

Medium Term Financial Strategy (Revenue and Capital) 2019-2024 (MTFS)

Report of the Cabinet Member for Finance and Procurement

Date: 28 January 2020

Agenda Item:

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Key Decision? YES

Local Ward Full Council

Members

Strategic
(Overview and
Scrutiny)
Committee

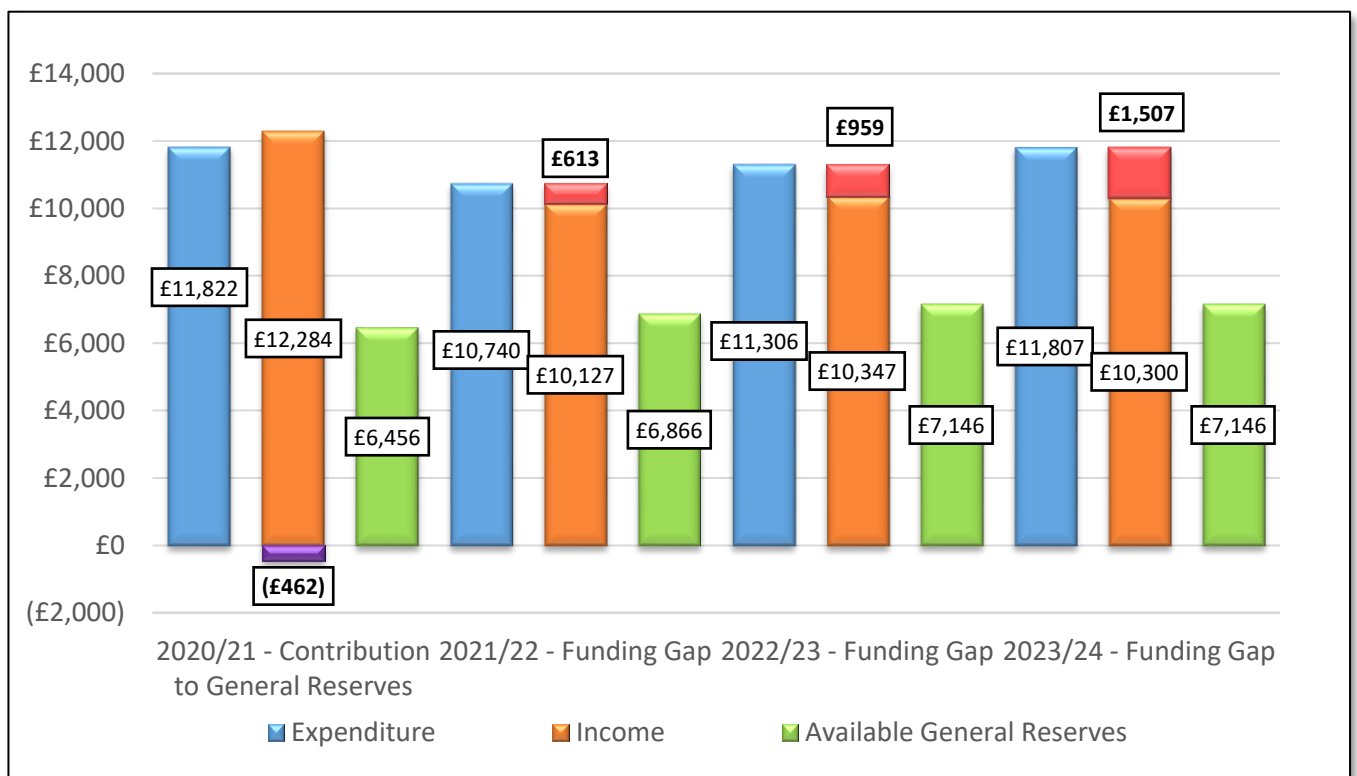
1. Executive Summary

The Medium Term Financial Strategy (MTFS)

- 1.1 The ability to deliver the outcomes set out in the **Strategic Plan** is dependent on the resources available in the MTFS. The MTFS is presented using the Strategic Priorities identified in the new draft Strategic Plan.
- 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 Revenue Budget (in £000) with a transfer to general reserves in 2020/21 and Funding Gaps (shown in red in the graph below) in later years is shown in detail at **APPENDIX A** and in summary below:



- 1.5 A Briefing Note related to financial performance in 2019/20 has been circulated to Members of the Committee and this shows a projected contribution to General Reserves of **£1,113,560** compared to the Approved Budget of **£148,860 to** General Reserves. The increase is due mainly to items such as Business Rate Grants and earmarked reserves being returned to general reserves under the approved policy.
- 1.6 The Council is legally required to balance the budget in the first year (2020/21) of the MTFs and to set out its proposals to balance the further financial years.
- 1.7 The MTFs proposes a transfer to General Reserves of **£462,000** plus **£1,171,000** of New Homes Bonus in excess of the 'cap' for 2020/21 and in later years a projected Funding Gap has been identified. The Council would have **£6,456,000** of general reserves available (after taking account of the Minimum Level of Reserves) after this contribution to assist with balancing the budget in future years, if needed.
- 1.8 The Council will need to make savings or achieve additional income to close the Funding Gap by 2023/24.
- The Capital Strategy and the Capital Programme**
- 1.9 The Capital Strategy and the Capital Programme are outlined in **APPENDICES B & C**.
- The CFO's Report on the Robustness of the Budget and the Adequacy of Reserves**
- 1.10 In accordance with the Local Government Act 2003 (Sections 25-27) and to comply with CIPFA Guidance on Local Authority Reserves and Balances, the CFO is required to formally report to Members on the robustness of the Budget and the adequacy of Reserves (**APPENDIX D**).

2. Recommendations

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

- 2.1 The 2020/21 Revenue Budget, including the Amount to be met from Government Grants and Local Taxpayers of **£12,284,000** and a proposed level of Council Tax (the District Council element) for 2020/21 of **£180.07** (an increase of **£5.00** or **2.86%**) for a Band D equivalent property.
- 2.2 The MTFs 2019-24 Revenue Budgets set out in **APPENDIX A**.
- 2.3 The MTFs 2019-24 Capital Strategy and Capital Programme (**APPENDICES B & C**).
- 2.4 The requirements and duties that the Local Government Act 2003 places on the Authority on how it sets and monitors its Budgets, including the CFO's report on the robustness of the Budget and adequacy of Reserves shown in **APPENDIX D**.
- 2.5 The 25 year financial planning model shown at **APPENDIX E**.

3. Background

MTFS Budget Principles and Assumptions

- 3.1. To assist in preparing the Medium Term Financial Strategy, in common with a number of Councils, a set of principles were established to guide the preparation and management of the MTFs.
- 3.2. Council, on 15 October 2019, approved the budget principles identified below:
- Council will consider the medium term outlook when setting the level of Council Tax to ensure that a sustainable budget position is maintained;
 - Council will prioritise funding for statutory and regulatory responsibilities to ensure these are delivered in a way that meets our legal requirements and customer needs;
 - Council will continue to seek continuous improvement to enable further savings, efficiencies and income gains and provide budgets that are appropriate to service needs;

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

3.3. Council also approved the following budget assumptions:

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 excluding transfers)	£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%

The Provisional Local Government Finance Settlement for 2020/21

3.4. The elements of the Provisional Finance Settlement for 2020/21 received on **20 December 2019**, relevant to this Council, have been confirmed subject to the final settlement and are included in the MTFS:

- **Council Tax** – As previously announced at Spending Round 2019, the council tax referendum limit will be 2% for local authorities. The provisional settlement confirmed districts will be allowed to apply the higher of the referendum limit or £5.
- **New Homes Bonus** - The 2020/21 allocations will be paid with the legacy payments due from previous years (2017/18 to 2019/20). As previously announced, there will be no legacy payments for the 2020/21 in year allocations. The deadweight of 0.4% was maintained, with an additional £7m added from departmental resources (total funding of £907m). In addition, the New Homes Bonus regime will be reviewed, "It is not clear that the New Homes Bonus in its current form is focussed on incentivising homes where they are needed most. The government will consult on the future of the housing incentive in the spring. This will include moving to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes we need, and which is aligned with other measures around planning performance."
- **Negative RSG** – The government has decided to eliminate the negative RSG in 2020/21.
- **Business Rates Pilots** – No new business rates pilots were announced for 2020/21, with all areas (aside) from the original 2017/18 pilot areas reverting back to the 50% scheme.

3.5. The Provisional Settlement is in line with the assumptions used in the Draft MTFS presented to this Committee on 21 November 2019. The clarification of the majority of key income streams for **2020/21** mean that the level of uncertainty or risk allocated to 2020/21 has been reduced from **Medium** to **Low**.

3.6. However the financial benefits only impact on 2020/21 with the majority of key income streams (Business Rates, Fair Funding and New Homes Bonus) being reviewed from 2021/22. Therefore the level of uncertainty or risk from **2021/22** remains as **High**.

The Revenue Budget

Inflation

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

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Inflation Changes	0	(3)	(2)	0	3

Budget Variations and Funding

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

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<u>General Pressures</u>					
Money Matters 8 Months 2019/20	(340)				
Other General Budget Variations		11	4	64	86
Local Plan & Related Reviews				90	90
<u>Establishment Changes</u>					
Assistant Chief Executive Post		77	85	87	89
Environmental Protection Officer		24	25	25	26
Facilities Management		55	56	57	58
Property Service		108	111	114	116
Funding from Existing Budgets		(264)	(277)	(283)	(289)
Finance and Procurement Restructure		(18)	(19)	(19)	(19)
<u>Joint Waste Service (LDC Share) Pressures</u>					
Costs of Employment		136	138	141	144
Recycling Contract ends 2022				361	380
Costs of a new round due to growth				99	99
Property Growth in the Base Budget			(72)	(88)	(88)
Ongoing Budget Variations	(340)	129	51	648	692
New Homes Bonus to reserves (see below)		716	(316)	(706)	(796)
Business Rates Collection fund surplus		(75)			
Climate Change Initiatives		100			
Less : Dry Recycling Contract Reserve				(162)	
Other Budget Variations	0	741	(316)	(868)	(796)
Total Budget Variations	(340)	870	(265)	(220)	(104)

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

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
New Homes Bonus change (see above)		(716)	316	706	796
Council Tax – additional property growth		(109)	(131)	(191)	(276)
Retained Business Rates – no reset in 20/21		(830)			(78)
Negative RSG - eliminate for 2020/21		(463)			
Grant - Business Rates Cap	(18)	(86)			
Grant - Levy Account Surplus	(36)	(49)			
Grant - Family Annexe	(13)				
Grant - Returned New Homes Bonus			(51)	(74)	
Collection Fund - Council Tax	35	(40)			
Collection Fund - Business Rates		75			
Funding Changes	(32)	(2,218)	134	441	442

3.10. There have been changes to budget variations (excluding revenue contributions to the Capital Programme now shown in para 3.16 below) and funding compared to those provided to the Committee on 21 November 2019 and these are detailed below:

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Budget Variations	258	1,117	7	57	177
Funding Changes	(19)	(2,258)	134	441	442
Sub Total - Strategic OS 21/11/2019	239	(1,141)	141	498	619
Modelled Budget Variations	(340)	870	(265)	(220)	(104)
Modelled Funding Changes	(32)	(2,218)	134	441	442
Sub Total – Modelled Revenue Budget	(372)	(1,348)	(131)	221	338
Change	(611)	(207)	(272)	(277)	(281)
<u>Budget Variations Removed</u>					
Housing Options Service		(86)	(80)	(81)	(81)
<u>Budget Variations from Existing Budgets</u>					
Facilities Management	(54)	(55)	(56)	(57)	(58)
Property Service	(106)	(108)	(111)	(114)	(116)
Environmental Protection Officer	0	(24)	(25)	(25)	(26)
Finance and Procurement Restructure	(62)				
Cabinet Away Day Pressures	(36)				
<u>New Budget Variations</u>					
Money Matters 8 Months 2019/20	(340)				
Assistant Chief Executive Post		77	85	87	89
Funding from Existing Budgets		(77)	(85)	(87)	(89)
Climate Change		100			
<u>Funding Changes</u>					
Other Government Grants	(13)				
Council Tax Collection Fund		(40)			
Returned New Homes Bonus		6			
Total Changes	(611)	(207)	(272)	(277)	(281)

Treasury Management

3.11 The changes to the Treasury Management budgets compared to the approved Medium Term Financial Strategy are shown below:

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Investment Income & Invest to Save		(97)	(97)	(97)	(97)
Treasury Management	0	(97)	(97)	(97)	(97)

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

3.12 A summary of the modelled changes to the Revenue Budget compared to the approved Medium Term Financial Strategy and their impact on the Revenue Budget Funding Gap are shown below:

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Inflation Changes	0	(3)	(2)	0	3
Budget Variations	(340)	870	(265)	(220)	(104)
Funding Changes	(32)	(2,218)	134	441	442
Revenue Implications of Capital Bids	0	229	(30)	(85)	19
Treasury Management	0	(97)	(97)	(97)	(97)
Sub Total Modelled Changes	(372)	(1,219)	(260)	39	263

	2019/20		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
	Original Budget £000	Revised Budget £000				
LEVEL OF UNCERTAINTY / RISK	LOW	LOW	LOW	HIGH	HIGH	HIGH
Approved Funding Gap	(149)	(741)	757	873	920	1,244
Modelled Changes	0	(372)	(1,219)	(260)	39	263
Funding Gap (transfer to General Reserves)	(149)	(1,113)	(462)	613	959	1,507

3.13 The Revenue Budget is shown in detail at **APPENDIX A** and in summary below:

	2019/20		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
	Original Budget £000	Revised Budget £000				
LEVEL OF UNCERTAINTY / RISK	LOW	LOW	LOW	HIGH	HIGH	HIGH
Enabling people	1,528	1,593	1,480	1,463	1,454	1,480
Shaping place	3,259	3,050	3,570	3,625	4,269	4,554
Developing prosperity	(1,079)	(1,105)	(1,234)	(2,039)	(2,811)	(3,451)
A good Council	6,186	5,929	6,301	6,411	6,585	6,865
Corporate Inc. New Homes Bonus Transfers	1,329	1,127	1,705	1,280	1,809	2,359
Revenue Expenditure	11,223	10,594	11,822	10,740	11,306	11,807
Revenue Funding	(11,372)	(11,707)	(12,284)	(10,127)	(10,347)	(10,300)
Funding Gap (transfer to General Reserves)	(149)	(1,113)	(462)	613	959	1,507

The Capital Strategy

3.14. The Capital Strategy is shown at **APPENDIX B** and sets out the Council’s framework for managing the Capital Programme including:

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

3.15. The key risks associated with the Capital Strategy are principally related to Investment in Property and its funding through borrowing. As the Council’s Chief Financial Officer, I have assessed the current overall risk as **material (yellow)**.

The Capital Programme

3.16 In addition to the Capital Bids provided previously to the Committee, there has been a further three capital bids received where funding can be provided by existing budgets or external funding:

- **Joint Waste Service Bin Purchase** – the service is currently spending **£150,000** per annum on bin purchases with this Council’s share funded from revenue and Tamworth BC making a contribution to fund their share. In previous financial years an end of year adjustment has been made to reflect these assets in the Balance Sheet. However given these are ongoing purchases of assets, the budgets are now being incorporated within the Capital Programme. It should be noted this is a presentational change for accounting purposes and there is no other impact on the MTFS.
- **Energy Insulation Programme** – **£10,000** in 2023/24 funded by Decent Homes Grant.
- **Home Repair Assistance Grants** – **£15,000** in 2023/24 funded by Decent Homes Grant.

3.17 The financial implications of these three additional bids are shown in the table below:

	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
<u>Bids - Existing Revenue or External Funding</u>					
Joint Waste Service Bin Purchase (score 84)	150	150	150	150	150
Energy Insulation Programme (score 68)		(10)			10
Home Repair Assistance Grants (score 60)		(15)			15
Total Changes	150	125	150	150	175

3.18 In total capital investment included in the capital bids and planned funding is summarised below:

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<u>Bids submitted 21/11/2019</u>					
Vehicle Replacement Programme (score 80)			(210)		132
Property Planned Maintenance (score 72)	104	125	150	180	215
Disabled Facilities Grants (score 68)					44
New Financial Information System (score 65)		250			
ICT Hardware (score 59)		202	161	160	174
Coach Park - Acquisition (score 55)	50				
Coach Park - Works (score 55)	575	625			
<u>Bids - Existing Revenue or External Funding</u>					
Joint Waste Service Bin Purchase (score 84)	150	150	150	150	150
Energy Insulation Programme (score 68)		(10)			10
Home Repair Assistance Grants (score 60)		(15)			15
Total Bids	879	1,327	251	490	740

Usable Capital Receipts	(161)	(520)	(101)	(340)	(352)
Revenue Budget		(182)			(213)
Existing Revenue Budgets	(150)	(150)	(150)	(150)	(150)
External Funding – coach park works		(475)			(25)
Business Rates Pilot – coach park works	(568)				
Total Funding	(879)	(1,327)	(251)	(490)	(740)
Shortfall in Funding & Borrowing Need	0	0	0	0	0

Capital Bids Strategic OS 21/11/2019	729	1,202	101	340	565
Changes	150	125	150	150	175

3.19 The Capital Bids submitted and changes to the funding of the Capital Programme have revenue implications and these are shown below:

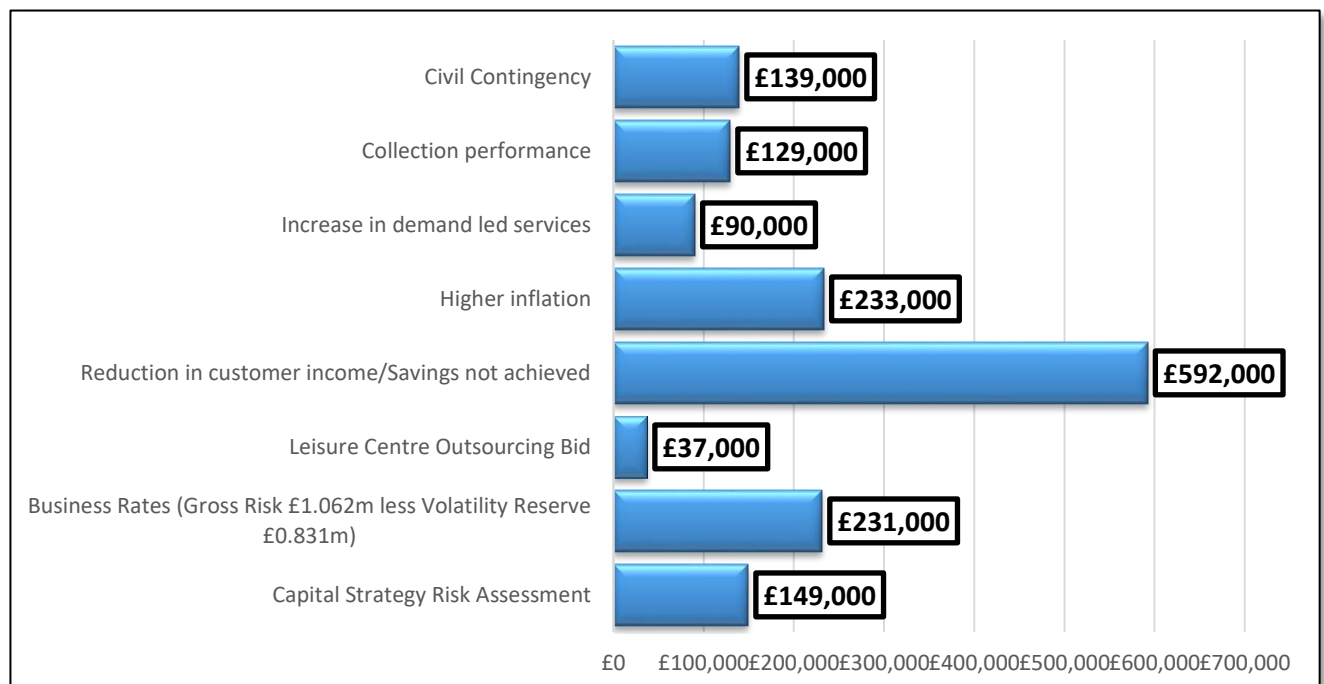
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Coach Park Operating Costs		50	50	50	50
IT Hardware		9	9	4	(38)
Oracle Cloud Solution Option		19	9	25	25
Capital Bids Revenue Implications	0	78	68	79	37
Revenue Budget		182			213
Investment in Property - Internal Borrowing		(31)	(98)	(164)	(231)
Revenue Implications of the Capital Programme	0	229	(30)	(85)	19

3.20 The Capital Programme is summarised below and is shown in detail at **APPENDIX C**:

	2019/20		2020/21	2021/22	2022/23	2023/24
	Original Budget £000	Revised Budget £000				
LEVEL OF UNCERTAINTY / RISK	LOW	LOW	LOW	HIGH	HIGH	HIGH
Enabling people	2,376	2,324	3,424	1,164	3,324	3,235
Shaping place	2,158	809	1,045	502	3,482	427
Developing prosperity	673	1,732	625	0	0	0
A good Council	6,411	10,794	12,657	11,970	12,015	389
Capital Expenditure	11,618	15,659	17,751	13,636	18,821	4,051
Capital Funding	(5,618)	(5,091)	(6,087)	(1,947)	(4,972)	(1,791)
Borrowing Need	6,000	10,568	11,664	11,689	13,849	2,260
Usable Capital Receipts	(1,618)	(2,259)	(1,394)	(890)	(341)	0

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

- 3.21 The Chartered Institute of Finance and Accountancy (CIPFA) provided the first release of its Financial Resilience Index on 16 December 2019 (Lichfield DC's information compared to all District Councils and Nearest Neighbours is shown at **APPENDIX D**). The index shows this Council's position on a range of measures associated with financial risk. The selection of indicators has been informed by the extensive financial resilience work undertaken by CIPFA over the past four years, public consultation and technical stakeholder engagement.
- 3.22 My conclusion is that on the range of measures selected by CIPFA, we compare favourably with the majority at the lower end of the risk spectrum. However I must emphasise the Resilience Index is currently based on backward looking measures rather than the future financial challenges identified in forward looking Medium Term Financial Strategies.
- 3.23 It is therefore 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.
- 3.24 The main elements of the risk assessment are shown in detail at **APPENDIX D** and below:



- 3.25 The Chief Finance Officer (CFO) has been involved throughout the entire budget process, including revising the MTFs, input to the drafting of the budget, the ongoing financial monitoring and reporting process, evaluation of investments and savings, engagement with Members of the Cabinet and Overview and Scrutiny Committees, advising colleagues, the strategic choices activities, challenge and evaluation activities, and scrutiny of the budget.
- 3.26 I am of the opinion that for a Council of this size and with our recent record of prudent spending, effective Risk Management, robust budgeting and effective Budget monitoring and control, a General Minimum Reserve level of **£1,600,000** is adequate.

Projected General Reserves

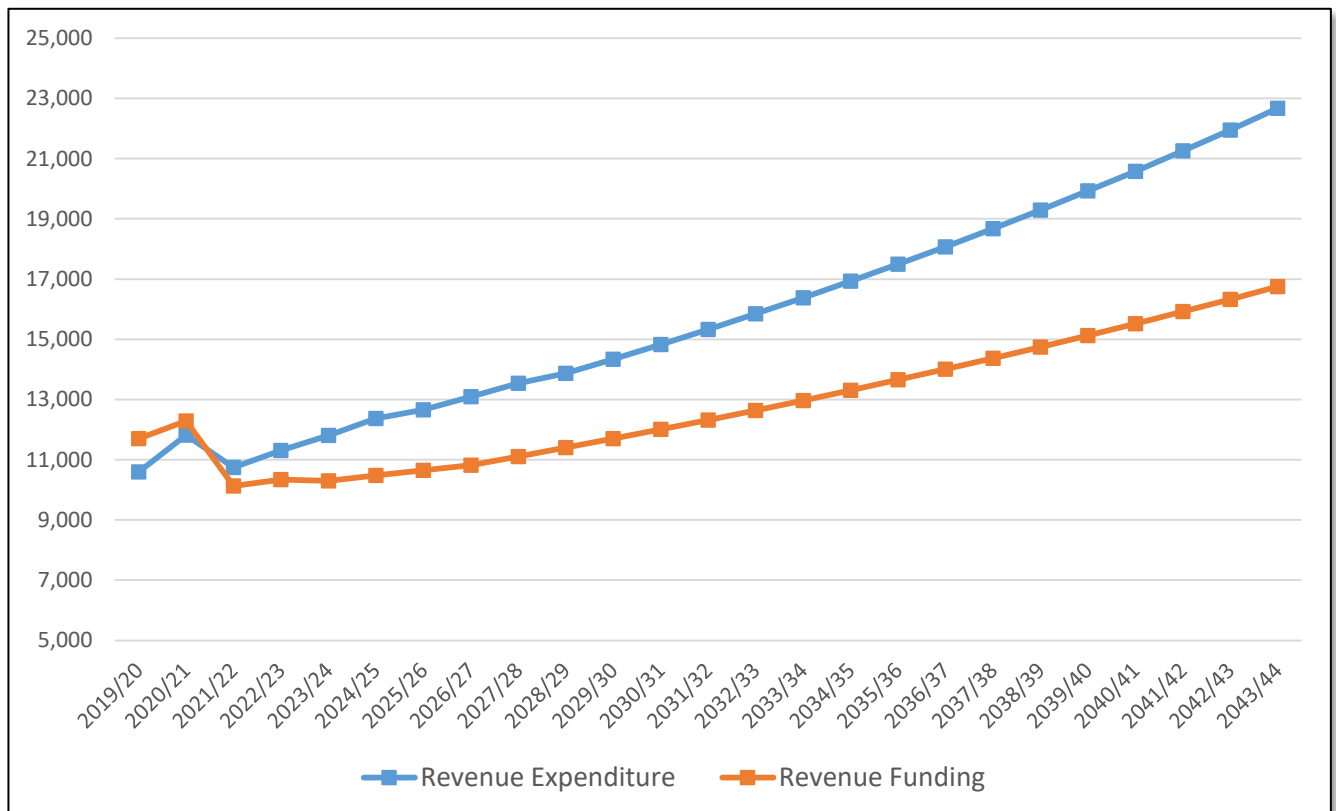
- 3.27 The total projected level of general reserves categorised by the level of reserves available for use (including New Homes Bonus in excess of the “cap”) and the Minimum Level are shown below:

	2019/20		2020/21	2021/22	2022/23	2023/24
	Original Budget £000	Revised Budget £000				
Available General Reserves Year Start	3,710	3,710	4,823	6,456	6,867	7,147
Contributions from Revenue Budget	39	1,003	462	0	0	0
New Homes Bonus in excess of the 'Cap'	110	110	1,171	411	280	0
Available General Reserves Year End	3,859	4,823	6,456	6,867	7,147	7,147
Minimum Level	1,600	1,600	1,600	1,600	1,600	1,600
Total Projected General Reserves	5,459	6,423	8,056	8,467	8,747	8,747

Available General Reserves assuming no Savings/income identified	4,823	6,456	6,253	5,575	4,068
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Longer Term Financial Planning

- 3.28 The updated longer term financial plan is shown in detail at **APPENDIX E** and in the chart below:



3.29 The Council will need to identify initiatives (including Invest to Save projects) to close the projected funding gap from 2021/22 onwards that will be focused around:

- **Transformation and a more commercial approach** – this is designed to manage the change that will be across LDC and its services in order to meet all of the changes following the fundamental review of Local Government Finances. This includes three strands; income, innovation and investment (the latter of which includes the capital strategy). The anticipated outcomes are identified at the scoping stage of each project and benefit realisation assessed post implementation. The investment in property is regularly reviewed and re-profiled as necessary to mitigate risk.
- **Growing the Business Rates and Council Tax base** – the Council will seek to maximise the growth of both of these in order to increase the income from these funding sources. This will enable the Council to become financially self-sufficient over the medium term.

Alternative Options	In the main, the options are focused on the level of resource allocated to Strategic Priorities and the level of Council Tax increase.
Consultation	The Strategic Plan consultation including the Budget Consultation has been rescheduled from its original planned period from 13 November 2019 to 13 December 2019 to a new planned period from 16 December 2019 to Mid-January 2020 due to the election and its purdah implications.
Financial Implications	The financial implications are shown in the background section of the report and the Appendices.
Contribution to the Delivery of the Strategic Plan	The report directly links to overall performance and especially the delivery of the Strategic Plan.
Equality, Diversity and Human Rights Implications	These areas are addressed as part of the specific areas of activity prior to being included in the Strategic Plan.
Crime & Safety Issues	These areas are addressed as part of the specific areas of activity prior to being included in the Strategic Plan.
GDPR/Privacy Impact Assessment	There are no specific implications related to the Medium Term Financial Strategy

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Council Tax is not set by the Statutory Date of 11 March 2020 .	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	Non 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	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.	Yellow - Material

	Risk Description	How We Manage It	Severity of Risk (RYG)
E	The review of the New Homes Bonus regime in 2021/22.	Not all of the projected New Homes Bonus is included as core funding in the Base Budget. In 2021/22 £500,000 is included and this is then being reduced by £100,000 per annum.	Yellow - Material
F	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
G	The affordability and risk associated with the Capital Strategy.	An estates management team has been recruited to provide professional expertise and advice in relation to investment in property and to continue to take a prudent approach to budgeting.	Yellow - Material

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) 2018-23 – Cabinet 12 February 2019
- Allocation of Strategic Community Infrastructure Levy (CIL) Funding – Cabinet 12 March 2019
- Multi Storey Car Park – Cabinet 12 March 2019
- Money Matters: 2018/19 Review of Financial Performance against the Financial Strategy – Cabinet 13 June 2019
- Jigsaw Funding Agreement – Cabinet 9 July 2019
- Money Matters: 2019/20 Review of Financial Performance against the Financial Strategy – Cabinet 10 September 2019
- Birmingham Road Site Enabling Works – Cabinet 10 September 2019
- Friary Grange Leisure Centre – Cabinet 7 October 2019
- Medium Term Financial Strategy 2019-24 – Cabinet 8 October 2019
- St Stephen's School allocation of Section 106 – Cabinet Member Decision 24 October 2019
- Community Lottery – Cabinet 12 November 2019
- Money Matters: 2019/20 Review of Financial Performance against the Financial Strategy – Cabinet 3 December 2019
- Money Matters: Calculation of Business Rates 2020/21, Council Tax Base for 2020/21 and the projected Collection Fund Surplus / Deficit for 2019/20 – Cabinet 3 December 2019
- Money Matters: 2019/20 Review of Financial Performance against the Financial Strategy – Cabinet 11 February 2020
- Capital Bids

Relevant web links

Revenue Budget 2019/20 to 2023/24 (£000)

	2019/20 Original Budget	2019/20 Revised Budget	2020/21	2021/22	2022/23	2023/24
LEVEL OF UNCERTAINTY / RISK	LOW	LOW	LOW	HIGH	HIGH	HIGH
Enabling people	1,528	1,593	1,480	1,463	1,454	1,480
Shaping place	3,259	3,050	3,570	3,625	4,269	4,554
Developing prosperity	(1,079)	(1,105)	(1,234)	(2,039)	(2,811)	(3,451)
A good council	6,186	5,930	6,302	6,410	6,585	6,864
Revenue Implications of Capital Programme	0	0	229	(30)	(85)	19
Corporate Expenditure	1,329	1,127	305	899	1,614	2,340
Total Expenditure	11,223	10,595	10,651	10,329	11,026	11,807
Retained Business Rates Baseline Funding	(2,083)	(2,083)	(2,117)	(1,691)	(1,720)	(1,749)
Retained Business Rates Growth Allowance	(443)	(746)	(903)	(89)	(116)	(123)
Business Rates Cap	(68)	(86)	(85)	0	0	0
Business Rates Pilot	(568)	(568)	0	0	0	0
Levy Account Surplus/ Other Grants	0	(49)	(49)	(51)	(74)	0
New Homes Bonus - Base Budget	(700)	(700)	(600)	(500)	(400)	(300)
New Homes Bonus - to Earmarked Reserve	(468)	(468)	0	0	0	0
New Homes Bonus - to General Reserve	(110)	(110)	(1,171)	(411)	(280)	0
Collection Fund (Surplus)/Deficit	(277)	(242)	(330)	(35)	(35)	(35)
Council Tax	(6,655)	(6,655)	(7,029)	(7,350)	(7,722)	(8,093)
Total Funding	(11,371)	(11,708)	(12,284)	(10,127)	(10,347)	(10,300)
Transfer to general reserves	39	1,004	0	0	0	0
New Homes Bonus to general reserves	110	110	1,171	411	280	0
Funding Gap (transfer to general reserves)	0	0	(462)	613	959	1,507
Council Tax Base	38,011	38,011	39,032	39,717	40,627	41,487
Band D Council Tax (Assumes maximum £5)	175.07	175.07	180.07	185.07	190.07	195.07

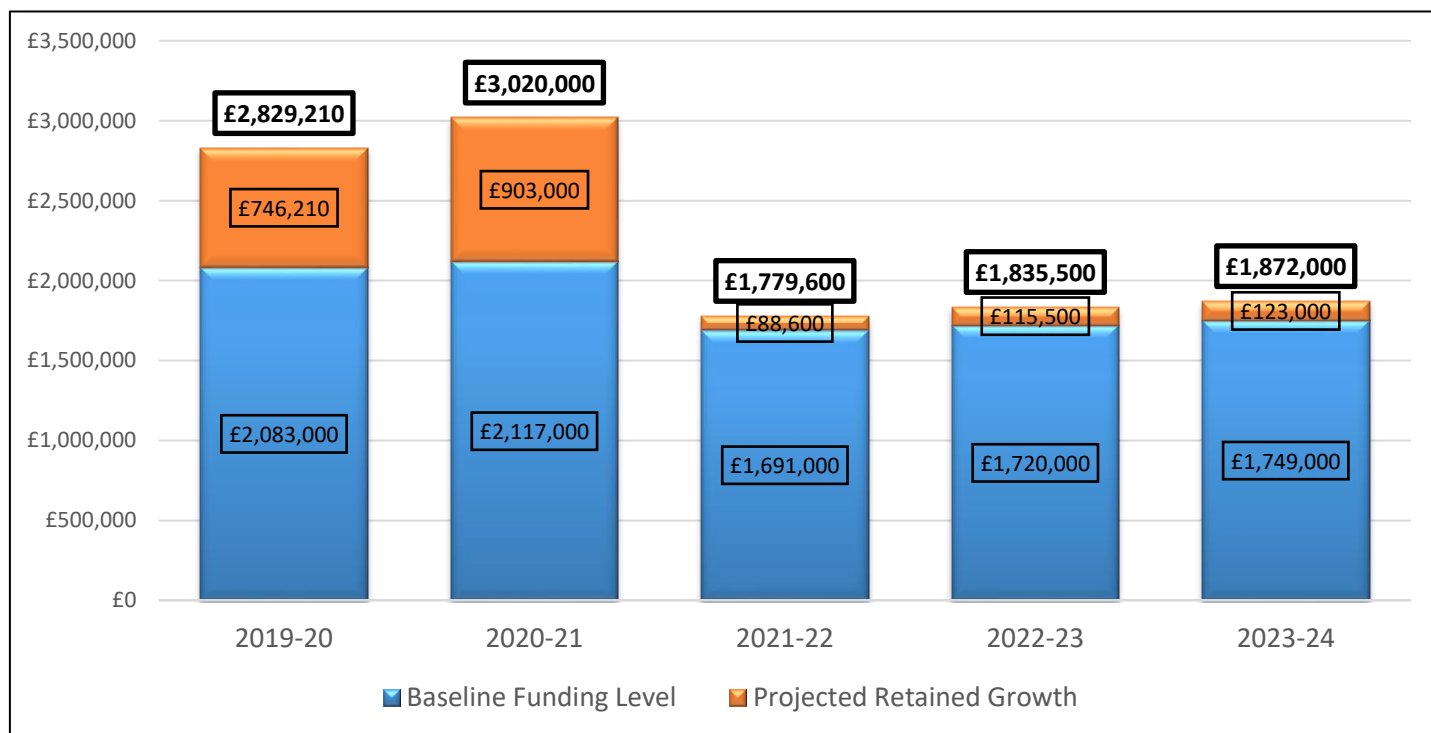
Reconciliation of Original Funding Gap to MTFS Funding Gap

	2019/20	2020/21	2021/22	2022/23	2023/24
ORIGINAL FUNDING GAP/ (Transfer to general reserves)	(£149)	£842	£917	£1,012	£1,339
<u>Budget Monitoring in 2019/20</u>					
2018/19 Money Matters	(10)	(10)	(10)	(10)	(10)
3 Month's Money Matters	(489)	(10)	(10)	(10)	(10)
6 Month's Money Matters	(66)	0	0	0	0
8 Month's Money Matters	(373)	0	0	0	0
Cabinet and Council Reports	(27)	(64)	(23)	(71)	(74)
Approved Funding Gap/ (Transfer to general reserves)	(1,114)	757	874	921	1,244
<u>Modelled Changes</u>					
Inflation		(3)	(2)	(0)	3
Budget Variations – includes changes to NHB transfers		870	(266)	(221)	(105)
Revenue Implications of the Capital Programme		229	(30)	(85)	19
Net Treasury		(97)	(97)	(97)	(97)
Retained Business Rates / Negative RSG		(1,293)	(0)	(1)	(78)
Business Rates Cap		(85)	0	0	0
Council Tax		(109)	(131)	(191)	(276)
New Homes Bonus – income changes offset by transfers to general reserves		(716)	265	632	796
Levy Account Surplus		(49)	0	0	0
Business Rates Collection Fund		75	0	0	0
Council Tax Collection Fund		(40)	0	0	0
MTFS FUNDING GAP / (Transfer to general reserves)	(£1,114)	(£462)	£613	£959	£1,507

Revenue Budget key Revenue Streams

Retained Business Rates

The budgets for Retained Business Rates income, with Business Retention reform and the Fair Funding Review presenting significant risks to the assumptions made from 2021/22, are:



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

	2019-20	2020-21	2021-22	2022-23	2023-24
Approved MTFS (assumed Fair Funding and 75% Business Rates from 2020/21)	£2,829,210	£1,726,700	£1,779,600	£1,835,500	£1,794,490
Draft MTFS (assumes Fair Funding and 75% Business Rates from 2021/22)	£2,829,210	£3,020,000	£1,779,600	£1,835,500	£1,872,000
Change	-	£1,293,300	-	-	£77,510

The Council has access to sector expert's financial models and these can be used to identify alternative scenarios (using various parameters such as the level of need funded by Council Tax income, how Council Tax is split in two tier areas and whether car parking income is included) to the one identified in the graph above following the Fair Funding Review:

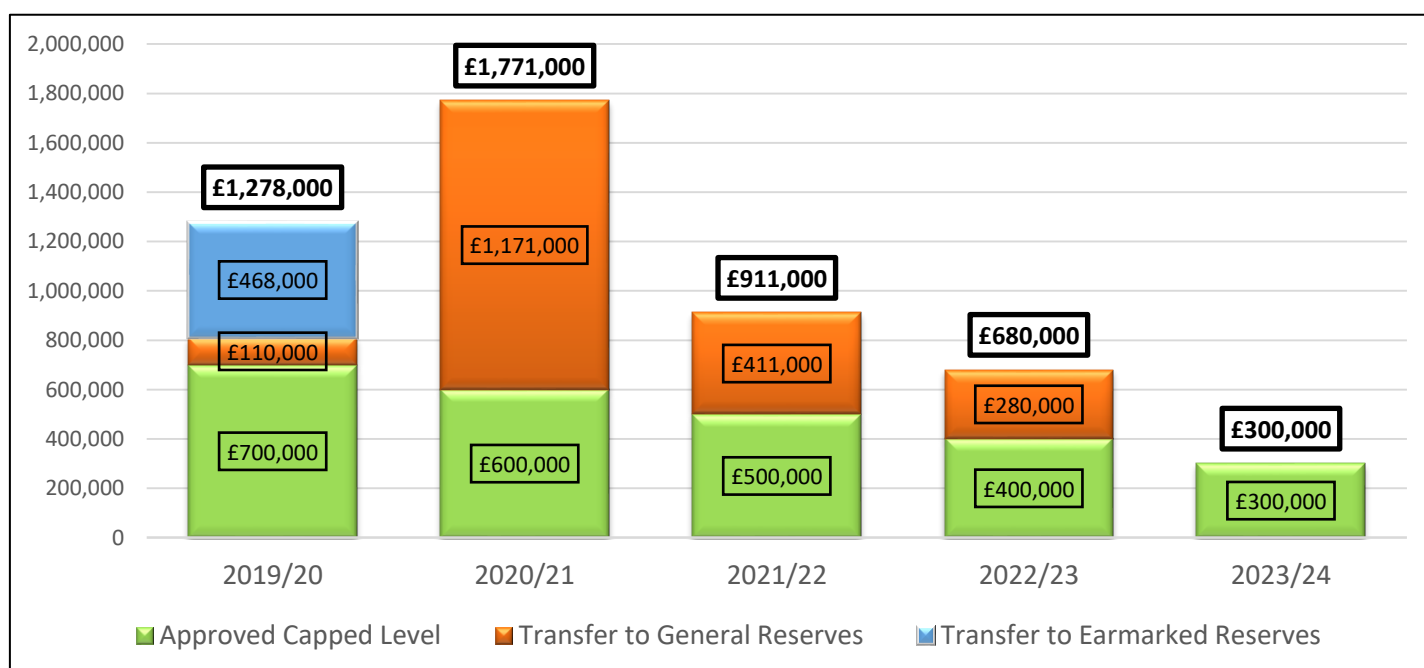
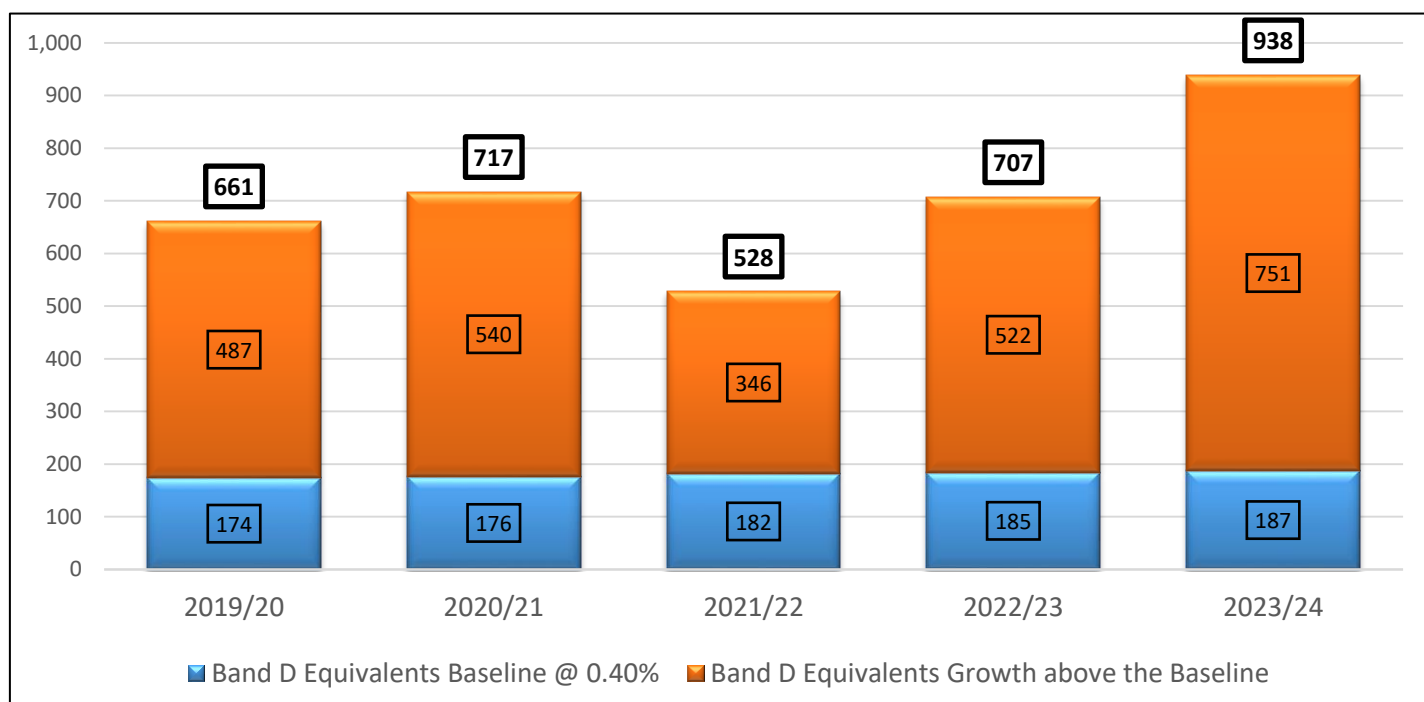
Fair Funding Review Scenarios 2021/22					
Need Funded by Council Tax	Council Tax Tier Split			Car Park Income	
	Upper	Lower	Fire	Excluding	Including
Baseline Funding Level Budget	£1,691,000				

75%	83.9%	12.8%	3.3%	£1,620,000	£1,024,000
100%	83.9%	12.8%	3.3%	£1,247,000	£657,000
75%	83.8%	12.9%	3.3%	£1,576,000	£980,000
100%	83.8%	12.9%	3.3%	£1,189,000	£600,000
75%	83.2%	11.9%	4.8%	£2,014,000	£1,416,000
100%	83.2%	11.9%	4.8%	£1,768,000	£1,176,000

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

New Homes Bonus

The budgets for housing supply and New Homes Bonus, with the review from 2021/22 presenting a material risk, are:



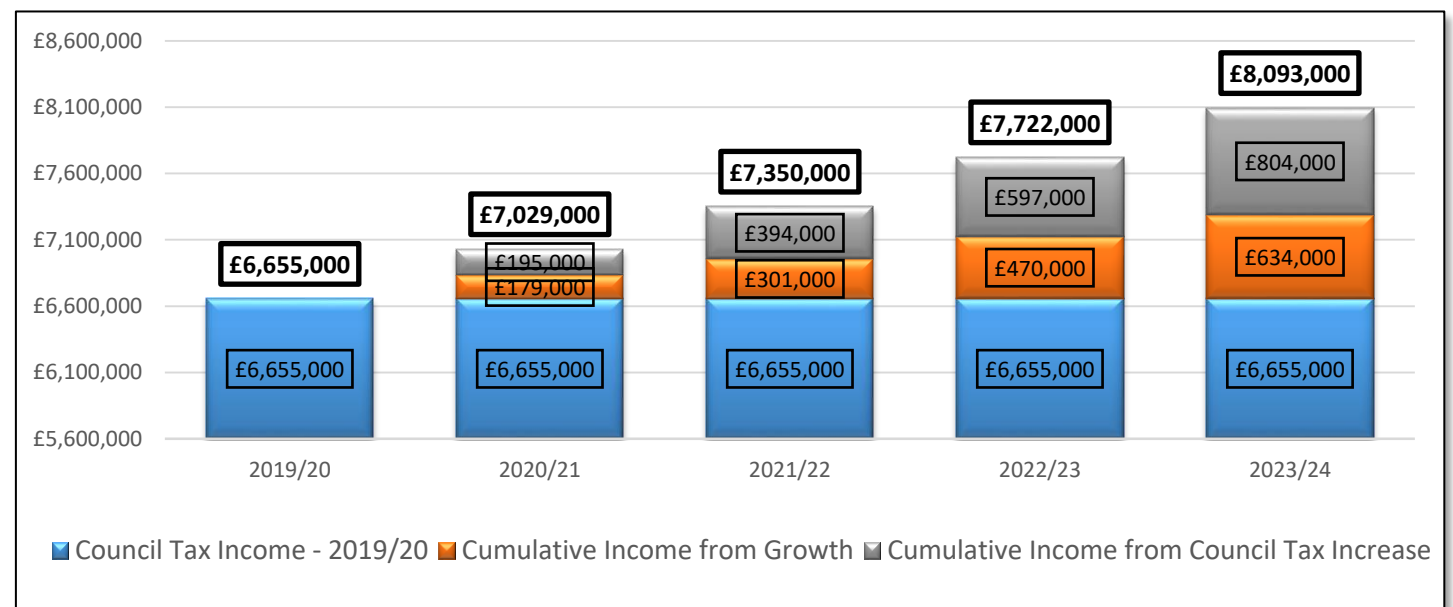
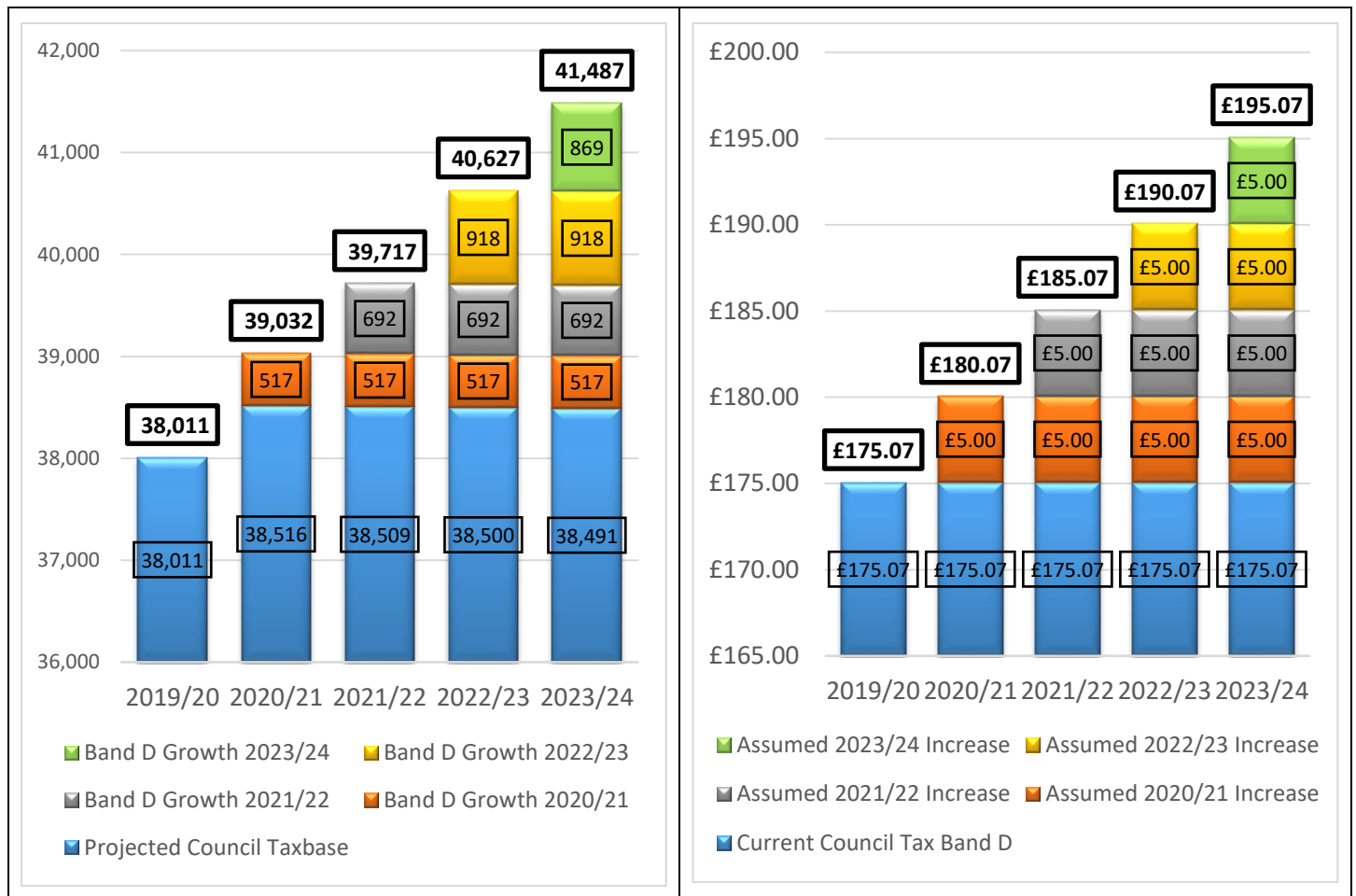
The change in New Homes Bonus income compared to the Approved Medium Term Financial Strategy is shown below:

Capped Level	2019/20	2020/21	2021/22	2022/23	2023/24
Approved MTFS	£700,000	£600,000	£500,000	£400,000	£300,000
Draft MTFS	£700,000	£600,000	£500,000	£400,000	£300,000
Change	-	-	-	-	-

Total amount of New Homes Bonus	2019/20	2020/21	2021/22	2022/23	2023/24
Approved MTFS	£1,278,000	£1,055,000	£1,227,000	£1,386,000	£1,096,000
Draft MTFS	£1,278,000	£1,771,000	£911,000	£680,000	£300,000
Change	-	£716,000	(£316,000)	(£706,000)	(£796,000)

Council Tax

The Approved Budgets for Council Tax base (with a modelled £5 increase to Council Tax Band D) and income are:



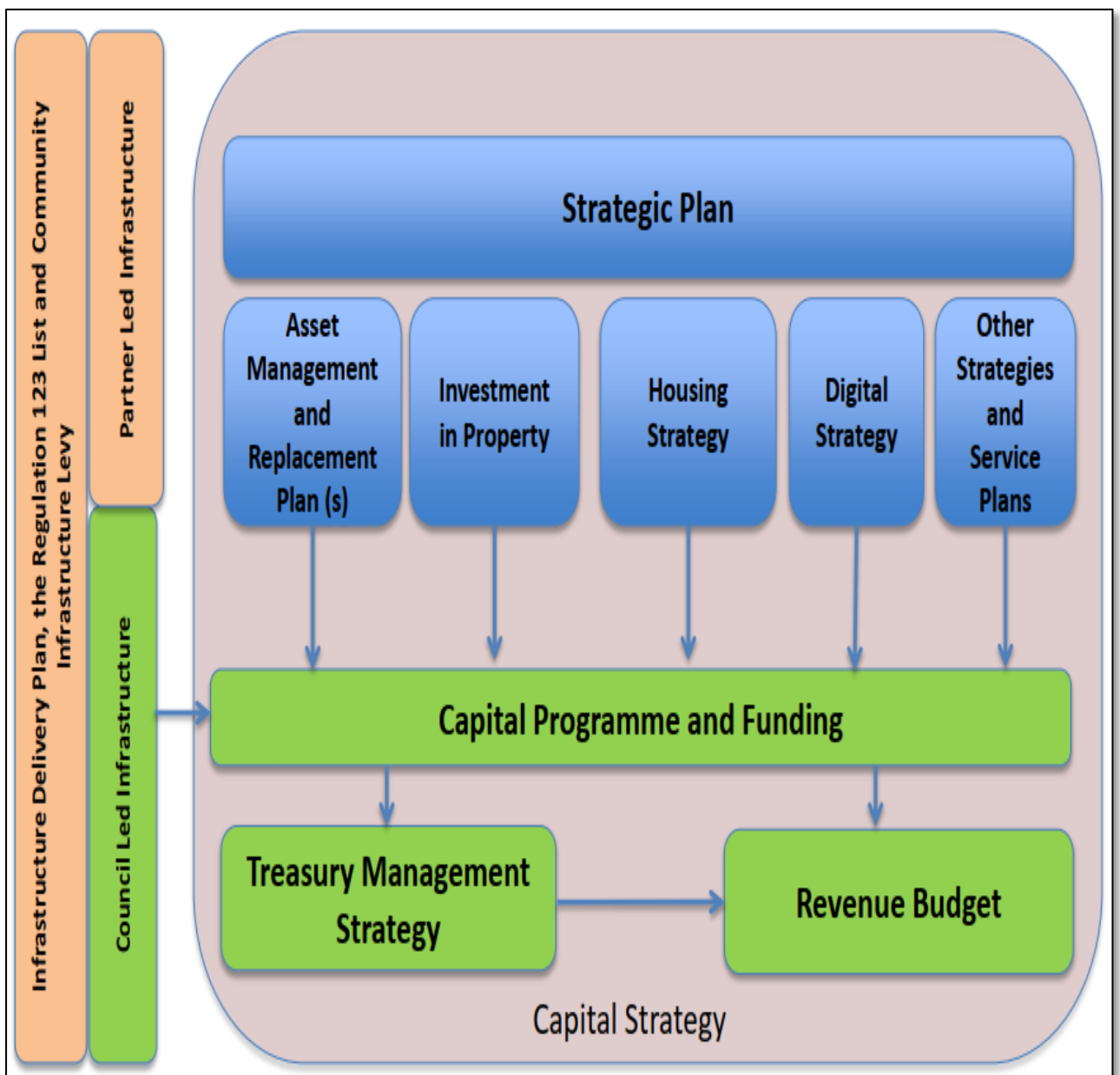
The change in Council Tax income compared to the Approved Medium Term Financial Strategy is shown below:

	2019/20	2020/21	2021/22	2022/23	2023/24
Approved MTFS	£6,655,000	£6,920,000	£7,219,000	£7,531,000	£7,817,000
MTFS	£6,655,000	£7,029,000	£7,350,000	£7,722,000	£8,093,000
Change	-	£109,000	£131,000	£191,000	£276,000

Capital Strategy

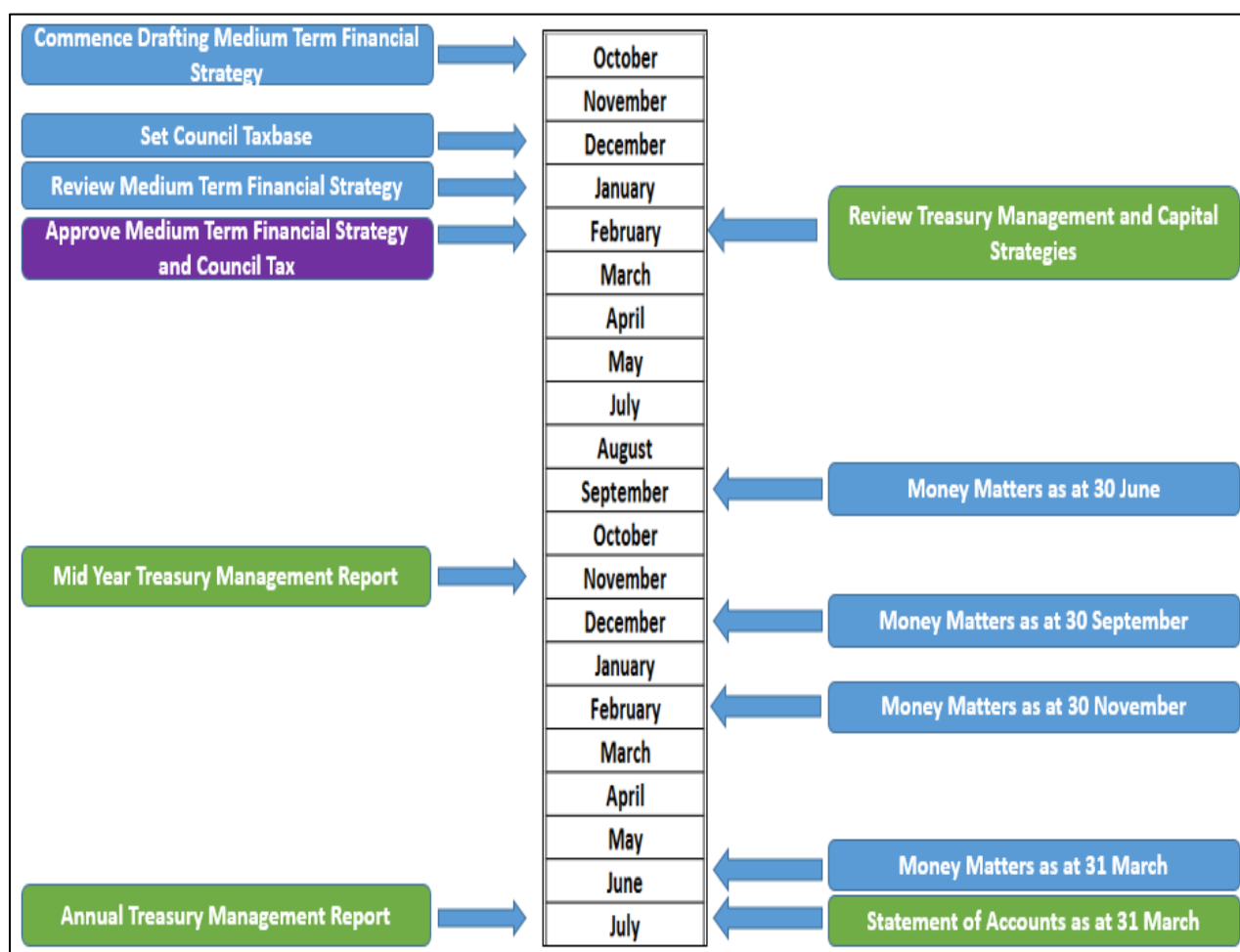
1. Introduction

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



2. The Capital Programme

2.1. The financial planning process and its Governance (Blue is Cabinet and Strategic (Overview and Scrutiny) Committee, Green is Audit and Member Standards and Purple is Council) is shown below:



The Capital Programme Process

- 2.2. 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 MTFs.
- 2.3. 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.
- 2.4. A summary of the new process is identified below:
- Service identifies a budget requirement and consults with the Finance and Procurement Team.
 - Service requests funding by completing and submitting a funding bid form.
 - Service completes a funding bid financial profile form and submits this with their bid.
 - Service completes a funding bid assessment form and submits this with their bid.
 - The Finance and Procurement Team reviews all bids and assessments and requests clarification where required.
 - The Finance and Procurement Team reviews bids using the assessment criteria and submits a report to Leadership Team.

APPENDIX B

- Leadership Team review all bids and recommend changes before recommending the allocation of funding either through a Cabinet Report or through the MTFS.
- Finance and Procurement monitor funding allocations and spend, reporting to Leadership Team as part of Money Matters Reports.
- Service completes work / project outlined within the bid and undertakes a review (i.e. post-project review) within 6 months of work being completed, providing this to Finance and Procurement to include in a report to Leadership Team.

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

- 2.5. As part of the planning process planning obligations, including the Community Infrastructure Levy, are received from new developments. The vast majority is spent directly on infrastructure works or will be spent in line with the Infrastructure Delivery Plan (IDP).
- 2.6. There is however an element of contributions, which afford an element of discretion on how they are allocated. These contributions towards social and community facilities are linked to the development proposed.
- 2.7. Whilst some of these financial contributions are very specific in terms of the projects on which they must be spent, a proportion is to be allocated towards appropriate social and community schemes that result in time from the proposed development.
- 2.8. The Council's Capital Programme includes a number of projects that are to be funded by Section 106 and will begin to include projects funded by CIL; this is a significant source of funding and there is a significant level of interest from the community in relation to the allocation of sums to projects.
- 2.9. The **Capital Programme** and its **funding** by Strategic Priority is summarised below:

Strategic Priority	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000	Corporate £000
Enabling People	2,324	3,424	1,164	3,324	3,235	13,471	396
Shaping Place	809	1,045	502	3,482	427	6,265	273
Developing Prosperity	1,732	625	0	0	0	2,357	471
A Good Council	10,794	12,657	11,970	12,015	389	47,825	2,682
Grand Total	15,659	17,751	13,636	18,821	4,051	69,918	3,822

Funding Source	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Capital Receipts	547	1,402	514	559	352	3,374
Capital Receipts - Statue	53	0	0	0	0	53
Revenue - Corporate	0	182	0	0	213	395
Corporate Council Funding	600	1,584	514	559	565	3,822
Grant	1,266	2,343	931	931	931	6,402
Section 106	673	865	25	0	0	1,563
CIL	221	79	0	0	0	300
Reserves	1,946	1,066	327	72	145	3,556
Revenue (Joint Waste Service)	150	150	150	150	150	750
Sinking Fund	235	0	0	0	0	235
Leases	0	0	0	3,260	0	3,260
Total	5,091	6,087	1,947	4,972	1,791	19,888
Borrowing Need	10,568	11,664	11,689	13,849	2,260	50,030
Funding Total	15,659	17,751	13,636	18,821	4,051	69,918

APPENDIX B

2.10. The Revenue implications are shown below:

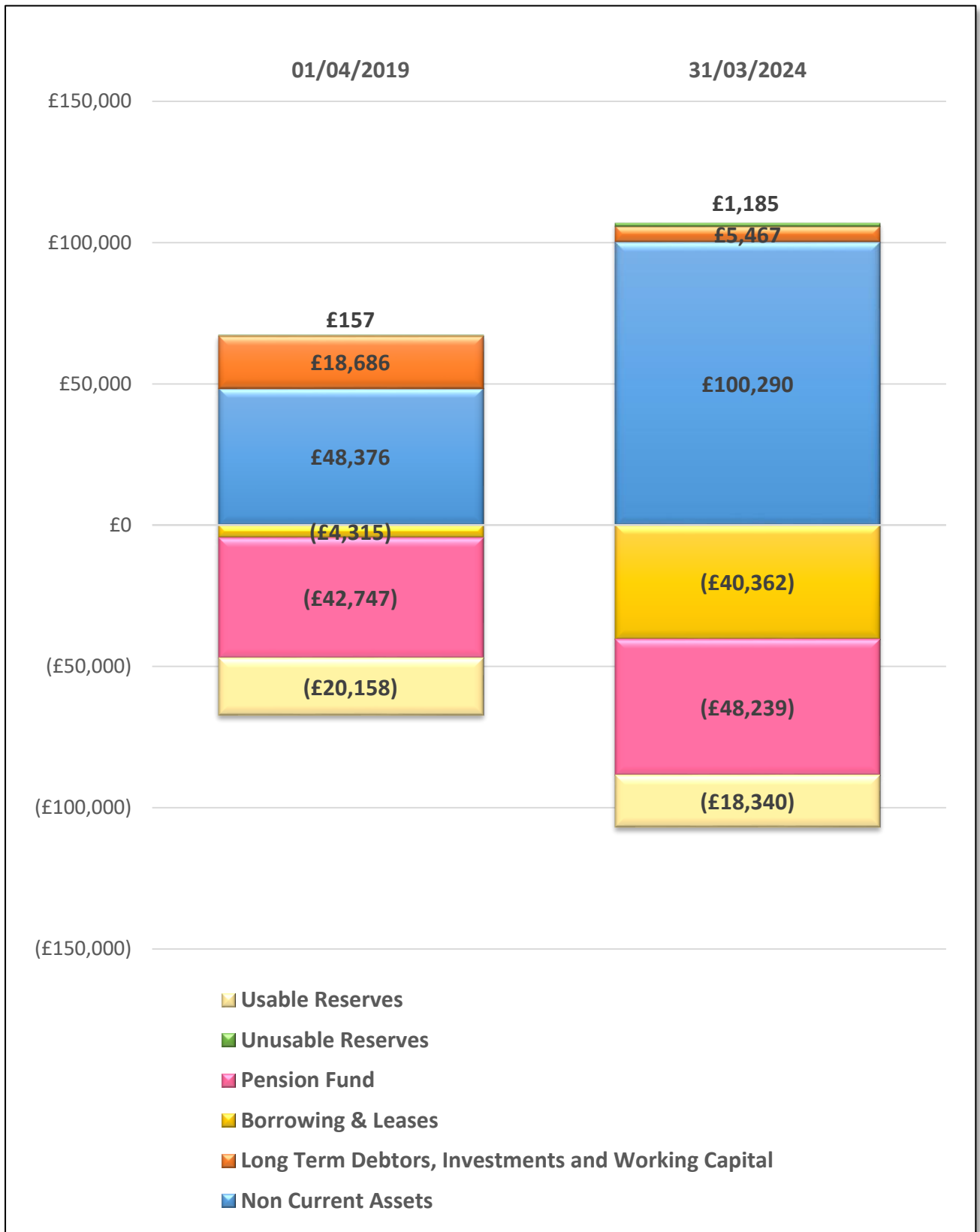
Revenue Implications	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	£000	£000	£000	£000	£000	£000
<u>Approved Budgets</u>						
Investment in Property	0	(56)	(180)	(303)	(427)	(966)
Interest on Loan to the LA Company	0	(4)	(18)	(22)	(22)	(66)
Leisure Outsourcing	(57)	(58)	(61)	(63)	(63)	(302)
Friary Grange - Refurbishment	33	135	135	135	135	573
Digital Strategy	50	(30)	(100)	(150)	(150)	(380)
Approved Budget	26	(13)	(224)	(403)	(527)	(1,141)
<u>Capital Programme</u>						
Revenue Implications of Bids	0	78	68	79	37	262
Property - Internal Borrowing	0	(31)	(98)	(164)	(231)	(524)
Revenue Budget	0	182	0	0	213	395
Changes to Approved Budget	0	229	(30)	(85)	19	133
Capital Programme	26	216	(254)	(488)	(508)	(1,008)

2.11. Planned disposals (and grant repayments) resulting in capital receipts and their use in funding the Capital Programme are shown in the table below:

Capital Receipts	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	£000	£000	£000	£000	£000	£000
Opening Balance	(2,004)	(2,259)	(1,394)	(890)	(341)	(2,004)
Guardian House Covenant	(320)					(320)
Sale of Beacon Cottage	(368)					(368)
Sale of land at Netherstowe and Leyfields		(527)				(527)
Right to Buy Receipts	(157)					(157)
Other Receipts	(10)	(10)	(10)	(10)	(11)	(51)
Utilised in Year	600	1,402	514	559	352	3,427
Closing Balance	(2,259)	(1,394)	(890)	(341)	0	0

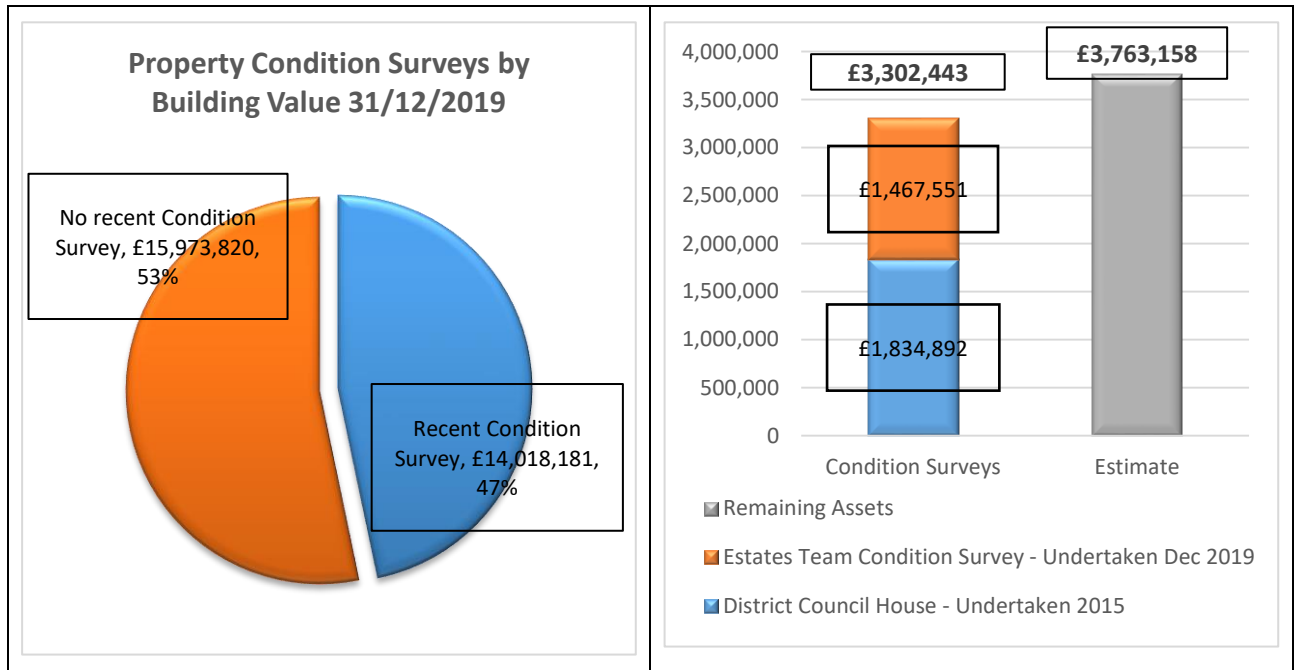
3. The Balance Sheet (in £000s)

3.1. The Capital Programme and its funding will significantly impact on the Council’s Balance Sheet through investment in property funded by borrowing:

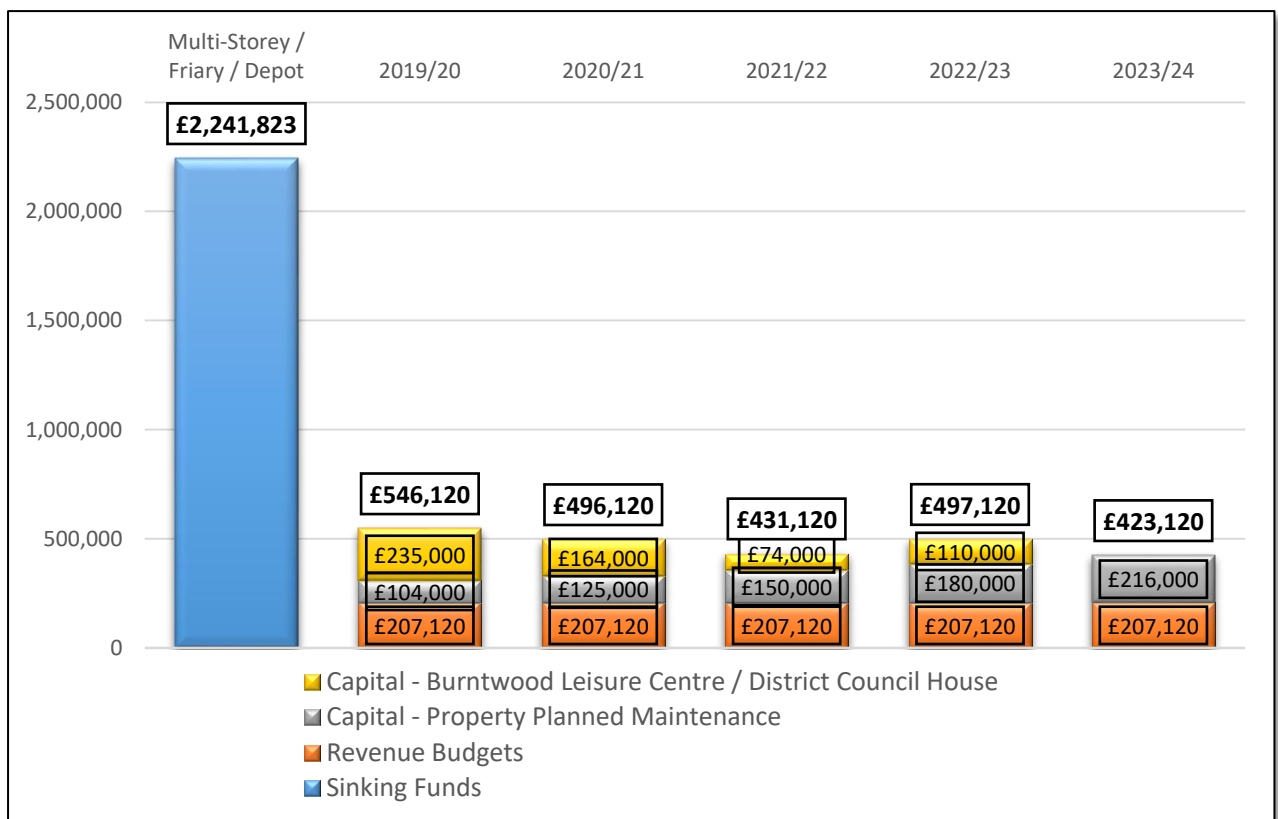


4. Asset Management Planning

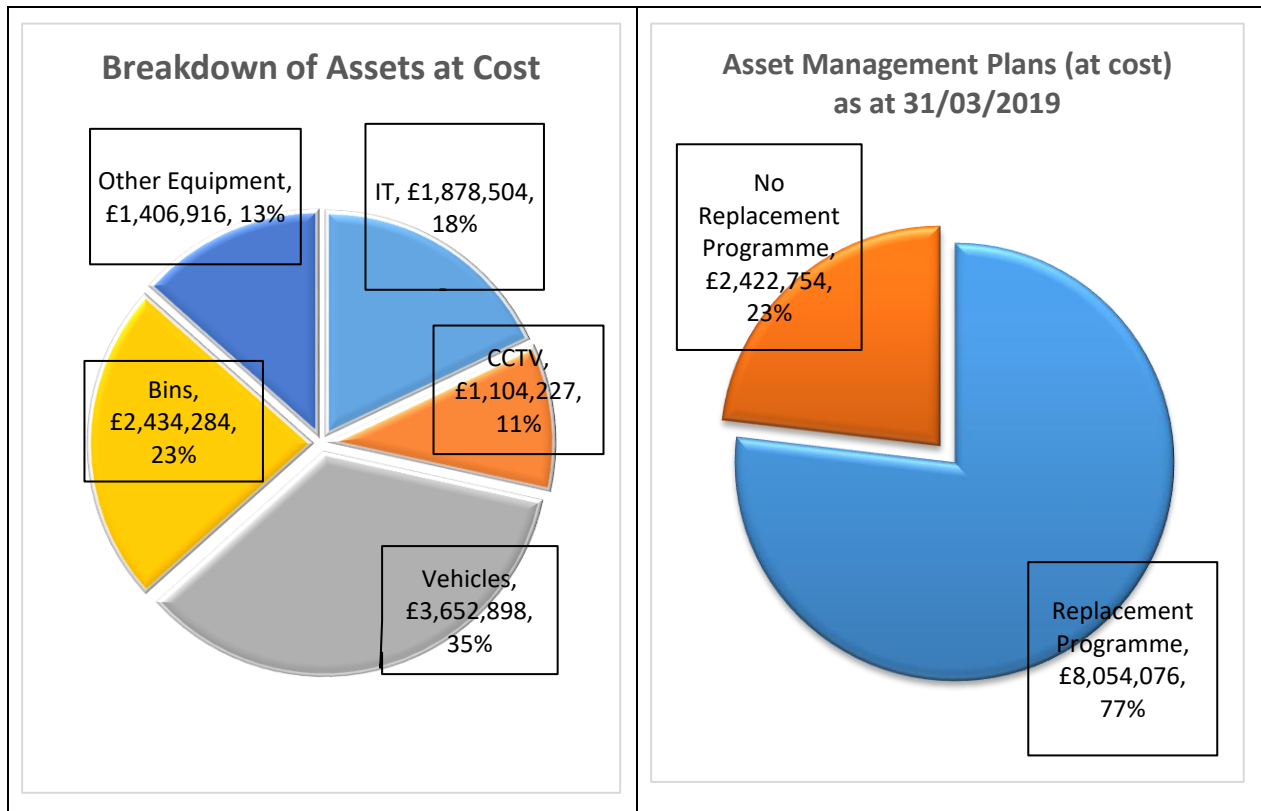
- 4.1. The Estates Team is currently in the process of undertaking Property Condition Surveys for Property Assets owned by the Council.
- 4.2. Property assets with recent Property Condition Surveys and the backlog maintenance identified plus a projection for all property assets is shown below:



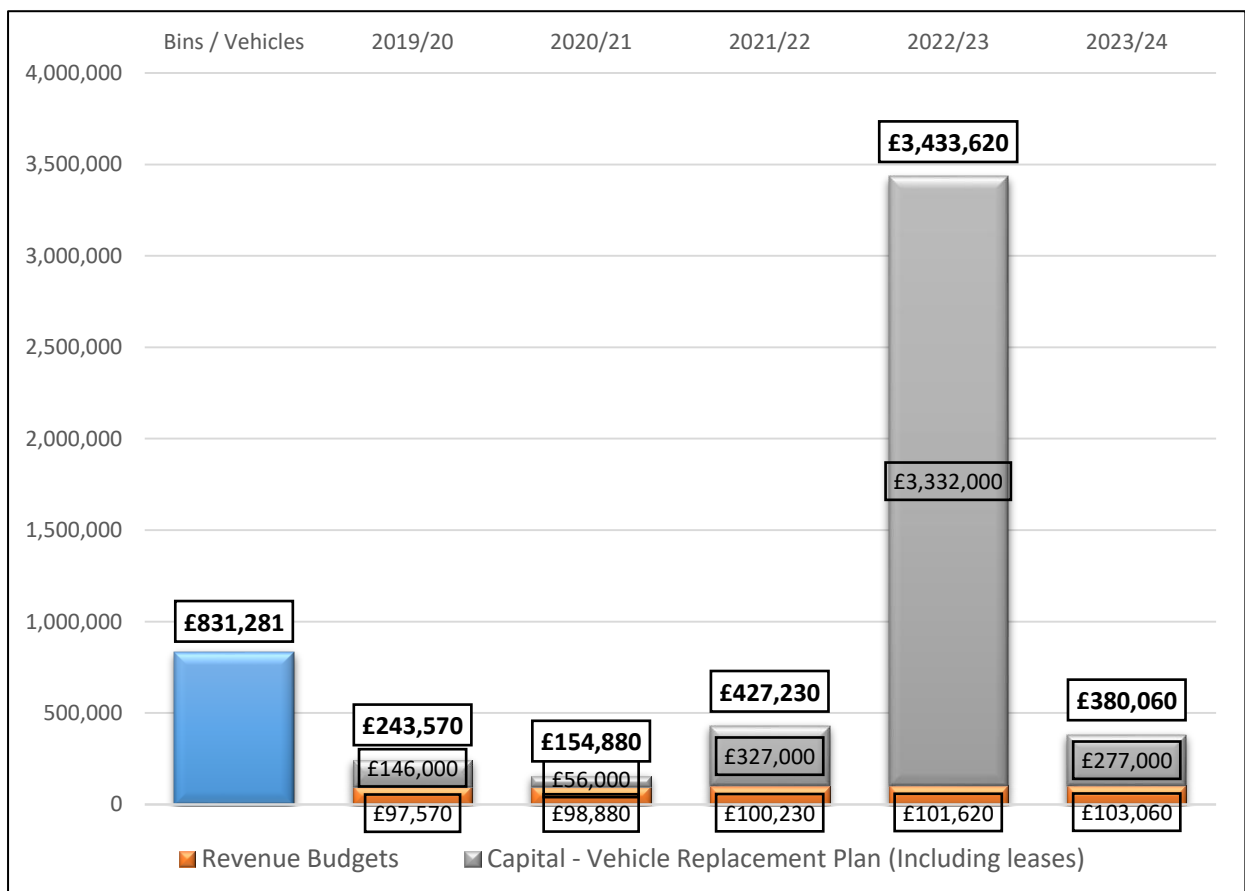
- 4.3. The resources identified for enhancement and maintenance of property assets are:



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



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

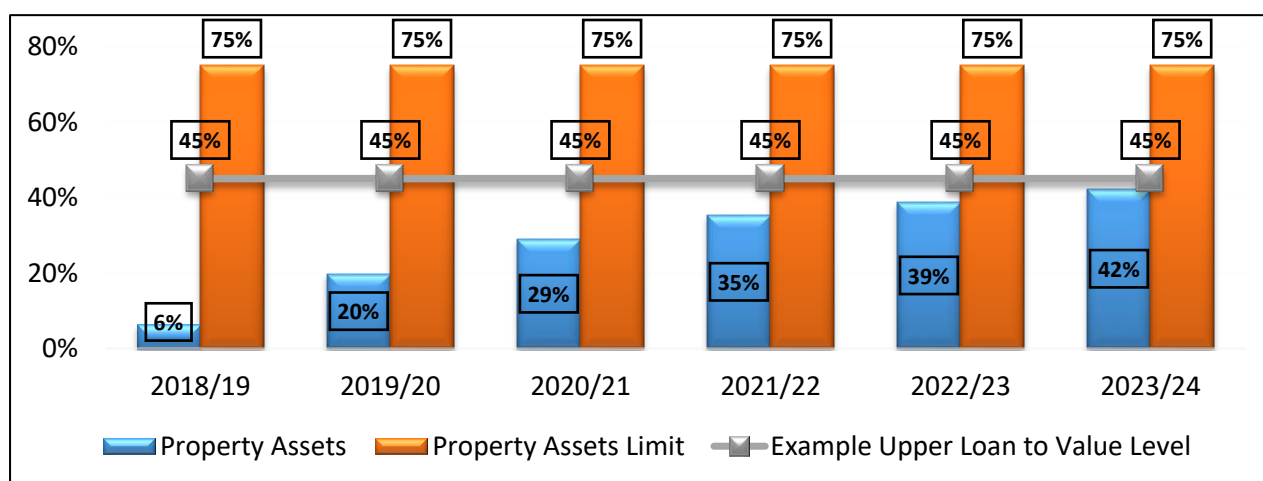


5. Investment in Property

- 5.1. The Council is committed to investing in land and property to shape places, enable regeneration, enhance communities, grow the economy, meet local housing needs and thereby deliver its strategic objectives whilst also providing opportunities to realise an ongoing source of income. For this reason, the council approved an investment fund of £45m to invest in land and property assets across the district.
- 5.2. The Council must give due consideration to the drivers for investment (below), along with the guidance from CIPFA and the Ministry of Housing, Communities and Local Government. The latter is a clear steer to look at investments as listed below, where yield is the last consideration after security and liquidity, so that a focus on the potential return on investment does not hamper the need for appropriate due diligence and assessment of risk.
1. **Security** – ensure capital sums are largely protected from loss.
 2. **Liquidity** – ensure money is available when required to meet ongoing needs.
 3. **Yield** – ensure there is a viable and sustainable return on investment.
- 5.3. To ensure the maximum number of benefits are achieved, that public perception is considered and that management cost are optimised, the following principles have been selected by the Council to govern any decisions made on property investment;
- **Diversified** – property investment will be diversified to broaden the portfolio and so reduce the risk, with a focus given to particular groups, such as housing and offices, when justification is clear and evidenced.
 - **Local** – property will be within the District of Lichfield, or within the functional economic geography. It should be close enough to allow it to be effectively managed and maintained, as well as being appealing to tenants or purchasers now and in the future.
 - **Profitable** – property investment will provide a return on investment, either through lettings or sales. The yield on the property should exceed the ongoing costs for management, maintenance and borrowing, while considering the full costs of acquisition or development (e.g. Stamp Duty, legal fees, external valuations and structural surveys). To ensure these principles are considered in each case any decision to invest will be supported by the introduction of an assessment methodology, considering the key aspects of the property, such as; location, tenancy strength, tenure, lease length, repairing terms and size. This could be done through an assessment matrix, which would provide a level of assurance and objectivity to decision making.
 - **Prudent** – property investment will be appropriately risk assessed. Where acquisition is being considered, the current tenancy should offer some security in relation to the length of tenure, strength of the covenant and ongoing viability of the tenant. Where development is being considered, likely tenancies and pre-lets would need to be leveraged to support any financial assessment.
 - **Sustainable** – property investment decisions will support the council to reduce the impact it has on the environment. Property acquisitions will consider the environmental impact of either the property or the nature of the businesses who will utilise it. In addition, when undertaking development the council will seek to adopt sustainable forms of construction wherever feasible and practicable.

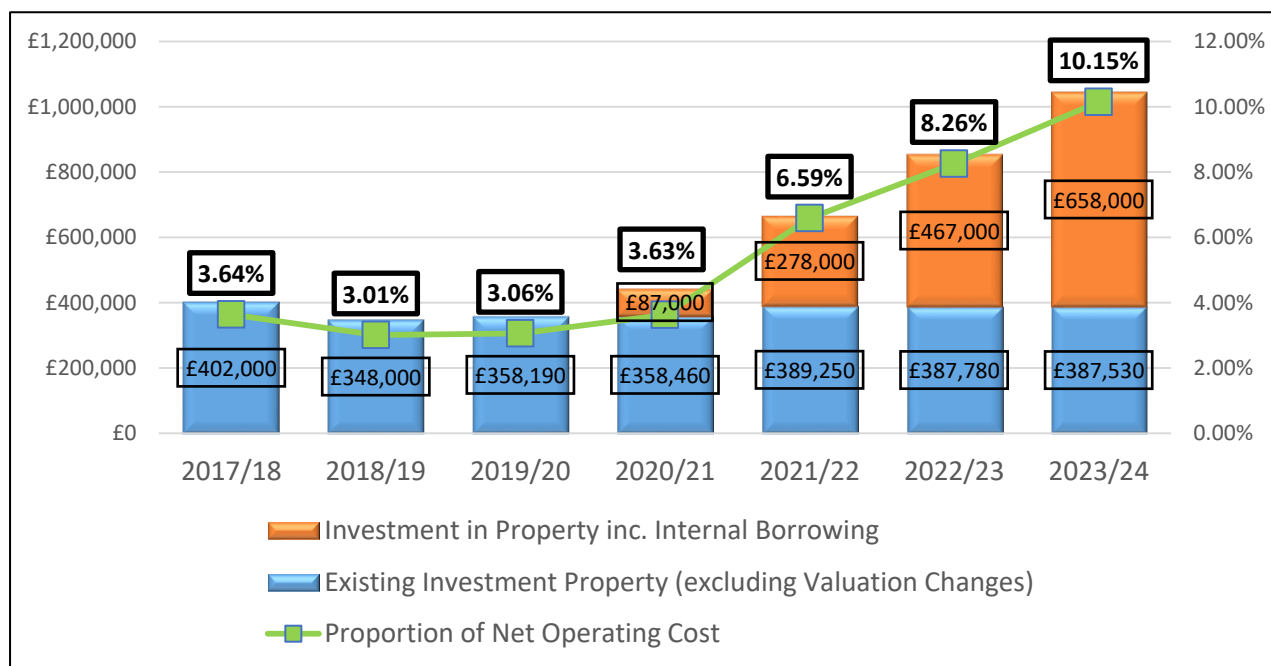
APPENDIX B

- **Strategic** – property investment should be for the long-term and be regularly rebalanced to support our strategic priorities as well as being acceptable to our community.
- 5.4. Investment, including property acquisitions and development, always attracts a level of risk and higher returns are often associated with higher risks. This is one of the reasons for every decision to be appropriately risk assessed, while the overall portfolio should be adequately managed to reduce the risk attached to it.
- 5.5. Risk will come from a number of factors, including;
- **Customer** – reputational damage from resident perception of investment
 - **Economic** – periods of rental decline or lack of income, the costs of maintaining the property and falls in property values in a recessionary environment, certain property market segments or certain geographical areas becoming less attractive than others
 - **Legislative** – changes to ownership, investment or borrowing legislation
 - **Political** – changes to national government or local priorities
 - **Tenant** - in the form of default/insolvency, resulting in loss of rental income and voids
- 5.6. Ongoing risk, will be managed through standard risk management policies and procedures, ensuring appropriate transparency and challenge.
- 5.7. Investment in property will predominantly be funded through borrowing, however other funding routes will be considered where it would support the affordability of the investment being proposed and the non-financial benefits it would offer.
- 5.8. The level of property value funded by borrowing is known as gearing and in the private sector is measured as the loan to value (LTV) ratio. The private sector will set a maximum loan to value range for property typically **35% to 45%** to manage the risk that the loans outstanding are unable to adapt to changing asset strategy or property value. This will be evident in a recession where typically property values reduce and loans therefore can exceed property value (known as negative equity).
- 5.9. A negative equity scenario can make it difficult to rebalance the portfolio through disposals due to the existing loan repayments that will still need to be paid whilst income is no longer received.
- 5.10. The projected gearing ratio and an example upper loan to value limit from a property investment company is shown below:

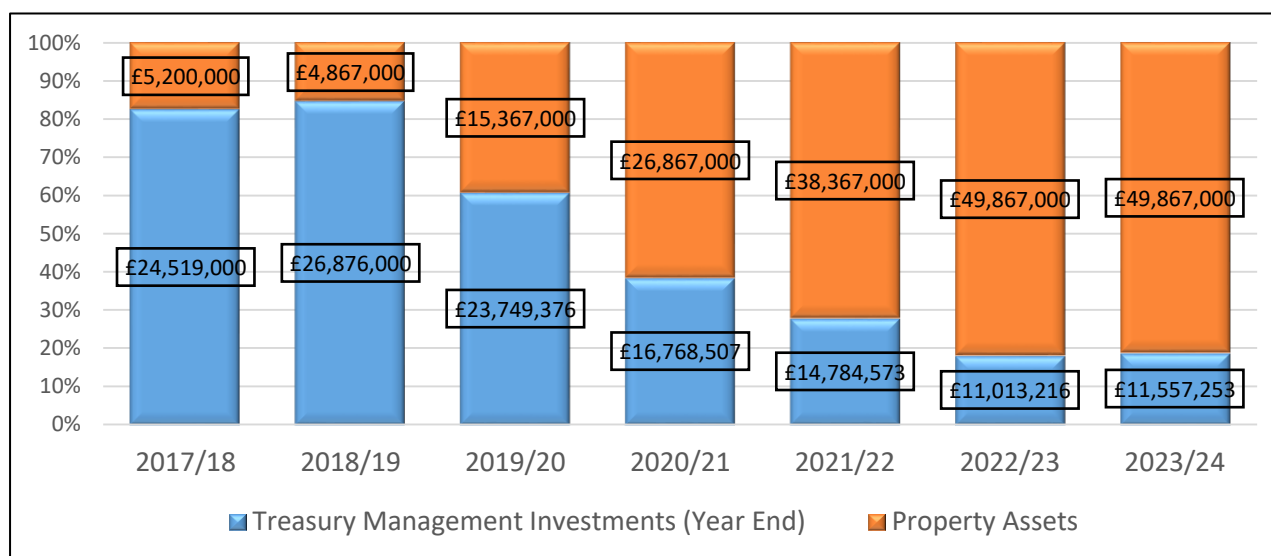


APPENDIX B

5.11. The Revenue Budget supported by income (including the savings from Internal Borrowing) is:



5.12. The ratio of Treasury Management Investments to relevant Property Investments is shown below:



5.13. The Council has a joint venture partnership with PSP for property, established in 2016/17, and Lichfield Housing Limited (a Local Authority Trading Company) was incorporated in September 2019 with an aim to deliver development and housing ambitions.

5.14. The Capital Programme includes an equity investment of **£225,000** in 2019/20 and a loan of up to **£675,000** in 2020/21 for a period of **5 years** to facilitate housing development.

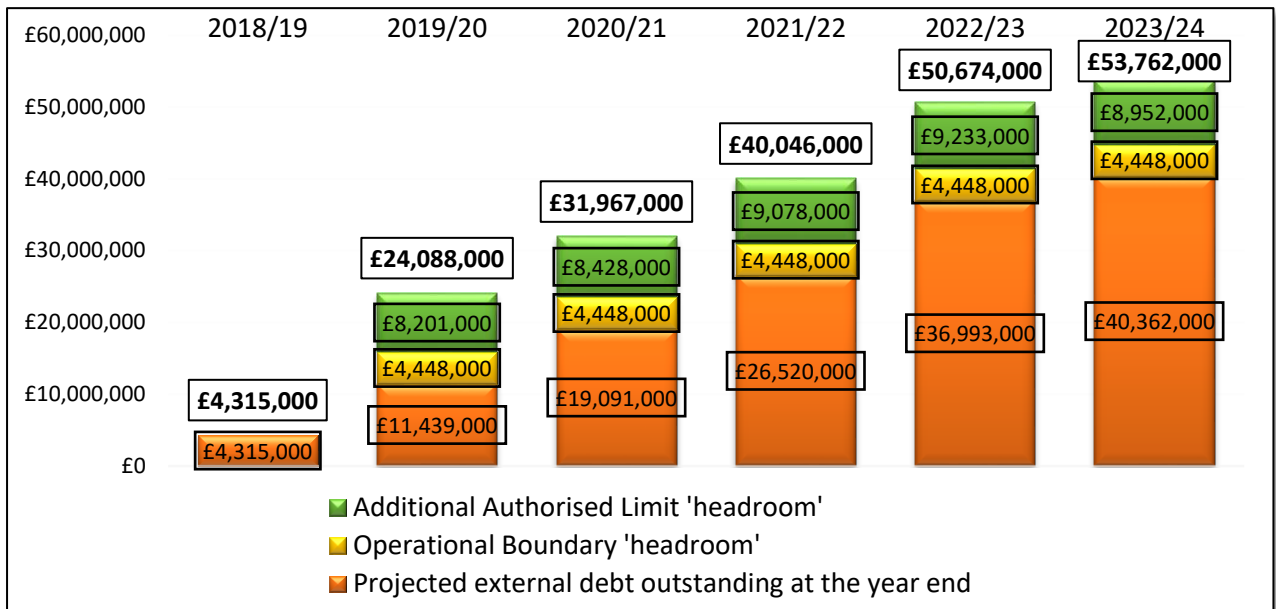
5.15. The loan to the Company will produce an income stream at **4%** from the company and the loan repayment will be treated as a capital receipt in 2024/25 in the Medium Term Financial Strategy. At present, no dividend income is assumed to be received from the Company.

5.16. The investment rate of return (net of all costs) is forecast to be **9.38%** for 2020/21.

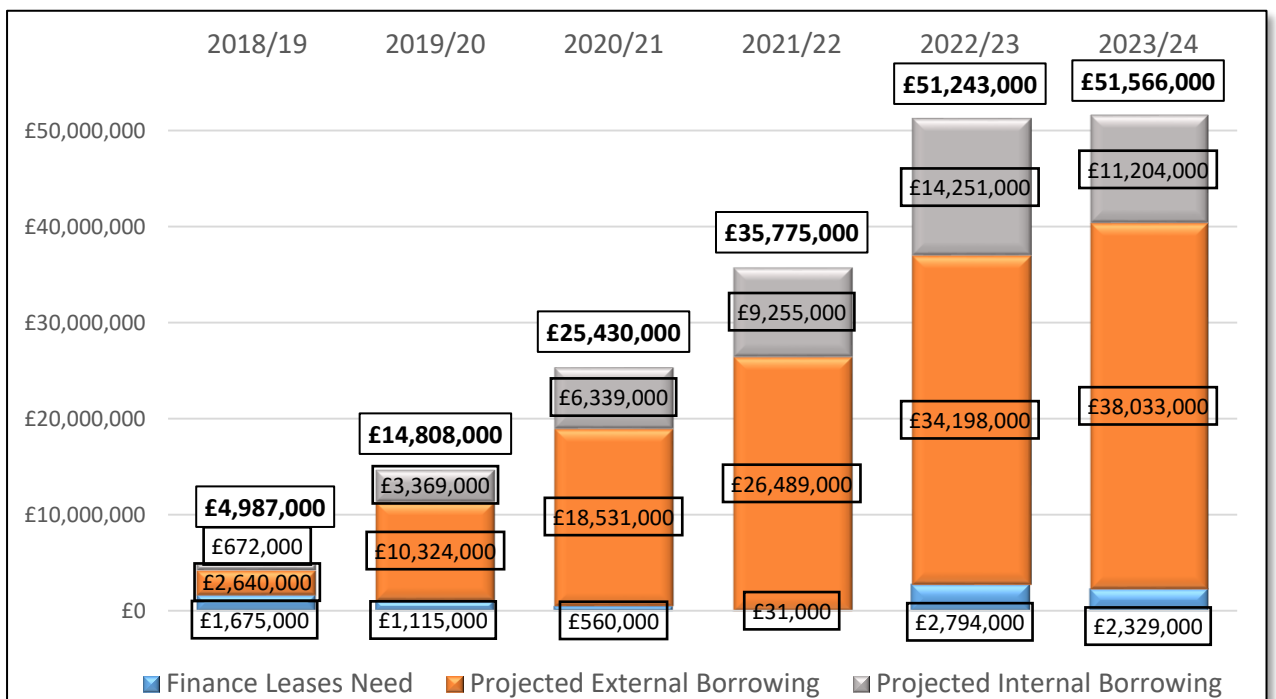
6. Debt Management

6.1. At 31 March 2019 the Council had a relatively low level of debt outstanding of **£4.315m**. The Investment in Property and the renewal of the waste fleet will mean external debt is projected to increase to **£40.362m** by 31 March 2024.

6.2. The Council is managing its debt through setting Prudential Indicators, related to the statutory maximum, known as the **Authorised Limit** and **Operational Boundary** as shown below:

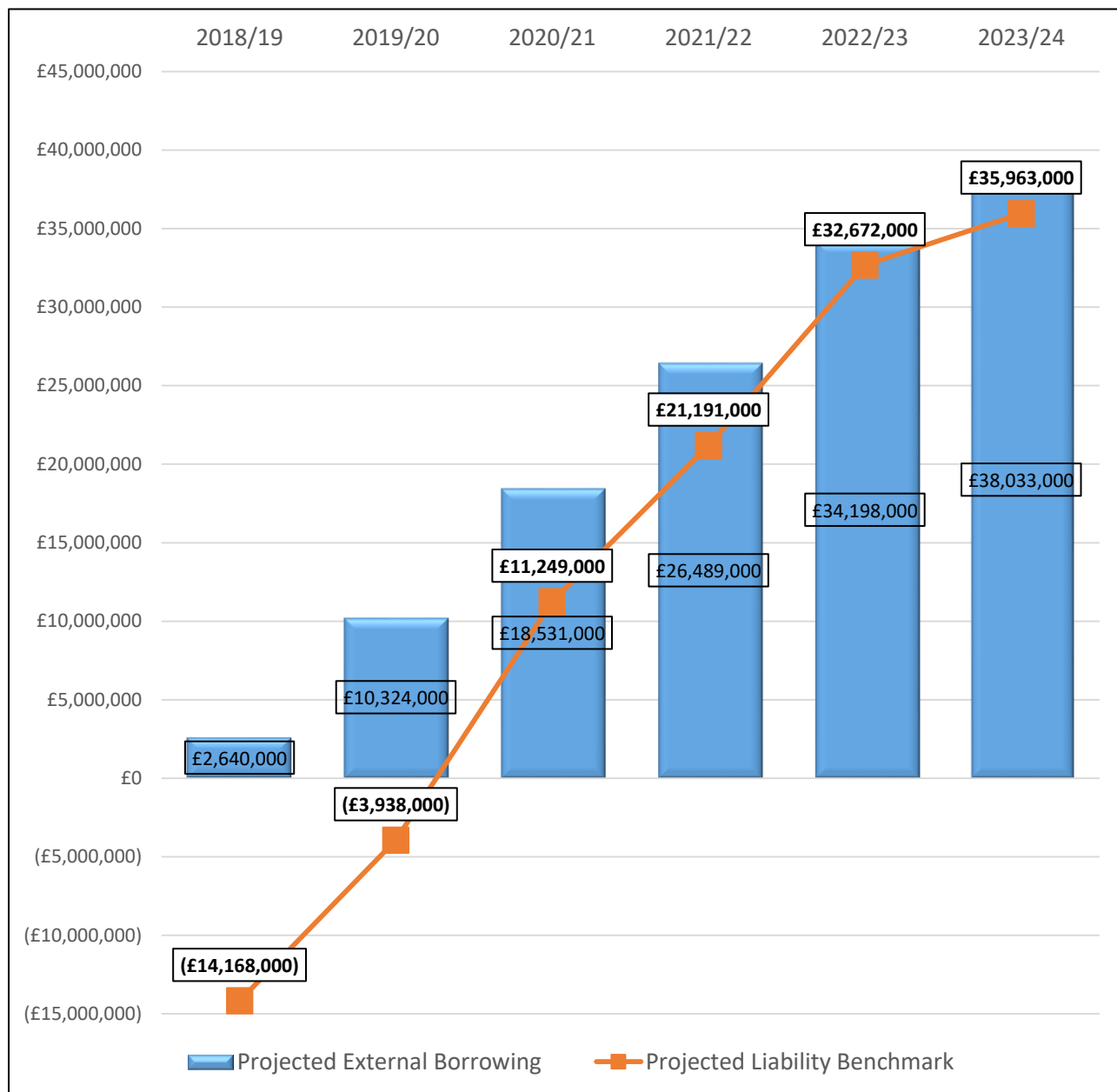


6.3. The projected **Capital Financing Requirement** or borrowing need (the total for each column), **external debt** (finance leases and external borrowing) and **internal borrowing** is shown below:



APPENDIX B

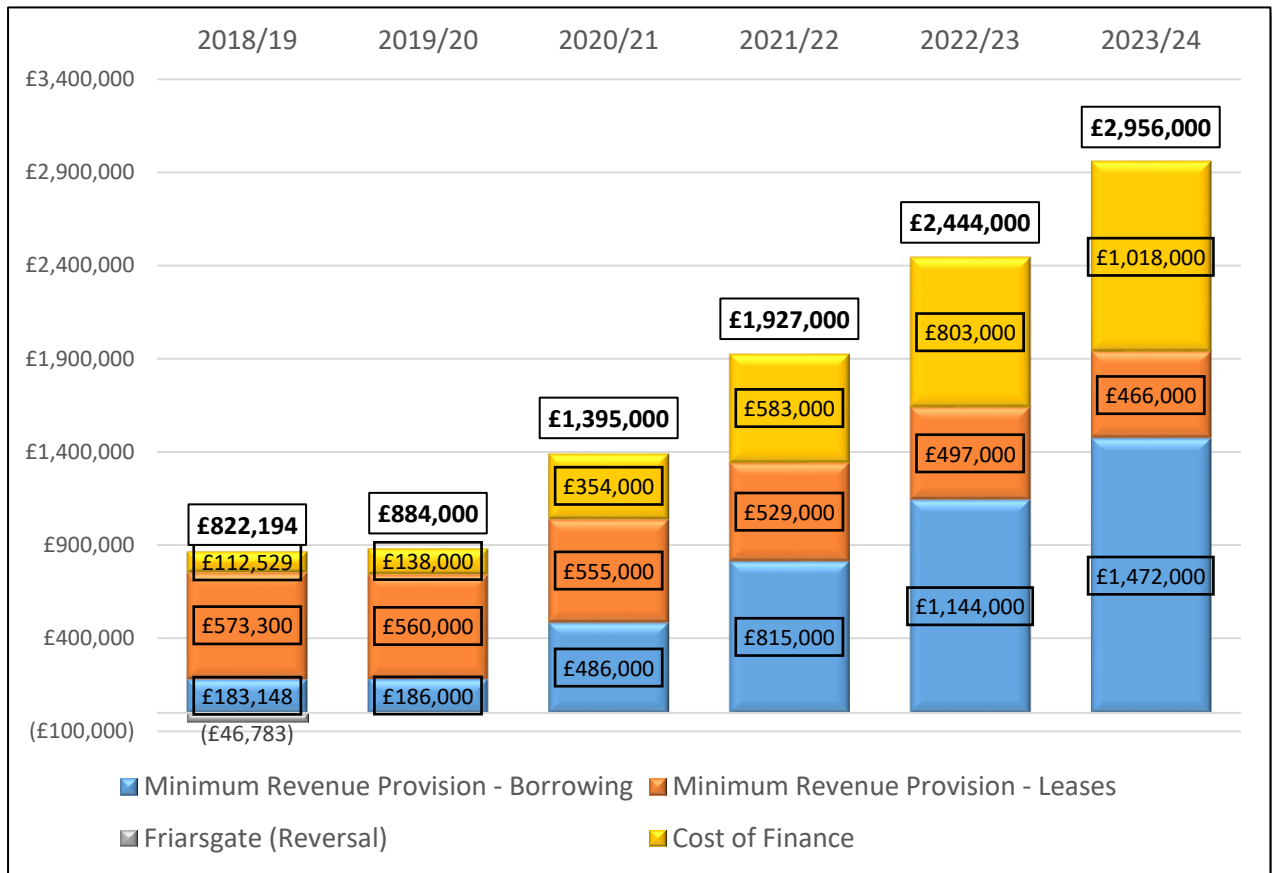
- 6.4. The **liability benchmark** is the lowest risk level of external borrowing by keeping cash and investment balances to a minimum level of **£10m** at each year end to maintain liquidity but minimise credit risk.
- 6.5. The projected level of external borrowing, together with the projected liability benchmark in the Medium Term Financial Strategy, is shown in the chart below:



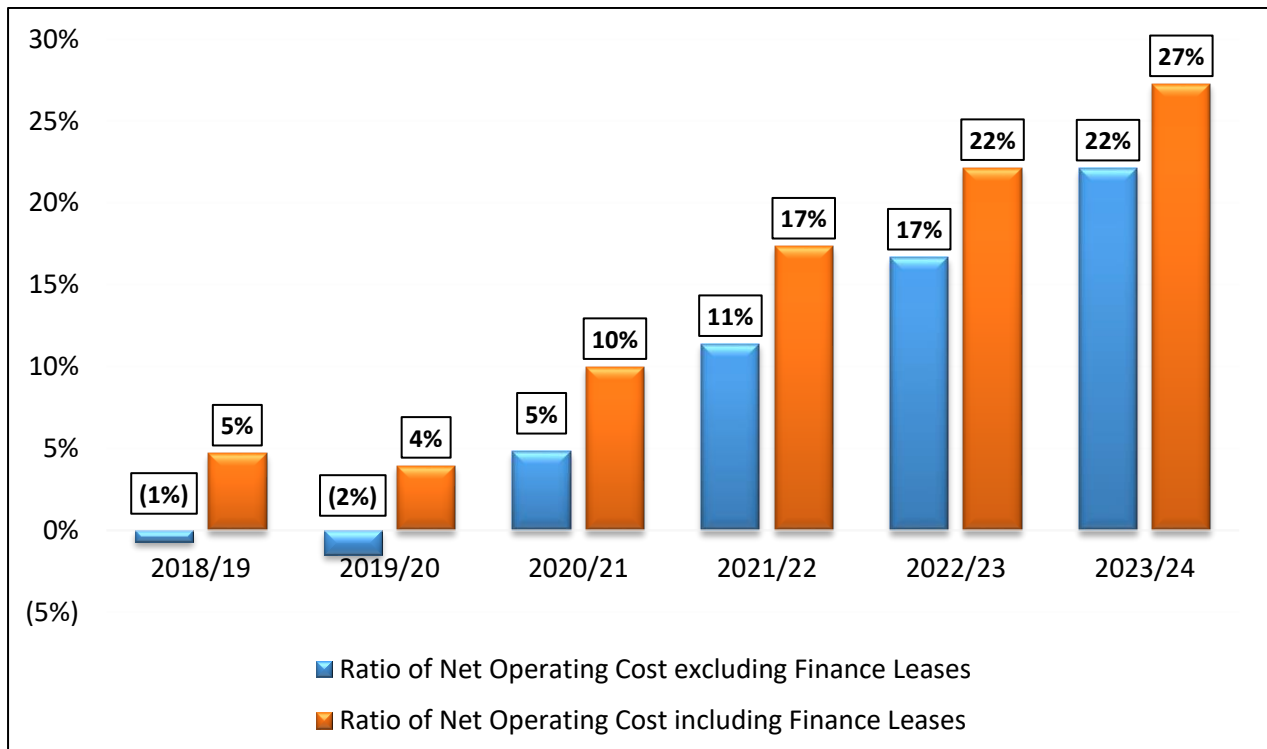
- 6.6. The chart above indicates that, based on current Balance Sheet projections and funding **£11m** of Investment in Property through Internal Borrowing, the Council's projected External Borrowing from 2022/23 will be closer to the liability benchmark.

APPENDIX B

6.7. The level of debt determines the cost of debt servicing (Minimum Revenue Provision which is similar to depreciation with asset cost divided by assessed asset life plus the cost of finance):



6.8. The proportion of the net budget allocated to financing costs (net of investment income) is below:



7. Financial Guarantees

- 7.1. In addition to the debt projections shown above, in relation to external borrowing and finance leases, the Council also acts as a guarantor for an admitted body that delivers services on behalf of the Council.
- 7.2. In the event that it is probable that these guarantees will be required a financial provision would be created to mitigate the risk. The guarantees identified in the Statement of Accounts under the Contingent Liabilities note are:
- **The Lichfield Garrick** – the guarantee relates to the pensions of transferred employees and at 31 March 2019 the risk of default was assessed as less than **1%** and therefore the financial risk to the Council is **£4,250**.
 - **Freedom Leisure** - the guarantee relates to the pensions of transferred employees and at 31 March 2019 the risk of default was assessed as less than **1%** and therefore the financial risk to the Council is **£85,750**. Freedom Leisure have been admitted to the Pension Fund using a 'pass through' agreement where the Council bears all market related risks such as investment returns. The Pension Fund actuary assessed a market related bond to manage these risks to be **£677,000**. The Council agreed to the creation of an earmarked reserve, projected to total **£267,080** (£33,390 at 31 March 2019) at the end of the ten year contract period, from the leisure outsourcing savings with any additional sum to be provided by General Reserves.
- 7.3. These guarantees are assessed throughout the year, in terms of the financial viability of the organisations for which the guarantee is provided, to determine whether a financial provision will need to be created.

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

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

9. Prudential and Local Indicators

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

Prudential Indicators							
Indicators	2018/19 Actual	2019/20 Original	2019/20 Revised	2020/21 Original	2021/22 Original	2022/23 Original	2023/24 Original
Capital Investment							
Capital Expenditure (£m)	£4.910	£11.618	£15.659	£17.751	£13.636	£18.821	£4.051
Capital Financing Requirement (£m)	£4.987	£10.301	£14.809	£25.432	£35.777	£51.245	£51.567
Gross Debt and the Capital Financing Requirement							
Gross Debt	(£4.315)	(£9.598)	(£11.439)	(£19.091)	(£26.520)	(£36.993)	(£40.362)
Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement	No	No	No	No	No	No	No
Total Debt							
Authorised Limit (£m)	£3.991	£21.598	£23.473	£31.906	£40.515	£48.379	£51.933
Operational Boundary (£m)	£3.991	£13.006	£14.881	£23.088	£31.046	£38.755	£42.590
Proportion of Financing Costs to Net Revenue Stream (%)	5%	6%	4%	10%	17%	22%	27%

Local Indicators							
Indicators	2018/19 Actual	2019/20 Original	2019/20 Revised	2020/21 Original	2021/22 Original	2022/23 Original	2023/24 Original
Replacement of Debt Finance or MRP (£m)	(£0.709)	(£0.720)	(£0.746)	(£1.041)	(£1.344)	(£1.641)	(£1.938)
Capital Receipts (£m)	(£0.760)	(£1.056)	(£0.855)	(£0.537)	(£0.010)	(£0.010)	(£0.011)
Liability Benchmark (£m)	£14.168	£5.017	£3.938	(£11.249)	(£21.191)	(£32.672)	(£35.963)
Treasury Management Investments (£m)	£26.876	£23.689	£23.749	£16.769	£14.785	£11.013	£11.557

10. Chief Finance Officer Assessment of the Capital Strategy

10.1. The key risks associated with the Capital Strategy are principally related to the Investment in Property and its funding given this is planned to be funded through borrowing. I have assessed the current overall risk as **81** out of **144** based on the following factors:

	Likelihood	Impact	2020/21	2019/20
Minimum			0	0
Capital Strategy				
Slippage Occurs in the Capital Spend	4	2	8	8
Planned Capital Receipts are not received	3	4	12	12
Actual Cash flows differ from planned Cash flows	2	2	4	4
Investment in Property				
Slippage Occurs in the Capital Spend	4	2	8	8
Change of Government policy including regulatory change	3	4	12	8
The form of exit from the EU adversely impacts on the UK economy including the Property Market and Borrowing Costs	3	4	12	12
There is a cyclical 'downturn' in the wider markets	3	3	9	9
Insufficient expertise to Invest in Property	1	4	4	12
Inability to acquire or dispose of assets due to good opportunities not being identified	3	4	12	12
Assessed Level of Risk			81	85
Maximum			144	144

Additional Capital Programme Bids

Funding Bid Form

This form should be used to submit a bid for revenue (reserves or windfall funding) or capital funding. Assistance on how to complete this form can be obtained by referring to the relevant guidance document. Once completed the form should be returned to: finance@lichfielddc.gov.uk. If required, please seek advice from the finance service.

Lead Officer Details

Name

Nigel Harris

Job Title

General Manager of Joint Waste Services

Service

Operational Services

Cost Centre

1351

Funding Bid Details

Project or Bid Name (provide a name for your bid or project)

Bin Replacement Programme

Description (provide an overview of the bid or project)

Provision of bins to new households and trade waste customers plus the replacement of damaged bins.

Is the bid for revenue (reserves or windfall) or capital funding? (complete all relevant)

Revenue funding Capital funding

Is this a one-off request or ongoing programme (i.e. maintenance)?

One-off Project (provide duration)¹ Ongoing Programme

¹Duration (if relevant)?

Business Case Details

Does the bid have a return on investment (i.e. invest-to-save)?

Yes (provide yield)² No

²Yield (if relevant)?

Justification (provide the reasons for the bid, including the outcomes that will be delivered)

The bins allow the Joint Waste Service to provide efficient, safe and environmentally friendly collections of household waste, dry recycle, garden waste and trade waste.

Strategic Priorities (how does the bid support delivery of our strategic priorities?)

Clean, green and welcoming places to live.

A Council that is fit for the future.

Statutory Requirements (how does the bid support delivery of our legislative or regulatory requirements?)

The local authority has a legal duty under The Environmental Protection Act 1990 to collect waste and recycling from households. The Act also requires the authority to arrange for the collection of trade waste from businesses which it fulfils by providing a direct service.

Asset Management (how does the bid contribute to the maintenance or enhancement of our assets?)

The replacement of damaged bins maintains the stock provided to households and businesses.

New Opportunity (how does the bid promote an otherwise missed opportunity i.e. obtain external funding?)

There are currently no opportunities for external savings.

Cost Savings (how does the bid deliver cost savings?)

There are no direct cost savings. However the bins allow for the waste collections to be undertaken efficiently, safely and in an environmentally friendly manner.

Optimise Income (how does the bid protect or create an incomes stream?)

Income is derived from residents that subscribe to the garden waste service, recycling credits, the sale of dry recycle and fees paid by trade waste customers.

Options Appraisal (what other options were considered and why were they discounted?)

The use of bags. They were discounted because there is an ongoing revenue cost. Bags also present a manual handling risk and they are vulnerable to causing waste spillages.

Additional Information

A completed [Funding Bid Finance Profile](#) (a template is provided) and a completed [Funding Bid Assessment Form](#) (a template is provided) must be submitted with this form for the bid to be considered.

Declaration

By submitting this form you confirm that the information you have provided is accurate and complete and that you have the necessary approvals to make this bid. You understand that failing to do any of the above can result in disciplinary action.

Please return this form to the finance service.

Funding Bid Assessment Form

This form should be used to assess bids for revenue (reserves or windfall) funding or capital funding, providing comments associated with all assessment criteria to clearly outline the assessment outcome and so help prioritise bids and award funding.

Assessment Details

Project or Bid Name (provide a name for your bid or project)

Bin Replacement Programme

Project or Bid Assessment Scoring (provide scores and associated comments for the bid or project. Each criteria should score between 0 for no contribution or negative contribution and 5 for a very positive contribution)

Criteria	Weighting	Score	Comments
Priorities (how does the bid contribute to strategic priorities?)	6 (30 max.)	30	Contributes to meeting: <ul style="list-style-type: none"> • Clean green and welcoming places to live • A Council that is fit for the future
Compliance (how does the bid deliver statutory or regulatory requirements?)	4 (20 max.)	20	Allows the authority to meet its statutory duties to provide collections of controlled (household and trade) waste and separate collections of recyclable waste. The Environmental Protection Act – Sections 45 and 45A.
Investment (how does the bid maintain or enhance assets?)	2 (10 max.)	10	The bid will allow for the replacement of damaged bins and the provision of bins to new properties.
Opportunity (how has the bid attracted external funding?)	2 (10 max.)	0	There are currently no opportunities for external funding.
Saving (how will the bid reduce costs to the council?)	3 (15 max.)	9	The only realistic alternative to bins is to provide residents with sacks. However there would be an ongoing revenue cost, bags present a manual handling risk and are prone to cause waste spillages.
Income (how will the bid create or protect income streams?)	3 (15 max.)	15	Income is derived from residents that subscribe to the garden waste service, recycling credits, the sale of dry recycle and fees paid by trade waste customers.
Total (the total score for the bid, 100 max.)		84	

Please note: bids of 76 points and over will be regarded as very high priority, those between 51 and 75 points will be regarded as high priority, those between 26 and 50 points will be regarded as medium priority and those of 25 points and below will be regarded as low priority.

Assessing Officer Details

Name

Nigel Harris

Job Title

General Manager of Joint Waste Services

Additional comments and information

Bins are the safest and most environmentally friendly method of providing waste and recycling collections. Typically bins have a life of around 20 years so they are a very cost effective solution.

Finance Service Comments

Finance Officer Name

Detail comments and proposed amendments (where relevant)

Leadership Team Comments

Detail comments and proposed amendments (where relevant)

Funding To Be Awarded?

Yes

No

Funding Bid Form

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Lead Officer Details

Name

Lucy Robinson

Job Title

Housing & Wellbeing Manager

Service

Regulatory Services, Housing & Wellbeing

Cost Centre

9000 9150

Funding Bid Details

Project or Bid Name (provide a name for your bid or project)

Energy Insulation Programme

Description (provide an overview of the bid or project)

EIP grants supports the delivery of the council's Warmer Homes, Greener District initiative, which focuses on addressing fuel poverty and cold homes. The grant will be available to the project to provide match funding for domestic heating, hot water and insulation measures to low income households who are unable to fully or partially fund these.

Is the bid for revenue (reserves or windfall) or capital funding? (complete all relevant)

- Revenue funding Capital funding

Is this a one-off request or ongoing programme (i.e. maintenance)?

- One-off Project (provide duration)¹ Ongoing Programme

¹Duration (if relevant)?

Business Case Details

Does the bid have a return on investment (i.e. invest-to-save)?

- Yes (provide yield)² No

²Yield (if relevant)?

Justification (provide the reasons for the bid, including the outcomes that will be delivered)

EIP grants will be available to households in accordance with affordability criteria set out by the government's Business, Energy and Industrial Strategy's (BEIS) Energy Company Obligation (ECO) scheme and associated flexible eligibility criteria set by the council. Outcomes will include warmer, safer homes, households lifted out of fuel

poverty, improved health outcomes where applicable, increased partnership working and clear demonstration of Health in all Policies in action.

Strategic Priorities (how does the bid support delivery of our strategic priorities?)

Healthy and safe communities priority is supported by enabling people to remain living independently within their communities for longer.

Vibrant & prosperous economy is supported as the much of the works are carried out by smaller locally based contractors ensuring the money is spent within the local Staffordshire economy.

Statutory Requirements (how does the bid support delivery of our legislative or regulatory requirements?)

There is no statutory requirement to provide this assistance in this way.

However, there is a statutory duty for the council to act upon Category 1 and some Category 2 Housing Health and Safety Rating System hazards where these are identified. This duty is normally carried out through the Private Sector Housing Officer (PSHO) role, often requiring the serving of a legal notice and carrying out works in default to mitigate the hazard.

As a core feature of the Warmer Homes, Greener District initiative, the EIP has removed a number of Category 1 and 2 hazards in financially vulnerable homes as a matter of course, and reduced otherwise necessary involvement of the PSHO.

Asset Management (how does the bid contribute to the maintenance or enhancement of our assets?)

The funding does not maintain council assets but it does help maintain and improve some housing assets within the community for use by their occupants.

New Opportunity (how does the bid promote an otherwise missed opportunity i.e. obtain external funding?)

In combination with the council's flexible eligibility commitment, EIP grants enable more ECO grant support to be allocated across the district than might otherwise be the case, i.e., a greater share of the national ECO budget, than might otherwise be the case.

Cost Savings (how does the bid deliver cost savings?)

See above answer to 'Statutory Requirements':

1. It addresses Category 1 and 2 excess cold hazards, reducing PSHO workload
2. It releases match funding to enable works which might otherwise need to be commissioned by the council as works in default
3. It helps households become more financially sustainable and able to participate in their communities

Optimise Income (how does the bid protect or create an incomes stream?)

EIP will not bring income directly to the council, but it will attract a level of match funding into the district and contribute towards household financial sustainability.

Options Appraisal (what other options were considered and why were they discounted?)

The alternative option is to not offer this grant. This is not preferred as:

1. It may increase the workload of the PSHO
2. It could increase the risk of excess winter mortality in the most vulnerable households
3. It decreases the district's opportunity to attract external (typically ECO) funding
4. Not having the EIP grant weakens the council's demonstration of its commitment to Health in All Policies

Additional Information

A completed Funding Bid Finance Profile (a template is provided) and a completed Funding Bid Assessment Form (a template is provided) must be submitted with this form for the bid to be considered.

Declaration

By submitting this form you confirm that the information you have provided is accurate and complete and that you have the necessary approvals to make this bid. You understand that failing to do any of the above can result in disciplinary action.

Please return this form to the finance service.

Funding Bid Assessment Form

This form should be used to assess bids for revenue (reserves or windfall) funding or capital funding, providing comments associated with all assessment criteria to clearly outline the assessment outcome and so help prioritise bids and award funding.

Assessment Details

Project or Bid Name (provide a name for your bid or project)

Energy Insulation Programme

Project or Bid Assessment Scoring (provide scores and associated comments for the bid or project. Each criteria should score between 0 for no contribution or negative contribution and 5 for a very positive contribution)

Criteria	Weighting	Score	Comments
Priorities (how does the bid contribute to strategic priorities?)	6 (30 max.)	5	It reduces the likelihood of occupants coming to harm by reducing or removing an identified hazard from the home. It contributes mostly to 'Healthy and Safe Communities': <i>More people will be living independently at home. Providing help and advice to prevent homelessness.</i> <i>Providing support to help those with disabilities and older people stay healthy and active.</i>
Compliance (how does the bid deliver statutory or regulatory requirements?)	4 (20 max.)	2	There is no statutory requirement to provide this assistance in this way. However, there is a statutory duty for the council to act upon Category 1 and some Category 2 Housing Health and Safety Rating system hazards where these are identified. This duty is normally carried out through the Private Sector Housing Officer (PSHO) role, often requiring the serving of a legal notice and carrying out works in default to mitigate the hazard. As a core feature of the Warmer Homes, Greener District initiative, the EIP has removed a number of Category 1 and 2 hazards in financially vulnerable homes as a matter of course, and reduced otherwise necessary involvement of the PSHO.
Investment (how does the bid maintain or enhance assets?)	2 (10 max.)	5	The EIP grant assistance enables vulnerable and defective homes to be adequately heated, reducing and often reversing further degradation of affected housing stock.
Opportunity (how has the bid attracted external funding?)	2 (10 max.)	4	The EIP has been used primarily as match funding for energy efficiency measures in low income households. In the last three years, the match has been provided by primarily through Energy Company Obligation (ECO) schemes,

Saving (how will the bid reduce costs to the council?)	3 (15 max.)	2	As mentioned above, EIP grants reduce costs to the council in two main ways: <ol style="list-style-type: none"> 1. It addresses Category 1 and 2 excess cold hazards, reducing PSHO workload 2. It releases match funding to enable works which might otherwise need to be commissioned by the council as works in default 3. It helps households become more financially sustainable and able to participate in their communities
Income (how will the bid create or protect income streams?)	3 (15 max.)	2	EIP will not bring income directly to the council. As explained above, it attracts match funding into the district and contributes towards household financial sustainability.
Total (the total score for the bid, 100 max.)		68	

Please note: bids of 76 points and over will be regarded as very high priority, those between 51 and 75 points will be regarded as high priority, those between 26 and 50 points will be regarded as medium priority and those of 25 points and below will be regarded as low priority.

Assessing Officer Details

Name	Job Title
Lucy Robinson	Housing and Wellbeing manager
Additional comments and information	

Finance Service Comments

Finance Officer Name
Detail comments and proposed amendments (where relevant)

Leadership Team Comments

Detail comments and proposed amendments (where relevant)

Funding To Be Awarded?

Yes No

Funding Bid Form

This form should be used to submit a bid for revenue (reserves or windfall funding) or capital funding. Assistance on how to complete this form can be obtained by referring to the relevant guidance document. Once completed the form should be returned to: finance@lichfielddc.gov.uk. If required, please seek advice from the finance service.

Lead Officer Details

Name

Lucy Robinson

Job Title

Housing & Wellbeing Manager

Service

Regulatory Services, Housing & Wellbeing

Cost Centre

9000 9150

Funding Bid Details

Project or Bid Name (provide a name for your bid or project)

Home Repair Assistance Grants

Description (provide an overview of the bid or project)

HRA grants are available for emergency repairs to domestic properties to reduce the likelihood of occupants coming to harm by lessening or removing an identified hazard from the home.

Is the bid for revenue (reserves or windfall) or capital funding? (complete all relevant)

- Revenue funding Capital funding

Is this a one-off request or ongoing programme (i.e. maintenance)?

- One-off Project (provide duration)¹ Ongoing Programme

¹Duration (if relevant)?

Business Case Details

Does the bid have a return on investment (i.e. invest-to-save)?

- Yes (provide yield)² No

²Yield (if relevant)?

Justification (provide the reasons for the bid, including the outcomes that will be delivered)

There are some instances where owner-occupiers are unable to afford the full cost of necessary repairs to their home, or to install measures to remove hazards which compromise the health and safety of its occupants. This grant will help to ensure that the district's homes remain decent and safe for its occupants by reducing the risk of harm from hazards and other deficiencies, in line with our Housing Assistance Policy.

Outcomes may include warmer, safer homes, reduced risk of unnecessary hospitalisation, reduced risk of homelessness, and a clear demonstration of the council's commitment to Health in All Policies.

Strategic Priorities (how does the bid support delivery of our strategic priorities?)

Healthy and safe communities priority is supported by enabling people to remain living independently within their communities for longer.

Vibrant & prosperous economy is supported as the much of the works are carried out by smaller locally based contractors ensuring the money is spent within the local Staffordshire economy.

Statutory Requirements (how does the bid support delivery of our legislative or regulatory requirements?)

It is controlled by legislation but is discretionary.

However, there is a statutory duty for the council to act upon Category 1 and some Category 2 Housing Health and Safety Rating system hazards where these are identified. This duty is normally carried out through the Private Sector Housing Officer (PSHO) role, often requiring the serving of a legal notice and carrying out works in default to mitigate the hazard.

Home Repair Assistance (HRA) grants have removed a number of Category 1 and 2 hazards in financially vulnerable homes as a matter of course, and reduced otherwise necessary involvement of the PSHO.

Asset Management (how does the bid contribute to the maintenance or enhancement of our assets?)

The funding does not maintain council assets but it does help maintain and improve some housing assets within the community for use by their occupants.

New Opportunity (how does the bid promote an otherwise missed opportunity i.e. obtain external funding?)

The grant is able to be used to top up other funding sources, e.g. customer contribution and conservation grants.

Cost Savings (how does the bid deliver cost savings?)

HRA grants reduce costs to the council in two main ways:

1. It addresses Category 1 and 2 hazards of all types, potentially reducing PSHO workload
2. It releases match funding to enable works which might otherwise need to be commissioned by the council as works in default

It helps households become more financially sustainable and able to participate in their communities

Optimise Income (how does the bid protect or create an incomes stream?)

HRA grants will not bring income directly to the council. As explained above, it can attract match funding into the district and contribute towards household financial sustainability.

Options Appraisal (what other options were considered and why were they discounted?)

The alternative option is to not offer this grant. This is not preferred as:

1. It may increase the workload of the PSHO

2. It could increase the risk of excess winter mortality, or other avoidable harm, in the most vulnerable households
3. It may contribute as a cause for homelessness
4. Not having the HRA grant weakens the council's demonstration of its commitment to Health in All Policies

Additional Information

A completed Funding Bid Finance Profile (a template is provided) and a completed Funding Bid Assessment Form (a template is provided) must be submitted with this form for the bid to be considered.

Declaration

By submitting this form you confirm that the information you have provided is accurate and complete and that you have the necessary approvals to make this bid. You understand that failing to do any of the above can result in disciplinary action.

Please return this form to the finance service.

Funding Bid Assessment Form

This form should be used to assess bids for revenue (reserves or windfall) funding or capital funding, providing comments associated with all assessment criteria to clearly outline the assessment outcome and so help prioritise bids and award funding.

Assessment Details

Project or Bid Name (provide a name for your bid or project)

Home Repair Assistance Grants

Project or Bid Assessment Scoring (provide scores and associated comments for the bid or project. Each criteria should score between 0 for no contribution or negative contribution and 5 for a very positive contribution)

Criteria	Weighting	Score	Comments
Priorities (how does the bid contribute to strategic priorities?)	6 (30 max.)	5	It reduces the likelihood of occupants coming to harm by reducing or removing an identified hazard from the home. It contributes mostly to 'Healthy and Safe Communities': <i>More people will be living independently at home.</i> <i>Providing help and advice to prevent homelessness.</i> <i>Providing support to help those with disabilities and older people stay healthy and active.</i>
Compliance (how does the bid deliver statutory or regulatory requirements?)	4 (20 max.)	2	It is controlled by legislation but is discretionary. However, there is a statutory duty for the council to act upon Category 1 and some Category 2 Housing Health and Safety Rating system hazards where these are identified. This duty is normally carried out through the Private Sector Housing Officer (PSHO) role, often requiring the serving of a legal notice and carrying out works in default to mitigate the hazard. Home Repair Assistance (HRA) grants have removed a number of Category 1 and 2 hazards in financially vulnerable homes as a matter of course, and reduced otherwise necessary involvement of the PSHO.
Investment (how does the bid maintain or enhance assets?)	2 (10 max.)	5	The HRA grant assistance enables vulnerable and defective homes to be adequately heated, reducing and often reversing further degradation of affected housing stock.
Opportunity (how has the bid attracted external funding?)	2 (10 max.)	0	The grant is able to be used to top up other funding sources, e.g. customer contribution and conservation grants.
Saving (how will the bid reduce costs to the council?)	3 (15 max.)	2	As mentioned above, HRA grants reduce costs to the council in two main ways: 1. It addresses Category 1 and 2 hazards of all types, potentially reducing PSHO workload

			<p>2. It releases match funding to enable works which might otherwise need to be commissioned by the council as works in default</p> <p>It helps households become more financially sustainable and able to participate in their communities</p>
Income (how will the bid create or protect income streams?)	3 (15 max.)	2	HRA grants will not bring income directly to the council. As explained above, it can attract match funding into the district and contribute towards household financial sustainability.
Total (the total score for the bid, 100 max.)		60	

Please note: bids of 76 points and over will be regarded as very high priority, those between 51 and 75 points will be regarded as high priority, those between 26 and 50 points will be regarded as medium priority and those of 25 points and below will be regarded as low priority.

Assessing Officer Details

Name

Lucy Robinson

Job Title

Housing and Wellbeing manager

Additional comments and information

Finance Service Comments

Finance Officer Name

--	--

Detail comments and proposed amendments (where relevant)

Leadership Team Comments

Detail comments and proposed amendments (where relevant)

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Funding To Be Awarded?

- Yes No

Capital Programme

Project	Capital Programme (R=>500k, A=250k to 500k and G=<250k)						
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000	Corporate
Leisure Review: Capital Investment	30	0	0	0	0	30	0
Play Equipment at Hill Ridware Village Hall	30	0	0	0	0	30	0
New Build Parish Office/Community Hub	0	92	0	0	0	92	0
Fradley Village Heating & CCTV	5	0	0	0	0	5	0
Fradley Youth & Community Centre Cladding	15	0	0	0	0	15	0
Armitage with Handsacre Village Hall heating	5	0	0	0	0	5	0
Armitage with Handsacre Village Hall storage	0	6	0	0	0	6	0
Improvement of Armitage War Memorial	0	120	0	0	0	120	0
Replacement of canopy and artificial grass	13	0	0	0	0	13	0
Burntwood LC CHP Unit	235	0	0	0	0	235	0
Westgate Practice Refurbishment	120	0	0	0	0	120	0
King Edwards VI School	101	0	0	0	0	101	0
Friary Grange - Short Term Refurbishment	174	521	0	0	0	695	0
Replacement Leisure Centre	38	164	189	2,349	2,260	5,000	0
St. Stephen's School, Fradley	22	0	0	0	0	22	0
Accessible Homes (Disabled Facilities Grants)	1,200	1,698	950	950	950	5,748	396
Home Repair Assistance Grants	28	15	15	15	15	88	0
Decent Homes Standard	0	172	0	0	0	172	0
Energy Insulation Programme	38	10	10	10	10	78	0
DCLG Monies	0	212	0	0	0	212	0
Unallocated S106 Affordable Housing Monies	270	414	0	0	0	684	0
Enabling People Total	2,324	3,424	1,164	3,324	3,235	13,471	396
Darnford Park (S106)	0	13	0	0	0	13	0
Canal Towpath (Brereton & Ravenhill)	211	0	0	0	0	211	0
Loan to Council Dev Co.	0	675	0	0	0	675	116
Lichfield St Johns Community Link (CIL)	0	35	0	0	0	35	0
Staffordshire Countryside Explorer (CIL)	0	44	0	0	0	44	0
Equity in Council Dev Co.	225	0	0	0	0	225	0
Vehicle Replacement Programme (Waste)	0	0	0	3,190	75	3,265	75
Vehicle Replacement Programme (Other)	146	56	327	142	202	873	57
Bin Purchase	150	150	150	150	150	750	0
Shortbutts Park, Lichfield	23	0	0	0	0	23	20
Env. Improvements - Upper St John St	7	0	0	0	0	7	0
Stowe Pool Improvements	0	50	0	0	0	50	5
The Leomansley Area Improvement Project	3	0	0	0	0	3	0
Cannock Chase SAC	44	22	25	0	0	91	0
Shaping Place Total	809	1,045	502	3,482	427	6,265	273
Multi Storey Car Park Refurbishment Project	300	0	0	0	0	300	0
Birmingham Road Site - Coach Park	861	625	0	0	0	1,486	418
Birmingham Road Site - Short Term Use	473	0	0	0	0	473	0
Car Parks Variable Message Signing	32	0	0	0	0	32	0
Old Mining College - Refurbish access	13	0	0	0	0	13	0
Erasmus Darwin Lunar Legacy (Lichfield Art)	3	0	0	0	0	3	3
St. Chads Sculpture (Lichfield City Art Fund)	50	0	0	0	0	50	50
Developing Prosperity Total	1,732	625	0	0	0	2,357	471
Investment in Property	10,500	11,500	11,500	11,500	0	45,000	0
Property Planned Maintenance	104	125	150	180	215	774	774
Depot Sinking Fund	0	11	0	0	0	11	11

APPENDIX C

Project	Capital Programme (R=>500k, A=250k to 500k and G=<250k)						Corporate
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000	
New Financial Information System	0	250	0	0	0	250	250
IT Infrastructure	105	55	35	15	0	210	210
IT Cloud	25	100	0	0	0	125	125
IT Innovation	60	250	50	50	0	410	305
IT Hardware	0	202	161	160	174	697	697
District Council House Repair Programme	0	164	74	110	0	348	310
A Good Council Total	10,794	12,657	11,970	12,015	389	47,825	2,682
Capital Programme	15,659	17,751	13,636	18,821	4,051	69,918	3,822

Funding Source	Capital Programme					
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Capital Receipts	547	1,402	514	559	352	3,374
Capital Receipts - Statue	53	0	0	0	0	53
Revenue - Corporate	0	182	0	0	213	395
Corporate Council Funding	600	1,584	514	559	565	3,822
Grant	1,266	2,343	931	931	931	6,402
Section 106	673	865	25	0	0	1,563
CIL	221	79	0	0	0	300
Reserves	1,946	1,066	327	72	145	3,556
Revenue (Joint Waste Service)	150	150	150	150	150	750
Sinking Fund	235	0	0	0	0	235
Leases	0	0	0	3,260	0	3,260
Total	5,091	6,087	1,947	4,972	1,791	19,888
Borrowing Need	10,568	11,664	11,689	13,849	2,260	50,030
Funding Total	15,659	17,751	13,636	18,821	4,051	69,918

Reconciliation of Original Capital Programme to this Capital Programme

	Cabinet or Decision Date	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000	
Original Budget Council 19/02/2019		11,618	14,909	14,466	17,250	0	58,243	
Approved Changes								
Allocation of Community Infrastructure Levy	12/03/2019	255	45				300	
Multi Storey Car Park Refurbishment	12/03/2019	300					300	
Slippage from 2018/19	13/06/2019	819					819	
Quarter 1 Money Matters	10/09/2019	(805)	333				(472)	
Birmingham Road Enabling Works	10/09/2019	120					120	
St. Stephen's School (S106)	24/10/2019	22					22	
Quarter 2 Money Matters	03/12/2019	(1,664)	1,664				0	
8 Months Money Matters	11/02/2020	4,183	(1,109)	(1,500)	(1,500)		74	
Friary Grange Leisure Centre								
Replacement Facility	07/10/2019	38	164	189	2,349	2,260	5,000	
Short Term Refurbishment	07/10/2019	174	521				695	
Capital Bids Received - 21/11/2019								
Vehicle Replacement Programme (score 80)	Medium Term Financial Strategy	(280)	(103)	20	232	277	146	
Property Planned Maintenance (score 72)		104	125	150	180	215	774	
Disabled Facilities Grants (score 68)						950	950	
New Financial Information System (score 65)			250				250	
ICT Hardware (score 59)				202	161	160	174	697
Coach Park - Acquisition (score 55)			50					50
Coach Park - Works (score 55)			575	625				1,200
Capital Bids fully funded by Revenue or External								
Joint Waste Service Bin Purchase (score 84)			150	150	150	150	150	750
Energy Insulation Programme (score 68)				(10)			10	0
Home Repair Assistance Grants (score 60)			(15)			15	0	
Capital Programme		15,659	17,751	13,636	18,821	4,051	69,918	

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

Context

In accordance with the Local Government Act 2003 (Sections 25-27) and to comply with CIPFA Guidance on Local Authority Reserves and Balances, the CFO is required to formally report to Members on the robustness of the Budget and the adequacy of Reserves. The CFO is appropriately qualified under the terms of Section 113 of the Local Government Finance Act 1988.

Adequacy of Reserves

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

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

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

The Council's aim is to have a prudent level of General Reserves available for unforeseen financial risks. The Council projects available general reserves of **£4,824,000** at 31 March 2020. This is **39%** of the amount to be met from Government Grants and Local Taxpayers in 2020/21 of **£12,284,000**.

The minimum level of Reserves for 2020/21 onwards is **£1,600,000** and has been determined by Risk Assessment.

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

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

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

Use of General Revenue Reserves

The above assessment demonstrates that General Revenue Reserves are at an appropriate level as determined in accordance with the MTFS and the CFO's professional advice. The MTFS allows any Reserves above the level required by the Strategy to be used to fund one-off items of expenditure. No General Revenue Reserves below the minimum threshold are being used to support the 2020/21 budget and beyond.

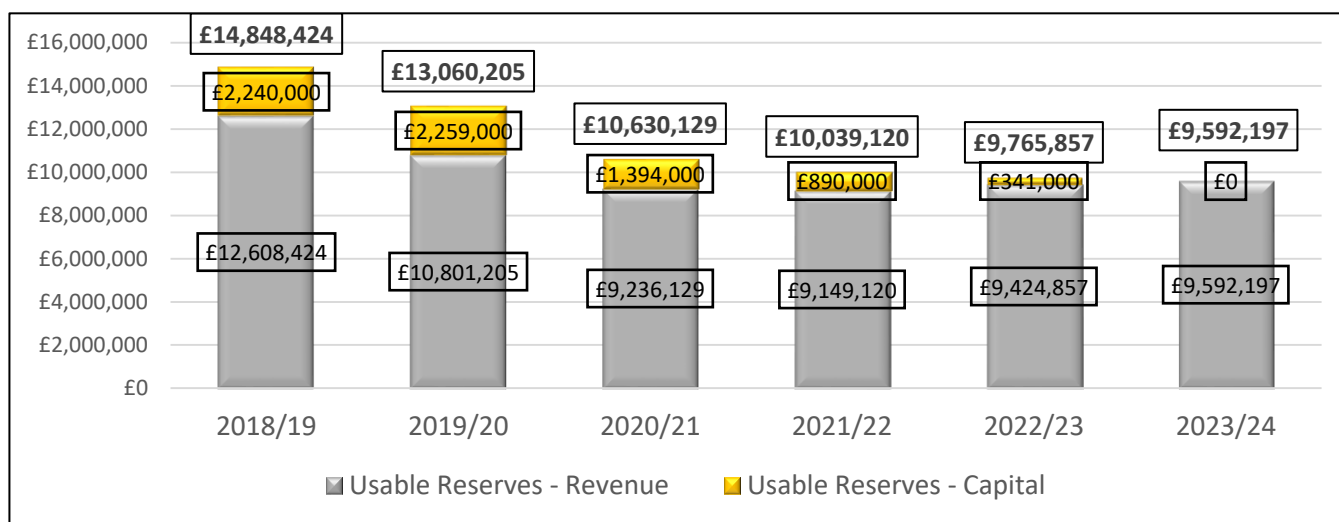
CIPFA provides guidance for determining the minimum level of Reserves. The Council uses the method based on risk assessment. The approach to the risk assessment of Reserves has taken into account CIPFA guidance (LAAP 99) (Guidance note on Local Authority Reserves and Balances).

The table below shows the financial risk assessment made for **2020/21**:

Explanation of Risk / Justification of Balances	Severity of Risk	2020/21 Reserve Amounts £	2019/20 Reserve Amounts £	Change £
Capital Strategy Risk Assessment	Material	£149,000	£117,000	£32,000
Business Rates (Gross Risk £1.062m less Volatility Reserve £0.831m)	Severe	£231,000	£599,000	(£368,000)
Leisure Centre Outsourcing Bid	Tolerable	£37,000	£36,000	£1,000
Reduction in customer income/Savings not achieved	Material	£592,000	£355,000	£237,000
Higher inflation	Material	£233,000	£155,000	£78,000
Increase in demand led services	Material	£90,000	£90,000	£0
Collection performance	Material	£129,000	£115,000	£14,000
Civil Contingency	Tolerable	£127,000	£127,000	£0
Other small risks	Tolerable	£12,000	£6,000	£6,000
		£1,600,000	£1,600,000	£0

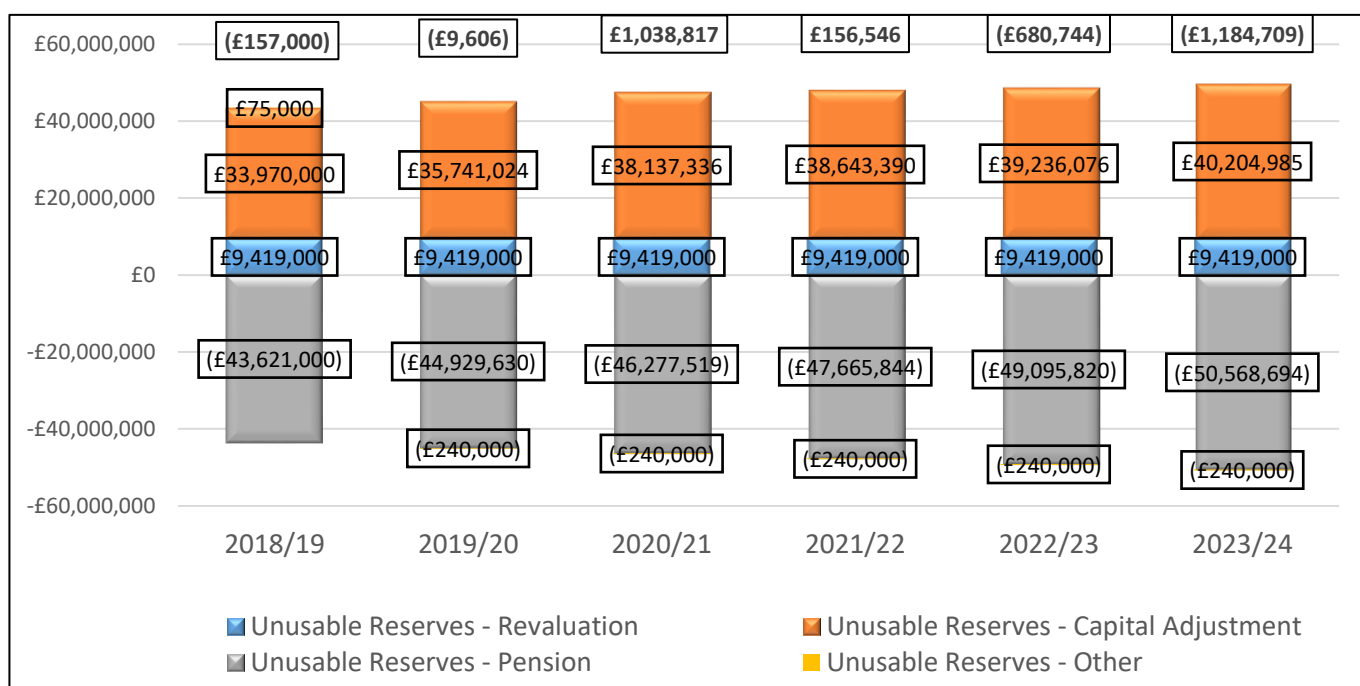
Other Reserves (in addition to General Reserves)

A review of the level of Earmarked Reserves has been undertaken as part of the annual Budget preparation. The projected levels are shown below – revised estimate transfer to general reserves:



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

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



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

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

Timetable - the process started in June 2019 and the draft budget was completed in December 2019 prior to the Provisional Financial Settlement for Local Government 2020/21. This enabled formal scrutiny of the budget making process in January 2020. The final budget is due to be set at Council on 18 February 2020, well within the statutory deadline.¹

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

Consultation – In December 2019 to Mid-January 2020, we carried out a budget consultation to find out what people who live in the District think about the services we provide and their view on an acceptable level of Council Tax increase.

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

Localism Act - Right to approve or veto excessive Council Tax rises - The Secretary of State has determined a **2%** or **£5.00** (whichever is the higher) limit for Council Tax increases for 2020/21. If an Authority proposes to raise taxes above the limit they will have to hold a referendum to get approval for this from the local voters who will be asked to approve or veto the rises.

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

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

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

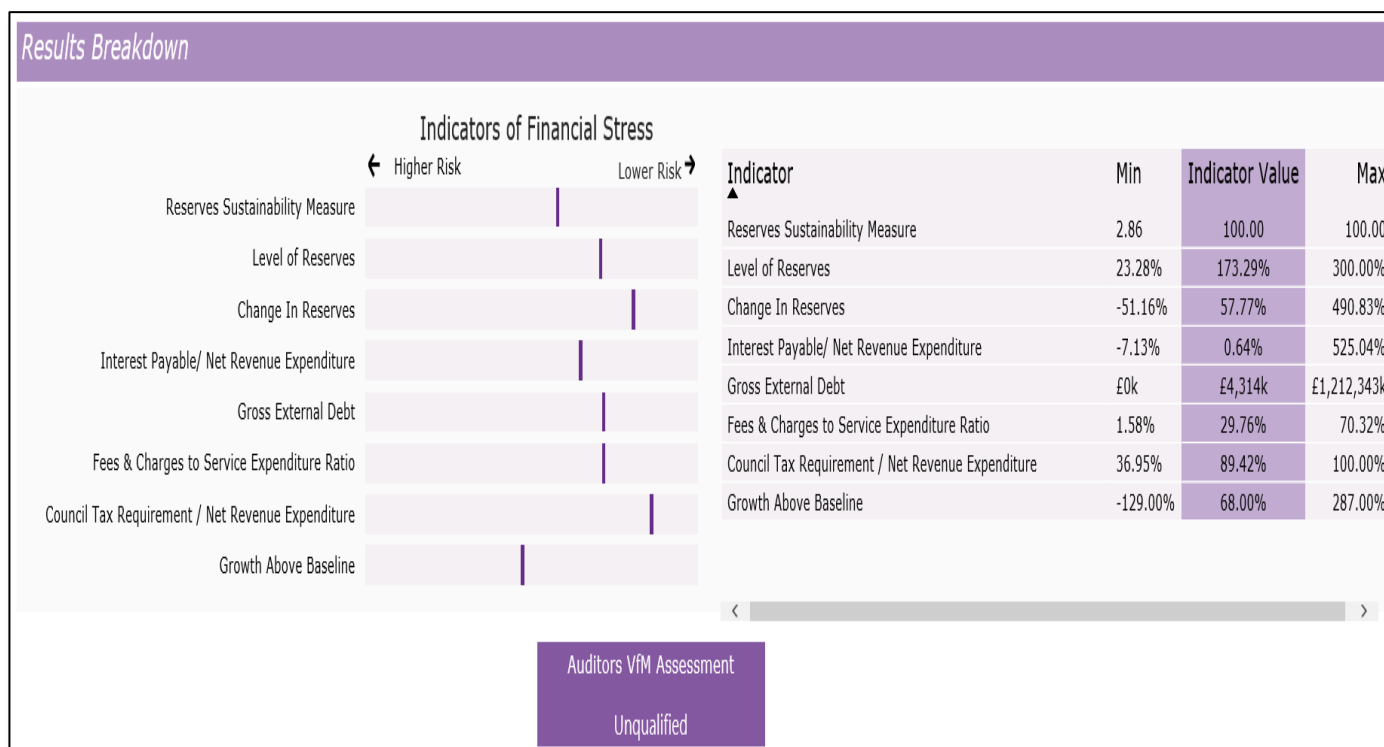
Financial risks – The Council continues to use an embedded good practice Risk Assessment approach both when setting the Budget and in validating estimated outturns. This continues for the 2019/20 outturn and 2020/21 plus Budget. The minimum level of General Reserves is considered to be adequate to cover all but the most unusual and serious combination of risks.

The CIPFA Resilience Index

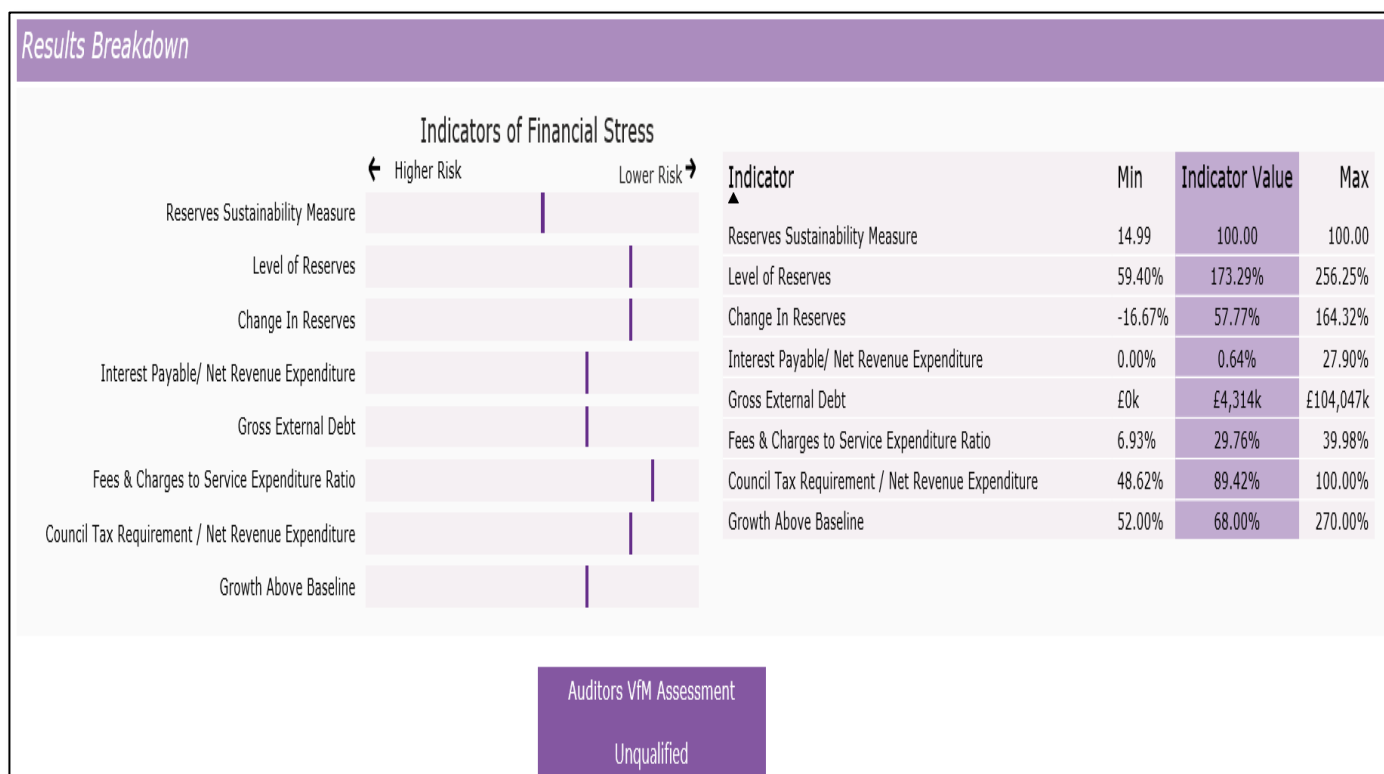
CIPFA published the first release of its Resilience Index in December 2019. The selection of indicators has been informed by the extensive financial resilience work undertaken by CIPFA over the past four years, public consultation and technical stakeholder engagement. The index shows this Council's position on a range of measures associated with financial risk with the results breakdown summarised below:

¹ Statutory deadline date for setting Council Tax is by 11 March 2020.

District Councils



Nearest Neighbours



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

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

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

Key Assumptions													
Year	1	2	3	4	5	6	7	8	9	10	15	20	25
Council Tax Base	38,011	39,032	39,717	40,627	41,487	41,999	41,999	42,330	42,661	42,992	44,647	46,302	47,957
Projected Residential Growth - LHN							331	331	331	331	331	331	331
Projected Council Tax Base							42,330	42,661	42,992	43,323	44,978	46,633	48,288
Council Tax Band D	£175	£180	£185	£190	£195	£199	£203	£207	£211	£215	£238	£262	£289
Modelled Council Tax Increase	£5.00	£5.00	£5.00	£5.00	£5.00	1.99%	1.99%	1.99%	1.99%	1.99%	1.99%	1.99%	1.99%
LG Futures Property Based Unit Cost	£53	£54	£55	£56	£57	£58	£59	£61	£62	£63	£70	£77	£85
Core Budget Inflation Allowance						2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Funding and Pension Inflation Allowance						2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Year	Medium Term Financial Strategy					Additional Projections								
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2033/34	2038/39	2043/44	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Year	1	2	3	4	5	6	7	8	9	10	15	20	25	
Modelled Total Expenditure	10,934	10,823	11,134	11,708	11,986	11,807	12,374	12,657	13,094	13,542	15,847	18,673	21,950	
<u>Inflation and Budget Variations</u>														
Provision for Pay and Other Inflation	0	(3)	(2)	0	3	295	300	317	325	336	393	464	545	
Budget Pressure - Residential Growth						30	20	20	20	21	23	25	28	
Budget Variations	(340)	870	(265)	(220)	(104)	(149)								
Revenue Implications of Capital Bids	0	229	(30)	(85)	19	(3)								
Sub Total	10,594	11,919	10,837	11,403	11,904	11,980	12,693	12,994	13,439	13,899	16,263	19,162	22,523	
<u>Other Projections</u>														
Annual Increase in Past Service Pensions						100	102	104	106	108	120	132	146	
Treasury Management	0	(97)	(97)	(97)	(97)					(136)				
MRP for Burntwood LC completed							(135)							
FGLC short term running costs end														
Replacement for FGLC Debt Costs						294	(4)	(4)	(4)	(4)	(4)	(4)	(4)	
Total Modelled Expenditure	10,594	11,822	10,740	11,306	11,807	12,374	12,657	13,094	13,542	13,867	16,379	19,290	22,665	

APPENDIX E

	Medium Term Financial Strategy					Additional Projections							
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2033/34 £000	2038/39 £000	2043/44 £000
<u>Retained Business Rates</u>													
Baseline Funding Level	(2,083)	(2,117)	(2,168)	(2,211)	(2,255)	(2,300)	(2,346)	(2,393)	(2,441)	(2,490)	(2,749)	(3,035)	(3,351)
Fair Funding - Negative RSG principles	0	0	477	491	506	516	526	537	548	559	617	681	752
Retained Growth - full & phased resets	(746)	(903)	(89)	(116)	(123)	(100)	(102)	(104)	(106)	(108)	(120)	(132)	(146)
<u>New Homes Bonus / Replacement</u>													
New Homes Bonus - total receipt	(1,278)	(1,771)	(911)	(680)									
New Homes Bonus - Replacement					(300)	(200)	(100)	0	0	0	0	0	0
<u>Council Tax and Other Funding</u>													
Collection Fund and one off funding	(945)	(464)	(86)	(109)	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(35)
Council Tax	(6,655)	(7,029)	(7,350)	(7,722)	(8,093)	(8,356)	(8,589)	(8,829)	(9,074)	(9,326)	(10,685)	(12,225)	(13,969)
Total Modelled Funding	(11,707)	(12,284)	(10,127)	(10,347)	(10,300)	(10,475)	(10,646)	(10,824)	(11,108)	(11,400)	(12,972)	(14,746)	(16,749)

Modelled Funding Gap/(General Reserves)	(1,113)	(462)	613	959	1,507	1,899	2,011	2,270	2,434	2,467	3,407	4,544	5,917
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Memorandum Item	Legacy Payments				New Scheme			
New Homes Bonus - Base Budget	(700)	(600)	(500)	(400)	(300)	(200)	(100)	0

	Medium Term Financial Strategy					Additional Projections							
Available General Reserves Year Start	3,710	4,823	6,456	6,867	7,147	7,147	7,147	7,147	7,147	7,147	7,147	7,147	7,147
Contributions from Revenue Account	1,003	462											
New Homes Bonus in excess of the 'Cap'	110	1,171	411	280									
Available General Reserves Year End	4,823	6,456	6,867	7,147	7,147	7,147	7,147	7,147	7,147	7,147	7,147	7,147	7,147

Available General Reserves assuming no Savings/income identified	4,823	6,456	6,253	5,575	4,068	2,168	158
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