

Medium Term Financial Strategy (MTFS)

Cabinet Member for Finance, Procurement and Revenues & Benefits

Date: 16 September 2021

Agenda Item:

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Key Decision? YES

Local Ward All Wards

Members

Lichfield
district council

**Overview and
Scrutiny
Committee**

1. Executive Summary

- 1.1 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.
- 1.2 The MTFS was approved by Council on 16 February 2021 and this is refreshed each year to:
 - Remove the previous financial year and in this MTFS this is 2020/21
 - Formally add the new financial year and in this MTFS this is 2025/26 and;
 - Refresh and update assumptions to reflect the latest information available.
- 1.3 The MTFS is the overall budget framework and consists of the Revenue Budget, Capital Strategy and Capital Programme and General Reserves.
- 1.4 There have been reports to Cabinet and Council that have updated the MTFS since its initial approval.
- 1.5 The Treasury Management Strategy Statement and Annual Investment Strategy are also important components of the MTFS. These components under the Constitution are the responsibility of the Audit and Member Standards Committee and therefore will be considered by that Committee as part of the development of the Draft MTFS.
- 1.6 The timetable for consideration of the various elements of financial planning is shown in detail at **APPENDIX A** and the elements related to MTFS development are summarised below:

	Date	Meeting	Topics
	06/07/2021	Cabinet	Budget timetable, Budget principles, MTFS update, Budget consultation and budget assumptions for 2022/23
Budget Consultation (Sep to Oct)	16/09/2021	Overview and Scrutiny Committee	To review the Draft Medium Term Financial Strategy
	05/10/2021	Cabinet	An update on the Draft Medium Term Financial Strategy
	18/11/2021	Overview and Scrutiny Committee	To review the Draft Medium Term Financial Strategy
	07/12/2021	Cabinet	Set the Council Taxbase for 2022/23
	20/01/2022	Overview and Scrutiny Committee	To review the Draft Medium Term Financial Strategy
	03/02/2022	Audit and Member Standards Committee	To review the Treasury Management Strategy Statement
	08/02/2022	Cabinet	To recommend the Medium Term Financial Strategy and Council tax increase to Council
	22/02/2022	Council	Approve the Medium Term Financial Strategy and set the Council tax

- 1.7 There is an inherently high level of uncertainty surrounding the Local Government Finance regime that has been compounded by the COVID-19 pandemic and other potential Government Policy changes.

- 1.8 The Council has a statutory duty to undertake budget consultation, set a balanced budget and to calculate the level of Council tax for its area.
- 1.9 This report focuses on the Approved Revenue Budget and identifies options for developing a strategy to address the projected Funding Gaps from 2022/23 onwards using a sustainable and adaptable approach.
- 1.10 The Approved Capital Programme together with a projection for 2025/26 from the longer term capital investment model is also included for consideration.

2. Recommendations

- 2.1. To note the allocations from the risk and recovery budget shown at para 3.8 totaling **£571,000**.
- 2.2. To provide views to Cabinet in relation to the approach to setting targets, identified at para 3.40, and a theme based approach to delivering sustainable MTFS savings, identified at paras 3.45 to 3.49 is implemented with a savings target of **£500,000** for 2022/23.
- 2.3. To provide views to Cabinet in relation to the potential level of the District's Council Tax increase for 2022/23.
- 2.4. To note the approach to Budget Consultation for 2022/23.

3. Background

The Medium Term Financial Strategy (MTFS)

- 3.1. Council approved the MTFS (Revenue and Capital) 2020-25 on 16 February 2021 which covers the financial years 2020/21 to 2024/25 (with a further projection for 2025/26 prepared by Finance for forward planning purposes).
- 3.2. The MTFS includes:
 - **The Revenue Budget** related to the day to day delivery of the Council's services such as waste collection
 - **General Reserves** related to the amount of money available to balance the budget in the short term or fund short term initiatives
 - **The Capital Programme** and its financing for longer term expenditure in relation to the Council's assets, such as property.
- 3.3. The Revenue Budget and Capital Programme are connected by:
 - Any financing of the Capital Programme from the Revenue Budget
 - The repayment of borrowing and the receipt of income from investments
 - Expenditure, income and savings resulting from capital investment.
- 3.4. The Council updates its Budget forecasts at 3, 6 and 8 month intervals.
- 3.5. To assist in understanding the level of uncertainty or risk present in relation to the Local Government Funding Regime, we allocate each financial year a risk rating:
 - **Low** – all significant components of the Local Government Funding Regime are known and understood
 - **Medium** – all significant components of the Local Government Funding Regime are known although there is some uncertainty around how specific elements will operate
 - **High** – there is uncertainty around all significant components of the Local Government Funding Regime.

The Risk and Recovery Budget

- 3.6. The MTFS included a risk and recovery budget in 2021/22 of **£1,141,380** and to date **£33,840** has been committed to the feasibility study for the Greenway project and therefore **£1,107,540** remains to be committed.
- 3.7. There have been discussions taking place between Cabinet and Leadership Team on the priority areas that should be supported using this budget.
- 3.8. It is recommended that the following broad allocations are approved by Cabinet:
- **Supporting the Visitor Economy** (lead Head of Service will be the Head of Economic Growth and Development) – an allocation of **£246,000**
 - **Regional Marketing Strategy** (lead Head of Service will be the Head of Economic Growth and Development) – an allocation of **£45,000**
 - **Youth Unemployment Initiatives** (lead Head of Service will be the Head of Economic Growth and Development) – an allocation of **£105,000**
 - **Health and Wellbeing Initiatives** (lead Head of Service will be the Head of Operational Services) – a further allocation of **£66,160** (in addition to the Greenway project making a total allocation of £100,000).
 - **Apprenticeships within the Council** (lead Head of Service will be the Head of Governance and Performance) – an initial allocation of **£75,000**. Additionally the Business Case will be further developed together with the identification of other funding sources to supplement this allocation will be explored.
- 3.9. These allocations commit in total **£571,000** or **50%** of the approved budget and discussions are taking place regarding further allocations for the balance of **£570,380**.

MTFS Budget Principles

- 3.10. To assist in preparing the MTFS, in common with a number of Councils, a set of principles were established to guide the preparation and management of the MTFS.
- 3.11. Council, on 15 October 2019, approved the budget principles identified below:
- Council will consider the medium term outlook when setting the level of Council Tax to ensure that a sustainable budget position is maintained;
 - Council will prioritise funding for statutory and regulatory responsibilities to ensure these are delivered in a way that meets our legal requirements and customer needs;
 - Council will continue to seek continuous improvement to enable further savings, efficiencies and income gains and provide budgets that are appropriate to service needs;
 - Council will ensure that all growth in the staffing establishment will be fully understood through robust business cases in order to ensure our resources match service and customer needs. Growth will usually be allowed where costs are offset by external funding, savings or additional income;
 - Council will not add to other ongoing revenue budgets unless these are unavoidable costs or corresponding savings are identified elsewhere;
 - Council will use robust business cases to prioritise capital funding so that we have a sustainable Capital Programme that meets statutory responsibilities, benefits the Council's overall revenue budget position, and ensures that existing assets are properly maintained;
 - Council will maintain an overall level of revenue reserves that are appropriate for the overall level of risks that the organisation faces, in order to overcome any foreseeable financial impact.

MTFS Budget Assumptions

- 3.12. There are a number of Cost and Demand Drivers at a corporate level that are likely to influence the level and cost of services provided and therefore the budgets contained in the MTFS.
- 3.13. These Cost and Demand drivers initially identified for development of the MTFS are shown below:

Cost Drivers						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Full Time Equivalents	321	321	321	321	321	321
Pay Award (2021/22 > £24k)	2.75%	0.00%	2.00%	2.00%	2.00%	2.00%
Employers National Insurance	9.34%	8.76%	8.87%	8.97%	9.07%	9.16%
Employers Pension (%)	16.20%	16.20%	16.20%	16.20%	16.20%	16.20%
Employers Pension (Past Service)	£1,000,420	£1,102,060	£1,206,520	£1,308,000	£1,453,000	£1,598,000
Employers Pension (Other)	£105,890	£108,810	£109,180	£109,260	£112,540	£115,920
Non Contractual Inflation (CPI)	0.90%	1.50%	1.80%	1.90%	1.90%	2.00%
Non Contractual Inflation (RPI)	1.50%	2.50%	2.00%	2.40%	2.70%	3.00%
Applicable Fees and Charges	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Base Rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Demand Drivers						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Population Projections	104,858	105,293	105,709	106,073	106,432	106,749
Residential Properties	45,967	46,436	46,905	47,458	48,191	49,007
Business Properties	3,075	3,084	3,103	3,122	3,141	3,160
Number of visitors to the district	27,000	1,400,000	2,800,000	2,800,100	2,800,200	2,800,300

	% Increase
Population Projections	1.80%
Residential Properties	6.61%
Business Properties	2.76%
Number of visitors to the district	100.00%

An update on Local Government Finance Reform

- 3.14. The Strategic Risk Register includes a risk in relation to the non-achievement of the Council's key priorities contained in the Strategic Plan due to the availability of finance.
- 3.15. This risk remains outside of the risk appetite and in the red zone principally due to the uncertainty around Local Government Finance Reform that has been delayed for a number of years resulting in one year funding settlements.
- 3.16. There are a number of key interrelated elements to Local Government Finance Reform:
- **The Spending Review** – this sets the overall government and individual department spending parameters for a defined period of years. This was due to take place during 2020 but was delayed until 2021 due to the pandemic.
 - **Social Care Reform** – a significant element of Local Government Spending with demand increasing and funding not keeping pace. The strategy to address these issues has been awaiting Government proposals for a number of years.
 - **A Review of New Homes Bonus** – the current scheme ends in 2022/23 and a consultation was published in February 2021. The Council responded in April 2021 and the indications from the consultation document are that the level of reward will be significantly lower than the current scheme. This includes higher growth thresholds before payments are received and payments for single years rather than multiple years. The MTFS currently assumes no receipts from any replacement scheme beyond 2022/23.
 - **A Review of Business Rates** – this area has two elements, firstly the review being undertaken by the Government of the Business Rates system and possible alternatives such as a land based tax or an online based tax and secondly how the income from Business Rates is distributed.
 - **A Review of Needs and Resources (the Fair Funding Review)** – how more up to date information on needs and resourcing is utilised to update how Local Government Funding is distributed.
- 3.17. The only area of any real progress is related to the review of New Homes Bonus.

- 3.18. In terms of the other reforms, the Secretary of State announced on 4 February 2021:
 “We will revisit the priorities for finance reform in time for the next Spending Review, taking account of wider work on the future of business rates and how best to organise and finance adult social care”.
- 3.19. It is therefore not clear at this stage, to what extent reform will be implemented for 2022/23 given the number of interrelated activities and the continued impact of the pandemic on Government finances.
- 3.20. The approved MTFs assumes based on expert advice, the Review of Needs and Resources, Business Rates Reform and a new housing incentive scheme will be implemented from 2022/23.
- 3.21. The MTFs also assumes that through Local Government Finance reform, that District Councils generally and specifically Councils such as Lichfield DC who are classed as relatively ‘low need’ i.e. population size, levels of deprivation and other factors and ‘high tax base’ i.e. a £1 Council Tax increase raises higher levels of income compared to others, will be detrimentally impacted through lower funding.
- 3.22. However the timescales for implementation in 2022/23 are challenging and would involve consultations. Therefore in the absence of visible progress, the likelihood is that a further one year Finance Settlement will be provided or reform will be implemented using a phased approach.
- 3.23. A one year settlement could result in significant additional income for the Council in 2022/23 because business rates growth would be retained rather than being redistributed to the wider Local Government Sector based on the review of needs and resources outcomes.

The Approved Revenue Budget

- 3.24. The approved Revenue Budget (including approved changes and a forward projection for 2025/26 from the 25 year model) is shown in detail at **APPENDIX B** and in summary below:

	2021/22		2022/23	2023/24	2024/25	2025/26
	Original Budget £000	Approved Budget £000	Budget £000	Budget £000	Budget £000	Projection £000
LEVEL OF UNCERTAINTY / RISK	HIGH	MEDIUM	HIGH	HIGH	HIGH	HIGH
Net Revenue Expenditure	11,951	11,951	11,784	12,087	12,465	12,824
Revenue Funding	(11,951)	(11,951)	(10,503)	(10,196)	(10,507)	(10,703)
Central Scenario Funding Gap	0	0	1,281	1,891	1,958	2,121
More Optimistic Scenario	(396)	(396)	422	692	705	
More Pessimistic Scenario	1,211	1,211	2,073	2,704	2,775	

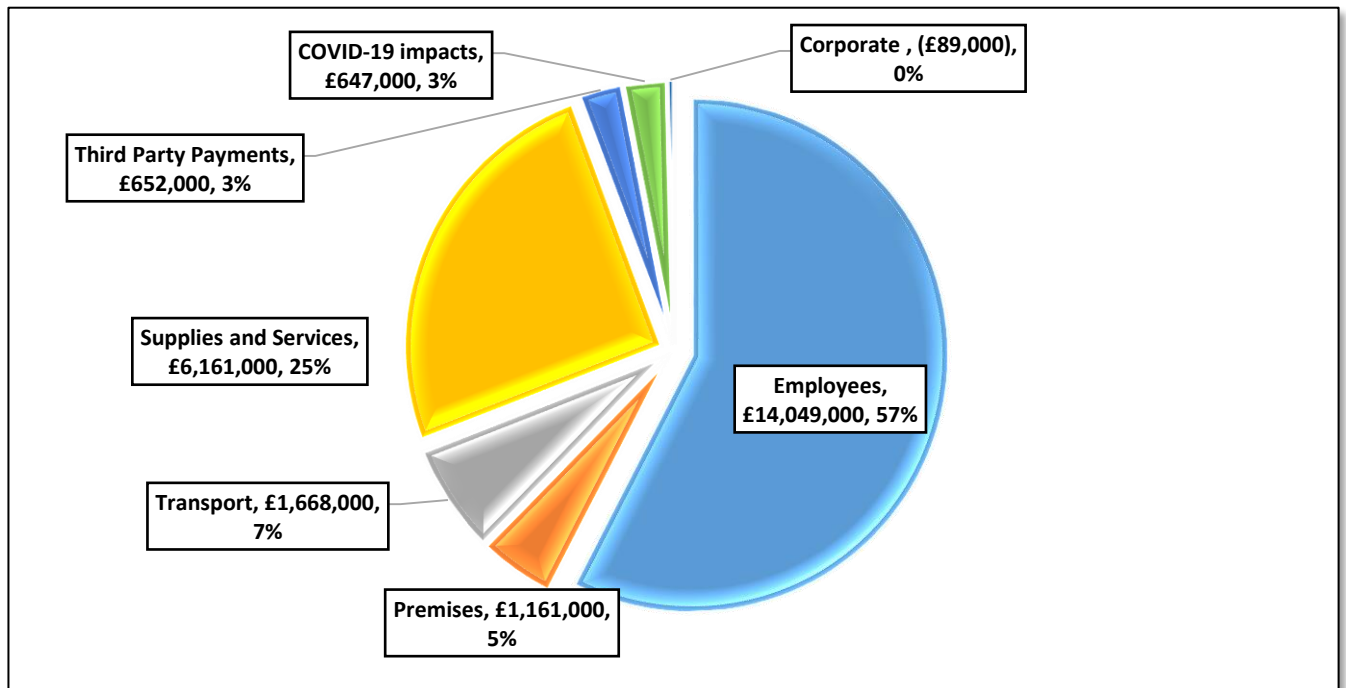
- 3.25. There are however a number of financial risks that are not currently included in the projections above:
- The approved MTFs assumed the public sector pay freeze in 2021/22 would be applicable to all Local Government staff earning more than £24,000 per annum although a material (yellow) risk was identified. At present, indications are that a pay increase will be offered, the current offer of **1.5%** would cost **£120,000** per annum with a **2%** award costing **£150,000** per annum.
 - It is also increasingly unlikely that the savings envisaged from the transfer of Burntwood Parks to the Town Council will now be delivered. This will therefore further increase the Funding Gap from 2022/23 **£28,000** increasing to **£83,000** in 2024/25.
 - The costs of dual stream recycling of **£73,000** from 2022/23 increasing to **£82,000** in 2025/26.
 - The costs of implementing a new structure for Development Management of **£221,000** in 2021/22 increasing to **£231,000** in 2025/26.
 - Any changes as a result of the Service and Financial Planning process currently taking place.
- 3.26. The table in para 3.24 also shows alternative scenarios where the scale of funding gap varies based on different assumptions utilised primarily in relation to the impact of the New Homes Bonus, Review of Needs and Resources and Business Rate reviews from 2022/23 onwards.
- 3.27. In the absence of savings or additional income being identified, funding gaps would be funded by available general reserves.

The Approved Revenue Budget in 2022/23

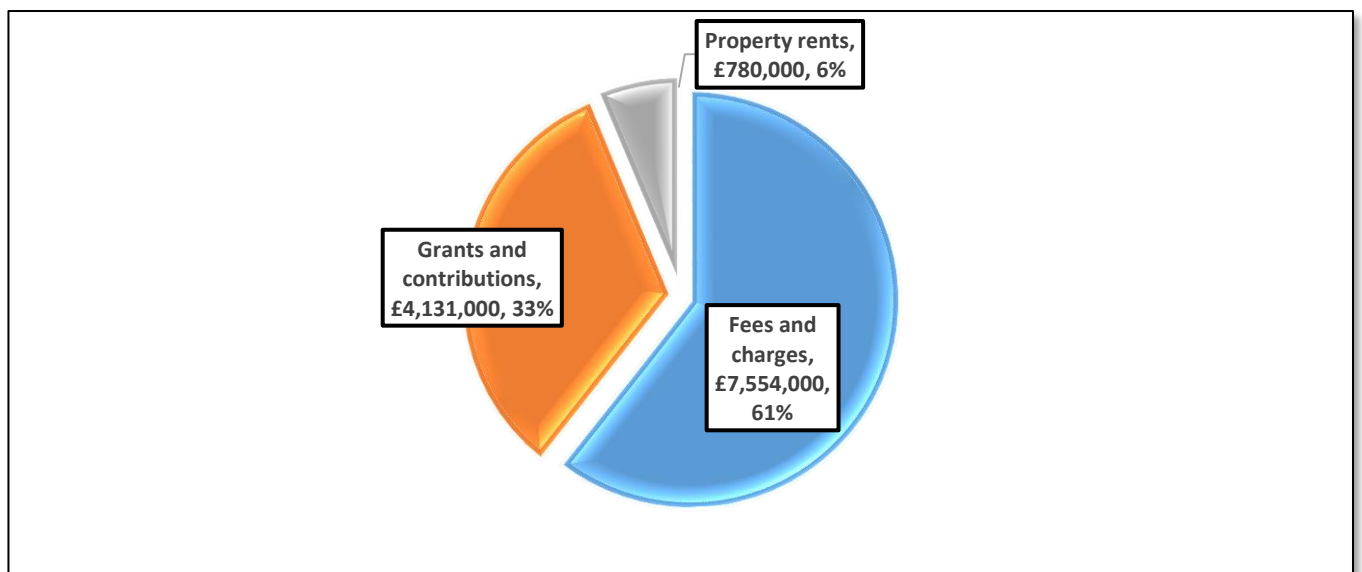
3.28. The central scenario Revenue Expenditure Budget for 2022/23 is further analysed below:

	Approved Budget 2022/23 £000
Gross Expenditure (Exc. Housing Benefits)	24,249
External Income (Exc. Housing Benefits)	(12,465)
Net Revenue Expenditure	11,784
Revenue Funding	(10,503)
Central Scenario Funding Gap	1,281

3.29. The gross revenue expenditure (excluding Housing Benefits) for 2022/23 of **£24,249,000** is analysed by type of expenditure below:

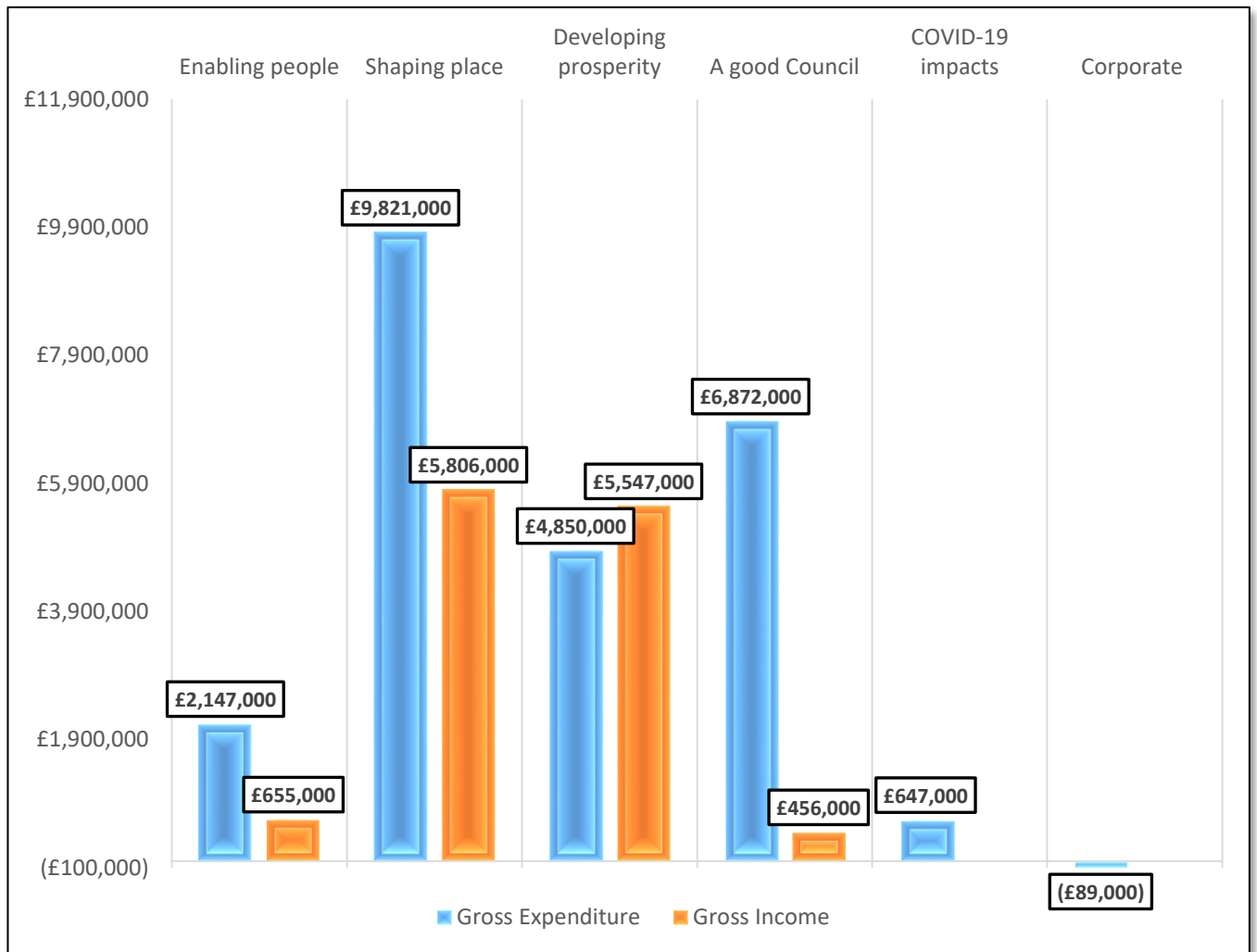


3.30. The External Income Budget from grants (excluding Housing Benefits), contributions, sales, fees and charges for 2022/23 of **(£12,465,000)** is analysed below:

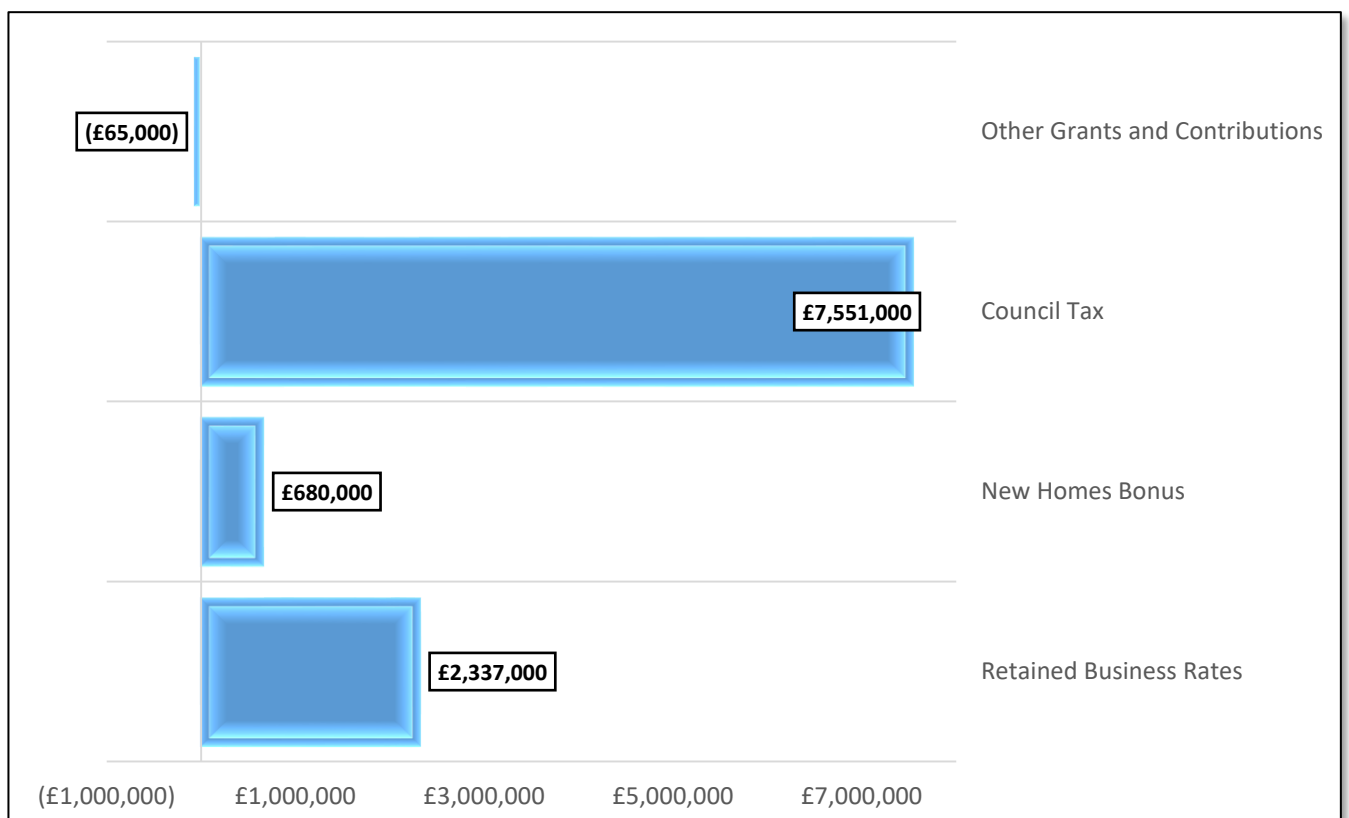


3.31. The detailed schedule of fees and charges Approved Budgets for 2022/23 is shown at **APPENDIX B**.

3.32. An analysis of the gross expenditure and gross income in 2022/23 that constitutes the net expenditure of **£11,784,000** by Strategic Priority is shown below:



3.33. An analysis of revenue funding of **(£10,503,000)** is shown in detail at **APPENDIX B** and in summary below:



The Approved MTFs and General Reserves

- 3.34. The projected funding gaps from 2022/23 onwards include assumptions around the ongoing impact of the pandemic on the Council's finances and these are shown in the table below:

	2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000	2025/26 Projection £000
Central Scenario Funding Gap - Approved Budget	£1,281	£1,892	£1,958	£2,121
Less : Corporate Revenue Funding of Capital Programme		213		
Elements related to COVID-19				
Sales, Fees and Charges reduction	377	189	76	76
Treasury Management	170	17	30	81
Rental reductions	100	88	81	81
Net Cost of Services - Sub Total	647	294	187	238
Council Tax - reduced income	171	166	132	80
Council Tax - removal of projected annual surplus	100	100	35	35
Funding - Sub Total	271	266	167	115
Total Projected COVID-19 Impact	£918	£560	£354	£353
Underlying Funding Gap	£363	£1,119	£1,604	£1,768

- 3.35. The Council has total general reserves available based on the central scenario, to manage the impact of Local Government Finance Reform and other risks such as the ongoing impact of the pandemic:

	2021/22 Budget £000	2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000	2025/26 Projection £000
LEVEL OF UNCERTAINTY / RISK	MEDIUM	HIGH	HIGH	HIGH	HIGH
Available General Reserves Year Start	5,114	5,525	4,524	2,633	675
(Funding Gap) / transfer to General Reserves	0	(1,281)	(1,892)	(1,958)	(2,121)
New Homes Bonus in excess of the 'Cap'	411	280	0	0	0
Available General Reserves Year End	5,525	4,524	2,633	675	(1,447)
Minimum Level	1,600	1,600	1,600	1,600	1,600
Total Projected General Reserves	7,125	6,124	4,233	2,275	154
Optimistic scenario	7,521	7,379	6,644	5,826	
Pessimistic scenario	5,914	4,121	1,374	(1,653)	

- 3.36. The level of uncertainty together with the level of total general reserves available mean that the Council will be able to implement a sustainable approach to balancing the budget. The approach can be adapted as more information on Local Government Finance Reform and its impact on the Council becomes available including any transitional funding.

- 3.37. The Approved Capital Programme (plus a projection for 2025/26) is shown at **APPENDIX C** and below:

	2021/22		2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000	2025/26 Projection £000
	Original Budget £000	Approved Budget £000				
LEVEL OF UNCERTAINTY / RISK	HIGH	MEDIUM	HIGH	HIGH	HIGH	HIGH
Enabling People	3,375	3,411	3,684	3,576	1,315	939
Shaping Place	1,102	1,141	3,674	270	293	300
Developing Prosperity	935	1,252	557	43	0	0
A Good Council	1,118	1,488	515	389	0	315
Capital Expenditure	6,530	7,292	8,430	4,278	1,608	1,554
Capital Funding	6,252	6,964	6,081	2,018	1,608	1,554
Borrowing Need	278	328	2,349	2,260	0	0
Usable Capital Receipts	(888)	(793)	(199)	0	0	(185)

Developing a Strategy to address the Projected Funding Gaps

3.38. The strategy would be based on achieving the following key outcomes:

- A sustainable and balanced budget is achieved over the Medium Term by utilising general reserves to manage the impact of implementation.
- Savings would be focused on the delivery of key outcomes identified in the Strategic Plan.
- Targets would be flexible and adaptable to changes in underlying assumptions such as differing outcomes from Local Government Finance Reform.
- General reserves would not fall below the approved Minimum level of **£1,600,000** and the identification of savings would reduce the reliance on general reserves to balance the budget.

3.39. There would be two elements to the Strategy:

- The development of a sustainable set of medium term savings targets that are cognisant of general reserves and;
- A flexible and adaptable plan for the delivery of the annual savings targets.

A Sustainable Set of Flexible Medium Term Savings Targets

3.40. The strategy would initially be focused on identifying **£500,000** of ongoing savings or additional income each year with the balanced budget being achieved through the use of available general reserves:

	2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000	2025/26 Projection £000
Central Scenario Funding Gap – Approved Budget	£1,281	£1,892	£1,958	£2,121
2022/23	500	500	500	500
2023/24		500	500	500
2024/25			500	500
2025/26				500
Use of General Reserves	781	892	458	121
Cumulative use of General Reserves				£2,252

3.41. The projected general reserves based on the implementation of this recommended strategy would be:

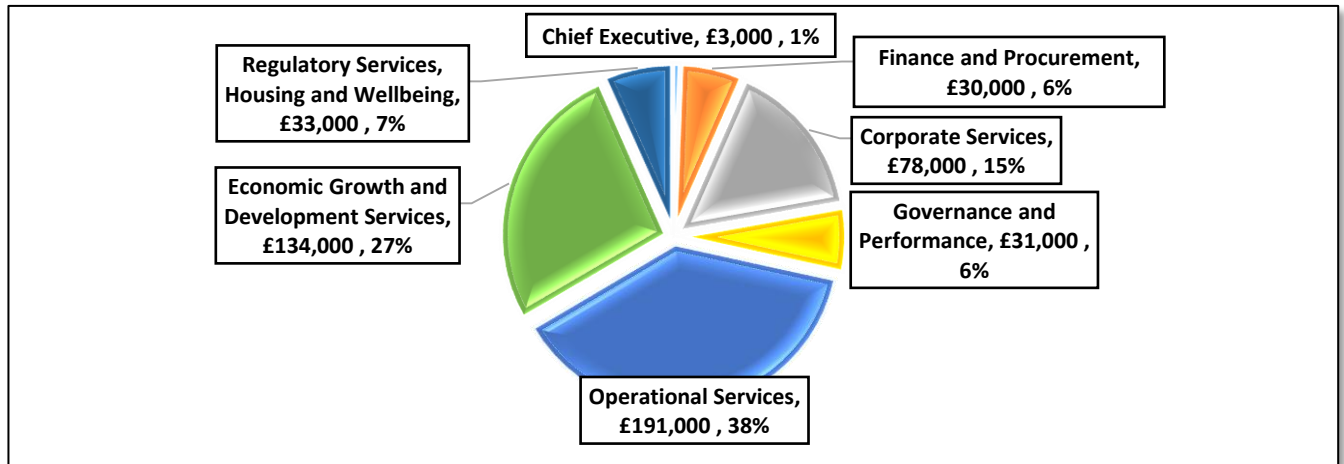
	2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000	2025/26 Projection £000
LEVEL OF UNCERTAINTY / RISK	HIGH	HIGH	HIGH	HIGH
Available General Reserves Year Start	5,525	5,024	4,133	3,675
(Funding Gap) / transfer to General Reserves	(781)	(892)	(458)	(121)
New Homes Bonus in excess of the 'Cap'	280	0	0	0
Available General Reserves Year End	5,024	4,133	3,675	3,554
Minimum Level	1,600	1,600	1,600	1,600
Total Projected General Reserves	6,624	5,733	5,275	5,154

A Flexible and Adaptable Plan for the delivery of the Annual Savings Targets

3.42. In terms of identifying options to identify the **£500,000** of ongoing savings or additional income for 2022/23, there are a number of options or approaches available and these discussed further below.

A Service based Target Approach

3.43. Each Service Area would be set a target based on their total managed budget for 2021/22 (direct expenditure and direct income) with indicative targets for 2022/23 shown below:



3.44. The main advantage with this approach is that it utilises a relatively simple basis based on the size of the managed budget (gross expenditure plus gross income) to determine the savings target.

3.45. The main disadvantage is that each pound of budget is treated equally and therefore takes no account of the nature of the service, the level of service provision, the nature of the income and the relative contribution Service Areas make in delivering Strategic Priorities.

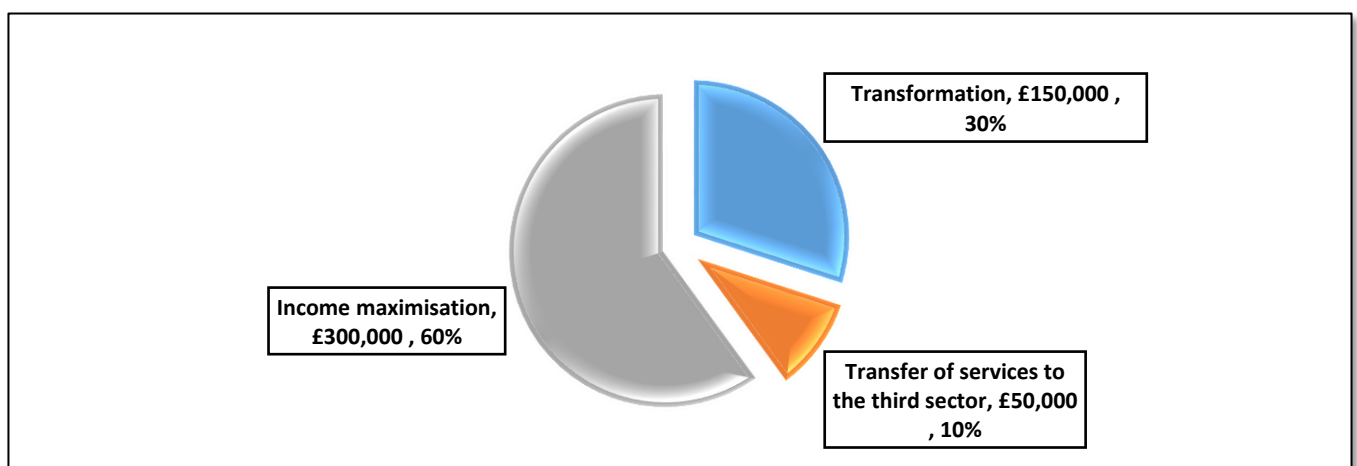
A Theme based Target Approach

3.46. This approach would assign targets based on crosscutting themes or strategic drivers such as:

- Transformation of service delivery based on the design of a thematic transformation programme that will utilise invest to save principles
- Transfer of services to the third sector
- Income maximisation from sales, fees and charges and Treasury Management.

3.47. The targets and scale of savings for each theme would be assessed each year to take account of emerging priorities and changes in the external environment.

3.48. A set of indicative targets for 2022/23 only that would be refined and developed in subsequent years based on corporate priorities would be focused on:



- 3.49. The main advantages of this approach are that it would reflect Strategic Priorities and be based on corporate rather than service based drivers.
- 3.50. The main disadvantages are that responsibility for achievement would need to be clearly assigned to ensure accountability and target setting will have an arbitrary element.

A Hybrid Approach

- 3.51. A hybrid based approach would set both service based and theme based approaches either through setting service based targets for each of the themes or through a combination of corporate theme based targets and service targets.
- 3.52. This is a more complicated approach and risks duplication of effort between competing corporate and service based targets. However it would ensure a balance between savings being driven using corporate drivers and services being assigned ownership through targets for the identification of savings or additional income.

Service Briefings

- 3.53. There are currently service briefings taking place with Cabinet to explore the potential and political appetite for reducing services, cutting costs or increasing income across all service areas, statutory or discretionary, taking into account the current demand levels and strategic objectives.
- 3.54. The aim of this exercise is to identify options for closing the Funding Gap and all will contribute to one of the above approaches.

The Recommended Strategy

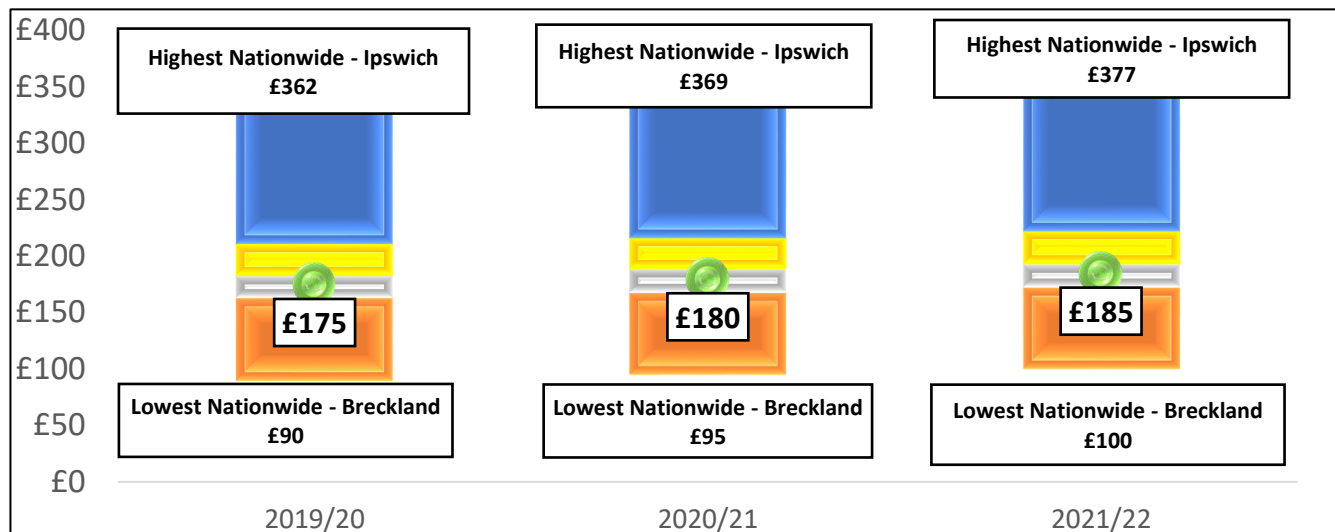
- 3.55. A comparison of the options identified to the desired outcomes is shown below:

	Options		
	Service Based	Theme Based	Hybrid Based
A sustainable and balanced budget is achieved over the Medium Term by utilising general reserves to manage the impact of implementation.		✓	✓
Savings would be focused on the delivery of key outcomes identified in the Strategic Plan.		✓	
Targets would be flexible and adaptable to changes in underlying assumptions such as differing outcomes from Local Government Finance Reform.	✓	✓	✓
General reserves would not fall below the approved Minimum level of £1,600,000 and the identification of savings would reduce the reliance on general reserves to balance the budget.	✓	✓	✓

- 3.56. It is recommended that a theme based strategy is implemented to deliver ongoing savings targets. The targets and contribution of each theme would be evaluated each year in line with strategic priorities, the level of savings required and the level of general reserves.
- 3.57. Each theme would need to have a lead Cabinet Member and Member of Leadership Team assigned to ensure the targeted level of savings are identified and reporting of delivery would form part of the Money Matters Reports.

Council Tax

3.58. The Council's Band D Council Tax compared to all District Councils over the last three years is:



3.59. The Approved MTFs modelled that Council Tax would increase at the 2021/22 maximum allowable level of **£5** in 2022/23 and 2023/24 and then would increase annually by **1.99%** from 2024/25 onwards.

3.60. There are however alternative approaches available and a number of options have been identified for consideration together with the impact each option would have on general reserves:

	2021/22	2022/23	2023/24	2024/25	2025/26	General Reserves 31/03/2026	
	Budget £000	Budget £000	Budget £000	Budget £000	Projection £000	No Strategy £000	Strategy £000
Approved / Modelled Increase	£5.00 (2.78%)	£5.00 (2.70%)	£5.00 (2.63%)	1.99%	1.99%		
Council Tax Band D	£185.07	£190.07	£195.07	£198.95	£202.91		
Council Taxbase	38,891	39,728	40,639	41,335	41,855		
Approved MTFs Council Tax Income	(£7,198)	(£7,551)	(£7,927)	(£8,224)	(£8,493)	£154	£5,154

Options considered and cumulative reduction in Council Tax Income:							
1.0% in 22/23 and 23/24 then 1.99%		£125	£255	£265	£274	(£766)	£4,235
1.5% in 22/23 and 23/24 then 1.99%		£88	£179	£186	£192	(£492)	£4,509
1.99% in all years		£51	£102	£107	£110	(£217)	£4,784

3.61. In determining the level of Council Tax increase for 2022/23 and beyond, Cabinet will need to take into consideration the following key factors:

- The relevant budget principles approved by Council
- The projected funding gap from 2022/23 onwards, the significant level of uncertainty related to Local Government Finance Reform and the legal requirement to set a balanced budget (taking into account the level of general reserves)
- The Council's Band D Council Tax and comparisons to other similar authorities.
- The assumptions the Government utilises to calculate Core Spending Power in the Finance Settlement and Council Tax Referendum Principles for 2022/23.

Welcome Back Fund

3.62. The Council has received a further **£92,501** from the Welcome Back Fund (formerly reopening High Streets Funding) and this will be used to support the recovery of the local economy.

Alternative Options	In the main, the options are focused on the level of resource allocated to Strategic Priorities, the strategy to be utilised to achieve a balanced budget and the level of Council Tax increase. These options are considered in the Report.
Consultation	<p>There is a duty under S65 Local Government Finance Act 1992 to consult ratepayers (or bodies appearing to represent ratepayers) about proposed expenditure, prior to calculating the Council Tax requirement under S31a (England).</p> <p>It is proposed that a nine week consultation window be launched in early September 2021 running through to the end of October 2021. This could facilitate rapid analysis of the results of the consultation and further consultation on/discussion or emerging themes or issues as appropriate in November/December 2021 before a final feedback report is submitted in January 2022.</p> <p>It is proposed that the consultation be delivered through a combination of online promotion focused on a questionnaires aimed at residents, businesses and the community/voluntary sector, and a series of engagement events/discussions hosted by Cabinet members with stakeholder audience groups to discuss specific themes e.g. business support, health, sustainability and/or stakeholder issues e.g. businesses, young people.</p> <p>The consultation strategy will be to highlight spending themes rather than specific projects or services but will be flexible to allow for this more detailed line of questioning should it be required. There will also be a strong focus on future council tax collection levels to gauge resident sentiment on this issue.</p> <p>Running through the publicity of the consultation will be a narrative to engage stakeholders on the budget setting and funding process for Lichfield district Council to raise awareness of the realities of funding sources, funding levels and the decisions that have to be made to deliver a budget for the district.</p> <p>More information on the proposed consultation approach is at APPENDIX D.</p>
Financial Implications	These are included in the Report.
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 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 the 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 (Head of Finance and Procurement (Section 151)).				
A	Council Tax is not set by the Statutory Date of 11 March 2022 .	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 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	The public sector pay freeze in 2021/22 is not applicable to Local Government	Likelihood : Yellow Impact : Red Severity of Risk : Red	The current MTFS assumes that the pay freeze for those earning more than £24,000 per annum is applicable to Local Government. If this does not prove to be the case, an element of general reserves can be utilised to fund the increase in 2021/22 and projections for later years will be updated in the MTFS.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
G	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 / adapt the new strategic plan to emerging landscape (Leadership Team).				
H	The financial impact of COVID-19 is not fully reimbursed by Government and exceeds the reserves available resulting in a Section 114 notice	Likelihood : Yellow Impact : Red Severity of Risk : Yellow	The use of general and earmarked reserves to fund any shortfall	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
I	The Council cannot achieve	Likelihood : Yellow	There will need to be consideration of	Likelihood : Yellow

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
	its approved Delivery Plan for 2022/23	Impact : Red Severity of Risk : Red	additional resourcing and/or reprioritisation to reflect the ongoing impact of the pandemic	Impact : Yellow Severity of Risk : Yellow
J	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
K	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) 2020-2025 (MTFS) – Cabinet 9 February 2021.
 Money Matters: 2020/21 Review of Financial Performance against the Financial Strategy – Cabinet 8 June 2021.

Relevant web links

The Financial Planning Timetable

		July	
		August	
Service and Financial Planning	→	September	← Money Matters as at 30 June
Review Medium Term Financial Strategy	→	October	
Review Medium Term Financial Strategy	→	November	
Mid Year Treasury Management Report	→	December	← Money Matters as at 30 September
		January	← Set Council Taxbase and approve Collection Fund Projections
Review Medium Term Financial Strategy	→	February	← Money Matters as at 30 November
Review Treasury Management and Capital Strategies	→	March	
Approve the Medium Term Financial Strategy and set the Council Tax	→	April	
		May	
Draft Statement of Accounts	→	June	← Money Matters as at 31 March
Annual Treasury Management Report	→	July	
Statement of Accounts (was by 31 July but for 2 years extended to 30 September)	→	August	
		September	
Key:			
Pink = Internal timelines			
Blue = Cabinet			
Salmon = Cabinet and Strategic OS Committee			
Amber = Strategic OS Committee			
Green = Audit and Member Standards Committee			
Purple = Council			

Approved Revenue Budget (plus a projection for 2025/26)

	2021/22 Original Budget £000	2021/22 Approved Budget £000	2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000	2025/26 Projection £000
LEVEL OF UNCERTAINTY / RISK	HIGH	MEDIUM	HIGH	HIGH	HIGH	HIGH
Enabling people	1,483	1,483	1,492	1,524	1,552	1,445
Shaping place	3,402	3,402	4,015	4,269	4,362	4,545
Developing prosperity	(621)	(621)	(597)	(542)	(521)	(469)
A good council	6,321	6,336	6,416	6,647	6,919	7,236
COVID-19	1,137	1,137	377	189	76	0
Net Cost of Services	11,722	11,737	11,703	12,087	12,388	12,757
Corporate expenditure	(182)	(182)	(199)	0	77	67
Net Operating Cost	11,540	11,555	11,504	12,087	12,465	12,824
Retained Business Rates Baseline Funding	(2,117)	(2,117)	(1,710)	(1,710)	(1,710)	(1,710)
Retained Business Rates Growth Allowance	(1,005)	(1,005)	(627)	(624)	(573)	(500)
Business Rates Cap Grant	(110)	(110)	0	0	0	0
Lower Tier Services Grant	(151)	(151)	0	0	0	0
Local Council Tax Support Grant	(126)	(126)	0	0	0	0
New Homes Bonus - Risk/Recovery Budget	(371)	(371)	0	0	0	0
New Homes Bonus - Base Budget	(500)	(500)	(400)	0	0	0
New Homes Bonus - to General Reserve	(411)	(411)	(280)	0	0	0
Collection Fund (Surplus)/Deficit	38	38	65	65	0	0
Council Tax	(7,198)	(7,198)	(7,551)	(7,927)	(8,224)	(8,493)
Total Funding	(11,951)	(11,951)	(10,503)	(10,196)	(10,507)	(10,703)
Transfer to or (from) general reserves	0	(15)	0	0	0	0
New Homes Bonus (Transfer to general reserves)	411	411	280	0	0	0
Approved Funding Gap	0	0	1,281	1,892	1,958	2,121

Reconciliation of the Original Budget Funding Gap to the Approved Budget Funding Gap

	Cabinet Date	2022/23	2023/24	2024/25	2025/26
Original Funding Gap		£1,324	£2,005	£2,121	£2,309
Payroll Contract	09/02/2021	(3)	(13)	(13)	(13)
Garrick Theatre	13/04/2021	(40)	(100)	(150)	(175)
Approved Funding Gap		£1,281	£1,892	£1,958	£2,121

Sales, Fees and Charges Approved Budgets for 2022/23

Cost Centre	Fees & Charges Income Budget
A good council	
Corporate Debt Recovery	206,000
Electoral Registration	1,760
A good council total	207,760
Developing prosperity	
Lichfield Car Parks (a small element is payable to partners)	1,477,530
Building Regulations (all partners)	936,610
Planning Applications	927,490
Multi Storey car park	359,000
Trade Waste Collection	358,260
Local Land Charges (all partners)	305,030
Trade Waste Collection -Recycling	84,450
Civil Parking Enforcement	84,260
Promotion of District	6,540
Guided Tours	5,070
Plant Lane Depot	1,500
Business Support and Investment	270
Lichfield Tourism Information	240
Developing prosperity total	4,546,250
Enabling people	
Licensing	211,440
Leisure Centre Management (includes contract fee)	171,240
Operational Services - Invest to Save	27,420
Environmental Protection Act Consents	14,310
Housing Enforcement & Licensing	5,000
Sports Development	1,050
Enabling people total	430,460
Shaping place	
Waste Shared Service (Both partners)	1,938,030
Grounds Maintenance	199,570
Street Cleansing	108,720
Beacon Park	66,770
Community Infrastructure Levy Administration (5%)	30,000
Street Naming and Numbering	16,290
Burntwood Parks	4,540
Lichfield Parks	2,990
Public Conveniences	2,190
Stowe & Minster Pools	880
Shaping place total	2,369,980
Total	7,554,450

Approved Capital Programme (plus a projection for 2025/26)

Project	(R=>500k, A=250k to 500k and G=<250k)						Total £000	Corporate
	2021/22 Budget £000	2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000	2025/26 Projection £000			
New Build Parish Office/Community Hub	92	0	0	0	0	92	0	
Village Hall storage container	6	0	0	0	0	6	0	
Re-siting/improvement of Armitage War Memorial	120	0	0	0	0	120	0	
Canopy and installation of artificial grass at Armitage	3	0	0	0	0	3	0	
Burntwood LC CHP Unit	64	0	0	0	0	64	0	
Burntwood Leisure Centre - Decarbonisation Scheme	443	0	0	0	0	443	0	
Friary Grange - Short Term Refurbishment	209	0	0	0	0	209	0	
Replacement Leisure Centre	328	2,349	2,260	0	0	4,937	0	
Beacon Park Pathway	30	0	0	0	0	30	30	
Accessible Homes (Disabled Facilities Grants)	1,100	1,272	1,272	1,272	914	5,830	0	
Home Repair Assistance Grants	29	21	22	21	25	118	25	
Decent Homes Standard	147	0	0	0	0	147	0	
Energy Insulation Programme	22	22	22	22	0	88	0	
DCLG Monies	212	0	0	0	0	212	0	
Vehicle Replacement Programme (Env Health)	0	20	0	0	0	20	0	
Unallocated S106 Affordable Housing Monies	606	0	0	0	0	606	0	
Enabling People Total	3,411	3,684	3,576	1,315	939	12,925	55	
Canal Towpath Improvements (Brereton & Ravenhill)	36	0	0	0	0	36	0	
Loan to Council Dev Co.	675	0	0	0	0	675	116	
Lichfield St Johns Community Link (CIL)	35	0	0	0	0	35	0	
Staffordshire Countryside Explorer (CIL)	44	0	0	0	0	44	0	
Vehicle Replacement Programme (Waste)	0	3,243	0	0	0	3,243	32	
Vehicle Replacement Programme (Other)	107	281	120	143	150	801	150	
Bin Purchase	150	150	150	150	150	750	0	
Env. Imps Upper St John St & Birmingham Road	7	0	0	0	0	7	0	
The Leomansley Area Improvement Project	3	0	0	0	0	3	0	
Dam Street Toilets	40	0	0	0	0	40	40	
Cannock Chase SAC	44	0	0	0	0	44	0	
Shaping Place Total	1,141	3,674	270	293	300	5,678	338	
Multi Storey Car Park Refurbishment Project	299	0	0	0	0	299	0	
Birmingham Road Site - Coach Park	880	557	43	0	0	1,480	369	
Birmingham Road Site - Short Term Redevelopment	13	0	0	0	0	13	0	
Car Parks Variable Message Signing (S106) (Jul 2012)	32	0	0	0	0	32	0	
Vehicle Replacement Programme (Car Parks)	10	0	0	0	0	10	0	
Old Mining College - Refurbish access and signs (S106)	13	0	0	0	0	13	0	
St. Chads Sculpture (Lichfield City Art Fund)	5	0	0	0	0	5	5	
Developing Prosperity Total	1,252	557	43	0	0	1,852	374	
Property Planned Maintenance	379	180	215	0	140	914	914	
Depot Sinking Fund	11	0	0	0	0	11	11	
Equipment Storage	100	0	0	0	0	100	100	
New Financial Information System	269	0	0	0	0	269	219	
IT Infrastructure	123	15	0	0	0	138	138	
IT Innovation	203	50	0	0	0	253	193	
ICT Hardware	165	160	174	0	175	674	674	
District Council House Repair Programme	238	110	0	0	0	348	310	
Good Council Total	1,488	515	389	0	315	2,707	2,559	
Approved Budget	7,292	8,430	4,278	1,608	1,554	23,162	3,326	

Funding Source	Approved Capital Programme					
	2021/22 Budget £000	2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000	2025/26 Projection £000	Total £000
Capital Receipts	1,795	604	219	0	490	3,108
Capital Receipts - Statue	5	0	0	0	0	5
Revenue - Corporate	0	0	213	0	0	213
Corporate Council Funding	1,800	604	432	0	490	3,326
Grant	1,953	1,815	1,316	1,315	914	7,313
Section 106	962	0	0	0	0	962
CIL	79	0	0	0	0	79
Reserves	1,956	252	120	143	0	2,471
Revenue - Existing Budgets	150	150	150	150	150	750
Sinking Fund	64	0	0	0	0	64
Leases	0	3,260	0	0	0	3,260
Internal Borrowing	0	0	0	0	0	0
Total	6,964	6,081	2,018	1,608	1,554	18,225
External Borrowing	328	2,349	2,260	0	0	4,937
Grand Total	7,292	8,430	4,278	1,608	1,554	23,162
Available Capital Receipts	(793)	(199)	0	0	(185)	(185)

Reconciliation of Original Capital Programme to this Approved Capital Programme

	Cabinet or Decision Date	2021/22 Budget £000	2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000	2025/26 Projection £000	Total £000
Original Budget Council 16/02/2021		6,530	8,430	4,278	1,608	0	20,846
Approved Changes							
Slippage from 2020/21	08/06/2021	762					762
Projections for 2025/26							
Long Term Financial Model						1,554	1,554
Approved Capital Programme		7,292	8,430	4,278	1,608	1,554	23,162

Budget Consultation planning proposal for the 2022 – 2023 Financial Year

Project Objective

To seek views from stakeholders on budget, strategic and delivery priorities that will be used to support budget setting and delivery planning for 2022 – 2023.

Engagement Aims

1. Maximise consultation response rates.
2. Ensure that engagement is representative of the Lichfield district area and that a mix of approaches are used to prevent exclusion wherever possible.
3. Maximise awareness through on-going and pro-active communication.
4. Ensure that all stages of the consultation and decision making are transparent and communicated.

Timescale

Consultation to Launch in September and run for nine weeks to the end of October. This timing would potentially allow for analysis of initial findings and more specific follow up engagement activity on specific issues raised as appropriate and before final reporting is required.

Strategy

The approach recommended is to focus the consultation on spending priorities and themes rather than specific projects or services*. Wider engagement and promotion around the budget consultation will be used to help raise awareness on how Lichfield District Council is funded and the decision making processes involved in budget setting.

Specific questions will be included in the consultation around proposed Council Tax levels for 22/23 supported by information on the reasons for each proposal.

**It may be the case that there are projects/services that emerge from the MTFs and annual planning where specific consultation and engagement would benefit future decision making and this could be incorporated into the overall consultation plan.*

Potential Stakeholders/Consultees

- LDC Members
- Residents (householders)*
- LDC staff
- Businesses/Business organisations
- Parish Councils
- Community Groups and Clubs
- Neighbours and partners e.g. Tamworth BC, East Staffs BC, Staffordshire Fire and Rescue, Staffordshire Police, Member or Parliament
- Stakeholder Groups e.g. Lichfield Place Board, Schools

**This group could be further segmented to engage with age specific groups e.g. 26 – 18 year olds, 50+ residents (whatever is decided).*

***This could be direct contact to individual groups or could be contact with sector representative groups.*

Consultation and engagement

The core of the consultation will be online questionnaires available through the LDC website and emailed directly to stakeholder groups as appropriate. This will provide the majority of the quantitative feedback from the consultation. It is recommended that the questionnaire be split into three for engagement with specific stakeholder groups;

- Residents/General Online questionnaire
- Business questionnaire
- Community Group questionnaire

Consideration should also be given to a series of focus/discussion/round-table groups to enhance the level of stakeholder engagement and provide qualitative consultation feedback. These events could be organised in a number of ways. For example – a group session for each cabinet portfolio area or strategic plan theme or events dedicated to the views of specific audience groups e.g. businesses, school pupils, or a combination of both (themed events and stakeholder events). The sessions would be invitation only and could be delivered in person or online involving members of Cabinet to deliver a short overview and then take questions or engage in a facilitated discussion.

Promotional Plan

The objective of the promotional activity will be to raise awareness of the consultation with stakeholder groups and encourage them to provide their feedback via the questionnaire, via social media or through other forms of engagement.

Publicity will be ongoing throughout the consultation period and use targeted content to attract the attention of different stakeholder groups and/or to appeal to the different interests/concerns of stakeholders e.g. environmental issues, community safety, sports, business issues etc.

Channel	Activity
LDC website	Online form and promotion via news pages/dedicated consultation pages
Social Media (LDC corporate and other) – organic and paid	LDC channels Differentiated content focusing on different themes/audiences Potential for live Q and A Potential for direct engagement with community/business sites
LDC e-news	Feature in each edition (Sept and Oct) promoting the questionnaire and events (as appropriate)
Economic Development e-news	Promote consultation and link to questionnaire (general or business specific)
Visit Lichfield news	Stakeholder bulletin
Media relations	Raise awareness and provide links to web pages/consultation activities
Direct contact	Letters to stakeholders/121 interviews
Partner and local community Channels (on and offline)	Potential for partners e.g. Parish Councils etc. to promote consultation through their channels
Information sites e.g. LDC reception, TIC	Use poster space in community venues where available (possibly with a QR code for direct link to the questionnaire)
Non-LDC information sites	Display information distributed to partners e.g. Parish Councils, community venues and groups