

# Money Matters : 2021/22 Review of Financial Performance against the Financial Strategy

Cabinet Member for Finance, Procurement and Revenues & Benefits

Date: 12 October 2021  
Agenda Item: 11  
Contact Officer: Anthony Thomas  
Tel Number: 01543 308012  
Email: Anthony.thomas@lichfielddc.gov.uk  
Key Decision? YES  
Local Ward Full Council  
Members



Council

## 1. Executive Summary

1.1 The report covers the repurposing of earmarked reserves to reflect strategic priorities.

## 2. Recommendations

2.1. To approve an update the Medium Term Financial Strategy to repurpose the earmarked reserves identified totalling **£775,923** to new earmarked reserves identified in the background section of the report.

## 3. Background

### Budget Management

- 3.1. The MTFFS 2020-25 approved by Council on 16 February 2021 included the Original Budget for 2021/22 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 2021/22 and will be approved by Council on 22 February 2022.

### Earmarked Reserves

- 3.4. There are no earmarked reserves scheduled to be returned to general reserves in 2021/22 under the three year time limit contained in the approved policy.
- 3.5. However, Cabinet and Leadership Team have been reviewing all unrestricted earmarked reserves with the aim of identifying those that could be repurposed to support strategic priorities.
- 3.6. The unrestricted earmarked reserves identified to date for repurposing are shown in the table below:

Reserve Name	Amount identified for Repurposing
Potential Employee Costs	30,000
HS2	35,413
Multi Storey Car Park Refurbishment	40,000
Growth Hub Advisor	7,000
Small Business Grant Scheme	4,196
Local Authority Parks Improvement Programme	340
<b>Total</b>	<b>£116,949</b>

3.7. In addition, a more detailed review is taking place in relation to the following unrestricted earmarked reserves to ascertain the potential for some or all of the balances to be repurposed:

Reserve Name	Amount 1 April 2021	Amount available for Repurposing	Amount requiring a policy decision
Discretionary Grant	125,905		
Local Restrictions Support Grant Open	99,435		
Local Restrictions Support Grant New Burdens Grant	58,500		
Test & Trace New Burdens Grant	22,362		
Test & Trace New Burdens Grant	24,910		
New Burdens Grant for Restart & ARG	166,800		
Housing/Hardship Risks	226,000	166,000	
Operational Services Contract Risks	492,974	492,974	
Property Company Loan	559,000		559,000
Business Rates Pilot Coach Park	605,959		605,959
<b>Total</b>	<b>£2,381,845</b>	<b>£658,974</b>	<b>£1,164,959</b>

3.8. It is recommended that the total of **£775,923** (£116,949 and £658,974) identified for repurposing is allocated to apprenticeships within the Council and an earmarked reserve to fund strategic priorities:

New Reserve	Amount
Apprenticeships	400,000
Strategic Priorities	375,923
<b>Total</b>	<b>£775,923</b>

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	These are shown in the background section.
Approved by Section 151 Officer	Yes
Legal Implications	No specific legal implications.  The recommended changes to the Medium Term Financial Strategy not part of the approved Budget Framework will be required the approval of Full Council.
Approved by Monitoring Officer	Yes
Contribution to the Delivery of the Strategic Plan	The MTFs underpins the delivery of the Strategic Plan.
Equality, Diversity and Human Rights Implications	There are no additional Equality, Diversity or Human Rights implications.
Crime & Safety Issues	There are no additional Crime and Safety Issues.

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)
<b>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)).</b>				
A	Council Tax is not set by the Statutory Date of <b>11 March 2022</b>	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
<b>Strategic Risk SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape (Leadership Team).</b>				
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

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
I	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
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

Medium Term Financial Strategy (MTFS) – Cabinet 6 July 2021

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

**Relevant web link**