

Medium Term Financial Strategy (MTFS)

Cabinet Member for Finance and Commissioning

Date: 15 December 2022

Agenda Item:

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Key Decision? YES

Local Ward Members All Wards



Overview and Scrutiny Committee

1. Executive Summary

- 1.1 The ability to deliver the outcomes set out in the **Lichfield District Council Strategic Plan**, and beyond, is dependent on the resources available in the MTFS.
- 1.2 The MTFS was approved by Council on 22 February 2022 and this is refreshed each year to:
 - Remove the previous financial year and in this MTFS this is 2021/22
 - Formally add the new financial year and in this MTFS this is 2026/27 and
 - Refresh and update assumptions to reflect the latest information available
- 1.3 The MTFS is the overall budget framework and consists of the Revenue Budget, Capital Strategy and Capital Programme, Earmarked Reserves and General Reserves.
- 1.4 There have been reports to Cabinet and Council that have updated the MTFS since its initial approval.
- 1.5 The Treasury Management Strategy Statement and Annual Investment Strategy are also important components of the MTFS. These components, under the Constitution, are the responsibility of the Audit and Member Standards Committee and, therefore, will be considered by that Committee as part of the development of the Draft MTFS.
- 1.6 The timetable for consideration of the development is summarised below:

Date	Meeting	Topics	
Budget Consultation (June to December)	05/07/2022	Cabinet	Budget timetable, Budget principles, MTFS update, Budget consultation and Budget assumptions for 2023/24
	15/09/2022	Overview and Scrutiny Committee	To review the Draft Medium Term Financial Strategy
	04/10/2022	Cabinet	An update on the Draft Medium Term Financial Strategy
	17/11/2022	Overview and Scrutiny Committee	To review the Draft Medium Term Financial Strategy
	06/12/2022	Cabinet	Set the Council Taxbase for 2023/24
	NEW 15/12/2022	Overview and Scrutiny Committee	Special Meeting to consider Budget Proposals
	19/01/2023	Overview and Scrutiny Committee	To review the Draft Medium Term Financial Strategy
	02/02/2023	Audit and Member Standards Committee	To review the Treasury Management Strategy Statement
	14/02/2023	Cabinet	To recommend the Medium Term Financial Strategy and Council Tax increase to Council
	28/02/2023	Council	Approve the Medium Term Financial Strategy, updated Local Council Tax Support Scheme and set the Council Tax

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

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

2. Recommendations

- 2.1 To note the latest Revenue Budget projections and scenarios pending the Provisional Local Government Finance Settlement.
- 2.2 To provide views on the options identified in the report and identify any further options for consideration in the development of the Medium Term Financial Strategy.

3. Background

The Medium Term Financial Strategy (MTFS)

- 3.1. Council approved the MTFS (Revenue and Capital) 2021-26 on 22 February 2022 which covers the financial years 2021/22 to 2025/26 (with a further projection for 2026/27 prepared by Finance for forward planning purposes).
- 3.2. The MTFS includes:
- **The Revenue Budget** related to the day to day delivery of the Council's services, such as waste collection
 - **General Reserves** related to the amount of money available to balance the budget in the short term or fund short term initiatives
 - **The Capital Programme** and its financing for longer term expenditure in relation to the Council's assets, such as property
- 3.3. The Revenue Budget and Capital Programme are connected by:
- Any financing of the Capital Programme from the Revenue Budget
 - The repayment of borrowing and the receipt of income from investments
 - Expenditure, income and savings resulting from capital investment
- 3.4. The Council updates its Budget forecasts at 3, 6 and 8 month intervals.
- 3.5. To assist in understanding the level of uncertainty or risk present in relation to the Local Government Funding Regime, we allocate each financial year a risk rating:
- **Low** – all significant components of the Local Government Funding Regime are known and understood
 - **Medium** – all significant components of the Local Government Funding Regime are known although there is some uncertainty around how specific elements will operate
 - **High** – there is uncertainty around all significant components of the Local Government Funding Regime

MTFS Budget Principles

- 3.6. To assist in preparing the MTFS, in common with a number of Councils, a set of principles were established to guide the preparation and management of the MTFS.
- 3.7. 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 Autumn Statement

- 3.8. On 17 November 2022, the Chancellor delivered his Autumn Statement, alongside the Office for Budget Responsibility's (OBR's) new set of Economic and Fiscal Outlook forecasts. The Autumn Statement responds to the OBR forecasts and sets out the medium-term path for public finances.
- 3.9. This follows the previous Chancellor's Growth Plan announcements in late September 2022, the majority of which have since been rolled back – with the notable exception that the Health and Social Care Levy has been, and remains, cancelled.
- 3.10. The key announcements impacting on District Councils are shown at **APPENDIX A**.
- 3.11. In addition, it was confirmed by email on 21 November 2022 the Department for Levelling Up, Housing and Communities (DLUHC) will launch the provisional Local Government Finance Settlement (PLGFS) on the week commencing 19 December 2022.
- 3.12. In recognition that this Settlement is late in the year, DLUHC will also provide an update on the PLGFS soon, including providing an update on the measures they will maintain into 2024/25. It is DLUHC's intention that this will support our budget setting process, ahead of the publication of the PLGFS.
- 3.13. **The content of the Settlement and the DLUHC update could materially impact on the projections utilised in the current projected MTFS contained in this report. Therefore the next draft of the MTFS provided to this Committee in January 2023 will be updated where necessary to take account of the information provided.**

The Draft Business Rate Revaluation Results

National changes across England and Wales

- 3.14. The overall percentage change in rateable values on regional lists across England and Wales is 7.1%, with a slightly higher level of increase of 7.3% across England alone.
- 3.15. The Central List has experienced a reduction of 0.6%, reducing the overall change in rateable values to 6.7%.
- 3.16. The increase across England in 2023 is the smallest increase across the last three Revaluations and compares to increases of 9.3% in 2017 and 20.9% in 2010.

Regional analysis across England

- 3.17. The change in valuations across regions ranges from a high of 14.4% in the East to a low of 2.2% in the North East, a variance of 12.2 percentage points.
- 3.18. In London the increase was only 3.3% compared to 23.4% in 2017. The low level of increase in London in 2023 contrasts sharply with the increases across the South East (10.9%) and the South West (9.5%).
- 3.19. Analysis of the regions shows that while nationally the level of change between 2017 (9.3%) and 2023 (7.3%) is not that great, across the regions there is mostly a very different experience emerging for the 2023 valuation compared to 2017.

Sectoral analysis

- 3.20. The sectors with the largest variation are Retail, where there has been a 10% reduction in valuations and Industry, where there has been an increase of 27.1%. Of the four main sectors the change in Offices of 10.2% is most closely matched to the English average.
- 3.21. Across the retail sector there have been large reductions across categories of large shops (19.3% and 34.7%) and hypermarkets/supermarkets (14.9%). Conversely there have been increases across convenience stores of 12.7%.

Lichfield District

- 3.22. In Lichfield District, the increase is **£10.367m** from **£89.576m** at the 2017 revaluation to **£99.943m** and this is an **11.6%** increase and is likely to be in part as a result of the increase in the industry sector.
- 3.23. Therefore the Business Rates tariff will be adjusted upwards to ensure the impact remains revenue neutral.

The Projected Revenue Budget

- 3.24. In the current economic climate, projections are being updated regularly to reflect changes within the Council and in the external environment including for example the current insurance procurement.
- 3.25. As in previous years, three Revenue Budget scenarios focusing on different levels of revenue funding have been prepared. This is because of the current uncertainty over the content of the provisional Local Government Finance Settlement and the future direction of Local Government Finance Reform.
- 3.26. In the absence of any further information and based on expert advice, all three scenarios currently assume a two year finance settlement for 2023/24 and 2024/25 utilising the approach in the 2022/23 settlement however there is a risk this may not be the case.
- 3.27. The specific assumptions of each scenario are shown in detail at **APPENDIX B** and in summary below:

Funding Stream	Key Assumptions
Business Rates & Transitional Grants	
Business Rates Baseline Funding Level	Projected by expert with Finance Reform from 2025/26
Business Rates Growth	Three business rates scenarios, a Business Rate Reset in 2025/26 and different levels of growth retained post reset
Lower Tier, Services and Transitional Grants	From 2025/26 there will be different levels of transitional grant funding to mitigate the impact of Finance Reform
New Homes Bonus	
Central	Retained until 2025/26, projected housing growth and then abolished
More Optimistic	Retained in its current format with higher levels of housing growth
More Pessimistic	Retained until 2025/26, lower housing growth and then abolished
Council Tax	
Central	Projected housing growth and annual 1.5% Council Tax increases
More Optimistic	Higher housing growth and annual 2.99% Council Tax increases
More Pessimistic	Lower housing growth and an annual Council Tax freeze

- 3.28. The projected central scenario Revenue Budget (including approved and projected changes and a forward projection for 2026/27 from the 25 year model) is shown at **APPENDIX B** and in summary below:

	2022/23		2023/24	2024/25	2025/26	2026/27
	Original Budget £000	Approved Budget £000				
LEVEL OF UNCERTAINTY / RISK	MEDIUM	MEDIUM	HIGH	HIGH	HIGH	HIGH
Projected Revenue Expenditure	12,551	12,867	11,146	11,200	12,179	13,104

Retained Business Rates Baseline Funding	(2,117)	(2,117)	(2,128)	(2,129)	(1,841)	(1,860)
Retained Business Rates Growth Allowance	(1,194)	(1,194)	(1,351)	(1,552)	(413)	(407)
Business Rates Cap	(174)	(490)	(850)	(925)	0	0
Lower Tier Services Grant	(95)	(95)	(87)	(87)	(374)	(414)
Services Grant	(146)	(146)	(146)	(146)	0	0
New Homes Bonus	(1,401)	(1,401)	(960)	(570)	0	0
Collection Fund (Surplus)/Deficit	32	32	(315)	0	0	0
Council Tax	(7,456)	(7,456)	(7,729)	(7,938)	(8,167)	(8,420)
Central Scenario Revenue Funding	(12,551)	(12,867)	(13,566)	(13,347)	(10,795)	(11,101)

Central Scenario Budget Funding Gap / (transfer to general reserves)	0	0	(2,420)	(2,147)	1,384	2,003
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More Optimistic Scenario	0	0	(2,315)	(2,321)	348	689
More Pessimistic Scenario	0	0	(1,856)	(1,216)	1,166	2,520

The Projected MTFS and General Reserves

3.29. The Council has total general reserves available based on the central scenario, to manage the impact of Local Government Finance Reform and other risks such as the inflationary economic environment:

	2022/23		2023/24	2024/25	2025/26	2026/27
	Original Budget £000	Approved Budget £000				
LEVEL OF UNCERTAINTY / RISK	MEDIUM	MEDIUM	HIGH	HIGH	HIGH	HIGH
Available General Reserves Year Start	5,246	5,246	4,476	7,201	9,348	7,964
Money Matters Quarter 1	0	(1,050)	0	0	0	0
(Funding Gap)/transfer to General Reserves	0	0	2,420	2,147	(1,384)	(2,003)
Collection Fund Surplus	0	0	305	0	0	0
New Homes Bonus in excess of the 'Cap'	280	280	0	0	0	0
Available General Reserves Year End	5,526	4,476	7,201	9,348	7,964	5,961
Minimum Level	1,600	1,600	1,600	1,600	1,600	1,600
Central Scenario General Reserves	7,126	6,076	8,801	10,948	9,564	7,561
More Optimistic scenario	7,126	6,076	8,696	11,017	10,669	9,980
More Pessimistic scenario	7,126	6,076	8,237	9,453	8,287	5,767

3.30. At present, the minimum level of general reserves is approved at **£1,600,000**. However this level was approved prior to the increased risk presented by the current economic climate and is likely to increase.

The Level of Council Tax

3.31. The Approved MTFS modelled that Council Tax would increase annually by **1.50%** with alternative options modelled below (additional income is enclosed by brackets):

	2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000	2025/26 Budget £000	2026/27 Projection £000
Approved MTFS Council Tax Income	(£7,456)	(£7,693)	(£7,935)	(£8,190)	(£8,407)
Approved / Modelled Increase	1.50%	1.50%	1.50%	1.50%	1.50%
Council Tax Band D	£187.85	£190.67	£193.53	£196.43	£199.38
Draft Council Taxbase	39,695	40,534	41,016	41,579	42,233
Draft MTFS Council Tax Income	(£7,456)	(£7,729)	(£7,938)	(£8,167)	(£8,420)
Annual change in Council Tax Income	£0	(£35)	(£3)	£23	(£13)
Cumulative change in Council Tax Income	£0	(£35)	(£38)	(£15)	(£29)

Modelled options and the impact on Council Tax income:	Total	2023/24	2024/25	2025/26	2026/27
2.99% in 2023/24 and then 1.50%	(£502)	(£149)	(£119)	(£97)	(£137)
Freeze in 2023/24 and then 1.50%	£448	£79	£115	£143	£111
Freeze in 2023/24 and 2024/25, then 1.50% and 2.99%	£85	£79	£115	£25	(£134)
Freeze in 2023/24 and then 1.99%	£211	£79	£77	£65	(£10)
Freeze in 2023/24 and 2024/25 then 1.50%	£805	£79	£230	£262	£234
Freeze in 2023/24 and 2024/25 then 1.99%	£688	£79	£230	£224	£155
Freeze in 2023/24 and 2024/25 then 2.99%	£447	£79	£230	£146	(£8)
Freeze in all years	£1,162	£79	£230	£379	£474

3.32. In recommending the level of Council Tax increase for 2023/24 and beyond, Cabinet will need to take into consideration the following key factors:

- The assumptions the Government utilises to calculate Core Spending Power in the Finance Settlement and Council Tax Referendum Principles for 2023/24 – maximum increases are applied
- The Council's Band D Council Tax and comparisons to other similar authorities
- The relevant budget principles approved by Council
- The projected funding gap from 2023/24 onwards, the significant level of uncertainty related to the economy, cost of living, Local Government Finance Reform and the legal requirement to set a balanced budget (taking into account the level of general reserves).
- Any freeze would mean a permanent loss of income and the Autumn Statement 2.99% maximum may, in line with inflation projections, be withdrawn as an option for future years.

Options to reduce the Projected Funding Gap

- 3.33. A number of potential options to reduce the projected funding gap from 2025/26 (or 2024/25 with a one year settlement with finance reform that adversely affects the Council's funding streams in 2025/26) have been identified for consideration by the Committee:

Options	Investment £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Council Tax					
Approve a maximum 2.99% Council Tax increase in 2023/24, therefore 1.49% higher than modelled, assumes 1.50% as modelled in each subsequent year		(149)	(119)	(97)	(137)
Fees and Charges					
Increase garden waste price to c£41 to recover full cost from 01/01/24 (LDC share of 60%)		(31)	(124)	(124)	(124)
General 2.5% increase in applicable fees and charges in 2026/27					(100)
Sub Total	0	(180)	(243)	(221)	(361)

Capital Financing Savings					
Utilise 'windfall' resources of c£3m to part fund the £5m leisure centre and use internal borrowing of £2m	3,000			(337)	(329)
Utilise internal borrowing to fund £2m of the £5m leisure centre @ 3%				(40)	(36)
Sub Total	3,000	0	0	(377)	(365)

Total	3,000	(180)	(243)	(598)	(726)
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Alternative Capital Financing Savings					
Utilise 'windfall' resources to fund unfinanced Chasewater Dam spend and remove Minimum Revenue Provision	636	(16)	(16)	(16)	(16)
Utilise 'windfall' resources to fund Friary Outer Car Park unfinanced spend, remove Minimum Revenue Provision & repay associated PWLB Loan	1,307	(37)	(37)	(36)	(36)
Sub Total	1,943	(53)	(53)	(52)	(52)

Total	1,943	(233)	(296)	(273)	(413)
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- 3.34. The level of general reserves available enable a strategic approach to be taken to balancing the budget.
- 3.35. Therefore a series of options based primarily around income generation and capital financing savings (using projected windfall income from the finance settlement with other options possible once actual windfall income is known following the finance settlement) have been identified.
- 3.36. These options have been identified because they are relatively easy to implement and do not impact significantly on the ability of the Council to provide sustainable services in a very volatile environment.
- 3.37. Alternative options focused on more fundamental reform including changes to service delivery, service standards or delivery models can be considered on a case by case basis and when the Lichfield District 2050 plan has been developed.
- 3.38. In addition, Members of the Committee may be able to identify further options that could be considered as part of the development of the Medium Term Financial Strategy.

Alternative Options

In the main, the options are focused on the level of resource allocated to Strategic Priorities, the strategy to be utilised to achieve a balanced budget and the level of Council Tax increase. These options are considered in the Report.

Consultation	<p>There is a duty under S65 Local Government Finance Act 1992 to consult ratepayers (or bodies appearing to represent ratepayers) about proposed expenditure prior to calculating the Council Tax requirement under S31a (England).</p> <p>The consultation project commenced in June 2022 and will run through to December 2022. This could facilitate rapid analysis of the results of the consultation before a final feedback report is submitted in January 2023.</p>
Financial Implications	These are contained in the background section of the report.
Approved by Section 151 Officer	Yes
Legal Implications	<p>No specific legal implications.</p> <p>The recommended changes to the Medium Term Financial Strategy are not part of the approved Budget Framework and will require the approval of Full Council.</p>
Approved by Monitoring Officer	Yes
Contribution to the Delivery of the Strategic Plan	The report directly links to overall performance and especially the delivery of the Strategic Plan.
Equality, Diversity and Human Rights Implications	These areas are addressed as part of the specific areas of activity prior to being included in the Strategic Plan.
Crime & Safety Issues	These areas are addressed as part of the specific areas of activity prior to being included in the Strategic Plan.
Environmental Impact	These areas are addressed as part of the specific areas of activity prior to being included in the Strategic Plan.
GDPR / Privacy Impact Assessment	There are no specific implications related to the Medium Term Financial Strategy.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
Strategic Risk SR1 - Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of Finance				
A	Council Tax is not set by the Statutory Date of 11 March 2023	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 consultation. In the Approved MTFS, 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	A property team has been recruited via the Company 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	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 / strategic plan to the emerging landscape

G	The Council cannot achieve its approved Delivery Plan for 2023/24	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
H	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
I	Government and Regulatory Bodies introduce significant changes to the operating environment	Likelihood : Red Impact : Red Severity of Risk : Red	To review all proposed policy changes and respond to all consultations to influence outcomes in the Council's favour.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow

Background documents

- Medium Term Financial Strategy (Revenue and Capital) 2021-2026 (MTFS) – Cabinet 8 February 2022
- Money Matters: 2021/22 Review of Financial Performance against the Financial Strategy – Cabinet 7 June 2022
- Local Council Tax Support Scheme Review – Cabinet 5 April 2022
- Medium Term Financial Strategy (MTFS) – Cabinet 11 July 2022
- Local Council Tax Support Scheme Permission to Consult – Cabinet 11 July 2022
- Money Matters: 2022/23 Review of Financial Performance against the Financial Strategy – Cabinet 6 September 2022
- Money Matters: Review of Reserves – Cabinet 6 September 2022
- Lichfield District Youth Council – Policy Proposal – Cabinet 6 September 2022
- Joint Venture – A cinema for Lichfield District – Cabinet 11 October 2022
- Medium Term Financial Strategy (Revenue and Capital) 2023-27 – Cabinet 11 October 2022
- Money Matters: 2022/23 Review of Financial Performance against the Financial Strategy – Cabinet 6 December 2022
- Money Matters : Calculation of Business Rates 2023/24, Council Tax Base for 2023/24 and the projected Collection Fund Surplus / Deficit for 2022/23 – Cabinet 6 December 2022

Relevant web links

The Autumn Statement key announcements about funding and investment for District Councils

Council Tax

- From April 2023, the referendum limit for increases in council tax will rise to 3% per year or £5, whichever is greater (note that the £5 flexibility is not specified in the official documentation but the Department for Levelling Up and HM Treasury have confirmed that it will be available).
- In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year.

Grant funding

- The Autumn Statement provides little detail about grant funding beyond stating that departmental budgets will be protected in cash terms in 2023-24 and 2024-25 and then will grow by 1% per year in real terms in the following three years.
- Departmental funding and local government funding will be adjusted to reflect the fact that the Health and Social Care Levy (i.e. increase to National Insurance) has been reversed.
- This is likely to mean that the One-Off Services Grant will be reduced in 2023-24.

Business rates

- There are several changes to the business rates regime. The key point from a funding perspective is that there is an explicit commitment that local authorities will be fully compensated for the loss of income as a result of all business rates measures announced in the Autumn Statement and will receive new burdens funding for administrative and IT costs.
- The changes are:
 - **Revaluation:** from 1 April 2023, business rate bills in England will be updated to reflect changes in property values since the last revaluation in 2017. A package of support worth £13.6 billion over the next 5 years will support businesses as they transition to their new bills.
 - **Multipliers:** business rates multipliers will be frozen in 2023-24 at 49.9 pence and 51.2 pence, preventing them from increasing to 52.9 pence and 54.2 pence. This will mean bills are 6% lower than without the freeze, before any reliefs are applied.
 - **Transitional relief scheme:** Upwards Transitional Relief will support properties by capping bill increases caused by changes in rateable values at the 2023 revaluation. This £1.6 billion of support will be funded by the Exchequer rather than by limiting bill decreases, as at previous revaluations. The 'upward caps' will be 5%, 15% and 30%, respectively, for small, medium, and large properties in 2023-24. They will be applied before any other reliefs or supplements.
 - **Retail, Hospitality and Leisure Relief:** support for eligible retail, hospitality, and leisure businesses is being extended and increased from 50% to 75% business rates relief up to £110,000 per business in 2023-24.
 - **Supporting Small Business Scheme (SSBS):** bill increases for the smallest businesses losing eligibility or seeing reductions in SBRR or Rural Rate Relief (RRR) will be capped at £600 per year from 1 April 2023.
 - **Improvement Relief:** at Autumn Budget 2021 the government announced a new improvement relief to ensure ratepayers do not see an increase in their rates for 12 months as a result of making qualifying improvements to a property they occupy. This will now be introduced from April 2024 and be available until 2028.

Capital investment

- **Levelling Up Fund (LUF):** the second round of LUF will go ahead. It will allocate at least £1.7 billion to priority local infrastructure projects. Successful bids will be announced before the end of the year.

Social housing

- Rents for social housing will be capped at 7% in 2023-24. This is higher than the 5% cap on which the government consulted in the summer but is lower than the current arrangement for rents to rise by CPI +1%.

Other Announcements

- **Household Support Fund** will be extended for the whole of 2023-24 with total funding of £1 billion (including for devolved nations). The announcement does not specify which councils will administer the extended fund. Our assumption is that funding will continue to be channelled through county councils in two-tier areas.
- **National Living Wage** will increase for individuals aged 23 and over by 9.7% to £10.42 an hour from 1 April 2023.
- **Devolution:** a new mayoral devolution deal has been agreed for Suffolk under the county deal framework. The Autumn Statement contains no detail about the scope of the deal. The government has announced that “good progress is also being made towards signing a deal with Norfolk County Council”.

Central Scenario Projected Revenue Budgets

	2022/23 Original Budget £000	2022/23 Approved Budget £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
LEVEL OF UNCERTAINTY / RISK	MEDIUM	MEDIUM	HIGH	HIGH	HIGH	HIGH
Enabling people	1,527	1,339	1,421	1,416	1,423	1,453
Shaping place	4,083	4,215	4,353	4,492	4,591	4,719
Developing prosperity	(436)	(126)	(639)	(659)	(699)	(606)
A good council	6,919	8,644	5,824	5,993	6,195	6,744
COVID-19 (allocated to car parking income)	377	0	0	0	0	0
Money Matters 3 Months	0	0	0	0	0	0
Lichfield District Youth Council	0	0	20	30	0	0
Money Matters 6 Months	0	316	82	82	57	265
Updated Expenditure Projections	0	0	368	59	844	836
Net Cost of Services	12,470	14,388	11,429	11,413	12,411	13,411
Corporate expenditure	(198)	(751)	(282)	(213)	(232)	(307)
Projected Net Operating Cost	12,272	13,637	11,147	11,200	12,179	13,104
Retained Business Rates Baseline Funding	(2,306)	(2,117)	(2,128)	(2,129)	(1,841)	(1,860)
Retained Business Rates Growth Allowance	(1,005)	(1,194)	(1,351)	(1,552)	(413)	(407)
Business Rates Cap	(174)	(490)	(850)	(925)	0	0
Lower Tier Services Grant	(95)	(95)	(87)	(87)	(374)	(414)
Services Grant	(146)	(146)	(146)	(146)	0	0
New Homes Bonus	(1,401)	(1,401)	(960)	(570)	0	0
Collection Fund (Surplus)/Deficit	32	32	(316)	0	0	0
Council Tax - assumes 1.50% modelled increase	(7,456)	(7,456)	(7,728)	(7,938)	(8,167)	(8,420)
Projected Total Funding	(12,551)	(12,867)	(13,566)	(13,347)	(10,795)	(11,101)
Transfer to or (from) general reserves	0	(1,050)	0	0	0	0
New Homes Bonus (Transfer to general reserves)	280	280	0	0	0	0
Projected Central Scenario Budget Funding Gap	0	0	(2,420)	(2,147)	1,384	2,003

Business Rates						
Business Rates Reset/Fair Funding Review					Yes	Yes
Transitional Funding					Yes	Yes
New Homes Bonus						
Band D Housing Growth above the Baseline	451	451	551	344	322	402
Affordable Housing growth	132	132	332	107	103	119
Council Tax						
Modelled Council Tax Increase	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Band D Housing Growth	501	501	507	489	567	659

Reconciliation of the Original Budget Funding Gap to the Central Scenario Projected Funding Gap

	Cabinet or Decision Date	2022/23	2023/24	2024/25	2025/26	2026/27
		£000	£000	£000	£000	£000
Original Budget Council 22/02/2022		0	726	765	732	905
Approved Changes						
Pension Contributions	05/04/2022	0	(32)	(151)	(272)	10
Money Matters 3 Months	06/09/2022	1,050	0	0	0	0
Lichfield District Youth Council	06/09/2022	0	20	30	0	0
Transfer from General Reserves	06/09/2022	(1,050)	0	0	0	0
Money Matters 6 Months	06/12/2022	0	82	82	57	265

Updated Expenditure Projections
Updated inflation pressures
Additional cost of £5m borrowing for the leisure centre
Underwriting rent for former Debenhams
External Audit projected fee increase
Transitional protection related to the TOM
Budget pressures less savings
Assume a one year delay in external borrowing £5m for the leisure centre
Sub Total

Included Above	325	350	605	603
	0	153	147	141
	12	0	0	0
	86	86	86	86
	20	10	0	0
	(75)	(93)	(4)	(4)
	0	(447)	10	10
	368	59	844	836

Updated Central Scenario Funding Projections
Retained Business Rates Baseline Funding
Retained Business Rates Growth Allowance
Business Rates Cap
Lower Tier Services Grant
Services Grant
New Homes Bonus
Collection Fund (Surplus)/Deficit
Council Tax
Sub Total

Included Above	(329)	(303)	22	40
	(809)	(898)	352	374
	(850)	(925)	0	0
	(87)	(87)	(374)	(414)
	(146)	(146)	0	0
	(960)	(570)	0	0
	(368)	0	0	0
	(35)	(3)	23	(13)
	(3,584)	(2,932)	23	(13)

Projected Central Scenario Budget Funding Gap
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(2,420)	(2,147)	1,384	2,003
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More Optimistic Projected Revenue Budgets

	2022/23		2023/24	2024/25	2025/26	2026/27
	Original Budget £000	Approved Budget £000				
LEVEL OF UNCERTAINTY / RISK	MEDIUM	MEDIUM	HIGH	HIGH	HIGH	HIGH
Projected Net Operating Cost	12,551	12,867	11,146	11,200	12,179	13,104

Retained Business Rates Baseline Funding	(2,117)	(2,117)	(2,128)	(2,129)	(1,841)	(1,860)
Retained Business Rates Growth Allowance	(1,194)	(1,194)	(1,340)	(1,625)	(815)	(837)
Business Rates Cap	(174)	(490)	(850)	(925)		
Lower Tier Services Grant	(95)	(95)				
Services Grant	(146)	(146)				
New Homes Bonus	(1,401)	(1,401)	(960)	(611)	(574)	(712)
Collection Fund (Surplus)/Deficit	32	32	(316)	0	0	0
Council Tax	(7,456)	(7,456)	(7,867)	(8,231)	(8,601)	(9,006)
Projected Revenue Funding	(12,551)	(12,867)	(13,461)	(13,521)	(11,831)	(12,415)

Projected Budget Funding Gap	0	0	(2,315)	(2,321)	348	689
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Business Rates						
Business Rates Reset/Fair Funding Review					Yes	Yes
Transitional Funding					No	No
New Homes Bonus						
Band D Housing Growth above the Baseline	537	537	551	368	345	430
Affordable Housing growth	268	268	332	114	110	127
Council Tax						
Modelled Council Tax Increase	1.50%	1.50%	3.00%	3.00%	3.00%	3.00%
Band D Housing Growth	501	501	541	521	605	703

More Pessimistic Scenario Projected Revenue Budgets

	2022/23		2023/24	2024/25	2025/26	2026/27
	Original Budget £000	Approved Budget £000				
LEVEL OF UNCERTAINTY / RISK	MEDIUM	MEDIUM	HIGH	HIGH	HIGH	HIGH
Projected Net Operating Cost	12,551	12,867	11,146	11,200	12,179	13,104

Retained Business Rates Baseline Funding	(2,117)	(2,117)	(2,128)	(2,129)	(1,841)	(1,860)
Retained Business Rates Growth Allowance	(1,194)	(1,194)	(1,340)	(1,625)	(609)	(634)
Business Rates Cap	(174)	(490)	(850)	(925)		
Lower Tier Services Grant	(95)	(95)			(1,027)	(474)
Services Grant	(146)	(146)				
New Homes Bonus	(1,401)	(1,401)	(960)	(270)		
Collection Fund (Surplus)/Deficit	32	32	(316)	0	0	0
Council Tax	(7,456)	(7,456)	(7,408)	(7,467)	(7,536)	(7,616)
Projected Revenue Funding	(12,551)	(12,867)	(13,002)	(12,416)	(11,013)	(10,584)

Projected Budget Funding Gap	0	0	(1,856)	(1,216)	1,166	2,520
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Business Rates						
Business Rates Reset/Fair Funding Review					Yes	Yes
Transitional Funding					Yes	Yes
New Homes Bonus						
Band D Housing Growth above the Baseline	537	537	551	159	145	198
Affordable Housing growth	268	268	332	71	69	80
Council Tax						
Modelled Council Tax Increase	1.50%	1.50%	0.00%	0.00%	0.00%	0.00%
Band D Housing Growth	501	501	338	326	378	439