

Medium Term Financial Strategy

Report of the Cabinet Member for Finance, Procurement and Revenues & Benefits

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Agenda Item: 5

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Key Decision? YES

Local Ward Members Full Council



Overview and Scrutiny Committee

1. Executive Summary

The Medium Term Financial Strategy (MTFS)

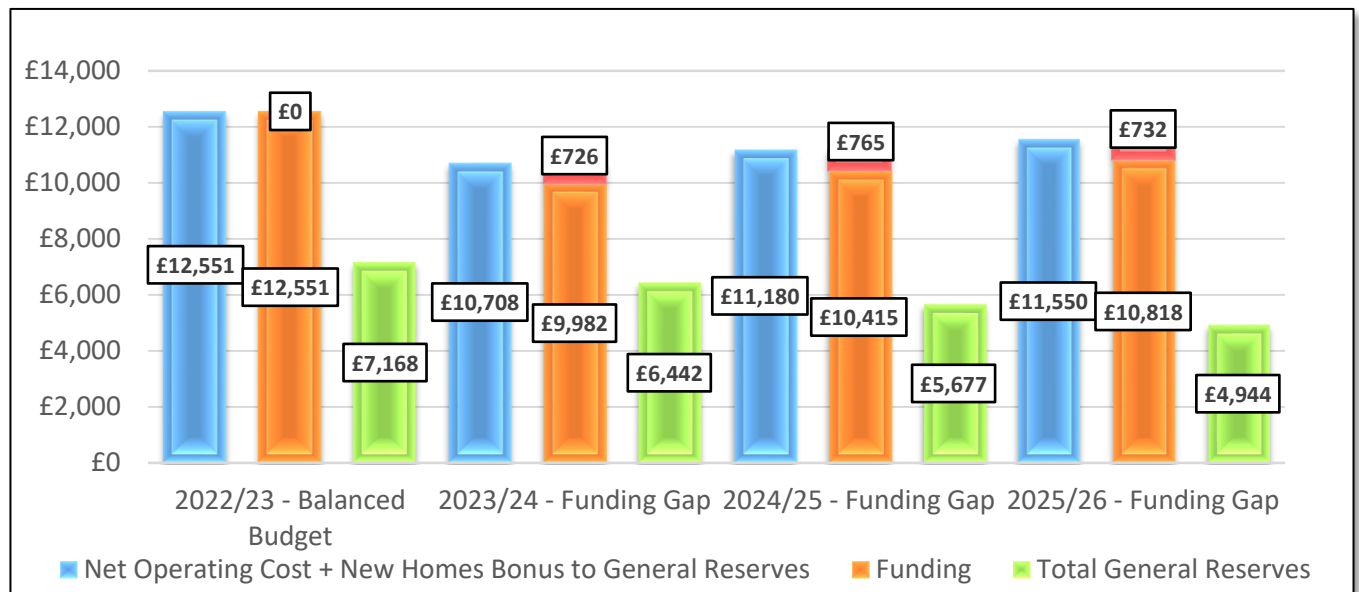
- 1.1 The ability to deliver the outcomes set out in the **Strategic Plan** is dependent on the resources available in the MTFS.
- 1.2 The MTFS is the overall budget framework and consists of the Revenue Budget, Capital Strategy and Capital Programme and General Reserves.
- 1.3 The timetable for consideration of the various elements of the MTFS is detailed in the table below:

Date	Meeting	Topics
06/07/2021	Cabinet	Budget timetable, Budget principles, MTFS update, Budget consultation and budget assumptions for 2022/23
16/09/2021	Overview and Scrutiny Committee	To review the Draft Medium Term Financial Strategy
Budget Consultation (Oct to Nov)	05/10/2021 Cabinet (withdrawn)	An update on the Draft Medium Term Financial Strategy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

- 1.4 There remains 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.
- 1.5 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.
- 1.6 This report updates forecasts from those provided at the meeting on 18 November 2021 following receipt of the Provisional Local Government Finance Settlement for 2022/23 and further develops the planned approach to closing the projected funding gap in the revenue budget.

The Revenue Budget

- 1.7 The Revenue Budget (in £000) with a balanced budget in 2022/23 and Funding Gaps (shown in red in the graph below) in later years is shown in detail at **APPENDIX A** and in summary below:



- 1.8 The Original Budget approved by Council on 16 February 2021 approved no transfer to or from General Reserves.
- 1.9 A Briefing Note related to financial performance in 2021/22 has been circulated to Members of the Committee and this shows a projected contribution to General Reserves of **£173,670** compared to the Approved Budget with a **£199,350** contribution to General Reserves.
- 1.10 The MTFS from 2022/23 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 2021/22 and subsequent years.
- 1.11 The Council is legally required to balance the budget in the first year of 2022/23 and to set out its proposals to balance the further financial years. In 2021/22 a 'balanced budget' where income equals expenditure is recommended.
- 1.12 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 2023/24. 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.
- 1.13 At the end of 2022/23, the Council is projected to have **£8,768,000** of total general reserves available (£7,168,000 after taking account of the Minimum Level of Reserves of £1,600,000) to assist with balancing the budget in future years, if needed.
- 1.14 General Reserves based current projections, are sufficient to balance the budget until 2025/26. However this is not a sustainable approach and the Council will need to make savings or achieve additional income to close the Funding Gap.

The Capital Strategy and the Capital Programme

- 1.15 The Capital Strategy and the Capital Programme are outlined in **APPENDICES C & D**.

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

- 1.16 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 E**).

Budget Consultation

- 1.17 The results of the Budget Consultation for 2022/23 are summarised in the consultation section and the executive summary is provided at **APPENDIX G** with the full results on the website.

2. Recommendations

That the Committee scrutinise the MTFS and provide feedback to Cabinet in relation to:

- 2.1 The 2022/23 Revenue Budget, including the Amount to be met from Government Grants and Local Taxpayers of **£12,551,000**, the District Council Tax Requirement of **£7,456,000** and a proposed level of Council Tax (the District Council element) for 2022/23 of **£187.85** (an increase of **£2.78** or **1.50%**) for a Band D equivalent property.
- 2.2 The MTFS 2021-26 Revenue Budgets set out in **APPENDIX A**.
- 2.3 The Draft Corporate Fees and Charges Policy at **APPENDIX B**.
- 2.4 The MTFS 2021-26 Capital Strategy including the 25 year capital investment model and the Capital Programme shown in **APPENDICES C & D**.
- 2.5 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 E**.
- 2.6 The 25 year revenue financial planning model shown at **APPENDIX F**.
- 2.7 The results of the Budget Consultation summarised at **APPENDIX G**.

3. Background

MTFS Budget Principles

- 3.1. To assist in preparing the Medium Term Financial Strategy, in common with a number of Councils, a set of principles were established to guide the preparation and management of the MTFS.
- 3.2. 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.

The Provisional Local Government Finance Settlement for 2022/23

- 3.3. The elements of the Provisional Finance Settlement for 2022/23 received on **16 December 2021**, relevant to this Council are:

Core Spending Power (CSP)

- A one-year settlement has been announced for 2022-23.
- Priority in the settlement is “stability in the immediate term”, with a more fundamental review of local government funding starting in 2022.
- Core Spending Power is the Government’s preferred measure of Local Government resources including the income from Council Tax, retained Business Rates (based on Government baselines and therefore excluding any retained growth) and grants such as New Homes Bonus.
- For Lichfield District Council, Core Spending Power from 2021/22 to 2022/23 is assumed to increase by **5.2%** compared to the average for Shire Districts of **4.3%** and for England of **6.9%** (**4%** in real terms):

	Core Spending Power		
	2021/22 £	2022/23 £	Change £
Retained Business Rates - Baseline	£2,116,752	£2,117,089	£337
Additional Business Rate related Income	£110,292	£173,922	£63,630
Council Tax (assumes maximum allowable increase and average historic growth in properties)	£7,197,631	£7,488,089	£290,458
Lower Tier Services Grant	£151,399	£94,952	(£56,447)
Services Grant	£0	£145,924	£145,924
New Homes Bonus	£1,282,298	£1,401,105	£118,807
Total	£10,858,372	£11,421,081	£562,709
			5.2%

- A comparison of Lichfield District Council’s **5.2%** increase to other comparators is shown at **APPENDIX A**.
- The **5.2%** assumes Council Tax will increase by the maximum allowed – **c70%** of the additional income is assumed to come from this option.
- In its CSP figures, DLUHC has assumed that the tax base will increase in 2022-23 by **1.4%** in line with the CTB1 submitted in 2021 – **c30%** of the additional income is assumed to come from this option.

Local Government Funding Reform

- Ministers will be re-starting the local government funding reforms in the spring of 2022. This means that the Fair Funding Review and Business Rates baseline reset are both going to be under consideration again, for possible implementation in 2023-24.
- The following announcement was made:

Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years, dating from 2013-14 to a large degree, and even as far back as 2000. Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes. As part of this we will look at options to support local authorities through transitional protection. Councils should note the one-off 2022/23 Services Grant provided in the Local Government Finance Settlement in 2022/23 will be excluded from potential transitional protections

Business Rates

- Staffordshire and Stoke on Trent Business Rates Pool announced for 2022/23 subject to all authorities confirming participation following the Provisional Settlement.
- The Business Rates reset has not been implemented for 2022/23 and therefore the Council will retain its accumulated Business Rates growth in excess of the Government set baseline level.

Council Tax Principles

- District Councils will be able to increase their Band D by the higher of **1.99%** or **£5**. A **£5** increase for Lichfield District Council equates to an increase of **2.70%**.
- Parish councils will continue to not be subject to the referendum limits. As in previous years, the government has indicated it will keep this approach under review for future years.

New Homes Bonus (NHB)

- A one year only allocation for 2022/23 which for Lichfield District Council is **£721,230** and the total payment including legacy payments for previous years is **£1,401,105**. This compares to the payment in 2021/22 of **£1,282,298**, and is an increase of **£118,807 (9%)**.
- There have been no changes to the scheme for 2022/23, with a single year's new allocation made alongside the outstanding legacy payment for 2019/20. There is no planned legacy payment for 2022/23 (as in 2020/21 and 2021/22).

Negative Revenue Support Grant

- This has once again been abated for 2022/23.

Lower Tier Services Grant

- The 'one off' grant for 2021/22 of £111m has been extended into 2022/23 to ensure no authority has a reduction in Core Spending Power.
- For Lichfield District Council, the allocation is **£94,952**.

Services Grant

- This new £822m grant has been distributed using the same methodology as is used for Revenue Support Grant.
- For Lichfield District Council, the allocation is **£145,924**.
- It would appear that this means of distribution is for one year only and that (a) whilst the funding will remain in future years, it will be distributed differently and (ii) the government has confirmed there will be no transition arrangements for changes to this aspect of the CSP in future years.

- 3.4. The Provisional Settlement is subject to the outcome of consultation and the Council responded to this by 13 January 2022.
- 3.5. The Settlement is more advantageous than the assumptions used in the Draft MTFS presented to this Committee on 18 November 2021. This because the Provisional Settlement included an additional New Homes Bonus payment for 2022/23, some additional 'one off' grant funding and because Local Government Finance Reform has been delayed by at least a further year, business rate growth will be retained. This additional funding means that the level of uncertainty for 2022/23 can be reduced to **Medium**.
- 3.6. However the financial benefits at this stage, only impact on 2022/23 with the majority of key income streams (Business Rates, Review of Needs and Resources/Fair Funding and New Homes Bonus) currently being reviewed for implementation potentially in 2023/24. Therefore the level of uncertainty or risk from **2023/24** remains as **High**.

The Revenue Budget

3.7. The Committee was presented with a Draft Revenue Budget on 18 November 2021 and this has been updated to reflect:

- The inclusion of updated projections from the 6 and 8 month Money Matters Reports.
- The inclusion of financial implications from any further Approved Reports.
- The Provisional Local Government Finance Settlement with the 'windfall' benefit recommended to be transferred to the Strategic Priorities earmarked reserve that can be used to fund enabling works for economic growth based projects.
- Any significant inflationary or other changes identified from the detailed review of base budgets.
- The removal of the savings proposals detailed below following consultation with Cabinet:

Description	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Remove civic car	(3)	(3)	(3)	(3)
Remove civic function	(2)	(2)	(2)	(2)
No refreshments at elections	0	(1)	(1)	(1)
Closure of the Lichfield Shop mobility Service.	(4)	(4)	(4)	(4)
Closure of the three Burntwood Public Conveniences.	(7)	(7)	(7)	(7)
Sub Total - items removed	(16)	(17)	(17)	(17)

3.8. The inflationary impact compared to the approved Medium Term Financial Strategy is shown below:

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Inflation Changes	10	17	24	31

3.9. The budget variations compared to the approved Medium Term Financial Strategy are shown below:

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Employee profile changes	(3)	11	37	42
Additional contingency for COVID affected income streams	0	0	113	189
Windfall allocated to Strategic Priorities Earmarked Reserve	1,993	0	0	0
<u>MTFS Savings/Income and Growth Bids</u>				
Total growth bids	564	722	745	751
Total savings/income proposals	(2,087)	(2,424)	(2,505)	(2,595)
Total Budget Variations	467	(1,691)	(1,610)	(1,613)

3.10. The funding changes compared to the approved Medium Term Financial Strategy are shown below:

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Retained Business Rates – additional retained growth	(974)	(8)	(197)	(418)
Business Rates Cap – additional compensation grant	(174)	0	0	0
Council Tax – lower income from lower projected increases	95	234	289	303
New Homes Bonus – allocation in 2022/23 and then no awards	(721)	0	0	0
Lower Tier Services Grant – additional year	(95)	0	0	0
Services Grant – new one year grant	(146)	0	0	0
Council Tax Collection Fund – projected surpluses	(33)	(13)	0	0
Total Funding Changes	(2,048)	213	92	(115)

Modelled Changes and their Impact on the Revenue Budget and the Funding Gap

- 3.11 The Revenue Budget central scenario modelled changes and their impact on the Funding Gap together with scenarios based on more optimistic and more pessimistic assumptions is summarised below:

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Approved MTFS Revenue Budget Funding Gap	1,571	2,187	2,259	2,429
Inflation Changes	10	17	24	31
Budget Variations	467	(1,691)	(1,610)	(1,613)
Funding Changes	(2,048)	213	92	(115)
Sub Total Modelled Changes	(1,571)	(1,461)	(1,494)	(1,694)
Central Scenario Funding Gap	0	726	765	732
More Optimistic scenario	(558)	(310)	(386)	(517)
More Pessimistic scenario	869	1,422	1,484	1,695

- 3.12 The Recommended Revenue Budget using the Central Scenario is shown in detail at **APPENDIX A** and in summary below:

	2021/22		2022/23	2023/24	2024/25	2025/26
	Original Budget £000	Approved Budget £000	£000	£000	£000	£000
LEVEL OF UNCERTAINTY / RISK	LOW	MEDIUM	MEDIUM	HIGH	HIGH	HIGH
Enabling people	1,483	1,453	1,513	1,547	1,579	1,538
Shaping place	3,402	3,515	4,083	4,348	4,449	4,580
Developing prosperity	(621)	(311)	(436)	(373)	(346)	(290)
A good council	6,321	6,291	6,463	6,697	6,991	7,310
Windfall Income allocated to Strategic Priorities	0	0	1,993	0	0	0
MTFS Savings and Bids	0	0	(1,523)	(1,702)	(1,760)	(1,844)
COVID-19 Impacts	1,137	1,012	377	189	189	189
Corporate Expenditure	229	238	82	1	78	68
Revenue Expenditure	11,951	12,199	12,551	10,708	11,180	11,550
Revenue Funding	(11,951)	(11,962)	(12,551)	(9,982)	(10,415)	(10,818)
Central Scenario Funding Gap	0	237	0	726	765	732

	2021/22		2022/23	2023/24	2024/25	2025/26
	Original Budget £000	Approved Budget £000	£000	£000	£000	£000
LEVEL OF UNCERTAINTY / RISK	LOW	MEDIUM	MEDIUM	HIGH	HIGH	HIGH
Employees	13,916	14,006	14,713	15,171	15,636	16,117
Premises	1,124	1,071	1,134	1,174	1,212	1,203
Transport	1,653	1,628	1,649	1,664	1,679	1,696
Supplies and Services	5,278	6,246	6,671	4,713	4,720	4,734
Third Party Payments	664	668	505	513	525	448
Transfer Payments	13,492	13,492	13,492	13,492	13,492	13,492
COVID-19 Impacts	1,430	1,012	377	189	189	189
External Income	(25,654)	(26,161)	(26,072)	(26,209)	(26,351)	(26,397)
Corporate Expenditure	(363)	(173)	(198)	1	78	68
Revenue Expenditure	11,540	11,788	12,271	10,708	11,180	11,550
Revenue Funding	(11,951)	(11,962)	(12,551)	(9,982)	(10,415)	(10,818)
New Homes Bonus to general reserves	411	411	280	0	0	0
Central Scenario Funding Gap	0	237	0	726	765	732

Income Scenarios

3.13 The headline assumptions used in each of the three scenarios are detailed below:

Central Scenario

- **Council Tax** – lower annual property growth, a **20%** increase in working age Council Tax support in 2022/23 reducing to **10%** in 2024/25 and **1.5%** annual Band D Council Tax increases.
- **New Homes Bonus** – legacy payments and a one year payment paid in 2022/23 and no replacement scheme from 2023/24.
- **Business Rates** – negative Revenue Support Grant is abated in 2022/23 and then forms part of funding regime from 2023/24 with no transitional arrangements. Business Rate Growth is retained in full in 2022/23 and then an element is retained from 2023/24. The Council is part of the Business Rates Pool in 2022/23.
- **Sales, Fees and Charges** – a risk based (high **100%** impacted, medium **80%** impacted and low **60%** impacted) headline reduction of **4.5%** in 2022/23 reducing to **2.5%** from 2024/25.

Optimistic Scenario

- **Council Tax** – lower annual property growth, a **20%** increase in working age Council Tax support in 2022/23 reducing to **0%** in 2024/25 and **£5** Band D Council Tax increases in all years.
- **New Homes Bonus** – legacy payments paid until 2022/23 and a replacement scheme from 2023/24 with an annually income commencing at **(£300,000)** in 2023/24 and reducing to **(£100,000)** from 2025/26.
- **Business Rates** – negative Revenue Support Grant is abated in 2022/23 and then forms part of funding regime from 2023/24 with no transitional arrangements. Business Rate Growth is retained in full in 2022/23 and then a larger element is retained from 2023/24. The Council is part of the Business Rates Pool in 2022/23.
- **Sales, Fees and Charges** – a risk based (high **50%** impacted, medium **30%** impacted and low **10%** impacted) headline reduction of **1.0%** in all years.

Pessimistic Scenario

- **Council Tax** – lower annual property growth, a **50%** increase in working age Council Tax support in 2022/23 reducing to **10%** in 2024/25 and **1.50%** Band D Council Tax increases in all years.
- **New Homes Bonus** – legacy payments paid until 2022/23 and no replacement scheme from 2023/24.
- **Business Rates** – negative Revenue Support Grant is abated in 2022/23 and then forms part of funding regime from 2023/24 with no transitional arrangements. Minimal Business Rate Growth is retained from 2022/23. The Council is not part of the Business Rates Pool in 2022/23.
- **Sales, Fees and Charges** – a risk based (high **100%** impacted, medium **100%** impacted and low **60%** impacted) headline reduction of **7.0%** in 2022/23 reducing to **2.5%** from 2024/25.

Draft Corporate Fees and Charges Policy

- 3.14 The Finance and Procurement Team instigated a review of the approach being taken to setting fees and charges within the Council to ensure best practice is being applied to this increasingly important set of local income streams.
- 3.15 One of the recommendations of the review was the implementation of a corporate charging policy based on best practice.
- 3.16 The Draft Corporate Fees and Charges Policy is shown at **APPENDIX B** and the views of the Overview and Scrutiny Committee are requested prior to its consideration by Cabinet.
- 3.17 The policy will be used to ensure a consistent approach to setting fees and charges is adopted across the Council in the development of future Medium Term Financial Strategies.

The Capital Strategy

3.18 The Capital Strategy is shown at **APPENDIX C** and sets out the Council's framework for managing the Capital Programme including:

- **Capital expenditure**, including the approval process, long-term financing strategy, asset management, maintenance requirements, planned disposals and funding restrictions.
- **Debt and borrowing and treasury management**, including projections for the level of borrowing, capital financing requirement and liability benchmark, provision for the repayment of debt, the authorised limit and operational boundary for the coming year and the authority's approach to treasury management.
- **Commercial activities**, including due diligence processes, the authority's risk appetite, proportionality in respect of overall resources, requirements for independent and expert advice and scrutiny arrangements.
- **Other long-term liabilities**, such as financial guarantees.
- **Knowledge and skills**, including a summary of that available to the authority and its link to the authority's risk appetite.

3.19 As the Council's Chief Financial Officer, I have assessed the current overall risk as **Material (yellow)**.

The Capital Programme

3.12. The Committee was presented with a Draft Capital Programme on 18 November 2021 and this has been updated to reflect:

- The inclusion of updated projections from the 6 and 8 month Money Matters Reports.
- The inclusion of financial implications from any further Approved Reports.
- The inclusion of a Capital Contingency budget to manage the risk of construction inflation.

3.20 The recommended additional capital investment is summarised below:

Details	Assessed Score	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Car Park Barriers	70		36			
Property Planned Maintenance Budget			(36)			
Council Meeting Broadcast Equipment	54		90			
Property Planned Maintenance Budget			(90)			
IT Hardware	25 year model					175
Council Funding						(175)
Property Maintenance	25 year model					140
Council Funding						(140)
Bin Purchases	25 year model					150
Existing Revenue Budgets						(150)
Vehicles	25 year model					150
Council Funding						(150)
Disabled Facilities Grants	25 year model					914
External Funding						(914)
Home Repair Assistance	25 year model					25
Council Funding						(25)
Capital Contingency	Inflation Risk		100	100	100	100
Projected Capital Spend		0	226	100	100	1,654
External Funding						(914)
Existing Revenue Budgets						(150)
Existing Capital Budgets			(126)			
Council Funding - Revenue Budget			(100)	(100)	(100)	(590)
Total Funding		0	(226)	(100)	(100)	(1,654)
Shortfall in Funding & Borrowing Need		0	0	0	0	0

- 3.21 A number of projects contained in the Approved Capital Programme have revenue implications such as operating costs, the cost of debt repayment, revenue funding or savings.
- 3.22 Capital Bids submitted as part of the Service and Financial Planning process are also required to identify any ongoing revenue implications and where debt is to be utilised for funding, debt repayment costs are calculated.
- 3.23 The Capital Programme revenue implications contained in the Approved Budget (at the 8 month's stage of 2021/22) and the revenue implications of Capital Bids are shown below:

Revenue Implications	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Interest on Loan to the LA Company	0	(4)	(18)	(22)	(22)
Friary Grange - Refurbishment	135	135	135	135	0
Coach Park Operation Costs	0	0	50	50	50
IT Hardware	9	4	(38)	9	9
Replacement Leisure Centre Debt Costs	0	0	0	294	290
Financial Information System	(20)	(40)	(40)	(40)	(40)
Revenue Budget - Bin Replacement	240	150	150	150	0
Revenue Budget - Other Projects	223	0	0	0	0
Revenue Budget - Corporate	0	0	213	0	0
Sub Total - Approved Budget	587	245	452	576	287
Revenue Budget - Corporate	0	100	100	100	590
Revenue Budget - Bin Replacement	0	0	0	0	150
Sub Total - Service and Financial Planning	0	100	100	100	740
Capital Programme Total	587	345	552	676	1,027

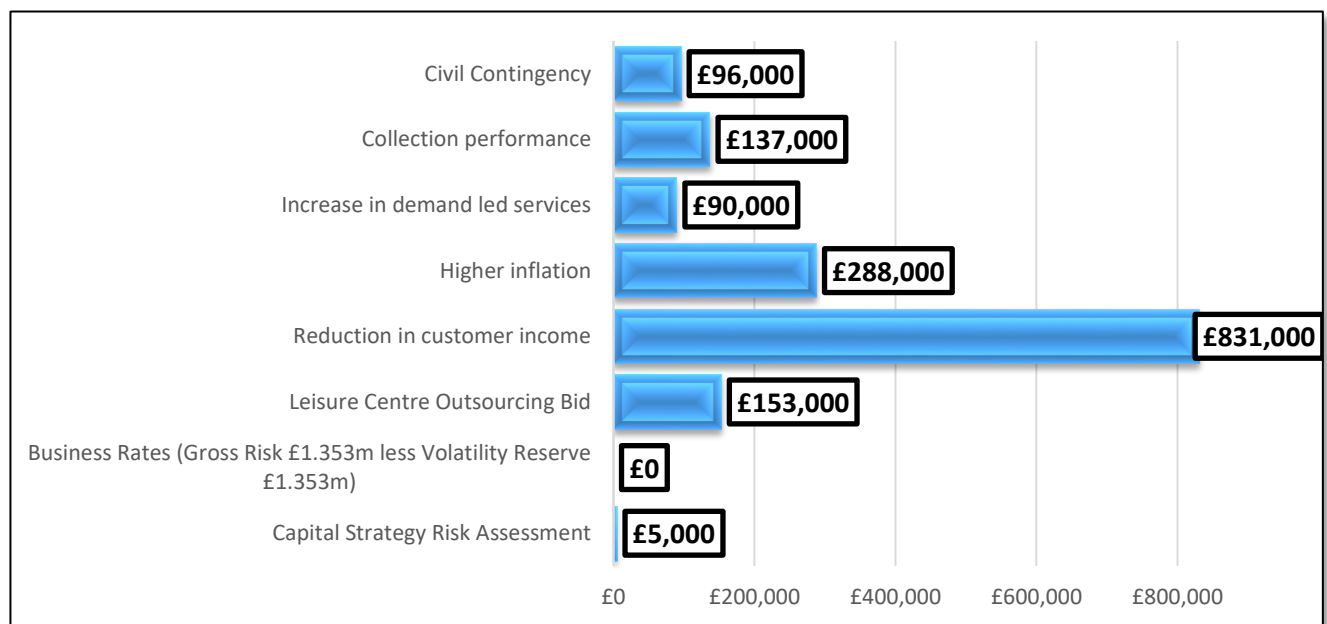
- 3.24 The Capital Programme is summarised below and is shown in detail at **APPENDIX D**:

	2021/22		2022/23	2023/24	2024/25	2025/26
	Original Budget £000	Revised Budget £000				
LEVEL OF UNCERTAINTY / RISK	HIGH	MEDIUM	MEDIUM	HIGH	HIGH	HIGH
Enabling people	3,375	2,794	4,792	3,596	1,315	939
Shaping place	1,102	1,984	421	3,127	280	300
Developing prosperity	935	577	1,676	193	0	0
A good Council	1,118	1,056	1,064	331	331	506
Capital Expenditure	6,530	6,411	7,953	7,247	1,926	1,745
Capital Funding	(6,252)	(6,083)	(5,604)	(4,987)	(1,926)	(1,745)
Borrowing Need	278	328	2,349	2,260	0	0

General Capital Receipts	(888)	(1,689)	(368)	(317)	(97)	(690)
Capital Receipts earmarked to Housing	(197)	(694)	(694)	(694)	(694)	(694)
Total Capital Receipts	(1,085)	(2,383)	(1,062)	(1,011)	(791)	(1,384)

Opinion of CFO on the Adequacy of Reserves and the Robustness of the Estimates

- 3.25 The Chartered Institute of Finance and Accountancy (CIPFA) provided the second release of its Financial Resilience Index February 2020 and the third release is imminent (Lichfield DC's information compared to all District Councils and Nearest Neighbours is shown at **APPENDIX E**). The index showed this Council's position on a range of measures associated with financial risk.
- 3.26 This release is still based on backward looking measures rather than the future financial challenges identified in forward looking Medium Term Financial Strategies, therefore it will not take into account the significant and ongoing impact of the COVID-19 pandemic but will provide a baseline for future comparison.
- 3.27 The Resilience Index identified that in the majority of the measures selected, including those related to the level and change in reserves, this Council was at the lower end of the risk spectrum compared to all other District Councils and Nearest Neighbour Authorities. This has meant that the added financial resilience and sustainability concerns presented by COVID-19 whilst being challenging, has not been a significant risk at this stage for this Council.
- 3.28 It remains prudent for the Council to maintain an adequate 'working balance' or Minimum Level that is part of its general reserves. A risk assessment approach in line with Best Practice is used to determine the required Minimum Level and the level of general and earmarked reserves.
- 3.29 The main elements of the risk assessment are shown in detail at **APPENDIX E** and below:



- 3.30 The Chief Finance Officer (CFO) has been involved throughout the entire budget process, including revising the MTFS, input to the drafting of the budget, the ongoing financial monitoring and reporting process, evaluation of investments and savings, engagement with Members of the Cabinet and Overview and Scrutiny Committee, advising colleagues, the strategic choices activities, challenge and evaluation activities, and scrutiny of the budget.
- 3.31 I am of the opinion that for a Council of this size and with our recent record of prudent spending, effective Risk Management, robust budgeting and effective Budget monitoring and control, a General Minimum Reserve level of **£1,600,000** remains adequate.
- 3.32 It is important to note that whilst the level for 2022/23 is the same as 2021/22, there have been changes to specific risks such as an allowance for higher inflation. In addition, several risks such as Business Rates have specific earmarked reserves and specific budget risk based reductions related to income streams including sales, fees and charges have been incorporated within the MTFS.

Projected General Reserves

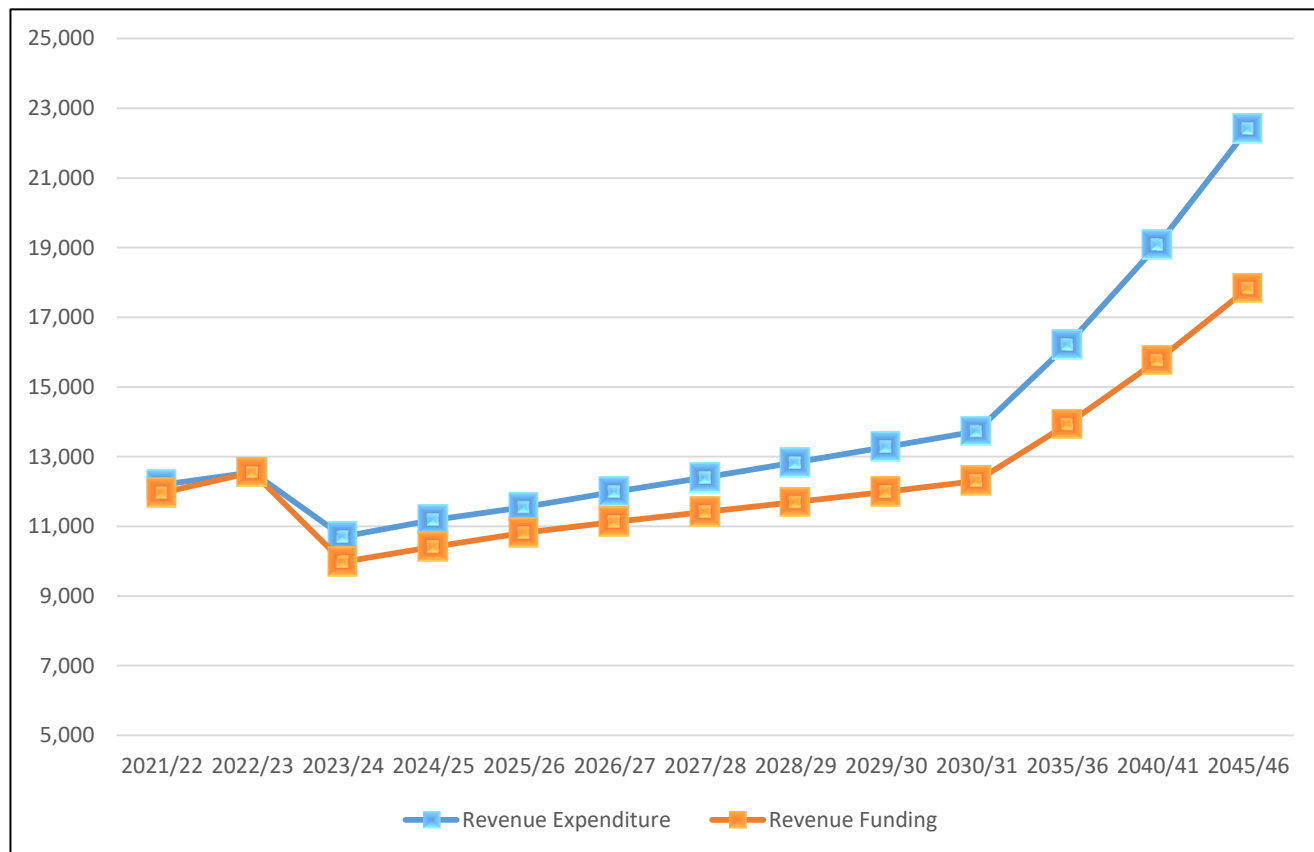
- 3.33 The total projected level of general reserves are shown below using the central scenario together with projections using more optimistic and pessimistic scenarios:

	2021/22		2022/23	2023/24	2024/25	2025/26
	Original Budget £000	Approved Budget £000	£000	£000	£000	£000
LEVEL OF UNCERTAINTY / RISK	LOW	MEDIUM	MEDIUM	HIGH	HIGH	HIGH
Available General Reserves Year Start	6,714	6,714	6,888	7,168	6,442	5,677
(Funding Gap)	0	(237)	(0)	(726)	(765)	(732)
New Homes Bonus in excess of 'Cap'	411	411	280	0	0	0
Available General Reserves Year End	7,125	6,888	7,168	6,442	5,677	4,944
Minimum Level	1,600	1,600	1,600	1,600	1,600	1,600
Total Projected General Reserves	8,725	8,488	8,768	8,042	7,277	6,544
More Optimistic scenario	8,725	8,488	9,326	9,636	10,021	10,538
More Pessimistic scenario	8,725	8,488	7,899	6,477	4,992	3,297

- 3.34 There is currently an unprecedented level of uncertainty in relation to Local Government Finance with a number of planned reforms. This unprecedented uncertainty has been amplified by the COVID-19 pandemic that will likely have an ongoing and long term impact on revenue budgets.
- 3.35 Financial planning in these circumstances with any degree of certainty is incredibly difficult especially when it is not clear when or if any of the planned reforms will be implemented.
- 3.36 However the scenarios in this report provide an indication of the impact on the MTFS from the use of different assumptions. The three scenarios utilised all currently project a funding gap in 2023/24 and up to 2025/26. The projected funding gaps are principally due to:
- The projected impact of the Review of Needs and Resources (formerly the Fair Funding Review) and the review of Business Rate Baselines where resources are likely to be redistributed from District Councils to Upper Tier authorities. These reviews reflect the need for additional funding to address the increasing demographic demands in adult social care and children's services.
 - The additional costs related to delivering existing services such as inflation, pension costs, an increasing population and more properties.
 - The desire to deliver new or enhanced often discretionary services such as a replacement leisure centre.
- 3.37 A replacement leisure centre of **£5,000,000** funded by borrowing has been included in the Approved MTFS. The estimated cost of borrowing of **£294,000** impacting from 2024/25 onwards for a budgeted period of 25 years has also been included in the Approved Revenue Budget.
- 3.38 This borrowing will be a long term financial commitment for the Council. Therefore given the range of financial projections at this time of unprecedented uncertainty, Council will need to be aware that to enter into long term commitments of this nature carry a very high risk that a balanced budget cannot be achieved or maintained.
- 3.39 It is very important therefore to highlight that to mitigate the risk of a statutory notice, focused on the inability to deliver a balanced budget, a robust and deliverable savings plan will need to be agreed together with a commitment to its delivery before any financial commitment can take place.

Longer Term Financial Planning

3.40 The updated longer term financial plan is shown in detail at **APPENDIX F** and in the chart below:



3.41 The MTFS assumes an ongoing saving from the Being a Better Council Programme of **£995,000** that will need to be identified during 2022/23.

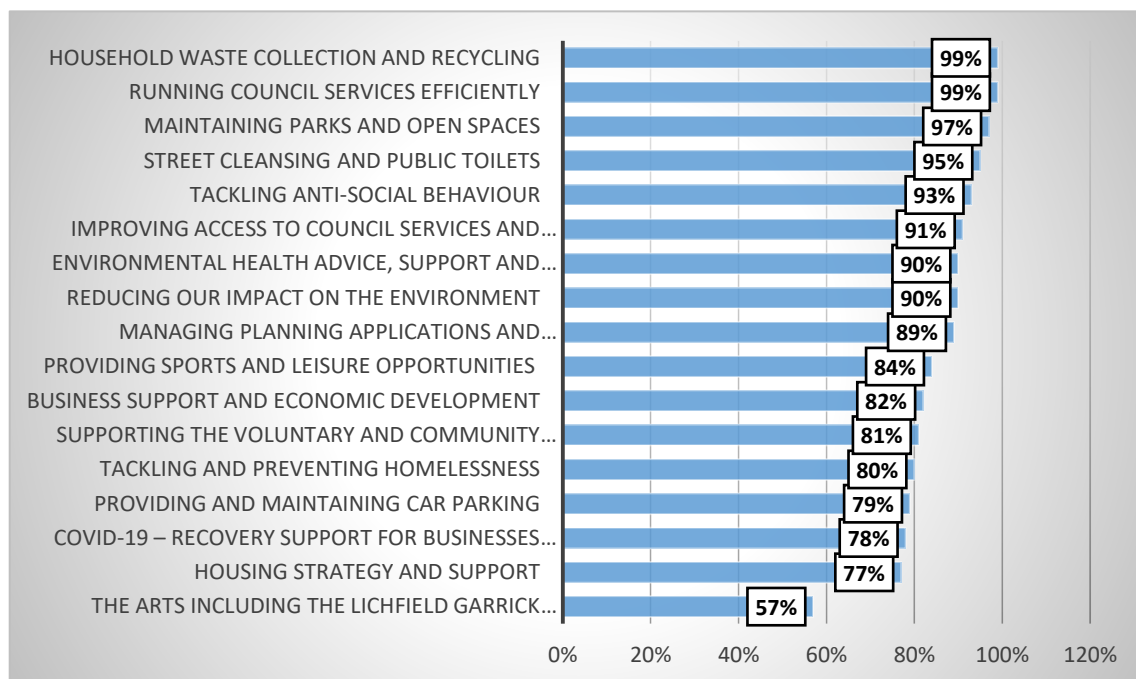
3.42 A funding gap after the incorporation of these savings is projected from 2023/24 onwards and this will mean that subject to the outcome of the local government finance reforms, the identification of options to deliver further sustainable savings/additional income will remain necessary.

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.
Consultation	<p>The budget consultation was launched on 4 October 2021 and was open until 30 November.</p> <p>The primary method of response to the consultation was via an online questionnaire. The questionnaire was based on a similar question set to that used in 2020 to enable comparison with previous results. The questionnaire included a range of questions derived originally from Staffordshire County Council's Feeling the Difference survey and giving residents an opportunity to express their views on trust in, and satisfaction with, local public services. This was followed by questions asking respondents to rate service areas in terms of importance and spending priority. The final set of questions asked respondents for their views on the council's approach to fees and charges and to potential future levels of Council Tax.</p> <p>A total of 264 people responded to the survey. This represents 0.316% of the adult population of the district and represents an increase of 116 respondents from the previous budget consultation in 2020</p>

The results of the Budget Consultation are included at **APPENDIX G** and the key areas are summarised in the paragraphs below.

Service Areas and their level of Importance

Respondents were asked to consider a wide range of service priority areas that align to strategic priorities. Areas that were highlighted as most important were; household waste collection, recycling and running the council and its services efficiently, maintaining parks and open spaces. Also in the top five areas of importance were street cleansing and tackling anti-social behaviour. The top four priority areas are the same as highlighted in the 2020 survey.



Spending Priorities and Council Tax

There was a continued feeling from respondents to the survey that spending should be maintained rather than increased across the majority of service areas. Only in one area were the majority of respondents in favour of reducing spending – the Arts including the Lichfield Garrick.

Fees and income

The largest proportion of respondents (69%) felt that either Lichfield District Council's approach to fees was currently about right or that no additional fees should be introduced.

Only 32% felt that there was scope for increases and put forward alternative suggestions for sources of income generation which ranged from commercial sponsorship, increased for more regular fines, large-scale events or ideas for reductions in spending.

Council Tax

The majority of respondents (87%) indicated that an increase in Council Tax would be acceptable with 54% of the total expressing that an increase of 2% or £5 would be acceptable to them.

Financial Implications

The financial implications are shown in the background section of the report and the Appendices.

Approved by Section 151

Yes

Legal Implications	No specific legal implications. The recommended Medium Term Financial Strategy, is part of the Budget Framework and will therefore require the approval of Full Council.
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.
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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.
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Crime & Safety Issues	These areas are addressed as part of the specific areas of activity prior to being included in the Strategic Plan.
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Environmental Impact	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan.
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GDPR/Privacy Impact Assessment	There are no specific implications related to the Medium Term Financial Strategy
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	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
Strategic Risk SR1 - Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability				
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/earmarked 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	Likelihood : Yellow Impact : Red	The current MTFs assumes that the pay freeze	Likelihood : Yellow Impact : Yellow

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
	freeze in 2021/22 is not applicable to Local Government	Severity of Risk : Red	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.	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 s				
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 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

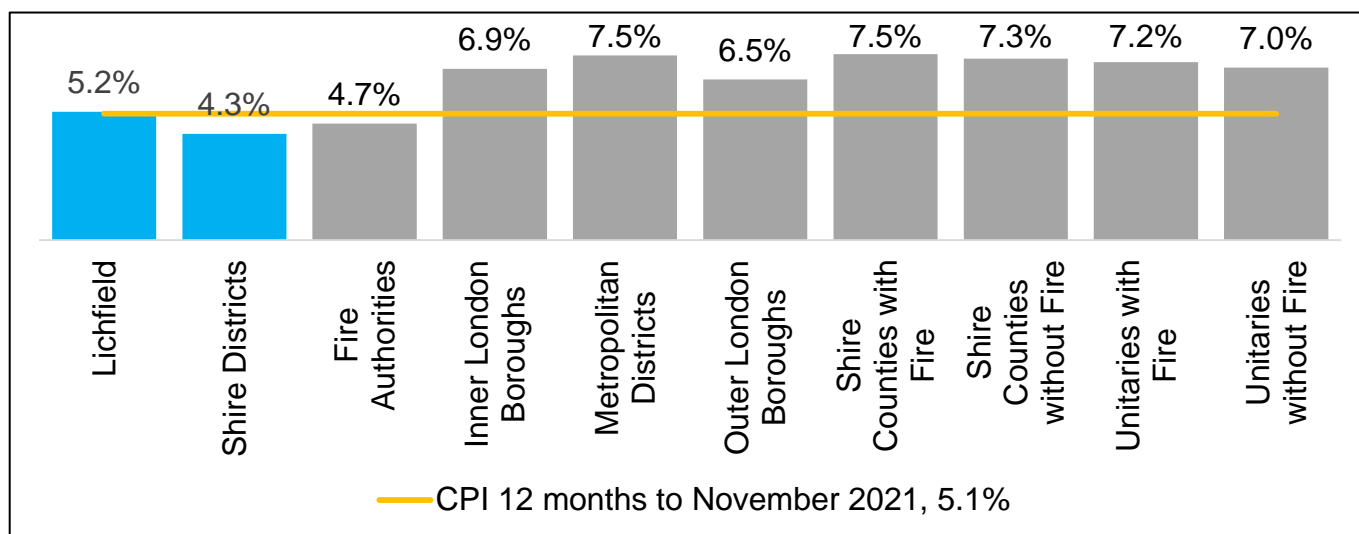
Background documents

- CIPFA Code of Practice for Treasury Management in the Public Services.
- The Prudential Code for Capital Finance in Local Authorities.
- Money Matters: Medium Term Financial Strategy (Revenue and Capital) 2020-25 – Cabinet 9 February 2021.
- Money Matters: Medium Term Financial Strategy (Revenue and Capital) 2020-25 – Council 16 February 2021.
- Money Matters: 2020/21 Review of Financial Performance against the Financial Strategy – Cabinet 8 June 2021.
- Medium Term Financial Strategy – Cabinet 6 July 2021.
- Money Matters: 2021/22 Review of Financial Performance against the Financial Strategy – Cabinet 7 September 2021.
- Money Matters: Calculation of Business Rates in 2022/23, Council Tax Base for 2022/23 and the Projected Collection Fund Surplus / Deficit for 2021/22 - Cabinet 7 December 2021.
- Money Matters: 2021/22 Review of Financial Performance against the Financial Strategy – Cabinet 7 December 2021.
- Service and Financial Planning Submissions.
- Full Budget Consultation Results and Business Survey Results

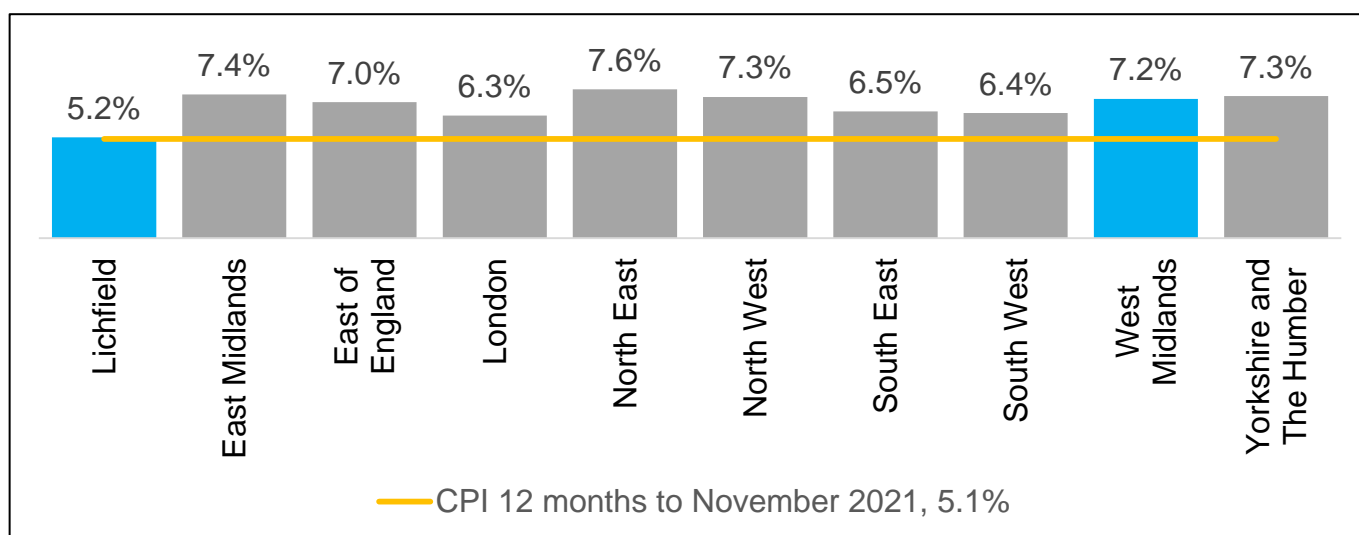
Relevant web links

Core Spending Power Increase Comparators

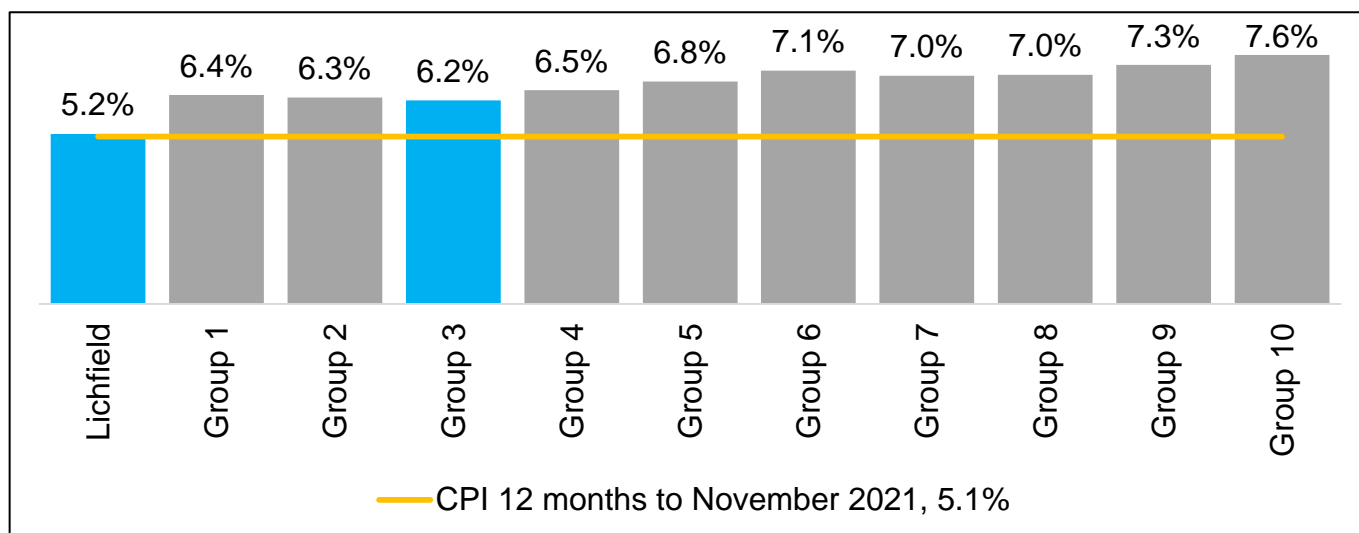
Change in Core Spending Power by Authority Type



Change in Core Spending Power by Region



Change in Core Spending Power by level of Deprivation (IMD deciles)



Recommended Revenue Budget 2021/22 to 2025/26 (£000)

	2021/22 Original Budget £000	2021/22 Approved Budget £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
LEVEL OF UNCERTAINTY / RISK	LOW	MEDIUM	MEDIUM	HIGH	HIGH	HIGH
Developing prosperity	(621)	(311)	(436)	(373)	(346)	(290)
A good council	6,321	6,291	6,463	6,697	6,991	7,310
Enabling people	1,483	1,453	1,513	1,547	1,579	1,538
Shaping place	3,402	3,515	4,083	4,348	4,449	4,580
MTFS Savings and Bids	0	0	(1,523)	(1,702)	(1,760)	(1,844)
Windfall Income allocated to Strategic Priorities	0	0	1,993	0	0	0
COVID-19 - General Recovery	(4)	(129)	377	189	189	189
COVID-19 - Specific Risks	1,141	1,141	0	0	0	0
Net Cost of Services	11,722	11,961	12,469	10,707	11,102	11,482
Corporate expenditure	(182)	(173)	(198)	1	78	68
Net Operating Cost	11,540	11,788	12,271	10,708	11,180	11,550
Retained Business Rates Baseline Funding	(3,122)	(3,122)	(3,311)	(2,341)	(2,480)	(2,628)
Business Rates Cap	(110)	(110)	(174)	0	0	0
Lower Tier Services Grant	(151)	(151)	(95)	0	0	0
Local Council Tax Support Grant	(126)	(126)	0	0	0	0
Services Grant	0	0	(146)	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
New Homes Bonus - Contingency Budget	(371)	(371)	(721)	0	0	0
Collection Fund (Surplus)/Deficit	38	27	32	52	0	0
Council Tax	(7,198)	(7,198)	(7,456)	(7,693)	(7,935)	(8,190)
Total Funding	(11,951)	(11,962)	(12,551)	(9,982)	(10,415)	(10,818)
New Homes Bonus to general reserves	411	411	280	0	0	0
MTFS Funding Gap / (transfer to general reserves)	0	237	0	726	765	732
Council Tax Base	39,032	39,032	39,695	40,350	41,004	41,695
Band D Council Tax	£180.07	£180.07	£187.85	£190.66	£193.52	£196.43

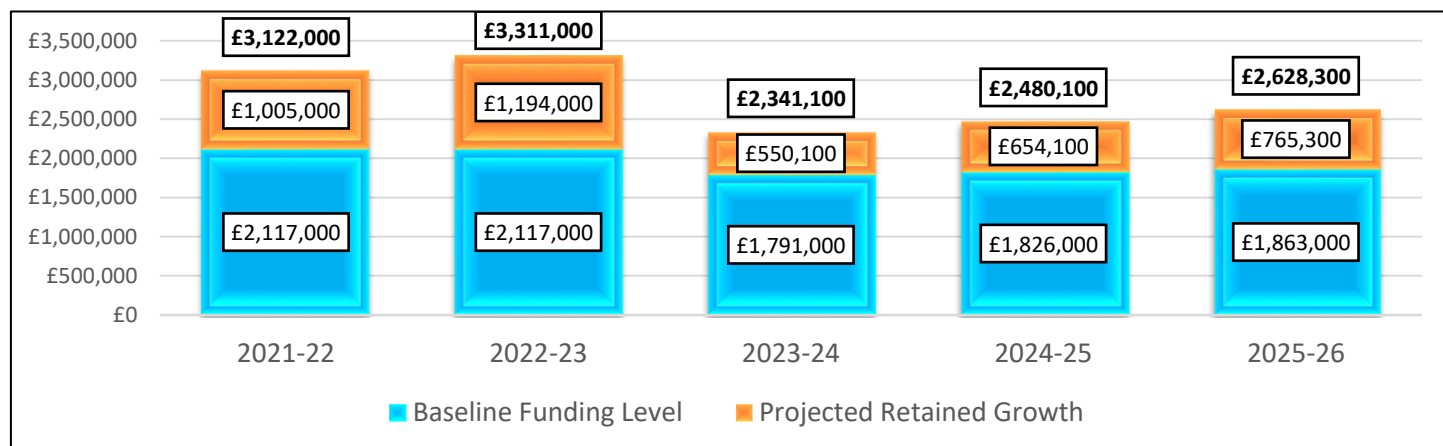
Reconciliation of Original Funding Gap to Recommended Revenue Budget Funding Gap

	Financial Year				
	2021/22	2022/23	2023/24	2024/25	2025/26
ORIGINAL FUNDING GAP	£0	£1,324	£2,005	£2,121	£2,309
<u>Budget Monitoring in 2021/22</u>					
3 Month's Money Matters	(24)	(3)	(3)	(3)	(3)
6 Month's Money Matters	0	(2)	(2)	(2)	(2)
8 Month's Money Matters	26	0	0	0	0
Cabinet and Council Reports	236	253	188	144	125
Approved Budget	237	1,571	2,187	2,259	2,429
<u>Modelled Changes</u>					
Inflation		10	17	24	31
Budget Variations		(3)	11	150	231
MTFS Savings and Bids		(1,523)	(1,702)	(1,760)	(1,844)
Transfer 'Windfall' income from one year Provisional Finance					
Settlement to strategic priorities earmarked reserve		1,993	0	0	0
Retained Business Rates		(974)	(8)	(197)	(418)
Business Rates Cap		(174)	0	0	0
Council Tax		95	234	289	303
New Homes Bonus		(721)	0	0	0
Lower Tier Services Grant		(95)	0	0	0
Services Grant		(146)	0	0	0
Council Tax Collection Fund		(33)	(13)	0	0
MTFS FUNDING GAP	£237	£0	£726	£765	£732

Revenue Budget Key Revenue Streams

Retained Business Rates

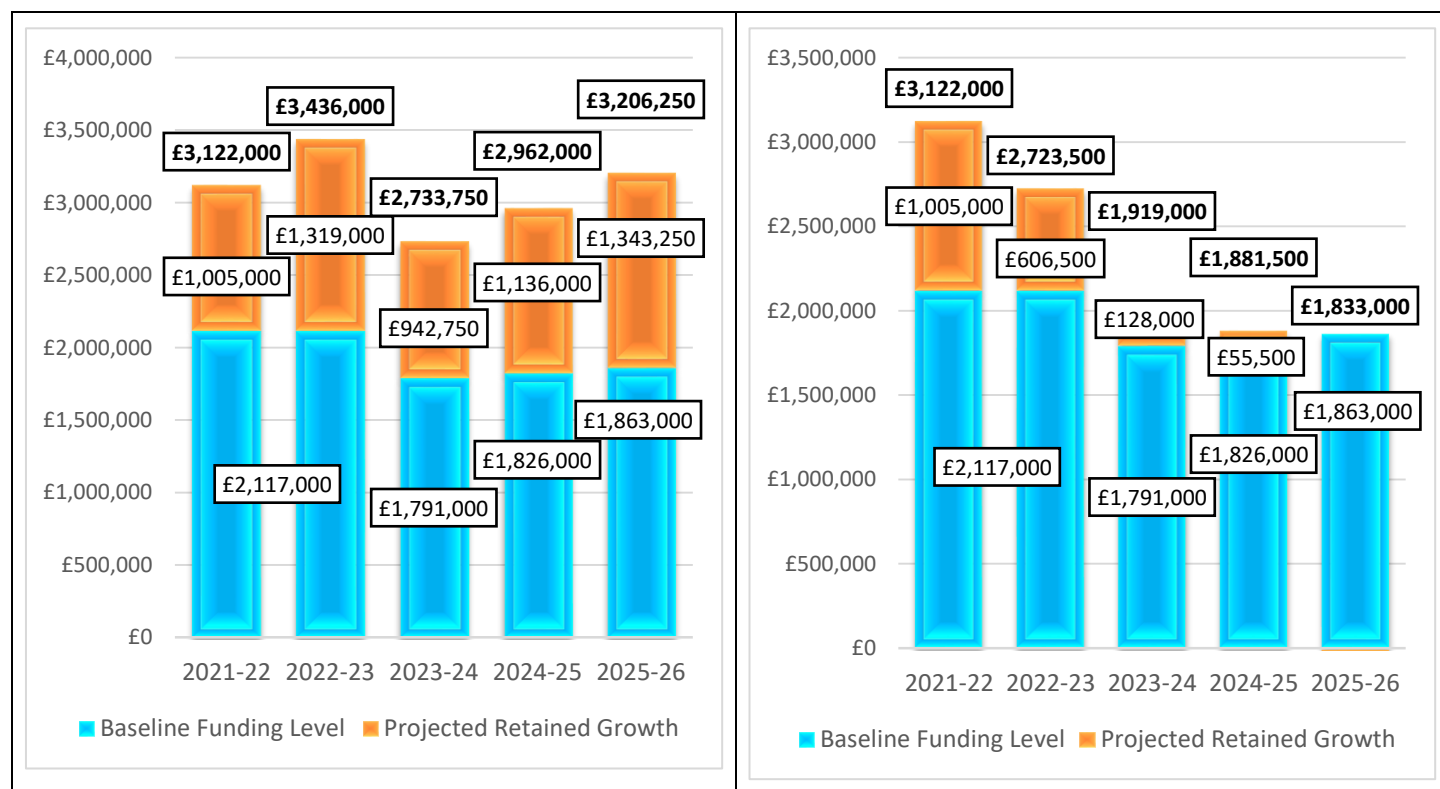
The Central Scenario budget for Retained Business Rates income, with Business Retention reform and the Fair Funding Review presenting significant risks to the assumptions made from 2023/24, are:



The change in retained Business Rates compared to the Approved Medium Term Financial Strategy is shown below:

	2021-22	2022-23	2023-24	2024-25	2025-26
Approved MTFS (assumed Fair Funding and Business Rates Reset from 2022/23)	(£3,122,000)	(£2,337,000)	(£2,333,000)	(£2,283,000)	(£2,210,000)
Draft MTFS (assumes Fair Funding and Business Rates Reset from 2023/24)	(£3,122,000)	(£3,311,000)	(£2,341,100)	(£2,480,100)	(£2,628,300)
Change – higher income	-	(£974,000)	(£8,100)	(£197,100)	(£418,300)

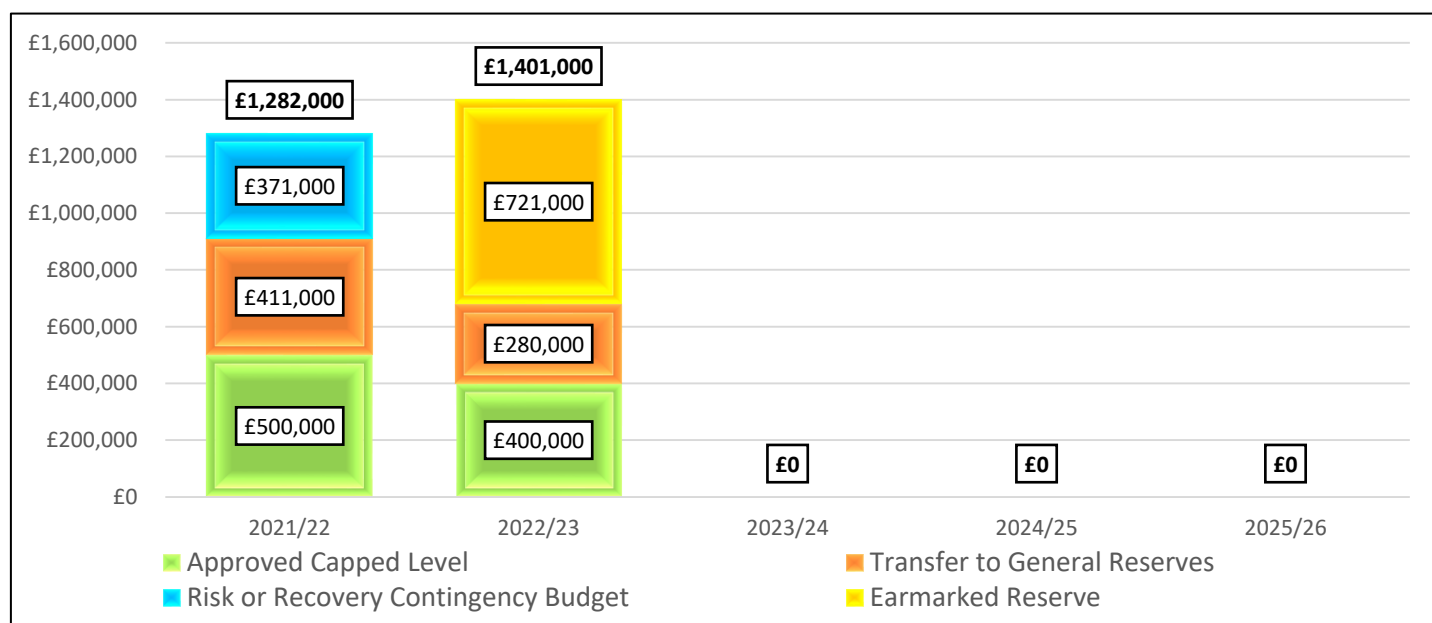
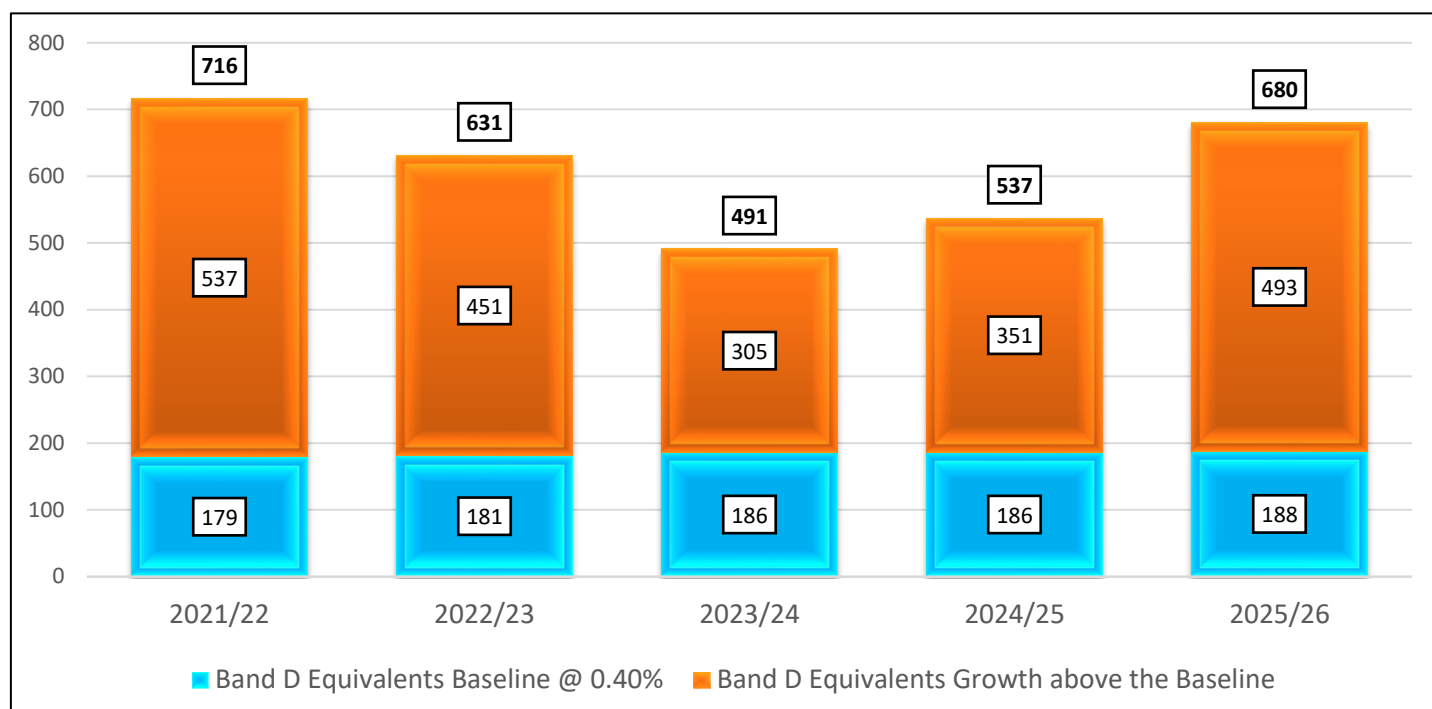
The budgets based on more optimistic (including from 2023/24 the majority of growth being retained) or more pessimistic (including the majority of growth from 2023/24 being redistributed) assumptions are also provided below:



At present, the Medium Term Financial Strategy does not include any allowances for managing the transition from the current Local Government Finance system to the new Local Government Finance System.

New Homes Bonus

The budgets for housing supply (based on the current New Homes Bonus reward system) and New Homes Bonus, with the planned review in 2022/23 providing uncertainty beyond 2023/24 are:



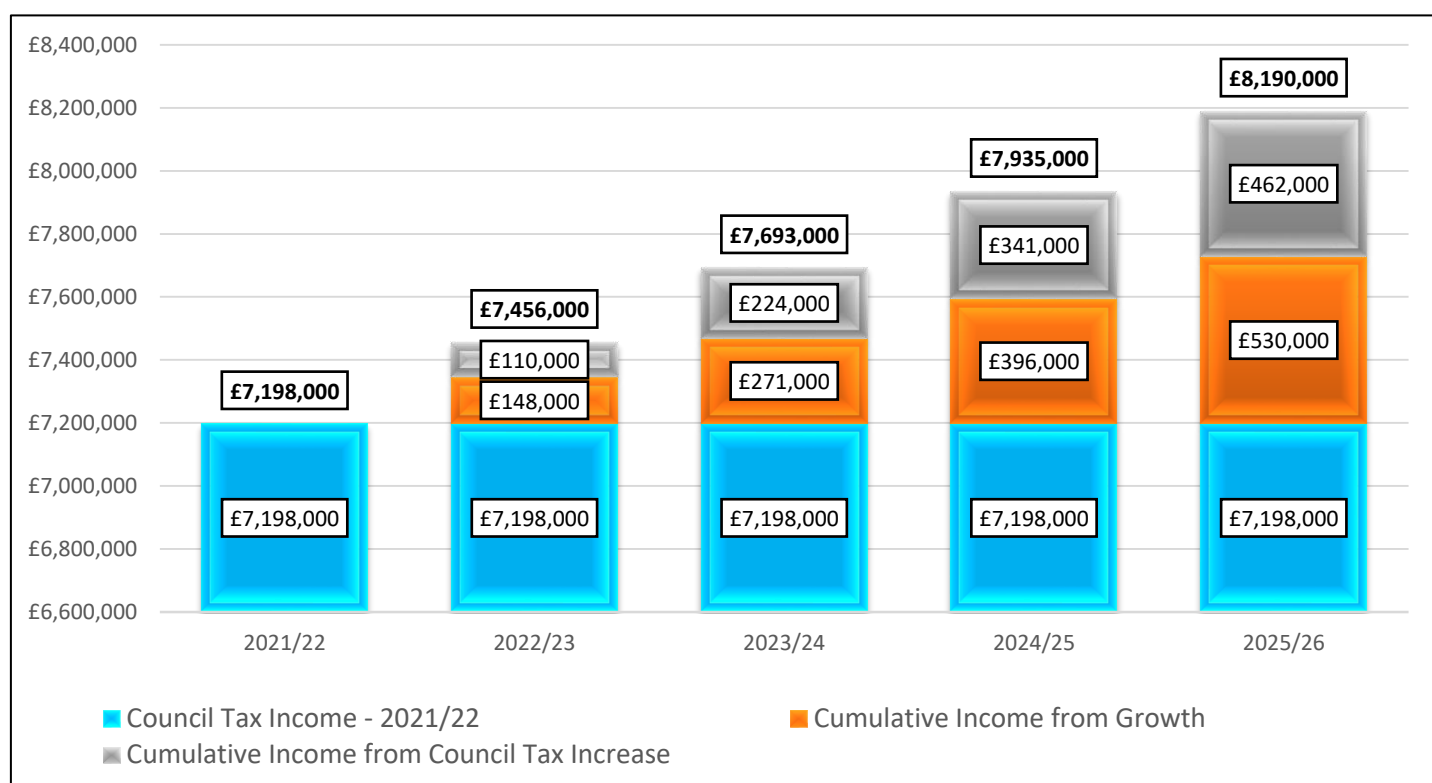
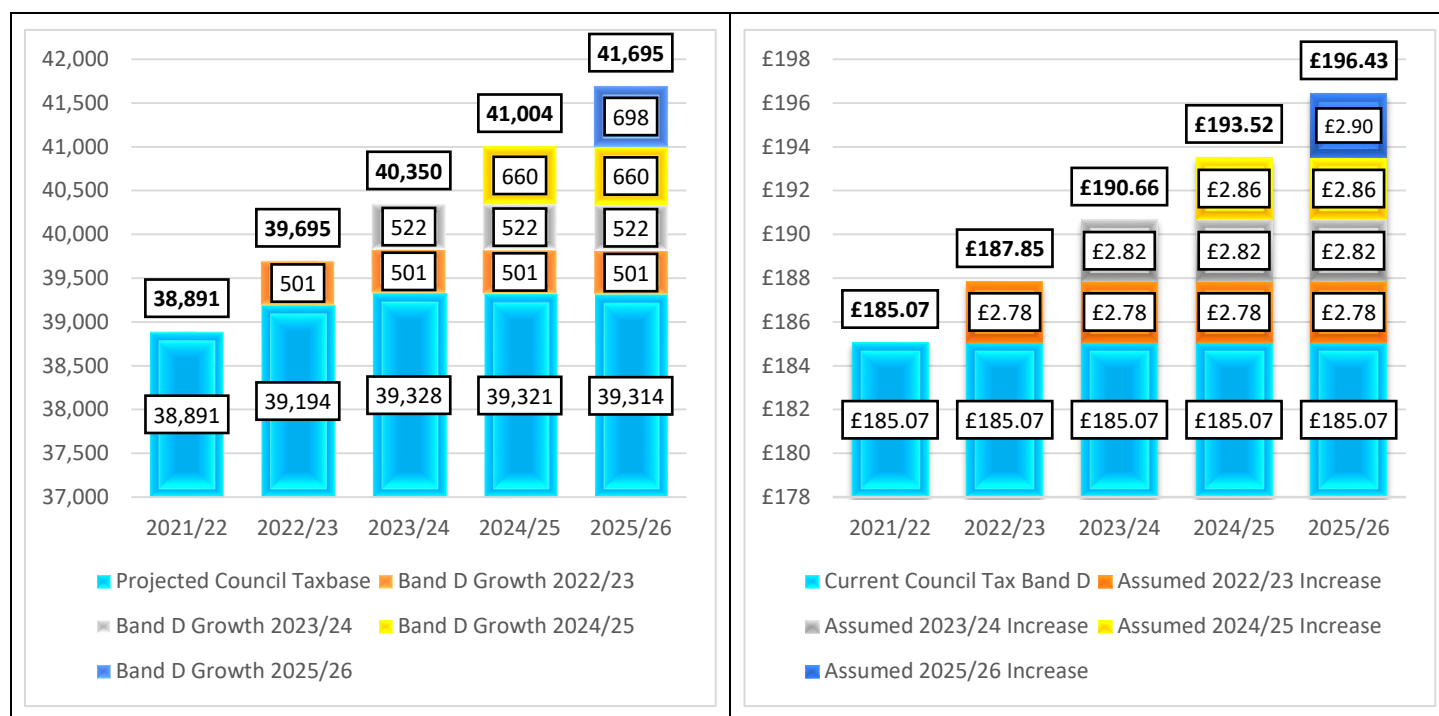
The change in New Homes Bonus income compared to the Approved Medium Term Financial Strategy is shown below:

Capped Level	2021/22	2022/23	2023/24	2024/25	2025/26
Approved MTFS	(£500,000)	(£400,000)	-	-	-
Draft MTFS	(£500,000)	(£400,000)	-	-	-
Change	-	-	-	-	-

Total amount of New Homes Bonus	2021/22	2022/23	2023/24	2024/25	2025/26
Approved MTFS	(£911,000)	(£680,000)	-	-	-
Draft MTFS	(£911,000)	(£1,401,000)	-	-	-
Change – higher income	-	(£721,000)	-	-	-

Council Tax

The Approved Budgets for Council Tax base (with a modelled increases to Council Tax Band D) and income are:



The change in Council Tax income compared to the Approved Medium Term Financial Strategy is shown below:

	2021/22	2022/23	2023/24	2024/25	2025/26
Approved MTFS	(£7,198,000)	(£7,551,000)	(£7,927,000)	(£8,224,000)	(£8,493,000)
Draft MTFS	(£7,198,000)	(£7,456,000)	(£7,693,000)	(£7,935,000)	(£8,190,000)
Change – lower projected income	-	£95,000	£234,000	£289,000	£303,000

Corporate Fees and Charges Policy (draft)

Introduction

There are a range of reasons why authorities should have a corporate charging policy in place:

- Charging has a significant role to play as a policy instrument, contributing towards the achievement of corporate and service objectives.
- Charges can be used as a tool to manage demand or influence behaviour, through encouraging/discouraging the use of services and/or the patterns of use of services.
- The policy can provide clarity over why different charges are set for different user groups e.g. through the use of discounts/concessions.
- Charging as an income source can contribute towards the achievement of financial objectives, linked to the Medium-Term Financial Plan, given its significance, particularly in the context of decreasing external funding.

Draft Corporate Charging Principles

It is recommended that, when setting charges, these are set so as to:

1. Contribute to the achievement of corporate and service objectives
2. Maximise potential income, to achieve financial objectives, unless there is an explicit policy decision to subsidise the service
3. Be capable of being justified, in comparison with other similar providers
4. Take account of the ability of different users to pay, through the use of discounts and concessions, where appropriate
5. Differentiate between differing levels of a service being provided
6. Take account of the views of and minimise the impact upon users, where new or significantly higher charges are proposed, and where this is possible
7. Optimise the ease of collection of charges and minimise the costs of collection
8. Be regularly reviewed, using the latest available market information, and revised/updated, based upon such new information

The rationale for each of these charging principles is discussed further below.

1. Contribute to the achievement of corporate and service objectives

- 1.1 Charges are clearly not an end in themselves, but should be used as a means to contribute towards the achievement of specific corporate and service objectives. Managers should therefore be able to identify whether or not a service can legally be charged for and, if so, clearly articulate how, through charging for the service and in the level and application of the charge, they are contributing towards these objectives.
- 1.2 As identified above, there will be instances where charging is prohibited or restricted; however, even under such statutory frameworks, it is still good practice to make the link between the levels of service provided e.g. basic, enhanced, and the policy objective being addressed.
- 1.3 A summary of the current pricing policies adopted and the policy objective that they are primarily intended to achieve are summarised in the table below:

Pricing Policy	Policy Objective
Full commercial	The Council seeks to maximise revenue within an overall objective of generating profits e.g. trading companies for property and investment, trade refuse collection.
Fair charging	The Council seeks to maximise income, but subject to a defined policy constraint e.g. charges for car parking. Alternatively, a full commercial rate may not be determinable or the Council may be a monopoly supplier of services.
Cost recovery	A Council wishes to make the service generally available, but does not wish to subsidise the service e.g. street naming.
Subsidised	Council policy is to make the service widely accessible, but believe users of the service should make some contribution from their own resources e.g. leisure charges.
Nominal	The Council wishes the service to be fully available, but sets a small user charge e.g. confirmation of residency letter.
Free	Council policy is to make the service fully available and funded through corporate resources, rather than specific fees e.g. free access to parks/public open spaces.
Statutory	Charges are set in line with national legal requirements and there is no local discretion over the level of the charge e.g. planning application fees. In some instances, there might be statutory constraints, whereby there is some limited, but not complete, and discretion over the level of the charge.

2. Maximise potential income, to achieve financial objectives, unless there is an explicit policy decision to subsidise the service

- 2.1 There will clearly be a need for charges to contribute towards the achievement of financial objectives, particularly in the context of the current financial climate (assuming that these do not conflict with the overall policy framework). If the legal powers exist to charge, managers will need to justify the reasons for any instances where charges are not being made.
- 2.2 Generating/maximising income not only has financial benefits, but can also allow the service to develop capacity, deliver efficiency and sustain continuous service improvement. The example financial policies for charging/constraints set out in the table above should assist in identifying what financial objective is intended to be achieved from the charge, and, as can be seen, there will be a range of circumstances where it is not appropriate to maximise potential income.
- 2.3 However, the key issue for the Council in financial terms, is to ensure that managers do not inadvertently provide a subsidised service where there is no explicit policy objective to do so. This could take place for a number of reasons, such as:
 - Not taking account of the full costs of service provision e.g. capital costs, overheads/recharges, costs of collection, as well as direct costs of provision
 - Not increasing charges for inflation or only rolling forward by inflation annually and not taking account of the increased costs of service provision e.g. where fuel costs increase significantly above inflation
 - Charging the same amount for different types of service user e.g. a commercial operator and a member of the public
 - Instances where the charge is set inappropriately low, resulting in over-use or abuse of the service
- 2.4 In order for charges to be set at an appropriate level, therefore, this will require managers to have a robust understanding of the full range of costs associated with the provision of the service.
- 2.5 In addition, when setting charges, managers will need to be aware of the relationship between the level of charge and the potential impact upon demand, in terms of optimum price sensitivity e.g. as a higher charge may not necessarily maximise total income, if usage decreases disproportionately.

3. Be capable of being justified, in comparison with other similar providers

- 3.1 Clearly, where Councils have discretion over the level of their charges, they are free to exercise local member and service choice, taking into account factors such as the type and quantity of chargeable services that they provide and therefore the level of charges and associated subsidy.
- 3.2 Charges often vary considerably, even between similar authorities, and there may be reasons why charges may vary in this manner e.g. the use of alternative models of service provision. However, there are equally areas for which authorities are unable to explain why their service charges (or even expenditure as a whole) differs so widely from other similar providers and where they may not even be aware of such differences in the first instance.
- 3.3 There is therefore a need to compare charges, both with other authorities and with private sector providers, where there is an external market, and understand reasons for any differences. Such differences are not necessarily a cause for concern e.g. higher charges may have been levied as a result of a deliberate policy to provide a higher level of service, to seek to discourage excessive use etc., but should be capable of being validated.

4. Take account of the ability of different users to pay, through the use of discounts and concessions

4.1 As identified previously, there will be a number of instances where it is appropriate for charges to be subsidised for different types of users. These could include, for example:

- To achieve a specific policy objective e.g. encouraging healthy living through subsidised use of leisure facilities
- Structuring charges differently e.g. a lower rate per hour for car parking at off-peak times, to ration service use at peak times when demand exceeds supply
- Where users have limited financial means e.g. as measured by receipt of certain types of benefit and/or reduced rates for children and older people
- Applying concessions for certain types of users e.g. free parking for local residents
- Discounts linked to loyalty/take-up of the service e.g. for frequent users

4.2 The Council may have a corporate policy on service user groups which receive subsidised access to all (or many) services e.g. children's and older people's discounts. For certain services, eligibility criteria for services may also be established.

4.3 Key factors that the Council will need to take into account when considering the use of eligibility criteria/discounts/concessions include:

- The link between the discount/concession and the policy/service objective that the charge is intended to contribute towards
- The link between the discount/concession and the Council's diversity/equalities policies
- Whether a generic concession should be applied for all services e.g. those in receipt of means-tested benefits, or whether the concession should be targeted towards a specific user group, depending upon individual service issues
- How the discount/concession will be funded e.g. from other users of the same service, from Council Taxpayers more widely, and the financial implications of the subsidy
- The need to review the degree to which eligibility criteria/discounts/concessions remain appropriate over time e.g. as take-up increases
- Minimising the burden upon those applying for discounts/concessions e.g. ensuring that they do not have to provide duplicate information to more than one Council directorate
- The link between take-up of benefits and maximising overall Council resources e.g. if benefit take-up contributes towards funding received from central government
- Whether the concession or discount is funded through cross-subsidy by other service users, through higher charges, or whether it is funded corporately.

5. Differentiate between differing levels of a service being provided

- 5.1 Where the Council has discretion over the level of charge and also the level of service provided, it is important that the charge reflects the degree of usage of service resources and value added.
- 5.2 Whilst the same level of staffing resources may be required in some cases, the service user could be receiving higher added value under a quicker turnaround option or a more frequent service, for example, and therefore a higher premium for the service may be appropriate.

6. Take account of the views of and minimise the impact upon users, where new or significantly higher charges are proposed, and where this is possible

- 6.1 Where the Council is operating in a competitive environment, users have the freedom to use alternative providers if similar services are provided at lower cost. Consultation can be highly important, however, where the Council is in a monopoly position and needs to provide equity to service users.
- 6.2 Where charges are being regularly reviewed, there will be instances where the review identifies that higher service charges are required e.g. to take account of higher service costs. This may be even more of an issue where service charges have not been reviewed for some time, and have not therefore kept pace with increasing costs.
- 6.3 It is important that the impact upon service users of any proposed changes to charges is identified, both from an individual perspective e.g. affecting their ability to pay/use the service, and also from a Council-wide perspective e.g. affecting the extent to which policy objectives will now be achieved and the potential demand for, and therefore the level of income received for, the service.
- 6.4 This will be assisted by an understanding of the impact of previous changes in charges on levels of service use for different groups of service users; although, as such information may not be readily available, it will be important that this is collected in future, whenever such changes are made. In addition, consultations on services should take account of user views on levels of charges and the perceived value for money received.

7. Maximise the ease of collection of charges and minimise the costs of collection

- 7.1 The efficient collection of charges clearly has significant benefits in terms of minimising potential arrears levels i.e. the easier that it is made for charges to be paid, the more likely that payment will be made in practice.
- 7.2 In terms of administering charges, there are a number of areas which should be explicitly considered:
- Service charges and the way in which they will be paid/collected should be transparent to users
 - The costs of collection should be proportionate to the actual level of income being collected
 - A range of alternative payment methods e.g. format, frequency, venues, should be offered to users, with potential incentives being considered for the most efficient payment methods e.g. electronic payment, direct debit
 - Procedures for the collection of arrears and write-off of debts should be clearly set out and consistently followed for all service users
 - Where arrears have built up, this information should be reported to managers responsible for providing the service, in order that they are aware of any such issues from a service management perspective

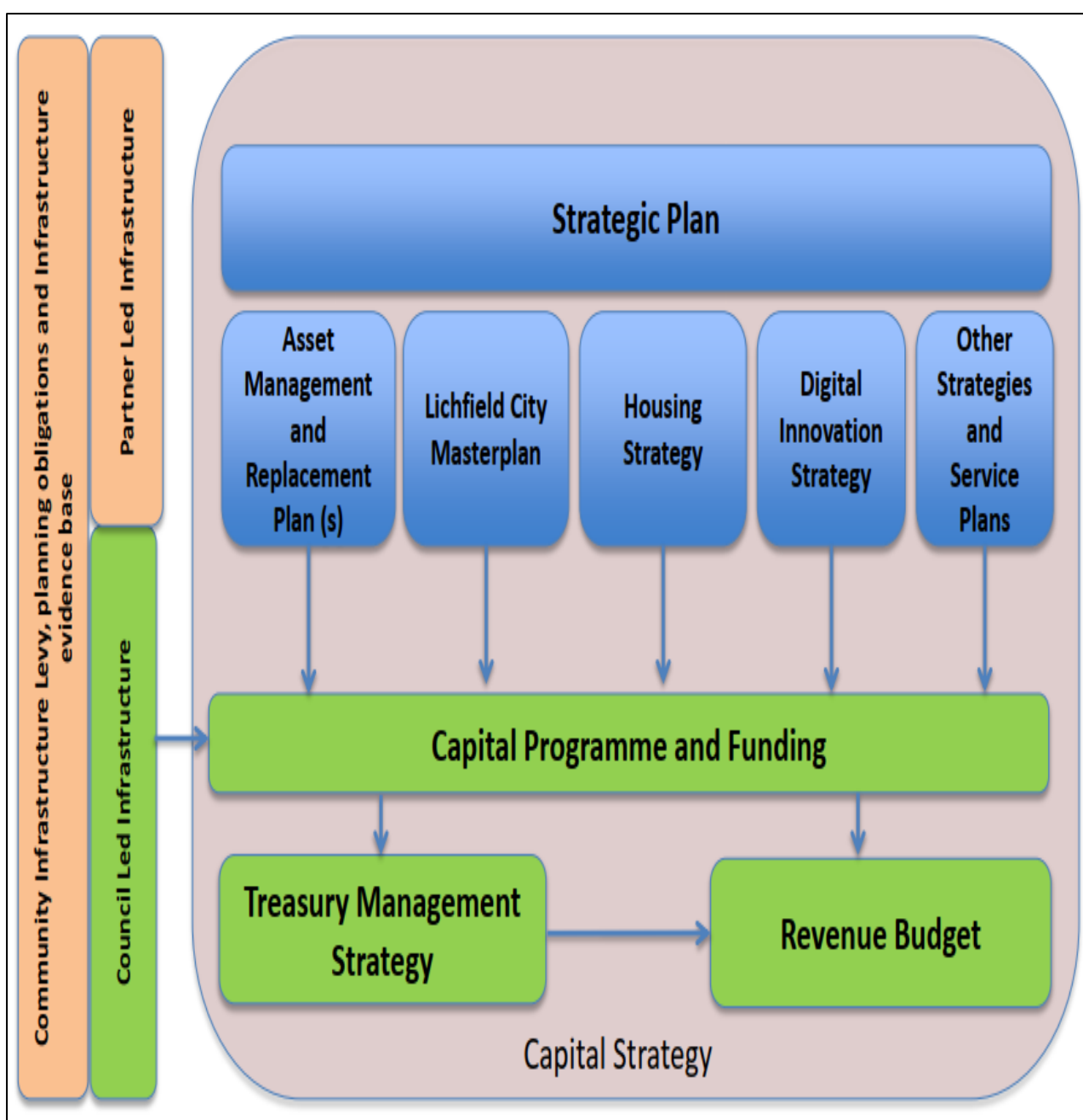
8. Be regularly reviewed, using the latest available market information, and revised where appropriate

- 8.1 As identified previously, service charges should be contributing to the achievement of defined policy, service and financial objectives and it is therefore vital that charges (and eligibility criteria/discounts/concessions) are reviewed on a regular basis to ensure that this continues to be the case.
- 8.2 The council may wish to distinguish between those fees and charges that need approval by members and those that do not. In addition, a de-minimis limit could also be set for such a review, although clearly, it will be important that areas not currently charged for (but which could potentially be) are also considered. In terms of scope, all external charges should be considered, and it may also be appropriate to include charges made through external Service Level Agreements e.g. traditional 'blue collar' services.
- 8.3 In order for such review to be effective, managers will need to take into account relevant market information e.g. changes in legislation; patterns of service use; benchmarking data; price sensitivity; opportunities to introduce or extend charges etc.
- 8.4 This need not necessarily be a highly detailed exercise, but managers should at least be certain that charges are achieving their intended objective(s) and have been set appropriately. If this is not the case, clearly managers will need to amend charges accordingly e.g. increasing charges if the costs of provision have increased or amending discount/concession schemes if they are no longer relevant.

Recommended Capital Strategy

1. Introduction

- 1.1. The Prudential Code requires the completion of a Capital Strategy that is approved by Full Council.
- 1.2. The Capital Strategy provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 1.3. It forms part of the Councils integrated revenue, capital and balance sheet planning. The Council already undertakes elements of the requirements although some areas, such as Asset Management Planning, are subject to ongoing development.
- 1.4. The Prudential Code now requires all of this information to be brought together in a single place as shown below:



2. The Capital Programme

2.1. The financial planning process and its Governance is shown below:

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

The Capital Programme Process

- 2.2. Given our current financial position, our priorities and responsibilities and as Asset Management Plans are developed, it is probable that capital needs will be identified that exceed resources available thus necessitating a more transparent and robust process to inform Members during the development of the MTFS.
- 2.3. The capital bid process has been incorporated into the service and financial planning process to provide a holistic approach. The capital bid element of the process has been designed to ensure consistency, objectivity, equity and transparency to the prioritisation and allocation of capital funding, while ensuring maximum value for money.
- 2.4. A summary of the process is identified below:
- Service identifies a budget requirement and consults with the Finance and Procurement Team.
 - Service requests funding by completing and submitting a funding bid form.
 - Service completes a funding bid financial profile form and submits this with their bid.
 - Service completes a funding bid assessment form and submits this with their bid.
 - The Finance and Procurement Team reviews all bids and assessments and requests clarification where required.
 - The Finance and Procurement Team reviews bids using the assessment criteria and ensure the bids are included in the relevant service and financial planning submission.
 - Leadership Team review all service and financial planning submissions and before recommending the allocation of funding either through a Cabinet Report or through the MTFS.
 - Finance and Procurement monitor funding allocations and spend, reporting to Leadership Team as part of Money Matters Reports.
 - Service completes work / project outlined within the bid and undertakes a review (i.e. post-project review) within 6 months of work being completed, providing this to Finance and Procurement to include in a report to Leadership Team.

Planning Obligations - Section 106 and Community Infrastructure Levy (CIL)

- 2.5. As part of the planning process, financial contributions from planning obligations, including the Community Infrastructure Levy, are received from new developments. The vast majority is spent directly on infrastructure works or will be spent in line with the Infrastructure Delivery Plan (IDP).
- 2.6. In some cases there is an element of discretion on how they are allocated. These contributions towards social and community facilities are linked to the development proposed.
- 2.7. The Council's Capital Programme includes a number of projects that are to be funded by Section 106 and CIL; this is a significant source of funding and there is a significant level of interest from the community in relation to the allocation of sums to projects.

2.8. The **Draft Capital Programme** and its **funding** by Strategic Priority is summarised below:

Strategic Priority	Draft Capital Programme						
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Corporate £'000
Enabling People	£2,794	£4,792	£3,596	£1,315	£939	£13,436	£55
Shaping Place	£1,984	£421	£3,127	£280	£300	£6,112	£338
Developing Prosperity	£577	£1,676	£193	£0	£0	£2,446	£415
Good Council	£1,056	£1,064	£331	£331	£506	£3,288	£2,923
Grand Total	£6,411	£7,953	£7,247	£1,926	£1,745	£25,282	£3,731

Funding Source	Draft Capital Programme						
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	
Capital Receipts	£909	£1,331	£61	£231	£91	£2,623	
Capital Receipts - Statue	£5	£0	£0	£0	£0	£5	
Revenue - Corporate	£0	£100	£313	£100	£590	£1,103	
Corporate Council Funding	£914	£1,431	£374	£331	£681	£3,731	
Grant	£1,633	£2,741	£1,316	£1,315	£914	£7,919	
Section 106	£708	£254	£0	£0	£0	£962	
CIL	£44	£35	£0	£0	£0	£79	
Reserves	£1,885	£993	£329	£130	£0	£3,337	
Revenue - Existing Budgets	£463	£150	£150	£150	£150	£1,063	
Sinking Fund	£64	£0	£0	£0	£0	£64	
Leases	£372	£0	£2,818	£0	£0	£3,190	
Internal Borrowing	£0	£0	£0	£0	£0	£0	
Total	£6,083	£5,604	£4,987	£1,926	£1,745	£20,345	£25,282
External Borrowing	£328	£2,349	£2,260	£0	£0	£4,937	
Grand Total	£6,411	£7,953	£7,247	£1,926	£1,745	£25,282	

2.9. The Revenue implications of the Capital Programme are shown below:

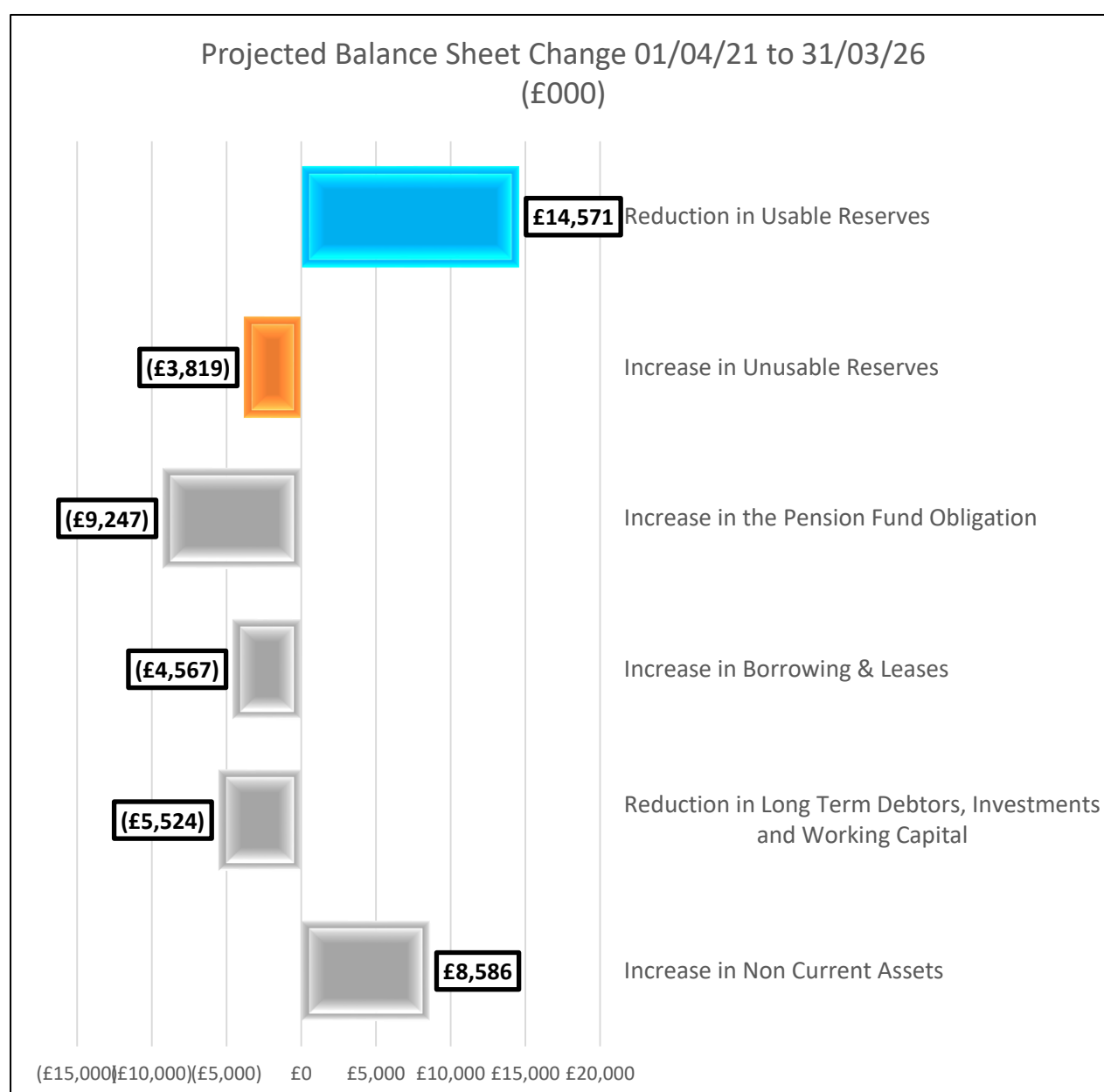
Revenue Implications	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Interest on Loan to the LA Company	0	(4)	(18)	(22)	(22)
Friary Grange - Refurbishment	135	135	135	135	0
Coach Park Operation Costs	0	0	50	50	50
IT Hardware	9	4	(38)	9	9
Replacement Leisure Centre Debt Costs	0	0	0	294	290
Financial Information System	(20)	(40)	(40)	(40)	(40)
Revenue Budget - Bin Replacement	240	150	150	150	0
Revenue Budget - Other Projects	223	0	0	0	0
Revenue Budget - Corporate	0	0	213	0	0
Sub Total - Approved Budget	587	245	452	576	287
Revenue Budget - Corporate	0	100	100	100	590
Revenue Budget - Bin Replacement	0	0	0	0	150
Sub Total - Service and Financial Planning	0	100	100	100	740
Capital Programme Total	587	345	552	676	1,027

2.10. Projected Capital Receipts are shown in the table below:

Capital Receipts	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Opening Balance	(2,578)	(1,689)	(368)	(317)	(97)	(2,578)
Repayment of Company Loan	0	0	0	0	(675)	(675)
Other Receipts	(36)	(10)	(10)	(11)	(9)	(76)
Utilised in Year	909	1,331	61	231	91	2,623
Repayment of BLC Investment	16	0	0	0	0	16
Closing Balance	(1,689)	(368)	(317)	(97)	(690)	(690)
Housing Receipts						
Opening Balance	(434)	(694)	(694)	(694)	(694)	(434)
Right to Buy Receipts	(260)					(260)
Closing Balance	(694)	(694)	(694)	(694)	(694)	(694)

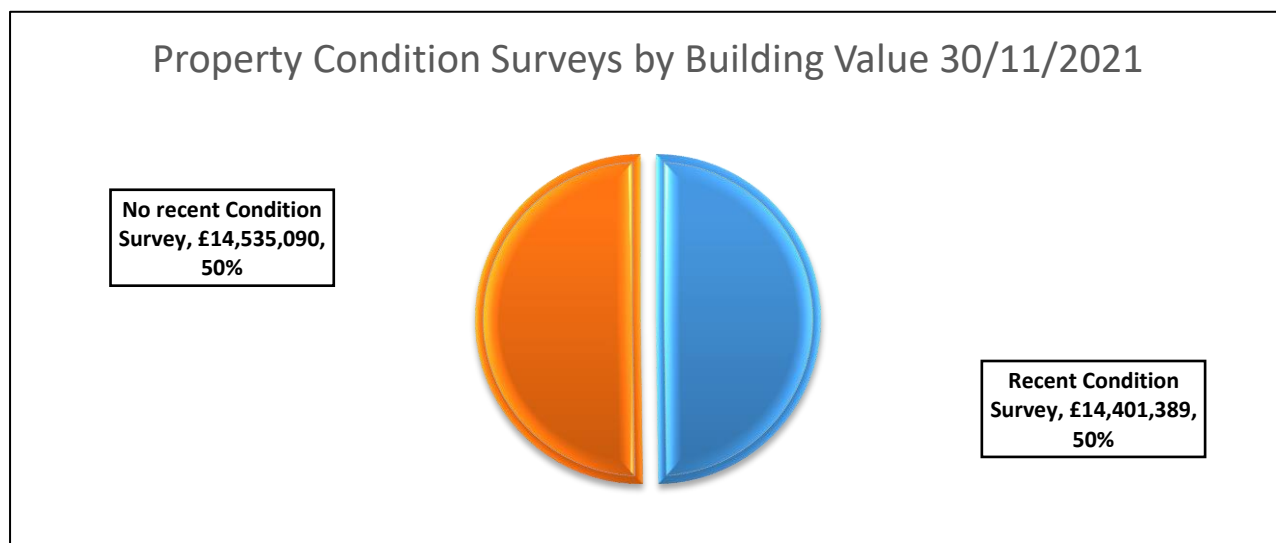
3. The Balance Sheet (in £000s)

3.1. The Revenue Budget, Capital Programme and its funding will impact on the Council's Balance Sheet:

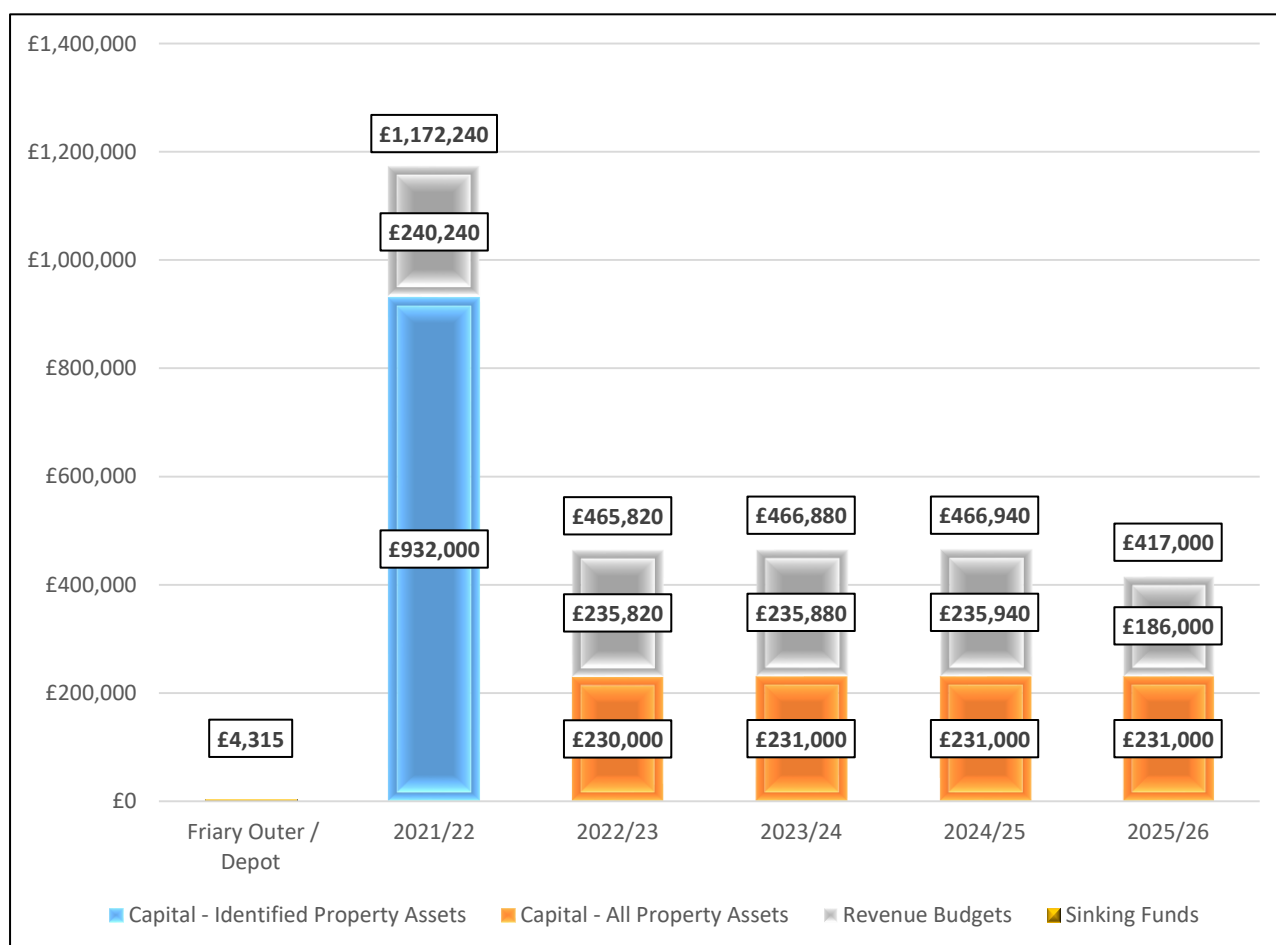


4. Asset Management Planning

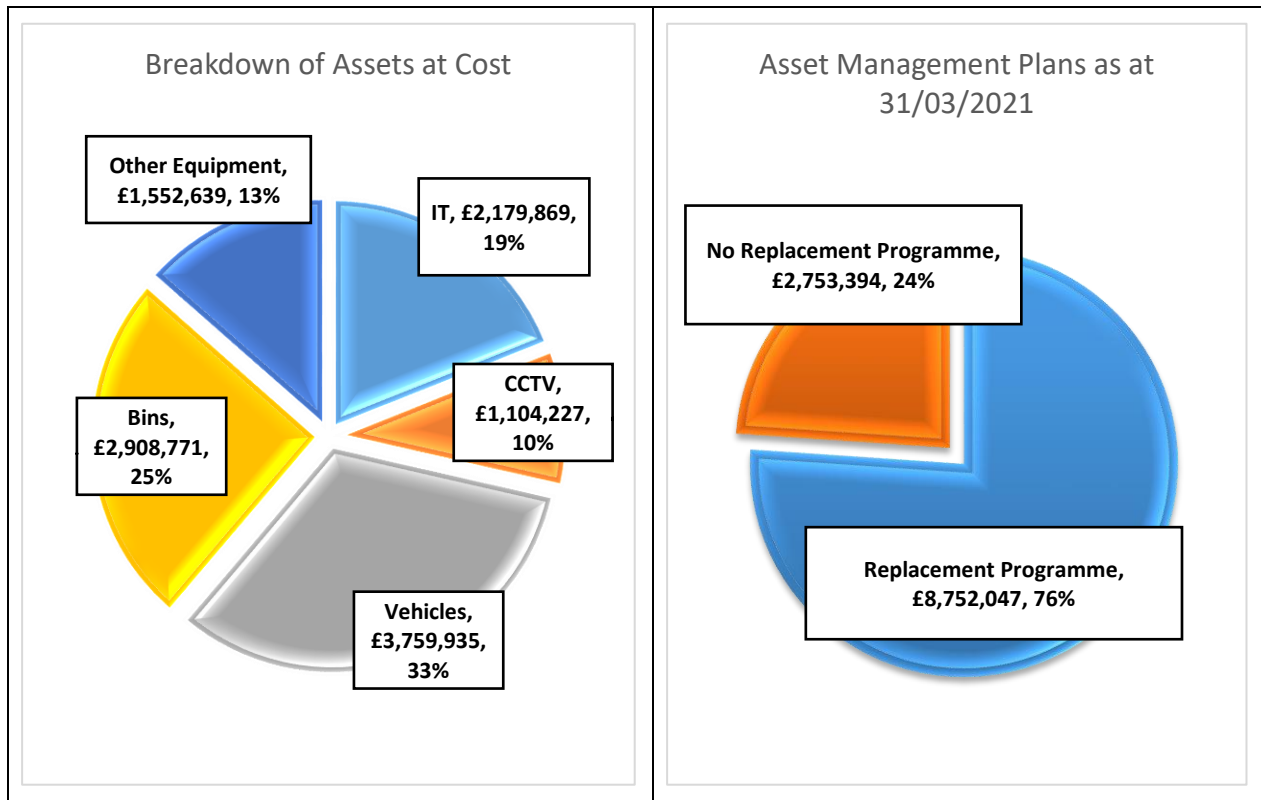
- 4.1. The Estates Team is currently in the process of undertaking Property Condition Surveys for Property Assets owned by the Council. Progress to date is shown below:



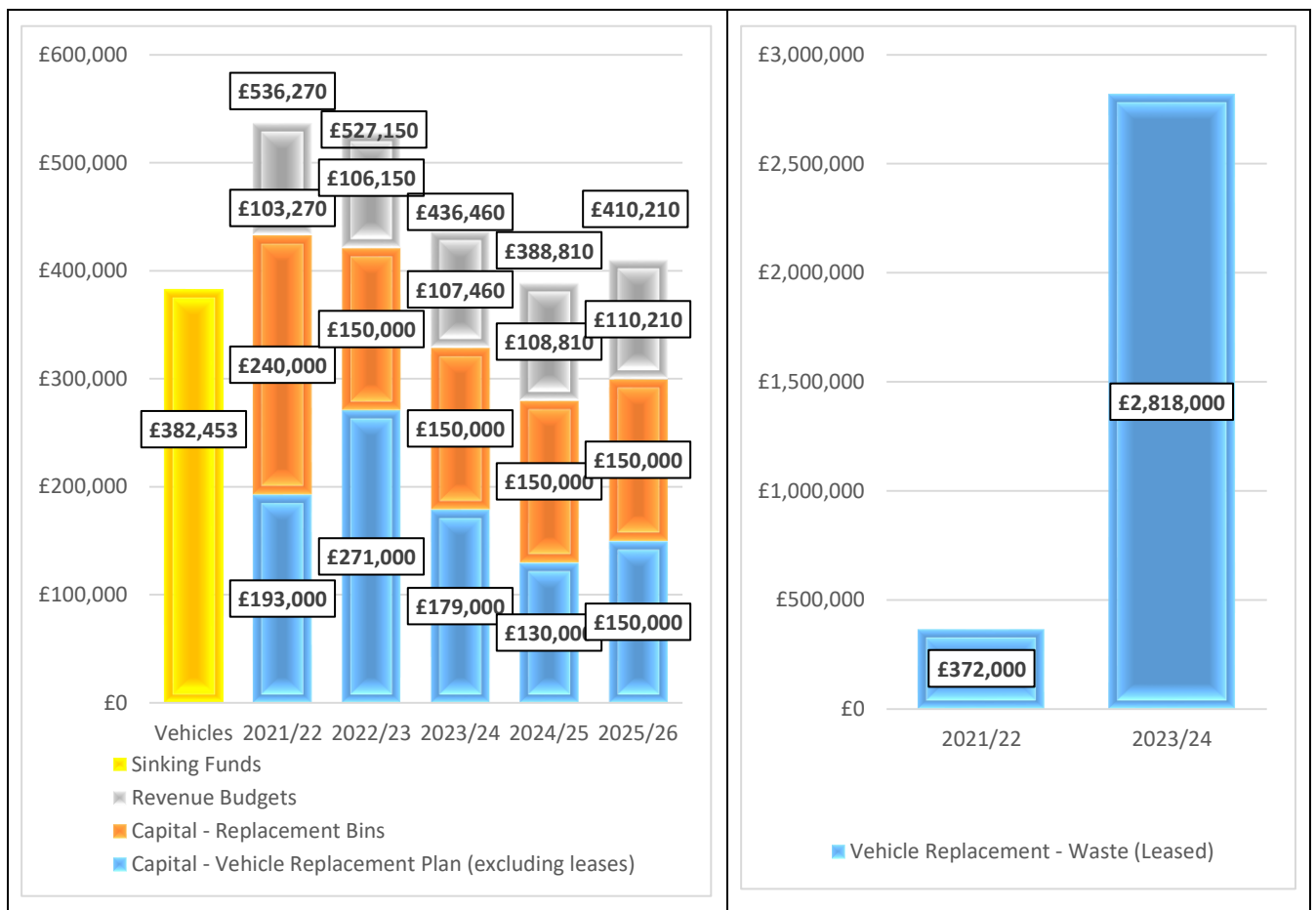
- 4.2. For financial planning purposes, an annual budget of **£230,000** (based on 0.66% of projected asset value) has been included in the Capital Programme and Longer Term Capital Investment Plan.
- 4.3. The resources identified for enhancement and maintenance of property assets are:



4.4. The Asset Management Plans in place for vehicles, plant and equipment assets are:

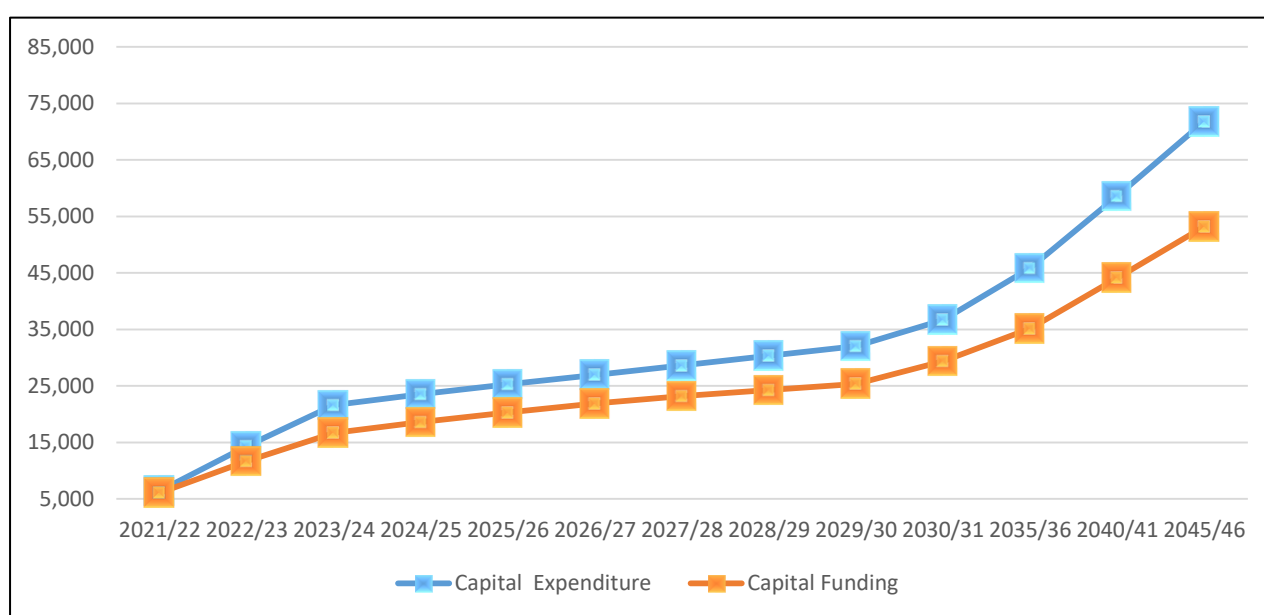


4.5. The resources identified for replacement and maintenance of vehicles, plant and equipment are:



5. Longer Term Capital Investment Planning

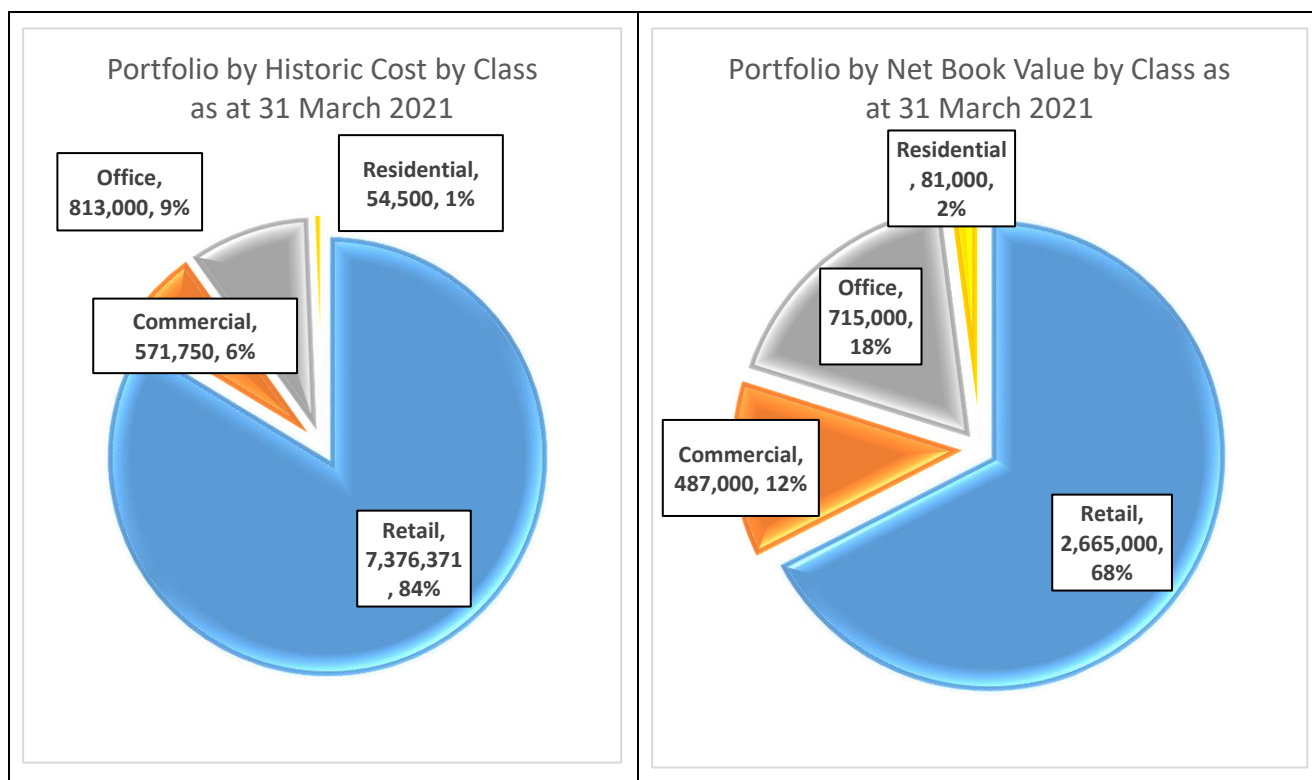
- 5.1. The Medium Term Financial Strategy covers a relatively short period of time (current financial year plus the next four years) and this short horizon is not reflective of the longer term investment needs associated with asset ownership.
- 5.2. Therefore it is prudent to also produce financial plans that cover a longer term financial planning horizon such as 25 years.
- 5.3. The following key assumptions have been utilised in producing the longer term financial plan:
- Annual core inflation of **2%**.
 - Population in Lichfield District increases by an annual average of **0.33%**.
 - The proportion of the population aged 65 and over increases from **24%** in 2021/22 to **28%** by 2045/46.
 - The value of building assets increases from **£35m** in 2021/22 to **£46m** in 2025/26 with the building of a new Leisure Centre.
 - An assessment of Property Planned Maintenance budgets at **0.66%** of building value or **£230,000** per annum has been utilised with annual inflationary increases.
 - An assessment of ICT investment using the average level of investment in the last Capital Bid submitted of **£175,000** from 2025/26 has been utilised with annual inflationary increases.
- 5.4. The longer term capital investment plan is shown in detail at **ANNEX 1** and in the chart below:



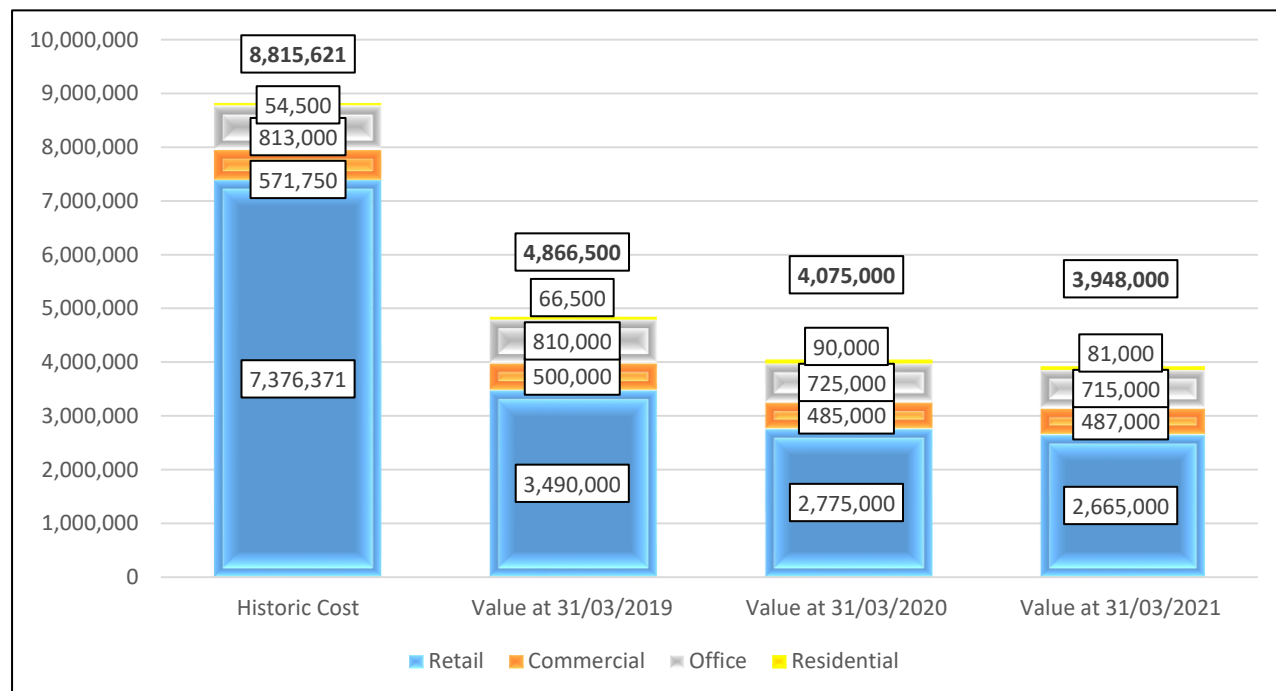
- 5.5. The difference between capital expenditure and funding would result in an increase in the cumulative level of borrowing need of **£19m** (including £5m approved for the new Leisure Centre).
- 5.6. This additional borrowing need would result in additional and increasing debt repayment costs in the revenue budget thereby further increasing the Funding Gap.
- 5.7. However the borrowing need can be reduced through actions such as the receipt of external funding or sale of assets.

6. Current Investment in Property

- 6.1. The Council also owns a number of properties that provide an income return and the composition of the portfolio at 31 March 2020 is shown below:

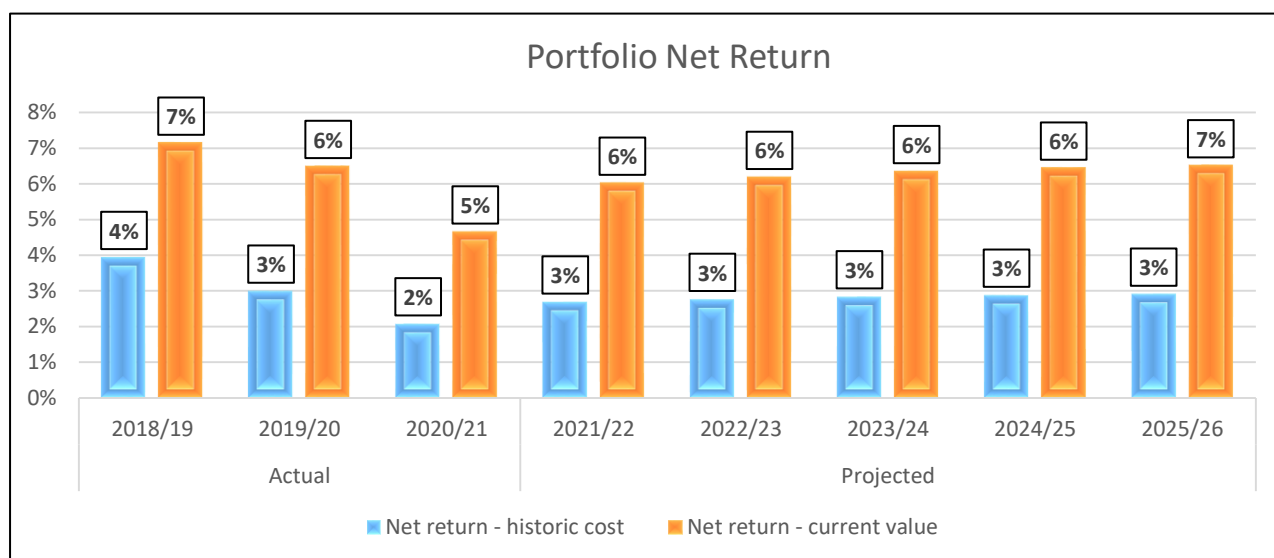


- 6.2. The value of these properties over the last three years is shown below:

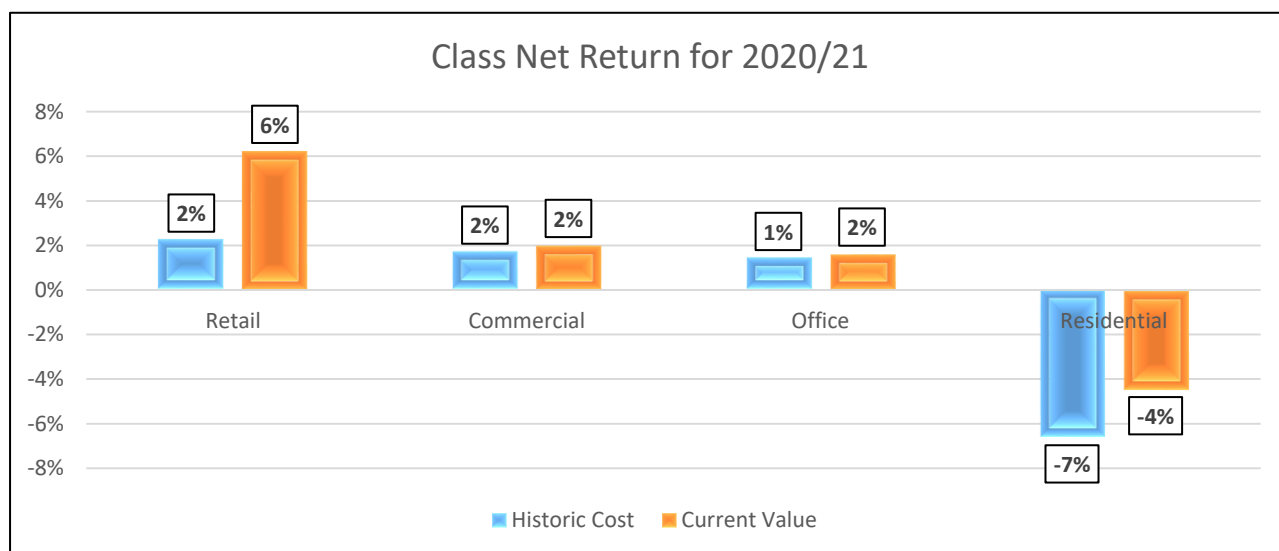


- 6.3. The value of these properties (mainly those classed as retail) have reduced because the value assessed by the external valuer is based on prevailing rental levels.
- 6.4. These properties were acquired without the need for borrowing and therefore the loan to value ratio for the portfolio is **0%**.

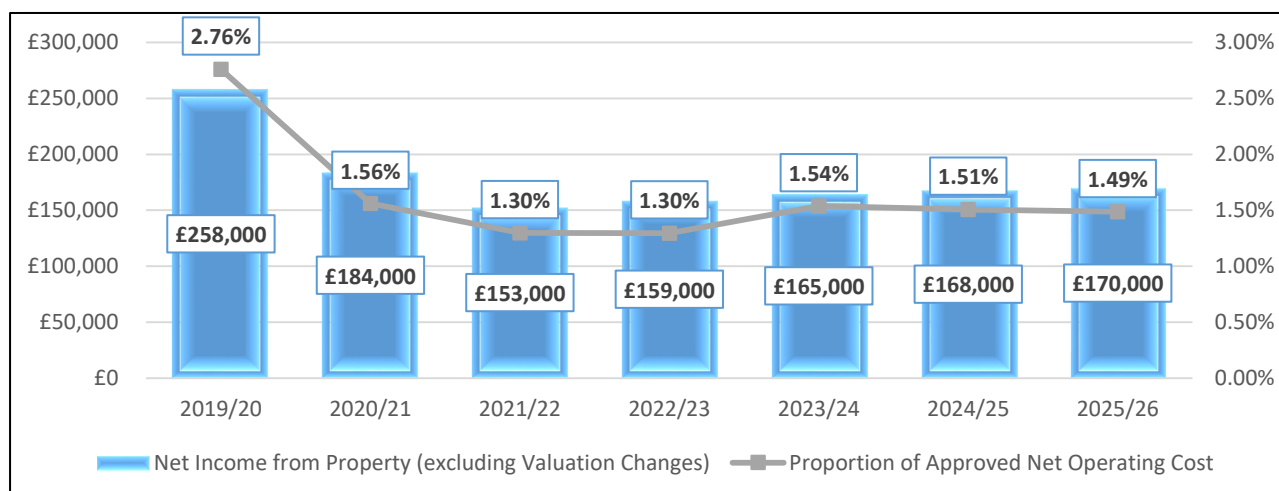
6.5. The portfolio net return based after taking account of management costs using historic asset cost and current value is shown in the chart below:



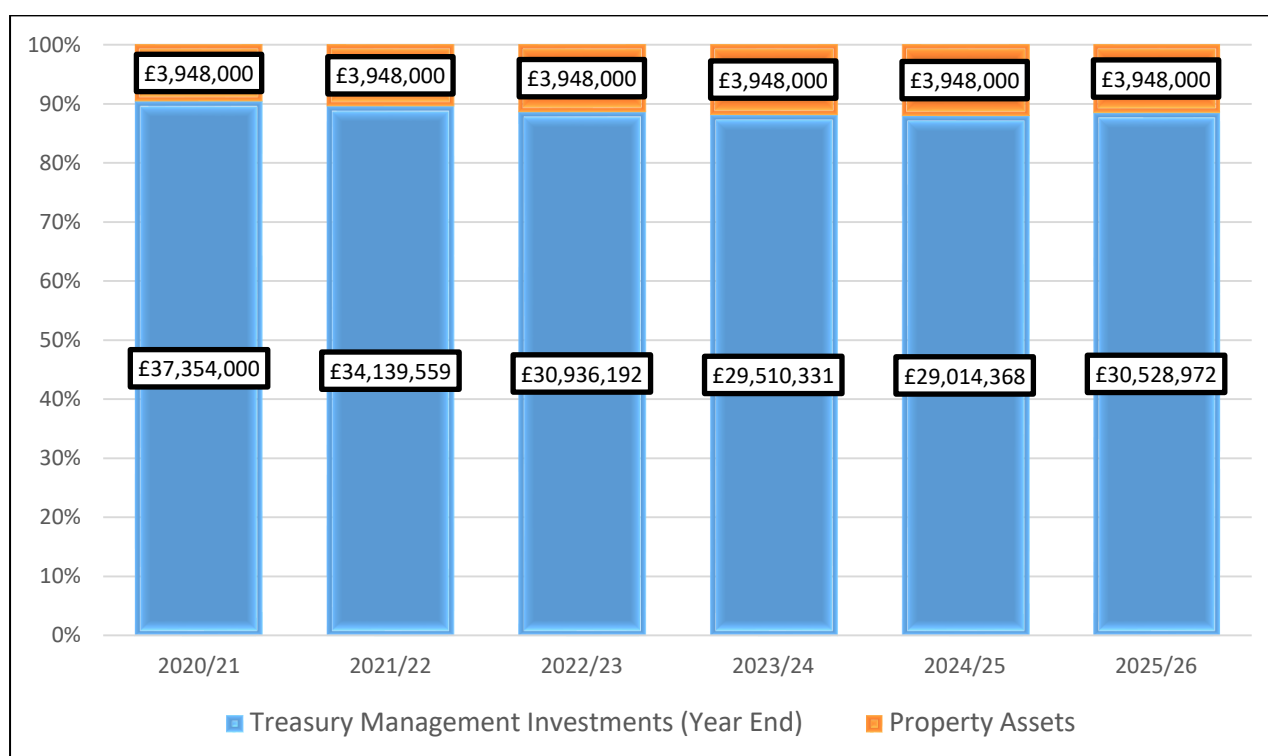
6.6. The net return is further analysed for 2020/21 by class of investment within the portfolio:



6.7. The proportion of the Revenue Budget supported by income from these properties is shown below:



6.8. The ratio of Treasury Management investments to property asset investments is shown below:



6.9. The Council has a Local Authority Trading Company Lichfield Housing Limited that was incorporated in September 2019 with an aim to deliver housing development although the potential for other services to be delivered by the Company is currently being reviewed.

6.10. The Council undertook an equity investment of **£225,000** in 2020/21 and plans to advance a loan of up to **£675,000** to Lichfield Housing Limited in 2021/22 for a period of up to **5 years** to facilitate housing development, subject to appropriate schemes being identified.

6.11. The loan to the Company will produce an income stream at **4%** from the company and the loan repayment will be treated as a capital receipt in 2025/26 in the Medium Term Financial Strategy. At present, no dividend income is assumed to be received from the Company.

7. Debt Management

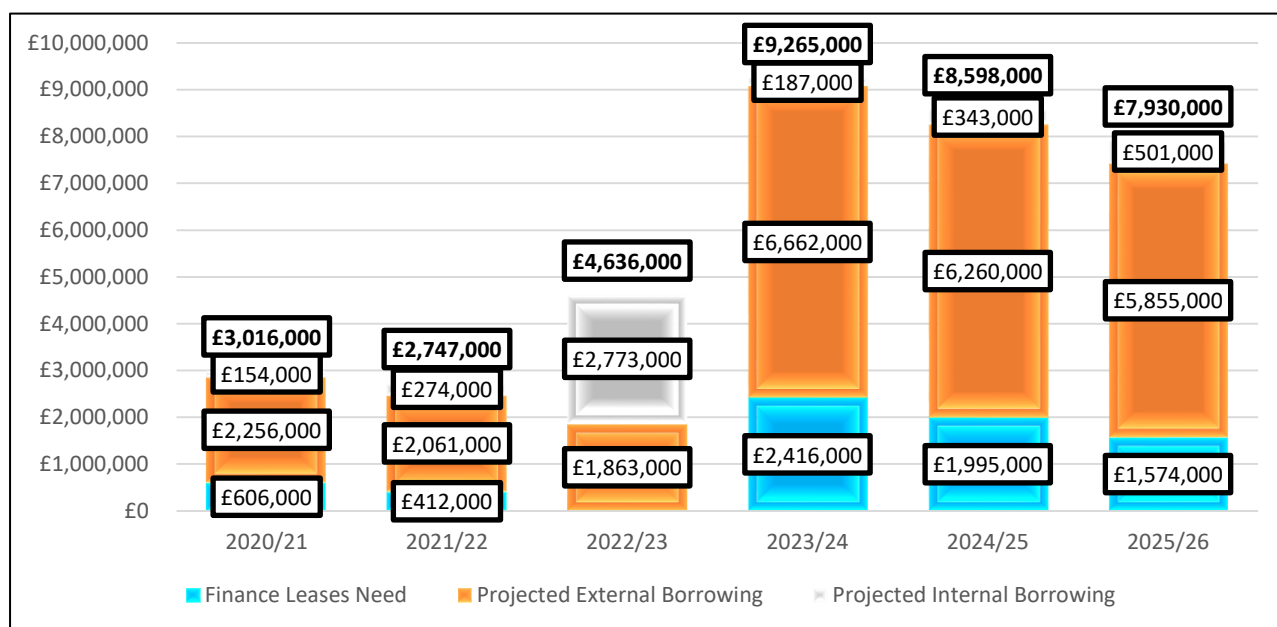
7.1. The Capital Programme is funded from a variety of sources. A number of these sources such as capital receipts, the revenue budget, grants, contributions and reserves utilise resources that are immediately available or are receivable. However when capital expenditure is approved, and these resources are not available, then a **Capital Financing Requirement** (CFR) or borrowing need results.

7.2. The CFR is managed through the approval by Council of the Medium Term Financial Strategy including the Capital Programme and Prudential Indicators.

7.3. The CFR must be financed through borrowing or finance leases (external debt) or by temporarily utilising internal resources (internal borrowing).

7.4. At 31 March 2021 the Council had a relatively low level of external debt outstanding of **£2.862m**. The new leisure centre and the renewal of the waste fleet will mean external debt is projected to increase to **£7.429m** by 31 March 2026.

7.5. The projected CFR (the total for each column), **external debt** (finance leases and external borrowing) and **internal borrowing** is shown below:



7.6. The CFR is related to:

- Historic capital expenditure for the Chasewater Dam, Friary Outer Car Park and vehicles funded by finance leases.
- Planned capital expenditure for the new Leisure Centre and the renewal of the waste fleet funded by a lease type arrangement.

7.7. The Council manages its external debt through setting Prudential Indicators, related to the statutory maximum, known as the **Authorised Limit** and a lower warning level known as the **Operational Boundary**.

7.8. The external debt projections are based on the approved Capital Programme however to manage unforeseen events, an element of flexibility or 'headroom' is included in the Prudential Indicators:

- **Operational Boundary** – flexibility is included to enable internal borrowing to be converted to external debt or for example, to ensure accounting changes such as those proposed for all leases to be classed as finance leases to be incorporated without breaching the limit.
- **Authorised Limit** – this provides additional flexibility to manage unusual cash flows that necessitate temporary borrowing such as Government Grants not being paid.

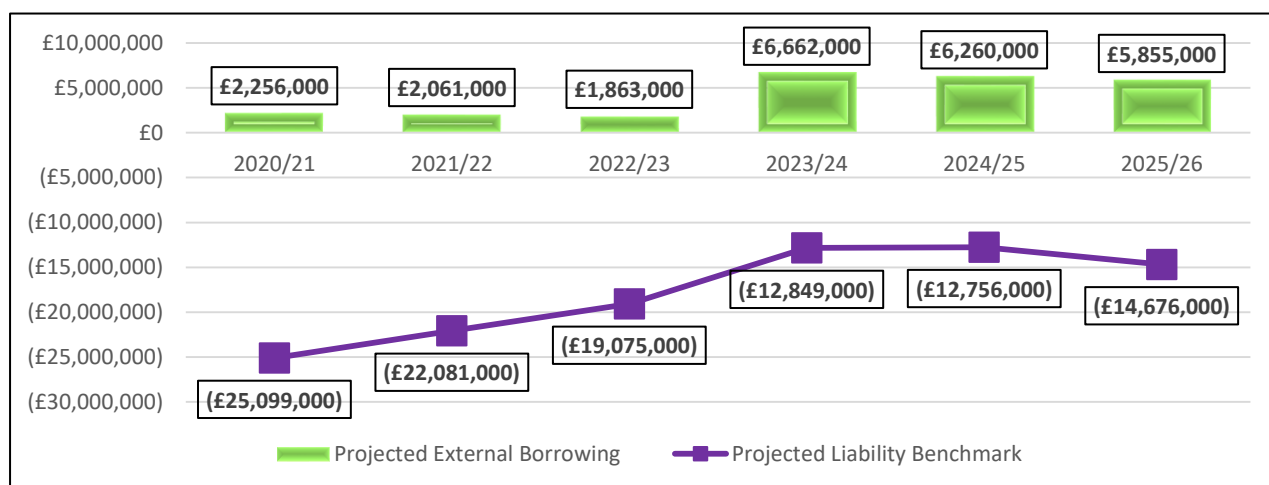
7.9. The external debt and Prudential Indicators projections based on the Capital Programme are:

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Borrowing		£10,762,000	£10,790,000	£16,240,000	£15,992,000	£15,307,000
Leases		£4,448,000	£4,448,000	£4,448,000	£4,448,000	£4,448,000
Authorised limit	£4,315,000	£15,210,000	£15,238,000	£20,688,000	£20,440,000	£19,755,000
Borrowing		£2,560,000	£2,363,000	£7,162,000	£6,760,000	£6,355,000
Leases		£4,448,000	£4,448,000	£4,448,000	£4,448,000	£4,448,000
Operational boundary	£4,315,000	£7,008,000	£6,811,000	£11,610,000	£11,208,000	£10,803,000

Projected borrowing	£2,256,000	£2,060,000	£1,863,000	£6,662,000	£6,260,000	£5,855,000
Projected leases	£606,000	£412,000	£1,000	£2,416,000	£1,995,000	£1,575,000
Projected total external debt outstanding at year end	£2,862,000	£2,472,000	£1,864,000	£9,078,000	£8,255,000	£7,430,000

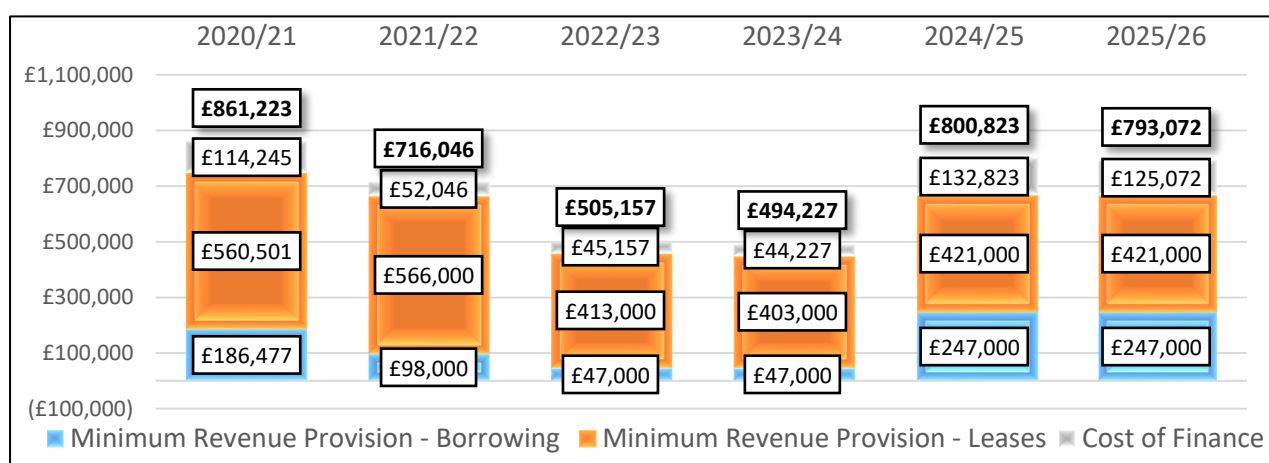
7.10. The **liability benchmark** is the lowest risk level of external borrowing by keeping cash and investments to a minimum of **£10m** at each year end to maintain liquidity but minimise credit risk.

7.11. The projected level of external borrowing, together with the projected liability benchmark is:

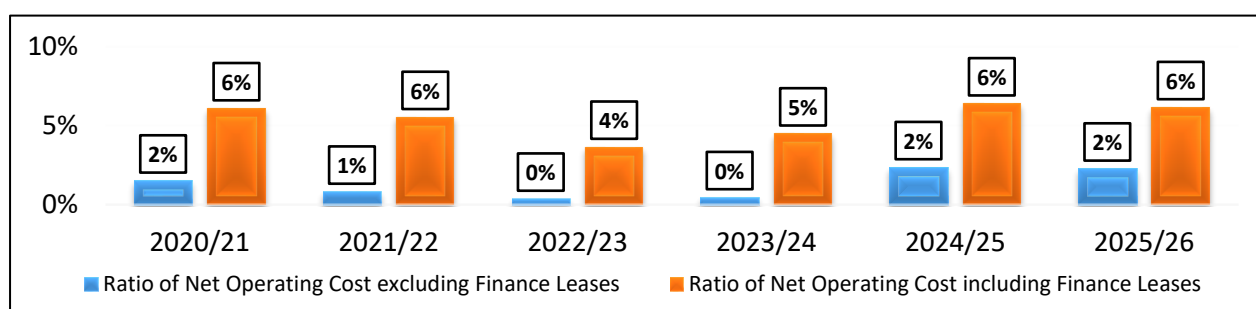


7.12. The chart above indicates that based on current Balance Sheet projections where usable reserves are reducing, the Council has sufficient resources to fund additional internal borrowing.

7.13. The cost of debt servicing includes the cost of finance and Minimum Revenue Provision (MRP). Debt is only a temporary source of finance since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as MRP:



7.14. The proportion of the net budget allocated to financing costs is:



7.15. The Minimum Revenue Provision and therefore the financing costs ratio increases in 2024/25 due to the inclusion of the debt costs commencing at **£294,000** for the new leisure centre.

8. Financial Guarantees

- 8.1. In addition to the debt projections shown above, in relation to external borrowing and finance leases, the Council also acts as a guarantor for an admitted body that delivers services on behalf of the Council.
- 8.2. In the event that it is probable that these guarantees will be required a financial provision is created to mitigate the risk. The guarantees identified in the Statement of Accounts under the Contingent Liabilities note are:
 - **The Lichfield Garrick** – the guarantee relates to the pensions of transferred employees and at 31 March 2021 the risk of default was assessed as less than **1%** and therefore the financial risk to the Council is **£3,603**. This guarantee is currently being reviewed with the Pension Fund Administration Authority given the last active member has left the employ of the Lichfield Garrick.
 - On 1 February 2018, **Freedom Leisure** took over the management of the **Council's Leisure Centres**. 96 staff were transferred by TUPE via a pass through agreement. An assessment has been carried out by management of the risk and potential financial consequences should the Council be called to settle these liabilities. For 2020/21, the risk is very difficult to quantify after Covid-19, but has been assessed at moderate, between **5%** or **£363,424** and **30%** or **£2,288,699**. This is based on the operating environment nationally, the overall financial position of Freedom Leisure, the contract between Freedom and the Council, and the support provided both by the Government and Lichfield District Council.
- 8.3. These guarantees are assessed throughout the year, in terms of the financial viability of the organisations for which the guarantee is provided, to determine whether a financial provision will need to be created. The COVID-19 pandemic has increased the level of financial risk in relation to these two guarantees, however additional funding has been provided by the Council and other funders as mitigation. However the situation will need to be kept under constant review.

9. The Authority's Risk Appetite, Knowledge and Skills

- 9.1. The Council's risk appetite, along with the majority of Local Government, is increasing due to the need to offset funding reductions from Central Government with income from alternative sources.
- 9.2. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Head of Finance and Procurement is a qualified accountant with 30 years' experience, the Council has recruited a new Estates Team to optimise the management of existing property. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA and the Association of Accounting Technicians.
- 9.3. Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers and has access to property professionals through the Estates Team. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.
- 9.4. The Council plans to utilise the flexible use of capital receipts for transformation projects such as the Being a Better Council Programme.

10. Prudential and Local Indicators

10.1. The Prudential and Local Indicators in relation to the Capital Strategy are shown below:

Prudential Indicators							
Indicators	2020/21 Actual	2021/22 Original	2021/22 Revised	2022/23 Original	2023/24 Original	2024/25 Original	2025/26 Original
<u>Capital Investment</u>							
Capital Expenditure (£m)	£3.264	£6.530	£6.411	£7.953	£7.247	£1.926	£1.745
Capital Financing Requirement (£m)	£3.016	£2.444	£2.747	£4.637	£9.265	£8.598	£7.931
<u>Gross Debt and the Capital Financing Requirement</u>							
Gross Debt	(£2.295)	(£2.167)	(£2.473)	(£1.863)	(£9.079)	(£8.255)	(£7.429)
Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement	No	No	No	No	No	No	No
<u>Total Debt</u>							
Authorised Limit (£m)	£6.591	£15.435	£15.210	£15.238	£20.688	£20.440	£19.755
Operational Boundary (£m)	£6.591	£7.007	£7.008	£6.811	£11.610	£11.208	£10.803
Proportion of Financing Costs to Net Revenue Stream (%)	5%	5%	6%	4%	5%	6%	6%

Local Indicators							
Indicators	2020/21 Actual	2021/22 Original	2021/22 Revised	2022/23 Original	2023/24 Original	2024/25 Original	2025/26 Original
Replacement of Debt Finance or MRP (£m)	(£0.747)	(£0.561)	(£0.663)	(£0.459)	(£0.449)	(£0.667)	(£0.667)
Repayment of Burntwood Leisure Centre Loan and new additions	(£0.542)	(£0.000)	(£0.306)	(£0.000)	(£0.000)	(£0.000)	(£0.000)
Capital Receipts (£m)	(£0.000)	(£0.537)	(£0.036)	(£0.010)	(£0.010)	(£0.011)	(£0.684)
Housing Capital Receipts (£m)	(£0.434)	£0.000	(£0.260)	£0.000	£0.000	£0.000	£0.000
Liability Benchmark (£m)	£25.033	£11.755	£22.081	£19.075	£12.849	£12.756	£14.676
Treasury Management Investments (£m)	£37.330	£23.813	£34.140	£30.936	£29.510	£29.014	£30.529

11. Chief Finance Officer Assessment of the Capital Strategy

11.1. I have assessed the current overall risk as **32** out of **64** based on the following factors:

	Likelihood	Impact	2022/23	2021/22
Minimum			0	0
<u>Capital Strategy</u>				
Slippage Occurs in the Capital Spend	4	2	8	8
Planned Capital Receipts are not received	2	2	4	12
The Capital Programme does include investment to realise all of the Council's Strategic aims	4	4	16	0
Actual Cashflows differ from planned Cashflows	2	2	4	4
Assessed Level of Risk			32	24
Maximum			64	48

11.2. Therefore I believe the level of risk is Material (Yellow).

APPENDIX C

Reserves	(1,885)	(993)	(329)	(130)									
Revenue - Existing Budgets	(463)	(150)	(150)	(150)	(150)	(150)	(151)	(152)	(153)	(154)	(160)	(165)	(170)
Burntwood Leisure Centre Sinking Fund	(64)												
Finance Leases	(372)		(2,818)			0	0	0	0	(2,874)	0	0	0
Total Modelled Funding	(6,083)	(5,604)	(4,987)	(1,926)	(1,745)	(1,539)	(1,302)	(1,090)	(1,104)	(3,995)	(1,180)	(1,218)	(1,232)

Annual Borrowing Need	328	2,349	2,260	0	0	120	382	618	630	642	707	778	856
Cumulative Borrowing Need	328	2,677	4,937	4,937	4,937	5,057	5,439	6,058	6,688	7,331	10,733	14,477	18,597

Recommended Capital Programme

Project	Draft Capital Programme (R=>500k, A=250k to 500k and G=<250k)						Corporate
	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000	
New Build Parish Office/Community Hub	0	92	0	0	0	92	0
Armitage with Handsacre storage container	6	0	0	0	0	6	0
Armitage War Memorial and surrounding area	120	0	0	0	0	120	0
Canopy and artificial grass at Armitage	3	0	0	0	0	3	0
Burntwood LC CHP Unit	64	0	0	0	0	64	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	37	0	0	0	0	37	30
Burntwood Leisure Centre - Decarbonisation	443	0	0	0	0	443	0
Accessible Homes (Disabled Facilities Grants)	921	1,654	1,272	1,272	914	6,033	0
Home Repair Assistance Grants	6	4	0	0	0	10	0
Decent Homes Standard	0	147	0	0	0	147	0
Energy Insulation Programme	0	0	22	22	25	69	25
DCLG Monies	0	212	0	0	0	212	0
Unallocated S106 Affordable Housing Monies	496	334	22	21	0	873	0
Vehicle Replacement Programme - Env Health	0	0	20	0	0	20	0
Burntwood Park Resurfacing	11	0	0	0	0	11	0
Burntwood Park Play Equipment	75	0	0	0	0	75	0
Burntwood Park Fencing	30	0	0	0	0	30	0
Enabling People Total	2,749	4,792	3,596	1,315	939	13,391	55
Canal Towpath (Brereton & Ravenhill)	44	0	0	0	0	44	0
Loan to Council Dev Co.	675	0	0	0	0	675	116
Lichfield St Johns Community Link	0	35	0	0	0	35	0
Staffordshire Countryside Explorer	44	0	0	0	0	44	0
Lichfield Public Conveniences	40	0	0	0	0	40	40
Vehicle Replacement Programme (Waste)	437	0	2,818	0	0	3,255	32
Bin Purchase	240	150	150	150	150	840	0
Dual Stream Recycling	329	0	0	0	0	329	0
Vehicle Replacement Programme (Other)	128	229	159	130	150	796	150
Upper St John St & Birmingham Road	0	7	0	0	0	7	0
The Leomansley Area Improvement Project	3	0	0	0	0	3	0
Cannock Chase SAC	44	0	0	0	0	44	0
Burntwood Public Conveniences	45	0	0	0	0	45	0
Shaping Place Total	2,029	421	3,127	280	300	6,157	338
Multi Storey Car Park Refurbishment Project	259	0	0	0	0	259	0
Vehicle Replacement Programme (Car Parks)	0	10	0	0	0	10	0
Coach Park	300	1,137	43	0	0	1,480	374
Birmingham Road Site - Short Term	13	0	0	0	0	13	0
Car Parks Variable Message Signing	0	150	0	0	0	150	0
Old Mining College - Access and signs	0	13	0	0	0	13	0
Pay on Exit System at Friary Multi Storey	0	150	0	0	0	150	0
Card Payment in All Car Parks	0	100	0	0	0	100	0
Pay on Exit System at Lombard Street	0	0	150	0	0	150	0
Electric Vehicle Charge Points	0	80	0	0	0	80	0
Car Park Barriers	0	36	0	0	0	36	36
St. Chads Sculpture (Lichfield City Art Fund)	5	0	0	0	0	5	5
Developing Prosperity Total	577	1,676	193	0	0	2,446	415
Equipment Storage	125	0	0	0	0	125	111
Property Planned Maintenance	0	230	231	231	231	923	923
New Financial Information System	225	44	0	0	0	269	219
Carbonisation Project - District Council House	263	0	0	0	0	263	0
IT Infrastructure	108	0	0	0	0	108	108
ICT Hardware	5	0	0	0	175	180	180
IT Innovation	18	0	0	0	0	18	18
Building a Better Council	150	600	0	0	0	750	750
Committee AV Hybrid Meeting Platform	0	90	0	0	0	90	90
First Floor Office Refit	162	0	0	0	0	162	124
Construction Inflation Contingency	0	100	100	100	100	400	400
Good Council Total	1,056	1,064	331	331	506	3,288	2,923
Recommended Capital Programme	6,411	7,953	7,247	1,926	1,745	25,282	3,731

Funding Source	Draft Capital Programme					
	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
Capital Receipts	877	1,331	61	231	91	2,623
Capital Receipts - Statue	5	0	0	0	0	5
Revenue - Corporate	0	100	313	100	590	1,103
Corporate Council Funding	882	1,431	374	331	681	3,731
Grant	1,633	2,741	1,316	1,315	914	7,919
Section 106	708	254	0	0	0	962
CIL	44	35	0	0	0	79
Reserves	1,885	993	329	130	0	3,337
Revenue - Existing Budgets	495	150	150	150	150	1,095
Sinking Fund	64	0	0	0	0	64
Leases	372	0	2,818	0	0	3,190
Internal Borrowing	0	0	0	0	0	0
Total	6,083	5,604	4,987	1,926	1,745	20,345
External Borrowing	328	2,349	2,260	0	0	4,937
Recommended Capital Programme	6,411	7,953	7,247	1,926	1,745	25,282

Reconciliation of Original Capital Programme to this Recommended Capital Programme

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000	Cabinet or Decision Date
Original Budget Council 16/02/2021	6,530	8,430	4,278	1,608	0	20,846	
<u>Approved Changes</u>							
Acceptance of Decarbonisation Grant	263					263	09/02/2021
Slippage from 2020/21	762					762	08/06/2021
Money Matters Mth 3	(116)	86	20			(10)	07/09/2021
Introduction of Dual Stream Recycling	229					229	07/09/2021
Lichfield City Centre Car Parking Strategy	330	118	150			598	09/11/2021
Dual Stream Recycling	100					100	09/11/2021
Building a Better Council	77	257	(160)	(174)		0	09/11/2021
Money Matters Mth 6	(873)	711	25	161	0	24	07/12/2021
Rough Sleeper Grant	140					140	07/12/2021
Money Matters Mth 8	(1,031)	(1,749)	2,834	231	91	376	08/02/2022
<u>Other Proposed Changes</u>							
Construction Contingency		100	100	100	100	400	08/02/2022
<u>Projections for 2025/26</u>							
Long Term Model					1,554	1,554	16/02/2021
Recommended Capital Programme	6,411	7,953	7,247	1,926	1,745	25,282	

CFO Report on Robustness of the Budget and Adequacy of Reserves – Supporting Information

Context

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. The CFO is appropriately qualified under the terms of Section 113 of the Local Government Finance Act 1988.

Adequacy of Reserves

The CFO assesses and determines the appropriate level of Reserves and Provisions using a variety of mechanisms, including:

- Being significantly involved in the Budget setting process, the annual financial cycle and engaged in the strategic leadership of the organisation as a member of the Leadership Team including wider corporate roles beyond that of finance;
- Leading and writing on the annual revision of the MTFS;
- Challenging the budget at various stages of preparation, including the reasonableness of the key budget assumptions and sensitivities such as estimates for inflation and corporate financial pressures, realism of income targets and the extent to which known trends and liabilities are provided for:
 - Meetings with specific colleagues to examine particular areas or issues;
 - An in-depth review of the financial risks assessment;
 - Review of the movements, trends (including a comparison to the level at other Councils) and availability of contingency, provisions and earmarked reserves to meet unforeseen cost pressures in the context of future pressures and issues;
 - The use of professional experience and best professional judgement;
 - The use of appropriate professional, technical guidance and local frameworks;
 - Knowledge of the colleagues involved in the process, particularly finance professionals, including their degree of experience and qualifications;
 - Review of the strength of financial management and reporting arrangements, including internal control and governance arrangements. This is undertaken in consultation with relevant colleagues and Members of the Cabinet.

It is prudent for Councils to maintain an adequate 'working balance', that is part of General Reserves. A Risk Assessment approach is used to determine the required level of General Reserves and Provisions.

The Council's aim is to have a prudent level of General Reserves available for unforeseen financial risks. The Council projects available general reserves of **£6,888,000** at 31 March 2022 and **£7,168,000** at 31 March 2023. This is **55%** and **57%** of the amount to be met from Government Grants and Local Taxpayers in 2022/23 of **£12,551,000**.

The minimum level of Reserves for 2022/23 onwards is **£1,600,000** and has been determined by Risk Assessment.

In recommending an adequate level of Reserves, the CFO considers and monitors the opportunity costs of maintaining particular levels of Reserves and Balances and compares these to the benefits accrued from having such Reserves. The opportunity cost of maintaining a specific level of Reserves is the 'lost' opportunity for example, of investing elsewhere to generate additional investment income, or using the funds to invest in service improvements.

In assessing this, it is important to consider that Reserves can only be used once and are therefore potentially only "one off" sources of funding. Therefore, any use of General Reserves above the lower minimum threshold is only ever used on one-off items of expenditure.

Expenditure - the level of Reserves is also determined by use of a comprehensive risk assessment to ensure they represent an appropriately robust "safety net" that adequately protects the Council against potential unbudgeted costs.

Use of General Revenue Reserves

The above assessment demonstrates that General Revenue Reserves are at an appropriate level as determined in accordance with the MTFS and the CFO's professional advice. The MTFS allows any Reserves above the level required by the Strategy to be used to fund one-off items of expenditure. No General Revenue Reserves below the minimum threshold are being used to support the 2022/23 budget and beyond.

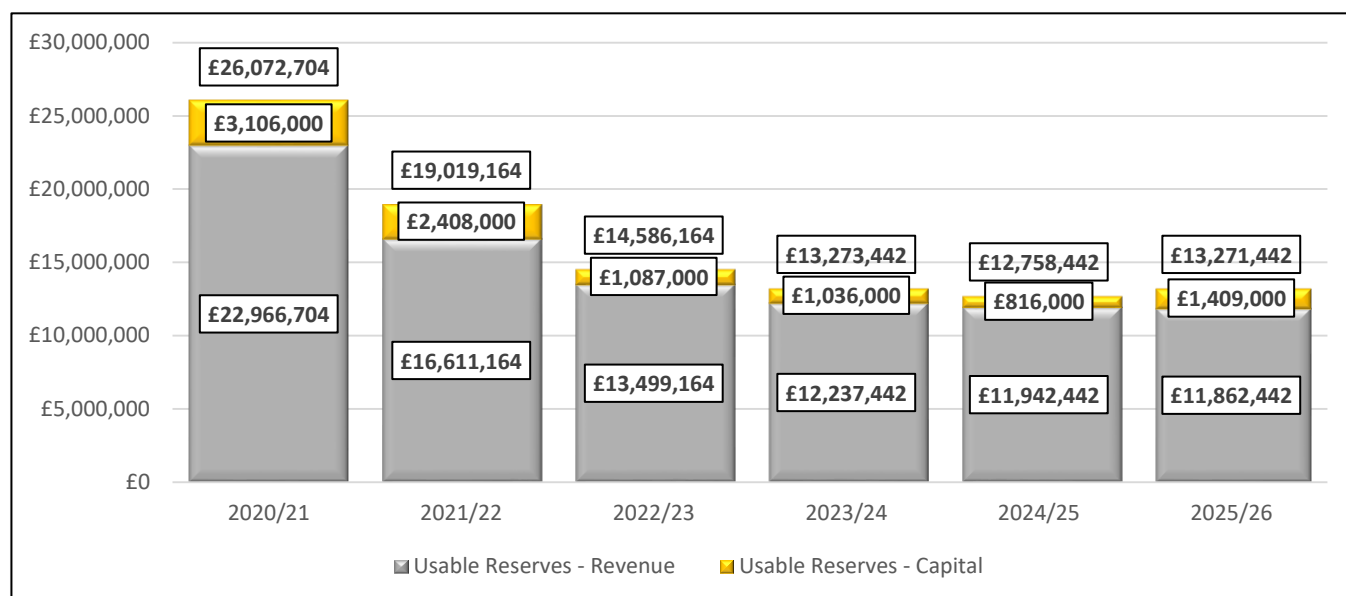
CIPFA provides guidance for determining the minimum level of Reserves. The Council uses the method based on risk assessment. The approach to the risk assessment of Reserves has taken into account CIPFA guidance (LAAP 99) (Guidance note on Local Authority Reserves and Balances).

The table below shows the financial risk assessment made for **2022/23** with increases in the level of risk shown as positive numbers (red) and reductions in the level of risk enclosed in brackets (green):

Activity Area	Severity of Risk	2022/23 Reserve Amounts £	2021/22 Reserve Amounts £	Change £
Capital Strategy	Material	£5,000	£264,000	(£259,000)
Business Rates	Severe	£0	£69,000	(£69,000)
Partnerships and Outsourcing	Material	£153,000	£152,000	£1,000
High Risk Streams of Income including Fees and Charges / Savings	Severe	£831,000	£645,000	£186,000
Inflation Assumptions	Severe	£288,000	£155,000	£133,000
Demand Led Services	Material	£90,000	£90,000	£0
Collection of Income Performance	Material	£137,000	£139,000	(£2,000)
Civil Contingency	Tolerable	£127,000	£127,000	£0
Other	Tolerable	(£31,000)	(£41,000)	£10,000
Total Minimum Reserves		£1,600,000	£1,600,000	£0

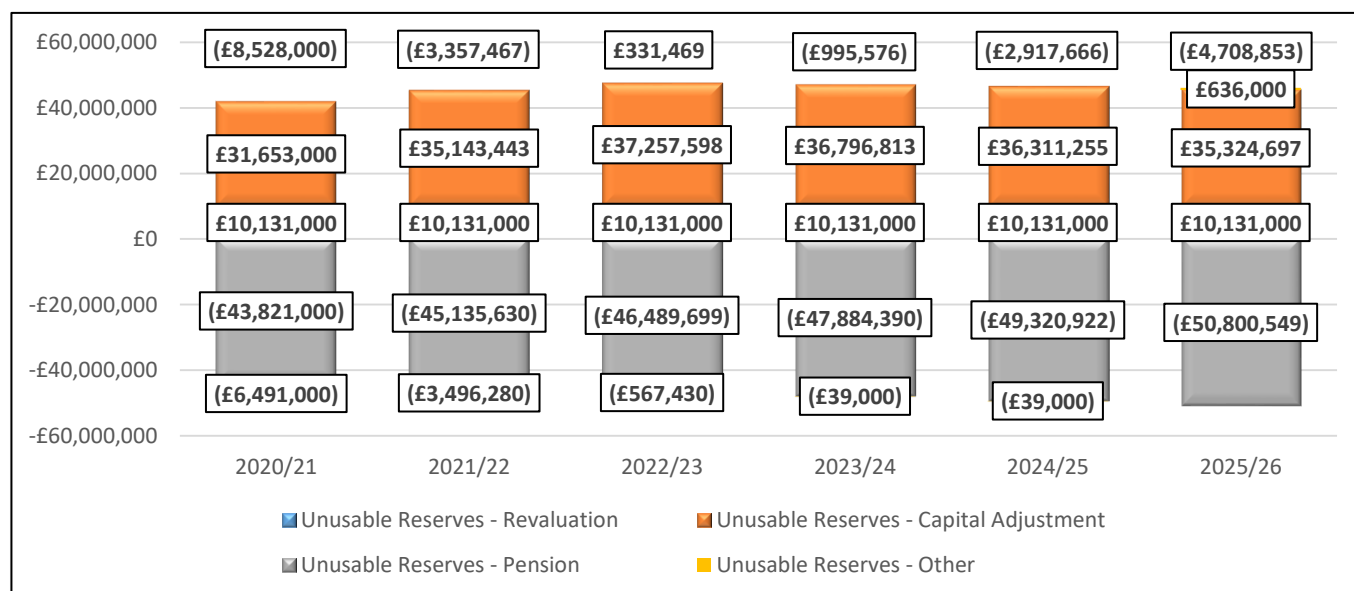
Other Reserves (in addition to General Reserves)

A review of the level of Earmarked Reserves has been undertaken as part of the annual Budget preparation. The projected levels are shown below:



Ongoing review of Earmarked Reserves takes place as part of the Money Matters Reports in line with the approved earmarked reserves policy to ensure we are only holding funds for known and essential purposes.

The Council also holds other Unusable Reserves that arise out of the interaction of legislation and proper accounting practice and the Balance Sheet projections are shown below:



The **CFO** has been involved throughout the entire budget process, including revising the MTFS, input to the drafting of the budget, the ongoing financial monitoring and reporting process, evaluation of investments and savings, engagement with Members of the Cabinet and Overview and Scrutiny Committees, advising colleagues, the strategic choices activities, challenge and evaluation activities, and scrutiny of the budget. The following sections of this statement outline particular activities and documents.

Process - a robust budget process has been used within the overall context of the MTFS.

Timetable - the process started in July 2021 and the draft budget was completed in December 2021 prior to the Provisional Financial Settlement for Local Government 2022/23. This enabled formal scrutiny of the budget making process in January 2022. The final budget is due to be set at Council on 22 February 2022, well within the statutory deadline.¹

Member involvement and Scrutiny (including budget monitoring) - formal Member involvement has been extensive, particularly through the Cabinet in conjunction with Leadership Team, Strategic Overview & Scrutiny Committee and Audit and Member Standards Committee, which has fed upwards to Cabinet.

Consultation – from 1 October 2021 to 30 November 2021, we carried out a budget consultation to find out what people who live in the District think about the services we provide and their view on an acceptable level of Council Tax increase.

Challenge - there are various points of challenge at various stages of the Budget, meetings of Leadership Team, Cabinet and the Scrutiny process itself.

Localism Act - Right to approve or veto excessive Council Tax rises - The Secretary of State has determined a **2% or £5.00** (whichever is the higher) limit for Council Tax increases for 2022/23. If an Authority proposes to raise taxes above the limit they will have to hold a referendum to get approval for this from the local voters who will be asked to approve or veto the rises.

Ownership and accountability - the budget has progressed through the Service and Financial Planning process including review by management within services and Leadership Team. Budget holders were sent copies of budget estimate working papers for their respective areas of service responsibility.

Current financial position - the budget is a statement of financial intent, reflecting The Council's vision, plans and priorities. It also sets the financial spending parameters for each financial year and as such, the CFO assessment of the adequacy of Reserves, also includes the risk of services overspending and/or under-spending their budgets and the impact of this on the financial health of the Council and its level of Reserves. The current financial position has been reported throughout the year.

Key assumptions - The pay and prices used in the budget are derived from current intelligence, are considered appropriate and compare with those used by other Councils. Fees and charges have been reviewed and changes are reflected in the overall budget. The Capital Receipts to be used for the Capital Programme are based on estimates of both timing and value.

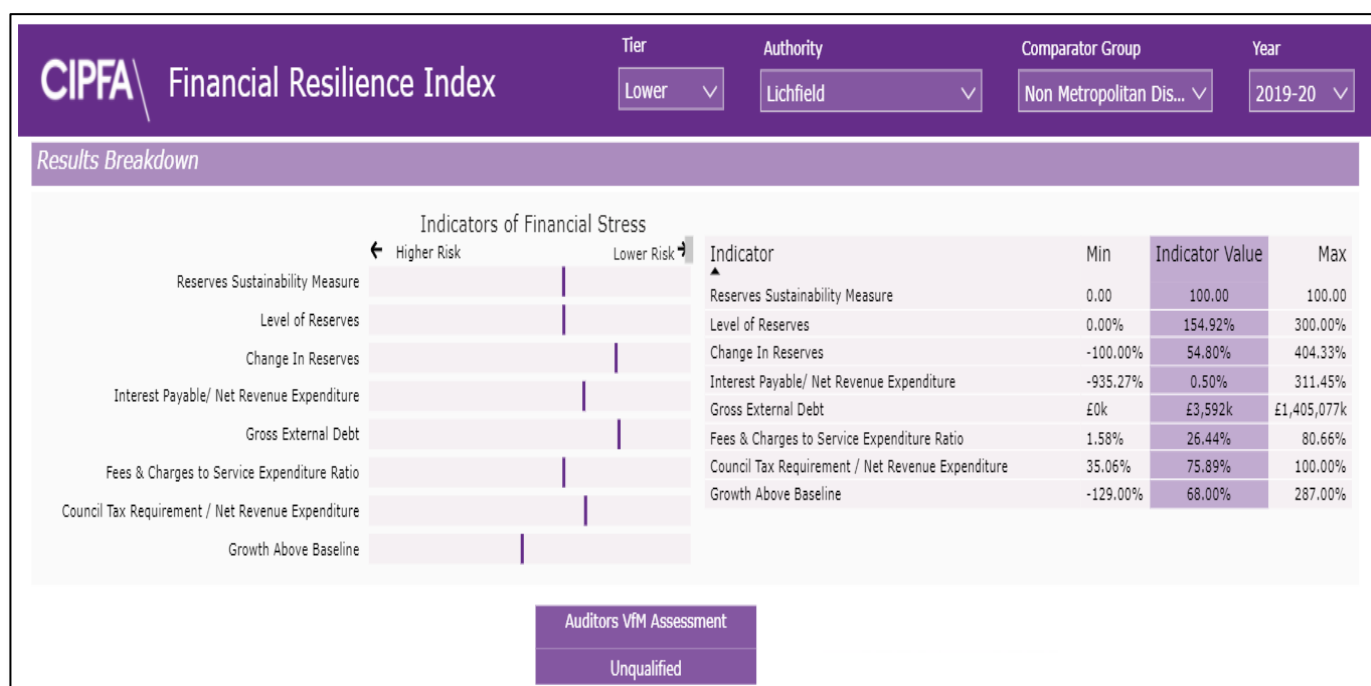
Financial risks – The Council continues to use an embedded good practice Risk Assessment approach both when setting the Budget and in validating estimated outturns. This continues for the 2021/22 outturn and 2022/23 plus Budget. The minimum level of General Reserves is considered to be adequate to cover all but the most unusual and serious combination of risks.

The CIPFA Resilience Index

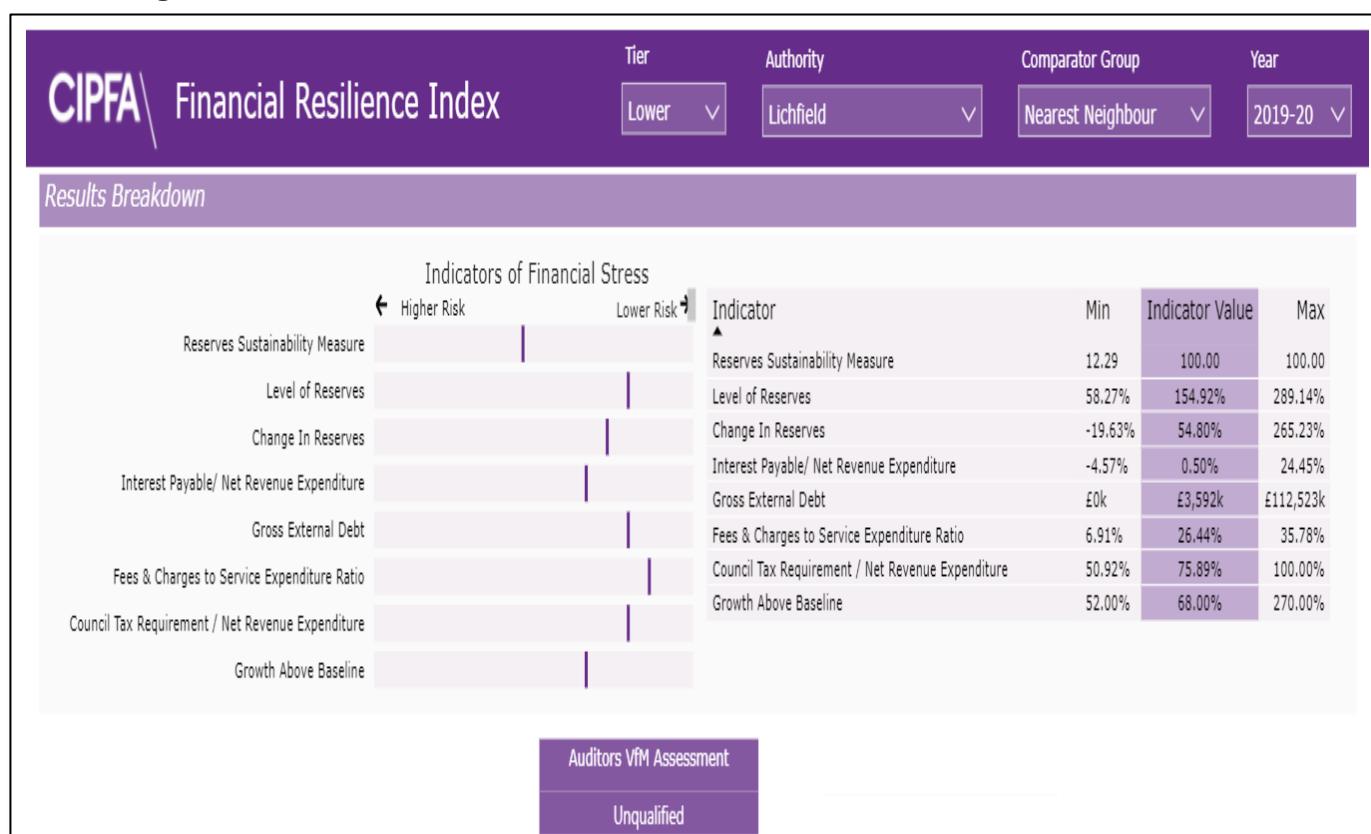
CIPFA published the first release of its Resilience Index in December 2019. The selection of indicators has been informed by the extensive financial resilience work undertaken by CIPFA over the past four years, public consultation and technical stakeholder engagement. The Resilience Index for 2021 is due to be published. In the interim, the index for 2020 using a range of measures associated with financial risk is published on the following page.

¹ Statutory deadline date for setting Council Tax is by 11 March 2022.

District Councils



Nearest Neighbours



Summary - Opinion of CFO on the Adequacy of Reserves and the Robustness of the Estimates

I am of the opinion that for a Council of this size and with our recent record of prudent spending, effective Risk Management, robust budgeting and effective Budget monitoring and control, a General Minimum Reserve level of **£1,600,000** remains adequate.

Revenue Budget – 25 Year Model (1 to 10 years, 15 years, 20 years and 25 years)

Key Assumptions													
Year	2021/22 1	2022/23 2	2023/24 3	2024/25 4	2025/26 5	2026/27 6	2027/28 7	2028/29 8	2029/30 9	2030/31 10	2035/36 15	2040/41 20	2045/46 25
Council Tax Base	38,891	39,695	40,350	41,004	41,695	42,167	42,167	42,470	42,773	43,076	44,591	46,106	47,621
Projected Residential Growth - LHN							303	303	303	303	303	303	303
Projected Council Tax Base							42,470	42,773	43,076	43,379	44,894	46,409	47,924
Council Tax Band D	£185	£188	£191	£194	£196	£199	£203	£207	£212	£216	£238	£263	£290
Modelled Council Tax Increase	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.99%	1.99%	1.99%	1.99%	1.99%	1.99%	1.99%
LG Futures Property Based Unit Cost	£53	£54	£55	£56	£57	£58	£59	£61	£62	£63	£70	£77	£85
Core Budget Inflation Allowance						2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Funding and Pension Inflation Allowance						2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

	Medium Term Financial Strategy					Additional Projections								
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2035/36	2040/41	2045/46	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Year	1	2	3	4	5	6	7	8	9	10	15	20	25	
Modelled Total Expenditure	12,199	12,551	10,708	11,180	11,550	11,550	11,993	12,451	12,924	13,412	16,097	19,232	22,888	
<u>Inflation and Budget Variations</u>														
Provision for Pay and Other Inflation						274	296	308	319	332	398	476	567	
Budget Pressure - Residential Growth						27	18	18	19	19	21	23	26	
Provision for Budget Variations														
Revenue Implications of Capital Bids						0								
Sub Total	12,199	12,551	10,708	11,180	11,550	11,851	12,307	12,777	13,262	13,763	16,516	19,732	23,481	
<u>Other Projections</u>														
Annual Increase in Past Service Pensions						145	148	151	154	157	173	191	211	
Replacement for FGLC Debt Costs						(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	
Total Modelled Expenditure	12,199	12,551	10,708	11,180	11,550	11,993	12,451	12,924	13,412	13,916	16,686	19,919	23,688	

APPENDIX F

	Medium Term Financial Strategy					Additional Projections								
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2035/36	2040/41	2045/46	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Modelled Funding: <u>Retained Business Rates</u>														
Baseline Funding Level	(2,117)	(2,117)	(1,799)	(1,826)	(1,863)	(1,900)	(1,938)	(1,977)	(2,017)	(2,057)	(2,271)	(2,507)	(2,768)	
Retained Growth - full & phased resets	(1,005)	(1,194)	(542)	(654)	(765)	(781)	(796)	(812)	(829)	(845)	(933)	(1,030)	(1,137)	
<u>New Homes Bonus / Replacement</u>														
New Homes Bonus - total receipt	(1,282)	(1,401)	0	0										
New Homes Bonus - Replacement					0	0	0	0	0	0	0	0	0	
<u>Council Tax and Other Funding</u>														
Collection Fund and one off funding	(360)	(383)	52	0	0	0	0	0	0	0	0	0	0	
Council Tax	(7,198)	(7,456)	(7,693)	(7,935)	(8,190)	(8,407)	(8,636)	(8,871)	(9,111)	(9,358)	(10,687)	(12,192)	(13,894)	
Total Modelled Funding	(11,962)	(12,551)	(9,982)	(10,415)	(10,818)	(11,088)	(11,371)	(11,660)	(11,956)	(12,260)	(13,891)	(15,730)	(17,800)	

Modelled Funding Gap/(General Reserves)	237	0	726	765	732	905	1,080	1,264	1,456	1,656	2,795	4,190	5,888
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Memorandum Item	Legacy Payments				New Scheme			
New Homes Bonus - Base Budget	(500)	(400)	0	0	0	0	0	0

	Medium Term Financial Strategy					Additional Projections								
General Reserves Year Start	5,114	5,288	5,568	4,842	4,077	3,345	2,441	1,361	97	(1,360)	(3,016)	(3,016)	(3,016)	(3,016)
Contributions from Revenue Account	(237)	0	(726)	(765)	(732)	(905)	(1,080)	(1,264)	(1,456)	(1,656)	0	0	0	0
New Homes Bonus in excess of the 'Cap'	411	280	0	0	0									
Available General Reserves Year End	5,288	5,568	4,842	4,077	3,345	2,441	1,361	97	(1,360)	(3,016)	(3,016)	(3,016)	(3,016)	(3,016)
Minimum Level	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600				
Total General Reserves	6,888	7,168	6,442	5,677	4,945	4,041	2,961	1,697	240	(1,416)				

Priorities and Budget Consultation Feedback report

January 2022

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1. Introduction

In the current financial year (2021/22) Lichfield District Council will spend around £11million (£10,991,000) on local services. Over £7million (£7,029,000) of this figure is generated through council tax. The balance (£3,962,000) is funded through business rates, other grants, surpluses and New Homes Bonus.

The government has been reducing the amount of core government grant received by local authorities every year, and next year Lichfield District Council could be required to pay an amount to the Government (although this will be subject to the Spending Review). This means facing significant and ongoing challenges providing the same level of services, and either needing to make further savings or generate additional income to fund the services delivered.

Talking to residents, businesses and community groups and getting their views plays an important part in the process of shaping future decisions on budget priorities and setting council tax.

A total of 264 people responded to the survey. This represents 0.316 of the adult population of the district and represents an increase of 116 respondents from the previous budget consultation in 2020. A full breakdown of respondents can be found in Appendix 1.

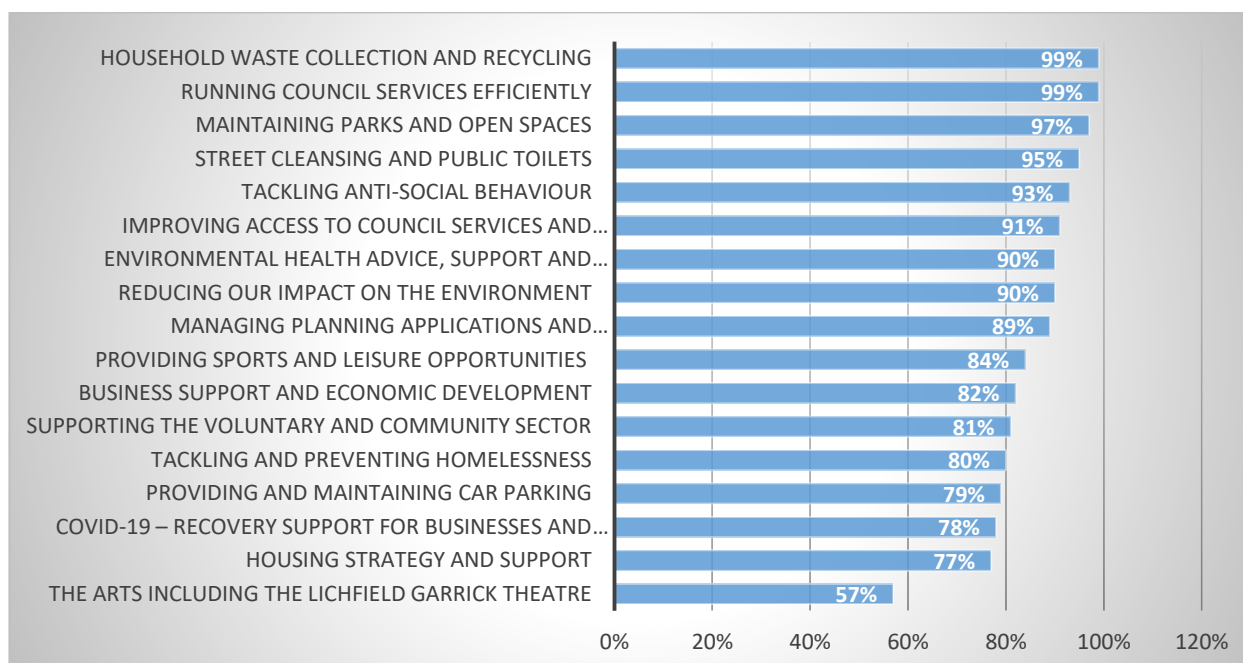
This report focuses on the results of the consultation with residents and the local community. A separate survey has been commissioned by the Economic Development Team and it was decided that this survey would be used as a guide to the priorities of the business community rather than trying to conduct two surveys in parallel aimed at the same audience.

2. Executive Summary

Using a similar question set to allow for comparison with previous budget consultation and resident surveys there was a reduction in overall levels of trust and satisfaction expressed by residents in this year's priorities and budget consultation. It is perhaps worth noting that a national residents' survey conducted by the Local Government Association in October 2021 also registered a decline in satisfaction with local councils.

Lichfield District Council has four strategic priorities set out in its Strategic Plan for 2020 to 2024. These priorities are to Enable People, Shape Place, and Develop Prosperity and Be a Good Council.

Respondents were asked to consider a wide range of service priority areas that align to these strategic priorities. Areas that were highlighted as most important were; household waste collection, recycling and running the council and its services efficiently, maintaining parks and open spaces. Also in the top five areas of importance were street cleansing and tackling anti-social behaviour. The top four priority areas are the same as highlighted in the 2020 survey.



Spending Priorities and Council Tax

There was a continued feeling from respondents to the survey that spending should be maintained rather than increased across the majority of service areas. Only in one area were the majority of respondents in favour of reducing spending – the Arts including the Lichfield Garrick.

Fees and income

The largest proportion of respondents (69%) felt that either Lichfield District Council's approach to fees was currently about right or that no additional fees should be introduced.

Only 32% felt that there was scope for increases and put forward alternative suggestions for sources of income generation which ranged from commercial sponsorship, increased for more regular fines, large-scale events or ideas for reductions in spending.

Council Tax

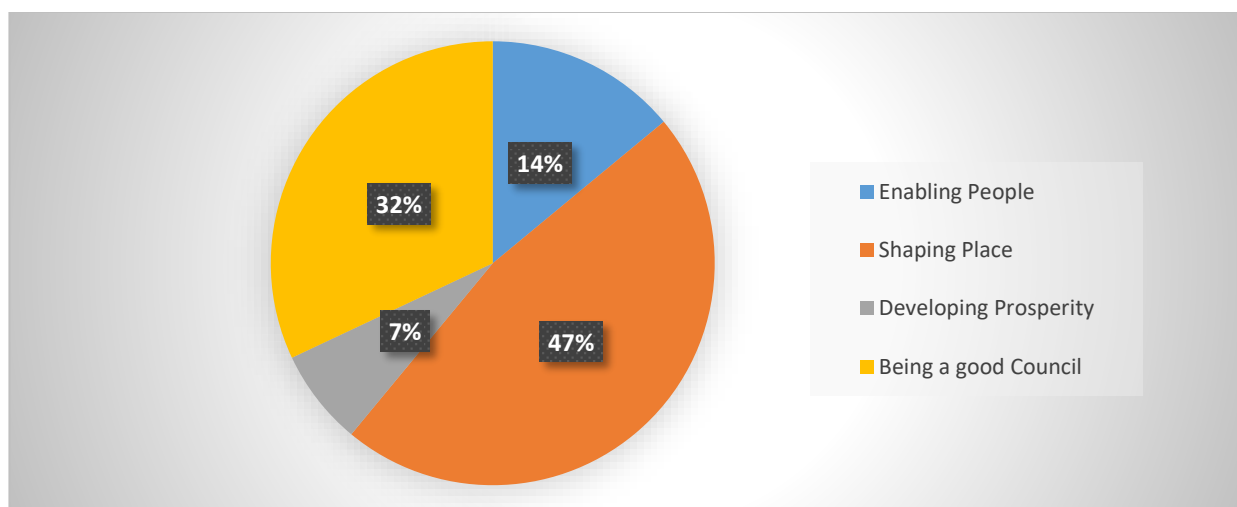
The majority of respondents (87%) indicated that an increase in Council Tax would be acceptable with 54% of the total expressing that an increase of 2% or £5 would be acceptable to them.

3. Methodology and engagement

The budget consultation was launched on 4 October 2021 and was open until 30 November.

The primary method of response to the consultation was via an online questionnaire. The questionnaire was based on a similar question set to that used in 2020 to enable comparison with previous results. The questionnaire included a range of questions derived originally from Staffordshire County Council's Feeling the Difference survey and giving residents an opportunity to express their views on trust in, and satisfaction with, local public services. This was followed by questions asking respondents to rate service areas in terms of importance and spending priority. The final set of questions asked respondents for their views on the council's approach to fees and charges and to potential future levels of Council Tax.

The questionnaire was accessible on-line through the Lichfield District Council website and a dedicated consultation platform. During the consultation period the platform had 1772 page visits from 700 visitors. Alongside the formal questionnaire, visitors to the consultation platform we're given additional opportunities to engage with the consultation by asking questions, posting ideas and taking part in a poll on the council's strategic priorities. This poll asked respondents to rate which to them was most important of the council's four strategic priorities. The results shown below;



Promotional activity

The consultation was promoted in the October and November LDC e- News which has a mailing list of over 18,500 per edition and promoted through local media and social media. The consultation was featured on the Lichfield Live website on 4 October and in the Lichfield Chronicle.

The consultation was promoted regularly on social media using Twitter and Facebook resulting in total Twitter impressions of 6870 and Facebook reach of 12,600 across a total of 24 social media posts.