Medium Term Financial Strategy (Revenue and Capital) 2020-2025 (MTFS)

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

Cabinet

Date:	9 February 2021
Agenda Item:	Item 5
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Key Decision?	**YES**
Local Ward Members	Full Council

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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.

1.2 The MTFS is the overall budget framework and consists of the Revenue Budget, Capital Strategy and Capital Programme and General Reserves.

1.3 The timetable for consideration of the various elements of the MTFS is detailed in the table below:

Date		Meeting	Topics
Budget Consultation Takes Place	01/09/2020	Strategic (OS) Committee	Budget timetable, Budget Principles, MTFS Update, Budget Consultation and Budget Assumptions for 2021/22
	06/10/2020	Cabinet	Budget timetable, Budget Principles, MTFS Update, Budget Consultation and Budget Assumptions for 2021/22
	19/11/2020	Strategic (OS) Committee	To review the MTFS and any decisions of Cabinet on 6 October 2020
	01/12/2020	Council Taxbase	To set the Council Taxbase for 2021/22
	27/01/2021	Strategic (OS) Committee	To review the Draft Medium Term Financial Strategy
	03/02/2021	Audit and Member Standards Committee	To review the Treasury Management Strategy Statement
	09/02/2021	Cabinet	To recommend the Medium Term Financial Strategy and Council Tax increase to Council
	16/02/2021	Council	Approve the Medium Term Financial Strategy and set the Council Tax

1.4 **The inherently high level of uncertainty surrounding the Local Government Finance regime has been compounded by the COVID-19 pandemic and other potential Government policy changes such as devolution and the review of the Planning system.**

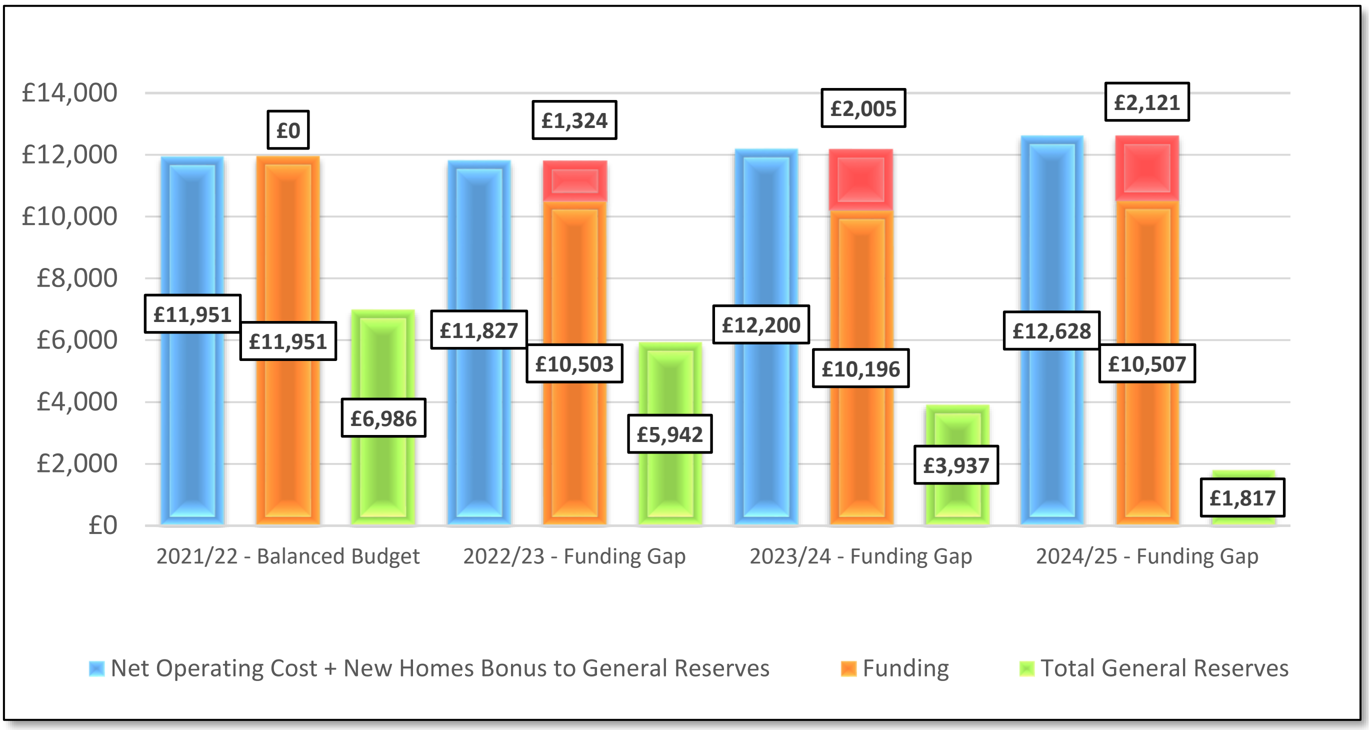
1.5 **This unprecedented level of uncertainty means that to ensure the financial sustainability of the Council, the approved budget principles must be rigorously applied in controlling any proposed budgetary growth.**

1.6 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.

1.7 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

1.8 The Revenue Budget (in £000) with a balanced budget in 2021/22 and Funding Gaps (shown in red in the graph below) in later years is shown in detail at **APPENDIX A** and in summary below:



1.9 The Original Budget approved by Council on 18 February 2020 approved a transfer to General Reserves of **£1,633,000** for 2020/21 (a planned transfer of **£462,000** plus **£1,171,000** of New Homes Bonus in excess of the Revenue Budget 'cap').

1.10 A Briefing Note related to financial performance in 2020/21 has been circulated to Members of the Committee and this shows a projected contribution to General Reserves of **£183,180** compared to the Approved Budget with a **£86,890** contribution to General Reserves.

1.11 The significant projected reduction from the Original Budget is as a direct consequence of the COVID-19 pandemic. The level of additional expenditure and income reduction is projected to exceed the Government support provided and therefore will need to be funded through the use of General Reserves.

1.12 The MTFS from 2021/22 onwards has been prepared in the context of unprecedented volatility and uncertainty and whilst estimates have been made on the potential impact, there remains significant uncertainty in 2020/21 and subsequent years.

1.13 The Council is legally required to balance the budget in the first year of 2021/22 and to set out its proposals to balance the further financial years. In 2021/22 a 'balanced budget' where income equals expenditure is recommended with a risk or recovery contingency budget included of **£1,141,380**.

1.14 In later years, it is assumed that the Fair Funding Review, Business Rates Reform and a new housing incentive scheme will be implemented from 2022/23. It is projected that District Councils including Lichfield DC will be detrimentally impacted by these changes through lower funding and therefore at this stage Funding Gaps are projected.

1.15 At the end of 2021/22, the Council is projected to have **£6,986,000** of total general reserves available (£5,386,000 after taking account of the Minimum Level of Reserves of £1,600,000) to assist with balancing the budget in future years, if needed.

1.16 General Reserves based current projections, are sufficient to balance the budget until 2024/25. However this is not a sustainable approach and the Council will need to make savings or achieve additional income to close the Funding Gap by 2024/25.

The Capital Strategy and the Capital Programme

1.3 The Treasury Management Strategy Statement incorporates the Annual Investment Strategy and it covers the financing and investment strategy for the forthcoming financial year.

1.4 The purpose of this paper is, therefore, to review:

- The Capital Strategy and Capital Programme, outlined in **APPENDICES B & C.**
- Minimum Revenue Provision Statement for 2021/22 **(APPENDIX D).**
- Treasury Management Strategy Statement for 2021/22 **(APPENDIX E).**
- Treasury Investments and their Limits **(APPENDIX E)**.
- The Investment Strategy Report for 2021/22 **(APPENDIX F)** as required under Statutory Guidance in January 2018.
- The Capital and Treasury Prudential Indicators 2020-25 in the financial implications section.

1.5 All treasury activity will comply with relevant statute, guidance and accounting standards.

The CFO's Report on the Robustness of the Budget and the Adequacy of Reserves

1.17 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 G)**.

Budget Consultation

1.18 The results of the Budget Consultation for 2021/22 are summarised in the consultation section and are shown in detail at **APPENDIX H**.

2. Recommendations

That Cabinet:

2.1 Delegate responsibility to the Cabinet Member for Finance, Procurement, Customer Services and Revenues & Benefits and the Head of Finance and Procurement to identify and implement alternative funding sources within the approved budget framework to enable the early repayment of the Burntwood Capital Investment of **£979,000** in the event planned sources are not available.

That Cabinet recommend to Council for approval:

2.2 The 2021/22 Revenue Budget, including the Amount to be met from Government Grants and Local Taxpayers of **£11,951,000** and a proposed level of Council Tax (the District Council element) for 2021/22 of **£185.07** (an increase of **£5.00** or **2.78%**) for a Band D equivalent property.

2.3 The MTFS 2020-25 Revenue Budgets and 25 year Revenue Budget model set out in **APPENDIX A**.

2.4 The MTFS 2020-25 Capital Strategy including the 25 year capital investment model and the Capital Programme shown in **APPENDICES B & C**.

2.5 The Minimum Revenue Provision Statement for 2021/22, at **APPENDIX D**, which sets out the Council's policy of using the asset life method for making prudent provision for debt redemption.

2.6 Treasury Management Strategy Statement for 2021/22 including proposed limits shown at **APPENDIX E**. The only change being proposed is based on Arlingclose advice to remove the £21m overall investment limit for Money Market Funds to manage credit and liquidity risk.

2.7 The plan to undertake a further Strategic Fund investment up to **£2m**.

2.8 The Investment Strategy Report **(APPENDIX F)** including the proposed limits for 2021/22.

2.9 The Capital and Treasury Prudential Indicators for 2020-25 in the financial implications section.

2.10 The Authorised Limit Prudential Indicator shown within the financial implications section.

2.11 The CFO's report on the robustness of the Budget and adequacy of Reserves shown in **APPENDIX G** in compliance with the requirements and duties that the Local Government Act 2003 in relation to how the Authority sets and monitors its Budgets.

3. Background

MTFS Budget Principles

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.

The Provisional Local Government Finance Settlement for 2021/22

3.3. The elements of the Provisional Finance Settlement for 2021/22 received on **17 December 2020**, relevant to this Council are:

Core Spending Power (CSP)

- This is the Government's preferred measure of Local Government resources including the income from Council Tax, retained Business Rates (based on Government baselines and therefore excluding any retained growth) and grants such as New Homes Bonus.
- For Lichfield District Council, Core Spending Power from 2020/21 to 2021/22 is assumed to increase by **0%** compared to the average for Shire Districts of **1.2%** and for England of **4.5%** (mainly due to additional resources for Upper Tier Authorities).
- The **0%** assumes Council Tax will increase by the maximum allowed and this increase would offset reductions in funding from other sources such as New Homes Bonus.
- In its CSP figures, MHCLG has assumed that the tax base will increase in 2021-22 for each authority in line with their average tax base increase since 2016-17 which in the current circumstances is an optimistic assumption.

Local Government Funding Reform

- No papers were published relating to the Fair Funding Review or the Business Rates Reset and the Minister would not confirm that the reforms will even take place next year.

Business Rates

- Staffordshire and Stoke on Trent Business Rates Pool announced for 2021/22 subject to all authorities confirming participation following the provisional Settlement.
- No new discounts and reliefs have been announced in the settlement. Ministers have promised to consider "options for further COVID-19 related support … [and] … outline plans for 2021-22 reliefs in the New Year".
- Looking further into the future, the Government is undertaking a fundamental review of business rates. The Government will respond to the consultation in the spring, and this could result in changes in the operation of business rates and (potentially) to more radical reform.

Council Tax Principles

- District Councils will be able to increase their Band D by the higher of **1.99%** or **£5**. A **£5** increase for Lichfield District Council equates to an increase of **2.78%**.
- Parish councils will continue to not be subject to the referendum limits. As in previous years, the government has indicated it will keep this approach under review for future years

New Homes Bonus (NHB)

- A one year only allocation for 2021/22 which for Lichfield District Council is **£371,453** and the total payment including legacy payments for previous years is **£1,282,298**. This compares to the payment in 2020/21 of **£1,770,945**, and is a reduction of **£488,647** (**28%**).
- Once again, the government is making very clear that it wants to replace NHB, and replace it with something that is more "targeted". NHB will effectively end after 2022/23 (only one payment is due in 2022/23). Any replacement is unlikely to distribute as much funding as the NHB currently does, or to be distributed in the same way, but at least we should find out about the Government's intentions within a few months.
- Indications in the settlement were very vague "We will soon be inviting views on how we can reform the scheme from 2022/23 to ensure it is focussed where homes are needed most."

- There was also a suggestion from the Secretary of State that rewards would also be paid to those Councils with the most ambition. Forecasting the impact at authority level is almost impossible at this stage.

Negative Revenue Support Grant

- This has once again been abated for 2021/22.

Lower Tier Services Grant

- A new (one off) grant of £111m has been announced for 2021/22 and for Lichfield District Council this is **£151,399** and in part offsets reductions in New Homes Bonus.
- There are two elements to this grant with £90,146 allocated based on need and £61,253 allocated to ensure there is no reduction in Core Spending Power from 2020/21.

Tranche 5 of COVID-19 Support (not included in Core Spending Power)

- A further allocation of funding totalling £1.55bn was announced in the Spending Review for 2021/22 and Lichfield District Council's allocation is **£440,578**.

Local Council Tax Support Grant (not included in Core Spending Power)

- This is a new grant for 2021/22 of **£670m** and its purpose is to compensate authorities for the expected additional cost of Local Council Tax Support (LCTS) schemes in 2021/22.
- The Government is consulting on how to distribute the grant although the Council's indicative allocation announced on 18 December 2020 is **£126,451**.

Other Announcements (not included in Core Spending Power)

- **Sales, Fees and Charges (SFC) Scheme** - It was announced in SR20 that the SFC scheme would continue into the first quarter of 2021/22. The scheme will continue into 2021-22 unchanged. Many authorities had been wondering whether baseline would be reset, but the consultation document makes clear that 2020/21 budgeted income will remain the baseline against which income losses will be measured.
- **Council Tax and Business Rates Losses** – a scheme to fund 75% of irrecoverable losses in council tax and business rates was announced in SR20. This scheme will run in parallel to the requirement for billing authorities such as Lichfield District Council to spread the 2020/21 collection fund deficit over 3 years.

3.4. At present, no funding is assumed in 2020/21 from the National Leisure Recovery Fund due to this process being bid based or from the Council Tax and Business Rates losses scheme because guidance is still being developed. These two initiatives could provide significant additional resources that would reduce the impact on the Council's General Reserves in 2020/21 and in later years.

3.5. The Provisional Settlement is subject to the outcome of consultation and the Council responded to this on 12 January 2021.

3.6. The Settlement is in line with the assumptions used in the Draft MTFS presented to this Committee on 19 November 2020. Although it also included an additional New Homes Bonus payment for 2021/22 and some additional funding being provided to further mitigate the impact of COVID-19. This means that the level of uncertainty for 2021/22 remains as **High**.

3.7. However the financial benefits at this stage, only impact on 2021/22 with the majority of key income streams (Business Rates, Fair Funding and New Homes Bonus) currently being reviewed for implementation in 2022/23. Therefore the level of uncertainty or risk from **2022/23** remains as **High**.

The Revenue Budget

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

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Inflation Changes – assumes an element of pay freeze in 2021/22 and then 2% per annum	**(159)**	**(165)**	**(168)**	**(169)**

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

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Savings from delay to coach park opening, budget realignment based on trend analysis and other changes	(163)	(170)	(149)	(198)
Events	20	20	20	20
COVID-19 – Ongoing Impact	289	647	294	187
COVID-19 – Risk or Recovery Contingency Budget	1,141	0	0	0
<u>MTFS Savings and Bids</u>				
Total growth bids (Strategic OS Committee 19/11/2020)	98	62	63	65
Total Funding Gap bids (Strategic OS Committee 19/11/2020)	(467)	(518)	(548)	(579)
Additional growth bids agreed by Cabinet for ICT/Property	85	87	89	90
Total Budget Variations	**1,003**	**128**	**(231)**	**(415)**

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

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Retained Business Rates – additional retained growth	(1,342)	(501)	(462)	(399)
Business Rates Cap – additional compensation grant	(110)	0	0	0
Council Tax – lower income	152	171	166	179
New Homes Bonus – allocation in 2021/22 and then no awards	(371)	0	300	200
Returned New Homes Bonus – grant returned in alternative ways	51	74	0	0
Lower Tier Services Grant – new grant	(151)	0	0	0
Local Council Tax Support Grant – new grant	(126)	0	0	0
Council Tax Collection Fund – projected deficit in 2020/21	73	100	100	35
Funding Changes	**(1,824)**	**(157)**	**104**	**15**

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

3.11 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:

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Approved MTFS Revenue Budget Funding Gap	**982**	**1,519**	**2,300**	**2,692**
Inflation Changes	(159)	(165)	(168)	(169)
Budget Variations Inc. revenue implications of Capital and Treasury	1,003	128	(231)	(415)
Funding Changes	(1,824)	(157)	104	15
Sub Total Modelled Changes	**(982)**	**(194)**	**(295)**	**(570)**
Recommended Central Scenario MTFS Revenue Budget Funding Gap	**0**	**1,324**	**2,005**	**2,121**

3.12 The Recommended Revenue Budget using the Central Scenario is shown in detail at **APPENDIX A** and in summary below together with more optimistic and more pessimistic scenarios:

	2020/21		2021/22	2022/23	2023/24	2024/25
	Original Budget £000	Approved Budget £000	£000	£000	£000	£000
LEVEL OF UNCERTAINTY / RISK	**LOW**	**MEDIUM**	**HIGH**	**HIGH**	**HIGH**	**HIGH**
Enabling people	1,580	1,581	1,469	1,478	1,510	1,538
Shaping place	3,470	3,237	3,402	4,015	4,269	4,362
Developing prosperity	(1,184)	(772)	(621)	(557)	(442)	(371)
A good council	6,330	6,198	7,472	6,810	6,863	7,022
Corporate Expenditure	1,627	1,318	229	81	0	77
Revenue Expenditure (including transfers to or from general reserves)	**11,822**	**11,563**	**11,951**	**11,827**	**12,200**	**12,628**
Revenue Funding	(12,284)	(12,284)	(11,951)	(10,503)	(10,196)	(10,507)
Central Scenario Funding Gap / (transfer to General Reserves)	**(462)**	**(721)**	**0**	**1,324**	**2,005**	**2,121**

More Optimistic scenario	**(462)**	**(721)**	**(396)**	**465**	**805**	**868**
More Pessimistic scenario	**(462)**	**(721)**	**1,211**	**2,116**	**2,817**	**2,938**

	2020/21		2021/22	2022/23	2023/24	2024/25
	Original Budget £000	Approved Budget £000	£000	£000	£000	£000
LEVEL OF UNCERTAINTY / RISK	**LOW**	**MEDIUM**	**HIGH**	**HIGH**	**HIGH**	**HIGH**
Employees	13,435	13,518	13,916	14,260	14,710	15,136
Premises	1,135	1,144	1,124	1,163	1,202	1,245
Transport	1,647	1,645	1,653	1,663	1,668	1,683
Supplies and Services	6,115	5,815	5,278	5,964	6,231	6,337
Third Party Payments	555	655	664	679	689	705
Transfer Payments (benefits)	13,492	13,492	13,492	13,492	13,492	13,492
COVID-19 impacts	0	1,709	1,430	647	294	187
External Income (including benefit grants)	(26,184)	(26,024)	(25,654)	(25,952)	(26,069)	(26,204)
Corporate Expenditure	456	147	(363)	(369)	(17)	47
Revenue Expenditure	**10,651**	**12,101**	**11,540**	**11,547**	**12,200**	**12,628**
Revenue Funding	**(12,284)**	**(12,284)**	**(11,951)**	**(10,503)**	**(10,196)**	**(10,507)**
Transfer (from) general reserves COVID-19	0	(1,709)	0	0	0	0
New Homes Bonus to general reserves	1,171	1,171	411	280	0	0
Central Scenario Funding Gap / (transfer to General Reserves)	**(462)**	**(721)**	**0**	**1,324**	**2,005**	**2,121**

Income Scenarios

3.13 The headline assumptions used in each of these three scenarios are detailed below:

Central Scenario

- **Council Tax** – lower annual property growth, a **30%** increase in working age Council Tax support in 2021/22 reducing to **10%** in 2024/25 and **£5** Band D Council Tax increases to 2023/24 followed by **1.99%** thereafter.
- **New Homes Bonus** – legacy payments paid until 2022/23 and no replacement scheme from 2023/24.
- **Business Rates** – negative Revenue Support Grant is abated in 2021/22 and then forms part of funding regime from 2022/23 with no transitional arrangements. Business Rate Growth is retained in full in 2021/22 and then an element is retained from 2022/23. The Council is part of the Business Rates Pool in 2021/22.

- **Sales, Fees and Charges** – a risk based (high **100%** impacted, medium **80%** impacted and low **60%** impacted) headline reduction of **7.5%** in 2021/22 reducing to **1%** in 2024/25.

Optimistic Scenario

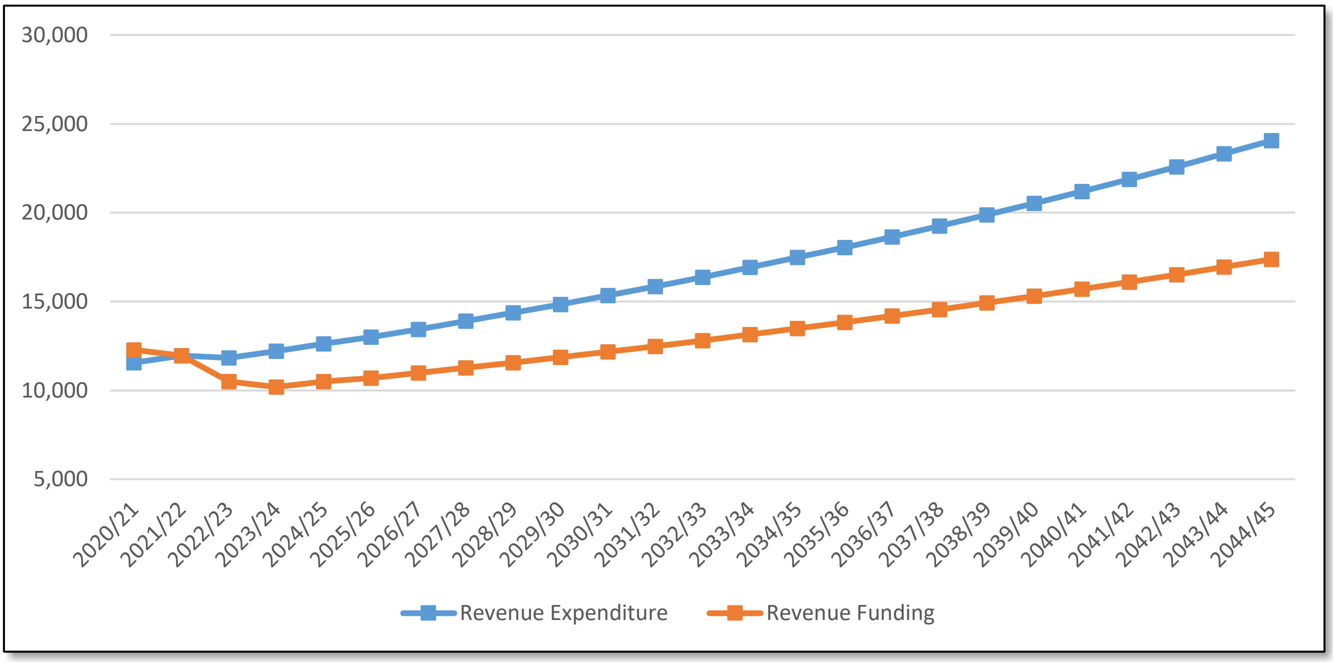
- **Council Tax** – lower annual property growth, a **30%** increase in working age Council Tax support in 2021/22 reducing to **0%** in 2024/25 and **£5** Band D Council Tax increases in all years.
- **New Homes Bonus** – legacy payments paid until 2022/23 and a replacement scheme from 2023/24 with an annually reducing income commencing at **(£300,000)**.
- **Business Rates** – negative Revenue Support Grant is abated in 2021/22 and then forms part of funding regime from 2022/23 with no transitional arrangements. Business Rate Growth is retained in full in 2021/22 and then a larger element is retained from 2022/23. The Council is part of the Business Rates Pool in 2021/22.
- **Sales, Fees and Charges** – a risk based (high **50%** impacted, medium **30%** impacted and low **10%** impacted) headline reduction of **1.5%** in 2021/22 reducing to **1%** in 2024/25.

Pessimistic Scenario

- **Council Tax** – lower annual property growth, a **100%** increase in working age Council Tax support in 2021/22 reducing to **10%** in 2024/25 and **1.99%** Band D Council Tax increases in all years.
- **New Homes Bonus** – legacy payments paid until 2022/23 and no replacement scheme from 2023/24.
- **Business Rates** – negative Revenue Support Grant is abated in 2021/22 and then forms part of funding regime from 2022/23 with no transitional arrangements. Minimal Business Rate Growth is retained from 2021/22. The Council is not part of the Business Rates Pool in 2021/22.
- **Sales, Fees and Charges** – a risk based (high **100%** impacted, medium **100%** impacted and low **60%** impacted) headline reduction of **10%** in 2021/22 reducing to **2.5%** in 2024/25.

Longer Term Revenue Financial Planning

3.14 The updated longer term revenue financial plan is shown in detail at **APPENDIX A** and in the chart below:



A direction of travel with different sustainable options for closing the projected funding gap needs to be identified and agreed. Once the outcome of the Spending Review 2021 and subsequent Local Government Settlement are known and the funding gap can be more accurately projected, the Council will then be able to quickly select the most appropriate options to address the financial position.

The Capital Strategy

3.15 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.

3.16 The level of risk associated with the Capital Strategy has reduced following the removal of planned 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

3.17 In total capital investment included in the service and financial planning capital bids and planned funding is summarised below:

	Assessed Score	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Financial Information System	76		50			
Energy Insulation Programme	65					10
Disabled Facilities Grants	60		(308)	(44)	(44)	906
Home Repair Assistance Grants	57					15
Beacon Park Jogging Track	46	30				
Dam Street Public Conveniences Refurbishment	45	40				
Bin Replacement	43					150
Beacon Park Equipment Storage	42	100				
Total Spend		**170**	**(258)**	**(44)**	**(44)**	**1,081**

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Usable Capital Receipts		(170)	308	44	44	
Existing Revenue Budgets						(150)
New Burdens – Financial Information System			(50)			
Grants						(931)
Total Funding		**(170)**	**258**	**44**	**44**	**(1,081)**
Shortfall in Funding & Borrowing Need		0	0	0	0	0

3.18 In addition to the bids above, the Council has been successful in an external funding bid for **£1,062,580** for Burntwood Leisure Centre. The investment must be delivered by 6 June 2021 and the expenditure and grant has also been included in the recommended Capital Programme.

3.19 The capital investment is based on an 'invest to save' approach that will result in energy savings at the leisure centre. These cost savings will be incorporated into the MTFS during 2021/22.

3.20 A number of projects contained in the Approved Capital Programme have revenue implications such as operating costs, the cost of debt repayment, revenue funding or savings.

3.21 Capital Bids submitted as part of the Service and Financial Planning process are also required to identify any ongoing revenue implications and where debt is to be utilised for funding, debt repayment costs are calculated.

3.22 The early repayment of capital investment at Burntwood Leisure Centre as an 'invest to save' project was identified in the Report to this Committee on 19 November 2020 although it was highlighted the funding to enable the option was still being finalised.

3.23 The funding of **£979,000** to enable this option to be implemented in 2020/21 has been identified. It is proposed and assumed in the MTFS that uncommitted capital receipts of **(£509,000)** and the uncommitted element of the Leisure VAT repayment earmarked reserve of **(£470,000)** are utilised to generate annual savings of **(£140,000)**.

3.24 In the event this funding is not available, then other alternative resources will be identified.

3.25 The Capital Programme revenue implications contained in the Approved Budget (at the 8 month's stage of 2020/21) and the revenue implications of Capital Bids are shown below:

Revenue Implications	**2020/21 £000**	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
Interest on Loan to the LA Company	0	(4)	(18)	(22)	(22)
Friary Grange - Refurbishment	50	135	135	135	135
Coach Park Operation Costs	0	0	0	50	50
IT Hardware	9	9	4	(38)	9
Replacement Leisure Centre Debt Costs	0	0	0	0	294
Revenue Budget - Bin Replacement	150	150	150	150	0
Revenue Budget - Other Projects	12	0	0	0	0
Revenue Budget - Corporate	182	0	0	213	0
Sub Total - Approved Budget	**403**	**290**	**271**	**488**	**466**
Burntwood LC early repayment of capital	979	(140)	(140)	(140)	(140)
Internal Funding (see below)	(979)	0	0	0	0
Financial Information System	0	(20)	(40)	(40)	(40)
Revenue Budget - Bin Replacement	0	0	0	0	150
Sub Total - Service and Financial Planning	**0**	**(160)**	**(180)**	**(180)**	**(30)**
Capital Programme Total	**403**	**130**	**91**	**308**	**436**

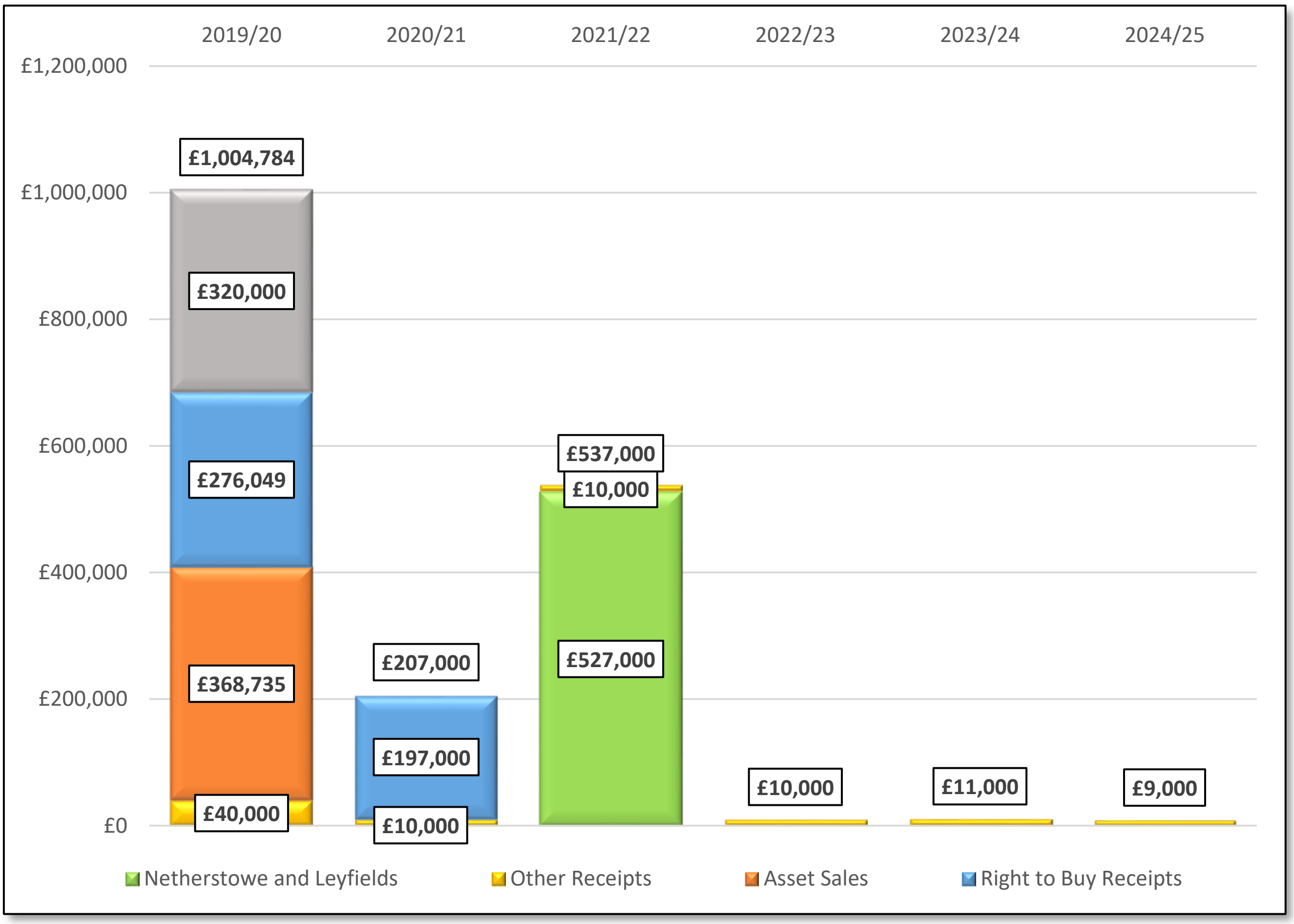
Leisure VAT repayment reserve	(470)
Uncommitted Capital Receipts	(509)
Total	**(979)**

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

	2020/21		**2021/22**	**2022/23**	**2023/24**	**2024/25**
	Original Budget £000	**Revised Budget £000**	**£000**	**£000**	**£000**	**£000**
LEVEL OF UNCERTAINTY / RISK	**LOW**	**MEDIUM**	**HIGH**	**HIGH**	**HIGH**	**HIGH**
Enabling people	3,424	2,223	3,375	3,684	3,576	1,315
Shaping place	1,045	670	1,102	3,674	270	293
Developing prosperity	625	522	935	557	43	0
A good Council	12,657	564	1,118	515	389	0
Capital Expenditure	**17,751**	**3,979**	**6,530**	**8,430**	**4,278**	**1,608**
Capital Funding	6,087	3,873	6,252	6,081	2,018	1,608
Borrowing Need	11,664	106	278	2,349	2,260	0

Usable Capital Receipts	(1,394)	(1,652)	(888)	(294)	(86)	(95)

3.27 The projected Capital Receipts included in the Medium Term Financial Strategy are shown below:



Treasury Management

3.28 CIPFA has defined Treasury Management as :

> *"the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

3.29 The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are an important and integral element of its treasury management activities. The main risks to the Council's treasury activities are:

- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels)
- Inflation Risk (Exposure to inflation)
- Credit and Counterparty Risk (Security of Investments)
- Refinancing Risk (Impact of debt maturing in future years)
- Legal and Regulatory Risk

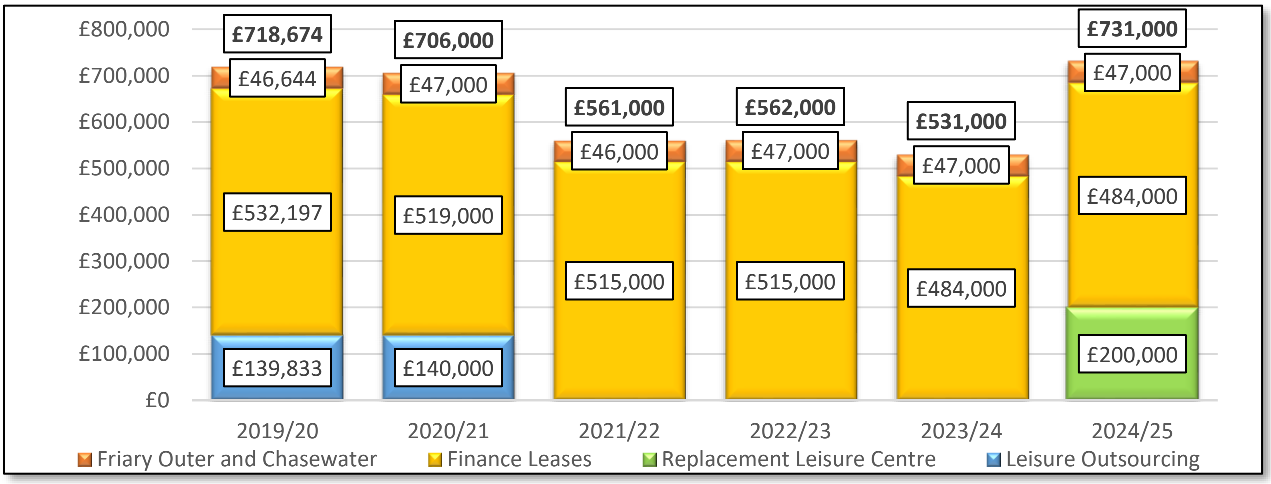
3.30 The Strategy also takes into account the impact of the Council's Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position, the Prudential Indicators and the outlook for interest rates.

3.31 **International Financial Reporting Standard 16 (Leases)**

- The new Standard has been further delayed for implementation until **1 April 2022**. This Standard will require more arrangements, where there is a right to use an asset, to be included on the Council's Balance Sheet. The level of non-current assets is likely to increase and these will be matched by a liability to reflect the lease payments to be made.

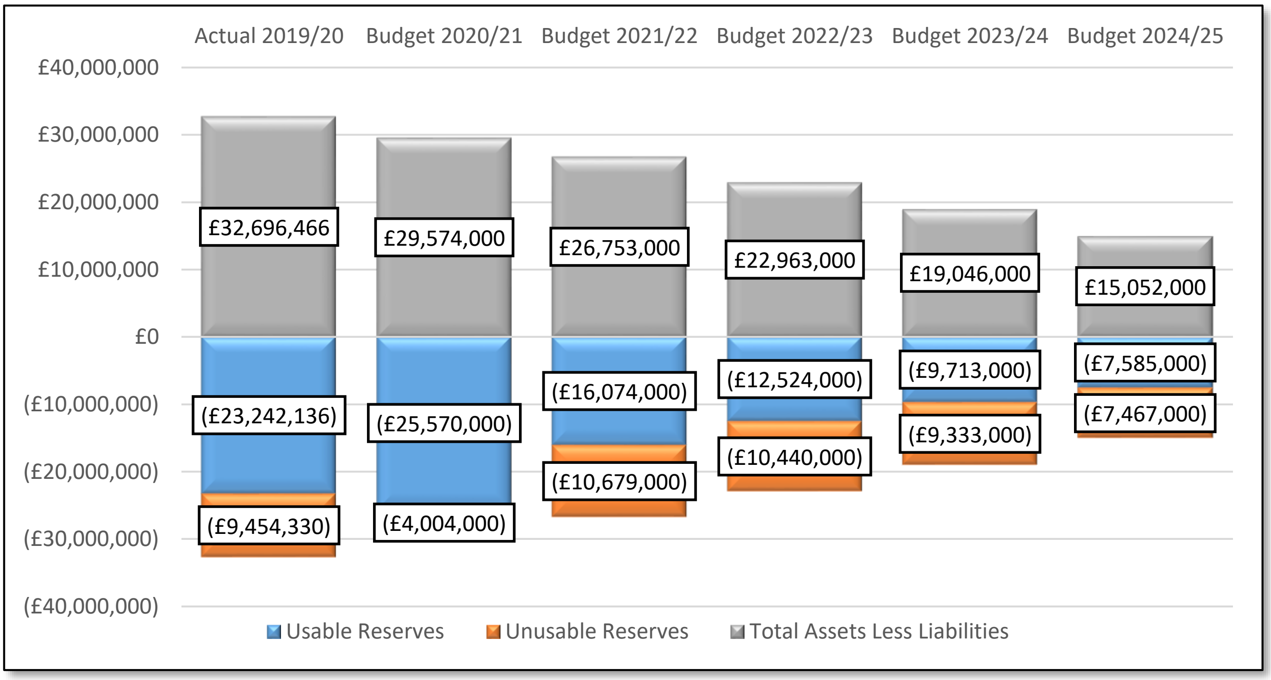
3.32 **Minimum Revenue Provision Statement 2021/22**

- The Council is required to make prudent provision for debt redemption (known as Minimum Revenue Provision (MRP)) and each year the Council must approve its MRP statement and this will include an allowance for finance leases that appear on the Council's Balance Sheet.
- The MTFS proposes the early repayment of the MRP in 2020/21 related to the capital investment at Burntwood Leisure Centre undertaken as part of the leisure outsourcing. This proposal would result in annual savings of **(£140,000)** from 2021/22.
- As in previous years, the Council proposes to base its MRP on the estimated life of the asset **(APPENDIX D)**. The estimated MRP chargeable during the MTFS is shown below:



3.33 **Balance Sheet Projections**

- Integrated Revenue Budgets and a Capital Programme budgets are prepared. These budgets together with the actual Balance Sheet from the previous financial year are used to prepare Balance Sheet projections.
- These Balance Sheet projections (**APPENDIX E**) are significant in assessing the Council's Treasury Management Position in terms of borrowing requirement, investment levels and the Investment Strategy.
- The projected changes in the Balance Sheet over the Strategy period 2020/21 to 2024/25 are summarised below:



Total Assets less Liabilities (a reduction of £14,522,000):

1. **Non-Current Assets** – Non Current Assets will increase mainly due to the replacement waste fleet and the capital provision for a replacement Leisure Centre
2. **Borrowing and Leasing** – the capital investment in Non-Current Assets will partly be financed through an increase in external debt (borrowing and leases).
3. **Investments** – the levels are projected to reduce due to the financing of the Capital Programme from earmarked reserves, grants and contributions and the potential use of general reserves throughout the MTFS to ensure a balanced budget.
4. **Long term liability for pensions** – this value is projected to increase in line with previous trends.

Unusable Reserves (an increase of £3,463,000):

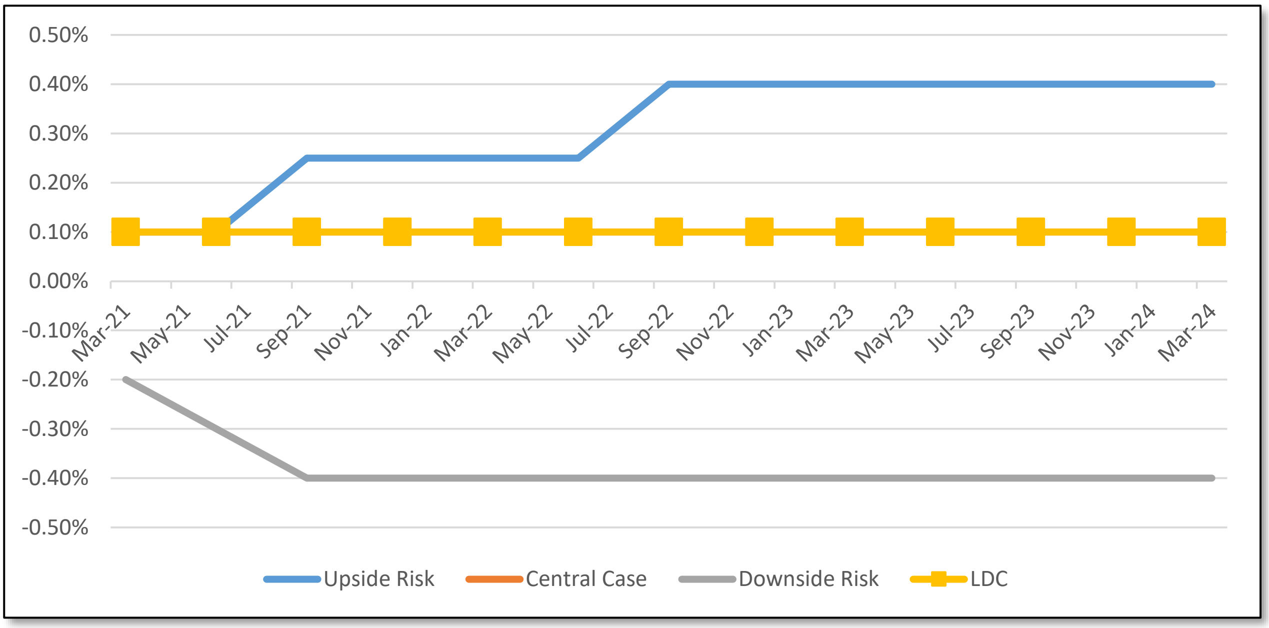
5. **Pensions Reserve** – the negative value of this statutory reserve will increase to offset projected increases in the long term liability for pensions.
6. **Collection Fund** – the projected large deficit on Council Tax and Business Rate collection as a result of COVID-19 in 2020/21 will be transferred to the revenue budget over the subsequent three years in line with regulatory requirements.

Usable Reserves (a reduction of £17,985,000):

7. **Earmarked Reserves** – these will reduce as they are used to fund both revenue expenditure and the Capital Programme. Additionally, the Section 31 grants received in 2020/21 to offset the Collection Fund deficit will be transferred into the Business Rates Volatility Reserve. This reserve will reduce as it is transferred to the revenue budget to offset the deficit from 2021/22 to 2023/24.
8. **General Reserve** – there will be a projected reduction to reflect the potential use of general reserves throughout the MTFS to ensure a balanced budget.

3.34 **Treasury Management Advice and the Expected Movement in Interest Rates**

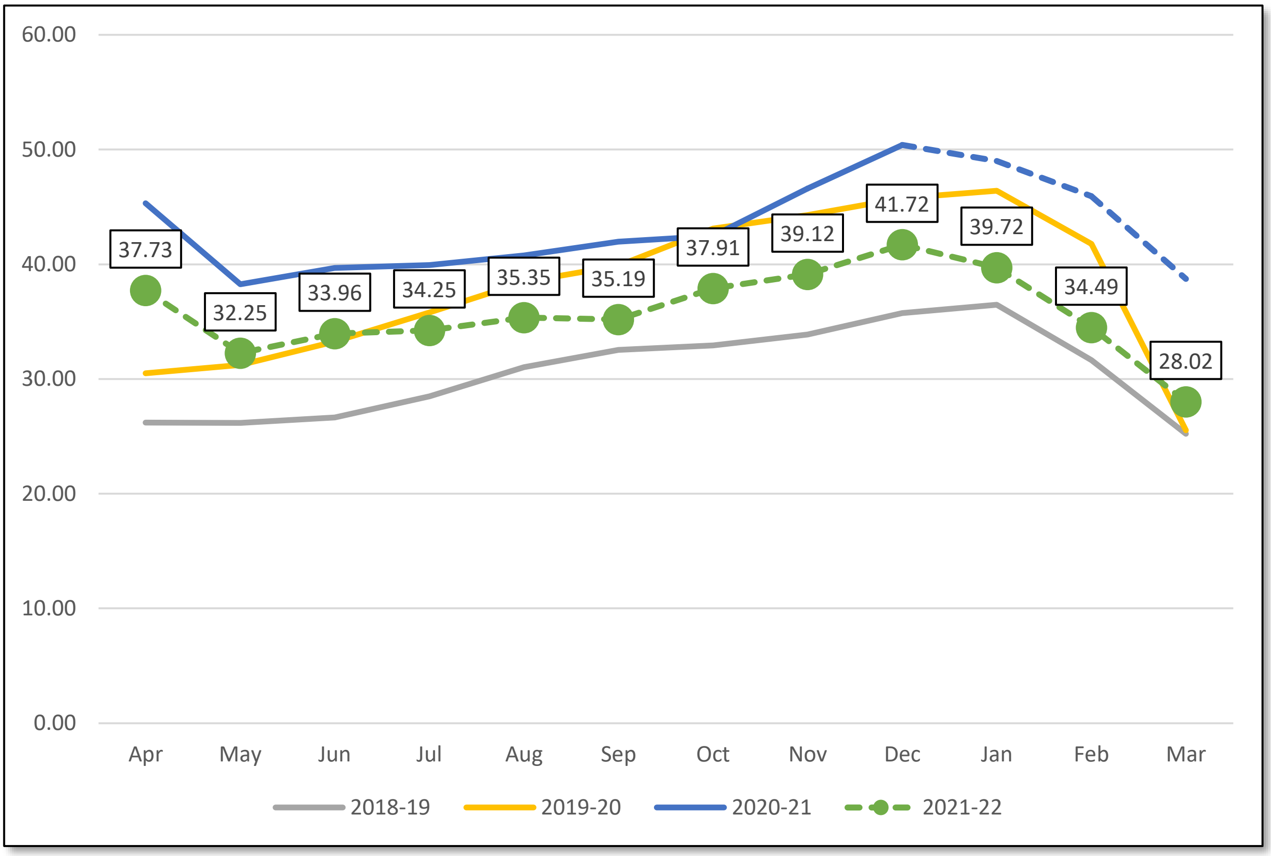
- The Official Bank Rate outlook provided by the Council's Treasury Advisor, together with the Council's assumption (also the central case) where interest rates remain at the current level of **0.10%**, is shown below:



- The Council assumptions have been used as the basis for preparation of the investment income and borrowing budgets for 2021/22 and future years.

3.35 **Cash Flow Forecast**

- Treasury Management includes the management of the Council's cash flows as a key responsibility. The cash flow forecast takes account of the income the Council receives including Housing Benefits Grant, Council Tax and Business Rate income and expenditure such as payments to precepting bodies, employee costs and Housing Benefit Payments.
- The graph below shows average investment levels throughout the financial year with a significant reduction in February and March due to minimal Council Tax income being received.



- The planned monthly cash flow forecast for the 2021/22 financial year has been used to calculate the investment income budget. The key components of this calculation are the average level of investment balances and the rate or yield achieved.
- The Treasury Management estimates for 2021/22 for both investment income and borrowing are shown in the table below:

Treasury Management	2021/22 Original Budget	
	Investment Income	Borrowing
Average Balance	£35.81m	£2.13m
Average Rate	0.96%	2.18%
Gross Investment Income	(£350,000)	
Property Fund Transfer to Reserves	£30,000	
DIF Transfer to Reserves	£40,000	
External Interest		£48,000
Internal Interest		£4,000
Minimum Revenue Provision (less Finance Leases)		£46,000
Net Treasury Position	**(£280,000)**	**£98,000**
	(£182,000)	

- The gross investment income been estimated as **(£350,000)** and this equates to **3%** of The Council's total funding of **(£11,951,000)** in 2021/22.

3.21 **Treasury Management Strategy Statement (TMSS) and the Annual Investment Strategy**

- The Treasury Investments and their limits are shown in detail at **APPENDIX E**. The only change proposed for 2021/22 compared to those approved for 2020/21 is based on Arlingclose advice to no longer set an overall limit for Money Market Funds (currently the Approved level is 50% of projected investments being £21m). The use of MMFs is a key tool to manage credit and liquidity risks in the current economic climate whereas diversification into other sectors may increase risk.
- The approved TMSS includes a Prudential Indicator for investments for periods longer than a year of **£10m**. At present, the Council has **£8m** (cash value) invested in Strategic Funds. Therefore in line with the TMSS, the plan is to undertake a further investment of **£2m** following advice from Arlingclose.

3.22 **Investment Strategy Report for 2021/22**

- The investment strategy that is shown at **APPENDIX F** meets the requirements of statutory guidance issued by the government in January 2018. It focuses on how the Authority invests its money to support local public services and earns investment income from any commercial investments.

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

3.36 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 G**). The index showed this Council's position on a range of measures associated with financial risk.

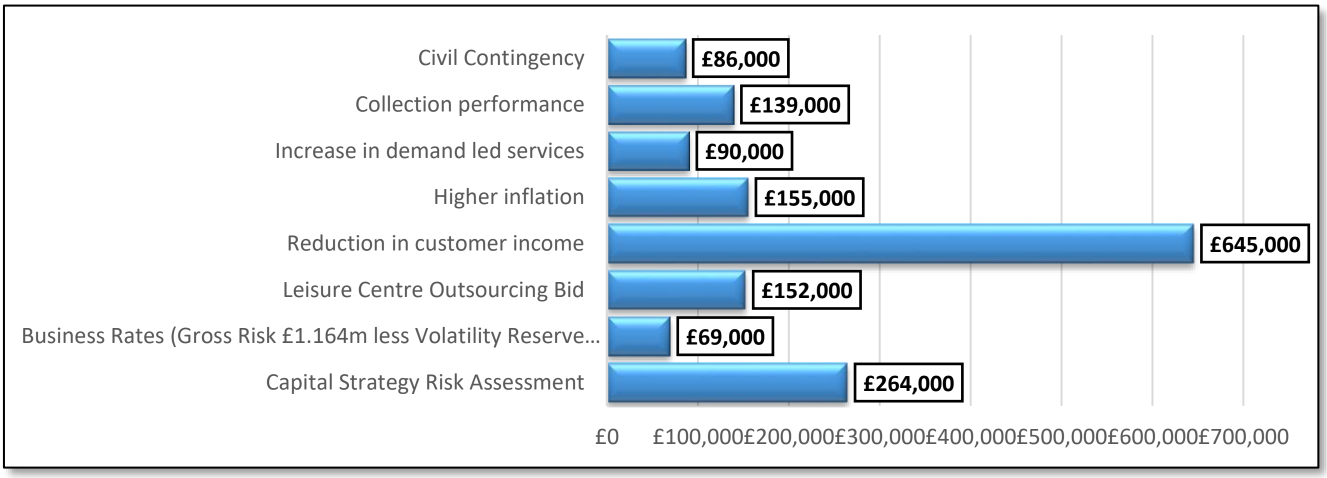
3.37 The Resilience Index for 2020 has been delayed due to incomplete provisional data and is scheduled for release in early February 2021 subject to MHCLG data release timetables and CIPFA's own internal assurance.

3.38 However given the Resilience Index is currently based on backward looking measures rather than the future financial challenges identified in forward looking Medium Term Financial Strategies, it will not take into account the significant and ongoing impact of the COVID-19 pandemic but will provide a baseline for future comparison.

3.39 The Resilience Index published in 2019 identified that in the majority of the measures selected, including those related to the level and change in reserves, this Council was at the lower end of the risk spectrum compared to all other District Councils and Nearest Neighbour Authorities. This has meant that the added financial resilience and sustainability concerns presented by COVID-19 whilst being challenging, has not been a significant risk at this stage for this Council.

3.40 It remains 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.

3.41 The main elements of the risk assessment are shown in detail at **APPENDIX D** and below:



3.42 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.

3.43 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** remains adequate.

3.44 It is important to note that whilst the level for 2021/22 is the same as 2020/21, there have been changes to specific risks. In addition, several risks such as Business Rates have specific earmarked reserves and specific budget risk based reductions related to income streams including sales, fees and charges have been incorporated within the MTFS.

Projected General Reserves

3.45 The total projected level of general reserves are shown below using the central scenario together with projections using more optimistic and pessimistic scenarios:

	2020/21		2021/22	2022/23	2023/24	2024/25
	Original Budget £000	Revised Budget £000	£000	£000	£000	£000
LEVEL OF UNCERTAINTY / RISK	**LOW**	**MEDIUM**	**HIGH**	**HIGH**	**HIGH**	**HIGH**
Available General Reserves Year Start	**4,792**	**4,792**	**4,975**	**5,386**	**4,342**	**2,338**
(Funding Gap) / transfer to General Reserves	462	721	0	(1,324)	(2,005)	(2,121)
COVID-19 Revenue Budget Impact		(1,709)				
New Homes Bonus in excess of the 'Cap'	1,171	1,171	411	280	0	0
Available General Reserves Year End	**6,425**	**4,975**	**5,386**	**4,342**	**2,338**	**217**
Minimum Level	1,600	1,600	1,600	1,600	1,600	1,600
Central Scenario Total General Reserves	**8,025**	**6,575**	**6,986**	**5,942**	**3,938**	**1,817**
More Optimistic scenario	**8,025**	**6,575**	**7,382**	**7,197**	**6,392**	**5,524**
More Pessimistic scenario	**8,025**	**6,575**	**5,775**	**3,939**	**1,122**	**(1,816)**

3.46 There is currently an unprecedented level of uncertainty in relation to Local Government Finance with a number of planned reforms. This unprecedented uncertainty has been amplified by the COVID-19 pandemic that will likely have an ongoing and long term impact on revenue budgets.

3.47 Financial planning in these circumstances with any degree of certainty is incredibly difficult especially when it is not clear when or if any of the planned reforms will be implemented.

3.48 However the scenarios in this report provide an <u>indication</u> of the impact on the MTFS from the use of different assumptions. The three scenarios utilised all currently project a funding gap in 2022/23 that continues to increase by 2024/25. The projected funding gaps are principally due to:

- The projected impact of the Fair Funding Review and the review of Business Rate Baselines where resources are likely to be redistributed from District Councils to Upper Tier authorities. These reviews reflect the need for additional funding to address the increasing demographic demands in adult social care and children's services.
- The additional costs related to delivering existing services such as inflation, pension costs, an increasing population and more properties.
- The desire to deliver new or enhanced often discretionary services such as a replacement leisure centre.

3.49 A replacement leisure centre of **£5,000,000** funded by borrowing has been included in the Approved MTFS. The estimated cost of borrowing of **£294,000** impacting from 2024/25 onwards for a budgeted period of 25 years has also been included in the Approved Revenue Budget.

3.50 This borrowing will be a long term financial commitment for the Council. Therefore given the range of financial projections at this time of unprecedented uncertainty, Council will need to be aware that to enter into long term commitments of this nature carry a very high risk that a balanced budget cannot be achieved or maintained.

3.51 It is very important therefore to highlight that to mitigate the risk of a statutory notice, focused on the inability to deliver a balanced budget, a robust and deliverable savings plan will need to be agreed together with a commitment to its delivery before any financial commitment can take place.

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

Strategic (Overview and Scrutiny) Committee at its meeting on 27 January 2021 scrutinised the MTFS 2020-2025 and the Chair will provide feedback to Cabinet as appropriate.

Audit and Member Standards Committee reviewed the Treasury Management Strategy Statement at its meeting on 3 February 2021 and the Chair will provide feedback to Cabinet as appropriate.

The Council undertook a Budget Consultation exercise between 22 October 2020 and 31 December 2020.

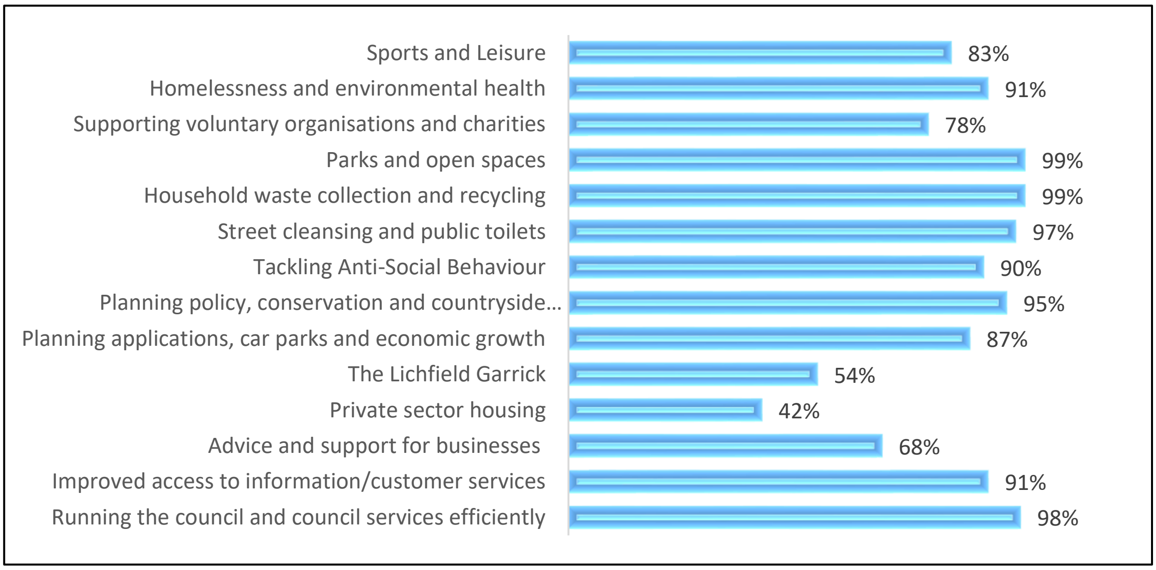
The questionnaire was accessible on-line through the Council's website and promoted through the media and social media. The budget consultation was also promoted in the printed LDC news magazine distributed to 44,000 homes in November 2020 and through a newly launched e-news that was sent to 6,000 subscribers.

The results of the Budget Consultation are included at **APPENDIX H** and the key areas are summarised in the paragraphs below.

Service Areas and their level of Importance

The budget consultation invited respondents to consider a wide range of service areas that fit under strategic priorities. The areas that were highlighted as most important were Parks and Open Spaces, Household Waste Collection and Recycling and Running the Council and its services efficiently.

Also in the top five areas of importance were Street Cleansing and Planning Policy.



	Spending Priorities and Council Tax There was a general feeling from respondents to the survey that spending should be maintained rather than increased across the majority of service areas. Only in two areas were the majority of respondents in favour of reducing spending – the Lichfield Garrick and Private Sector Housing. **Fees and income** The largest proportion of respondents (**68%**) felt that either Lichfield District Council's approach to fees was currently about right or that no additional fees should be introduced. Only **32%** felt that there was scope for increases and put forward alternative suggestions for sources of income generation which ranged from commercial sponsorship, increased for more regular fines, large-scale events or ideas for reductions in spending. **Council Tax** The majority of respondents (**86%**) indicated that an increase in Council Tax would be acceptable with **63%** of the total expressing that an increase of 2% or £5 would be acceptable to them.

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.

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	There are no specific implications related to the Medium Term Financial Strategy

	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	Council Tax is not set by the Statutory Date of **11 March 2021**.	Full Council set with reference to when major preceptors and Parishes have approved their Council Tax Requirements.	Likelihood : Green Impact : Red Severity of Risk : Yellow
B	Implementation of the Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations	To closely monitor the level of appeals. An allowance for appeals has been included in the Business Rate Estimates.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
C	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 in 2022/23 £400,000 is included. At this stage, no income is assumed from 2023/24 onwards.	Likelihood : Red Impact : Yellow Severity of Risk : Yellow

	Risk Description	How We Manage It	Severity of Risk
D	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
E	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 property and to continue to take a prudent approach to budgeting.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
F	The public sector pay freeze in 2021/22 is not applicable to Local Government.	The current MTFS assumes that the pay freeze for those earning more than £24,000 per annum is applicable to Local Government. If this does not prove to be the case, an element of the risk/recovery budget can be utilised to fund the increase in 2021/22 and projections for later years will be updated in the MTFS.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
Strategic Risk SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape.			
G	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 : Green Impact : Red Severity of Risk : Yellow
H	The Council cannot achieve its approved Delivery Plan for 2021/22	There will need to be consideration of additional resourcing and/or reprioritisation to reflect the ongoing impact of the pandemic.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
I	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
J	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 : Yellow 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.
- Medium Term Financial Strategy 2020-25 – Cabinet 6 October 2020.
- Money Matters: 2020/21 Review of Financial Performance against the Financial Strategy – Cabinet 1 December 2020.
- Money Matters: Calculation of Business Rates in 2021/22, Council Tax Base for 2021/22 and the Projected Collection Fund Surplus / Deficit for 2020/21 - Cabinet 1 December 2020.
- Service and Financial Planning Submissions.

Relevant web links

APPENDIX A

Recommended Revenue Budget 2020/21 to 2024/25 (£000)

	2020/21 Original Budget	2020/21 Revised Budget	2021/22	2022/23	2023/24	2024/25
LEVEL OF UNCERTAINTY / RISK	**LOW**	**MEDIUM**	**HIGH**	**HIGH**	**HIGH**	**HIGH**
Developing prosperity	(1,184)	(772)	(733)	(657)	(530)	(452)
A good council	6,330	6,198	6,335	6,433	6,674	6,946
Enabling people	1,580	1,581	1,469	1,478	1,510	1,538
Shaping place	3,470	3,237	3,402	4,015	4,269	4,362
COVID-19 – Response and Ongoing Impact	0	1,709	289	647	294	187
COVID-19 – Risk or Recovery Contingency Budget	0	0	1,141	0	0	0
Net Cost of Services	**10,195**	**11,954**	**11,903**	**11,916**	**12,217**	**12,581**
Corporate expenditure	456	147	(363)	(369)	(17)	47
Net Operating Cost	**10,651**	**12,101**	**11,540**	**11,547**	**12,200**	**12,628**
Retained Business Rates Baseline Funding	(2,117)	(2,117)	(2,117)	(1,710)	(1,710)	(1,710)
Retained Business Rates Growth Allowance	(903)	(903)	(1,005)	(627)	(623)	(573)
Business Rates Cap Grant	(85)	(85)	(110)	0	0	0
Lower Tier Services Grant	0	0	(151)	0	0	0
Local Council Tax Support Grant	0	0	(126)	0	0	0
New Homes Bonus – Risk / Recovery Budget	0	0	(371)	0	0	0
New Homes Bonus - Base Budget	(600)	(600)	(500)	(400)	0	0
New Homes Bonus - to General Reserve	(1,171)	(1,171)	(411)	(280)	0	0
Business Rates Levy Grant	(49)	(49)	0	0	0	0
Collection Fund (Surplus)/Deficit	(330)	(330)	38	65	65	0
Council Tax	(7,029)	(7,029)	(7,198)	(7,551)	(7,927)	(8,224)
Total Funding	**(12,284)**	**(12,284)**	**(11,951)**	**(10,503)**	**(10,196)**	**(10,507)**
Transfer (from) / to general reserves - COVID-19	0	(1,709)	0	0	0	0
New Homes Bonus to general reserves	1,171	1,171	411	280	0	0
Central Scenario Revenue Budget Funding Gap / (transfer to general reserves)	**(462)**	**(721)**	**0**	**1,324**	**2,005**	**2,121**
Council Tax Base[1]	**39,032**	**39,032**	**38,891**	**39,728**	**40,639**	**41,335**
Band D Council Tax (modelled £5 until 23/24, then 1.99%)	**£180.07**	**£180.07**	**£185.07**	**£190.07**	**£195.07**	**£198.95**

Reconciliation of Original Funding Gap to Recommended Revenue Budget Funding Gap (£000)

	2020/21	2021/22	2022/23	2023/24	2024/25
ORIGINAL FUNDING GAP	**(£462)**	**£613**	**£959**	**£1,507**	**£1,437**
<u>Budget Monitoring in 2020/21</u>					
3 Month's Money Matters - Non-COVID	(9)	19	19	19	19
6 Month's Money Matters - Non-COVID	(79)	0	0	0	0
8 Month's Money Matters - Non-COVID	(257)	0	0	0	0
Cabinet and Council Reports	85	350	541	774	1,236
Approved Budget	**(721)**	**982**	**1,519**	**2,300**	**2,692**
<u>Modelled Changes</u>	Included in 8 Month's Money Matters Report				
Inflation		(160)	(165)	(168)	(169)
Budget Variations		(65)	(73)	(52)	(100)
MTFS Savings and Bids		(284)	(369)	(396)	(424)
Review of Base Budgets using Trend Analysis		(78)	(78)	(78)	(78)
COVID impacts		1,430	647	294	187
Retained Business Rates		(1,342)	(501)	(462)	(399)
Business Rates Cap		(110)	0	0	0
Council Tax		152	171	166	179
New Homes Bonus		(371)	0	300	200
Returned New Homes Bonus		51	74	0	0
Lower Tier Services Grant		(151)	0	0	0
Local Council Tax Support Grant		(126)	0	0	0
Council Tax Collection Fund		73	100	100	35
RECOMMENDED REVENUE BUDGET FUNDING GAP	**(£721)**	**£0**	**£1,324**	**£2,005**	**£2,121**

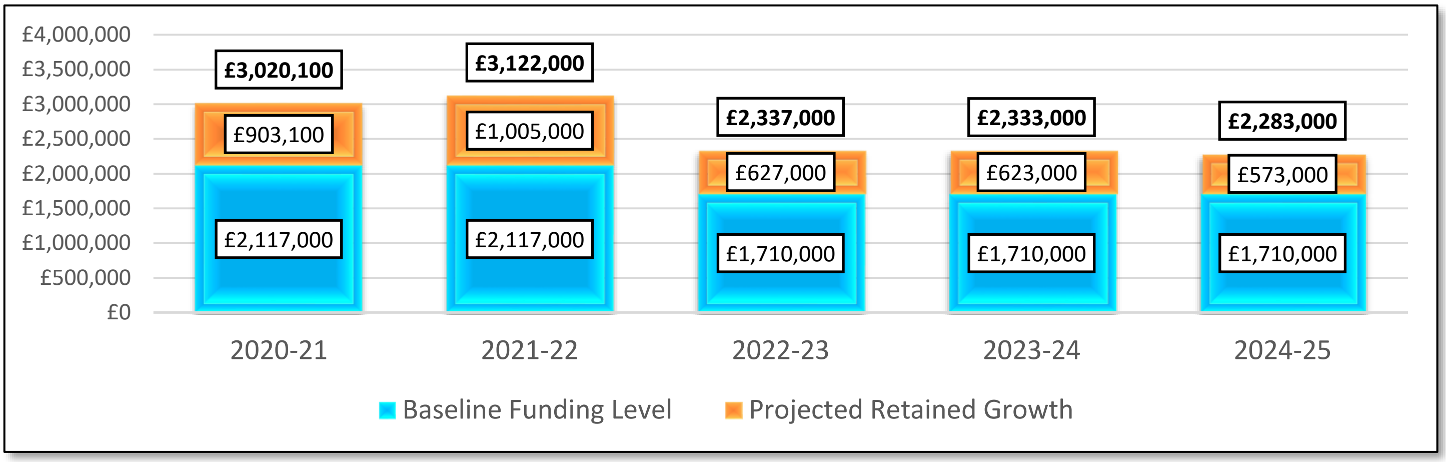
[1] These are the updated current projections included in the Cabinet Report 1 December 2020.

APPENDIX A

Revenue Budget Key Revenue Streams

Retained Business Rates

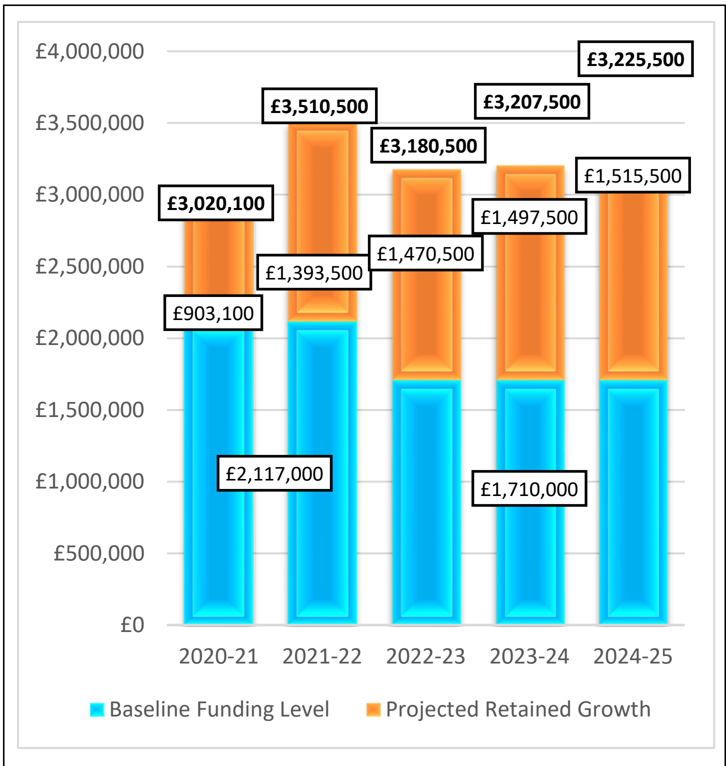
The Central Scenario budget for Retained Business Rates income, with Business Retention reform and the Fair Funding Review presenting significant risks to the assumptions made from 2022/23, are:

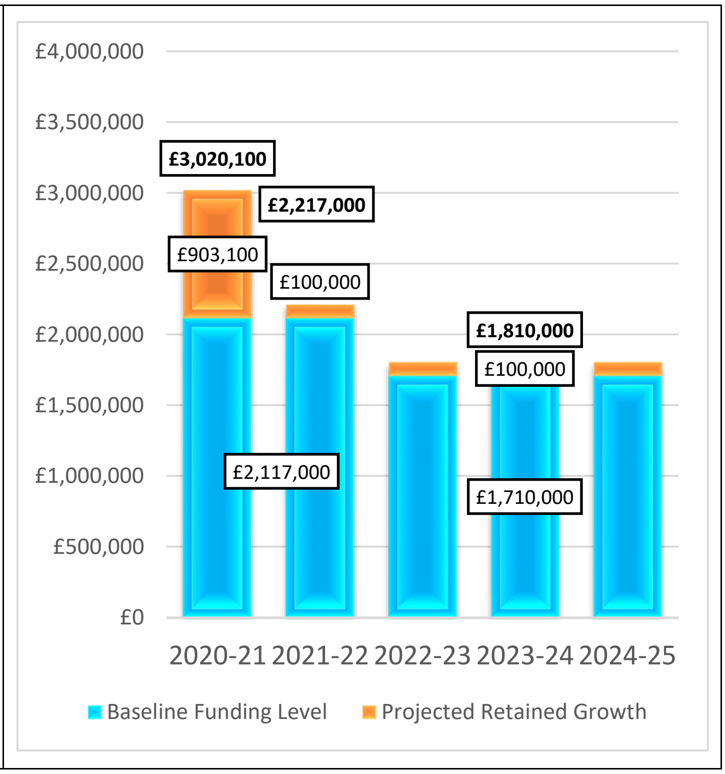


The change in retained Business Rates compared to the Approved Medium Term Financial Strategy is shown below:

	2020-21	2021-22	2022-23	2023-24	2024-25
Approved MTFS (assumed Fair Funding and 75% Business Rates from 2021/22)	(£3,020,100)	(£1,779,600)	(£1,835,500)	(£1,872,000)	(£1,884,000)
Draft MTFS (assumes Fair Funding and 75% Business Rates from 2022/23)	(£3,020,100)	(£3,122,000)	(£2,337,000)	(£2,333,000)	(£2,283,000)
Change – Consultations indicate higher levels of growth are likely to be retained from 2022/23	-	**(£1,342,400)**	**(£501,500)**	**(£461,000)**	**(£399,000)**

The budgets were they to be based on more optimistic (including from 2022/23 the majority of growth being retained) or more pessimistic (including the majority of growth from 2022/23 being redistributed) assumptions are also provided below:



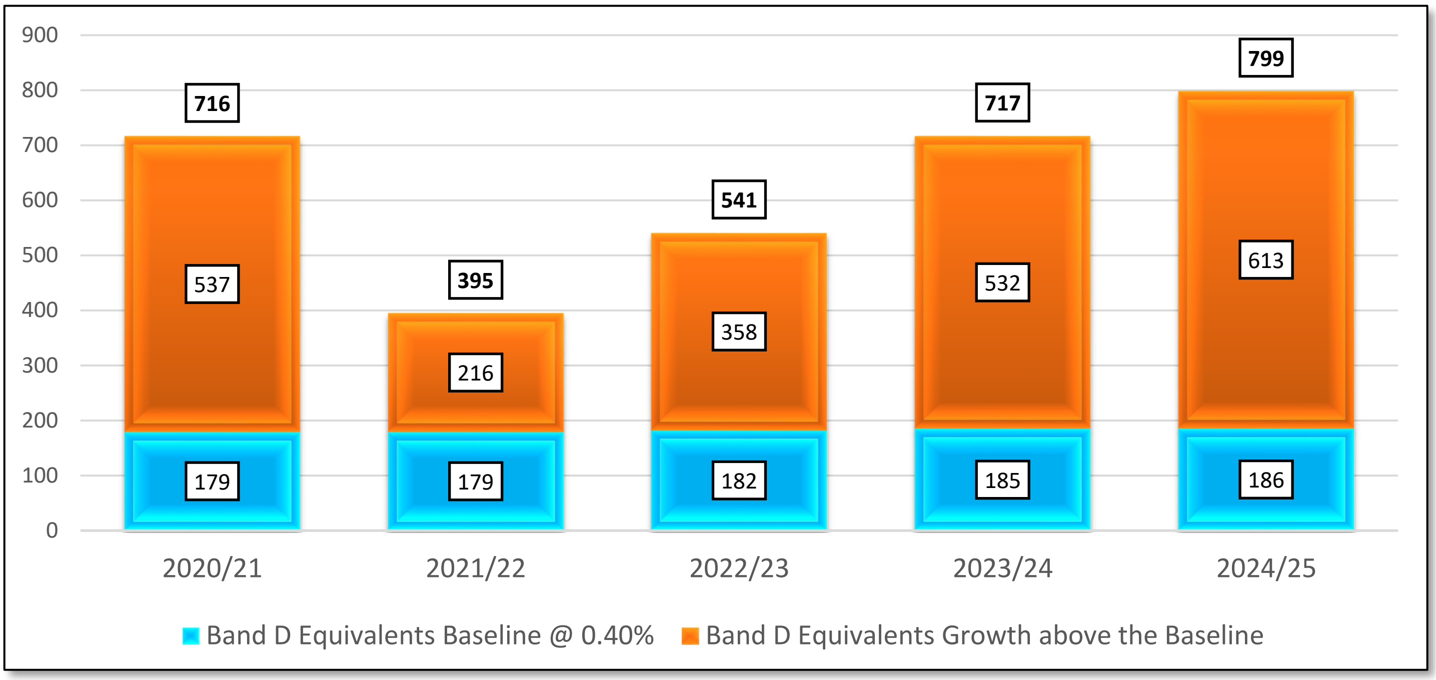


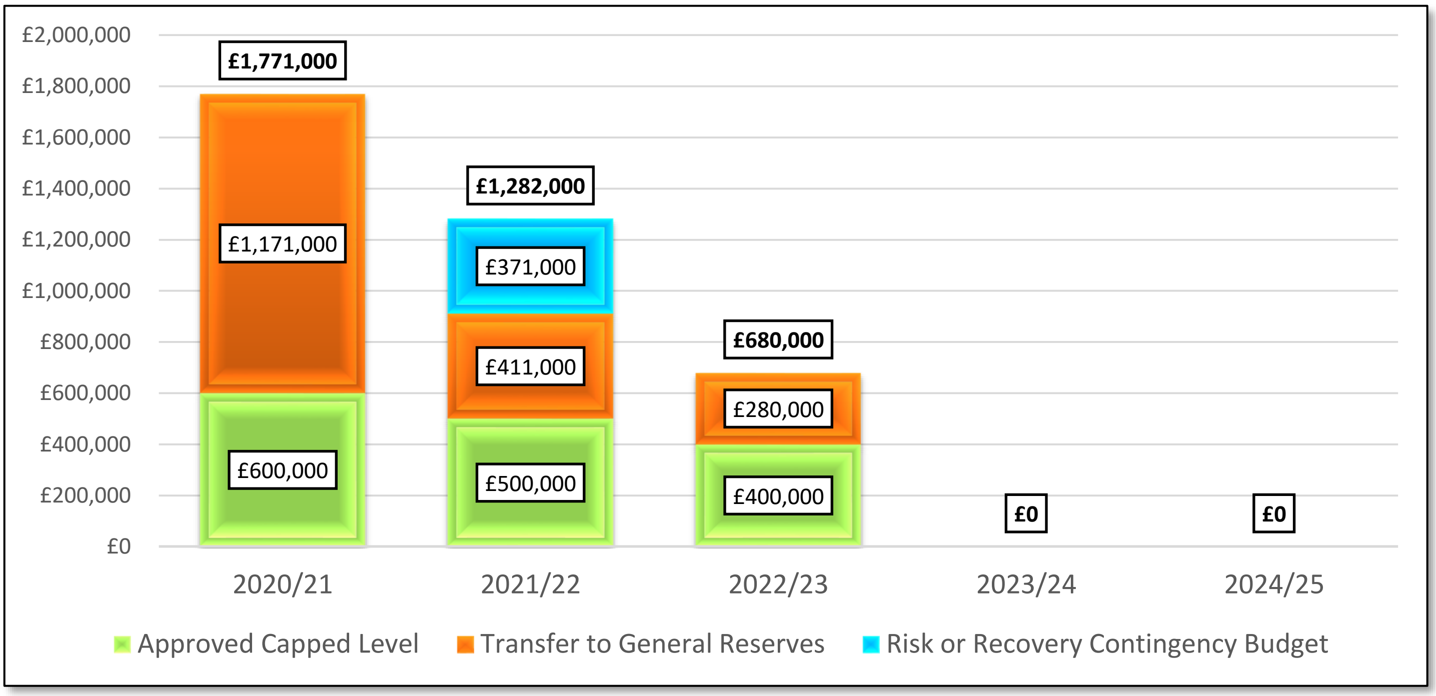
At present, the Medium Term Financial Strategy does not include any allowances for managing the transition from the current Local Government Finance system to the new Local Government Finance System.

APPENDIX A

New Homes Bonus

The budgets for housing supply (based on the current New Homes Bonus reward system) and New Homes Bonus, with the planned review in 2021/22 providing uncertainty beyond 2022/23 are:





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

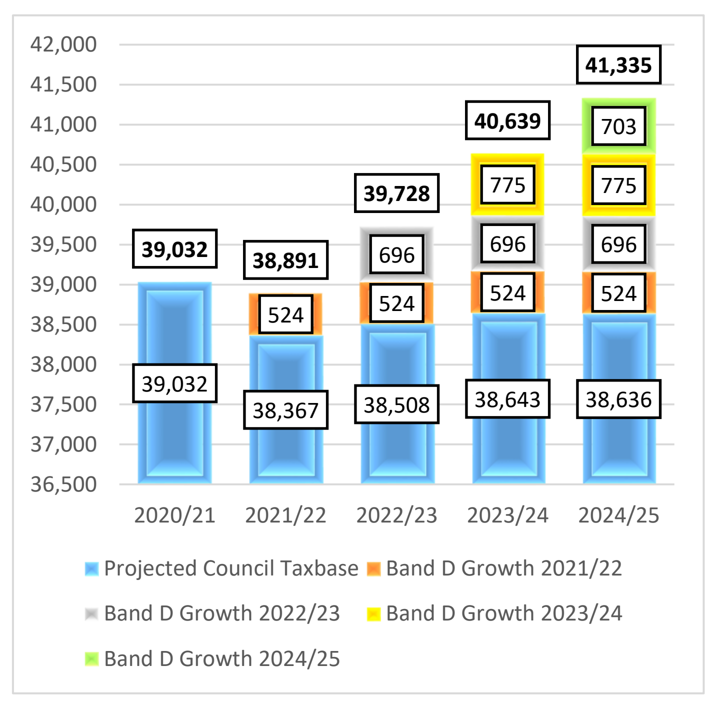
Capped Level	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Approved MTFS	(£700,000)	(£600,000)	(£700,000)	(£300,000)	(£200,000)
Draft MTFS	(£700,000)	(£600,000)	(£700,000)	-	-
Change – No income until new scheme agreed	**-**	**-**	**-**	**£300,000**	**£200,000**

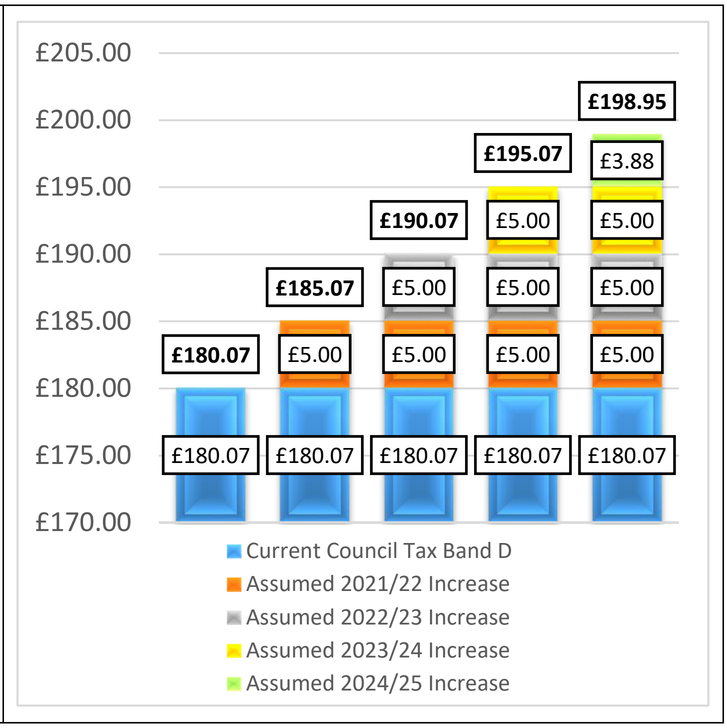
Total amount of New Homes Bonus	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Approved MTFS	(£1,771,000)	(£911,000)	(£680,000)	(£300,000)	(£200,000)
Draft MTFS	(£1,771,000)	(£1,282,000)	(£680,000)	-	-
Change – further one year award in 2021/22 and then no grant income is assumed from 2023/24	**-**	**(£371,000)**	**-**	**£300,000**	**£200,000**

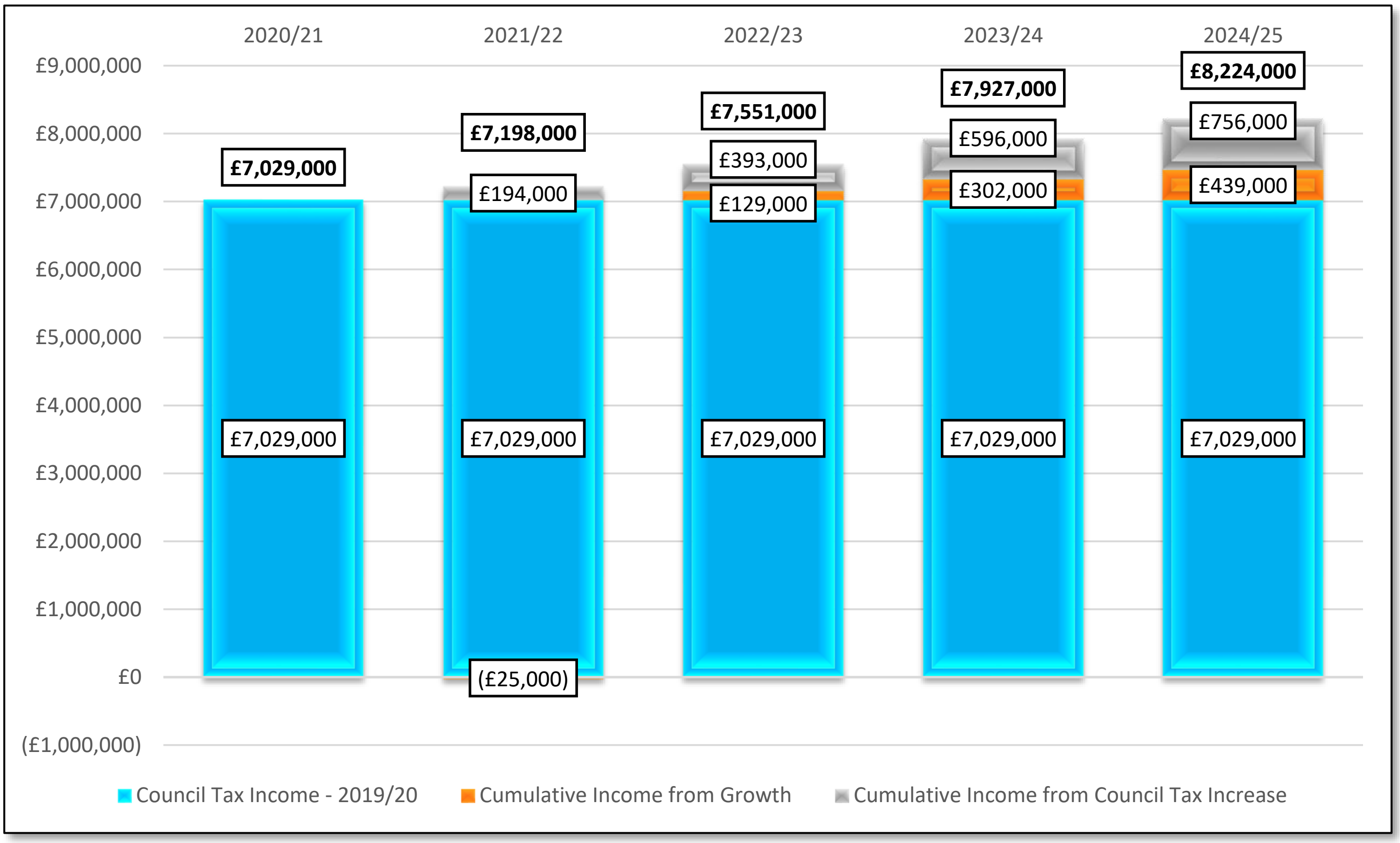
APPENDIX A

Council Tax

The Approved Budgets for Council Tax base (with a modelled increases 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:

	2020/21	2021/22	2022/23	2023/24	2024/25
Approved MTFS	(£7,029,000)	(£7,350,000)	(£7,722,000)	(£8,093,000)	(£8,356,000)
Draft MTFS	(£7,029,000)	(£7,198,000)	(£7,551,000)	(£7,927,000)	(£8,224,000)
Change – Lower projected Income	-	**£152,000**	**£171,000**	**£166,000**	**£132,000**

APPENDIX A

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

Key Assumptions													
Year	**2020/21 1**	**2021/22 2**	**2022/23 3**	**2023/24 4**	**2024/25 5**	**2025/26 6**	**2026/27 7**	**2027/28 8**	**2028/29 9**	**2029/30 10**	**2034/35 15**	**2039/40 20**	**2044/45 25**
Council Tax Base	39,032	38,891	39,728	40,639	41,335	41,855	41,855	42,176	42,497	42,818	44,423	46,028	47,633
Projected Residential Growth - LHN							321	321	321	321	321	321	321
Projected Council Tax Base							**42,176**	**42,497**	**42,818**	**43,139**	**44,744**	**46,349**	**47,954**
Council Tax Band D	£180.07	£185.07	£190.07	£195.07	£198.95	£202.91	£207	£211	£215	£220	£242	£267	£295
Modelled Council Tax Increase	£5.00	£5.00	£5.00	£5.00	1.99%	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	£60	£62	£63	£69	£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%

	Medium Term Financial Strategy					Additional Projections							
	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**	**2029/30 £000**	**2034/35 £000**	**2039/40 £000**	**2044/45 £000**
Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**15**	**20**	**25**
Modelled Total Expenditure	**11,563**	**11,951**	**11,827**	**12,200**	**12,334**	**12,628**	**12,999**	**13,442**	**13,896**	**14,363**	**16,918**	**19,882**	**23,313**
<u>Inflation and Budget Variations</u>													
Provision for Pay and Other Inflation						316	326	334	345	357	420	494	579
Budget Pressure - Residential Growth						30	19	19	20	20	22	25	27
Budget Variations						0							
Housing options system						64							
Revenue Implications of Capital Bids						0							
Sub Total	**11,563**	**11,951**	**11,827**	**12,200**	**12,334**	**13,038**	**13,344**	**13,795**	**14,260**	**14,739**	**17,361**	**20,400**	**23,920**
<u>Other Projections</u>													
Annual Increase in Past Service Pensions						100	102	104	106	108	120	132	146
FGLC short term running costs end						(135)							
Replacement for FGLC Debt Costs					294	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Total Modelled Expenditure	**11,563**	**11,951**	**11,827**	**12,200**	**12,628**	**12,999**	**13,442**	**13,896**	**14,363**	**14,844**	**17,477**	**20,528**	**24,061**

APPENDIX A

	Medium Term Financial Strategy					Additional Projections							
	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	2029/30 £000	2034/35 £000	2039/40 £000	2044/45 £000
Modelled Funding:													
<u>Retained Business Rates</u>													
Baseline Funding Level	(2,117)	(2,117)	(1,710)	(1,710)	(1,710)	(1,744)	(1,779)	(1,815)	(1,851)	(1,888)	(2,084)	(2,301)	(2,541)
Retained Growth - full & phased resets	(903)	(1,005)	(627)	(624)	(573)	(466)	(475)	(485)	(494)	(504)	(557)	(615)	(679)
<u>New Homes Bonus / Replacement</u>													
New Homes Bonus - total receipt	(1,771)	(1,282)	(680)	0									
New Homes Bonus - Replacement					0	0	0	0	0	0	0	0	0
<u>Council Tax and Other Funding</u>													
Collection Fund and one off funding	(464)	(349)	65	65	0	0	0	0	0	0	0	0	0
Council Tax	(7,029)	(7,198)	(7,551)	(7,927)	(8,224)	(8,493)	(8,728)	(8,970)	(9,217)	(9,471)	(10,841)	(12,392)	(14,149)
Total Modelled Funding	**(12,284)**	**(11,951)**	**(10,503)**	**(10,196)**	**(10,507)**	**(10,703)**	**(10,982)**	**(11,269)**	**(11,562)**	**(11,863)**	**(13,482)**	**(15,308)**	**(17,369)**
Modelled Funding Gap/(General Reserves)	**(721)**	**0**	**1,324**	**2,005**	**2,121**	**2,296**	**2,460**	**2,626**	**2,801**	**2,981**	**3,995**	**5,220**	**6,693**

Memorandum Item	**Legacy Payments**				**New Scheme**			
New Homes Bonus - Base Budget	(600)	(500)	(400)	0	0	0	0	0

	Medium Term Financial Strategy					Additional Projections							
General Reserves Year Start	**4,792**	**4,975**	**5,386**	**4,342**	**2,337**	**217**	**217**	**217**	**217**	**217**	**217**	**217**	**217**
Contributions from Revenue Account	721	0	(1,324)	(2,005)	(2,121)	(2,296)	0	0	0	0	0	0	0
COVID-19 Revenue Budget Impact	(1,709)												
New Homes Bonus in excess of the 'Cap'	1,171	411	280	0	0								
Available General Reserves Year End	**4,975**	**5,386**	**4,342**	**2,337**	**217**	**(2,080)**	**217**	**217**	**217**	**217**	**217**	**217**	**217**
Minimum Level	1,600	1,600	1,600	1,600	1,600	1,600							
Total General Reserves	**6,575**	**6,986**	**5,942**	**3,937**	**1,817**	**(480)**							

Recommended Capital Strategy

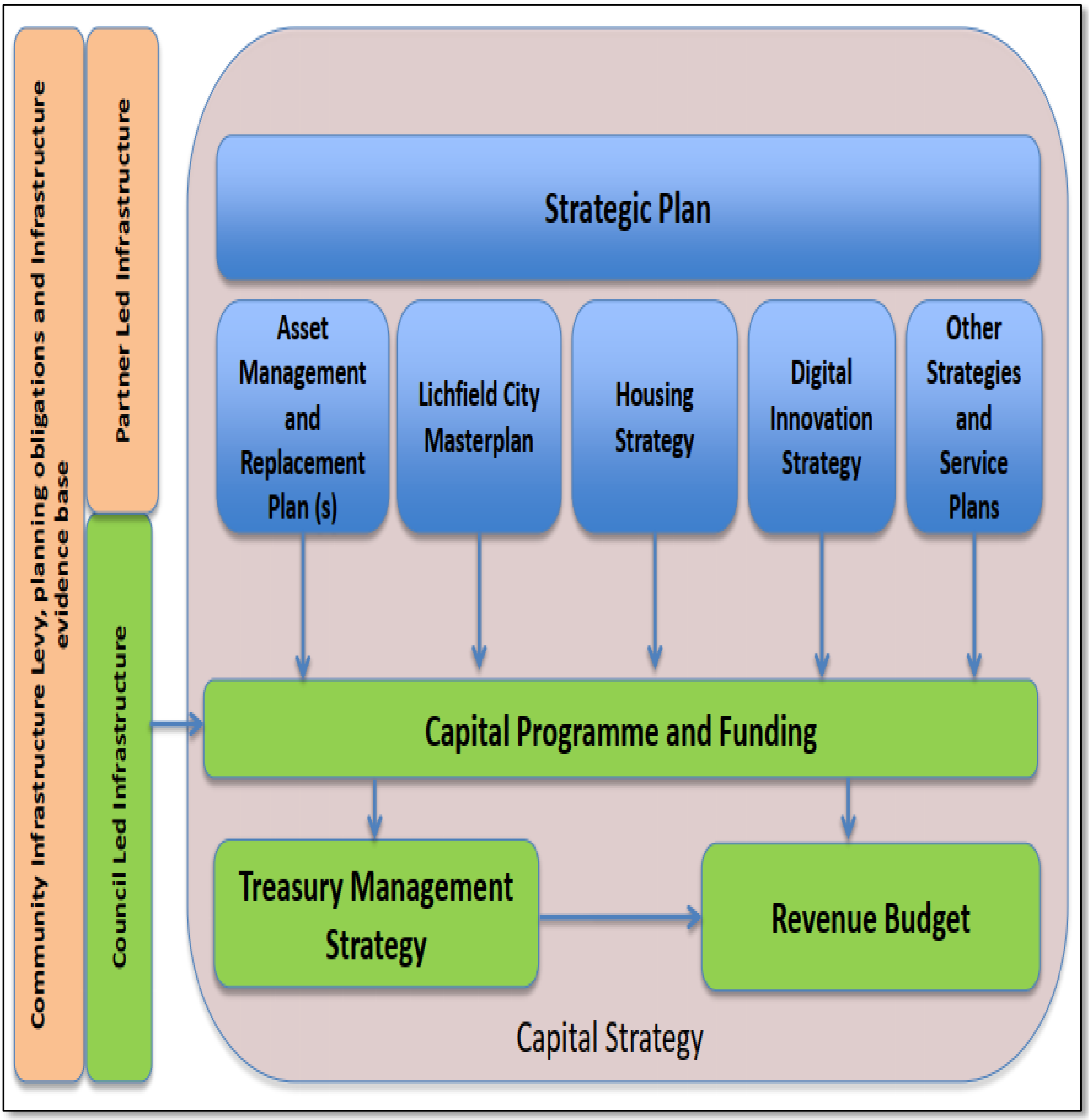
1. Introduction

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.

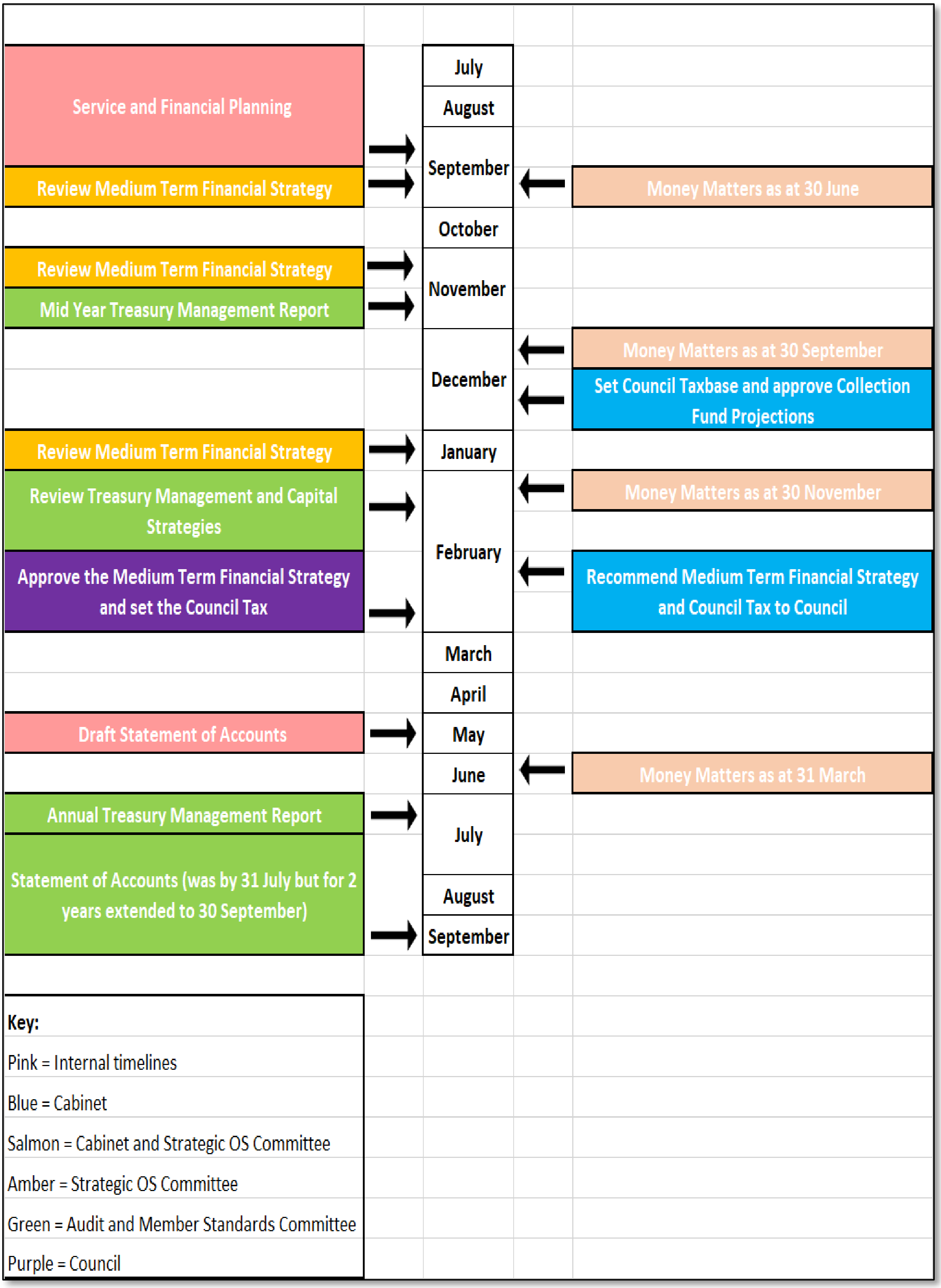
1.3. It forms part of the Councils integrated revenue, capital and balance sheet planning. The Council already undertakes elements of the requirements although some areas, such as Asset Management Planning, are subject to ongoing development.

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 is shown below:



The Capital Programme Process

2.2. Given our current financial position, our priorities and responsibilities and as 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. The capital bid process has been incorporated into the service and financial planning process to provide a holistic approach. The capital bid element of the process has been designed to ensure consistency, objectivity, equity and transparency to the prioritisation and allocation of capital funding, while ensuring maximum value for money.

2.4. A summary of the 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 ensure the bids are included in the relevant service and financial planning submission.
- Leadership Team review all service and financial planning submissions 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, financial contributions from 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. In some cases there is an element of discretion on how they are allocated. These contributions towards social and community facilities are linked to the development proposed.

2.7. The Council’s Capital Programme includes a number of projects that are to be funded by Section 106 and 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.

2.8. The **Capital Programme** and its **funding** by Strategic Priority is summarised below:

	Capital Programme						
Strategic Priority	**2020/21 £000**	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**	**Total £000**	**Corporate £000**
Enabling People	2,223	3,375	3,684	3,576	1,315	14,173	30
Shaping Place	670	1,102	3,674	270	293	6,009	193
Developing Prosperity	522	935	557	43	0	2,057	395
Good Council	564	1,118	515	389	0	2,586	2,423
Grand Total	**3,979**	**6,530**	**8,430**	**4,278**	**1,608**	**24,825**	**3,041**

	Capital Programme						
Funding Source	**2020/21 £000**	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**	**Total £000**	
Capital Receipts	522	1,296	604	219	0	2,641	
Capital Receipts - Statue	0	5	0	0	0	5	
Revenue - Corporate	182	0	0	213	0	395	
Corporate Council Funding	**704**	**1,301**	**604**	**432**	**0**	**3,041**	
Grant	1,052	2,207	1,815	1,316	1,315	7,705	
Section 106	601	785	0	0	0	1,386	
CIL	101	79	0	0	0	180	
Reserves	1,030	1,730	252	120	143	3,275	
Revenue - Existing Budgets	162	150	150	150	150	762	
Sinking Fund	223	0	0	0	0	223	
Leases	0	0	3,260	0	0	3,260	
Internal Borrowing	0	0	0	0	0	0	
Total	**3,873**	**6,252**	**6,081**	**2,018**	**1,608**	**19,832**	**24,825**
External Borrowing	**106**	**278**	**2,349**	**2,260**	**0**	**4,993**	
Grand Total	**3,979**	**6,530**	**8,430**	**4,278**	**1,608**	**24,825**	

2.9. The Revenue implications of the Capital Programme are shown below:

Revenue Implications	**2020/21 £000**	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
Interest on Loan to the LA Company	0	(4)	(18)	(22)	(22)
Friary Grange - Refurbishment	50	135	135	135	135
Coach Park Operation Costs	0	0	0	50	50
IT Hardware	9	9	4	(38)	9
Replacement Leisure Centre Debt Costs	0	0	0	0	294
Revenue Budget - Bin Replacement	150	150	150	150	0
Revenue Budget - Other Projects	12	0	0	0	0
Revenue Budget - Corporate	182	0	0	213	0
Sub Total - Approved Budget	**403**	**290**	**271**	**488**	**466**
Burntwood LC early repayment of capital	979	(140)	(140)	(140)	(140)
Internal Funding (see below)	(979)	0	0	0	0
Financial Information System	0	(20)	(40)	(40)	(40)
Revenue Budget - Bin Replacement	0	0	0	0	150
Sub Total - Service and Financial Planning	**0**	**(160)**	**(180)**	**(180)**	**(30)**
Capital Programme Total	**403**	**130**	**91**	**308**	**436**

Leisure VAT repayment reserve	(470)
Uncommitted Capital Receipts	(509)
Total	**(979)**

2.10. Projected Capital Receipts are shown in the table below:

Capital Receipts	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Opening Balance	**(2,673)**	**(1,652)**	**(888)**	**(294)**	**(86)**	**(2,673)**
BLC early repayment of capital	509					509
Sale of land at Netherstowe and Leyfields[2]		(527)				(527)
Other Receipts	(10)	(10)	(10)	(11)	(9)	(50)
Utilised in Year	522	1,301	604	219	0	2,646
Closing Balance	**(1,652)**	**(888)**	**(294)**	**(86)**	**(95)**	**(95)**
Housing Receipts						
Opening Balance	**0**	**(197)**	**(197)**	**(197)**	**(197)**	**(197)**
Right to Buy Receipts	(197)					
Closing Balance	**(197)**	**(197)**	**(197)**	**(197)**	**(197)**	**(197)**

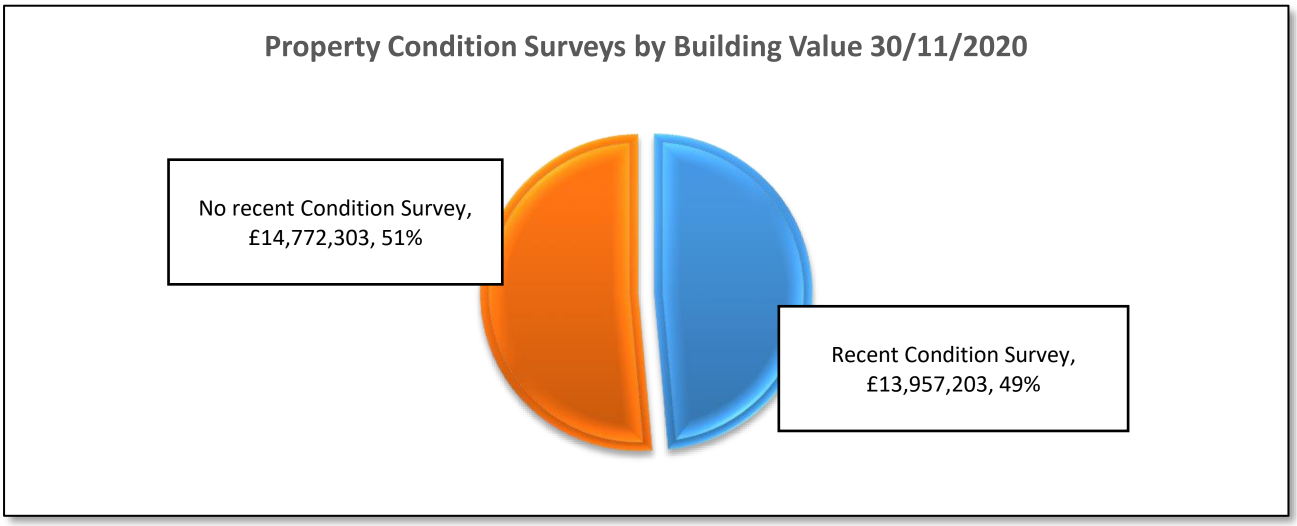
3. The Balance Sheet

3.1. The Capital Programme and its funding together with the wider MTFS will impact on the Council's Balance Sheet. This is due to lower usable reserves leading to lower investments and increased non-current assets with the leisure centre and waste fleet that will be funded by external debt:

[2] Subject to planning approval.

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. Progress to date is shown below:



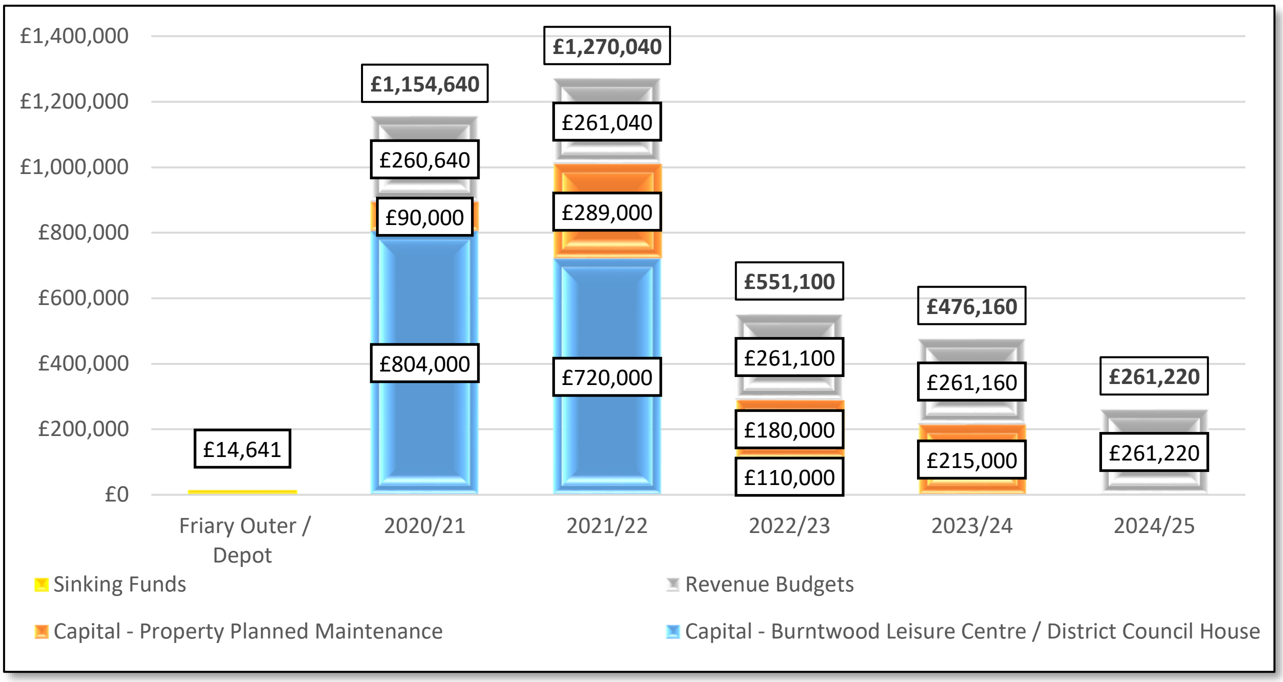
4.2. At this stage, Estates estimate that a Capital Programme annual budget of between **£100,000** and **£150,000** will be required to maintain and enhance property.

4.3. Therefore for financial planning purposes, an annual budget of **£140,000** (based on 0.3% of projected asset value) has been included in the Longer Term Capital Investment Plan.

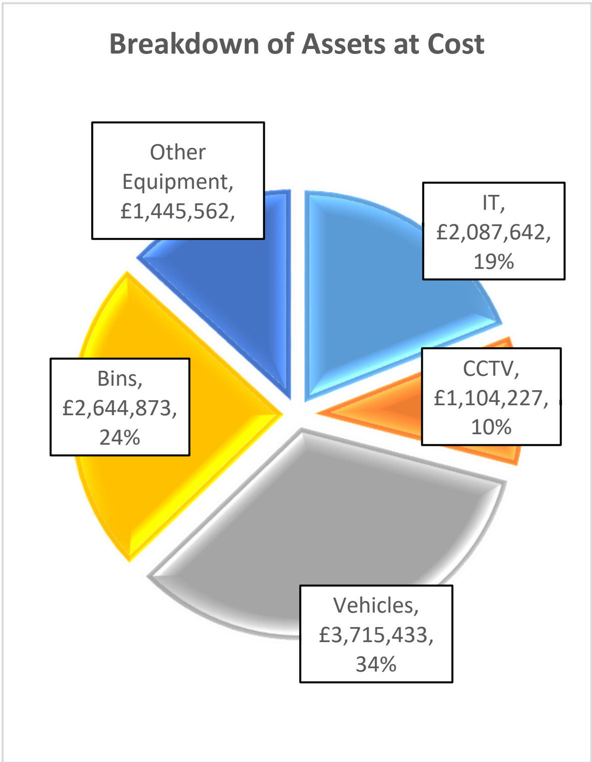
4.4. Cabinet on 6 October 2020 approved a deed of variation and deed of release in relation to the Three Spires Shopping Centre that included the release of the Birmingham Road Multi Storey Sinking Fund to deliver the outcomes contained in the Lichfield City Centre Masterplan.

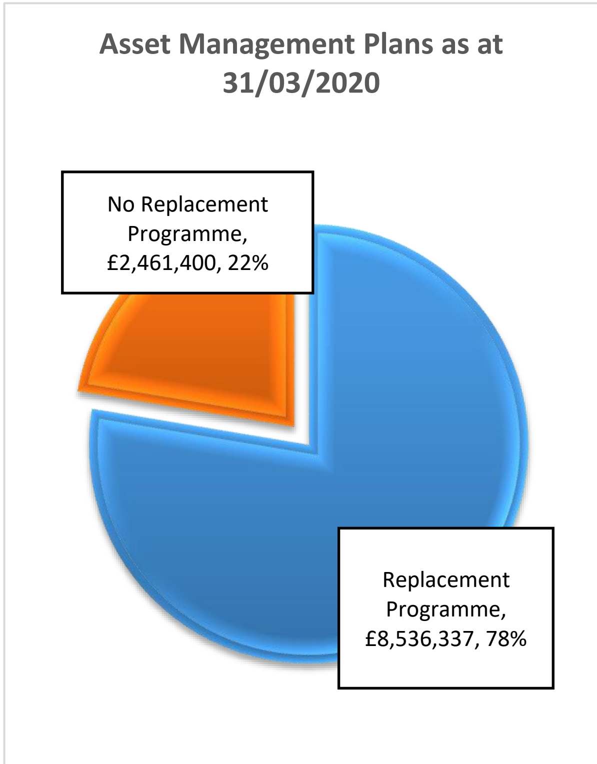
4.5. This means this reserve is no longer specifically earmarked for the replacement of the Multi Storey Car Park. However a budget of **£300,000** is included in the Capital Programme for essential repairs.

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

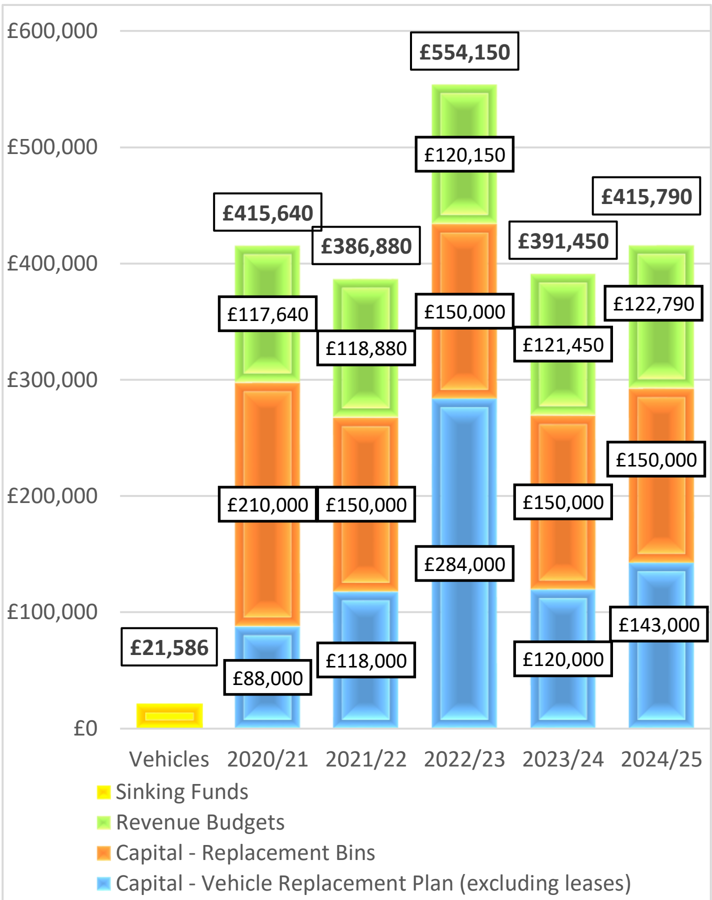


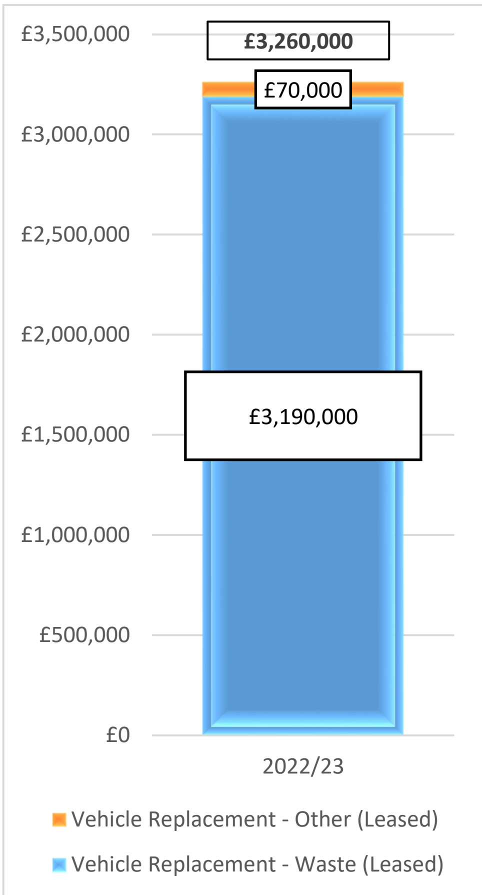
4.7. The Asset Management Plans in place for vehicles, plant and equipment assets are:





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





5. Longer Term Capital Investment Planning

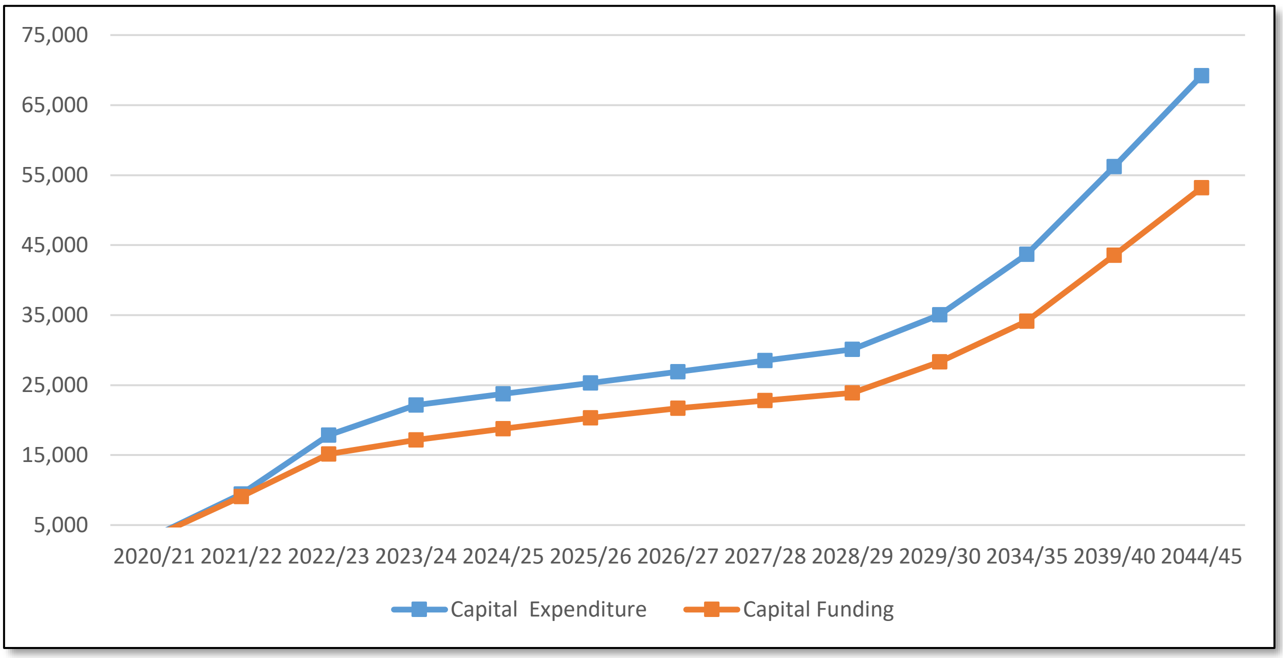
5.1. The Medium Term Financial Strategy covers a relatively short period of time (current financial year plus the next four years) and this short horizon is not reflective of the longer term investment needs associated with asset ownership.

5.2. Therefore it is prudent to also produce financial plans that cover a longer term financial planning horizon such as 25 years.

5.3. The following key assumptions have been utilised in producing the longer term financial plan:

- Annual core inflation of **2%**.
- Population in Lichfield District increases by an annual average of **0.33%**.
- The proportion of the population aged 65 and over increases from **24%** in 2020/21 to **28%** by 2044/45.
- The value of building assets increases from **£35m** in 2020/21 to **£46m** in 2024/25 with the building of a new Leisure Centre.
- An assessment of Property Planned Maintenance budgets at **0.3%** of building value or **£140,000** from 2025/26 has been utilised with annual inflationary increases.
- An assessment of ICT investment using the average level of investment in the last Capital Bid submitted of **£175,000** from 2025/26 has been utilised with annual inflationary increases.

5.4. The longer term capital investment plan is shown in detail at **ANNEX 1** and in the chart below:



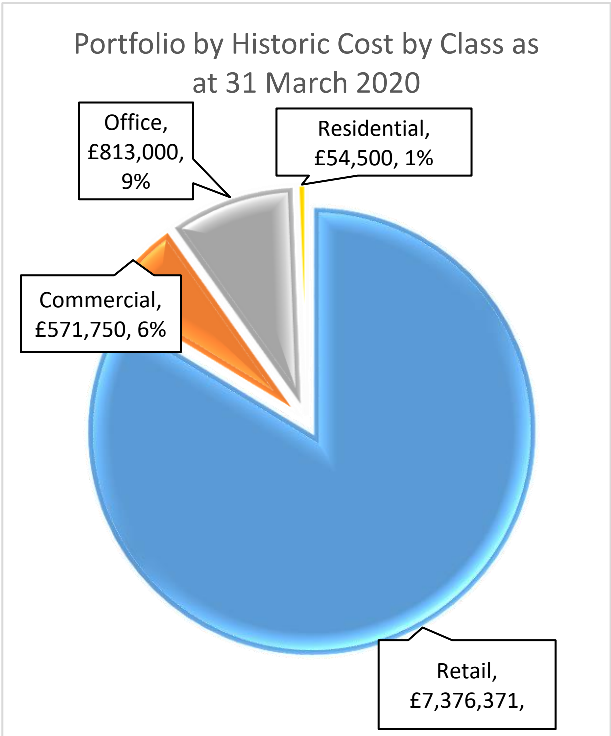
5.5. The difference between capital expenditure and funding would result in an increase in the cumulative level of borrowing need of **£16m** (including £5m approved for the new Leisure Centre).

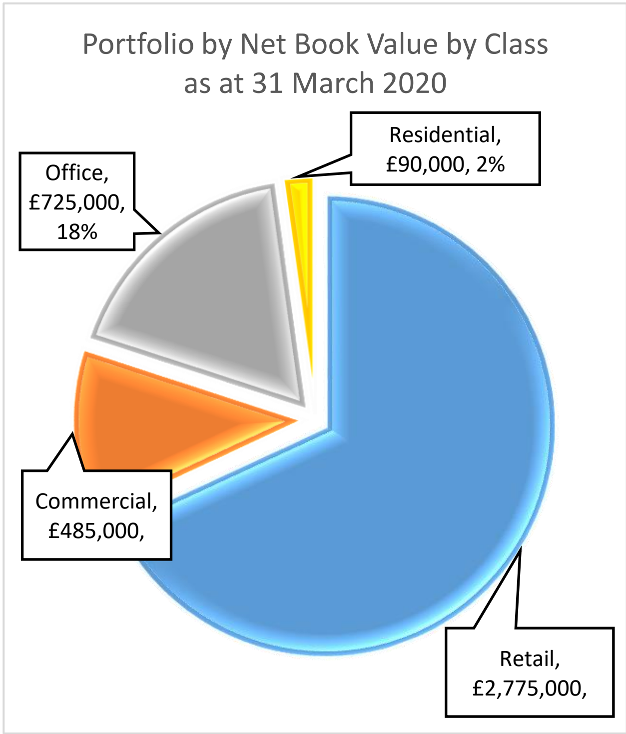
5.6. This additional borrowing need would result in additional and increasing debt repayment costs in the revenue budget thereby further increasing the Funding Gap.

5.7. However the borrowing need can be reduced through actions such as the receipt of external funding or sale of assets.

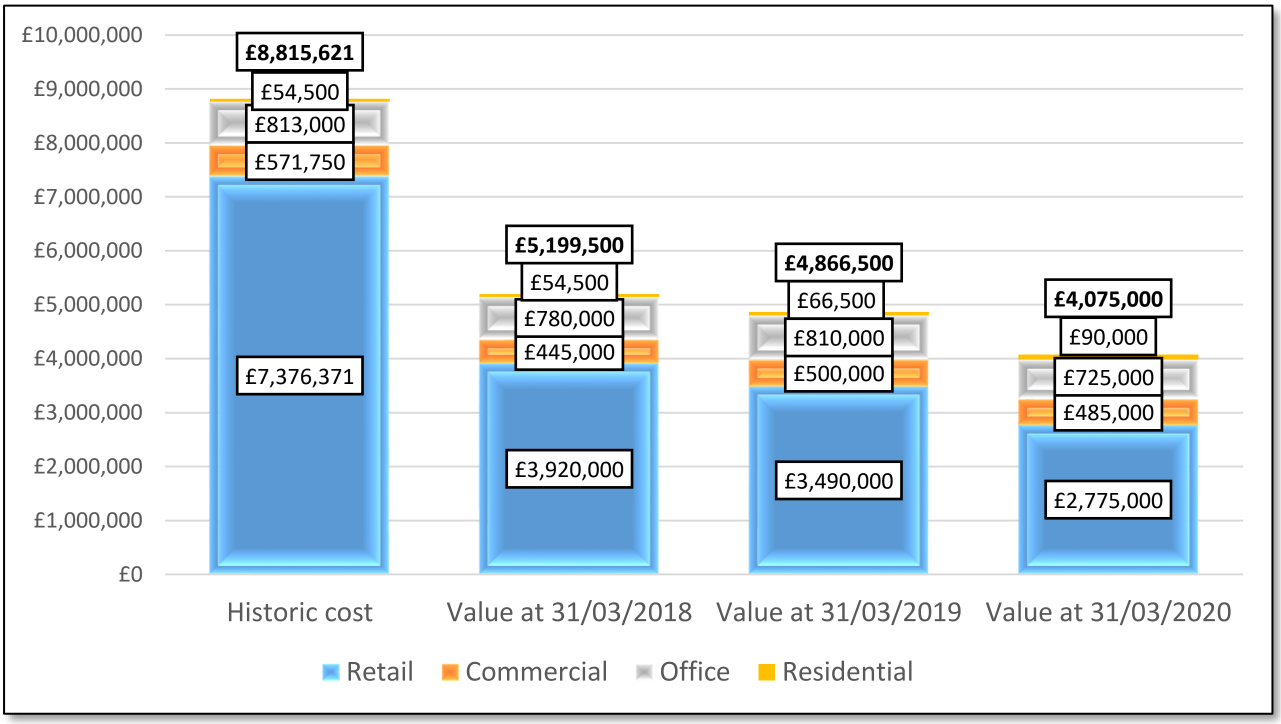
6. Current Investment in Property

6.1. The Council also owns a number of properties that provide an income return and the composition of the portfolio at 31 March 2020 is shown below:





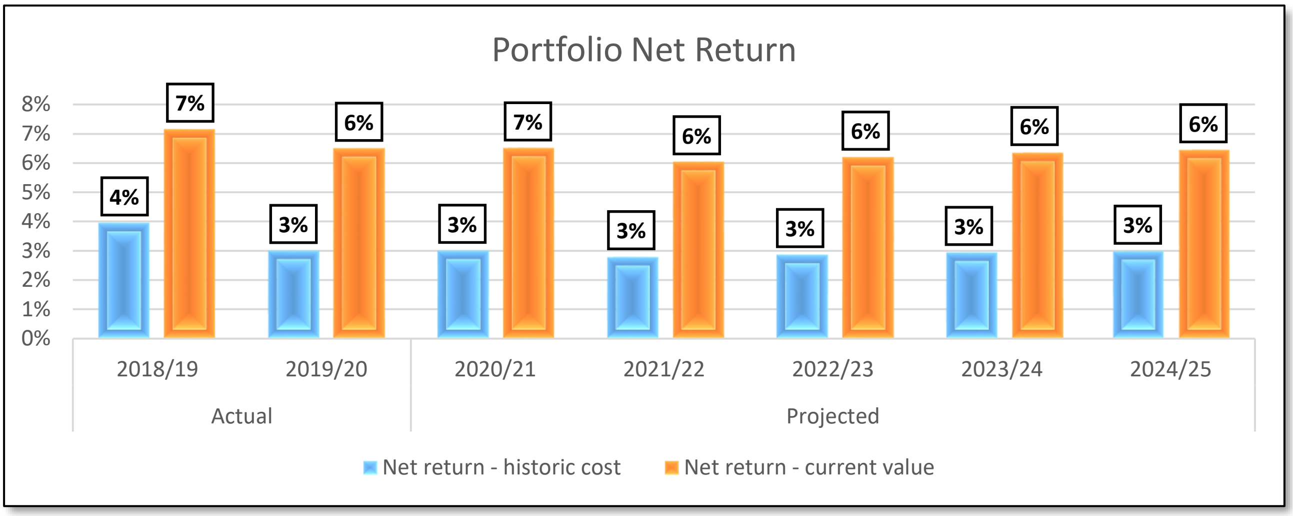
6.2. The value of these properties over the last three years is shown below:



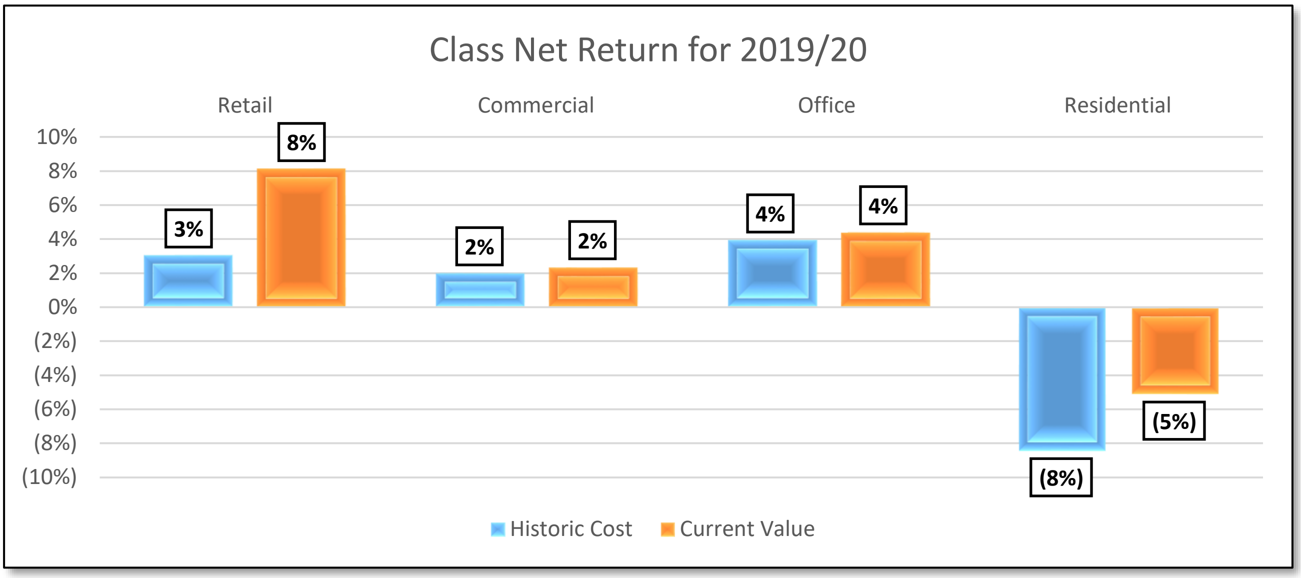
6.3. The value of these properties (mainly those classed as retail) have reduced because the value assessed by the external valuer is based on prevailing rental levels.

6.4. These properties were acquired without the need for borrowing and therefore the loan to value ratio for the portfolio is **0%**.

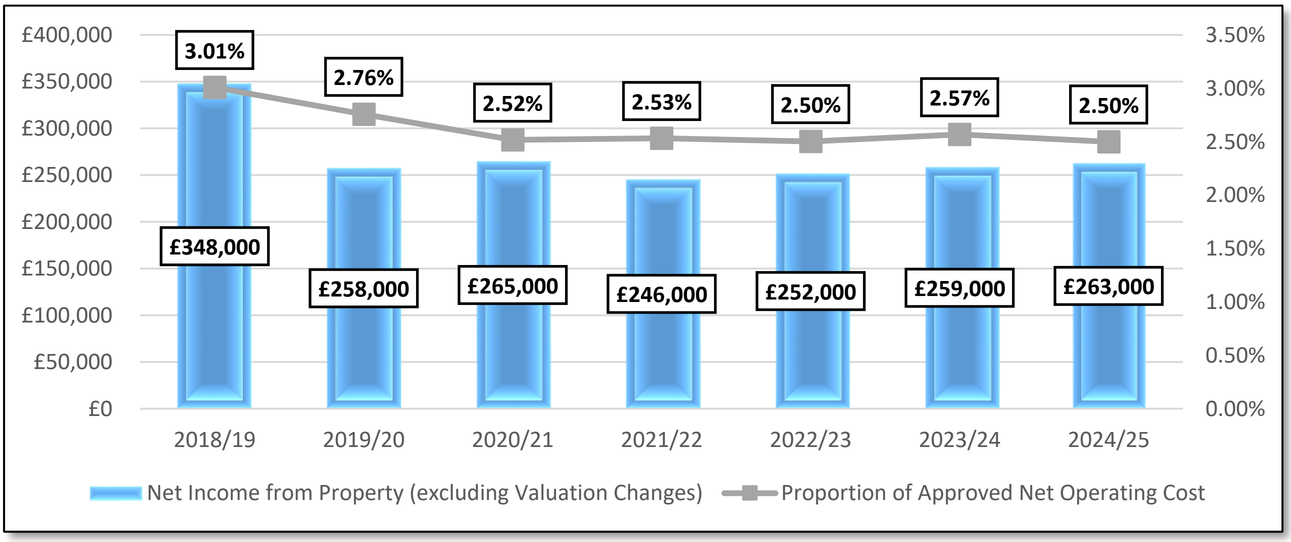
6.5. The portfolio net return based after taking account of management costs using historic asset cost and current value is shown in the chart below:



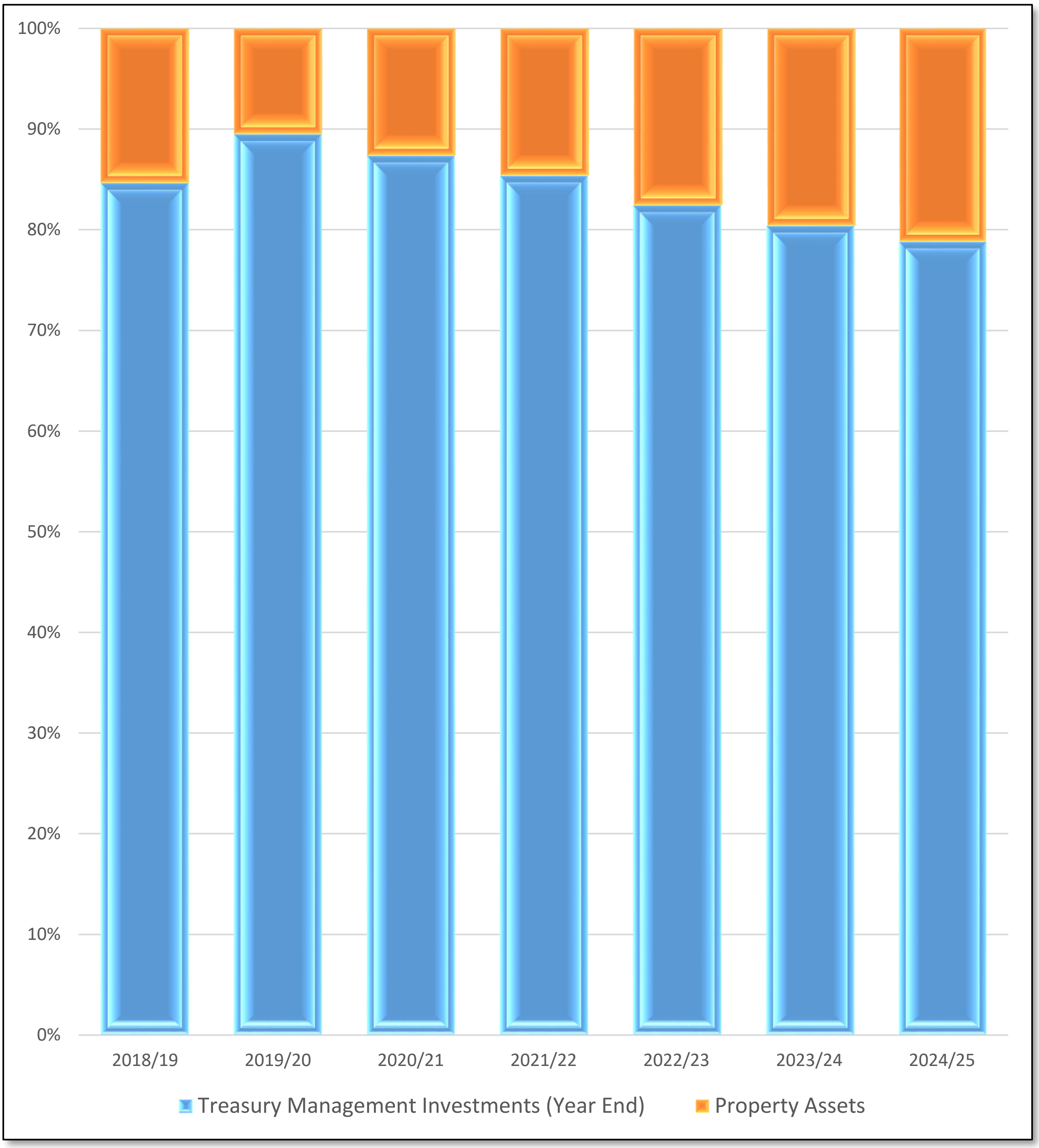
6.6. The net return is further analysed for 2019/20 by class of investment within the portfolio:



6.7. The proportion of the Revenue Budget supported by income from these properties is shown below:



6.8. The ratio of Treasury Management investments to property asset investments is shown below:



6.9. The Council has a Local Authority Trading Company Lichfield Housing Limited that was incorporated in September 2019 with an aim to deliver housing development.

6.10. The Council undertook an equity investment of **£225,000** in 2020/21 and plans to advance a loan of up to **£675,000** to Lichfield Housing Limited in 2021/22 for a period of up to **5 years** to facilitate housing development, subject to appropriate schemes being identified.

6.11. 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 2025/26 in the Medium Term Financial Strategy. At present, no dividend income is assumed to be received from the Company.

7. Debt Management

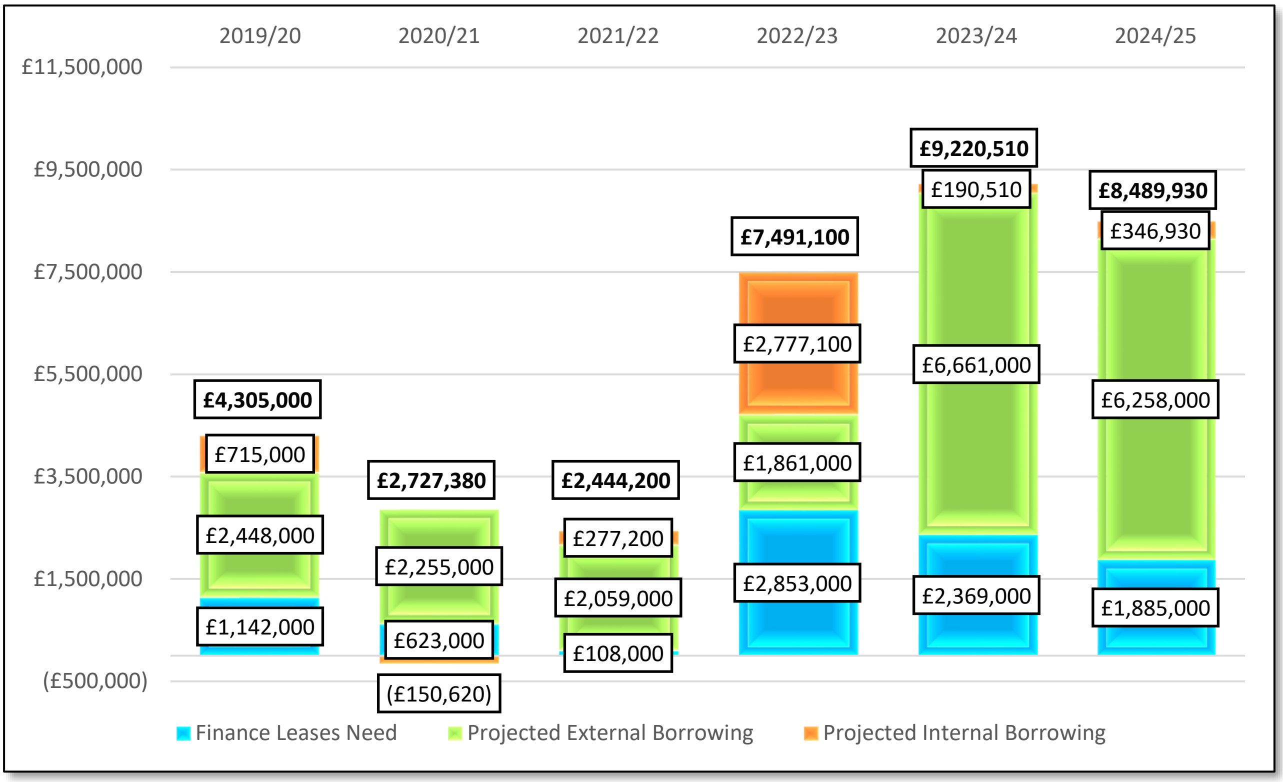
7.1. The Capital Programme is funded from a variety of sources. A number of these sources such as capital receipts, the revenue budget, grants, contributions and reserves utilise resources that are immediately available or are receivable. However when capital expenditure is approved, and these resources are not available, then a **Capital Financing Requirement** (CFR) or borrowing need results.

7.2. The CFR is managed through the approval by Council of the Medium Term Financial Strategy including the Capital Programme and Prudential Indicators.

7.3. The CFR must be financed through borrowing or finance leases (external debt) or by temporarily utilising internal resources (internal borrowing).

7.4. At 31 March 2020 the Council had a relatively low level of external debt outstanding of **£3.590m**. The new leisure centre and the renewal of the waste fleet will mean external debt is projected to increase to **£8.143m** by 31 March 2025.

7.5. The projected CFR (the total for each column), **external debt** (finance leases and external borrowing) and **internal borrowing** (external borrowing is temporarily higher than the CFR by £150,620 at the end of 2020/21 following the proposed early repayment of the BLC capital funding) is shown below:



7.6. The CFR is related to:

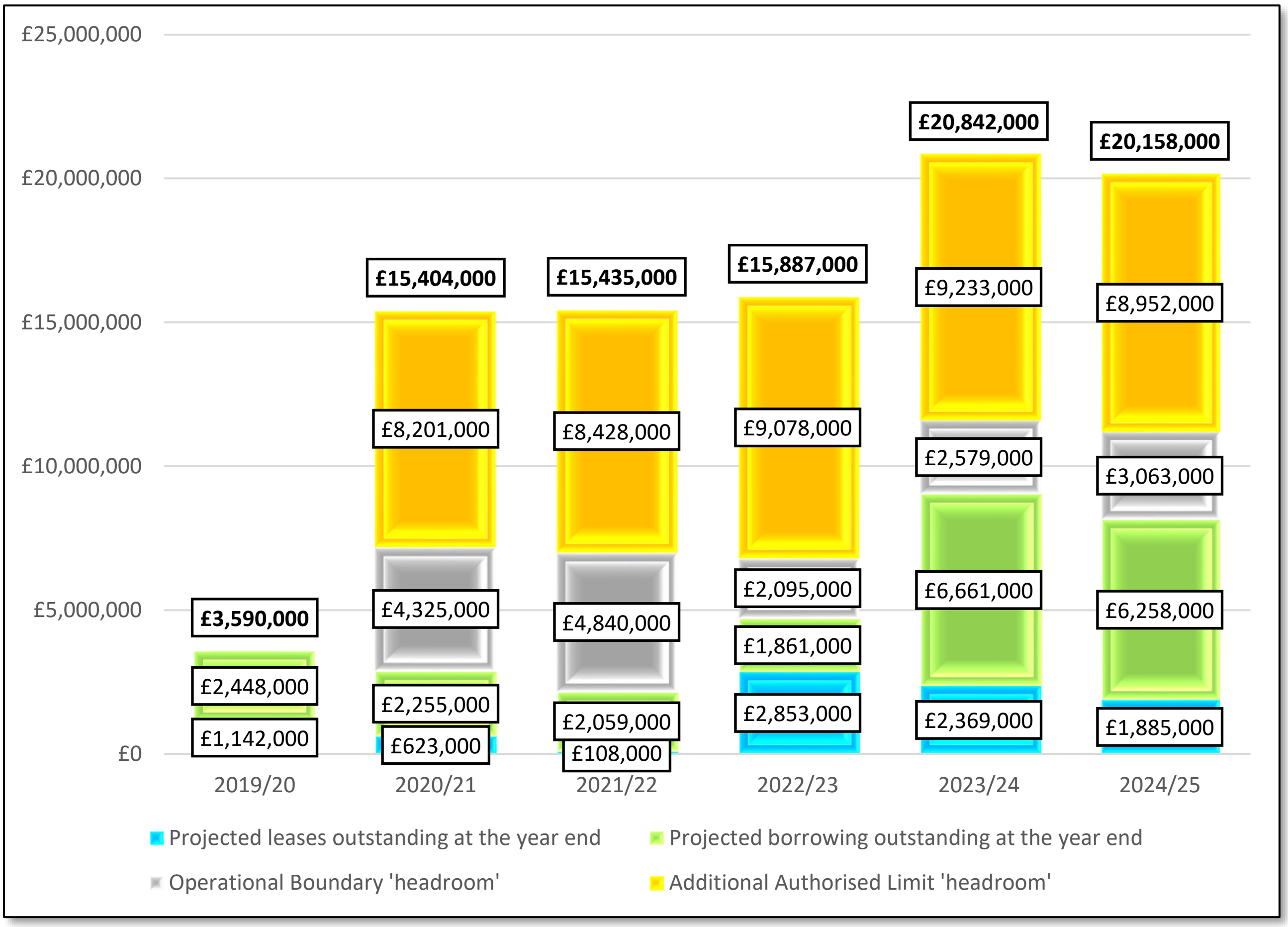
- Historic capital expenditure for the Chasewater Dam, Friary Outer Car Park and vehicles funded by finance leases.
- Planned capital expenditure for the new Leisure Centre and the renewal of the waste fleet funded by a lease type arrangement.

7.7. The Council manages its external debt through setting Prudential Indicators, related to the statutory maximum, known as the **Authorised Limit** and a lower warning level known as the **Operational Boundary.**

7.8. The external debt projections are based on the approved Capital Programme however to manage unforeseen events, an element of flexibility or 'headroom' is included in the Prudential Indicators:

- **Operational Boundary** – flexibility is included to enable internal borrowing to be converted to external debt or for example, to ensure accounting changes such as those proposed for all leases to be classed as finance leases to be incorporated without breaching the limit.
- **Authorised Limit** – this provides additional flexibility to manage unusual cash flows that necessitate temporary borrowing such as Government Grants not being paid.

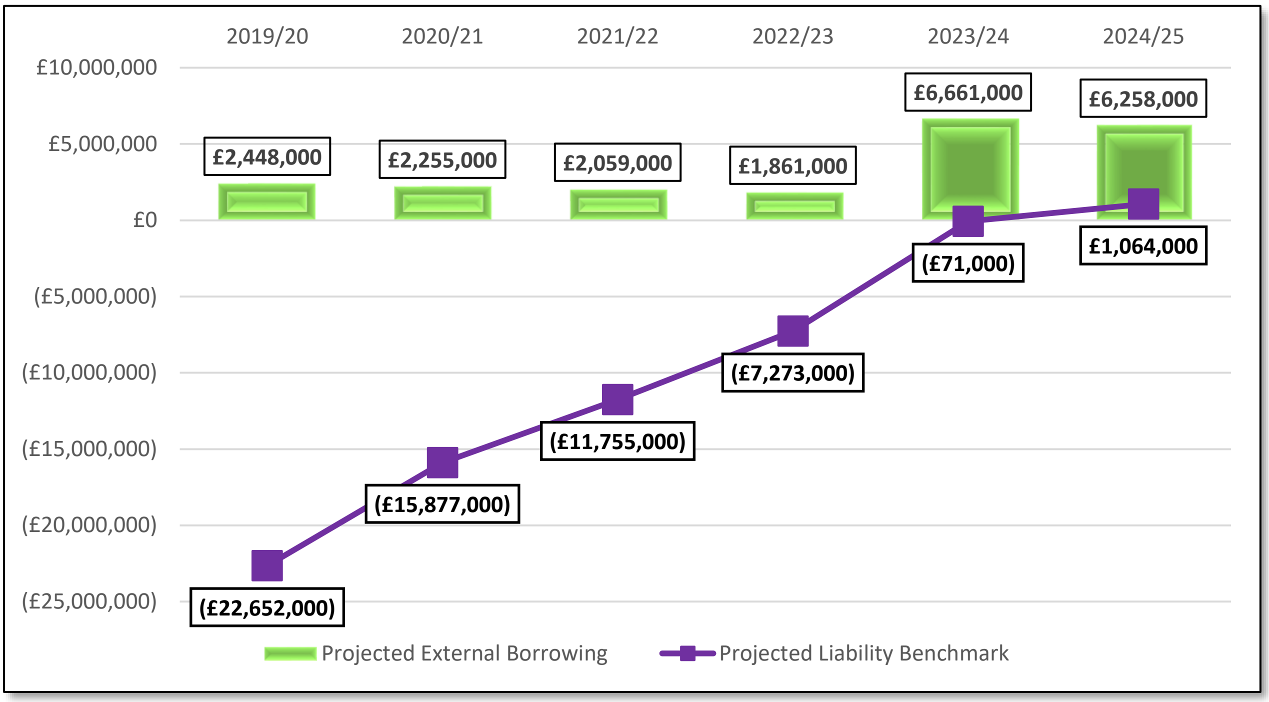
7.9. The external debt and Prudential Indicators projections based on the Capital Programme are:



	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Borrowing		£10,956,000	£10,987,000	£11,439,000	£16,394,000	£15,710,000
Leases		£4,448,000	£4,448,000	£4,448,000	£4,448,000	£4,448,000
Authorised limit	**£4,315,000**	**£15,404,000**	**£15,435,000**	**£15,887,000**	**£20,842,000**	**£20,158,000**
Borrowing		£2,755,000	£2,559,000	£2,361,000	£7,161,000	£6,758,000
Leases		£4,448,000	£4,448,000	£4,448,000	£4,448,000	£4,448,000
Operational boundary	**£4,315,000**	**£7,203,000**	**£7,007,000**	**£6,809,000**	**£11,609,000**	**£11,206,000**
Projected year end borrowing	£2,448,000	£2,255,000	£2,059,000	£1,861,000	£6,661,000	£6,258,000
Projected year end leases	£1,142,000	£623,000	£108,000	£2,853,000	£2,369,000	£1,885,000
Projected year-end total external debt	**£3,590,000**	**£2,878,000**	**£2,167,000**	**£4,714,000**	**£9,030,000**	**£8,143,000**

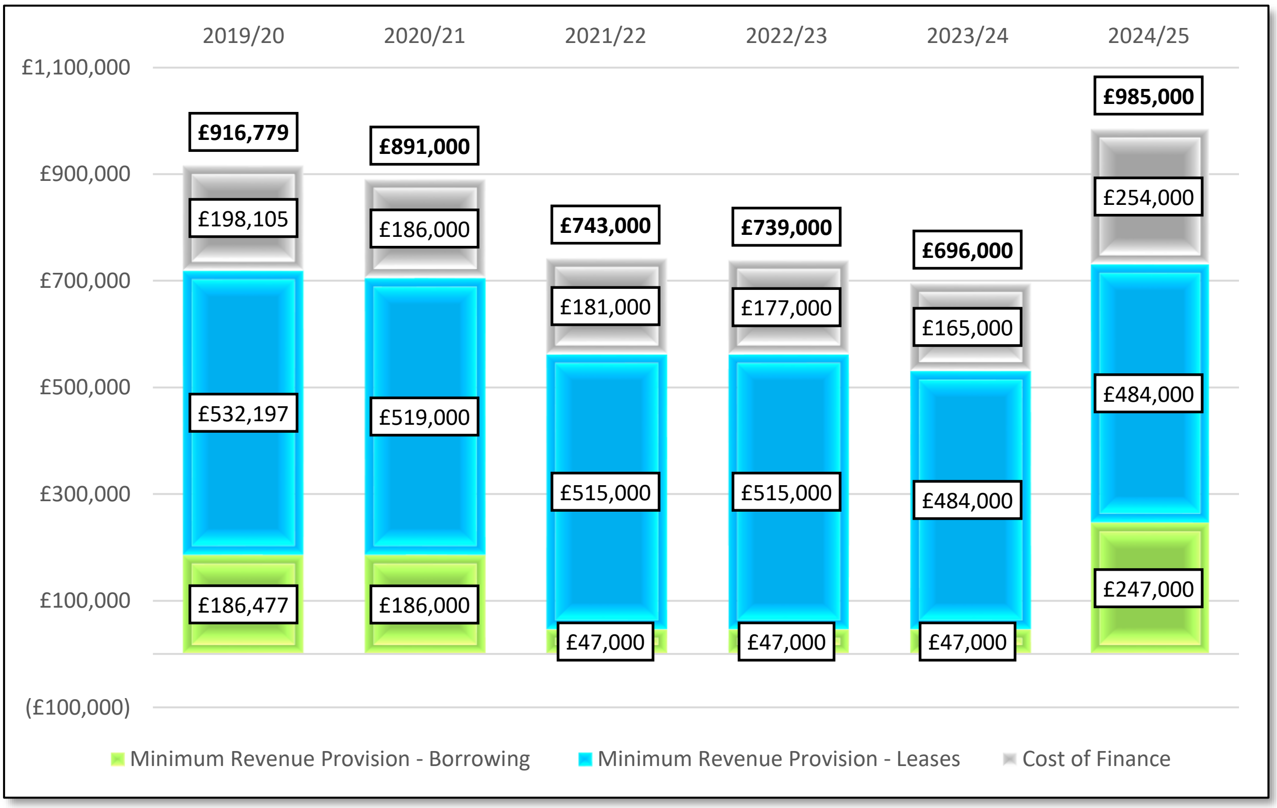
7.10. The **liability benchmark** is the lowest risk level of <u>external borrowing</u> by keeping cash and investments to a minimum of **£10m** at each year end to maintain liquidity but minimise credit risk.

7.11. The projected level of external borrowing, and the projected liability benchmark in £000s is:

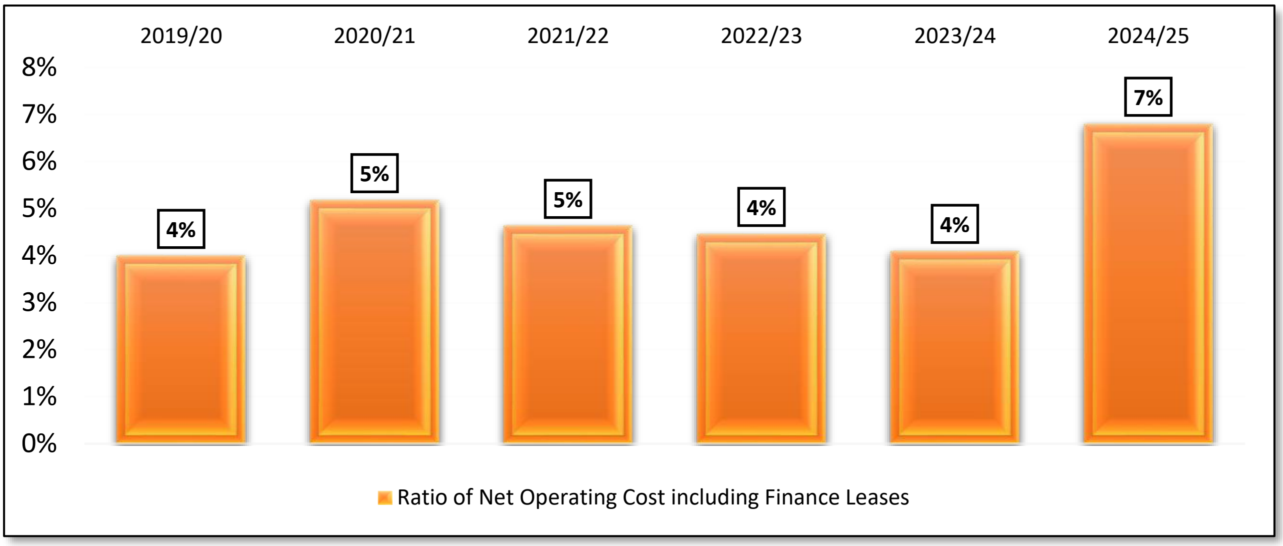


7.12. The chart above indicates that based on current Balance Sheet projections where usable reserves are reducing, the Council has sufficient resources to fund **c£5m** of additional internal borrowing.

7.13. The cost of debt servicing includes the cost of finance and Minimum Revenue Provision (MRP). Debt is only a temporary source of finance since loans and leases must be rapid, and this is therefore replaced over time by other financing, usually from revenue which is known as MRP:



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



7.15. The Minimum Revenue Provision and therefore the financing costs ratio increases in 2024/25 because of the inclusion of the annual revenue debt costs, commencing at **£294,000**, for the new leisure centre.

8. Financial Guarantees

8.1. 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.

8.2. In the event that it is probable that these guarantees will be required a financial provision is 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 2020 the risk of default was assessed as less than **1%** and therefore the financial risk to the Council is **£3,927.**

- **Freedom Leisure -** the guarantee relates to the pensions of transferred employees and at 31 March 2020 the risk of default was assessed as less than **1%** and therefore the financial risk to the Council is **£79,212.** 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** (£60,100 at 31 March 2020) at the end of the ten year contract period, from the leisure outsourcing savings with any additional sum to be provided by General Reserves.

8.3. 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. The COVID-19 pandemic has increased the level of financial risk in relation to these two guarantees, however additional funding has been provided by the Council and other funders as mitigation. However the situation will need to be kept under constant review.

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

9.1. 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 sources.

9.2. 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. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA and the Association of Accounting Technicians.

9.3. 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. 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.

9.4. The Council does not plan to utilise the flexible use of capital receipts for transformation projects.

10. Prudential and Local Indicators

10.1. The Prudential and Local Indicators in relation to the Capital Strategy are shown below (rounding may result in slight differences in figures):

Prudential Indicators							
Indicators	2019/20 Actual	2020/21 Original	2020/21 Revised	2021/22 Original	2022/23 Original	2023/24 Original	2024/25 Original
Capital Investment							
Capital Expenditure (£m)	£2.297	£17.751	£3.979	£6.530	£8.430	£4.278	£1.608
Capital Financing Requirement (£m)	£4.305	£25.432	£2.727	£2.444	£7.491	£9.221	£8.490
Gross Debt and the Capital Financing Requirement							
Gross Debt	(£3.590)	(£19.091)	(£2.878)	(£2.167)	(£4.714)	(£9.030)	(£8.143)
Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement	No	No	Yes	No	No	No	No
Total Debt							
Authorised Limit (£m)	£4.315	£31.906	£15.404	£15.435	£15.887	£20.842	£20.158
Operational Boundary (£m)	£4.315	£23.088	£7.203	£7.007	£6.809	£11.609	£11.206
Proportion of Financing Costs to Net Revenue Stream (%)	4%	10%	5%	5%	4%	4%	7%

Local Indicators							
Indicators	2019/20 Actual	2020/21 Original	2020/21 Revised	2021/22 Original	2022/23 Original	2023/24 Original	2024/25 Original
Replacement of Debt Finance or MRP (£m)	(£0.719)	(£1.041)	(£1.684)	(£0.561)	(£0.562)	(£0.531)	(£0.731)
Capital Receipts (£m)	(£1.005)	(£0.537)	(£0.010)	(£0.537)	(£0.010)	(£0.011)	(£0.009)
Earmarked Housing Capital Receipts (£m)	£0	£0	(£0.197)	£0	£0	£0	£0
Liability Benchmark (£m)	£22.652	(£11.249)	£15.877	£11.755	£7.273	£0.071	(£1.064)
Treasury Management Investments (£m)	£34.554	£16.759	£28.131	£23.813	£19.133	£16.731	£15.193

11. Chief Finance Officer Assessment of the Capital Strategy

11.1. The removal of the Property Investment Strategy by Council means the level of risk associated with the Capital Strategy has significantly reduced from an assessed maximum level of **144** to **48**.

11.2. I have assessed the current overall risk as **24** out of **48** based on the following factors:

	Likelihood	Impact	2021/22	2020/21
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	0	8
Change of Government policy including regulatory change	3	4	0	12
The form of exit from the EU adversely impacts on the UK economy including the Property Market and Borrowing Costs	3	4	0	12
There is a cyclical 'downturn' in the wider markets	3	3	0	9
Insufficient expertise to Invest in Property	1	4	0	4
Inability to acquire or dispose of assets due to good opportunities not being identified	3	4	0	12
Assessed Level of Risk			**24**	**85**
Maximum			**48**	**144**

APPENDIX C

Recommended Capital Programme

Project	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000	Corporate
	Recommended Capital Programme (R=>500k, A=250k to 500k and G=<250k)						
Gym Equipment at Burntwood Parks	34	0	0	0	0	34	0
New Parish Office/Community Hub	0	92	0	0	0	92	0
Village Hall storage container	0	6	0	0	0	6	0
Armitage War Memorial	0	120	0	0	0	120	0
Canopy & artificial grass at Armitage	0	3	0	0	0	3	0
Burntwood LC CHP Unit	223	0	0	0	0	223	0
Burntwood LC	531	532	0	0	0	1,063	0
King Edwards VI School (CIL)	101	0	0	0	0	101	0
Friary Grange - Short Term Refurb	400	240	0	0	0	640	0
Replacement Leisure Centre	106	278	2,349	2,260	0	4,993	0
St. Stephen's School, Fradley (S106)	22	0	0	0	0	22	0
Beacon Park Pathway	30	0	0	0	0	30	30
Disabled Facilities Grants	511	1,272	1,272	1,272	1,272	5,599	0
Home Repair Assistance Grants	10	22	21	22	21	96	0
Decent Homes Standard	0	147	0	0	0	147	0
Energy Insulation Programme	0	22	22	22	22	88	0
DCLG Monies	0	212	0	0	0	212	0
Vehicle Replacement (Env Health)	0	0	20	0	0	20	0
S106 Affordable Housing Monies	255	429	0	0	0	684	0
Enabling People Total	**2,223**	**3,375**	**3,684**	**3,576**	**1,315**	**14,173**	**30**
Darnford Park (S106)	18	0	0	0	0	18	0
Canal Towpath Improvements	0	36	0	0	0	36	0
Loan to Council Dev Co.	0	675	0	0	0	675	116
Lichfield St Johns Community Link	0	35	0	0	0	35	0
Staffordshire Countryside Explorer	0	44	0	0	0	44	0
Equity in Council Dev Co.	225	0	0	0	0	225	0
Vehicle Replacement (Waste)	22	0	3,243	0	0	3,265	32
Vehicle Replacement (Other)	66	108	281	120	143	718	0
Bin Purchase	210	150	150	150	150	810	0
Dam Street Toilets	40	0	0	0	0	40	40
Env. Improvements: Upper St John St	0	7	0	0	0	7	0
Stowe Pool Improvements	57	0	0	0	0	57	5
Leomansley Area Improvement	0	3	0	0	0	3	0
Cannock Chase SAC	32	44	0	0	0	76	0
Shaping Place Total	**670**	**1,102**	**3,674**	**270**	**293**	**6,009**	**193**
Multi Storey Car Park Refurbishment	50	250	0	0	0	300	0
Coach Park	250	625	557	43	0	1,475	390
Birmingham Rd - Short Term Works	222	0	0	0	0	222	0
Car Parks Variable Message Signing	0	32	0	0	0	32	0
Vehicle Replacement (Car Parks)	0	10	0	0	0	10	0
Old Mining College: Access and signs	0	13	0	0	0	13	0
St. Chads Sculpture	0	5	0	0	0	5	5
Developing Prosperity Total	**522**	**935**	**557**	**43**	**0**	**2,057**	**395**
Property Investment Strategy	0	0	0	0	0	0	0
Property Planned Maintenance	90	289	180	215	0	774	774
Depot Sinking Fund	0	11	0	0	0	11	11
Equipment Storage	100	0	0	0	0	100	100
New Financial Information System	75	225	0	0	0	300	250
IT Infrastructure	154	35	15	0	0	204	204
IT Innovation	95	205	50	0	0	350	275
ICT Hardware	0	165	160	174	0	499	499
District Council House Repairs	50	188	110	0	0	348	310
Good Council Total	**564**	**1,118**	**515**	**389**	**0**	**2,586**	**2,423**
Recommended Capital Programme	**3,979**	**6,530**	**8,430**	**4,278**	**1,608**	**24,825**	**3,041**

APPENDIX C

Funding Source	Recommended Capital Programme 2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Capital Receipts	522	1,296	604	219	0	2,641
Capital Receipts - Statue	0	5	0	0	0	5
Revenue - Corporate	182	0	0	213	0	395
Corporate Council Funding	**704**	**1,301**	**604**	**432**	**0**	**3,041**
Grant	1,052	2,207	1,815	1,316	1,315	7,705
Section 106	601	785	0	0	0	1,386
CIL	101	79	0	0	0	180
Reserves	1,030	1,730	252	120	143	3,275
Revenue - Existing Budgets	162	150	150	150	150	762
Sinking Fund	223	0	0	0	0	223
Leases	0	0	3,260	0	0	3,260
Internal Borrowing	0	0	0	0	0	0
Total	**3,873**	**6,252**	**6,081**	**2,018**	**1,608**	**19,832**
External Borrowing	**106**	**278**	**2,349**	**2,260**	**0**	**4,993**
Grand Total	**3,979**	**6,530**	**8,430**	**4,278**	**1,608**	**24,825**

Reconciliation of Original Capital Programme to this Recommended Capital Programme

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000	Cabinet or Decision Date
Original Budget Council 18/02/2020	**17,751**	**13,636**	**18,821**	**4,051**	**0**	**54,259**	
<u>Approved Changes</u>							
Outdoor Gyms at Burntwood parks	34					34	26/02/2020
Slippage from 2019/20	13,454					13,454	02/06/2020
Money Matters 3 Months	(23,203)	23,232				29	08/09/2020
Medium Term Financial Strategy (Revenue and Capital) 2020-25	(91)	(33,500)	(11,500)			(45,091)	06/10/2020
Money Matters 6 Months	11	(209)	212	(157)	143	0	01/12/2020
Money Matters 8 Months	(4,653)	3,097	941	428	384	197	09/02/2021
Burntwood Leisure Centre	531	532				1,063	
<u>Service and Financial Planning Capital Bids</u>							Medium Term Financial Strategy
Bin Replacement					150	150	
Beacon Park Equipment Storage	100					100	
Beacon Park Jogging Track	30					30	
Dam Street Public Conveniences Refurbishment	40					40	
Financial Information System		50				50	
Disabled Facilities Grants		(308)	(44)	(44)	906	510	
Energy Insulation Programme					10	10	
Home Repair Assistance Grants					15	15	
<u>Other Funding Changes</u>							
Decent Homes Standard grant funding Energy Insulation and Home Repair Assistance Grants	(25)					(25)	
Recommended Capital Programme	**3,979**	**6,530**	**8,430**	**4,278**	**1,608**	**24,825**	

APPENDIX C

Capital Programme – 25 Year Model (1 to 10 years, 15 years, 20 years and 25 years)

Key Assumptions	Medium Term Financial Strategy					Additional Projections							
Year	2020/21 1	2021/22 2	2022/23 3	2023/24 4	2024/25 5	2025/26 6	2026/27 7	2027/28 8	2028/29 9	2029/30 10	2034/35 15	2039/40 20	2044/45 25
Population Projections	104,858	105,293	105,709	106,073	106,432	106,749	107,070	107,398	107,724	108,040	109,651	111,546	113,588
% Increase in Population		0.41%	0.40%	0.34%	0.34%	0.30%	0.30%	0.31%	0.30%	0.29%	0.32%	0.37%	0.33%
% of population 65 and over	24.13%	24.33%	24.48%	24.70%	24.88%	25.03%	25.31%	25.57%	25.80%	26.09%	27.33%	27.92%	27.63%
Projected Council Tax Base							42,176	42,497	42,818	43,139	44,744	46,349	47,954
Asset Values (£000)													
Buildings	34,633	35,665	38,571	40,874	47,774	47,774	47,774	47,774	47,774	47,774	47,774	47,774	47,774
Leisure Centre Cost above £5m				6,900									
Land	9,016												
Vehicles, Plant and Equipment	2,285												
Other Assumptions													
Core Budget Inflation Allowance						2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Asset Management Condition Allowance						0.30%							

Key Assumptions	Medium Term Financial Strategy					Additional Projections							
	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	2029/30 £000	2034/35 £000	2039/40 £000	2044/45 £000
Year	1	2	3	4	5	6	7	8	9	10	15	20	25
New Assets													
Loan in Council Company		675											
Replacement Leisure Centre	106	278	2,349	2,260									
Housing Investment	255	429											
New Coach Park	250	325	557	43									
New Coach Park - Land		300											
Equity in Council Company	225												
Sub Total	**836**	**2,007**	**2,906**	**2,303**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Existing Property													
Property Planned Maintenance	90	289	180	215		140	143	146	149	152	167	185	204
BRS - Short Term Redevelopment	222												
Burntwood Leisure Centre	754	532											
Depot Sinking Fund		11											
Equipment Storage in Beacon Park	100												
District Council House	50	188	110										
Dam Street Toilets	40												
Sub Total	**1,256**	**1,020**	**290**	**215**	**0**	**140**	**143**	**146**	**149**	**152**	**167**	**185**	**204**

Vehicles, Plant and Equipment													
Bin Purchases	210	150	150	150	150	150	151	152	153	155	160	166	172
Vehicles - Waste	22		3,243							3,308			
Vehicles - Other	66	118	301	120	143	150	153	156	159	162	179	197	218
ICT Investment	249	405	225	174		175	179	182	186	190	209	231	255
New Financial Information System	75	225											
Sub Total	**622**	**898**	**3,919**	**444**	**293**	**475**	**482**	**490**	**498**	**3,814**	**549**	**595**	**645**
Other Capital Investment													
Disabled Facilities Grants	511	1,272	1,272	1,272	1,272	914	927	940	951	964	1,025	1,066	1,074
Home Repair Assistance / Energy Insulation	10	44	43	43	43	25	25	25	25	25	25	25	25
Other Projects	744	1,289											
Sub Total	**1,265**	**2,605**	**1,315**	**1,316**	**1,315**	**939**	**952**	**965**	**976**	**989**	**1,050**	**1,091**	**1,099**
Total Modelled Expenditure	**3,979**	**6,530**	**8,430**	**4,278**	**1,608**	**1,554**	**1,578**	**1,601**	**1,623**	**4,955**	**1,766**	**1,870**	**1,948**

Key Assumptions	**Medium Term Financial Strategy**					**Additional Projections**							
	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**	**2029/30 £000**	**2034/35 £000**	**2039/40 £000**	**2044/45 £000**
Corporate Funding													
Capital Receipts	(522)	(1,296)	(604)	(219)		(490)	(291)						
Capital Receipts – Statue		(5)											
Revenue – Corporate	(182)			(213)									
Other Funding													
Disabled Facilities Grant – New	(1,110)	(1,096)	(906)	(906)	(906)	(914)	(927)	(940)	(951)	(964)	(1,025)	(1,066)	(1,074)
Disabled Facilities Grant – Existing	599	(176)	(366)	(366)	(366)								
Home Repair Assistance / Energy Insulation	(10)	(44)	(43)	(43)	(43)								
Other Grants	(531)	(891)	(500)										
Section 106	(601)	(785)											
CIL	(101)	(79)											
Reserves	(1,030)	(1,730)	(252)	(120)	(143)								
Revenue - Existing Budgets	(162)	(150)	(150)	(150)	(150)	(150)	(151)	(152)	(153)	(155)	(160)	(166)	(172)
Burntwood Leisure Centre Sinking Fund	(223)												
Finance Leases	0	0	(3,260)	0	0	0	0	0	0	(3,308)	0	0	0
Total Modelled Funding	**(3,873)**	**(6,252)**	**(6,081)**	**(2,017)**	**(1,608)**	**(1,554)**	**(1,369)**	**(1,092)**	**(1,105)**	**(4,427)**	**(1,186)**	**(1,232)**	**(1,246)**

Annual Borrowing Need	**106**	**278**	**2,349**	**2,260**	**0**	**0**	**209**	**509**	**518**	**528**	**581**	**638**	**702**
Cumulative Borrowing Need	**106**	**384**	**2,733**	**4,993**	**4,993**	**4,994**	**5,202**	**5,711**	**6,229**	**6,757**	**9,553**	**12,627**	**16,008**

APPENDIX D

Minimum Revenue Provision Statement 2021/22

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP). Although there has been no statutory minimum since 2008. The Local Government Act 2003 requires this Council to have regard to the Ministry of Housing, Communities and Local Government's (MGCLG) guidance on MRP most recently issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that debt is repaid over the period that is reasonably commensurate with that over which the capital expenditure provides benefits.

The MHCLG Guidance requires the Council to approve an annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP.

- For capital expenditure incurred after 1 April 2008 where no financial support is provided by the Government through the Finance Settlement, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments. MRP on purchases of **freehold land** will be charged over a maximum of **50 years**. MRP on expenditure not related to assets but that has been **capitalised by regulation or direction** (Revenue Expenditure Funded by Capital under Statute or REFCUS) will be charged over a maximum of **20 years**.
- For assets acquired by **finance leases**, MRP will be determined as being equal to the **element of the charge that is used to reduce the Balance Sheet liability**.
- For **capital expenditure loans to third parties that are repaid** in annual or more frequent instalments of principal, the Council will make **nil MRP**, but instead apply the capital receipts arising to reduce the Capital Financing Requirement or Borrowing Need. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate delaying the MRP until the year after the assets become operational.

APPENDIX E

Treasury Management

Introduction

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

As part of the MTFS, we prepare integrated Revenue Budgets and a Capital Programme. These budgets, together with the actual Balance Sheet from the previous financial year, are used to also prepare Balance Sheet projections. These Balance Sheet Projections are shown on the next page.

These Balance Sheet projections are significant in assessing the Council's Treasury Management Position in terms of borrowing requirement (including comparison to a **Liability Benchmark** explained below), investment levels and our Investment Policy and Strategy.

A Liability benchmark compares the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as used in the Balance Sheet projections, but that cash and investment balances are kept to a minimum level (**£10m**) to maintain sufficient liquidity but minimise credit risk through the use of Internal Borrowing.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast Capital Financing Requirement (CFR) or Borrowing Need over the next three years. The table shows that the Council expects to comply with this recommendation (in 2020/21 debt is temporarily higher than the Capital Finance Requirement by £150k following the proposed early repayment of the Burntwood Leisure Centre Capital Investment).

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Capital Financing Requirement (Borrowing)	£3,162	£2,104	£2,336	£4,638	£6,852	£6,605
Capital Financing Requirement (Finance Leases)	£1,143	£623	£108	£2,853	£2,369	£1,885
Total	**£4,305**	**£2,727**	**£2,444**	**£7,491**	**£9,221**	**£8,490**

External Borrowing	(£2,449)	(£2,254)	(£2,059)	(£1,861)	(£6,662)	(£6,259)
Finance Leases	(£1,143)	(£623)	(£108)	(£2,853)	(£2,369)	(£1,885)
Total	**(£3,591)**	**(£2,877)**	**(£2,167)**	**(£4,714)**	**(£9,031)**	**(£8,144)**

Liability Benchmark	£22,652	£15,877	£11,755	£7,273	£71	(£1,064)

APPENDIX E

Balance Sheet Projections 2020-25

(Rounding may result in slight differences in figures in the wider Report)

	Type	2019/20 Actual £000s	2020/21 Budget £000s	2021/22 Budget £000s	2022/23 Budget £000s	2023/24 Budget £000s	2024/25 Budget £000s	2020/25 Change £000s
Non-Current Assets	ASSET	46,000	46,893	48,640	53,970	55,147	53,655	6,762
Equity Investment in Local Authority Company	ASSET	0	225	225	225	225	225	0
Long Term Debtors	CRED	141	141	141	141	141	141	0
Long Term Investment (Company Loan)	LOAN	0	0	675	675	675	675	675
Investments	INV	34,737[3]	28,131	23,813	19,133	16,731	15,193	(12,938)
Borrowing	BOLE	(2,449)	(2,255)	(2,059)	(1,861)	(6,661)	(6,258)	(4,004)
Finance Leases	BOLE	(1,143)	(623)	(108)	(2,853)	(2,369)	(1,885)	(1,262)
Working Capital	CRED	(11,872)	(11,569)	(11,081)	(10,715)	(10,349)	(9,983)	1,586
Pensions	CRED	(32,718)	(31,370)	(33,493)	(35,752)	(34,494)	(36,711)	(5,342)
TOTAL ASSETS LESS LIABILITIES		**32,696**	**29,574**	**26,753**	**22,963**	**19,046**	**15,052**	**(14,522)**

Unusable Reserves								
Revaluation Reserve	REV	(9,425)	(9,425)	(9,425)	(9,425)	(9,425)	(9,425)	0
Capital Adjustment Account	CAP	(32,269)	(34,966)	(37,671)	(37,954)	(37,401)	(36,640)	(1,674)
Deferred Credits	CRED	(47)	(47)	(47)	(47)	(47)	(47)	0
Pension Scheme	CRED	32,718	33,700	34,711	35,752	36,824	37,929	4,230
Benefits Payable During Employment Adjustment Account	CRED	332	332	332	332	332	332	0
Collection Fund	CRED	(1,307)	6,018	1,037	518	0	0	(6,018)
Financial Instruments Reserve	CRED	544	384	384	384	384	384	0
Usable Reserves								
Unapplied Grants and Contributions	UGER	(2,938)	(2,563)	(1,633)	(1,590)	(1,546)	(1,503)	1,060
Usable Capital Receipts	UGER	(2,698)	(1,874)	(1,110)	(516)	(308)	(317)	1,557
Burntwood Leisure Centre Sinking Fund	UGER	(223)	0	0	0	0	0	0
Earmarked Reserves - Unrestricted	UGER	(6,794)	(10,508)	(3,760)	(3,061)	(2,591)	(2,676)	7,832
Earmarked Reserves - Restricted	UGER	(4,197)	(4,050)	(2,584)	(1,414)	(1,330)	(1,272)	2,778
General Fund Balance	GEN	(6,392)	(6,575)	(6,986)	(5,942)	(3,938)	(1,817)	4,758
TOTAL EQUITY		**(32,696)**	**(29,574)**	**(26,753)**	**(22,963)**	**(19,046)**	**(15,052)**	**14,522**

Reserves Available to cover Investment Losses	**(13,186)**	**(17,083)**	**(10,746)**	**(9,003)**	**(6,529)**	**(4,493)**	**12,590**

Summary								
Capital Funding	CAP	(32,269)	(34,966)	(37,671)	(37,954)	(37,401)	(36,640)	(1,674)
Revaluation Reserve	REV	(9,425)	(9,425)	(9,425)	(9,425)	(9,425)	(9,425)	0
Borrowing and Leasing	BOLE	(3,591)	(2,878)	(2,167)	(4,714)	(9,030)	(8,143)	(5,266)
Non-Current Assets	ASSET	46,000	47,118	48,865	54,195	55,372	53,880	6,762
Investments	INV	34,737	28,131	23,813	19,133	16,731	15,193	(12,938)
Unapplied Grants & Earmarked Reserves	UGER	(16,850)	(18,995)	(9,088)	(6,582)	(5,775)	(5,768)	13,227
General Reserve	GEN	(6,392)	(6,575)	(6,986)	(5,942)	(3,938)	(1,817)	4,758
Long Term Debtors	DEBT	141	141	141	141	141	141	0
Long Term Investment (Company Loan)	LOAN	0	0	675	675	675	675	675
Working Capital & Pensions	CRED	(11,625)	(2,552)	(8,157)	(9,528)	(7,350)	(8,096)	(5,544)
Total		**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**0**
Internal Borrowing		**715**	**(150)**	**277**	**2,777**	**190**	**346**	**1,172**

Liability Benchmark								
Capital Financing Requirement (Borrowing)		3,163	2,104	2,335	4,637	6,851	6,604	4,500
Working Capital, Pensions & Long Term Debtors		(12,572)	(2,411)	(8,016)	(9,387)	(7,209)	(7,955)	(5,544)
Usable Reserves		(23,242)	(25,570)	(16,074)	(12,524)	(9,713)	(7,585)	17,985
Minimum Level of Investments		10,000	10,000	10,000	10,000	10,000	10,000	0
Total		**(22,652)**	**(15,877)**	**(11,755)**	**(7,273)**	**(71)**	**1,064**	**16,942**

[3] This figure includes accounting adjustments related to investments, without these adjustments the figure is £34.55m. The total cash invested at 31 March 2020 of £35.281m in the chart at para 3.18, is £34.737m plus the Financial Instruments Reserve of £0.544m.

Borrowing Strategy

The Council currently projects **£2.255 million** of loans outstanding at the 31 March 2021, a decrease of **£0.193 million** on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast on the previous page shows that the Council does not expect to need to borrow in 2021/22. The Council may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of **£10.987 million**.

Objectives: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council has previously raised all of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans.

Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Staffordshire County Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

Short-term and variable rate loans: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Treasury Investment Strategy

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between **£38.3 million** and **£50.4 million** due to the receipt of Business Grants that are invested short term pending payment, lower levels are expected to be maintained in the forthcoming year however this will be influenced by the COVID-19 pandemic.

Objectives: The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates: The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to further diversify into more secure and/or higher yielding asset classes during 2021/22. This is especially the case for the estimated £10m that is available for longer-term investment. A reducing proportion of the Council's surplus cash remains invested in short-term unsecured bank deposits and money market funds. This diversification will represent a continuation of the strategy adopted in 2019.

Business models: Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties: The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the limits shown (recommended changes are in red).

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£2m	Unlimited
Secured investments *	25 years	£2m	Unlimited
Banks (unsecured) *	13 months	£1m	Unlimited
Building societies (unsecured) *	13 months	£1m	£2m
Registered providers (unsecured) *	5 years	£1m	£5m
Money market funds *	n/a	£4m	**Unlimited (Approved £21m)**
Strategic pooled funds	n/a	£4m	£10m
Real estate investment trusts	n/a	£1m	£5m
Other investments *	5 years	£0.5m	£2m

This table must be read in conjunction with the notes below

*** Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than **A-**. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of **£500,000 per counterparty** as part of a diversified pool e.g. via a peer-to-peer platform.

Government: Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

Operational bank accounts: The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below **£500,000 per bank**. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment limits: The Council's revenue reserves available to cover investment losses are forecast to be **£17 million** on 31st March 2021. In order that no more than 10% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be **£2 million**. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than **£500,000** in operational bank accounts count against the relevant investment limits.

Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Investment limits

	Cash limit
Any group of pooled funds under the same management	£11m per manager
Negotiable instruments held in a broker's nominee account	£12m per broker
Foreign countries	£2m per country

Liquidity management: The Council uses an excel spreadsheet for cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

The Council will spread its liquid cash over a number of providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

The CIPFA Code requires the Council to include the following in its treasury management strategy.

Financial derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Financial derivatives: In the absence of any explicit legal power to do so, the Council will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

Markets in Financial Instruments Directive: The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Head of Finance and Procurement believes this to be the most appropriate status.

Financial Implications

The budget for investment income in 2021/22 is **£0.350 million**, based on an average investment portfolio of **£35.81 million** at an interest rate of **0.96%**. The budget for external debt interest paid in 2021/22 is **£0.048 million**, based on an average external debt portfolio of **£2.13 million** at an average interest rate of **2.18%**. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Where investment income exceeds budget, e.g. from higher risk investments including pooled funds, or debt interest paid falls below budget, e.g. from cheap short-term borrowing, then yield in excess of **2.5%** of the revenue savings will be transferred to treasury management volatility reserves to cover the risk of capital losses or lower interest rates payable in future years.

Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Head of Finance and Procurement, having consulted the Cabinet Member for Finance, Procurement, Customer Services, Revenues and Benefits, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Investment Strategy Report 2021/22

Introduction

The Council invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy is a new report, meeting the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

Treasury Management Investments

The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between **£28.02 million** and **£41.72 million** during the 2021/22 financial year.

Contribution: The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

Further details: Full details of the Council's policies and its plan for 2021/22 for treasury management investments are covered in a separate document in this report, the treasury management strategy.

Service Investments: Loans

Contribution: The Council lends money to its employees for car loans, inherited housing loans from Birmingham City Council, makes loans to individuals to reduce the risk of homelessness and will lend to its subsidiary to support the development of local housing.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Category of borrower	31.3.2020 actual			2020/21	2021/22
	Balance owing	Loss allowance	Net figure in accounts	Projection	Proposed Limit
Subsidiaries	£0	£0	£0	£0	£675,000
Employees – car loans	£1,309	£0	£1,309	£0	£100,000
Housing Loans - secured	£44,320	£0	£44,320	£44,320	£45,000
Housing Loans - unsecured	£2,771	£0	£2,771	£2,771	£3,000
Homelessness Loans	£16,903	(£16,903)	£0	£0	£50,000
TOTAL	**£65,303**	**(£16,903)**	**£48,400**	**£47,091**	**£873,000**

Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts from 2019/20 onwards will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent including placing charges on properties for housing loans (secured) and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The most significant loan for a service purpose is the **£675,000** loan for **5 years** to the Council Development Company for the provision of housing. The Board of Directors of the Company will initially consist of Council employees and therefore the Council will be able to manage the repayment risk through project due diligence and the monitoring of selected projects.

Commercial Investments: Property

See the Capital Strategy at **APPENDIX B**.

Loan Commitments and Financial Guarantees

See the Capital Strategy at **APPENDIX B**.

Proportionality

See the Capital Strategy at **APPENDIX B**.

Borrowing in Advance of Need

Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Council does not currently plan to undertake this type of activity.

Capacity, Skills and Culture

See the Capital Strategy at **APPENDIX B**.

Investment Indicators

The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third party loans.

Total Investment Exposure	31/03/20 Actual £000	31/03/21 Forecast £000	31/03/22 Forecast £000	31/03/23 Forecast £000	31/03/24 Forecast £000	31/03/25 Forecast £000
Treasury Management Investments	£34,737	£28,131	£23,813	£19,133	£16,731	£15,193
Commercial Investments: Property	£4,075	£4,075	£4,075	£4,075	£4,075	£4,075
TOTAL INVESTMENTS	**£38,812**	**£32,206**	**£27,888**	**£23,208**	**£20,806**	**£19,268**
Commitments to Lend	£0	£0	£675	£675	£675	£675
TOTAL EXPOSURE	**£38,812**	**£32,206**	**£28,563**	**£23,883**	**£21,481**	**£19,943**

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the Council does not currently intend purchasing any commercial type investments. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.
Investment rate of return (net of all costs)

Investments Net Rate of Return	31/03/20 Actual %	31/03/21 Forecast %	31/03/22 Forecast %	31/03/23 Forecast %	31/03/24 Forecast %	31/03/25 Forecast %
Treasury Management Investments	1.18%	0.77%	0.96%	1.08%	1.29%	1.66%
Property Investments						
Property (excluding valuation changes)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
ALL INVESTMENTS	**4.18%**	**3.77%**	**3.96%**	**4.08%**	**4.29%**	**4.66%**

Other Investment Indicators	31/03/20 Actual %	31/03/21 Forecast %	31/03/22 Forecast %	31/03/23 Forecast %	31/03/24 Forecast %	31/03/25 Forecast %
Investment Property Income as a proportion on Net Operating Cost	2.76%	2.52%	2.53%	2.50%	2.57%	2.50%

See the Capital Strategy at **APPENDIX B**.

APPENDIX G

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 **£6,574,824** at 31 March 2021 and **£6,986,000** at 31 March 2022. This is **55%** and **58%** of the amount to be met from Government Grants and Local Taxpayers in 2021/22 of **£11,951,000**.

The minimum level of Reserves for 2021/22 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 2021/22 budget and beyond.

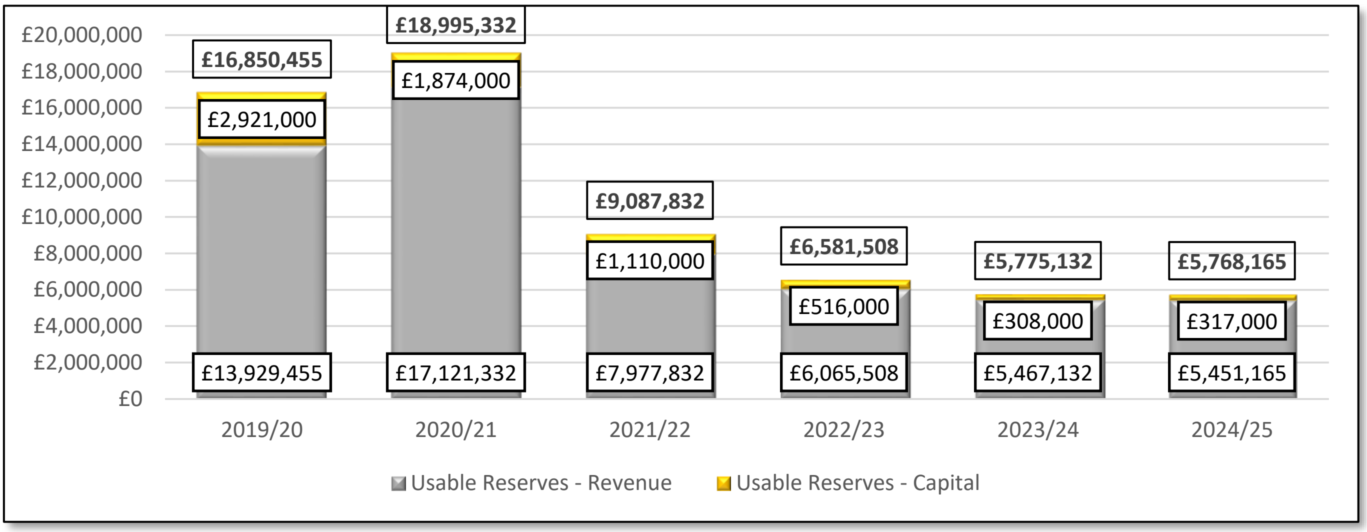
CIPFA provides guidance for determining the minimum level of Reserves. The Council uses the method based on risk assessment. The approach to the risk assessment of Reserves has taken into account CIPFA guidance (LAAP 99) (Guidance note on Local Authority Reserves and Balances).

The table below shows the financial risk assessment made for **2021/22** with increases in the level of risk shown as positive numbers (red) and reductions in the level of risk enclosed in brackets (green):

Activity Area	**Severity of Risk**	**2021/22 Reserve Amounts £**	**2020/21 Reserve Amounts £**	**Change £**
Capital Strategy	Material	£264,000	£149,000	£115,000
Business Rates	Severe	£69,000	£264,000	(£195,000)
Partnerships and Outsourcing	Tolerable	£152,000	£37,000	£115,000
High Risk Streams of Income including Fees and Charges	Severe	£645,000	£587,000	£58,000
Inflation Assumptions	Material	£155,000	£233,000	(£78,000)
Demand Led Services	Material	£90,000	£90,000	£0
Collection of Income Performance	Material	£139,000	£133,000	£6,000
Civil Contingency	Tolerable	£127,000	£127,000	£0
Other	Tolerable	(£41,000)	(£20,000)	(£21,000)
Total Minimum Reserves		**£1,600,000**	**£1,600,000**	**£0**

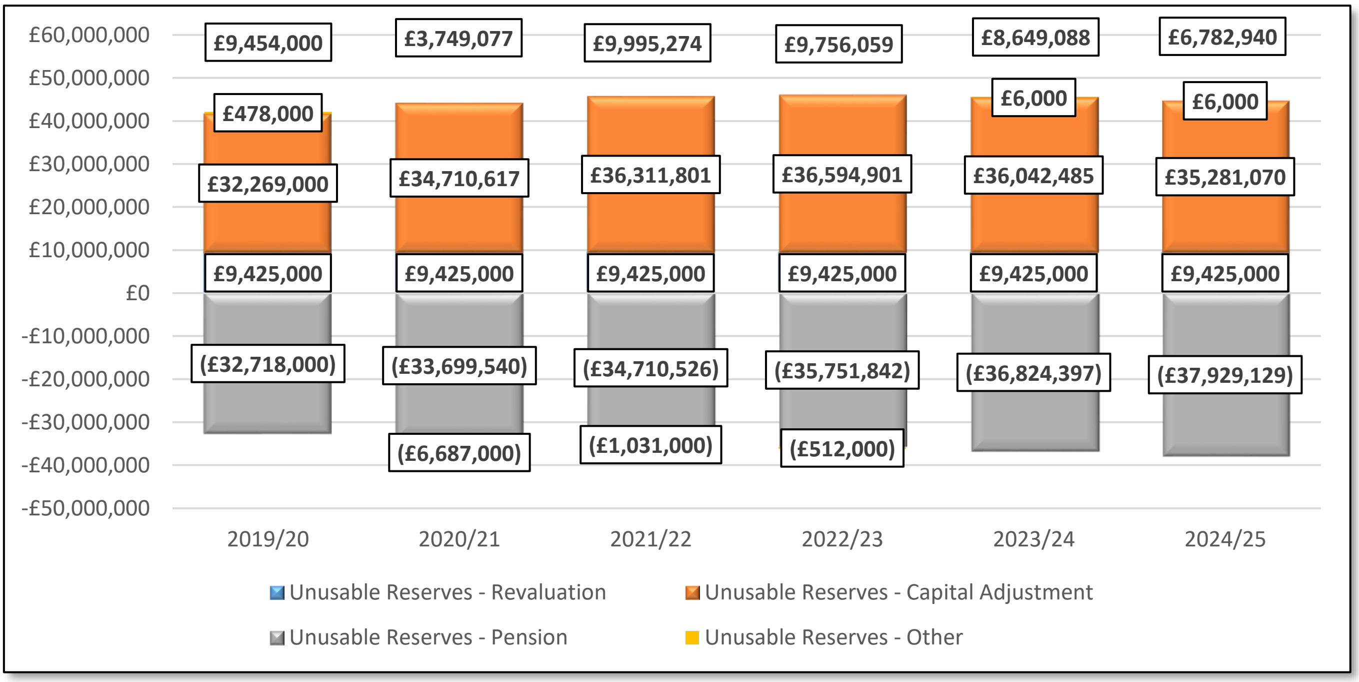
Other Reserves (in addition to General Reserves)

A review of the level of Earmarked Reserves has been undertaken as part of the annual Budget preparation. The projected levels are shown below:



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 July 2020and the draft budget was completed in November 2020 prior to the Provisional Financial Settlement for Local Government 2021/22. This enabled formal scrutiny of the budget making process in January 2021. The final budget is due to be set at Council on 16 February 2021, well within the statutory deadline.[4]

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 – from 22 October 2020 to 31 December 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 2021/22. 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 the Service and Financial Planning process 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 2020/21 outturn and 2021/22 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

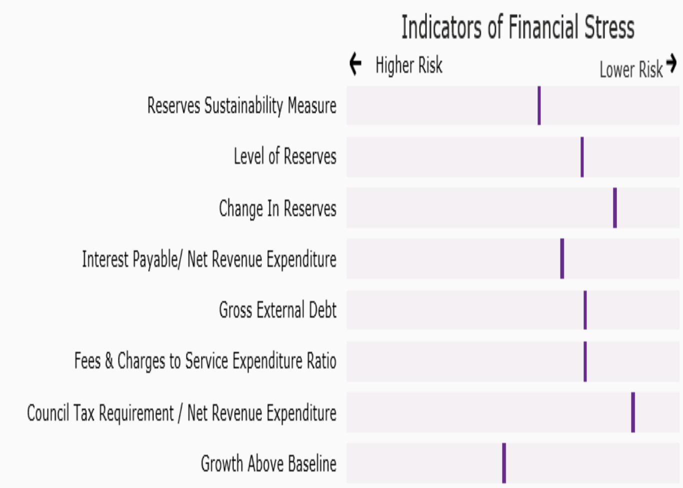
CIPFA published the first release of its Resilience Index in December 2019. The selection of indicators has been informed by the extensive financial resilience work undertaken by CIPFA over the past four years, public consultation and technical stakeholder engagement. The Resilience Index for 2020 has been delayed due to incomplete provisional data and is scheduled for release in early February 2021 subject to MHCLG data release timetables and CIPFA's own internal assurance. In the interim, the index for 2019 using a range of measures associated with financial risk is republished on the following page.

[4] Statutory deadline date for setting Council Tax is by 11 March 2021.

APPENDIX G

District Councils

Results Breakdown



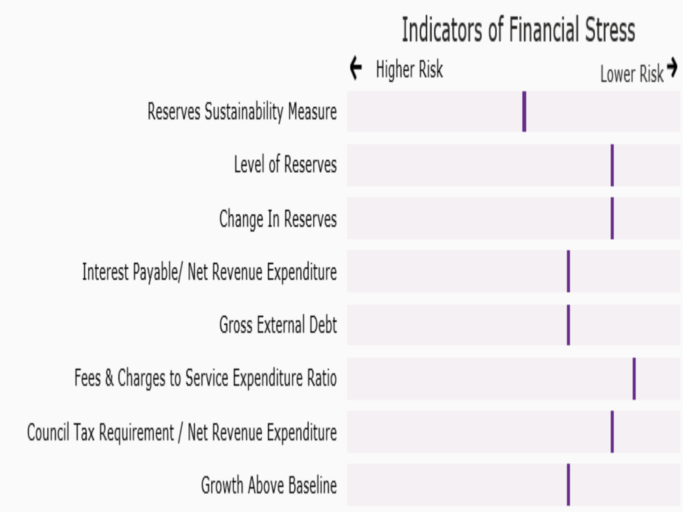
Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	2.86	100.00	100.00
Level of Reserves	23.28%	173.29%	300.00%
Change In Reserves	-51.16%	57.77%	490.83%
Interest Payable/ Net Revenue Expenditure	-7.13%	0.64%	525.04%
Gross External Debt	£0k	£4,314k	£1,212,343k
Fees & Charges to Service Expenditure Ratio	1.58%	29.76%	70.32%
Council Tax Requirement / Net Revenue Expenditure	36.95%	89.42%	100.00%
Growth Above Baseline	-129.00%	68.00%	287.00%

Auditors VfM Assessment

Unqualified

Nearest Neighbours

Results Breakdown



Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	14.99	100.00	100.00
Level of Reserves	59.40%	173.29%	256.25%
Change In Reserves	-16.67%	57.77%	164.32%
Interest Payable/ Net Revenue Expenditure	0.00%	0.64%	27.90%
Gross External Debt	£0k	£4,314k	£104,047k
Fees & Charges to Service Expenditure Ratio	6.93%	29.76%	39.98%
Council Tax Requirement / Net Revenue Expenditure	48.62%	89.42%	100.00%
Growth Above Baseline	52.00%	68.00%	270.00%

Auditors VfM Assessment

Unqualified

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** remains adequate.

Budget Consultation Report

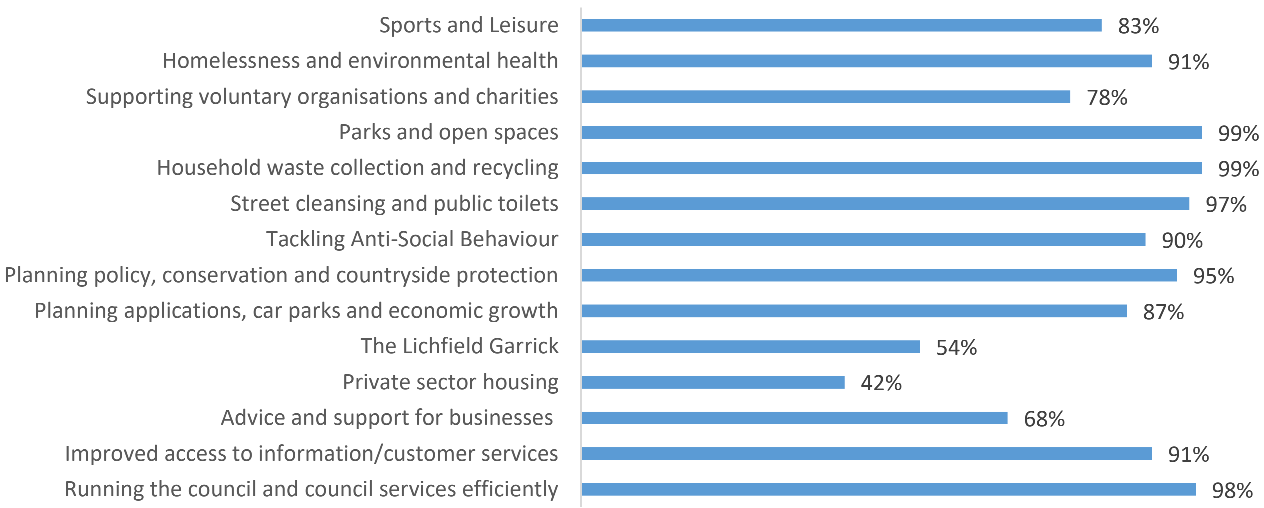
January 2021

Contents

1. Executive Summary

Lichfield District Council has four strategic priorities set out in its Strategic Plan for 2020 to 2024. These priorities are to Enable People, Shape Place, Develop Prosperity and Be a Good Council. Introductory questions in the consultation returned results that demonstrate a general level of trust and satisfaction with Lichfield District Council but less certainty on the extent to which residents feel informed the Council's activities and the extent to which it delivers value for money.

The budget consultation invited respondents to consider a wide range of service areas that fit under these strategic priorities. The areas that were highlighted as most important were Parks and Open Spaces, Household Waste Collection and Recycling and Running the Council and its services efficiently. Also in the top five areas of importance were Street Cleansing and Planning Policy.



Spending Priorities and Council Tax

There was a general feeling from respondents to the survey that spending should be maintained rather than increased across the majority of service areas. Only in two areas were the majority of respondents in favour of reducing spending – the Lichfield Garrick and Private Sector Housing.

Fees and income

The largest proportion of respondents (68%) felt that either Lichfield District Council's approach to fees was currently about right or that no additional fees should be introduced. Only 32% felt that there was scope for increases and put forward alternative suggestions for sources of income generation which ranged from commercial sponsorship, increased for more regular fines, large-scale events or ideas for reductions in spending.

Council Tax

The majority of respondents (86%) indicated that an increase in Council Tax would be acceptable with 63% of the total expressing that an increase of 2% or £5 would be acceptable to them.

2. Introduction

In the next financial year (2020/21) Lichfield District Council will spend around £11million (£10,991,000) on local services. Over £7million (£7,029,000) of this figure is generated through council tax. The balance (£3,962,000) will be funded through business rates, other grants, surpluses and New Homes Bonus.

The government has been reducing the amount of core government grant received be local authorities every year, and next year Lichfield District Council could be required to pay an amount to the Government (although this will be subject to the Spending Review). This means facing significant and ongoing challenges providing the same level of services, and either needing to make further savings or generate additional income to fund the services delivered.

Talking to residents and getting their views plays an important part in the process of shaping future decisions on budget priorities and setting council tax.

A total of 150 people responded to the survey. This represents 0.2% of the adult population of the district. A full breakdown of respondents can be found in Appendix 1.

3. Methodology

The questionnaire used for the budget consultation was based on the template used in the previous budget consultation exercise and updated to reflect strategic priorities from Lichfield District Council's Strategic Plan 2020 – 2024. The questionnaire also include a range of questions derived from Staffordshire County Council's Feeling the Difference survey
Which gave residents an opportunity to give their views on their local area as a place to live, and local public services.

The budget consultation was launched on 22 October and was open until 31 December2020.

The questionnaire was accessible on-line through the Lichfield District Council website and promoted though the media and social media. The budget consultation was also promoted in the printed LDC News magazine distributed to 44,000 homes in November 2020 and through a newly launched e-news that was sent to 6000 subscribers.

Plans to hold events and displays to promote the consultation and broaden the scope of information gathering and discussion around strategic and budget priorities were suspended due to coronavirus restrictions at local and national level.

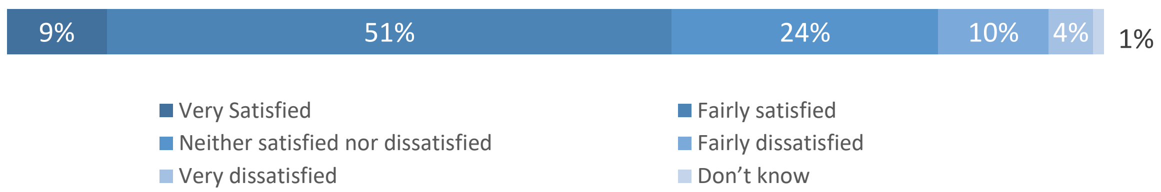
4. Results

4.1 - Opinions about Lichfield District Council

Respondents were asked to express their overall opinions about Lichfield District Council. This section questions was taken from the question set used in the Staffordshire County Council's 'Feeling the Difference' and previously used as part of Lichfield's strategic indicator set.

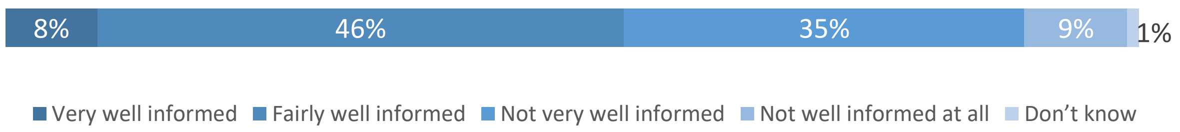
Overall satisfaction

The majority of respondents (60%) stated that they were either fairly or very satisfied with the performance of Lichfield District Council.



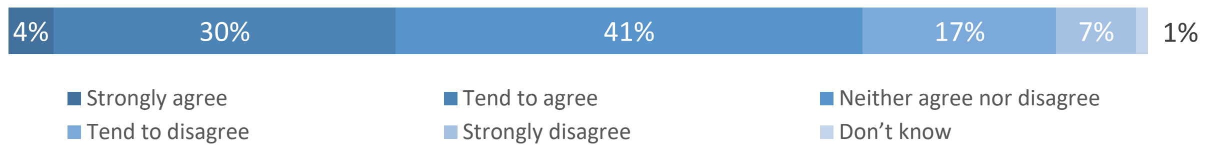
Keeping residents informed

The majority of respondents (54%) indicated that they felt fairly or very well information about Lichfield District Council Services against 44% that believed they were not well informed.



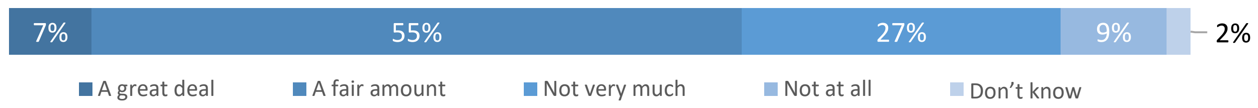
Providing value for money

A total of 34% of respondents felt that Lichfield District Council provides value for money with 24% expressing the view that the authority did not. The largest proportion of respondents (41%) answered that they neither agreed nor disagreed with the statement.



Trust in Lichfield District Council

The majority of respondents (62%) expressed that they had trust in Lichfield District Council with 34% saying that they did not.



4.2 - Services Provided

Respondents were provided with a list of service areas delivered or supported by Lichfield District Council and asked to rate the importance each service area. The service areas were themed under each of the strategic priorities;

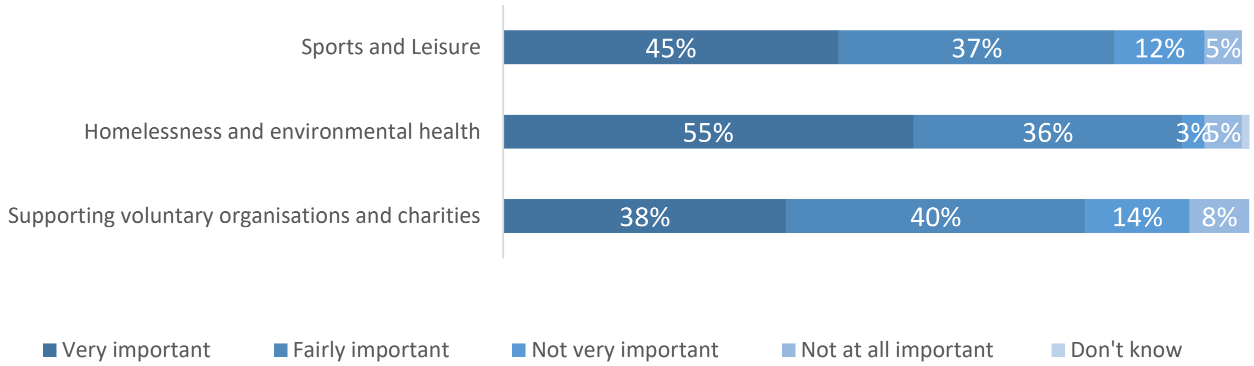
- Enabling people
- Shaping place
- Developing prosperity
- Being a good council

The rating scale approach is the same as the scale used in the previous budget consultation survey to enable comparison between results. The Fairly and Very important scores have been combined to provide an overall importance rating. Where the 'level of support' is quoted this is defined as;

- High 75% – 100% agree the service is important
- Moderate 50% – 74% agree the service is important
- Some 25% - 49% agree the service is important
- Low 0% - 24% agree the service is importance

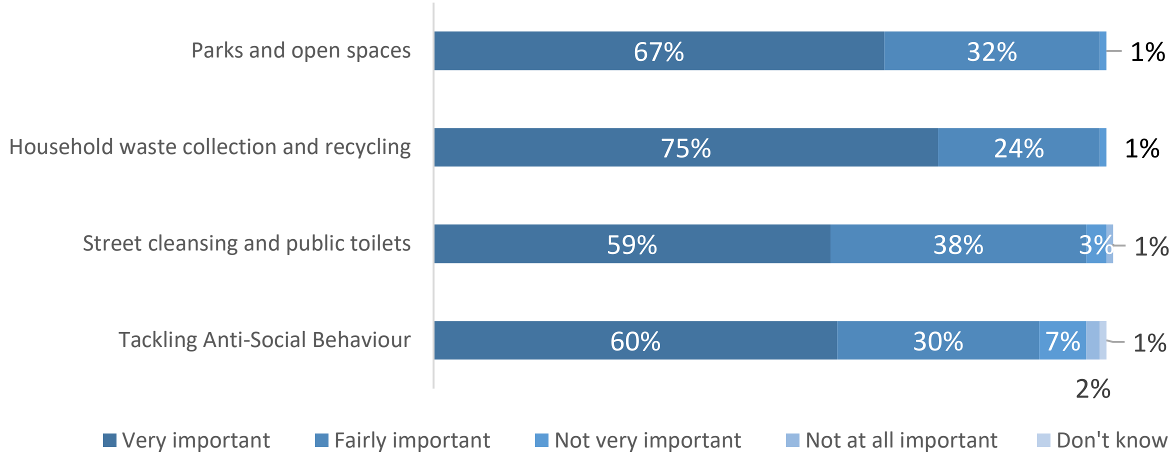
Enabling People

A high proportion of respondents (82%) felt Sports and Leisure were important. This ranked these services 10th in the overall list of priorities. There was also a high level of support attached to Homelessness and environmental health (91%) which placed 6th in the list of priorities. Supporting voluntary organisations was rated as high importance by 78% of respondents and ranked 11th out of the 14 service areas.



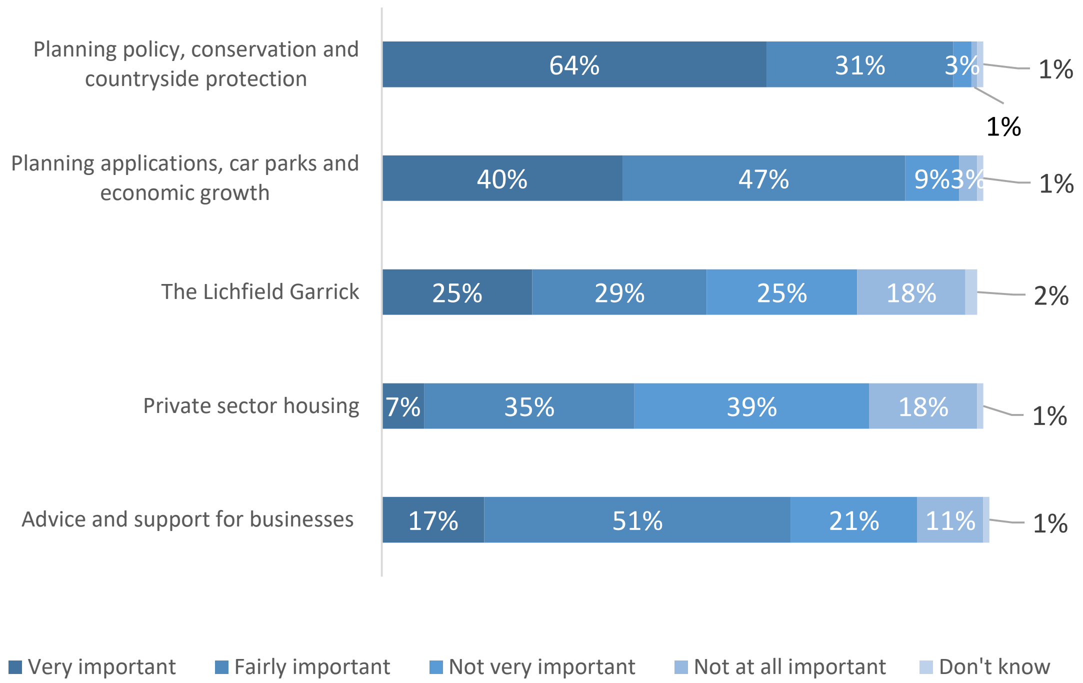
Shaping Place

Both Parks and open spaces and household waste and recycling received the highest importance score of all 14 service priorities with 99% of respondents rating them as high importance. This is consistent with the previous budget consultation survey where waste collection from homes was ranked as the highest priority with a score of 91%. Street cleansing and public toilets was also rated as high importance (97%) and was the 4th rated priority.



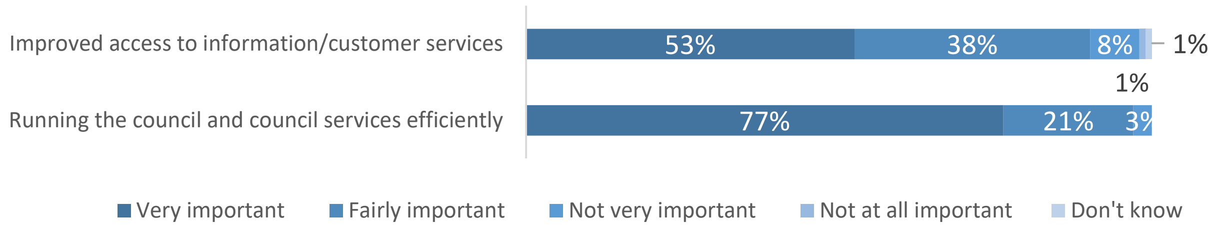
Developing Prosperity

Private Sector housing was rated as a priority by some respondents (42%) making it the lowest ranked of all priorities. Support for the Garrick Theatre was rated as a moderate priority by respondents (54%) making it 13th out of 14 priority areas. This is slightly higher than the previous survey where the Garrick was only a priority for some residents (26%) when listed as a joint priority with the arts.



Being a good council

Improving access to information and customer services was rated as high importance by respondents (91%) whilst the importance of running the council and its services in an efficient manner was rated as the 3rd highest priority on the list with 98% of respondents rating this as fairly or very important.



4.3 - Spending Priorities

Using the same list of priority areas, respondents were asked to state whether spending in each service area should be;

a) Increased,

b) Protected, or

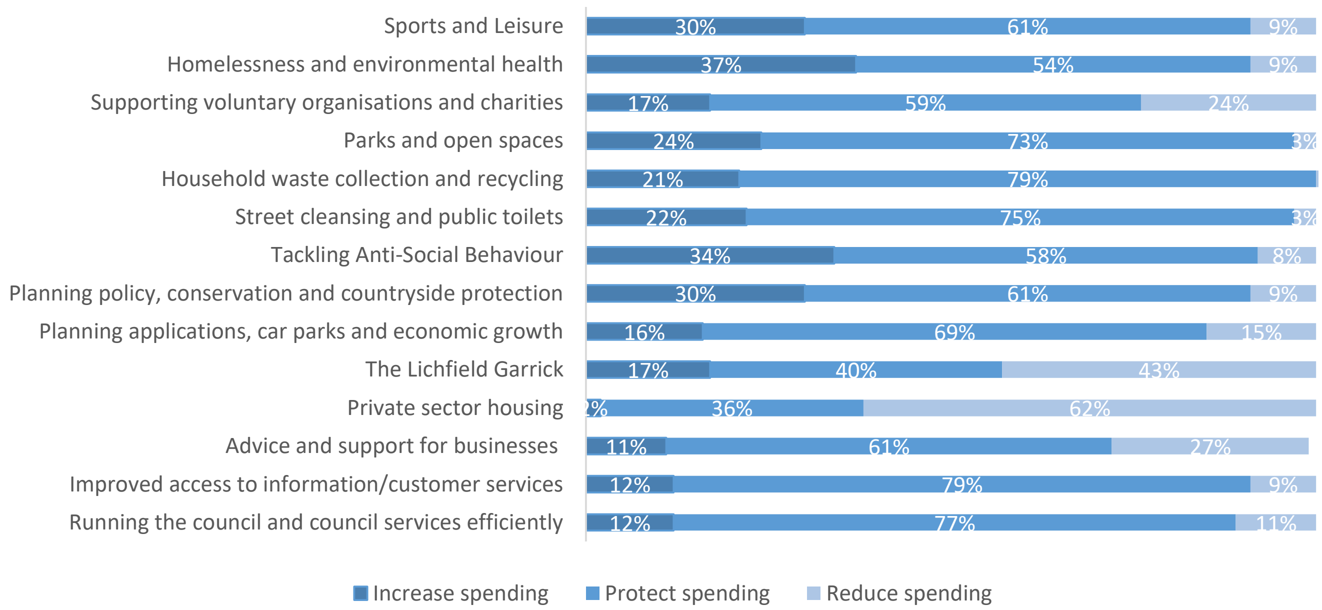
c) Reduced.

For all but two of the priority areas (The Lichfield Garrick at 40%, and private sector housing at 36%) the majority of respondents stated that spending should be protected. The top priority areas where residents selected to increase spending were;

- Homelessness and environmental health – 37%
- Tackling Anti-social behaviour – 34%
- Sports and leisure – 30%
- Planning policy, conservation and countryside protection – 30%

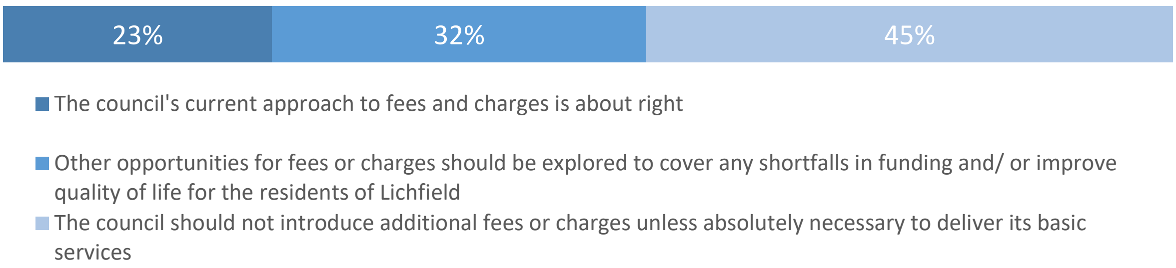
The areas with the highest number of respondents indicating that spending should be reduced were;

- Private sector housing – 62%
- Lichfield Garrick – 43%
- Advice and Support for businesses – 27%
- Supporting voluntary organisation and charities – 24%



4.4 - Fees, charges, income and other opportunities

Respondents were asked for their views on Lichfield District Council's approach to setting fees and charges. The largest number of respondents (45%) expressed a view that fees and charges should not be increased whilst 32% felt that other opportunities should be explored.



Respondents were also asked to put forward their own ideas on opportunities for alternative sources of income;

Business Support

Too many shops are closing and need help. Reducing building rent and encouraging new businesses to the dying shopping Centre would bring in more income to the city.

Help local businesses. Help keep your green spaces and park well. Stop anti-social behaviour.

Reduce business rates to get empty shops filled. Too many closed and empty shops because rates are too high.

Amenities and Events

Would it be possible for the council to open short term charging car parks during large events in the city such as parking on the field by Stowe pool during the food festivals?

Next year there will be such an appetite for events that a ticketed public event ran for profit would be welcomed I expect. Joint ventures with property developers to develop unused council owned property including office space in residential would be easily realised though this is a bit 'short-term-its'.

Organise and charge for large events that would make a profit (in the future after Covid restrictions have been relaxed).

A lottery, Rock Festival in the parks with big names. More large one-off markets

When covid free, Cinema, Dance Hall/Event Centre, Decent swimming pool/sports centre. I've been on French campsites that have better facilities than Lichfield. If you can't arrange for investors to provide these facilities in Lichfield giving you an increased tax revenue then people will continue to spend their money in Tamworth.

More things to do in Lichfield for the young. It will keep them busy and meaning hanging round parks won't be their only option for recreation. The income generated from a cinema and could go back to the local authority.

Housing and construction

There should be substantial contributions from all the new building that is taking place now and in the future around our city. This is an opportunity that should not be missed. The builders concerned should have to contribute more to improve the road infrastructure required to cope with the increased traffic from the increase in the population. Builders should also contribute to the leisure facilities required for all their new residents such as building stretches of the Lichfield Canal as this would be a tremendous boost to tourism and a great leisure facility for local residents. It is so sad to see how slowly this development is moving. Water is what people look for to relax and book holidays beside.

Planning is a key earning service and ways to provide paid for consulting for private development could be explored in addition levies for planning gain should be increased where possible. Hire of council owned venues can be marketed to local businesses.

Provision of council housing

Spending Reduction

Do we have a need for the Tourist Information Centre with so much information available online? May be a way of saving money?

Increase income by saving on council officers' salaries and employing competent staff. Job share with adjoining council(s) the post of Chief Executive. Officers at LDC are not up to scratch.
Close the public toilets at the entrance of Beacon Park and replace with one or two units that can be rented out.

Reduce council spending. Sell council offices and make staff work from home

Fines, Fees and Charges

Parking on the pavement and enforcement of parking on Yellow lines. I believe that councils in London are able to do this.

Residents should be fined if they do not obey the rules

More fines for littering

Higher fines for people parking on double yellow or single yellow lines, over staying in car park by up to 15 minutes should only incur modest say £20 fine, as should an over stay say of 15 minutes on limited waiting on a road markings, not the full fine for limited time infringements.

Parking on pavements verges and other inappropriate areas. Not just city centre. Enforcement officers to issue fines

1. Other councils levy fines on motorists who selfishly and illegally park on pavements and they make sure that the fines are paid. 2. Sponsorship - local major businesses should be invited to sponsor a building or project - e.g. HS2 could sponsor the new Friary Sports Centre, Police Mutual (now Royal London) could sponsor the Lichfield Garrick 3. In addition to Section 106 monies (which are never clearly identified and acknowledged, and happen after the event) all developers of new housing of more than 50 units on an estate should provide as part of their application 10% of the running costs of the Friary and Burntwood Sports Centres

Rather than fob off new build residents having to pay management fees for the upkeep of public open space the council should take on this service by applying a small increase to ALL council tax and delivering a cost effective service that not only provides value for money but provides employment for *local people.*

Sponsorship and income generation

Sponsorship of developments like the area waiting for development opposite Lichfield City Station...

Voluntary contributions & partnerships to improve council-owned spaces/facilities

Commercial Sponsorship - some major employers HS2, DMS Whittington, Police Mutual, Tippers Builders Merchants, Chase town Civil Engineering - could sponsor buildings and essential services

The council issued citizens investment via shares some years ago. Did this work
Investment in land for development, design the layout of the site, install the infrastructure of roads and utilities and sell the plots to any UK resident person or company with a time limit on completion of the planning authorisation

Carry out services for other Councils on a fee earning basis. Look at the possibility of sharing services with other Councils or the private sector where suitable.

Community energy initiative or solar panels on your buildings that brings income for you. Also look into the income streams from recycling rather than your contractor taking the profits.

Tourism Opportunities

Development and integration of segregated cycle routes (that people feel safe using well lit, not like Abnalls Lane) and public transport ensuring that the public transport is easily accessible so people are inclined to use it. The development of some additional public footpaths maybe tied in with the canal redevelopment leading out in the countryside would also be a draw for Lichfield, maybe ones connecting other parts of the LDC area, more of a reason to visit Lichfield and I'm sure wouldn't cost a lot. Lichfield is a tourist destination and a lot of people nearby come here so anyway to get them in the City heightens the chance of them spending in a shop or cafe etc.

Other comments

Ask Michael Fabricant to pay his own Council Tax.

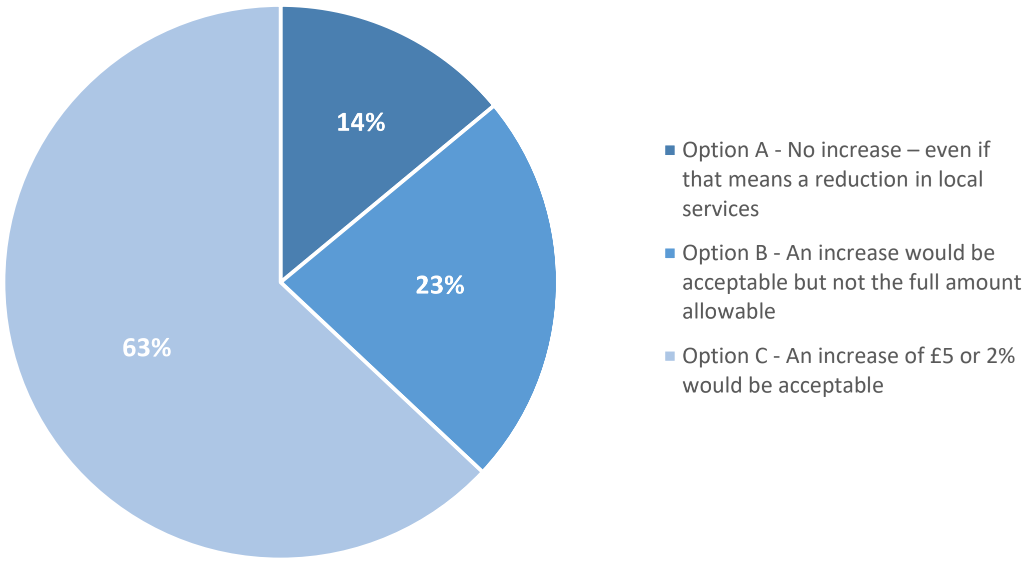
Services for the disabled

Tighten up the issue of Blue Badges as they seem to be distributed like confetti at present. I am 74 and do not have a Blue Badge, however, from my observations in Lichfield town centre, most of the badge holders appear to be far fitter than me which causes quite a bit of resentment. I am aware that some disabilities are not obvious but most of those that I have seen get out of their vehicles and go striding off to do their shopping!!!

Public transport reopen the train line to Walsall. New housing in Lichfield has mushroomed but we NEVER see additional facilities? WHY? What is this additional money spent on? Break away from Burntwood. Lichfield people do not want to use or travel to Burntwood to go swimming. The Friary is not fit for purpose! A city without a proper Leisure Centre! We need a 25 metre pool and a separate learner pool.

5. Setting Council Tax

Respondents were asked to give their views on what would be an acceptable level of Council Tax increase for the 2021 – 2022 financial year. The majority of respondents (63%) indicated that an increase of £5 or 2% would be acceptable. Almost one-quarter of respondents (23%) indicated that an increase would be acceptable but not to the full amount allowed by government guidelines. Only 14% of respondents indicated that their preference would be for no increase in council tax.



6. Additional suggestions and ideas

At the end of the questionnaire, respondents were given the opportunity to provide additional comments and ideas on council priorities and budgets;

Enabling people

Keen that activities to occupy teenagers are encouraged. Making it easier and safer to walk with particular reference to major intersections. E.g. traffic lights next to St John's Hospital. Especially for children to encourage walking.

Invest in community spaces - parks & leisure facilities, not necessarily in retail.

Make an annual donation to the We Love Lichfield Fund of half the amount that the District currently pays out in grants now. Then leave the allocation of grants to be decided by We Love Lichfield Trustees - the council saves money and employee time, and the charities and voluntary organisations have a one-stop application

I would live more projects that bring the community together and link them with appropriate services

start giving rural areas more back in their council tax, too much spent on city areas like parking, leisure, theatre, roads, the list goes on and on

A new leisure centre is a must, a city like Lichfield really should have a modern fully equipped leisure centre. Also well linked transport, car, cycle and walking routes that are mapped out in a clear manner (TFL have some great examples). I've lived in a lot of bit towns and cities in the UK and it just makes like so much more enjoyable if you can cycle away from cars or know that you can get a parking space to catch a train or catch a bus and know what time it's going to arrive. I see Lichfield as a tourist city, it's all about the atmosphere which needs improving and food and drink, the high street is a broken model everyone buys online so no point being romantic. Sections on the centre will need redevelopment soon to another use as there are too many shops to sustain. Maybe a flexible space that can move with the times, young people are tending to move away from going out and getting drunk to more activity related nights out, desert shops are doing well, they're going more online, it's all good stuff and can be catered for just needs the right vision.

Shaping place

Litter is terrible and dependency on volunteers to clean up is unsustainable (and wrong). Need to police it more and issue on the spot fines to the litter louts! Also, cannabis use, particularly in Beacon Park, needs policing too. Communication - we live in an apartment and residents get no communication from the council, ever. Example: the recent changes to recycling have caused chaos with the communal recycling not being emptied several times causing angst and inconvenience to us all. No one from the council alerted us to the changes directly. Pride in the job - the number of times we see council operatives sitting on their phones in a van tucked up a quiet side street is frustrating. Is anyone checking on them? Planning notices (and the tie-wraps used) on lampposts - if they're good enough to put up, they're good enough to take down when work's completed! The city is littered with years old notices or tie-wraps from old posters and notices.

Given there's now no police presence in the city, I believe the council should try to join together with policing teams to ensure the sense that we're not 'on our own' now. Can't recall the last time I saw a Bobby on the beat. Beacon Park in particular needs support in dealing with ASB and drugs, especially in *the evenings. The tunnel through Festival Gardens to Walsall is also abused - nearly every day and there's fresh broken beer bottle glass and little empty plastic 'weed' packets in there.*

LDC does a good job, particularly waste collection. I would welcome LDC to be more involved with Staffs CC in road planning and supporting the reopening of the passenger rail link from Lichfield TV to Burton

Please prioritise improved / increased waste collection and environmental health services

Change street lighting to LEDs and turn them off (or every other one/ one side of road during hours of darkness to save money). Why bother with recycling when the is so much that should be recycled that the current contract doesn't cover Focus on protecting green belt and country side with development on brownfields, reduction in the planning department spend would not affect the current policy given the disappointing approach by the current team.

Start the implementation of measures to reduce the Council's own carbon emissions from buildings and vehicles. Press for the opening of a passenger services on the line from Lichfield to Burton with an extension to Derby, using existing diesel-electric MTUs retrofitted with hydrogen fuel cells to replace the diesel engines, such as Hydroflex and Breeze that have had passenger trials. The hydrogen supply from a container size electrolyser could be installed in the northern LTV car park to draw on the ample electric supplies for the nearby West Coast Main line power. Surplus hydrogen could be used to power LDC vehicles.

A Climate Emergency has been declared (Nov 2019) but no strategy put in place. This needs to be done as a priority and then spending allocated accordingly to bring about meaningful carbon reduction in Lichfield District - reduce car use, increase cycle ways, net zero house building only, support for residents making lifestyle changes etc.

Please clear drains and roads in rural areas like Colton Blocked drains cause flooding. Also damaged pavements are risky for elderly people. Some kind of public transport to town and back at least once a week for those without cars. Restore mobile libraries as soon as allowed.

Developing prosperity

You wasted money with the chicanes in St. John street, pointless.

Try to get the empty areas in the city built on and the long term abandoned buildings used. The old pub on Bore street and the old paper shop on Beacon street are both long term eyesores that should be developed

.

Assess possible income from empty buildings, commercial and private. GKN is very welcome as an example of what is possible

Stop spending money on trying to expand the shopping precinct. Retail shops are dead on their feet.

Invest in the shopping centre we already have to encourage empty units to be filled rather than a new centre where the rents are bound to get higher.

Protect industry sectors and individuals hardest hit by ten years of austerity and covid fallout.
Prioritise basic facilities a town of our size should have e.g. leisure centre/cinema etc.

Revise the City Centre to reflect the modern era. Those shops will never reopen so do we need an indoor market where independent traders could afford a stall. Ice rink. cinema. bowling alley. The beggars who are claiming to be homeless do not reside in Lichfield. Liaise more with the police on begging as it is ridiculous that they know they are professional beggars and live on a canal boat at Hopwas and travel by *bus to a different town every day and make a good living. I questioned a few years ago the big issue woman with my friend in Lichfield police who stood outside Boots BIG ISSUUUEEE when I saw her regularly parking in Tesco carpark in a brand new sports car. She got out of her car and changed her clothes. My friend checked her ID and it was all false!!!!!! She had been there for YEARS! She did get done for fraud and it turned out she lived in a mansion in Little Aston. I'm pleased my observations were investigated but if I hadn't of been on maternity leave would she still of been there now??? Apparently the police can't move on beggars. The drug addict with the one leg who lost it through drug addiction lives in a house on that large council estate in Burntwood gets a fortune sitting outside McDonalds and boasts to his neighbours how much money he makes in addition to all the benefits he gets! He is known to the police why is he allowed to almost trip people over begging for money telling people he lost his leg in the army in combat. My mum and dad when they go into town can be stopped by 6 to 8 people in the week begging. My dad has Dementia and wants to give to all of them! People do not want beggar tourism in Lichfield especially when they are not of the city. It puts off people coming to our city!*

Main concern is the amount of new housing developments and loss of green belt-Lichfield is getting too big but infrastructure not keeping up e.g. traffic congestion at busy times, entertainment facilities especially fir younger teenagers, health centres, parking. Also more support for pest control as rat infestations becoming a problem in domestic properties since lockdown

Better reflect residents' views on housing development. We have had enough! Protect the Green Belt. Make developers provide open spaces and infrastructure as part of any contract.

If private sector housing means what it appears to say why does LDC have to fund it or some of it? Greater attention to keeping cyclists and pedestrians safe by proactive management of pavements and cycle ways to ensure that overgrowth of hedges and verges does not restrict their use by forcing users on to adjacent roadways A new health centre is needed in South Lichfield - ideally where St Modwens want to build, speculatively, warehouse sheds which are inappropriate for the southern gateway to Lichfield Passenger rail services should be re-opened between Wolverhampton and Lichfield and between Lichfield and Derby - to generate economic benefit inwards and to provide the increasing number of residents with an integrated public transport system, Much valued by residents of Alrewas and Fradley, and much needed by residents of Burntwood. Strategic Plan refers to Lichfield as a transport interchange so let's see it.

To make sure that builders in residential areas respect the rules laid down by the council.

There could be a view that without adopting the public open space being created within new build housing estates legislation should prohibit the council's access to section 106 and other monies being paid by developers to facilitate building. Presenting any question on council tax increases, this should only be implemented if it provides a better service and not simply pay to keep an outdated, not for purpose, service running

When I look at the vast areas of new residential housing in the south of Lichfield there has been no provision for these residents to access the Train Stations. Car parking at the stations cannot cope with the residents who normally use the stations. Has any thought been given to building an additional station on the stretch of track near the Taylor Wimpey Development before Wall Island? This would reduce the amount of traffic on our roads and encourage people to use the train. They can then connect to Trent Valley for London trains and not clog the city centre or travel direct to Birmingham from their local station. It would be great benefit to the whole area.

Push for the opening of the rail system to passenger traffic from Lichfield to Burton. Not having a passenger halt at the Arboretum is ridiculous.

Enthusiastic support for restoration of rail passenger services between Lichfield and Burton/Derby and between Lichfield and Walsall. This would reduce road congestion and improve the city's connectivity to the rest of the region.

Improve cycle lanes. Make city more user-friendly for pedestrians and bikes (e.g. make Sundays car-free in the city centre). Improve rail connectivity to Burton and Derby

More ought to be focussed on public transport. Reopening of railway lines to Burton and Walsall plus reintroducing Sunday bus services (Cannock and Stafford).

Improvement in cycle paths, especially from Boley Park towards KES and Lichfield centre. Greater enforcement of traffic speeds. Reduction in traffic along Ryknild Street. Improvement in the pedestrianisation of the centre of Lichfield (currently very rarely enforced). Widen pavement access in Lichfield centre (see above). Enforce a no parking on pavement policy to enable wider pavement use and disabled/buggy access.

Yes Burntwood needs it's roads repaired, better parking at Swan Island Burntwood go to doctors and you struggle to park and be on time at doctors for appointments.

I reside in Hill Ridware, Rugeley, Staffs, WS15 We have not had a bus service now for several years and I and many of my neighbours feel that we should have a safe connecting pedestrian path between us and the Handsacre village. To catch a bus we need to navigate the B5014 from the bottom of Uttoxeter Road up to the junction with the A513. It is approximately 700 metres of road with no path on either side. I like many of my neighbours feel it is well past the time now when action should be taken to rectify this and give us a safe route to the bus stop at The Green. I believe this is not a great expenditure for the Council to consider and it would bring a great link to our neighbouring village. I do hope this can be given some serious consideration in this Budget period.

Tackle empty shops allow conversion of shops for housing Reduce homeless and get beggars off streets

Being a good Council

The priority is a balanced budget which may be impossible to achieve by 2024.

More effective decision making, everything is to slow and cumbersome in the council. Innovation and progression is a big challenge

The Council's priority should be to get Council officers and Councillors back into Frog Lane offices, so decisions can be made face to face. If Councillors choose to continue holding meetings by Zoom, reduce their allowances.

Look at areas that are constantly cut against those that constantly get increased. This style of questionnaire does not take into account how services have been affected ted over time. People are always going to say certain services are more important than others -possibly depending upon what services they use. Don't keep increasing the same areas and cutting the same areas. More information is needed to make an informed decision.

More promotion at election time. We need to diversify voters to ensure the right person is elected. Not enough is done to engage the young voice.

Spend less on running the council. Too much back office spend and not enough priority on services.

Stop pouring funds into employing consultants (again and again) to determine future developments of the town centre.

APPENDIX H

Stop wasting money on consultants. Actually spend some money on planning. Lichfield is being destroyed.

Reduce councillors expenses, understand residents priorities a lot more [Friary Grange fiasco] - sort out Friarsgate once & for benefit of all, bring in a cinema, reduce car parking charges especially for under 2 hours to compete with elsewhere [Tamworth] Reduce the politics & old boys network to increase your relevance or else you will be a larger authority before you know it

No increase in Councils salaries or allowances for next 5 years and then only same percentage rates as given to Civil Servants and Council Employees for their wage rises.

Reduce spending on outside consultants

Less councillors More environmental officers

Catering for meetings should be cut to zero

Stop funding the Garrick and employ less councillors and less remuneration

start giving rural areas more back in their council tax, too much spent on city areas like parking, leisure, theatre, roads, the list goes on and on

Free school meals. Helping kids who are in need. Keeping people out if the streets. Also since Covid the anti-social behaviour has increased a lot. Need to tackle that.

More support for elderly care at home and in care homes

Appendix - Respondent Profile

Are you male or female?

	Number	Percentage	2016 MYE
Male	77	54%	49%
Female	63	44%	51%

What is your age?

	Number	Percentage	2016 MYE
16-24	0	0	9%
25-34	18	13%	13%
35-44	21	15%	15%
45-54	32	22%	19%
55-64	20	14%	16%
65-74	41	29%	17%
75+	12	9%	12 5

What do you consider your race/national identity to be?

	Number	Percentage
White British	132	99%
White Irish	1	1%
Eastern European	0	0%
Asian/Asian British - Indian	0	0%
Asian/Asian British - Pakistani	0	0%
Asian/Asian British - Bangladeshi	1	1%
Asian/Asian British - Chinese	0	0%
Black / Black British - African	0	0%
Black / Black British - Caribbean	0	0%
Multiple - white & black Caribbean	0	0%
Multiple - white & black African	0	0%
Multiple - white & Asian	0	0%

Do you have a longstanding illness, disability or infirmity that has troubled you for some time/likely to affect you in future?

	Number	Percentage	
Yes	24	18%	
No	113	82%	