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Friday, 26 August 2022

Dear Sir/Madam

CABINET

A meeting of the Cabinet has been arranged to take place on **TUESDAY, 6TH SEPTEMBER, 2022 at 6.00 PM IN THE COMMITTEE ROOM** District Council House, Lichfield to consider the following business.

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

Yours faithfully

A handwritten signature in black ink, appearing to read 'Christie Tims'.

Christie Tims
Chief Operating Officer

To: Members of Cabinet

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



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AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. Money Matters: 2022/23 Review of Financial Performance against the Financial Strategy 3 - 24
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Money Matters : 2022/23 Review of Financial Performance against the Financial Strategy

Cabinet Member for Finance and Commissioning

Date: 6 September 2022
Agenda Item: 3
Contact Officer: Anthony Thomas
Tel Number: 01543 308012
Email: Anthony.thomas@lichfielddc.gov.uk
Key Decision? YES
Local Ward Full Council
Members

Agenda Item 3

Lichfield
district council

Cabinet

1. Executive Summary

- 1.1 The report covers the financial performance from April to June (Quarter One) for 2022/23.
- 1.2 The progress on the achievement of savings/additional income proposals is shown in detail at **APPENDIX A** and currently projects a shortfall of **£618,000** that will need to be funded by general reserves.
- 1.3 The Medium Term Financial Strategy projected general reserves at 31 March 2023 would be **£7,167,610**. At this stage, general reserves are forecast to be **£6,075,329**, a decrease of **(£1,092,281)** related to:
 - A lower than budgeted contribution in 2021/22 of **(£42,031)**.
 - A projected decrease contained in this report for 2022/23 of **(£1,050,250)**.
- 1.4 The Capital Programme is projected to be **£194,000** higher than the Approved budget due mainly to re-profiling of the Property Planned Maintenance budget.
- 1.5 Capital Receipts are projected to be **(£10,000)** which is the same as the Approved Budget.
- 1.6 The Council has received an allocation of United Kingdom Shared Prosperity Funding (UKSPF) of **£3,285,310** (subject to approval by the Government) that will need to be incorporated into the MTFS.
- 1.7 In terms of Council Tax, Business Rates, Sundry Debtors and Supplier Performance:
 - **Council Tax collection** in year performance was **29.10%** (29.40% in 2021/22) and total arrears were **£4,121,685** and the Council's share is **£535,819** (£3,087,289 and £401,348 in 2021/22).
 - The **Council Tax Collection Fund** is projected to be in surplus, with the Council's c12% share being **(£16,740)** compared to the Approved Budget of **£62,560**. This additional income of **(£79,300)** will be included in the 2023/24 budget.
 - Sundry Debt for income to be collected in 2022/23 has increased by **£585,803** or **32%** compared to 2021/22, and the value outstanding at 30 June 2022 has decreased by **(£12,954)** or **(1%)**.
 - **Retained Business Rate Income** is projected to be **(£3,311,000)** in line with the Approved Budget.
 - The **Business Rates Collection Fund** is projected to be in deficit, as budgeted, with the Council's 40% share being **£231,000** compared to the Approved Budget of **£462,000**. This additional income of **(£231,000)** will be included in the 2022/23 budget.
 - There will be a timing difference due to statutory arrangements between receipt of grant in 2022/23 and the period when the deficit is charged to the Revenue Budget. Therefore the Business Rates volatility earmarked reserve will continue to be utilised to 'smooth' the financial impact.
 - **Business Rates collection** in year performance was **34.50%** (29.90% in 2021/22) and total arrears were **£958,450** and the Council's share is **£383,380** (£405,368 and £162,147 in 2021/22).
 - The payment of suppliers within 30 days was **83.22%** and remains below our **90%** target.
- 1.8 The Council's investments achieved a risk status of **A+** 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. To recommend to Council to approve the creation of a Capital Programme project for Changing Places funded by external grant of **£94,285**, which is to deliver Changing Places public conveniences at Swan Island and the National Memorial Arboretum.
- 2.3. To recommend to Council to update the Medium Term Financial Strategy to reflect the budgets shown at para 3.34 that will be funded by the three year UKSPF allocation of **£3,285,310**.
- 2.4. To delegate to the Leader the ability to make any necessary amendments to the Investment Plan within the three year UKSPF allocation.

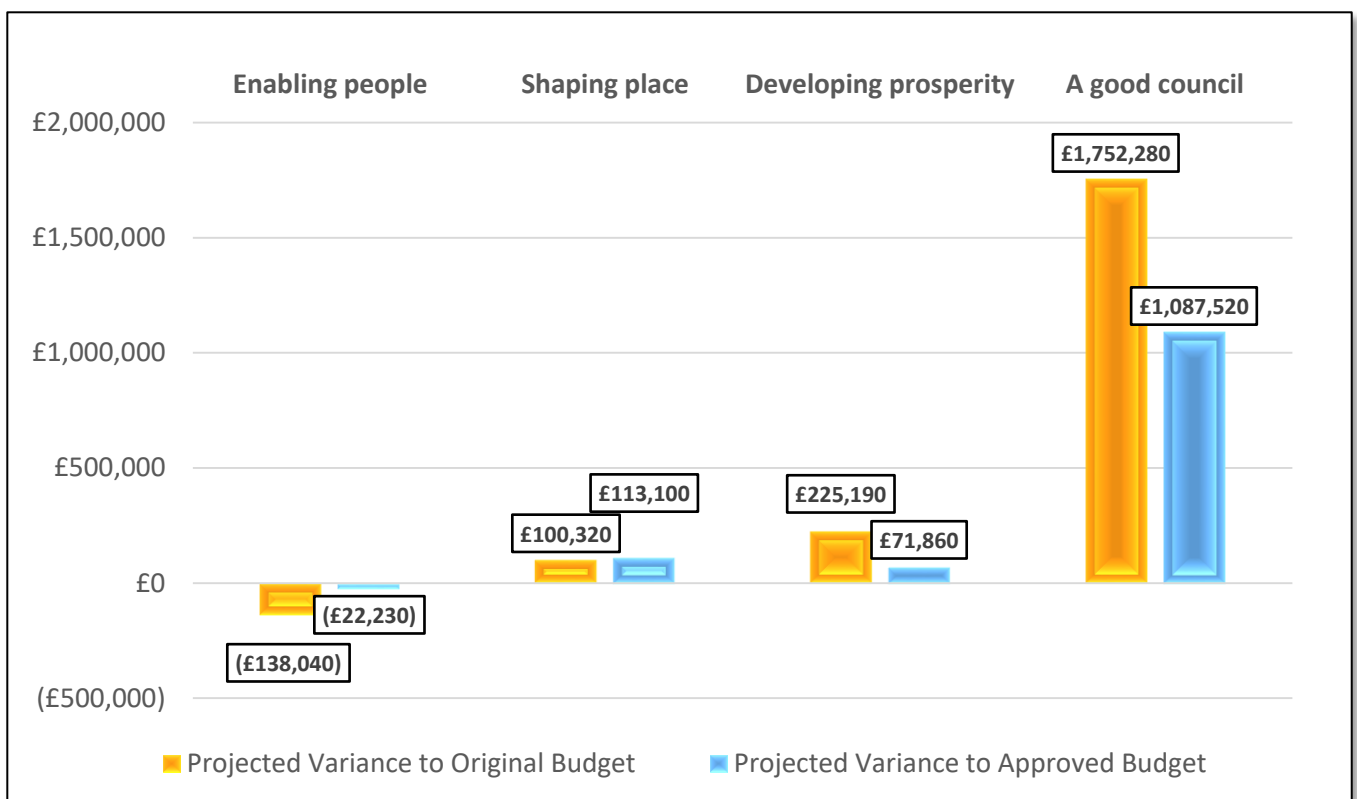
3. Background

Budget Management

- 3.1. The MTFs 2021-26, approved by Council on 22 February 2022, included the Original Budget for 2022/23 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 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 2022/23 and will be approved by Council on 21 February 2023.

The Revenue Budget

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



Performance compared to the Approved Budget

3.5. The overall projected variance is shown in summary below:

	Projected Variance		
	Virement	Vacancy Savings	Other Variances
Enabling People			
• Vacancy Savings		(22,230)	
Shaping place			
• Pressure on Fuel Costs			120,420
• Vacancy Savings		(13,950)	
• Additional grounds Maintenance and Street Cleansing Income			(10,970)
• Pressure on Savings Target for Closure of Golf Course			40,000
• Procurement Savings	(5,810)		
• Minor balance			2,060
• Transfers	(18,650)		
Developing prosperity			
• Pressure on Three Spires Rental Income			86,590
• Vacancy Savings		(25,130)	
• Pressure on Fuel Costs			3,250
• Reduction in Advertising Income			6,700
• Procurement Savings	(550)		
• Transfers	1,000		
A good council			
• Non achievement of planned savings/additional income proposals			578,000
• Inflationary Pressures – pay award 4%, utilities etc.			424,200
• Vacancy Savings		(27,390)	
• Vacancy Savings - Target £150,000 (exc. Fees)		88,700	
• Procurement Savings	(13,980)		
• Achievement of the Procurement Saving Target	20,340		
• Additional Footpath Income	(3,750)		
• Additional Annual Subscription Costs	3,750		
• Transfers	17,650		
Total - Net Cost of Services	0	0	1,250,250
			1,250,250
Net Treasury - increased interest receipts and external borrowing savings			(200,000)
Transfer (to)/from General Reserves			£1,050,250

3.11. The impact of significant increases in inflation projections on the Revenue Budget and funding gap is also shown at **APPENDIX A**. In 2022/23 they are currently projected to be **£547,870** (excluding additional investment income of **£185,000**) and are included in the table above (figures in red) and this additional cost in the absence of savings/additional income will need to be funded by general reserves.

3.12. Inflation projections will continue to be reviewed in the development of the MTFS given the fluid economic situation. However, current projections are summarised below:

Detail	2023/24	2024/25	2025/26	2026/27
Approved Funding Gap/(transfer to General Reserves)	£694,190	£614,680	£460,250	£914,940
Inflation Pressures (net of investment income)	£324,870	£349,800	£605,160	£603,420
Projected Funding Gap	£1,019,060	£964,480	£1,065,410	£1,518,360

3.13. The current progress on delivering savings/additional income proposals included within the MTFS is also provided at **APPENDIX A**.

3.14. This shows a projected shortfall of **£618,000** that is included in the table above (figures in blue) and this will need to be funded by general reserves until these proposals are delivered.

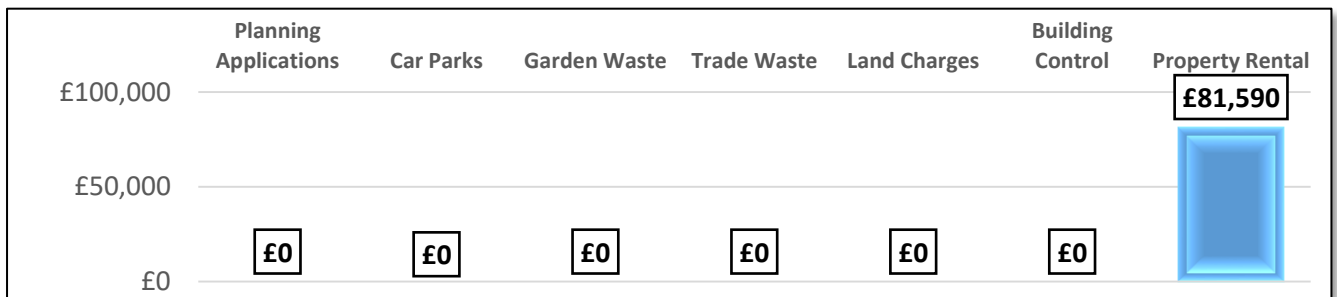
Risk and Recovery Budget

3.15. The current financial position in relation to the risk and recovery budget is summarised below:

Name	Revised Allocation	Total Committed Spend	Uncommitted Balance
Supporting the Visitor Economy	246,000	50,656	195,344
Regional Marketing Strategy	45,000	34,649	10,351
Youth Unemployment Initiatives	75,000	272	74,729
Health and Wellbeing Initiatives	100,000	33,845	66,155
Apprenticeships within the Council	75,000	75,000	0
Enterprise for Success	10,000	0	10,000
VE - Staffs DMP	36,000	36,000	0
VE - Website Health Check	6,600	0	6,600
High Street Grants	250,000	201,111	48,889
Inward Investment Website	30,000	0	30,000
Lichfield Bower	2,000	2,000	0
Sub Total	£875,600	£433,533	£442,067
Unallocated	265,780	0	265,780
Total	£1,141,380	£433,533	£707,847

Fees and Charges

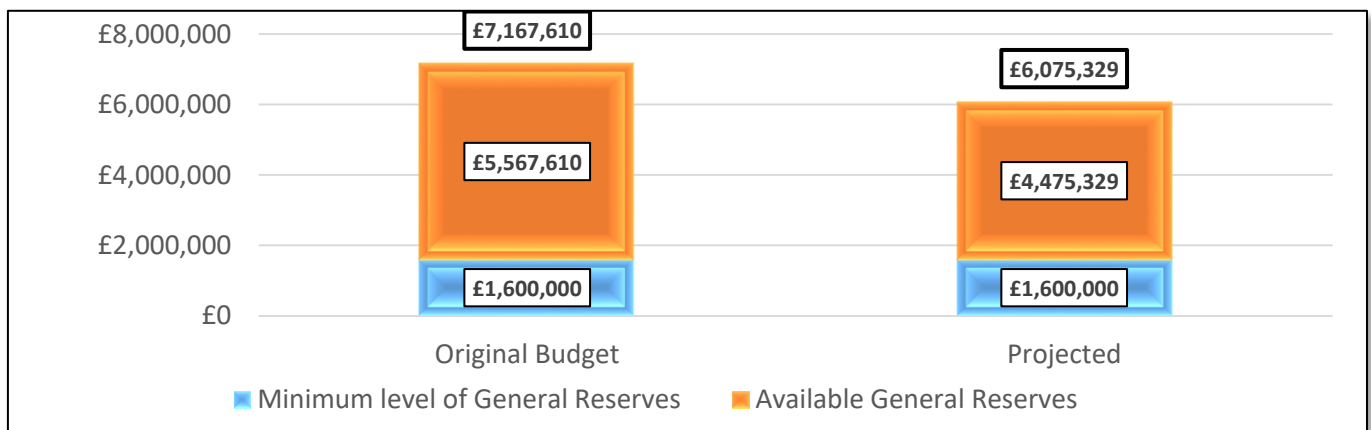
3.16. The gross fees and charges budgets for 2022/23, together with actual income achieved over the last eight years, are shown in detail at **APPENDIX B**. The projected variances (with positive figures relating to shortfalls in performance compared to budget) for those with the highest value are:



3.17. Car parking income is currently in line with the Approved Budget due to the COVID-19 risk allowance offsetting the loss of income from the planned increase in car parking charges that has not yet taken place.

Revenue General Reserves

3.18. The Original Budget estimated general reserves of **£7,167,610** at 31 March 2023. The current projected level is **£6,075,329**, a decrease of **(£1,092,281)** (£42,031 related to last year and £1,050,250 contained in this report) as shown below:



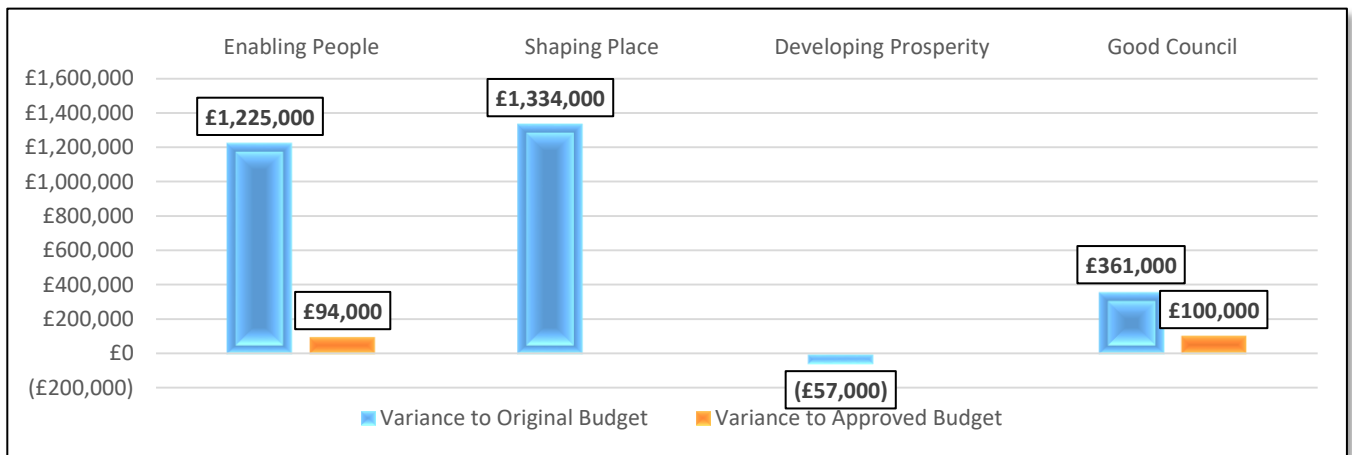
The Capital Programme

3.19. The Original Budget of **£7,953,000** was approved by Council on 22 February 2022. There have been several updates to this budget during 2022/23:

- Slippage from 2021/22 of **£1,650,000** approved by Cabinet on 7 June 2022.
- Conversion costs of 36A Bore Street of **£360,000** (Briefing Note 20 December 2021).
- CIL allocations of **£860,000** approved by Cabinet on 8 February 2022.
- Medium Term Financial Strategy of **(£37,000)** approved by Cabinet on 5 July 2022.
- Virement for Burntwood Zip Line of **£30,000** approved on 25 July 2022.

3.20. The Approved Budget is therefore **£10,816,000**.

3.21. The Capital Programme performance is projected to be above budget by **£194,000** or **2%** compared to the Approved Budget. This above budget performance compared to both the Original and the Approved Budgets, is shown by Strategic Plan's Priority below and in detail at **APPENDIX C**:



Performance compared to the Approved Budget

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

	Projected Variances	
	Profiling	Other
<ul style="list-style-type: none"> • Home Repair Assistance Grants – Move budget to Conversion of 36a Bore Street • DLUHC Monies - Move budget to Conversion of 36a Bore Street • Conversion of 36a Bore Street – Budget increased via projects above. • Changing Places Fund – Public conveniences at Swan Island and National Memorial Arboretum. Funded by grant. 		(£4,000) (£212,000) £216,000 £94,000
Enabling People Total	£0	£94,000
<ul style="list-style-type: none"> • Property Planned Maintenance – Budgets brought forward from later years 	£100,000	
A Good Council Total	£100,000	
Total Projected Variance	£100,000	£94,000
	£194,000	

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

	Original Budget	Approved Budget	Projected Actual	Actual
DFG Settlements	£10,000	£10,000	£10,000	£8,229
Total	£10,000	£10,000	£10,000	£8,229

United Kingdom Shared Prosperity Fund (UKSPF)

- 3.24. The UKSPF will replace European Structural and Investment Funds (ESIF) with the objective of levelling up and creating opportunities for people and place across the UK, delivering on priorities within the Levelling Up White Paper.
- 3.25. The fund provides £2.6 billion of new funding for investment by March 2025.
- 3.26. The overarching objective for the fund is ‘Building pride in place and increasing life chances’, with **three investment priorities**:
- Communities and place
 - Supporting local business
 - People and skills.
- 3.27. The Council has to submit an investment plan to outline local interventions over the financial years 2022/23, 2023/24 and 2024/25 which meets the UKSPF priorities.
- 3.28. The Council was “strongly encouraged” to engage widely with local partners, including neighbouring authorities for ‘economies of scale’ purposes on wider projects.
- 3.29. The Investment Plan had to be submitted for UK government approval.
- 3.30. The Council will also receive £20,000 to pay for preparatory work for the Fund (in addition to each place’s allocation), to be paid retrospectively after submission of the Investment Plan.
- 3.31. Local Authorities can also claim a maximum amount of 4% of the allocation (ie £131,412 for LDC) to help administer the fund, for project assessment, contracting, monitoring and evaluation and ongoing stakeholder engagement.
- 3.32. Once the submitted investment plan is approved, the first payment is expected to be received by lead local authorities from October 2022.
- 3.33. Local authorities can claim retrospectively for this financial year (2022-23), against any projects delivered from April 2022 onwards which are included in the investment plan. However, these are delivered at risk and if not approved in the investment plan will be a cost against the Council.
- 3.34. The split per financial year of full allocation is as follows:

Year	Amount	% of overall allocation
2022-23	£398,703	12.2%
2023-24	£797,405	24.3%
2024-25	£2,089,202	63.5%

- 3.35. UKSPF can fund revenue and capital projects. The table below outlines the Government’s suggested split each year between capital and revenue for all projects. The capital spend outlined is the **minimum capital spend** each financial year, with the precise mix between revenue and capital being up to the local authority to decide.

Year	Core UKSPF: revenue	Core UKSPF: capital
2022-23	90%	10%
2023-24	87%	13%
2024-25	80%	20%

- 3.36. The Council has prioritised projects that fit with the investment priorities in the UKSPF’s prospectus and are seen as strategic priorities in the Council’s strategic documents, e.g. the Economic Prosperity Action Plan, the 10-year Capital Programme, and Active Living Strategy etc.

3.37. As requested in the prospectus, the Council has also engaged with delivery partners, outlining our strategic priorities and checking if their proposed projects can support the delivery of our priorities. The Partners engaged include Growth Hubs, Staffordshire University, Staffordshire County Council, DWP, CASES, Staffordshire Chamber of Commerce, Birmingham City University and neighbouring authorities (for economies of scale purposes). Projects were reviewed on their relevance/connection with the Council's strategic priorities and value for money.

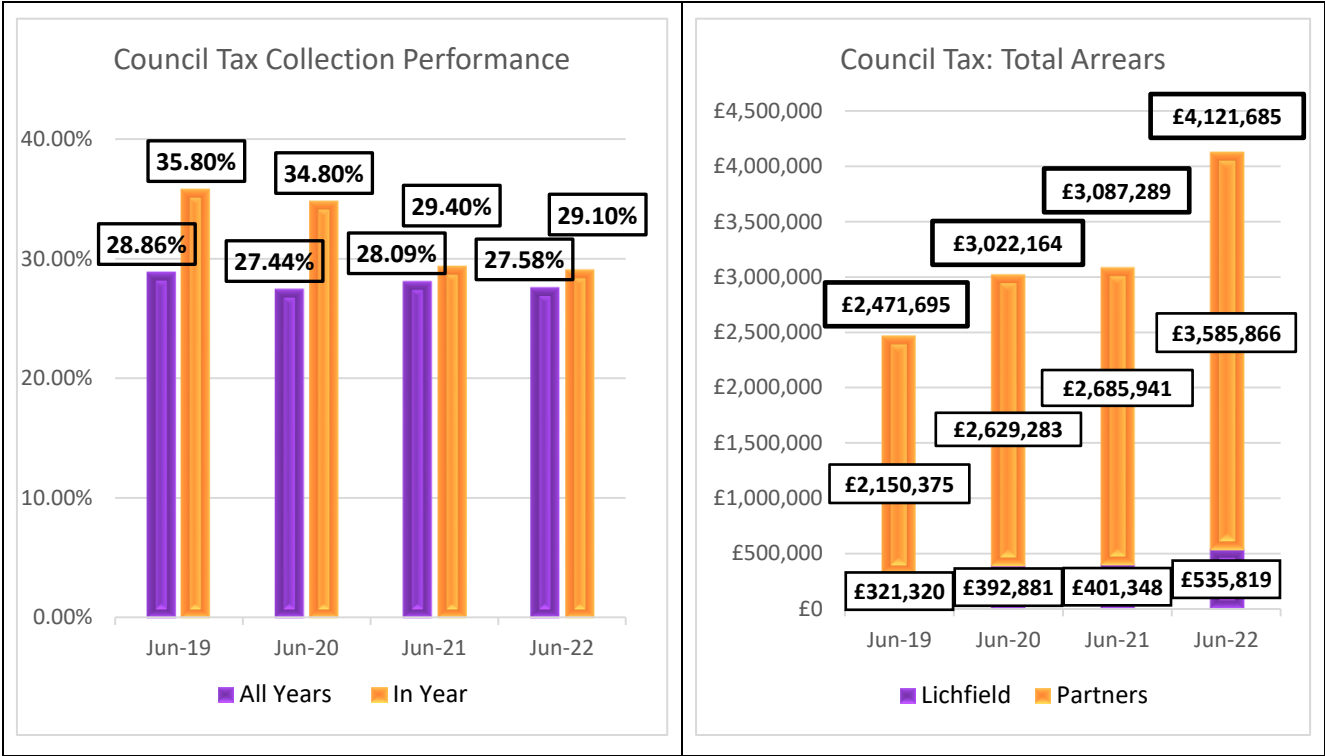
3.38. The Investment Plan totalling **£3,285,310** submitted on 1 August 2022 is summarised below:

Project	Revenue				Capital			
	2022/23	2023/24	2024/25	Total	2022/23	2023/24	2024/25	Total
Burntwood Community Hub	£0					£250,000		£250,000
Cinema Development	£0						£400,000	£400,000
Incubator Space	£0				£353,703	£300,000	£546,297	£1,200,000
Localities Work	£45,000	£90,000	£90,000	£225,000				
Us Girls	£0	£30,000	£60,000	£90,000				
Play Streets	£0	£20,000	£40,000	£60,000				
High Street Vibrancy	£0	£0	£279,310	£279,310				
Marketing of the District	£0	£4,905	£65,095	£70,000				
Entrepreneurial Culture	£0	£0	£93,000	£93,000				
Resource (from the 4% admin)	£0	£32,500	£32,500	£65,000				
Evolve Programme	£0	£70,000	£70,000	£140,000				
Transport Assistance	£0	£0	£320,000	£320,000				
Workforce Development	£0	£0	£93,000	£93,000				
Total	£45,000	£247,405	£1,142,905	£1,435,310	£353,703	£550,000	£946,297	£1,850,000

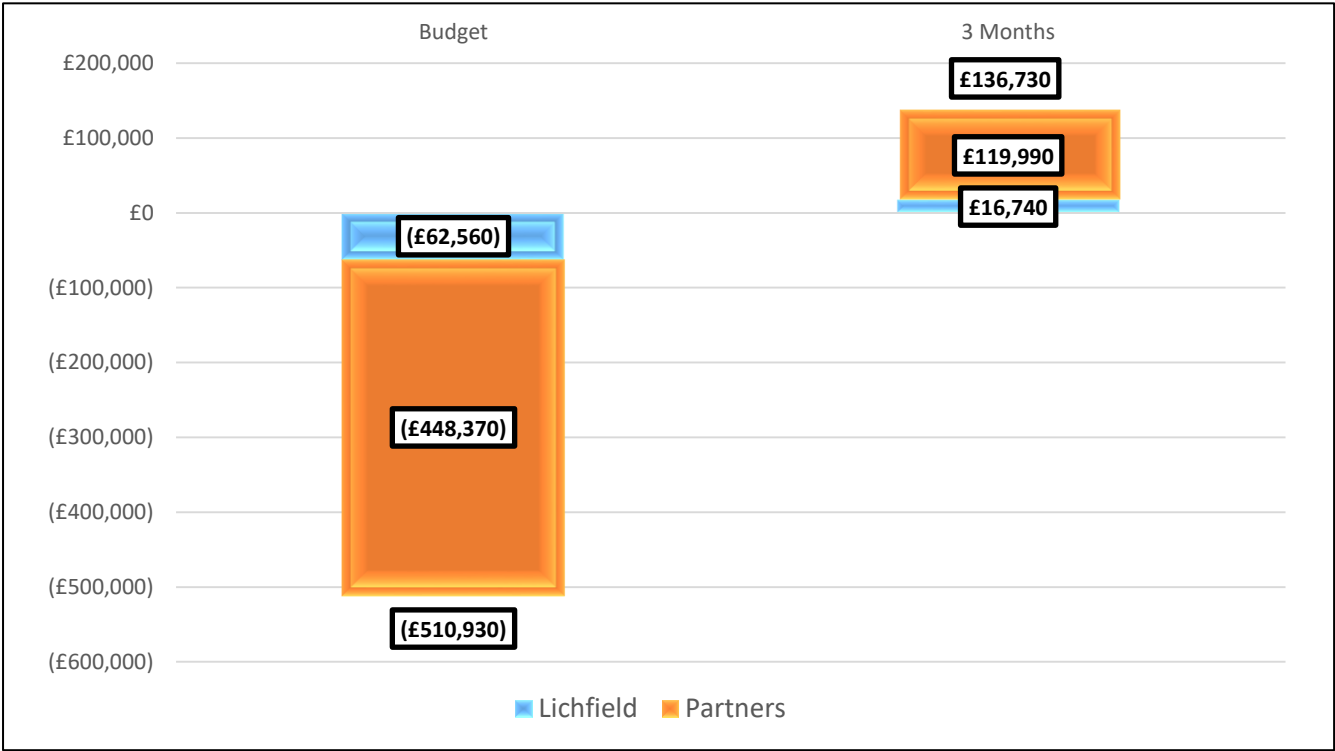
3.39. These budgets funded by the grant allocation (and subject to UK Government approval) will need to be incorporated into the Medium Term Financial Strategy.

Council Tax

3.40. The collection performance for Council Tax debt is shown below:



3.41. The Council Tax Collection Fund is projected to be in surplus by **£136,730** and the Council’s share is **£16,740** based on Lichfield’s (including Parishes) current share of Council Tax of **c12%**:

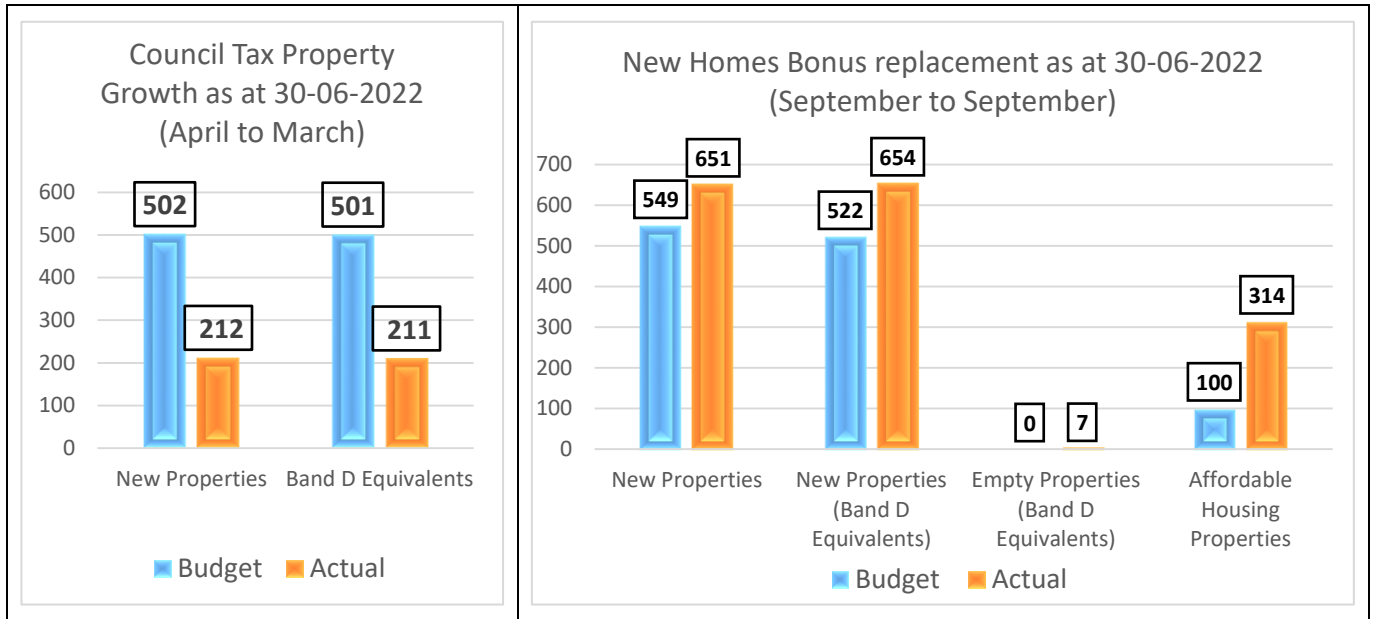


3.42. The main reasons for the projected lower deficit than budgeted of **£647,660** are:

- A higher surplus than budgeted in 2021/22 of **£605,446** (Council share £75,138).
- A higher provision for bad debts of **(£839,580)** (Council share (£102,800)).
- A higher Council Tax income of **£881,794** due to housing delivery rates beginning to increase and recover (Council share £107,968)

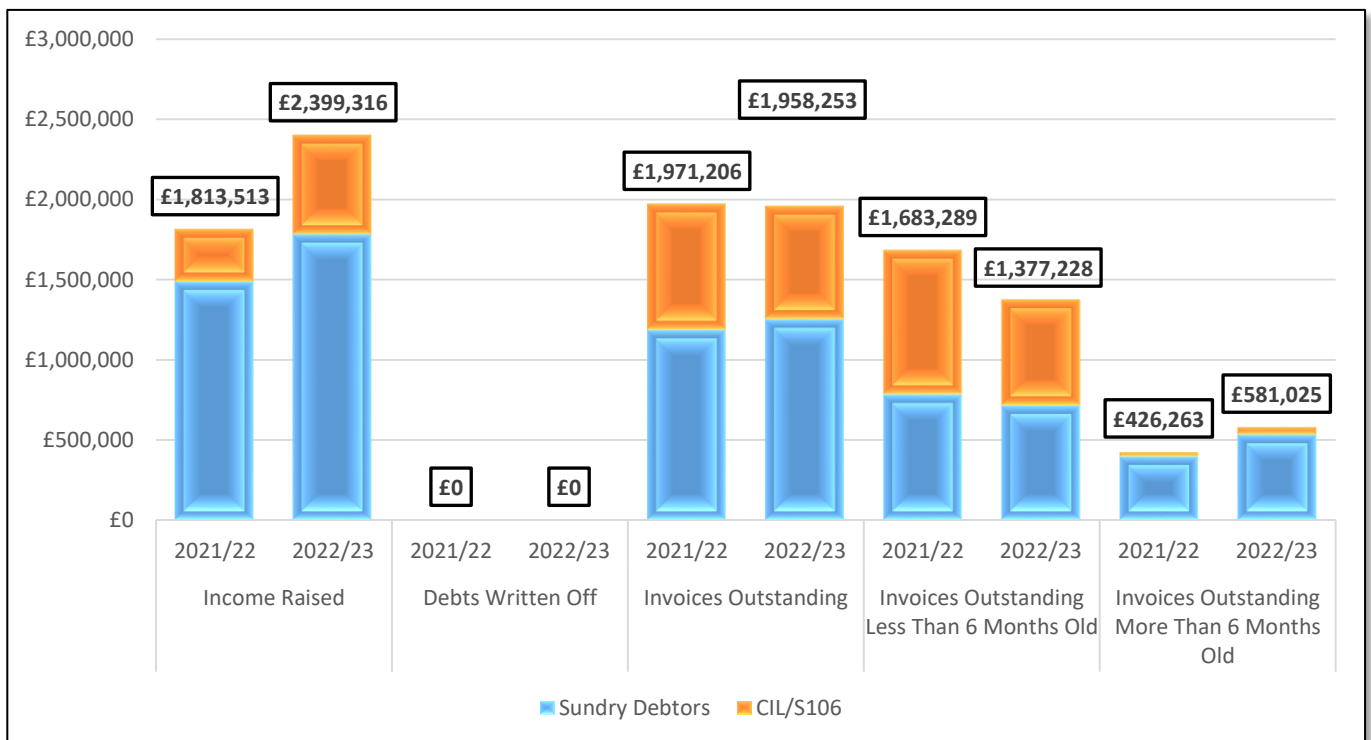
Housing Supply

3.43. The completions for Council Tax (left hand chart) from April 2022 to June 2022 and any possible New Homes Bonus replacement (right hand chart) from September 2021 to June 2022 are shown below:



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

3.44. The transaction levels and collection performance in 2022/23 compared to 2021/22 is shown below:

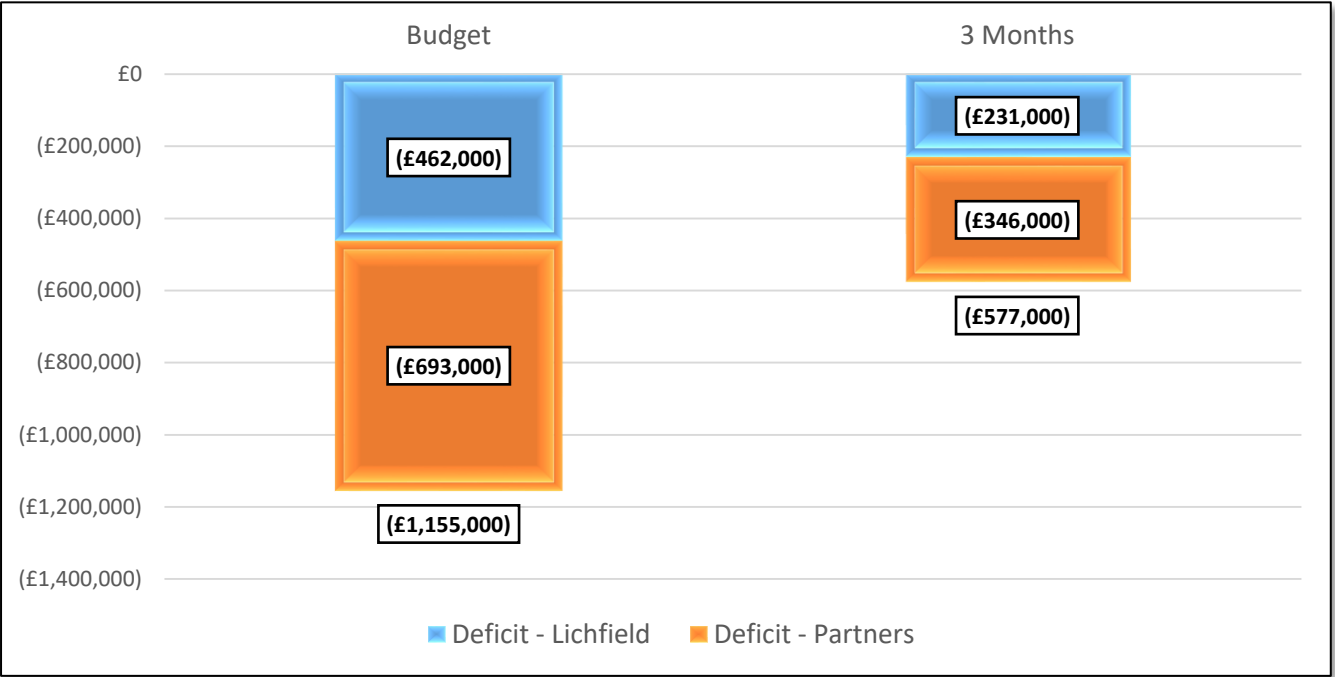


3.45. Total income raised in the first three months of 2022/23 is **£585,803** or **32%** higher than for the same period in 2021/22 due mainly to a large S106 demand for **£575,000** being raised this year.

3.46. Invoices outstanding has decreased by **(£12,954)** or **(1%)** mainly due to CIL/Section 106.

Business Rates

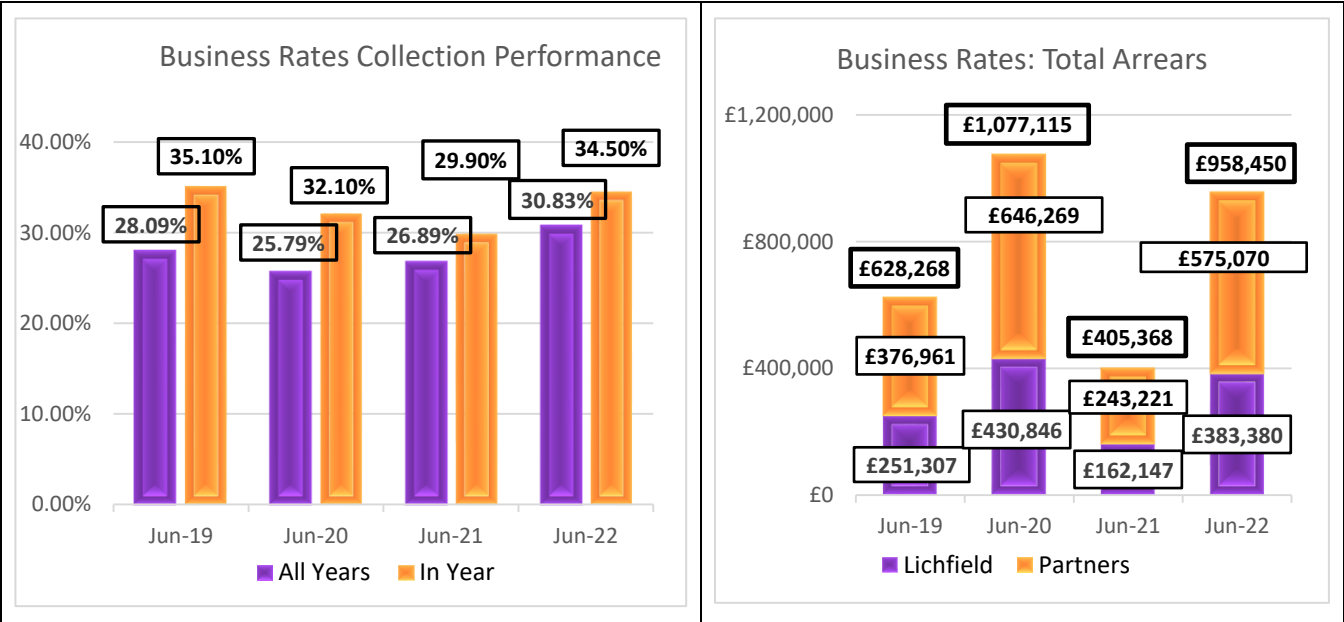
3.47. The Business Rates Collection Fund is projected to be in deficit by (£577,000):



3.48. The main reasons for the projected lower deficit than budgeted of £578,000 are:

- A lower deficit than budgeted in 2021/22 of £1,132,000 (Council share £452,800).
- Lower allowances for appeals and bad debts of £428,000 (Council share £171,000).
- Additional COVID-19 Compliance and Recovery Funding (CARF) and other changes in income due of (£982,000) (Council share (£393,000)).

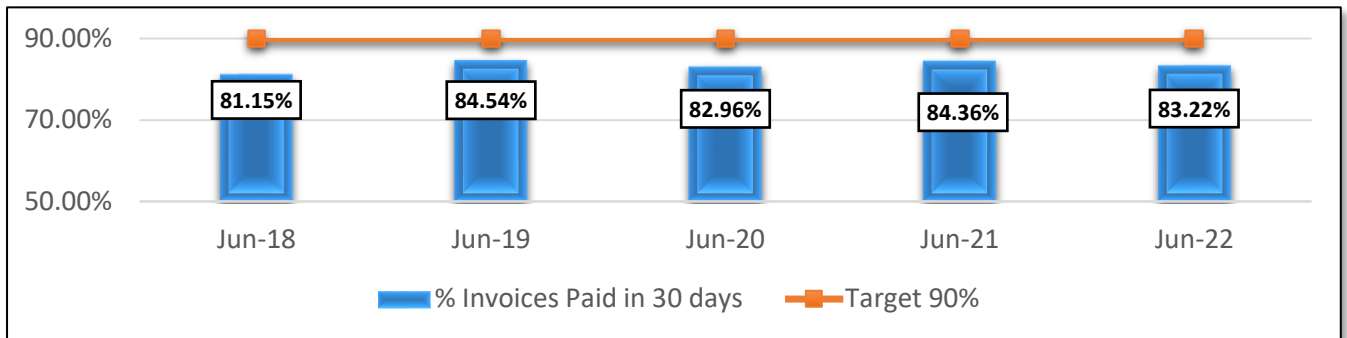
3.49. The collection performance for Business Rates is shown below:



3.50. The Retained Business Rate income is projected to be the same as the Approved Budget of (£3,311,000).

Supplier Payment Performance

3.51. The performance of invoice payments to suppliers within 30 days for the last five years is:



3.52. The continued under performance in this area will be addressed through the implementation of the Target Operating Model including changes in structure and process.

Investment Strategy

3.53. The Council undertakes investments for three broad purposes:

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

3.54. The Government has recognised in recent Department of Levelling Up, Housing and Communities (DLUHC) 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.

3.55. The DLUHC 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 **22 February 2022.**

Service Investments

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

	Approved Budget				
	2022/23	2023/24	2024/25	2025/26	2026/27
Approved Loan to the Local Authority Company	£675,000	£675,000	£675,000	£675,000	£0
Net Income	(£4,000)	(£18,000)	(£22,000)	(£22,000)	
Net Return	(0.59%)	(2.67%)	(3.26%)	(3.26%)	

3.57. Cabinet received a report on 17 May 2022 regarding the commercial structures and trading activity in relation to the Company. This report refocussed the Company from one aimed at development to one aimed at the provision of services to the Council.

3.58. Therefore the level, length and type of loan is currently being reviewed with the Council's legal and treasury management advisors to ensure the loan reflects the current Business Plan and its related risks.

Commercial Investments

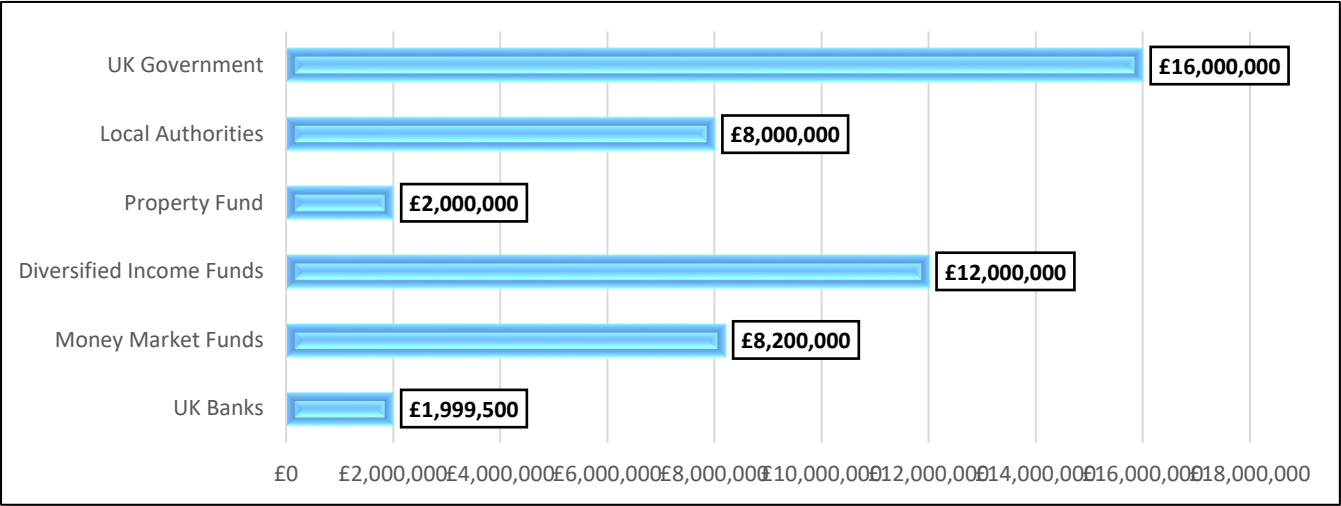
3.59. No commercial investments are currently planned.

Treasury Management Investments

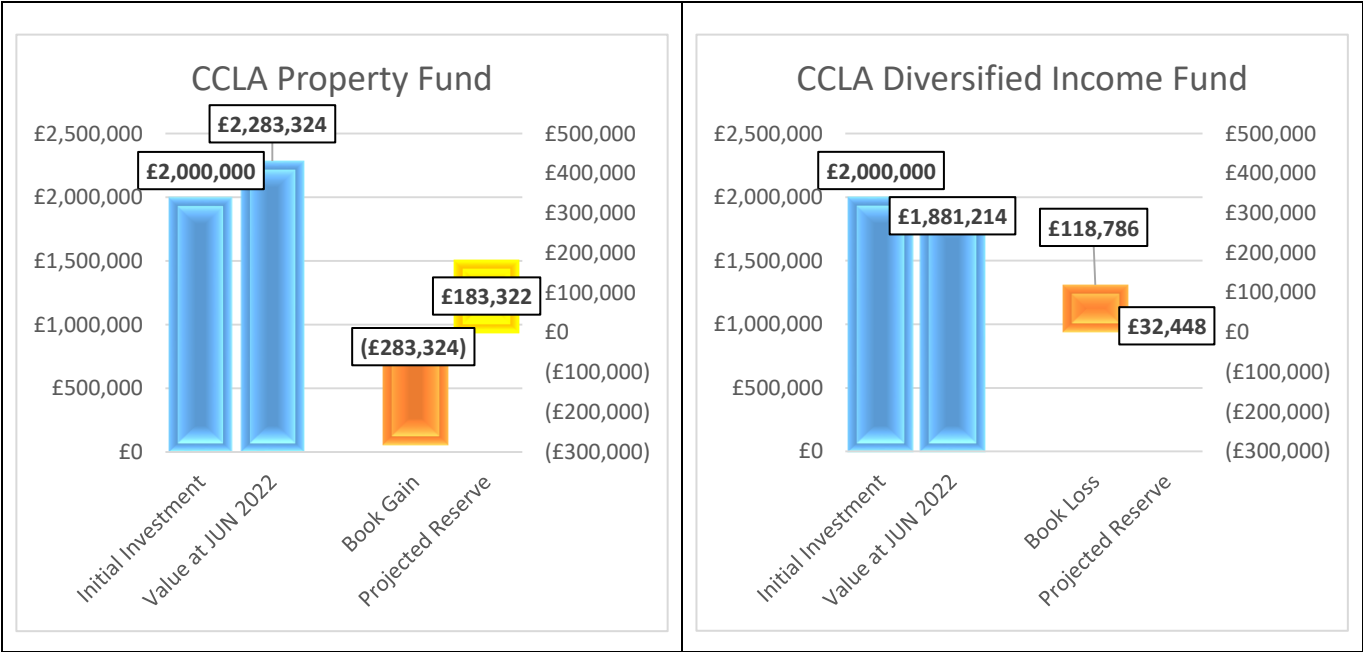
- 3.60. The performance of the Treasury Management function should be measured against the investment objectives of Security (the safe return of our monies), Liquidity (making sure we have sufficient money to pay for our services) and Yield (the return on our investments).
- 3.61. In addition, external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

- 3.62. The investments the Council had at the 30 June 2022 of **£48,199,500** (with the Property and Diversified Income Funds valued at original investment for each) by type and Country are summarised below and in detail at **APPENDIX D**:



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



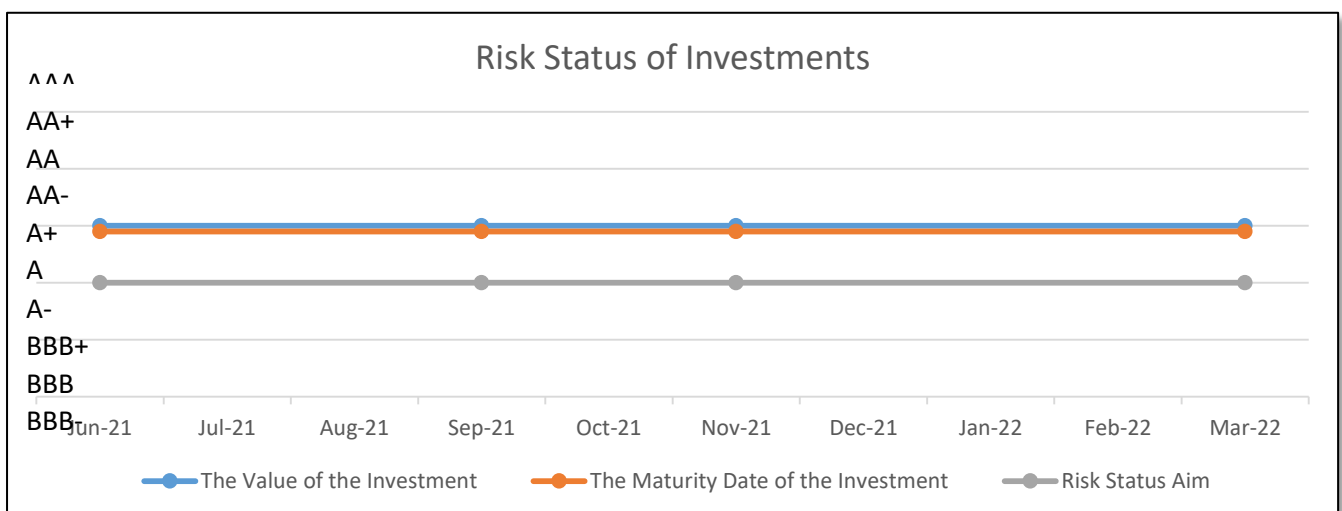


3.64. Overall in terms of strategic investments there is a 'book loss' of (£629,574) and the earmarked reserve to manage volatility risk is projected to be £381,023.

3.65. The April-June quarter was a difficult environment for risk assets, in particular bonds and equities, engendered by central banks' determination to bring high and persistent inflation under control through increases in policy rates and strong rhetoric. With the market expecting further increases in interest rates and government bond yields in the US, UK and Europe (this, despite a weakening consumer and the prospect of a recession), there was a sell-off in bonds and equities which was reflected in the Authority's multi-asset income funds. Significant financial market volatility and uncertainty remain due to stagflation fears, little sight of the war in Ukraine ending soon and ongoing supply chain issues, a lingering problem over the past 24 months yet to be fully resolved.

3.66. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years, but with the confidence that over a three to five-year period total returns will exceed cash interest rates.

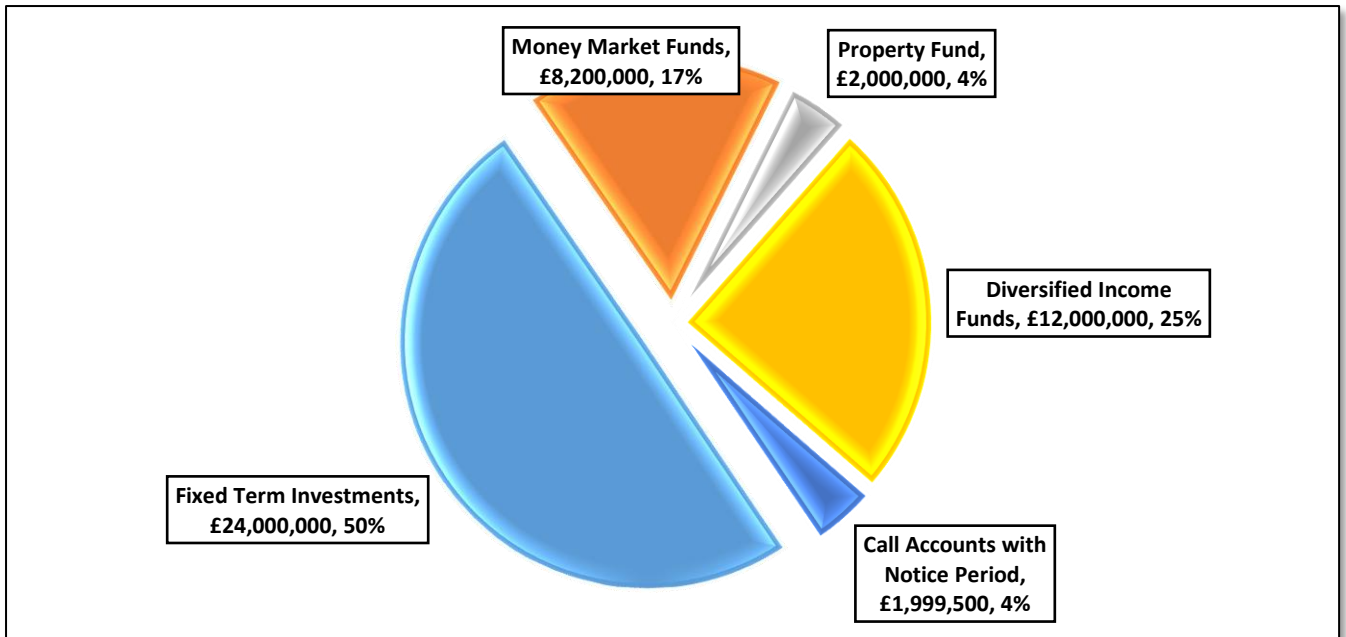
3.67. Our aim for the risk status of our investments was A- or higher. The risk status based on the length of the investment and the value for a 10 month period is summarised in the graph below:



The Liquidity of our Investments

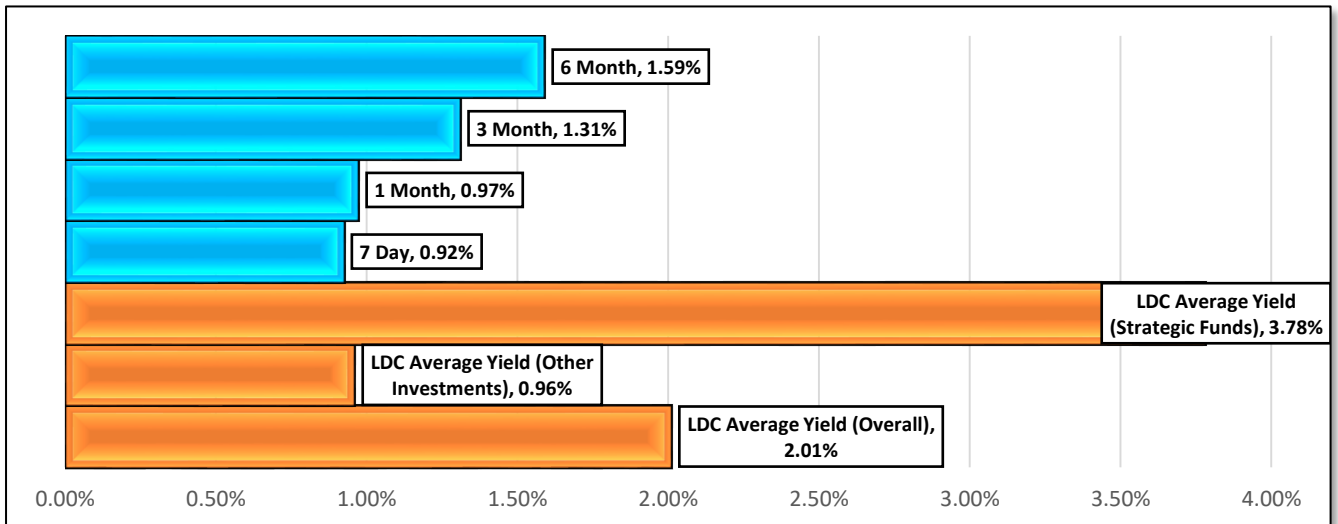
3.68. The Council has not had to temporarily borrow during 2022/23.

3.69. 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:



The Return or Yield of our Investments

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



3.71. The investment activity during the financial year is projected to generate (£1,033,000) of gross investment income compared to a budget of (£702,500).

The External Borrowing Portfolio

3.72. 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)	£1,095,840	2.59%	17.7	(£35,439)
TOTAL BORROWING	£1,095,840	2.59%	17.7	(£35,439)

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	<p>The MTFS projected general reserves at 31 March 2023 would be £7,167,610.</p> <p>At this three months stage, general reserves are forecast to be £6,075,329. This is a decrease of (£1,092,281) and is related to:</p> <ul style="list-style-type: none"> • A lower than budgeted contribution in 2021/22 of (£42,031). • A projected decrease contained in this report for 2022/23 of (£1,050,250).
Approved by Section 151 Officer	Yes

Legal Implications	<p>No specific legal implications.</p> <p>The recommended changes to the Medium Term Financial Strategy not part of the approved Budget Framework will be required the approval of Full Council.</p>
Approved by Monitoring Officer	Yes

Contribution to the Delivery of the Strategic Plan	The MTFS underpins the delivery of the Strategic Plan.
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Equality, Diversity and Human Rights Implications	There are no additional Equality, Diversity or Human Rights implications.
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Crime & Safety Issues	There are no additional Crime and Safety Issues.
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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.
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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.
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	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
Strategic Risk SR1 - Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of Finance				
A	Council Tax is not set by the Statutory Date of 11 March 2023	Likelihood : Green Impact : Red Severity of Risk : Yellow	Full Council set with reference to when major preceptors and Parishes have approved their Council Tax Requirements.	Likelihood : Green Impact : Red Severity of Risk : Yellow
B	Implementation of the Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations	Likelihood : Yellow Impact : Red Severity of Risk : Red	To closely monitor the level of appeals. An allowance for appeals has been included in the Business Rate Estimates.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
C	The review of the New Homes	Likelihood : Red	The Council responded to the recent	Likelihood : Red

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
	Bonus regime	Impact : Red Severity of Risk : Red	consultation. Not all of the projected New Homes Bonus is included as core funding in the Base Budget. In 2022/23 £400,000 is included with the balance transferred to general reserves. At this stage, no income is assumed from 2023/24 onwards.	Impact : Yellow Severity of Risk : Yellow
D	The increased Localisation of Business Rates and the Review of Needs and Resources	Likelihood : Red Impact : Red Severity of Risk : Red	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
E	The affordability and risk associated with the Capital Strategy	Likelihood : Yellow Impact : Red Severity of Risk : Red	An estates management team has been recruited to provide professional expertise and advice in relation to property and to continue to take a prudent approach to budgeting.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
F	Sustained higher levels of inflation in the economy	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow	To maintain a watching brief on economic forecasts, ensure estimates reflect latest economic projections and where possible ensure income increases are maximised to mitigate any additional cost.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
Strategic Risk SR3: Capacity and capability to deliver / strategic plan to the emerging landscape				
G	The Council cannot achieve its approved Delivery Plan for 2022/23	Likelihood : Yellow Impact : Red Severity of Risk : Red	There will need to be consideration of additional resourcing and/or reprioritisation to reflect the ongoing impact of the pandemic	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
H	The resources available in the medium to longer term to deliver the Strategic Plan are diminished	Likelihood : Yellow Impact : Red Severity of Risk : Red	The MTFS will be updated through the normal review and approval process	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
I	Government and Regulatory Bodies introduce significant changes to the operating environment	Likelihood : Red Impact : Red Severity of Risk : Red	To review all proposed policy changes and respond to all consultations to influence outcomes in the Council's favour	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow

Background documents

Medium Term Financial Strategy (Revenue and Capital) 2021-2026 (MTFS) – Cabinet 8 February 2022

Money Matters: 2021/22 Review of Financial Performance against the Financial Strategy – Cabinet 7 June 2022

Medium Term Financial Strategy (MTFS) – Cabinet 11 July 2022

Relevant web link

Revenue Financial Performance – Variance to Budget 2022/23

Area	2022/23					
	Original Budget £	Approved Budget £	Projected Outturn £	Projected Variance £	Variance to Original Budget £	2022/23 Target (+/-) £
Enabling people	1,526,950	1,411,140	1,388,910	(22,230)	(138,040)	
Shaping place	4,082,610	4,069,830	4,182,930	113,100	100,320	
Developing prosperity	(436,080)	(282,750)	(210,890)	71,860	225,190	
A good council	6,918,520	7,583,280	8,670,800	1,087,520	1,752,280	
COVID-19 - General Recovery	377,000	0	0	-	(377,000)	
Net Cost of Services	12,469,000	12,781,500	14,031,750	1,250,250	1,562,750	250,000
Net Treasury Position	(298,000)	(610,500)	(810,500)	(200,000)		
Revenue Contributions to the Capital Programme	100,000	100,000	100,000	-		
Net Operating Cost	12,271,000	12,271,000	13,321,250	1,050,250		
Transfer (from) / to General Reserve	280,000	280,000	(770,250)	(1,050,250)		
Transfer (from) / to Earmarked Reserves	0	0	0	-		
Net Revenue Expenditure	12,551,000	12,551,000	12,551,000	0		
Financed by:						
Retained Business Rates	(3,311,000)	(3,311,000)	(3,311,000)	-		
Business Rates Cap	(174,000)	(174,000)	(174,000)	-		
Services Grant	(146,000)	(146,000)	(146,000)	-		
Lower Tier Services Grant	(95,000)	(95,000)	(95,000)	-		
New Homes Bonus	(1,401,000)	(1,401,000)	(1,401,000)	-		
Council Tax Collection Fund (Surplus)/Deficit	32,000	32,000	32,000	-		
Council Tax	(7,456,000)	(7,456,000)	(7,456,000)	-		

Closing the Funding Gap Progress

Cabinet		2023/24	2024/25	2025/26	2026/27
Original Funding Gap	Date	£725,710	£765,340	£732,190	£904,890
Pension Contributions	05/04/2022	(£31,520)	(£150,660)	(£271,940)	£10,050
Approved Funding Gap/(transfer to General Reserves)		£694,190	£614,680	£460,250	£914,940

Impact of Current Inflation Projections		2023/24	2024/25	2025/26	2026/27
Payroll	Projection	£502,740	£519,720	£535,170	£552,630
Utilities	Projection	£173,450	£173,880	£172,840	£170,270
Fuel	Projection	£154,550	£163,990	£173,000	£181,570
Telephone & Mobiles	Projection	£6,130	£6,170	£6,130	£6,030
Business Rates	Projection	£0	£0	£0	£0
Postage	Projection	£5,650	£6,560	£7,430	£8,270
Insurances	Projection	£17,350	£15,480	£12,590	£8,650
Investment Income	Projection	(£535,000)	(£536,000)	(£302,000)	(£324,000)
Total		£324,870	£349,800	£605,160	£603,420

Projected Funding Gap		£1,019,060	£964,480	£1,065,410	£1,518,360
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General Reserves

	Original	Approved	Projected
Start of year	£6,887,610	£6,845,579	£6,845,579
Budgeted Contribution	£280,000	£280,000	£280,000
This Report	£0	£0	(£1,050,250)
Sub Total In Year	£280,000	£280,000	(£770,250)
End of year	£7,167,610	£7,125,579	£6,075,329
Change to Original		(£42,031)	(£1,092,281)

Savings and Additional Income Proposals Monitoring

Targets		
No	Saving	MTFS Target
1	Standby payments	£9,000
2	Fusion Credit	£10,000
3	Void reduction	£2,000
4	Light Emitting Diode lighting / Car park	£2,000
5	Revs & Bens Restructure Part 1	£87,070
6	Corp pay budgets	£23,090
7	Deleted post - post room	£24,610
8	Reduced telephone budget	£1,000
9	Reduced document imaging	£9,000
10	Reduced printing	£8,000
11	Reduced postage	£15,000
12	Reduced stationery	£5,000
13	Reduced Uniform (Customer)	£1,000
14	Hybrid working savings	£100,000
15	Communications / Visitor Economy merger	£10,000
16	Revs & Bens restructure Part 2	£200,000
17	Golf course	£80,000
18	Restructure of Operational Services	£0
19	Major Projects	£95,000
20	Post/Printing	£30,000
21	Vacancy savings	£150,000
22	Implement new Target Operating Model	£330,000
23	Information Technology savings	£150,000
24	Dividend	£25,000
25	Savings Strategy year 1 - Treasury Management	£340,230
26	Garden Waste Price increase	£50,000
27	Review of Existing Pricing Discounts	£45,000
28	Grant funding for homelessness	£35,000
29	Property Income (1.5 Properties 21/22, 4 Properties 22/23, 5 Properties 23/24)	£12,000
30	Introduce Sunday Charging (replace £1 flat fee with normal tariffs).	£93,000
31	Introduce an evening charge in LDC car parks of £1.	£38,000
32	Introduce a departure charge to all bus companies using Lichfield Bus Station.	£21,000
33	Introduce an administration charge of £100 for supplying CCTV footage to insurance companies.	£1,000
34	Introduce an administration charge of £200 for coning off bays in car parks.	£1,000
35	Annual increase in relevant fees and charges of 2.5%	£64,000
36	street naming and numbering	£20,000
	Total	£2,087,000
	Total Green and Amber Status	£1,469,000
	Shortfall to MTFS Target	£618,000

Progress on achievement			
Green - likely to be achieved	Amber - likely to be achieved with part year	Red - will be delivered in later years	Comments on Amber and Red items
£0			Not viable
£10,000			
£2,000			
£0		£2,000	Only to be considered for Lombard Street
£87,070			
£23,090			
£24,610			
£1,000			
£9,000			
£8,000			
£15,000			
£5,000			
£1,000			
£100,000			
£10,000			
	£58,000	£58,000	Implementation 1/10/2022
£40,000		£40,000	Alternative options being identified for consideration
£0			
£95,000			
£30,000			
£150,000			
£0	£330,000	£320,000	Implementation 1/10/2022
£0		£300,000	Alternative options being identified for consideration
£0		£100,000	Will depend on the financial performance of the Company
£340,230			Increased target
£0		£50,000	Deferred for future implementation
£45,000			
£35,000			
£12,000			
£0		£93,000	Deferred for future implementation
£0		£38,000	Deferred for future implementation
£0		£21,000	Deferred for future implementation
£0		£1,000	Deferred for future implementation
£0		£1,000	Deferred for future implementation
£18,000		£46,000	Car Parking deferred for future implementation
£20,000			
£1,081,000	£388,000	£1,070,000	

Fees and Charges

Income Type	Annual	Actual	Year End
	Budget		Variance
	£000	£000	£000
Planning Applications	781	351	0
Car Parks	1,721	427	0
Garden Waste	1,480	1,322	0
Trade Waste	443	534	0
Land Charges	305	70	0
Building Control	948	418	0
Property Rental	673	294	82
Total of Highest Value Fees & Charges	6,352	3,416	82
Other Income			
Licensing			
Leisure Centres			
VAT Claim			
Court Costs			
Recycling			
Grounds Maintenance			
Other			
Total Income			

Annual Trend							
2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
£000	£000	£000	£000	£000	£000	£000	£000
771	629	1,030	824	797	744	695	974
1,746	1,748	1,986	2,078	2,198	2,105	752	1,515
0	0	0	231	1,495	1,478	1,618	1,609
338	390	407	415	443	469	485	522
183	297	312	279	286	253	272	341
454	507	557	547	553	896	1,032	948
644	681	687	729	839	744	680	674
4,134	4,251	4,980	5,102	6,611	6,689	5,535	6,583
217	185	236	224	241	245	160	184
1,782	1,819	1,879	1,629	183	0	0	0
0	0	0	0	1,103	0	0	0
252	233	218	198	214	222	154	247
14	347	439	463	331	283	280	560
162	161	168	195	217	264	273	234
1,839	1,139	1,319	1,124	1,057	1,063	908	1,166
8,400	8,136	9,239	8,936	9,957	8,766	7,310	8,974

Capital Programme Performance in 2022/23

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
Canopy and artificial grass at Armitage	0	3,000	0	3,000	0
Burntwood Leisure Centre Sinking Fund Projects	0	69,000	0	69,000	0
Friary Grange - Short Term Refurbishment	0	158,000	6,577	158,000	0
Replacement Leisure Centre	2,349,000	2,524,000	0	2,524,000	0
Burntwood Leisure Centre - Decarbonisation	0	18,000	(38,552)	18,000	0
Accessible Homes (Disabled Facilities Grants)	1,654,000	1,343,000	(234,786)	1,343,000	0
Home Repair Assistance Grants	4,000	4,000	0	0	(4,000)
Decent Homes Standard	147,000	147,000	0	147,000	0
DLUHC Monies	212,000	212,000	0	0	(212,000)
Unallocated S106 Affordable Housing Monies	334,000	382,000	0	382,000	0
Burntwood Park Play Equipment	0	75,000	0	75,000	0
Conversion of 36a Bore Street	0	360,000	0	576,000	216,000
Streethay Community Centre	0	600,000	0	600,000	0
Changing Places Fund	0	0	0	94,000	94,000
Zip Wire in Burntwood	0	30,000	0	30,000	0
Enabling People Total	4,792,000	6,017,000	(266,762)	6,111,000	94,000
Loan to Council Dev Co.	0	675,000	0	675,000	0
Lichfield St Johns Community Link (CIL)	35,000	35,000	0	35,000	0
Staffordshire Countryside Explorer (CIL)	0	44,000	42,681	44,000	0
Lichfield Public Conveniences	0	40,000	0	40,000	0
Bin Purchase	150,000	150,000	0	150,000	0
Dual Stream Recycling	0	267,000	0	267,000	0
Vehicle Replacement Programme (Other)	229,000	229,000	0	229,000	0
Upper St John St & Birmingham Road	7,000	7,000	0	7,000	0
The Leomansley Area Improvement Project	0	3,000	0	3,000	0
Burntwood Public Conveniences	0	45,000	0	45,000	0
Falkland Road Fosseyway Canal Walk	0	260,000	0	260,000	0
Shaping Place Total	421,000	1,755,000	42,681	1,755,000	0
Vehicle Replacement Programme (Car Parks)	10,000	10,000	0	10,000	0
Coach Park	1,137,000	1,080,000	0	1,080,000	0
Car Parks Variable Message Signing	150,000	150,000	0	150,000	0
Old Mining College - Refurbish access and signs	13,000	13,000	0	13,000	0
Pay on Exit System at Friary Multi Storey	150,000	150,000	0	150,000	0
Card Payment in All Car Parks	100,000	100,000	0	100,000	0
Electric Vehicle Charge Points	80,000	80,000	0	80,000	0
Car Park Barriers	36,000	36,000	0	36,000	0
Developing Prosperity Total	1,676,000	1,619,000	0	1,619,000	0
Equipment Storage	0	125,000	0	125,000	0
Property Planned Maintenance	230,000	106,000	116,315	206,000	100,000
New Financial Information System	44,000	44,000	0	44,000	0
IT Infrastructure	0	300,000	0	300,000	0
Building a Better Council	600,000	665,000	189,360	665,000	0
Committee Audio-Visual Hybrid Meeting Platform	90,000	85,000	0	85,000	0
Construction Inflation Contingency	100,000	100,000	0	100,000	0
Good Council Total	1,064,000	1,425,000	305,674	1,525,000	100,000
Approved Budget	7,953,000	10,816,000	81,593	11,010,000	194,000

Funding Source	Original Budget	Approved Budget	Projected Actual	Variance
Capital Receipts	1,331,000	1,881,000	1,981,000	100,000
Corporate Revenue	100,000	100,000	100,000	0
Borrowing Need - Borrowing and Finance Leases	2,349,000	2,524,000	2,524,000	0
Capital Grants and Contributions	3,030,000	3,695,000	3,789,000	94,000
Reserves, Existing Revenue Budgets and Sinking Funds	1,143,000	2,616,000	2,616,000	0
Capital Programme Total	7,953,000	10,816,000	11,010,000	194,000

Investments in the 2022/23 Financial Year

The table below shows a breakdown of our investments at the 30 June 2022:

Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Non-UK Organisation
Money Market Funds						
Legal & General	£2,520,000	01-Jul-22	Instant Access	1.03%	AAAMMF	N/A
BNP Paribas MMF	£680,000	01-Jul-22	Instant Access	1.04%	AAAMMF	N/A
CCLA MMF	£5,000,000	01-Jul-22	Instant Access	0.96%	AAAMMF	N/A
Strategic Funds						
CCLA Property Fund	£2,000,000	N/A	N/A	3.64%	N/A	No
Ninety-One Diversified Income Fund	£5,000,000	N/A	N/A	3.52%	N/A	No
CCLA Diversified Income Fund	£2,000,000	N/A	N/A	2.39%	N/A	No
Aegon Diversified Income Fund	£5,000,000	N/A	N/A	4.98%	N/A	No
Fixed Term Investments						
Moray Council	£2,000,000	22-Aug-22	53	0.20%	LOCAL	No
Conwy County Borough Council	£2,000,000	23-Jan-23	207	0.30%	LOCAL	No
Folkestone and Hythe District Council	£2,000,000	09-Mar-23	252	0.95%	LOCAL	No
North Lanarkshire Council	£2,000,000	21-Dec-22	174	0.85%	LOCAL	No
Debt Management Office	£6,000,000	19-Oct-22	111	0.94%	UK Government	No
Debt Management Office	£6,000,000	19-Jul-22	19	1.01%	UK Government	No
Debt Management Office	£4,000,000	21-Nov-22	144	1.53%	UK Government	No
Call Accounts with Notice Period						
Santander	£1,000,000	03-Oct-22	95	0.93%	A	No
HSBC	£999,500	31-Jul-22	31	1.23%	A+	No
Total Investments	£48,199,500					

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Money Matters : Review of Reserves

Cabinet Member for Finance and Commissioning

Date: 6 September 2022

Agenda Item: 4

Contact Officer: Anthony Thomas

Tel Number: 01543 308012

Email: Anthony.thomas@lichfielddc.gov.uk

Key Decision? YES

Local Ward Full Council

Members



Cabinet

1. Executive Summary

- 1.1. Local Authorities can establish reserves to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing, to cushion the impact of unexpected events or emergencies and earmarked reserves to meet known or predicted events.
- 1.2. In addition, capital reserves are retained in relation to Capital receipts (these resources result from the sale of assets) and Capital grants and contributions (these resources relate to Capital Grants, Community Infrastructure Levy, Special Areas of Conservation and Section 106).
- 1.3. The level of reserves has increased across local government since 2013/14 due to the localisation of Council Tax Support and the local retention of Business Rates. The levels have further increased since 2020/21 due to COVID grants.
- 1.4. The various comparisons available 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.
- 1.5. However, it is important to note that whilst the short term picture based on the increases in reserves may appear to suggest that generally local government finances are sustainable, there remains concern about the medium-term to long-term outlook which remains unsettled and uncertain.
- 1.6. The Capital Strategy risk assessment identified a significant risk that the Capital Programme did not include investment to realise all of the Council's strategic aims and this was reiterated in the Corporate Peer Challenge.
- 1.7. This report reviews reserves with the aim of repurposing reserves to provide funding for strategic priorities.

2. Recommendations

- 2.1. That Cabinet recommends to Council to:
 - Repurpose earmarked reserves and agree changes to the Capital Programme detailed at para 3.29 to release reserves that will result in the strategic priorities reserve balance of **(£5,169,000)**.
 - Dispose of Venture House and include a budgeted capital receipt of **(£650,000)** in the Medium Term Financial Strategy to fund strategic priorities (a receipt greater than this level will increase the level of the strategic priorities reserve).
 - Approve the inclusion of a project with a budget of **£2,000,000** in the Capital Programme (initially equally spread between 2022/23 and 2023/24) for BRS enabling works funded from this capital receipt and the strategic priorities reserve.
- 2.2. That Cabinet notes that following these changes, there will be **(£3,819,000)** available in the strategic priorities earmarked reserve to fund other strategic priorities.

3. Background

Introduction

3.1. Local Authorities can establish reserves for two main purposes:

- **A working balance** to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing plus a **contingency** to cushion the impact of unexpected events or emergencies – these form part of the general reserves and the approved minimum level is **£1,600,000**.
- A series of **earmarked reserves** to meet known or predicted events.

3.2. The earmarked reserves at the Council are further categorised into two different types:

- **Restricted** – these are held on behalf of third parties and are established as part of a legal, partnership or contractual agreements. In addition, this has included COVID grants received.
- **Unrestricted** – these include sums for specific projects, revenue grants and sinking funds.

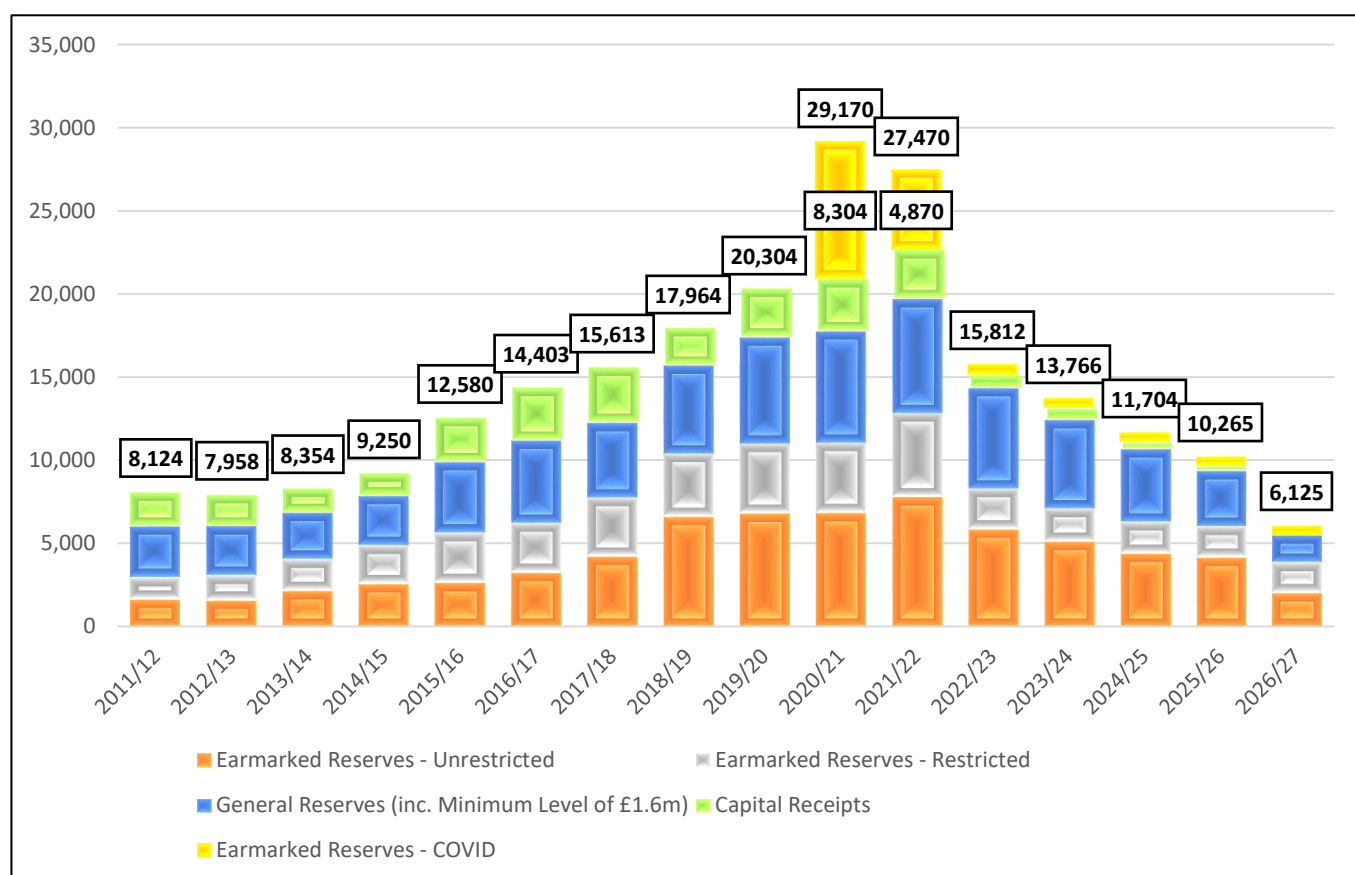
3.3. The Council retains capital reserves in relation to:

- **Capital receipts** – related to the sale of assets.
- **Capital grants and contributions** – related to Capital Grants, Community Infrastructure Levy, Special Areas of Conservation and Section 106.

The Approach and level of Reserves at the Council

3.4. The Council manages earmarked reserves using a policy based approach summarised at **APPENDIX A** that was last reviewed and approved by Leadership Team in July 2021.

3.5. The level of usable reserves is shown in detail at **APPENDIX B** with the element related to earmarked reserves, general reserves and capital receipts shown below:



3.6. In terms of reserve trends across local government, it is important to note:

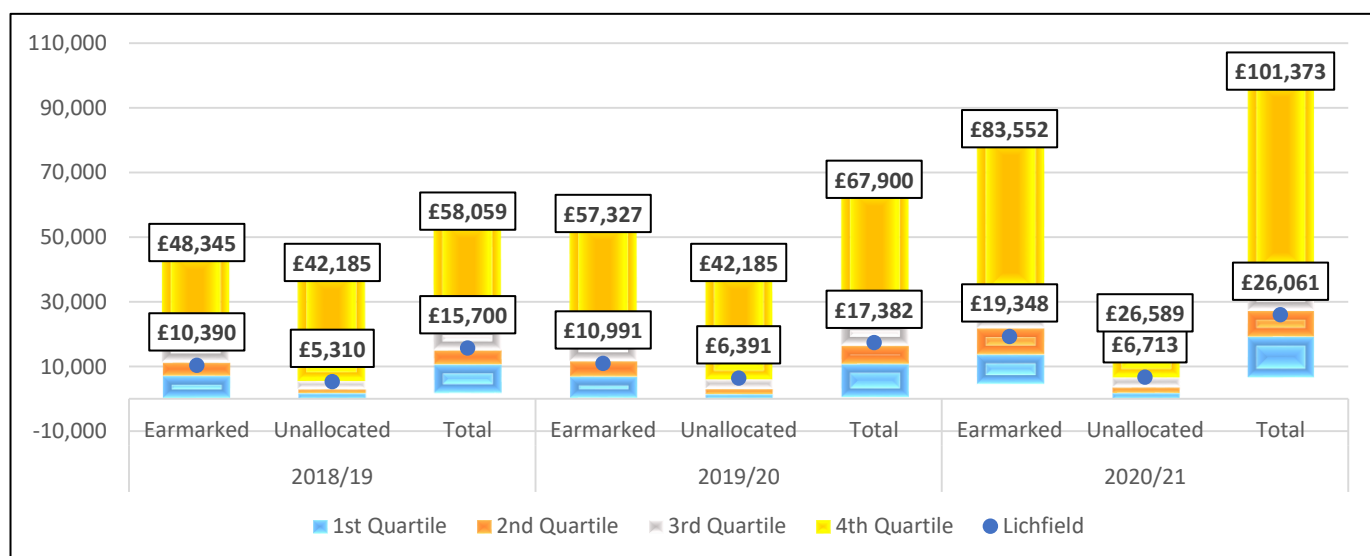
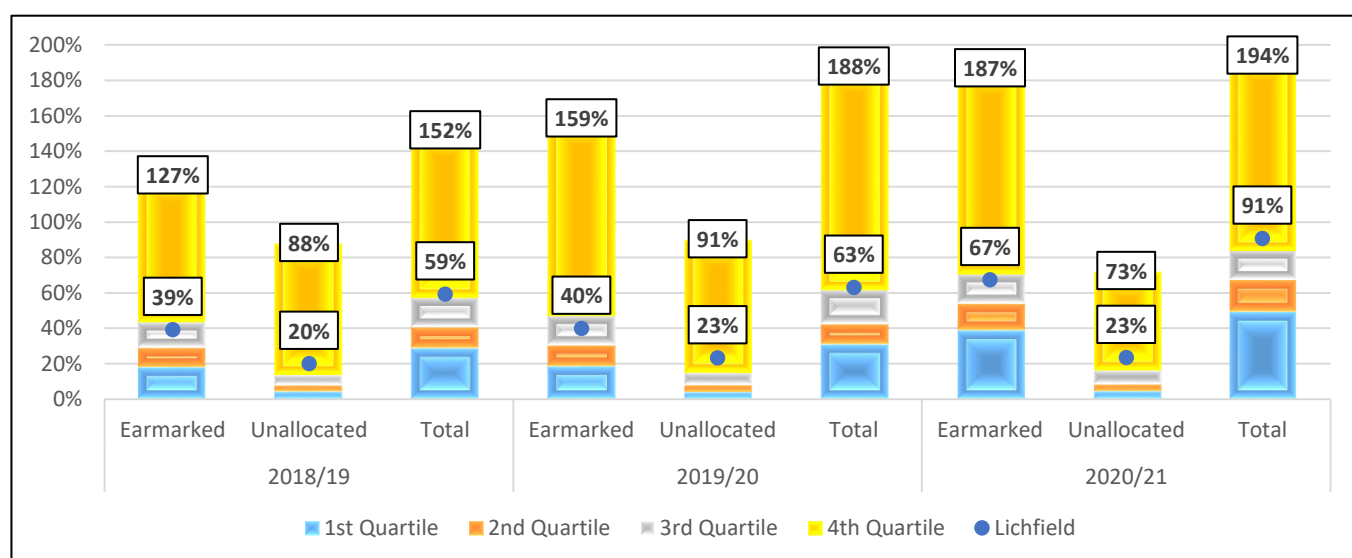
- From 2013/14 there was an upward trend to reflect the additional risks related to the localisation of Local Council Tax Support and the introduction of the Retained Business Rates regime.
- From 2020/21 there was a significant increase in earmarked reserves to reflect COVID grants received to offset expenditure pressures and income reductions such as business rate reliefs.
- Reserve levels are projected to reduce significantly over the next two years as the COVID grants are used to offset Collection Fund deficits for Council Tax and Business Rates.

Reserve Level Comparisons

3.7. There are a number of sources of information that can be utilised to provide an indication of how the Council's earmarked and general reserves compare to other District Councils and Nearest Neighbours:

- A comparison showing earmarked and general reserves as a percentage of net expenditure and in absolute terms utilising the Government's Revenue Outturn (RO) forms for all District Councils.
- The CIPFA resilience index measures compared to all District Councils and Nearest Neighbours.
- The External Auditor's Annual Audit Report.

3.8. 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) included in the Money Matters Report to Cabinet on 7 December 2021, is shown for the three most recent years in the charts below:



- 3.9. CIPFA's Financial Resilience Index is a comparative analytical tool that may be used by Chief Financial Officers to support good financial management and provide a common understanding within a Council of their financial position.
- 3.10. The Index shows a Council's position on a range of measures associated with financial risk. The index is designed to support and improve discussions surrounding local authority financial resilience by showing a council's performance against a range of measures associated with financial risk.
- 3.11. There are eight indicators of financial stress for District Councils with three specifically related to general and earmarked reserves. The three reserve indicators are explained below:

Indicators	Explanation of the Indicator	What does each Indicator show
Reserves sustainability measure	How long an authority's reserves will last if they continue drawing them down at the same rate	This measure shows the ratio of the current level of reserves and the average change in reserves in the past three years. The longer an authority's reserves will last, the less risk – reductions may also be due to planned reductions such as use to fund capital expenditure
Level of reserves	Earmarked and unallocated general reserves	Lower levels of reserves imply higher risk
Change in reserves	Percentage change in reserves over the past three years	Negative changes imply higher risk – reductions may also be due to planned reductions such as use to fund capital expenditure

- 3.12. The results of the last three CIPFA Resilience Index statistical releases reported to Audit and Member Standards Committee on 21 July 2022 are shown in the table below:

Indicators of Financial Stress	Nearest Neighbours			District Councils		
	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
Reserves sustainability measure	Medium Risk	Medium Risk	Medium Risk	Lower Risk	Lower Risk	Medium Risk
Level of reserves	Lower Risk	Lower Risk	Lower Risk	Lower Risk	Lower Risk	Medium Risk
Change in reserves	Lower Risk	Lower Risk	Lower Risk	Lower Risk	Lower Risk	Lower Risk

- 3.13. The External Auditor, through their Annual Audit Report 2020/21 presented to Audit and Member Standards Committee on 22 April 2022, also commented on the level of reserves:

- “The Council has a strong balance sheet and robust usable reserves of **£32.7m** as at 31 March 2021.
- A council is to be deemed at risk if usable reserves dip below **5%** of its net cost of services. Lichfield is not currently close to this level.
- When compared to comparator District/Borough Councils within Staffordshire, in terms of usable reserves as a % of Net Cost of Services, Lichfield ranked third out of seven, with a level of **228%** against an average for the region of **230%**. On a national scale, out of 163 comparator organisations for whom information was available, Lichfield ranked 87 at **228%** against an average at national level of **392%**.
- CIPFA's Financial Resilience Index for the 2020/21 financial year gives a similarly positive message, with the authority rated as medium or lower risk on the majority of financial stress indicators.
- Our view is the Council has a robust level of reserves which are not anticipated to be depleted over the course of the MTFS. Furthermore, CIPFA shows an overall upwards trend on level of reserves, which is set to continue in 21/22, reflective of the Council's overall prudent reserves policy.”

- 3.14. All of 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.
- 3.15. However, it is important to note that whilst the short term picture based on the increases in reserves may appear to suggest that generally local government finances are sustainable, there remains concern about the medium-term to long-term outlook which remains unsettled and uncertain.

The Capital Strategy, Earmarked Reserves and Moving Forward

- 3.16. The Capital Strategy approved by Council on 22 February 2022 included a risk assessment by the Chief Finance Officer.
- 3.17. This risk assessment identified a significant risk that the Capital Programme did not include investment to realise all of the Council's Strategic aims including the provision of a new Leisure Centre in Lichfield City and planned redevelopment of the Birmingham Road Site.
- 3.18. The LGA Corporate Peer Challenge commented on investment moving forward including the use of reserves as part of its investment strategy:
- “LDC should also have the confidence to use its finances to support the delivery of its priorities. In order to deliver the organisation’s priorities, resourcing of these is absolutely essential and the peer team recommend that the council give some further consideration of how to effectively do this. For example, LDC has developed reserves through the effective management of its budget and as it now embarks on a significant transformation programme designed to deliver long term savings, the council may need to draw on those reserves to implement this strategy. The council may also want to consider the use of reserves in supporting organisational development within the transformation programme and also how deploying the reserves might play a part in LDC’s wider investment strategy.”
- 3.19. The release of an element of reserves is one option to fund capital investment. However in the current economic climate, there is a balance that will need to be maintained between ensuring financial resilience and the level of reserves released.
- 3.20. Therefore the outcomes from any review of reserves must be:
- The Council must remain financially resilient and continue to provide essential services in a sustainable way. Therefore only earmarked reserves will be considered for release with general reserves being used to balance the budget to provide resilience.
 - The release of reserves will be focussed on only providing funding for strategic priorities.
 - The cost of financing capital investment and therefore the impact on the revenue budget will be minimised given other inflationary budget pressures such as pay awards.
 - To be cognisant of the level of reserves held at other District and Nearest Neighbour Councils whilst taking into account the specific financial risks at this Council.
 - To consider redirecting reserve funding for approved capital investment potentially to those projects that have become a higher strategic priority.
- 3.21. A series of options will now be considered focussed on achieving these outcomes through releasing reserves to support investment in strategic priorities.
- 3.22. The Balance Sheet prepared as part of the Statement of Accounts, and subject to external audit, will be used as the starting point for the review with usable reserves at 1 April 2022 being **£31,527,000**.

The Options Considered

- 3.23. Investments at 1 April 2022 were **£49.140m** consisting working capital (legally due to be paid to other organisations such as Council Tax and Business Rates) of **£17.613m** and usable reserves of **£31.527m**.
- 3.24. The first stage of the review is to remove from the scope any reserves that have limitations over their use:

	Actual £000s
Total Usable Reserves at 1 April 2022	(31,527)
Less: Earmarked Reserves - Restricted to COVID-19	4,870
Less: Earmarked Reserves - Restricted to Contractual, Legal & Partnership purposes	5,044
Less: General Reserves - Minimum Level	1,600
Less: Capital Grants Unapplied	4,057
Sub Total - Out of Scope	15,571
Usable Reserves in Scope	(15,957)

- 3.25. The second stage of the review is to understand how the reserves in scope are projected to change over the next five years and this is shown in detail at **APPENDIX C** and in summary below:

	General Reserves - Available £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Total £000s
Opening Balance - In Scope	(5,246)	(7,783)	(2,928)	(15,957)
Funding the Capital Programme	1,261	2,077	2,607	5,945
Housing RTB receipts Full Council approval for Housing Strategy			469	469
Transfers to or (from) the Revenue Budget		362		362
Set aside to manage specific financial risks		3,288		3,288
Maintaining a Balanced Revenue Budget	4,513			4,513
New Homes Bonus in excess of the capped level	(280)			(280)
Council Tax and Business Rates surplus Money Matters 2022/23	(292)			(292)
New Capital Receipts			(148)	(148)
Closing Balance - In Scope	(44)	(2,056)	0	(2,100)

- 3.26. The Capital Programme and its funding from unrestricted earmarked reserves and capital receipts is shown at **APPENDIX D**.
- 3.27. This stage of the review has identified **£2,100,000** (including **£1,320,000** of the strategic priorities reserve) that can be used to fund strategic priorities.
- 3.28. The final stage of the review is to identify any approved reserves funding that can be repurposed to fund strategic priorities and this is shown in detail at **APPENDIX E**.
- 3.29. This stage of the review has identified a range of reserve funding that could be repurposed of between **(£2,684,000)** and **(£6,781,000)** based on different levels of operational risk.
- 3.30. The recommended level, excluding those assessed to have a high operational risk, is **(£5,169,000)**:
- The release of uncommitted earmarked reserves of **(£2,100,000)**.
 - Capital Programme – release the equipment storage budget of **(£111,000)**.
 - Capital Programme – reduce the coach park budget to £350,000 a saving of **(£273,000)**.
 - Capital Programme – reduce the loan to the Company to £150,000 a saving of **(£525,000)**.
 - Revenue Budget – release unallocated and uncommitted Risk and Recovery Funding of **(£709,000)**.
 - Revenue Budget – release uncommitted element of strategic budget of £1,200,000 a saving of **(£500,000)**.
 - The release other earmarked reserves of **(£951,000)**.

3.31. It is also recommended that:

- The sale of Venture House is approved with a capital receipt budget of **(£650,000)** being included in the Medium Term Financial Strategy.
- A capital project of **£2,000,000** is included in the Capital Programme to support enabling works on the Birmingham Road Site.

Alternative Options	The level of reserves could remain at the current level.																		
Consultation	There will be consultation with the Overview and Scrutiny Committee as part of the development of the updated Medium Term Financial Strategy.																		
Financial Implications	<p>The strategic priorities earmarked reserve projection is shown below:</p> <table> <tr> <th></th><th>£000s</th></tr> <tr> <td>Strategic Priorities Earmarked Reserve Balance</td><td>(1,320)</td></tr> <tr> <td>In Scope and Starting Point</td><td>(780)</td></tr> <tr> <td>Sub Total</td><td>(2,100)</td></tr> <tr> <td>Options total</td><td>(3,069)</td></tr> <tr> <td>Total from Reserves Review</td><td>(5,169)</td></tr> <tr> <td>Less: BRS Enabling Works</td><td>2,000</td></tr> <tr> <td>Sale of Venture House</td><td>(650)</td></tr> <tr> <td>Strategic Priorities Earmarked Reserve Balance</td><td>(3,819)</td></tr> </table> <p>The potential sale of further assets would increase the level of the capital receipts reserve that could be used to fund additional capital investment, reduce planned borrowing or to reduce the use of earmarked reserves thereby increasing the level of usable reserves.</p>		£000s	Strategic Priorities Earmarked Reserve Balance	(1,320)	In Scope and Starting Point	(780)	Sub Total	(2,100)	Options total	(3,069)	Total from Reserves Review	(5,169)	Less: BRS Enabling Works	2,000	Sale of Venture House	(650)	Strategic Priorities Earmarked Reserve Balance	(3,819)
	£000s																		
Strategic Priorities Earmarked Reserve Balance	(1,320)																		
In Scope and Starting Point	(780)																		
Sub Total	(2,100)																		
Options total	(3,069)																		
Total from Reserves Review	(5,169)																		
Less: BRS Enabling Works	2,000																		
Sale of Venture House	(650)																		
Strategic Priorities Earmarked Reserve Balance	(3,819)																		
Approved by Section 151 Officer	Yes																		
Legal Implications	<p>No specific legal implications The Council has a statutory duty to set a balanced budget.</p> <p>The recommended Medium Term Financial Strategy, is part of the Budget Framework and will therefore require the approval of Full Council.</p>																		
Approved by Monitoring Officer	Yes																		
Contribution to the Delivery of the Strategic Plan	The report directly links to overall performance and especially the delivery of the Strategic Plan.																		
Equality, Diversity and Human Rights Implications	These areas are addressed as part of the specific areas of activity prior to being included in the Strategic Plan.																		
Crime & Safety Issues	These areas are addressed as part of the specific areas of activity prior to being included in the Strategic Plan.																		
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**

There are no specific implications related to the Medium Term Financial Strategy.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
Strategic Risk SR1 - Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of Finance				
A	Council Tax is not set by the Statutory Date of 11 March 2023	Likelihood : Green Impact : Red Severity of Risk : Yellow	Full Council sets with reference to when major preceptors and Parishes have approved their Council Tax Requirements.	Likelihood : Green Impact : Red Severity of Risk : Yellow
B	Implementation of the Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations	Likelihood : Yellow Impact : Red Severity of Risk : Red	To closely monitor the level of appeals. An allowance for appeals has been included in the Business Rate Estimates.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
C	The review of the New Homes Bonus regime	Likelihood : Red Impact : Red Severity of Risk : Red	The Council responded to the recent consultation. Not all of the projected New Homes Bonus is included as core funding in the Base Budget. In 2022/23 £400,000 is included with the balance transferred to general reserves. At this stage, no income is assumed from 2023/24 onwards.	Likelihood : Red Impact : Yellow Severity of Risk : Yellow
D	The increased Localisation of Business Rates and the Review of Needs and Resources	Likelihood : Red Impact : Red Severity of Risk : Red	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
E	The affordability and risk associated with the Capital Strategy	Likelihood : Yellow Impact : Red Severity of Risk : Red	An estates management team has been recruited to provide professional expertise and advice in relation to property and to continue to take a prudent approach to budgeting.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
F	Sustained higher levels of inflation in the economy	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow	To maintain a watching brief on economic forecasts, ensure estimates reflect latest economic projections and where possible ensure income increases are maximised to mitigate any additional cost.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
Strategic Risk SR3: Capacity and capability to deliver / strategic plan to the emerging landscape				
G	The Council cannot achieve its approved Delivery Plan for 2022/23	Likelihood : Yellow Impact : Red Severity of Risk : Red	There will need to be consideration of additional resourcing and/or reprioritisation to reflect the ongoing impact of the pandemic.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
H	The resources available in the medium to longer term to deliver the Strategic Plan are diminished	Likelihood : Yellow Impact : Red Severity of Risk : Red	The MTFS will be updated through the normal review and approval process/	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
I	Government and Regulatory Bodies introduce significant changes to the operating environment	Likelihood : Red Impact : Red Severity of Risk : Red	To review all proposed policy changes and respond to all consultations to influence outcomes in the Council's favour.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
	Background documents <ul style="list-style-type: none"> • Medium Term Financial Strategy (Revenue and Capital) 2021-2026 (MTFS) – Cabinet 8 February 2022 • Money Matters: 2021/22 Review of Financial Performance against the Financial Strategy – Cabinet 7 June 2022 • Medium Term Financial Strategy (MTFS) – Cabinet 11 July 2022 • Money Matters: 2022/23 Review of Financial Performance against the Financial Strategy – Cabinet 6 September 2022 			
	Relevant web links			

Earmarked Reserves Policy

July 2021

The policy is based around:

- A continued distinction between those earmarked reserves required by legal or partnership agreements (restricted) and all other earmarked reserves (unrestricted).
- A continued recognition of the Council's governance process (or as a result of a legal or partnership agreement) for establishing and managing earmarked reserves.
- The establishment of a minimum threshold for unrestricted earmarked reserves. Any sums below the threshold will be transferred to general reserves.
- A carry forward category will be created where there is a one year timing difference between budget and spend.
- The request process for new unrestricted earmarked reserves or transfers to existing earmarked reserves in excess of the minimum threshold will continue and Leadership Team will continue to approve these requests.
- As part of the decision making process, Leadership Team will consider the overall level of earmarked reserves in light of wider trends including their level relative to other District Councils using advisory ceilings. The establishment of an advisory unrestricted earmarked reserves ceiling based on a percentage of the Original Managed Budget would help in assessing whether earmarked reserves are excessive in terms of relative economic activity.
- The establishment of a time limit on spend for an earmarked reserve. Any unrestricted earmarked reserves or carry forwards not spent within the approved time frame will be transferred to general reserves.

Guidance Criteria	Agreed Guidance
Use (Drawdown) of Earmarked Reserves	Earmarked Reserves will be drawn down by the Business Advisor following the approval of the Budget Holder and up to the maximum value of the Reserve. As part of the draw down process consideration will also be given to the financial performance of both the Service Area and the Council overall.
Unrestricted earmarked reserves minimum threshold	A threshold for new reserves of £75,000 . Below the threshold, the sum will be transferred to general reserves and managed through normal budget monitoring in the following financial year. Above the threshold, requires Leadership Team Approval The threshold amount is only relevant at the point of creating the unrestricted earmarked reserve. An existing unrestricted earmarked can be held at less than the threshold value given the time limit on spend.
Approval of one year carry forwards	A one year carry forward of any level can only be established with the agreement of a Business Advisor.
Unrestricted earmarked reserves advisory ceiling	There is an advisory ceiling based on 10% of a Service Area's Original Managed Budget. The advisory levels for 2022/23 total £3,420,000 . These will be updated each year in line with the approval of the Original Budget. Unrestricted earmarked reserves will only be able to be maintained above this level in exceptional circumstances.
Unrestricted earmarked reserves time limit on spend	There is a maximum 3 year time limit for spend following the year of approval unless a Cabinet approval has been obtained. Any unrestricted earmarked reserve that has not been spent in this time limit will automatically be returned to general reserves unless a business case to continue is agreed by Leadership Team.

The Trend of Usable Reserves

	2011/12 £000s	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
Earmarked Reserves - Unrestricted	1,663	1,608	2,194	2,593	2,675	3,260	4,227	6,592	6,794	6,840	7,783
Earmarked Reserves - Restricted	1,319	1,515	1,887	2,306	2,982	2,982	3,534	3,798	4,197	4,204	5,044
Earmarked Reserves - COVID	0	0	0	0	0	0	0	0	0	8,304	4,870
General Reserves (including Minimum Level of £1.6m)	3,076	2,953	2,810	2,998	4,279	4,971	4,521	5,310	6,392	6,714	6,846
Earmarked & General Reserves	6,058	6,076	6,891	7,897	9,936	11,213	12,282	15,700	17,383	26,063	24,542
Capital Receipts	2,066	1,882	1,463	1,353	2,644	3,190	3,331	2,264	2,921	3,107	2,928
Earmarked Reserves, General Reserves & Capital Receipts	8,124	7,958	8,354	9,250	12,580	14,403	15,613	17,964	20,304	29,170	27,470
Capital Grants Unapplied	1,269	1,248	1,328	1,733	1,244	1,460	1,642	2,194	2,938	3,618	4,057
Total Usable Reserves	9,393	9,206	9,682	10,983	13,824	15,863	17,255	20,158	23,242	32,788	31,527

Usable Reserve Projections

	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
Earmarked Reserves - Unrestricted	5,850	5,110	4,404	4,177	2,056
Earmarked Reserves - Restricted	2,442	1,995	1,904	1,867	1,826
Earmarked Reserves - COVID	693	647	611	599	599
General Reserves (including Minimum Level of £1.6m)	6,076	5,349	4,385	3,345	1,644
Earmarked & General Reserves	15,060	13,101	11,303	9,988	6,125
Capital Receipts	752	665	401	277	0
Earmarked Reserves, General Reserves & Capital Receipts	15,812	13,766	11,704	10,265	6,125
Capital Grants Unapplied	4,057	4,057	4,057	4,057	4,057
Total Usable Reserves	19,869	17,823	15,761	14,322	10,182

Reserves in Scope 5 Year Projections

	Actual 01/04/2022 £000s	Capital Programme £000s	Housing RTB Receipts £000s	Revenue Budget £000s	Finance Risks £000s	Balanced Budget £000s	New Homes Bonus £000s	Collection Surplus £000s	Capital Receipts £000s	Projected 31/03/2027 £000s
Usable Capital Receipts	(1,889)	2,037							(148)	0
City Centre Redevelopment Sinking Fund	(25)	25								0
Burntwood Leisure Centre Sinking Fund	(69)	69								0
Usable Capital Receipts - Housing	(829)	360	469							0
Property Company Loan	(116)	116								0
Sub Total - Capital	(2,928)	2,607	469	0	0	0	0	0	(148)	0
Self/Custom Build/Brownsfield Grants	(14)			0						(14)
Ecology Net Gain Government Grant	(10)			10						0
Sports Development Get into It Funding	(12)			12						0
Locality Commissioning Funding	(34)			34						0
Neighbourhood Plans Grant	(35)			35						0
Sub Total - Grants	(105)	0	0	91	0	0	0	0	0	(14)
Apprenticeships	(400)	0		400						0
Business Rates Pilot	(599)	599		0						0
Climate Change Initiatives	(74)	0		74						0
Property Company Loan	(559)	559		0						0
Leisure VAT Reclaim - Capital	(163)	158		0						(5)
Friary Grange LC Refurbishment	(77)	0		77						0
People Strategy	(34)	0		34						0
Car Parks Vehicle Sinking Fund	(17)	10		(15)						(22)
Parks Sink Fund	(40)	0		40						0
Grounds Maintenance Vehicles and Equipment Sinking Fund	(363)	518		(155)						0
Environmental Health - Vehicle Maintenance/Replacement	(19)	20		(12)						(11)
Grant Aid -Development Historic Building Grants	(15)	0		(50)						(65)
Multi Storey Car Park Refurbishment	(60)	0		0						(60)
Restructure & Other Costs	(200)	30		0						(170)
Burntwood Works	(160)	120		0						(40)
Community Governance Review Funding	(38)	0		38						0
Sub Total - Policy	(2,818)	2,014	0	431	0	0	0	0	0	(373)

APPENDIX C

	Actual 01/04/2022 £000s	Capital Programme £000s	Housing RTB Receipts £000s	Revenue Budget £000s	Finance Risks £000s	Balanced Budget £000s	New Homes Bonus £000s	Collection Surplus £000s	Capital Receipts £000s	Projected 31/03/2027 £000s
Digitisation Programme	(60)	0		0						(60)
Lichfield City Master Plan	(212)	0		211						(1)
Property Maintenance Sink Fund	(2)	0		2						0
Community Lottery Sink Fund	(2)	0		2						0
Party Wall Lichfield City Council	(40)	0		40						0
University Car Park Sinking Fund	(60)	0		60						0
Trunk Road Sweeping	(49)	0		49						0
Single Customer Account	(73)	0		0						(73)
Leisure VAT Reclaim	(63)	0		0						(63)
Strategic Priorities	(590)	63		(793)						(1,320)
Terms and Conditions Review	(40)	0		40						0
Birmingham Road Site	(73)	0		73						0
Back scanning of Planning Apps	(40)	0		40						0
Improvement Programme	(5)	0		0						(5)
Conservation Policy	(9)	0		9						0
Local Plan Allocations Examination & Review	(240)	0		238						(2)
Ecology Land Search Brief	(13)	0		13						0
Events Budget	(18)	0		0						(18)
Leisure & Parks Restructure	(49)	0		0						(49)
Revenues & Benefits Service Improvement	(74)	0		58						(16)
IDOX Staffing Cost Support	(38)	0		38						0
ICT Additional Staffing	(25)	0		25						0
Lambert Smith Hampton - planning consultant	(12)	0		12						0
Housing Register	(64)	0		64						0
Environmental Health additional staffing	(145)	0		83						(62)
Sub Total - Revenue	(1,996)	63	0	264	0	0	0	0	0	(1,669)
General Fund Balance - available	(5,246)	1,261				4,513	(280)	(292)		(44)
Sub Total - General Reserves	(5,246)	1,261	0	0	0	4,513	(280)	(292)	0	(44)
Zurich Insurance	(29)	0		0	29					0
Lichfield District Council Elections	(205)	0		(144)	349					0

APPENDIX C

	Actual 01/04/2022 £000s	Capital Programme £000s	Housing RTB Receipts £000s	Revenue Budget £000s	Finance Risks £000s	Balanced Budget £000s	New Homes Bonus £000s	Collection Surplus £000s	Capital Receipts £000s	Projected 31/03/2027 £000s
Judicial Review/Planning Appeals	(201)	0		0	201					0
Community Infrastructure Levy Volatility	(108)	0		0	108					0
Business Rates Volatility Reserve	(1,745)	0		0	1,745					0
Strategic Investments Volatility	(329)	0		(145)	474					0
Dry Recycling Contract - LDC Share	(104)	0		0	104					0
Freedom Pensions Guarantee	(114)	0		(135)	249					0
Homeless & Repossession Prevention Fund	(29)	0		0	29					0
Sub Total - Risks	(2,864)	0	0	(424)	3,288	0	0	0	0	0

Sub Total - In Scope	(15,957)	5,945	469	362	3,288	4,513	(280)	(292)	(148)	(2,100)
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Approved Capital Programme funded by Reserves and Capital Receipts

Project	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	Budget				Projection	£000s
	£000s	£000s	£000s	£000s	£000s	
Leisure Centre	2,524	2,260				4,784
Friary Grange LC - Refurbishment	158					158
Lichfield Public Conveniences	40					40
Burntwood Public Conveniences	45					45
Conversion of 36A Bore Street	360					360
Zip Wire Burntwood	30					30
Equipment Storage	111					111
Dual Stream Recycling	267					267
Burntwood Play Equipment	75					75
Coach Park	580	43				623
Property Planned Maintenance	206	213	190	190	230	1,029
ICT Investment	418	50	50	175	175	868
Construction Inflation Contingency	100	100	100	100		400
Vehicles (non-contract hire / lease)	239	179	130	150	165	863
Building a Better Council	665					665
Car Parking	366	150				516
Loan to the Company	675					675
Committee Meeting System	85					85
Approved Capital Programme	6,944	2,995	470	615	570	11,594

Capital Receipts - General	(1,577)	(43)	(190)	(50)	(387)	(2,247)
Capital Receipts - Housing	(360)					(360)
Reserves - Unrestricted	(1,668)	(229)	(180)	0	0	(2,077)
Corporate Revenue	(100)	(313)	(100)	(565)	(183)	(1,261)
Sub Total	(3,705)	(585)	(470)	(615)	(570)	(5,945)
Reserves - Restricted	(715)	(150)	0	0	0	(865)
Approved Funding	(4,420)	(735)	(470)	(615)	(570)	(6,810)

Approved Borrowing Need	2,524	2,260	0	0	0	4,784
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Potential Options to Release Reserves

		Lowest	Mid	Highest	Recommended
		£000s	£000s	£000s	£000s
In Scope and Starting Point		(2,100)	(2,100)	(2,100)	(2,100)
Options to increase this level:	Operational Risk				
Release the equipment storage budget of £111k	Low	(111)	(111)	(111)	(111)
Release the uncommitted HLF Budget	Low	0	(4)	(8)	(8)
Release unallocated Risk and Recovery Funding	Low	0	(133)	(266)	(266)
Reduce the coach park budget from £623k	Low	(273)	(273)	(273)	(273)
Sub Total		(384)	(521)	(658)	(658)
Release uncommitted Risk and Recovery Funding	Medium	0	(222)	(443)	(443)
Release uncommitted £1.2m Strategic Priorities Budget	Medium	(200)	(500)	(800)	(500)
Reduce the Business Rates Reserve to 22/23 Safety Net Level of £1.353m	Medium	0	(392)	(392)	(392)
Reduce the loan to the Company of £675k to working capital only	Medium	0	(263)	(525)	(525)
Reduce the CIL Volatility Reserve	Medium	0	(54)	(108)	(108)
Release uncommitted COVID grants	Medium	0	(222)	(443)	(443)
Sub Total		(200)	(1,652)	(2,711)	(2,411)
Reduce the construction inflation budget of £400k	High	0	(200)	(400)	0
Reduce the Property Planned Maintenance Budget of £1.029m	High	0	(250)	(500)	0
Reduce the ICT investment budget of £868k	High	0	(206)	(412)	0
Sub Total		0	(656)	(1,312)	0
Options total		(584)	(2,829)	(4,681)	(3,069)
Total from Reserves Review		(2,684)	(4,929)	(6,781)	(5,169)
Investment Needs/Other Funding Options:					
Less: BRS Enabling Works		2,400	2,000	1,600	2,000
Sale of Venture House		0	(650)	(1,000)	(650)
Total Available for other Strategic Priorities		(284)	(3,579)	(6,181)	(3,819)

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Lichfield District Youth Council – Policy Proposal

Leader of the Council

Date:	6 September 2022
Agenda Item:	5
Contact Officer:	Simon Fletcher
Tel Number:	07961 202055
Email:	Simon.Fletcher@lichfielddc.gov.uk
Key Decision?	Yes
Local Ward Members	Full Council



CABINET

1. Executive Summary

- 1.1 At its meeting on March 8, 2022, Cabinet approved a new Community Power Strategy. The strategy outlines a vision to better understand, engage and involve our communities in what we do on the basis that, by improving how we engage our communities we can deliver services that matter to them, more effectively.
- 1.2 Our community power objectives stress that we want to 'develop reciprocal relationships and combine institutional and community expertise'. This paper outlines a proposal to achieve the same objectives but with a traditionally 'hard to reach' part of our community, through a Lichfield District Youth Council.
- 1.3 We want to give young people a space and platform to discuss issues that matter to them - helping provide younger residents with a say over the places in which they live and the services they access and interact with.
- 1.4 A 'Youth Council' is a mechanism for achieving this, ensuring that policies and strategies consider their impact on young people and empower young people in their communities to feel part of the solution to local problems – supporting them to be active citizens and leaders of the future. A youth council would be a strong representative body and sounding board, to be consulted on decisions impacting young people in the district, as well as reporting up to Full Council on issues on an informal.

2. Recommendations

That Cabinet:

- 2.1 Approves the creation of a District Youth Council for Lichfield District, providing young people with representation and encouraging active citizenship.
- 2.2 Recommends to Council to approve a £60,000 increase in the Medium-Term Financial Strategy over the next three financial years to provide a budget for the District Youth Council, as set out in the financial implications section of this report.
- 2.3 Recommend to Youth Council that some of their budget is used to fund transport for those children that want to be involved but may not otherwise be able to access the opportunity due to personal/home circumstances.

3. Background

- 3.1 The ambition behind this proposal is to provide all young people in our district, regardless of background, with the opportunity to represent their school, peers and community. We hope to

empower students by providing them with the platform and resources required to build relationships with each other and tackle the issues that matter to them. This will benefit our local schools who will see their young people grow in confidence and become active citizens; developing skills such as debating – while also attending educational workshops and building relationships with other young people. In achieving this, we will fulfil our community power objectives and provide representation to a group that is commonly underrepresented politically.

- 3.2 A very practical benefit of having the Youth Council will be the ability for the council to sense check policies and strategies while they are being developed to understand the impact on this important part of our community.
- 3.3 Youth Councils are common across the country with numerous local authorities successfully supporting them in their area. Subject to Cabinet’s support, our aim is to pilot a Youth Council with two secondary schools, initially, and to develop from there to incorporate all senior schools in the district. We would like to launch the Youth Council by the start of the new academic year, in September 2022.
- 3.4 The Youth Council will be driven by the aspirations and aims of the young people that are elected to it. Officers will support the young people in the management of the council but will commit to not dictate what young people choose to discuss or cover at their meetings.
- 3.5 Subject to Cabinet supporting the proposal to create a Youth Council, officers will seek to recruit the first two or three schools from across the District to become founding members and help establish the new forum. Our aim would then be to engage with other schools to ensure all parts of the district are represented through the Youth Council within the first three years of its operation.
- 3.6 Following research and consultation with Staffordshire Council of Voluntary Youth Services, it is recommended that youth councillors are aged 11-18 and elections are held in our local schools every two years. Schools will manage the election process with the support of LDC officers. As a result, we propose that youth councillors serve 2-year terms. Council meetings will take place on a regular basis in our council chamber or other suitable venues.
- 3.7 Staffordshire Council of Voluntary Youth Services has pledged to support the Youth Council with campaigns, resources, and to help develop a relationship between our youth councillors and the existing Youth Union and national Youth Parliament. The Staffordshire Council of Voluntary Youth Services strategic plan aims to ensure that all children and young people thrive across the country. They have expressed that they want to support us in achieving this in Lichfield District.
- 3.8 Appendix 1 sets out the proposed constitution for the Youth Council.

Alternative Options	<ol style="list-style-type: none">1. Cabinet suggests amendments to the proposed format and running of Youth Council.2. Cabinet decides against adopting a Youth Council.
Consultation	<ol style="list-style-type: none">1. Delivery and structure of Youth Council has been discussed with some schools representatives to understand the level of support likely for this forum.2. Delivery and structure have also been discussed with a representative of Staffordshire Council of Voluntary Youth Services on April 1st.3. Further consultation with other schools will take place as we aim to incorporate all schools in our district.
Financial Implications	<p>The Proposed Medium-Term Financial Strategy over the next three financial years for Youth Council:</p> <p>This budget anticipates yearly growth in the number of schools and councillors sitting on Youth Council. The proposed allocation of budget over the next three years is</p>

	outlined below:								
	<table> <tr> <th>Financial Year</th><th>Budget</th></tr> <tr> <td>2022-2023</td><td>£10,000</td></tr> <tr> <td>2023-2024</td><td>£20,000</td></tr> <tr> <td>2024-2025</td><td>£30,000</td></tr> </table>	Financial Year	Budget	2022-2023	£10,000	2023-2024	£20,000	2024-2025	£30,000
Financial Year	Budget								
2022-2023	£10,000								
2023-2024	£20,000								
2024-2025	£30,000								
Approved by Section 151 Officer	Yes								

Legal Implications	1. Non identified at this stage
Approved by Monitoring Officer	Yes

Contribution to the Delivery of the Strategic Plan	Youth Council would enable young people to help themselves and others, collaborate and engage with us, and live active lives through their active citizenship.
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Equality, Diversity and Human Rights Implications	<ol style="list-style-type: none"> 1. Inclusion and belonging must be at the forefront of Youth Council. 2. All young people must have access to support to help them run for and/or attend Youth Council. 3. We must be committed to pursuing equality of opportunity for all. All those involved in the work of Youth Council will be expected to promote equality and justice at all opportunities and will ensure that no-one is treated unfairly or discriminated against. 4. All those working with Youth Council will be expected to challenge all forms of prejudice and discrimination. 5. We must ensure equality of opportunity between those who share protected characteristics and those who do not. 6. An Equality Impact Assessment must be conducted prior to launch.
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Crime & Safety Issues	1. Potential to assist in supporting and resolving crime and safety issues by providing young people with a voice in their community.
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Environmental Impact	1. At this stage of the process there are no Environmental Impacts.\
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GDPR / Privacy Impact Assessment	2. Non identified at this stage
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	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	The inability of some students to attend Council at Frog Lane due to a lack of available transport resulting in failure to deliver an inclusive and accessible council.	Red likelihood And red impact assessment	Use Youth Council budget or provide a separate budget for the running of minibus transport to and from schools. This will ensure that all children have an opportunity to get to and from the Council House.	Red likelihood And red impact assessment
B	The proposal does not adequately reflect the ambitions of young people. As a result, we have	Yellow likelihood and yellow impact	<p>Actively engaged young people through a promotional campaign in our local schools.</p> <p>Allow Youth Councillors to shape how their</p>	Green likelihood and green impact

	limited candidates and councillors.	assessment	council operates.	assessment
C	Failure to consult all schools in the district before launch resulting in limited representation and consideration for underrepresented groups/areas	Red likelihood and red impact assessment	Before official launch lead a district-wide consultation process to invite all schools to join LDYC.	Red likelihood and red impact assessment
D				
E				

Background documents

- [Community Power Strategy](#)
- SCYVS Strategic Plan:
- Youth Council Constitution

SCYVS Strategic Plan 2020 - 2023



Relevant web links

[Staffordshire Council of Voluntary Youth Services](#)

Appendix 1: Youth Council Constitution

Constitution: Lichfield District Youth Council

Name:

The name of this association shall be Lichfield District Youth Council (LDYC) It shall hereafter be referred to as LDYC in this document.

Aims and Objectives:

- To encourage and initiate communication between young people in the District and local government
- To broaden the opportunities available for all of Lichfield Districts young people and increase the accessibility of said opportunities.
- To support youth councillors in reaching their full potential through training and skills development.
- To provide a voice for young people in Lichfield District and to represent their views to decision makers.
- To ensure that Lichfield District Council is aware of the needs of individuals and groups of young people who may experience disadvantage or are unable to speak for themselves.
- To raise the profile of young people in a positive way.
- To form a range of task groups as and where appropriate to enable the work of the LDYC. These groups will report progress and conclusions to the full Youth Council.
- To work with Staffordshire Council of Voluntary Youth Services (SCVYS) and participate in events with the Youth Union and national Youth Parliament.
- To meet and work with groups and agencies that work with and around the issues affecting young people to ensure the needs of young people are addressed.
- To inform Lichfield District Council and its partners of young people's views so that they can make decisions about young people more effectively.
- To organise, promote, and encourage activities, events and opportunities for young people from Lichfield District.
- To celebrate and promote the achievements and success of young people in Lichfield District.
- Work in partnership with local press to promote the work and views of LDYC.

Membership:

- Initially, LDYC will consist of six elected representatives per school. One third of members must be present to meet quorum.
- Young people can become members by standing for election in their schools. Elections will be held every 2 years.
- All members must be between the ages of 11 and 18 years inclusive on their acceptance to LDYC
- Each member must attend school in Lichfield District.
- A member of LDYC may resign at any time by informing the LDYC Chairperson in writing.
- The Term of Office for each Youth Councillor will be 2 years from the election event. Members are eligible to stand for re-election providing that they still meet the age requirements.

Co-Opted Members

- LDYC aims to be representative of all young people within Lichfield District. Due to the nature of elections, not all groups or certain life defining factors may be represented in the membership of LDYC. These may include:
 - Looked after young people
 - Young carers
 - Young people from ethnic minority backgrounds
 - Young people with disabilities
 - Young people who are parents
 - Young people who are homeless
 - LGBTQ+ Young people
 - Young people from the travelling community
 - Young people who are refugees or asylum seekers
 - Young offenders
- To ensure that the views and voice of these young people are represented, young people from these groups may be co-opted onto LDYC. A co-opted member need not be democratically elected at the annual elections but will be elected by the group they represent (where appropriate). Co-optees have full voting rights and will serve a term of office until the next Election event, where they are eligible to stand for re-election.

Officers:

- LDYC has four officers; Chairperson, Vice Chairperson, Secretary and Treasurer
- Officers hold their posts for one year.
- Officer positions are elected by LDYC members.
- In the absence of the Chair and the Vice Chair, a temporary Chair may be adopted for specific meetings.
- LDYC may appoint other officers, as it considers necessary to meet its needs. These posts will be taken up by elected members of LDYC.

Meetings:

- LDYC will meet once per month in the Lichfield District Council chamber at the Frog Lane premises.
- LDYC may hold additional meetings to address specific issues and tasks as and when is considered necessary.
- LDYC may invite anyone with special knowledge or experience relevant to the aims and objectives of the LDYC to sit in and participate in meetings. These people will have no voting rights.
- All decisions will be made by a majority of members present. Voting will be done on a one member one vote basis. If there is a tie the Chairperson will have the casting vote.
- Decision making by voting can only take place if one third of members are present (not including vacancies).
- Officers will hold strategic planning meetings at least every 3 months. These meetings will formulate plans that will be proposed at full council for final decision making.

Attendance:

- Members of LDYC are expected to attend all full meetings. Where this is not possible, they must send apologies.
- All non-attendance at meetings will be recorded regardless of whether or not apologies have been given.

- Non-attendance is acceptable if apologies have been given prior to the meeting, to the Chairperson or to the LDYC support staff.
- Persistent non-attendance will be addressed by the group. Correspondence will be sent to the non-attending member asking them to attend the next meeting or their membership may cease.

Political Views

- LDYC is a non-party political organisation.
- Members may still hold allegiance and/or membership of a political party but must be aware that they do not represent that party on council.
- Members can meet with any political party at any time as long as it is not used in any way to gain votes for that party.

Voting

- A majority voting system will be used by LDYC, using either a show of hands or where required a secret ballot.
- Where there is a vote split equally, the Chairperson will have the casting vote.

Equal Opportunities:

- All members of LDYC are equal in status. LDYC recognises that we live in a society where discrimination operates to the disadvantage of many groups in society and believes that all persons have the right to be free from discrimination of all types.
- LDYC are committed to pursuing Equality of Opportunity for all. LDYC will ensure fairness is built until all we do. All those involved in the work of LDYC will be expected to promote equality and justice at all opportunities and will ensure that no-one is treated unfairly or discriminated against.
- All those working with LDYC will be expected to challenge all forms of prejudice and discrimination.

Finance and Budget:

- LDYC will be provided with an annual budget as set by Lichfield District Council.
- The LDYC support staff will take responsibility for the monitoring of any finances and budgets, including funds raised by Youth Council members or any external funds received for the Youth Council.
- Any additional funds raised by young people for LDYC will be placed in the LDYC bank account.
- Decision making regarding how the annual budget is spent will be undertaken by the Treasurer, Chair and members of the Youth Council in consultation with support staff. However, youth council holds overall responsibility for budget allocation.

Alterations to the Constitution:

- The Constitution may only be amended by a majority decision at the first annual meeting of LDYC or at a special meeting called for that purpose.

Dissolution:

- LDYC may be dissolved by a majority decision at a meeting of all members, called for this specific purpose.
- The reasons for the dissolution must be put in writing and sent to all members 2 weeks before the meeting.

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