

Medium Term Financial Strategy (MTFS)

Cabinet Member for Finance and Commissioning

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Agenda Item: 8

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Key Decision? YES

Local Ward All Wards

Members



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. The new Lichfield District 2050 strategy will be approved this year and may impact further on the MTFS.
- 1.2 The MTFS was approved by Council on 28 February 2023, and this is refreshed each year to:
 - Remove the previous financial year and in this MTFS this is 2022/23
 - Formally add the new financial year and in this MTFS this is 2027/28
 - Refresh and update assumptions to reflect the latest information available.
- 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 MTFS development is summarised below:

Date	Meeting	Topics	
Budget Consultation (July to December)	04/07/2023	Cabinet	Budget timetable, Budget principles, MTFS update, Budget consultation and Budget assumptions for 2024/25
	14/09/2023	Overview and Scrutiny	To review the Draft Medium Term Financial Strategy
	10/10/2023	Cabinet	An update on the Draft Medium Term Financial Strategy
	14/11/2023	Overview and Scrutiny	To review the Draft Medium Term Financial Strategy
	05/12/2023	Cabinet	Set the Council Taxbase for 2024/25
	19/12/2023	Overview and Scrutiny	Meeting to consider Service and Financial Planning Proposals
	30/01/2024	Overview and Scrutiny	To review the Draft Medium Term Financial Strategy
	01/02/2024	Audit and Member Standards Committee	To review the Treasury Management Strategy Statement
	06/02/2024	Cabinet	To recommend the Medium Term Financial Strategy and Council Tax increase to Council
	27/02/2024	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, the current economic climate and its impact on the cost of living plus other potential Government Policy changes.
- 1.8 The Council has a statutory duty to undertake budget consultation, set a balanced budget and to calculate the level of Council Tax for its area.
- 1.9 The Projected Revenue Budget, Capital Programme and General Reserves are included for consideration.

2. Recommendations

- 2.1. To note the current position on the development of the MTFS and the next steps.
- 2.2. To provide views to Cabinet on the initial revenue investment (para 3.17) and capital investment (para 3.34) modelling identified in this report.
- 2.3. To provide views to Cabinet on the projected Minimum Level of General Reserves and the modelled initial approach to beginning the process of replenishing the level of Total Reserves.

3. Background

The Medium Term Financial Strategy (MTFS)

- 3.1. Council approved the MTFS (Revenue and Capital) 2022-27 on 28 February 2023 which covers the financial years 2022/23 to 2026/27 (with a further projection for 2027/28 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 and Earmarked 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 several 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 at **APPENDIX A**.

MTFS Budget Assumptions

- 3.8. There are several key cost, income and demand drivers at a corporate level that are likely to influence the level and cost of services provided and therefore the budgets contained in the MTFS.
- 3.9. These key cost, income, and demand drivers (with significant negative changes shaded in red and significant positive changes shaded in green) initially identified for the MTFS are at **APPENDIX A**.

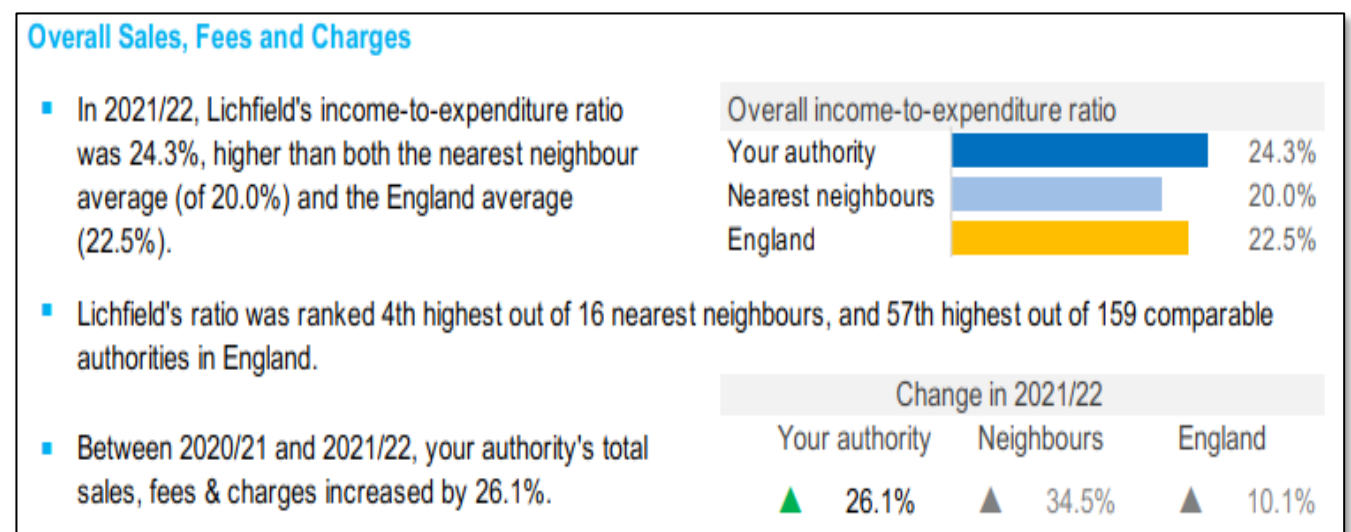
Sales, Fees and Charges

- 3.10. The Council subscribes to the LG Futures financial intelligence toolkit that provides a wide range of financial planning and benchmarking information.
- 3.11. The report to this Committee on 14 September 2023, highlighted that Sales, Fees and Charges is a key area of Local Government Finance in terms of finance quantum and therefore LG Futures produces a specific report.
- 3.12. The report is based on the latest published Government Revenue Outturn returns for 2021/22 on the level of Sales, Fees and Charges as a proportion of total service expenditure (as defined in the Government Return) and is known as the income-to-expenditure ratio.
- 3.13. The information is based on the standard service categories contained in the return and provides comparisons to Nearest Neighbours (NN) and comparable authorities in England.
- 3.14. The comparative information contained in this report is provided by service in the table below:

Service	Lichfield			NN Group	England
	Sales, fees & charges (£m)	Expenditure (£m)	Ratio	Ratio	Ratio
Highways & Transport	1.523	1.096	139.0% ●	122.6%	117.1%
Planning & Development	2.492	6.557	38.0% ●	27.6%	37.8%
Environmental & Regulatory	3.198	9.033	35.4% ●	25.2%	27.3%
Cultural & Related Services	0.685	3.893	17.6% ●	18.5%	19.1%
Housing (General Fund)	0.285	2.238	12.7% ●	15.3%	14.7%
Central Services	0.808	14.001	5.8% ●	9.3%	7.2%
Public Health	0.000	0.113	0.0% ●	4.4%	8.1%
Education (exc. schools)	0.000	0.000	NA	NA	NA
Adult Social Care	0.000	0.000	NA	NA	33.8%
Children's Social Care	0.000	0.000	NA	NA	5.6%
Other Services	0.000	0.000	NA	8.1%	56.6%
Total expenditure (exc. schools)	8.991	36.931	24.3% ●	20.0%	22.5%

Top 20% of nearest neighbours ●●●●● bottom 20% of nearest neighbours ●●●●●

- 3.15. The income-to-expenditure ratio is in line with or higher than both Nearest Neighbours and Comparable Authorities in England and is summarised below:



The Projected MTFs (Revenue Budget)

- 3.16. In terms of the revenue budget, initial projections have been made based on known budget pressures, budgetary growth, fees and charges changes and updated funding modelling (excluding Council Tax).
- 3.17. These initial projections are modelled below (savings and additional income are shown enclosed in brackets) and the Projected Revenue Budget is shown at **APPENDIX B**:

	2023/34 Approved Budget £000	2024/25 Budget £000	2025/26 Budget £000	2026/27 Budget £000	2027/28 Projection £000
Approved Budget Funding Gap	476	0	1,616	1,903	1,770

Updated Expenditure Projections	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Increase pay award from 2% to 4% in 2024/25		250	264	281	297
Cost of Living - a budget in 2025/26			50		
Contingency/Growth Budget - a budget in 2025/26			250		
Transfer funding to earmarked reserve for capital funding in 2027/28 to negate additional borrowing		612			
Car Parking Fees - projected income above budget		(150)	(150)	(150)	(150)
Car Parking Fees - investment/contingency		150	150	150	150
Planning Fees - local changes	(258)	(199)	(199)	(199)	(50)
Planning Fees - additional investment	258	199	199	199	50
Planning Fees - national changes (net change in Planning Income based on OBR economic forecasts)		(107)	(161)	(317)	(426)
Sub Total	0	755	403	(36)	(129)

Updated Funding Projections	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Retained Business Rates Baseline Funding	0	163	47	49	51
Retained Business Rates Growth Allowance	0	(213)	112	(203)	(207)
Business Rates Cap Grant	2	102	0	0	0
Rolled in Grants	0	2	(173)	(162)	(146)
Services Grant	(4)	(4)	0	0	0
Funding Guarantee Grant	3	(57)	0	0	0
Transitional Funding	0	0	(1,050)	(53)	491
New Homes Bonus	(1)	(274)	0	0	0
Collection Fund (Surplus)/Deficit	0	(474)	0	0	0
Council Tax Income	0	0	0	0	0
Sub Total - Funding Reform in 25/26	0	(755)	(1,064)	(369)	189
Sub Total - Funding Reform in 26/27	0	(755)	(3,409)	(369)	189

Projected Funding Gap - Funding Reform in 25/26	476	0	955	1,498	1,830
Projected Funding Gap - Funding Reform in 26/27	476	0	(1,390)	1,498	1,830

- 3.18. There may however be further revenue investment priorities identified through budgetary control, service and financial planning, Members and other channels as the MTFs develops which will necessitate updates to the modelling.
- 3.19. In terms of the cinema for Lichfield District and the land exchange, it is important to reiterate the Approved MTFs is based on a budget neutral (no surplus or deficit is included) position. The MTFs will be updated when more informed financial projections are provided through the Business Plan.
- 3.20. The initial items contained in these modelled projections are explained in greater detail in the following paragraphs.

Expenditure and Fees and Charges Projections

- 3.21. The expenditure budgets are currently modelled based on:
- **The Pay Award for 2024/25** – the Approved Budget assumes a pay award of **2%** however in the current higher inflation environment an increase in this assumption to **4%** is modelled.
 - **Cost of Living Budget** – there is an Approved Budget of **£50,000** in 2023/24 and 2024/25. In the current economic climate, a budget of **£50,000** is provisionally included in 2025/26 subject to further information on Finance Reform.
 - **Contingency / Growth Budget** - there is an Approved Budget of **£100,000** in 2023/24 and 2024/25 to address unforeseen in year pressures and capacity issues. A budget of **£250,000** is provisionally included in 2025/26 subject to further information on Finance Reform.
 - **Transfer Business Rates Growth to an Earmarked Reserve** – the projected Capital Programme projects a shortfall in funding for Business-as-Usual capital investment of **£612,000** in 2027/28. In the event funding is not identified, this would result in an increase in borrowing need and therefore additional revenue costs. It is modelled that projected additional Business Rate growth in 2024/25 following the revaluation on 1 April 2023 is transferred to an earmarked reserve to fund this expenditure and negate the need for additional borrowing.
- 3.22. As detailed in the report to this Committee on 14 September 2023 fees and charges budgets related to the garden waste service, car parking and planning applications will be impacted by local and national updates.

Funding Projections

- 3.23. The MTFS assumes, based on Government Policy, that Finance reform is to be implemented in 2025/26. It also assumes based on expert advice, District Councils generally and specifically Councils such as Lichfield DC will be detrimentally impacted by these changes through lower funding.
- 3.24. There is a high degree of uncertainty that Finance reform will be implemented in the first year following a general election of 2025/26 and it is possible that any reform will be delayed to 2026/27 or beyond.
- 3.25. Therefore, two scenarios have currently been prepared with updated funding projections (excluding any changes in the Council Taxbase or Council Tax Level) using the latest available information, expert advice, and external funding models:
- **Finance Reform is implemented in 2025/26** – this is projected to provide additional funding in 2025/26 of **(£1,064,000)** and the projected funding gap would be **£955,000**.
 - **Finance Reform is implemented in 2026/27** – this is projected to provide additional funding in 2025/26 of **(£3,409,000)** and the projected funding surplus would be **(£1,390,000)**.
- 3.26. These projections will be refined as further information is provided by the Government in the provisional Finance Settlement for 2024/25 in December 2023/January 2024 and using the latest information available for areas such as housing growth and Business Rates income.
- 3.27. In addition, as in previous years, three funding scenarios will be developed using different assumptions – a central scenario, a more optimistic scenario and a more pessimistic scenario.
- 3.28. These scenarios will provide further information on the range of possible outcomes from the use of different assumptions such as Council Tax increases, housing and business rates growth and the impact of Finance reform including any potential transitional arrangements.
- 3.29. To meet the Government set deadline, the Cabinet Member has approved that the Council remain part of the Staffordshire and Stoke on Trent Business Rate Pool for 2024/25.
- 3.30. The benefit of remaining part of the Business Rate Pool is the ability to retain more Business Rate growth. This financial benefit in 2024/25 is estimated to be **(£584,000)** and has been included in the modelled MTFS.

The Projected MTFS (Capital Programme)

- 3.31. The Capital Strategy approved by Council on 28 February 2023 included a risk assessment by the Chief Finance Officer.
- 3.32. The risk was assessed as Tolerable (Green) following the inclusion of additional funding for a new Leisure Centre in Lichfield City, the Cinema Development and enabling works for the Birmingham Road Site.
- 3.33. There are however Business-as-Usual capital investment requirements such as ICT, Vehicles and Property Planned Maintenance that will require funding to be identified.
- 3.34. At this stage, the projected level of investment included in the longer-term capital investment model approved by Council on 28 February 2023 of **£1,701,000** has been utilised for 2027/28 in the draft Capital Programme:

Details	Source	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
IT Hardware	25 year model					175
Property Maintenance	25 year model					230
Bin Purchases	25 year model					150
Vehicles	25 year model					207
Disabled Facilities Grants	25 year model					914
Home Repair Assistance	25 year model					25
Decent Homes Standard	Update	(25)				
Projected Capital Spend		(25)	0	0	0	1,701
External Funding		25				(939)
Existing Revenue Budgets						(150)
Council Funding (see above)						(612)
Total Funding		25	0	0	0	(1,701)
Shortfall in Funding & Borrowing Need		0	0	0	0	0

- 3.35. There may however be further capital investment needs identified through budgetary control, service and financial planning, Members and other channels as the MTFS develops which will necessitate updates to the modelling.
- 3.36. At present, no capital receipts are included in the MTFS for any potential disposal of assets that form part of the Birmingham Road Site that could be used to fund new or existing capital expenditure.
- 3.37. Any capital investment that cannot be funded by capital receipts, revenue, grants, contributions, or reserves will result in a borrowing need. Any borrowing need will be financed through borrowing, and this will result in additional capital financing costs together with any costs of operation being incurred in the revenue budget.
- 3.38. The Projected Capital Programme including 2027/28 is shown at **APPENDIX C** and below:

Strategic Priority	Projected Capital Programme					
	2023/24		2024/25	2025/26	2026/27	2027/28
	Original Budget £000	Approved Budget £000	Budget £000	Budget £000	Budget £000	Projection £000
LEVEL OF UNCERTAINTY / RISK	MEDIUM	MEDIUM	MEDIUM	HIGH	HIGH	HIGH
Enabling People	9,222	10,237	6,762	939	959	939
Shaping Place	819	1,029	397	6,367	150	357
Developing Prosperity	4,931	8,038	2,332	0	10	0
Good Council	448	549	111	365	405	405
Capital Expenditure	15,420	19,853	9,602	7,671	1,524	1,701
Capital Funding	13,087	17,278	7,177	7,671	1,524	1,701
Borrowing Need	2,333	2,575	2,425	0	0	0
General Capital Receipts	(481)	(199)	(156)	(186)	0	(2)
Housing Capital Receipts	(663)	(821)	(821)	(821)	(821)	(821)
Total Capital Receipts	(1,144)	(1,020)	(977)	(1,007)	(821)	(823)

The MTFS (General Reserves and Total Reserves)

Projected General Reserves

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

	2023/24		2024/25	2025/26	2026/27	2027/28
	Original Budget £000	Approved Budget £000	Budget £000	Budget £000	Budget £000	Projection £000
LEVEL OF UNCERTAINTY / RISK	MEDIUM	MEDIUM	MEDIUM	HIGH	HIGH	HIGH
Available General Reserves Year Start	4,175 ¹	4,085	3,609	3,609	1,993	90
(Funding Gap)	0	(476)	0	(1,616)	(1,903)	(1,770)
Available General Reserves Year End	4,175	3,609	3,609	1,993	90	(1,680)
Minimum Level	1,900	1,900	1,900	1,900	1,900	1,900
Total Approved General Reserves	6,075	5,509	5,509	3,893	1,990	220

Projected Finance Reform in 2025/26	6,075	5,509	5,509	4,554	3,056	1,226
Projected Finance Reform in 2026/27	6,075	5,509	5,509	6,899	5,401	3,571

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

3.41. There is an aim to replenish the level of reserves from 2024/25 following their use for place shaping investment to improve financial resilience. The approach to achieving this aim will need to be developed as the MTFS is updated.

The Management of Financial Risk

3.42. Financial risk is considered as part of the risk assessment in the MTFS to establish the Minimum Level of General Reserves.

3.43. At present, the Minimum Level of General Reserves is approved at **£1,900,000**. However, this level needs to be kept under review based on the current operating environment and the risks it presents to the Council's budgets.

3.44. A review of the risk environment (unmitigated risk), the mitigation provided through earmarked reserves and budget contingency and the residual risk projected to be mitigated through the Minimum Level of General Reserves is shown below:

Activity Area	Current Risk Score	Unmitigated Risk	Earmarked Reserves & Contingency	2023/24 Minimum Level of General Reserves	2022/23 Minimum Level of General Reserves	Change
		£	£	£	£	£
Capital Strategy	Yellow - material	£2,027,000	£2,012,000	£15,000	£25,000	(£10,000)
Business Rates	Red- severe	£1,529,000	£1,529,000	£0	£0	£0
Partnerships and Outsourcing	Yellow - material	£0	£0	£0	£386,000	(£386,000)
High Risk Streams of Income	Yellow - material	£1,488,000	£0	£1,488,000	£693,000	£795,000
Volatile and High Risk Expenditure	Yellow - material	£446,340	£446,340	£0	£0	£0
Investments and Pensions	Yellow - material	£1,593,650	£1,593,650	£0	£0	£0
Inflation Assumptions	Yellow - material	£366,080	£366,080	£0	£225,000	(£225,000)
Demand Led Services	Yellow - material	£120,170	£30,170	£90,000	£90,000	£0
Collection of Income Performance	Yellow - material	£230,000	£0	£230,000	£361,000	(£131,000)
Civil Contingency	Yellow - material	£127,000	£0	£127,000	£127,000	£0
Other	Yellow - material	£50,000	£0	£50,000	(£7,000)	£57,000
Total		£7,977,240	£5,977,240	£2,000,000	£1,900,000	£100,000

¹ Original Budget excludes budget performance in 2022/23 of (£91k).

3.45. This current risk assessment projects an increase in the Minimum Level of General Reserves to **£2,000,000**.

3.46. An explanation of the risks and the reasons for the projected changes are detailed below:

- **Capital Strategy** – this includes risks related to capital receipt income and potential cost increases for the new leisure centre and the cinema development. The risk of cost increases is mitigated through the inclusion in the project budgets of contingency of **£2,012,000** with the residual risk of **£15,000** related to non-achievement of the capital receipt budget.
- **Business Rates** – the risk relates to business rate growth more than the Government set Safety Net level projected to be **£2,031,000** in 2024/25. The level of business rate growth above this level is projected to be **£1,529,000** and the risk is mitigated through the Business Rates Volatility Earmarked Reserve.
- **Partnerships and Outsourcing** – this risk previously related to the management of leisure centres by Freedom Leisure. This risk has been removed with the insourcing arrangement with LWMTS.
- **High Risk Income Streams** – this risk includes income from car parking, leisure centres, planning applications, garden waste subscriptions and recycling income. There has been an increase to reflect the retention of leisure centre income by the Council.
- **Volatile and High Risk Expenditure** – this risk includes planning appeals, elections and insurance claims and is all mitigated through specific earmarked reserves.
- **Investments and Pensions** – this risk is related to the potential reduction in value of pooled investments and leisure centre pension contributions. The Government has indicated that a statutory override related to fluctuations in the value of pooled investments will not be extended beyond 31 March 2025. Therefore, an earmarked reserve has been established to manage a reduction in value of up to **10%** (based on reductions in value over the last five years for the Council's pooled investments).
- **Inflation Assumptions** – this risk is related to higher inflation than projected in the MTFS. In the current MTFS, we included significant increases in budgets totaling **£366,080** (excluding pay) in 2024/25 to reflect the higher inflationary environment. Therefore, further mitigation from the Minimum Level of General Reserves is unlikely to be required.
- **Demand Led Services** – this risk is related to housing options and homelessness which is partly mitigated by an earmarked reserve.
- **Collection of Income Performance** – this risk relates to a deterioration in Council Tax, Business Rates and Sundry Debt collection performance. The performance in 2023/24 together with the implementation of the new Local Council Tax Support scheme has reduced the level of risk in this area.
- **Civil Contingency** – this risk relates to the additional spend the Council may incur as a category one responder more than the Government Set support level.
- **Other** – this will include a variety of smaller risks.

3.47. This risk assessment will continue to be kept under review as the MTFS is developed.

Replenishing the Level of Reserves

3.48. The MTFs report to this Committee on 14 September 2023 provided Total Reserve projections based on the Approved Budget. These projections indicated a significant reduction in Total Reserves from **£28,095,000** in 2022/23 to **£19,667,000** in 2023/24 and **£9,580,000** in 2027/28.

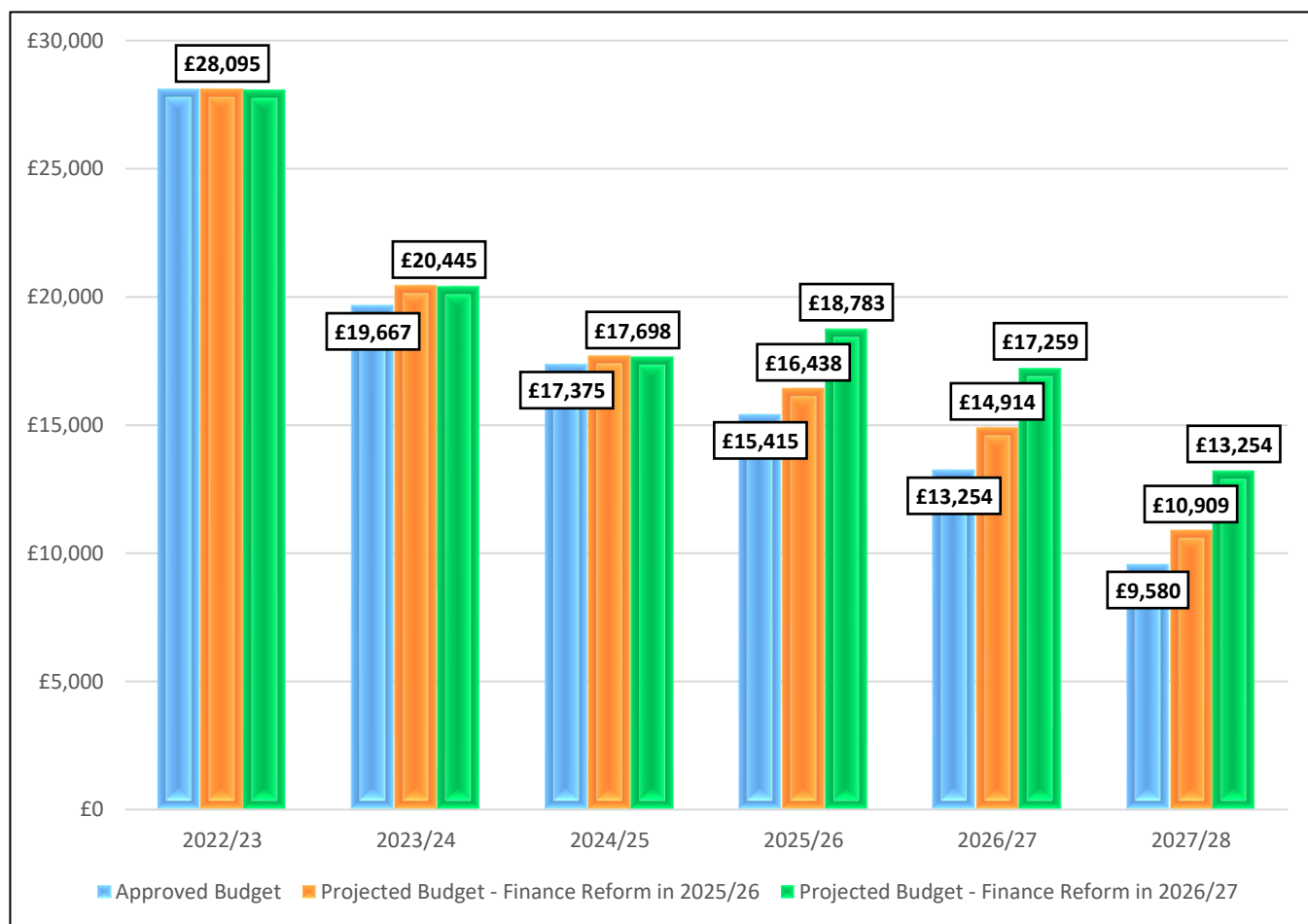
3.49. This projected reduction in Total Reserves was due to the use of earmarked reserves for place shaping investment and an assumption that General Reserves would be used in the short term to balance the budget from 2025/26.

3.50. However, there is an aim to replenish the level of Total Reserves to be nearer to previous levels from 2024/25 onwards.

3.51. There are several planned or modelled actions aimed at achieving this aim and these are explained below:

- **The Business Rates Volatility Earmarked Reserve** – it is modelled that additional Business Rates Growth income in 2023/24 and 2024/25 will be used to increase the reserve to **£1,656,960**.
- **Strategic Investments Volatility Earmarked Reserve** – it is modelled that additional investment income in 2023/24 will be partly used to increase the reserve to **£1,400,000**.
- **General Reserves** – it is modelled that any ‘windfall’ income from delays in the implementation of finance reform is used to increase the level of General Reserves.

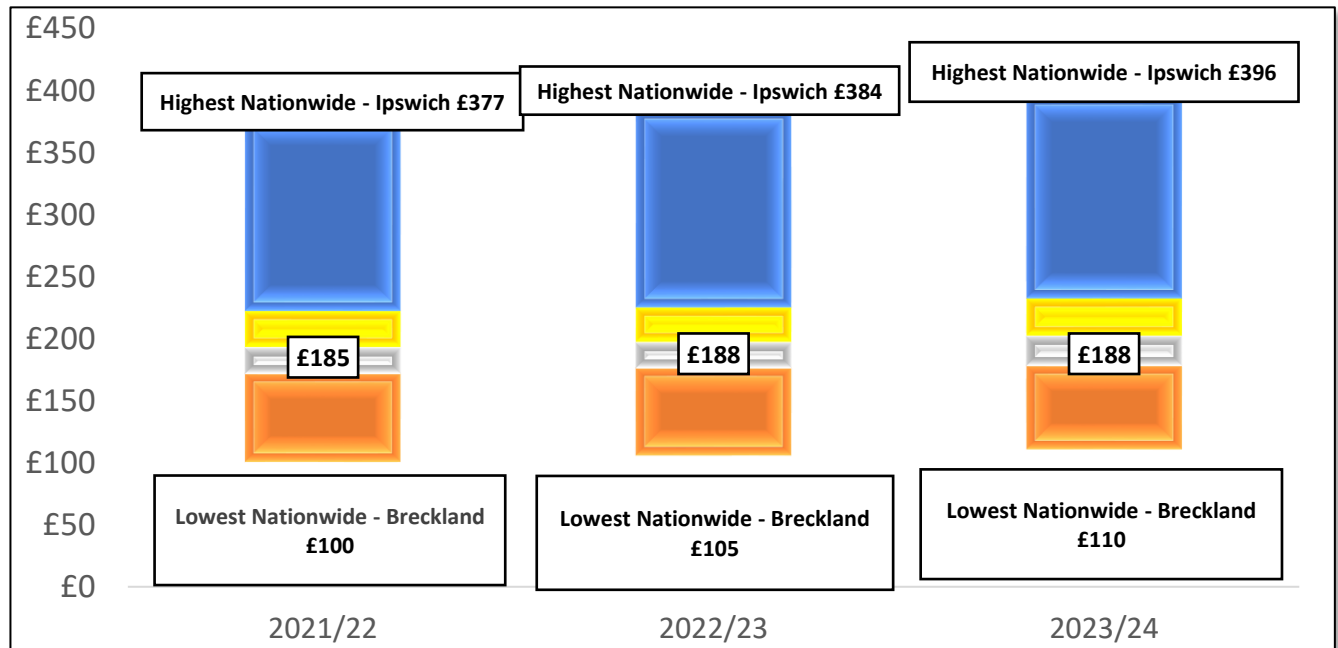
3.52. The projected level of Total Reserves based on the modelled actions detailed above is shown below:



3.53. These projections will continue to be refined as the MTFs is developed.

The MTFs (Council Tax)

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



3.55. The Approved MTFs modelled that Council Tax would increase annually by **1.99%**.

3.56. There are, however, alternative approaches available and a selection of options have been identified for consideration (projections are now based on the modelled Council Taxbase and additional income is enclosed by brackets):

	2024/25 Budget £000	2025/26 Budget £000	2026/27 Budget £000	2027/28 Budget £000	Total £000
Budgeted Council Tax Income @ 1.99% per annum	(£7,858)	(£8,124)	(£8,416)	(£8,682)	(£33,079)
2.99% increase in all years	£193.47	£199.25	£205.21	£211.34	
Modelled Council Tax Income	(£7,955)	(£8,282)	(£8,652)	(£9,029)	(£33,918)
(Higher) / Lower Modelled Council Tax Income	(£97)	(£159)	(£236)	(£348)	(£839)
£5 increase in all years	£192.85	£197.85	£202.85	£207.85	
Modelled Council Tax Income	(£7,910)	(£8,226)	(£8,567)	(£8,879)	(£33,582)
(Higher) / Lower Modelled Council Tax Income	(£52)	(£103)	(£151)	(£197)	(£504)
1.5% increase in 2024/25 and 2025/26 and then £5	£190.67	£193.53	£198.53	£203.53	
Modelled Council Tax Income	(£7,839)	(£8,044)	(£8,370)	(£8,695)	(£32,949)
(Higher) / Lower Modelled Council Tax Income	£18	£79	£45	(£14)	£129
1.5% increase in 2024/25 and 2025/26 and then 1.99%	£190.67	£193.53	£197.38	£201.31	
Modelled Council Tax Income	(£7,839)	(£8,044)	(£8,322)	(£8,600)	(£32,806)
(Higher) / Lower Modelled Council Tax Income	£18	£79	£94	£81	£273
1.0% increase in all years	£189.73	£191.63	£193.54	£195.48	
Modelled Council Tax Income	(£7,782)	(£7,968)	(£8,174)	(£8,350)	(£32,274)
(Higher) / Lower Modelled Council Tax Income	£76	£156	£242	£331	£805
Freeze in all years	£187.85	£187.85	£187.85	£187.85	
Modelled Council Tax Income	(£7,724)	(£7,808)	(£7,920)	(£8,025)	(£31,477)
(Higher) / Lower Modelled Council Tax Income	£134	£315	£496	£656	£1,601

3.57. The modelled Council Taxbase will be approved by Cabinet on 5 December 2023.

3.58. In determining the level of Council Tax increase for 2024/25 and beyond, Cabinet and Council will need to take into consideration the following key factors:

- The relevant budget principles approved by Council
- The projected funding gap from 2025/26 onwards, the significant level of uncertainty related to Local Government Finance Reform and the legal requirement to set a balanced budget (considering the level of general reserves)
- The Council’s Band D Council Tax and comparisons to other similar authorities
- The assumptions the Government utilises to calculate Core Spending Power in the Finance Settlement and Council Tax Referendum Principles for 2024/25

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	The budget consultation project will commence in September 2023 running through to December 2023.
Financial Implications	These are included in the background section of the report.
Approved by Section 151 Officer	Yes
Legal Implications	No specific legal implications. The recommended changes to the Medium Term Financial Strategy not part of the approved Budget Framework will be required the approval of Full Council.
Approved by Monitoring Officer	Yes
Contribution to the Delivery of the Strategic Plan	The 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.
Data assessment	The ability to deliver the outcomes set out in the Lichfield District Council Strategic Plan , and beyond, is dependent on the resources available in the MTFs. The MTFs identifies the level of resources available and spend necessary to deliver the outcomes across the entire District. However, the application of relevant data and the Social Progress Index can be considered for new budget pressures, savings and income proposals as they are developed.
Environmental Impact (including Climate Change and Biodiversity).	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 2024	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: Green Impact: Green Severity of Risk: Green
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 MTFS, no income is assumed beyond 2024/25.	Likelihood: Red Impact: Yellow Severity of Risk: Yellow
D	The increased Localisation of Business Rates, Business Rate Reset 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 / adapt the new strategic plan to the emerging landscape				
G	The Council cannot achieve its approved Delivery Plan	Likelihood: Yellow Impact: Red Severity of Risk: Red	There will need to be consideration of additional resourcing and/or reprioritisation.	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) 2023-27 and the addendum – Cabinet 14 February 2023
- Insourcing Leisure Provision – Cabinet 14 February 2023
- New Leisure Facility at Stychbrook Park – Cabinet 14 February 2023
- Community Infrastructure Levy (CIL) Allocation – Cabinet 14 February 2023
- Medium Term Financial Strategy (Revenue and Capital) 2023-27 – Council 28 February 2023
- Money Matters: 2022/23 Review of Financial Performance against the Financial Strategy – Cabinet 27 June 2023
- Medium Term Financial Strategy – Cabinet 27 June 2023
- Money Matters: Financial Monitoring in 2023/24 – Cabinet 5 September 2023
- Medium Term Financial Strategy – Cabinet 10 October 2023

Relevant web links

MTFS Budget Principals

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

MTFS Budget Assumptions

Key Cost and Income Drivers						
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Full Time Equivalents	328	308	308	308	308	308
Pay Award	4.00%	4.00%	4.00%	2.00%	2.00%	2.00%
Employers National Insurance	8.87%	9.36%	9.46%	9.57%	9.66%	9.75%
Employers Pension (%)	16.20%	22.00%	22.00%	22.00%	22.00%	22.00%
Employers Pension (Past Service)	£1,206,520	£697,040	£716,670	£736,290	£1,131,270	£1,181,270
Employers Pension (Other)	£109,260	£108,260	£111,540	£114,920	£118,400	£121,880
Non-Contractual Inflation (CPI) (OBR)	9.90%	4.10%	0.60%	0.00%	0.80%	1.70%
Non-Contractual Inflation (RPI) (OBR)	12.70%	6.40%	1.20%	1.00%	2.10%	2.90%
Applicable Fees and Charges (minimum)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Council Tax Increase (actual/modelled)	1.50%	0.00%	1.99%	1.99%	1.99%	1.99%
Base Rate	2.34%	4.63%	3.39%	3.00%	3.00%	3.00%
Investment Return	2.55%	4.21%	3.81%	3.50%	3.50%	3.50%
Key Demand Drivers						
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Population Projections	105,709	106,073	106,432	106,749	107,070	107,398
Residential Properties	47,939	48,488	49,183	49,918	50,420	50,922
Business Properties	3,040	3,041	3,041	3,041	3,041	3,041
Number of visitors to the district	2,200,000	2,500,000	2,600,000	2,700,000	2,800,000	2,900,000

	% Increase
Population Projections	1.60%
Residential Properties	6.22%
Business Properties	0.03%
Number of visitors to the district	31.82%

The current inflation projections being using to develop the MTFS at a more granular level are:

	2023/24	2024/25	2025/26	2026/27	2027/28
Salaries & Wages	4.00%	4.00%	2.00%	2.00%	2.00%
Electricity	20.00%	10.00%	10.00%	10.00%	10.00%
Gas	9.00%	10.00%	10.00%	10.00%	10.00%
Water	3.00%	3.00%	3.00%	3.00%	3.00%
Fuel	9.40%	5.00%	5.00%	5.00%	5.00%
ICT Licenses	10.00%	10.00%	10.00%	10.00%	10.00%
Telephone & Mobiles	3.00%	3.00%	3.00%	3.00%	3.00%
Business Rates	3.74%	6.00%	2.00%	2.00%	2.00%
Postage	3.00%	3.00%	3.00%	3.00%	3.00%
Insurances	5.00%	5.00%	5.00%	5.00%	5.00%
Investment Income	4.21%	3.81%	3.50%	3.50%	3.50%

The Projected Revenue Budget – Finance Reform implemented in 2025/26

	2023/24 Original Budget 2023/24 £000	2023/34 Approved Budget 2023/34 £000	2024/25 Budget £000	2025/26 Budget £000	2026/27 Budget £000	2027/28 Budget £000
LEVEL OF UNCERTAINTY / RISK	MEDIUM	MEDIUM	MEDIUM	HIGH	HIGH	HIGH
Enabling people	1,480	1,860	2,000	1,976	1,815	1,825
Shaping place	4,004	4,533	4,444	4,571	4,666	4,840
Developing prosperity	(721)	(627)	(1,291)	(1,136)	(1,267)	(1,349)
A good council ²	9,632	9,290	9,202	7,629	7,901	8,112
Net Cost of Services	14,395	15,056	14,355	13,040	13,115	13,428
Corporate expenditure	(580)	(765)	(232)	(269)	(150)	(425)
Net Operating Cost	13,815	14,291	14,123	12,771	12,965	13,003
Retained Business Rates Baseline Funding	(2,196)	(2,459)	(2,196)	(2,240)	(2,284)	(2,328)
Retained Business Rates Growth Allowance	(1,268)	(1,005)	(1,345)	112	(203)	(207)
Business Rates Cap	(680)	(678)	(569)	0	0	0
Revenue Support Grant	(106)	(106)	(112)	233	272	316
Services Grant	(82)	(86)	(86)	0	0	0
Funding Guarantee Grant	(561)	(558)	(639)	0	0	0
Transitional Funding	0	0	0	(1,797)	(835)	(273)
New Homes Bonus	(992)	(993)	(844)	0	0	0
Collection Fund (Surplus)/Deficit	(316)	(316)	(474)	0	0	0
Council Tax	(7,614)	(7,614)	(7,858)	(8,124)	(8,416)	(8,682)
Total Funding	(13,815)	(13,815)	(14,123)	(11,816)	(11,466)	(11,174)
Projected Funding Gap	0	476	0	955	1,498	1,830

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

	Cabinet or Decision Date	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Original Budget Council 14/02/2023		0	0	1,616	1,903	1,770
Budget Monitoring in 2023/24						
Money Matters	05/09/2023	476	0	0	0	0
Approved Budget Funding Gap		476	0	1,616	1,903	1,770
Budget Projections						
Updated Expenditure Projections	10/10/2023	0	755	403	(36)	(129)
Updated Funding Projections	10/10/2023	0	(755)	(1,064)	(369)	189
Projected Budget (Finance Reform 2025/26)		476	0	955	1,498	1,830

² Includes the impact of the pay award for 2024/25 which will ultimately be distributed to other priorities.

The Projected Revenue Budget – Finance Reform implemented in 2026/27

	2023/24 Original Budget 2023/24 £000	2023/34 Approved Budget 2023/34 £000	2024/25 Budget £000	2025/26 Budget £000	2026/27 Budget £000	2027/28 Budget £000
LEVEL OF UNCERTAINTY / RISK	MEDIUM	MEDIUM	MEDIUM	HIGH	HIGH	HIGH
Enabling people	1,480	1,860	2,000	1,976	1,815	1,825
Shaping place	4,004	4,533	4,444	4,571	4,666	4,840
Developing prosperity	(721)	(627)	(1,291)	(1,136)	(1,267)	(1,349)
A good council ³	9,632	9,290	9,202	7,629	7,901	8,112
Net Cost of Services	14,395	15,056	14,355	13,040	13,115	13,428
Corporate expenditure	(580)	(765)	(232)	(269)	(150)	(425)
Net Operating Cost	13,815	14,291	14,123	12,771	12,965	13,003
Retained Business Rates Baseline Funding	(2,196)	(2,459)	(2,196)	(2,240)	(2,284)	(2,328)
Retained Business Rates Growth Allowance	(1,268)	(1,005)	(1,345)	(1,546)	(203)	(207)
Business Rates Cap	(680)	(678)	(569)	(620)	0	0
Revenue Support Grant	(106)	(106)	(112)	(108)	272	316
Services Grant	(82)	(86)	(86)	(86)	0	0
Funding Guarantee Grant	(561)	(558)	(639)	(1,437)	0	0
Transitional Funding	0	0	0	0	(835)	(273)
New Homes Bonus	(992)	(993)	(844)	0	0	0
Collection Fund (Surplus)/Deficit	(316)	(316)	(474)	0	0	0
Council Tax	(7,614)	(7,614)	(7,858)	(8,124)	(8,416)	(8,682)
Total Funding	(13,815)	(13,815)	(14,123)	(14,161)	(11,466)	(11,174)
Projected Funding Gap	0	476	0	(1,390)	1,498	1,830

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

	Cabinet or Decision Date	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Original Budget Council 14/02/2023		0	0	1,616	1,903	1,770
Budget Monitoring in 2023/24						
Money Matters	05/09/2023	476	0	0	0	0
Approved Budget Funding Gap		476	0	1,616	1,903	1,770
Budget Projections						
Updated Expenditure Projections	10/10/2023	0	755	403	(36)	(129)
Updated Funding Projections	10/10/2023	0	(755)	(3,409)	(369)	189
Projected Budget (Finance Reform 2025/26)		476	0	(1,390)	1,498	1,830

³ Includes the impact of the pay award for 2024/25 which will ultimately be distributed to other priorities.

The Projected Capital Programme

Project	Projected Capital Programme (R=>500k, A=250k to 500k and G=<250k)						Corporate
	2023/24 Budget £000	2024/25 Budget £000	2025/26 Budget £000	2026/27 Budget £000	2027/28 Budget £000	Total £000	
New Build Parish Office/Community Hub	92	0	0	0	0	92	0
Burntwood Leisure Centre Sinking Fund Projects	144	0	0	0	0	144	59
Friary Grange - Short Term Refurbishment	134	0	0	0	0	134	0
Replacement Leisure Centre	5,353	4,647	0	0	0	10,000	400
Accessible Homes (Disabled Facilities Grants)	1,796	1,272	914	914	914	5,810	0
Decent Homes Standard	72	0	0	0	0	72	0
Energy Insulation Programme	22	22	25	25	25	119	0
Unallocated S106 Affordable Housing Monies	264	21	0	0	0	285	0
Vehicle Replacement Programme - Env Health	0	0	0	20	0	20	0
Conversion of 36a Bore Street	492	0	0	0	0	492	360
Streethay Community Centre	850	0	0	0	0	850	0
Changing Places Fund	36	0	0	0	0	36	0
Zip Wire in Burntwood	30	0	0	0	0	30	0
Burntwood Community Hub	250	0	0	0	0	250	0
Climbing Wall at Burntwood Leisure Centre	50	50	0	0	0	100	0
Pre-school soft play facility at Burntwood Leisure C	50	50	0	0	0	100	0
Adventure Golf at Beacon Park	150	150	0	0	0	300	0
Obstacle Course at Beacon Park	0	150	0	0	0	150	0
Paddle Tennis courts	200	200	0	0	0	400	0
New 3G Pitch in Lichfield	200	200	0	0	0	400	0
Mavesyn Ridware Village Hall Play Area	5	0	0	0	0	5	0
Fence at Chasetown Memorial Bowling Green	10	0	0	0	0	10	0
Fradley BMX Pumptrack	33	0	0	0	0	33	0
Upgrading electrical heating in St Stephens Church	4	0	0	0	0	4	0
Enabling People Total	10,237	6,762	939	959	939	19,836	10,007
Loan to Council Dev Co.	150	0	0	0	0	150	0
Lichfield St Johns Community Link (CIL)	35	0	0	0	0	35	0
Lichfield Public Conveniences	40	0	0	0	0	40	40
Vehicle Replacement Programme (Waste)	0	0	6,000	0	0	6,000	0
Bin Purchase	150	150	150	150	150	750	0
Dual Stream Recycling	31	0	0	0	0	31	0
Vehicle Replacement Programme (Other)	318	247	217	0	207	989	255
Falkland Road Fosseyway Canal Walk	260	0	0	0	0	260	0
Burntwood Public Conveniences	45	0	0	0	0	45	0
Shaping Place Total	1,029	397	6,367	150	357	8,300	295
Vehicle Replacement Programme (Car Parks)	0	0	0	10	0	10	0
Coach Park	349	0	0	0	0	349	288
Car Parks Variable Message Signing	130	0	0	0	0	130	0
Pay on Exit System at Friary Multi Storey	2	0	0	0	0	2	0
Pay on Exit System at Lombard Street	150	0	0	0	0	150	0
Electric Vehicle Charge Points	80	0	0	0	0	80	0
BRS Enabling Works	1,070	0	0	0	0	1,070	0
Cinema Development	3,795	1,929	0	0	0	5,724	828
32-44 Bakers Lane	1,582	0	0	0	0	1,582	1,478
Incubator Space	0	403	0	0	0	403	-143
New 3G Pitch at Chasetown Football Club	100	0	0	0	0	100	0
Small scale investment in micro and small	200	0	0	0	0	200	0
Development and promotion of the visitor econ.	100	0	0	0	0	100	0
Active travel enhancements in the local area	100	0	0	0	0	100	0
Incubator Phase 3	380	0	0	0	0	380	80
Developing Prosperity Total	8,038	2,332	0	10	0	10,380	2,531
Property Planned Maintenance	133	61	190	230	230	844	614
IT Infrastructure	254	50	175	175	175	829	554
ICT Hardware	0	0	0	0	0	0	0
Building a Better Council	77	0	0	0	0	77	77
Committee Audio-Visual Hybrid Meeting Platform	85	0	0	0	0	85	85
Good Council Total	549	111	365	405	405	1,835	1,330
Projected Capital Programme	19,853	9,602	7,671	1,524	1,701	40,351	4,975

Funding Source	Projected Capital Programme					
	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Capital Receipts	3,299	73	0	222	0	3,594
Capital Receipts - Housing	360	0	0	0	0	360
Revenue - Corporate	173	100	565	183	0	1,021
Corporate Council Funding	3,832	173	565	405	0	4,975
Grant	3,114	2,261	939	939	939	8,192
Section 106	692	133	0	0	0	825
CIL	1,645	800	0	0	0	2,445
Reserves	7,845	3,660	17	30	612	12,164
Revenue - Existing Budgets	150	150	150	150	150	750
Leases	0	0	6,000	0	0	6,000
Internal Borrowing	2,575	2,425	0	0	0	5,000
Total	19,853	9,602	7,671	1,524	1,701	40,351
External Borrowing	0	0	0	0	0	0
Total Funding	19,853	9,602	7,671	1,524	1,701	40,351

Reconciliation of the Original Capital Programme to this Projected Capital Programme

	Cabinet or Decision Date	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Original Budget Council 28/02/2023		15,420	9,728	7,671	1,524	0	34,343
Approved Changes							
Slippage from 2022/23	27/06/2023	1,566	(272)				1,294
Leisure Centre funding of previous development expenditure	14/02/2023	230					230
Allocation of S106 Monies	24/02/2023	42					42
Burntwood Leisure Centre (MM Outturn)	27/06/2023	85					85
Cabinet Member Briefing Note - Re-allocation of funding for Chasetown Memorial Park	27/03/2023	10					10
A Cinema for Lichfield District	27/06/2023	1,875	146				2,021
Rural England Prosperity Fund (MTFS Report)	27/06/2023	400					400
Money Matters Quarter 1	05/09/2023	250					250
Projections							0
Decent Homes Standard	10/10/2023	(25)					(25)
Long Term Model	28/02/2023					1,701	1,701
Projected Capital Programme		19,853	9,602	7,671	1,524	1,701	40,351