | £5.00 | £5.00 | 1.99% | 1.99% | 1.99% | 1.99% | 1.99% | 1.99% | 1.99% | 1.99% |
| LG Futures Property Based Unit Cost | £53 | £54 | £55 | £56 | £57 | £58 | £59 | £61 | £62 | £63 | £70 | £77 | £85 |
| Core Budget Inflation Allowance | | | | | | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Funding and Pension Inflation Allowance | | | | | | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |

| | **Medium Term Financial Strategy** | | | | | **Additional Projections** | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **2023/24** | **2024/25** | **2025/26** | **2026/27** | **2027/28** | **2028/29** | **2033/34** | **2038/39** | **2043/44** |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Year** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **15** | **20** | **25** |
| **Modelled Total Expenditure** | **10,934** | **10,823** | **11,134** | **11,708** | **11,986** | **11,807** | **12,374** | **12,657** | **13,094** | **13,542** | **15,847** | **18,673** | **21,950** |
| <u>Inflation and Budget Variations</u> | | | | | | | | | | | | | |
| Provision for Pay and Other Inflation | 0 | (3) | (2) | 0 | 3 | 295 | 300 | 317 | 325 | 336 | 393 | 464 | 545 |
| Budget Pressure - Residential Growth | | | | | | 30 | 20 | 20 | 20 | 21 | 23 | 25 | 28 |
| Budget Variations | (340) | 870 | (265) | (220) | (104) | (149) | | | | | | | |
| Revenue Implications of Capital Bids | 0 | 229 | (30) | (85) | 19 | (3) | | | | | | | |
| **Sub Total** | **10,594** | **11,919** | **10,837** | **11,403** | **11,904** | **11,980** | **12,693** | **12,994** | **13,439** | **13,899** | **16,263** | **19,162** | **22,523** |
| <u>Other Projections</u> | | | | | | | | | | | | | |
| Annual Increase in Past Service Pensions | | | | | | 100 | 102 | 104 | 106 | 108 | 120 | 132 | 146 |
| Treasury Management | 0 | (97) | (97) | (97) | (97) | | | | | | | | |
| MRP for Burntwood LC completed | | | | | | | | | | (136) | | | |
| FGLC short term running costs end | | | | | | | (135) | | | | | | |
| Replacement for FGLC Debt Costs | | | | | | 294 | (4) | (4) | (4) | (4) | (4) | (4) | (4) |
| **Total Modelled Expenditure** | **10,594** | **11,822** | **10,740** | **11,306** | **11,807** | **12,374** | **12,657** | **13,094** | **13,542** | **13,867** | **16,379** | **19,290** | **22,665** |

## APPENDIX H

| | Medium Term Financial Strategy | | | | | Additional Projections | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 | 2027/28 £000 | 2028/29 £000 | 2033/34 £000 | 2038/39 £000 | 2043/44 £000 |
| Retained Business Rates | | | | | | | | | | | | | |
| Baseline Funding Level | (2,083) | (2,117) | (2,168) | (2,211) | (2,255) | (2,300) | (2,346) | (2,393) | (2,441) | (2,490) | (2,749) | (3,035) | (3,351) |
| Fair Funding - Negative RSG principles | 0 | 0 | 477 | 491 | 506 | 516 | 526 | 537 | 548 | 559 | 617 | 681 | 752 |
| Retained Growth - full & phased resets | (746) | (903) | (89) | (116) | (123) | (100) | (102) | (104) | (106) | (108) | (120) | (132) | (146) |
| New Homes Bonus / Replacement | | | | | | | | | | | | | |
| New Homes Bonus - total receipt | (1,278) | (1,771) | (911) | (680) | | | | | | | | | |
| New Homes Bonus - Replacement | | | | | (300) | (200) | (100) | 0 | 0 | 0 | 0 | 0 | 0 |
| Council Tax and Other Funding | | | | | | | | | | | | | |
| Collection Fund and one off funding | (945) | (464) | (86) | (109) | (35) | (35) | (35) | (35) | (35) | (35) | (35) | (35) | (35) |
| Council Tax | (6,655) | (7,029) | (7,350) | (7,722) | (8,093) | (8,356) | (8,589) | (8,829) | (9,074) | (9,326) | (10,685) | (12,225) | (13,969) |
| **Total Modelled Funding** | **(11,707)** | **(12,284)** | **(10,127)** | **(10,347)** | **(10,300)** | **(10,475)** | **(10,646)** | **(10,824)** | **(11,108)** | **(11,400)** | **(12,972)** | **(14,746)** | **(16,749)** |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Modelled Funding Gap/(General Reserves)** | **(1,113)** | **(462)** | **613** | **959** | **1,507** | **1,899** | **2,011** | **2,270** | **2,434** | **2,467** | **3,407** | **4,544** | **5,917** |

| **Memorandum Item** | **Legacy Payments** | | | | **New Scheme** | | | |
|---|---|---|---|---|---|---|---|---|
| New Homes Bonus - Base Budget | (700) | (600) | (500) | (400) | (300) | (200) | (100) | 0 |

| | Medium Term Financial Strategy | | | | | Additional Projections | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Available General Reserves Year Start** | **3,710** | **4,823** | **6,456** | **6,867** | **7,147** | **7,147** | **7,147** | **7,147** | **7,147** | **7,147** | **7,147** | **7,147** | **7,147** |
| Contributions from Revenue Account | 1,003 | 462 | | | | | | | | | | | |
| New Homes Bonus in excess of the 'Cap' | 110 | 1,171 | 411 | 280 | | | | | | | | | |
| **Available General Reserves Year End** | **4,823** | **6,456** | **6,867** | **7,147** | **7,147** | **7,147** | **7,147** | **7,147** | **7,147** | **7,147** | **7,147** | **7,147** | **7,147** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Available General Reserves assuming no Savings/income identified** | **4,823** | **6,456** | **6,253** | **5,575** | **4,068** | **2,168** | **158** |

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# EXPANDING THE LAND CHARGES PARTNERSHIP

| | |
|---|---|
| Date: | 11/2/2020 |
| Contact Officer: | Ged Cooper |
| Tel Number: | 01543 308155 |
| Email: | ged.cooper@lichfielddc.gov.uk |
| **Key Decision?** | **YES** |
| **Local Ward Members** | None |

Lichfield district council
www.lichfielddc.gov.uk

**CABINET**

## 1. Executive Summary

1.1 Lichfield District Council and South Staffs Council formed a shared service in 2015 to deliver the land charges service. Land charges is a statutory service that maintains the 'Local Land Charges Register' (LLCR) which lists key information on land such as restrictions on use, financial charges, etc.

1.2 Land Charges also provide a discretionary, fee earning service supplying around 2,000 property history reports known to the industry as the 'CON29' service or 'Official Search'.

1.3 Private 'Personal Search' companies compete with the Councils to provide that service and have around half of the market share.

1.4 Whilst the existing shared service has been effective in improving service delivery using GIS technology to deliver the best performance ever recorded, and retaining key staff, growth of the shared service has stalled as there are limited resources to market the service effectively. The shared service is expected to meet its financial objectives but that cannot be certain moving forward.

1.5 This proposal is for South Derbyshire District Council to join the shared service, this will consolidate income and resources to ensure performance is maintained for all three councils. The larger shared service is more financially sustainable and in a better position to respond to threats.

1.6 Councils in the proposed shared service:

- Lichfield District Council
- South Staffs Council
- South Derbyshire District Council

1.7 A larger shared service, delivered electronically, provides opportunity for further staff training and development to help with resilience. Consolidation of resources generates efficiency that provides the capacity to market the service.

1.8 The net cost of the land charges service to Lichfield DC is currently low at £15K and this proposal will reduce the net cost further. However, the main advantages of the shared service are that is will help to compete better and it puts all three councils in a position to respond to the threats, including the potential 25% drop in income following transfer of the LLCR to the HM Land Registry, expected in 2 to 5 years.

1.9 The shared service provides the best available opportunity to generate increased fee income, ensuring the net cost of the service is as low as possible. It helps the property market to run smoothly and discharges all statutory duties effectively.

## 2. Recommendations

2.1 Cabinet gives authorisation to enter into a new agreement with the Councils listed in Section 1.6 of this report.

2.2 Delegate authority to Cabinet Member for Legal & Regulatory Services and Head of Economic Growth & Development to authorise the creation of the shared service.

2.3 Cabinet agree Lichfield District Council to be the Host Authority for the new shared service.

## 3. Background

3.1 Land Charges is a small local authority service but significant in terms of the service it provides to customers and the income it generates. Anyone planning to buy or lease property needs to know whether there are any issues of concern, such as plans for a new railway at the bottom of the garden or outstanding Notices requiring owners to remedy an earlier wrong doing

3.2 The government intends for the Land Registry to take over responsibility for the LLCR. This will remove an income stream which is currently around 25% of Land Charges income. The proposal will also increase each Council's workload and responsibility as councils will be responsible to the Land Registry.

3.3 Around 75% of the income is from the main chargeable (fee-earning) service that involves selling information (CON29) held by the council. This is not directly under threat and there is opportunity to increase market share by improving services.

3.4 Non-chargeable services provided by Local Land Charges include maintaining the LLCR and providing access to information for 'Personal Search' companies who attend the council. These services are funded directly by the council and workload is expected to rise following the takeover of the Land Registry

3.5 The main aims and objectives moving forward are:

- Improved customer service
- Greater service resilience
- Competitive chargeable services fully funded from fee income, at zero net cost to the council.
- Non-chargeable statutory services to be delivered at the lowest cost possible.
- Electronic service delivery.

3.6 No staff are to be transferred from South Derbyshire DC to Lichfield DC. The land charges partnership is currently providing land charges services to South Derbyshire DC on a consultancy basis.

3.7 A new Team Leader post will be required to focus on the Lichfield and South Derbyshire areas. This will be recruited from within the existing Land Charges team.

3.8 1 new additional full time post at band 'D' will be required.

3.9 No accommodation will be required at South Derbyshire DC

3.10 It is not possible to currently join together all the information from each council on a single system. Three systems will be used with staff trained on multi systems.

| | |
|---|---|
| Alternative Options | 1. Continue to provide the service as we do within the existing shared service. There are concerns about the lack of growth with the impending HMLR transfer and the risk from competition. There is an increased risk of the service having increased net costs and resilience remains a significant risk. |

| | |
|---|---|
| Consultation | 1. No consultation has been carried out other than internal departmental discussions. This shared service would not have any negative effect on service delivery. |

Financial Implications

- Forecast income for 2019/20 from South Derbyshire DC is £117K

| | Income | | | |
|---|---|---|---|---|
| | Lichfield | South Staffs | South Derby | TOTAL |
| 2018-19 | £182,514 | £103,400 | £129,015 | £414,929 |
| 2019-20 Forecast | £161,971 | £108,675 | £117,195 | £387,841 |
| Post HMLR Forecast | £121,478.3 | £81,506.3 | £87,896.3 | £290,880.8 |

- Post HMLR forecast is a threat. It is an estimate, subject to a government new burdens funding application and is not expected to occur for at least 2 years.
- Estimated cost of the team leader is an increase to band G = £7K (To top of band)
- Additional Band D post £25K
- Assume ICT contribution at South Derbyshire DC is £25K
- Assume additional contribution to LDC Support costs is £4K
- Existing shared service net cost to Lichfield DC is currently £13.5K, reducing to zero in year 1.
- All costs at Host Council and South Derbyshire DC are recovered from income.
- Lichfield DC as the host authority receives an additional £4K towards its support services.

**Shared Service (South Derbyshire DC Changes) Financial Implications**

| | **2020/21** | **2021/22** | **2022/23** | **2023/24** |
|---|---|---|---|---|
| Team Leader Promotion | 7,000 | 7,140 | 7,280 | 7,430 |
| Band D | 24,730 | 25,260 | 25,780 | 26,330 |
| Estimated LDC Recharge | 4,000 | 4,000 | 4,000 | 4,000 |
| Estimated Recharge for IT at SSDC | 25,000 | 25,500 | 26,010 | 26,530 |
| Land Search Fees | 35,000 | 35,000 | 35,000 | 35,000 |
| Income Forecast | (117,000) | (117,000) | (117,000) | (117,000) |
| **Net Surplus** | **(21,270)** | **(20,100)** | **(18,930)** | **(17,710)** |

| | **2020/21** | **2021/22** | **2022/23** | **2023/24** |
|---|---|---|---|---|
| **LDC Current Budget** | | | | |
| Direct Budget | (60,140) | (60,140) | (60,140) | (60,140) |
| Indirect Budget | 73,640 | 73,640 | 73,640 | 73,640 |
| **Net Cost to LDC** | **13,500** | **13,500** | **13,500** | **13,500** |

| **LDC Financial Implications** | **2020/21** | **2021/22** | **2022/23** | **2023/24** |
|---|---|---|---|---|
| Removal of LDC Land Charges Cost | (13,500) | (13,500) | (13,500) | (13,500) |
| Increase income to cover overheads | (4,000) | (4,000) | (4,000) | (4,000) |

| | Total LDC Savings | (17,500) | (17,500) | (17,500) | (17,500) |
|---|---|---|---|---|---|

| | |
|---|---|
| Contribution to the Delivery of the Strategic Plan | 1. Providing good quality, resilient and sustainable statutory services. |
| Equality, Diversity and Human Rights Implications | 1. None |
| Crime & Safety Issues | 1. None |
| GDPR/Privacy Impact Assessment | 1. None. This proposal is fully consistent with GDPR. |

| | Risk Description | How We Manage It | Severity of Risk (RYG) |
|---|---|---|---|
| A | Resilience:<br>Critical staff leave before changes are implemented | Additional team leader post created. Provide support and assurance. Ensure staff are fully briefed and support the changes. Staff to be fully engaged in the process. | yellow |
| B | Data held on Systems may require cleansing. | Data Audit to be carried out. Prepared to work with data owners. | Green |
| C | Fail to deliver set up of the expanded shared service | Clear Detailed Action plan and resource strategy. | Yellow |
| D | Partnership operates at loss as income falls below target | Accounts kept under constant review. | Yellow |
| E | Insufficient allowance made for running costs | Current information is based on previous actual budgets.<br>Monthly budget monitoring and reports | Green |
| F | South Derbyshire DC fail to deliver new IT system as planned | Wait until new IT system is implemented and tested-fully engage with IT project. | Yellow |
| G | Take-over by land registry expected 2-6 years | Increase market share within 2 years without increasing staff costs. | Green |

## Background documents

Business case – land charges partnership V2

## Relevant web links

# Lichfield District Council,
# South Staffordshire Council,
# South Derbyshire District Council

## <u>Local Land Charges</u>

BUSINESS CASE FOR FUTURE DELIVERY OF LOCAL LAND CHARGES SERVICES

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**Document Ref:** V2
**Document Version Number:** 5/12/19

## EXECUTIVE SUMMARY

Land Charges is a small local authority service but significant in terms of the service it provides to customers and the income it generates. Anyone planning to buy or lease property needs to know whether there are any issues of concern, such as plans for a new road at the bottom of the garden or outstanding Notices requiring owners to remedy an earlier wrong doing.

Councils, by law, (Local Land Charges Act 1975) must keep a Local Land Charges Register (LLCR). The LLCR records relevant information on every property/parcel of land within the district. It is updated daily. Land Charges also include a discretionary, fee earning service providing property history reports known to the industry as the 'CON29' service or 'Official Search'. It competes against private companies to provide that service.

Land Charges teams tend to be small (one or two FTE posts in small LAs) with little or no resilience should a member of staff be absent. Key considerations in formulating this outline business case have been:

- The government intends for the Land Registry to take over responsibility for the LLCR. This will remove an income stream which is currently around 25% of Land Charges income. The proposal will also increase each Council's workload and responsibility as councils will be responsible to the Land Registry.
- Around 75% of the income is from the main chargeable (fee-earning) service that involves selling information (CON29) held by the council. This is not directly under threat and there is opportunity to increase market share by improving services.
- Non-chargeable services provided by Local Land Charges include maintaining the LLCR and providing access to information for 'Personal Search' companies who attend the council. These services are funded directly by the council and workload is expected to rise following the takeover of the Land Registry
- The main aims and objectives moving forward are:
    1. Improved customer service
    2. Greater service resilience
    3. Deliver competitive chargeable services fully funded from fee income, at zero net cost to the council.
    4. Non-chargeable statutory services to be delivered at the lowest cost possible.
    5. Electronic service delivery.

All Councils are already collaborating successfully within the "Central Building Control Partnership'.

Lichfield District Council and South Staffordshire Council have an existing and successful land charges shared service hosted at Lichfield DC since May 2015. This report recommends that South Derbyshire DC join the existing shared Local Land Charges service, creating a new three party shared service.

- All staff will be employed and managed by Lichfield DC. No staff will be transferred from South Derbyshire District Council.
- Remote access to all IT systems will be maintained to provide resilience.
- Governance is provided by a Partnership Advisory Board

# Contents

# 1 INTRODUCTION

1.1 Councils have clear statutory duties to manage land and property information and provide basic environmental information for free. Some of this information is held on the Local Land Charges Register (LLCR) which is managed and maintained by the 'Land Charges' service. However, Land Charges also provides an established value added, discretionary and fee earning council service providing 'Official Searches'.

1.2 The purpose of this document is to provide Senior Officers and Members with an opportunity to consider how Lichfield District Council, South Staffordshire Council and South Derbyshire District Council (the Councils) may provide the local property market with information in future, and discharge other statutory duties.

1.3 A key factor in this work is to move away from the traditional service delivery by key people and to fully utilize available technology to transform services to minimize officer time, improve the customer journey and increase income to deal with threats to the service.

1.3 The document is focused on the Land Charges service, but no service operates in isolation. The relationships and other services affected by any proposal require full consideration.

1.4 The government has issued guidance on assessing options for small services and it is important that research and investigation into options is proportionate. Therefore, this document has taken that advice on board. Given the limited scope of the services, this document will recommend a single option.

# 2 THE STRATEGIC CONTEXT

2.1 Land and property information held by councils is essential to all sectors of the property market, from home buyers' mortgage lenders, to large developers.

2.2 Without this information the property market cannot operate effectively.

2.3 Councils have a legal duty under the Environmental Information Regulations 2004 to provide access to most 'Environmental Information' free of charge, such as the Local Land Charges Register (LLCR). 'Personal Search' companies (PSCs) access this information and sell it on to their customers.

2.4 'Land Charges Official Searches' is a trusted and high quality, customer focused, fee-earning council service that pre-dates and competes against PSCs to sell value added property related information. There is clear legislation set out in the Local Authorities (Charges for Property Searches) Regulations 2008 about how fees can be applied. Not everything can be charged for.

2.5 There is new government legislation currently in process (The Infrastructure Act) to ensure some information (LLCR) is accessible and available in electronic format via the Land Registry. This will place new burdens on councils to supply the Land Registry.

2.6 All councils face financial challenges and need to ensure that services are resilient; sustainable; as low cost as possible and that income is maximized.

## 3 THE NEED FOR A NEW APPROACH

3.1 Budgetary constraints on all local authorities have created an environment where savings must be made whilst maintaining services but have also provided the impetus for innovation and exploration of new ways of working. This proposal responds to these challenges.

3.2 Not all of the work of Land Charges can be charged for and this 'non-chargeable' work is funded directly by councils. The cost of this non-chargeable work is increasing at a time when council budgets are under pressure.

3.3 The government intends for Land Registry to take over part of the service over the next two to six years. This will have a negative effect locally as it will reduce income by around 25% and increase non-chargeable workload which will be a direct cost to councils.

3.4 Resilience is a high risk factor with services reliant on a few people with local knowledge.

3.5 Opportunities exist to increase resilience and service standards by transforming the service, a part of which is to move to fully electronic systems.

3.6 Opportunities also exist to increase market share and to charge where this has not been previously possible.

3.7 There are good examples of shared services that have achieve improved resilience, competitiveness and efficiency at the lowest cost possible to customers and taxpayers.

## 4 AIMS AND OBJECTIVES

### 4.1 Aims

1. To provide timely and accurate ‘Environmental Information’ including land and property information, through the use of technology, that is affordable and dependable.
2. To provide a resilient cost effective service that exceeds customers’ expectations

### 4.2 Objectives

1. Provide all non-chargeable services at £7K net cost per council within 2 years.
2. Deliver all chargeable services at zero net cost within year 1.
3. Create a single team employed and managed by Lichfield DC.
4. Compete better and improve market share by 5% per year.
5. Deliver high quality by ensuring data is accurate, with zero errors revealed by auditing within year 1.
6. Provide dependable agile services that can be delivered from multi-locations, including voluntary home working within year 1.
7. Deliver all official searches within 5 working days.
8. Deliver searches for a fee that is competitive and recovers all our costs.
9. Manage risk effectively by ensuring all risks are identified and monitored in accordance with council procedures.

### 4.3 Current Performance of the existing partnership in delivering the objectives

The current legal agreement between Lichfield DC and South Staffs councils has a requirement for a Business Plan and annual budget to be agreed in advance. The Business Plan and financial performance is reported regularly through a performance management system and also to the Partnership Board twice a year. There are also additional regular meetings with officers that attend the Partnership Board meetings where that is requested.

Of the 9 objectives in section 4.2 above, all have been achieved with the exception of the following:

<u>Objective 5</u>

Data accuracy is fundamental to an automated system, and most of the data is not owned by the Land Charges team. To achieve this objective Land Charges works with other departments. This has involved creating a working group, identifying data owners and custodians, ensuring staff are trained to input data accurately and consistently. Where there are inaccuracies, they work with data custodians to support data cleansing, training and assistance. This may not be necessary if data is accurate but may be a significant piece of work.

# 5 BACKGROUND TO LOCAL LAND CHARGES

## 5.1 Local Land Charges Register

All councils are required to keep a Local Land Charges Register (LLCR). This records all 'Local Land Charges' that the council and others place on land. For example, planning conditions or where the land owner owes the council money and many other restrictions or obligations.

## 5.2 The 'CON 29' Official Property Search

Not all potential issues are formal 'Land Charges' and solicitors have a variety of further questions about what the council knows about land. This could be about proposed development, railway schemes, building regulation consents, etc.

For consistency, a search 'form' (CON29) has evolved which solicitors use to request all the information they require. This is known as an ‘Official Search’.

## 5.3 The Local Land Charges 'Market'

Much of the information the solicitor wants is available for free to those who attend the council offices and are prepared to carry out their own 'personal search'. There are local and national 'Personal Search' companies who provide this service and compete against councils.

Therefore, a competitive 'market' has grown as private companies compete against councils to provide this service to solicitors. The council's market share is around 50%.

## 5.4 The Services that Local Land Charges Provides

All councils provide the same services.

Chargeable (Fee Earning)
- Property search (Con 29).
- Search of the 'register' (LLCR)
- Copies of certificates, etc.

Non-Chargeable (Non-Fee Earning)
- Dealing with Personal Search companies
- Environmental Information requests (For Land & Property)
- Maintaining the Local Land Charges Register.

# 6 CHALLENGES & OPPORTUNITIES

| Challenge | Opportunity |
|---|---|
| **6.1 Fluctuating demand** | |
| The chargeable service is totally dependent on external income from fees. Most costs are fixed costs, and the services are vulnerable to changes in market size and demand fluctuations. | The services have around half of the available 'search' market so there is potential for growth. There is a clear demand for high quality accurate information to be provided directly by the council, approved and quality assured by the council. |
| **6.2 Land Registry takeover** | |
| As the Land Registry intends to lead on the LLCR the councils will face both a reduced income and increase in workload. This is because proposed legislation would require councils to supply information to the Land Registry for free. | Land Registry proposal may have a greater negative effect on our competitors than on us.<br>Therefore, if we can deal with 20-30% more searches without increasing resources we can maintain current income levels. |
| **6.3 Local knowledge** | |
| Despite using the latest systems available, procedures employed still require local knowledge of the area, current issues, etc. Whilst customers value this, it means the services are less resilient. | Capture this information electronically. Simplify and document procedures and quality assurance systems.<br>Staff to have full access to information - remove need to consult with internal departments. |
| **6.4 External regulation** | |
| All Environmental Information must be available for free at reception. 'Digital by default' agenda, 'Inspire' data publishing regulations. | Opportunity to charge officer time for some information following recent case law and ICO guidance.<br>This relates to the recent East Sussex case – councils can charge associated costs for supplying EIR information that is not a public register. There is an opportunity to view EIR information that we hold as an asset. Consider Building Control information and follow up enquiries from the LLCR searches. |
| **6.5 Residual Costs** | |
| In many cases where a service is reduced in size, there will be less central support required. For example, less workstations may be required. In services that are externally funded, this may mean that there is less payment to the council's central support services, which may result in residual cost for the council. | Managing these residual costs is one of the challenges faced. However, with small services the effect should be manageable. |

## 6.6 Analysis

There are threats to the service income from the Land Registry take over and competition to provide searches. The service at South Derbyshire DC is not resilient and relies on a few key staff with local knowledge which is a high risk.

There is an opportunity to transform the business into an electronic and automated system, faster, more reliable and resilient.

# 7 OPTIONS APPRAISAL

Bearing in mind the government's advice *[Footnote 1*] to keep this type of assessment proportionate, a fully detailed options appraisal of all potential options was not carried out. This would require significant resource without any clear benefits. Instead, a 'Business Justification' method was used as this is a 'small project' (Less than £2 million).

The options considered:

1. Do Nothing
2. Improve the service within the current arrangements.
3. Wider collaborative working with other councils
4. Outsourcing
5. Alternative vehicle delivery models.

## 7.1 Do Nothing

- Potential rising costs due to increasing volume of non-chargeable work and the planned Land Registry takeover of the LLCR make this a high risk option that is likely to increase net cost to the Councils.

## 7.2 Improve the service within the current arrangements.

- Transforming services to increase efficiency is an option that will have to take place to ensure costs are reduced. Regard must be had to the available resources to identify and implement changes.

- This option will not help with resilience unless other services and or resources are made available to give support.

- It may not generate sufficient efficiencies to enable improvement and investment into technology. It also provides less opportunity to reduce the service running costs.

- It does provide full control over the business transformation.

*Footnote 1 – HM Treasury (2013) The Green Book: Appraisal and evaluation in central government*

## 7.3 Wider collaborative working with other councils

- By working together with other councils, economies of scale will usually result in overall lower costs than running separate services.
- Sharing expertise, learning and investment costs in using technology better is more cost effective.
- Providing resilient, consistent customer service will help keep customers satisfied.
- Having a single marketing strategy will help to develop market share and increase income.
- Having a fixed non-chargeable cost as low as possible would provide sustainable services.
- There may be residual costs that will need to be managed.

## 7.4 Outsourcing

- There is clear regulation about setting fees for Land Charges and the key principle is that this is not-for-profit.
- This means there is no attraction to private companies to take on the chargeable search service as they would only be able to recover their costs and not make a profit.
- It is also unlikely that they would use council services and accommodation so the residual costs to the council would need to be assessed.
- The non-chargeable work is a smaller part of the whole service and benefits significantly from the staff that also carries out chargeable work.

## 7.5 Alternative vehicle delivery models.

- The small scale of the service makes this unviable to set up as a separate business, such as a trading company. However, working with other councils may make this a viable option for the future.

## 7.6 Preferred Option – collaborative work with other councils.

The preferred option is to work in collaboration with other councils. This provides the opportunity to use income to reduce the costs to councils; greater resilience; better services to customers and provides a lower risk environment.

# 8 FINANCIAL STRATEGY

## 8.1 Funding the service

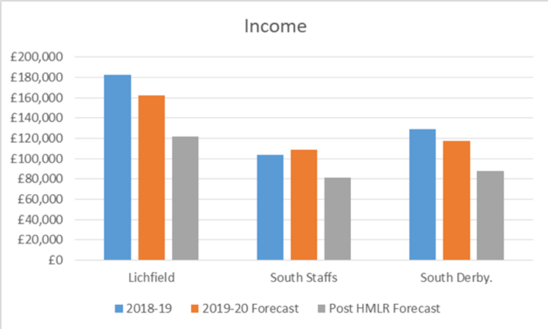
The service is funded in two different ways: 'Chargeable' and 'Non-chargeable' as described below.

The council has to provide information for free to its competitors. This means that as its market share increases, its non-chargeable costs decrease.

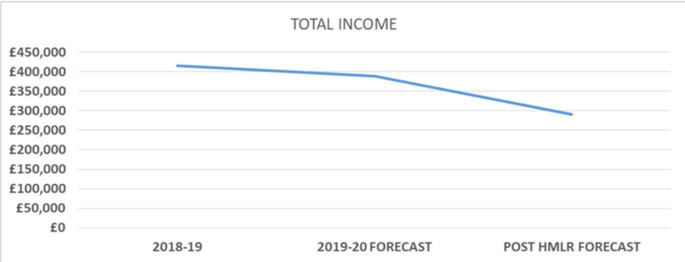
| Service | Funding arrangements |
|---|---|
| Chargeable<br><br>Council staff provide information to customers signed, stamped and approved. | • Chargeable services are funded on the **'user pays'** principle.<br><br>• There is specific legislation that sets out how the fee is to be calculated.<br><br>• A fee is charged for each individual search request.<br>The fee recovers 100% of the service.<br><br>• There can be no subsidization of the service from other council funds.<br><br>• The income cannot be used to fund other services. |
| Non-chargeable<br><br>Public access to information.<br><br>Maintain LLCR | • These services are funded directly from the **council's revenue** account as a normal council funding arrangement. |

## 8.2 Income received from Land Charges CON29 search service:

This includes Lichfield District Council, South Staffs Council and South Derbyshire District Council.




- This graph shows the actual income received in the preceding year and current forecast income for to 2019 to 2020.
- Sometime after 2022, Land Registry takeover will reduce income by 25%




- The Land Registry take over will have a significant negative effect on income.
- However, the council's responsibilities and workload will increase following the takeover.

| | Income | | | |
|---|---|---|---|---|
| | Lichfield | South Staffs | South Derby | TOTAL |
| 2018-19 | £182,514 | £103,400 | £129,015 | £414,929 |
| 2019-20 Forecast | £161,971 | £108,675 | £117,195 | £387,841 |
| Post HMLR Forecast | £121,478.3 | £81,506.3 | £87,896.3 | £290,880.8 |

- This table shows the income figures in more detail.
- The HMLR takeover of the LLCR is expected within '2 to 7 years'. No other information on timescale is yet available.

### 8.3 Draft Budget

The budget is shown in Appendix 1. This is based on the existing model with the Host Authority (Lichfield DC) holding all resources on behalf of the partnership. Income and costs are managed under the Host Authority's procedures and the host authority's Partnership Manager provides reports to the partnership board. Budgets are agreed/approved by the board and any surplus is held in an earmarked reserve account for reinvesting in the partnership.

If there is a loss, the partnership is expected to manage that loss over a three year period without net contribution from any partner by applying normal business techniques, such as reducing costs and increasing income.

The host authority, 'buys in' support services from SDDC and South Staffs council in order to deliver the service. Therefore, SDDC and South Staffs Council will invoice the partnership for providing support, IT, accommodation etc.

- There needs to be agreement about what support services would be provided.
- When agreed at the budget review stage, Lichfield DC pays for this service out of the partnership budget.
- Establishing reasonable and transparent support costs is key to the success of the project. These costs will be funded from fee income. There is an expectation that:
    I. All costs associated with supporting and delivering the Land Charges service will be fully apportioned to the Land Charges partnership budget.
    II. No other costs will be apportioned.

All costs associated with delivering the Land Charges function are funded by the partnership fee income, this will include data transfer and cleansing. Includes costs associated with the transformation of the service to a fully digitized process.

It can be seen that in Year 1:
- The chargeable service forecast income is achievable.
- The chargeable service is delivered at zero net cost
- Non-Chargeable costs are assumed to be zero. These costs will be absorbed.

### 8.4 Deficit

There is a risk that the chargeable service will make a loss. There is a legal requirement for the service to break even over a three year rolling period. Therefore, this risk is shared and the situation is carefully monitored. Action to alleviate this risk is dealt with through the council procedures and the Partnership Board.

### 8.5 Surplus

The budgets show a surplus. If this becomes excessive the service must re-assess its charging scheme to balance income v expenditure over the three year rolling period. If surplus exists the Partnership Board would decide the appropriate action. Options include holding an earmarked reserve to deal with future fluctuation, reducing fees, further investment in the service.

### 8.6 Fees and income target

- For normal house purchase CON29 searches there is similarity between pricing, between £98 and £115, which amounts for around 80% of the searches.
- For commercial searches there are significant price differences. Lichfield charge £200 compared to £98 at SDDC There are opportunities to look at harmonizing these charges.
- All councils are achieving their income target. However, without action, income is expected to fall, due to the risks identified such as the HMLR takeover.
- Income targets are based on costs of service delivery. This is a requirement of the fee regulations. However, there is opportunity through transformation to increase speed, maintain quality and market the service to generate increased volume.

### 8.7 Procedures and service transformation.

A legal agreement would need to be created and this will require approval at each council. The Building Control Partnership collaboration agreement has been fully agreed by all councils previously and that has been suggested as a template. Systems are available to create a fully automated, digital system for providing Searches for the property market.

- Lichfield and South Staffs currently have separate but identical fully electronic Land Charges Systems called Total Land Charges (TLC) systems from the same supplier. SDDC has a new fully electronic system. It will not be possible to have a single system but procedures and processes will be harmonized and staff trained on multi systems.

- Action Plan - Appendix 4, Page 28 identifies the main tasks and resources.

- Therefore, Year 1 of the expanded partnership will focus on harmonizing IT, procedures, processes and all business activity. Processes will be re-engineered so they can be carried out from any location. This will also involve work with departments that hold data to ensure it is accurate and clean.

- Once implemented, the service will be marketed. The unique selling points are the speed of service, experienced, professional advice and guidance on search results, accuracy and that the information is owned by the council. It is expected to increase market share, increase volume so that when the HMLR take over the register, the service will be able to manage the reduction in income by growth in the number of CON29 searches.

- It is not yet technically possible to create a single electronic local land charges register, even with the same system it has not proven possible to achieve that. Therefore, three separate systems must be maintained.

- All payments will be made from Land Charges partnership fee income.

# 9 CURRENT AND PROPOSED ARRANGEMENTS

## 9.1 South Staffs Council, Lichfield DC

- Service has a staffing 4 x Full Time Equivalent posts. (FTE). This includes a Team Leader and Assistant team leader that provide the specialist knowledge. The team delivers Local Land Charges services for both councils. They can operate from any location. The team is supported by Partnership Manager
- This is a one-stop-shop with full access to other systems and little consultation with other departments is required.
- All information is held electronically.
- The system is party automated but checking is required to ensure quality.
- All information is made available by Land Charges on a self-service basis to Personal Search companies except Building Control.

## 9.2 South Derbyshire District Council

- At this time South Derbyshire District Council do not employ any staff in Land Charges. The service is being delivered on a consultancy basis by the existing Land Charges partnership.

## 9.3 Proposal

- A total establishment of 5.6 FTE to deliver all land charges duties for the three Councils.
- This will involve Lichfield DC employing direct another 1 FTE.
- Document and capture all procedures.
- Arrange for remote access into SDDC's IT systems from LDC systems.
- Assess quality of data held on department's systems
- Switch on automation (depending on quality of data)
- Work with other departments to cleanse data.
- Implement remote working and commence accommodation review.
- A draft 'Action Plan' is included in Appendix 4 page 26.
- The partnership would need to use SDDC and South Staffs support services and that would be set out in the business case and future business plans.
- All costs associated with delivering the Land Charges service would be funded from Land Charges income to make the business sustainable. All transformation will be delivered from fee income.

## 9.4 Staffing

- The existing and proposed staffing structures are shown in Appendix 2 Page 24.

## 10 OPERATIONAL AND PERFORMANCE MANAGEMENT

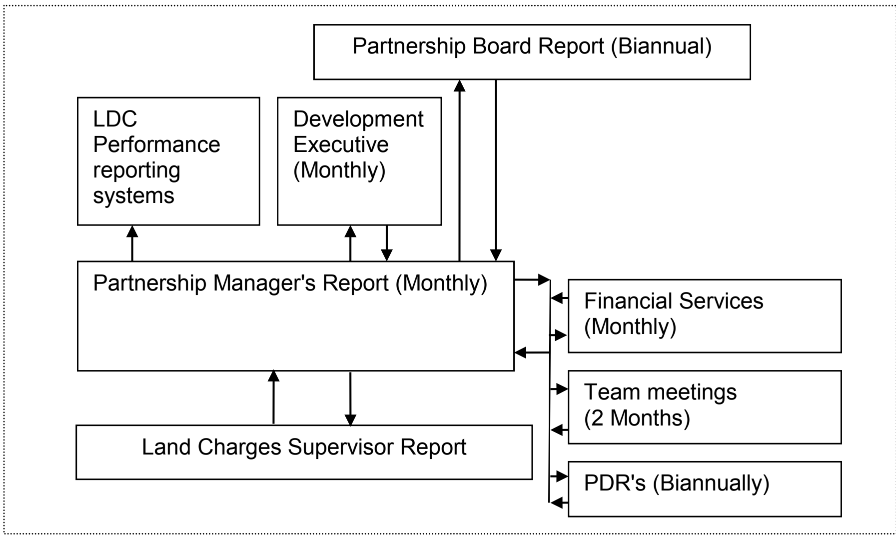
### 10.1 Managing Workload and Staff.

- The Partnership has a competency framework and a performance management system. All staff are involved in the reporting and feedback of performance.

- The Land Charges Team Leader has real-time reports on current search status.

- The Land Charges Team Leader provides a monthly report to the Partnership Manager identifying, income, speed, volumes and customer feedback.

- The performance report and template is included in Appendix 3 Page 26.




### 10.2 Potential Changes to Employment Terms and Conditions

It is a requirement of Lichfield District Council, as the ‘Host Authority’ that a review must be carried out on the potential impact on any post affected by a shared service. Any likely increase in costs must be calculated and incorporated within the business case.

1. A new Team Leader post would be required (promoted from within existing team)

2. A new full time Technical Support Officer post would be required at band ‘D”.

The Land Charges Partnership would have two team leaders. One responsible for Lichfield DC and South Derbyshire DC. The Second team Leader post is responsible for South Staffs Council and leading ongoing discussions with other Councils.

## 10.3 Operational Delivery

- All management and supervisory functions will be carried out at Lichfield DC. This includes finance and budget setting, service delivery performance management and marketing; HR services will be at Lichfield. Any complaints, etc. will be referred to the Partnership Manager for stage 1 response.

- Administration functions will be carried out at Lichfield DC and South Staffs Council. This includes receiving search requests, registering, and customer liaison. Access will be available to each system remotely so that the service is not entirely reliant on staff attending the office.

- Payments and Invoicing customers will be carried out using Lichfield DC systems to manage the partnership budget and account.

- All office procedures will be carried out in accordance with Lichfield QA procedures.

- The service will become fully IT based, with GIS searching facilities. Non-reliant on local knowledge.

- Governance is provided by a Partnership Board.

- Data accuracy is fundamental to an automated system, and most of the data required to answer CON 29 is not owned by the Land Charges team. To achieve the full automation Land Charges works with other departments.

- This is expected to involve creating a working group, identifying data owners and custodians, ensuring staff are trained to input data accurately and consistently. Where there are inaccuracies, they work with data custodians to support data cleansing, training and assistance. This may not be necessary if data is accurate but may be a significant piece of work where data is not held digitally.

- A detailed Implementation Action Plan will be prepared for consultation prior to commencing work on the shared service.

## 11 RISK MANAGEMENT

The risk register below identifies all the main risks and how these are controlled

| Risk | Likelihood/ Impact | Risk Category | Countermeasure | Responsibility | OK? |
|---|---|---|---|---|---|
| Resilience: Critical staff leave before changes are implemented | Medium/High | Tolerable | Additional team leader post created. Provide support and assurance. Ensure staff are fully briefed and support the changes. Staff to be fully engaged in the process. | Partnership Manager / All | To monitor |
| Data held on Systems may require cleansing. | Medium/High | Tolerable | Data Audit to be carried out. Prepared to work with data owners. | Team leaders | To monitor |
| Fail to deliver set up of the expanded shared service | Medium/High | Tolerable | Clear Detailed Action plan and resource strategy | Partnership Manager | OK |
| Partnership operates at loss as income falls below target | Medium/High. | Tolerable | Accounts kept under constant review. | Partnership Manager | To Monitor |
| Failure to deliver service due to low staffing. | Medium/High | Tolerable | Move to electronic service delivery | Partnership Manager | To Monitor |
| Insufficient allowance made for running costs | Low/Medium | Tolerable | Current information is based on previous actual budgets. Monthly budget monitoring and reports. | Partnership Manager | OK |
| Take-over by land registry expected 2-7 years | Medium/High | Tolerable | Increase market share within 2 years without increasing staff costs. | Partnership Manager | To Monitor |
| Quality of data | Medium/High | Tolerable | Continue to develop Land Charges working group | Team leaders | To Monitor |
| Unforeseen costs occur | Low/Medium | Tolerable. | Flexibility built into business case. | Partnership Manager | OK |

## 12 CONCLUSIONS

12.1 There is a real opportunity to increase market share and transform service delivery to a fully digitized, customer focused service, but the current arrangements are not resilient.

12.2 Despite a number of threats to Land Charges income faced by all councils, there is clear opportunity to develop a sustainable business that meets the needs of the local property market and discharge the council's legal obligations at zero net cost to the councils.

12.3 The service has to make available information to its competitors for free. However, by digitizing information and providing free access at Reception, this cost can be minimized and may also present an opportunity to charge.

12.4 Collaboration with other councils clearly provides the best opportunity to provide resilient, fully electronic services. It also enables the Councils to deliver statutory non-chargeable functions at the lowest cost.

12.5 The existing collaboration between Lichfield District Council and South Staffs Council provides a platform to develop wider shared Land Charges services and there is mutual benefit for South Derbyshire District Council to join with all three councils as equal partners sharing risk and rewards.

## 13 RECOMMENDATIONS

13.1 It is recommended South Derbyshire District Council, Lichfield District Council and South Staffs Council create a shared Land Charges service.

13.2 Digitization of data is key to the success of business transformation and analysis should be made of the potential opportunities to develop a fully agile business model.

## 14 APPENDICES

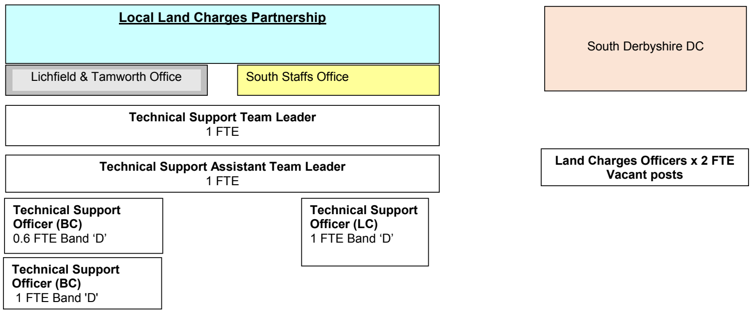
### Appendix 1: Land Charges Partnership Budget

| YEAR 1 | **Existing Budget** | **Changes with SDDC** | **Revised Budget** |
|---|---|---|---|
| Employees | 111,150 | 31,730 | 142,880 |
| Transport | 1,040 | | 1,040 |
| Supplies & Services | 5,780 | | 5,780 |
| Land Search | 97,080 | 35,000 | 132,080 |
| Support payments to Other LA's | 13,400 | 25,000 | 38,400 |
| Recharges | 73,120 | 4,000 | 77,120 |
| Income | (288,070) | (117,000) | (405,070) |
| Contribution to Partnership Reserve | | | 7,770 |
| | **13,500** | **(21,270)** | **0** |

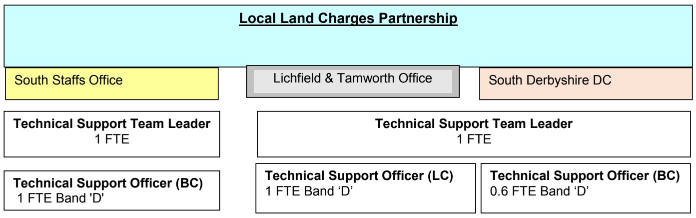
## **Appendix 2** Existing and proposed structures.

This shows the development of the Land Charges partnership Administration and Land Charges teams. It excludes Building Control Officers.

## Current Structure – existing




## YEAR 1 Structure



## Appendix 3: Performance management Report Templates

# LAND CHARGES MONTHLY PERFORMANCE MEASUREMENT AND INDICATOR REPORT

| This report is produced for the Month of | |
|---|---|

FINANCIAL SUMMARY

| Activity | *Annual Target (£)* | Target to Date (£) | Actual Total (£) | (£) Difference |
|---|---|---|---|---|
| Con 29, etc. | £ | £ | £ | £ |
| LLC1 received without Con 29 | *£0* | £ | £ | £ |
| **TOTAL** | £ | £ | £ | £ |

MANAGEMENT COMMENT

| |
|---|
| Speed of service<br><br>Income to date<br><br>Quality and Incident reports raised. |

PERFORMANCE INDICATOR

This figure is reported by Land Charges on a monthly basis through the Corporate Covelant system. It is published externally.

1. Speed of service

| | | | |
|---|---|---|---|
| The average turnaround for Searches | ACTUAL | TARGET<br>5 Days | *Source: TLC Standard report (D1)* |

## PERFORMANCE MANAGEMENT INFORMATION

Performance management information is used internally to manage the performance of the service. These targets relate to the 'Expected' income, which the service must receive to recover existing costs. This is less than the above 'Target' income.

2. Number of **CON29** searches received from April 1st.

| Actual | | Target | per year (Av £123 | *Source: TLC Standard Financial Report* |
|---|---|---|---|---|

3. **Income** from **CON29** Searches from April 1st
(Average £143 each. Include optional enquiries, additional parcels/questions, etc.)

| Actual | £ | Target | £ year | *Source: TLC Standard Financial Report* |
|---|---|---|---|---|

4. Number of **LLC1** searches received from April 1st

| Actual | | Target | per year | *Source: TLC Standard Financial Report* |
|---|---|---|---|---|

5. **Income** from **LLC1** Searches from April 1st

| Actual | £ | Target | £ per year | *Source: TLC Standard Financial Report* |
|---|---|---|---|---|

6. Number of **Personal Searches** received from April 1st.

| Actual | | Target | per year | *Source: TLC Standard Financial Report* |
|---|---|---|---|---|

8. **Quality**

Customer feedback comments & Complaints

Feedback received YES / NO (Comments to be noted or attached)

**Pentana Updated: DATE:**

**SIGNED OFF BY: NAME:**

**Date:**

LOCAL LAND CHARGES

# PREPARING FOR THE LAND REGISTRY MIGRATION OF DATA

- IDOX -TLC contains the electronic ‘Local Land Charges Register’. This data will be migrated to the Land Registry each day.
- TLC receives data from other IDOX modules, such as Development Management, Planning Enforcement, Building Control, Environmental Health, CIL, etc.

Not all the data is required for the Land Registry migration, but all modules are required for full TLC automation. The first priority of the Land Charges Working Group (LCWG) will be to prepare for the migration of data to the Land registry, and following that full automation of TLC.

The core Land Charges Working Group will consist of representatives from:

- IT services and/or GIS
- Planning – Uniform System administrator, Planning Enforcement, DM, CIL
- Building Control - Uniform System administrator
- Environmental Health
- Land Charges Partnership

Others, including Land registry, will be invited to the Working Group as required.

**South Derbyshire District Council will:**

- Support the Land Charges Working Group
- Actions in the table below in bold will need to be primarily carried out by SDDC Staff with assistance for the Land Charges Partnership. Some of this work may have already been started.
- A decision on a Registration can only be made by the originating department. For example, Land Charges staff when registering a new Charge, or removing an old registration have no authority to make a change without authority from the originating department.
- The only exceptions are where information held on the register is clearly not a Local Land Charge, or when originating departments have trained and authorized staff to amend.

**The table below identifies the main tasks and role of the Land Charges Partnership**

Items in **Bold** relate to work required to be done by South Derbyshire DC with the Land Charges Partnership assisting where possible.
Land Charges Working Group will, for each entry on the Land Charges Register:

| TASK | RESPONSIBLE | COMMENTS |
|---|---|---|
| Identify register sources | Land Charges Partnership | This should be apparent |
| **Identify missing data items- refer to LR 'Minimum data items' table.** | **IT/GIS to run a script/report. Originating departments will need to input that data, or train Land Charges staff.** | **It should be possible to check database fields to identify gaps in information. Once gaps are identified the LCWG will discuss the best fix.** |
| Locate source documentation | Land Charges Partnership | This should be apparent from system. |
| Cleanse expired charges/ repealed acts/ General Financial Charges | Land Charges Partnership -**Requires confirmation from originating departments**. | Process needs to be agreed so that staff can work efficiently. |
| Remove non-charge related documents | Land Charges Partnership | This should be apparent from system |
| Remove non-charge related Planning information/ Duplicate charges | Land Charges Partnership – **Requires confirmation from originating departments.** | This should be apparent from system |
| Identify extent/plotting area | Land Charges Partnership. However, where this information is already available it will be used. | **Further support may be required from originating departments and GIS Team**. |
| **Ensure addressable properties are addressed** | **IT/GIS to run a script/report and find any gaps** | **Once gaps (If any) are identified the LCWG will discuss the best fix.** |
| Ensure Land relating to an entry is plotted | Land Charges Partnership | **Further support may be required from originating departments and GIS Team.** |
| Known errors to be corrected | Land Charges Partnership – **Requires confirmation from departments**. | This should be apparent from system |
| Place of inspection identified/ supply of further information. | Land Charges Partnership | **LCWG will consider alternative processes for public inspection and ensure that Officer time is minimized and any opportunities for charging is explored.** |

# CHARGING FOR SUPPLYING BUILDING CONTROL INFORMATION

Date: 11/2/2020
Contact Officer: Ged Cooper
Tel Number: 01543 308155
Email: ged.cooper@lichfielddc.gov.uk
**Key Decision?** **No**
**Local Ward Members** None

www.lichfielddc.gov.uk

**CABINET**

# 1. Executive Summary

1.1 Environmental information held by public bodies is important to society and has commercial value.

1.2 The Environmental Information Regulations 2004 (EIR) give rights of public access to environmental information. EIR overrules the Freedom of Information Act (FOI). No request for ‘Environmental Information’ can be made under the FOI, it must be made under the EIR.

1.3 Building Control environmental information is currently supplied by Council staff at no charge to personal search companies who sell the information to their customers. In some cases in direct competition with the Council.

1.4 However, over the last 12 months there has been a 100% increase in demand from within Lichfield District Council’s boundaries.

1.5 The new ‘Central Building Control Partnership’ (6 Councils) has consolidated all building control information onto a single ICT system located at Lichfield District Council which is fully accessible to all partner councils. It is not a ‘public register’ and it contains personal and sensitive information. Therefore, information has to be supplied by each Council’s staff.

1.6 Following EIR case law and Information Commissionaire Officer Guidance, Councils can now set a charge for supplying environmental information, such as that held by building control.

1.7 It is recommended to set a charge and recover the costs of staff time and permitted overheads in supplying the information.

1.8 The small unit charge will affect around half of property transactions where a personal search company provides the search information. The small charge would have no effect on the property market but would ensure future service delivery is sustainable.

1.9 The fees will help to deliver good quality services at the lowest net cost possible to the taxpayer.

# 2. Recommendations

2.1. Approve a new proposed charging scheme for supplying building control environmental information in accordance with the Environmental Information Regulations 2004.

2.2. Delegate the setting of the charges to Head of Economic Growth & Development

# 3. Background

3.1 Since October 2019 all six Councils in the new building control partnership share a single IT system for building control information and must provide public access to environmental information.

3.2 The proposed Building Control Charging Scheme is attached, along with the detailed charging calculation and satisfies all the points raised in the Information Commissionaires Guidance and is fully in compliance with the EIR.

3.3 Fees are calculated on the hourly rate of a Band D post, including permitted overheads and excluding costs associated with ICT systems, and excluding all supplies and services costs. The average time to supply the information was based on 100 real examples.

3.4 It is expected that 5 of the 6 Councils in the Central Building Control Partnership will be included.

3.5 The service would be carried out, if agreed with other councils, by the Land Charges partnership. This is because the enquiries are as a result of requests for information relating to property transactions and this is the core business of the land charges team. Land charges staff have the expertise and share customers and can provide a one-stop-shop solution that helps to improve the customer journey.

| | |
|---|---|
| Alternative Options | 1. Continue to provide a free service. This would result in increasing costs and potentially increased response times.<br>2. Provide information via a free data set using the internet. This is the preferred option of personal search companies and a future vision of the building control partnership. However, this requires investment to combine multi data and document sets which is ongoing work planned over the next two years and not an immediate priority of the new building control partnership. |

| | |
|---|---|
| Consultation | 1. **Personal Search Companies** that regularly access information along with their representative body have been consulted. There is a clear preference to have free direct access to the information via the internet. They believe that they are entitled to the data for free.<br>2. **All 6 councils in the Central Building Control Partnership** have free access to the shared register and all 6 councils are considering similar recommendations to charge. Their decisions will affect the volume of work and income received by Lichfield DC staff.<br>3. **Legal Advice** was obtained through the Local Government Association along with other Councils. The legal advice supports and is consistent with this new Charging Scheme. |

**Financial Implications**

1. The new income stream cannot be used to generate profit.
2. The service will be provided on a cost recovery basis.
3. The volume of work has been estimated based on recent data for the 5 Councils that we expect to be included.
4. Final decisions on income and resource allocation will be made when all Councils have formally decided how to proceed.
5. This will require two internal changes to the Land Charges Partnership and will be implemented as a Land Charges project. No other changes are proposed.

    I. The current Assistant Team Leader post is an honorarium arrangement which will end and a permanent Assistant Team leader position will be created, ring-fenced to existing Land Charges staff to apply.

    II. There is a part-time (22 hrs) temporary (6 month) Band 'D' post (Technical Support Officer) in place currently assisting in delivering this service. This will be extended up to two years depending on the forecast income and workload. Cost of that is £15,000 per year.

| QUESTION: | Which of the following relating to the property have been granted, issued or refused or (where applicable) are the subject of pending applications or agreements? | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Building Regulations approval* | *A Building Regulation completion certificate* | *Any ...work carried out under a competent person self-certification scheme* | Fee calculation based on £22.10 per hour Excluding IT costs | Unit Fee | Forecast demand Year 1 | Forecast Income Year 1 |
| Lichfield DC (From 1st Jan 1997) | £4.80 | £1.60 | £1.60 | Average 22 minutes | £8.00 | 950 | £6,460.00 |
| South Derbyshire DC | £4.80 | £1.60 | £1.60 | Average 22 minutes | £8.00 | 600 | £4,080.00 |
| Tamworth BC (From 2009) | £4.80 | £1.60 | £1.60 | Average 22 minutes | £8.00 | 500 | £3,400.00 |
| North Warwickshire BC | £4.80 | £1.60 | £1.60 | Average 22 minutes | £8.00 | 800 | £5,440.00 |
| South Staffs (From 1st Jan 2002) | £4.80 | £1.60 | £1.60 | Average 22 minutes | £8.00 | 800 | £5,440.00 |
| | | | | | | **TOTAL INCOME** | **£24,820.00** |

**Contribution to the Delivery of the Strategic Plan**

1. Providing good quality, resilient and sustainable statutory services.

**Equality, Diversity and Human Rights Implications**

1. None

**Crime & Safety Issues**

1. None

**GDPR/Privacy Impact Assessment**

1. None. This proposal is fully consistent with GDPR.

| | Risk Description | How We Manage It | Severity of Risk (RYG) |
|---|---|---|---|
| A | Each Council decides to deliver the service individually, reducing income levels. | This is acceptable. Volumes will reduce, our resource requirements will reduce accordingly. | Green |
| B | Councils in the Building Control Partnership may not agree to charge and want to provide the information without charging. | This is acceptable as Councils have access and will provide the information directly using their own resources. If the Land Charges partnership supply the information there would be a recharge back to councils at the same rate. | Green |
| C | Legal challenge by the Personal Search Companies. | Follow LGA legal advice, EIR and ICO guidance to the letter. Maintain transparency and accurate records. | Yellow |
| D | Opportunity to create a publically accessible Data set arises sooner than expected. | There would be no legal requirement to resource this service. Therefore, keep temporary contract in place. | Yellow |
| E | Income exceeds forecast. | Additional temporary resources can be employed if necessary. | Green |
| F | Income falls below forecast | Forecasts are realistic and allow for reduced demand. Income levels to be regularly monitored. | Green |

## Background documents

Proposed Charging Scheme

## Relevant web links

[https://ico.org.uk/media/for-organisations/documents/1627/charging-for-environmental-information-reg8.pdf](https://ico.org.uk/media/for-organisations/documents/1627/charging-for-environmental-information-reg8.pdf)

South Staffordshire Council & Lichfield District Council Local Land Charges Partnership

# CHARGING SCHEME - ACCESS TO BUILDING CONTROL INFORMATION

This document explains how to access Building Control information under the Environmental Information Regulations 2004 (EIR). All requests under these Regulations are dealt with as soon as possible within 20 working days.

EIR overrules the Freedom of Information Act (FOI). No request for 'Environmental Information' can be made under the FOI, it must be made under the EIR.

'Central Building Control Partnership' register.

This is a series of data bases and case file documents (but not a public register) of building regulations related information held on behalf of the following Councils in the building control partnership:

- Lichfield District Council
- North Warwickshire Borough Council
- South Derbyshire District Council
- South Staffordshire District Councils
- Tamworth Borough Council
- *Nuneaton & Bedworth Borough Council (See note below)

All enquiries (except those marked *) – email landcharges@lichfielddc.gov.uk

Inspecting Building Control information

- The Building Control register is not publically available. Information held on the register and on the files contains personal and sometimes sensitive information.
- The Building Control files and systems contain some environmental information and the Council is fully aware of its responsibilities under the EIR and provides staff resource to supply environmental information.
- Arrangements and resource have been put in place to ensure that the relevant information is supplied.

Suspected errors or omissions discovered within the information supplied

- Everything reasonably possible is done to ensure the electronic data we hold is accurate. However, it is possible that people may suspect there are errors or omissions in the data.
- The Council welcomes any feedback and would like all suspected errors or omissions to be raised for investigation.
- There are no staff available on standby to deal with suspected errors discovered. All errors will need to be reported to, and investigated by the relevant Data Custodian.
- The Data Custodian will investigate and confirm that the data is correct.
- Where data is found not to be correct the Data Custodian will inform the enquirer when the repaired data is ready for inspection.
- The contact details for the Data Custodian is provided below. There is no charge for this service. Investigations will be carried out as soon as possible and within 20 working days.

**Nuneaton & Bedworth Borough Council*

*To access Building Control information held on behalf of Nuneaton & Bedworth Borough Council - Refer to the following webpage for instructions*

*https://www.nuneatonandbedworth.gov.uk/info/20029/local_land_charges/25/local_land_charges/2*

# Frequently asked questions

This applies to environmental information relating to Building Control for building work located at:

- Tamworth Borough Council work from 2009
- South Staffs District Council from 2002
- Lichfield District Council from 1998
- North Warwickshire Borough Council from 1998
- South Derbyshire District Council from 1998

| FAQ | CONTACT | COST |
|---|---|---|
| BUILDING REGULATIONS | | |
| Which of the following relating to the property have been granted, issued or refused or (where applicable) are the subject of pending applications or agreements - | | |
| Building Regulations approval;<br>A Building Regulation completion certificate;<br>Any Building Regulations certificate or notice issued in respect of work carried out under a competent person self-certification scheme? | landcharges@lichfielddc.gov.uk | £8.00 |
| Do any statutory notices which relate to the following matters subsist in relation to the property other than those revealed in a response to any other enquiry in this Schedule:– building works; | landcharges@lichfielddc.gov.uk | £1.50 |
| Has a local authority authorized in relation to the property any proceedings for the contravention of any provision contained in building regulations? | landcharges@lichfielddc.gov.uk | £1.50 |
| OTHER BUILDING CONTROL ENQUIRIES | | |
| For supplying Building Regulation environmental information other than listed above | landcharges@lichfielddc.gov.uk | £22.10 per hour or part thereof. |

## Contact Information for Data Custodians

Please email the address below with the details of your enquiry about the register. The relevant data custodian will investigate and respond as soon as possible and within 20 days.

| | | |
|---|---|---|
| **Building Control Data** | **Central Building Control Partnership** | **info@centralbc.org.uk** |

The Environmental Information Regulations (EIR) provide councils with a duty to make environmental information available. The duties of councils are such that they hold lots of environmental information, collected over the years for many different purposes. Where the councils are required to hold 'Public Registers' these are available to the public for inspection at no charge. The EIR permits a fee to be charged for supply of information where information is not held on a public register. Fees are charged entirely on a not-for-profit basis and do not include costs associated with the IT systems used by councils. Further information on how the charges are calculated is set out in the calculation below.

Fees are charged at a rate of £22.10 per hour. This includes the cost of salaries and all overheads. However, it does not include the costs associated with the IT systems, supplies and services.

Fees listed in the table above relate to a single residential property address. For requests for information on a plot of land, or larger commercial site, fees will be charged at the 'Other Enquiry' rate.

Exemptions from fees

The council will consider reducing or removing the fee for individuals who can demonstrate they are unable to pay the fee. For example, jobseekers, pensioners and those receiving disability benefits who can't work may apply for this exemption.

Further information is available at landcharges@lichfielddc.gov.uk.

**Payment of fees**

We reserve the right, under the EIR to require fees paid up front. However, regular business users of the service are encouraged to open a business account. Account holders are invoiced at the end of each month. Further information is available at landcharges@lichfielddc.gov.uk.

Payment of individual searches can be on-line, Bacs (Takes 3 days) or card.

We are unable to accept cash.

When making your request please be clear what information you require to enable the correct fee calculation.

**Further Advice**

- The more specific the question, the faster we can respond.
- Referring to Official CON29 question numbers is acceptable.
- Avoid general statements such as 'provide the building regulation history' as this could take a great deal of officer time and would fall outside the set fees.
- Where information other than in the set fees is required to be supplied we will provide a quote for that work for agreement prior to commencing the work.

## Calculation of charge

The charge calculation was based on an average of 100 requests for information on residential property. The charging calculation is set out below:

| | | |
|---|---|---|
| **Typical Employee Band D** | | |
| Employee Salary (inc. NI/Suppn) | £14,540.00 | |
| Premises | £0.00 | |
| Supplies & Services | £0.00 | |
| Third Party Payments | £1,470.00 | |
| Capital Charges & ICT | £0.00 | |
| Support Services | £5,970.00 | |
| Total Expenditure | £21,980.00 | |
| Productive Hours | 995 | |
| Hourly Rate | £22.10 | |
| | | |
| **Average time to supply information from the Building Control register.** | | |
| **Question** | **Time** | **Cost** |
| Building Regulations approval; | 13 mins | £4.80 |
| A Building Regulation completion certificate; | 4.5 mins | £1.60 |
| Any Building Regulations certificate or notice issued in respect of work carried out under a competent person self-certification scheme? | 4.5 mins | £1.60 |
| Do any statutory notices which relate to the following matters subsist in relation to the property other than those revealed in a response to any other enquiry in this Schedule:– building works; | 4 mins | £1.50 |
| Has a local authority authorized in relation to the property any proceedings for the contravention of any provision contained in building regulations? | 4 mins | £1.50 |
| | | £11.00 |