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Monday, 23 November 2020

Dear Sir/Madam

CABINET

A meeting of the Cabinet has been arranged to take place on **Tuesday, 1st December, 2020 at 6.00 pm** to consider the following business.

In light of the current Covid-19 pandemic and government advice on social distancing, the meeting will be held online and streamed live on the Council's YouTube channel.

Yours faithfully

Christie Tims
Head of Governance and Performance

To: Members of Cabinet

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

AGENDA

Money Matters : 2020/21 Review of Financial Performance against the Financial Strategy

Cabinet Member for Finance, Procurement, Revenues and Benefits and Customer Services

Lichfield
district council
www.lichfielddc.gov.uk

Date:	1 December 2020
Agenda Item:	3
Contact Officer:	Anthony Thomas
Tel Number:	01543 308012
Email:	Anthony.thomas@lichfielddc.gov.uk
Key Decision?	**YES**
Local Ward Members	**Full Council**

Cabinet

1.   Executive Summary

1.1   The report covers the financial performance from April to September (Quarter Two) for 2020/21 including updated projections of the financial impact of COVID-19.

1.2   The Medium Term Financial Strategy projected general reserves at 31 March 2021 would be **£8,056,988**. At this stage, general reserves are forecast to be **£6,478,534**, a reduction of **(£1,578,454)** related to:

- A lower than budgeted contribution in 2019/20 of **(£32,344)**
- Approved updates in 2020/21 summarised in para 3.13 decreasing the contribution by **(£76,770)**
- A projected contribution contained in this report for 2020/21 of **£78,610**
- The adverse impact of COVID-19 in 2020/21 of **(£1,547,950)**

1.3   The Capital Programme is projected to be **£11,000** higher than the Approved budget due mainly to a re-profiling of planned vehicle purchases.

1.4   Capital Receipts are projected to be **(£207,000)** which is **(£91,000)** higher than the Approved Budget due to a projected increase in Housing Right to Buy monies.

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

- Council Tax collection performance was **54.85%** and total arrears were **£2,759,204**.
- The **Council Tax Collection Fund** is projected to be in deficit, with the Council's 13% share being **£167,100** compared to the Approved Budget of **(£34,600)** in 2020/21.
- Sundry Debt for income to be collected in 2020/21 has increased by **£433,582 or 39%** compared to 2019/20 and the value outstanding at 30 September 2020 has increased by **£720,125 or 32%**.
- **Retained Business Rate Income** is projected to be **(£3,020,100)** in line with the Approved Budget.
- The **Business Rates Collection Fund** is projected to be in deficit due to COVID-19 reliefs that will be fully reimbursed by grant. The Council's 40% share of the deficit is projected to be **£5,851,000**.
- There will be a timing difference due to statutory arrangements between receipt of grant in 2020/21 and the period when the deficit is charged to the Revenue Budget. Therefore the Business Rates volatility earmarked reserve will be utilised to 'smooth' the financial impact.
- Business Rates collection performance was **54.91%** and total arrears were **£992,192**.
- The payment of suppliers within 30 days was **84.59%** and remains below our **90%** target.

1.6   The Council's investments 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.

2.2.   That Cabinet notes the further grant provided by the Government in 2020/21 of **(£100,000)** and the projected support for income losses that will be used to offset additional spend and income reductions and approves an update to the MTFS.

3.   Background

Budget Management

3.1.   The MTFS 2019-24 approved by Council on 18 February 2020 included the Original Budget for 2020/21 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 2020/21 and will be approved by Council on 16 February 2021.

The Revenue Budget

3.4.   Financial performance (excluding COVID-19) is shown in detail at **APPENDIX A** and in summary below:
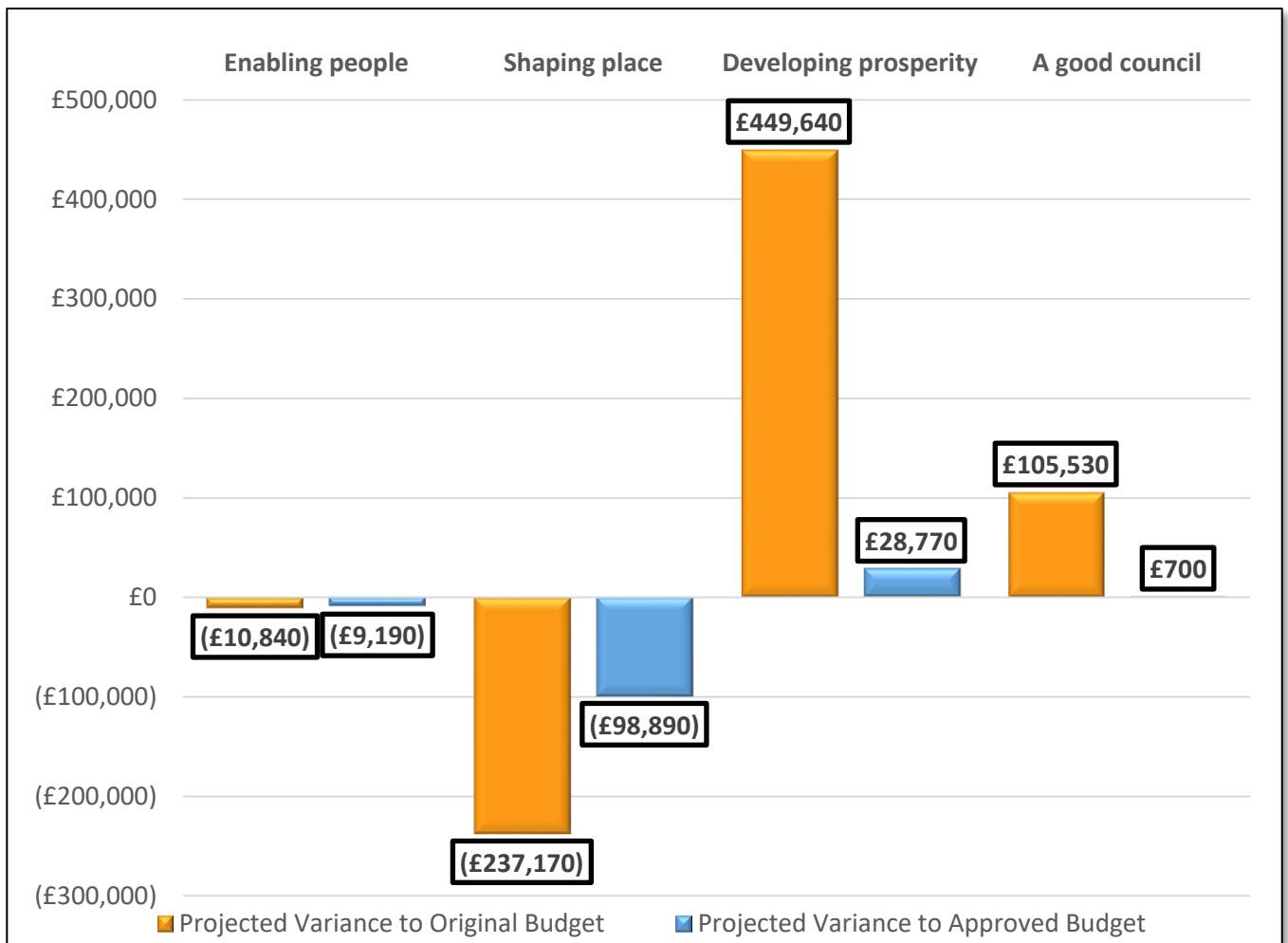
Performance compared to the Approved Budget

3.5.   In terms of the financial impact of COVID-19, the latest projection for <u>2020/21 only</u> is **£2,452,950** and is shown in detail at **APPENDIX B.**

3.6.   The projected impact will occur over several financial years with **£1,547,950** impacting on general reserves in 2020/21. The element related to Council Tax and Business Rates collection fund performance will impact on the revenue budget in later years.

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

	Variance	
	COVID-19	**Other Variances**
Enabling people		
• Additional net Employee Costs (including marketing officer)		15,810
• Additional Income from Court Costs		(25,000)
Shaping place		
• Additional income from Street Naming and Parks		(15,000)
• Reduction in Employee Costs (including transport officer)		(38,890)
• Additional government grants received in relation to Housing Benefits Administration		(45,000)
Developing prosperity		
• Increased property costs due to tenant vacating		15,320
• Additional Employee Costs in relation to Property Team		45,000
• Additional net income from trade refuse and recycling		(28,000)
• Minor Balance		(3,550)
A good council		
• Additional Employee Costs in relation to Head of Corporate Services		20,000
• IT contingency budget not required		(16,000)
• Minor Balance		(3,300)
COVID-19	280,050	
Total - Net Cost of Services	**280,050**	**(78,610)**
	201,440	
Corporate Expenditure		
Net Treasury - increased interest receipts		0
	201,440	
Earmarked Reserves		0
Funding		0
Transfer (to)/from General Reserves		**£201,440**

Earmarked Reserves

3.8. The earmarked reserves scheduled to be returned to general reserves in 2020/21 under the three year time limit contained in the approved policy are detailed below along with updates where appropriate:

Reserve Name	Balance 30-Sep-20 £	Earmarked Reserves No longer required £	Comments
Digitisation Programme	(£74,999)	0	To be reviewed at revised estimate
Individual Electoral Registration	(£4,265)	0	To be reviewed at revised estimate
Total Earmarked Reserves	**(£79,264)**	**0**	

3.9. Work is taking place to determine if there are Business Cases that justify their retention otherwise they will be transferred to general reserves.

Fees and Charges

3.10. The gross fees and charges budgets for 2020/21 together with actual income achieved over the last six years are shown in detail at **APPENDIX B**.

3.11. The projected variances for those with the highest value (figures in brackets relate to higher income) are:
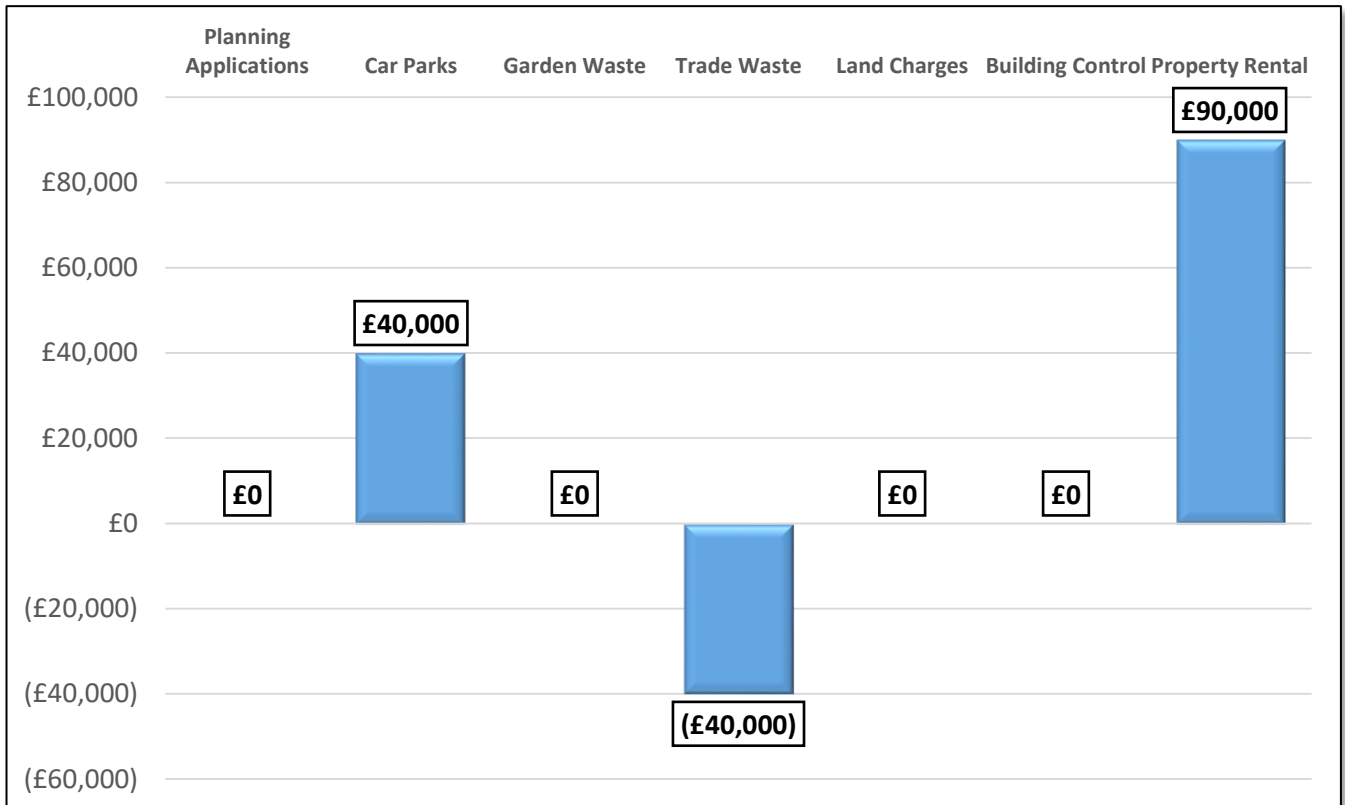
3.12. The reductions attributable to COVID-19 are included in the projections at para 3.5 although an element will be compensated through the income losses scheme. The reasons for any significant variances are:

- **A projected reduction in income from Car Parks** – the income has continued to be impacted by COVID-19.

- **Projected additional income from Trade Waste** – additional net income from trade waste customers.

- **A projected reduction in income from Property Rental** – some properties have become vacant in addition to existing tenants struggling to keep up with rentals due.

Closing the Funding Gap Progress

3.13. The progress (excluding any recommendations contained in this report) on closing the Funding Gap is:

Original Funding Gap	Cabinet or Decision Date	2020/21	2021/22	2022/23	2023/24	2024/25
		(£462,000)	£613,000	£959,000	£1,507,000	£1,899,960
Cash Payment Facilities	03/12/2019	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)
Climate Change (green energy)	13/06/2019	0	14,000	14,000	14,000	14,000
Revenues and Benefits Software	24/03/2020	(7,760)	(10,910)	(14,170)	(17,510)	(20,970)
Joint Waste Service contribution	02/06/2020	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Business Rates Savings	10/06/2020	(7,810)	(7,810)	(7,810)	(7,810)	(7,810)
Pension Lump Sum Payment Profile	23/07/2020	41,580	1,940	(43,520)	0	0
Money Matters 3 months – Non Covid-19	08/09/2020	(8,690)	19,100	19,100	19,100	19,100
Money Matters 3 months – Covid-19	08/09/2020	1,267,900	0	0	0	0
MTFS Updates – ICT Cloud/Investment in Property	06/10/2020	169,000	462,000	702,000	895,000	897,000
Funding Gap / (transfer to general reserves)		**£882,670**	**£981,770**	**£1,519,050**	**£2,300,230**	**£2,691,730**

|						
COVID-19 element		**£1,267,900**	**£0**	**£0**	**£0**	**£0**
Underlying Funding Gap / (transfer to general reserves		**(£385,230)**	**£981,770**	**£1,519,050**	**£2,300,230**	**£2,691,730**

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

Revenue General Reserves

3.15. The Original Budget estimated general reserves of **£8,056,988** at 31 March 2021. The current projected level is **£6,478,534**, a reduction of **(£1,578,454)** (with further details at para 1.2) as shown below:
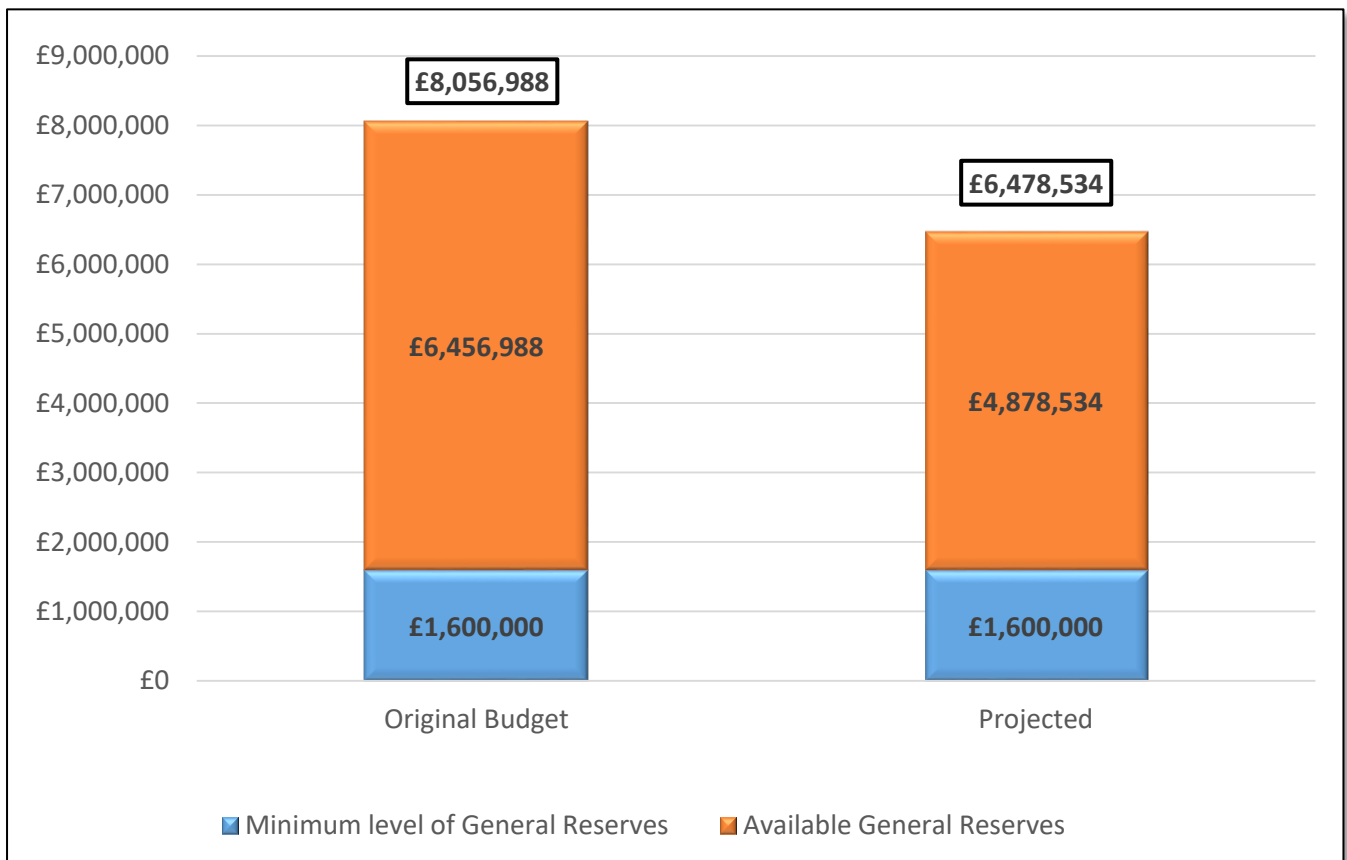
3.16. The level of General (unallocated) and Earmarked Reserves in relative terms and as a percentage of Revenue Expenditure (as defined in the Revenue Outturn Form) is shown for the last three years in the charts below:

Shire Districts Reserves as a % of Revenue Expenditure

Shire Districts Reserves 2017/18 to 2019/20 (£000s)
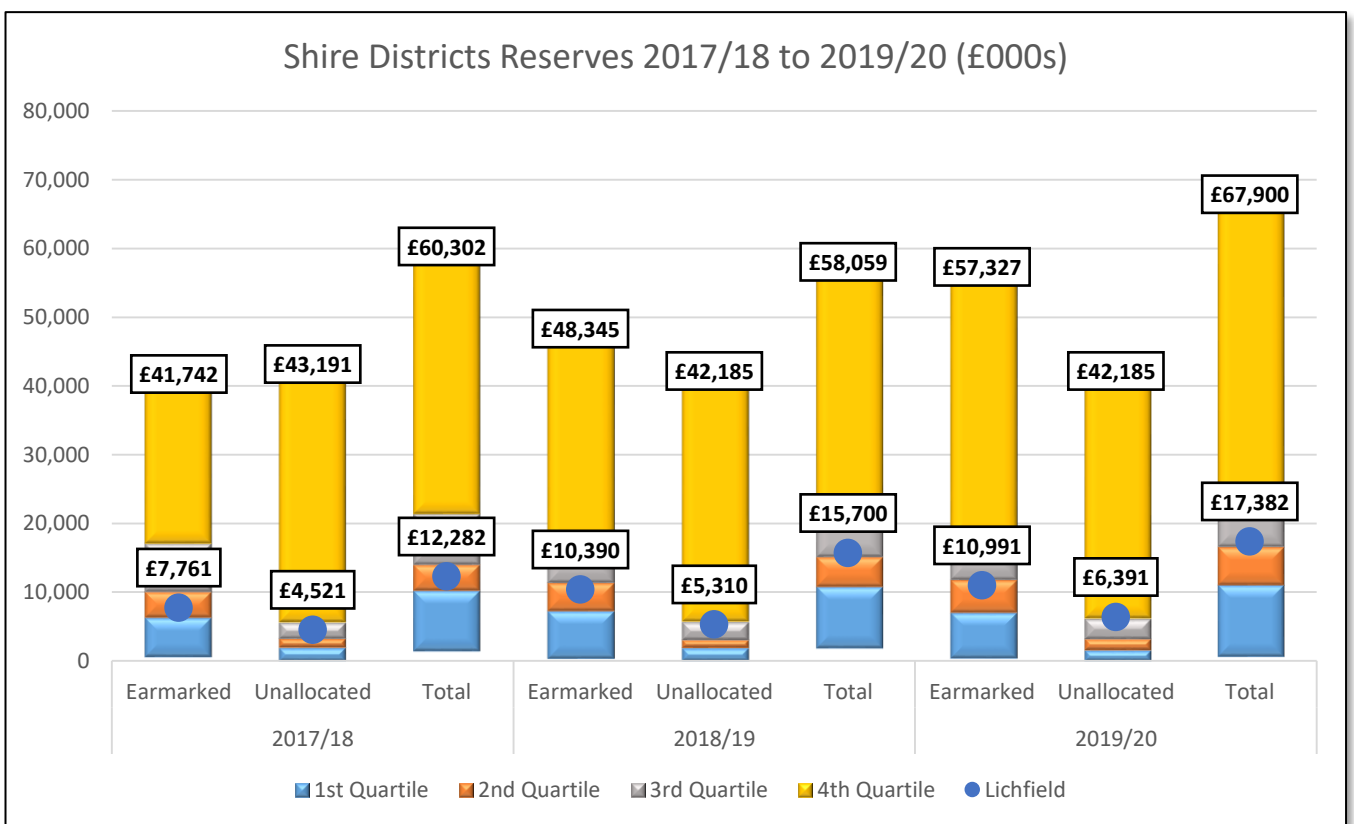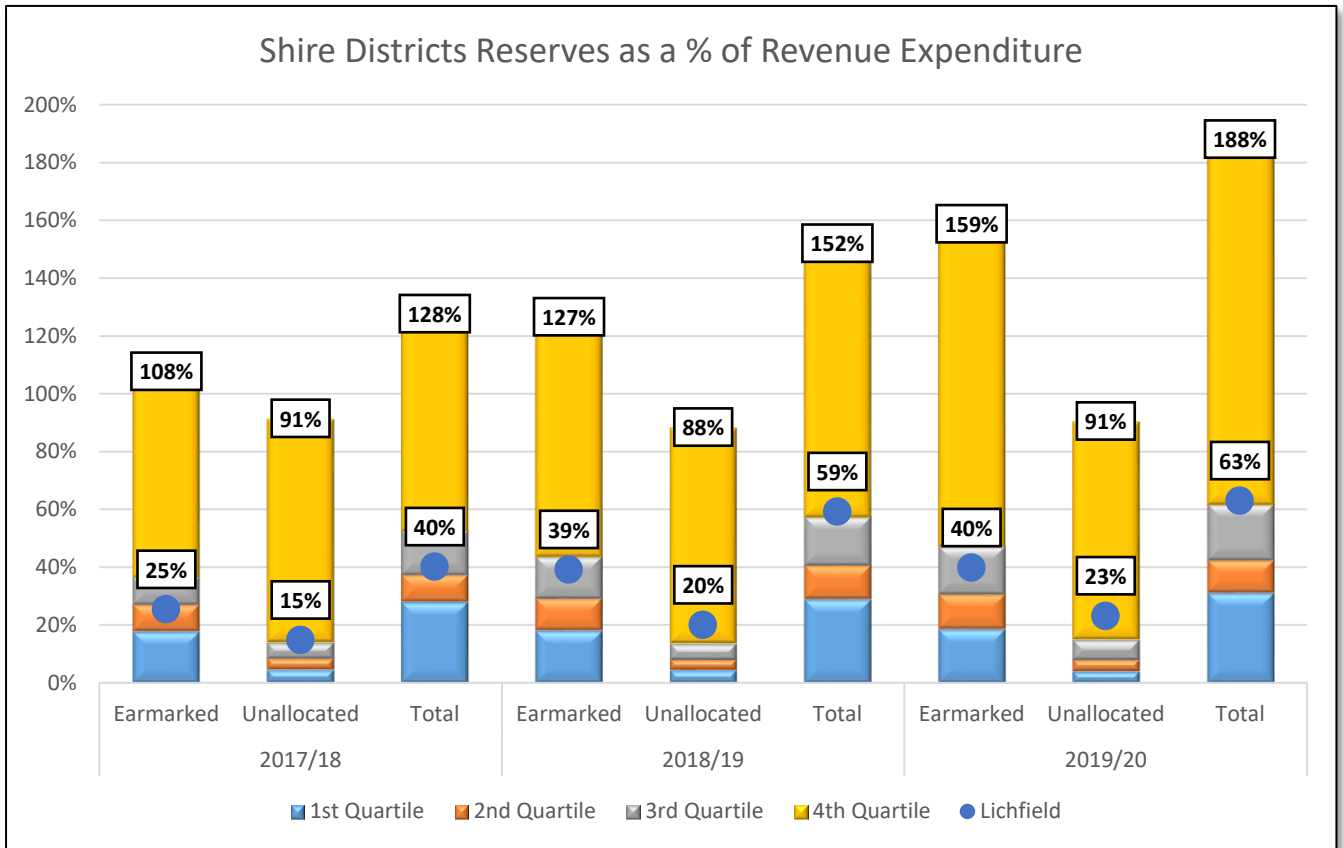
3.17. These comparisons show that the Council's reserves were in a healthy position relative to all District Councils and this provides an element of resilience for financial 'shocks' such as the COVID-19 pandemic.

The Capital Programme

3.18. The Original Budget of **£17,751,000** was approved by Council on 18 February 2020. There have been four updates to this budget during 2020/21:

- Allocation of S106 Public Open Space monies and Local Authorities Parks Improvement Funding of **£34,000** for delivery of two outdoor gyms in Burntwood approved by Cabinet Member Decision on 26 February 2020.

- Slippage from 2019/20 of **£13,454,000** approved by Cabinet on 2 June 2020.

- Adjustments from Money Matters Quarter 1 of **(£23,203,000)** Approved by Cabinet on 8 September 2020.

- Adjustments from Medium Term Financial Strategy (Revenue and Capital) 2020-25 of **(£91,000)** approved by Cabinet on 6 October 2020.

3.19. The Approved Budget is therefore **£7,945,000**.

3.20. The Capital Programme performance is projected to be above budget by **£11,000** compared to the Approved Budget. This above 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

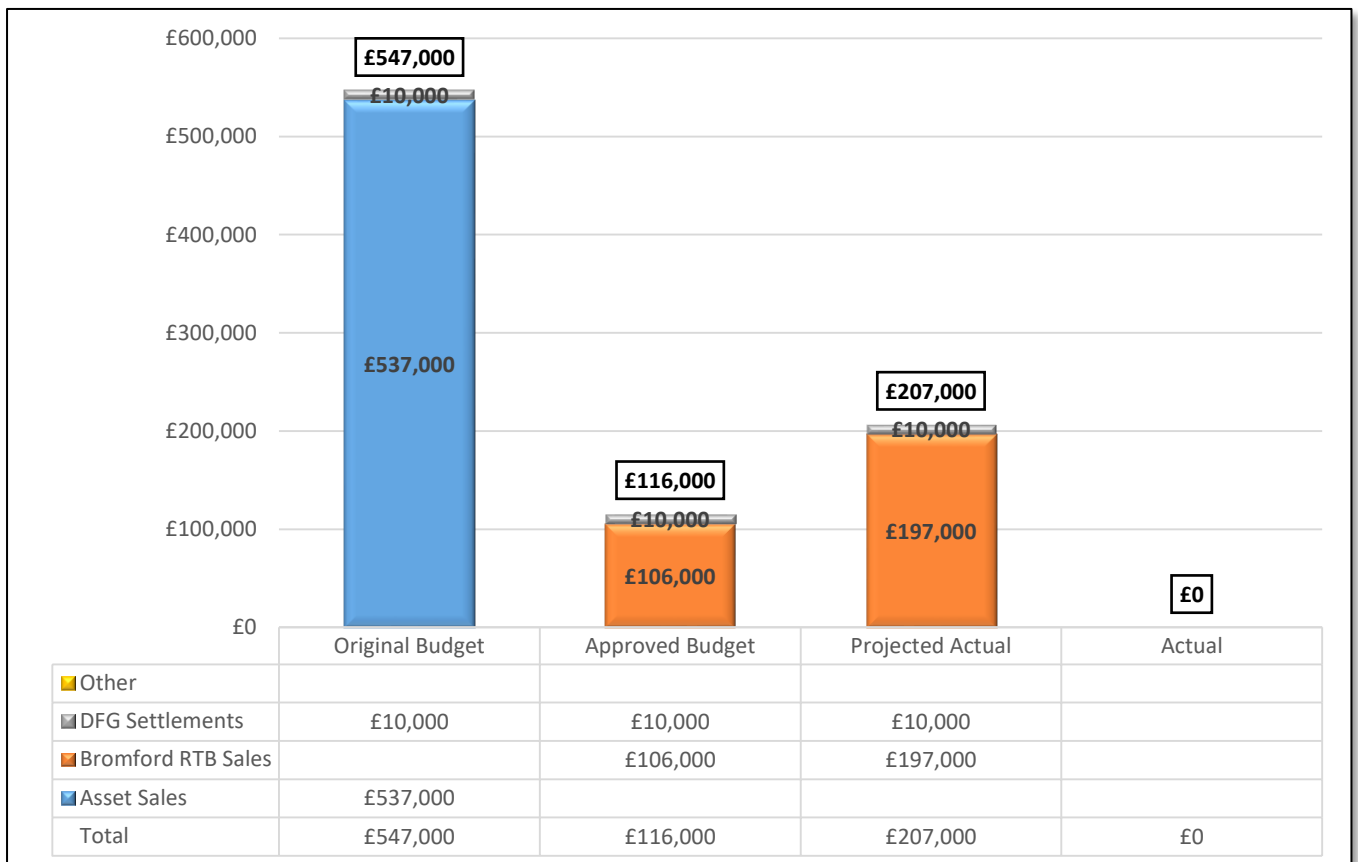3.21. There are projected variances compared to the Approved Budget related to:

	Projected Variances	
	Profiling	**Other**
* Vehicle Replacement Programme (Waste) - £22,000 brought forward from 2023/24 to fund an urgent replacement. * Vehicle Replacement Programme (Other) – Re-profiled into later years	£22,000 (£1,000)	
Shaping Place Total	**£21,000**	**£0**
* Vehicle Replacement Programme (Car Parks) – Vehicle not expected to be replaced this year	(£10,000)	
Developing Prosperity Total	**(£10,000)**	**£0**
Total Projected Variance	**£11,000**	**£0**
	£11,000	

3.22. The Vehicle Replacement Programme has been updated to reflect current plans and the level of available funding in the sinking fund. These two changes have resulted in a reduced need for Council Funding of **(£100,000)**.

3.23. In addition, further Section 106 monies of **(£118,000)** have been received and allocated to fund the Friary Grange: Short Term Refurbishment project. This means that funding from the earmarked reserve for this project can therefore be reduced by **(£118,000).**

3.24. These two changes will be reflected in the updated Medium Term Financial Strategy 2020-25 for consideration by Cabinet on 9 February 2021 in advance of Council on 16 February 2021.

3.25. The Original and Approved Budgets, projected and actual capital receipts are shown below:

	Original Budget	Approved Budget	Projected Actual	Actual
Other				
DFG Settlements	£10,000	£10,000	£10,000	
Bromford RTB Sales		£106,000	£197,000	
Asset Sales	£537,000			
Total	£547,000	£116,000	£207,000	£0

Council Tax

3.26. The collection performance for Council Tax debt is shown below:
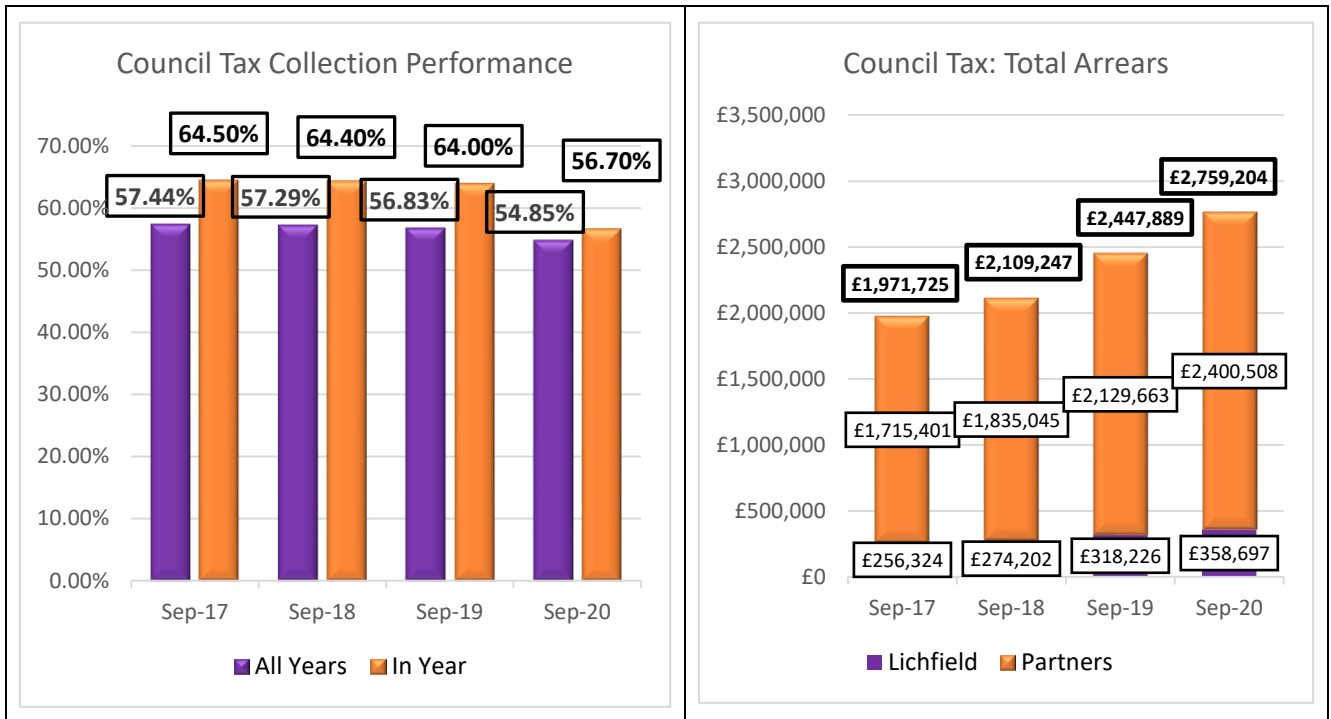
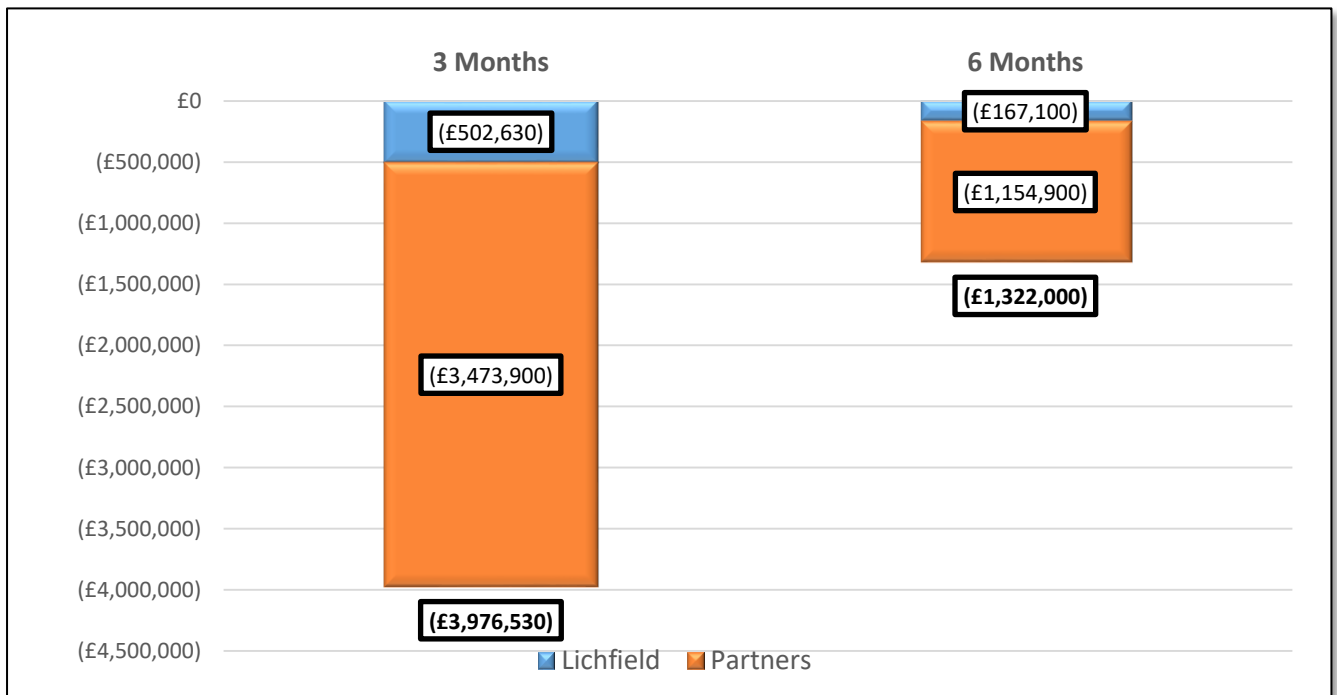3.27. At the six month's stage there is more robust data available to utilise for projections.

3.28. The Council Tax Collection Fund is projected to be in deficit by **£1,322,000** and the Council's share is **£167,100** based on Lichfield's (including Parishes) current share of Council Tax of **13%**:

3.29. The main reasons for the deficit are:

- There was a higher surplus than projected in 2019/20 of **£202,970** due primarily to higher income from Council Tax and a lower level of bad debt provision with the Council share **£25,800**.

- There is projected to be an adverse impact on the amount of Council Tax collected in 2020/21 of **(£1,357,870)** from COVID-19 (assuming all of the Hardship Funding of £562,910 is awarded) with the Council share **(£192,900)**.

Housing Supply

3.30. The completions for Council Tax (left hand chart) from April 2020 to September 2020 and New Homes Bonus (right hand chart) from September 2019 to September 2020 are shown below:
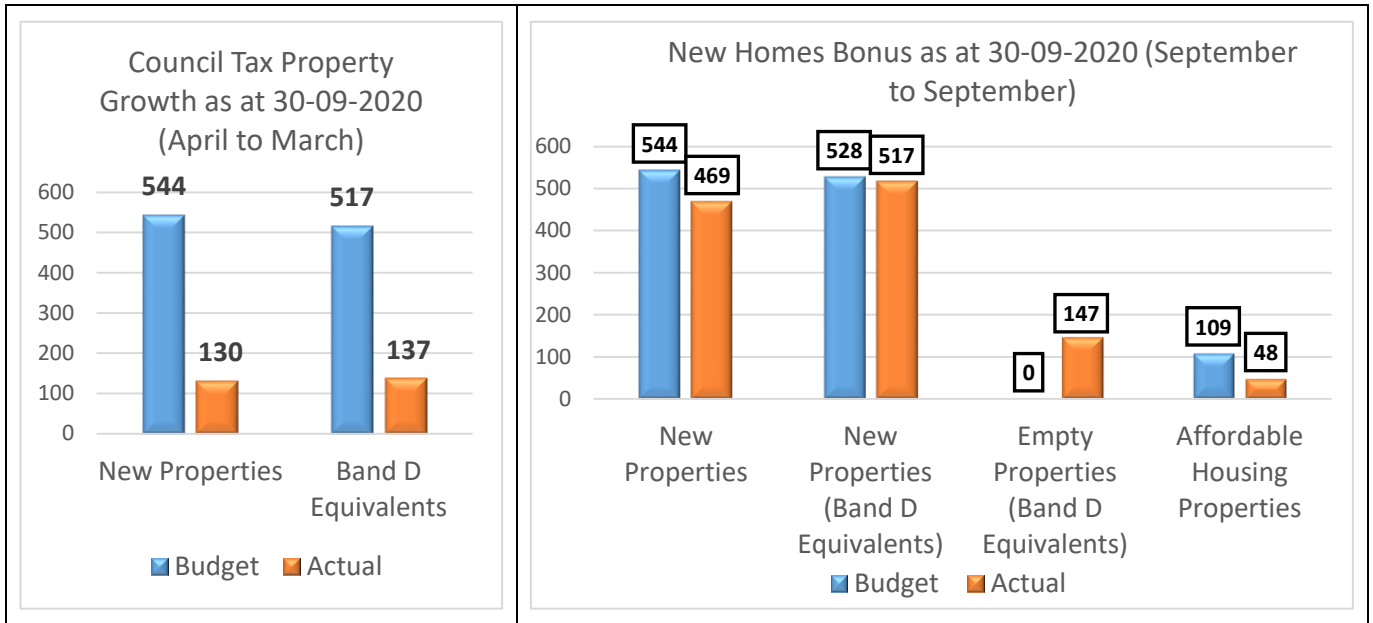
3.31. The current adverse performance could be solely due to COVID-19 either through delays in completions or updating records of completions. However, any delivery delays will impact on Council Tax and potentially New Homes Bonus income in the Medium Term Financial Strategy.

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

3.32. The transaction levels and collection performance in 2020/21 compared to 2019/20 is shown below:

3.33. Total income raised in the first six months of 2020/21 is **£433,582** or **39%** higher than for the same period in 2019/20. This is due to several invoices raised in 2020/21 relating to Leisure and Building Control together with demands for CIL and S106.

3.34. Invoices outstanding has increased by **£720,125** or **32%** and this is predominantly related to CIL and S106 demands that have not yet been paid.

Business Rates

3.35. The Business Rates Collection Fund is projected to be in deficit by **£14,627,000**:
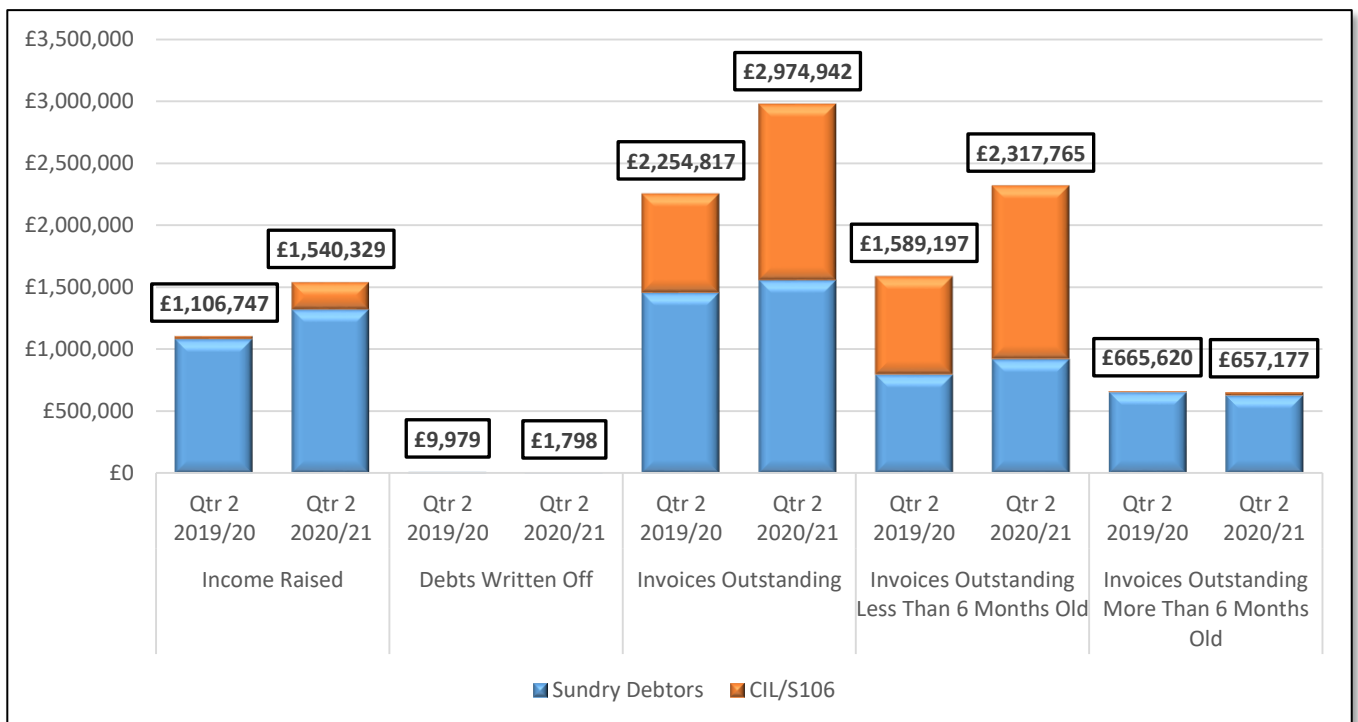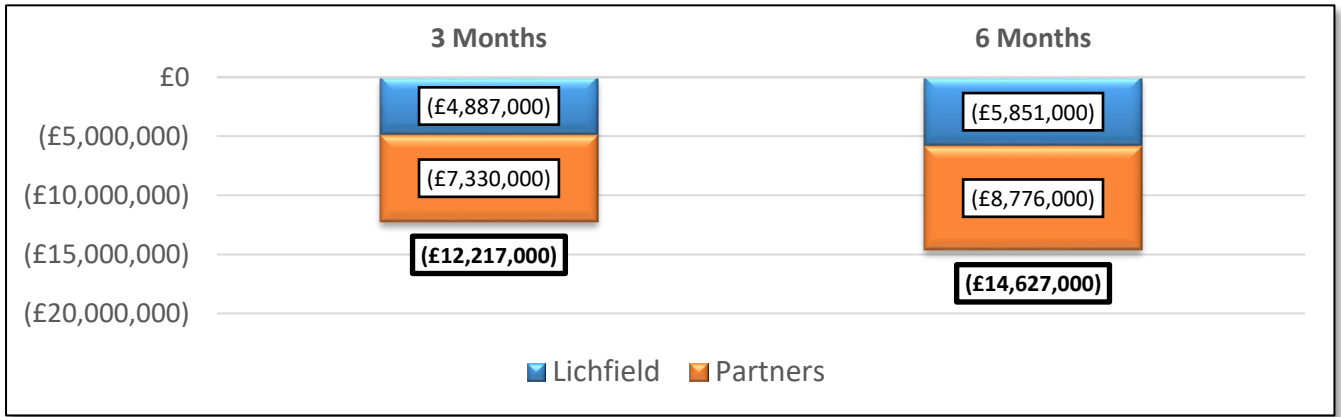

3.36. The main reasons for the projected deficit are:

- A higher surplus than budgeted in 2019/20 of **£2,376,000** with the Council share **£951,000.**
- In 2020/21, the impact of COVID-19 including additional reliefs of **(£17,003,000)** with the Council share **(£6,802,000)**.

3.37. It is important to note that Section 31 grants receivable in 2020/21 will largely offset this deficit.

3.38. The Ministry of Housing, Communities and Local Government (MHCLG) recently announced that as part of the comprehensive financial support package to local authorities, the deficit can be charged to the revenue budget over three years rather than one.

3.39. The collection performance for Business Rates is shown below:
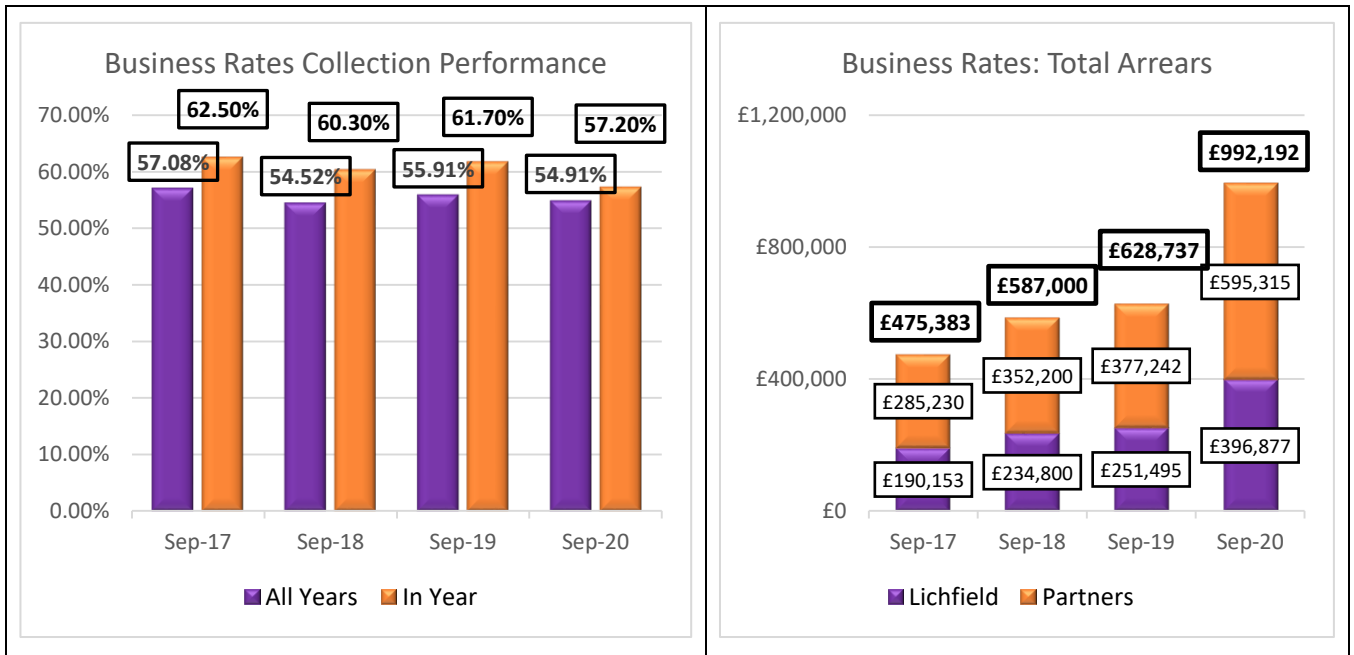
3.40. The Retained Business Rate income is projected to be the same as the Approved Budget of **(£3,020,100)**.

3.41. There are however a number of significant changes within the projection including the Section 31 grant to offset the additional COVID-19 reliefs in the Collection Fund. These are explained further below:

- The Council's share of additional Section 31 grant to offset COVID-19 reliefs of **(£5,376,000)**.
- Other changes to levy payments and Section 31 grants of **(£309,000)**.
- Transfer of additional grant and other changes to the Business Rates volatility Earmarked Reserve to offset the deficit in later years of **£5,685,000**.

Supplier Payment Performance

3.42. The performance of invoice payments to suppliers within 30 days for the last four years is:
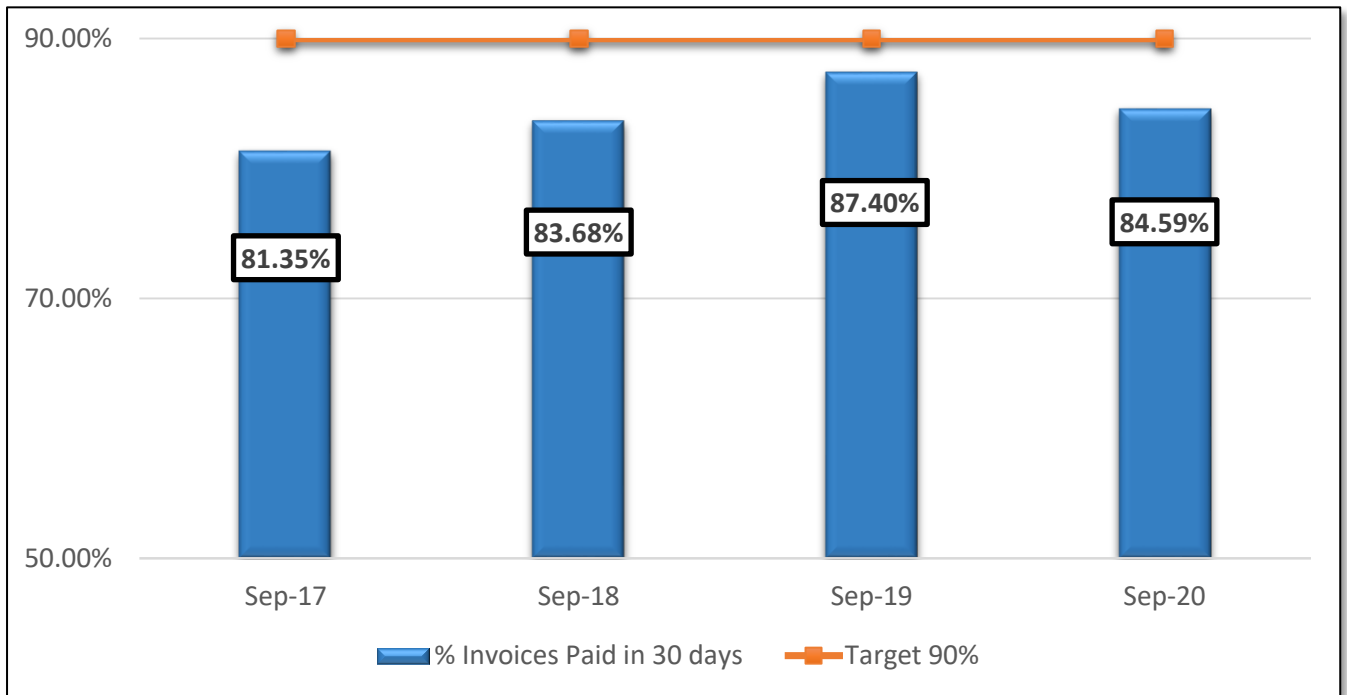
3.43. There are initiatives taking place, including the improvements to procurement detailed below, wider use of payment cards for low value transactions and analysis of the performance by Service Area, that are aimed at improving payment performance.

3.44. However, COVID-19 has had an impact on payment performance due to the availability of team members within the Council and the need to focus on other priorities.

Procurement Activity

3.45. The Council has completed the recruitment of a Procurement Manager who commenced employment on 12 October 2020 and a Procurement Specialist who commenced employment on 2 November 2020.

3.46. The Procurement Strategy has been drafted and was considered at the Strategic (Overview and Scrutiny) Committee on 19 November 2020 and is an item for Cabinet to consider on this agenda.

3.47. Once approved, the new team will begin implementing the action plan to deliver the desired outcomes contained in the Procurement Strategy.

Investment Strategy

3.48. The Council can undertake 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**.

3.49. 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.

3.50. 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 **18 February 2020**.

Service Investments

3.51. There is one approved investment of a service nature and the investment and net return included in the Approved Budget is detailed below:

	Approved Budget				
	2020/21	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Approved Loan to the Local Authority Company	**£675,000**	**£675,000**	**£675,000**	**£675,000**	**£675,000**
Net Income	£0	£4,000	£18,000	£22,000	£22,000
Net Return	0.00%	0.59%	2.67%	3.26%	3.26%
Total Investment	**£675,000**	**£675,000**	**£675,000**	**£675,000**	**£675,000**
Total Net Income	£0	£4,000	£18,000	£22,000	£22,000
Net Return	**0.00%**	**0.59%**	**2.67%**	**3.26%**	**3.26%**

3.52. To date, the loan to the Local Authority Company has not taken place and therefore the budgeted interest is not being generated.

Commercial Investments

3.53. Council on 13 October 2020 approved the removal of all budgets related to Investment in Property and therefore currently there are no commercial investments planned.

Treasury Management Investments

3.54. 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).

3.55. 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

3.56. The investments the Council had at the 30 September 2020 of **£37,979,500** (with the Property and Diversified Income Funds valued at original investment of **£2m**) by type and Country are summarised below and in detail at **APPENDIX D**:
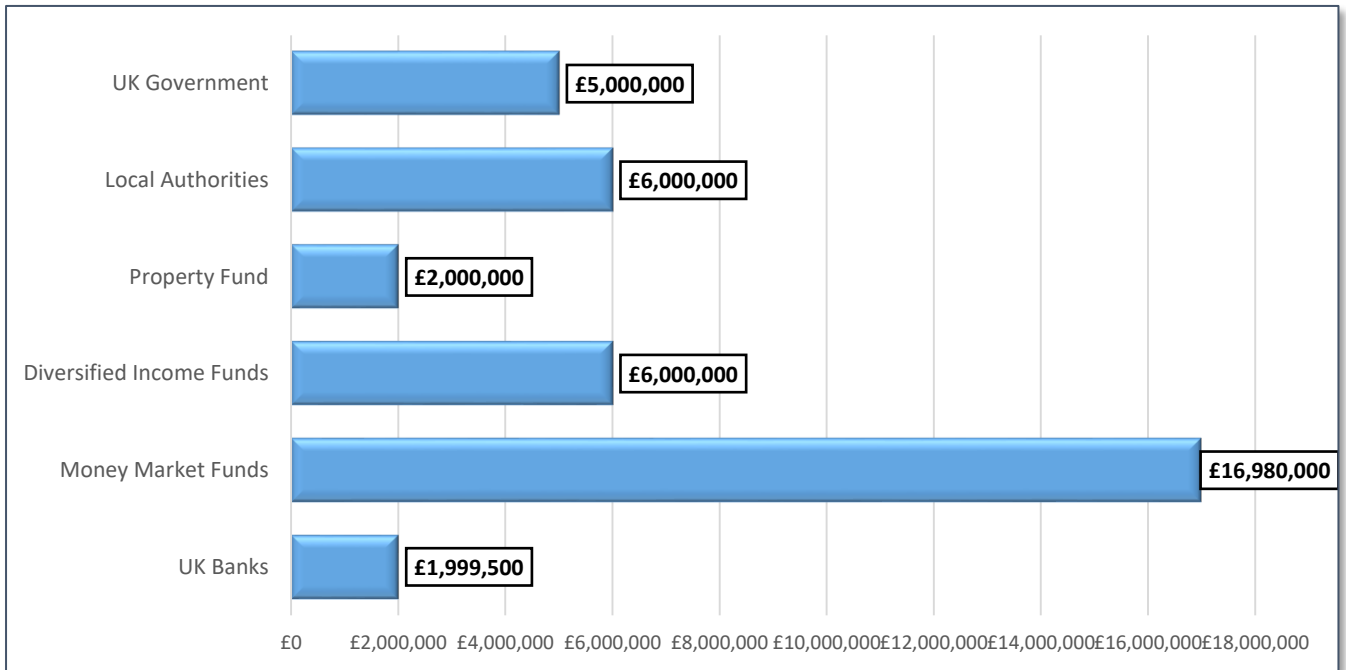
3.57. The Council's portfolio size (with the Property and Diversified Income Funds valued at its current value of **£7.6m**), average credit score, diversification and exposure to 'Bail in' risk compared to Arlingclose Clients is shown below:

Security - Diversification Shown by Number of Counterparties/Funds

- 128 All Authorities: 13
- 49 District Councils: 13
- Lichfield: 15

Security - Proportion Exposed to Bail-in Risk

- 128 All Authorities: 64%
- 49 District Councils: 65%
- Lichfield: 63%
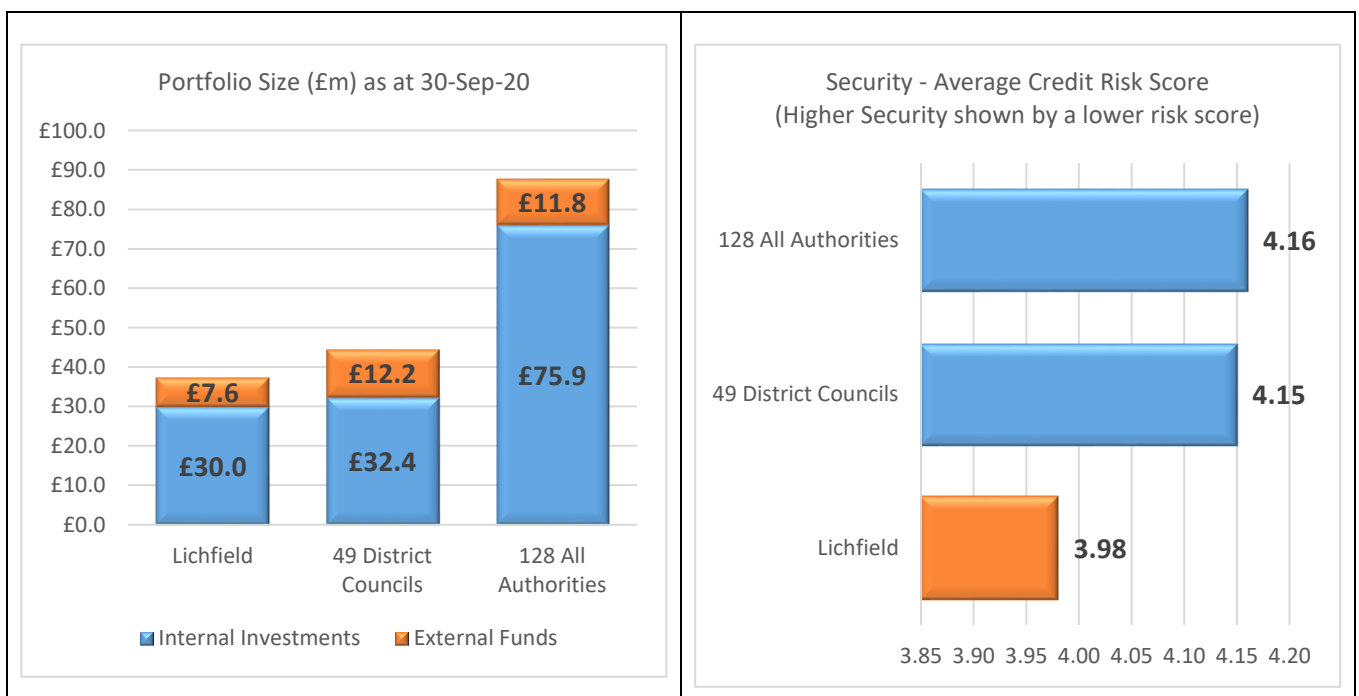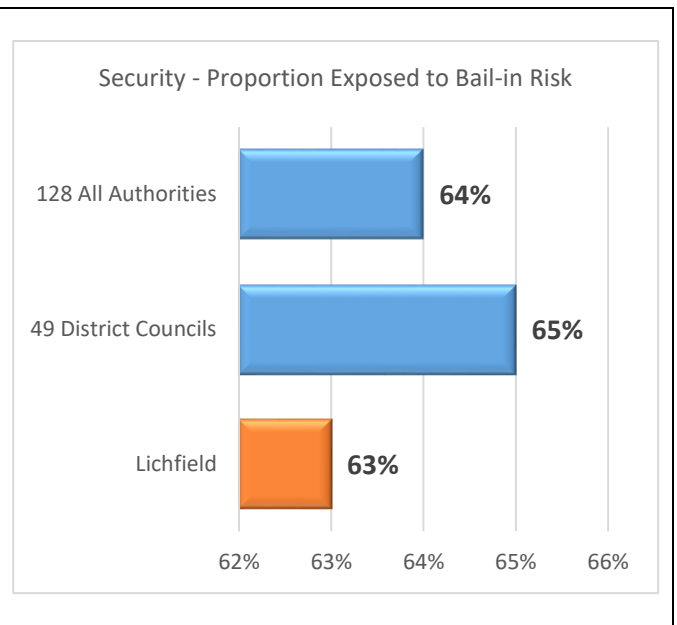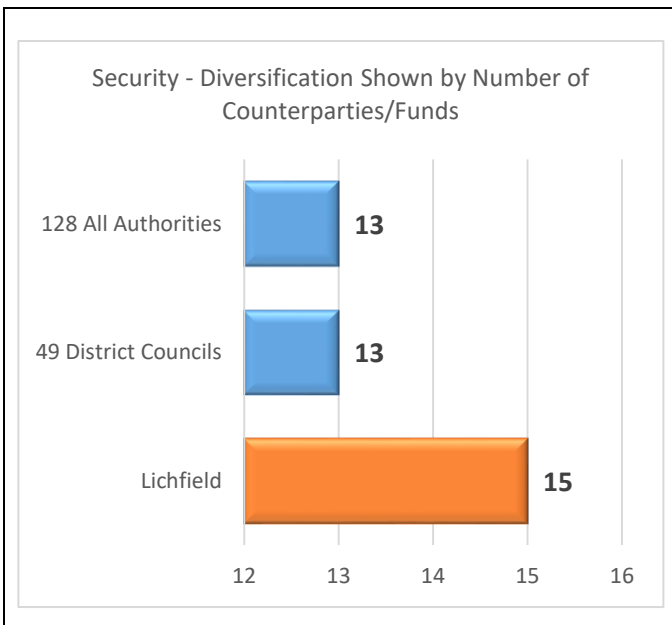
3.58. The current value of the Property Fund and the Diversified Income Funds together with the projected value of the earmarked reserves in 2020/21 intended to offset reductions in value (these are a book loss until the investment is sold and they become actual) are shown below:

CCLA Property Fund

- Initial Investment: £2,000,000
- Value at Sep 2020: £1,781,807
- Book Loss: £218,193
- Reserve: £152,521

CCLA Diversified Income Fund

- Initial Investment: £2,000,000
- Value at Sep 2020: £1,895,108
- Book Loss: £104,892
- Reserve: £32,026

Ninety-One Diversified Income Fund

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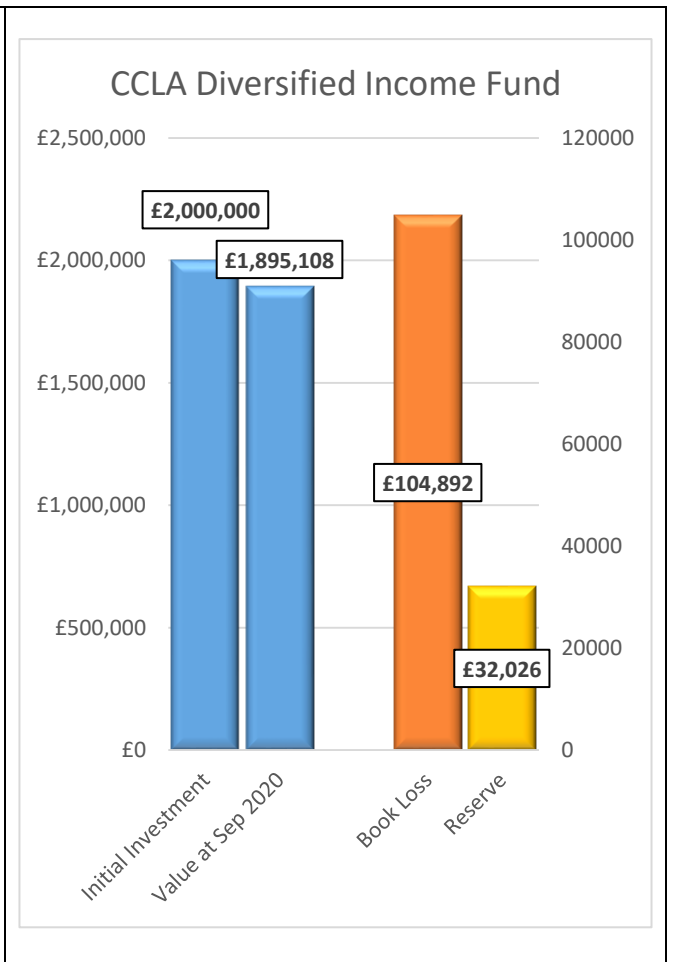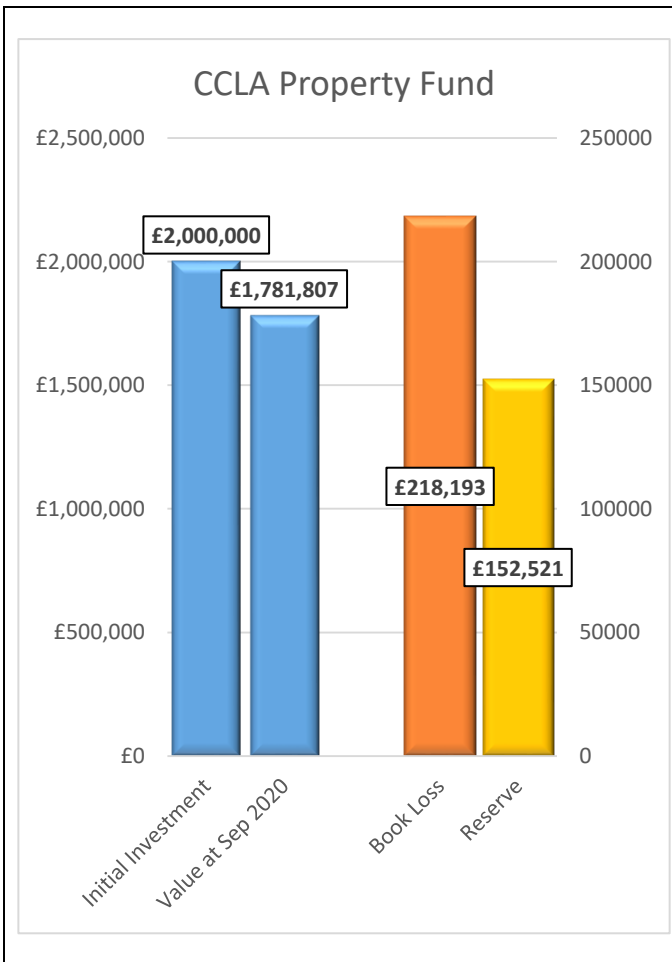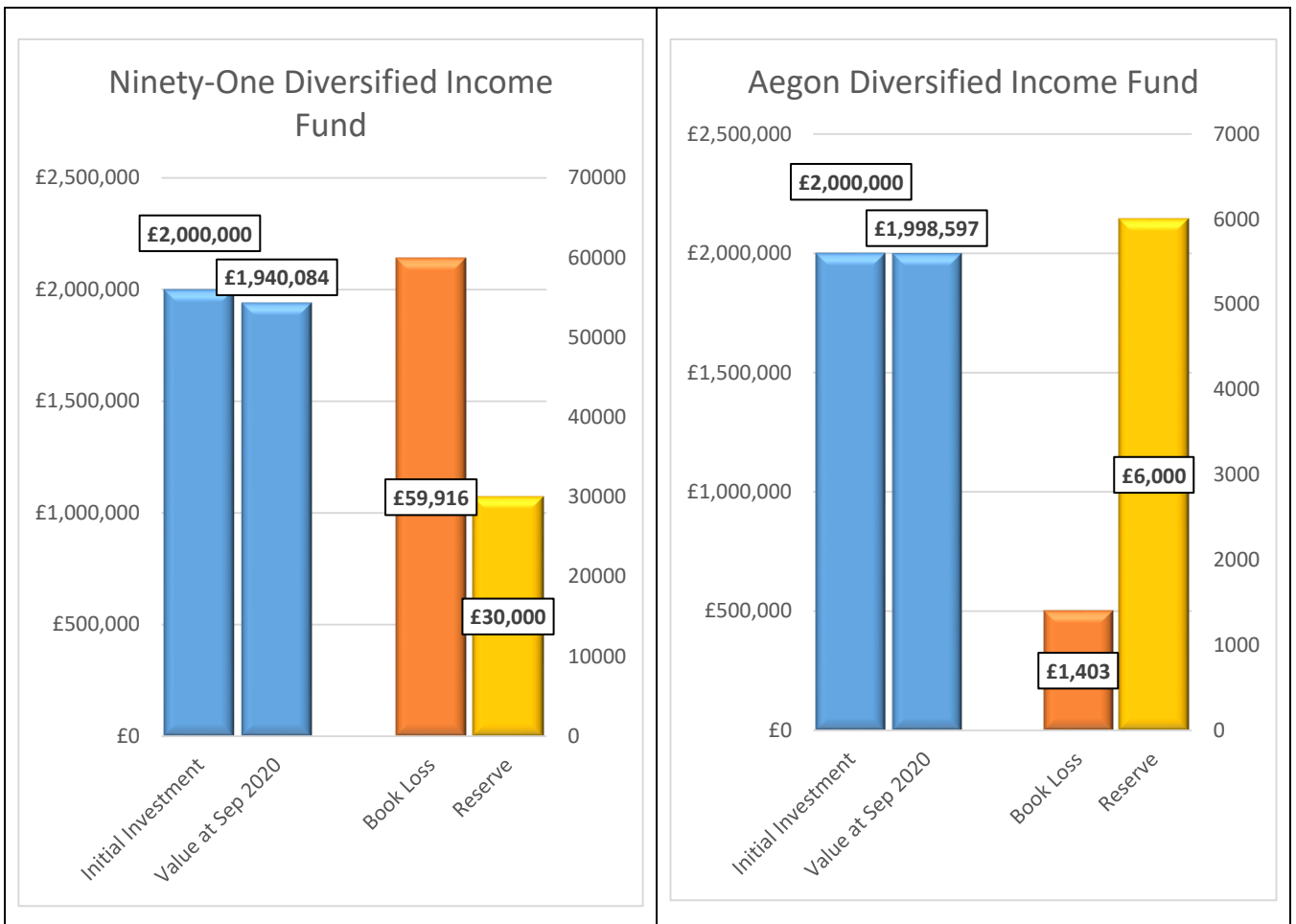
3.59. Our aim for the risk status of our investments was **A-** or higher. The risk status based on the length of the investment and the value for a 9 month period is summarised in the graph below:

Risk Status of Investments
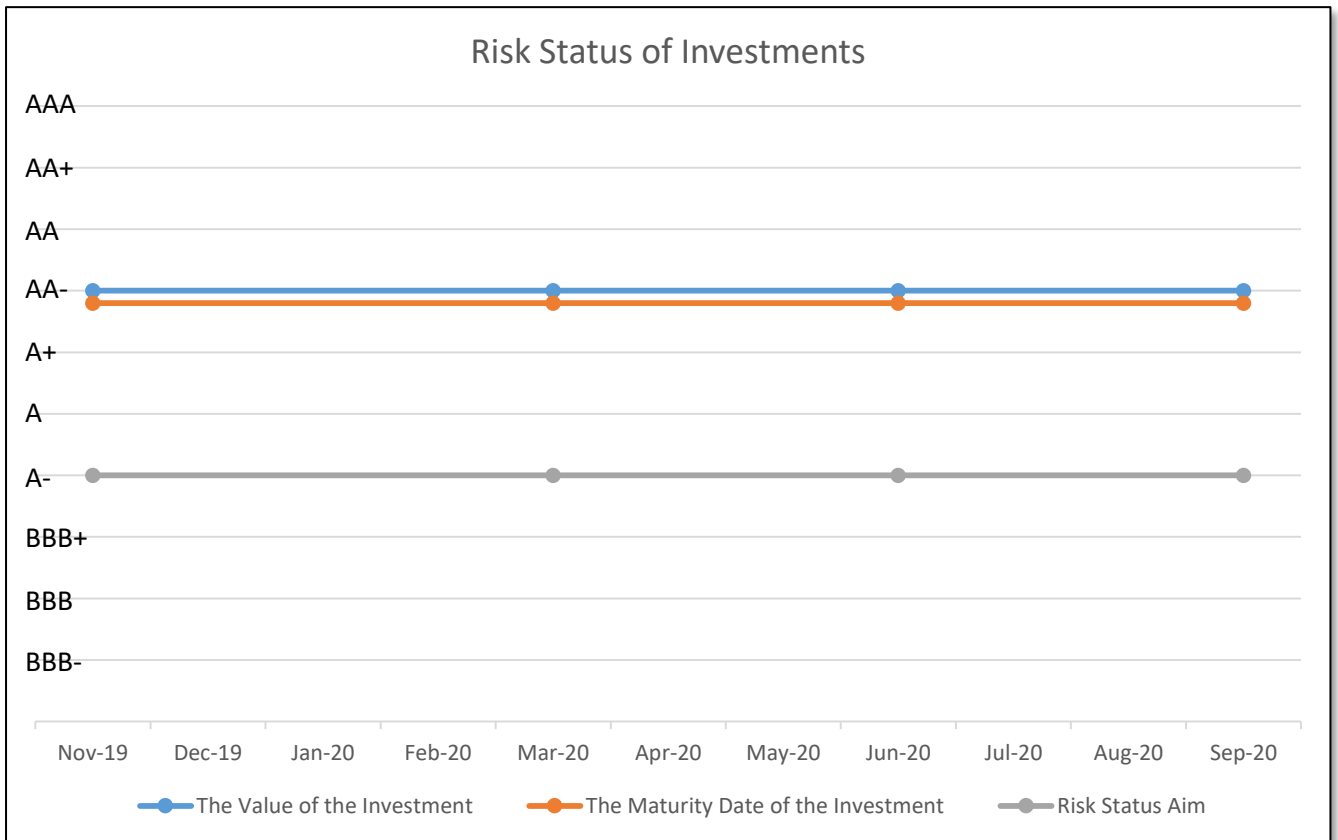
The Liquidity of our Investments

3.60. The Council has had to temporarily borrow during 2020/21 for a short period of time to manage cashflow requirements.

3.61. A significant proportion of investments are retained 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:
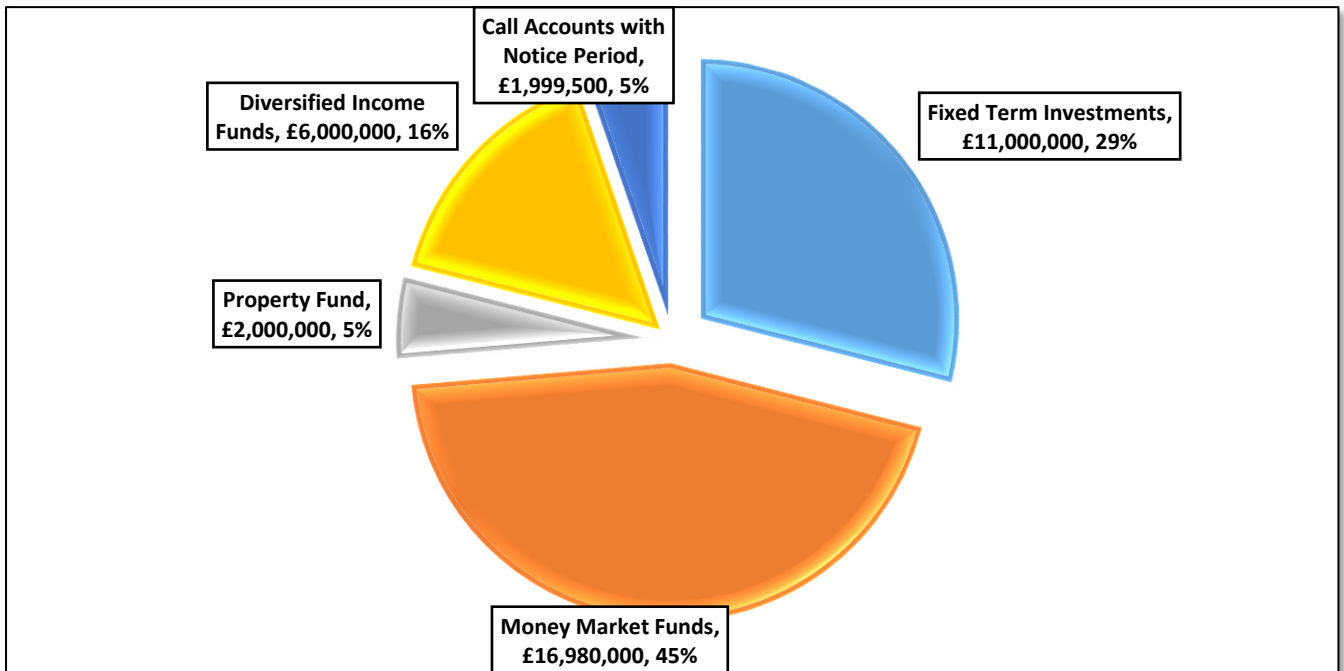
3.62. The proportion of the investment portfolio available within 100 days compared to all Arlingclose clients is shown below:
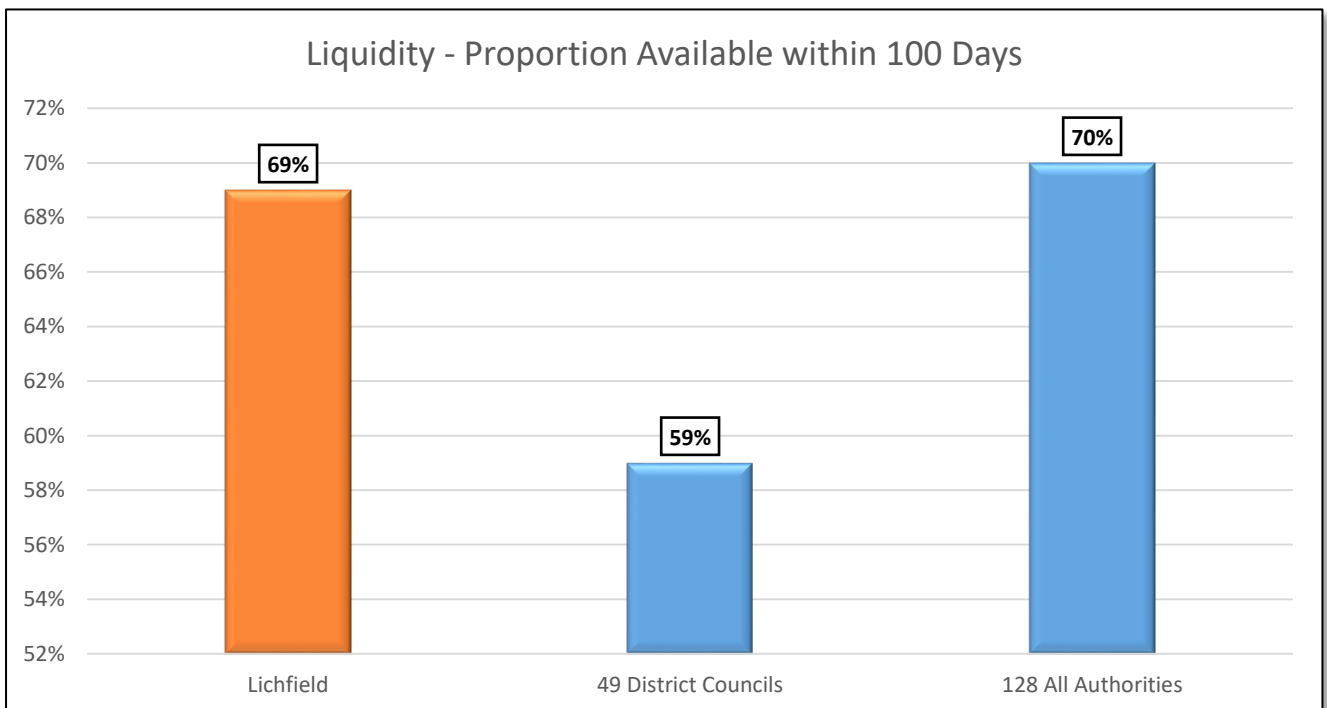
The Return or Yield of our Investments

3.63. The yield the Council achieved compared to a number of industry standard benchmarks (including our preferred benchmark of the seven day LIBID rate) and all Arlingclose clients is shown below:
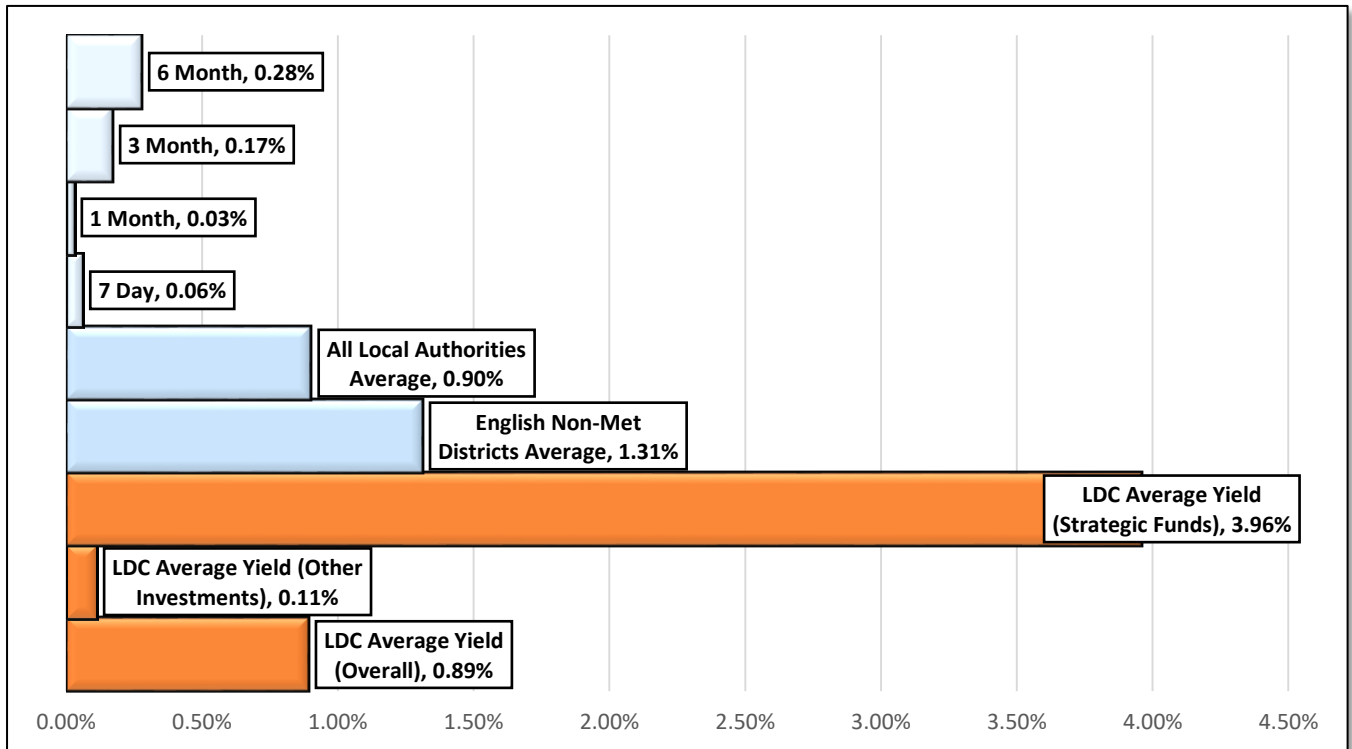
3.64. The investment activity during the financial year is projected to generate **(£346,000)** of gross investment income compared to a budget of **(£364,000)**.

3.65. In terms of investment income, the Debt Management Deposit Facility (DMADF) returns are now 0.01% per annum, the yield on Money Market Funds is slowly moving down towards UK Bank Rate of 0.1%, the CCLA property fund will only distribute income that it receives as against distributing income received plus income accrued and the multi-asset funds are also expected to yield lower than in 2019/20 as bond yields are lower and dividend payments on equity holdings are also expected to be lower.

The External Borrowing Portfolio

3.66. 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 Equal Instalment of Principal (EIP)	£1,217,600	2.59%	19.5	(£278,650)
PWLB Fixed Annuity	£1,134,672	1.71%	7.7	(£84,922)
TOTAL PWLB	**£2,352,272**	**2.17%**	**13.8**	**(£363,572)**
Lender Option Borrower Option (LOBO) Loans	£0	-	-	£0
Other Loans	£0	-	-	£0
TOTAL BORROWING	**£2,352,272**	**2.17%**	**13.8**	**(£363,572)**

3.67. The Public Works Loans Board (PWLB) has recently consulted on changes to its lending terms and the Council has responded to the consultation. The consultation closed on 31st July and its outcome is awaited.

Alternative Options	These are considered as part of the ongoing development of the Strategic Plan and the Medium Term Financial Strategy.

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

Financial Implications	The Medium Term Financial Strategy projected general reserves at 31 March 2021 would be **£8,056,988**.
	At this six months stage, general reserves are forecast to be **£6,478,534**. This is a reduction of **(£1,578,454)** and is related to:

Details	3 months	6 months
Lower contribution in 2019/20	(£32,344)	(£32,344)
Approved Updates	£83,540	(£76,770)
Projected contribution contained in the Money Matters Report	£8,690	£78,610
Impact of COVID-19	(£1,267,900)	(£1,547,950)
Total	**(£1,208,014)**	**(£1,578,454)**

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.
Environmental Impact	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan.
GDPR/Privacy Impact Assessment	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan.

	Risk Description	How We Manage It	Severity of Risk
Strategic Risk SR1 - Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of finance.			
A	Implementation of the Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations	To closely monitor the level of appeals. An allowance of **4.7%** (in line with the MHCLG Allowance) for appeals has been included in the Business Rate Estimates.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
B	The review of the New Homes Bonus regime	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.	Likelihood : Red Impact : Yellow Severity of Risk : Yellow
C	The increased Localisation of Business Rates and the Fair Funding Review in 2022/2023	To assess the implications of proposed changes and respond to consultations to attempt to influence the policy direction in the Council's favour.	Likelihood : Red Impact : Red Severity of Risk : Red
D	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.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
Strategic Risk SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape.			
E	The financial impact of COVID-19 is	The use of general and earmarked reserves to fund	Likelihood : Green

	Risk Description	How We Manage It	Severity of Risk
	not fully reimbursed by Government and exceeds the reserves available resulting in a Section 114 notice	any shortfall	Impact : Red Severity of Risk : Yellow
F	The Council cannot achieve its approved Delivery Plan for 2020/21	There will need to be consideration of additional resourcing and/or reprioritisation to reflect the impact of the pandemic.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
G	The resources available in the medium to longer term to deliver the Strategic Plan are diminished	The MTFS will be updated through the normal review and approval process	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
H	Government and Regulatory Bodies introduce significant changes to the operating environment	To review all proposed policy changes and respond to all consultations to influence outcomes in the Council's favour	Likelihood : Green Impact : Yellow Severity of Risk : Yellow

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) 2019-24 – Cabinet 11 February 2020. - Money Matters: Medium Term Financial Strategy (Revenue and Capital) 2019-24 – Council 18 February 2020. - Money Matters: 2019/20 Review of Financial Performance against the Financial Strategy – Cabinet 2 June 2020. - The Medium Term Financial Strategy and the projected financial impact of the COVID-19 Pandemic – Cabinet 7 July 2020. - Money Matters: 2019/20 Review of Financial Performance against the Financial Strategy – Cabinet 8 September 2020. - Medium Term Financial Strategy 2020-25 – Cabinet 6 October 2020.

Relevant web link	

Revenue Financial Performance – Variance to Budget 2020/21

Area	2020/21					2020/21 Target Variance (+/-) £
	Original Budget £	Approved Budget £	Projected Outturn £	Projected Variance £	Variance to Original Budget £	
Enabling people	1,579,890	1,578,240	1,569,050	(9,190)	(10,840)	
Shaping place	3,469,700	3,331,420	3,232,530	(98,890)	(237,170)	
Developing prosperity	(1,184,180)	(763,310)	(734,540)	28,770	449,640	
A good council	6,329,590	6,434,420	6,435,120	700	105,530	
COVID-19	0	1,267,900	1,547,950	280,050	1,547,950	
Net Cost of Services	**10,195,000**	**11,848,670**	**12,050,110**	**201,440**	**1,855,110**	**0**
Chief Executive	460,810	300,350	300,350	-	(160,460)	3,000
Corporate Services	821,140	1,394,150	1,486,810	92,660	665,670	28,000
Finance and Procurement	1,822,010	1,936,790	1,936,790	-	114,780	14,000
Revenues, Benefits and Customer Services	809,580	801,600	718,090	(83,510)	(91,490)	16,000
Governance & Performance	1,796,060	1,847,710	1,844,580	(3,130)	48,520	15,000
Regulatory Services, Housing & Wellbeing	1,405,970	1,404,310	1,359,200	(45,110)	(46,770)	16,000
Economic Growth & Development Services	(41,750)	(108,660)	(112,210)	(3,550)	(70,460)	68,000
Operational Services	3,121,180	3,004,520	2,968,550	(35,970)	(152,630)	90,000
COVID-19	0	1,267,900	1,547,950	280,050	1,547,950	-
Net Cost of Services	**10,195,000**	**11,848,670**	**12,050,110**	**201,440**	**1,855,110**	**250,000**
Net Treasury Position	152,000	(157,000)	(157,000)	-		
Revenue Contributions to the Capital Programme	182,000	182,000	182,000	-		
Net Operating Cost	**10,529,000**	**11,873,670**	**12,075,110**	**201,440**		
Transfer (from) / to General Reserve	1,633,000	288,330	86,890	(201,440)		
Transfer (from) / to Earmarked Reserves	122,000	122,000	122,000	-		
Net Revenue Expenditure	**12,284,000**	**12,284,000**	**12,284,000**	**0**		
Financed by:						
Retained Business Rates	(3,020,000)	(3,020,000)	(3,020,000)	-		
Business Rates Cap	(85,000)	(85,000)	(85,000)	-		
Levy Account Surplus	(49,000)	(49,000)	(49,000)	-		
New Homes Bonus	(1,771,000)	(1,771,000)	(1,771,000)	-		
Business Rates Collection Fund (Surplus)/Deficit	(122,000)	(122,000)	(122,000)	-		
Council Tax Collection Fund (Surplus)/Deficit	(208,000)	(208,000)	(208,000)	-		
Council Tax	(7,029,000)	(7,029,000)	(7,029,000)	-		

Reasons for the Outturn Budget Performance by Service Area

Projected Variance £		Expenditure		Income		COVID-19	
		One Off £	Recurring £	One Off £	Recurring £	Expenditure £	Income £
-	Chief Executive	-	-	-	-	-	(103,000)
92,660	Corporate Services	64,320	38,340	(10,000)	-	-	74,940
-	Finance and Procurement	-	-	-	-	-	-
(83,510)	Revenues, Benefits and Customer Services	(10,000)	(35,210)	(38,300)	-	(9,000)	203,000
(3,130)	Governance & Performance	-	(3,130)	-	-	-	-
(35,970)	Operational Services	9,030	-	(45,000)	-	-	(15,000)
(45,110)	Regulatory Services, Housing & Wellbeing	(20,110)	-	(25,000)	-	-	45,110
(3,550)	Economic Growth & Development Services	(3,550)	-	-	-	-	40,000
-	Net Treasury Position	-	-	-	-	-	44,000
280,050	COVID-19	-	-	-	-	-	-
£201,440	**Net Operating Cost**	**£39,690**	**-**	**(£118,300)**	**-**	**(£9,000)**	**£289,050**
-	Earmarked Reserves	-	-	-	-	-	-
£201,440	**Net Operating Cost**	**£39,690**	**-**	**(£118,300)**	**-**	**(£9,000)**	**£289,050**
-	Funding	-	-	-	-	-	-
£201,440	**Transfer (to)/from General Reserves**	**£39,690**	**-**	**(£118,300)**	**-**	**(£9,000)**	**£289,050**

Corporate Services

Projected Variance £	Reason	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
15,320	Increased property costs due to tenant vacating	15,320			
35,210	Transfer of Customer Services post to IT		35,210		
3,130	Minor Balance		3,130		
45,000	Additional agency costs for property team	45,000			
20,000	Additional agency costs for Head of Service	20,000			
(10,000)	Additional income from Street Naming			(10,000)	
(16,000)	IT contingency budget not required	(16,000)			
£92,660	**Total**	**£64,320**	**£38,340**	**(£10,000)**	**-**

Revenues, Benefits and Customer Services

Projected Variance £	Reason	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(35,210)	Transfer of Customer Services post to IT		(35,210)		
(45,000)	Additional government grants received in relation to Housing Benefits Administration			(45,000)	
6,700	Reduction in income from administering Lichfield BID			6,700	
(10,000)	Reduction in postage costs	(10,000)			
(£83,510)	**Total**	**(£10,000)**	**(£35,210)**	**(£38,300)**	**-**

Governance & Performance

Projected Variance £	Reason	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(3,130)	Minor balance		(3,130)		
(£3,130)	**Total**	**-**	**(£3,130)**	**-**	**-**

Operational Services

Projected Variance £	Reason	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
23,520	Additional employee costs in relation to Marketing Officer	23,520			
(5,000)	Additional income for parks			(5,000)	
(26,490)	Reduction in employee costs due to vacant Transport Officer post	(26,490)			
(28,000)	Additional net income from trade refuse and recycling	12,000		(40,000)	
(35,970)	**Total**	**9,030**	**-**	**(45,000)**	**-**

Regulatory Services, Housing & Wellbeing

Projected Variance £	Reason	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(25,000)	Additional income from court costs			(25,000)	
(20,110)	Reduction in employee costs due to vacant Housing and Health Assistant post and less Private Sector Housing casual support required	(20,110)			
(£45,110)	**Total**	**(£20,110)**	**-**	**(£25,000)**	**-**

Economic Growth & Development Services

Projected Variance £	Reason	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(3,550)	BID contribution ceasing	(3,550)			
(£3,550)	Total	(£3,550)	-	-	-

COVID-19 Projected Impact

Details	October	Comments
Support for Leisure Partner	£407,700	Current Projection
Housing and Homelessness Support	£80,580	
Additional Hardship / Discretionary Housing Payments	£0	Rent protection now extended therefore shown in What If scenarios
Additional costs of Waste Collection	£166,810	
ICT Support Costs for Remote Working	£109,890	Current support to end of December
Additional Personal Protective Equipment (PPE), Building Cleaning and Other Costs	£31,560	
Bank Charges for Grant Processing	£2,990	
Transport for food deliveries	£12,030	
Project costs	£29,720	Delays in some projects result in additional costs.
Other costs	£94,860	Potential costs for agency/casual/overtime for essential workers, savings and other
Total additional Costs	**£936,140**	
Reduced commercial rents, Investment Income and other Contributions	£170,000	An element is now shown under sales, fees and charges
Reduced Sales, Fees and Charges	£1,430,420	Car Parking income is the highest risk
Total excluding What if Scenarios	**£2,536,560**	

What if scenarios:	October
Projected reductions in Council Tax (LDC & Parishes 13%) are included (will impact in later years)	£470,000
Projected reductions in Business Rates (LDC 40%) are included (will impact in later years)	£435,000
Hardship / Housing Payments extends for 12 months	£226,000
Support for the Leisure Partner extends for 12 months	£643,550
Total of all What if scenarios	**£1,774,550**
Total including What if Scenarios	**£4,311,110**
Government Support in 2020/21 + Earmarked Reserve	(£1,301,160)
Income Guarantee Estimate	(£557,000)

Total potential financial impact	**£2,452,950**

Impact in 2020/21	**£1,547,950**
Impact in later years	**£905,000**

Fees and Charges

Income Type	Annual Budget £000	Actual £000	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	2019/20 Actual £000
Planning Applications	631	592	0	771	629	1,030	824	797	744
Car Parks	1,399	375	40	1,746	1,748	1,986	2,078	2,198	2,105
Garden Waste	1,574	1,342	0	0	0	0	231	1,495	1,478
Trade Waste	441	475	(40)	338	390	407	415	443	469
Land Charges	294	86	0	183	297	312	279	286	253
Building Control	915	603	0	454	507	557	547	553	896
Property Rental	722	349	90	644	681	687	729	839	744
Total of Highest Value Fees & Charges	**5,977**	**3,823**	**90**	**4,134**	**4,251**	**4,980**	**5,102**	**6,611**	**6,689**
Other Income									
Licensing				217	185	236	224	241	245
Leisure Centre				1,782	1,819	1,879	1,629	183	0
VAT Claim				0	0	0	0	1,103	0
Court Costs				252	233	218	198	214	222
Recycling				14	347	439	463	331	283
Grounds Maintenance				162	161	168	195	217	264
Other				1,839	1,139	1,319	1,124	1,057	1,063
Total Income				**8,400**	**8,136**	**9,239**	**8,936**	**9,957**	**8,766**

Capital Programme Performance in 2020/21

Project	Original Budget	Approved Budget	Actual to Date	Projected Actual	Variance
New Build Parish Office/Community Hub	92,000	92,000	0	92,000	0
Armitage with Handsacre Village Hall storage	6,000	6,000	0	6,000	0
Armitage War Memorial and surrounding area	120,000	120,000	0	120,000	0
Canopy and installation of artificial grass at Armitage	0	3,000	0	3,000	0
Burntwood LC CHP Unit	0	223,000	145,886	223,000	0
King Edwards VI School	0	101,000	0	101,000	0
Friary Grange - Short Term Refurbishment	521,000	640,000	34,706	640,000	0
Replacement Leisure Centre	164,000	195,000	31,000	195,000	0
St. Stephen's School, Fradley	0	22,000	0	22,000	0
Gym Equipment at Burntwood Parks	0	34,000	34,000	34,000	0
Accessible Homes (Disabled Facilities Grants)	1,698,000	1,100,000	368,591	1,100,000	0
Home Repair Assistance Grants	15,000	36,000	3,365	36,000	0
Decent Homes Standard	172,000	172,000	0	172,000	0
Energy Insulation Programme	10,000	48,000	0	48,000	0
DCLG Monies	212,000	212,000	0	212,000	0
Affordable Housing Monies	414,000	684,000	75,000	684,000	0
Enabling People Total	**3,424,000**	**3,688,000**	**692,548**	**3,688,000**	**0**
Darnford Park	13,000	13,000	0	13,000	0
Canal Towpath Improvements (Brereton & Ravenhill)	0	36,000	0	36,000	0
Loan to Council Dev Co.	675,000	675,000	0	675,000	0
Lichfield St Johns Community Link	35,000	35,000	0	35,000	0
Staffordshire Countryside Explorer	44,000	44,000	0	44,000	0
Equity in Council Dev Co.	0	225,000	225,000	225,000	0
Bin Purchase	150,000	150,000	0	150,000	0
Vehicle Replacement Programme (Waste)	0	0	0	22,000	22,000
Vehicle Replacement Programme (Other)	56,000	44,000	0	43,000	(1,000)
Upper St John St & Birmingham Road	0	7,000	0	7,000	0
Stowe Pool Improvements	50,000	50,000	56,820	50,000	0
The Leomansley Area Improvement Project	0	3,000	0	3,000	0
Cannock Chase SAC	22,000	51,000	31,237	51,000	0
Shaping Place Total	**1,045,000**	**1,333,000**	**313,057**	**1,354,000**	**21,000**
Multi Storey Car Park Refurbishment Project	0	300,000	0	300,000	0
Coach Park	625,000	1,475,000	(6,178)	1,475,000	0
Birmingham Road Site - Short Term Redevelopment	0	222,000	170,203	222,000	0
Vehicle Replacement Programme (Car Parks)	0	10,000	0	0	(10,000)
Car Parks Variable Message Signing	0	32,000	0	32,000	0
Old Mining College - Refurbish access and signs	0	13,000	0	13,000	0
St. Chads Sculpture (Lichfield City Art Fund)	0	5,000	0	5,000	0
Developing Prosperity Total	**625,000**	**2,057,000**	**164,025**	**2,047,000**	**(10,000)**
Property Investment	11,500,000	0	0	0	0
Property Planned Maintenance	125,000	229,000	3,701	229,000	0
New Financial Information System	250,000	150,000	0	150,000	0
Depot Sinking Fund	11,000	0	0	0	0
IT Infrastructure	55,000	154,000	14,538	154,000	0
IT Cloud	100,000	0	0	0	0
ICT Hardware	202,000	4,000	0	4,000	0
IT Innovation	250,000	280,000	42,248	280,000	0
District Council House Repair Programme	164,000	50,000	0	50,000	0
Good Council Total	**12,657,000**	**867,000**	**60,487**	**867,000**	**0**
Approved Budget	**17,751,000**	**7,945,000**	**1,230,117**	**7,956,000**	**11,000**
Capital Receipts	1,402,000	1,086,000		1,086,000	0
Corporate Revenue	182,000	182,000		182,000	0
Borrowing Need - Borrowing and Finance Leases	11,664,000	195,000		195,000	0
Capital Grants and Contributions	3,287,000	3,491,000		3,609,000	118,000
Reserves, Existing Revenue Budgets and Sinking Funds	1,216,000	2,991,000		2,884,000	(107,000)
Capital Programme Total	**17,751,000**	**7,945,000**		**7,956,000**	**11,000**

Investments in the 2020/21 Financial Year

The table below shows a breakdown of our investments at the 30 September 2020:

Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Non-UK Organisation
Money Market Funds						
Invesco Aim	£4,000,000	01-Oct-20	Instant Access	0.04%	0	N/A
Blackrock Institutional	£3,740,000	01-Oct-20	Instant Access	0.01%	0	N/A
Legal & General	£4,000,000	01-Oct-20	Instant Access	0.05%	0	N/A
Federated	£1,240,000	01-Oct-20	Instant Access	0.01%	0	N/A
Aberdeen	£4,000,000	01-Oct-20	Instant Access	0.09%	0	N/A
Strategic Funds						
CCLA Property Fund	£2,000,000	N/A	N/A	3.63%	N/A	No
Ninety-One Diversified Income Fund	£2,000,000	N/A	N/A	3.89%	N/A	No
CCLA Diversified Income Fund	£2,000,000	N/A	N/A	3.26%	N/A	No
Kames Diversified Income Fund	£2,000,000	N/A	N/A	2.57%	N/A	No
Fixed Term Investments						
Surrey Heath Borough Council	£2,000,000	15-Dec-20	76	0.80%	LOCAL	No
Monmouthshire Council	£2,000,000	28-Jun-21	271	0.25%	LOCAL	No
Debt Management Office	£5,000,000	19-Oct-20	19	0.01%	UK Government	No
Conwy County Borough Council	£2,000,000	30-Jun-21	273	0.15%	LOCAL	No
Call Accounts with Notice Period						
Lloyds	£1,000,000	03-Jan-21	95	0.10%	A+	No
HSBC	£999,500	31-Oct-20	31	0.20%	A+	No
Total Investments	**£37,979,500**					

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Money Matters : Calculation of Business Rates 2021/22, Council Tax Base for 2021/22 and the projected Collection Fund Surplus / Deficit for 2020/21	Lichfield district council www.lichfielddc.gov.uk
Cabinet Member for Finance, Procurement, Customer Services and Revenues & Benefits	
Date: 1 December 2020	
Agenda Item: 4	
Contact Officer: Anthony Thomas	**Cabinet**
Tel Number: 01543 308012	
Email: Anthony.thomas@lichfielddc.gov.uk	
Key Decision? YES	
Local Ward Members Full Council	

1.   Executive Summary

1.1   To approve the calculation of the Council Taxbase (Band D residential properties) for Lichfield District, as required under Section 67 of the Local Government Finance Act (LGFA) 1992.

1.2   In accordance with the LGFA 1992, the Council is required to estimate the surplus/deficit on the Collection Fund for both Council Tax and Business Rates. The dates these estimates must be made are:

- Council Tax – **15 January** (or in the event this a Saturday, Sunday or Bank Holiday, the next working day). In 2020/21 the relevant date will be **15 January 2021**.

- Business Rates (NNDR) – **31 January** using the NNDR1 Form.

1.3   The Council as the Billing Authority must then notify each relevant major Precepting Authority of their share of any estimated surplus or deficit within seven days of making the estimate.

1.4   The Council must submit its estimates for Business Rates to the Ministry of Housing, Communities and Local Government (MHCLG) using the NNDR1 form. This form includes:

- An estimate of the Business Rates Collection Fund surplus/deficit for the current year.

- Estimates of the level of Business Rates to be collected for the forthcoming financial year.

1.5   The timing of the NNDR1 form is uncertain. To enable completion by the statutory deadline, a delegation to the Cabinet Member for Finance, Procurement, Customer Services, Revenues & Benefits and the Chief Financial Officer is recommended.

2.   Recommendations

2.1   Cabinet approve in accordance with the relevant legislation and regulations, the Council Taxbase (Band D residential properties) for Lichfield District for the financial year 2021/22 of **38,891.4**.

2.2   To note the estimated Council Tax Collection fund Deficit of **£1,322,000** and the estimated Business Rates Collection Fund Deficit of **£14,627,000** for 2020/21.

2.3   To delegate authority to the Cabinet Member for Finance, Procurement, Customer Services and Revenues & Benefits and the Chief Financial Officer (Section 151) to:

- Complete and certify the NNDR1 for 2021/22 on behalf of the Council.

- Update the Council Taxbase for 2021/22 and Collection Fund projections for 2020/21 in the event of changes to guidance or the need for significant changes to underlying assumptions.
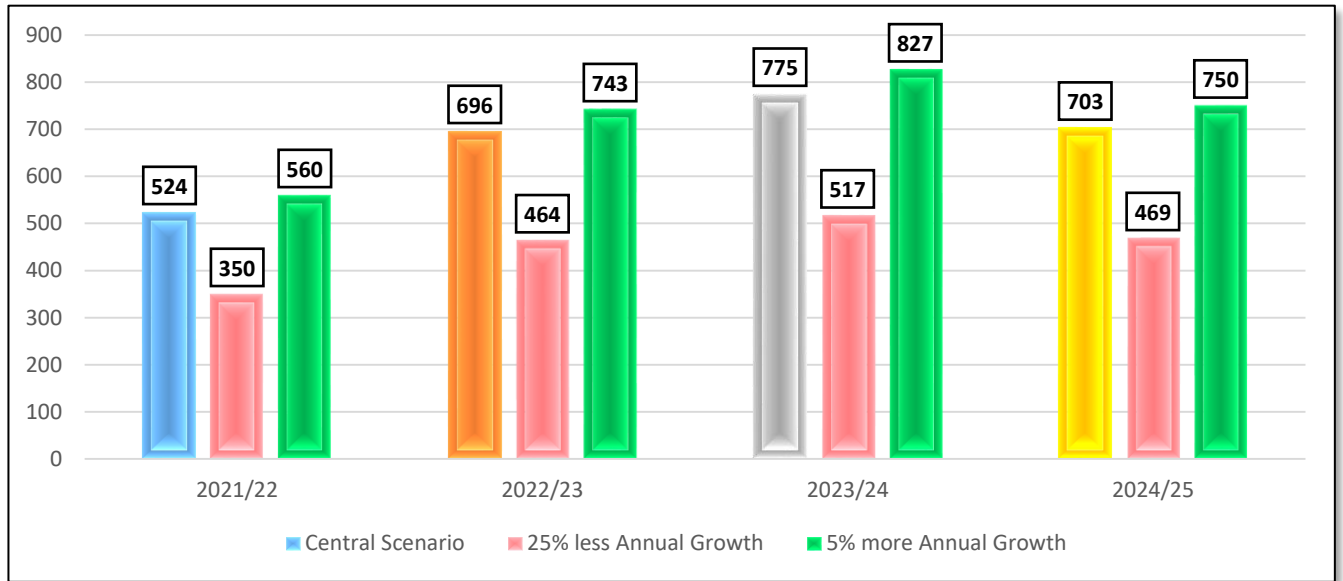
Council Taxbase

3.1   The Council Taxbase represents Band D residential properties within the District for Council Tax purposes.

3.2   The calculation includes an allowance for property growth. The starting point is the Five Year Housing Supply and this is adjusted by factors for risks such as delays or non-delivery and to convert growth to Band D equivalents.

<u>Property Growth</u>

3.3   The property growth (Band D Equivalents) estimated for the period of the Medium Term Financial Strategy based on the Mid-Point or central scenario of **75%** of planned property growth (shown as leftmost column for each year) being delivered plus two alternatives (50% and 80% of planned property growth), is shown in detail at **APPENDIX A** and in summary below:

3.4   The central scenario is also shown on a cumulative basis in the graph below. These growth projections will also potentially be used as part of the calculation of New Homes Bonus income (or its replacement).
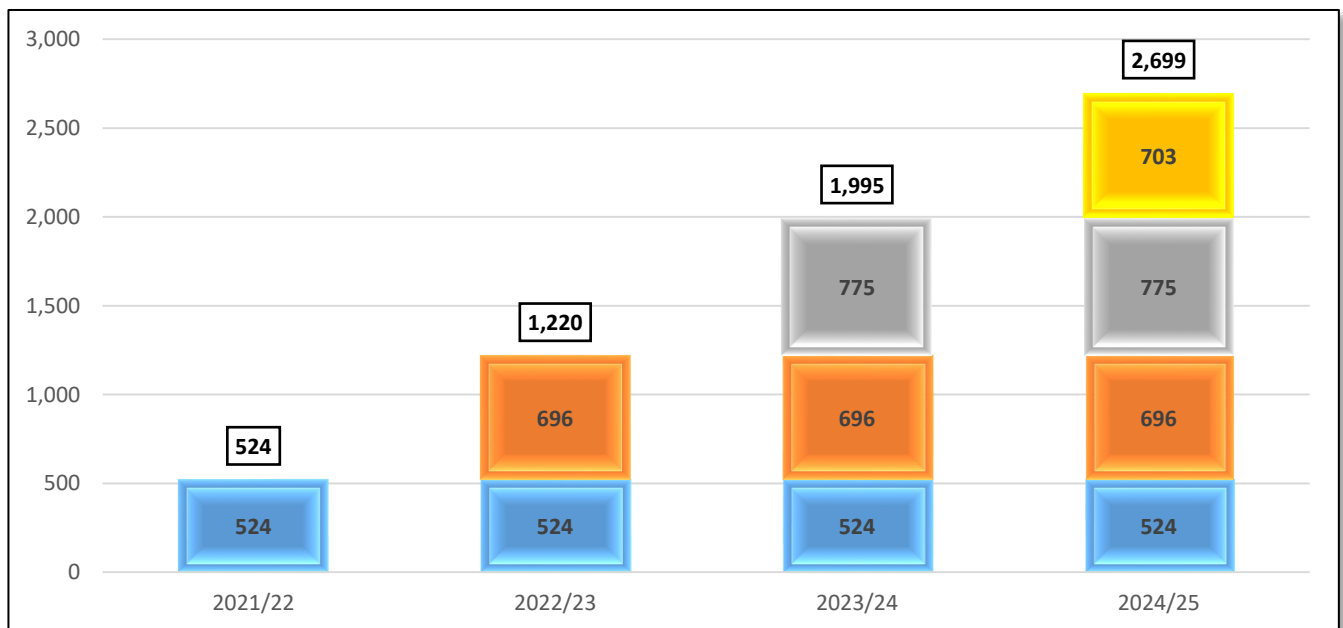
Council Taxbase Calculation

3.5   The Council Taxbase is calculated as follows:

- The Band D equivalent dwellings (the dwellings in each Council Tax Band multiplied by the Band D ratio).

- The Band D equivalent dwellings are reduced by discounts such as single person discount or Local Council Tax Support and exemptions.

- A specific COVID-19 increase of **30%** for working age claimants of Local Council Tax Support has been included.

- An allowance is made for contributions in lieu of Council Tax for Ministry of Defence Properties.

- An estimate is made for property growth during 2021/22.

- A projection is made for non-collection/in year change of **1%**. This reflects the risks and opportunities related to in year changes in properties, exemptions and discounts together with the collection rate (the actual collection performance for all years debt was **97.19%** in 2018/19 and **97.74%** in 2019/20).

3.6   The budgeted Council Taxbase for 2021/22 at **38,891.4** is **(826)** lower than the projection of **39,717.4** contained in the MTFS. The reasons for this projected reduction are:

	2021/22			Comments
	Projection	Budget	Variance	
Band D equivalent dwellings	46,545.3	46,378.1	(167.2)	Projected lower property growth
Discounts and exemptions	(6,428.2)	(7,095.2)	(667.0)	Projected higher discounts and exemptions and 30% increase in working age claimants
Allowance for non-collection	(399.7)	(391.5)	8.2	
Total	**39,717.4**	**38,891.4**	**(826.0)**	

3.7   This reduction in the Council Taxbase would result in **c£149,000** lower Council Tax per annum based on the approved Band D Council Tax for 2020/21 of **£180.07**.

3.8   The Council Taxbase (Band D equivalents) by Council Tax band for the District in 2021/22 prior to and after discounts and exemptions is shown in the graph below and in detail at **APPENDIX B**:
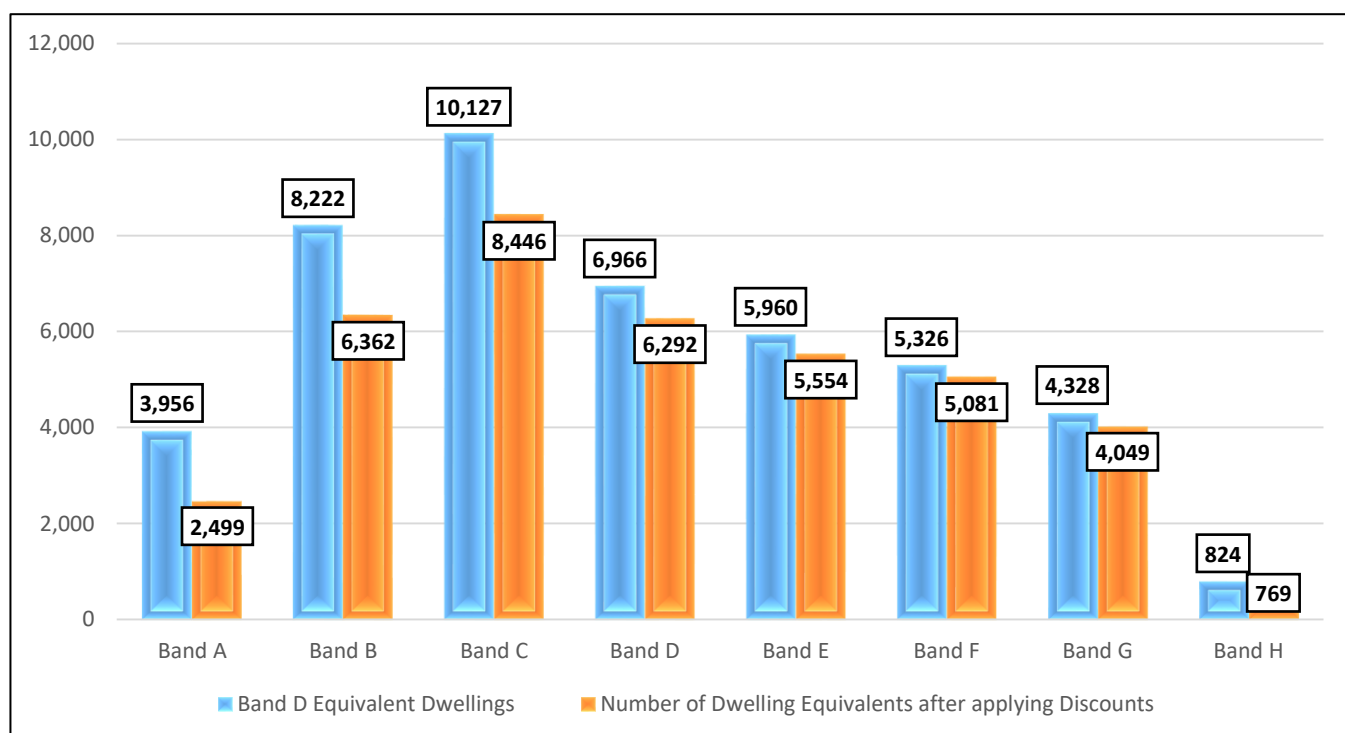
3.9   The figures in the calculation of the Council Taxbase for 2021/22 of **38,891.4** compared to the calculation for 2020/21 of **39,032.3** and the projection for 2021/22 of **39,717.4** are shown below:

3.10   The Council Taxbase will be used by this Council, Parish Councils, Staffordshire County Council, the Staffordshire Commissioner for Police and Crime and the Staffordshire Commissioner for Fire and Rescue to calculate their element of the Council Tax for 2021/22.

3.11   In addition, to the Council Taxbase for 2021/22, the graph below shows the Council Taxbase for 2021/22 to 2024/25. This information will be used in the Medium Term Financial Strategy for the calculation of Council Tax income.
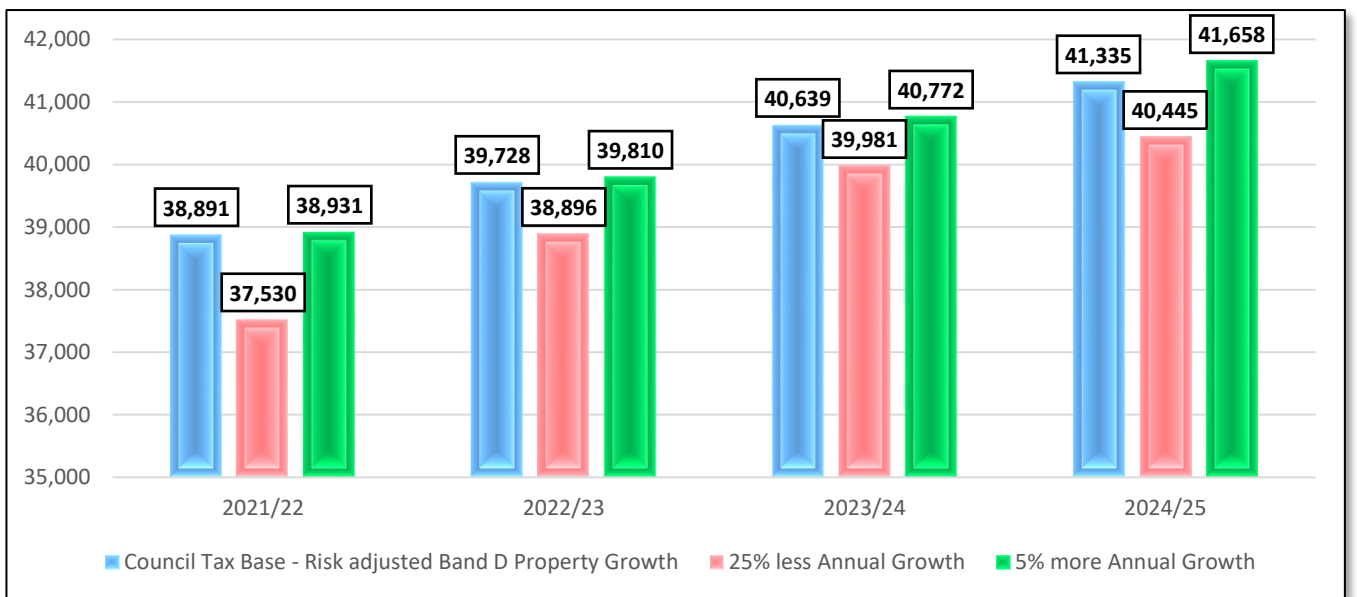
3.12   The Council Taxbase for 2021/22 by Parish area is shown at **APPENDIX C**.

The Projected Council Tax Collection Fund Deficit for 2020/21

3.13 The six months projected Council Tax Collection Fund Deficit for 2020/21 of **£1,322,000** is shown below (Lichfield's share of 13% includes Parish Councils):

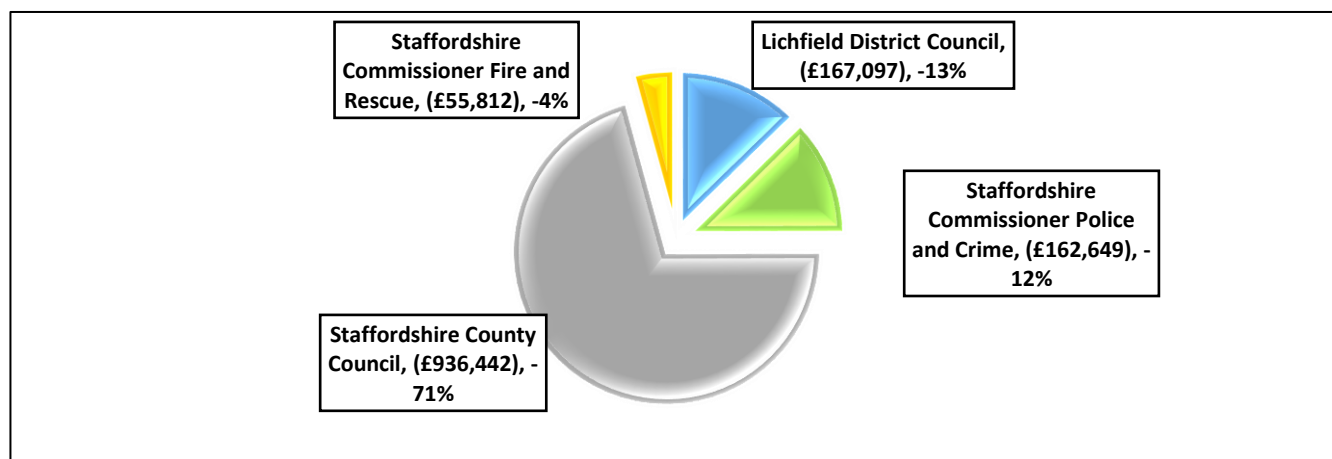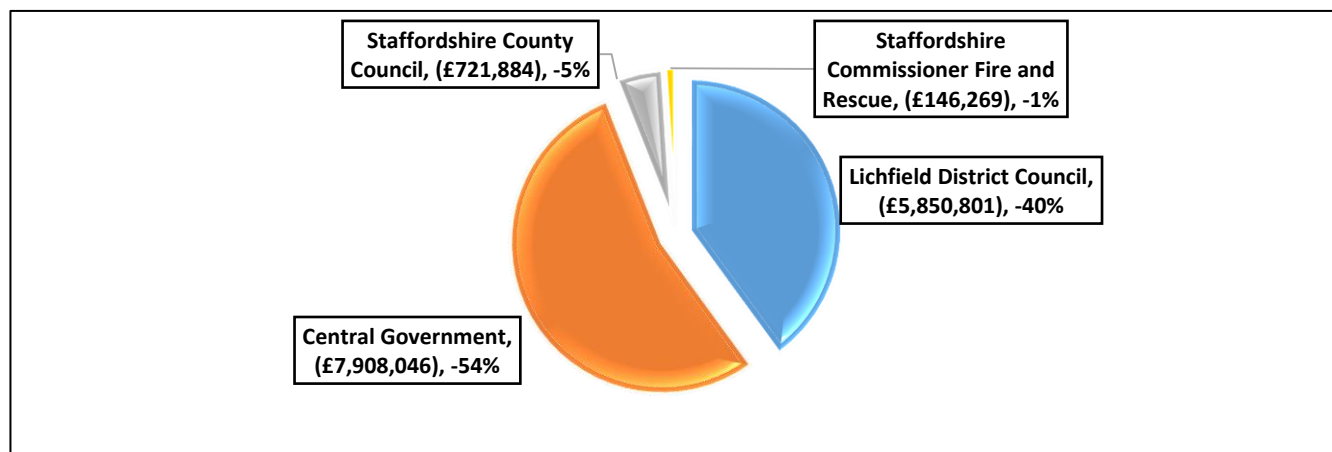3.14 The allocation of this projected deficit in line with draft guidance with the projected deficit for 2020/21 collection spread over the three years 2021/22, 2022/23 and 2023/24 would be:

	2021/22	2022/23	2023/24	Total
Lichfield District Council	£37,980	£64,559	£64,558	£167,097
Staffordshire Commissioner Police and Crime	£36,969	£62,840	£62,840	£162,649
Staffordshire County Council	£212,848	£361,797	£361,797	£936,442
Staffordshire Commissioner Fire and Rescue	£12,686	£21,563	£21,563	£55,812
Total	**£300,483**	**£510,759**	**£510,758**	**£1,322,000**

The Projected Business Rates Collection Fund Deficit for 2020/21

3.15 The six months projected Business Rates Collection Fund Deficit for 2020/21 of **£14,627,000**:

3.16 The allocation of this projected deficit (with the Local Government 50% share offset by Section 31 grants) in line with draft guidance with the projected deficit for 2020/21 collection spread over the three years 2021/22, 2022/23 and 2023/24 would be:

	2021/22	2022/23	2023/24	Total
Lichfield District Council	£4,943,099	£453,850	£453,852	£5,850,801
Central Government	£6,773,420	£567,313	£567,313	£7,908,046
Staffordshire County Council	£517,652	£102,116	£102,116	£721,884
Staffordshire Commissioner Fire and Rescue	£123,577	£11,346	£11,346	£146,269
Total Collection Fund Deficit	**£12,357,748**	**£1,134,625**	**£1,134,627**	**£14,627,000**
Additional Reliefs - Section 31 grants	(£5,584,328)	(£567,312)	(£567,313)	(£6,718,953)
Central Government share of Collection Fund Deficit	**£6,773,420**	**£567,313**	**£567,314**	**£7,908,047**

Alternative Options	The calculation of the Council Taxbase and Collection Fund surpluses and deficits must be undertaken in line with statutory requirements and therefore there are no alternative options.	

Consultation	There has been no consultation specifically about this Report due to the statutory nature of calculations.

Financial Implications	These are detailed in the background section of the Report.

Contribution to the Delivery of the Strategic Plan	The Medium Term Financial Strategy (MTFS) underpins the delivery of the Strategic Plan.

Equality, Diversity and Human Rights Implications	None identified in this report.

Crime & Safety Issues	None identified in this report.

Environmental Impact	None identified in this report.

GDPR/Privacy Impact Assessment	None identified in this report.

	Risk Description	How We Manage It	Severity of Risk (RYG)
**Strategic Risk SR1 – Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the Strategic Plan.**		
A	Decrease in the Collection rates for Business Rates (NNDR) and Council Tax.	The periodic Money Matters Reports to Cabinet and Strategic (Overview and Scrutiny) Committee provide information on collection rates.	Likelihood – Red Impact - Red Severity of Risk - Red
B	The assumed level of growth included in the calculation of the Council Taxbase is not achieved.	The periodic Money Matters Reports to Cabinet and Strategic (Overview and Scrutiny) Committee provide information on housing growth. The MTFS assumes **75%** of projected housing growth is delivered.	Likelihood – Yellow Impact - Yellow Severity of Risk - Yellow
C	The assumed level of discounts and exemptions increases.	The periodic Money Matters Reports to Cabinet and Strategic (Overview and Scrutiny) Committee provide information on the projected surplus or deficit in the Council Tax Collection Fund. The central scenario used in the MTFS assumes a **30%** increase in working age claimants for Local Council Tax Support in 2021/22 and no specific Government financial Support.	Likelihood – Yellow Impact - Yellow Severity of Risk - Yellow
D	Failure to calculate the Council Taxbase and Collection Fund Surplus or Deficit	These are calculated in accordance with the Local Government Finance Act 1992 and relevant regulations.	Likelihood – Green Impact - Yellow Severity of Risk - Yellow

Background documents

- Local Government Finance Act 1988
- Local Government Finance Act 1992
- Local Authorities (Calculation of Council Taxbase) Regulations 1992 (as amended)
- Local Government Act 2003
- Council Taxbase (CTB) Return at October 2020
- 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: Medium Term Financial Strategy (Revenue and Capital) 2019-24 – Cabinet 11 February 2020
- Money Matters: Medium Term Financial Strategy (Revenue and Capital) 2019-24 – Council 18 February 2020
- Money Matters: 2019/20 Review of Financial Performance against the Financial Strategy – Cabinet 2 June 2020
- The Medium Term Financial Strategy and the projected financial impact of the COVID-19 Pandemic – Cabinet 7 July 2020
- Money Matters: 2019/20 Review of Financial Performance against the Financial Strategy – Cabinet 8 September 2020
- Medium Term Financial Strategy 2020-25 – Cabinet 6 October 2020

Relevant web links

Provision for Housing Growth

Actual Delivery Performance compared to the Projections

	2017/18	2018/19	2019/20
<u>Provision for Growth</u>			
Housing Completions per SHLAA	633	855	701
Risk Allowance for Non-Completions and timing differences	50%	50%	50%
Housing Completions Projection	**317**	**428**	**351**
Band D Ratio	0.9	0.9	0.9
Band D Equivalents	**280**	**285**	**315**

	2017/18	2018/19	2019/20
Actual Housing Completions	259	648	674
Actual Housing Completions compared to SHLAA		**180%**	

Housing Growth Projections

		Medium Term Financial Strategy			
	2020/21	2021/22	2022/23	2023/24	2024/25
<u>Provision for Growth</u>					
Projected housing completions	725	737	977	1,088	987
Risk allowance for non-completions and timing differences	75%	75%	75%	75%	75%
Housing completions projection	**544**	**553**	**733**	**816**	**740**
Band D ratio	0.95	0.95	0.95	0.95	0.95
Band D equivalents	**517**	**524**	**696**	**775**	**703**

	2021/22	2022/23	2023/24	2024/25
25% less Annual Growth	350	464	517	469
5% more Annual Growth	560	743	827	750

The Council Taxbase Return and the Council Taxbase for the purposes of setting the Council Tax in 2021/22

	Band A Disabled Relief	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	2021/22	2020/21	2019/20
Total Number of Dwellings on the Valuation List	0.0	5,934.0	10,571.0	11,393.0	6,966.0	4,876.0	3,687.0	2,597.0	412.0	46,436.0	45,967.0	45,182.0
Ratio to Band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9			
Band D Equivalent Dwellings	0.0	3,956.0	8,221.9	10,127.1	6,966.0	5,959.6	5,325.7	4,328.4	824.0	45,708.7	45,191.6	44,414.4
Discounts and Exemptions												
Exempt Dwellings	0.0	(105.3)	(120.6)	(202.7)	(122.0)	(61.1)	(37.6)	(51.7)	(10.0)	(711.0)	(617.1)	(615.3)
Disabled Relief	11.7	26.0	17.9	(40.9)	6.0	(6.1)	0.0	(41.7)	(26.0)	(53.1)	(54.1)	(56.1)
Single Person Discount - 25%	(1.7)	(546.2)	(770.6)	(827.1)	(425.0)	(286.6)	(193.9)	(160.8)	(19.5)	(3,231.4)	(3,194.4)	(3,092.2)
Discount - 50%	0.0	(5.3)	(3.5)	(1.3)	(1.5)	(2.4)	(2.9)	(10.0)	(3.0)	(29.9)	(30.6)	(29.3)
Local Council Tax Support Discount	(4.5)	(850.6)	(1,014.3)	(625.6)	(152.1)	(65.7)	(29.5)	(25.1)	(1.6)	(2,769.0)	(2,612.5)	(2,715.7)
Other Discounts	(0.3)	18.7	31.1	16.0	21.0	16.5	19.5	10.0	5.0	137.5	80.5	29.1
Sub Total - Discounts and Exemptions	5.2	(1,462.7)	(1,860.0)	(1,681.6)	(673.6)	(405.4)	(244.4)	(279.3)	(55.1)	(6,656.9)	(6,428.2)	(6,479.5)
Number of Dwelling Equivalents after applying Discounts	5.2	2,493.3	6,361.9	8,445.5	6,292.4	5,554.2	5,081.3	4,049.1	768.9	39,051.8	38,763.4	37,934.9
Contributions in Lieu (MOD Properties)										145.4	145.4	145.4
Council Taxbase Return (CTB) Taxbase										**39,197.2**	**38,908.8**	**38,080.3**
Provision for Growth										524.0	517.0	313.0
Provision for increase in working age LCTS										(438.3)		
Provision for Non-Collection										(391.5)	(393.5)	(382.5)
Total Council Taxbase for Council Tax Setting Purposes										**38,891.4**	**39,032.3**	**38,010.8**

Council Taxbase for the purposes of setting the Council Tax in 2021/22 by Parish Area

Parish Areas	2021/22 Apportioned Taxbase	2020/21 Apportioned Taxbase	2019/20 Apportioned Taxbase
Alrewas	1,248.20	1,205.00	1,207.00
Armitage with Handsacre	2,117.70	2,121.70	2,094.00
Burntwood	8,428.70	8,533.40	8,408.70
Clifton Campville with Thorpe Constantine	375.60	396.20	366.00
Colton	325.70	332.80	329.20
Curborough and Elmhurst and Farewell and Chorley	277.50	245.80	245.60
Drayton Bassett	445.90	444.50	443.00
Edingale	268.20	270.90	271.80
Elford	281.90	286.80	286.50
Fazeley	1,471.60	1,497.40	1,484.30
Fradley and Streethay	2,208.80	2,131.30	1,614.20
Hammerwich	1,339.10	1,362.40	1,355.80
Hamstall Ridware	152.10	149.70	149.10
Harlaston	200.40	184.60	184.80
Hints and Canwell	178.70	178.80	180.80
King's Bromley	561.70	556.30	554.40
Lichfield	12,110.30	12,133.00	12,017.80
Longdon	753.50	756.40	753.10
Mavesyn Ridware	502.50	491.00	466.50
Shenstone	3,461.80	3,505.90	3,475.30
Swinfen and Packington	151.50	147.60	132.50
Wall	199.80	200.40	196.20
Weeford	98.80	96.20	95.30
Whittington and Fisherwick	1,145.90	1,153.50	1,164.00
Wigginton and Hopwas	585.50	650.90	535.00
Total Council Taxbase for Council Tax Setting Purposes	**38,891.40**	**39,032.30**	**38,010.80**

<table>
<tr><td colspan="2">Procurement Strategy (including a Local Procurement Code)
Cabinet Member for Finance, Procurement, Revenues & Benefits and Customer Services</td><td rowspan="9">Lichfield
district council
www.lichfielddc.gov.uk

Cabinet</td></tr>
<tr><td>Date:</td><td>01 December 2020</td></tr>
<tr><td>Agenda Item:</td><td>5</td></tr>
<tr><td>Contact Officer:</td><td>Anthony Thomas</td></tr>
<tr><td>Tel Number:</td><td>01543 308012</td></tr>
<tr><td>Email:</td><td>Anthony.thomas@lichfielddc.gov.uk</td></tr>
<tr><td>Key Decision?</td><td>YES</td></tr>
<tr><td>Local Ward Members</td><td>Full Council</td></tr>
</table>

1.   Executive Summary

1.1   The Council procures and commissions significant levels of goods, works and services from third parties and the aim is to achieve best value for money.

1.2   This means that procurement decisions need to take account, as appropriate, of quality and all of the costs whilst also remaining compliant with all legal, regulatory and constitutional requirements.

1.3   The Procurement Strategy is intended to move the Council from where it currently is to where it wants to be in terms of Procurement. The strategy takes account of the new Strategic Plan, latest regulations and provides greater clarity regarding the role of the procurement process.

2.   Recommendations

2.1   The Cabinet is requested to approve the Procurement Strategy attached at **APPENDIX B**.

3.   Background

What is Procurement?

3.1.   Procurement is the process of acquiring goods, works and services from third parties. In other words, it covers the purchasing of everything from paperclips to major infrastructure schemes.

3.2.   Commissioning is usually about securing services (rather than acquisition of goods or works) and is a cycle of activities that includes procurement and contract management.

3.3.   The aim is to achieve best value for money. In the HM Treasury publication Managing Public Money value for money is defined in the following way:

'It means securing the best mix of quality and effectiveness for the least outlay over the period of use of the goods or services bought. It is not about minimising upfront prices.'

3.4.   This means that procurement and commissioning decisions need to take account, as appropriate, of quality and all of the costs that will be incurred by the Council throughout the life of the asset or contract period not simply the initial price.

3.5.   The best results are obtained by engaging with the market before advertising an opportunity (to be sure the Council's approach will get a good response from suppliers) and focusing on contract management to ensure the Council gets what it is paying for.

3.6.   There are also compliance issues which cannot be ignored and every Council adopts Contract Procedure Rules. These are the council's own procurement rules and they form part of a broader set of arrangements the Council makes locally for procurement and project management, including measures to prevent fraud and corruption.

3.7.   Procurement and commissioning must be carried out in compliance with the public contract regulations 2015 and including currently EU procurement directives, related case law and other legal requirements including the best value duty and requirements relating to staff transfers (TUPE, pensions), health and safety, equalities and social value etc.

3.8.   The UK also has rules on lower value procurements including an obligation on councils to publicise advertised opportunities and awards worth **£25,000** or more on the Government's Contracts Finder website.

3.9.   Public procurement law is complex and the Council has recently recruited a procurement team and also has access to legal advice from the South Staffordshire Legal Service to navigate the rules.

What is the Procurement Process?

3.10.   The key stages of the procurement cycle are shown in the diagram below:

3.11.   There are a number of critical success factors related to procurement including the involvement of senior management, early involvement of procurement and other professional advisors, a focus on delivering the right outcomes, good preparation and planning, stakeholder engagement and ongoing risk management.

How are Contracts and Relationships Managed?

3.12. It is during the contract management phase that the benefits the Council is paying for are actually delivered (or not) and a 'let and forget' approach is never acceptable.

3.13. The foundations for success in contract management are laid during the procurement process and include the identification of a contract manager, continuing management of risks, control of costs including contract variations and management of performance shortfalls.

What is Category Management?

3.14. Every Council needs good visibility of what it is spending and with whom and this will involve breaking down expenditure into categories such as professional services or vehicles.

3.15. Category management focusses on improving value for money and can involve challenging the need to purchase the goods or services or carry out the project at all, at the current time or in the way proposed.

3.16. In Local Government, professional buying organisations such as the Eastern Shires Purchasing Organisation (ESPO) are a vehicle for collaboration on the acquisition of common goods and services through the use of framework agreements with the aim of improving value for money.

3.17. Councils also have the option of using the framework agreements and other arrangements put in place by the Crown Commercial Service.

How is 'Social Value' Delivered?

3.18. Councils have always used their purchasing power to obtain social, economic and environmental benefits for their communities.

3.19. The Public Services (Social Value) Act 2012 enshrines this in law to a certain extent.

3.20. Under the Act, any Council proposing to award a service contract or framework agreement above a financial threshold in the EU rules must consider how what they propose to procure will improve the economic, social and environmental wellbeing of the area.

3.21. The Council must also consider how it will act to secure the improvement when undertaking the procurement.

Developing a Procurement Strategy

3.22. The process for developing a procurement strategy will be focussed on:

- Understanding where the Council currently is in terms of Procurement.
- Identifying where the Council wants to be with Procurement.
- Determining how the Council plans to get there "the Procurement Strategy".

An Assessment of where the Council currently is and where it wants to be with Procurement

3.23. The Local Government Association (LGA) has developed a toolkit to support delivery of the National Procurement Strategy for Local Government in England 2018.

3.24. Its purpose is to help Councils, to set objectives in relation to the levels in each of the key areas and to assess their own progress against those objectives.

3.25. The Council's current assessment using this toolkit is shown in detail at **APPENDIX A**.

3.26.   The key themes of the National Procurement Strategy, a summary of the current assessment and the next level showing where the Council wants to be is:

- **Showing Leadership**

    o **Engaging Councillors** – Current **Minimum** next level is **Developing**

    o **Engaging Senior Managers** – Current **Developing** next level is **Mature**

    o **Working with Partners** – Current **Developing** next level is **Mature**

    o **Engaging Strategic Suppliers** – Current **Minimum** next level is **Developing**

- **Behaving Commercially**

    o **Creating Commercial Opportunities** – Current **Minimum** next level is **Developing**

    o **Managing Contracts and Relationships** – Current **Minimum** next level is **Developing**

    o **Managing Strategic Risk** – Current **Developing** next level is **Mature**

- **Achieving Community Benefits**

    o **Obtaining Social Value** – Current **Minimum** next level is **Developing**

    o **Local Small Medium Enterprises (SMEs) and Micro-Businesses Engagement** – Current **Minimum** next level is **Developing**

    o **Enabling Voluntary, Community and Social Enterprise (VCSE) Engagement** – Current **Developing** next level is **Mature**

3.27.   Internal Audit have also recently undertaken a review of procurement and provided a limited assurance level. This level of assurance indicates there are some weaknesses in controls that will need to be addressed as part of the development of the procurement strategy.

The Procurement Strategy

3.28.   The Council has approved additional resources over the last few years to improve procurement initially through the partnership with Wolverhampton City Council and latterly following the withdrawal of Wolverhampton City Council, the recruitment of a small in-house procurement team.

3.29.   The assessment compared to the LGA toolkit shows there is room for improvement in procurement however we must be realistic in terms of setting priorities with a relatively small team.

3.30.   The initial focus must be on 'getting the basics right' because currently we are operating at the minimum level in a number of assessment areas.

3.31.   Therefore priorities will need to be focussed on achieving or consolidating at the minimum level and then moving to the higher levels based on the capacity and resources available.

3.32.   The Procurement Strategy is shown at **APPENDIX B** and is summarised below:

- The Strategic context in terms of the Strategic Plan 2020-2024 and values.

- The procurement guiding principles.

- A procurement action plan.

Alternative Options	The Council could decide that it does not need a Procurement Strategy or could develop one that is different in the outcomes it would like to achieve.
Consultation	The Overview & Scrutiny Committee has been consulted to provide their views to the Cabinet these are summarised below: • Recommend that Cabinet adopt this Procurement Strategy as amended • Environmental Impact – missing the potential impacts of the strategy (Adopted – section updated with further information on potential positive environmental impacts) • Performance Indicators – request to show savings net after the cost of the procurement team (Adopted – section updated with additional indicator) • Performance Indicators – request to split the supplier payment indicator into two – those paid within contract terms and those paid in 30 days (Not adopted – this is a requirement under the Public Contract Regulations 2015; kept single indicator measuring suppliers paid within 30 days) • Social Value – request for further information/policies on evaluation criteria to be shared with the Committee (Not adopted but information will be shared as developed with members of the Committee) • Social Value – request for further clarity in bullet point 8 (page 3 of Strategy) (Adopted – section updated to include 3 areas of social value – social, economic, environmental)
Financial Implications	• The average annual procurement spend over the last three years is **£11m**. With vehicle hire, agency staff and IT licenses being the largest spend areas. • The average local spend with suppliers in the district (on a post code basis) over the last three years is **10%**, with 2019/20 at **12%**. • The average budgeted annual spend for the next three years is **£13m**. • The replacement waste fleet, the works to the coach park, recycling disposal costs and vehicle hire are the largest spend areas over the next three years. • There is an annual procurement savings target of **c1%** or **c£84,000** assumed in the Medium Term Financial Strategy. This will reviewed once a forward looking procurement plan has been completed.
Contribution to the Delivery of the Strategic Plan	Effective procurement can contribute to the achievement of Strategic Plan outcomes primarily in relation to developing prosperity and being a good Council. The development and approval of a Procurement Strategy (including a Local Procurement Code) is an action in the 2020/21 Delivery Plan.
Equality, Diversity and Human Rights Implications	An Equality Impact Assessment has been completed.
Crime & Safety Issues	No specific implications.

	Environmental Impact	Environmental impact can be considered as part of procurement exercises and included in evaluation criteria; improvement in environmental measures possible through application of Procurement Strategy (for example reduction in CO_2 emissions, increased use of sustainable materials, reduction in waste).

GDPR/Privacy Impact Assessment	No specific implications.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	The Council's procurement ambitions have not been articulated and agreed	The Procurement Strategy will articulate where the Council wants to be and how it plans to get there	Likelihood : Red Impact : Yellow Severity : Yellow
B	Local suppliers are not provided with the opportunity to bid for Council procurements	Procurement opportunities will be part of a forward looking plan and will also be communicated more widely to provide greater opportunities	Likelihood : Yellow Impact : Yellow Severity : Yellow
C	Procurement performance is not monitored and transparent	There will be a suite of Key Performance Indicators that will be regularly monitored	Likelihood : Yellow Impact : Yellow Severity : Yellow
D	Non-compliance with legal, regulatory and constitutional requirements	The new Procurement Team will be able to ensure compliance and this will also will be monitored by Internal Audit	Likelihood : Yellow Impact : Yellow Severity : Yellow
E	Procurement savings/value for money are unrealised	The new Procurement Team will be able to establish greater rigour in the Procurement process	Likelihood : Green Impact : Yellow Severity : Yellow
F	Procurements are reactive rather than planned and therefore do not achieve value for money	The procurement team will engage with service areas to minimise reactive procurement	Likelihood : Red Impact : Yellow Severity : Yellow

Background documents

A Councillors Guide to Procurement 2019 edition produced by the LGA

National procurement Strategy for Local Government in England 2018 Delivering the Ambition produced by the LGA

Procurement Service Improvement – Cabinet 4 September 2018

Ernst and Young Report Getting the basics right in procurement

A number of other Councils Procurement Strategies

Equality Impact Assessment

Relevant web links

National Procurement Strategy for Local Government in England 2018 – Delivering the ambition

Showing Leadership			
Key Area	**Current Assessment of where the Council is**	**The Next Level and where the Council wants to be**	**How do we get there?**
Engaging Councillors	**Minimum** Councillors regard procurement and commercial issues as purely operational matters	**Developing** The Council is exploring the best approach to Councillor engagement in procurement and commercial matters	• Councillors receive regular reports on procurement activities. • Councillor training and development programme to include procurement and commercial elements to develop understanding for better policy development and scrutiny.
Engaging Senior Managers	**Developing** The Council is exploring the best approach to obtaining procurement and commercial input into decision making	**Mature** Senior managers engaged with procurement and commercial issues routinely taking advice at key decision points	• Procurement Strategy is reviewed and refreshed. • Senior manager training and development programme to include procurement and commercial elements. • Requirement to engage with procurement for whole life cost based procurements of £10,000 or higher.
Working with Partners	**Developing** Council acknowledges the business case for a cross-council approach to design and implementation of solutions and is seeking to encourage this	**Mature** Designing and implementing solutions as a single team in high value/high risk projects	• Structured approach to project management for major procurements is introduced. • Training and development programme covering partnership working are developed and implemented.
Engaging Strategic Suppliers	**Minimum** Firefighting. Ad hoc engagement with important suppliers, usually when there is a problem to be resolved	**Developing** Acknowledges Business Case for improved strategic supplier management and is piloting engagement	• Develop criteria to identify strategic suppliers. • Evaluate options and pilot engagement with a strategic supplier. • Produce a procurement plan. • Pilot early market engagement on at least one major project.

Behaving Commercially			
Key Area	**Current Assessment of where the Council is**	**The Next Level and where the Council wants to be**	**How do we get there?**
Creating Commercial Opportunities	**Minimum** Focused on business as usual and compliance	**Developing** Some high value/high profile acquisitions examined for creating commercial opportunities	• Forward planning is undertaken in some procurements. • Opportunities to create new revenue streams are investigated. • Options appraisals are undertaken for major procurements. • Market and supplier research and analysis is undertaken for major procurements. • Procurement is involved in tenders at the planning stage. • Innovation is considered in tender evaluations. • Plain language is used in tender documentation. • Performance reporting includes social benefits as well as savings on specific procurements. • Leadership Team receive regular reports on procurement activities. • Post contract reviews are undertaken on specific procurements.
Manging Contracts and Relationships	**Minimum** Compliance driven. Reactive approach to contract and relationship management	**Developing** Identified the need to change and improve. Basic policies, procedures and systems in place.	• A full up to date contract register is in place with viewing and searching capability. • A change control policy is in place to capture variations made to certain contracts and standard documentation is in place and is used. • Structured approach to early engagement of suppliers in financial difficulties. • A formal approach is in place to capturing savings and accruing benefits from contracts. • Contract and relationship management is recognised in job roles where this is a significant element of the role. • Training and development programme covering general contract management is developed and implemented.
Managing Strategic Risk	**Developing** Good awareness of issues involved and potential threats with basic systems in place to manage should they occur	**Mature** Taking a proactive approach to strategic risk management with all vulnerable areas identified and mitigating policies and plans in place	• Proactive approach to financial loss and fraud for supplier payments. • Risk areas for fraud and financial loss identified. • A risk register with mitigating actions is in place. • Expenditure categories/contracts with potential for modern slavery identified and basic checks made. • Actively identifying and reviewing contracts where data issues could occur.

	Achieving Community Benefits		
Key Area	**Current Assessment of where the Council is**	**The Next Level and where the Council wants to be**	**How do we get there?**
Obtaining social value	**Minimum** Compliant. Doing just enough to meet the conditions of the Act.	**Developing** Compliant but only proactively seeking social value in a few contracts only	• A Social value policy is developed and approved. • A senior officer is given a direct reporting responsibility for social value. • Measuring some limited form of social value. • Social value is taken into account in larger contracts and tenderers asked for social value commitments.
Local small medium enterprises (SMEs) and micro business engagement	**Developing** SME organisations are engaged in a few key contracts only.	**Mature** Taking a proactive approach to integrating SME organisations into procurement and commissioning.	• A SME policy is developed and approved. • Engagement events and communication channels are developed. • Dedicated support and contact point for SMEs. • Dynamic purchasing systems (DPS) used in certain areas of the Council. • All procurement opportunities are published to increase the opportunities for SMEs. • Contract management includes sub-contracting relationships. • SME spend is captured and analysed.
Enabling voluntary, community and social enterprise (VCSE) engagement	**Developing** VCSE organisations are engaged in a few key contracts only.	**Mature** Taking a proactive approach to integrating VCSE organisations into commissioning and procurement processes.	• Engagement events and communication channels are developed. • Dedicated support and contact point for VCSEs. • Prior engagement with VCSEs prior to publishing procurement opportunities. • All procurement opportunities are published to increase the opportunities for SMEs. • Procurement processes adapted to reflect the capacity and capability of VCSEs. • Contract management includes sub-contracting relationships. • VCSE spend is captured and analysed to determine how it might be improved.

Procurement Strategy

Our Strategic Plan

Every four years we put together a strategic plan. Our current strategic plan describes the high level outcomes we want to achieve for our community from 2020 to 2024. Our plan helps us to focus on what is important locally and to direct our resources and budget where they will have the most benefit:

Enable people to

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

Shape place to

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

Develop prosperity to

- encourage economic growth
- enhance the district for all
- invest in the future

Be a good council that is

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

Our Values

We have developed a set of values that all our staff work together to achieve in all that we do and are relevant to this procurement strategy.

Our values are set out in our strategic plan and are:

Put customers first

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

Improve and innovate

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

Have respect for everyone

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

Our Procurement guiding principles

These outcomes and values will be reflected in the key stages of the procurement cycle shown below:
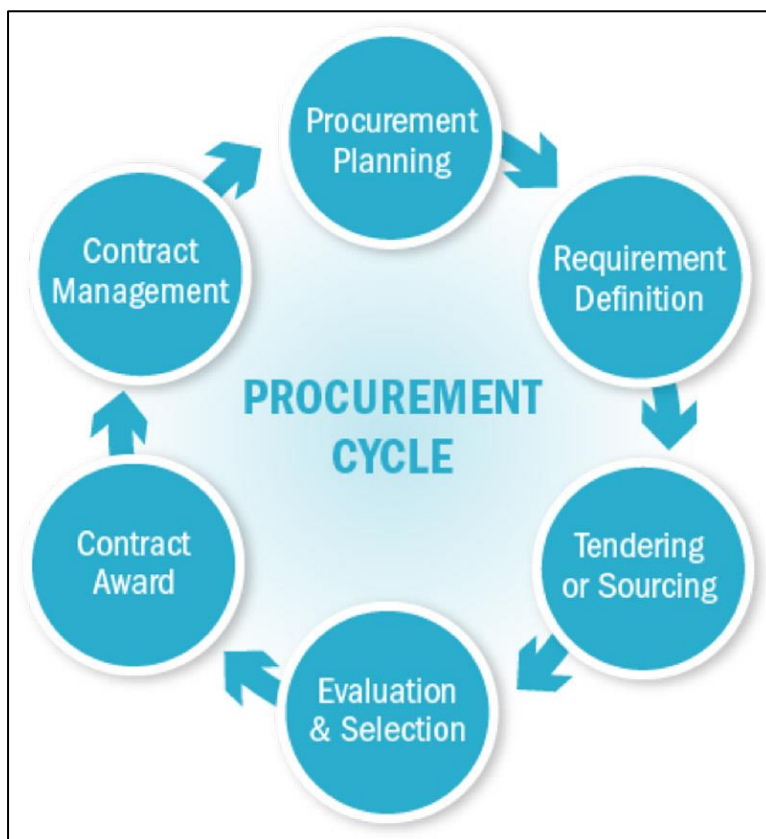
Our primary focus on sustainable procurement supports the overarching aim and guiding principles of the procurement service:

"To deliver the Council's strategic objectives and best value through a straightforward, professional and focussed approach to procurement"

- **straightforward**: To eliminate unnecessary burdens arising from the procurement and to make procurement and payment processes more effective through e-procurement
- **professional**: To ensure procurement and contract management skills are well embedded and distributed across the Council
- **focused**: To use sound procurement practices and innovative procurement solutions to promote sustainability and best value, in particular supporting the best use of resources agenda and making use of collaboration and partnership opportunities

The purpose of this strategy is to ensure that sustainability is an integral part of all stages of our procurement processes and that our procurement activities support the delivery of our outcomes whilst achieving value for money. In particular we want to ensure our procurement contributes to a strong local economy and leads us to make intelligently green procurement choices – i.e. those that have a positive environmental impact and generate financial or community benefits such as:

- Supporting local jobs
- Supporting local skills
- Local sourcing of goods
- Energy efficiency
- Increasing use of renewable energy
- Minimise waste
- Sustainability of materials and products

Therefore we will:

- take a long term strategic view of our procurement needs while continually assessing, reviewing and auditing our procedures, strategy and objectives
- require that a proper business case is produced to support all significant procurement decisions and expect contracting activity to be as a result of competition
- assess all procurement proposals against a criteria that includes effectiveness, efficiency, best value, sustainability and on the basis of whole life costs, providing this does not prejudice service delivery
- measure outcomes rather than outputs where appropriate
- be a pragmatic and intelligent customer maximising the benefits offered by joint procurements, developing partnerships, embracing technology and harnessing economies of scale through consortia
- actively manage our supplier portfolio, in line with all requirements local government
- support, encourage and develop our staff, ensuring equality of opportunity for all and ensure those that procure through procurement have the same principles
- ensure social value principles (social, economic & environmental) become embedded in procurement and contract management processes.
- comply with any legislation, corporate policies or other requirements relevant to our activities, ensuring that all officers responsible for procurement and contract management are aware of and adhere to the requirements of all relevant law, the Council's contract procedure rules, financial procedure rules, required standards and best practice and ensure those we procure also comply where applicable
- require services to programme and manage their procurements in accordance with Governance timetables
- ensure that risk is identified, assessed and managed at all stages of the procurement process
- ensure that every procurement is led and managed by an appropriate officer, is allocated a suitable contract manager and that records are properly maintained, decisions recorded and clear audit trails exist to ensure openness, propriety and probity
- have regard to all aspects of sustainability including environmental sustainability and climate change as well as supporting our Climate Change Pledge.
- participate in partnerships and shared services where these can deliver overall service improvements and provide value for money
- Where appropriate key contractors are required to have safeguarding policies, procedures and training in place, in addition to providing confirmation of compliance with the Modern Slavery Act 2015

Monitoring the Procurement Strategy

The Procurement Strategy will be monitored using a balanced scorecard of indicators initially identified as:

Strategic		Financial	
Indicator	**Baseline**	**Indicator**	**Baseline**
% of spend in Lichfield District[1]	12%	Financial savings achieved in total[2]	£0
% of spend with Small Medium Enterprise (SMEs) in Lichfield District	N/m	Gross Annual financial savings achieved	£0
% of spend with Voluntary, Community and Social Enterprise (VCSEs) in Lichfield District	N/m	Net annual finance savings achieved	£0
Number of tenders with Social Value criteria	N/m		
Operational		**Compliance/Risk**	
Indicator	**Baseline**	**Indicator**	**Baseline**
% of suppliers paid within 30 days – target 90%[3]	86.15%	Number of waivers to Contract Procedure Rules[4]	10
% of procurement opportunities published	N/m	Number of legal challenges	N/m
Service area satisfaction with procurement	N/m		

[1] The 2019/20 financial year based on post codes
[2] Cumulative from implementation of Procurement Strategy
[3] As at 31 March 2020 and Reported to Cabinet and Strategic (Overview and Scrutiny) Committee
[4] Relates to 2018/19 financial year and Reported to Audit and Member Standards Committee

Procurement Action Plan

	What we plan to achieve	What we plan to do	Who we will work with
Professionalise Procurement	A fully staffed trained procurement team	• Recruit to permanent roles • Support Chartered Institute of Purchasing and Supply training and appropriate legal courses	Human Resources Team
	Enhance procurement knowledge in the Council	• Identify gaps in knowledge and develop additional training courses	Officers with budget responsibility
	A flexible and responsive procurement team	• Undertake engagement with customers through a feedback survey	Heads of Service and Managers in all service areas
	High performing procurement function	• Develop a series of Key Performance Indicators	Cabinet Member and Leadership Team
Systems and Processes	A fully populated electronic contracts register	• Update with information received. • Continue to support the embedding of self-service	Heads of Service and Managers in all service areas
	To move towards LDC requests for quotation and invitations for tenders to be run via electronic tendering system[5]	• Training programme for staff • Procurement team to utilise the system on behalf of officers as required	Heads of Service and Managers in all service areas
Visibility and Data	A fully populated forward looking work plan	• Update with information received and procurement initiation form content. • Regular engagement with officers and managers. • Regular Procurement updates to officers	Heads of Service and Managers in all service areas
	Improve visibility of Procurement opportunities	• Future work plan to be published on website in form of anticipated procurement opportunities • All current procurement opportunities to be published	Heads of Service and Managers in all service areas
	Publish and monitor expenditure with suppliers, SME's, and VSCE in Lichfield District	• Monitoring spend through the new Finance System	Finance Team
Suppliers and Social Value	Recognise and embed Social Value (potentially adopt National TOMs (Themes, Outcomes and Measures) Framework 2019 for social value measurement)	• Develop a Social Value Policy and guide for officers • Consider the inclusion of social value criteria in each relevant procurement	Heads of Service and Managers in all service areas
	Environmental sustainability	• Develop criteria for environmental sustainability for inclusion in procurement	Heads of Service and Managers in all service areas
	Improve engagement with Local suppliers	• Develop a selling to the council guide and publish on website • Attendance at any relevant meet the buyer event	Economic growth team Local suppliers

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[5] Does not include those via frameworks or other public buying organisations as they often use proprietary processes.

	What we plan to achieve	What we plan to do	Who we will work with
		• Widen advertising of relevant contract opportunities to include Social Media. • Identify local suppliers and encourage them to register on electronic tendering system. • Identify demand for a 'how to tender' workshop in advance of any significant procurements, and/or general workshop.	
Compliance	All relevant contracts are advertised on Contracts Finder	• Regular monitoring process	Heads of Service and Managers in all service areas
	All procurements with a value of over £10,000 are agreed with procurement	• Regular monitoring process	Heads of Service and Managers in all service areas
	Ensure the procurement elements of the Contract Procedure Rules remain fit for purpose	• To review the procurement elements of the Contract Procedure Rules	Heads of Service and Managers in all service areas
	"Procurement Information" Transparency Code 2015 requirements are met	• Regular monitoring process	Heads of Service and Managers in all service areas
Collaboration	Ensure opportunities for collaboration are explored	• Completion of all relevant surveys from buying organisations	Buying organisations
		• Representation at Heads of Procurement Networks	Other local authorities
		• Host or attend knowledge transfer meetings with neighbouring authorities to share forward looking work plans.	Other local authorities
		• Approach local authorities when a new procurement is initiated to understand scope for collaboration	Other local authorities
	Maximise opportunities for collaboration	• Monitor all major procurement buying organisations (PBO's), align relevant opportunities to forward work plan. • Disseminate relevant opportunities to key officers	External organisations. Heads of Service and Managers in all service areas
Contract Management	Improve post contract award and commercial outcomes	• Development of a Contract Management guide for Officers • Support Key officers in commercial negotiations and continuous improvement activities.	Heads of Service and Managers in all service areas

DIGITAL INNOVATION STRATEGY 2020-2024
Cabinet Member for Innovation, Commercialisation and Corporate Services

Date:	1 December 2020
Agenda Item:	6
Contact Officer:	Kim Rennie – Interim Head of Corporate Services
Tel Number:	07929 835481
Email:	Kim.Rennie@lichfielddc.gov.uk
Key Decision?	**NO**
Local Ward Members	ALL

CABINET

1.   Executive Summary

1.1   A Digital Strategy for Lichfield District Council has been developed based on our aspirations for an improved approach and our experience to date, and following a review of good practice in relation to digital approaches amongst Councils.

1.2   The Strategy focuses on the needs of the Council's customers, and how engagement can be increased, and their needs and expectations met, through the use of innovation, digital channels and technology.

1.3   The Strategy proposes activities under four work streams, E-Services and Engagement, Technology, Infrastructure, and Capability to deliver the Council's aims in this area.

2.   Recommendations

2.1   That Cabinet consider the discussion at Strategic Overview and Scrutiny Committee meeting on 19 November 2020, as summarised at paragraph 3.9 of this report.

2.2   That subject to any changes, Cabinet agree to adopt the Strategy at Appendix 1.

2.3   That the Cabinet Member for Innovation, Commercialisation and Corporate Services be given delegated authority in consultation with the Interim Head of Corporate Services to make any minor changes necessary to the Strategy prior to publication.

3.   Background

3.1   Councils across the country are increasingly adopting digital strategies to guide investment in technology, to improve customer experience and deliver additional value for money for taxpayers.

3.2   This Strategy is presented following a review of local experience, literature and current practice, and seeks to provide a four-year framework for decisions and activity in relation to the digitisation of services.

3.3   The Strategy sets out an aim of delivering "the best possible services to our customers by harnessing technology effectively".

3.4   It helps to take forward the Council's strategic aspirations to work collaboratively to Enable People, Shape Place and Develop Prosperity across Lichfield District and supports being a Good Council. It is a sister strategy to the recently agreed Engagement Strategy 2020-2024 and complements and supports this.

3.5   There are four objectives that provide a means to monitor progress and outcomes within four work streams, building on past success, including our 4-star rated (Socitm) website.

3.6   The Strategy will be delivered over a four-year period, and some activity has already started. In year one it is intended that the focus will be on customer insight and understanding where further digitisation and the streamlining of customer journeys could improve services. In addition, there will be work to further improve the website and intranet and promote the Council's online services to our customers, whilst developing new skills in the workforce. A first-year action plan is proposed and set out at pages 13-15 of the strategy attached.

3.7   The Strategy is aspirational, and its speed of delivery and scope will be dependent on the ability to invest in the strategy, within affordability. We will monitor our performance and report on this annually. We have identified a series of potential measures that can help us obtain a baseline of the current position, while also allowing us to shape the impact of the Strategy.

3.8   The Strategy sets out a whole Council approach which recognises the importance of consistency and working together to achieve success.

3.9   The Strategy was considered by the Strategic Overview and Scrutiny Committee meeting on 19 November, and a range of matters were discussed, in particular: care with the use of jargon, including a request for a glossary of terms; the importance the Council places on inclusion and making sure everyone can access services, whilst making digital services better and easier to use; the use of anonymised information to help make services better, and the policy framework and approach the Council has to ensure compliance with GDPR and the value it places on transparency; opportunities for the use of new technologies in services in the future, and the importance of the governance meetings highlighted in the strategy.

Alternative Options	1. The Council choose not to have a digital innovation strategy. However, this is likely to lead to a lack of clear direction and is not considered to be good practice.
Consultation	1. During the production and consideration of this strategy, consultation has been undertaken with key Officers and Members and the Leadership Team. 2. The Strategy was considered by the Strategic Overview and Scrutiny Committee at its meeting on 19 November 2020, and a summary of the comments made is provided at 3.9 above.
Financial Implications	1. Whilst the Strategy can be largely advanced within existing resources, to deliver it to the level it is anticipated to meet Member and Officer expectation going forward, there may be a need to identify further resources in due course and any budget request will be subject to the normal process. 2. Year one of delivery is estimated to require a one off budget of £40,000 which can be funded from underspends, and a reserve no longer needed, from within the Central Services budget. The work undertaken will assist in improving the efficiency and customer focus of services delivered digitally across the Council.

		Contribution to the Delivery of the Strategic Plan
Contribution to the Delivery of the Strategic Plan	1. The Strategy supports and indeed underpins the delivery of the Strategic Plan as highlighted in paragraph 3.4 above.	

Equality, Diversity and Human Rights Implications	1. There are no perceived negative Equality, Diversity and Human Rights Implications. All moves to on line transactions and access by customers will be in accordance with the existing national guidance and standards on accessibility for all.

Crime & Safety Issues	1. There are no perceived negative Crime & Safety Issues Implications. The strategy, and planned actions will assist in mitigating the risks of cybercrime.

Environmental Impact	1. There are no perceived negative Environmental Impacts. Remote working will be supported by technical development and this will reduce need for travel and reduce carbon emissions. The use of the Cloud reduces demand for power to support servers and again reduces carbon footprint. Any innovation which reduces the need for customers to visit the office to transact with us further reduces the carbon footprint.

GDPR/Privacy Impact Assessment	1. There are no perceived negative GDPR/Privacy Impact Assessment Implications.

	Risk Description	How We Manage It	Overall Rating
A	Additional resources may be required beyond year one to meet the needs and expectations of our Customers	We will mitigate this using best practice and value for money tools and raise specific business cases to ensure funding is planned and manageable	Yellow (material) (Likelihood – medium; Impact – significant)
B	SR6*- Failure to innovate and build on positive experience of Covid -19 in terms of technological solutions to remote working and good customer service	Corporate reinforcement of a culture of innovations using virtual meetings and committees. Businesses cases to support individual projects. The introduction of this strategy.	Yellow (material)(Likelihood – medium; Impact – medium)
C	SR7* - Threat of cyber attack	Use of firewalls and virus protection; strong access level controls, including remote access, training and regular briefings for staff controls.	Green (Likelihood – low; Impact – medium)
	*These are risks in the Council's Strategic Risk register, and the descriptions SR6 and SR7 relate to the numbering in this register.		

Background documents

None.

Relevant web links

None.

DRAFT

Digital Innovation Strategy 2020-2024

Lichfield District Council

November 2020

Foreword

I am delighted to be providing the Foreword to this vital strategy for the District. In this day and age, given their key role in communities, Councils need to be pushing forward improvement using the technological tools available. We are all used to being able to order and buy our shopping with one login, and often just a few clicks, and whilst I am proud that this Council compares well to others in the sector (our website is rated amongst the best in the country for example), there is still a long way to go if we are to seek to mirror the experience customers get from the best businesses. Whilst, as for all Councils, finding the money to innovate in these difficult times is a challenge, ambition and a can-do attitude goes a long way.

This strategy is not about which bit of kit to buy or which software to use. It is about ensuring that we are continuously improving services by using technology effectively, increasing automation where this will result in a better customer experience, streamlining the way we do things to increase end to end processing; to reduce the double handling of information and to make services more efficient. It is about making sure we are using the technologies we have already invested in to effectively engage with our customers and staff, whilst exploring affordable innovation to do this even better.

This is a win-win – providing more services at first point of contact, communicating with our customers about these, and generating efficiencies that can then be used to do more.

This strategy will support the inclusion of all our communities – because we know that for some, using technology for everything is just not the way they want to receive services. But we also want to embrace the opportunities for service improvement and efficiency that technology provides, the lessons we have learnt through the Covid19 pandemic, and encourage the use of technology, by making it easy to use our services this way.

I am extremely keen to ensure that this strategy does not stop at just being a strategy. This is why a very important part is the governance side of the strategy. Having regular governance meetings to track progress, including identifying how we can improve and automate complete end to end processes is fundamental to its success.

The strategy covers a four year period, 2020-2024, and will be reviewed annually to make sure we are on track, and that the actions planned remain current in a fast moving world.

I look forward to being able to share our progress with you after the first annual review.

Councillor Andy Smith, Cabinet Member for Innovation, Commercialisation and Corporate Services

Introduction

Technology continues to be of increasing importance in our day-to-day life. Office of National Statistic (ONS) figures in 2019 showed that 91% of adults in the UK had recently used the internet and only 7.5% of adults had never used the internet. More recent data from McKinsey Digital shows that the use of digital services has jumped significantly as a result of the Covid19 crisis, with an 11% jump in the number of people using at least one digital service in the six months to May 2020. This is borne out by data that the Council gathers, which demonstrates a significant increase in the number of residents engaging with the Council digitally over the last six months.

It is also clear that this is not a temporary trend, with many new users across all sectors confirming that they will continue to use digital services going forward, although a lower percentage currently say they will continue to use online services via public service websites (64% compared to 70% in other sectors) primarily because they find them harder to use, with fewer services on offer. (McKinsey Digital report, 24 July 2020).

There remains a "digital divide", with virtually all adults aged 16 to 44 years in the UK having used the internet in 2019 (99%), compared with 47% of adults aged 75 years and only 78% of disabled adults (ONS 2019). Locally, in 2017 10.3% of adults were aged over 75, compared to 8.2% nationally, suggesting that the digital divide could be greater in this District than in general. In addition, nationally, it appears that of those classified as being digitally excluded, 37% are social housing tenants. This is particularly concerning given that 80% of government interactions are with the poorest 25% of the UK population. While the gap is closing, there is clearly more to do.

There is also a significant issue for Small to Medium Enterprises (SMEs), as prior to Covid19 it was estimated that 1 in 3 did not have a website and two thirds did not market themselves online. In areas such as Lichfield, with some of the highest numbers of SMEs and new start-ups in the country, this could be something that needs particular attention.

Our Digital Journey

In 2015, the Government estimated that local Councils across the country could save up to £5bn by adopting better digital technologies. This was supported by the Society for Innovation, Technology and Modernisation (Socitm) and the Local Government Association (LGA) in 2019 who suggested that the business case for digital investment could be evidenced through reduced costs associated with digital interactions.

The result has been a marked shift to online service provision and digital engagement by all Councils, including our own. Residents can interact with almost every service on line and through the provision of information on our website, digital data gathering via online forms, and digital communications by way of our social media platforms.

In terms of our strengths, the Council has introduced a customer account approach, and invested significant sums in up-to-date systems, enabling customers to apply for benefits online for example, or receive electronic bills. There is now no need for a paper benefits form, customers fill the form in on line, and the information then populates the benefits system, so there is no re-keying of information – quicker, more efficient and more accurate. People can view agendas and forward

plans for committee meetings on-line, and watch meetings live on YouTube. Our website has been rated as 4* by Socitm, and our customers can now pay for the garden waste service on-line, receiving an automated joining pack, or make a planning application for example. As a Council we have made great strides towards remote working, prompted by the need to do so during the Covid19 crisis, and these new ways of working open up the opportunity both for increased productivity and efficiencies, for example through a reduced need for office space.

Like many Council's however, we have not digitized all our services, and there would be benefit in investing further time streamlining and automating our processes and service delivery, where this is cost effective.

There is an opportunity to continue to develop the systems we have already invested in (including in our planning, regulatory and environmental systems, our administrative and committee systems) to make the most of the capability here. The Council has made a move towards Cloud solutions to reduce the need for capital investment, and the work involved in maintaining systems, and there is potential to explore the further use of these. Whilst the Council has successfully introduced a degree of remote working at speed during Covid19, it would now make sense to see how this can be extended and formalised, so that we never return to previous ways of working – moving many of our meetings online, automating more processes and supporting, and encouraging customers to move to digital approaches, reducing the need to make telephone calls or a long trip into Frog lane for a face to face discussion.

While we want to capitalise on these opportunities, we are also aware of the threat of cyber-attacks, and the importance of data security, together with the fact that distance working and on-line services do not work for everyone. Our approach must therefore be flexible, and recognise that recruiting the staff with the right skills to deal with today's digital complexity can be a challenge – "growing our own" will therefore be a key part of our strategy.

We will also have an eye to the future of local government – as Government has indicated that it may want to change the pattern of Councils in the country, and we will want to make sure that investment going forward is future proofed.

In summary, whilst the Council has a good track record on digital innovation, we know we can do even better. In particular there is an opportunity for a greater understanding, and use of, the systems and data we already have, to co-ordinate investment and development better going forward.

The Digital Future

It is clear that current trends will continue and that the future will be reliant on digital solutions, that improve services and deliver efficiencies. More than this, successful organisations will improve user engagement, encouraging self-service transactions on websites and via apps on mobile devices, offering personalisation of services at scale, and making our interfaces intuitive, by understanding the needs and expectations of our customers.

We will need to innovate in order to meet the financial challenge and growing demographic demands for our services, making digital change a priority. This is not simply about implementing more online interfaces, a new website or more software solutions, but a broad programme of initiatives, including; becoming more agile, ensuring ongoing infrastructure security, optimising data

use, improving processes, providing a seamless customer experience, and developing user competence.

The issue of competence is significant as a deficiency in ICT skills can lead to increased demand on ICT services, removing resources from more innovative and essential activities. Therefore, the development of competence and ensuring our staff all have a minimum level of digital ability is just as important as the deployment of technology.

We need to focus innovation on what matters, improving the customer experience and making services more efficient. All too often, innovation is based on novelty, but novelty can wear off, and as such the effort to innovate can be lost within a relatively short time. Instead, innovation must lead to disruptive change, bringing in something new that makes a difference, whether this is by making things easier, quicker or cheaper, there has to be a benefit to outweigh any costs.

This is most notable in the development of SMART technologies, some of which are clearly a novelty while others are becoming an essential part of our daily lives. Voice interfaces, once perceived as a novelty, have become refined to such an extent that they are beginning to play an integral part in the future of conveying information and delivering services. This can improve the customer experience in providing faster services, but is also particularly helpful to those who may have difficulty interacting with physical devices, therefore improving accessibility.

The fundamental technologies within voice interfaces include, artificial intelligence and machine learning, both of which are becoming embedded within emerging technology. The ability to teach technology to undertake tasks and analyse data could be invaluable in the future. Not only could it embrace the trends in retail of providing bots to answer queries or accept service request, but it can also ensure that the information we have is collated, assessed and used to inform decision making.

The power of technology to process data so quickly will allow us to understand our communities in ways we have never been able to do previously, and help add value to the work we do through; identifying issues, analysing trends, tailoring services, improving customer experience, automating processes and driving efficiencies.

While there are things we will need to do alone, there are national programmes and initiatives that will support us, and we must use them to help make improvements. For example; the Government's roll-out of ultrafast broadband and the implementation of 5G will increase the speed of access to the internet, thereby allowing more complex front-end interfaces. While the emergence and growth of companies such as Google, Twitter, Facebook, Uber and Airbnb can be used as examples and many of the interfaces replicated, or even incorporated to our own solutions to enable more intuitive, cross-platform, positive customer experiences.

Digital Objectives

The aim of our digital innovation strategy is to:

Deliver the best possible services to our customers, by harnessing digital technology effectively.

The strategy will support our strategic plan; enabling people through the provision of intuitive and innovative solutions that simplify service access, and enhance the customer experience. It will also help us to be an efficient Council through the provision of cost-effective solutions that enable

modern ways of working, more effective processes and practices, while also ensuring the safe and secure management of information.

Lichfield District Council already has an agreed strategy for how we will increase and improve two-way engagement with our communities and with our own staff. This Digital Innovation Strategy complements and reflects our engagement objectives, and will play a key role in delivering our ambitions to create new opportunities to engage externally with our customers, deliver more services through digital platforms and also to engage more effectively internally with employees.

We have identified a number of *principles* that will underpin the delivery of this Digital Innovation strategy:

- *Customer focus*. The first principle is to put customers at the heart of our digital strategy. This involves seeking to understand customer's needs, and building their views into design. It means looking at the data we hold, using it better, and developing our approach to customer journey mapping, ensuring process are streamlined and digital from end to end where this can be achieved, in order to speed up and simplify service delivery, and reduce cost. It means developing our customer portal, to provide a single point of access for as many services as possible, one password for many services.
- *Enabling approach*. This means encouraging our customers to use the website and other digital channels as a first choice, providing support to those who cannot yet use the technology or access it. It means ensuring we have the right digital skills in our workforce, providing training where appropriate.
- *Agile*. This principle is about having a presumption in favour of remote working, and digital first, unless to deliver a service effectively requires a mixed or different approach. This has the potential to improve efficiency, enable wider access to services for customers, and enable staff to manage work life balance in post Covid19 times.
- *Optimising the benefit from existing systems*. The principle is to re-use assets, and develop these to their full potential, if this offers best value for money, before a new purchase is made. It means building on what we have already got, and looking to see where we can consolidate and reduce the number of systems in operation to improve efficiency.
- *Co-ordinated*. One Council (corporate) approaches to any new systems will be adopted where this makes sense, and the Leadership Team will set the priorities for operational development each year, supported by the Council's ICT team. This team will play a more defined co-ordinating role within the Council, ensuring that a silo approach to digital development is a thing of the past. We will look for opportunities to share ICT solutions with other Councils and public sector bodies to benefit from economies of scale.
- *"Cloud First"* will be investigated for any new purchases. This approach to meeting any new technology requirements will ensure that the Council achieves best value for money. Cloud technologies remove the need for regular capital investment to replace infrastructure, place more of the cost of security and compliance on the supplier, tend to provide a better remote access experience, and are easier to scale up or down depending on requirements. This will be the primary favoured approach where the business case supports it.
- *Security and compliance,* will be built in to all development and purchases, by design.

To achieve the aim of this strategy, a number strategic objectives that provide a means to monitor progress and outcomes, have been identified. These are to:

- Seek out customer feedback, understand the expectations and use journey mapping to enhance digital channels and **e-services**, making them easy to navigate and simple to use, in order to increase **engagement** and uptake.
- Optimise existing solutions, while investigating emerging **technology**, in order to improve customer experience and deliver efficiencies.
- Create a modern, secure, interoperable **infrastructure** that is adaptable to future needs, in order to consolidate systems, enhance connectivity, and enable insight that can inform decision making.
- Introduce a comprehensive learning experience that develops **capability** and establishes a digitally skilled workforce, who fully utilise and advocate digital technology and solutions, in a way that ensures improves collaboration, mobility and agility.

Strategy in Action

To deliver our strategic objectives we will need a broad range of activities, all individually undertaken yet in a coordinated manner. There are four distinct work-streams, each containing a range of actions:

E-services and Engagement

The key aim of the strategy is to increase the uptake of digital services, or e-services, and engagement with our digital channels. To do this, we will need to enhance our 'digital front door', making more services accessible 24 hours a day and 365 days a year, and promote this more effectively.

We have already done much and done it well, with our website providing information and online forms for almost every service. In addition, we have an ongoing steady increase in new online customer accounts and have removed cash transactions, replacing them with a range of inclusive electronic payment solutions.

Services are increasingly digital, with over 90% of garden waste request being made through this platform. In response to the recent coronavirus crisis, we have done more, with our democratic system becoming increasingly accessible with committee meetings being live-streamed and available to all.

However, we have more to do, turning our data capture forms into a digital experience from end-to-end. To do this we will need to ensure we have an up-to-date overview of our systems architecture in order to ensure that all of our technology can work together (be interoperable) and allow information to flow easily between them. This can be done through existing processes, such as including essential elements into the specification for all new software, while involving ICT expertise from the start.

Whatever our solutions, we will need to become device agnostic and optimise the customer experience, with a focus on mobile technology given it has become the technology of choice. Doing so means more opportunities to promote customer self-service, offer convenience, and reduce demand through permitting self-service and self-help solutions.

Engaging directly with our communities has been made more achievable through digital channels such as social media. Utilising these externally, our aim is to engage directly with larger and more diverse groups, involving them in service design and improvement. In addition, using these technologies internally will allow us to increase collaboration, break down silos and disseminate key messages more effectively.

- Undertake a *customer insight project* to inform our digital journey, using the views and insights gained to guide prioritisation of digital development.
- Undertake a *futures digitisation project* starting with establishing the current status of digitisation in services, identifying those that are not current available electronically, and determining a programme for making more services available on a personalised self-service, end-to-end, digital basis. This will involve looking at customer journeys and for opportunities to automate services, driving out human interventions, and double data entry, wherever possible in order to speed up outcomes, reduce errors and lower costs.
- Create an annually reviewed *website improvement plan*, and introduce digital champions in each of our services, to work with the ICT team to ensure the information on the website is easy to read, relevant and up-to-date.
- Continue to develop our approach to *virtual committee meetings*, and explore the options for increasing public engagement in these.
- Introduce and improve *agile working as the norm and use of collaborative tools* within the Council to enhance the experience for staff and members, support our shifting culture, make timely information more readily available, and help to speed up decision making.
- *Promote awareness* of our digital services, on a "click, call, come in" basis so that people choose to use the web first, before considering the phone. Face to face interactions will be moved to an appointment only service, which is a safer and more cost effective approach.

Technology

Successful digital change will be key to us responding to the challenges we face, be this in driving efficiencies, managing customer expectations or meeting statutory and regulatory requirements. In learning from the past, and the experiences of others, it is clear that this change needs to be both coordinated and well governed, thereby; clearly identifying and delivering required outcomes, prioritising activity and resources, maintaining pace, and assuring integration.

We have learned from our past, where we have seen projects being brought forward without clear prioritisation or coordination, leading to competition for resources and a delay in delivery. We have also seen a systems-focused approach, which has led to the introduction of new technology despite having suitable solutions available elsewhere in the organisation.

However, this approach has started to change. We have introduced new projects to deploy full-functionality of existing solutions to enable greater benefits and digitising more services. We introduced user acceptance testing (UAT) in front-facing projects to involve customers, use their feedback and enhance their experience (e.g. on garden waste).

Going forward, we plan to build on this good work, and provide a structure that allows for pace and control. We will introduce a clear framework for delivering transformative and technology-based

change projects, utilising standard project management approaches in a consistent way with an emphasis on agile deployment. This will mean the benefits can be realised at a faster pace and continuous improvement will be seen as the norm. In addition, we will look to ensure that change management has corporate oversight that can ensure prioritisation is based on customer needs and a return on investment, while establishing interoperability and integration as key components to all projects.

Our new digital tools will be enablers for real change with tangible outcomes, and so ownership and acceptance will be needed to embed them and realise the benefits. We will embrace customer-centric design in to all projects to maintain a focus on function and usability. In addition, we will engage with customers to obtain ongoing feedback that will be used to improve services, prioritise delivery and lead innovation.

Keeping changes simple, manageable and replicable (i.e. 'use again approach') will allow us to standardise our approach, minimise systems, reduce duplication, lower costs, deliver at pace, make faster decisions, improve data quality, and consolidate key skills. This approach will see the ongoing automation of simple process in order to refocus resources to adding value.

While improvement can be done with existing digital technology, we will also look to exploit emerging technology, such as artificial intelligence (AI) (e.g. virtual assistants like Amazon's Alexa) in an attempt to showcase innovation, inspire people and futureproof services. This approach will need the courage and culture to accept failure, and to accept that not all projects will be successful, albeit each will provide invaluable learning. We can also learn from others who already use technologies, such as auto number plate recognition (ANPR) to automate car parking, or artificial intelligence (AI) to answer customer questions (Southampton City Council).

We will;

- Introduce *a project office* approach with a consistent, structured approach to project management, with digital leads being seen as senior suppliers where projects require technological inputs, to ensure the requirements are fully understood and prioritised.
- Implement a *customer-centric design* approach by including customers in the design, deployment and testing of all technology solutions, to ensure that the deployment of new digital solutions meet their needs.
- Create *effective governance* arrangements to oversee change and innovation, starting with an Annual Digital Development Plan which will be overseen by the Leadership Team, to ensure resources are prioritised to achieve maximum benefits while establishing capacity to understand, test and deploy emerging technologies.
- Introduce *standards for technology*, and implement these in to existing systems, and for the procurement of new systems, ensuring links between systems are created that reduce inefficiencies and increase automation.
- *Optimise existing systems*, and our website, to be more engaging while seamlessly working with emerging technologies, such as virtual assistants, to enhance the customer experience, increase self-help and self-service and reduce enquiries (failure demand).
- *Pilot emerging technologies* to determine their value, and adopt them where this is proven i.e. the use of artificial intelligence to address enquiries, initiate service requests or provide notifications (e.g. missed bin notifications).

Infrastructure

We will have the right technological infrastructure to enable our systems and services to operate successfully, utilising the most appropriate blend of solutions to meet our ongoing needs. While this will likely be predominantly wireless, and reliant on cloud-based architecture, we will retain flexibility to ensure we can adapt to future opportunities and service needs.

We have learned from the past, where information and reporting were not seen as high a priority as functionality or implementation timescales, and have begun to look at new and innovative ways of using customer information and insight to inform decision making (e.g. as we did on garden waste). As information becomes more important, we have to prioritise the security of it, improving our data processes, monitoring performance and raising awareness. In doing so, we have achieved awards, obtained grants and have a positive reputation. In addition, we have begun to deliver a more agile infrastructure with existing projects to; embed the use of cloud technology to enhance resilience and improve functionality.

No matter what the future solution is, it will have to keep us safe, secure and operational, allowing business continuity and disaster recovery so we can continue to serve those that need us even in the most challenging of situations.

Our people need the right tools to be able to work flexibly, as well as enabling them to deliver services differently. We will embed our proposed hardware replacement programme, delivering flexibility and agility yet offering a consistent experience. We will continually modernise our hardware to make the most of our existing systems and solutions, while ensuring we are ready to utilise innovative emerging technology as it is available.

We will manage and support our devices more effectively, deploy new systems and updates with minimal risk, and reduce the costs in terms of procurement and maintenance.

The Council has a huge amount of data it collects and holds and will utilise new technologies, such as data lakes, artificial intelligence and machine learning, to provide insight to inform decision making while allowing us to proactively identify opportunities and risks. This will be as valuable internally as it is externally, where we will seek to use key performance and user data to plan service improvements, identify and overcome issues, and turn opportunities in to new and exciting projects.

However, there is little value in trying to do this alone but instead, will work closely with others to maximise the value of our data. We will continue to use anonymised data (within the scope of GDPR of course) to provide a richer picture of our services, customers and communities and help us identify and solve the future challenges at pace. We will also promote open data in readily usable formats for our customers and stakeholders, thereby ensuring transparency and accountability while also allowing others to help us utilise this valuable resource in much more innovative ways.

As we become more open and agile, we will face many more challenges to the security of our systems and data. We will need to adapt our approach to mitigate these risks and invest in ways to maintain a secure technological infrastructure in a way that does not detract from our need for pace, productivity and flexibility. We will also monitor and introduce best cyber security practices to maintain suitable accreditation and connectivity to essential networks, such as the Public Service Network (PSN), utilising technological solutions wherever possible, be this biometrics or multi-factor authentication, but above all we will rely on our people being vigilant and conscientious.

- Over time, *migrate systems to the cloud* where this is the most cost effective option, beginning with core systems, where we have already started moving to Microsoft 365.
- *Remove the reliance on physical servers* and infrastructure and move to virtual server practices to improve resilience and decrease future operating costs.
- *Roll out our hardware replacement programme*, delivering a consistent hardware catalogue that meets current needs while enabling future advancements.
- *Improve system connectivity*, through the introduction of an interoperability assessment, ensuring our systems enable end-to-end automation, remove inefficiencies related to data migration, and create a single version of the truth for all.
- *Over time, introduce artificial intelligence* and machine learning tools to optimise data to provide greater insight that informs future decision making.
- Develop stronger *security protocols and practices,* and introduce technological solutions, that allow confidence in regards to information security, while permitting appropriate data sharing across the organisation and with our partners.
- Review our *systems architecture* and create a timetable to create links between systems where possible, consolidate them where beneficial, and replace them where necessary.
- Introduce *effective change management* governance in order to ensure ICT involvement in all technology decisions, and process improvement activity.
- Create a *specification* that supports the procurement or enhancement of systems that ensure our key priorities and requirements are being met e.g. supporting the move to being device agnostic.

Capability

It is clear that people are what makes successful change take place and become embedded, and so it is essential for us to have digitally capable people who have the skills and information, to be able to make use of the tools we make available.

We can learn from the past to inform our future approach. Feedback from individuals and the results of staff surveys have shown that there is room for improvement of the options available to our employees in regards to hardware and software solutions. In addition, training on general IT skills and how to most effectively use the systems and solutions on offer would be beneficial. This is being addressed through a growing internal intranet presence with user-guides, training materials, links to online support and additional e-learning.

Going forward, we will need to attract, retain and grow those with the required knowledge and skills in digital technology, be this general skills across our service areas, or professional expertise in our ICT team. We can do this by using appropriate assessment techniques through the recruitment process, by providing internal training ourselves and can also work with partner organisations, looking to benefit from the digital centres of excellence throughout our local economic geography. For those who join us, we must develop and maintain key skills through our learning passport for staff. This will see all our people have regular and ongoing training through a variety of leaning mechanisms, including; in person, online and self-help. We will prioritise core skills to ensure everyone works in a consistent way.

This will be combined with effective and engaging communications, to raise awareness of the digital solutions that are available and user guides on how to fully utilise them. Through raising awareness,

we will see better uptake of these tools as well as more insight and innovation through shared learning and user feedback.

While it is possible to engage people through normal organisational structures and communications channels, we want to go much further and harness those that are pushing the boundaries and driving digital change. Therefore, we will use new internal networks, such as our Digital Champions, to capture ideas, identify latent talent, and utilise untapped resources to support change initiatives while acting as a catalyst to inspire positive behaviours.

As we develop our own capability, we will also work collaboratively with key partners in the community and voluntary sector, to promote digital inclusion. As well as creating links to public and private sector initiatives, such as the Department of Work and Pensions and Barclays Digital Eagles, we will actively support the development of basic online skills for all.

We will;

- Work to incorporate *general ICT skills within the learning and development programmes* for our people, so they have the right skills to be able to fully utilise ICT to fulfil their duties and meet organisational expectations.
- *Enhance the information available internally on our intranet* and service desk software to raise awareness of the options available, provide guidance and signpost to existing resources, in order to permit our people to fully utilise the hardware and software available to them.
- *Introduce ICT competencies* in to job descriptions and use new approaches to assessment and recruitment in order to clarify expectations and appropriately assess them to ensure they are met.
- Create clear *ongoing professional development plans* for staff in our ICT team in order to ensure technical skills are maintained and that learning is continuously cascaded across the service to develop skills and introduce best practice.
- *Engage proactively with partner organisations*, and cross-organisational projects, in order to influence their outcomes to meet the needs of the Council, while benefiting from the wider expertise, resources and finances offered through such activity.
- Support services to *actively seek out partnerships* or fresh approaches that support our communities and raise skills in order to increase engagement with the Council's digital channels.

Resources and Results

To deliver our strategy, we will use the resources already available in services, and planned for in the Medium Term Financial Strategy, and where appropriate additional resources will made available through the annual budgeting process.

We have competent, committed and capable employees at the Council. This is the only way it would have been able to deliver so much in recent years, and most recently through the coronavirus crisis. In addition, staff are innovative and always looking at emerging opportunities to do things

differently, and this passion will be harnessed, by allowing them the flexibility and freedom to try, learn, inspire and innovate.

The results of the strategy will be monitored through the use of key indicators, notably:

- Customer usage data-in relation to the number of phone calls, website hits and face to face interactions recorded
- Costs and savings (return on investment)
- Customer satisfaction (external)
- Customer satisfaction (internal)
- Cyber security score and security incidents
- Flexible working uptake
- Learning and development opportunities
- Network and infrastructure outages
- Project delivery and success
- Service quality and speed
- Staff with basic ICT skills

We will;

- Create and monitor an annual plan to deliver the strategy in order to monitor performance and outcomes.
- Keep our ICT contracts under review, and coordinate ongoing procurement activity in order to ensure our contracts perform well and achieve maximum value for money.
- Establish a baseline for key performance indicators, and monitor them in order to demonstrate progress and provide clear evidence of improvement.

Our Year One Plan

In year one, actions to deliver this strategy will include:

E-Services and Engagement

- Commission and undertakes a series of focus groups, including one involving senior staff, and a mystery shopper exercise as part of our customer insight project to understand what customers think of our digital service offer. (Responsibility: Head of Corporate Services, Target for completion: July 2021).
- Commission and undertake a review of the extent of digitisation in our services, and develop a programme for making more services available on an end-to-end basis. (Responsibility: Head of Corporate Services, Target for Completion: September 2021).
- Develop an annual Website Improvement Plan, and commence delivery of this. (Responsibility: ICT Manager, Target for completion: December 2021).
- Review and refresh the communications plan for promoting on-line services. (Responsibility: Communications and Marketing Manager, Target for completion: March 2021).

- Create a Digital Champions Network, of champions within services to work with ICT to ensure website content is accessible and up-to-date. (Responsibility: Head of Corporate Services/Leadership Team, Target for completion: February 2021).

Technology

- Create and agree an annual ICT development plan to guide day-to day priorities and systems development. (Responsibility: ICT Manager/Leadership Team, Target for completion: April 2021).
- Recruit a new Project Manager to our ICT team, to enable the roll out of the project office approach to the annual ICT development plan. (Responsibility: ICT Manager, Target date: January 2021).
- Implement ICT team structure to support the delivery of the strategy. (Responsibility: ICT Manager, Target date: July 2021).
- Review all existing public facing forms and create a style manual to ensure consistency and takes account of mystery shopper review. (Responsibility: ICT Manager, Target date: October 2021).
- Develop a prototype of one voice enabled skill for Amazon Alexa, and investigate other innovations as resources allow. (Responsibility: ICT Manager, Target date: December 2021).
- Implement new telephone and contact centre system that supports both digital and traditional channels of communication. (Responsibility: ICT Manager, Target date: December 2021).
- Implement a new software as a service financial system for the Council, to reduce costs, improve efficiency and performance. (Responsibility: Head of Finance and Procurement, Target date: October 2021).

Infrastructure

- Complete the closure of our server room. (Responsibility: ICT Manager, Target for completion: April 2021).
- Complete and report on the review of the potential to move to public cloud hosting. (Responsibility: ICT Manager, Target for completion: April 2021).
- Complete review of all hardware and software life cycles to support efficient and effective operation. (Responsibility: ICT Manager, Target for completion: June 2021).

Capability

- Create and commence implementation of an intranet improvement plan, linked to a wider review of internal communications. (Responsibility: ICT Manager/Communications and Marketing Manager, Target for completion: December 2021).
- Review our internal ICT service desk processes to separate proactive and reactive work and create a measure of time spent on each as the basis for response. (Responsibility: ICT Manager, Target for completion: July 2021).
- Review previous requests for ICT skills from employees, identified through the Personal Development Review process, with view to developing a corporate training catalogue. (Responsibility: ICT Manager, Target for completion: July 2021).

- Pilot the roll out of ICT competencies in job descriptions in the ICT service, linked to the development of a service specific training plan, covering the Council's current and future ICT requirements. (Responsibility: ICT Manager, Target date: July 2021).

Resources and results

- Create a digital "showcase" of different options available for maximising the use of our existing investment. This would include concepts such as GIS digital story maps and tools made available as a result of the move to Microsoft 365. (Responsibility: ICT Manager, Target date: April 2021).
- Consider the centralisation of all expenditure for digital and ICT products and tools across the Council, in order to ensure the most efficient and effective use of the resources available. (Responsibility: Head of Finance and Procurement/Leadership Team, Target date: April 2021).
- Develop guidance for the capture of key performance indicators for use in monitoring this strategy. (Responsibility: ICT Manager, Target date: April 2021).

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