

CABINET

6 FEBRUARY 2024

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MONEY MATTERS 2023/24 : FINANCIAL MONITORING

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.
- 1.2 Approved the commencement of an open procurement process and delegated the award of the contract for the housing redevelopment for the Bore Street Shops to the Cabinet Member for Finance and Commissioning subject to the full cost being within Approved Budgets.
- 1.3 Approved the commissioning works to enable the Council to prepare for mandatory Biodiversity Net Gain (BGN) and establish a brokerage service from LWMTS for £70,000 (funded by BNG grant of £52,857 and Council funding of £17,143).

2. Statement of Reasons:

The report covers the financial performance from April to November (8 Months) for 2023/24.

The Medium Term Financial Strategy projected general reserves at 31 March 2024 would be £6,075,329. At this stage, general reserves are forecast to be £5,835,224, a decrease of (£240,105) related to:

- A lower than budgeted contribution in 2022/23 of (£90,665).
- Projected use in 2023/24 of (£149,440) as summarised in APPENDIX A. This is the same projected level as the 6 month projection.

Leisure centres and their income are projected to be £100,000 lower than the budget and this shortfall will be funded from the earmarked reserve. The budget performance will need to be kept under review given the level of financial risk related to leisure centre income.

At the eight month's stage, there are no significant financial risks that need to be highlighted to the Council as shareholder in relation to LWMTS financial performance.

The Capital Programme is projected to be £10,820,000 which is £1,010,000 higher than the Approved Budget. This is due to the reprofiling of major projects such as the land exchange of 32-44 Bakers Lane.

Capital Receipts are projected to be (£2,581,000) which is (£1,636,000) higher than the Approved Budget. A 'notional' capital receipt of (£1,478,000) related to the land exchange of exchanging the freehold of the remainder of the Three Spires Shopping Centre for the leasehold of 32-44 Bakers Lane is included.

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

- Council Tax collection in year performance was 75.20% (75.60% in 2022/23) and total arrears were £4,698,423 and the Council's share is £551,889 (£3,881,540 and £455,936 in 2022/23).
- The Council Tax Collection Fund is projected to be in surplus, with the Council's c12% share being (£99,000) compared to the Approved Budget of £0. This additional income of (£99,000) will be included in the 2024/25 budget.

- Sundry Debt for income to be collected in 2023/24 has increased by £497,365 or 23% compared to 2022/23, and the value outstanding at 30 September 2023 has increased by £1,495,462 or 73%.
- Retained Business Rate Income is projected to be (£3,464,100) in line with the Approved Budget.
- The Business Rates Collection Fund is projected to be in surplus, with the Council's 40% share being (£1,130,000) compared to the Approved Budget of £0. This additional income of (£1,130,000) will be included in the 2024/25 budget.
- Business Rates collection in year performance was 75.80% (77.70% in 2022/23) and total arrears were £665,171 and the Council's share is £266,068 (£729,633 and £291,853 in 2022/23).
- The payment of suppliers within 30 days was 91.80%, which is above our 90% target.

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.

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)

1. Decision:

The Cabinet:

- 2.1 Delegated to the Cabinet Member for Finance and Commissioning and the Assistant Director – Customer, Resident and Business Services responsibility to award Retail Discount and Supporting Small Business Relief to businesses which are eligible during 2024/25.

The Cabinet recommended to Council for approval:

- 2.2 The 2024/25 Revenue Budget of £15,330,000, Council Tax Requirement of £7,929,000 and a District Council proposed Band D Council Tax for 2024/25 of £192.85 (an increase of £5 or 2.66% on 2023/24).
- 2.3 The MTFS 2023-28 Revenue Budgets and 25 year revenue financial planning model in APPENDIX A.
- 2.4 The MTFS 2023-28 Capital Strategy including the 25 year capital investment model and the Capital Programme shown in APPENDICES B & C.
- 2.5 The recommended increase in the Minimum Level of General Reserves from £1,900,000 to £2,000,000.
- 2.6 The recommended approach to funding Business-as-Usual Capital Investment in 2027/28.
- 2.7 The updated approach to the pay award in 2024/25, planning fees, car parking fees, contract/other inflation, regeneration initiatives and Treasury Management investment income.
- 2.8 The recommended provisional inclusion of a cost of living contingency budget of £50,000 in 2025/26.
- 2.9 The recommended increase of £398,000 in 2024/25 and the provisional inclusion of an in-year growth/contingency budget of £250,000 in 2025/26.
- 2.10 The Minimum Revenue Provision Statement for 2024/25, at APPENDIX D, which sets out the Council's policy of using the asset life method for making prudent provision for debt redemption.
- 2.11 Treasury Management Strategy Statement for 2024/25 APPENDIX E.
- 2.12 The Investment Strategy Report (APPENDIX F) where no changes are recommended for 2024/25.
- 2.13 The Capital and Treasury Prudential Indicators for 2023-28 in the financial implications section.
- 2.14 The Authorised Limit Prudential Indicator shown within the financial implications section.

The Cabinet noted:

- 2.15 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.
- 2.16 The results of the Budget Consultation summarised at APPENDIX H.

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 new Lichfield District 2050 strategy will be approved this year and will likely impact further on the MTFS.

The MTFS was approved by Council on 28 February 2023, and this is refreshed each year to:

- Remove the previous financial year and in this MTFS this is 2022/23
- Formally add the new financial year and in this MTFS this is 2027/28
- Refresh and update assumptions to reflect the latest information available.

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

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

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

The timetable for MTFS development can be found in the table at paragraph 1.6 in the Cabinet report.

The Revenue Budget, Capital Programme and General Reserves are included for consideration.

There remains an inherently high level of uncertainty surrounding the Local Government Finance Regime with any 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 from those provided at the meeting on 14 November 2023 following receipt of the Provisional Local Government Finance Settlement for 2024/25 on 18 December 2023.

The Revenue Budget

The Original Budget approved on 28 February 2023 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 £149,440 is projected.

The Central Scenario Revenue Budget with a balanced budget in 2024/25, a projected transfer to general reserves in 2025/26 (assuming finance reform occurs in 2026/27) and Funding Gaps (positive figures) in later years is shown in detail at APPENDIX A and in graph found at paragraph 1.13 in the Cabinet report.

The MTFs from 2024/25 onwards has been prepared in the context of significant ongoing volatility and uncertainty and whilst estimates have been made on the potential impact, there remains significant uncertainty in 2023/24 and subsequent years.

The Council is legally required to balance the budget in the first year of 2024/25 and to set out its proposals to balance the further financial years. In 2024/25 a 'balanced budget' is recommended.

In later years, it is assumed that the Review of Needs and Resources (Fair Funding Review), Business Rates Reform/Reset and any new housing incentive scheme will be implemented from 2026/27. It is projected that District Councils including Lichfield DC with relatively lower need and a relatively higher Taxbase will be detrimentally impacted by these changes through lower funding and therefore at this stage, Funding Gaps are projected.

At the end of 2024/25, the Council is projected to have £5,836,000 of total general reserves (£3,836,000 after taking account of the Minimum Level of Reserves of £2,000,000) to assist with balancing the budget.

General Reserves, based on current projections and assuming finance reform is implemented as projected in 2026/27, are sufficient to balance the budget until 2027/28. However, this is not a sustainable approach, and the Council will therefore need to identify potential options to close any Funding Gap.

In addition, the longer term 25 year revenue budget model is included at APPENDIX A.

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.

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).

Budget Consultation

The results of the Budget Consultation for 2024/25 are summarised in the consultation section and the executive summary is provided at APPENDIX H with the full results on the website.

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.

