

Medium Term Financial Strategy 2020-25

Cabinet Member for Finance, Procurement, Customer Services and Revenues & Benefits



Date:	13 October 2020
Agenda Item:	14
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Key Decision?	YES
Local Ward Members	Full Council

Council

1. Executive Summary

- 1.1 The ability to deliver the outcomes set out in the **Lichfield District Council Strategic Plan**, and beyond, is dependent on the resources available in the Medium Term Financial Strategy (MTFS).
- 1.2 This year, in addition to the inherent uncertainty related to the Local Government Financing Regime, there is the added uncertainty related to COVID-19 and changes to the Planning system.
- 1.3 The MTFS for the period 2019-24 was approved by Council on 18 February 2020 and this is refreshed to:
 - Remove the previous financial year and in this MTFS this is 2019/20
 - Formally add the new financial year and in this MTFS this is 2024/25 and;
 - Refresh and update assumptions to reflect the latest information available.
- 1.4 The MTFS is the overall budget framework and consists of the Revenue Budget, Capital Strategy and Capital Programme and General Reserves.
- 1.5 There have been a series of reports to Cabinet and Council that have updated the MTFS 2019-2024 since its initial approval by Council.
- 1.6 The Treasury Management Strategy Statement and Annual Investment Strategy are also important components of the MTFS. These components under the Constitution are the responsibility of the Audit and Member Standards Committee and therefore will be considered by that Committee as part of the development of the Draft MTFS for 2020-2025.

2. Recommendations

- 2.1. Cabinet recommended to Council:
 - The removal of all budgets related to Investment in Property.
 - The removal of all budgets related to the ICT Cloud project.

3. Background

Investment in Property

- 1.1. The MTFS included Capital Programme budgets to enable the implementation of the Property Investment Strategy resulting in a contribution towards closing the Revenue Budget Funding Gap.
- 1.2. The Budget on 11 March 2020 included a consultation on changes to the PWLB lending terms to stop the use of PWLB loans for “debt for yield activity”. The consultation closed on 4 June 2020 and the Council submitted a response with the outcome from HM Treasury still awaited.
- 1.3. CIPFA also issued a statement on 11 March 2020 that included reference to the transition period with the PWLB and the use of alternative forms of borrowing and advised “all CFOs to operate these new arrangements with immediate effect. When regulations follow consultation, we believe that they will apply to both financing and refinancing, and so councils should avoid the risks that could result if they borrowed from the PWLB for commercial purposes during the transition”.
- 1.4. Moving forward, the Council can consider alternative options that could include Investment in Property and the MTFS can be updated to reflect the preferred approach.

ICT Cloud

- 1.5. The MTFS included an Invest to Save project for the implementation of a cloud based IT environment. However further analysis was undertaken and this identified an alternative option of procuring server hosting and support services from Staffordshire and Shropshire health Informatics Service (SSHIS).
- 1.6. The option to utilise the alternative was approved by a Cabinet Member decision on 31 January 2020.

The Pay Award in 2020/21 (for noting)

- 1.7. The MTFS assumed a pay award for 2020/21 (and later years) of **2.00%**. In August 2020 Local Government agreed a pay award for 2020/21 of **2.75%**. This will result in an additional cost for 2020/21 and later years of **0.75%** plus related employer costs.
- 1.8. Additionally under the agreement, staff with less than five years’ service will also see their holiday rise from **21 days a year to 22** and this could also result in a further (unquantified) additional cost.
- 1.9. At this stage, the **2%** assumption for 2021/22 and later years will continue to be used in the MTFS.
- 1.10. The impact of these recommended changes on the Approved Capital Programme is shown below:

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Approved Capital Programme	8,036	36,868	18,821	4,051	0	67,776
Removal of Investment in Property	0	(33,500)	(11,500)	0	0	(45,000)
Removal of ICT Cloud	(91)	0	0	0	0	(91)
Recommended Capital Programme	7,945	3,368	7,321	4,051	0	22,685

- 1.11. The impact of these recommended changes on the Approved Revenue Budget is shown below:

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Approved Revenue Budget	£11,730	£10,647	£11,163	£11,705	£12,317
Removal of Investment in Property	87	278	467	658	658
Removal of ICT Cloud	30	100	150	150	150
Earmarked Reserve for ICT Cloud	(30)				
Additional impact of the 2020/21 Pay Award	82	84	85	87	89
Recommended Revenue Budget	£11,899	£11,108	£11,866	£12,600	£13,213

Updated Funding Gap (transfer to General Reserves)	(385)	982	1,519	2,300	2,692
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Alternative Options	Where alternative options exist, they are identified within the background section.
Consultation	Strategic (Overview and Scrutiny) Committee received this report on 1 September 2020 and made no recommendations to Cabinet. A Budget Consultation exercise will take place in 2020 in line with the recently approved engagement strategy to inform the MTFs. The results of the consultation will form part of the report to Cabinet on 9 February 2021.
Financial Implications	These are included within the report.
Contribution to the Delivery of the Strategic Plan	The report directly links to overall performance and especially the delivery of Lichfield District Council's Strategic Plan and beyond.
Equality, Diversity and Human Rights Implications	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan.
Crime & Safety Issues	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan.
Environmental Impact	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan.
GDPR/Privacy Impact Assessment	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan.

	Risk Description	How We Manage It	Severity of Risk
Strategic Risk SR1 - Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of finance.			
A	Implementation of the Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations	To closely monitor the level of appeals. An allowance of 4.7% (in line with the MHCLG Allowance) for appeals has been included in the Business Rate Estimates.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
B	The review of the New Homes Bonus regime	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.	Likelihood : Red Impact : Yellow Severity of Risk : Yellow
C	The increased Localisation of Business Rates and the Fair Funding Review in 2022/2023	To assess the implications of proposed changes and respond to consultations to attempt to influence the policy direction in the Council's favour.	Likelihood : Red Impact : Red Severity of Risk : Red
D	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.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
Strategic Risk SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape.			
E	The financial impact of COVID-19 is not fully reimbursed by Government and exceeds the reserves available resulting in a Section 114 notice	The use of general and earmarked reserves to fund any shortfall	Likelihood : Yellow Impact : Red Severity of Risk : Yellow
F	The Council cannot achieve its	There will need to be consideration of additional	Likelihood : Yellow

	Risk Description	How We Manage It	Severity of Risk
	approved Delivery Plan for 2020/21	resourcing and/or reprioritisation to reflect the impact of the pandemic.	Impact : Yellow Severity of Risk : Yellow
G	The resources available in the medium to longer term to deliver the Strategic Plan are diminished	The MTFS will be updated through the normal review and approval process	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
H	Government and Regulatory Bodies introduce significant changes to the operating environment	To review all proposed policy changes and respond to all consultations to influence outcomes in the Council's favour	Likelihood : Green Impact : Yellow Severity of Risk : Yellow

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) 2019-24 – Cabinet 11 February 2020.
- Money Matters: Medium Term Financial Strategy (Revenue and Capital) 2019-24 – Council 18 February 2020.
- Money Matters: 2019/20 Review of Financial Performance against the Financial Strategy – Cabinet 2 June 2020.
- The Medium Term Financial Strategy and the projected financial impact of the COVID-19 Pandemic – Cabinet 7 July 2020.
- Money Matters: 2020/21 Review of Financial Performance against the Financial Strategy – Cabinet 8 September 2020.

Relevant web links