

CABINET

14 FEBRUARY 2023

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MONEY MATTERS 2022/23 : REVIEW OF THE FINANCIAL PERFORMANCE AGAINST THE FINANCIAL STRATEGY APRIL TO NOVEMBER 2022

1. Decision:

The Cabinet:

- 1.1 Noted 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.
- 1.1 Delegated to the Cabinet Member for Waste and Recycling and the Assistant Director for Operations, Regulation and Enforcement authority to agree and implement a two year extension to the vehicle contract with SFS Ltd subject to the cost being within Approved Budgets.
- 1.1 Delegated to the Cabinet Member for Finance and Commissioning and the Assistant Director for Operations, Regulation and Enforcement authority to continue final negotiations and award the contract when all negotiations have been finalised with the preferred bidder subject to the cost being within Approved Budgets.

2. Statement of Reasons:

The report covers the financial performance from April to November (8 Months) for 2022/23.

The progress on the achievement of savings/additional income proposals is shown in detail at APPENDIX A of the Cabinet report and currently projects a shortfall of £598,000 (a reduction of £75,000 compared to the 6 month projection) that will need to be funded by general reserves.

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).
- Approved updates in 2022/23, summarised in APPENDIX A of the Cabinet report, decreasing the contribution by (£1,050,250)
- At this stage, there are no further changes to the 8 month projection.

The Capital Programme is projected to be (£6,582,000) lower than the Approved budget. This is due to the reprofiling of many budgets including the replacement leisure centre (£2,474,000)

Capital Receipts are projected to be the same as the Approved Budget.

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

- Council Tax collection in year performance was 75.60% (75.60% in 2021/22) and total arrears were £3,881,540 and the Council's share is £504,600 (£3,292,749 and £428,057 in 2021/22).
- The Council Tax Collection Fund is projected to be in surplus, with the Council's c12% share being (£63,180) compared to the Approved Budget of £62,560. This additional income of (£125,740) will be included in the 2023/24 budget.

- Sundry Debt for income to be collected in period 8 of 2022/23 has decreased by (£1,622,729) or 42% compared to 2021/22, and the value outstanding has decreased by (£96,075) or 4%.
- 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 surplus, with the Council's 40% share being (£242,000) compared to the Approved Budget deficit of £462,000. This additional income of (£704,000) will be included in the budget in later years.
- 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 77.70% (73.10% in 2021/22) and total arrears were £729,633 and the Council's share is £291,851 (£665,986 and £266,394 in 2021/22).
- The payment of suppliers within 30 days was 81.44% and remains below our 90% target.

The Council's investments achieved a risk status of AA- that was more secure than the aim of A- and yield exceeded all four of the industry standard London Interbank (LIBID) yield benchmarks.

3. Any Alternative Options:

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

MEDIUM TERM FINANCIAL STRATEGY (REVENUE AND CAPITAL) 2023-27

1. Decision:

The Cabinet recommended to Council for approval:

- 1.1 The 2023/24 Revenue Budget of £13,815,000, the Council Tax Requirement of £7,614,000 and a District Council proposed Band D equivalent level of Council Tax for 2023/24 of £187.85 (no increase on 2022/23).
- 1.2 The MTFS 2022-27 Revenue Budgets and the 25 year revenue financial planning model at APPENDIX A of the Cabinet report.
- 1.3 The MTFS 2022-27 Capital Strategy including the 25 year capital investment model and the Capital Programme shown in APPENDICES B & C of the Cabinet report.
- 1.4 The increase in the Minimum Level of General Reserves from £1,600,000 to £1,900,000 based on the current economic climate.
- 1.5 A cost of living contingency budget of £50,000 in 2023/24 and also provisionally for 2024/25.
- 1.6 An in-year growth/contingency budget of £100,000 in 2023/24 and also provisionally for 2024/25.
- 1.7 The transfer of 'windfall' income from the Provisional Finance Settlement estimated at £2,433,000 for 2023/24 and projected at £1,889,000 for 2024/25 to the strategic priorities reserve.
- 1.8 The Minimum Revenue Provision Statement for 2023/24, at APPENDIX D of the Cabinet report, which sets out the Council's policy of using the asset life method for making prudent provision for debt redemption.
- 1.9 Treasury Management Strategy Statement for 2023/24 (with no changes to limits) shown at APPENDIX E of the Cabinet report.
- 1.10 The Investment Strategy Report (APPENDIX F of the Cabinet report) including the proposed limits for 2023/24.
- 1.11 The Capital and Treasury Prudential Indicators for 2022-27 in the financial implications section of the Cabinet report.
- 1.12 The Authorised Limit Prudential Indicator shown within the financial implications section of the Cabinet report.
- 1.13 The award of up to £50 of Council Tax Support Funding to eligible claimants and to delegate authority to the Cabinet Member for Finance and Commissioning and the Assistant Director – Customer, Residents and Business to design and implement a scheme to allocate the remaining funding.

- 1.14 To delegate to the Cabinet Member for Finance and Commissioning and the Assistant Director – Customer, Resident and Business Services to award Retail Discount and Supporting Small Business Relief to businesses which are eligible during 2023/24.

Cabinet noted:

- 1.15 The requirements and duties that the Local Government Act 2003 places on the Authority on how it sets and monitors its Budgets, including the CFO's report on the robustness of the Budget and adequacy of Reserves shown in APPENDIX G of the Cabinet report.
- 1.16 The results of the Budget Consultation summarised at APPENDIX H of the Cabinet report.

2. Statement of Reasons:

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

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

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

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

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

The Treasury Management Strategy Statement and Annual Investment Strategy are also important components of the MTFS and will be considered by the Audit and Member Standards Committee.

The figures provided in this report may differ to those contained in the version to Overview and Scrutiny Committee on 19 January 2023 due to the use of more up to date information.

The timetable for consideration of the MTFS development is summarised at 1.7 of the Cabinet report.

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

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

This report updates forecasts following receipt of the Provisional Local Government Finance Settlement for 2023/24.

The funding of the leisure centre will be considered in a report elsewhere on this agenda.

The Revenue Budget

The Revenue Budget (in £000) with balanced budgets in 2023/24 and 2024/25 and Funding Gaps (shown in red in the graph below) in later years is shown in detail at APPENDIX A of the Cabinet report and is summarised at 1.12 of the Cabinet report.

The Original Budget approved on 22 February 2022 budgeted no transfer to or from General Reserves.

A Report related to financial performance in 2022/23 is elsewhere on the agenda. Based on latest in year performance, a contribution from General Reserves of £1,050,250 is projected.

The MTFS from 2023/24 onwards has been prepared in the context of unprecedented volatility and uncertainty and whilst estimates have been made on the potential impact, there remains significant uncertainty in 2022/23 and subsequent years.

The Council is legally required to balance the budget in the first year of 2023/24 and to set out its proposals to balance the further financial years. In 2023/24 a 'balanced budget' is recommended.

In later years, it is assumed that the Review of Needs and Resources (Fair Funding Review), Business Rates Reform and a new housing incentive scheme will be implemented from 2025/26. It is projected that District Councils including Lichfield DC will be detrimentally impacted by these changes through lower funding and therefore at this stage Funding Gaps are projected.

At the end of 2023/24, the Council is projected to have £6,075,000 of total general reserves (£4,175,000 after taking account of the Minimum Level of Reserves of £1,900,000) to assist with balancing the budget.

General Reserves, based on current projections, are sufficient to balance the budget until 2026/27. However, this is not a sustainable approach, and the Council will need to identify potential options to close the Funding Gap.

The Capital Strategy, the Capital Programme and Treasury Management

The Capital Strategy, the Capital Programme and Treasury Management related items are outlined in APPENDICES B,C,D, E and F of the Cabinet report.

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

In accordance with the Local Government Act 2003 (Sections 25-27) and to comply with CIPFA Guidance on Local Authority Reserves and Balances, the CFO is required to formally report to Members on the robustness of the Budget and the adequacy of Reserves (APPENDIX G of the Cabinet report).

Budget Consultation

The results of the Budget Consultation for 2023/24 are summarised in the consultation section and the comments are provided at APPENDIX H of the Cabinet report.

3. Any Alternative Options:

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

LOCAL COUNCIL TAX SUPPORT SCHEME

1. Decision:

The Cabinet recommended to Council:

- 1.1 The approval of a new income banded Local Council Tax Support Scheme (LCTS) for working age claimants that will come into effect on 1 April 2023 in line with the proposed regulations (detailed in Appendix 1 of the Cabinet report).
- 1.2 The retention of extended payments within the new scheme which will better support residents who gain employment (see 3.25 of the Cabinet report). This is a change to the scheme that was consulted on and was fully supported by Overview & Scrutiny on 17 November 2022.
- 1.3 That the new scheme will disregard the Disabled Child Element of Universal Credit, the Severely Disabled Child Element of Universal Credit and the Carers Element of Universal Credit as income. This is also a change to the scheme that was originally consulted on and is proposed following a detailed Equality Impact Assessment (see 3.25 of the Cabinet report).

The Cabinet:

- 1.4 Noted that a review of the scheme will be brought back to O&S and Cabinet within twelve months of its launch to consider its benefits and any negative impacts, so it can be tailored in future years to offer the best support possible to residents.

2. Statement of Reasons:

Lichfield District Council has consulted widely on proposed changes to its Local Council Tax Support Scheme (LCTS) for working-age claimants.

The proposed changes include:

1. Introducing an income-based banded discount scheme.
2. Allowing residents in all council tax bands to claim council tax support in line with their council tax banding, if eligible.
3. Not considering the housing element of Universal Credit when calculating income.
4. Not considering Personal Independence Payments and Disability Living Allowance when calculating income and providing a further £85 per week disregard where an applicant, their partner or a dependant is in receipt of a disability benefit.
5. Not considering Carer's Allowance, the support component of the Employment & Support Allowance or Child Benefit when calculating income.
6. Not considering War Pensions, War Widows/Widower's Pensions or War Disablement Pensions when calculating income.
7. Altering/awarding a claimant's support based on the date a new claim or change is submitted, rather than weekly.
8. Introducing a standard £50 per week earnings disregard for all working applicants.

9. Limiting the number of dependent children within the calculation for council tax support to a maximum of two for all applicants.
10. Removing non-dependant deductions.
11. Removing extended payments.
12. Changing the backdating provisions within the scheme.

The aim of the proposed changes is to make the scheme:

- Better for claimants Provide more financial support to residents on the lowest incomes, distribute the support given more fairly to claimants based on their incomes and circumstances, create less paperwork and confusion, provide more financial stability, and deliver greater customer satisfaction. Reduce debt recovery activity carried out with the most financially vulnerable residents.
- Better for council taxpayers Allow the council to streamline administration and reduce unnecessary paperwork and costs.

1,619 residents gave their views over a 12-week period on the proposed changes and all changes were supported by most respondents (see Appendix 1 of the Cabinet report).

The major preceptors, including Police, Fire and Staffordshire County Council, were consulted in relation to the changes and all were supportive of the changes.

The scheme is more generous than the current scheme, and if approved will see approximately £600,000 more financial assistance is provided to the community in the form of council tax support by the council and its precepting partners. The actual cost of the scheme for 2023/24 will be known when the council's annual billing activity commences in February 2023.

3. Any Alternative Options:

The alternative to introducing a new scheme for Local Council Tax Support Scheme from 2023/2024 is to leave the existing scheme in place. This would be a short-term option, lead to increasing costs of administration and in the longer term, could significantly affect the collection of council tax and the effectiveness of the scheme to support households within the council's area.

REVISED HOUSING ALLOCATIONS SCHEME

1. Decision:

The Cabinet:

- 1.1 Approved the revised Allocations Scheme at Appendix A of the Cabinet report. A version of the proposed Allocations Scheme showing tracked change is included at Appendix B of the Cabinet report.
- 1.2 Delegated authority to the Cabinet Member for Housing, Ecology and Climate Change to approve future minor amendments of the Allocations Scheme.

2. Statement of Reasons:

This report sets out the proposals for revisions to the Allocation Scheme for social rented housing, which has been in place since 1 April 2021. After a full review of the scheme, it was identified that there are certain elements that need amending and clarifying.

The proposed changes will be beneficial to customers applying to the register, improving their experience, and promoting a better use of the social housing stock within the district.

3. Any Alternative Options:

To not update the allocations scheme:

- This is not recommended, as the operation of the scheme in the first year has shown that changes are needed for it to continue to operate effectively.
- It is a legal requirement for the local authority to have an allocation scheme in place as a way of prioritising applicants to vacancies in social housing. We recognise that the existing allocation scheme needs revising.
- Retaining the existing scheme unchanged could lead to continued customer dissatisfaction and financial costs associated with officer time. The revised scheme is fairer and more transparent for applicants.

COMMUNITY INFRASTRUCTURE LEVY (CIL) ALLOCATION

1. Decision:

The Cabinet:

- 1.1 Approved the allocation of up to £1.45m of the Community Infrastructure Levy (CIL) funds to the highest scoring bid from Lichfield District Council to develop 7 projects, identified through community engagement, to extend sport and leisure activities and facilities across the district.
- 1.2 Approved the allocation of £100,000 of the CIL funds to Chasetown Football Club for the development of a 3/4G football Turf Pitch, in line with the findings of the Sport England's Strategic Outcome Planning Model.
- 1.3 Agreed to retain the remaining CIL monies for a future bidding round.
- 1.4 Recommended to Council an update to the Medium-Term Financial Strategy (MTFS) based on the capital and revenue implications included within the financial implications section of the Cabinet report.

2. Statement of Reasons:

This report introduces a proposal for the allocation of this round (2nd of 2022) of Community Infrastructure Levy (CIL) funding. It sets out the CIL process and amount of funding available as well as introducing the bids received from community groups and other organisations through the latest call for submissions in September 2022. It recommends awarding the funding available to the council's strategic priorities and specifically to projects that support delivery of a new leisure centre at Stychbrook Park in Lichfield city and additional 3/4G pitches in the district.

3. Any Alternative Options:

1. To not allocate the funding to the two top scoring projects and instead allocate the funding to other projects that have submitted bids. This means that we will be unable to have the essential sport and leisure facilities that have been identified for the district.
2. To not allocate any funding and continue to accrue monies to create a larger pot that can be used for delivery of some of the projects that currently have not fully secured match funding or new projects in a further bidding round.

FUTURE OF THE COMMUNICATIONS FUNCTION

1. Decision:

The Cabinet:

- 1.1 Approved transfer of the provision of communications functions to the Council's wholly owned trading company (Lichfield West Midlands Traded Services) for the period 2023–2028.
- 1.2 Delegated to the Chief Operating Officer the ability to make minor changes to the scope of Communications services provided by the Company subject to any changes being funded from Approved Budgets.

2. Statement of Reasons:

How well or otherwise we communicate and engage with our residents, businesses, and partners over both how they can successfully transact with our services, and over our priorities for the district is key to our improving as a council and to what residents think about us.

This paper reflects on how well we currently communicate, what our residents currently think of us and proposes a new arrangement for our communications activities over the next five years.

3. Any Alternative Options:

1. Retain and Develop the Service in house – there is a risk that key staff will not be attracted to or retained by the Council. The Communications function is not a 'core' council service and the Council does not have the flexibility and focus to develop commercial opportunities and to invest in, develop and grow the Service. This option is not recommended.
2. Outsource to a Private Sector Provider – the service will need to be specified, tendered, and contracted requiring significant resource and time to complete. In addition, staff will be required to oversee and manage the relationship and the Council will exert little influence over the trading relationship and running of the company. This option is not recommended.

NEW LEISURE FACILITY - STYCHBROOK PARK

1. Decision:

The Cabinet:

- 1.1 Approved the principle of funding a new, purpose-built leisure centre at Stychbrook Park, in Lichfield based on £10m of funding provided by the Council.
- 1.2 Recommended to Council to approve the Capital Financing Requirement (Borrowing Need) of £5m being initially funded by Internal Borrowing.
- 1.3 Recommended to Council an update to the Medium-Term Financial Strategy based on the financial implications section of this report. In the event increases in Approved Budgets become necessary then the changes will be subject to further approval by Council prior to contracts being completed in line with Contract and Financial Procedure Rules.
- 1.4 Delegated authority to the Leader and Chief Executive in consultation with the Monitoring Officer and the Section 151 Officer to complete all contracts and funding agreements necessary to successfully deliver the new leisure centre subject to the financial implications being within Approved Budgets.

2. Statement of Reasons:

This report proposes a second significant investment this financial year by the council, in line with its recently reviewed reserves policy and in its role as place-shaper for our district, following the December 2022 decision to support investment in a new cinema.

It seeks Cabinet support to fund a new, purpose-built leisure centre at Stychbrook Park, in Lichfield. The new centre will replace the current facility at the Friary Grange. This investment, alongside a proposed investment in additional sport and leisure activities (see CIL paper on this agenda), will help encourage more people in the district to live healthy and active lives.

3. Any Alternative Options:

1. To continue to maintain Friary Grange Leisure Centre, however this facility is coming to the end of its economic life.
2. To reconsider the alternative sites, however all have significant planning policy or feasibility problems and have been ruled out previously. They would all require some form of site investigation survey process and potentially the need for Appropriation, where they are Public Open Space, prior to any planning work taking place so would also add at least 12 months to any delivery programme.

IN-SOURCING LEISURE PROVISION

1. Decision:

The Cabinet:

- 1.1 Approved and recommended to full Council a mutually agreed termination of the Leisure Operating Contract with Freedom Leisure.
- 1.2 Approved the transfer of the management, budget, and operation of the council's leisure portfolio (comprising Burntwood Leisure Centre and Friary Grange Leisure Centre) to the Council's wholly owned company / new organisational structure as appropriate with the Company assuming responsibility for paying the contract commercial bid and contracted indexing to the Council from 1 April 2023 to 31 December 2027 as detailed in the financial implications section of the cabinet report.
- 1.3 Approved and recommended to full Council that the payment received from Freedom Leisure (as set out in paragraph 2.3 of the confidential report) be set aside in an earmarked reserve held by the Council to cover additional costs of energy supply in 2023/24 and 2024/25 within the wholly owned company / new organisational structure and thereafter revert to General Reserves.
- 1.4 Delegated authority to the Cabinet Member for Parks and Leisure and the Chief Executive in consultation with the Monitoring Officer to negotiate and agree any agreements necessary to complete the transfer subject to them being within Approved Budgets.

2. Statement of Reasons:

The council has been approached by Freedom Leisure to agree a termination of the Leisure Operating Contract with them on 1 April 2023. The request follows several months of ongoing discussion and negotiation about the future of the contract in response to Freedom's requests for further financial support over the coming two financial years, as a result of the energy price increases.

The paper proposes a mutually agreed termination of the Leisure Operating Contract with Freedom Leisure and, subsequently, the transfer of the management and operation of the council's leisure portfolio (comprising Burntwood Leisure Centre and Friary Grange Leisure Centre) to Lichfield West Midlands Traded Services (LWMTS), the Council's wholly owned company.

3. Any Alternative Options:

1. Cabinet could decide not to transfer the leisure operating contract into the LWMTS and to continue to hold Freedom Leisure to account in respect to the existing leisure outsource contract. Freedom Leisure have continued to implement cost cutting options, despite the council's objections and this is likely to continue leaving the facilities with higher charges, fewer staff, less health and wellbeing activities, smaller timetables, reduced opening times and the potential removal of higher cost facilities such as the health suite. This impairs the council's ability to support its community

and we could end up with facilities that are open less frequently and become less affordable to those in most need in our community.

2. The council revisit the leisure market and seek tenders from leisure operators to take over the contract. This could take between 12-18 months and is unlikely to provide any betterment to the existing leisure contract due to it being based on financial performance. The leisure market is slowly recovering from the effects of the COVID 19 pandemic and are facing challenges such as the cost of living crisis and high fuel costs meaning that appetite from the market to take on new commercial contracts is slim unless the financial risks are either shared, or more likely fully sit with the local authority.

