

CABINET

11 JULY 2022

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MEDIUM TERM FINANCIAL STRATEGY

1. Decision:

The Cabinet:

- 1.1 Recommended to Council to approve an update to the Medium Term Financial Strategy to include the additional net investment needs of £1,263,000 identified at paras 3.22 and 3.23 of the Cabinet report
- 1.1 Delegated, to the Cabinet Member for Finance and Commissioning, responsibility to agree the form and timetable for the Budget Consultation covering 2023/24.

2. Statement of Reasons:

The ability to deliver the outcomes set out in the Lichfield District Council Strategic Plan, and beyond, is dependent on the resources available in the MTFS.

The MTFS was approved by Council on 22 February 2022 and this is refreshed each year to:

- Remove the previous financial year and in this MTFS this is 2021/22
- Formally add the new financial year and in this MTFS this is 2026/27 and;
- Refresh and update assumptions to reflect the latest information available.

The MTFS is the overall budget framework and consists of the Revenue Budget, Capital Strategy and Capital Programme, Earmarked Reserves and General Reserves.

There have been reports to Cabinet and Council that have updated the MTFS since its initial approval.

The Treasury Management Strategy Statement and Annual Investment Strategy are also important components of the MTFS. These components, under the Constitution are the responsibility of the Audit and Member Standards Committee and therefore will be considered by that Committee as part of the development of the Draft MTFS.

The timetable for consideration of the various elements of financial planning is shown in detail at APPENDIX A of the cabinet report and the elements related to MTFS development are summarised at paragraph 1.6 of the Cabinet report.

There remains an inherently high level of uncertainty surrounding the Local Government Finance regime with the residual impact of the COVID-19 pandemic, the cost of living crisis and other potential Government Policy changes.

The Council has a statutory duty to undertake budget consultation, set a balanced budget and to calculate the level of Council Tax for its area.

This report will include recommended updates to the Medium Term Financial Strategy to ensure it provides sufficient investment to deliver Council priorities.

3. Any Alternative Options:

In the main, the options are focused on the level of resource allocated to Strategic Priorities, the strategy to be utilised to achieve a balanced budget and the level of Council Tax increase and these will be considered as part of the refresh of the Medium Term Financial Strategy.

LOCAL COUNCIL TAX SUPPORT SCHEME (LCTSS) PERMISSION TO CONSULT

1. Decision:

The Cabinet:

- 1.1 Approved the introduction of a banded LCTS scheme (appendix A of the Cabinet report – option 5 is favoured).
- 1.2 Approved the commencement of a consultation with the public and Major Precepting Authorities about the introduction of the new banded LCTS scheme, including exceptional hardship scheme for working age applicants with effect from 1 April 2023.

2. Statement of Reasons:

The purpose of this report is to request permission to undertake a consultation with both the public and the Major Precepting Authorities in respect of proposed changes to the Council's LCTS Scheme that will become operational with effect from 1st April 2023.

Each year the Council is legally required to review its LCTS Scheme to either maintain the scheme or replace it.

LCTS was introduced from 1 April 2013 when it replaced the Central Government funded Council Tax Benefit regime. From its inception, the funding available to the Council from government has reduced year on year and our scheme has remained broadly the same since it was introduced.

As with the majority of authorities within England, we need to make changes to the LCTS scheme for working age applicants (the scheme for pension age applicants is prescribed by Central Government) in order to reduce the significant administrative burden placed on the Council by the introduction of Universal Credit.

The timetable for consideration of the various elements of the LCTS review are summarised at paragraph 1.5 of the Cabinet report.

This report requests permission to consult on changes required to the scheme and makes a recommendation to members for the 2023/24 scheme.

This Council collects Council Tax on behalf of Staffordshire County Council, Staffordshire Commissioner – Police and Crime, Staffordshire Commissioner – Fire and Rescue and Parish Councils. However despite collecting c£80m of income each year, we only retain less than 10% of the Council Tax paid.

Our existing scheme (Current cost £4,986,000) requires the 'non-vulnerable' working age LCTS applicants to make a minimum 20% contribution to their Council Tax liability and for their weekly entitlement to be capped at band D Council Tax. A key outcome is to devise a new scheme that will be more directly focused on 'ability to pay' and include an exceptional hardship scheme to better support those experiencing hardship.

We have examined our existing scheme and looked at alternative schemes that will deliver a simplified scheme for the resident and simplified administration for Lichfield DC. Using the Northgate (NEC) modelling tool, we have considered slight changes to the existing system as well

as considering the introduction of an income-banded scheme that is favoured in a growing number of English Local Authorities.

The proposed income banded LCTS scheme includes multipliers, making it easier for applicants to understand their likely entitlement, which ranges from 25%, 50%, 75% and 100% of their Council Tax liability. If the scheme is introduced with widened bandwidths (Recommend £40), it will cost less as there will be less bills produced and will reduce resident contact.

This report favours the introduction of an income banded LCTS scheme for the working age as it is easier to understand and administer and will help to reduce perpetual debt as it will be better focused on 'ability to pay'.

3. Any Alternative Options:

The alternative to introducing a new scheme for LCTS from 2023/24 is to leave the existing scheme in place. This would be a short-term option; lead to increasing costs of administration; and in the longer term, significantly affect the collection of Council Tax and the effectiveness of the scheme to support households within the Council's area.

