

Medium Term Financial Strategy (Revenue and Capital) 2019-24

Cabinet Member for Finance and Procurement Councillor Strachan

Date: 15 October 2019

Agenda Item: 13

Contact Officer: Anthony Thomas

Tel Number: 01543 308012

Email: Anthony.thomas@lichfielddc.gov.uk

Key Decision? YES

Local Ward Full Council

Members



Council

1. Executive Summary

The Medium Term Financial Strategy (MTFS)

- 1.1 The ability to deliver the outcomes set out in the **Lichfield District Council Strategic Plan 2016-20** and beyond is dependent on the resources available in the MTFS.
- 1.2 This report considers some preliminary matters relating to the Medium Term Financial Strategy development including:
 - A timetable for the budget process including proposals for scrutiny of the draft MTFS and budget consultation.
 - The assumptions that will be used to develop the MTFS.
 - A draft set of principles that will be established to guide the preparation and management of the Medium Term Financial Strategy.
 - The key issues from the Government's recent Spending Round 2019 and the potential impact on the Council's draft MTFS.
 - Details of the new process for submitting and prioritising capital and 'windfall' income bids.

Business Rates Pilot or Business Rates Pool for 2020/21

- 1.3 The report also seeks delegated authority for a Business Rate Pilot or Business Rates Pool for 2020/21 (should the opportunity become available).

2. Recommendations

That Cabinet:

- 2.1. Recommends to Council the budget assumptions (para 3.7) and the budget principles for the Medium Term Financial Strategy (paras 3.8 to 3.9).

3. Background

The Timetable for the Budget Process

- 3.1. As part of the development of the new Strategic Plan, the Council will undertake consultation on service priorities including options for the level of the potential Council Tax increase in 2020/21.
- 3.2. The timetable for consideration of the various elements of the Medium Term Financial Strategy is detailed in the table below:

Date	Meeting	Topics
08/10/2019	Cabinet	Budget timetable, Budget Principles, MTFS Update, Budget Consultation and Budget Assumptions for 2020/21
Strategic Plan Consultation including Budget Consultation 13/11/2019 to 13/12/2019		
21/11/2019	Strategic (OS) Committee	To review the MTFS and decisions of Cabinet on 8 October 2019
03/12/2019	Council Taxbase	To set the Council Taxbase for 2020/21
28/01/2020	Strategic (OS) Committee	To review the Draft Medium Term Financial Strategy
05/02/2020	Audit and Member Standards Committee	To review the Treasury Management Strategy Statement
11/02/2020	Cabinet	To recommend the Medium Term Financial Strategy and Council Tax increase to Council
18/02/2020	Council	Approve the Medium Term Financial Strategy and set the Council Tax

The Revenue Budget

- 3.3. The Approved Revenue Budget with a transfer to general reserves in 2019/20 and projected Funding Gaps in later years is shown in detail at **APPENDIX A** and below:

	2019/20 Original Budget ¹ £000	2019/20 Approved Budget Q1 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
LEVEL OF UNCERTAINTY / RISK	LOW	LOW	MEDIUM	HIGH	HIGH	HIGH
Healthy and safe communities	1,529	1,521	1,356	1,343	1,337	1,362
Clean, green and welcoming places to live	3,259	3,155	3,278	3,510	3,679	3,777
A vibrant and prosperous economy	(1,079)	(1,032)	(1,332)	(2,116)	(2,854)	(2,785)
A council that is fit for the future	6,185	6,125	6,380	6,521	6,701	6,977
Corporate expenditure	1,329	1,193	503	981	1,694	1,694
Total Expenditure	11,223	10,962	10,185	10,239	10,557	11,025
Funding:						
Retained Business Rates	(2,526)	(2,829)	(1,727)	(1,780)	(1,836)	(1,794)
New Homes Bonus	(1,278)	(1,278)	(1,055)	(1,227)	(1,386)	(1,096)
Collection Fund and one off funding ²	(913)	(913)	(364)	(35)	(35)	(35)
Council Tax	(6,655)	(6,655)	(6,920)	(7,219)	(7,531)	(7,817)
Total Funding	(11,372)	(11,675)	(10,066)	(10,261)	(10,788)	(10,742)
Transfer to or (from) general reserves	39	603	0	0	0	0
New Homes Bonus (Transfer to general reserves)	110	110	455	727	986	796
Approved Funding Gap	0	0	574	705	755	1,079
<u>Recommended Changes to Council 15/10/2019</u>						
Economic Growth	0	50	100	100	100	100
Interest receivable from loan	0	0	(4)	(18)	(22)	(22)
Actuarial Strain Repayment	0	(58)	(58)	(58)	(58)	(58)
Projected Funding Gap / (general reserves)	0	(8)	612	729	775	1,099
Minimum Level	1,600	1,600	1,600	1,600	1,600	1,600
Cumulative New Homes Bonus above the 'cap'	110	110	565	1,292	2,278	3,074
Available Reserves	3,749	4,263	4,263	4,263	4,263	4,263
Total General Reserves	5,459	5,973	6,428	7,155	8,141	8,937

¹ Reflects Funding Gap Proposals

² Includes projected Collection Fund Surpluses in the Quarter 1 Money Matters to Cabinet on 10 September 2019.

- 3.4. The Approved Revenue Budget has been updated to reflect actual financial performance in 2018/19, projected financial performance in 2019/20 and now incorporates the financial year 2023/24.
- 3.5. The current projected Funding Gaps (excluding financial implications of Friary Grange Leisure Centre) compared to those in the Original Budget are detailed in **APPENDIX A** and are summarised below:

	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000
Original Funding Gap	£842	£917	£1,012	£1,339
Approved Changes	(135)	(212)	(257)	(260)
Recommended Changes to Council 15/10/2019	38	24	20	20
Projected Changes Reported in Money Matters 2019/20 3 months	(133)	0	0	0
Projected Funding Gap	£612	£729	£775	£1,099

- 3.6. The Council updates its Budget forecasts at 3, 6 and 8 month intervals and therefore work is already underway to prepare the Revised Budget for 2019/20 and Original Budgets for future years.
- 3.7. To inform this work, it would be helpful to decide on certain budget assumptions for 2020/21. These are detailed below:

Key Assumptions	Financial Year				
	2019/20	2020/21	2021/22	2022/23	2023/24
Pay Award	2%	2%	2%	2%	2%
Employers National Insurance Rate (average)	9.26%	9.34%	9.44%	9.53%	9.64%
Employers Pension (%)	16.20%	16.20%	16.20%	16.20%	16.20%
Employers Pension (Actuary Past Service Element)	777,270	1,000,420	1,102,060	1,206,520	1,316,520
Employers Pension (Other)	103,820	106,120	109,300	109,950	110,400
Non contractual inflation	2%	2%	2%	2%	2%
Applicable fees and charges inflation	2%	2%	2%	2%	2%
Base Rate (for borrowing and investment)	0.75%	0.75%	0.75%	0.75%	0.75%

- 3.8. In addition, it would assist in preparing the Medium Term Financial Strategy that a set of principles are established to guide the preparation and management of the MTFS.

- 3.9. A recommended set of principles are identified below:

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

The Capital Programme

3.10. The Approved Capital Programme is shown at **APPENDIX B** and is summarised in the table below:

Project	Updated Capital Programme					
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000	Corporate £000
Healthy & Safe Communities	2,641	1,695	975	975	6,286	352
Clean, Green and Welcoming Places to Live	2,620	263	332	3,100	6,315	351
A Vibrant and Prosperous Economy	987	0	0	0	987	289
A Council that is Fit For the Future	6,441	13,329	13,159	13,175	46,104	961
Approved Budget	12,689	15,287	14,466	17,250	59,692	1,953
Recommended Changes to Council 15/10/2019	(382)	0	0	0	(382)	0
Updated Capital Programme	12,307	15,287	14,466	17,250	59,310	1,953
Funded by:						
Usable Capital Receipts	728	593	413	219	1,953	
Other Sources	5,549	1,694	1,053	4,031	12,327	
Borrowing	6,030	13,000	13,000	13,000	45,030	

Usable Capital Receipts	(2,663)	(2,079)	(1,675)	(1,465)	(1,474)
--------------------------------	----------------	----------------	----------------	----------------	----------------

3.11. The change in the Approved Capital Programme compared to the Original Budget is summarised in the table below:

Approvals	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Council 19/02/2019	11,618	14,909	14,466	17,250	58,243
Approved Changes					
Slippage	819				819
Allocation of Strategic Community	255	45			300
Infrastructure Levy					
Multi-Storey Car Park Refurbishment	300				300
Quarter 1 Money Matters	(303)	333			30
Approved Budget	12,689	15,287	14,466	17,250	59,692
Recommended Changes to Council 15/10/2019					
Cabinet Report - Quarter 1 Money Matters	(502)				(502)
Cabinet Report – Birmingham Road Enabling Works	120				120
Updated Capital Programme	12,307	15,287	14,466	17,250	59,310

3.12. The revenue Implications of the Approved Capital Programme is summarised below:

Revenue Implications	Approved Budget					
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Leisure Outsourcing	(38)	(38)	(38)	(38)	(38)	(190)
Leisure Outsourcing - VAT Benefit	(19)	(20)	(23)	(25)	(25)	(112)
Sub Total	(57)	(58)	(61)	(63)	(63)	(302)
Property Investment Strategy	0	(56)	(180)	(303)	(303)	(842)
Digital Strategy	50	(30)	(100)	(150)	(150)	(380)
Chasewater and Friary Outer etc.	87	86	87	85	85	430
Approved Budget	80	(58)	(254)	(431)	(431)	(1,094)
Recommended changes to Council 15/10/2019						
Interest on Loan to the LA Company	0	(4)	(18)	(22)	(22)	(66)
Updated Budget	80	(62)	(272)	(453)	(453)	(1,160)

The Capital Strategy

- 3.13. The Capital Strategy included brief details of our current capital prioritisation process together with a diagram of how the Capital Programme integrates with the Infrastructure Delivery Plan, Regulation 123 List and funding from planning obligations.
- 3.14. The current prioritisation process is focused only on capital need and reflected that resources available normally exceed capital investment proposals and therefore prioritisation of proposals was not a necessity.
- 3.15. Additionally, as the Council becomes more commercial and Asset Management Plans are developed, it is probable that capital needs will be identified that exceed resources available thus necessitating a more transparent and robust process to inform Members during the development of the Medium Term Financial Strategy.
- 3.16. It is also desirable to apply the principles of the process to other one off and 'windfall' funding, such as the recent VAT refund.
- 3.17. This process has been designed to ensure consistency, objectivity, equity and transparency to the prioritisation and allocation of capital funding, while ensuring we get maximum value for money from all resources.
- 3.18. A summary of the process is identified below with more detail at **APPENDIX C**:
- Service identifies a budget requirement and consults with the Finance and Procurement Team.
 - Service requests funding by completing and submitting a funding bid form.
 - Service completes a funding bid financial profile form and submits this with their bid.
 - Service completes a funding bid assessment form and submits this with their bid.
 - The Finance and Procurement Team reviews all bids and assessments and requests clarification where required.
 - The Finance and Procurement Team reviews bids using the assessment criteria and submits a report to Leadership Team.
 - Leadership Team review all bids and recommend changes before recommending the allocation of funding either through a Cabinet Report or through the Medium Term Financial Strategy.
 - Finance and Procurement monitor funding allocations and spend, reporting to Leadership Team as part of Money Matters Reports.
 - Service completes work / project outlined within the bid and undertakes a review (i.e. post-project review) within 6 months of work being completed, providing this to Finance and Procurement to include in report to Leadership Team.
- 3.19. Leadership Team have been requested to submit new or additional capital bids for consideration in the Medium Term Financial Strategy.

The Spending Round 2019

3.20. The key elements of the Chancellor's statement of 4 September 2019, are detailed below:

Key Element	Approved relevant MTFs assumption for 2020/21	Potential implications in 2020/21 only
Local Government Funding Additional funding was made available including: <ul style="list-style-type: none"> £1bn new social care funding; £700m new funding for children and young people; Additional funding to help tackle housing and homelessness. 	Flexible Housing Grant (£0) Previous Financial Years: 2017/18 (£99,178) 2018/19 (£108,711) 2019/20 (£118,023)	The Ministry of Housing, Communities and Local Government have stated they expect to provide funding allocations by early December 2019.
Local Government Finance System The Government has delayed the introduction of the Fair Funding Review and the 75% Business Rates retention until 1 April 2021.	Total (£1,726,700) Business Rates Baseline (£2,125,000) Negative Revenue Support Grant £466,000 Business Rates Growth assumed the majority of growth would be redistributed (£64,700)	Likely to be significantly higher if Negative Revenue Support Grant is abated and Business Rate Growth is retained.
New Homes Bonus Funding for legacy payments i.e. payments awarded in previous financial years has been provided for in the spending round. Funding has also been confirmed for a scheme to continue to operate in 2020/21 – although they have not yet confirmed what the details of the scheme are.	Total (£1,055,000) Base Budget (£600,000) Transfer to General Reserves (£455,000)	Legacy payments are (£939,000)
Council Tax The referendum threshold is proposed to be 2% which is a lower level than the current higher of 3% or £5 level.	Total (£6,920,000) Modelled Council Tax increase 3% generating (£202,000) of income Projected Council Taxbase growth of 1% generating (£61,000) of income	A Council Tax increase of 2% and using approved budget growth would generate (£135,000) of income Projected Council Taxbase growth is likely to be higher than projected.
Business Rates Pilots The Government have indicated that they do not intend to operate or extend any of the current 75% Business Rate Pilots into 2020/21.	Total (£568,000) Transferred to Earmarked Reserves to fund economic growth / income generating activities.	The extension of a Business Rate Pilot would lead to retention of similar levels of income. A Business Rates Pool would require the payment of a levy potentially at a reduced level. No Pilot or Pool would lead to the full payment of levy reducing Business Rate growth.

3.21. The Government also announced that a technical consultation would be issued on this year's Local Government Finance Settlement setting out further details.

Business Rate Pilots or Pools for 2020/21

- 3.22. The current Business Rates Retention Scheme took effect from 1 April 2013 and allowed authorities that experience growth in business rates income (above baselines set by the Government) to retain some of the growth after the payment of a levy to Government.
- 3.23. In 2012 Lichfield joined the Greater Birmingham and Solihull Business Rates Pool. This pool enabled the pool members to retain more funding because the 'levy' that must be paid to the Government is lower in a Business Rates pool.
- 3.24. The Government has provided an opportunity for authorities to work together to 'road test' elements of the proposed new 75% Business Rates regime as Pilots. These Pilots are able to retain even more of the growth generated locally.
- 3.25. Staffordshire and Stoke on Trent authorities submitted a bid in 2018 to be a Pilot for 2019/20 that would mean if the bid was successful, that the Greater Birmingham and Solihull Business Rates Pool would be dissolved.
- 3.26. The Staffordshire and Stoke on Trent Pilot was notified in December 2018, as part of the Local Government Finance Settlement for 2019/20, that it had been successfully selected to be a pilot.
- 3.27. The Medium Term Financial Strategy assumed additional income of **(£568,000)** from the Business Rate Pilot in 2019/20. Latest projections indicate growth is likely to exceed this budgeted level, although there remains a high level of uncertainty due to appeals and reliefs etc.
- 3.28. If an opportunity exists to continue to be a Pilot for 2020/21, Cabinet are requested to delegate authority to the Council's Chief Executive and the Section 151 Officer, in consultation with the Leader and Cabinet Member for Finance and Procurement, to formalise Lichfield District Council's sign off of a Pilot Bid for 75% Business Rates retention in 2020/21.
- 3.29. If there were no pilots in 2020/21, Cabinet are requested to delegate authority to the Council's Chief Executive and the Section 151 Officer, in consultation with the Leader and Cabinet Member for Finance and Procurement, to agree to Membership of a Business Rates Pool in 2020/21.

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>The Council is already planning to undertake a consultation exercise in relation to the development of the new Strategic Plan. This exercise will provide information on priorities and can therefore be used for budget consultation purposes.</p> <p>Strategic (Overview and Scrutiny) Committee at its meeting on 21 November 2019 will scrutinise the Draft MTFS. The Chair will provide feedback to Cabinet, as appropriate.</p> <p>Audit and Member Standards Committee will scrutinise the Treasury Management Strategy Statement and the Prudential Indicators at its meeting on 5 February 2020 and the Chair will provide feedback to Cabinet, as appropriate.</p> <p>Strategic (Overview and Scrutiny) Committee at its meeting on 28 January 2020 will scrutinise the MTFS 2019-24 and the Chair will provide feedback to Cabinet, as appropriate.</p>
Financial Implications	These are detailed in the background section and the APPENDICES .

Contribution to the Delivery of the 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.
GDPR/Privacy Impact Assessment	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan 2016-20.

	Risk Description	How We Manage It	Severity of Risk
A	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
B	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 MHCLG Allowance) for appeals has been included in the Business Rate Estimates.	Red - Severe
C	The review of the New Homes Bonus regime in 2020/21	Not all of the projected New Homes Bonus is included as core funding in the Base Budget. In 2020/21 £600,000 is included and this is then being reduced by £100,000 per annum.	Red - Severe
D	The increased Localisation of Business Rates and the Fair Funding Review in 2021/2022	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
E	The affordability and risk associated with the Capital Strategy		Yellow - Material
E1	Planned Capital Receipts are not received	The budget for capital receipts will be monitored as part of the Council's normal budget monitoring procedures.	Yellow - Material
E2	Slippage Occurs in the Capital Spend	Spend will be monitored through normal budget monitoring procedures with budgets updated to reflect latest plans and projections.	Yellow - Material
E3	Actual cash flows differ from planned cash flows	Cash flow is monitored on a daily basis through normal Treasury Management processes.	Green - Tolerable
F	The affordability and risk associated with the Property Investment Strategy		Yellow - Material
F1	Slippage occurs in the Capital Spend	Spend will be monitored through normal budget monitoring procedures with budgets updated to reflect latest plans and projections.	Yellow - Material
F2	Change in Government Policy including Regulatory Change	To monitor proposed changes to policy and regulation and seek to influence in the Council's favour.	Red - Severe
F3	The form of exit from the EU adversely impacts on the UK economy including the Property Market and Borrowing Costs	To monitor the situation and where possible identify alternative options.	Red - Severe
F4	There is a cyclical 'downturn' in	To monitor the wider markets and where possible adapt	Yellow - Material

	Risk Description	How We Manage It	Severity of Risk
	the wider markets	plans to minimise the Council's risk exposure.	
F5	There is insufficient expertise to implement the Property Investment Strategy	An estates management team is being recruited to provide professional expertise and advice in relation to the Property Investment Strategy.	Yellow - Material
F6	Inability to acquire or dispose of assets due to good opportunities not being identified	To utilise Property Agents to identify opportunities for potential acquisitions and disposals.	Red - Severe

Approved Revenue Budget (excluding Friary Grange implications)

	2019/20 Original Budget ³ £000	2019/20 Approved Budget Q1 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
LEVEL OF UNCERTAINTY / RISK	LOW	LOW	MEDIUM	HIGH	HIGH	HIGH
Healthy and safe communities	1,529	1,521	1,356	1,343	1,337	1,362
Clean, green and welcoming places to live	3,259	3,155	3,278	3,510	3,679	3,777
A vibrant and prosperous economy	(1,079)	(1,032)	(1,332)	(2,116)	(2,854)	(2,785)
A council that is fit for the future	6,185	6,125	6,380	6,521	6,701	6,977
Corporate expenditure	1,329	1,193	503	981	1,694	1,694
Total Expenditure	11,223	10,962	10,185	10,239	10,557	11,025
Funding:						
Retained Business Rates Baseline less negative RSG	(2,083)	(2,083)	(1,662)	(1,691)	(1,720)	(1,680)
Retained Business Rates Growth	(443)	(746)	(65)	(89)	(116)	(114)
Business Rates Cap	(68)	(68)	0	0	0	0
Business Rates Pilot	(568)	(568)	0	0	0	0
New Homes Bonus Base Budget	(700)	(700)	(600)	(500)	(400)	(300)
New Homes Bonus - transfer to Earmarked Reserve	(468)	(468)	0	0	0	0
New Homes Bonus - transfer to General Reserve	(110)	(110)	(455)	(727)	(986)	(796)
Collection Fund (Surplus)/Deficit	(277)	(277)	(364)	(35)	(35)	(35)
Council Tax	(6,655)	(6,655)	(6,920)	(7,219)	(7,531)	(7,817)
Total Funding	(11,372)	(11,675)	(10,066)	(10,261)	(10,788)	(10,742)
Transfer to or (from) general reserves	39	603	0	0	0	0
New Homes Bonus (Transfer to general reserves)	110	110	455	727	986	796
Approved Funding Gap	0	0	574	705	755	1,079
<u>Recommended Changes to Council 15/10/2019</u>						
Economic Growth	0	50	100	100	100	100
Interest receivable from loan	0	0	(4)	(18)	(22)	(22)
Actuarial Strain Repayment	0	(58)	(58)	(58)	(58)	(58)
Birmingham Road additional spend	0	65	0	0	0	0
Birmingham Road funding from earmarked reserve	0	(62)	0	0	0	0
Birmingham Road funding from existing resource	0	(3)	0	0	0	0
Updated Funding Gap / (general reserves)	0	(8)	612	729	775	1,099

	Cabinet Report	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Original Funding Gap		£842	£917	£1,012	£1,339
Pension Triennial Valuation - upfront payment with confirmed savings	12/03/2019	4	(72)	(114)	(114)
Outturn 2018/19 Members Allowances	13/06/2019	(10)	(10)	(10)	(10)
Jigsaw Funding Agreement	09/07/2019	(10)	(10)	(10)	(10)
Higher Insurance Premiums due to property values increase	10/09/2019	34	34	34	34
Lower Business Rate payments for Council Property	10/09/2019	(37)	(37)	(37)	(37)
National Living Wage - actual scale points lower than projected	10/09/2019	(55)	(55)	(55)	(55)
Additional Pensions updated projections	10/09/2019	(8)	(9)	(12)	(15)
Arts Development Residue Savings	10/09/2019	(3)	(3)	(3)	(3)
Treasury Management - Increased Interest	10/09/2019	(50)	(50)	(50)	(50)
<u>Recommended Changes to Council 15/10/2019</u>					
Additional Economic Growth Posts	10/09/2019	100	100	100	100
Interest Receivable - Loan to the LA Company of £675,000	10/09/2019	(4)	(18)	(22)	(22)
Actuarial Strain Repayment - Invest to Save Project	10/09/2019	(58)	(58)	(58)	(58)
<u>Projected Changes Reported in Money Matters 2019/20 3 months</u>					
Higher Collection Fund Council Tax Surplus than Budget	10/09/2019	(133)			
Collection Fund Business Rates Surplus	10/09/2019	(197)			
Collection Fund Business Rates Surplus (Earmarked Reserve)	10/09/2019	197			
Projected Funding Gap		£612	£729	£775	£1,099

³ Reflects funding gap proposals

Approved Capital Programme (excluding Friary Grange implications)

Project	Updated Capital Programme (R=>£500k, A= £250k to £500k and G = <£250k)							
	Actual £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000	Corporate £000
Burntwood Leisure Centre CHP Unit	0	235	0	0	0	0	235	0
Leisure Review: Capital Investment	25	30	0	0	0	0	30	0
Play Equipment at Hill Ridware Village Hall	30	30	0	0	0	0	30	0
New Build Parish Office/Community Hub	0	92	0	0	0	0	92	0
Fradley Village Heating & CCTV	0	5	0	0	0	0	5	0
Fradley Youth & Community Centre Cladding etc	10	15	0	0	0	0	15	0
Armitage with Handsacre Village Hall heating	5	5	0	0	0	0	5	0
Armitage with Handsacre Village Hall storage	0	6	0	0	0	0	6	0
Armitage War Memorial and surrounding area	0	120	0	0	0	0	120	0
Canopy and artificial grass at Armitage	5	13	0	0	0	0	13	0
Westgate Practice Refurbishment (CIL)	0	120	0	0	0	0	120	0
King Edwards VI School (CIL)	0	101	0	0	0	0	101	0
Accessible Homes (Disabled Facilities Grants)	660	1,266	1,398	950	950	0	4,564	352
Home Repair Assistance Grants	0	28	15	15	15	0	73	0
Decent Homes Standard	0	197	0	0	0	0	197	0
Energy Insulation Programme	0	38	10	10	10	0	68	0
DCLG Monies	0	212	0	0	0	0	212	0
Unallocated S106 Affordable Housing Monies	0	128	272	0	0	0	400	0
Healthy & Safe Communities Total	735	2,641	1,695	975	975	0	6,286	352
Darnford Park (S106)	0	0	13	0	0	0	13	0
Canal Towpath Improvements	0	211	0	0	0	0	211	0
Loan to Council Dev Co.	0	900	0	0	0	0	900	116
Lichfield St Johns Community Link (CIL)	0	10	25	0	0	0	35	0
Staffordshire Countryside Explorer (CIL)	0	0	44	0	0	0	44	0
Vehicle Replacement Programme	0	140	25	0	3,080	0	3,245	0
Vehicle Replacement Programme	0	286	134	307	20	0	747	210
Shortbutts Park, Lichfield	0	23	0	0	0	0	23	20
Env. Improvements - St John St & Birm. Road	0	7	0	0	0	0	7	0
Stowe Pool Improvements	0	1,000	0	0	0	0	1,000	5
The Leomansley Area Improvement Project	0	3	0	0	0	0	3	0
Cannock Chase SAC	39	40	22	25	0	0	87	0
Clean, Green and Welcoming Places to Live Total	39	2,620	263	332	3,100	0	6,315	351
Multi Storey Car Park Refurbishment Project	0	300	0	0	0	0	300	0
Birmingham Road Site - Coach Park	0	236	0	0	0	0	236	236
Birmingham Road Site - Short Term Redevelopment	0	353	0	0	0	0	353	0
Car Parks Variable Message Signing	0	32	0	0	0	0	32	0
Old Mining College - Refurbish access and signs	0	13	0	0	0	0	13	0
Erasmus Darwin Legacy (Lichfield City Art Fund)	3	3	0	0	0	0	3	3
St. Chads Sculpture (Lichfield City Art Fund)	45	50	0	0	0	0	50	50
A Vibrant and Prosperous Economy Total	48	987	0	0	0	0	987	289
Property Investment Strategy	0	6,000	13,000	13,000	13,000	0	45,000	0
Depot Sinking Fund	0	0	11	0	0	0	11	11
IT Infrastructure	0	105	55	35	15	0	210	210
IT Cloud	0	25	100	0	0	0	125	125
IT Innovation	5	200	110	50	50	0	410	305
District Council House Repair Programme	0	111	53	74	110	0	348	310
A Council that is Fit For the Future Total	5	6,441	13,329	13,159	13,175	0	46,104	961
Approved Budget	827	12,689	15,287	14,466	17,250	0	59,692	1,953

APPENDIX B

Project	Updated Capital Programme (R=>£500k, A= £250k to £500k and G = <£250k)							
	Actual £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000	Corporate £000
<u>Recommend Changes to Council 15/10/2019</u>								
Accessible Homes (Disabled Facilities Grants)		234					234	
Unallocated S106 Affordable Housing Monies		214					214	
Stowe Pool Improvements		(950)					(950)	
Birmingham Road Site - Short Term Redevelopment		120					120	
Loan to Council Dev Co.		(225)					(225)	
Equity in Council Dev Co.		225					225	
Updated Capital Programme	827	12,307	15,287	14,466	17,250	0	59,310	1,953

Funding Source	Updated Capital Programme						
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000	
Usable Capital Receipts	728	593	413	219	0	1,953	
Corporate Council Sources	728	593	413	219	0	1,953	
External Grants and Contributions	1,975	1,159	931	931	0	4,996	
Section 106	982	307	25	0	0	1,314	
CIL	231	69	0	0	0	300	
Earmarked Reserves	1,986	134	97	20	0	2,237	
Sinking Fund	235	0	0	0	0	235	
Finance Leases	140	25	0	3,080	0	3,245	
Total	6,277	2,287	1,466	4,250	0	14,280	
In Year FUNDING GAP (Borrowing Need)	6,030	13,000	13,000	13,000	0	45,030	
Grand Total	12,307	15,287	14,466	17,250	0	59,310	

Capital Receipts	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Opening Balance	(2,004)	(2,663)	(2,079)	(1,675)	(1,465)	(2,004)
Guardian House Covenant	(329)					(329)
Sale of Beacon Cottage	(365)					(365)
Sale of land at Netherstowe and Leyfields	(527)					(527)
Right to Buy Receipts	(157)					(157)
Other Receipts	(9)	(9)	(9)	(9)	(9)	(45)
Utilised in Year	728	593	413	219	0	1,953
Closing Balance	(2,663)	(2,079)	(1,675)	(1,465)	(1,474)	(1,474)

Capital Budget Setting Process

Capital expenditure relates to money spent on the acquisition or creation of assets, or money that is used to enhance, add to the life, or add value to, an existing asset (such as investment in; land, property, vehicles, hardware or software) or where expenditure is defined as capital by statute (such as Disabled Facilities Grants).

The capital budget is currently planned over a rolling five-year period and is reviewed annually as part of the budget setting process, as set out in our financial procedure rules, and considers not only the capital expenditure required but also any revenue implications that may exist.

Capital expenditure is normally for higher value activity (the Council has a minimum threshold of £10,000) that is needed for planned investment or opportunistic projects. When viewed across the organisation, these capital projects are collectively known as the capital programme, and delivery is monitored regularly along with expenditure.

Given the nature of the work it is expected that there will be appropriate governance (including compliance with the key decision limit) and project management methodology used to deliver capital investment schemes.

This process has been designed to ensure consistency, objectivity, equity and transparency to the prioritisation and allocation of capital funding, while ensuring we get maximum value for money from all resources.

Please note: this funding could form part funding for bigger projects or accompany reserves bids.

Sources of Capital Funding

Capital funding can be obtained from a variety of sources, which include:

- Capital receipts (e.g. from the sale of land or property)
- External opportunities (e.g. grants and s106)
- Revenue budgets (e.g. using earmarked reserves to fund capital activity)
- Borrowing (e.g. loans from banks or Public Works Loans Board (PWLBB))

The capital budget will often include a range of sources, which will normally be determined by the opportunities available as well as the project being undertaken.

Section 106 and Community Infrastructure Levy (CIL) Funding

Through the planning process, money is often received from new developments to support infrastructure works (including; roads etc. as well as social and community facilities). This is normally spent in line with the Infrastructure Delivery Plan (IDP) but there remains an element of discretion on how they are allocated.

As this is a significant source of funding, it is inevitable that the capital programme will include a number of projects that are to be funded in this way. However, it should be noted that such projects will often have a significant level of interest from the community.

Requesting Capital Funds

Given the nature of the funding, and the existence of investment plans (such as asset management or replacement plans), requirements for capital expenditure should be known and requested well in advance.

The availability of capital funds is limited and so the standard process involves allocation through an annual bidding process.

All bids should be submitted using the Capital Budget Bid Form. The bid will need to provide an overview of the proposals that require funding along with a clear business case for the investment, which should also include a financial profile (including cashable and non-cashable considerations) that outlines the capital and revenue implications for up to a five-year period.

Bids for capital expenditure are received and assessed using specific criteria aimed at delivering our strategic ambitions and meeting legislative requirements. This assessment will permit the bids to be prioritised and funding to be appropriately allocated.

Where projects are assessed as low priority, or where there is insufficient funding to resource all bids, then those deemed to be of lower priority will not be supported.

Assessing Capital Bids

All bids for capital expenditure should be initially assessed, and scored, by the service applying for the funding. Once submitted, this will be reviewed by the finance service to ensure compliance and accuracy. The assessment will be required to use the following criteria:

- Priorities - contribution to strategic priorities
- Compliance - achievement of statutory or regulatory requirements
- Investment – maintenance or enhancement of assets
- Opportunity - availability of external funding
- Saving - reduction in total costs
- Income – to create or protect income streams

The criteria demonstrates the commitment to new projects while recognising the importance of ongoing investment in our existing assets to ensure the overall costs are decreased and their useful life is extended.

Once checked by the finance service, the bids will then be prioritised based on the assessment results. The outcome will be reported to Leadership Team who will discuss the bids, review prioritisation and recommend changes before confirming the allocation of funding.

Monitoring Bids

When all capital bids are reviewed and agreed, they will be collated in to a capital programme. This will be monitored through the normal budget monitoring processes (such as in Money Matters reports to Cabinet and Strategic Overview and Scrutiny Committee).

A review will be expected at the end of the work or project to consider the impact and outcomes from the use of the funding. This must be done within 6-months of the work or project ending. These reviews will be submitted to Leadership Team, as part of the capital budget monitoring and reporting processes, and used to help assess the return on investment of the funding provided.

Guide to Reserves Funding and Bids

The council holds a variety of revenue budgets, mainly allocated to service delivery, however reserves are also held either for specific reasons (earmarked reserves), for investment purposes, or to act as a buffer to mitigate financial risk (general reserves).

The council is expected to undertake prudent financial management and therefore will maintain an adequate 'working balance' or Minimum Level of 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.

For a variety of reasons, the level of reserves may be higher than the Minimum Level. This could be due to service under-spending, unexpected income or variations in the assumptions made in financial planning.

Where this is then case, there is an opportunity to use these reserves to act as opportunistic funding, for example; to undertake projects that lead to savings, income, efficiencies or reduce risk. Where these are identified, officers can bid for such funding using the outlined process.

This process has been designed to ensure consistency, objectivity, equity and transparency to the prioritisation and allocation of capital funding, while ensuring we get maximum value for money from all resources.

Please note: this funding could form part funding for bigger projects or accompany capital bids.

Requesting Funding

Given the nature of the funding it is anticipated that the need for funding may be reactive to newly identified opportunities or issues, as well as responsive to customer feedback or new and emerging technology.

The availability of reserve funds is limited and so the standard process involves allocation through an annual bidding process. All bids should be submitted using the Funding Bid Form and should provide an overview of the proposals that require funding along with a clear business case for the investment, which should also include a financial profile (including cashable and non-cashable considerations) that outlines the capital and revenue implications for up to a five-year period.

Bids are received and assessed using specific criteria aimed at delivering our strategic ambitions and meeting legislative requirements. This assessment will permit the bids to be prioritised and funding to be appropriately allocated.

Where projects are assessed as low priority, or where there is insufficient funding to resource all bids, then they will not generally be allocated funding.

Assessing Bids

All bids for capital expenditure should be initially assessed, and scored, by the service applying for the funding. Once submitted, this will be reviewed by the finance service to ensure compliance and accuracy. The assessment will be required to use the following criteria:

- Priorities - contribution to strategic priorities
- Compliance - achievement of statutory or regulatory requirements

- Investment – maintenance or enhancement of assets
- Opportunity - availability of external funding
- Saving - reduction in total costs
- Income – to create or protect income streams

The criteria demonstrates the commitment to new projects while recognising the importance of ongoing investment in existing services to improve or decrease costs.

Once checked by the finance service, the bids will then be prioritised based on the assessment results. The outcome of this will be reported to Leadership Team who will discuss the bids, review prioritisation and recommend changes before confirming the allocation of funding.

Monitoring Bids

All bids will be collated in to a programme of activity, which will be monitored as part of the normal budget monitoring and reporting processes (such as in Money Matters reports to Cabinet and Strategic Overview and Scrutiny Committee).

A review will be expected at the end of the work or project to consider the impact and outcomes from the use of the funding. This must be done within 6-months of the work or project ending. These reviews will be submitted to Leadership Team, as part of the normal budget monitoring and reporting processes, and used to help assess the return on investment of the funding provided.

Guide to Post-Project Reviews

Post-project, or post-implementation, reviews are there to ensure that we take an opportunity to reflect on how well a project delivered the anticipated outcomes, as well as taking time to learn lessons from the work that was done to help inform and improve future projects or activity.

To measure success it is important for the review to reflect on a number of different aspects including the financial and non-financial outcomes and benefits. In projects terms, this is about the realisation (delivery) of the benefits (outcomes) that were anticipated at the start of the project. To do this, fundamental questions need to be answered;

1. Did the project solve their problem it was designed to address?
2. Can we take things further and deliver even bigger benefits?
3. What lessons are there to learn from the project to help future projects be more successful?

The review process

The views from those involved within the project, as well as those who experience the outcomes (such as customers), should be pulled together in a focused and structured way. This is often done through a post-project or lessons-learned event, or alternatively through the electronic response to structure questions.

The views need to be provided in an open and transparent way, with everyone being honest about what worked and what didn't.

Constructive criticism as well as objective praise should be welcome. Things should be well documented to capture both the statements as well as any sentiments that sit behind the observations.

It is also important to attempt to demonstrate the view presented with objective information, and analysis, including any key performance indicators or measurable outcomes. This can help emphasis areas of success or potential areas of improvement.

When to undertake a review

Once collated, these views can be used to create the post-project review.

The best time to undertake the review is soon after the project has been delivered as it will still be fresh in the minds of those involved, and can consider all those issues or problems that may still be being overcome.

This means it is normal for the review to be done a few weeks to a few months after the project has been completed.

What to include within a review

A review should provide information that allows the review to demonstrate;

- Was the project delivered as planned? (i.e. within time and budget tolerances)
- Were the project goals achieved? (i.e. as outlined in the project scope or brief)
- What gaps exist? (i.e. how closely the project results match the original objectives)
- How satisfied are customers and stakeholders? (i.e. how well it met people's needs)
- What were the project costs?
- What are the opportunities for further development or improvement?
- What lessons can be learned from the project? (i.e. governance and outcomes)
- What are the recommendations from the review?