

The Medium Term Financial Strategy (Revenue and Capital) 2018-23 (MTFS)

Report of the Cabinet Member for Finance and Democracy

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Agenda Item: 3

Contact Officers: Diane Tilley/Anthony Thomas

Tel Number: 01543 308001/308012

Email: diane.tilley@lichfielddc.gov.uk/
anthony.thomas@lichfielddc.gov.uk

Key Decision? YES

Local Ward Full Council

Members

Cabinet

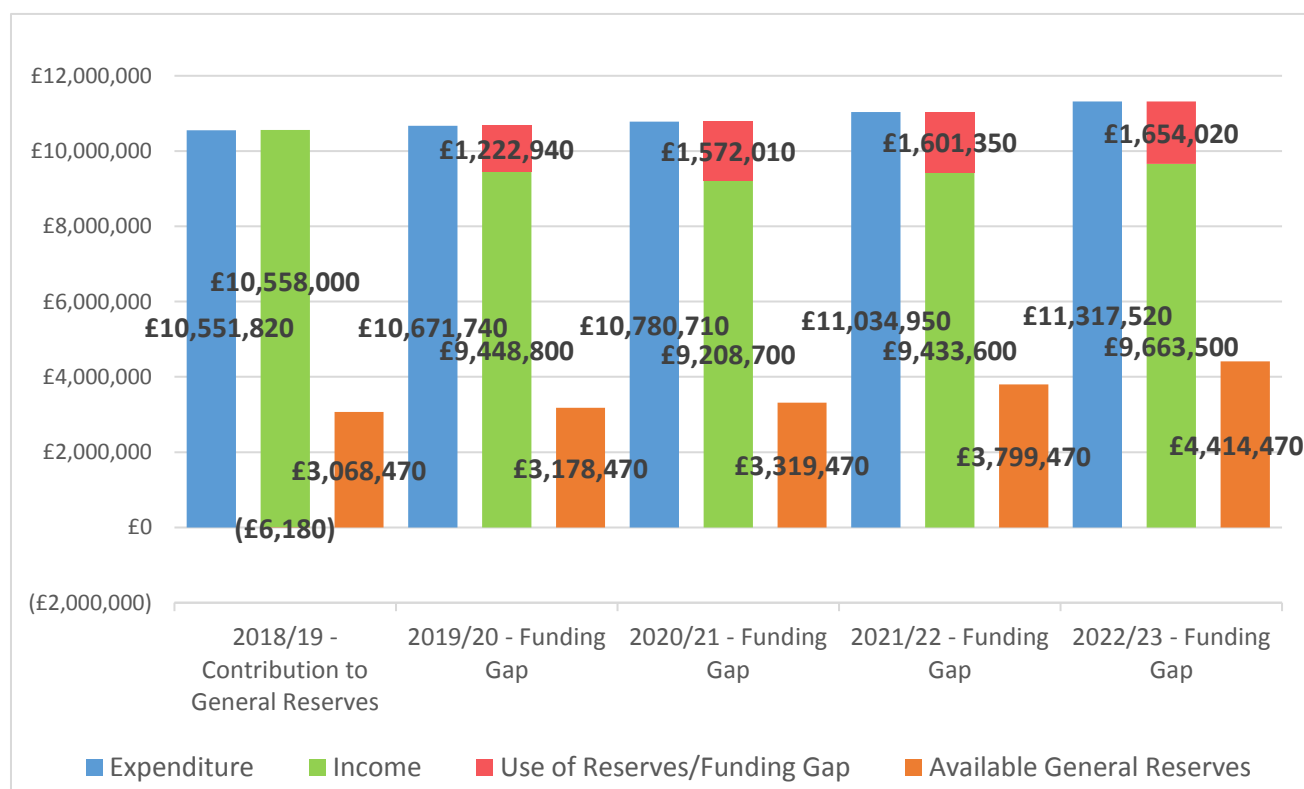
1. Executive Summary

The Medium Term Financial Strategy

- 1.1 The ability to deliver the outcomes set out in the **Lichfield District Council Strategic Plan 2016-20** is dependent on the resources available in the MTFS.
- 1.2 The Council has a statutory duty to set a balanced budget and to calculate the level of Council Tax for its area. The Chief Financial Officer (CFO) has a statutory duty to ensure the figures provided for estimating and financial planning are robust and will stand up to Audit scrutiny.
- 1.3 The Local Government Act 2003 places duties and requirements 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 and this report forms part of the MTFS.

The Revenue Budget

- 1.4 The Approved Revenue Budget with a transfer to general reserves in 2018/19 and Funding Gaps (shown in red in the graph below) in later years is shown in detail at **APPENDICES A and B** and in summary below:



- 1.5 The Council is legally required to balance the budget in the first year (2019/20) of the MTFS and to set out its proposals to balance the further financial years - 2020/21, 2021/22 and 2022/23.
- 1.6 The Council will need to make significant levels of savings or achieve additional income to close the Funding Gap by 2022/23.

Options for Closing the Funding Gap

- 1.7 Leadership Team are currently reviewing revenue base budgets to identify options to close the Funding Gap.

The Capital Strategy and the Capital Programme

- 1.8 The Council will, under the revised Prudential Code, be required to approve a more comprehensive Capital Strategy.
- 1.9 The Approved Capital Programme is shown at **APPENDIX C** and Leadership Team has been requested to submit new or additional capital bids for consideration in the Medium Term Financial Strategy.

Budget Consultation

- 1.10 The Council will undertake consultation on the 2019/20 budget during October 2018 and November 2018 to enable the results to be reported to Strategic (Overview and Scrutiny) Committee on 31 January 2019 and Cabinet on 12 February 2019 as part of the process for approving the Medium Term Financial Strategy.
- 1.11 The draft content based on the 2018/19 budget consultation is shown at **APPENDIX D**.

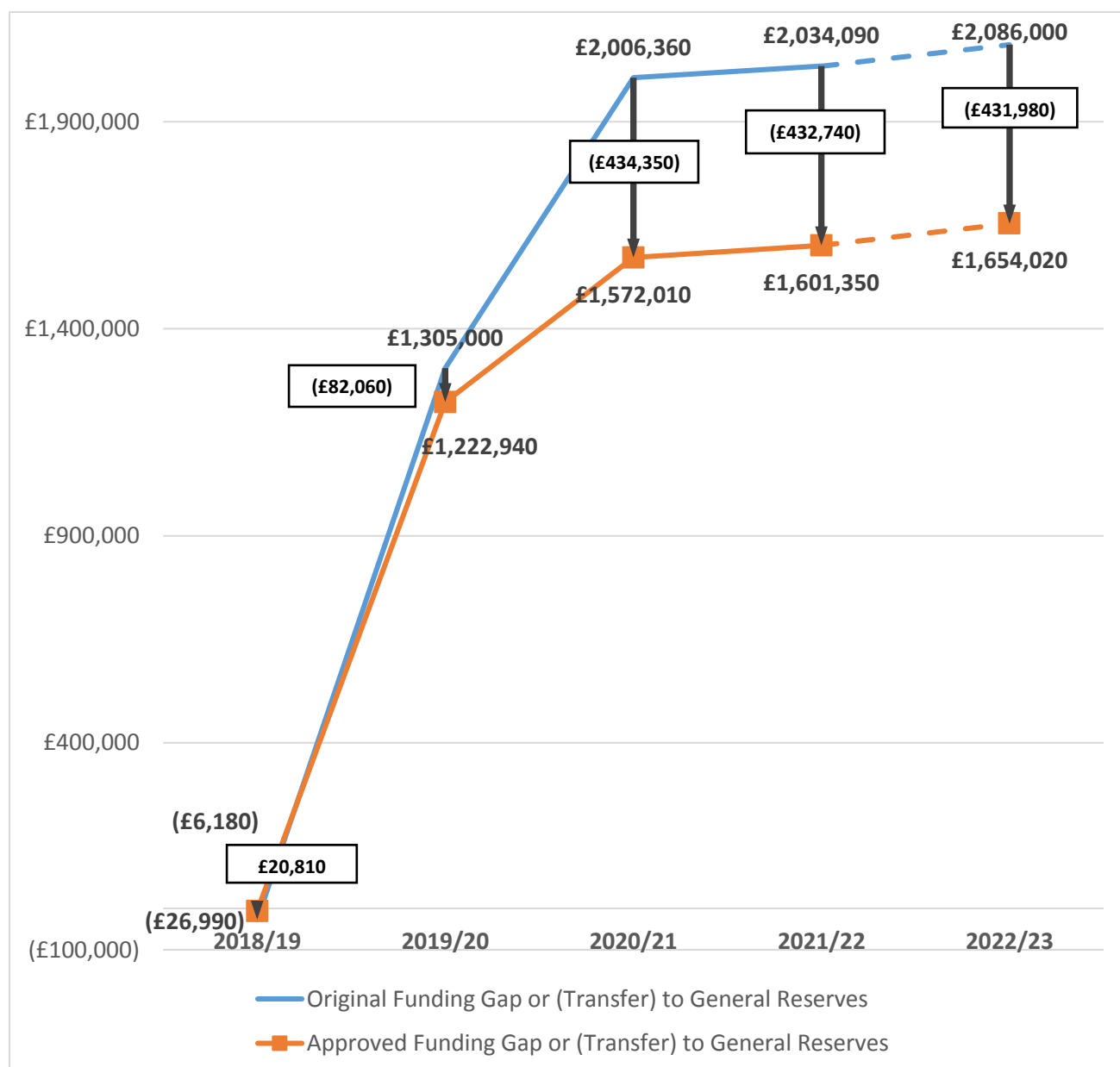
2. Recommendations

- 2.1 To note the progress that has been made on identifying savings and additional income to close the Funding Gap from 2019/20 onwards.
- 2.2 That Cabinet recommend to Council the extension of the Assistant Chief Executive Post for a further year from Mid-April 2019 to Mid-April 2020 and to update the Medium Term Financial Strategy based on the financial implications identified in this report.
- 2.3 That Cabinet recommend to Council the appointment of a Major Developments Projects Manager and Major Developments Projects Officer in a Major Projects Team and to update the Medium Term Financial Strategy based on the financial implications identified in this report.
- 2.4 To note the requirement to produce a Capital Strategy that will be need to be approved by Full Council.
- 2.5 To approve the commencement of the Budget Consultation Exercise for 2019/20 to comply with the statutory requirement.
- 2.6 To note Strategic (Overview and Scrutiny) Committee will scrutinise the proposals and options identified for closing the Funding Gap at its meeting on 22 November 2018.

3. Background

The Revenue Budget

- 3.1 The MTFS covering 2017-22 was approved by Council on 20 February 2018 and included the projected level of Funding Gaps for 2018/19 to 2021/22.
- 3.2 Throughout the financial year, Money Matters reports will be provided to Cabinet and Briefing Notes to Strategic (Overview and Scrutiny) Committee at three, six and eight month intervals to monitor financial performance.
- 3.3 The Approved Funding Gaps compared to the Original Funding Gaps (taking account of Approved changes during 2018/19) plus a further projection for 2022/23 is shown in the graph below:



- 3.4 There has been a reduction in the size of the Approved Funding Gap in 2019/20 to 2022/23 as a result of approved changes to the budget detailed at **APPENDIX A**.
- 3.5 The projections include a significant reduction in the Funding Gap from 2020/21 onwards from additional car parking income as a result of the decision to not fund the Friarsgate project.
- 3.6 The Approved Revenue Budget is shown by both Strategic Priority and Service Area in detail at **APPENDIX B**.

Revenue Budget – Net Expenditure

- 3.7 A number of key assumptions were included in the Revenue Budget. These assumptions will need to be revisited and are explained in the paragraphs below.

Pay Award, National Living Wage and Other Resourcing Needs

Pay Award

- 3.8 The Approved Revenue Budget assumed a pay award of **2%** in 2018/19 and 2019/20 and then **1%** from 2020/21 onwards. Each **1%** increase will result in circa **£105,000** annual increase in the pay bill.
- 3.9 This assumption will need to be reviewed from 2020/21 given the Government has now relaxed the public sector pay cap.

National Living Wage

- 3.10 In addition, further financial modelling is currently being undertaken on retaining an element of pay differential within the pay structure as a consequence of increasing the lower scale points to accommodate the National Living Wage.

Assistant Chief Executive

- 3.11 The Assistant Chief Executive Post was created as part of the Management Restructure to operate on a 2 year fixed term contract. The post was created to shape, develop and embed new arrangements, whilst also providing direct support to the Directors and Chief Executive on cross cutting transformation programmes and taking a lead on corporate change initiatives, including of course the commercialisation agenda.
- 3.12 It was intended that by the expiry of the fixed term period and completion of the delivery of this comprehensive transformation programme, the transition to the new organisational structure should be fully embedded, with evidence of positive service and corporate change. The objective being that the retained structure would reflect a significantly strengthened third tier, operating as a single team, providing independent strategic leadership to their respective service portfolios, whilst ensuring a focus on the achievement of corporate priorities and securing overall outcomes as defined by the Council.
- 3.13 The current post holder commenced employment in mid-April 2017 and therefore the initial two year period will expire in mid-April 2019. However, it has become evident that given the complexity of some of the issues to be addressed, the pressures internally of other projects, the sheer volume of work required to transform the council together with the pace of change the Council wishes to see and that is necessary to meet funding gap pressures, a two year period will be insufficient. It has therefore been agreed by Leadership Team that this post is extended for a further year until mid-April 2020. As the post is not currently funded beyond April 2019 it is a change to the MTFs. It is proposed that the full cost will be funded from a combination of earmarked reserves that are no longer required for the stated purpose and additional treasury management income projected for 2018/19 predominantly as a result of the interest rate rise so will not create a further budget pressure..

Major Projects Team

- 3.14 Following the demise of the Friarsgate scheme the Council is keen to take forward an alternative plan for the re-development of the Birmingham Road Site.
- 3.15 The Council needs to ensure that resources are available to undertake the formulation and delivery of plans for the short term and longer term re-development and use of the Birmingham Road, site and associated development projects that support economic growth and prosperity in the district.
- 3.16 It is proposed that going forward a dedicated resource is identified and included within the Council's establishment for the purposes of delivering a long term redevelopment for the Birmingham Road Site together with the implementation of appropriate short term uses.

- 3.17 There should be a lead officer responsible for overseeing the above work with suitable support. The lead officer would report to the Head of Economic Growth.
- 3.18 It is recommended that a major projects team is created and the annual cost is funded through a combination of funding sources including an element of the 20% planning fee income, the deletion of an existing vacant post in another service area, existing earmarked reserves (in the short term) and the removal of annual earmarked reserve transfers (in the medium to longer term).

Recycling Credits and Garden Waste Subscription Service

- 3.19 This is the first year of charging for garden waste collection, and therefore it is difficult to predict the number of subscriptions that will be achieved which will impact not only on the income from charging for collection but also impact on recycling credits received.
- 3.20 There has in recent months been a sudden increase in the number of rejected loads of dry recyclate at the recycling centre because of high levels of contamination. This has resulted in additional costs and lost income.
- 3.21 The impact of the Chinese ban on plastics and other recycled materials. Our income share from the sale of dry recyclate relies on the world market price for each commodity, and it is very likely that the price and hence our income will fall over the coming months.
- 3.22 The impact of the assumptions used in the Medium Term Financial Strategy are currently the subject of financial modelling and will be included in the Money Matters 6 months Report to Cabinet on 4 December 2018.

Options for Closing the Funding Gap

- 3.23 Leadership Team is undertaking a process of reviewing base budgets to identify options to close the projected Funding Gaps.
- 3.24 This will be achieved through a combination of income from the Property Investment Strategy, Procurement and fees and charges reviews, together with Innovation through the Fit for the Future programme.
- 3.25 A more detailed programme of proposals will be shared with Strategic (Overview and Scrutiny) Committee on 22 November 2018.

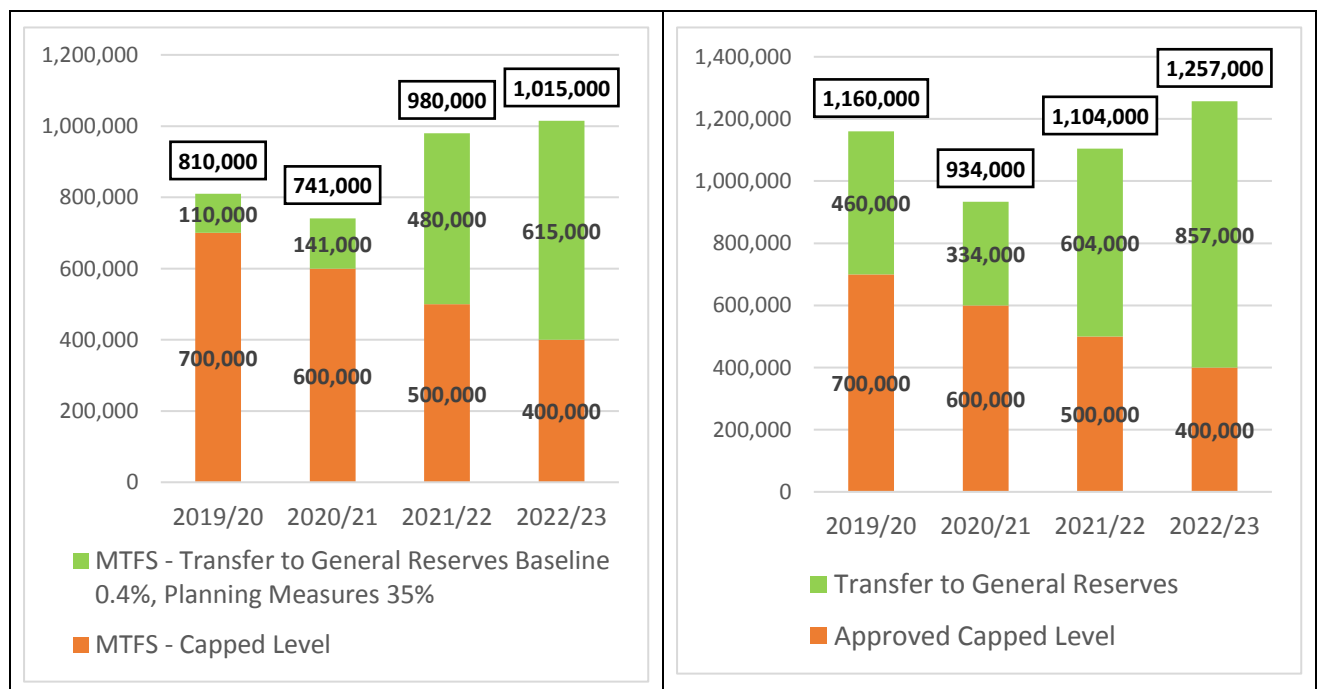
Revenue Budget – Funding

The Local Government Finance Settlement 2019/20

- 3.26 Government released a technical consultation on the Local Government Finance Settlement 2019/20 that ran from 24 July 2018 to 18 September 2018 and included announcements related to all three key revenue streams that are likely to impact on the Approved Medium Term Financial Strategy.

New Homes Bonus

- 3.27 The consultation indicated some further changes to New Homes Bonus:
- “In 2018-19 the baseline remained at 0.4%. Due to the continued upward trend for house building, **the Government expects to increase the baseline in 2019/20.**”
 - “2019-20 represents the final year of funding agreed through the Spending Review 2015. In light of this, **it is the Government’s intention to explore how to incentivise housing growth most effectively, for example by using the Housing Delivery Test results to reward delivery or incentivising plans that meet or exceed local housing need. Government will consult widely on any changes prior to implementation.**”
- 3.28 The impact on the Approved Revenue Budget will be:
- In 2019/20**, any increase in the baseline from 0.4% will increase the level of housing delivery that does not attract New Homes Bonus. Each **0.1%** increase in baseline would lead to a reduction of circa **£60,000**. Therefore the level of New Homes Bonus received by the Council will be impacted by not only the change in housing supply but also the level of the baseline. The actual housing supply utilised in the calculation is higher than the budget and therefore this could potentially offset any increase in the baseline level from 0.4%.
 - Beyond 2020/21**, there is now a **significant risk** to the Medium Term Financial Strategy due to the proposed changes to New Homes Bonus. In anticipation of changes to New Homes Bonus, a report was taken to Cabinet on 11 July 2017 recommending that a reducing ‘cap’ was introduced for the level of New Homes Bonus utilised as core funding. Any funding received in excess of the approved ‘cap’ would be transferred to general reserves. This approach was implemented in the Medium Term Financial Strategy for 2017-2022 approved by Council on 20 February 2018.
- 3.29 The two charts below compare the Approved Budget using a baseline of **0.4%** and a planning measures reduction of **35%** (left) to the latest housing supply projections using an indicative baseline of **0.6%** and a planning measures reduction of **0%** (right):



- 3.30 These charts show following the implementation of a 'cap' that even with an indicative increase in the baseline to **0.6%** for 2019/20 there would be no impact on the base budget and there would be a higher contribution to general reserves.
- 3.31 In later years the impact on the budget will be dependent on the regime put in place to replace the current New Homes Bonus.

Negative Revenue Support Grant

- 3.32 The consultation identified a preferred approach in relation to Negative Revenue Support Grant (RSG) or Tariff Adjustment for **2019/20 only**:
- **"The Government considers direct elimination of Negative RSG via forgone business rates receipts the preferred approach to resolve Negative RSG**, meeting the key criteria of being both fair and affordable. This option also benefits from being both simple and direct. Alternative options add additional layers of complexity to the Local Government Finance system, and are either excessively expensive or fail to fully resolve the issue. Not resolving Negative RSG in its entirety would mean the Government would fail to meet its commitment not to adjust tariffs and top-ups and undermine the incentive for local government to invest in local growth."
- 3.33 The Government's preferred approach should it be implemented, would no longer require the Council to pay the Negative RSG or Tariff Adjustment. As a consequence, the Funding Gap in 2019/20 would potentially reduce by **(£453,000)**.

Retained Business Rates

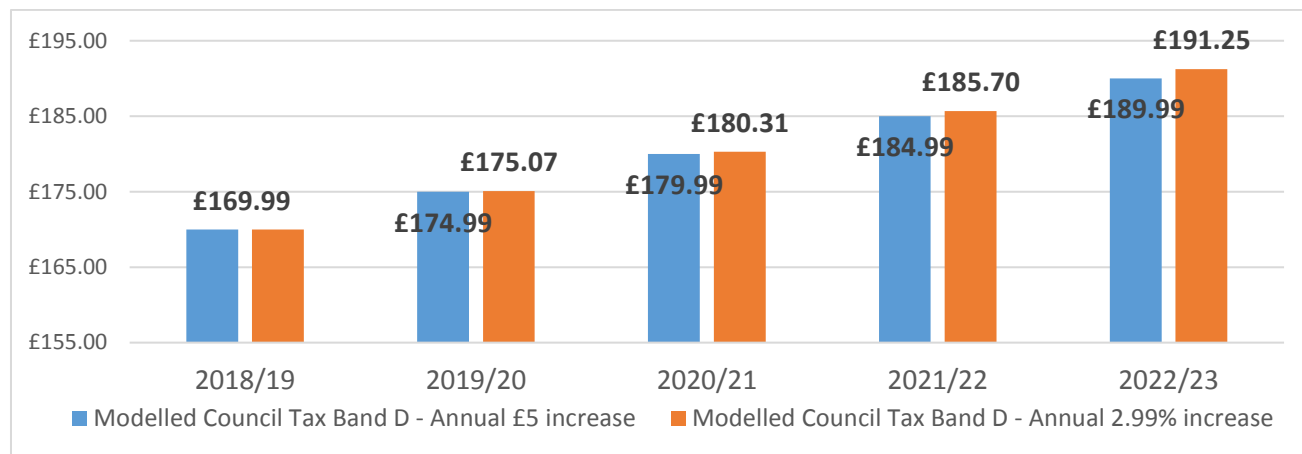
- 3.34 Cabinet agreed on 4 September 2018 to participate in the Staffordshire and Stoke on Trent Business Rate Pilot bid for 2019/20.
- 3.35 This bid, should it be successful, would mean the Council would be able to retain a projected **(£568,000)** of additional Business Rates in 2019/20 (the admission of the OPCC to the pilot will result in a **£7,000** reduction of the projected reward to the Council compared to the previous level).
- 3.36 This resource of **(£568,000)** could:
- Reduce the Funding Gap in 2019/20 or;
 - Be set aside in an earmarked reserve to provide funding for economic growth/regeneration initiatives in the District or;
 - Be transferred to general reserves;
 - Be used to fund multiple or alternative options.

Council Tax

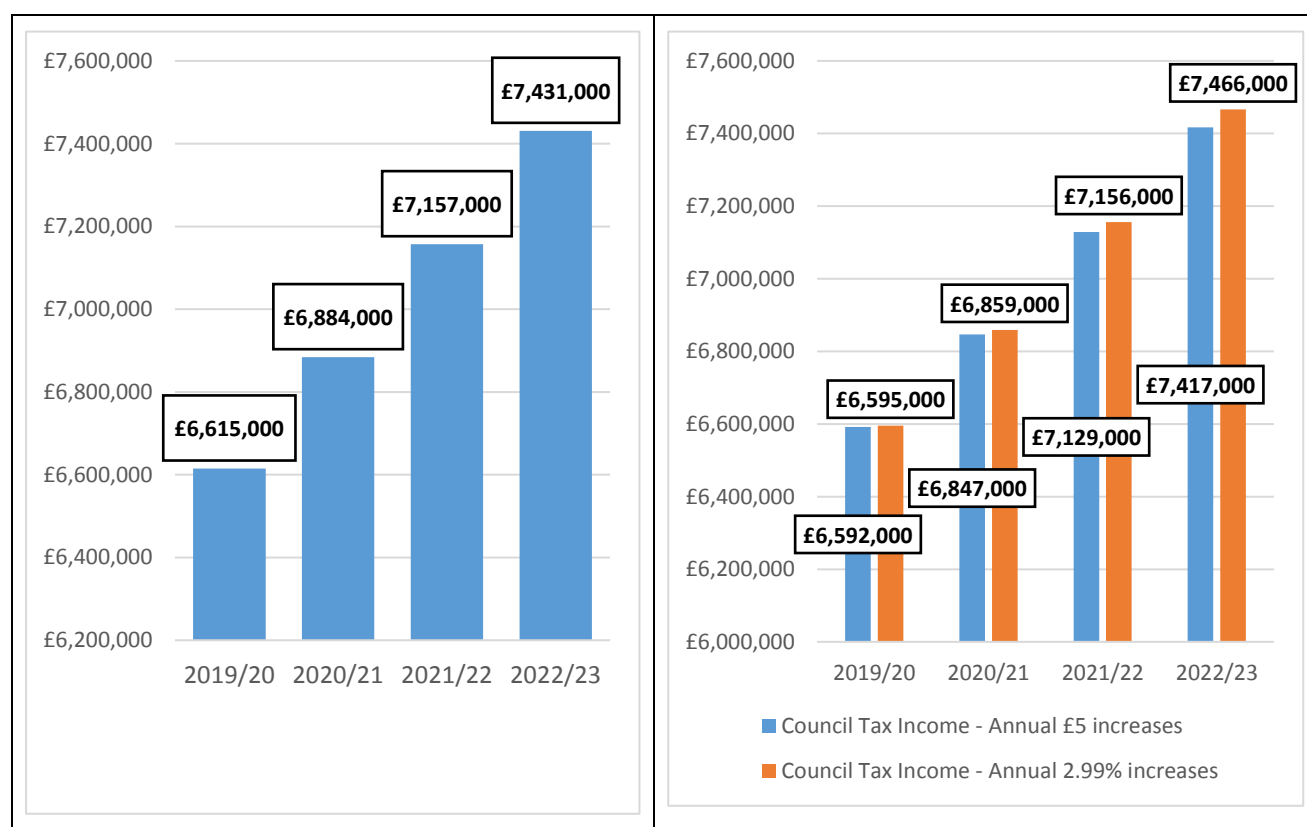
3.37 The consultation indicated a core principle of Council Tax increase up to **3%** with a specific element for District Councils:

- “Shire district councils in two-tier areas will be allowed increases of up to **3%**, or up to and including **£5**, whichever is higher.”

3.38 The Approved Medium Term Financial Strategy assumes an annual **£5** increase. An increase up to **3%** (modelled at **2.99%**) would result in a higher Band D Council Tax as shown below:



3.39 The Approved (2019/20 to 2021/22) and Projected (2022/23) Budget for Council Tax income compared to the latest Council Tax Base Estimates with an annual **£5** or **2.99%** increase is shown below:



3.40 The Council therefore has a number of options available for increasing Council Tax including:

- To freeze Council Tax.
- To increase Council Tax by the prevailing rate of inflation.
- To increase Council Tax by the maximum level allowable of **up to 3%** before a referendum is necessary.
- To undertake a referendum for an increase higher than **3%**.

The Capital Programme

The new Requirements of the Treasury Management Code and Prudential Code

- 3.41 CIPFA published updated Treasury Management and Prudential Codes just before Christmas 2017 although this was too late to be incorporated into the Medium Term Financial Strategy.

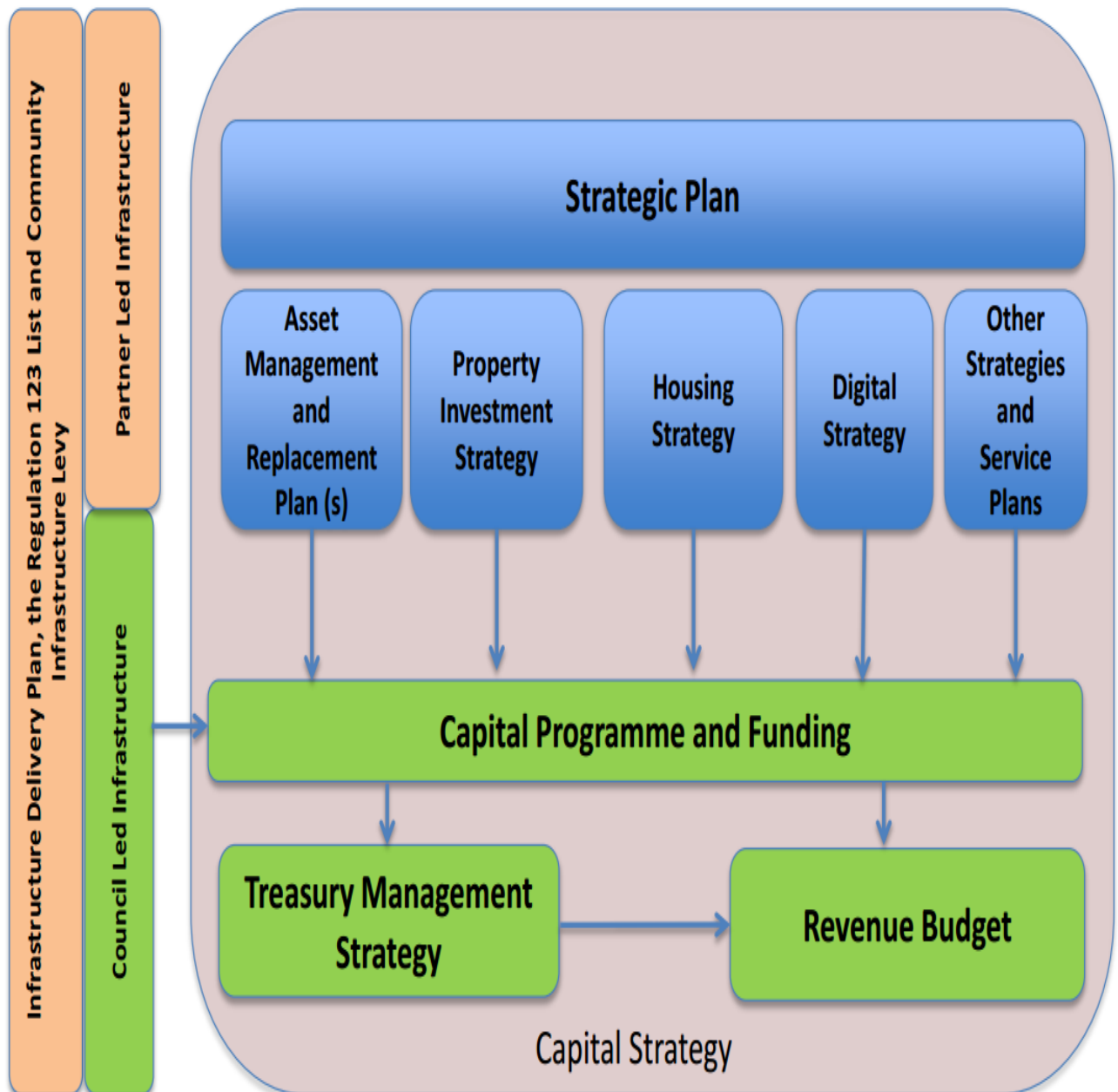
Treasury Management Code

- 3.42 The Treasury Management Code now includes reference to non-financial assets which an organisation holds primarily for financial returns, such as investment property portfolios. All investments require an appropriate investment management and risk management framework under the Code.
- 3.43 In addition, whilst overall responsibility for Capital Strategies and Treasury Management remains with Full Council it will be possible to delegate responsibility for detailed Treasury Management Policies to the Audit and Member Standards Committee in addition to their current responsibility for implementation and regular monitoring of Treasury Management Policies and practices.

Prudential Code

- 3.44 The updated Prudential Code requires the completion of a Capital Strategy that will need to be approved by Full Council.
- 3.45 The Council includes within its Medium Term Financial Strategy a Capital Strategy based largely on the approach where Asset Management Plans and Capital Strategies were required to be viewed and graded by Government.
- 3.46 The new Code introduces more comprehensive requirements:
- “In order to demonstrate that a Council takes capital and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability, and affordability, Councils should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.”
- 3.47 The objectives of the Capital Strategy are:
- “The capital strategy is intended to give 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.”
- 3.48 The Capital Strategy should also:
- “Include sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured and to meet legislative requirements on reporting.”
- 3.49 The Capital Strategy should form part of the Councils integrated revenue, capital and balance sheet planning. It will be a long-term plan of capital investment and how it will be delivered:
- A document that will consider all aspects of capital expenditure which relates to corporate objectives.
 - Asset planning and asset management plans.

3.50 The Council already undertakes elements of the new requirements although some areas such as the Asset Management Plan will need further development. The Prudential Code now requires all of this information to be all brought together in a single place as shown below:



3.51 The Prudential Code states that a Capital Strategy should cover the following topics:

- Capital expenditure, including the approval process, long-term financing strategy, asset management, maintenance requirements, planned disposals and funding restrictions.
- Debt 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.

3.52 The Prudential Code also indicates:

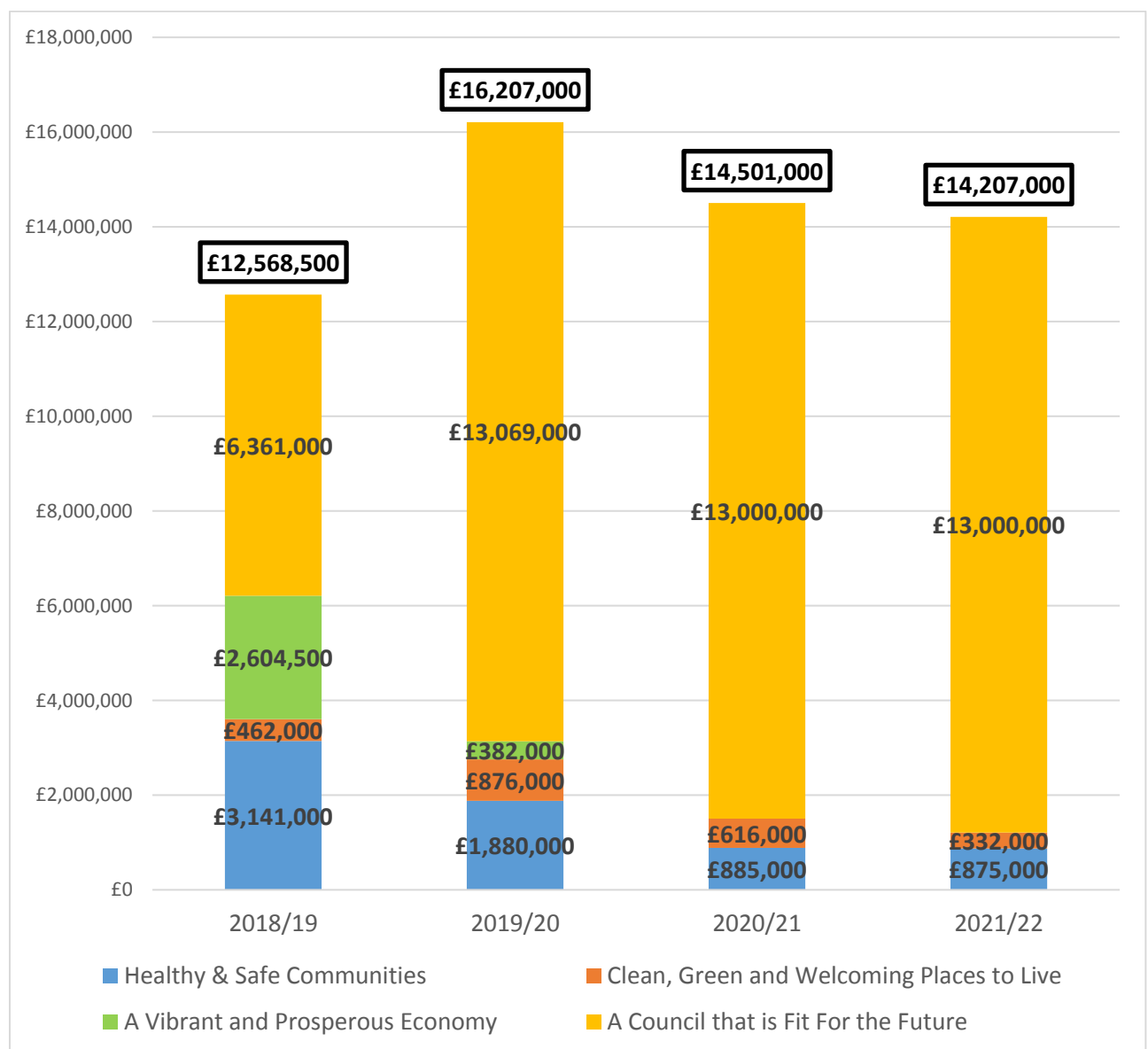
“In developing the capital strategy a balance should be struck between the amount of detail included and accessibility to the key audience. Where detailed information is required thought should be given to how this is made available, its format and the training needs of members to encourage active engagement. The role of the formal scrutiny process should not be overlooked in ensuring effective challenge. Links should be made where appropriate to the treasury management strategy. **The chief finance officer should report explicitly on the affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions.**”

3.53 The requirements of the Capital Strategy will be included in the reports to Audit and Member Standards, Cabinet and Full Council during early 2019 for approval.

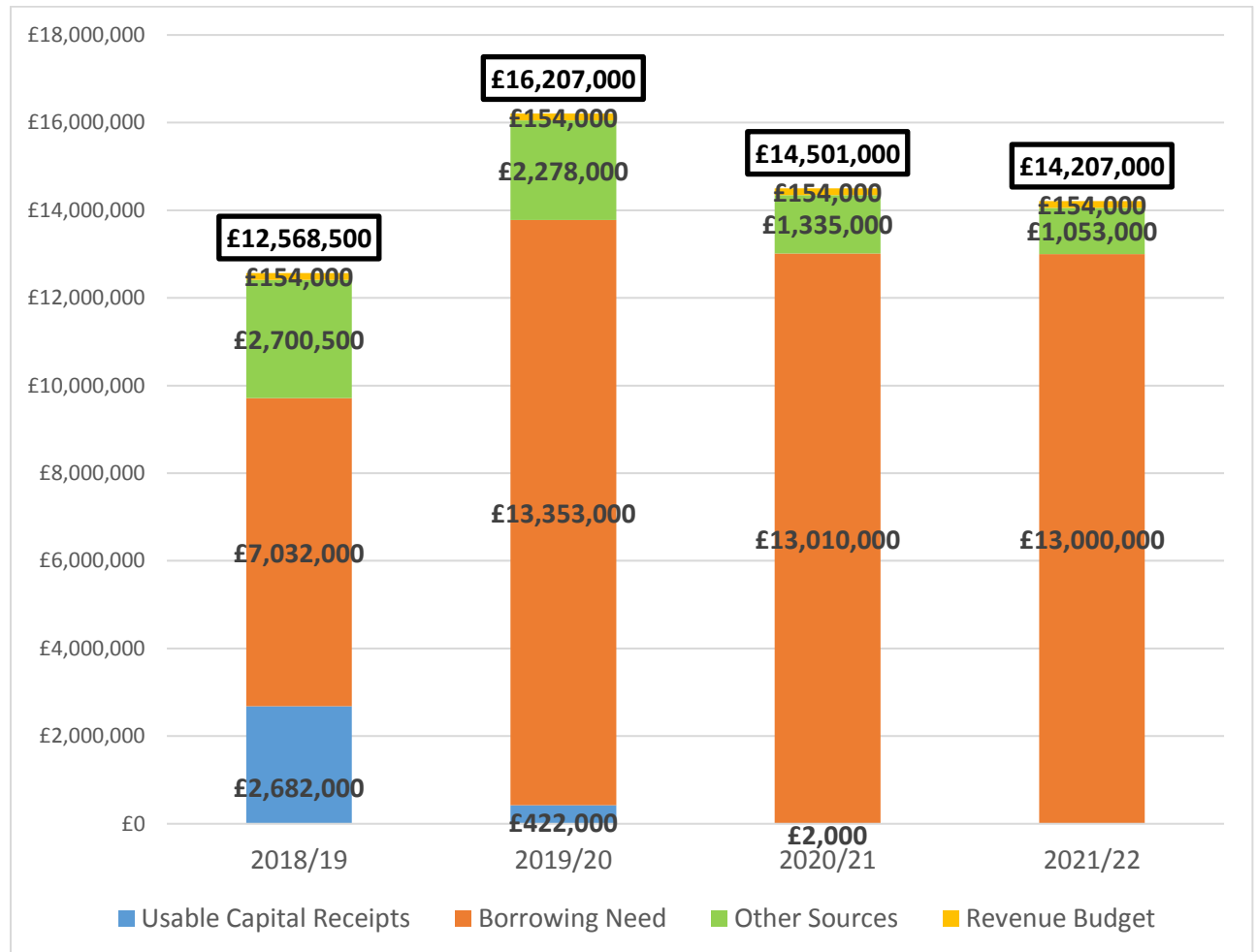
The Approved Capital Programme

3.54 The Approved Capital Programme, its Funding and revenue implications is shown in summary below and in detail at **APPENDIX C**.

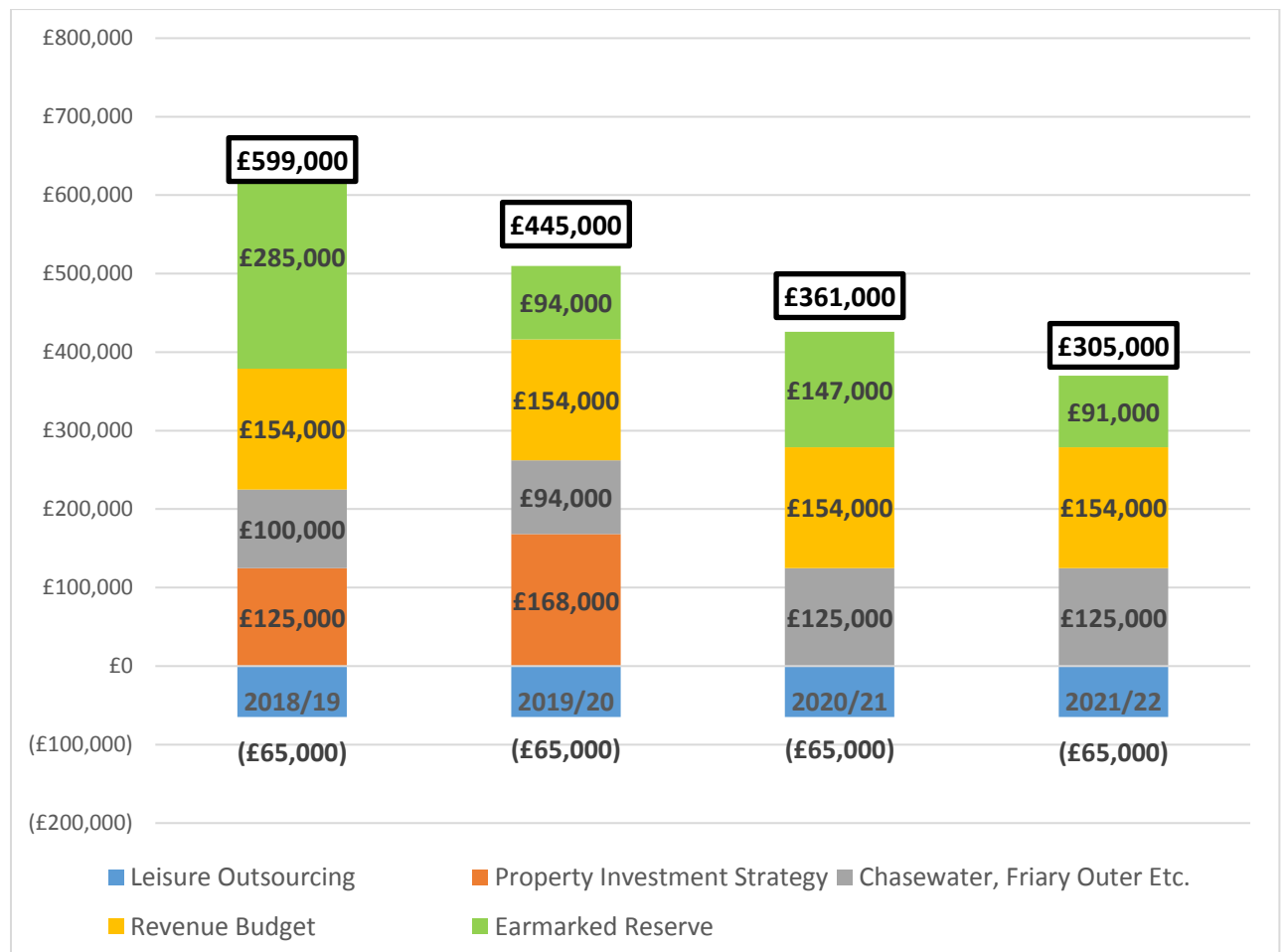
Approved Capital Programme



Approved Capital Funding



Approved Revenue Implications

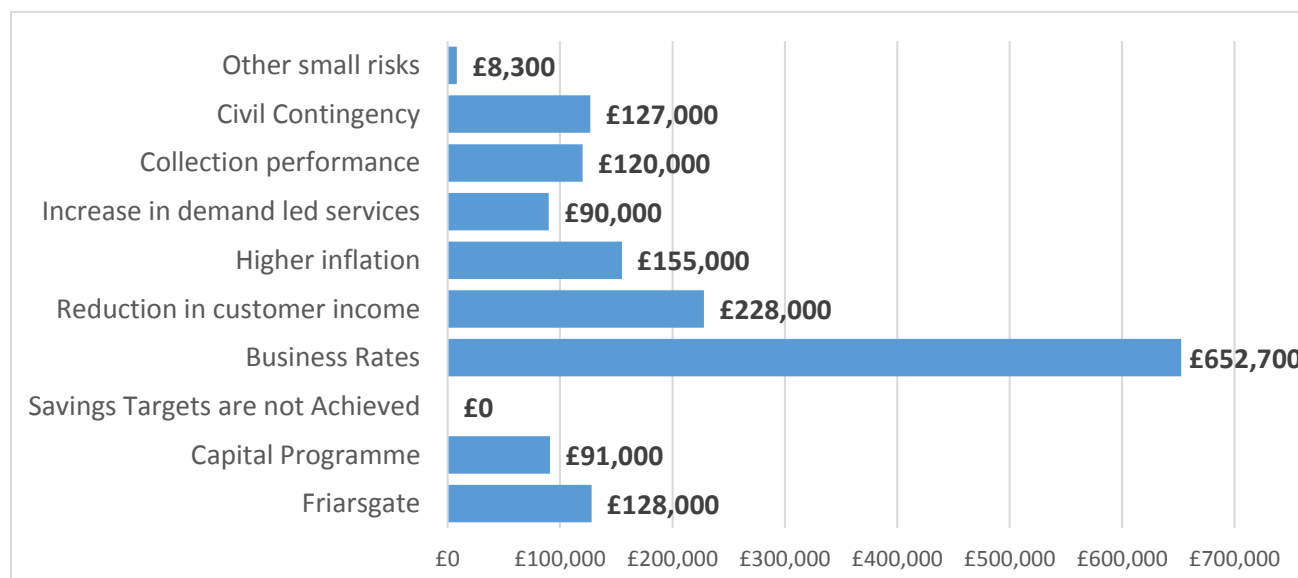


The Medium Term Financial Strategy and Capital Programme Considerations

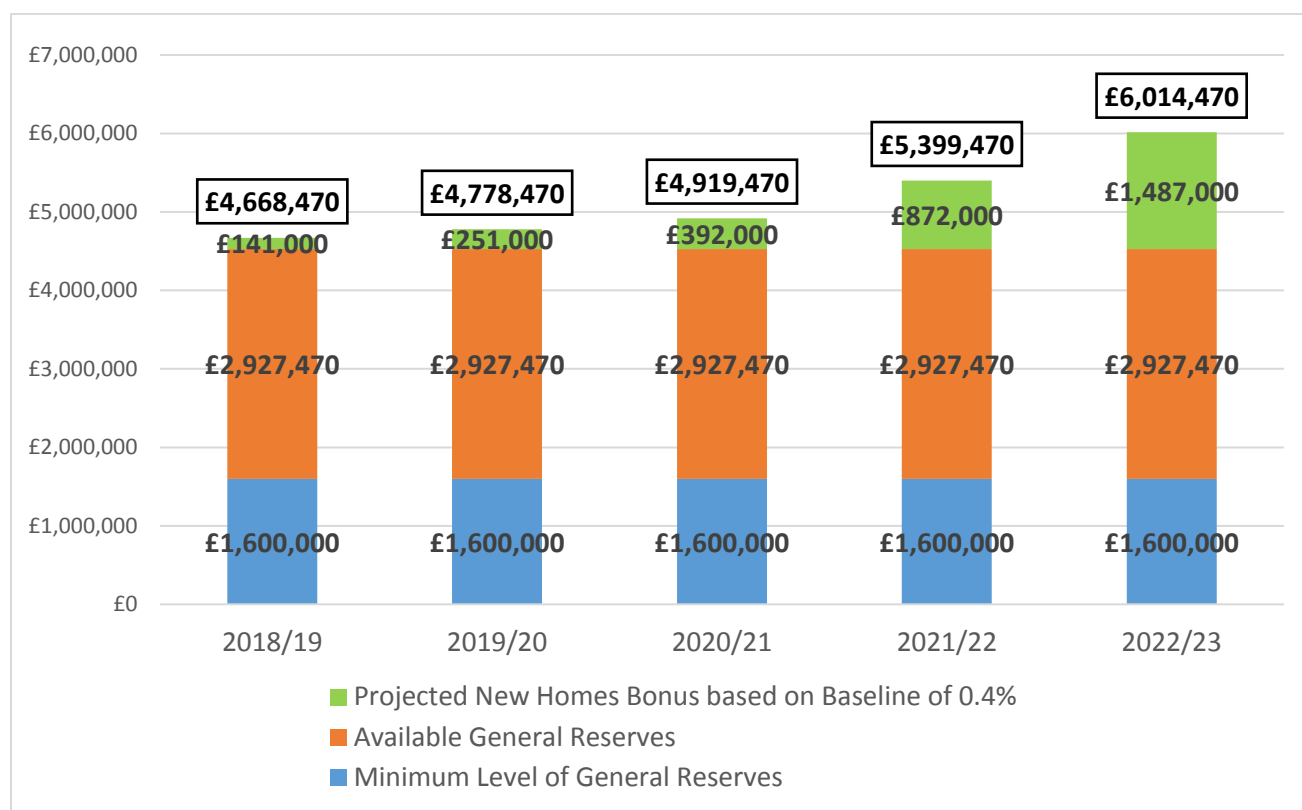
- 3.55 There is projected to be **(£827,000)** of capital receipts from the sale of assets (**APPENDIX C**) that have not been allocated to fund projects in the Capital Programme.
- 3.56 The sale of the Mill Lane Link has been agreed and is estimated to result in a capital receipt of **(£100,000)** with the contract is being finalised. Beacon Park Cottage is estimated to result in a capital receipt of **(£200,000)** and is being finalised for valuation prior to marketing. The capital receipt from the Leyfields and Netherstowe land is estimated to be **(£527,000)** and is in legal negotiations.
- 3.57 Therefore there are a number of options available for the use of this funding:
- To fund new or additional capital investment needs or;
 - To reduce or remove the revenue contributions to the Capital Programme of **£154,000** per annum and thereby reduce the revenue Funding Gap or;
 - To retain as a contingency budget for future allocation or;
 - A combination of these options.
- 3.58 In addition, there is circa **£500,000** allocated to the Birmingham Road Site Support capital project and this is in addition to the Earmarked Reserve available for this project. Therefore the reallocation of this budget to fund other higher priority capital investment needs, such as the recently approved loan to the Council owned Company, will need to be considered.
- 3.59 Leadership Team has been requested to submit capital bids in relation to:
- **New Capital Investment needs** not included in the Approved Capital Programme.
 - Capital Investment needs for existing approved projects to cover the **additional year of 2022/23** to match the planning horizon of the new Medium Term Financial Strategy.
 - Any **changes to Approved Capital Investment needs**.
- 3.60 These capital bids and funding options will be evaluated and prioritised for consideration as part of the new Medium Term Financial Strategy.

The Use of General Reserves and the Minimum Level

- 3.61 It is 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.
- 3.62 The Approved Minimum Level is **£1,600,000** and the main elements of the risk assessment are shown in the graph below:



3.63 The Approved level of general reserves categorised by the Minimum Level and the level of reserves available for use (plus cumulative New Homes Bonus in excess of the 'cap') for the MTFs are shown in the chart below:



3.64 It is important to note that whilst the level of general reserves is projected to increase during the Medium Term Financial Strategy this is predicated on:

- The level of the baseline used to calculate New Homes Bonus for 2019/20 and the impact on the Approved Budget.
- The financial rewards from any replacement for New Homes Bonus from 2020/21 being in line with our projections determined using the existing regime.

3.65 In addition, there are some key risks that the general reserves could be used to mitigate in the short term:

- The level of the projected Funding Gaps and how quickly efficiencies and additional income can be identified to close them.
- The outcomes of the reset of the Business Rate Baselines and the Fair Funding Review from 2020/21 onwards and their impact on the Approved Budgets.

3.66 The significance of these financial risks means that whilst the general reserves are predicted to increase during the Medium Term Financial Strategy these projections are subject to an unprecedented level of uncertainty especially from 2020/21 onwards.

Alternative Options	Where alternative options exist, they are identified within the background section of the report.
Consultation	<p>The Council is required under S65 Local Government Finance Act 1992 to consult ratepayers (or bodies appearing to represent ratepayers) about proposed expenditure.</p> <p>A budget consultation exercise was undertaken for the 2018/19 Budget between 21 November 2017 and 22 December 2017.</p>

We used the information we received from respondents on priorities to influence our Transformation and Savings Programme (known as Fit for the Future) and to set the level of the District Council's Council Tax increase for 2018/19 at **£5**.

It is proposed that a similar exercise is undertaken to inform the 2019/20 Medium Term Financial Strategy during October and November 2018. This budget consultation exercise will be similar in content to the one undertaken in 2018/19 to enable comparability of results and is shown at **APPENDIX D**.

Therefore it is proposed it will include:

- Information on the Council's revenue budget and how it is funded.
- Spending priorities.
- The level of Council Tax increase.

Strategic (Overview and Scrutiny) Committee at its meeting on 22 November 2018 will scrutinise the proposals and options identified for closing the Funding Gap. The Chair will provide feedback to Cabinet, as appropriate.

Audit and Member Standards Committee will scrutinise the Treasury Management Strategy Statement and the Prudential Indicators at its meeting on 6 February 2019 and the Chair will provide feedback to Cabinet, as appropriate.

Strategic (Overview and Scrutiny) Committee at its meeting on 29 January 2019 will scrutinise the MTFs 2018-23 and the Chair will provide feedback to Cabinet, as appropriate.

Financial Implications

Assistant Chief Executive

Financial Implications	2018/19	2019/20	2020/21	2021/22	2022/23
Assistant Chief Executive	£79,540	£81,610	£3,440	£0	£0
Less: Existing Post Budget	(£79,540)	(£3,410)	£0	£0	£0
Budgetary Shortfall	£0	£78,200	£3,440	£0	£0

<u>Funding Options</u>					
Earmarked Reserve - Payment Kiosk		(£8,040)			
Earmarked Reserve - Audit Cover		(£6,250)			
Higher Treasury Management Income (rate rise)	(£67,350)				
Earmarked Reserve	£67,350	(£63,910)	(£3,440)		
Total	£0	(£78,200)	(£3,440)	£0	£0
FUNDING SHORTFALL	£0	£0	£0	£0	£0

Major Projects Team (assumed from 1 December 2018)

Financial Implications	2018/19	2019/20	2020/21	2021/22	2022/23
Major Projects Manager	£15,910	£48,210	£48,690	£49,170	£49,660
Major Projects Officer	£14,620	£44,310	£44,750	£45,200	£45,650
Total Cost	£30,530	£92,520	£93,440	£94,370	£95,310
Less: Existing Post Budget	(£16,990)	(£43,220)	(£43,660)	(£44,110)	(£44,550)
Budgetary Shortfall	£13,540	£49,300	£49,780	£50,260	£50,760

<u>Funding Options</u>					
Cease transfer to earmarked reserve (from year 4)				(£20,000)	(£20,000)
20% Planning Fee Income		(£10,000)	(£10,000)	(£6,610)	(£7,110)
Birmingham Road Earmarked Reserve		(£15,650)	(£16,130)		
Spatial Policy Income		(£7,000)	(£7,000)	(£7,000)	(£7,000)
Delete vacant part time assessors post	(£13,540)	(£16,650)	(£16,650)	(£16,650)	(£16,650)
Total	(£13,540)	(£49,300)	(£49,780)	(£50,260)	(£50,760)
FUNDING SHORTFALL	£0	£0	£0	£0	£0

Contribution to the Delivery of Lichfield District Council's Strategic Plan

The report directly links to overall performance and especially the delivery of Lichfield District Council's Strategic Plan 2016-20 and beyond.

Equality, Diversity and Human Rights Implications

These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan 2016-20.

Crime & Safety Issues

These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan 2016-20.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Council Tax is not set by the Statutory Date of 11 March 2019 .	Full Council set with reference to when major preceptors and Parishes have approved their Council Tax Requirements.	Green - Tolerable
B	Planned Capital Receipts are not received.	The budget for capital receipts will be monitored as part of The Council's normal budget monitoring procedures.	Green - Tolerable
C	Achievement of The Council's key Council priorities.	Close monitoring of performance and expenditure; maximising the potential of efficiency gains; early identification of any unexpected impact on costs including Central Government Policy changes, movement in the markets, and changes in the economic climate.	Green - Tolerable
D	Implementation of the Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations.	To closely monitor the level of appeals. An allowance of 4.7% (in line with the DCLG Allowance) for appeals has been included in the Business Rate Estimates.	Red - Severe
E	The financial impact of changes to the New Homes Bonus regime.	The technical consultation for the 2019/20 settlement has indicated there will be an increase in the baseline of 0.4% used for 2019/20 and alternatives will be explored to incentivise housing growth most effectively from 2020/21 onwards.	Red - Severe
F	The increased Localisation of Business Rates and the Fair Funding Review in 2020/2021.	To assess the implications of proposed changes and respond to consultations to attempt to influence the policy direction in the Council's favour.	Red - Severe

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) 2017-22 – Cabinet 13 February 2018.
- Friarsgate – Coach Park Land Acquisition – Cabinet 13 February 2018.
- Award of Insurance Contract – Cabinet 13 March 2018.
- Managing the end of the ICT Support Contract – Cabinet 1 May 2018.
- Friarsgate – Cabinet 12 June 2018.
- Money Matters: 2017/18 Review of Financial Performance against the Financial Strategy – Cabinet 12 June 2018.
- Money Matters: 2018/19 Review of Financial Performance against the Financial Strategy – Cabinet 4 September 2018.
- Delivering the Property Investment Strategy – Cabinet 4 September 2018 and Council 16 October 2018.

Relevant web link:

Approved Changes to the Revenue Budget

The changes to date impacting on the Funding Gap approved by Cabinet and where necessary Council are summarised in the table below:

Details	Cabinet Meeting	Approved Budget				Projection
		2018/19	2019/20	2020/21	2021/22	2022/23
Original Funding Gap or (Transfer) to General Reserves		(26,990)	1,305,000	2,006,360	2,034,090	2,086,000
Friarsgate - Coach Land Acquisition	13/02/2018	(12,250)	(24,280)	(24,050)	(23,810)	(23,810)
Award of Insurance Contract	13/03/2018	(36,970)	(38,620)	(40,360)	(40,360)	(40,360)
Managing the end of the ICT support contract	01/05/2018	34,000	(58,000)	(55,000)	(56,000)	(56,000)
Friarsgate	12/06/2018	0	0	(353,780)	(324,180)	(323,420)
Money Matters Financial Performance 3 Months 2018/19	04/09/2018	36,030	38,840	38,840	11,610	11,610
Approved Funding Gap or (Transfer) to General Reserves		(6,180)	1,222,940	1,572,010	1,601,350	1,654,020

Approved Revenue Budget 2018/19 to 2021/22

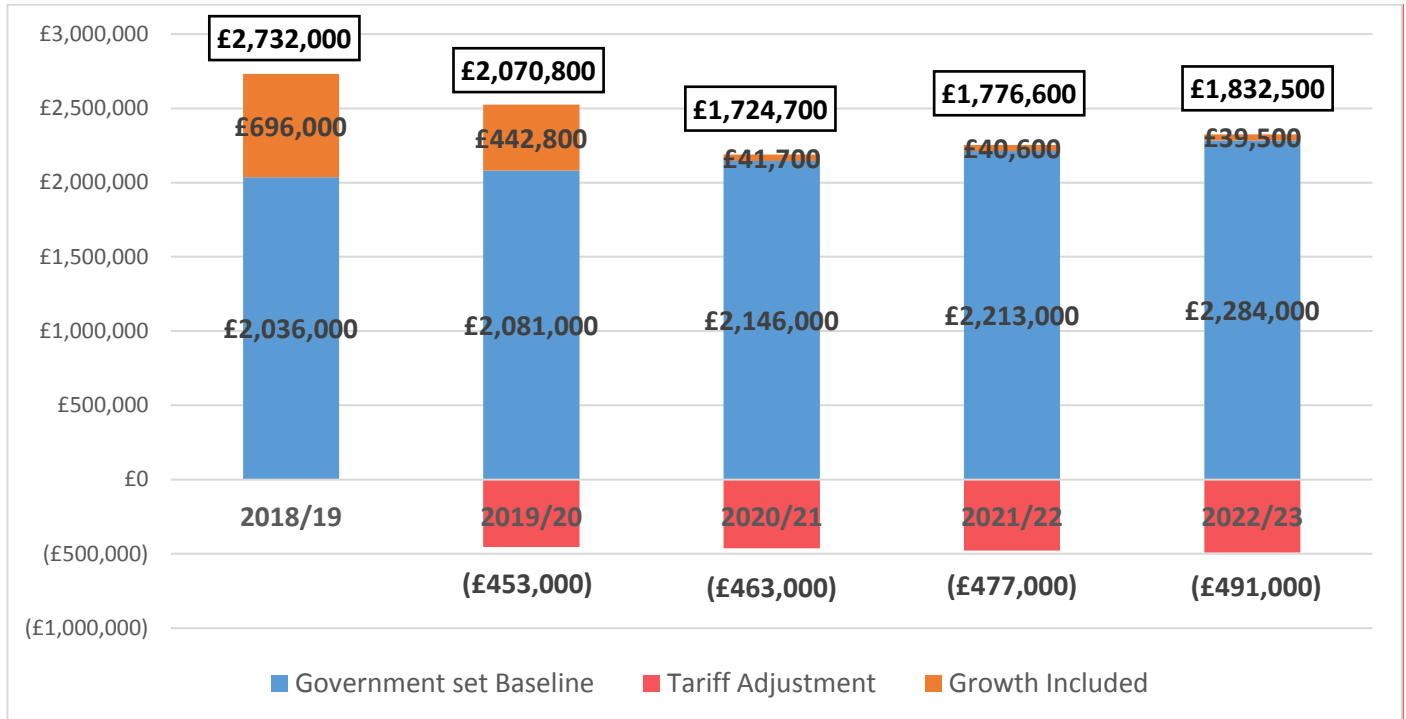
GENERAL FUND TOTAL REQUIREMENT DISTRICT COUNCIL PURPOSES						
FOR FINANCIAL YEARS 2018/19 to 2022/23 ANALYSED BY STRATEGIC PRIORITY AND SERVICE AREA						
BUDGET	2018/19		2019/20	2020/21	2021/22	2022/23
	Original Budget	Revised Budget	Original Budget	Original Budget	Original Budget	Original Budget
	£	£	£	£	£	£
LEVEL OF UNCERTAINTY / RISK	LOW		MEDIUM	HIGH		
Strategic Priority						
Healthy and safe communities	1,736,580	1,832,900	1,539,710	1,366,010	1,337,990	1,315,940
Clean, green and welcoming places to live	3,431,230	3,350,400	3,455,380	3,459,690	3,534,690	3,594,390
A vibrant and prosperous economy	(583,730)	(878,250)	(767,000)	(835,360)	(797,440)	(740,850)
A council that is fit for the future	6,281,510	6,232,760	6,046,730	6,314,420	6,550,110	6,798,440
Efficiency Plan	(71,180)	(45,810)	(45,810)	(45,810)	(45,810)	(45,810)
Savings Required	0	0	(1,222,940)	(1,572,010)	(1,601,350)	(1,654,020)
Net Cost of Services	10,794,410	10,492,000	9,006,070	8,686,940	8,978,190	9,268,090
Service Area						
Chief Executive	796,010	776,460	456,890	461,620	466,630	471,040
Finance & Procurement	1,628,490	1,607,090	1,752,360	1,927,880	2,092,250	2,263,130
Legal, Property & Democratic Services	424,800	468,280	536,540	381,470	364,470	374,670
Revenues, Benefits and Customer Services	725,470	714,460	785,310	830,590	870,670	910,060
Corporate Services	2,560,830	2,549,990	2,490,570	2,559,440	2,616,110	2,681,320
Leisure & Operational Services	2,422,310	2,415,700	2,156,230	2,002,470	2,005,630	1,999,470
Regulatory Services, Housing & Wellbeing	1,264,250	1,264,250	1,299,680	1,318,680	1,330,140	1,341,800
Development Services	61,310	53,640	85,610	84,090	98,740	112,870
Economic Growth	82,920	(211,260)	(229,530)	(222,550)	(198,600)	(174,030)
Waste Services	899,200	899,200	941,160	961,070	979,310	987,590
Efficiency Plan	(71,180)	(45,810)	(45,810)	(45,810)	(45,810)	(45,810)
Savings Required	0	0	(1,222,940)	(1,572,010)	(1,601,350)	(1,654,020)
Net Cost of Services	10,794,410	10,492,000	9,006,070	8,686,940	8,978,190	9,268,090
Net Treasury Position	104,860	104,860	108,260	134,610	124,610	124,610
Revenue Contributions to the Capital Programme	154,000	154,000	154,000	154,000	154,000	154,000
Net Operating Cost	11,053,270	10,750,860	9,268,330	8,975,550	9,256,800	9,546,700
Less : Transfer (from) / to General Reserve	26,990	6,180	0	0	0	0
Less : Transfer to (from) / to Earmarked Reserves	(774,360)	(199,040)	180,470	233,150	176,800	116,800
Amount to be met from Government Grants and Local Taxpayers	£10,305,900	£10,558,000	£9,448,800	£9,208,700	£9,433,600	£9,663,500

Retained Business Rates	(2,479,900)	(2,732,000)	(2,523,800)	(2,187,700)	(2,253,600)	(2,323,500)
Business Rates Cap	(42,000)	(42,000)	(63,000)	0	0	0
Revenue Support Grant / Tariff Adjustment	0	0	453,000	463,000	477,000	491,000
New Homes Bonus	(800,000)	(800,000)	(700,000)	(600,000)	(500,000)	(400,000)
Council Tax Collection Fund (surplus) / deficit	(42,000)	(42,000)	0	0	0	0
Business Rates Collection Fund (surplus) / deficit	(591,000)	(591,000)	0	0	0	0
Council Tax Requirement	(6,351,000)	(6,351,000)	(6,615,000)	(6,884,000)	(7,157,000)	(7,431,000)
Council Tax Base	37,360	37,360	37,803	38,245	38,688	39,112
Lichfield District Council Tax Requirement assuming a £5.00 annual increase	£169.99	£169.99	£174.99	£179.99	£184.99	£189.99

Approved Revenue Budget Key Revenue Streams

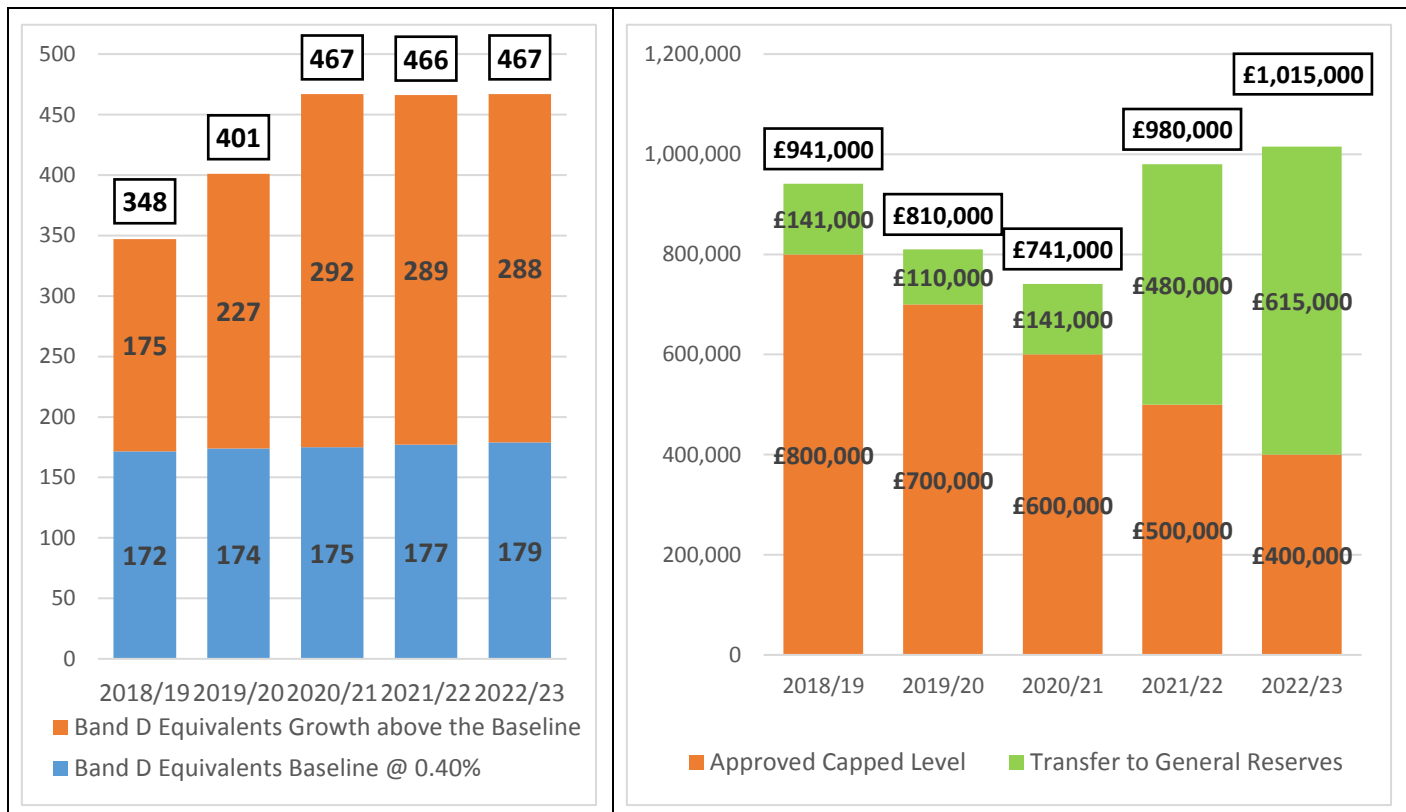
Retained Business Rates including Negative Revenue Support Grant (Tariff Adjustment)

The approved budget for Retained Business Rates income including Negative Revenue Support Grant is shown below:



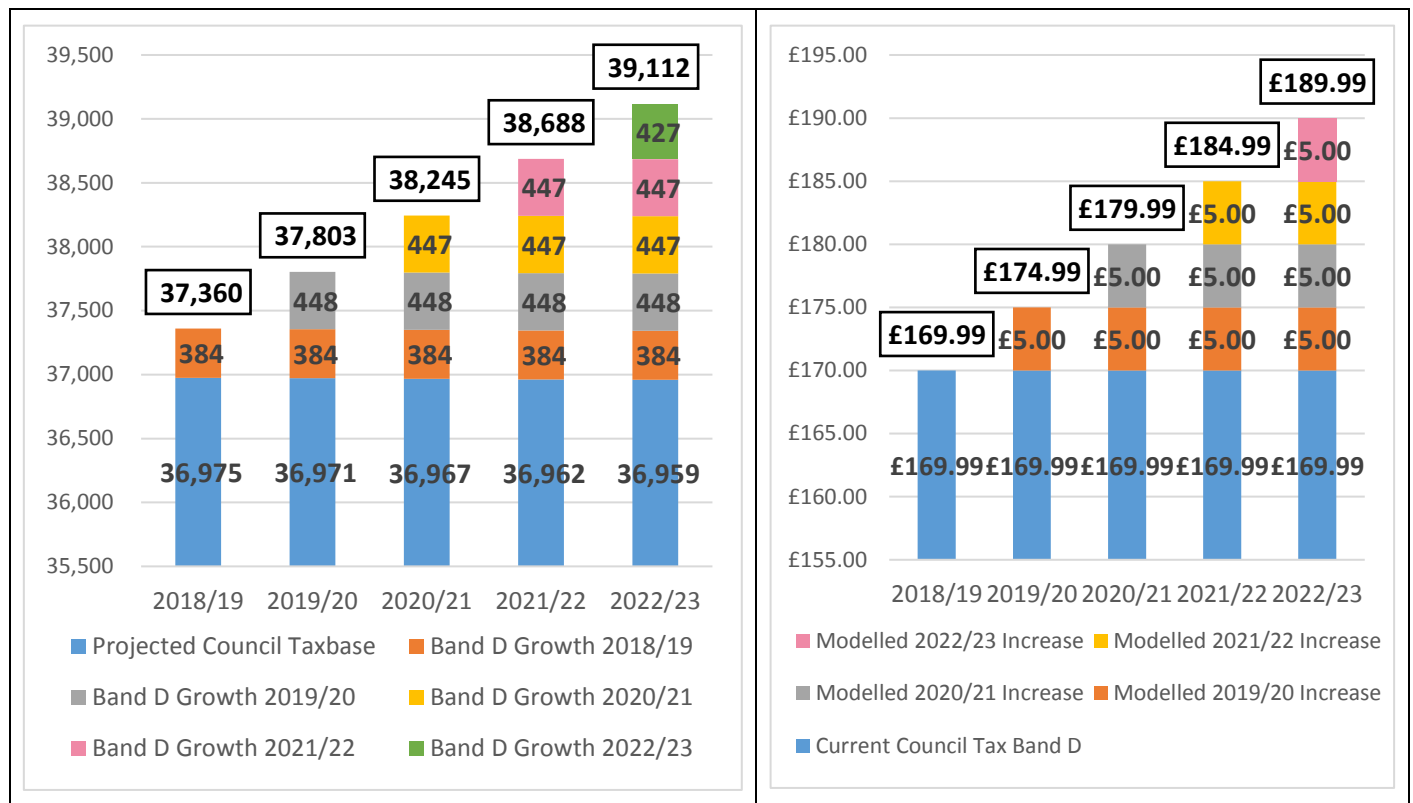
New Homes Bonus

The approved budgets for housing supply and New Homes Bonus income is shown below:

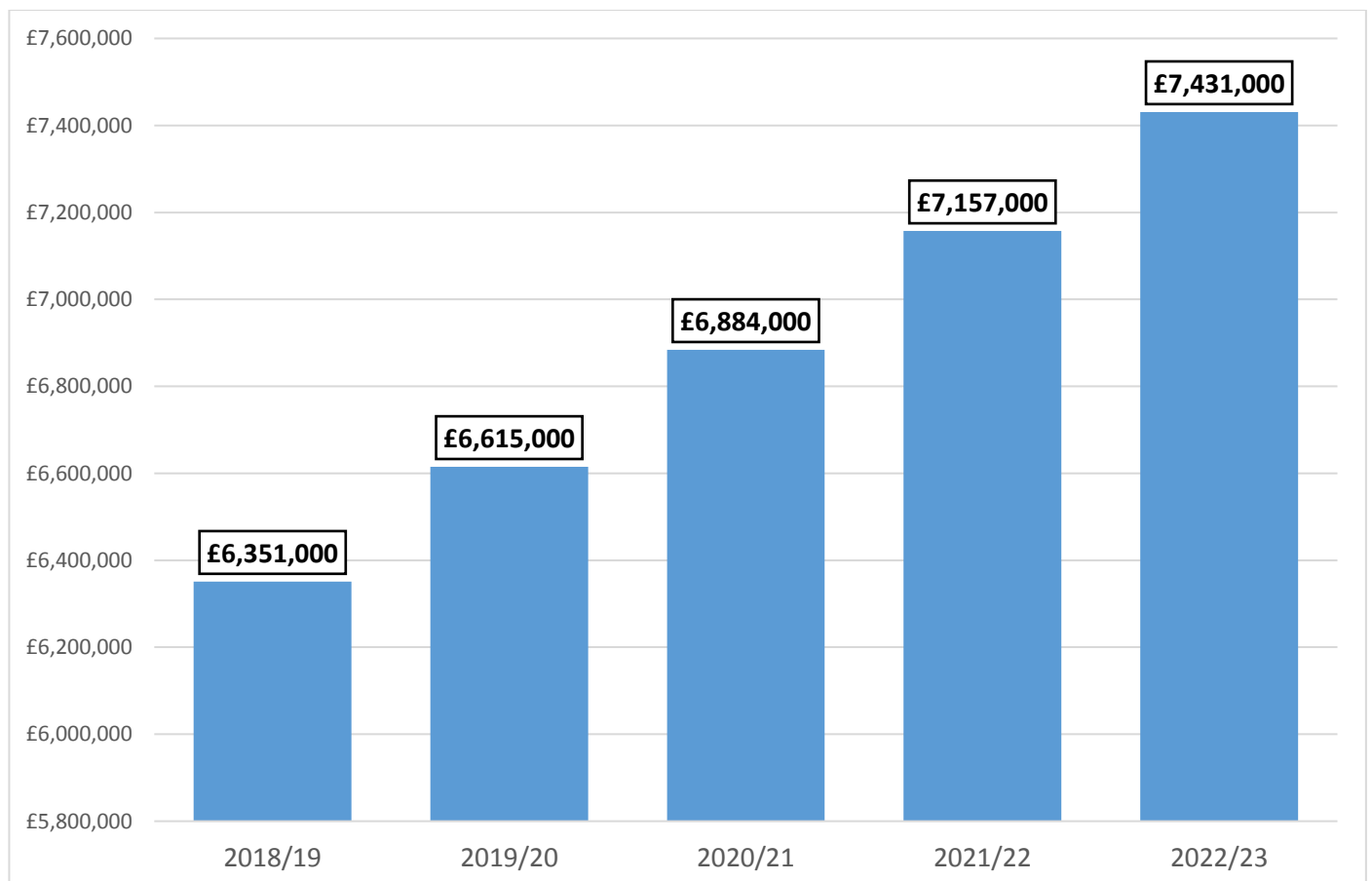


Council Tax

The Approved Budget for Council Taxbase projections and modelled Council Tax Band D rates are shown below:



The Approved Budget Council Tax income is shown below:



Approved Capital Programme and its Funding

Project	(R=>£500k, A= £250k to £500k and G = <£250k)					
	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000	Corporate £000
BLC Enhancement Work	104	3	0	0	107	0
Other Burntwood Leisure Centre Sinking Fund Projects	128	0	0	0	128	0
Squash Court and Sports Hall Floors (FGLC)	50	0	0	0	50	0
Leisure Review: Capital Investment	1,032	353	10	0	1,395	0
Replacement of Play Equipment at Hill Ridware Village Hall	71	0	0	0	71	0
New Build Parish Office/Community Hub	92	0	0	0	92	0
Fradley Village Heating & CCTV	15	0	0	0	15	0
Fradley Youth & Community Centre Cladding & Porch	15	0	0	0	15	0
Replacement of children's play equipment at Upper Lodge	21	0	0	0	21	0
Armitage with Handsacre Village Hall heating and Storage	36	0	0	0	36	0
Re-siting/improvement of Armitage War Memorial	120	0	0	0	120	0
Replacement of canopy and artificial grass at Armitage	13	0	0	0	13	0
Accessible Homes (Disabled Facilities Grants)	928	850	850	850	3,478	316
Home Repair Assistance Grants	35	15	15	15	80	80
Decent Homes Standard / DCLG Monies	0	649	0	0	649	0
Energy Insulation Programme	41	10	10	10	71	55
Unallocated S106 Affordable Housing Monies	400	0	0	0	400	0
Housing Redevelopment Scheme - Packington	40	0	0	0	40	0
Healthy & Safe Communities Total	3,141	1,880	885	875	6,781	451
Darnford Park (S106)	13	0	0	0	13	0
Canal Towpath Improvements (Brereton & Ravenhill)	105	106	0	0	211	0
Vehicle Replacement Programme	168	288	144	307	907	62
Shortbutts Park, Lichfield	23	0	0	0	23	20
Env. Improvements - St John St & Birmingham Rd (S106)	7	0	0	0	7	0
Stowe Pool Improvements (S106) (Jul 2012)	100	450	450	0	1,000	5
The Leomansley Area Improvement Project	3	0	0	0	3	0
Cannock Chase SAC	43	32	22	25	122	0
Clean, Green and Welcoming Places to Live Total	462	876	616	332	2,286	87
Data Management System	11	0	0	0	11	0
Birmingham Road Site - Support	330	332	0	0	662	662
Birmingham Road Site - Castle Dyke/Frog Lane	81	0	0	0	81	39
Birmingham Road Site - Coach Park	243	0	0	0	243	243
Birmingham Road Site - Police Station Acquisition	1,805	0	0	0	1,805	1,676
Sankey's Corner Environmental Improvements (S106)	3	0	0	0	3	0
City Centre Strategy and Interpretation (S106) (Jul 2012)	2	0	0	0	2	0
Car Parks Variable Message Signing (S106) (Jul 2012)	32	0	0	0	32	0
Old Mining College - Refurbish access and signs (S106)	14	0	0	0	14	0
Lichfield Festival Parade & Website (Lichfield City Art Fund)	14	0	0	0	14	14
St Mary's Cultural Hub (Lichfield City Art Fund)	45	0	0	0	45	45
Erasmus Darwin Lunar Legacy (Lichfield City Art Fund)	25	0	0	0	25	25
St. Chads Sculpture (Lichfield City Art Fund)	0	50	0	0	50	50
A Vibrant and Prosperous Economy Total	2,605	382	0	0	2,987	2,754
Property Investment Strategy	6,000	13,000	13,000	13,000	45,000	0
Depot Sinking Fund	11	0	0	0	11	11
IT and Channel Shift Programme	162	32	0	0	194	194
Asset Management District Council House Condition Survey	188	37	0	0	225	225
A Council that is Fit For the Future Total	6,361	13,069	13,000	13,000	45,430	430
Grand Total	12,569	16,207	14,501	14,207	57,484	3,722

Funding Source	Approved Budget				
	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Usable Capital Receipts	2,682	422	2	0	3,106
Revenue	154	154	154	154	616
Corporate Council Sources	2,836	576	156	154	3,722
Other Sources	2,701	2,278	1,335	1,053	7,367
Grand Total	5,537	2,854	1,491	1,207	11,089
In Year FUNDING GAP (Borrowing Need)	7,032	13,353	13,010	13,000	46,395
Cumulative FUNDING GAP (Borrowing Need)	8,962	21,950	34,192	46,053	46,053
Projected Capital Receipts	(1,224)	(811)	(818)	(827)	(827)

Projected Capital Receipts

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Opening Balance	(3,070)	(1,224)	(811)	(818)	(3,070)
<u>New Receipts</u>					
Sale of Mill Lane Link, Fazeley	(100)				(100)
Sale of Beacon Cottage	(200)				(200)
Sale of land at Netherstowe and Leyfields	(527)				(527)
Right to Buy Receipts					0
Other Receipts	(9)	(9)	(9)	(9)	(36)
Utilised in Year	2,682	422	2	0	3,106
Closing Balance	(1,224)	(811)	(818)	(827)	(827)

Revenue Implications

Revenue Implications	Approved Budget				
	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
<u>Leisure Outsourcing</u>					
Income	(218)	(218)	(218)	(218)	(872)
Minimum Revenue Provision	140	140	140	140	560
External Interest	13	13	13	13	52
Sub Total	(65)	(65)	(65)	(65)	(260)
<u>Property Investment Strategy</u>					
Income	0	(355)	(1,115)	(1,707)	(3,177)
Management Costs	125	250	250	250	875
Minimum Revenue Provision	0	171	543	914	1,628
External Interest	0	102	322	543	967
Sub Total	125	168	0	0	293
<u>Chasewater and Friary Outer etc.</u>					
Minimum Revenue Provision	59	53	84	86	282
Loss of Investment Income	6	7	9	9	31
External Interest	35	34	32	30	131
Sub Total	100	94	125	125	444
Birmingham Road Site Earmarked Reserve	285	94	147	91	617
Revenue Contributions	154	154	154	154	616
Approved Budget	599	445	361	305	1,710

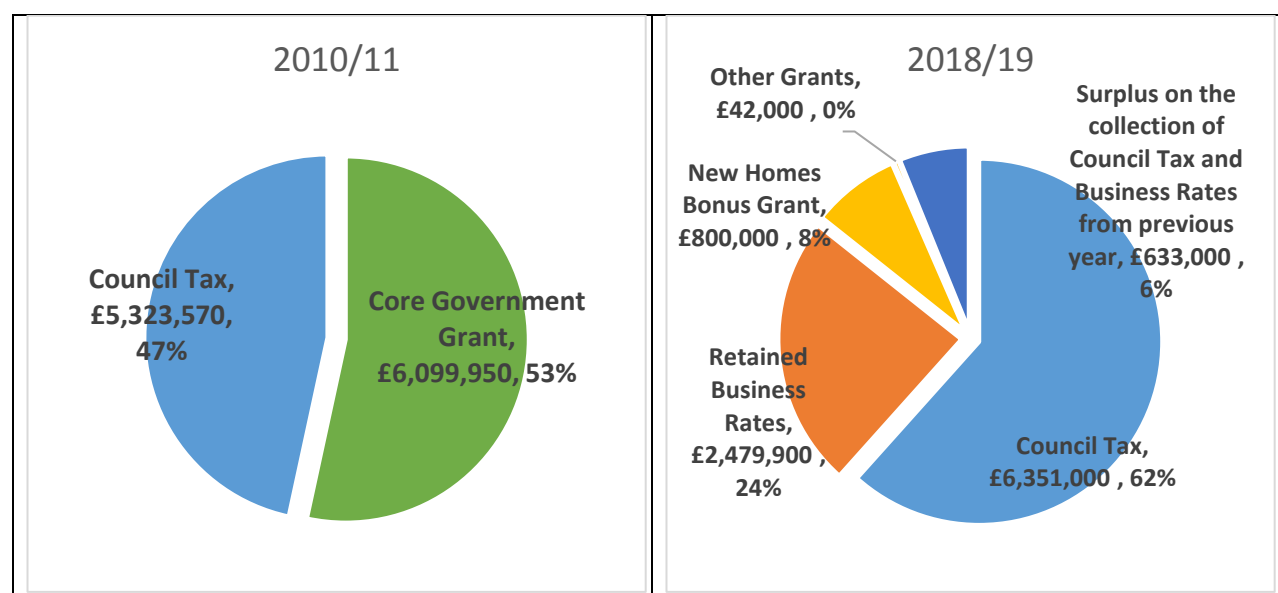
Your view 2018 (mini)

We need your views on how to shape our budget for next year, including the council tax we charge. To give your views, please complete this questionnaire by **Wednesday 21 November 2018 at 5pm**.

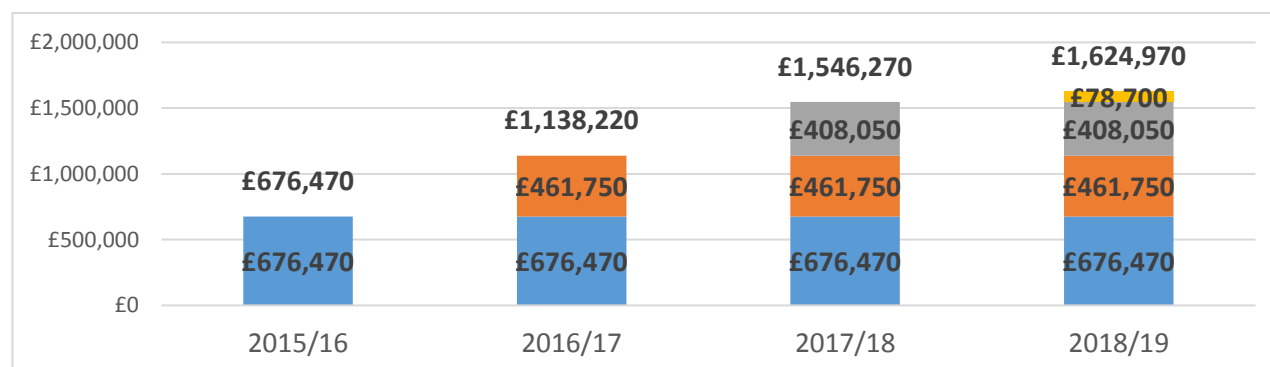
How we fund local services

This year (2018/2019) we will spend just over £10million (£10,305,900) on local services. We will receive over £6million (£6,615,000) in council tax to help fund this. We will fund the balance (£3,690,900) through business rates, other grants, surpluses and New Homes Bonus.

The government has been reducing the amount of core government grant we receive every year, and next year we will be required to pay £453,000 to the Government (although this is currently subject to consultation). This means we will face significant and ongoing challenges providing the same level of services, and either need to make further savings or generate additional income to fund the services we deliver. The two graphs below show how Council services (after fees and charges) were funded in 2010/11 and how they are funded in 2018/19 to illustrate the changes:



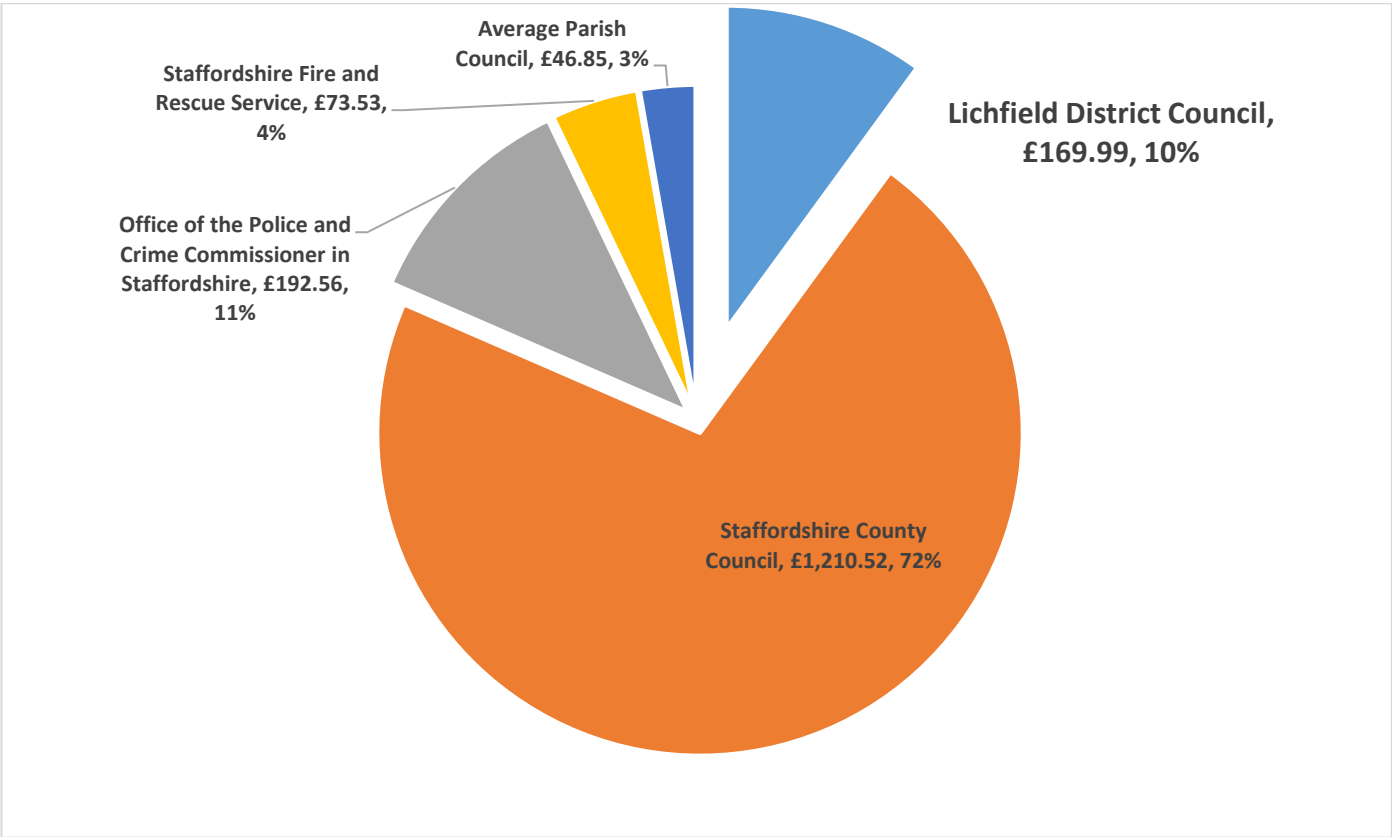
We have a balanced budget for 2018/2019 however in 2019/20 we have a projected deficit of **£1,222,940** (this could reduce to **£769,940** if we are not required to pay money to the Government following the consultation). The level of savings we have made in 2015/16, 2016/17, 2017/18 and to date in 2018/19 are shown below:



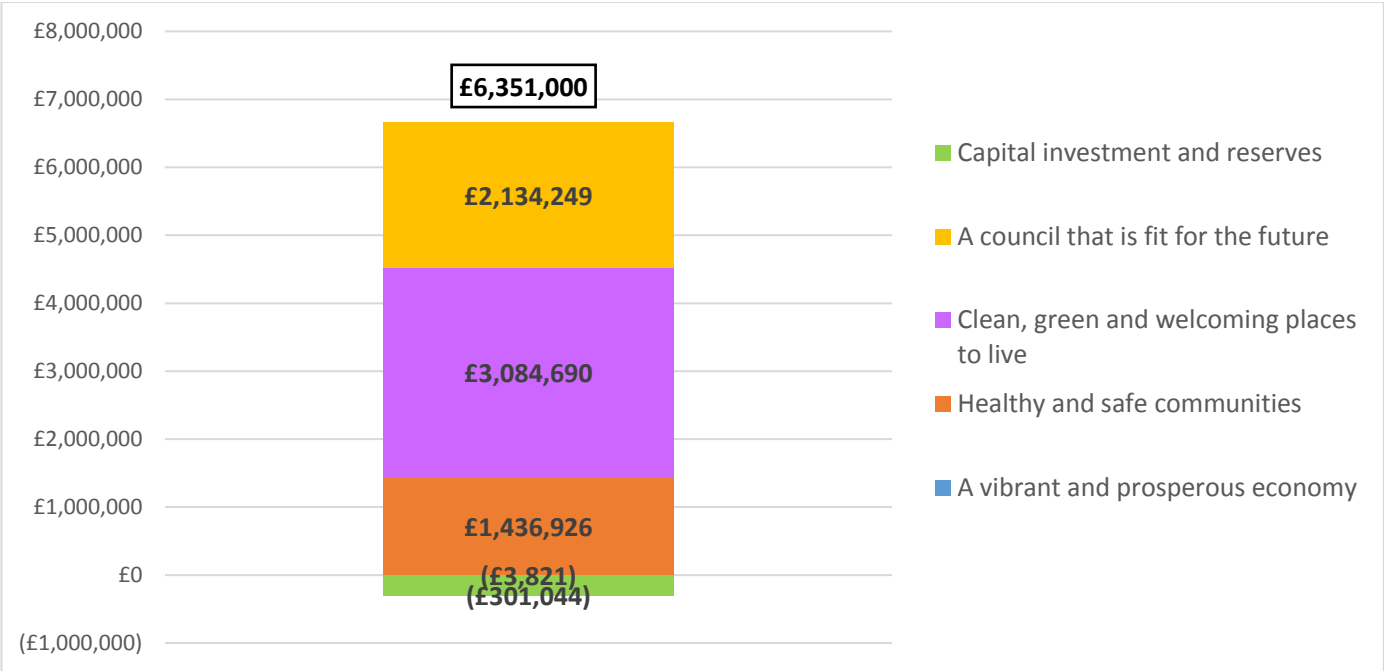
However we need to find more savings and generate more income, as further cuts to our funding streams are likely. **We will ask you to give your views on savings and income ideas in this questionnaire. Your responses will help in setting budgets for 2019/20 and beyond.**

About your council tax

We only keep **10%** of the council tax you pay (that’s about **£170 a year for an average local home**). We pass the rest to Staffordshire County Council, the Police & Crime Commissioner for Staffordshire, Staffordshire Fire & Rescue and local parish councils (as shown below):



The District Council’s element of your council tax is used to fund the following key priorities (a vibrant and prosperous economy and capital investment and reserves currently produces an income contribution to offset the cost of other services):

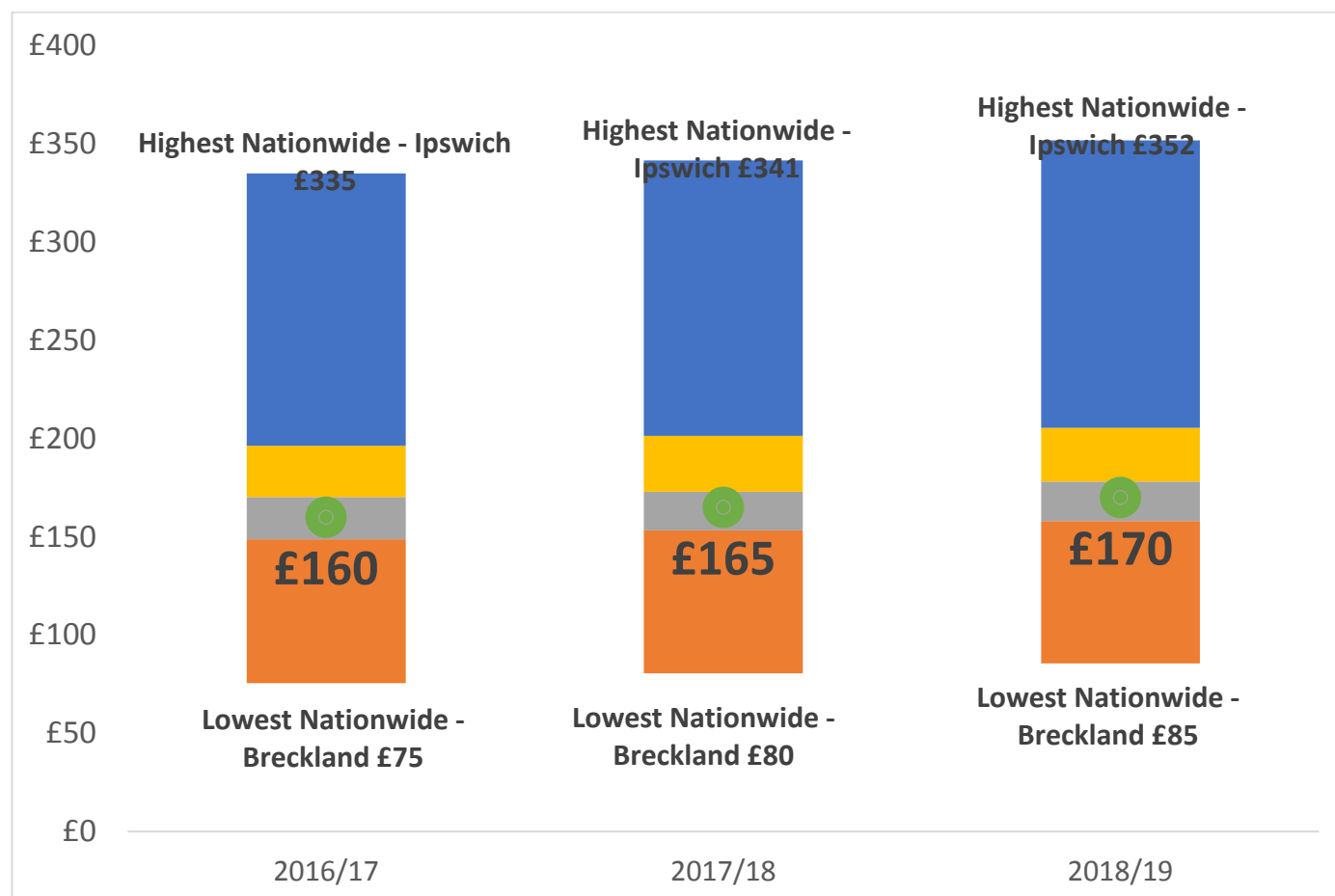


APPENDIX D

These priorities include the following key District Council services:

	What we will spend this year 2018/2019	The element funded by Council Tax	What this costs an average Band D home
A vibrant and prosperous economy			
Planning applications, car parks and economic growth	£249,490	£153,748	£4.12
The arts including the Lichfield Garrick	£315,100	£194,180	£5.20
Council owned property	(£474,410)	(£292,355)	(£7.83)
Waste collection from businesses	(£96,380)	(£59,394)	(£1.59)
Healthy and safe communities			
Sports and leisure	£662,600	£408,327	£10.93
Homelessness and environmental health	£1,669,130	£1,028,600	£27.53
Clean, green and welcoming places to live			
Administration of housing benefit	£407,400	£251,060	£6.72
Waste Collection from homes	£1,698,640	£1,046,785	£28.02
Parks and open spaces	£948,980	£584,808	£15.65
Street cleansing and public toilets	£776,490	£478,511	£12.81
Planning policy, conservation and countryside protection	£910,660	£561,193	£15.02
Private sector housing	£263,420	£162,332	£4.34
A council that is fit for the future			
Council Tax and business rates collection	£619,420	£381,717	£10.22
Electoral registration, elections and councillors	£1,310,290	£807,465	£21.61
Central costs such as the Senior Leadership Team not allocated to individual services	£1,533,580	£945,067	£25.30
Capital, interest and reserves	(£488,510)	(£301,044)	(£8.06)
Total	£10,305,900	£6,351,000	£169.99

We are among the lowest charging district councils in the country, so the services we provide are good value, when compared to many district councils nationwide. An average home in our district pays **£170** a year for the services we provide, whereas Ipswich Borough Council charges **£352** a year for similar services, (the table below shows compares Council Tax charged by district councils nationwide):



In order to meet our funding gap next year, we will consider increasing the amount of council tax we charge for our element of your bill. The Government allows this Council to increase its share of the Council Tax for an average home by a maximum of up to **3%**. This increase together with housing growth is projected to provide an additional **£264,000** of income which is near to the cost of running Burntwood Parks.

We will also ask you to give your views on the council tax we will set for 2019/2020 in this questionnaire.

If you would like this questionnaire in large print or an alternative format, please call 01543 308000. If you have any questions about this questionnaire email finance@lichfielddc.gov.uk

1. How important are these services we provide to you?

The table below shows how much we are spending this year to address the priorities set out in our Strategic Plan - ranging from healthy and safe communities, through to thriving and prosperous town and city centres. Please let us know which areas are the most important to you:

	How important is this service to you (1 is least important and 5 is most important)?				
	1	2	3	4	5
A vibrant and prosperous economy					
Planning applications, car parks and economic growth	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The arts including the Lichfield Garrick	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Healthy and safe communities					
Sports and Leisure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Homelessness and environmental health	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clean, green and welcoming places to live					
Administration of housing benefit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Waste collection from homes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Parks and open spaces	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Street cleansing and public toilets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Planning policy, conservation and countryside protection	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Private sector housing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A council that is fit for the future					
Council tax and business rates collection	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Electoral registration, elections and councillors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Central costs such as the Senior Leadership Team not allocated to individual services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Capital, interest and reserves	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you would like to make any further comments on question one, please use the space below:

2. Your view of fees, charges, income and other opportunities

We currently charge for a number of the services we provide including car parking and waste collection from businesses. However, the fees we currently charge for planning applications are in the main set nationally by the Government and in several areas such as licensing and Building Control we can only set fees to recover the cost of the service.

We would welcome your views on our current approach to fees and charges. This could include charging for services that are funded from Council Tax or changing the way we charge for the service.

Do you have any views on current fees and charges or our approach to setting these fees and charges?

Do you have a view on specific services you believe the Council should reduce or stop?

Are there any specific services you believe the Council should definitely fund?

Are there any areas where you believe there is an income opportunity we should investigate?

Do you have any other ideas or suggestions in terms of the Council's priorities and budget?

3. Setting our council tax

The government has said we can increase our part of the council tax bill by up to a maximum of **3%** a year. Based on an average home this would equate to an increase in your total Council Tax of less than **1%**.

We've included a **£5** council tax increase (subject to council approval) in our draft budget for 2019/2020, with a proposed **£5** increase every year thereafter.

What would you consider to be an acceptable council tax increase for the 2019/20 budget?

- ☐ Yes increase council tax by 2.99%
- ☐ No do not increase council tax by 2.99%

If you answered no, to the above question, please let us know which option you would prefer:

Option A	No increase	<input type="checkbox"/>
Option B	A 2% increase	<input type="checkbox"/>
Option C	2.5% (CPI July 2018)	<input type="checkbox"/>

Thank you for completing our questionnaire. The closing date for responses is **Wednesday 21 November 2018 at 5pm** and we'll feed all the views we get into our budget and council tax setting process.

If you would like this questionnaire in large print or an alternative format, please call 01543 308000. If you have any questions about this questionnaire email finance@lichfielddc.gov.uk