County Buildings, Martin Street,
Stafford ST16 2LH
Telephone: 0300 111 8000

COUNCIL AGENDA

To:- The Members of the Staffordshire County Council

Notice is given that the meeting of the Staffordshire County Council will be held in the Council Chamber - County Buildings at 10:00 on Thursday 10 February 2022 to deal with the matters set out on the agenda.

John Henderson
Chief Executive
2 February 2022

AGENDA

(**Note**: The meeting will begin with prayers)

PART ONE

General Housekeeping and Declaring an Interest

1. **Apologies for absence (if any)**

2. **Declarations of Interest under Standing Order 16**

3. **Confirmation of the minutes of the Council meeting held on 9 December 2021** (Pages 5 - 22)

4. **Chairman's Correspondence**

   The Chairman will mention a range of recent items of news which may be of interest to Members

5. **Strategic Plan 2022 - 26** (Pages 23 - 46)

6. **Medium Term Financial Strategy 2022/27 and 2022/23 Budget and Council Tax** (Pages 47 - 160)

   Joint report of the Leader of the Council and the Cabinet Member for Finance and Resources outlining how the Council will finance its operations over the next five years and recommending a budget to the Council for 2022/23.

   NOTE: Members are reminded that, under Section 106 of the Local Government Finance Act 1992, if they are two months or more in arrears with their Council Tax it is an offence for them to vote on the budget. Members are also required to disclose at the meeting the fact that this Section applies to them.

7. **Statement of the Leader of the Council** (Pages 161 - 170)

   The Leader will inform the Council about his work and his plans for the Council, and will give an overview of decisions taken by the Cabinet (and Portfolio Holders) since the previous meeting of the Council

8. **Notices of Motion**

   Mr Tagg to move the following motion:

   This council acknowledges that:

   Nature is in long term decline. With 41 per cent of wild species in decline nationally, and 15 per cent facing extinction. The requirement to take action to reverse this is urgent. We recognise that:

   A) Nature provides us with vital support systems [‘ecosystem services’], and severe declines in biodiversity are undermining nature’s productivity and adaptability, posing excessive uncertainty for our economies and wellbeing;

B) A thriving natural environment underpins a healthy, happy, prosperous society;

C) The impacts of climate change are driving nature’s decline, while restoring and protection of natural habitat provides a wide variety of cost-effective benefits to mitigate and adapt to the impacts of climate change.

D) Many areas of work of local authorities across the county of Staffordshire have an impact on nature, and we have responsibilities to make decisions to protect and enhance it.

In order to support the recovery of nature across Staffordshire, and in recognition of new obligations under the Environment Act 2021, this council commits to:

1. Work with partners and stakeholders to develop and deliver a Local Nature Recovery Strategy (LNRS) that sits within the national Nature Recovery Network and underpins planning, development and land management decisions. As part of this, we will:

a) improve and protect the landscape and flora and fauna’s resilience to climate change, providing natural solutions to reduce carbon and manage flood risk, and sustaining vital ecosystems;

b) prioritise the restoration of peatland habitats and other high quality natural habitats, and adopt a peat-free policy wherever possible for all council contracts and supplies;

c) formulate a tree policy and strategy which is underpinned by Nature Recovery Network mapping across the local authority area, pursuing a “right tree, right place” approach;

d) after satisfying safety and visibility priorities and the Highway Code, develop highways verge cutting regimes that maximise potential for carbon storage, sequestration and biodiversity;

e) seek to manage council-owned land for the benefit of wildlife by 2030 (in line with UK Government’s national and international commitments);

f) meet the Environment Act requirement of 10% biodiversity net-gain commitment across all council-owned land, aspiring to increase this wherever possible;

h) carry out a carbon audit of our key landholdings to establish how carbon storage/sequestration could be improved.

2. Embed nature's recovery into all strategic plans and policy areas, not just those directly related to the environment. Ensure the LNRS is well understood across the authority and complements other relevant plans and strategies.

3. Working with partners, demonstrate leadership by supporting and engaging with businesses, communities and the wider public to take action to put nature into recovery.

4. Build tackling the nature crisis into Cabinet's environmental portfolio to provide a designated lead.

5. The Council designates a lead officer to coordinate the council operations in relation to the ecological emergency.

6. Integrate the targets, objectives and outcomes of this motion with those outlined in the existing Climate Emergency Declaration to ensure measures to tackle climate issues do not contravene the principles of enhancing biodiversity.

7. Where appropriate, the council will invest in nature-based solutions to climate change in order to tackle the nature crisis and climate emergency together.

8. Through the LNRS, develop an evidence-based action plan including short and long-term targets for putting nature into recovery by 2030. Areas of focus will include:

- Land management
- Biodiversity
- Roads and highways
- Planning and development
- Air quality
- Transforming urban spaces
- Health and wellbeing
- People and communities
- Education and awareness

9. That the relevant Overview and Scrutiny Committee monitor the LNRS and the council's action to support biodiversity and nature recovery on an annual basis.

10. Work closely with Staffordshire's borough and districts councils via the recently formed Staffordshire Sustainability Board and other partners to promote Local Nature Recovery.

9. **Recommendations to the Council**

a) Future of Local Public Audit (Pages 171 - 178)

b) Re-Appointment/Appointment of Independent Persons under Localism Act 2011 (Pages 179 - 180)

10. **Report of the Chairman of the Staffordshire Police, Fire and Crime Panel** (Pages 181 - 184)

11. **Questions**

Questions to be asked by Members of the County Council of the Leader of the Council, a Cabinet Member, or a Chairman of a Committee. The question will be answered by the relevant Member and the Member asking the question may then ask a follow up question which will also be answered

12. **Petitions**

An opportunity for Members to present and speak on petitions submitted by their constituents

13. **Exclusion of the Public**

The Chairman of the Council will move the following motion so that the County Council can consider confidential business in private:-

"That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A (as amended) of the Local Government Act 1972 indicated below".

PART TWO
(All reports in this section are on pink paper)

Nil

Note for Members of the Press and Public

Filming of Meetings

The Open (public) section of this meeting may be filmed for live or later broadcasting or other use, and, if you are at the meeting, you may be filmed, and are deemed to have agreed to being filmed and to the use of the recording for broadcast and/or other purposes.

Recording by Press and Public

Recording (including by the use of social media) by the Press and Public is permitted from the public seating area provided it does not, in the opinion of the chairman, disrupt the meeting.

NOTICES FOR COUNCILLORS

1. Questions

1.1. Questions must be addressed to the Chairman, or to the Leader of the Council or to a Portfolio Holder or to the Chairman of a Committee. Notice in writing of any question must be emailed to the office of the Director of Corporate Services (michael.bradbury@staffordshire.gov.uk) by no later than 1:00 pm on the third working day preceding the Council Meeting i.e. **by not later than 1:00 pm on Monday, 7 February 2022**. All questions and answers will be circulated around the Chamber before the commencement of the meeting.

1.2. Questions may be addressed to the Chairman of the Council, the Leader of the Council, any Cabinet Member or a Committee Chairman. The Leader of the Council may refer questions asked of them to the relevant Cabinet Member if they consider it appropriate.

1.3. Each Member may submit a maximum of one question each, however only the first 15 questions received by the Director of Corporate Services before the deadline will be dealt with at the meeting. All other questions will receive a written answer.

1.4. Questions and written responses will be circulated to all members at the start of each meeting and will be made available online to accompany the webcast but will not be read out at the meeting.

1.5. Each questioner will be entitled to ask one supplementary question on their question/answer and the time limit for supplementary questions and answers will be at the sole discretion of the Chairman.

2. Notices of Motion

2.1. A Notice of Motion must reach, by email, the Director for Corporate Services (michael.bradbury@staffordshire.gov.uk) nine clear days before the relevant Meeting of the Council, i.e. **by not later than midnight on Monday, 31 January 2022.** Further information on Notices of Motion can be found in Paragraph 11 of Section 12 of the Constitution.
NB. Notices of Motion for the County Council meeting on 17 March 2022 must reach the Chief Executive by not later than midnight on Monday, 7 March 2022.

RULES OF DEBATE

3. Speaking at Council Meetings

3.1. Councillors shall conduct debate politely and with due respect for others.

3.2. Councillors shall not use foul or offensive language.

3.3. As far as is possible, Members should use notes for reference where necessary but should avoid reading directly from a script. This will assist with engagement in debate and the ability of the microphones to pick up the sound.

4. Content and Length of Speeches

4.1. Subject to Paragraph 4.2 below, no Member may speak for more than five minutes during debates by the Council unless the Chairman gives an extension.

4.2. When the Leader of the Council, Cabinet Members nominated by the Leader or Committee Chairmen propose reports to the Council they may speak for up to ten minutes. Members who have been nominated by the Leaders of minority political groups as spokesmen on a report discussed by the Council may also speak for up to ten minutes.

4.3. Members will confine their speeches to the question under discussion or to a personal explanation or a point of order. No Member may question another Members motives or use offensive expressions to any Member of the Council or Officer.

4.4. The Chairman may call the attention of the Council to continued irrelevancy and tedious repetition or any breach of order by a Member and may direct them to discontinue their speech. If the Member continues to disregard the authority of the Chairman, the Chairman may ask them to retire for the remainder of the sitting. Should a Member refuse to retire the Chairman may order their removal from the meeting.

4.5. The Council operates a ‘traffic light’ system for speeches. During any speech, the amber light will come on notifying the speaker that they have 60 seconds left.

4.6. Where a Local Member is presenting a petition, they may speak for a maximum of two minutes. The amber light will come on for the final 30 seconds.

4.7. If there is serious disorder or persistent disregard of the authority of the Chairman, the Chairman may, without prejudice to any other powers which they have, direct that the Meeting be suspended for such period as they consider desirable.

GUIDANCE ON DECLARING DISCLOSABLE PECUNIARY INTERESTS AT MEETINGS - WHAT SHOULD YOU SAY

DEFINITION OF WHAT IS A DISCLOSABLE PECUNIARY INTEREST

A 'Disclosable Pecuniary Interest' is an interest of yourself or interest known to the Member of relatives and close associates within the following descriptions:

SUBJECT	DESCRIPTION
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from Staffordshire County Council) made or provided within the relevant period in respect of any expenses incurred by you or your partner in connection with you carrying out duties as a member or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between you or your partner (or a body in which you or your partner has a beneficial interest) and Staffordshire County Council- (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of Staffordshire County Council
Licences	Any licence (alone or jointly with others) to occupy land in the area of Staffordshire County Council for a month or longer
Corporate Tenancies	Any tenancy where (to your knowledge) (a) the landlord is Staffordshire County Council and (b) the tenant is a body in which you or your partner has a beneficial interest
Securities	Any beneficial interest in securities of a body where- (a) that body (to your knowledge) has a place of business or land in the area of Staffordshire County Council; and (b) either- (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you or your partner has a beneficial interest exceeds one hundredth of the total issued share capital of that class

You are also required to declare a pecuniary interest if an issue being considered at a meeting where you're present affects your or your partner's personal well being or financial position to a greater extent than it affects that of a member of the general public.

WHAT SHOULD YOU SAY?

If you also have a Disclosable Pecuniary Interest you must notify the Chairman of that interest and withdraw from the room when the matter is being discussed.

An example of what you should say

> *"I have a disclosable pecuniary interest in item number……… on the agenda. The interest is ……… I shall leave the room when that matter is being discussed"*

DECLARING INTERESTS AT FULL COUNCIL

The Code of Conduct only requires that disclosable pecuniary interests are declared where the matter to which the interest relates is being considered. Some items will be mentioned in the papers for Full Council but are not actually being considered by Full Council. In particular, some items are mentioned in the Leader's Statement as having been dealt with in Cabinet but are not actually mentioned or discussed at full Council. In such circumstances the Monitoring Officer's advice to members is that there is no need to declare an interest unless the particular matter is mentioned or discussed. As a general rule, members only need to declare an interest at full Council in the following circumstances:

- Where a matter is before the Council for a decision and/or
- Where the matter in which the member has an interest is specifically mentioned or discussed at the Council meeting.

Minutes of the County Council Meeting held on 9 December 2021

Attendance

Arshad Afsar	Philip Hudson	Bob Spencer
Charlotte Atkins	Syed Hussain	Mike Sutherland
Philip Atkins, OBE	Graham Hutton	Mark Sutton
Gill Burnett	Thomas Jay	Stephen Sweeney
Tina Clements	Julia Jessel	Samantha Thompson
Richard Cox	Jason Jones	Carolyn Trowbridge
Mike Davies	Peter Kruskonjic	Ross Ward
Mark Deaville	Johnny McMahon	Alan White
Janet Eagland	Paul Northcott	Philip White
Ann Edgeller	Jeremy Oates	Mike Wilcox
Keith Flunder	Ian Parry	Conor Wileman
Richard Ford	Kath Perry, MBE	Bernard Williams
Colin Greatorex	Jeremy Pert	David Williams
Philippa Haden	Jonathan Price	Victoria Wilson
Gill Heath	Janice Silvester-Hall	Mark Winnington
Phil Hewitt	David Smith	Mike Worthington
Derrick Huckfield	Paul Snape (Chairman)	

Apologies for absence**:** Jak Abrahams, John Francis, Jill Hood, Ian Lawson, Tom Loughbrough-Rudd, Gillian Pardesi, Robert Pritchard, Simon Tagg, Jill Waring and Ian Wilkes.

PART ONE

37. Declarations of Interest under Standing Order 16

The following Members declared an interest in accordance with Standing Order 16.5:-

Member	Minute Nos.	Interest	Reason
Mark Deaville	40	Personal	Director of Nexxus
Julia Jessel	40	Personal	Trustee of John Taylor Free School
Mark Winnington	40	Personal	Non-Executive Director of Nexxus
Mark Winnington	40	Personal	Grower of Energy Crops

38. Confirmation of the minutes

RESOLVED – (a) That the minutes of the meeting of the County Council held on 14 October 2021 be confirmed and signed by the Chairman.

(b) That the minutes of the Special meeting of the County Council held on 14 October 2021 be confirmed and signed by the Chairman.

39. Chairman's Correspondence

Honorary Alderman Terence Alec Dix

The Chairman informed the Council of the death, on 16 November 2021, of Honorary Alderman Terence Alec Dix. Mr Dix represented the Watling (Tamworth) County Electoral Division on the County Council from 1981 to 2009. He was Leader of the Council from 1996 to 2007 and Chairman of the County Council from 2007 to 2009.

Mr Dix served on a number of the Council's Committees including the Cultural and Recreational Services Group Committee, Development Services Group Committee, Planning Committee, Education Group Committee, Policy and Resources Group Committee, Social Services Group Committee, Fire and Emergency Planning Committee, Enterprise and Economic Committee and the Highways Committee (on which he served as Chairman).

Mr Dix was appointed as an Honorary Alderman in 2009.

Former County Councillor Kenneth Gordon Gant.

The Council were also informed of the recent death of former County Councillor Kenneth Gordon Gant. Mr Gant represented the Perrycrofts (Tamworth) County Electoral Division on the County Council between 1985 and 1993.

Mr Gant served on a number of the Council's Committees including the Fire and Public Protection Committee, Social Services Committee, Highways Committee and the Libraries, Arts and Archives Committee.

Cllr Charlotte Atkins, Cllr Philip Atkins, Cllr Clements, Cllr Oates and Cllr Alan White paid tribute to Mr Dix and Mr Gant for the contributions they had made to the work of the Council, following which Members stood and observed a one-minute silence in their memory.

40. Statement of the Leader of the Council

The Leader of the Council presented a Statement outlining his recent work since the previous meeting of the Council. In moving consideration of his Statement, the Leader made the following statement:

Arthur Labinjo-Hughes

"I know every member of this council will have been shocked and appalled when reading media coverage of the trial of the father and step-mother of Arthur Labinjo-Hughes last week. A truly terrible, awful case.

This tragic case is a solemn reminder of the county council's vital role, working alongside our partners to keep the most vulnerable young people in Staffordshire safe from harm and neglect. Our social workers do an outstanding job every day, often in hugely challenging circumstances.

We will be looking very closely at the outcomes of the inquiries into Arthur's death, to make sure that we are doing everything possible in Staffordshire to protect and support the children who need our care."

Cllr Charlotte Atkins enquired as to what was being done in Staffordshire to ensure that the Council's more experienced Social Workers shared their experience about failings with newer Social Workers so that the service could learn from them. She also enquired as to what the Council was doing to track "ghost" children who had disappeared from teachers' line of site due to the Covid pandemic.

Cllr Philip Atkins indicated that there would be lessons to be learnt for all Councils from the serious case review. He, together with Cllr Philip White, also referred to the improvements to Children's Services in Staffordshire in recent years through its transformation programme and, for example, the establishment of the Multi Agency Safeguarding Hub. Mr White paid tribute to Cllr Sutton and to the Council's Director for Children and Families for driving forward the improvements. Mr Atkins added that Children's Services in Staffordshire were currently rated as "good" and he reminded Members of their important role as Corporate Parents for those children in the Council' care.

Cllr Parry stated that Ofsted ratings alone did not keep children safe and it was professionalism of Social Workers that played a major factor. He, together with Cllr Hudson, spoke about the difficulty in recruiting Social Workers both locally and nationally and the need to ensure that all of society shared in the role of keeping children safe. Cllr Hudson also referred to the particular shortage in male Social Workers and their importance as role models

Cllr Edgeller spoke about past failings in the care system and the need for the Council to do everything in its power to keep children safe. Cllr Philip White and Cllr Hudson referred to the important role residents could play in reporting cases where they suspected abuse may be taking place.

Cllr Sutton thanked Members for their comments and informed the Council of some of the measures being taken by the authority to improve its approach to safeguarding, including the implementation of the restorative practice model, the recruitment of 31 more frontline social workers, seven SEND workers, twelve new "front door" social workers to undertake initial assessments, three additional practitioners to review cases and support frontline staff and 24 extra family support workers. He also referred to improvements in the electronic case management system and the robust systems which were in place for the safeguarding of the county's children.

Cllr Sutton also explained how, during lockdown, Social Workers worked closely with teachers and other partner agencies to ensure the safety of children and he added that visits still took place to the homes of vulnerable children.

Cllr Alan White concluded the debate by extending the Council's thanks to the county's social workers for their excellent work and commitment.

Adult Learning Disability 2022 Community Offer: Update on Learning Disability Residential Services Directly Provided by Staffordshire County Council
(Paragraph 1 of the Statement)

In response to a comment from Cllr Greatorex regarding his support for the proposals to extend and refurbish the Hawthorn House lower building to accommodate up to 15 residents, Cllr Jessel stated that she was pleased to reaffirm the Council's commitment in the services it provided to vulnerable people. She added that the Council had worked hard to keep the residents of Hawthorn House together in their social group.

Climate Change Annual Report and Climate Action Plan Action Plan 2
(Paragraph 2 of the Statement)

Cllr Hussain referred to emissions from central heating gas boilers in residential properties and the significant cost implications for households in replacing them with other, more eco-friendly, sources of heating. In response, Cllr McMahon indicated that the Council would pursue opportunities for Government funding to support homeowners, particularly those suffering fuel poverty.

Cllr Hussain also referred to the various actions the Council could take to help tackle climate change through, for example, planting trees and replacing older streetlighting with new LED ones. He also referred the need for the world's most carbon emitting countries, such as China, India, USA and Iran, to play their part in tackling climate change.

Cllr Clements suggested that the Council needed to look in house as to what additional actions it could take to reduce emissions such as replacing some of its vehicle with electric ones and, when buying goods and services, to choose suppliers who had a “green agenda”.

Cllr Charlotte Atkins enquired as to how the Council would monitor progress against the action plan and ensure that its response to climate change was joined up across all service areas.

Cllr Winnington referred to the Government proposal to plant more trees and the need for the public sector to work together to reach targets. Cllr Smith commended the Annual Report and Action Plan and referred to the need for the Council, and its elected Members, to use their influence to encourage others to reduce their emissions.

Cllr Price commended the work of Cllr Jessel and Cllr Tagg in developing the Annual Report and Action Plan and stated that climate change was everyone’s responsibility. He, together with Cllr Deaville, also referred to the work of the Sustainability Board which was made up of relevant portfolio holders from the County Council and the eight District/Borough Councils in Staffordshire.

Cllr Philip Atkins referred to the need for behavioural change, for example, by choosing clothes made from natural fibres over synthetic materials. He also spoke about the role to be played by the agricultural sector in helping to tackle climate change and the need to tackle the emissions from the organisations who were the larger polluters in the County.

Formal Report of the Local Government and Social Care Ombudsman
(Paragraph 3 of the Statement)

In response to a question from Cllr Charlotte Atkins as to the lessons to be learnt from the findings contained in the Ombudsman’s report, Cllr Price explained that the Council was reviewing approximately 50 other historical cases around transport applications to ensure that the decisions were taken correctly.

Impact of Covid-19 on SCC Communities, Economy and Organisation and Recovery Progress – Update October 2021 and Way Forward
(Paragraph 4 of the Statement)

Cllr Hussain extended his thanks to frontline staff, residents and the Council for its dedication in tackling the Covid pandemic. He also spoke about the personal losses faced by families across the County.

Cllr Charlotte Atkins referred to the impact of the pandemic on people’s mental health and she also highlighted an issue in Leek where the County

Council and Clinical Commissioning Groups had stopped funding a service. She added that the clients felt abandoned and asked what could be done to bolster community projects. In response, Cllr White undertook to look into the matter.

Nexxus Trading Services Limited – Annual Report 2020/21
(Paragraph 6 of the Statement)

Cllr Deaville and Cllr Winnington highlighted some of the successes of Nexxus including the 60% growth in its business and an annual turnover of £6.238m. They, together with Cllr Price, paid tribute to the staff employed by the company, together with the volunteers, for their hard work and commitment.

Supplementary Capital Programme for Schools 2021/2022
(Paragraph 7 of the Statement)

In response to a question from Cllr Smith concerning schools becoming more environmentally sustainable, Cllr Price indicated that the capital programme contained provision to address climate change and sustainability issues within schools. He added that there was a new all through school being built in Rugeley which would be a carbon neutral school.

Branston Locks Primary - Proposed 2FE and Associated S106 Contributions (Wave School)
(Paragraph 8 of the Statement)

Cllr Jessel and Cllr Philip White, in welcoming the proposals for the new school at Branston Locks, referred to the need for other essential infrastructure in the area such as access to primary health care.

Staffordshire Bus Strategy - Bus Service Improvement Plan
(Paragraph 9 of the Statement)

Cllr Smith asked the Cabinet Member for Highways and Transport if he could raise with bus companies operating in Staffordshire the issue of drivers leaving engines running whilst their vehicles were stationary, leading to unnecessary pollution. In response, Cllr David Williams confirmed that this issue had been raised with bus operators

In welcoming the Bus Improvement Plan, Cllr Charlotte Atkins also referred to the need for the Council to work with bus operators to ensure that all buses carrying schoolchildren were fitted with seatbelts. In response, Cllr David Williams confirmed that it was a requirement that all school busses were fitted with seatbelts.

Cllr Flunder informed the Council of the work of the Prosperous Overview and Scrutiny Committee in helping to inform the development of the Plan and added that he would welcome Members views and suggestions.

Household Support Fund
(Paragraph 10 of the Statement)

Cllr Sutton provided an update on how the Household Support Fund had been utilised in Staffordshire including over 25,000 vouchers being issued to parents of children entitled to receive free school meals. In response to questions from Cllr Hussain regarding how much money the Council was spending in tackling "holiday hunger" and what more could be done to help those in poverty, Cllr Alan White indicated that he would respond in writing regarding spending on holiday hunger and that the Council was working hard to improve the quality of jobs, and thus higher wages, available across the County.

Half Yearly Treasury Management Report for the Period Ended 30 September 2021
(Paragraph 11 of the Statement)

Cllr Parry gave Members a brief overview of the operation of the Council's Treasury Management Strategy and explained how cash was being used to fund short term monetary requirements instead of borrowing, adding that this policy was saving taxpayers money.

Staffordshire Means Back to Business – Oral Update
(Paragraph 12 of the Statement)

Cllr Hudson referred to the difficulties currently being faced by Elks Biscuits in Uttoxeter and the risk of staff redundancies if the company was to cease training. He added that, if there were redundancies at the company, those affected may need the assistance of the Council's Redundancy and Recruitment Triage Service.

Cllr Hewitt expressed his delight that Cannock Chase District Council had been successful in their Levelling Up Fund bid and had been awarded £20M to support key regeneration schemes in their town centre. He extended an invitation to the Leader and Deputy Leader to visit Cannock. Cllr Philip White responded by indicating that he, together with the Leader of the Council, would be pleased to accept the invitation. He also referred to the McArthur Glen Designer Outlook development in Cannock and the need to ensure that a balance was struck so as to ensure that town centres remained vibrant.

COVID-19
(Paragraph 13 of the Statement)

Cllr McMahon provided the Council with an update on the current Covid situation both nationally and locally. He informed Members that the number of new cases of Covid in Staffordshire remained high but slightly below the England average. Case rates were highest in school age children, and hospital admissions remained stable. He added that the emergence of the Omicron variant of the virus was of concern because it showed significant mutations and there was the possibility that it might escape the immunity conferred either by prior infection or vaccination. Further data was required before it was possible to be confident about the level of the threat posed by the Omicron variant. With regard to vaccination rates in Staffordshire, 76.9% of care home residents had been fully vaccinated, 74% of those who were housebound had received their booster, and 72% of those over the age of 50 had received their booster. Cllr McMahon concluded that Covid was likely to be with us for some time and that the Council was maintaining the defences it had put in place.

Cllr Huckfield referred to hospital admissions and indicated that four out of five of those in hospital with Covid had not been vaccinated and he urged everyone to get vaccinated as soon as possible, not only to protect themselves, but also those with whom they came into contact.

Winter Bonus for Home Care Staff
(Paragraph 14 of the Statement)

Cllr Philip Atkins spoke about the need for everyone who was eligible to be vaccinated against Covid to get vaccinated so as to reduce the risk to those working in hospitals and the Home Care Sector. He also referred to the poor take-up of the vaccine in some parts of the County.

Cllr Charlotte Atkins welcomed the package of recruitment and retention incentives for staff in the Home Care Sector this winter but indicated that this was unlikely to resolve the longer-term issue of staff shortages. She also enquired as to the vacancy levels in the sector and how much each member of staff would receive as part of the package of incentives. In response, Cllr Jessel indicated that, by way of an example, the incentives were being paid to those providers taking-on the more complex care packages; and it could also be used to pay childcare costs for those carers who took-on additional hours. She added that she agreed that the incentives would not tackle the longer-term recruitment and retention issues in the sector, however, if the Council were to receive a three-year financial settlement from the Government, this would improve its ability to plan for the longer-term including the funding paid to the Home Care sector. Cllr Jessel also referred to the need to improve the status of those working in the profession which would, in-turn, make the jobs more attractive.

Winter Operations
(Paragraph 15 of the Statement)

Cllr David Williams paid tribute to the teams undertaking the winter operations on the County's roads, often in difficult and challenging weather conditions. The Chairman added that he, together with the Vice-Chairman, were to visit some of the Highway Depots to personally extend the Council's thanks to the teams. Cllr Alan White also extended his thanks to the teams.

SWAR
(Paragraph 16 of the Statement)

Cllr Price, Cllr Winnington and Cllr Pert praised the Council staff and partner organisations on the construction of the Stafford Western Access Route (SWAR) which had opened recently. Cllr Philip Atkins added that the scheme was an excellent example as to how the Council could deliver large projects locally by working with partners such as the Local Enterprise Partnership.

In response to a question from Cllr Smith concerning safety audits on new roads, Cllr David Williams confirmed that once a new highway had been in use for a short while checks were undertaken to ensure it met the expected safety standards.

Cllr Pert added that the project was part of the vision to regenerate the High Street in Stafford. Cllr Alan White added that there were a number of other major highway projects in the pipeline including along the A50 – A500 corridor (North Midlands Manufacturing Corridor) and on the A38.

2021 Community Fund
(Paragraph 17 of the Statement)

Cllr Flunder extended his thanks to Officers and to the Cabinet Member for Communities and Culture for extending the deadline for the submission of applications under the Community Fund. He added that the Fund had made a big difference to many local communities.

In response to a question from Cllr Charlotte Atkins, Cllr Wilson and Cllr Alan White confirmed that there was a rigorous process in place to ensure that spending under the Fund was audited and that this included collecting "evidence of spend" to show that the grant had been used for the purpose for which it had been given.

2021
(Paragraph 18 of the Statement)

Cllr Hussain wished his fellow Members a Merry Christmas and Happy New Year. Cllr Alan White thanked Cllr Hussain and added that 2021 had been a difficult year and that he hoped that Members would be able to take some well-earned time off over the Christmas period.

RESOLVED – That the Statement of the Leader of the Council be received.

41. Recommendations to the Council

(a) Financial Regulations

The Council considered a recommendation of the Audit and Standards Committee that the County Council approves revisions to the Council's Financial Regulations for inclusion within the Constitution. Members noted that a detailed review had been undertaken to reflect the changes that had occurred since the regulations were last reviewed in 2018 following the introduction of the My Finance and MyHR financial systems, together with minor amendments reflecting changes to job titles of relevant officers. The main areas of change were as follows:

- Financial Regulation B – updated to include specific reference to the requirement to obtain Cabinet approval in all instances where the County Council wished to undertake the formal role of Accountable Body for a partnership and that the partnership would follow SCC financial policies and practices as standard practice.
- Financial Regulation E – updated to include arrangements for the receipt and payment of invoices electronically. Order approval limits had been amended in line with the revised procurement regulations. In addition, the purchase card guidance had been strengthened to state that the purchase of food and drink for staff social events was prohibited.
- Financial Regulation F had been updated to include reference to the use of direct debits as the preferred payment method for those services that were provided frequently.
- Financial Regulation H – the section on the disposal of supplies had been updated to include the need to speak to a procurement advisor regarding the best way forward including any potential sale process.

RESOLVED – That the recommendation from the Audit & Standards Committee that the County Council approves the revised Financial Regulations for inclusion within the Constitution be agreed.

(b) Change to the Constitution - Amendments to the Council's Procurement Regulations

The Council considered a report of the Director for Corporate Services proposing changes to the Council's Procurement Regulations. Members noted that the Regulations were reviewed periodically, minor changes were made by the Monitoring Officer, but more fundamental changes were made by full Council following recommendation by the Audit and Standards Committee. The main areas of change were as follows:

- To adjust the Officer approval levels for contracts to facilitate greater control and ownership amongst Band B and C Officers.

- To ensure that the spend value of a particular contract 'variation' triggered the appropriate Officer approval rather than the spend of the source contract being varied.

- To adjust the Officer approval levels for Exception Forms to facilitate greater control and ownership amongst Band B Officers.

- To introduce minor amendments to the Procurement Regulations.

In response to a question from Cllr Charlotte Atkins in relation to sustainable procurement, Cllr Deaville confirmed that the Council endeavoured to procure locally by encouraging local suppliers to submit tenders for goods and services. He added that he did not have information to hand on the percentage of goods and services which were procured locally but that he would make enquiries and respond to Cllr Atkins in writing.

RESOLVED – That the recommendations contained in the report be agreed.

42. Report of the Chairman of the Staffordshire Police, Fire and Crime Panel

Cllr Hussain extended his congratulations to Mr Noble on his appointment as Chief Constable for Staffordshire. He also extended his thanks to Mr Adams, the Police, Fire and Crime Commissioner, for his recent visit to his Division.

Cllr Deaville extended his congratulations to Mr Barber on his appointment as Chief Fire Officer and also paid tribute to Becky Bryant for the contribution she had made during her time as Chief Fire Officer.

RESOLVED – That the report be received.

43. Questions

Cllr Pritchard asked the following question of the Leader of the Council whose reply is set out below the question:-

Question

Thanks to the Future High Street Fund, Staffordshire County Council, South Staffordshire College and Tamworth Borough Council, Tamworth town centre is about to undergo a huge re-development. This near £100M re-development will offer residents of my division an improved shopping, retail and visitor experience.

Can I take this opportunity to ask the Leader of the Council to recommit publicly, on the record, the council's support for this exciting project and its desire to help create a vibrant town centre in Tamworth for future generations to come?

Reply

Can I thank Cllr Pritchard for talking the time to ask such an important question and one that is so relevant to the vibrancy of all our towns and city centre going forward?

Tamworth town centre is one of a number of places that is receiving unprecedented levels of support from central government. This includes Town Deals in Newcastle, Kidsgrove and Burton that represents over £60M of government investment. We are also seeing investment through the Future High Streets fund in Stafford and again Newcastle totalling nearly £50M.

I am delighted to put on record our support for not only Tamworth, but all our Boroughs and Districts who are working so hard to regenerate their town centres. This is reflected in the Deputy Leader and Cabinet Member for Economy and Skills having as one of his key priorities over the period of this administration, to support the regeneration of our town centres.

These centres are an important part of our Staffordshire community and working with our partners it is vital we find solutions to their regeneration. Whilst the investment from government is welcomed, we cannot underestimate the task that we all face, and each must play a part. We are already investing significant sums in our urban areas and considering how we use our existing assets in the most positive way to help our partners, but to also allow us to continue to deliver our mainstream activity. In addition, I would suggest that we consider the involvement, support and assistance of our respective members and officers on local delivery boards to add further capacity and to aid the sharing of local knowledge. I look forward to further detailed proposals coming forward for this Cabinet to consider.

Cllr Oates asked the following question of the Cabinet Member for Communities and Culture whose reply is set out below the question:-

Question

During the pandemic Tamworth community stepped up and showed its heart and spirit.

One group that delivered fantastic support for the community was Community Together CIC. This wok has continued with the group currently on working to bring a visit by Santa Clause to local children who are in economic hardship.

Would the Leader/Cabinet Member join me in congratulating the organisation on this fantastic work?

Reply

We are immensely proud of the work that the voluntary sector has delivered during the pandemic.

We would like to congratulate Community Together CIC for some fantastic initiatives, which included a visit to Father Christmas. Watching the way this community group has helped children in the area, who have experienced real hardship during this time, has been humbling.

On behalf of Staffordshire County Council, I offer my sincere thanks for the work of the volunteers and look forward to seeing more great initiatives in the future.

Supplementary Question

Would you agree that the Voluntary Sector is an essential partner, particularly in early intervention, and that local government should do everything in its power to support them, rather than putting blockers in the way which has been the case in the past?

Reply

Yes, I whole heartedly agree. We cannot underestimate their role in our local communities.

Cllr Jones asked the following question of the Cabinet Member for Highways and Transport whose reply is set out below the question:-

Question

Every week-day morning my residents are stuck in excessively long traffic jams that form on the A5, when residents are traveling from the A5 eastbound on to the M42 Junction 10 island. Sometimes these queues have been a mile in length.

Would the relevant Cabinet Member meet with me and my other colleagues onsite to discuss how the council can lobby the Highways Agency to improve the traffic flow at peak times?

Reply

I would be happy to meet with you, by way of an update of what we are already doing.

The A5, M42 and Junction 10 is part of England's Trunk Road Network and is managed by National Highways.

Recent communications between Council officers and National Highways officials have confirmed that the signal-controlled junction at this location is managed by software to maximise traffic flows whilst managing queuing traffic on all approaches.

National Highways have indicated that they are aware of peak time queue lengths on the eastbound A5 but have stated that any queue length reduction will depend on increasing junction capacity which is currently restricted due to the geometry of the southern bridge deck.

Council officers are represented on the A5 Tamworth to Hinckley working group which is lead by National Highways who are looking at potential highway improvements along this route. The capacity issues of junction 10 have been raised and will continue to be raised at this forum, although it should be noted that sustainable travel is also discussed as a potential solution to unrestricted growth in vehicular traffic.

Cllr Clements asked the following question of the Cabinet Member for Highways and Transport whose reply is set out below the question:-

Question

After a recent taxi drivers forum meeting it became apparent that the very people trying to transport our residents from a-b are not informed when we put in road closures or diversions. Please can you advise how this can be rectified so that they can be forewarned about these highways issues as time is money to these drivers?

Reply

Road maintenance, utility operations, sporting and community events are just some of the reasons why road closures, diversions or other traffic restrictions appear on local roads.

Details of all such formally arranged events are publicly available online at One.Network.

As well as being able to view details of all events across the whole of the UK's local road network, One.Network, also allows local Transport Operators and individual members of the public to sign-up to receive direct alerts about events on particular roads or areas of interest.

It's a simple 4-step process. But our Highway Network Management team have also very helpfull produced an illustrated guide, which I'll arrange to be circulated to all Members.

Cllr Charlotte Atkins asked the following question of the Cabinet Member for Health and Care whose reply is set out below the question:-

Question

Will the plan set out in the Government's White Paper resolve the County Council's social care challenges? If not, what more needs to be done?

Reply

On 01 December the Government published the White Paper ***People At The Heart Of Care: adult social care reform.*** The White Paper builds on the Care Act 2014 and sets out a vision that many elderly and disabled people will welcome, with its three objectives to ensure that:

1. People have choice, control, and support to live independent lives.

2. People can access outstanding quality and tailored care and support.

3. People find adult social care fair and accessible.

There remain significant questions about how the ambitions in the White Paper will be funded. It includes a promise of £3.6bn over the three years 2022/23 to 2025/26 to fund the Care Cap, more generous capital thresholds and equalise the prices paid by local authorities and private individuals. However, it is not clear that this will lead to a net increase of funding for the adult social care sector. A further £1bn is earmarked for various national schemes to support the workforce, housing and technology, which might amount to around £5m annually for Staffordshire.

The big challenges in adult social care are rising demand and the ability of the providers to pay competitive wages. The Council has a range of initiatives underway to try and address these. We will need support from HM Government, with significant additional funding, if the aspirations of the White Paper are to be realised.

Supplementary Question

Providers can't pay competitive wages if the County Council won't pay them more. How much additional funding do we need from Central Government so that we can pay more fees to ensure that these staff can be paid an appropriate level of pay so as to ensure their retention in the sector?

Reply

As the written response has said, there is a promise of an additional £3.6bn over three years to fund the Care Cap but we don't know yet how much of this will be allocated to Staffordshire. It is not just about wages, it is also about how we deliver these services and help people to remain physically and mentally fit for as long as they can to enable them to retain their independence.

Cllr Phillip Atkins asked the following question of the Cabinet Member for Education (and SEND) whose reply is set out below the question:-

Question

Can the Cabinet Member tell me the percentage of children attending school? How does this compare with previous years?

Reply

The latest Staffordshire attendance data as of 26 November 2021 (from September 2021) is 94.6%. The latest unvalidated national attendance information we have is for week 42 (19 – 23 October) which was 86%. The attendance data for Staffordshire for the autumn term 2020 was 95.8% compared with a West Midlands rate of 95.1% and a national rate of 95.3%.

The Staffordshire attendance figure for the whole academic year 2019/2020 was 92.5% and in 2020/2021 was 93.8%. We are waiting for the national data to be published for these periods.

Supplementary Question

The figures in the reply are reassuring. Would the Cabinet Member join with me in thanking schools and children's social workers for the work that they do in ensuring that children are safe?

Reply

Absolutely.

Cllr Pardesi asked the following question of the Cabinet Member for Health and Care whose reply is set out below the question:-

Question

In light of the announcement of the Government's Drug Strategy, what is the evidence that confiscation of passports and driving licences will prove to be a deterrent? Who is this particular strategy aimed at when most of the vulnerable and in need of support do not even possess passports and driving licences?

Reply

The Government on 06 December 2021 published *From harm to hope: A 10-year drugs plan to cut crime and save lives*. This sets out a plan to combat illegal drugs by breaking drug supply chains, delivering a world class treatment and recovery system, and achieving a shift in the demand for recreational drugs.

The Government's intention is to publish a White Paper in 2022 which will consider increased sanctions for recreational drug users such as curfews, removal of a passport or driving licence, and fines. The evidence base and likely impact of these measures is not available at this time.

44. Petitions

Request for 20 mph Speed Limit in Leek Town Centre

Cllr Charlotte Atkins presented a petition from local residents requesting a 20 mph Speed Limit in Leek Town Centre.

Chairman

Staffordshire County Council

Local Members Interest
N/A

County Council – Thursday 10 February 2022

Strategic Plan 2022-26

Recommendations of the Leader of the Council

I recommend that County Council:

a. Adopt the Strategic Plan 2022-26 as set out in Appendix 1

Report of the Director for Corporate Services

Background

1. The Strategic Plan sets out our ambitions and priorities for the years ahead. It outlines what we want to achieve and how we intend to do it. It is the Council's primary strategic document that shapes our financial and delivery plans.

2. Following Council elections in May 2021, work began on developing a new Strategic Plan for 2022-26. A new Plan offers us the opportunity to both reflect on our strengths and achievements in recent years and reassert our ambitions and priorities.

3. The last four years have brought many challenges and opportunities for local public services, not least the global pandemic. Throughout, the Council has remained ambitious for Staffordshire, and focused on delivery. A selection of highlight include:

Families and Communities

- Successfully completed a large-scale Children's System Transformation programme, taking circa.2000 staff through consultation to implement a district footprint, and lead to better outcomes.
- Staffordshire has continued to successfully deliver is Building Resilient Families and Communities Programme. In 2020/21, Staffordshire's programme achieved successful outcomes for 1,203 families, exceeding its annual target of 784, and helping over 9,000 families since 2015.
- We successfully launched virtual Family Hubs during Covid-19, which have been held up nationally as an example of good practice.

- Our award winning Hungry Little Minds campaign, equips Staffordshire families with personalised emails and messages to support they child's speech and language development
- Staffordshire County Council and its partner, the William Salt Library Trust, have received a National Lottery Heritage Fund grant of nearly £4m towards the Staffordshire History Centre Project.
- We continue to build on our successful Community Managed Library Model, with 12 out of the 27 existing contracts already renegotiated in 2021.

Health and Care

- Staffordshire is nationally recognised for its response to Covid-19. A collective effort by the public sector, voluntary organisations, residents and businesses to minimise the spread of the virus and protect those most at risk.
- Our innovative Support Communities Programme has continued to deliver in 2021. The community-led approach to prevention, supports people to live healthier lives and stay independent for longer. 18 Community Help Points have been established across the county, with over 700 staff and volunteers being trained.
- Staffordshire Warmer Homes, in partnership with District and Borough Councils, aims to better insulate and heat homes to reduce fuel poverty and support our efforts to reduce carbon emissions.
- Staffordshire has built two Dementia Centres of Excellence in Stafford and Burton, leading the way in delivering care that is person-centred and promotes independence.

Economy, Infrastructure and Skills

- The Staffordshire Means Back to Business Support Scheme, a £6m partnership with Staffordshire's District and Borough Councils is providing critical support for small businesses and people whose jobs and employment prospects have been impacted by Covid-19.
- Since 2014, Staffordshire's Economic Growth Programme has created or safeguarded more than 10,000 jobs and enabled construction of more than 4,000 new homes.
- We have successfully delivered a number of key infrastructure projects including the Lichfield Southern Bypass, Stafford Western Access Route and the 60 acre first phase of the i54 Western extension. These projects are creating more jobs and homes for Staffordshire.
- Significant success in recent years improving adult skills levels, both by reducing the number of adults with no qualifications, and increasing the number with higher level skills.

- We have achieved a 25% reduction in the council’s carbon emissions in the first year since declaring a climate change emergency.

Strategic Plan 2022-26

4. Whilst the Plan may cover a four-year period, the ambitions contained within it set the direction of the Staffordshire we want to shape for decades and generations to come.

5. We have a clear vision for Staffordshire – an innovative, ambitious and sustainable county, where everyone has the opportunity to prosper, be healthy and happy. We want everyone in Staffordshire to:

   - Have access to more good jobs and share the benefits of economic growth
   - Live in thriving and sustainable communities
   - Be healthier and independent for longer

6. Our Plan on a Page, summarises our ambitions, and priorities:

7. Our Strategic Plan identifies five priorities:

   - Support Staffordshire’s economy to grow, generating more and better-paid jobs
   - Fix more roads, and improve transport and digital connections

- Encourage good health and wellbeing, resilience and independence
- Tackle climate change, enhance our environment, and make Staffordshire more sustainable
- Offer every Staffordshire child and young person the best start in life, and the chance to achieve their potential

8. A successful, vibrant economy is at the heart of achieving our vision. Creating opportunities and removing barriers for people to get better-paid jobs, is key to delivering our vision. We have a successful track record of investing to create the right conditions for our economy to grow and improving skills. Covid-19 has affected every part of the economy, it is essential that Staffordshire people have the chance to learn new skills throughout their career and seize opportunities as the economy continues to recover and evolve.

9. Great places enjoy great connections. Whether by road, rail or ultrafast broadband, we want the people and businesses of Staffordshire to be well connected to one another, to the UK and across the globe. We know that improving our highways is one of the top priorities for Staffordshire people. Maintaining and improving this network is very challenging. We need to do it with less funding from central government, costs are rising, and the growing county is making the network busier. Despite this we want Staffordshire people to see an improvement in our highways over the next four years.

10. Climate change is affecting more people's lives every year and we all need to act fast, to do our bit to slow and reverse the damage being done. We have a leading role to play in Staffordshire, by reducing carbon dioxide (CO_2) emissions from our operations, as well as working with industry and other organisations to help lower their emissions and make our county more resilient to climate change.

11. Our health and wellbeing are influenced by many things: by our environment; our living conditions; and our own behaviour. Inspiring and encouraging everyone to look after their physical and mental health is at the heart of our ambitions for Staffordshire. For our most vulnerable residents, who do need care, we want to assess their needs quickly and fairly, and provide the quality services they need, at a price taxpayers can afford.

12. We want every child and young person in Staffordshire, whatever their background, to have the opportunity to achieve their potential, and go on to live happy and healthy lives. Families are at the heart of giving children and young people the best start in life. We want Staffordshire families to have the strengths, skills and knowledge to support their

children and young people. Working with partners, parents and carers to keep our most vulnerable children and young people safe and improve their outcomes is at the core of this priority.

13. In order to deliver against our priorities, we must continue to evolve the way that the Council operates. We believe that the following four statements need to be central to everything we do as a Council:

- Lead our workforce to be ambitious, courageous and empowered
- Encourage our communities to help themselves and each other
- Use digital technology and data to connect, inform and support the people of Staffordshire
- Engage and listen to our communities, partners and businesses, working together to improve our county

14. We want everyone who works for the Council to live our values in all they do; to be ambitious for Staffordshire, courageous in their work and empowered to make a difference. Our workforce is critical to achieving our Strategic Plan.

15. People who are independent and in control of their lives are more likely to enjoy better health and wellbeing. We need to continue to empower and inspire our communities and people to help themselves and each other. Our communities were critical to supporting our most vulnerable during Covid-19. Without our involvement, residents across the county were doing their bit to support each other. Collaborating with and working with our voluntary, community and social enterprise partners will continue to be crucial in helping to enable and support the growth of community action.

16. Technology is fundamental to how we work, live and communicate with each other. We will continue to review and develop our digital approach in everything we do, from helping the economy to grow to improving the lives and opportunities for the people of Staffordshire.

17. We cannot achieve our ambitions without listening to, and working with our communities, partners and businesses. Collaboration is at the core of everything we do in the Council and will be central to our plans over the next four years. We work best when we work together, never was this more evident than during the pandemic.

18. The Council has reaffirmed its pledge to live within its means and deliver value for money. The Council is financially stable and well run. However the financial outlook for whole of local government is challenging and uncertain. We must continue to find different ways to

help more people to help themselves and reduce demand for public services. We need to continue to:

- Reduce costs to live within our means
- Use our assets wisely to gain the best return for the council
- Work with central government to achieve fair funding, particularly for social care
- Develop initiatives and ways of working that encourage our communities to help themselves and each other, and use digital technology to make services efficient and effective
- Grow and support the economy
- Help partner organisations to build more homes

Conclusion

19. The Strategic Plan 2022-26 clearly sets out our vision and ambitions for Staffordshire. Building on our strengths, and strong foundations, we believe the Strategic Plan provides the clarity and focus, to allow us to turn our ambitions into reality and continue to make a positive difference for the people of Staffordshire.

Legal Implications

20. There are no specific legal implications for the Strategic Plan.

Resource and Value for Money Implications

21. The Strategic Plan has been developed in conjunction with the Medium Term Financial Strategy (MTFS) 2022-26, as such the financial implications of the Strategic Plan are set out in the MTFS Report which is also being considered by County Council on 10 February 2022.

Community Impact Assessment

22. As the Strategic Plan has been developed in conjunction with the MTFS, a separate Community Impact Assessment (CIA) hasn't been completed. The MTFS CIA does provide consideration to the Strategic Plan.

List of Background Documents/Appendices:

Appendix 1 – Strategic Plan 2022-26

Contact Details

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Staffordshire County Council

Strategic Plan
2022-26

Foreword

Staffordshire is a great county, the nationally valued centre of Great Britain. We are an area with so much to celebrate, to inspire and to offer, with national attractions, jaw-dropping natural beauty, global brands, and towns and cities steeped in history. Our greatest asset though, is Staffordshire people: innovators and creators, earth movers and brewers, pioneers in energy and sustainable living, and much, much more. We are grounded, we work hard, we enjoy life, and we are a community.

Our Strategic Plan for 2022-2026 explains how we will build on these strengths and focus our resources on the things that matter most to the people we serve. The plan may cover a four-year period, but the ambitions it contains are about the Staffordshire we want to shape for decades to come, and for future generations. It is ambitious - as it should be.

We want to raise aspirations across our county, to unlock the true potential across Staffordshire and empower more people to strive, to succeed and to enjoy the lives they want for themselves and their families. And we want to do it in a way that protects our environment, reduces our impact on the planet, and promotes good health and wellbeing.

These ambitions are rooted in our track record of delivery, of achievement, and of capability. From business parks, broadband and roads, to schools, skills and training, we invest where there is real need. We deliver results, attracting more business to the county, creating more, better-paid jobs for our people, putting more money in people's pockets.

We do not do this alone. In Staffordshire we work best when we work together, with council partners, with the NHS, with business, education, and with our residents. Never has this been more evident than during the pandemic, when organisations and individuals came together to protect, support and care for one another. This collaboration will continue and be central to our plan over the next four years, as we recover from the pandemic, act on climate change, fight for Staffordshire's fair share of the Government's 'Levelling Up' approach, and tackle the health and social problems that Covid-19 has created.

One of our greatest challenges is in care. We will always step in when needed, whether to keep vulnerable children and young people safe from harm or to look after the frail elderly. However, over the next four years, through innovation and inspiration, we will work to reverse the numbers of children coming into care and shape a stable care marketplace, so that older people can access the support they need in the right place, at a cost we can all afford.

Most importantly, we will promote good health, wellbeing and independence, and continue our approach of empowering communities to provide more support to the people within them. Getting this right will mean more people living in good health, independently, for longer, which is something that we all want. It will also ease the burden of rising care costs on Staffordshire taxpayers.

There is much to do, and challenges ahead, but with such solid foundations to build on, we will strive to turn our ambitious vision into reality and continue making a positive difference for the people of Staffordshire.

Alan White
Leader of the Council

John Henderson CB
Chief Executive

Vision & Outcomes

We have a clear vision for Staffordshire - an innovative, ambitious and sustainable county, where everyone has the opportunity to prosper, be healthy and happy.

We want everyone in Staffordshire to:

Have access to more good jobs and share the benefits of economic growth

Live in thriving and sustainable communities

Be healthier and independent for longer

We are hugely ambitious for Staffordshire. There is enormous potential in our people and places just waiting to be unleashed.

Our role, working with others, is to help create the conditions for more people to flourish, achieve their potential and live in good health for as long as possible. By focusing on the priorities outlined in this plan, modernising and improving how we work, and delivering against our financial pledge, we will continue to deliver for the people of Staffordshire.

Vision: An innovative, ambitious and sustainable county, where everyone has the opportunity to prosper, be healthy and happy

Outcomes

Everyone in Staffordshire will:

- Have access to more good jobs and share the benefits of economic growth
- Live in thriving and sustainable communities
- Be healthier and independent for longer

Priorities

- Support Staffordshire's economy to grow, generating more and better-paid jobs
- Tackle climate change, enhance our environment, and make Staffordshire more sustainable
- Encourage good health and wellbeing, resilience and independence
- Fix more roads, and improve transport and digital connections
- Offer every Staffordshire child and young person the best start in life, and the chance to achieve their potential

How we work

- Encourage our communities to help themselves and each other
- Lead our workforce to be ambitious, courageous and empowered
- Use digital technology and data to connect, inform and support the people of Staffordshire
- Engage and listen to our communities, partners and business, working together to improve our county

Pledge: Live within our means and deliver value for money

Priorities

Support Staffordshire's economy to grow, generating more and better-paid jobs

To achieve our vision we need a successful, vibrant economy creating opportunities for people to secure better-paid jobs, and to prosper.

Staffordshire's economy is diverse and our location in the centre of the UK is one of many economic strengths. We have a thriving and growing high-value manufacturing sector. While the county is home to many world-renowned businesses, most of our businesses are small and medium enterprises. They are the lifeblood of our economy. Entrepreneurs and start-ups are essential to Staffordshire's economic future, creating the jobs and prosperity for tomorrow, so we will do more to support new businesses to launch, grow and thrive.

We have a successful track record of investing to create the right conditions for growth. Since 2014, Staffordshire's Economic Growth Programme has created or safeguarded more than 10,000 jobs and enabled construction of more than 4,000 new homes. We have invested in sites to attract business and create more and better jobs, from i54 South Staffordshire and its extension, to Redhill Business Park, Stafford, and Liberty Park in Lichfield. We also continue to plan for and invest in the infrastructure needed for the economy to grow, such as the Stafford Western Access Route and Lichfield Southern Bypass, both opened in 2021. As part of our commitment to tackle climate change, we will encourage and support the shift towards a low carbon, clean economy. This will include embracing the opportunities that innovation in the green economy offers Staffordshire, including creating new jobs.

Our investment in skills is also delivering results. We have halved the number of people in Staffordshire with no qualifications since 2014, and significantly reduced the number of young people not in education, employment or training. Creating opportunities for people to get higher skilled, higher value and higher paid jobs, is key to growing the economy and giving everyone more opportunities to get on, and prosper.

Covid-19 has affected every part of the economy. We created a range of support and targeted initiatives, to mitigate the impact on local businesses and support recovery. They include the Staffordshire Means Back to Business Support Scheme, Staffordshire Start-Up Loan Scheme and Plan for Jobs Programmes.

Whilst our economy continues to bounce-back quickly, economic recovery from Covid-19 will continue to be a significant challenge. It is essential that Staffordshire people have opportunities to learn new skills throughout their career, as the economy recovers and evolves.

Our town centres and high streets play a vital role in our economy. Working in partnership, we are committed to reimagining and reshaping Staffordshire's high streets, increasing their vibrancy and reflecting the unique circumstances of each place.

Staffordshire has an important role to play in helping the regional economy to grow. In fact, our location is one of our key strengths, which is why we will work with national and regional partners to ensure key strategic corridors in the Midlands can create the conditions for Staffordshire businesses to innovate and grow.

In the next four years, we will:

- **Work with our partners to regenerate our town centres**
- **Support more people to start and grow their business**
- **Develop investment-ready projects vital to the future of the county**
- **Enable people to benefit from better-paid, local jobs**
- **Make sure investment in activities such as highways supports economic growth and unlocks external investment**
- **Support businesses on their journey to net zero**
- **Develop an east/west strategic corridor project that enables businesses in Staffordshire to innovate and grow as part of the wider Midlands Region**

What will success look like?

- **More businesses start-up, grow and invest in Staffordshire**
- **Improved skills levels**
- **Improved wage levels**
- **People are proud of their town centres and local area**

Tackle climate change, enhance our environment, and make Staffordshire more sustainable

Climate change is affecting more people's lives every year and we all need to act fast, to do our bit to slow and reverse the damage being done. We have a leading role to play in Staffordshire, by reducing carbon dioxide (CO_2) emissions from our operations, as well as working with industry and other organisations to help lower their emissions and make our county more resilient to climate change.

In 2019 the county council declared a climate change emergency and set a target to achieve net zero emissions by 2050. Since then, we have reduced our CO_2 emissions by 25%, and published annual action plans outlining how we will meet our net zero target. Our plan is ambitious, and not without challenges. The latest plan, agreed in October 2021, outlines five key themes for action:

- **carbon reduction**
- **natural environment**
- **behaviour change**
- **air quality**
- **waste**

Staffordshire is a county of breathtaking beauty, with a rich and varied natural environment. Our landscapes help improve health and wellbeing, and make the county an attractive place to live and visit. We directly manage a countryside estate of some 6,000 acres of country parks, open spaces and greenways, together with a 2,500 mile network of public rights of way. We are custodians of these natural treasures and will protect and enhance them.

We will:

- **Deliver, and continue to evolve, our Climate Change Action Plan**
- **Work in partnership across Staffordshire to tackle climate change**

What will success look like:

- **The county council's carbon emissions are reduced**
- **Staffordshire's total carbon emissions are reduced**
- **Staffordshire's natural environment is protected and enhanced**
- **Increased flood protection**
- **A county more resilient to the impact of climate change**

Encourage good health and wellbeing, resilience and independence

Our health and wellbeing are influenced by many things, by our environment, our living conditions, and our own behaviour. Inspiring and encouraging everyone to look after their physical and mental health is at the heart of our ambitions for Staffordshire. The homes we live in, the jobs we do, the food we eat, and how much exercise we take, are far more important to our health and wellbeing than health services.

Covid-19 has increased demands on health and care services, and widened health inequalities across the county. It is more important than ever, that people take more control over their health and wellbeing, so that they can live longer in good health.

Research tells us that when people need help, it is often most effective when it comes from their family and friends. We want more people to draw on their personal strengths and to find support in their communities when they need it.

Funding and ensuring a stable, quality social care market is one of our greatest challenges locally and nationally. We will always step in when needed, to look after those who need support. And we will innovate and collaborate with our health partners and beyond, to support Staffordshire's care market to be able to meet demand and tackle workforce challenges. For our most vulnerable residents, who do need care, we aim to assess their needs quickly and fairly, and provide the quality services they need, at a price taxpayers can afford.

We will:

- **Promote good health and independence so that people can take personal responsibility for their wellbeing**
- **Ensure effective and efficient assessment of care needs that offer fair access to services**
- **Maintain a market for care and support that offers good services at an affordable price**
- **Ensure best use of resources, people, data and technology**

What will success look like:

- **A healthier population**
- **Increased use of community support to help people stay healthy and independent**
- **Timely social care assessments that are strengths-based and look first at what people can do for themselves, to achieve the best outcomes**
- **A care market that offers quality services at an affordable price**

Fix more roads, and improve transport and digital connections

Great places enjoy great connections. Whether by road, rail or ultrafast broadband, we want to make sure the people and businesses of Staffordshire are well-connected to one another, to the UK and across the globe.

Roads and transport are essential to everyday life, enabling us to see family and friends, get to work and school, access healthcare, shopping and leisure activities. Smooth, efficient and increasingly greener transport supports our economy to grow. However, vehicle emissions play a significant role in climate change. We will work in partnership to reduce these emissions, promote greener travel, and increase cycling and walking.

We know that improving our 6,200km of roads and 4,500km of pavements and cycleways is one of the top priorities for Staffordshire people. Maintaining and improving this network is very challenging. We need to do it with less funding from central government, costs are rising, and the growing county is making the network busier. Despite this we want Staffordshire people to see an improvement in our highways over the next four years.

Covid-19 is revolutionising how we work and live. Modern business operations, the growth in remote working, and reliance on technology to stay in touch with family and friends, make digital connectivity more important than ever.

Great digital connections supercharge economic growth. Access to fast, gigabit broadband services is a must, especially in rural areas, for Staffordshire to compete as a place to live and work, and for Staffordshire people and businesses to embrace the opportunities and benefits of this digital age.

The Superfast Staffordshire programme has connected 97% of premises in the county to superfast broadband services. But we are not finished. As well as finding solutions for the final 3%, our work will expand bandwidths and support 5G roll-out, expanding connections and our digital economy.

In the next four years, we will:

- **Develop a new investment strategy to fix more roads**
- **Transform highways operations, improving customer service and community engagement**
- **Achieve value for money in all spend on our roads and footpaths**
- **Work with telecommunication suppliers, communities and businesses to secure investment in gigabit infrastructure and technology, and connect more premises**
- **Improve bus travel in Staffordshire through a Bus Service Improvement Plan**

What will success look like?

- **Improvement in the condition of our highways**
- **Improved customer satisfaction for highway maintenance**
- **All properties in Staffordshire have access to gigabit-capable bandwidth by 2030**
- **Improved digital infrastructure contributing to economic growth**
- **Increases in walking, cycling and public transport usage**

Offer every Staffordshire child and young person the best start in life, and the chance to achieve their potential

We want every child and young person in Staffordshire, whatever their background, to have the opportunity to live happy and healthy lives.

Good education is fundamental to creating opportunities for our children and young people and improving life chances. In Staffordshire there is a mix of types and sizes of institutions, from early years through to adulthood, from individual childminders caring for a few children, to universities with 15,000 students. All play an important role in improving outcomes for children and young people. We will work with them all to further improve access to high quality education, and provide the right support in the right setting.

The early years are critical for laying the foundations for a lifetime of good health and wellbeing. This time offers the greatest opportunity to make a long-term, positive difference on what can be achieved in later life. We want every parent in Staffordshire to form a close bond with their child. We want parents to talk lots as this early communication creates hungry little minds, ready to learn. For those parents who face difficulties, we will work with families on their independence and resilience.

In Staffordshire our strong track record of improving the uptake of early years places has achieved positive results. We will continue to develop and evolve the early years provision and support available to our children.

Stable, loving families give children and young people the best start in life. We want more Staffordshire families to have the strengths, skills and knowledge to support their children. Families have told us they do not want to be 'in services', but instead supported by their friends and community to tackle day-to-day challenges. We will continue to develop the right approaches that help families build on their strengths and find the support they need in their communities.

Some families will need more formal early help from professionals, and a few will need statutory services and interventions. Where required, this will be timely, stop a situation worsening, and focus on helping families get back on track.

We are committed to working with others to keep our vulnerable children and young people safe. When the only safe option is for them to come into our care, we will explore whether they can be cared for within their extended family, if possible. When it is not, we want children in our care to have the best possible experience that supports better lifelong outcomes.

We will:

- **Make sure there are enough high-quality early years and schools places, which are accessible to all, including those with special educational needs and disabilities**
- **Promote the physical and emotional wellbeing of children and young people**
- **Deliver effective early help that is focused on helping families to get back on track**
- **Work with partners, parents and carers to keep the most vulnerable children and young people safe, and support them to achieve their potential**
- **Develop our workforce to help us recruit and retain skilled, diverse and experienced professionals**

What will success look like?

- **Improved school attendance with more children educated locally, and fewer children excluded from school**
- **Improved educational attainment**
- **More children in early years places, and ready to start school at the age of 5**
- **A reduction in the number of children and young people in care**
- **Securing permanent, alternative carers for those children unable to remain within their family, at the earliest possible opportunity**
- **Better outcomes for our most vulnerable children and young people**

How We Work

This plan sets out our ambitions for Staffordshire. To achieve them, we need to keep challenging and changing how we work, to make sure we deliver the very best for the people of Staffordshire. We believe the following four statements, need to be at the heart of everything we do as a county council.

Lead our workforce to be ambitious, courageous and empowered

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We want everyone who works for the county council to live our values in all they do; to be ambitious for Staffordshire, courageous in their work and empowered to make a difference. They are critical to achieving our vision, outcomes and priorities.

In 2019 we launched our People Strategy which sets out goals and aspirations for attracting, retaining and developing our workforce. Since then, we have launched a programme of work to attract and keep more talented people, make sure our workforce have the skills they need for now and the future, promote a positive working environment, and develop our current and future leaders.

Covid-19 changed how we work overnight. As the county council began to adopt flexible working in 2010, we were able to respond quickly and positively to our workforce working remotely. We will continue to invest in technology that supports modern ways of working, attracts talented people, but most importantly, continues to deliver the very best for the people of Staffordshire.

Encourage our communities to help themselves and each other

People who are independent and in control of their lives are more likely to enjoy better health and wellbeing. We need to continue to empower and inspire our communities and people to help themselves and each other. We therefore take an approach that looks at the strengths of our people and communities, thinking first about what they can do for themselves and others, rather than what they might need from us or our partners. Often the best solutions to personal or social problems do not need public service involvement. Inspiring communities to help themselves and act upon the things that matter most to them, leads to greater social action, supporting people to thrive and become more resilient.

Staffordshire's response to Covid-19 was inspirational, with people across the county doing their bit to support each other and the most vulnerable in their neighbourhood. Some communities have been badly affected by Covid-19, and we will work with them and our voluntary, community and social enterprise partners, to maintain and increase community action as we recover from the pandemic.

Use digital technology and data to connect, inform and support the people of Staffordshire

In this digital age, technology is fundamental to how we live, work and communicate with each other. The county council must continue to review and develop our digital approach in everything we do, from helping the economy to grow to improving the lives and opportunities of the people we serve.

In February 2021, we refreshed our Digital Strategy and Plan, to focus on our key priorities. We want to improve how we connect, engage and communicate with the people of Staffordshire, including improving self-serve and self-help tools. Having the right digital infrastructure in place across Staffordshire is key to making the most of digital opportunities, and improving digital inclusion across the county.

We want to make the most of the opportunities that digital offers to support our front-line workforce to support our most vulnerable residents and promote independence. We want to ensure we have the right digital infrastructure in place across Staffordshire to make the most of digital opportunities, and improve digital inclusion across the county.

Engage and listen to our communities, partners and businesses, working together to improve our county

We cannot achieve our ambitions without listening to, and working with our communities, partners and businesses. Collaboration is at the core of everything we do in the county council. We have a strong track record in working with public and private partners locally, regionally and nationally to make Staffordshire a great place to live, work and visit. We are united with our district and borough councils in our desire to enhance and strengthen two-tier working in Staffordshire. We will pursue a County Deal with Government to accelerate our ambitious plans, and build on the significant strengths that we have in Staffordshire.

We will continue to actively seek views and feedback from our residents, on the issues that matter most to them. We will continue to include our residents and communities in transforming and improving our services. In particular we want to make it easier for people to find out about the work we are doing, and easier to engage with us, by using the latest digital technology, streamlining our processes, and providing the right information at the right time.

Our Pledge

Our pledge to the people of Staffordshire is that we will spend our money wisely and well to deliver the greatest impact from every pound we spend. We will always live within our means.

The county council is financially stable and well run. However, the financial outlook for the whole of local government is challenging and uncertain. Covid-19 has impacted on our finances, due to the leading role we played, and continue to play in the response to and recovery from the pandemic. We must continue to find different ways to help more people to help themselves, and reduce demand for public services. If we succeed in this, we can target our resources on the people that really need them.

Our approach to financial planning has six strands.

- **Reduce costs to live within our means**
- **Use our assets wisely to gain the best return for the council**
- **Work with government to achieve fair funding, particularly for social care**
- **Develop initiatives and ways of working that encourage our communities to help themselves and each other, and use digital technology to make services efficient and effective**
- **Grow and support the economy**
- **Help partner organisations to build more homes**

Staffordshire County Council

Strategic Plan
2022-26

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Designed by Staffordshire County Council, Communications Department COP2313/21

COUNTY COUNCIL – 10th FEBRUARY 2022

Medium Term Financial Strategy 2022/27 and 2022/23 Budget and Council Tax

Recommendations of the Leader of the Council and the Cabinet Member for Finance and Resources

We recommend that:

(a) The County Council approve the following:

i) a net revenue budget of £567.826m for 2022/23 as set out in **Appendix 11**;

ii) planning forecasts for 2023/24 to 2026/27 as set out in **Appendix 11**;

iii) a contingency provision of £10.000m for 2022/23;

iv) a net contribution to reserves and general balances of £12.442m for 2022/23;

v) a budget requirement of £580.268m for 2022/23;

vi) a council tax requirement of £406.258m for 2022/23;

vii) a council tax at Band D of £1,401.30 for 2022/23 which is an increase of 2.99% when compared with 2021/22. This results in council tax for each category of dwelling as set out in the table below:

Category of dwelling	Council Tax rate £
Band A	934.20
Band B	1,089.90
Band C	1,245.60
Band D	**1,401.30**
Band E	1,712.70
Band F	2,024.10
Band G	2,335.50
Band H	2,802.60

viii) that the County Treasurer be authorised to sign precept notices on the billing authorities respectively liable for the total precept payable and that each notice states the total precept payable and the council tax in relation to each category of dwelling as calculated in accordance with statutory requirements;

ix) the Financial Health Indicators set out in **Appendix 10**;

(b) That the County Council consider and approve the following recommendations which are included within the Capital and Minimum Revenue Provision Strategy 2022/23, the Treasury Management Strategy 2022/23 and the Commercial Investment Strategy 2022/23 (**Appendices 9a to 9c**):

i. Approve the Minimum Revenue Policy for 2022/23 as contained within the Capital and Minimum Revenue Provision Strategy 2022/23 in **Appendix 9a**;

ii. Approve the Prudential Indicators as set out within the Capital and Minimum Revenue Provision Strategy 2022/23 at **Appendix 9a**;

iii. Approve the 2022/23 Treasury Management Strategy, based on the 2017 CIPFA Codes (Prudential Code and Treasury Management Code), and 2018 MHCLG Guidance (on Local Government Investments and on Minimum Revenue Provision);

iv. Adopt the Annual Investment Strategy (AIS) 2022/23 detailed in paragraphs 61 to 107 and Annex A and Annex B of the Treasury Management Strategy 2022/23 (**Appendix 9b**);

v. Approve the policies on reviewing the strategy, the use of external advisors, investment management training and the use of financial derivatives as described in paragraphs 108 to 118 of the Treasury Management Strategy 2022/23 (**Appendix 9b**);

vi. Approve the proposed borrowing strategy for the 2022/23 financial year detailed in paragraphs 39 to 56 of the Treasury Management Strategy 2022/23 (**Appendix 9b**);

vii. The Treasury Management Strategy recommendations will operate within the prudential limits set out in Annex C of the Treasury Management Strategy 2022/23 (**Appendix 9b**) and will be reported to the Cabinet Member for Finance, with respect to decisions made for raising new long-term loans, early loan repayments and loan rescheduling;

viii. Approve the Commercial Investment Strategy for 2022/23 (**Appendix 9c**) and note the circumstances under which commercial investments can be made;

ix. Approve the governance arrangements that are in place for proposing and approving commercial investments;

x. Approve a maximum quantum for commercial investments of a further £20 million in 2022/23;

xi. Approve a maximum limit for an individual service investment loan of £10 million in 2022/23;

xii. Any upwards change in the amounts of the limits specified in recommendations x and xi be delegated to the County Treasurer in consultation with the Cabinet Member for Finance and Resources.

(c) That the County Treasurer be authorised to adjust the contingency provision to reflect any grant and local taxation changes announced in the final 2022/23 Local Government Finance Settlement;

(d) That the Cabinet Member for Finance and Resources and the County Treasurer be authorised to challenge Cabinet, the Senior Leadership Team and services to manage and deliver the current five-year plans and to identify further cost reductions and income generation opportunities, as appropriate.

COUNTY COUNCIL – 10th FEBRUARY 2022

Report of the County Treasurer

Medium Term Financial Strategy 2022/27 and 2022/23 Budget and Council Tax

Introduction by the County Treasurer

1. I am pleased to be able to introduce the Medium Term Financial Strategy (MTFS) 2022/27 and the detailed 2022/23 budget and council tax proposals. The MTFS has been prepared in conjunction with the Strategic Plan and sets out the framework for the preparation of detailed revenue and capital budgets, decisions on council tax and savings and investment plans.

2. Section 25 of the Local Government Act 2003 places a requirement on the Chief Finance Officer to report to the Council on the adequacy of reserves and robustness of the budget. The Council must have regard to this report when making its budget decisions. I have set out my comments in paragraphs 69 to 71 of this report. Given the degree of review and scrutiny of the budget that has taken place, the level of the contingency provision and the risk-based assessment of the level of general balances, this does, in my opinion, provide the reassurance required under Section 25 of the Local Government Act 2003.

3. I would like to thank Cabinet, Overview and Scrutiny Committee Members, the Senior and Wider Leadership Teams and colleagues throughout the council for their help and support in developing the MTFS and 2022/23 budget.

Financial Planning - MTFS Underlying Principles

4. In February 2021 the Medium Term Financial Strategy for 2021-26 was approved. This included a balanced budget for 2021/22 and significant budget gaps in 2022/23 and 2023/24 in particular. The MTFS has included significant cost reductions each year for a number of years now including a total of £62 million to be achieved by 2024.

5. The position in February was a reasonably positive one, set against a backdrop of a pandemic and two national lockdowns, although large risks were present with the cost reductions required and the increasing demands for social care, both Adults' and Children's. Plus the uncertainty surrounding the pandemic and how long the increased costs would last and whether additional funding would be made available.

6. During the current financial year, the county council has received numerous grants, totalling around £30 million, from the government to fund specific

activities relating to the pandemic. In addition the County Council was allocated £16.2 million in 2021/22 for general Covid related expenditure, this was included within the MTFS report in February.

7. Since the end of most restrictions nationally, demand has increased for services and in particular demand for social care, both Adults' and Children's has increased. With this in mind, it is imperative that we review the financial plans with aims of understanding the impact of addressing the budget gap and underpinning the strategic plan to deliver effective services while living within our means.

8. Underpinning the planning framework is the council's aim of setting a Good and Balanced Budget.

9. Setting a **balanced** budget is a statutory requirement and means that:

- Income equals expenditure;
- Cost reduction targets and investment proposals are credible and achievable;
- Key assumptions are "stress tested".

10. The hallmarks of a **good** budget represent best practice. They are designed to ensure financial sustainability and mean that:

- It has a medium-term focus, supporting the Strategic Plan;
- Resources are focused on our vision for Staffordshire and our priority outcomes;
- It is not driven by short term fixes;
- It demonstrates how the county council has listened to consultation with local people, staff and our partners;
- It is transparent and well scrutinised;
- It is integrated with the capital programme; and
- It maintains financial stability.

11. We keep innovating and remodelling how we work by making more use of technology and data in this digital age. With less funding, we are looking at communities to take on even more responsibility and supporting people to make the best choices for themselves and their families so that fewer people need our help.

12. The financial plans set out the financial implications of the council's Strategic and Delivery Plans. The development and refinement of the Strategic Plan is undertaken in conjunction with the financial planning process to ensure that budgets reflect the council's aims and objectives.

13. The planning period is five years, which provides a framework that promotes longer term planning, this has proved difficult recently with single year settlements announced by the government.

14. Identifying efficiency through innovation and new ways of working has featured heavily in previous years' financial strategies and, in the light of the current economic climate will continue to be a fundamental part of the council's plans going forward. The council has a proven track record of delivering cost reductions with £138m being identified and delivered in the past six years (up to and including 2020/21).

15. The council still has significant challenges ahead and the way residents' needs are met must continue to evolve. The delivery of challenging cost reduction targets and the management of current and future pressures is crucial to the delivery of the financial plans and the aspirations set out in the Strategic Plan.

16. In February 2021, the MTFS included a balanced budget for 2021/22 but one that included more than £62m per annum of savings to be delivered by 2024. In addition to those already agreed savings, a further £19.7m is included in the current MTFS for delivery by 2026. This balanced budget included new and emerging pressures and investments, particularly in care services, and it is now necessary to update the financial plans for the changes and developments since February 2021.

Current Economic Climate

17. The Bank of England reduced the base rate to 0.1% in March 2020, just before the country went into a national lockdown. On 15th December, the Bank of England increased the base rate to 0.25% due to the increasing rate of inflation. Markets around the world have begun to recover from the impact of many national lockdowns. An increase in demand for goods has led to supply chain issues for many products which is slowing the pace of growth around the world.

18. Inflation is well above the HM Treasury target of 2%; currently the Consumer Price Index is at 5.1%. This is driven mainly by rising energy prices, transport costs and the costs of raw materials. The forecast is for CPI to increase possibly to as much as 7.0% by early 2022 and then start to reduce. Bank of England forecasts assume this should be back at the 2% target by mid 2023.

19. With this national picture in mind, the inflation assumptions in the MTFS are reflective of the situation. For contractual commitments there is generally a larger than 2% allocation for 2022/23 which then drops back to 2% from 2023/24 onwards.

Spending Review and other Government announcements in 2021

20. The Spending Round was announced on 27th October and it was a three-year announcement, setting departmental budgets up to 2024/25. There

was very little detail for local government but indications were positive that some of the one-off funding allocated in previous years for social care, could potentially be continued in 2022/23.

21. Other announcements were that the Adult Social Care Precept would continue and be capped at an increase of 1% in 2022/23. The MTFS approved in February had assumed an increase of 2% for this part of the precept and this represented a reduction in income of £3.9 million in 2022/23, rising to £23.3 million by 2026/27. Existing business rates reliefs that were implemented to help businesses during the pandemic will continue in 2022/23 and it is expected that the resulting loss in business rates income will be funded from additional government grant. It could also be inferred from the announcements around transport and infrastructure, that the Department of Transport allocation for highways investment and maintenance will continue at a reduced rate.

22. The government document ‘Build Back Better: Our Plan for Health and Social Care’ was published in September 2021 and it announced a new National Insurance Levy would be introduced from April 2022. This levy will be an additional rate of 1.25%, applicable to both employers and employees, and the funding raised would be used to fund both health and social care. This has introduced an additional cost to the County Council as an employer and also within contracts as providers seek to mitigate their own cost increases. It has been stated that the funding raised will be allocated initially to the NHS to assist them with reducing the backlogs and waiting times which have been exacerbated by the pandemic.

23. This was followed in December 2021 by People at the Heart of Care: adult social care reform white paper. This signalled the Government’s plans to introduce a series of reforms to adult social care including: an £86,000 cap on the costs that people pay towards the cost of their care in their lifetimes; a rise to £100,000 from £23,250 in the capital assets people are allowed before they are charged a contribution towards their care; and a requirement that local authorities pay a ‘fair cost of care’ with equalisation of the fees paid by local authorities and self-funders. These will substantially increase the numbers and costs of people eligible for local authority funded care. Estimates of the liabilities arising from these reforms have been included in this refresh of the MTFS however there remains substantial uncertainty about the impact on the Council.

Provisional Local Government Finance Settlement

24. The Provisional Settlement was announced on Thursday 16th December 2021 by Secretary of State, Michael Gove. This settlement followed the Spending Review announced in October. The Settlement is for one year only which does not assist longer term planning.

25. The funding announced in the Settlement included additional funding for social care and some continuation of existing funding streams. Revenue Support Grant and the Improved Better Care Fund both continued at 2021/22 levels with an uplift for inflation. New Homes Bonus has also continued in 2022/3 which is the last year of the previous arrangement but there is an additional, one-off payment in 2022/23 also.

26. The social care funding consists of an increased Social Care Support Grant which can be spent on both Adults' and Children's social care. The allocation for Staffordshire is £34.6 million which is an increase of £13.8 million over the current year. In addition to this there is a new Market Sustainability and Fair Cost of Care grant for adult social care and that allocation is £2.4 million but there will be conditions attached to this funding.

27. The Settlement also included a one-off Services Grant of £7.0 million which is unringfenced. Although the Settlement has included additional funding for Staffordshire, as a one-year announcement it makes longer term planning extremely difficult and there are significant risks that these funding streams will not continue in future years. The Settlement did announce a commitment to the long-awaited Fair Funding Review to begin in early 2022. At the moment the scope of this Review is not known but for planning purposes a similar level of grant support is assumed albeit there is clearly a risk to this approach given the changes likely from the review.

Projected pressures and cost reduction options

28. Services have made efforts to mitigate their own spending pressures in order to maintain a balanced budget. The impact on our communities has been carefully considered and is shown at **Appendix 1**. The current list of pressures, investments and savings options are attached as **Appendices 2a-2d** and the key impacts are discussed in the paragraphs that follow.

29. Health and Care is facing cost pressures from a rising demand for services as the population ages, and increasing prices of care due to inflation, in large part as a result of uplifts in the National Living Wage. The Covid-19 pandemic has had a profound impact on care providers with a further increase in costs due to requirements for enhanced infection control. In addition, demand has increased significantly since the easing of restrictions during the summer and consequently, forecasting levels of demand going forward is extremely difficult. In recent years there have been allocations of non-recurrent funding from Government, however the Government has not confirmed any recurrent funding.

30. In addition, the Government's plans for adult social care reforms mean that in future years, expenditure will increase due to larger numbers of people eligible for funding from the Council for their care, lower income from clients, and higher prices in the market. Modelling is being

undertaken to refine estimates of the cost arising from these reforms and the MTFS assumes additional costs will be contained within the new grant funding made available. Additional funding has been promised by Government however there remains a great deal of uncertainty about whether this will be sufficient to cover the costs or whether there will be a net liability on the Council. At this stage it has been assumed that grant will increase in line with published increase to national control totals and will be adjusted when further information on the grant distribution is known.

31. Health and Care continues to make progress towards delivery of the planned savings approved in the MTFS for 2021/22 and future years. A number of savings have been delayed during 2020/21 due to the pandemic. These have been met with planned use of Covid-19 monies. A number of planned savings have been delayed or are unachievable in future years. Again the directorate has identified alternative savings to offset these.

32. Actions are ongoing to manage demand including to expand and make better use of voluntary support in the community, to quality assure new assessments and regularly review people already receiving care to ensure appropriate interpretation of Care Act eligibility criteria.

33. Actions are also ongoing to manage prices including to manage choice of services in line with our powers under the Care Act, to make use of new technologies to generate efficiencies, as well as to block book nursing home beds and develop new nursing home capacity.

34. The Families and Communities current plans and new options continue to be dominated by the transformation of the Children and Families system specifically; against a backdrop of rising costs and constraints on funding; workforce transformation, including a shift to community supported locality models and greater use of volunteers. This service area has also seen a significant increase in demand following the easing of Covid restrictions and it is anticipated that there will be further increases following the national review announced recently.

35. Within the children’s social care system the planned transformation went live in October which was slightly later than planned. The redesign, which is informed by best practice, seeks to change both the practice and culture across the children’s system. It will enable a whole system approach, bringing together children’s social care, SEND and Inclusion, the Place Based Approach and commissioning. It is essential for the delivery of revised practices / cultures that underpin the necessary MTFS savings and reshaping of SEND.

36. Increasing numbers of EHCPs is placing further pressures on SEND services including Home to School Transport.

37. The High Needs Block is currently forecast to overspend by £7.5m and reflects continuing growing demand for SEND support. This overspend will be charged against the DSG reserve which, at the end of 2020/21 was already £2m in deficit. Staffordshire County Council is not alone in this difficult financial predicament, in fact it is a position shared by the majority of councils across the sector. It is forecast that the SEND transformation programme, with the full roll out of the district hub model, will provide a more inclusive system that enables the necessary early support and intervention to manage demand within overall resources.

38. Outside the issue of social care, there are pressures in other service portfolios with the main one being around highways maintenance and development. In 2020/21, the government grant provided for highway maintenance was reduced significantly. Consequently the MTFS includes an investment in highways in 2022/23 which will help to reduce the maintenance backlog and will mitigate the impact of the grant reduction. An amount of £15.5 million is included in the Capital Programme for this purpose and an additional £1 million is included in the MTFS for revenue costs associated with the transformation programme in this service. If the changes made to highways, including pilots from 2021/22, produce positive results then there is scope to increase this revenue allocation by a further £1m, funded from earmarked reserves, and this will be monitored and reported through the quarterly Integrated Performance reports to Cabinet.

39. The Waste service is also facing increasing pressures due to larger tonnages being received. This trend began in 2020 during the first lockdown and is continuing. This and current contract negotiations have required additional investment to be made in this service. There is also additional investment in climate change to support delivery of this part of the Strategic Plan.

40. Support services are generally living within their means and are identifying savings where possible to mitigate any emerging pressures. In response to the increased demand for Children's Services, there are pressures arising in Legal for support to this service area.

41. The total pressures and cost reductions, including the increasing pressures and savings from previous years, are shown in the table below. A summary by Directorate is attached at **Appendix 3.**

	2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	£m	**£m**	**£m**	**£m**	**£m**
Pressures	30.089	58.002	76.725	90.647	90.877
Inflation	16.473	26.904	36.636	46.591	56.777
Savings	(16.834)	(24.487)	(23.989)	(21.677)	(19.677)
Investments	(0.522)	(1.340)	(1.355)	(1.355)	(1.355)
Net movement	**29.206**	**59.079**	**88.017**	**114.206**	**126.622**

Risks

42. There are a range of significant risks which need to be carefully monitored and managed. In some cases, the risks may not materialise or may be managed to mitigate their impact on the budget.

43. There is a huge level of uncertainty in the MTFS due to a number of factors. The full impact of the pent-up demand released by the relaxation of Covid restrictions has not yet been felt and it is not clear how long-term this will become.

44. There has been a Fair Funding Review promised for some years now and this has been delayed due to the pandemic, however it was announced that this will commence early in 2022. At present the scope of the Review is unknown and there will be consultation with local authorities which is welcomed. In addition, reforms of the business rates system have been discussed prior to the pandemic and it would be beneficial for this work to be completed and contribute towards the Fair Funding Review. The outcome of both pieces of work are desperately needed to provide some certainty for financial planning.

45. The biggest risks are in social care. This includes our ability to continue to control demand as the population continues to age, and the success of ongoing actions to control prices. These also need to be seen against a backdrop of ongoing pressures in the local NHS, which tend to drive up both demand for and the price of care.

46. The Government's plans for adult social care reforms mean that additional expenditure will be required to fund the costs of care for many people who are currently self funders, and to meet higher prices in the market as local authority and self funder fees move toward parity. Clarification of details by the Government and further modelling is required to refine estimates of the cost arising from these reforms as well as the funding from Government to meet them. There are growing fears that costs will significantly exceed the funding available.

47. Risks are inherent in the whole system around Children's and Families' including risks around capacity in the courts to facilitate children leaving care, new ways of working not being fully embedded to support delivery of children and families system transformation. There is also risk around any potential response to national issues surrounding care arrangements.

48. There is a medium-term risk in the negotiations of the contract with Entrust that the County Council becomes committed to a level of spend it cannot afford, particularly if other risks materialise.

49. In relation to the council's capacity to deliver, there is an increasing risk that restructures are not embedded in services. The reduction in resources, particularly corporate support resources, would also impact on the capacity to support and deliver key strategic aims such as people helping people, digital, and economic growth to deliver additional council tax and business rate receipts etc. Prioritisation of scarce resources is key to managing the impact of this risk.

50. The level of waste tonnages being disposed of in recent years has increased and this represents a risk that current budgets will not be enough in future years. In addition, there are significant risks attached to the renewal of major waste disposal contracts, in particular around waste to energy facilities, in future years.

51. Loss of specific grants and hence income to the authority is a risk. There is a prevalence of bidding processes for funds which takes capacity from other service provision and is also very reactive. A better approach is to allocate funding directly to authorities for them to decide how best to spend it in their local areas.

52. The current level of inflation is forecast to reduce but there is a risk that it does not reduce as quickly as expected and this will result in increased pressure on budgets.

53. There is an increased risk of spending exceeding budgets and/or income falling short of budgets. The council has a proven track record of delivering significant cost reductions. However, the scale, complexity and pace of the changes still required enhances the risk that not all the cost reductions identified will be delivered within the required timescales. There is a heightened risk associated with plans not being delivered and outcomes not achieved. In previous years and for a variety of reasons, some transformation programmes have not fully achieved the targets set and therefore appropriate contingency arrangements need to be in place. To respond to these increased risks, the Contingency budget is planned to be around £10 million each year, reducing as the risk of cost reductions not being achieved reduces.

54. Delivery Plans now need to be revised in the light of the financial situation facing the council. Services need to continue to closely monitor the council's transformation programme including, where appropriate, options to severely restrict or even stop providing some services. The governance arrangements for this significant programme include regular reports to Informal Cabinet, Overview and Scrutiny Committees, Senior Leadership Team, Delivery Board, Service and Project Boards.

55. With regard to the risk of overspending against budget, thorough budget preparation and detailed monitoring during the year, coupled with personal financial accountability, minimises this risk. Furthermore, Finance Business

Partners can identify any concerns at an early stage, advise management teams and recommend measures to mitigate the impact. Budget monitoring reports are regularly considered by management teams and by Overview and Scrutiny Committees, Portfolio Holders, SLT and Cabinet on a quarterly basis.

56. As the county council continues to transform, we recognise this also presents a potential significant impact for some of our communities, individuals and staff. Community Impact Assessments (CIAs) are therefore a critical component of the council's decision making processes. Each of the options outlined in this paper is likely to have a very different impact and affect different groups of people, therefore where appropriate these will require a specific CIA tailored for that service.

57. As such, services will undertake full and detailed Community Impact Assessments (CIAs) where there is a change to service, commissioning or policy, in line with its CIA framework. This includes identifying those potential negative impacts where changes could affect different groups of people and seek to identify those key actions we will take to reduce any negative impact, protecting Staffordshire's most vulnerable where possible.

58. There will be corporate support and guidance offered in assisting services in the development of their CIAs, ensuring they are developed at the earliest stage, inform thinking and are continually reviewed as part of implementing changes.

Sensitivity Analysis

59. In terms of assessing the impact of changes under various scenarios the following table sets out a guide to the effect of changes to the major cost elements/funding streams:

Impact of (+ or -)	Equates to (+ or –)
1% Council Tax	£ 3.9 million
1% Business Rates growth (SCC receives 9% of the total collected rates across Staffordshire)	£2.8m across Staffordshire, of which SCC receives £256k (9%)
1% Pay award (excludes staff funded from specific grant (e.g. Dedicated Schools Grant)	£ 1.5 million
1% Non-pay budget	£ 0.5 million
1% Interest (on balances)	£1.4 million

60. Details regarding the assumptions used in the financial planning exercise for the major cost elements and funding streams are attached as **Appendix 4**.

Council Tax and Business Rates

Council Tax

61. The current assumption in the financial plans contained in this report is that the general council tax increase (i.e. in line with the principle of taking the tax increase allowed by government up to the referendum limit) is 1.99% for 2022/23 and thereafter. In addition, the Spending Review announced that the government would permit social care authorities to raise council tax by a further 1% to help with funding pressures in social care. This additional increase is also included in the financial plans in this report and is assumed for future years at an increase of 1%.

62. The council has not exceeded the referendum limit. However, it is legally permissible to set a council tax increase in excess of the limit, subject to taking the increase to a public referendum. This is not a decision that would be taken lightly, while it remains an option, significant sums of money would be required to hold a referendum and, by its very nature, the outcome of the referendum is uncertain. To date no referendum in the UK has ever supported an increase in Council Tax.

63. The District and Borough Councils have provided their tax bases to allow the council tax to be calculated. The council tax for the County Council is calculated by dividing the council tax requirement by the notified council tax base. The council tax base is the number of households in the county area expressed as a Band D equivalent.

64. An increase in the tax base of 0.6% had been assumed, in accordance with the 2021/22 MTFS. This reflected the impact of the pandemic and the reduction seen in 2021/22. However, the notifications show an increase for 2022/23 of 1.6%. Details of the council tax base by District and Borough council are attached as **Appendix 5**. Following discussions with District and Borough Councils, the MTFS assumes a steady increase over the MTFS period.

65. District and Borough councils are required to declare the surplus or deficit on their council tax collection funds each year. The surplus or deficit is then reflected in the council tax bills for the following year, due to the pandemic, authorities across the country had large collection fund deficits last year. New regulations have been introduced to permit these deficits to be spread over three years. The estimated position set out in **Appendix 5** shows the overall surplus relating to 2022/23 of £4.982m which includes the second of the three-year deficit spreading payments.

66. The County Council must notify District and Borough Councils of its council tax rate for each property band before 1st March each year. The council's proposed council tax at Band D is £1,401.30 which is an increase of £40.68 per annum for the average taxpayer. As there are no special expenses for the council, the same rate applies across all District and Borough Councils. The table below sets out the council tax proposals for each category of dwelling. The Band D rate produces a Council Tax Requirement of £406.258m for 2022/23. Details of the precepts due from each District and Borough Council are shown in **Appendix 5**.

Category of dwelling	Council Tax rate £
Band A	934.20
Band B	1,089.90
Band C	1,245.60
Band D	**1,401.30**
Band E	1,712.70
Band F	2,024.10
Band G	2,335.50
Band H	2,802.60

Business Rates

67. Businesses across the globe were hit by the pandemic and many have continued to struggle this year. This means that the income we receive from business rates is a reduction compared with the amount originally assumed in the MTFS for 2022/23. In addition there is a large collection fund deficit for business rates and in order to balance the budget a contribution from the Local Taxation reserve has been used.

68. In the current year, the county council is part of the Staffordshire and Stoke on Trent Business Rates Pool which means we can maximise the amount of business rates income retained in the County and City. It is intended that the County Council remain a member of this Pool for 2022/23.

Review of Reserves and Balances

69. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report to the Council on the adequacy of proposed reserves and the robustness of the budget.

70. The earmarked reserves and provisions have been reviewed to make sure they are still required and that they are adequate. As part of producing the formal accounts of the council for 2020/21 earmarked reserves were reviewed. Excluding those reserves earmarked for schools, the remaining reserves are deemed to be fit for purpose for matters such as insurance claims and capital investment. This review of reserves can be seen at **Appendix 6**. Alongside this review, the level of Contingency has been assessed and included in the MTFS at an initial level of £10m pa to reflect the increased risks facing the council at this time.

71. At the end of 2020/21, general balances were £47.3m. The events of the past two years have proved the importance of holding balances against uncertainties. The risk assessment considers the uncertain future economic and funding outlook and the risks surrounding the financial plans which are set out in this report. It is quite clear that in several areas, e.g. adult social care and looked after children, that the level of risk facing the council has increased substantially. In addition, the lack of clarity around future funding levels has been taken into consideration. The assessment, attached as **Appendix 7**, has concluded that £55m is deemed to be the appropriate sum required for the council and an additional contribution has been included in the 2022/23 budget.

Capital, Treasury Management and Commercial Investment Strategies

72. The capital programme is over £100m in 2022/23. The main projects included in the programme are:
    - A new First school at Park Farm;
    - Two new Primary schools at Fradley Park and Deansdale, Lichfield;

- Expansion of a number of primary schools across the county, plus two new schools;
- Creation of the Stafford History Centre including new storage, new covered courtyard area and a repurposing of the Grade II listed William Salt library building;
- Work will begin on the Chatterley Valley West project to unlock disused industrial land, creating an employment site;
- An additional contribution of £15.5m to the Highways programme to facilitate pothole and carriageway condition improvements.

73. Further details of the Capital Programme 2022 – 2027 can be seen at **Appendix 8** together with funding information. The Programme assumes the continuation of the 5% top slice of general capital allocations to help fund corporate priority projects.

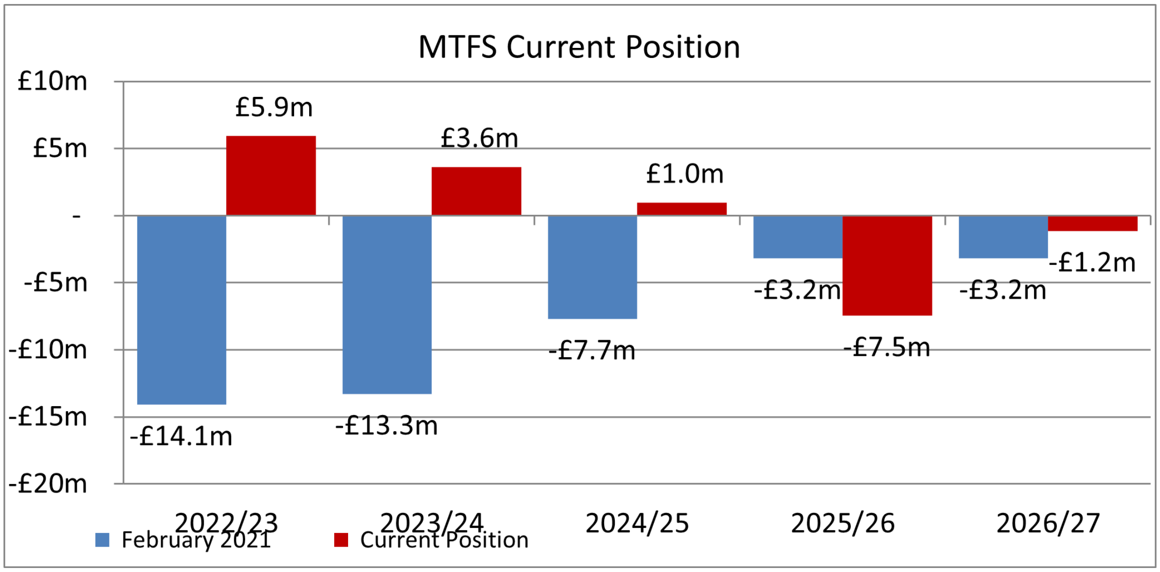
74. The Capital Strategy is attached to this report as **Appendix 9a** and it explains how the capital programme will be funded and the implications for that funding on the revenue budget. The implications for the revenue budget are described in the Minimum Revenue Provision Policy, this is Annex A to the Capital Strategy. The Capital Strategy is interconnected with the Treasury Management Strategy (**Appendix 9b**) and the Commercial Investment Strategy (**Appendix 9c**). All three strategies show how the County Council's investments, whether in its services or in a commercial venture, can be funded and what the implications are for that funding. Whilst the Commercial Investment Strategy continues as in previous years, the Treasury Management Strategy shows that the County Council will continue to follow the policy of using cash rather than taking out external borrowing. For its investments, the Council maintains a prudent approach, concentrating its investments in lower risk money market funds (MMFs), government deposit and local authorities.

75. In addition, the County Council produces Financial Health Indicators to assure Members that the Council is on track to deliver its financial strategy. These Indicators are attached at **Appendix 10** and performance against these will be monitored and reported throughout the year.

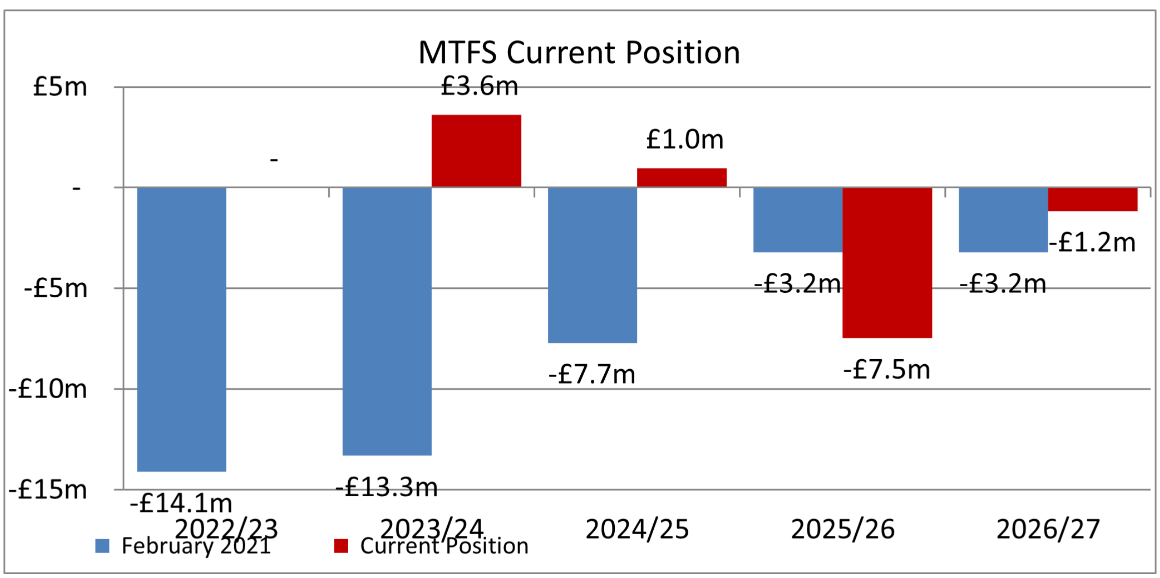
Summary of Medium Term Financial Strategy

76. In February 2021, a budget gap of £14.1m was reported for 2022/23 and a similar large gap for 2023/24. Since then, services have faced increased demand and have also identified further cost reductions to help mitigate the pressures.

77. Following the Provisional Local Government Finance Settlement with increased funding for social care and assuming the spending pressures and savings options identified in **Appendices 2a-2d** are approved, the current position is shown in the graph below:



78. The graph shows that there is some headroom in 2022/23 but a budget gap exists in 2025/26. Therefore if the headroom in 2022/23 is contributed to reserves, it can then be used in future years to bridge the budget gap and ensure a balanced position across the MTFS period. It is hoped that the Fair Funding Review together with further information on social care reforms will provide some certainty over financial planning for the whole MTFS period to ensure it remains balanced. Following the contribution of the headroom to reserves, the position is as shown in the graph below:



79. The Spending Review expected in 2021 will hopefully cover a longer period of time and will therefore provide some financial certainty for the MTFS and it is hoped will help to close the gaps in future years. It is proposed that further cost reductions and one-off resources are used to balance the budget in 2022/23 and 2023/24, until the government provides more clarification on future funding levels. This would result in a balanced MTFS across the period but would mean that one-off funding sources were fully utilised and could not therefore be used for any other initiative. In addition, the use of any one-off resources would need to be repaid over a period of time.

80. The 2022/23 draft revenue budget for each service area together with planning forecasts for future years is attached as **Appendix 11.** An analysis of the year on year changes to the budget is summarised in **Appendix 12**, while **Appendices 13a-13d** provide details of the budget allocations within each portfolio.

Consultation

81. Attached at **Appendix 1** is the Community Impact Assessment which sets out the approach to assessing the impact of the savings options on communities and provides an analysis of the potential cumulative impact of the options. This assessment will be revisited throughout 2022/23 as the savings options are implemented to ensure mitigations are developed to minimise any potential negative impacts.

82. Business ratepayers were consulted on 18th January 2022 when they met with the Leader, Finance Portfolio Holder and key officers. Business ratepayers welcomed the actions taken by the County Council during the pandemic and also the plans for the future. Businesses appreciate working in partnership with the County Council and have stressed that remaining flexible is important to them. In addition, savings options will require specific consultation as necessary to deliver the changes proposed.

83. Consultation with the Trade Unions took place on 27th January 2022. Concerns were expressed regarding the deficit on the High Needs Block of the DSG grant, the rising costs of SEND Transport and also the issues being experienced in the social care market. The County Council was praised for its response in recent months in getting funds out quickly to social care providers.

Corporate Overview and Scrutiny Committee Comments

84. A good budget is transparent and well scrutinised. Scrutiny has been undertaken on the results of the MTFS exercise by the Corporate Overview and Scrutiny Committee, in parallel with consideration by Cabinet. As in

previous years this committee has established a working group specifically to scrutinise the financial plans.

85. The Committee has scrutinised the detailed spending pressures and cost reduction proposals. In addition the Committee has interviewed Cabinet Members and has considered best practice from other local authorities. The report of the Committee, which concluded that the MTFS and 2022/23 budget met the principles of being a good and balanced budget, was considered by Cabinet at its 26th January meeting. The Committee's comments and recommendations along with Cabinet's response are attached as **Appendix 14**.

Conclusions

86. Members have committed to delivering value for money for residents and businesses and living within the means available to the council. It is evident from the analysis contained in this report that this is becoming increasingly difficult to do. Balanced budgets for future years have not been possible without tough decisions being made on services that affect the lives of many. To deliver on its pledge this does mean that if nothing else changes, in terms of increased funding from government, then what is set out in this report is what this council will need to do.

87. That means thinking differently about what more we can all do for ourselves and what we expect to be paid for from the public purse.

88. The council remains ambitious for Staffordshire, exploring new options and areas to make our county better. The Council has a clear ambition to spend as much as we can afford on maintaining and improving Staffordshire's roads and is taking a first step in doing this next year and will monitor the impact of this initial additional investment during 2022/23. The council remains committed to supporting the local economy to recover from the effects of the pandemic. As ever, we continue to be mindful of the vulnerable adults and children in our communities who need our help and support. Clearly the impact of Social Care Reforms represents a significant risk to the council in future years, as does the impact of the Fair Funding Review. In the light of these significant risks, we need to remain flexible in our ability to fund unforeseen costs, should these risks materialise.

89. The longer-term vision for the council is set out clearly in the Strategic Plan. Members of Cabinet are not prepared to do things which undermine the medium/long term view which is essential to ensure sustainability as an authority. The financial situation is balanced in the medium term but this includes some significant risks and assumptions around funding.

Rob Salmon
County Treasurer

List of Appendices

1. Community Impact Assessment

2. Detailed Pressures, Savings and Investments

   a Health and Care
   b Families and Communities
   c Economy, Infrastructure and Skills
   d Corporate Services

3. Summary of Pressures, Inflation, Savings and Investments

4. Major assumptions used in MTFS

5. Council Tax Base, Collection Fund and Precepts

6. Review of Earmarked Reserves

7. Risk Based Review of General Balances

8. Capital Programme 2022/23 to 2026/27

9. a. Capital Strategy
   b. Treasury Management Strategy
   c. Commercial Investment Strategy

10. Financial Health Indicators

11. Proposed Net Budget 2022/23 and Planning Forecasts 2023/24 to 2026/27

12. Summary of Budget Changes

13. Directorate Budget Summaries

    a Health and Care
    b Families and Communities
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14. Recommendations of the Corporate Overview and Scrutiny Committee and Cabinet's responses

Equalities implications:

The overarching equalities implications are at the heart of political deliberations with interconnecting links. This interconnectivity is key to delivering within Staffordshire, the best value for money for all. Specific equalities implications arising from the issues covered by this report will be incorporated into outcome and service plans. Equality Impact Assessments will therefore be undertaken for each specific issue, where appropriate.

Legal implications:

There are no specific legal implications presented by this report.

Resource and Value for money implications:

The Resource and Value for money implications are set out in the report.

Risk implications:

Risk implications are outlined in paragraphs 42 – 58 of the report.

Climate Change implications:

We have considered the impacts on climate change whilst developing the MTFS and have, in line with the council's key priority concentrated on reducing our carbon footprint in future service delivery plans. As an organisation, over the medium term we are encouraging greater flexible working which aims to reduce emissions even further.

Health Impact Assessment

The impact on public health has been considered whilst developing the MTFS. Innovation and Efficiency options proposed aim to improve and promote the health of citizens through closer working with the NHS. Further implications will be incorporated in the Outcome Plans for Staffordshire as a place where people live longer, healthier and more fulfilling lives.

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Annual MTFS Community Impact Assessment Report

2022/23

Author: Keith Luscombe, Strategic Policy and Partnerships Manager / Amanda Dawson-Blower, Strategic Policy Officer

Date: 17 January 2022

Annual MTFS Community Impact Assessment (CIA) – 2022 / 23

1. Background / Overview of MTFS CIA Process

1.1. Staffordshire County Council's Community Impact Assessment (CIA) policy forms a critical component of our decision-making processes. It sets out a clear and consistent organisational approach to how we assess the impact of service changes, commissioning and strategy for communities.

1.2. In November 2018, Staffordshire County Council established an annual Community Impact Assessment (CIA) of its Medium-Term Financial Strategy (MTFS). The purpose of this is to provide a high level, strategic assessment of MTFS impact each year, considering the cumulative impacts of key MTFS savings proposals and examining what these may mean for Staffordshire's communities, places and most vulnerable residents.

1.3. The MTFS includes continued investment to make a positive difference for Staffordshire and our communities and has recently undergone its annual review, along with the development in tandem of the Strategic Plan. Together this sets out our ambitions for Staffordshire, how we will work to gain the maximum impact and deliver value for money. This is all for approval by Cabinet in January 2022. The potential cross-cutting community impacts across this all are a key consideration, and to accompany this, the MTFS CIA has also been updated below to consider any additional savings proposals, alongside continued Covid-19 learning and key impacts. This paper also provides a progress report against the previously identified five CIA priorities identified in the 2021/22 CIA; and refreshes the list of CIA priorities for the upcoming year.

2. MTFS CIA Priorities (2021/22) – Progress Update

2.1. The MTFS CIA presented to Cabinet in January 2021 reported the following five proposed savings options with the highest potential impact on our communities and the places they live:

- Children, Young People and Families transformation phase 2 (including SEND)
- Community Offer for Learning Disabilities
- Savings to Mental Health Recovery Service
- Home Care Policy on High Cost Packages
- Rural Review and Reorganisation (including countryside estates and rights of way)

- Also, ongoing review and monitoring of Policy on Winter Grit Bins (and any potential service change to Winter Service if appropriate)

2.2. The assessment also identified some cohorts as being at greater risk of potential cumulative impacts as a result of the MTFS savings proposals, these were:

- Disabilities
- Children and Young People / Families
- Localities

2.3 Appendix A provides a progress update against each of the MTFS CIA priorities listed above in paragraph 2.1, as well as an overview of the known impacts on communities and the priority cohorts also listed above in paragraph 2.2.

2.4 The main finding of this work is that, alongside Staffordshire's continued strong response to the pandemic, through working closely with partners, key stakeholders, the community and our workforce to ensure continued delivery of services, the service impact on some of our key vulnerable groups has been mitigated. This includes changes to the Children, Young People and Families transformation, the Rural Review and Reorganisation, and the Recovery of Mental Health Services. Where changes have gone ahead, full individual service CIAs have been developed and conversations have taken place both internally and with stakeholders to ensure potential impacts are minimised.

2.5 In addition, the MTFS CIA Task and Finish Group met in November 2021 to review and discuss each of the five MTFS CIA priorities. The group identified a number of cross-cutting themes which have helped to mitigate the impact of current changes on individuals and our communities.

- **Doing things differently / continued learning from Covid-19** – remaining at the forefront of managing Covid-19, the County Council has managed the impact on our services, delivering some of these in a different way and managed the impact on the communities we serve. This has brought opportunity to do things better, work closely with partners and strengthen existing relationships. The continued learning has helped in the development of mitigations, such as the increase in demand for country parks leading to changes to the Rural Review and Reorganisation programme, the delivery of Mental Health Recovery Services requiring providers to work differently, and the County Council is now commissioning its own service. Also the Children and Young People's transformation programme required significant virtual consultation and engagement, with communications and a strong focus on well-being helping ensure all staff and stakeholders were kept informed and supported throughout.

- **Partnerships** – Working closely with partners continues to enable the effective implementation of some key MTFS changes, minimising the impact for local communities. Changes happening in rural communities, embedding the Children, Young People and Families transformation programme and the policy on winter grit bins has required us to work closely with providers, District, Borough and Parish Councils and the VCSE sector to minimise any potential negative impacts.

- **Communities** – Similarly, working with individuals, communities and the VCSE sector to help minimise the impacts of change has proved successful in a number of areas. This includes empowering our communities through our Doing Our Bit programme, which was key during the pandemic, and redesigning our approach to Children and Families (including SEND) and Mental Health Recovery services.

3. Impacts of Covid-19

3.1. The MTFS CIA presented to Cabinet in January 2021 clearly recognised the significant impact that the Coronavirus pandemic has had on the work of the Council and some of our most vulnerable residents.

3.2. Considering and understanding the impacts of COVID-19 on our residents and communities remains at the heart of all of our recovery plans and activities. This is also key to the MTFS annual review and development in tandem of the Strategic Plan.

3.3. In October 2021, Cabinet considered and endorsed an update on the Council's approach to recovery and a Community Impact Assessment was undertaken to understand the impact of Covid-19 on Staffordshire. This continued learning has been informed by a Staffordshire Covid-19 Residents Survey carried out in 2020 to provide further insights into how the early effects of the pandemic had impacted residents and actions needed to be taken to help Staffordshire's communities and businesses recover.

3.4. A follow-up Covid-19 Resident Survey took place in October and November 2021. This is to ensure the County Council continues to listen to residents to understand the pandemic's ongoing impact on the people of Staffordshire, as well as priorities for recovery. Findings from this latest survey will build on those previously gathered in 2020 as a way of understanding any ongoing or emerging impacts. Results are anticipated to be available in early 2022 and the MTFS CIA will be updated to reflect this all, as will individual CIAs, as appropriate. Collectively this will focus on those key groups identified as potentially negatively impacted more than others. Previously these were:

- **Elderly** and individuals with a **disability/limiting illness** – having been at greater risk of Covid-19 and also suffering the wider implications of lockdown such as access to healthcare, wellbeing impacts, such as loneliness and isolation and digital exclusion.

- **Younger people and parents** – with disruption to education, but also young people experiencing personal impacts associated with limited social interaction and impact on their emotional wellbeing.

- Those **furloughed** – reporting an overall worst experience during the pandemic, driven by the impact on household finances and concerns regarding their employment situation.

3.5. We have worked hard to protect vulnerable people through the pandemic with our multi-agency partners across the public sector, strengthening existing relationships and developing new ways of working where required. We have and continue to work closely with our communities, including the local VCSE sector, who have been vital in supporting our response. For example, through anchor organisations leading the community response during the Pandemic, the surge in local and informal volunteering, help from the local community and through County Council Staff volunteers, including delivery of food and other essential supplies, medication collection, and support. Also working closely together through Elected members funding schemes, such as the #DoingOurBit Community Grants Scheme.

4. MTFS CIA (2022/23) – Summary of Key Findings

4.1. A refresh of the MTFS CIA has been undertaken, in line with the production of the MTFS 2022-27 and Strategic Plan. This is to ensure we identify any additional saving options proposed by the MTFS and consider the cumulative impacts of any changes. **This analysis can be seen at Appendix B to this report.**

4.2. The table at Appendix B provides an assessment of the potential impacts on communities, based on proposals set out in the refreshed MTFS for 2022-27, as well as an overall community impact rating for the respective Council business area.

4.3. As this year's MTFS is largely a refresh, along with service delays experienced due to Covid-19, many of the current MTFS CIA priorities remain relevant for the upcoming year. The assessment identified only one additional savings proposal as having a potential high impact on our communities and the places they live:

- Strategic Review of the Care Market

4.4. Each of these areas of work will have full and detailed individual service CIAs as part of the Council's CIA process. Where a CIA has already been undertaken, regular updates and monitoring will be completed and recorded in the assessment as changes progress to ensure they remain up to date and relevant.

4.5. The assessment also identified cumulative impacts for key groups / areas potentially most impacted by the CIA priorities for 2022/23 (listed in paragraph 5.2), these are:

- **Disability / Older People –** There are a number of savings proposals in the MTFS that result in changes to people with disabilities across both Families and Communities and Health and Care. These include the embedding of the Children, Young People and Families transformation (which includes the SEND review), the Mental Health Recovery service and programme, the Community Offer for Learning Disabilities, along with changes for older people through the Strategic Review of the Care Market and Home Care Policy on High Cost Packages. Wider ongoing impacts of Covid-19 on this cohort also need to be considered in individual service CIAs, and as part of the County Council's continued approach to recovery, to identify any risks of a change to service and mitigations to minimise the impact.

- **Children and Young People/Families** – The Children, Young People and Families transformation programme will continue to change how services are delivered and received; and will impact upon several different cohorts, particularly children and young people, their families and carers, and children and young people with disabilities. As change is further embedded in the coming year, continuing to monitor and mitigate any impacts will be vital. Wider Covid-19 impacts previously identified young people's emotional wellbeing as a key negative impact. The follow-up Covid-19 Residents Survey findings and continued learning will need to factor into wider service developments, as appropriate, for these communities.

- **Localities** – Crucial to a number of the proposed savings options identified in the refreshed MTFS 2022-27 will be close working with local communities and our partners in Borough, District and Parish Councils, as well as with the VCSE sector and Providers. These include embedding the Children, Young People and Families transformation, Review of Countryside Estates and Rights of Way, Community Offer for Learning Disabilities, and the Mental Health Recovery service.

5. Revised MTFS Community Impact Assessment Priorities for 2022/23

5.1. Following the ongoing work to review the existing CIA priorities from last year's MTFS CIA, and the above assessment of the latest proposals set out in the MTFS 2022-27, a refreshed list of six CIA priorities is set out below.

5.2. This list is a combination of existing priorities from 2021/22 that are still to be implemented and/or impact monitored, along with new options proposed in the revised MTFS for 2022/23 that have the highest potential impact on communities:

- Embedding the Children, Young People and Families transformation phase 2 (including SEND)
- Community Offer for Learning Disabilities
- Savings to Mental Health Recovery Service
- Home Care Policy on High Cost Packages
- Rural Review and Reorganisation (including countryside estates and rights of way)
- Strategic Review of the Care Market

5.3. The MTFS CIA governance process will ensure an ongoing dialogue and analysis with partners on the implementation of these CIA priorities, to ensure any potential impacts on communities are mitigated where possible.

5.4. The work of the MTFS CIA Task and Finish Group will also continue to bring together CIA service leads for the work listed above to share progress, discuss emerging cumulative impacts, develop cross-cutting mitigations and act as a mechanism for the ongoing monitoring and review of these at a corporate level.

5.5. This will accompany individual service CIAs in line with our corporate CIA policy. The individual CIAs will consider in greater depth the specific impacts for each of these workstreams on our communities, people with protected characteristics, as well as considering wider impacts such as climate change, the environment, economy and health and care. How we can work with local partners, members, the VCSE sector and communities to mitigate any potentially negative impacts will also be key considerations.

6. Next Steps

The MTFS CIA Task and Finish Group membership will be refreshed and continue to convene to monitor progress and discuss cross-cutting impacts.

Appendix A - Current MTFS CIA Priorities - 2021/22 - Progress Update

MTFS Proposal	CIA Implementation Update	Community Impact & Mitigations
Embedding the Children, Young People and Families Transformation Programme	• A full CIA was produced alongside Cabinet report Nov 2020, updated in Feb 2021 ahead of consultation. • Changes expected to be positive any risks of programme to be monitored and mitigations in place to reduce potential negative impacts. • Will run until 2025/26.	• The long-term **Children, Young People and Families Transformation** programme is now complete and being embedded into a new way of working which will ensure a whole system approach for children and families and provide a financially sustainable model that ensures children with social care needs remain or return to their family (or extended family network) where it is safe and appropriate to do so, and children with SEND receive the right support at the right time. • Progress on the second phase was initially paused due to Covid-19, however the programme restarted and a 75-day consultation was completed in June 2021, and the new district model went live in October 2021. The new structure is now complete and the workforce are in place; training and development is underway and communication and engagement to inform and reassure the workforce and partners is ongoing. Work continues on the pathways and processes and a transition plan continues to be implemented to ensure the safe handover of the programme and ongoing monitoring to the business. • The SEND element of the transformation has been considered a priority and therefore continued throughout the pandemic. A SEND Strategy is now in place and a partnership implementation plan is currently being agreed. Phasing of further transformation is currently being planned. SEND has been part of the workforce reorganisation and the SEND offer will now be part of the integrated early help and family support teams within the district. • Overall, changes are expected to be positive for communities, with any risks continuing to be monitored and reviewed as part of the existing MTFS CIA in place. • It is recommended that this remains a MTFS CIA priority to ensure the ongoing review of impacts.
Community Offer for Learning Disabilities	• Work was agreed by Cabinet in October 2019; however, Covid-19	• **Community Offer for Learning Disabilities** will see changes to the way we provide services to some adults with learning disabilities and/or autism, who are in

MTFS Proposal	CIA Implementation Update	Community Impact & Mitigations
Page 78	had an impact upon commencement and completion of some service changes. • Further update report and CIA was considered by Cabinet in November 2020. • Subsequent CIAs will be undertaken alongside service reviews.	receipt of services across the county. The purpose of these changes is to ensure there are appropriate and sustainable services across the county to meet support needs. • Changes will include reviewing and refreshing respite care, residential care, and day services. Provider Services will be creating an integrated model of care which encompasses community-based support in addition to building-based services. • Progress since August 2020 includes: o The tender of Greenfield House was undertaken in October 2021 but was unsuccessful – the decision was made to keep Greenfield House in-house. Feasibility studies are being undertaken by Entrust and an options appraisal for investment will commence early 2022, which once complete will go to Cabinet. o Horninglow Bungalows was reviewed in August 2021 and it was determined there is limited market capacity and appetite, the service is therefore now being considered to be included in the supported living options appraised being undertaken by Commissioning. o A service review of day opportunities and respite has resulted in the design of an integrated service. A pilot will be undertaken with service users and families in 2022, facilitated via a co-production steering committee. o Two day-services in Boney Hay and Tamworth have merged and will be operational in a new building in Lichfield in March/April 2022. o Recommendations to improve and refurbish the Hawthorn House building for up to 15 residents was approved by Cabinet in October 2021. Project planning has commenced, with construction due to start in December 2022 and the new building to be complete by early 2024. • Given further service change it is recommended that this remains a MTFS CIA priority with ongoing review of impacts.

Staffordshire County Council

Appendix 1

MTFS CIA – 2022 / 23

MTFS Proposal	CIA Implementation Update	Community Impact & Mitigations
Savings to Mental Health Recovery Service	• Current contracts will expire in March 2022 and SCC is commissioning a new social care only service. • A full CIA has been undertaken as part of the decision-making process.	• **Savings to Mental Health Recovery services** involves recommissioning the services to focus on promoting social inclusion and mental well-being through a community-based model. This may result in some people seeing a change to their service although assessed eligible needs will continue to be met. • The decision has been made for SCC to commission its own service when contracts with the three current providers, jointly funded with the CCG, end on 31 March 2022. • Discussions are taking place with the replacement provider to ensure that existing service users have the option to transfer to the new service. • Recommended that this is reviewed as part of the development of the MTFS CIA 2023/24.
Home Care Policy on High Cost Packages	• A full CIA on the Strategic Review of Home Care was undertaken in September 2020 • Review of high cost packages and packages under 5 hours is being undertaken	• **Home Care Policy on High Cost Packages** – changes to high cost packages may result in some people being moved into residential care or changes to home care provision where the assessed need considers this to be the safest option for the individual. • Robust assessments are carried out by Midlands Partnership NHS Foundation Trust (MPFT) to ensure assessed eligible needs continue to be met. • Recommended that this is reviewed as part of the development of the MTFS CIA 2023/24.
Rural review and reorganisation	• Presented to Cabinet, with a full CIA in March 2019. • Review of wider staffing structures commenced in January 2020, then placed on hold due to Covid-19. In early 2021 the staffing reorganisation was reviewed following consultation with staff/trade unions feedback and	• The biggest impact will be on the rural communities where the Country Parks are situated. However, sites will still be available for public use and will remain under the ownership of the County Council. Management of two sites was transferred in 2018/19 to an environmental NGO and a parish council and is working well. Due to COVID 19 impacts and wider changes, the approach to future management of countryside sites is under review. • Staff will also be impacted by the review and re-organisation. An initial review of the staff structure was commenced in 2020 but was put on hold due to COVID-19. Concerns regarding capacity and resilience of the service in the face of significantly increasing demand were highlighted and the MTFS has been revised. A revised

MTFS Proposal	CIA Implementation Update	Community Impact & Mitigations
	learning from Covid-19 and MTFS position revised. • The next phase of the Countryside Estates work is under review – a CIA was undertaken in 2019 with an update for the staff review undertaken in 2021.	proposal has been consulted on a final structure now confirmed. The new operational model for Rural County is expected to be fully implemented in May 2022. • It is recommended this remains a MTFS CIA priority and revisited following the outcome of the review and upcoming discussions.
Ongoing review and monitoring of Policy on Winter Grit Bins (and any potential service change to Winter Service if appropriate)	• Engagement with key stakeholders took place during October 2019 • Changes went live during the winter season of 2019/20 • Full CIA developed	• Older people, people with disabilities and people in rural communities were identified as potentially most impacted by the changes. • Only communities with a 'low priority' grit bin were affected by one pre-season re-stock, minimising the impact. • All existing grit bins and registered Ice Buster assets were fully stocked at the start of the 2019 winter season, and will be for each subsequent year. • Forms a key part of the Council's #DoingOurBit workstream, aimed at encouraging people to look after their family's wellbeing and to help keep local areas safe. • Grit bins at higher risk sites are re-stocked during each winter season as required. • A campaign was undertaken during the 2019/20 winter season offering communities guidance on how to use salt efficiently and how to make local arrangements to replenish supplies as necessary and this is available on the Council's website. • No impacts following both the 2019/20 and 2020/21 winter seasons have been identified. • Recommended that this no longer remains a MTFS CIA priority.

Appendix B – MTFS Community Impact Assessment for 2022/23

The table below is an assessment of **potential medium and high community impact** for each key Council business area, with a summary of the service option as proposed in the MTFS, and an associated impact rating. As many of these are in still in development and subject to consultation or engagement, the outcome and potential impact for communities may not yet be known. We will therefore continue to record and monitor the cumulative impact of these, and where there is significant change proposed ensure individual service CIAs are conducted, reviewed as appropriate.

Area	Programme	Group/Protected characteristics potentially affected	Overall Potential impact rating	Commentary / rationale
Health and Care		Age (older people) Disabilities (particularly learning disabilities and mental health) Staff	High	**Community Offer for Learning Disabilities** will see changes to the way we provide services to some adults with learning disabilities and/or autism, who are in receipt of services across the county. The purpose of these changes is to ensure there are appropriate and sustainable services across the county to meet support needs. Changes will include reviewing and refreshing respite care, residential care, and day services. Provider Services will be creating an integrated model of care which encompasses community-based support in addition to building-based services. CIAs will be undertaken alongside service reviews. **Savings to Mental Health Recovery services** involves recommissioning the services to focus on promoting social inclusion and mental well-being through a community-based model. This may result in some people seeing a change to their service, although assessed eligible needs will continue to be met. A new service will be commissioned from 1 April 2022 onwards.

				Home Care Policy on High Cost Packages – changes to high cost packages may result in some people being moved into residential care or changes to home care provision where the assessed need considers this to be the safest option for the individual. Robust assessments are carried out by Midlands Partnership NHS Foundation Trust (MPFT) to ensure assessed eligible needs continue to be met. **Strategic Review of the Care Market** A Strategic Review of the Care Market is being undertaken to ensure the County Council can continue to meet its statutory duty to meet the needs of people who are assessed as eligible for care and support under the Care Act 2014. Covid-19 has had a profound impact upon both the home care market and the accommodation-based market. The review therefore includes: • Commissioning of care home placements • Shaping of the care market • Investing non-recurring funding in the sector to improve recruitment and retention • Exploring how technology can be used to support people • Working across the Council to develop a workforce strategy for people who work in the care sector A full CIA is either in place, or will be undertaken as part of any service review or change, with ongoing monitoring of impact and mitigations.
Families and Communities	Children's services	Age (young people) Disability (SEND) Carers Sex (female) Pregnancy Staff	High	The long-term **Children, Young People and Families Transformation** programme is now complete and being embedded into a new way of working which will ensure a whole system approach for children and families and provide a financially sustainable model that ensures children with social care needs remain or return to their family (or extended family network) where it is safe and appropriate to do so, and children with SEND receive the right support at the right time. The programme will change how services are delivered and received; and will impact upon several different cohorts, particularly children and

				young people, their families and carers, and children and young people with disabilities. These changes are expected to be positive for communities, to ensure the ongoing monitoring and review of any potential impacts and mitigations, this will remain an MTFS CIA priority for 2022/23. The existing CIA remains in place and has been updated with further updates as appropriate in line with any service change.
	Rural	All Localities Staff	Medium	Due to Covid-19 impacts, the **Review of Countryside Estates and Rights of Way** has been delayed and the approach to future management of countryside sites is being reviewed. In terms of the **Rural Review and Reorganisation** that is being carried over from last year's MTFS CIA, concerns regarding capacity and resilience of the service in the face of significantly increasing demand due to Covid-19 were highlighted. This has resulted in a further review of the staff structure and a revised proposal has been consulted on and is currently being confirmed. Updates to the Community Impact Assessment have been undertaken and a new operational model is expected to be implemented in May 2022.
	Transport Policy	Young People and Families	Low / Medium	**Discretionary school travel policy** Ongoing monitoring of school travel policy. The MTFS Task and Finish Group will support and maintain oversight of this during the coming year.

HEALTH AND CARE

Projected Pressures, Cost Reduction Options and Investments

Description	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m

Care Commissioning

Community Impact Assessment Rating - Medium

Total Service Spending Pressures Approved in February 2021	**10.464**	**20.057**	**29.889**	**41.399**	**45.749**

Projected Changes to Original Service Spending Pressures					
Demographic change is recognised widely as a key risk facing national and local government. Additional funding is required to meet additional demand for services arising from an ageing population.	0.000	0.000	0.278	0.760	2.330
This is the estimated cost impact of the National Living Wage increase.	1.872	1.872	1.872	1.872	1.872
This is the estimated cost impact of the National Living Wage increase.	2.892	2.892	2.892	2.892	2.892
The cost of older people care home placements is rising due to inflation and national living wage.	0.000	0.000	0.000	1.245	3.656
Increased in Better Care Fund activity	0.971	0.971	0.971	0.971	0.971
Additional income generated by growth in demand and price rises. Updated to reflect latest assumptions.	0.000	(1.797)	(4.298)	(2.335)	(9.666)
Additional BCF funding from inflationary uplift to CCG cash transfer in 2021/22 onwards	(1.013)	(1.013)	(1.013)	(1.013)	(1.013)
Total Projected Changes to Service Spending Pressures Approved in February 2021	**4.722**	**2.925**	**0.702**	**4.392**	**1.042**

New Service Projected Pressures					
Pay home care providers for 7 days as opposed to one day currently when clients are hospitalised. This helps them to retain staff.	0.600	0.600	0.600	0.600	0.600
Demand for equipment is rising and costs are escalating due to supply chain issues and inflation.	0.300	0.300	0.300	0.300	0.300
Additional Home First capacity to support hospital discharges.	1.000	1.000	1.000	1.000	1.000
The Covid pandemic has led to increased referrals for Mental Health support.	0.500	0.500	0.500	0.500	0.500
Introduction of the New Liberty Protection Safeguards will result in an increase in demand for Advocacy services.	0.100	0.100	0.100	0.100	0.100
Demand for Replacement Care (Respite) services for people towards the end of life is increasing in the wake of the Covid pandemic.	0.300	0.300	0.300	0.300	0.300
There is a backlog of people waiting for care due to high demand during autumn and winter 2021/22.	4.255	4.255	4.255	4.255	4.325

KEY: 1.000 = £1m of pressure or loss of income
(1.000) = £1m cost reduction or additional income

Appendix 2a

HEALTH AND CARE

Projected Pressures, Cost Reduction Options and Investments

Description	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Estimated additional funding to pay care providers a "fair rate" under the Government's adult social care funding reforms.	1.428	1.428	1.428	1.428	1.428
Estimated additional funding to pay care providers a "fair rate" under the Government's adult social care funding reforms.	2.849	2.849	2.849	2.849	2.849
Additional NHS contribution to S117 funded clients as a result of a 50/50 approach to funding phased in over a 5 year period.	0.000	14.089	22.489	22.489	22.489
Estimated additional funding to pay home care providers a "fair rate" under the Government's adult social care funding reforms including a 6% uplift in 2022/23.	0.000	8.962	12.185	9.545	9.125
Estimated additional funding to pay care home providers a "fair rate" under the Government's adult social care funding reforms including a 6% uplift in 2022/23.	(2.500)	(2.500)	(2.500)	(2.500)	(2.500)
Estimated additional cost impact of the Government's adult social care funding reforms (care cap and increased asset thresholds).	(1.483)	(1.483)	(1.483)	(1.483)	(1.483)
Estimated use of Social Care Support Grant to fund additional demand arising from the Government's adult social care funding reforms.	(1.000)	(2.000)	(3.000)	(4.000)	(5.000)
Appropriation to reserves as a contingency against further rises in demand or prices.	2.595	0.000	0.000	0.000	0.000
New Service Projected Pressures Total	**8.944**	**28.400**	**39.023**	**35.383**	**34.033**
Total Service Cost Reductions Approved in February 2021	**(2.645)**	**(4.040)**	**(4.068)**	**(4.086)**	**(4.086)**
Projected Changes to Original Service Cost Reductions					
A review of In-House services provided by the council has been carried out and there will be changes to some of our own in-house services to ensure they effectively meet need. The project has also stimulated the market to ensure services are provided in the most cost effective manner to meet eligible need	0.500	0.000	0.000	0.000	0.000
Management team saving no longer deliverable due to increase in demand for services attributable to the Coronavirus pandemic and anticipated requirements of the new CQC assurance framework	0.050	0.050	0.050	0.050	0.050
Commissioner staffing saving no longer deliverable due to increase in demand for services attributable to the Coronavirus pandemic and anticipated requirements of the new CQC assurance framework	0.040	0.040	0.040	0.040	0.040
Total Projected Changes to Service Cost Reductions Approved in February 2021	**0.590**	**0.090**	**0.090**	**0.090**	**0.090**
New Service Cost Reduction Options					
Further management of demand and prices in order to reduce costs.	(10.000)	(10.000)	(6.000)	(2.000)	0.000
New Service Cost Reduction Options Total	**(10.000)**	**(10.000)**	**(6.000)**	**(2.000)**	**0.000**
Total Pressures	24.130	51.382	69.614	81.174	80.824
Total Cost Reductions	(12.055)	(13.950)	(9.978)	(5.996)	(3.996)
Service Total	**12.075**	**37.432**	**59.636**	**75.178**	**76.828**

HEALTH AND CARE

Projected Pressures, Cost Reduction Options and Investments

Description	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Adult Social Care and Safeguarding	**Community Impact Assessment Rating - Medium**				
New Service Projected Pressures					
Additional funding to the Midlands NHS Partnership Foundation Trust to cover the increase National Insurance by 1.25% from 1 April 2022, as required under the Section 75 agreements.	0.284	0.284	0.284	0.284	0.284
Additional funding to the Midlands NHS Partnership Foundation Trust to increase Occupational Therapy capacity to response to an increase in the number of referrals.	0.150	0.150	0.150	0.150	0.150
Professional leadership and resource to implement the enhanced CQC adult social care enhanced assurance framework. Plus additional social work capacity to meet increased demand for assessments anticipated to arise from the Government's adult social care funding reforms.	1.497	1.692	1.692	1.692	1.692
To ensure adequate workforce training.	0.150	0.150	0.150	0.150	0.150
Additional financial assessment capacity to meet increased demand anticipated to arise from the Government's adult social care funding reforms.	0.100	0.100	0.100	0.100	0.100
Additional social work capacity required to implement the new Liberty Protection Safeguards legislation.	0.750	0.750	0.750	0.750	0.750
New Service Projected Pressures Total	**2.931**	**3.126**	**3.126**	**3.126**	**3.126**
Total Service Cost Reductions Approved in February 2021	**(0.086)**	**(0.541)**	**(0.541)**	**(0.541)**	**(0.541)**
Total Pressures	2.931	3.126	3.126	3.126	3.126
Total Cost Reductions	(0.086)	(0.736)	(0.736)	(0.736)	(0.736)
Service Total	**2.845**	**2.390**	**2.390**	**2.390**	**2.390**
Total Health and Care Pressures and Cost Reductions	**14.920**	**39.822**	**62.026**	**77.568**	**79.218**
Inflation	**2.176**	**3.857**	**5.581**	**7.342**	**9.155**
Health and Care Grand Total	**17.096**	**43.679**	**67.607**	**84.910**	**88.373**

FAMILIES AND COMMUNITIES

Appendix 2b

Projected Pressures, Cost Reduction Options and Investments

Description	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Children's Services		**Community Impact Assessment Rating - Medium**			
Total Service Spending Pressures Approved in February 2021	**(0.034)**	**(0.034)**	**(0.034)**	**(0.034)**	**(0.034)**
Total Service Cost Reductions Approved in February 2021	**(4.139)**	**(8.562)**	**(12.186)**	**(14.421)**	**(14.421)**
New Service Cost Reduction Options					
Reduced cost of Children in Care by investment & expansion of our internal residential provision	0.000	(0.200)	(0.200)	(0.200)	(0.200)
New Service Cost Reduction Options Total	**0.000**	**(0.200)**	**(0.200)**	**(0.200)**	**(0.200)**
Investment					
Implementation of a Restorative Practice model working with children and their families to encourage more effective working relationships	(0.002)	(0.010)	(0.025)	(0.025)	(0.025)
Adult Specialist workers in District Teams to address the root cause of problems	0.000	(0.810)	(0.810)	(0.810)	(0.810)
Delayed Children's Workforce Transformation (1 April 2021 to 1 July 2021)	(0.520)	(0.520)	(0.520)	(0.520)	(0.520)
Total Investments Approved in February 2021	**(0.522)**	**(1.340)**	**(1.355)**	**(1.355)**	**(1.355)**
Total Pressures	(0.034)	(0.034)	(0.034)	(0.034)	(0.034)
Total Cost Reductions	(4.139)	(8.762)	(12.386)	(14.621)	(14.621)
Total Investments	(0.522)	(1.340)	(1.355)	(1.355)	(1.355)
Service Total	**(4.695)**	**(10.136)**	**(13.775)**	**(16.010)**	**(16.010)**

FAMILIES AND COMMUNITIES

Projected Pressures, Cost Reduction Options and Investments

Description	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Education Services — **Community Impact Assessment Rating - Low**					
Total Service Spending Pressures Approved in February 2021	**0.030**	**0.420**	**0.800**	**0.950**	**0.950**
Projected Changes to Original Service Spending Pressures					
Expected changes in SEN pupil numbers	0.000	0.000	0.000	0.000	0.230
Total Projected Changes to Service Spending Pressures Approved in February 2021	**0.000**	**0.000**	**0.000**	**0.000**	**0.230**
New Service Projected Pressures					
SEND Home to School Transport	1.500	1.500	1.500	1.500	1.500
Increase in ESG approved by Schools Forum	(0.087)	(0.087)	(0.087)	(0.087)	(0.087)
New Service Projected Pressures Total	**1.413**	**1.413**	**1.413**	**1.413**	**1.413**
New Service Cost Reduction Options					
Reduced historical pension costs	0.000	(0.090)	(0.090)	(0.090)	(0.090)
New Service Cost Reduction Options Total	**0.000**	**(0.090)**	**(0.090)**	**(0.090)**	**(0.090)**
Total Pressures	1.443	1.833	2.213	2.363	2.593
Total Cost Reductions	0.000	(0.090)	(0.090)	(0.090)	(0.090)
Service Total	**1.443**	**1.743**	**2.123**	**2.273**	**2.503**
Culture and Communities — **Community Impact Assessment Rating - Medium**					
Total Service Spending Pressures Approved in February 2021	**(0.100)**	**0.096**	**0.096**	**0.096**	**0.096**
Total Pressures	(0.100)	0.096	0.096	0.096	0.096
Service Total	**(0.100)**	**0.096**	**0.096**	**0.096**	**0.096**
Rural — **Community Impact Assessment Rating - Medium**					
Total Service Spending Pressures Approved in February 2021	**(0.030)**	**(0.370)**	**(0.370)**	**(0.370)**	**(0.370)**
Projected Changes to Original Service Spending Pressures					
Non-delivery of prior year savings	0.000	0.340	0.340	0.340	0.340
Total Projected Changes to Service Spending Pressures Approved in February 2021	**0.000**	**0.340**	**0.340**	**0.340**	**0.340**

FAMILIES AND COMMUNITIES

Projected Pressures, Cost Reduction Options and Investments

Description	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
New Service Cost Reduction Options					
Review the management of the countryside sites in line with the Countryside Estates Review	0.000	(0.050)	(0.050)	(0.050)	(0.050)
New Service Cost Reduction Options Total	**0.000**	**(0.050)**	**(0.050)**	**(0.050)**	**(0.050)**

Total Pressures	(0.030)	(0.030)	(0.030)	(0.030)	(0.030)
Total Cost Reductions	0.000	(0.050)	(0.050)	(0.050)	(0.050)
Service Total	**(0.030)**	**(0.080)**	**(0.080)**	**(0.080)**	**(0.080)**

Total Families and Communities Services Pressures and Cost Reductions	**(3.382)**	**(8.377)**	**(11.636)**	**(13.721)**	**(13.491)**
Inflation	**7.481**	**12.078**	**16.822**	**21.673**	**26.630**
Families and Communities Services Grand Total	**4.099**	**3.701**	**5.186**	**7.952**	**13.139**

ECONOMY, INFRASTRUCTURE AND SKILLS

Appendix 2c

Projected Pressures, Cost Reduction Options and Investments

Description	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Economic Development & Strategic Planning	**Community Impact Assessment Rating - Low**				
Total Service Spending Pressures Approved in February 2021	**(0.025)**	**(0.050)**	**(0.050)**	**(0.050)**	**(0.050)**
Total Pressures	(0.025)	(0.050)	(0.050)	(0.050)	(0.050)
Service Total	**(0.025)**	**(0.050)**	**(0.050)**	**(0.050)**	**(0.050)**
Infrastructure & Highways	**Community Impact Assessment Rating - High**				
Total Service Spending Pressures Approved in February 2021	**(0.300)**	**(0.350)**	**(0.350)**	**(0.400)**	**(0.350)**
New Service Projected Pressures					
Revenue elements of the additional highways investment	1.000	1.000	1.000	0.500	0.500
New Service Projected Pressures Total	**1.000**	**1.000**	**1.000**	**0.500**	**0.500**
Total Pressures	0.700	0.650	0.650	0.100	0.150
Service Total	**0.700**	**0.650**	**0.650**	**0.100**	**0.150**
Transport, Connectivity & Waste	**Community Impact Assessment Rating - High**				
Total Service Spending Pressures Approved in February 2021	**0.074**	**(0.130)**	**(0.032)**	**0.245**	**0.545**
Projected Changes to Original Service Spending Pressures					
Increasing base budget for Climate Change / Sustainability Initiatives	0.000	0.250	0.250	0.250	0.250
Total Projected Changes to Service Spending Pressures Approved in February 2021	**0.000**	**0.250**	**0.250**	**0.250**	**0.250**
New Service Projected Pressures					
Dry Mixed recycling contract pressure	0.565	0.565	0.565	0.000	0.000
Contribution towards Hanford consultants	0.200	0.000	0.000	0.000	0.000
Future treatment costs	0.000	0.000	0.000	2.550	2.550
New Service Projected Pressures Total	**0.765**	**0.565**	**0.565**	**2.550**	**2.550**
Total Service Cost Reductions Approved in February 2021	**(0.600)**	**(0.600)**	**(0.600)**	**(0.600)**	**(0.600)**

ECONOMY, INFRASTRUCTURE AND SKILLS

Projected Pressures, Cost Reduction Options and Investments

Description	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
New Service Cost Reduction Options					
Savings within the dry mix recycling budget to offset the contract pressure in 23/24 and 24/25	0.000	(0.565)	(0.565)	0.000	0.000
New Service Cost Reduction Options Total	**0.000**	**(0.565)**	**(0.565)**	**0.000**	**0.000**

Total Pressures	0.839	0.685	0.783	3.045	3.345
Total Cost Reductions	(0.600)	(1.165)	(1.165)	(0.600)	(0.600)
Service Total	**0.239**	**(0.480)**	**(0.382)**	**2.445**	**2.745**

Total Economy, Infrastructure & Skills Pressures and Cost Reductions	**0.914**	**0.120**	**0.218**	**2.495**	**2.845**
Inflation	**4.665**	**7.625**	**9.669**	**11.766**	**13.908**
Economy, Infrastructure & Skills Grand Total	**5.579**	**7.745**	**9.887**	**14.261**	**16.753**

CORPORATE SERVICES

Projected Pressures, Cost Reduction Options and Investments

Appendix 2d

Description	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Assets					
Total Service Spending Pressures Approved in February 2021	**(0.250)**	**(0.350)**	**(0.350)**	**(0.350)**	**(0.350)**
New Service Projected Pressures					
Cyber security & IT support to revised ways of working	0.000	0.200	0.200	0.200	0.200
New Service Projected Pressures Total	**0.000**	**0.200**	**0.200**	**0.200**	**0.200**
Total Service Cost Reductions Approved in February 2021	**0.046**	**0.266**	**0.416**	**0.416**	**0.416**
Total Pressures	(0.250)	(0.150)	(0.150)	(0.150)	(0.150)
Total Cost Reductions	0.046	0.266	0.416	0.416	0.416
Service Total	**(0.204)**	**0.116**	**0.266**	**0.266**	**0.266**
County Treasurers	**Community Impact Assessment Rating - Low**				
New Service Projected Pressures					
Care payment arrangements from gross to net	0.080	0.111	0.143	0.143	0.143
New Service Projected Pressures Total	**0.080**	**0.111**	**0.143**	**0.143**	**0.143**
Total Pressures	0.080	0.111	0.143	0.143	0.143
Service Total	**0.080**	**0.111**	**0.143**	**0.143**	**0.143**
People	**Community Impact Assessment Rating - Low**				
New Service Projected Pressures					
Recruitment Project	0.160	0.160	0.160	0.160	0.160
Lone Worker System	0.040	0.040	0.040	0.040	0.040
New Service Projected Pressures Total	**0.200**	**0.200**	**0.200**	**0.200**	**0.200**
Total Pressures	0.200	0.200	0.200	0.200	0.200
Service Total	**0.200**	**0.200**	**0.200**	**0.200**	**0.200**

CORPORATE SERVICES

Projected Pressures, Cost Reduction Options and Investments

Description	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Governance					
Total Service Pressures Approved in February 2021	**(0.045)**	**(0.067)**	**(0.086)**	**(0.086)**	**(0.086)**
New Service Projected Pressures					
Child Care Legal Support	0.250	0.250	0.250	0.250	0.250
New Service Projected Pressures Total	**0.250**	**0.250**	**0.250**	**0.250**	**0.250**
Total Pressures	0.205	0.183	0.164	0.164	0.164
Service Total	**0.205**	**0.183**	**0.164**	**0.164**	**0.164**
Strategy		**Community Impact Assessment Rating - Low**			
New Service Projected Pressures					
VSCE Contract	0.000	0.000	0.000	0.500	0.500
New Service Projected Pressures Total	**0.000**	**0.000**	**0.000**	**0.500**	**0.500**
Total Pressures	0.000	0.000	0.000	0.500	0.500
Service Total	**0.000**	**0.000**	**0.000**	**0.500**	**0.500**
Total Corporate Services Pressures and Cost Reductions	**0.281**	**0.610**	**0.773**	**1.273**	**1.273**
Inflation	**2.151**	**3.344**	**4.564**	**5.810**	**7.084**
Corporate Services Grand Total	**2.432**	**3.954**	**5.337**	**7.083**	**8.357**

Summary of Pressures, Inflation, Savings and Investments

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Health and Care					
Pressures	27.061	54.508	72.740	84.300	83.950
Inflation	2.166	3.841	5.559	7.314	9.121
Savings	(12.141)	(14.686)	(10.714)	(6.732)	(4.732)
Investments	-	-	-	-	-
Health and Care Total	17.086	43.663	67.585	84.882	88.339
Families and Communities					
Pressures	1.279	1.865	2.245	2.395	2.625
Inflation	7.481	12.078	16.822	21.673	26.630
Savings	(4.139)	(8.902)	(12.526)	(14.761)	(14.761)
Investments	(0.522)	(1.340)	(1.355)	(1.355)	(1.355)
Families and Communities Total	4.099	3.701	5.186	7.952	13.139
Economy, Infrastructure and Skills					
Pressures	1.514	1.285	1.383	3.095	3.445
Inflation	4.665	7.625	9.669	11.766	13.908
Savings	(0.600)	(1.165)	(1.165)	(0.600)	(0.600)
Investments	-	-	-	-	-
Economy, Infrastructure and Skills Total	5.579	7.745	9.887	14.261	16.753
Corporate Services					
Pressures	0.235	0.344	0.357	0.857	0.857
Inflation	2.161	3.360	4.586	5.838	7.118
Savings	0.046	0.266	0.416	0.416	0.416
Investments	-	-	-	-	-
Corporate Services Total	2.442	3.970	5.359	7.111	8.391
Grand Total	**29.206**	**59.079**	**88.017**	**114.206**	**126.622**

All figures presented in each year represent a cumulative change from the current 2019/20 budget.

Appendix 4

Major Assumptions Used in MTFS
Year-on-Year Increases

	2022/23	2023/24	2024/25	2025/26	2026/27
Staffing costs					
Pay	2.5%	2.5%	2.5%	2.5%	2.5%
Local Government Pension Scheme increases	1.0%	1.0%	1.0%	1.0%	1.0%
General running costs					
Prices (including internal recharges from trading services)	2.0%	2.0%	2.0%	2.0%	2.0%
Contractual inflation	Variable	Variable	Variable	Variable	Variable
Income (standard allocation)	2.0%	2.0%	2.0%	2.0%	2.0%
Utility / Running Expenses					
Electricity	10.0%	10.0%	10.0%	10.0%	10.0%
Gas	50.0%	10.0%	10.0%	10.0%	10.0%
Business Rates bills	3.0%	3.1%	3.1%	3.1%	3.1%
Water[1]	2.0%	2.0%	2.0%	2.0%	2.0%
Petrol	2.0%	2.3%	2.6%	3.0%	2.9%
Diesel	2.0%	2.3%	2.6%	3.0%	2.9%
In-Year Increases					
Interest Rates					
Interest on investments	0.50%	0.75%	1.00%	1.25%	1.25%
Interest on debt	3.74%	3.73%	3.73%	3.77%	3.80%
General Funding					
New Homes Bonus	£2.0m	-	-	-	-
Revenue Support Grant	£11.3m	£11.3m	£11.3m	£11.3m	£11.3m
Council Tax	1.99%	1.99%	1.99%	1.99%	1.99%
Adult Social Care Precept	1.00%	1.00%	1.00%	1.00%	1.00%

[1] Water Bill increases are set by OFWAT. These have been capped for the 5 year period at the previous Novembers RPI inflation rate plus 0.5%

Appendix 5

Council Taxbase, Collection funds and Precepts

Tax Base (Band D equivalents)

	2021/22	2022/23
Cannock Chase	29,136.82	29,458.15
East Staffordshire	37,875.00	39,059.20
Lichfield	38,891.40	39,695.10
Newcastle	37,087.00	37,668.00
South Staffordshire	38,664.29	39,066.18
Stafford	47,994.06	48,490.39
Staffordshire Moorlands	33,260.00	33,510.00
Tamworth	22,366.00	22,968.00
Totals	**285,274.57**	**289,915.02**

Estimated Council Tax Collection Fund Position

	2021/22 £	2022/23 £
Cannock Chase	(193,546)	1,945,825
East Staffordshire	208,982	837,201
Lichfield	(212,848)	(245,101)
Newcastle	(310,069)	200,873
South Staffordshire	(248,200)	919,585
Stafford	(304,692)	383,151
Staffordshire Moorlands	(453,407)	392,753
Tamworth	430,171	547,685
Totals	**(1,083,609)**	**4,981,972**

Key: Surplus / (Deficit)

Precepts

	2021/22 £	2022/23 £
Cannock Chase	39,644,140	41,279,706
East Staffordshire	51,533,483	54,733,657
Lichfield	52,916,417	55,624,744
Newcastle	50,461,314	52,784,168
South Staffordshire	52,607,406	54,743,438
Stafford	65,301,678	67,949,584
Staffordshire Moorlands	45,254,221	46,957,563
Tamworth	30,431,627	32,185,058
Totals	**388,150,285**	**406,257,918**

Review of Earmarked Reserves / Provisions

Reserve Name	Reason for Reserve	Forecast Balance 31st March 2022 £m	Transfer into General Balances £m	Forecast Balance after Transfer £m
Information Technology	To provide finance to cover advance expenditure for information technology projects this will be repaid over future years. The reserve is currently committed for a range of future IT projects including education projects and the broadband network. The reserve is considered appropriate for its purpose.	10.632	0.000	10.632
PFI Reserves	These reserves are required to ensure sufficient resources are available to meet the county council's obligations over the whole life of PFI contracts and to even out the charge to revenue over the period. The balance on the street lighting PFI contract is reviewed at the end of each financial year and at other strategic points. At this stage in the contract it is considered appropriate to maintain the balance of the reserve at its current level.	2.901	0.000	2.901
Archives	The reserve forms part of the Joint Archives agreement with Stoke City Council and is used to finance any overspends or emergency work that may arise. The current level of the reserve is considered to be sufficient.	0.328	0.000	0.328
Exit and Transition Fund	To smooth the impact of redundancies over a five year period and to fund any one-off costs caused by delays to savings agreed as part of the 2019/20 MTFS. It is not possible to forecast demand for contributions from this reserve therefore the current level is sufficient.	15.575	0.000	15.575

Review of Earmarked Reserves / Provisions

Appendix 6

Reserve Name	Reason for Reserve	Forecast Balance 31st March 2022 £m	Transfer into General Balances £m	Forecast Balance after Transfer £m
Insurance Reserves	To ensure that sufficient resources are available to meet outstanding liabilities in respect of the self funding element of material damage claims. Also to ensure sufficient funds are available to meet schools' claims. These reserves are deemed sufficient.	2.056	0.000	2.056
Conservation and Archaeology	To meet the county's obligation towards the Extensive Urban Survey scheme, which is being run in partnership with English Heritage.	0.011	0.000	0.011
Museums	The reserve has been built up from when the Museum sold some firearms. The revenue this sale created can only be used to fund items that can be included within the Museums collection. This funding is therefore not available to support the revenue budget.	0.017	0.000	0.017
Trading Services	The trading services reserves are earmarked sums set aside for trading services activity. The balance mainly represents vehicle replacement programmes managed by County Fleet Care but also includes balances that the trading service will draw down on in years when the service creates a deficit.	3.521	0.000	3.521
Revenue Carry Forward Earmarked Reserves	To hold revenue grants which remain unspent at year end and do not have any conditions attached. As the grants are unconditional (with the exception of the Growing Places fund), these funds could be available to support the MTFS.	90.480	0.000	90.480

Total Earmarked Reserves	**125.521**	**0.000**	**125.521**

Risk Based Review of General Balances

CIPFA guidance indicates that a well-managed authority with a prudent approach to budgeting should be able to operate with a relatively low level of general reserves and that Chief Financial Officers should take account of the strategic, operational and financial risks facing the authority.

A risk assessment has been undertaken to identify the key financial risks for next year which can be used as a basis for determining the minimum level of general balances for the county council. Details of this assessment are provided below. Whilst not a complete list of all the financial risks faced by the council, the assessment focuses on those most likely (High and Medium risks) to have a significant impact on the budget.

2021/22 Provision £m	Area of Expenditure	Level of Risk	Explanation of risk/justification of balances
Treatment of inflation and interest rates			
5.0	**Inflation**	High	Services could experience risks in contract prices over and above the general inflation allocation allocated in the MTFS. The mix of price increases could vary across sectors, which could result in a particular strain on resources in some areas.
2.0	**Brexit**	Medium	Uncertainty around prices following the country's exit from the European Union.
1.0	**Treasury Management**	Low	1% point increase in interest rate on borrowing against capital programme.
1.0	**Investments**	Medium	0.5% point drop in interest on balances will reduce the income by £0.75m.
Estimates of the level and timing of capital receipts			
3.0	**Capital Receipts**	Medium	The councils is using current flexibilities regarding funding transformatonal spend from capital receipts. In the event that the estimated level of receipts is not achieved because of unforeseen circumstances, the impact on the revenue budget in terms of available one-off funding will be immediate.
The treatment of demand led pressures			
10.0	**Adults Social Care**	High	Increasing demand for services.
10.0	**Looked after Children**	High	Continual risk that demand pressures from a potential increase in the number and cost of out of county residential care placements will exceed budget provision.
5.0	**Covid funding**	High	Risk that the funding provided for expenditure relating to the on-going impact of the pandemic does not cover costs. This includes lost income from council tax and business rates and unachieved or delayed savings.
1.0	**Other areas**	Medium	Risks of overspend in other budget areas.
1.5	**Income** **General grant income**	High	There are risks around collection rates for both Council Tax and Business Rates, as well as uncertainty around future government grant levels.
1.50	**VAT**	Low	Risk of exceeding 5% limit for input tax.
The treatment of efficiency savings/productivity gains			
10.0	**Non achievement of efficiency savings/ 'invest to save' costs/ redundancy costs**	Medium	Risk of non-achievement of savings, or delays in delivery or additional unforeseen one off costs to facilitate savings.

Financial risks in any significant new funding partnerships, major outsourcing deals or major capital developments			
4.0	**Partnership risks**	High	Financial risks of various potential significant partnership agreements that the council may enter into over the MTFS period.
The availability of other funds to deal with major contingencies			
2019/20 Provision £m	**Area of Expenditure**	**Level of Risk**	**Explanation of risk/justification of balances**
2.0	**Disaster recovery**	Medium	Cost of consequential losses for uninsurable risk incidents such as virus attack on ICT infrastructure and ensuring business continuity.
10.0	**Insurance** (Difficult to quantify)	Low	Risk of: uninsured terrorism, gradual pollution liabilities, gap between Aggregate stop and Provision.

Level of Balances – Summary

Level of Risk	£m
High and Medium Risks	**54.5**

Draft Capital Programme 2022/23 to 2026/27

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Health & Care					
Adults Social Care	4.835	17.000	-	-	-
Sub Total	**4.835**	**17.000**	**0.000**	**0.000**	**0.000**
Families & Communities					
Maintained Schools	22.062	11.176	6.088	6.088	6.088
Rural County	0.329	0.295	0.295	0.301	0.224
Tourism & Cultural County	3.049	1.553	0.064	-	-
Sub Total	**25.440**	**13.024**	**6.447**	**6.389**	**6.312**
Economy, Infrastructure & Skills					
Economic Development	7.900	0.938	0.725	0.650	0.650
Strategic Infrastructure	62.218	17.500	17.375	17.375	17.375
Connectivity	0.910	-	-	-	-
Sustainability	0.890	-	-	-	-
Sub Total	**71.918**	**18.438**	**18.100**	**18.025**	**18.025**
Trading Services - County Fleet Care	0.460	0.235	0.235	0.235	0.235
Property	3.355	2.305	2.305	2.305	2.305
Draft Capital Programme	**106.008**	**51.002**	**27.087**	**26.954**	**26.877**

Appendix 9a

Cabinet – 26 January 2022

Capital and Minimum Revenue Provision Strategy 2022/23

Recommendation of the Cabinet Member for Finance

Report of the County Treasurer

Introduction

1. This capital strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

Capital Expenditure and Financing

2. Capital expenditure is where the Council spends money on assets that will be used for more than one year, such as the road network, schools and economic development schemes. In local government this also includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

3. In 2022/23, the Council is planning capital expenditure of £106m, as summarised below. Although additional funds from Government allocations are expected to be announced in February or March.

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
TOTAL	£106m	£51m	£27m	£27m	£27m

4. The main capital projects include:

- Schools: A new 1 Form Entry (FE) First School at Park Farm (c£2m anticipated spend in 22/23); a new 1FE Primary School at Fradley Park (c£3.3m anticipated spend in 22/23); a new 1FE Primary School at Deansdale, Lichfield (c£4.5m anticipated spend in 22/23). All of these schools have been commissioned in response to rising pupil numbers in their respective locations.

- Communities: Creation of Stafford History Centre which will include new storage extension of the existing Staffordshire Record Office site on Eastgate

Street, a new covered courtyard area, restore and repurpose the Grade 2 listed William Salt Library building and create a public pathway linking North Walls to Eastgate Street. Anticipated total budget of c£5m, with £3.050m anticipated spend in 22/23 funded by £1.160m SCC borrowing and £1.890 Heritage Lottery grant.

- Chatterley Valley West: Staffordshire County Council's investment will unlock 43-hectares of disused industrial land, close to major transport links and provide the opportunity for existing businesses to expand and for new ones to invest in Staffordshire. It will create an employment site which could generate 1,700 jobs (depending on the nature of the end users), Gross Value-Added Benefits of £67 million per annum and £60 million of private sector investment. Capital expenditure is forecast to be £3.5m in 22/23.

- Highways: Currently anticipated spend of c£32.1m on Carriageway Maintenance in 22/23 (part of a total Highways programme of £62.2m) with a notable contribution from SCC of £15m to facilitate pot hole and carriageway condition improvements.

5. All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions –

	2022/23 budget	**2023/24 budget**	**2024/25 budget**	**2025/26 budget**	**2026/27 budget**
External sources	£71m	£30m	£24m	£24m	£24m
Capital resources	£5m	£3m	£3m	£3m	£3m
Revenue resources	£1m	£5m	£0m	£0m	£0m
Debt	£29m	£13m	£0m	£0m	£0m
TOTAL	**£106m**	**£51m**	**£27m**	**£27m**	**£27m**

6. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Planned MRP is as follows:

Table 3: Replacement of debt finance in £ millions

	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
Revenue resources	£18.8m	£18.8m	£18.2m	£17.7m	£17.2m

7. The Council's full minimum revenue provision statement is attached at the end of this report

8. The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP. The CFR is expected to increase by £2.1m during 2022/23. The CFR will increase in 2023/24 and beyond due to the adoption of IFRS16 bringing operating leases onto the balance sheet. Currently it is not known what the impact of IFRS 16 will be, so no figures have been included for this change in the figures below. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
TOTAL CFR	**£575.2m**	**£570.6m**	**£553.5m**	**£537.0m**	**£522.8m**

9. Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £7.4m of capital receipts in the coming financial year as follows:

Table 5: Capital receipts in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
Asset sales	£13.8m	£25.8m	£7.4m	£2.2m	£14.6m
Loans etc repaid					

10. This is subject to re-phasing as sales progress and the figures include earmarked receipts.

11. **Governance**: Capital expenditure programmes are contained within the Medium Term Financial Strategy (MTFS) and follow the governance arrangements associated with the MTFS.

Prudential Indicators

12. We have a Treasury Management strategy and an Investment strategy which follows this report.

13. **Borrowing strategy:** Projected levels of the Council's total external loans.

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
External loans	**£459m**	**£449m**	**£439m**	**£423m**	**£413m**
Capital Financing Requirement	**£575m**	**£571m**	**£554m**	**£537m**	**£523m**

14. Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term.

15. **Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
Authorised limit – borrowing	662	657	639	621	602
Authorised limit – Other liabilities	258	261	264	267	270
Authorised limit – total	920	918	903	888	872
Operational boundary – borrowing	515	511	507	499	480
Operational boundary – Other liabilities	258	261	264	267	270
Operational boundary – total	773	772	771	766	750

Revenue Budget Implications

16. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2022/23 budget	**2023/24 budget**	**2024/25 budget**	**2025/26 budget**	**2026/27 budget**
Financing costs (£m)	38.9	37.9	36.3	35.0	33.7
Proportion of net revenue stream	6.7%	6.3%	5.7%	5.3%	5.0%

Conclusion

17. There is a planned capital programme amounting to £106m in 2022/23. If any borrowing is planned then the costs of repaying it are reflected in the capital financing budget. The Prudential Indicators are included within the Capital and Minimum Revenue Provision Strategy and these show that the planned level of borrowing is affordable.

Minimum Revenue Provision (MRP) Policy Statement

Introduction

Capital expenditure is expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred therefore such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life.

The manner of spreading these costs is through an annual Minimum Revenue Provision (MRP), which was previously determined under Regulation, and will in future be determined under Guidance.

The Government issued guidance which came into force on 31 March 2008 which requires that a Statement on the County Council's policy for its annual MRP should be submitted to the full Council for approval before the start of the financial year to which the provision will relate.

The guidance offers four main options under which MRP could be made (for information these are detailed over the page), with an overriding recommendation that the County Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits.

MRP Policy Statement 2022/23

The County Council implemented the new MRP guidance in 2009/10, and will assess their MRP for 2022/23 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

The major proportion of the MRP for 2022/23 will relate to the more historic debt liability that will continue to be charged at the rate of 4%, in accordance with the recommendations and intent of Option 1 of the Guidance.

Certain expenditures reflected within the debt liability at 31 March 2022 will under delegated powers be subject to MRP under Option 3.

Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the County Council. However, the County Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

Asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure.

With regards to loans granted by the County Council no MRP will be charged on them. The MRP will be equated to the principal repayment of the individual loans.

Option 1: Regulatory Method
Under the previous MRP regulations, MRP was set at a uniform rate of 4% of the adjusted CFR (i.e. adjusted for “Adjustment A”) on a reducing balance method (which in effect meant that MRP charges would stretch into infinity). This historic approach must continue for all capital expenditure incurred in years before the start of this new approach. It may also be used for new capital expenditure up to the amount which is deemed to be supported through the SCE annual allocation.

Option 2: Capital Financing Requirement Method
This is a variation on Option 1 which is based upon a charge of 4% of the aggregate CFR without any adjustment for Adjustment A, or certain other factors which were brought into account under the previous statutory MRP calculation. The CFR is the measure of an authority’s outstanding debt liability as depicted by their balance sheet.

Option 3: Asset Life Method.
This method may be applied to most new capital expenditure, including where desired that which may alternatively continue to be treated under Options 1 or 2.

Under this option, it is intended that MRP should be spread over the estimated useful life of either an asset created, or other purpose of the expenditure. There are two useful advantages of this option.

- Longer life assets e.g. freehold land can be charged over a longer period than would arise under Options 1 and 2, although this should not normally exceed 50 years.
- No MRP charges need to be made until the financial year after that in which an item of capital expenditure is fully incurred and, in the case of a new asset, comes into service use (this is often referred to as being an ‘MRP holiday’). This is not available under Options 1 and 2.

There are two methods of calculating charges under Option 3:

a. equal instalment method – equal annual instalments; or
b. annuity method – annual payments gradually increase during the life of the asset.

Option 4: Depreciation Method
Under this option, MRP charges are to be linked to the useful life of each type of asset using the standard accounting rules for depreciation (but with some exceptions) i.e. this is a more complex approach than Option 3.

The same conditions apply regarding the date of completion of the new expenditure as apply under Option 3.

Cabinet – 26 January 2022

Treasury Management Strategy 2022/2023

Recommendations of the Cabinet Member for Finance and Corporate Matters

Report of the County Treasurer (S151)

1. That Cabinet approve the 2022/2023 Treasury Management Strategy, based on the 2017 CIPFA Codes (Prudential Code and Treasury Management Code), and 2018 MHCLG Guidance (on Local Government Investments and on Minimum Revenue Provision).

2. That, in accordance with the regulations, Cabinet recommends to the Council, at its meeting on the 10 February 2022, the adoption of the Annual Investment Strategy (AIS) 2022/23 detailed in **paragraphs 61 to 107,** and **Annex A** and **Annex B** of this report.

3. That Cabinet approve the proposed Borrowing Strategy for 2022/2023 laid out in **paragraphs 39 to 56** comprising:

    a) maximising the use of cash in lieu of borrowing, as far as is practicable;
    b) the ability to borrow new long-term loans, where deemed appropriate;
    c) the use of cash to repay loans early, subject to market conditions; and
    d) a loan rescheduling strategy that is unlimited where this re-balances risk.

4. That Cabinet approve policies on:

    a) reviewing the Treasury Management Strategy;
    b) the use of external advisors;
    c) investment management training; and
    d) the use of financial derivatives,

    as described in **paragraphs 108 to 118** of this report.

5. All of the above will operate within the prudential limits set out in **Annex C** and will be reported to the Cabinet Member for Finance, in respect of decisions made for raising new long-term loans, early loan repayments and loan rescheduling.

Introduction

6. Treasury Management comprises the management of the Council's cash flows, borrowings and investments, and their associated risks. The Council has borrowed and invested large sums of money and is therefore exposed to financial risks, including the effects on revenue from changing interest rates on borrowings and investments, and the risks of a potential loss of invested cash. It is important that the Council successfully identifies, monitors and controls financial risk as part of prudent financial management.

7. The Council conducts its treasury risk management within the framework of the Chartered Institute of Public Finance and Accountancy's (CIPFA) *Treasury Management in the Public Services Code of Practice 2017 Edition* (the CIPFA Code). The CIPFA Code requires that the Council approves a treasury management strategy before the start of each financial year. In addition, this report fulfils the Council's legal obligation to have regard to the CIPFA Code under the *Local Government Act 2003.* CIPFA have released an updated Code of Practice at the end of 2021, for adoption during 2022/23. This will supersede the current CIPFA Code and any proposed changes will be reviewed and implemented by Treasury Officers.

8. Any investments held for service purposes or for commercial reasons i.e., the Council's non-treasury investments, are considered in a separate report. The (Non-Treasury) Commercial Investment Strategy 2022/23 report meets the requirements of the statutory guidance issued by the Ministry of Housing, Communities and Local Government's (now referred to as Department for Levelling up, Communities and Local Government - DLUHC) in its *Guidance on Local Government Investments 2018 Edition*.

Link to the Medium-Term Financial Strategy (MTFS)

9. It is a statutory requirement, under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires the calculation of a budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. Capital expenditure must not exceed an amount which can be afforded, in terms of interest charges and running costs for the foreseeable future.

10. The Local Government Act 2003 requires a local authority to have regard to the Prudential Code and to set Prudential Indicators for the next three years to ensure that its capital investment plans are affordable, prudent and sustainable. The Prudential Indicators are approved as part of the Medium--Term Financial Strategy (MTFS), but the treasury indicators are included in this report as they require consideration as part of the Treasury Management Strategy. As well as a new Treasury Management Code, CIPFA also released a revised prudential code in December 2021 for formal adoption into the 2023/24 Treasury Management Strategy. The updated code, whilst tightening regulation, will not have a material effect on the Council as no additional borrowing has been taken to fund commercial or treasury investments.

11. The Treasury Management Strategy is a key element of the MTFS, as the planned capital expenditure programme drives the borrowing required. This is explained further in the Borrowing Strategy from **paragraph 39** onwards.

External Context

Economic background

12. The continuing impact on the UK from coronavirus, future trading arrangements with the EU and global inflationary pressures will remain a major influence on the Council's treasury management strategy for 2022/23.

13. The Bank of England (BoE) recently raised Bank Rate by 0.15% in December 2021 and held its Quantitative Easing programme at £895 billion. The Monetary Policy Committee (MPC) increased the rate and discussed further tightening of economic policy in 2022 in an effort to curb inflation.

14. UK Consumer Price Inflation (CPI) for September 2021 registered 3.1%, this increased to 5.1% in November and is forecast to rise as high as 6% by April 2022 with the next round of capped gas prices forecast to rise. The MPC see this level of inflation as transitory, as it is mainly being driven by gas prices, demand and supply chain issues, but it is lasting longer than initially forecast. The Labour Force Survey unemployment rate fell to 4.2% in November, Whilst Her Majesty's Revenue and Customs payroll data has continued to rise strongly. Despite the end of the furlough scheme there are few signs of increased redundancies, and the stock of vacancies has continued to grow leading to staff shortages in some areas with the unemployment rate projected to fall to 4% in January 2022. At the time of writing, it is still too early to tell the full economic impact from the recent Omicron Coronavirus variant.

15. Gross Domestic Product (GDP) growth in the UK has been rapid since the ending of coronavirus restrictions in summer 2021 with strong growth in November 2021. It is hoped that the UK economy will reach and maintain its pre-pandemic size in Q2 2022. Recent Bank of England projections on GDP Growth have ended up lower than initially forecast due to the drag in the economy caused by global demand for goods and supply bottlenecks although November 2021 was the exception to this trend.

16. Across the EU the slow roll out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery is nearly complete although countries dependent on tourism are lagging. Recent sharp increases in gas and electricity prices have increased overall inflationary pressures but the ECB is seen as reluctant to raise rates currently.

17. In the US Shortages of goods, like semi-conductors, are fuelling increases in prices and reducing economic growth. It appears that there has been a sustained drop in the labour force suggesting the pandemic has had a longer-term scarring effect in reducing GDP. Economic growth may be reduced to between 2% and 3% in 2022 and 2023 while inflation is likely to remain around 3% in both years, instead of declining back to the 2% central target.

Credit outlook

18. Although bank Credit Default Swap (CDS) prices, which are market indicators of credit risk, spiked upwards at the end of March / early April 2020, due to the intial impact of the pandemic and the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. The Councils treasury advisers, Link, monitor CDS prices as part of their creditworthiness service and the Council has access to this information.

19. The credit ratings for many UK institutions were downgraded on the back of downgrades to the UK sovereign rating in October 2020. Credit conditions more generally though, in banks and building societies, have tended to be relatively benign, despite the impact of the pandemic.

20. Looking forward, the potential for bank losses to be greater than expected, when government and central bank support starts to be removed, remains a risk suggesting a cautious approach to bank deposits in 2022/23 is still advisable. The Council, as a local authority, is exposed to bail-in risk, as Government will no longer support banks if they fail but rather it will be the investors who primarily bear the financial burden of rescuing the bank.

Interest rate forecast

21. The Council’s treasury management adviser, Link, is forecasting a steady rise in the Bank of England Base Rate over the next few years, reaching 1.25% by March 2025.As with all projections there are major risks to this model such as the performance of the economy versus expectations, labour and supply shortages, virus mutations, trade agreements and the geopolitical climate.

22. Gilt yields are expected to rise steadily over the period of this report but there is likely to be short-term volatility, due to economic and political uncertainty and events such as potential increases in Coronavirus measures which may once again see a flight to safety by investors.

23. Due to the ongoing risks outlined above, the treasury strategy retains the low-risk approach adopted in recent years, based on prioritising security, liquidity and then yield.

Local Context

24. On 30 November 2021, the Council held £467.6 million of external borrowing and had £343.5 million temporarily invested. The Council’s forecast future requirements for borrowing and investments can be considered in the context of, and by reviewing, its balance sheet forecasts.

Balance sheet

25. In terms of borrowing, the Council discloses its Capital Financing Requirement (CFR) as part of its Statement of Accounts. This represents the underlying need to borrow for capital purposes i.e., the amounts that have been financed

through external and internal borrowing rather than being permanently financed. As the CFR also includes capital expenditure that has been funded through Private Finance Initiatives (PFI), these PFI liabilities are removed to calculate the Council's Loans CFR.

26. The Council's Treasury Advisors, Link, performed an independent reconciliation of the CFR calculation using the 2020/21 Statement of Accounts. The Council's figures were proved to be correct, giving confidence in the accuracy of the borrowing commitment and the level of investment that can be made.

27. If the Council borrows to fund additional capital expenditure, this will increase its Loans CFR; conversely repaying debt through the Minimum Revenue Provision (MRP) will reduce its Loans CFR. The table below shows forecasts for the Council's Loans CFR and how this will be financed through external and internal borrowing:

	31.03.21 Actual £m	31.03.22 Estimate £m	31.03.23 Forecast £m	31.03.24 Forecast £m	31.03.25 Forecast £m
Loans CFR	568.4	573.1	575.2	570.6	553.5
Less: External borrowing	(467.6)	(463.6)	(458.5)	(448.5)	(438.5)
Internal / (over) borrowing	**100.8**	**109.5**	**116.7**	**122.1**	**115.0**

28. The table shows that the Council's Loans CFR is due to increase in 2022/23 before decreasing thereafter; primarily because of a reduced capital programme in future years, alongside repayments of external borrowing as they mature. The Council's internal borrowing requirements move in line with the Loans CFR projections.

29. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total external borrowing should be lower than its highest forecast CFR over the next three years; the above table shows the Council will comply with this recommendation during 2022/23 and going forward.

30. For investments, the Council's total resources available are measured by its usable reserves and working capital less any amounts that have been internally borrowed. This is shown in the following table:

	31.03.21 Actual £m	31.03.22 Estimate £m	31.03.23 Forecast £m	31.03.24 Forecast £m	31.03.25 Forecast £m
Usable reserves	380.7	308.9	311.3	313.7	316.1
Working capital surplus	0	0	0	0	0
Less Internal borrowing	(100.8)	(109.5)	(116.7)	(122.1)	(115.0)
Advance Pension contributions	(35.0)	16.0	19.0	(35.0)	16.0
Investment / (New borrowing)	**244.9**	**215.3**	**213.6**	**156.7**	**217.1**

31. This demonstrates the Council's recent strategy to use internal borrowing to reduce the need for external borrowing also reduces temporary investment

levels. The above table also indicates that the Council will have sufficient internal resources to cover the internal borrowing requirement in 2022/23 and will not need to borrow from external sources. Within the table above, it is assumed that the Council will make a further payment in advance for 3 years' pension contributions in 2023/24, as they did previously in 2020/21. The Council is expected to continue to make significant savings by doing so, as opposed to paying monthly, for the 3-year period.

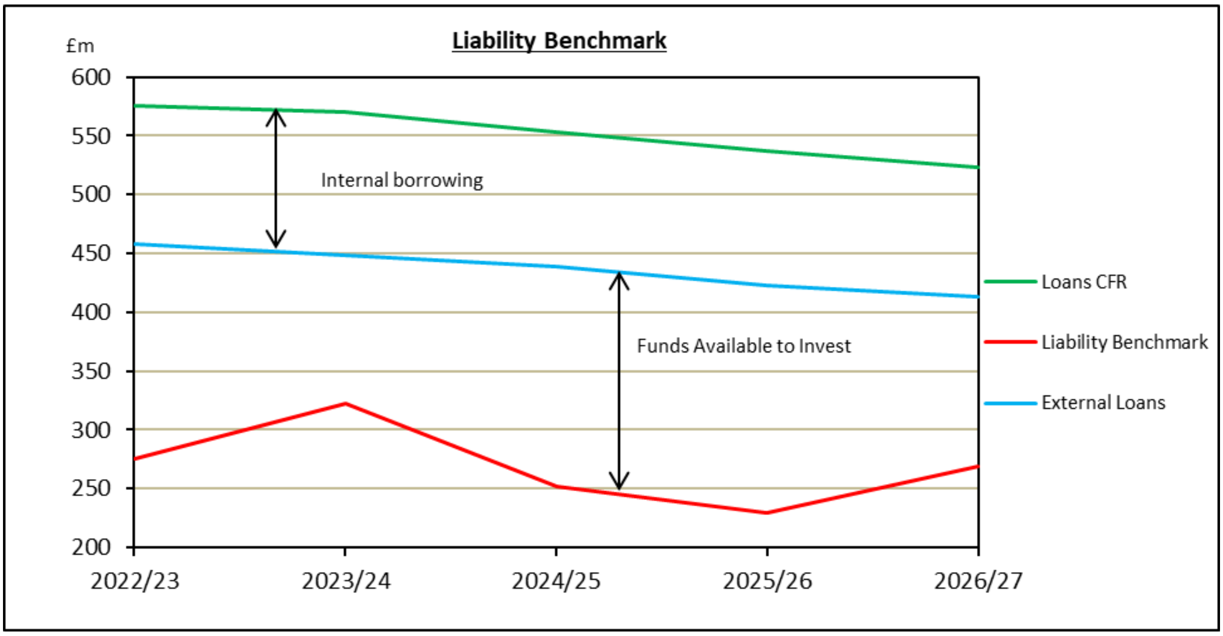
Liability benchmark

32. The CIPFA Prudential Code requires local authorities to develop their own liability benchmark to manage treasury management risk. The liability benchmark represents the minimum amount of loans required to maintain cash balances at nil, i.e., when all usable reserves and working capital surpluses are used to offset the amount of loans borrowed.

33. Forecasts for the liability benchmark can be used to predict when further borrowing may be required or when cash is available to invest. Forecasts for the Council's liability benchmark are shown in the following table and chart:

	31.03.21 Actual £m	31.03.22 Estimate £m	31.03.23 Forecast £m	31.03.24 Forecast £m	31.03.25 Forecast £m
External loans	467.6	463.6	458.5	448.5	438.5
(Less Investments) / Add New borrowing	(244.9)	(215.3)	(213.6)	(156.7)	(217.1)
Net borrowing requirement	**222.7**	**248.3**	**244.9**	**291.8**	**221.4**
Add: Minimum investments*	30.0	30.0	30.0	30.0	30.0
Liability benchmark	**252.7**	**278.3**	**274.9**	**321.8**	**251.4**

* Long term loans to 2 Local Authorities (Derby and Redcar and Cleveland).



34. The chart shows that the Councils Loans CFR (green line) has been financed through a combination of external borrowing (blue line) and internal borrowing (the difference between the green line and the blue line).

35. The chart indicates that during the MTFS period covered, the Council will not need to take out any additional external loans to fund its planned capital expenditure and can continue with its strategy of using cash in lieu of such borrowing.

Policy framework

36. When assessing the various options for borrowing and investment it is still important to have a policy framework. The table that follows sets out three main elements.
- Objectives
- Economic considerations
- Relevant risks

37. The table compares borrowing and investments side by side to highlight the similarities and differences. For example, some of the economic considerations (i.e. the yield curve) are similar, whilst some aspects are different.

	Borrowing strategy	**Investment strategy**
Objectives	• Reduce the average rate (cost) of debt ensuring debt is affordable • Maintain medium term budget stability • Be able to respond to changes in the external environment	• Ensure security (to ensure bills can be paid) • Provide liquidity (i.e., to pay the bills as they fall due) • Earn interest
Economic considerations	• The shape of the whole yield curve* (the level of interest rates for different lengths of time) • The steepness of the yield curve • Forecast changes in interest rates • The relative position of interest rates to the average cost of the debt • The direction of travel for the level of overall debt in the future • Cash balances available to support the strategy	• The shape of the short-term yield curve* • Forecast changes in interest rates • Counterparty issues (credit worthiness) • Type of financial instrument • Risk in the financial environment
Relevant risks	• Security • Liquidity • Interest rate • Market risk • Refinancing • Regulatory and legal	• Security • Liquidity • Interest rate • Market risk • Refinancing • Regulatory and legal

*The yield curve is a fundamental concept; it represents the price paid by the Council for its long-term loans or the interest rate received for the money it invests.

38. The Council's risk management for treasury borrowing and investments will form part of a separate risk register that is currently being developed.

Borrowing Strategy 2022/2023

39. In 2022/23, the Council will hold £463.6 million of loans as part of its strategy for funding previous years capital programmes. The Council will need to ensure total amounts borrowed do not exceed the authorised limit for borrowing of £920 million, as disclosed in **Annex C** and as part of the capital strategy which includes liabilities for PFI schemes.

Objectives

40. The primary objective for the Council when considering the need to borrow money is to strike an appropriate balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. Although relatively low interest costs may be secured for the short term, it is more difficult to predict interest costs over the long term.

Strategy

41. Given the ongoing financial pressures to public services and local government funding, the Council continues to address the key issue of affordability without compromising the long-term stability of its debt portfolio. As short-term interest rates have been lower than long term interest rates, it has been more cost effective for the Council to use its internal cash resources in lieu of borrowing in the short term.

42. The current economic environment continues to favour using cash in lieu of borrowing as:
- there is a normal yield curve, so it is cheaper to use cash than to borrow;
- due to bail-in legislation it is important to minimise investment risk, as using cash reduces investment balances;
- using cash within practical cash management limits would meet key parts of the current government guidance on local government investments, i.e., managing the security and liquidity risks for investments;
- interest rate forecasts show the Bank Rate is still at a low level and it is expected to remain well below the average debt rate for the next year and beyond. Continuing to use cash would meet the objective of bringing down the average rate of interest for borrowing and provide an opportunity to fund the capital programme at low cost; and
- the medium/long term debt levels are forecast to be lower for longer.

43. In the past, cash balances have been sufficient to allow the strategy of using cash without the need to raise further external loans. The liability benchmark analysis at **paragraph 34** indicates that this is set to continue into 2022/23.

44. The Council does recognise that there may be unexpected reductions in cash balances in the future. This could be due to:
- increases in the capital programme;
- budget pressures (either through Coronavirus or further austerity measures);
- changes in the Council's cash funding because of structural changes; or

- LOBO loan call options being called.

45. Where additional liquidity is needed, the Council can call upon short-term temporary loans raised from the money markets, including from other local authorities who have surplus cash to invest. The Council can also obtain long term loans of over one year, for example, through the PWLB.

46. It is important to understand that when raising loans, not all of any funding gap needs to be closed with the new loans. A gap should be retained that continues to use available cash for the reasons outlined at **paragraph 42**. The proposed strategy aims to strike a balance between the liquidity needs of day-to-day cash management with the low-risk approach that is maintained by using cash in lieu of external borrowing.

47. The Council will monitor the benefits of internal borrowing, via the Treasury Management Panel, chaired by the County Treasurer (S151 officer), on a regular basis. The strategy of internal borrowing must be balanced against the possibility that long-term borrowing costs may increase in future years, leading to additional costs as a result of deferring borrowing. The Council will need to determine whether it borrows additional sums, at long term fixed rates in 2022/23, with a view to keeping future interest costs low. To this end, the Council will take into account the advice and analysis carried out by its treasury management advisor - Link.

Sources of borrowing

48. The approved sources of long term and short-term borrowing are:
- the Public Works Loans Board (PWLB);
- UK Municipal Bonds Agency Plc and any other special purpose companies created to enable local authority bond issues;
- other UK public sector bodies;
- UK public pension funds (except the Staffordshire Pension Fund);
- approved banks or building societies authorised to operate in the UK; and
- any institutions approved for investments.

Long term loans

49. The Council has previously raised the majority of its long-term borrowing from the PWLB, a statutory body that issues loans to local authorities. Government consent is not ordinarily required, hence the PWLB continues to be the ‘lender of first resort’ because of the flexibility and ease of access. However local authorities are required by law to have regard to the Prudential Code and only borrow within relevant legislation and its borrowing powers.

50. HM Treasury have also put measures in place to prevent public bodies using PWLB funding to finance any commercial investments and there are mechanisms in place to recall such funding if this is found to be the case.

51. The Council currently holds £51 million of long-term borrowing in the form of LOBO (Lender Option Borrower Option) loans. The lender has the option to propose an increase in the interest rate at set dates, following which the Council, as the borrower, has the option to either accept the new rate or to repay the loan at no additional cost. £18 million of these LOBO loans have such call options during 2022/23. Although the Council understands that

lenders are unlikely to exercise their options in the current low interest rate environment, there does remain an element of refinancing risk.

52. Under the current strategy, the Council will repay all LOBO loans where call options are exercised by the lender. In addition, the Council will consider repaying LOBO loans where a loan restructuring opportunity arises and is considered financially advantageous (see **paragraph 57**).

53. Where the Council is considering taking out long-term loans, the following observations are important:
- the Council's existing loan portfolio is very long term, this can be seen in the graph at **Annex D,** and taking shorter term loans would rebalance the portfolio; and
- as stated already, the yield curve is normal, so shorter-term loans are relatively cheaper.

54. Any decision to borrow long term will be taken by the Treasury Management Panel, chaired by the County Treasurer (S151), and reported to the Cabinet Member for Finance. This is because the optimum timing to borrow cannot always be foreseen, and a decision often needs to be taken at short notice. Members will be kept informed via the outturn and half-year treasury management reports.

Short term loans

55. Short term loans raised from money markets are typically under 6 months duration. These are low cost, and the Council can respond flexibly to liquidity pressures by raising these when needed. The disadvantage of short-term loans is one of availability and it can be difficult to raise them quickly from banks and building societies.

56. The local authority lending market has progressed considerably in recent years and loans are generally available in the short to medium term. However, future availability cannot be predicted, as loans raised depend upon other local authorities still having cash balances and being prepared to lend them to the Council.

Loan restructuring

57. Movements in interest rates over time may provide opportunities to restructure the loan portfolio in one of two ways:
- replace existing loans with new loans at a lower rate (known as loan rescheduling); or
- repay loans early without replacing the loans, although this would increase the use of cash.

58. In current market conditions, due to low Gilt yields, loan restructuring would be very expensive and unattractive for the Council. This would lead to large penalties, to compensate the PWLB, if loans were repaid early.

59. The Council's ability to adjust its loan portfolio through restructuring is only possible if:
- the Government allow it; PWLB rules have been changed in the past with no notice; or

- market conditions allow economically beneficial repayment.

60. Market conditions and regulations are not constant and do change and loan restructuring can only be carried out when conditions are favourable. The decision as to when to undertake loan restructuring will be delegated to the Treasury Management Panel, chaired by the County Treasurer (S151), and reported to the Cabinet Member for Finance.

Annual Investment Strategy (AIS) 2022/23

61. It is the Council's borrowing strategy that determines its investment strategy, as implied in **paragraph 40**. The current economic environment of relatively low interest rates favours the use of cash instead of external borrowing, hence balances available for temporary investments are likely to be less.

62. The Council will have significant levels of cash to invest at different points of the year; this usually represents income received in advance of expenditure plus balances and reserves held. In the first half of the previous financial year, the Council's investment balance ranged between £266 million and £409 million.

MiFID II

63. Following the introduction of the second Markets in Financial Instruments Directive (MiFID II) regulations from January 2018, local authorities will automatically be treated as retail clients by financial services firms, unless they meet the criteria and 'opt up' to be professional clients. As a retail client, the Council would receive enhanced protections, but this would also mean it may face increased costs and restricted access to certain products including money market funds, pooled funds, treasury bills and treasury advice.

64. The Council meets the criteria set out under MiFID II and having chosen to 'opt-up', will continue to be treated as a professional client by regulated financial services firms in 2022/23.

Objectives

65. The CIPFA Code requires local authorities to invest their cash prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.

66. The Council's objective when investing its cash is to strike an appropriate balance between risk and return, thereby 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 to or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Strategy

67. The main characteristics which should determine an investment strategy are:
    - the credit risk of the counterparties invested with;
    - the length of the investment; and

- the type of financial instrument that is used.

68. The Council has taken a low-risk approach to investment and the AIS for 2022/23 will continue to do so. In recent years, short-term unsecured bank investments have generally provided very low returns, with the increasing risk from bail-in regulations. Therefore, it is likely that the Council will continue to concentrate the majority of its short-term investments in more secure money market funds and government investments, in 2022/23.

69. DLUHC (was MHCLG) Guidance on Local Government Investments specifies the types of financial instruments that local authorities can invest in, and the Council has divided its approved investments into Standard Investments and Non-standard Investments.

<u>Standard Investments</u>

70. The Council consider Standard Investments to be those made with approved counterparties that do not require further approval from the Treasury Management Panel or Members. These investments tend to be for a period of less than a year and are those most frequently used by the Council. Standard Investments can be invested with;
    - UK Government – central government or local authority, parish council or community council;
    - short term money market funds (MMFs); and
    - bank and building society investments recommended by the Council's treasury advisor, Link.

i) <u>UK Government</u>

71. The Council invests with central government by using its Debt Management Account Deposit Facility (DMADF) account or by purchasing treasury bills. Funds held in the DMADF account are backed by the UK government, so they are very secure; however, returns tend to be lower than those received from elsewhere.

72. The Council invests in term deposits with local authorities, which can provide a higher return depending on the availability of, or the need for cash in the local authority lending market. Like central government investments, local government investments are not subject to bail in risk.

73. Although investments in the local authority lending market have a very low risk of insolvency, they are not completely without risk. The financial risks of a few local authorities have been documented in the press; the Council will continue to monitor such developments and seek advice from its treasury advisers where necessary.

ii) <u>Money Market Funds (MMFs)</u>

74. Money Market Funds have high credit quality and are pooled investment vehicles consisting of money market deposits and similar instruments. Short term MMFs that offer same day liquidity can be used as an alternative to instant access bank accounts. Same day notice MMFs have been used by the Council for some time as they have tended to provide greater security and a higher yield than bank accounts.

75. EU regulation, introduced in January 2019, has meant most same day notice MMFs have converted from a Constant Net Asset Value (CNAV) to a Low Volatility Net Asset Value (LVNAV) structure. The assets of LVNAV MMFs are marked to market, meaning the dealing NAV (unit price) may fluctuate. However, LVNAV MMFs are allowed to maintain a constant dealing NAV provided they meet strict criteria and minimum liquidity requirements. Public debt CNAV MMFs are still available where 99.5% of assets are invested in government debt instruments.

76. MMFs are a key tool to manage credit and liquidity risk and the Council will continue to use same day notice MMFs that meet the criteria listed below. These are considered to have sufficient high credit quality to be included on the Council's Approved Lending List:
    - Diversified – MMFs invest across many different investments meaning they achieve more diversification than the Council could achieve on its own account:
    - Short liquidity – cash can be accessed daily:
    - Ring-fenced assets – the investments are owned by investors and not the fund management company: and
    - Custodian – the investments are managed by an independent bank known as a custodian, who operates at arms-length from the fund management company.

77. Like all treasury instruments, MMFs do carry an element of risk:
    - the failure of one or more of an MMFs investments could lead to a run on MMFs, especially during a financial crisis, although the new MMF regulations do limit this risk to some extent; and.
    - there is a possibility that the Bank Rate could be set below zero. This could mean interest earned from MMFs could become negative after the deduction of their fee. In this instance, the Council could move funds to an alternative category of investment, if available.

iii) Bank and building society accounts

78. The Council can make investments with approved banks and building societies by using call accounts, term deposits or Certificates of Deposit (CD's). CD's are similar to fixed term deposits, but a certificate is issued for a specified length of time and rate of interest. A CD can also be sold in the secondary market if cash is required prior to maturity.

iv) Operational bank account

79. The Council's banking provider is Lloyds Bank. Cash is retained with Lloyds Bank each night earning interest at a market rate; the amount retained will be set in line with the diversification policy set out at **paragraph 84** onwards.

80. In respect of the Bank ring-fencing legislation Lloyds Bank has a relatively small investment banking operation meaning that 97% of the bank's assets remain within the 'retail bank' ring-fence. The Council's business with Lloyds Bank will take place within the 'retail bank' ring-fence (Lloyds Bank Plc) and not form part of their investment banking operations (Lloyds Bank Corporate Markets).

81. Should the Lloyds credit rating fall below the Council's minimum threshold, then smaller balances may be retained with the bank for operational efficiency. The Council will continue to monitor Link's advice on bank credit risk and any changes will be determined by the Treasury Management Panel, chaired by the County Treasurer (S151).

Standard Investments diversification

82. Risks to investments, such as those discussed for MMFs in **paragraph 77**, point towards the fundamental need for diversification across counterparties and investment categories where possible. Diversification can help to protect the security of the investments by limiting the Council's loss in the event of a counterparty default. Diversification will not protect the Council from a systemic failure of the banking sector, even if the risk of this has diminished following the bail-in banking regulations.

83. Diversification can be achieved by setting a maximum amount to be invested with each counterparty to limit risk and to ensure a spread of investments. However, this needs to take account of the fact that investment balances can change throughout the year. The limits shown below are based upon percentages of investments and the Treasury Team at the Council will review and reset these limits at least once a month with reference to forecast future cash balances.

84. Investment diversification is proposed at two levels; firstly, at investment category level:

Investment category	**Maximum % of total investments**
Government Investments	100%
Money Market Funds (MMF)	100%
Banks and Building Societies	50%

85. No limits are proposed for government investments as these may be utilised for all the Council's investments in certain circumstances.

86. Limits in MMF accounts stand at 100% of total investments due to the diversified nature of their underlying investments and their liquidity levels. The Council currently has five MMFs to ensure all cash is not placed in one MMF, thus further diversifying investments.

87. Secondly, diversification will also take place at investment counterparty level:

Banks and Building Societies Lower of:	
£m	Maximum investment as a proportion of total forecast cash balances
30	5% (unsecured) 10% (secured)

Individual MMF Lower of:	
Maximum investment as a share of the total size of the MMF	Maximum investment as a proportion of total forecast cash balances
0.50%	25%

88. Due to bail-in regulations a limit of 10% of cash balances, if investments are secured (e.g., covered bonds) and a limit of 5%, if investments are unsecured (e.g., fixed term deposits) has been set.

89. It is proposed that the application of, and any amendments to, the investment diversification policy is delegated to the Treasury Management Panel, chaired by the County Treasurer (S151).

Non-Standard Investments

90. The Council considers Non-Standard Investments to be all other types of approved investment or with counterparties that are not included as part of Standard Investments i.e., those investments that are used less frequently and may require further approval from the Treasury Management Panel or Members.

91. The Non-Standard Investments proposed for use are listed below. Some of these investments' present additional risks to the investments listed within Standard Investments, which would be taken into consideration in any proposed investment.

i) Covered Bonds: issued by banks and building societies against mortgage assets they hold and are guaranteed by a separate group of companies. They are exempt from bail-in as their structure enables investors to have effective security over the mortgage assets, by being sold if needed.
ii) Repos (Repurchase Agreements): comprise the purchase of securities with the agreement to sell them back at a higher price in the future. Investments are exchanged for assets such as government bonds, which can be sold in the case of a loss.
iii) UK Government Gilts: similar to the DMADF account and Treasury Bills but a longer-term investment that can be sold in the secondary market.
iv) Multilateral Development Bank Bonds: 'AAA' rated bonds created by institutions and backed by a group of countries. They can be sold in the secondary market if needed.
v) Collective Investment Schemes: Examples include pooled property and equity funds which have very different risk and return profiles to same day notice MMFs. Enhanced MMFs are considered to be collective investment schemes; they typically have a 3–5-day liquidity notice period as they invest further along the yield curve.
vi) 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.

92. Non-Standard Investments that are subject to market risk (this is the risk that the value of the investment can go down as well as up) would usually be held until maturity. At maturity the investment and accrued interest would be paid in full. However, some investments could be sold early if there were concerns over the borrower defaulting.

Non-Standard Investment diversification

93. Diversification of Non-Standard Investments is equally important, and the Council has set the following investment amounts and duration limits, split into two groups (see **Annex A**).

- Long-term local authority loans and UK Government Gilts: these have a combined investment limit of £45 million (up to 40 years duration) due to their high credit quality. The Council has held £30 million of long-term local authority investments since 2013.
- Other Non-standard Investments: these have an individual investment cap amount per asset class of £50 million (up to 10 years duration) with an overall cap of £150 million for this group.

94. This means a total of £195 million can be invested in Non-standard Investments in 2022/23 and this is reflected in **Annex C,** Prudential Indicator point 4. The decision to invest in Non-Standard Investments will only be taken after due consideration by the Treasury Management Panel, chaired by the County Treasurer (S151).

95. **Annex A** sets out the investment categories authorised for use in 2022/23 and **Annex B** lists the Council's Counterparty List at the time of writing this report.

Credit Management Strategy 2022/23

96. Investments made by the Council should be of 'high credit quality'. Although this can be difficult to define, credit ratings can be used as published by external credit rating agencies (the three main agencies are Moody's, Standard & Poors and Fitch). Credit ratings are monitored by and obtained from the Council's treasury management adviser, Link, where available.

97. An important aspect of Link's service is the provision of credit advice. As a treasury advisor, Link provide information about suitable investments in the context of the current economic risk environment and incorporates the views of credit rating agencies. It is important to note that the Council maintains the ultimate responsibility for the decisions it takes about its investments and will not use a counterparty that, for any reason, it does not deem appropriate.

98. For 2022/23, the minimum credit-rating thresholds are set at a long-term rating of 'A-' where available. Counterparties that are rated below this level are excluded. However, credit ratings are not the only aspect of how creditworthiness is assessed by Link.

99. The Council uses the creditworthiness service provided by Link to help determine its Lending List. This service employs a sophisticated modelling

approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- "watches" and "outlooks" from credit rating agencies;
- CDS spreads that may give early warning of changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

100. The Link modelling approach combines credit ratings and any assigned Watches and Outlooks in a weighted scoring system, which is then combined with an overlay of CDS spreads. The methodology produces a series of colour coded bands (shown below) which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council can then use counterparties within the following durational bands.
    - Yellow - 5 years *
    - Dark Pink - 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
    - Light Pink - 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
    - Purple - 2 years
    - Blue - 1 year (only applies to nationalised or semi nationalised UK Banks)
    - Orange - 1 year
    - Red - 6 months
    - Green - 100 days
    - No colour - not to be used

    As demonstrated, the Link creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings. Appendix 3 shows an example of the colour system used by Link.

101. Typically, the minimum credit ratings criteria the Council use will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-, as stated in **paragraph 99**. There may be occasions when the counterparty ratings from one rating agency are marginally lower but as long as the remaining two agencies have them in range they may still be used. In these instances, consideration will be given to the whole range of ratings available to support their use.

102. The credit list will be monitored on a weekly basis using Link's weekly update information. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service. In addition to the use of credit ratings the Treasury Team will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Financials benchmark and other market data on a daily basis via Link's exclusive Passport website. Extreme market movements may result in the downgrade of an institution or removal from the Council's Lending List.

103. If Link communicate credit rating changes and significant changes in other risk indicators to the Treasury Team, action will be taken. 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.

104. 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.

105. As mentioned previously, the Council retains the ultimate responsibility for its investment decisions. The Treasury Management Panel chaired by the County Treasurer (S151) meets on a monthly basis and reviews any changes recommended by Link. In between these meetings, the Treasury Team may be required to make investment decisions at short notice upon the recommendation of Link. Where required, the Treasury Team will implement these recommendations pending retrospective approval by the Treasury Management Panel, chaired by the County Treasurer (S151). On the rare occasion that Link do not make a firm recommendation, this will also be referred to the Panel for review. The Council will also use market data, information on any external support for banks, and knowledge of geo-political factors to help support its decision-making process.

106. Under stressed market conditions, additional Treasury Management Panel meetings may take place at very short notice after which the Panel may decide to adjust the Council’s investment risk profile. This may result in moving investments to lower risk counterparties or instruments.

<u>Non-treasury investments</u>

107. These are discussed as part of a separate investment strategy report titled ‘(Non-Treasury) Commercial Investment Strategy 2022/23’.

Review of strategy

108. The Council will prepare a revised strategy when there are significant changes to the following factors:
    - the economic environment;
    - the financial risk environment;
    - the budgetary position;
    - the regulatory environment; or
    - the appointment of a new treasury management advisor.

109. The responsibility for assessing these circumstances and proposing changes to the strategy is allocated to the Treasury Management Panel.

Policy on the use of external service providers

110. Link are the Council’s current external treasury management advisor appointed via a competitive tender process. The contract with Link is for three years, which commenced on 1 April 2021.

111. Link are contracted to provide information, technical accounting assistance and an investment advice service. The Council recognises that the ultimate responsibility for treasury management decisions remains with itself at all times.

112. An annual review of service quality is carried out by the Treasury Management Panel. Treasury Advisors will be expected to attend meetings bi-annually to discuss strategy and how well they are assisting the Council to discharge its responsibilities.

Investment management training

113. Treasury management is a specialised area requiring high quality and well-trained staff that have an up-to-date knowledge of current issues, legislation and treasury risk management techniques.

114. Officers who attend the Treasury Management Panel are senior qualified finance professionals. Treasury practitioners also attend regular CIPFA and treasury advisor training seminars throughout the year and have any training needs identified during the Council's staff review process. The function is also subject to regular audit and independent checks.

115. Member training is also important to introduce treasury concepts. The need for training events will be kept under review with sessions arranged in the future if necessary.

Policy on the use of financial derivatives

116. 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).

117. 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 Authority 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.

118. 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.

Rob Salmon
County Treasurer

Background Documents

1. Treasury Management in the Public Services: Code of Practice (CIPFA) (2017)
2. Prudential Code for Capital Finance in Local Authorities (CIPFA) (2017)
3. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
4. Statutory Guidance on Local Government Investments – Issued under Section 15(1) (a) of the Local Government Act 2003 (2018)
5. Statutory Guidance on Minimum Revenue Provision – Issued under section 21 (1A) of the Local Government Act 2003 (2018)
6. Localism Act 2011 – Guidance on the General Power of Competence in sections 1 to 6.

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Equalities implications: There are no equalities implications.

Legal implications: Approval of Prudential Indicators and an Annual Investment Strategy is necessary to meet the requirements of the Local Government Act 2003.

Resource and value for money implications: All resource implications are covered in the body of this report which links to the Council's MTFS.

Risk implications: Risk is inherent in Treasury Management activity and is dealt with throughout the report.

Climate change implications: There are no direct climate change implications arising from treasury and investment strategy decisions.

Health impact assessment screening: There are no health impact assessment implications arising from this report.

Cabinet – 26 January 2022 - Investment categories authorised for use 2022/23

Investment	Standard	Non-standard	Comments
UK Government - Debt Management Account Deposit Facility (DMADF) (standard investment)	**unlimited**	×	6 months maximum available
UK Government - Treasury Bills (T-Bills) (standard investment)	**unlimited**	×	6 months maximum available
UK local authorities term deposits (standard investment)	**unlimited**	**£45m across these categories**	Up to 40 years in duration (non-standard)
UK Government – Gilts	**unlimited**		
Money Market Funds	✓	×	100% of total investments in this category. Individual MMF - Lower of 0.50% of individual MMF size or 25% of total forecast cash balances per MMF
Term deposits with banks and building societies	✓	×	50% of total investments in this category. Lower of 5% (unsecured) or 10% (secured) of total forecast cash balances or £30m per counterparty
Certificates of deposit (banks / building societies)	×	**Maximum £50m per investment category and £150m in total across all categories**	Up to 10 years in duration (non-standard)
Bonds issued by Multilateral Development Banks	×		
Collective Investment Schemes	×		
Covered Bonds	×		
Real Estate Investment Trusts	×		
Repos (repurchase agreement)	×		

** Up to 12 months*

Annex B

Cabinet - 26 January 2021

County Council Lending List – December 2021	
	Maximum Time Limit
Regulation investments	
DMADF account	6 months
UK Government T-Bills	6 months
UK local authority	12 months
Banks and building societies	
Barclays Bank UK HSBC UK Bank Lloyds Bank Santander UK Nationwide Building Society	Maximum duration confirmed on deposit date as per colour code below based on rating:
MMF	
Black Rock	same day
Insight	same day
Federated	same day
Aberdeen Standard	same day
State Street (SSGA)	same day
Enhanced MMF	
Royal London Cash Plus	3-day notice

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

Cabinet – 26 January 2022

Prudential Indicators for Treasury Management

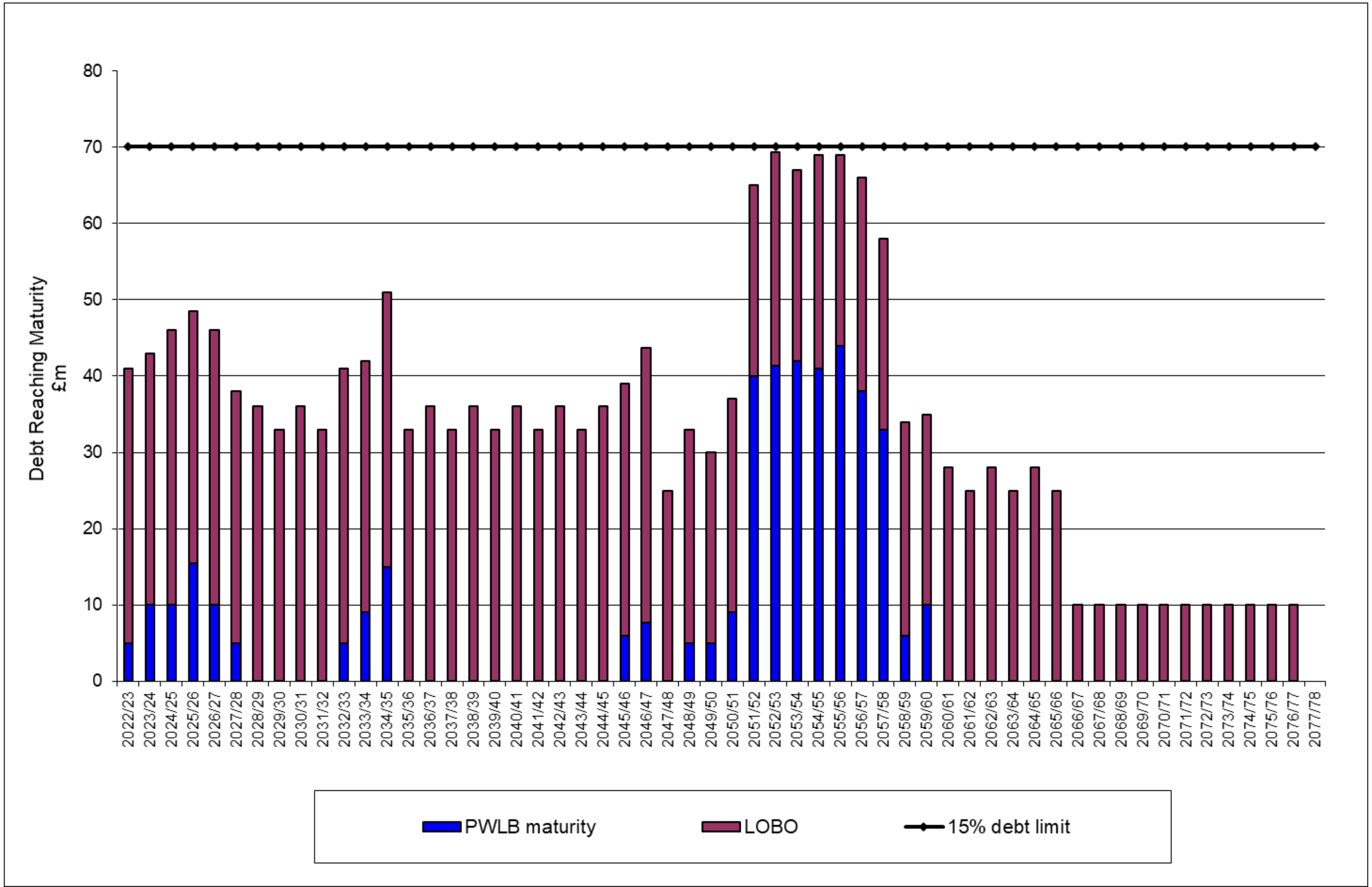
Indicator	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26	Estimate 2026/27
1. External Debt	£m	£m	£m	£m	£m
Authorised Limit for borrowing	662	657	639	621	602
Authorised Limit for other liabilities	258	261	264	267	270
TOTAL	**920**	**918**	**903**	**888**	**872**
Operational Boundary for borrowing	515	511	507	499	480
Operational Boundary for other liabilities	258	261	264	267	270
TOTAL	**773.0**	**772.0**	**771.0**	**766.0**	**750.0**
External Loans	**721.6**	**719.5**	**712.5**	**705.5**	**693.0**
The Authorised Limit is the maximum level of external borrowing which should not be exceeded. It is linked to the estimated level of borrowing assumed in the capital programme. The Operational Boundary represents an estimate of the day to day limit for treasury management borrowing activity based on the most likely i.e. prudent but not worst case scenario. "Other liabilities" relate to PFI schemes which are recorded in the County Council's accounts.					
2.Interest Rate Exposures					
a. Upper Limit (Fixed)	£543m	£545m	£541m	£524m	£507m
b. Upper Limit (Variable)	(£316m)	(£262m)	(£271m)	(£278m)	(£278m)
The County Council has set upper limits of fixed and variable borrowing and investments. The effect of setting these upper limits is to provide ranges within which the County Council will manage its exposure to fixed and variable rates of interest. Negative figures are shown in brackets; these relate to the 'high- point' of investments at a variable rate which are not offset by variable borrowings. The exposure to variable rate movements has been reduced by the use of cash in lieu of borrowing.					
3.Maturity Structure of Borrowing	Upper Limit	Lower Limit			
See **Appendix 5**					
*This indicator relates to the amount of loans maturing in specified periods. The overarching principle is that steps should be taken from a risk management point of view to limit exposure to significant refinancing risk in any short period of time. The County Council currently applies the practice of ensuring that no more than 15% of its total gross fixed rate loans mature in any one financial year. Because this is a complex situation for the County Council, involving PWLB loans, LOBO loans with uncertain call dates and the use of internal cash, specific indicators have not been set. Instead the County Council will manage its exposures within the limits shown in the graph at **Appendix 5**. This graph shows all LOBO call options on a cumulative basis; the actual pattern of repayment, although uncertain, will not be of this magnitude.*					
4.Upper limit for total principal sums invested for longer than a year (from maturity)					
*This limit has been set at the total amount that could be invested in non-standard investments as per the County Council's policy (see **paragraph 101**) which is the maximum that could be invested for 1 year or over.*	£195m	£195m	£195m	£195m	£195m

Appendix 9b

Annex D

Cabinet – 26 January 2022

County Council Maturity Structure of Loans



Cabinet – 26 January 2022

Commercial Investment Strategy 2022/2023

Recommendation of the Cabinet Member for Finance and Corporate Matters

Report of the County Treasurer (S151)

1. That Cabinet approves:

    (a) the Commercial Investment Strategy for 2022/23 and notes the circumstances under which Commercial Investments can be made;

    (b) the Governance arrangements that are in place for proposing and approving Commercial Investments;

    (c) a maximum quantum for Commercial Investments of £20 million in 2022/23;

    (d) a maximum limit for an individual Service Investment Loan of £10 million in 2022/23; and

    (e) that any upwards change in the amounts of the limits specified in Recommendations 1(c) and 1 (d) be delegated to the County Treasurer (S151) in consultation with the Cabinet Member for Finance.

Introduction

2. The County Council ('the Council') can invest its money for three main purposes:
    - **Treasury Management Investments** – when the Council has surplus cash because of its day-to-day activities, i.e. where income is received in advance of expenditure;
    - **Service Investments** – when the Council supports local public services by lending to or buying shares in other organisations; and
    - **Commercial Investments** – where the Council's main purpose is to earn investment income.

3. The Council's treasury management investments are considered as part of the Council's Treasury Management Strategy 2022/23, which is the subject of a separate report, and which meets the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) *Treasury Management in the Public Services Code of Practice 2017 Edition* (the CIPFA Code).

4. The Commercial Investment Strategy 2022/23 report meets the requirements of the statutory guidance issued by the Ministry of Housing, Communities and Local Government (now referred to as Department for Levelling up, Communities and Local Government - DLUHC) in its *Guidance on Local Government Investments 2018 Edition*. It will concentrate on Service Investments and Commercial Investments i.e., the Council's non-treasury management investments. This Strategy covers Council matters only and does not include Staffordshire Pension Fund investments, which are subject to separate governance arrangements.

5. With effect from 26 November 2020, as a condition of accessing the Public Works Loan Board (PWLB), Local Authorities will be asked to confirm that there is no intention to buy investment assets, primarily for yield, in the current or next two financial years. As there is no intention by the Council, to buy Commercial Investments purely for yield, nor to fund them through the PWLB, then this should not be cause for concern. Commercial Investments for the Council will remain in line with the acceptable use of PWLB monies, which includes investment for:

    - Service Delivery;
    - Housing;
    - Regeneration;
    - Preventative Action; and
    - Refinancing / Treasury Management (including to replace 'internal borrowing').

6. CIPFA released a new version of the Prudential Code in December 2021 and whilst reporting requirements are deferred to the 2023/24 strategies, the provisions in the code apply with immediate effect. The points affecting this report are as follows:
    - A Local Authority must not borrow to invest primarily for financial return;
    - Commercial Property – makes clear any historical asset base is not impacted and that plans to divest should form part of an annual review;
    - Definition of Investment – separate categories for Treasury Investment, Service Investment and Commercial Investment.

    Staffordshire Council has not, nor plans to, contravene any provisions in the revised code.

Treasury Management Investments

7. The Council typically receives income in cash (e.g. from precepts and grants) and pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of long-term borrowing decisions can lead to a cash surplus which is invested in accordance with the Treasury Management guidance from CIPFA.

8. The contribution that treasury investments make to the objectives of the Council is not focussed purely on generating investment income. Whilst yield is an important consideration, it is in support of effective treasury management activities and is, therefore, secondary in nature to the security and liquidity of those investments.

9. Details of the Council's policies and plans for treasury management activities for 2022/23 are covered in the Treasury Management Strategy, which includes the Annual Investment Strategy.

Service Investments

10. The core function of the Council is to deliver statutory and local public services to local residents and ensure the general wellbeing of the county and its residents. Indeed, the Council's own Vision is for a county where big ambitions, great connections and greener living give everyone the opportunity to prosper, be healthy and happy.

11. Service Investments can be broadly defined as any investments made to support delivery of statutory and local public services, and the details of these are contained within the Capital Strategy for 2022/23, which is also the subject of a separate report. However, in terms of the DLUHC guidance on Service Investments, these are more specifically defined as Loans or Shares.

Loans

12. The Council can lend money, to third parties, to support local public services and stimulate economic growth.

13. Previously, the Council has lent £150,000 to Nexxus Trading Services Ltd, a company wholly owned by the Council to provide social care services for older people and those with disabilities. The loan has now been repaid to the Council in full.

14. Whilst the loan to Nexxus was to an organisation with which the Council has strong links, if the Council wanted to make a loan to local organisations, such as suppliers, local businesses, local charities, housing associations, local residents, or its employees, it would need to ensure the loan meets service delivery objectives or fulfils one of its roles as a local authority.

15. The principal risk of making Service Investment loans is that the borrower may be unable to repay the principal lent or the interest due. To limit this risk, the Council will need to consider setting upper limits for each category of borrower and potentially a maximum single loan amount. To provide some flexibility, it is proposed that the maximum single loan amount for 2022/23 be set at £10 million. Consideration will also need to be given to limits by category of borrower and any single loan amount limits within those categories. Proportionality and the covenant strength of the borrower will also need to be considered e.g., a local business relative to an employee.

16. Any request for a service loan will be considered on its own merits. The Council will need to undertake a full risk assessment before making a service loan and continue to assess the covenant strength of the borrower, during the full term of the loan. The risk assessment will consider, but not be limited to, the following:

- Assessment of the market and the borrower including:
    i. the nature and level of competition in that market;
    ii. how the market and borrower's needs will evolve over time;
    iii. any barriers to entry or exit to that market;
    iv. any ongoing investment needs for the borrower; and
    v. any State Aid considerations.
- Whether and how the Council will use external advisors.
- How the quality of advice from the external advisor will be monitored and maintained.
- To what extent credit ratings have been used.
- Where credit ratings are used, how they are monitored and the procedures for taking action if credit ratings change.
- What other sources of information are used to assess and monitor risk.
- Any security that might be required.

17. Where service loans are made, the Council will make every reasonable effort to ensure the full amount lent is repaid and will have appropriate credit control arrangements in place to recover overdue payments. Accounting standards still require the Council to set aside loss allowances for any likelihood of non-payment. The Council will report the balance owed less any loss allowance in its statement of accounts.

<u>Shares</u>

18. The Council can invest in the shares of a third-party organisation to support local public services and potentially stimulate local economic growth.

19. Prior to the revised guidance being issued, the Council already owned 49% of the shares in Entrust and Capita Business Services Limited (a subsidiary of Capita Plc) owned the remaining 51%. Entrust provide education support services to local schools, so this investment clearly aligns itself to the Council's service delivery objectives i.e. the running operations of schools in Staffordshire.

20. The main risk of investing in shares is that they may fall in 'market value', meaning that the initial outlay may not be recovered if there was ever a need to sell the shares. The Council's shares in Entrust had a nil value at 31 March 2021; however, the investment continues to contribute to the Council's service delivery objectives.

21. To try to limit this risk in the future, and as part of this strategy, the Council could consider setting upper limits on the amount that can be invested in each category of shares. However, no limits are being suggested for 2022/23, as any investment proposal will need to be considered fully prior to being presented to Cabinet for their decision.

22. Any request to invest in the shares of a company for service purposes will be considered on its own merits. The Council will need to undertake a full risk assessment before making such an investment and will also need to continue to assess the financial strength of the company whilst it remains invested in those shares. The risk assessment will consider, but not be limited to, the following:

- Assessment of the market and the investment company including:
    i. the nature and level of competition in that market;
    ii. how the market and the investment company's needs will evolve over time;
    iii. any barriers to entry or exit to that market; and
    iv. any ongoing investment needs for the company.
- Whether and how the Council will use external advisors.
- How the quality of advice from the external advisor will be monitored and maintained.
- To what extent credit ratings have been used.
- Where credit ratings are used, how they are monitored and the procedures for taking action if credit ratings change.
- What other sources of information are used to assess and monitor risk.

23. For liquidity purposes, both types of Service Investments fall outside the remit of the Capital Strategy; therefore the Council will need to put in place procedures to determine how it will stay within any Approved Limits and the maximum investment

duration permitted for investments. For 2022/23, with very few Service Investments anticipated, it is proposed that this be incorporated into the risk assessment of the individual loan or share proposals, which will be overseen as part of the Governance arrangements described later in this report.

Commercial Investments

24. Under current DLUHC Guidance, the Council is permitted to make Commercial Investments with the intention of making a profit or generating revenue income.

Property Commercial Investments

25. In November 2019, CIPFA published its informal guidance on 'Prudential Property Investment', highlighting concerns over the recent and rapid expansion of commercial property purchases and its relationship with the statement in the Prudential Code ' 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'.

26. In November 2019, HM Treasury increased the borrowing rates on all loan periods by 1%, to discourage borrowing for commercial purposes. The rate has returned to normal levels, but HM Treasury have now expressly prohibited PWLB lending for commercial purposes and furthermore, have put measures in place to prevent such activity. The Council does not have any such Commercial Investments in property. CIPFA has also revised the Prudential Code to further strengthen the position and this now prevents authorities from borrowing to invest primarily for financial return.

27. Whilst there has been some political challenge about borrowing to invest outside of the local area, more acceptable would be investment in property, within the local area, particularly where it supports the provision of services. Previously, this type of investment activity may have been funded using surplus reserves or external borrowing for capital purposes, where long term reserves were not available. However, due to the recent Prudential Code revisions this type of investment activity is prohibited, if there is a need to utilise PWLB funding.

28. Irrespective of location, service purpose or method of funding, any property investments would be subject to the same risk assessment process as other Commercial Investments. This will include, but not be limited to, the following:

- Assess the market and the investment specifics including:
    i. the nature and level of competition in that market;
    ii. how the market and the investment will evolve over time;
    iii. any barriers to entry or exit to that market; and
    iv. any ongoing investment needs for the asset class.
- Whether and how the Council will use external advisors.
- How the quality of advice from the external advisor will be monitored and maintained.
- What other sources of information are used to assess and monitor risk.

29. Property has additional risk considerations in terms of valuation, income and liquidity:

- The market and accounting valuations may be lower than the purchase cost (including taxes and transaction costs) and this may have revenue account consequences;
- Rental income is dependent on having a tenant and the ability of that tenant (covenant) to make payment; and
- Properties can be difficult to sell and convert to cash at short notice, especially in certain market conditions.

Other Commercial Investments

30. Under the wider Commercial Investment opportunity, the Council can also invest in non-property related assets such as Equities, Bonds, Land, and Infrastructure. Within these asset classes, there are different sub-sectors and they are structured in multiple different investment forms and legal structures, such as direct investments, unitised investment vehicles and limited partnerships.

Loan Commitments and Financial Guarantees

31. Whilst not investments per-se, as no money has exchanged hands, loan commitments and financial guarantees are referenced for completeness, as they carry similar risks to investments.

Commercial Investment Panel

32. During 2019/20, the Council formed a Commercial Investment Panel (‘the Panel’) consisting of senior officers at the Council and chaired by the County Treasurer (S151). The Panel meet periodically, and as necessary, to consider Commercial Investment opportunities and how they might be aligned with investment in the county and the public services the Council needs to provide.

33. The Panel agreed the remit and scope of its Commercial Investment Strategy. This included discussions regarding:

    - The initial investment quantum;
    - The likely investment asset class and sector;
    - The favoured geographic location of the investment; and
    - The target for income and growth required from the investment.

34. To date, the Council has not made any Commercial Investments and before doing so, detailed consideration of any proposed investments will be reviewed in accordance with the Governance framework described later in this report (see **Paragraph 39**).

Quantum, Proportionality and Diversification

35. Guidance recommends that if a Local Authority plans to become dependent on profit generating investment activity to achieve a balanced revenue budget, then it must show the extent of that dependency as part of this report. Contingency plans if it fails to achieve the expected net profits should also be outlined.

36. Whilst the Council does have Service Investments in the form of shares, and whilst the Council is open to reviewing its approach to determine whether income from investments can be improved, the Council is not currently, nor does it plan to

become, dependent on profit generating investment activity to achieve a balanced revenue budget. However, it is considered good practice and good risk management to consider the Council's exposure to Commercial Investments in terms of total exposure, single investment exposure and diversity of investments.

37. In respect of Commercial Investments, it is proposed that in 2022/23 total exposure should be capped at £20 million p.a. Whilst it would be beneficial to also limit the amount on any single investment, thus forcing diversification, (i.e. a £5 million single investment limit would mean a minimum of 4 investments) it is considered impractical to do so in the early stages of building up any Commercial Investment portfolio. However, this will need to be kept under review.

Borrowing in Advance of Need

38. As referred to previously, Government guidance states that local authorities must not borrow more than, or in advance of, their needs, 'to profit from the investment of the extra sums borrowed'. To date, the Council has not borrowed in advance of need for this purpose. When the Council did borrow in advance of need, or if it is likely to need to do so in the future, then this would only be to fund the borrowing requirement for the capital programme; particularly if future borrowing rates were expected to increase.

39. Alongside the data currently required by the Debt Management Office, to provide a Local Authority with access to PWLB funding at the 'certainty rate', there will now be a requirement to submit additional data and provide assurance from the S151 Officer about the purpose of any Borrowing in Advance of Need. Should it be ascertained that such borrowing is being used to invest primarily for yield, and there has been misuse of the PWLB, then penalties could include:

- a request that the council unwinds problematic transactions;
- suspension of access to PWLB;
- repayment of loans with penalties; or
- a wider ranging sanction relating to a government review of the local government borrowing and investment framework.

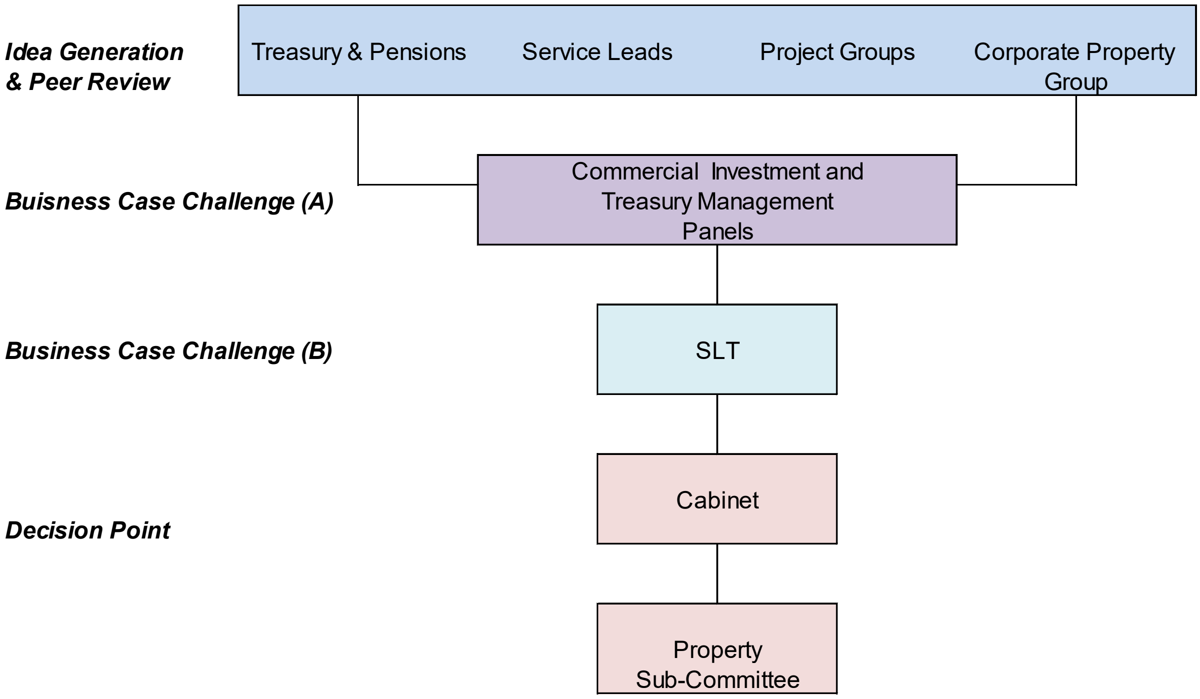
Governance, Capacity, Skills and Culture

40. The Council will ensure that Elected Members and Senior Officers involved in the investment decision making process have the appropriate capacity, skills and information. Those involved in the investment decision making process should;
- take informed decisions about whether to enter into a specific investment;
- assess individual investments in the context of the strategic objectives and risk profile of the Council; and
- understand how their investment decisions can change the risk exposure of the Council.

41. Elected Members and Senior Officers involved in negotiating commercial deals for the Council will be aware of the core principals of the prudential framework and of the regulatory regime within which the Council operates. Whilst much of this has been covered in the body of this report, other things, such as procurement regulations will also need to be considered.

42. Whilst idea generation will not be exclusive, the Council will ensure that it has Corporate Governance arrangements in place to ensure accountability, responsibility and authority for decision making on investment activities within the context of the Council's corporate values. The following chart illustrates how this will work within the current Corporate Governance arrangements albeit it is recognised that this may need to change as the Council's awareness and involvement in Commercial Investment activity evolves. The Scheme of Delegation, and any relevant sub-schemes, may also need to change to reflect any new arrangements going forward.

Commercial Investment Governance Framework



43. Investment Advisors will be used in the Governance process, not only to bring relevant investment expertise and information but also to introduce independent challenge into the process. The cost of using Advisors will need to be considered in any analysis of forecast net investment returns.

44. A Business Case, in an agreed form, but covering such details as that provided in Annex B will need to be submitted by the initiator of the Investment to facilitate peer review and challenge. As well as a descriptor of the Commercial Investment opportunity, the Business Case will need to demonstrate its alignment to the Council's Vison and Priorities as well as any service delivery considerations. Key areas of the Business Case will include and demonstrate:

- Details of Investment
- Background (including the Service Objective being fulfilled)
- Due Diligence Undertaken
- Financial and Legal Implications
- Risk and Risk Management

45. The business case will be submitted to the Commercial Investment Panel for consideration to be put forward into the Council's formal decision-making process which, depending on the type of approval required, will go into the committee cycle.

Investment Indicators

46. As part of its routine reporting, and in addition to the various investment limits the Council should also consider setting quantitative indicators to assess its Commercial Investment decisions. As a minimum these should include the Council's Total Risk Exposure, Investment Funding and the Net Investment Rate of Return. Again, indicators will need to be developed as part of working practices as the Council's Commercial Investment activities gain momentum. An illustration of how these Indicators might be constructed is provided in Annex C.

Rob Salmon
County Treasurer

Background Documents

1. Treasury Management in the Public Services: Code of Practice (CIPFA) (2021)
2. Prudential Code for Capital Finance in Local Authorities (CIPFA) (2021)
3. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
4. Statutory Guidance on Local Government Investments – Issued under Section 15(1) (a) of the Local Government Act 2003 (2018)
5. Statutory Guidance on Minimum Revenue Provision – Issued under section 21 (1A) of the Local Government Act 2003 (2018)
6. Localism Act 2011–Guidance on the General Power of Competence in sections 1 to 6.

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Annex A

Equalities implications: There are no equalities implications.

Legal implications: Approval of Prudential Indicators and a Commercial Investment Strategy is necessary to meet the requirements of the Local Government Act 2003.

Resource and value for money implications: All resource implications are covered in the body of this report which links to the Council's MTFS, Capital and MRP Strategy and Treasury Management Strategy for 2022/23.

Risk implications: Risk is inherent in Commercial Investment and is dealt with throughout the report.

Climate change implications: There may be climate change implications arising from Commercial Investment decisions. These will be highlighted as part of any Business Case.

Health impact assessment screening: There are no direct health impact assessment implications arising from this report.

Annex B

STAFFORDSHIRE COUNTY COUNCIL

COMMERCIAL INVESTMENT BUSINESS CASE

Illustration of areas to be considered

A **Details of Investment**

1. Name of Investment
2. Proposed Investment / Price £
3. Brief Description of Investment
4. Form and Legal Structure of Investment
5. Forecast Net Investment Return (Capital and Annual Income)
6. Investment Period
7. Investment Management Fees / Developer Profit

B **Background**

1. Reason for proposing Investment
2. Service Objective fulfilled
3. Social Impact
4. Funded from
5. Fit with other Investments / Strategy (Diversification)

C **Due Diligence Undertaken**

1. Investment Advisors / Managers
2. Structure of Company and People involved in the Investment
3. Process for Investment decision making
4. Underlying Investment Philosophy
5. Performance of previous similar Investments
6. Price

D **Financial Implications**

1. Yield
2. Capital / Income Return Targets
3. Source of Funding
4. Borrowing in Advance of Need
5. Commitment, drawdown, investment periods
6. j-curve
7. Payback period
8 Exit Penalties
9. MRP
10. International Financial Reporting Standard 9 – Financial Instruments
11. Fees

E **Environmental, Social and Governance Implications**

1. Positive / Negative factors
2. Legality

F **Risk & Risk Management**

1. Security Risk
2. Investment Risk
3. Liquidity Risk
4. Development Risk
5. Counterparty Risk
6. Reputational Risk
7. Compliance Risk
8. Operational Risk
9. Regulatory Risk
10 Interest Rate Risk
11. Market Risk
12. Currency Risk
13. Non-Systematic Risk (Diversification)

G **Legal Implications**

1. Form and Structure of Investment
2. Documents
3. Anti-Money Laundering / Know Your Customer
4. Indemnities
5. Conflict of Interest

H **Procurement Implications**

1. Procurement Route followed
2. Exemptions received

Governance

Peer Review undertaken:

Comments:

Business Case Challenge (A) TMP / CIP undertaken:

Comments:

Business Case Challenge (B) SLT undertaken:

Comments:

Recommendation to Cabinet / Property Sub- Committee:

Annex C

COMMERCIAL INVESTMENT INDICATORS

Total Risk Exposure

This demonstrates the Council's total exposure to potential investment losses.

Total investment exposure	**31 March 22 Actual £m**	**31 March 23 Forecast £m**	**31 March 24 Forecast £m**
Treasury management investments			
Service Investments: Loans			
Service Investments: Shares			
Commercial Investments:			
TOTAL INVESTMENTS			
Commitments to lend			
Guarantees issued on loans			
TOTAL EXPOSURE			

Investment Funding

The Council's investments may be funded by borrowing and /or the use of reserves, capital receipts, grants, developer contributions etc. These will be itemised appropriately.

Net Investment Rate of Return

This indicator shows the investment income received less the associated costs (including the cost of borrowing if appropriate), as a proportion of the sum initially invested. Under the local government accounting framework, not all gains and losses affect the revenue account in the year they are incurred.

Net Investment Rate of Return	**2021/22 Actual**	**2022/23 Forecast**	**2023/24 Forecast**
Treasury management investments			
Service Investments: Loans			
Service Investments: Shares			
Commercial Investments:			
ALL INVESTMENTS			

Financial Health Indicators

	Current Performance
Level of General Reserves (annual indicator) Well managed organisations operate with an adequate level of general reserves taking into account the risks they face. We determine the actual level of reserves we require annually through a risk based approach. However, it is prudent to aim to hold a minimum level of general reserves.	
General reserves are maintained at a level consistent with the risk review of general balances	G
Aged Debt (quarterly indicator) Organisations need to ensure that money owed to them is collected in a timely manner. This indicator shows how well we are managing to collect money owed to us.	
Level of outstanding general debtors more than 6 months old does not exceed £14.7m	R
Working Capital (annual indicator) It is essential that working capital is well managed. This indicator shows how well our debtors and creditors are being managed.	
Current debtors divided by current creditors is in the acceptable range of 1 - 3	G
Payments to suppliers (quarterly indicator) By paying suppliers quickly we are supporting the Staffordshire economy. It also means businesses are more likely to want to do business with us and offer us competitive rates which will improve our financial health in the medium term.	
At least 90% of invoices have been paid within 30 days of us receiving them during the last quarter	G
Financial Monitoring (quarterly indicator) Effective financial monitoring is essential in any organisation. Monitoring provides organisations with early information of potential issues enabling them to take corrective action to avoid future financial difficulties.	
Quarterly financial monitoring reports have been issued to Cabinet during the last 12 months *The council's most recent revenue outturn forecast did not vary by more than +/-2% when compared to the overall revenue budget*	G G
Financial Reporting (annual indicator) Preparing timely and accurate accounts is vital to demonstrate to interested parties that we have sound financial controls. They also provide detailed information which shows our overall financial health.	
The council's most recent Statement of Accounts were produced on time and were issued with an unqualified opinion by our external auditors	A

R Indicator not met	A Indicator not met by small margin	G Indicator met

Appendix 11

Proposed Net Budget 2022/23 Planning Forecasts 2023/24 to 2026/27

	Proposed Net Budget 2022/23	Planning Forecast 2023/24	Planning Forecast 2024/25	Planning Forecast 2025/26	Planning Forecast 2026/27
	£m	£m	£m	£m	£m
Health and Care					
Public Health and Prevention	27.382	27.382	27.382	27.382	27.382
Public Health Ring Fenced Grant	(27.382)	(27.382)	(27.382)	(27.382)	(27.382)
Adult Social Care and Safeguarding	45.429	46.166	47.390	48.640	49.930
Care Commissioning	197.848	223.688	246.386	262.433	264.600
Better Care Fund	(32.708)	(32.708)	(32.708)	(32.708)	(32.708)
Sub Total	*210.569*	*237.146*	*261.068*	*278.365*	*281.822*
Families and Communities					
Children's Services	119.656	117.163	116.535	117.376	120.517
Children's Public Health	9.802	9.802	9.802	9.802	9.802
Public Health Ring Fenced Grant	(9.802)	(9.802)	(9.802)	(9.802)	(9.802)
Education Services	28.398	29.929	31.614	33.101	34.700
Culture and Communities	5.581	5.925	6.077	6.233	6.392
Rural	2.435	2.448	2.513	2.579	2.647
Community Safety	9.545	9.752	9.963	10.179	10.399
Sub Total	*165.615*	*165.217*	*166.702*	*169.468*	*174.655*
Economy, Infrastructure and Skills					
Business and Enterprise	2.329	2.392	2.485	2.583	2.686
Infrastructure & Highways	32.090	33.265	34.085	34.374	35.282
Transport, Connectivity & Sustainability	42.770	43.587	44.702	48.572	49.933
Skills	6.937	7.010	7.085	7.162	7.241
EI&S Business Support	1.146	1.184	1.223	1.263	1.304
Sub Total	*85.272*	*87.438*	*89.580*	*93.954*	*96.446*
Corporate Services					
Assets	10.805	11.481	11.995	12.366	12.745
Business Support and Compliance	4.271	4.431	4.595	4.763	4.935
Traded Service / Business Partner	(0.758)	(0.757)	(0.756)	(0.755)	(0.754)
County Treasurers	9.797	10.094	10.398	10.676	10.960
People	3.122	3.223	3.326	3.431	3.539
Governance	5.945	6.110	6.282	6.477	6.676
Corporate Services	0.215	0.221	0.227	0.233	0.239
Strategy	4.050	4.172	4.297	4.925	5.056
Sub Total	*37.447*	*38.975*	*40.364*	*42.116*	*43.396*
Service Total	**498.903**	**528.776**	**557.714**	**583.903**	**596.319**
Capital Financing					
Capital Financing	33.979	33.497	32.840	33.645	33.898
Centrally Controlled	23.780	29.289	30.513	31.968	33.502
Investment Programme Capacity Fund	1.164	1.621	2.093	2.093	2.093
Contingency	10.000	10.000	9.000	9.000	8.000
Net Revenue Budget	**567.826**	**603.183**	**632.160**	**660.609**	**673.812**
Use of Local Taxation Reserve	(2.466)	-	-	-	-
Contribution to Reserves	14.908	0.349	3.462	3.983	4.514
Budget Requirement	**580.268**	**603.532**	**635.622**	**664.592**	**678.326**
Revenue Support Grant	(11.256)	(11.256)	(11.256)	(11.256)	(11.256)
Retained Business Rates	(111.745)	(113.381)	(115.473)	(117.804)	(119.332)
Settlement Funding Assessment	**(123.001)**	**(124.637)**	**(126.729)**	**(129.060)**	**(130.588)**
New Homes Bonus	(2.026)	-	-	-	-
Council Tax Collection Fund (Surplus) / Deficit	(4.982)	1.584	-	-	-
Core Services Grant	(6.976)	(6.976)	(6.976)	(6.976)	(6.976)
Social Care Support Grant	(34.634)	(34.634)	(34.634)	(34.634)	(34.634)
Market Sustainability and Fair Cost of Care	(2.391)	(19.600)	(28.000)	(28.000)	(28.000)
Council Tax	(406.258)	(422.889)	(440.246)	(458.461)	(476.977)
Financing Total	**(580.268)**	**(607.152)**	**(636.585)**	**(657.131)**	**(677.175)**
(Headroom) / Shortfall	-	*(3.620)*	*(0.963)*	*7.461*	*1.151*

Appendix 12

Summary of Budget Changes

Proposed Net Budget 2022/23	**2021/22 Revised Base Budget £m**	Inflation £m	Other Service Movements £m	Total Spending Pressures £m	**Total Pressures £m**	Investments £m	Service Savings £m	**2022/23 Draft Budget £m**
Health and Care	**194.444**	2.166	(0.961)	27.061	**28.266**	0.000	(12.141)	**210.569**
Families and Communities	**161.516**	7.481	0.000	1.279	**8.760**	(0.522)	(4.139)	**165.615**
Economy, Infrastructure and Skills	**79.693**	4.665	0.000	1.514	**6.179**	0.000	(0.600)	**85.272**
Corporate Services	**35.005**	2.161	0.000	0.235	**2.396**	0.000	0.046	**37.447**
Service Total	***470.658***	***16.473***	***(0.961)***	***30.089***	***45.601***	***(0.522)***	***(16.834)***	***498.903***
Centrally Controled Items	**44.449**	0.733	(21.402)	0.000	**-20.669**	0.000	0.000	**23.780**
Capital Financing	**34.669**	0.000	(0.690)	0.000	**(0.690)**	0.000	0.000	**33.979**
Investment Fund	**0.798**	0.000	0.366	0.000	**0.366**	0.000	0.000	**1.164**
Contingency	**5.000**	0.000	5.000	0.000	**5.000**	0.000	0.000	**10.000**
Net Revenue Budget	***555.574***	***17.206***	***(17.687)***	***30.089***	***29.608***	***(0.522)***	***(16.834)***	***567.826***

Health and Care
BUDGET SUMMARY

	2021/22 Original Budget **£m**	2021/22 Revised Budget **£m**	2022/23 Draft Budget **£m**
Public Health and Prevention	27.382	27.382	27.382
Public Health Ring Fenced Grant	(27.382)	(27.382)	(27.382)
Adult Social Care and Safeguarding	40.623	41.001	45.429
Care Commissioning	191.790	185.190	197.848
Better Care Fund	(31.747)	(31.747)	(32.708)
TOTAL	**200.666**	**194.444**	**210.569**
Centrally Controlled Items	3.394	3.596	3.686
Total Including Centrally Controlled Items	204.060	198.040	214.255

Appendix 13b

Families and Communities
BUDGET SUMMARY

	2021/22 Original Budget **£m**	2021/22 Revised Budget **£m**	2022/23 Draft Budget **£m**
Children's Services	113.502	119.796	119.656
Childrens Public Health	9.802	9.802	9.802
Public Health Ring Fenced Grant	(9.802)	(9.802)	(9.802)
Education Services	27.347	24.669	28.398
Culture and Communities	4.999	5.438	5.581
Rural	2.356	2.356	2.435
Community Safety	6.716	9.257	9.545
TOTAL	**154.920**	**161.516**	**165.615**
Centrally Controlled Items	4.004	5.329	5.470
Total Including Centrally Controlled Items	158.924	166.845	171.085

Appendix 13c

Economy, Infrastructure and Skills
BUDGET SUMMARY

	2021/22 Original Budget **£m**	2021/22 Revised Budget **£m**	2022/23 Draft Budget **£m**
Business and Enterprise	2.194	2.194	2.329
Infrastructure & Highways	29.687	29.687	32.090
Transport, Connectivity & Sustainability	39.880	39.880	42.770
Skills	6.585	6.835	6.937
EI&S Business Support	1.097	1.097	1.146
TOTAL	**79.443**	**79.693**	**85.272**
Centrally Controlled Items	1.389	1.644	1.682
Total Including Centrally Controlled Items	80.832	81.337	86.954

Appendix 13d

Corporate Services
BUDGET SUMMARY

	2021/22 Original Budget **£m**	2021/22 Revised Budget **£m**	2022/23 Draft Budget **£m**
Assets	11.175	10.445	10.805
Business Support and Compliance	3.912	3.927	4.271
Traded Service / Business Partner	(0.622)	(0.761)	(0.758)
County Treasurers	11.425	9.237	9.797
People	2.728	2.728	3.122
Governance	5.272	5.395	5.945
Corporate Services	0.204	0.204	0.215
Strategy	3.990	3.830	4.050
TOTAL	**38.084**	**35.005**	**37.447**
Centrally Controlled Items	2.095	3.718	3.814
Total Including Centrally Controlled Items	40.179	38.723	41.261

Recommendations of the Corporate Overview and Scrutiny Committee and Cabinet's response

Comments and Recommendations of the Corporate Overview and Scrutiny Committee		Cabinet's Response
Cabinet Member for Health and Care		
R1	That the voluntary sector must be appropriately supported in Communities to support people to live independently.	Noted and work is ongoing with the voluntary sector to support them as resources allow, the MTFS includes additional money for the extension of the VCSE contract.
R2	That public health be requested to focus messages of healthy lifestyle choices to residents in the County to encourage living healthier longer and deflect from increasingly expensive care costs.	We have continued to promote healthy lifestyles and mental well-being throughout the pandemic. As Covid eases we will be able to increase our focus on these messages.
R3	The working Group would support the efforts to introduce consistency and best practice in digital innovations in adult social care where some care centres would benefit from this (e.g., some are less innovative or are using paper-based systems where technology could help).	We continue to innovate and have implemented or are planning to introduce a range of new digital systems including in care homes: Reminiscence Interactive Therapy Activities, Oxevision, pressure and falls mats, video-calling platforms, electronic care records; in home care: ARMED; in learning disability in house provider services: a digital care management system.
Cabinet Member for Children and Young People		
R4	The Working Group highlight the importance of progressing work towards moving children out of care towards permanency whether by returning them home, or to adoption or fostering families and that this should be done with immediate effect to address the rising cost of children in our care. It is recommended that Staffordshire Children's Services carry out a review of processes to consider the continued suitability of placements and that best practice identified by the Working Group be considered to develop a	The Children's Transformation programme has been developed to take account of best practice, to address the rising costs of the service and to ensure that the vulnerable children in Staffordshire receive the best possible care. The Placement Team considers exit strategies as appropriate and the service is implementing a focused piece of work which identifies those young people who may be able to move out of care, including those placed at home on a Care Order.

Recommendations of the Corporate Overview and Scrutiny Committee and Cabinet's response

Comments and Recommendations of the Corporate Overview and Scrutiny Committee		Cabinet's Response
	placement team to look at exit strategies to move children out of care, when appropriate.	
R5	To assist with early detection of potential care issues, Worcester CC look at school exclusion records, targeting families with missing school attendance issues and have a vulnerable learner team. Staffordshire should review its early detection trend data availability in this way.	This practice is also mirrored in Staffordshire and will be enhanced by the new district integrated children and families' teams which include education and social care. This is supported by our partners which deliver family support services, our Social Workers in School national pilot and the multiple intelligence sources used in the Building Resilient Families and Communities (BRFC) programme to deliver the earliest support possible. Staffordshire is one of the top national performers in the BRFC programme for its impact on supporting families and children to remain out of crisis.
R6	That the Children's Transformation Programme progress be monitored and measured, and that a report be requested to Corporate Overview and Scrutiny Committee in 6 months to update on actions and timelines for implementation.	Noted but it has previously been agreed that this will be included in the workplan for the Safeguarding Overview and Scrutiny Committee. The Corporate Overview and Scrutiny Committee will continue to receive the quarterly integrated Performance reports which will include monitoring of this area as appropriate.
Cabinet Members for Highways and Transport, and Commercial Matters		
R7	That appropriate measures are put in place to mitigate the identified risks to delivering transformation relating to availability of skilled staff, regaining control over quality, and fully engaging front line staff in the process.	Agreed. Identifying the risks and mitigating actions is a standing agenda item in both the Highways Transformation Steering Group and Programme Board meetings so this is monitored on an ongoing basis.
R8	To ensure that processes are in place to ensure Highways teams work proactively with local members on highways enquiries. It was suggested that best	As part of the transformation programme a new highway communications strategy is being developed. This includes routinely publishing more planned works programmes as well as promoting the

Recommendations of the Corporate Overview and Scrutiny Committee and Cabinet's response

	Comments and Recommendations of the Corporate Overview and Scrutiny Committee	Cabinet's Response
	practice identified by the Working Group be considered to work with the communications team to provide elected members a weekly bulletin of planned activities for each member. It was considered this would be very useful in reducing the cost of dealing with enquiries.	highway defects dashboard, which is already available for each Members division. Due to the longer-term uncertainty in the MTFS as a result of the one-year only settlement, we need to live within our means and only do what we can afford. It may not be possible with the current level of revenue investment to provide elected members with a weekly bulletin. The level of revenue investment in Highways will be continually monitored as part of the corporate quarterly monitoring process with a key review date in December 2022.
R9	That Cabinet give consideration to good practice to potentially reduce operational costs. Surrey CC operates a Find and Fix scheme with its contractor and Staffordshire might want to consider something similar to reduce the costs of revisits to locations.	As part of the 22/23 investment we will be piloting a new 'right-first-time' and 'single-street-visit' approach to reactive maintenance activities to help address public perception around value for money. This approach includes attending to defect repairs above statutory service requirements and therefore requires additional investment. The pilot will establish potential future service levels and quantify additional investment requirements. The pilot will also establish the necessary new process and system requirements, so that they are ready to be rolled out if future ongoing funding is available.
R10	Staffordshire should review whether greater quality checking would have cost benefits. The target for Surrey CC is to have 5% quality control checking of completed works, also requesting before and after pictures from its contractor.	In line with the response to R9 the right-first-time pilots will look at opportunity to carry out additional quality checks, including review of the use of before and after pictures that are already being collected as part of the existing end-to-end Quality Management System. However, due to the longer-term uncertainty in the MTFS as a result of the one-year only settlement, we need to live within our means and only do what we can afford. It is not possible with the

Recommendations of the Corporate Overview and Scrutiny Committee and Cabinet's response

Comments and Recommendations of the Corporate Overview and Scrutiny Committee		Cabinet's Response
		current level of revenue investment to recruit additional Safety Quality Inspectors. The level of revenue investment in Highways will be continually monitored as part of the corporate quarterly monitoring process with a key review date in December 2022 and any additional activity around quality checking would need to be mobilised thereafter.
R11	That effective communication is in place to inform District, Borough and Parish Councils on matters relating to Highways Transformation.	Agreed. A communications strategy is being developed as part of the Highways Transformation Programme and will be monitored through the transformation governance arrangements.
R12	That the Cabinet Member gives consideration to minor and rural roads in any improvement strategy.	It is intended that where the investment strategy supports improved ways of working, including engagement with local Members, works scheduling, quality checks and customer communications the improvements will apply equally to all roads. In line with the highway transformation vision additional investment to replace life expired roads will be prioritised towards high visibility key routes in and around town centres.
R13	That the Cabinet Member champions embedding environmental matters and climate change in all aspects of highways and transport work.	Agreed. Climate Change is a key priority in SCC's latest Strategic Plan and the highways service has developed a "Roadmap to Net Zero". This includes achievement of Net Zero target of 2035 for Scope 1 & 2 emissions with Scope 3, including Suppliers by 2040. This aligns well with the corporate Net Zero by 2050 target.
Cabinet Member for Finance and Resources		
R14	That the Cabinet Member consider innovations and best practice developing in artificial intelligence AI to transform social care and the potential financial benefit	This will be considered but resources are limited and potential development costs could be large.

Recommendations of the Corporate Overview and Scrutiny Committee and Cabinet's response

	Comments and Recommendations of the Corporate Overview and Scrutiny Committee	Cabinet's Response
	associated.	
R15	That Cabinet agree to carry out horizon scanning to identify new and up to date technologies and applications, and to note the importance of consulting residents when developing new apps such as MyStaffs to ensure they are user friendly and have attraction to being used.	The method of horizon scanning will be considered and the importance of consulting residents is noted and will be factored into future developments.
R16	That the Digital Programme Board invite an elected member to attend meetings to offer constructive challenge and support to the Board, and that the Board also give consideration to suggestions and feedback from front line staff and partners.	The Programme Board reports regularly to the Cabinet Member but consideration will be given to a Member attending the meetings.
R17	Consider having a user group of residents to trial new applications or software and give feedback.	This will be considered.
R18	Consider an employee reward scheme for new innovation or cost saving ideas suggested.	This will be considered.
To Cabinet		
R19	That Cabinet monitor risk of uncertainty around future funding from central Government and where possible lobby the Government to extend the settlement grant for a three year period.	Agreed and lobbying is being undertaken, the risks of future funding shortfalls will be incorporated into the next round of the MTFS.
R20	That Cabinet give approval for an initial one-year investment of £15.5m (£5.5m high priority areas plus £10m i.e. 50% of DfT gap) and revenue (£1.0m initial investment in new model plus contract management capacity plus an element of community teams capacity) with December 2022 Review Point.	Agreed and included in the report elsewhere on this agenda.

Statement of the Leader of the Council

1. VCSE Capacity Building Recommission

The Cabinet have received a brief update on the current approach to VCSE capacity building (including the findings of recent engagement with key stakeholders) and have agreed proposals for investing in VCSE capacity building activity once the current arrangements end on 31st July 2022, including commissioning a new VCSE Capacity Building Framework. This investment will help to ensure the VCSE sector remains strong, sustainable, and has the stability required to continue supporting our communities to recover from the pandemic.

(Cabinet – 15 December 2021)

2. Burton Town Deal - Proposed Library Move

Your Cabinet have considered the outcome of the public consultation on the proposal to relocate Burton Library from its current location to the Market Hall, Market Place, Burton upon Trent as part of the Burton Stronger Town Deal. The public consultation was conducted across an 8-week period, beginning on Monday 19th July 2021 and closing on Friday 10th September 2021. 77% of respondents indicated that they are opposed to the move; 74% disagree that the move will generate additional footfall in the Market Place; and c. 66% disagree that the move will safeguard the future of the Market Hall. After considering the progress against the four criteria agreed by Cabinet in August 2020 and the outcomes of the public consultation the Cabinet decided that, subject to confirmation from Government and the Town Board that a Town Fund allocation of £6,991,549, or greater, is awarded following submission of the necessary Business Case, and that the identified shortfall of £1,036,382 can be resourced from either the Town Board or other external funding; the proposal to re-locate Burton Library and consolidate other County offices into the Market Hall and Crossley House with a maximum capital investment from the County Council of £1,067,000, be agreed.

(Cabinet – 15 December 2021)

3. Home to School Transport - Review of Temporary Vacant Seat Scheme

Following communication from government in July 2021 it was clear that the current temporary vacant seat scheme operated by the Council could not function in its current form in the medium to long term, due to a lack of suitable vehicles which would create inequalities between different parts of the county. It was therefore decided to hold a listening exercise with interested stakeholders and potential users of the scheme to understand if there was a legal and fair solution which would allow the scheme to continue within existing available budgets. The listening exercise carried out between 31 August 2021 and 12 October 2021.

The Cabinet have also received an analysis of the legislative constraints and, based on this analysis, the Cabinet have decided that the Temporary Vacant Seat Scheme should not be reinstated, as no legal and fair solution that benefits all has been presented. The Cabinet have, however, agreed to review and consider reinstating the temporary vacant seat scheme once the availability of coaches that meet the requirements of the Public Service Vehicles Accessibility Regulations (PSVAR) significantly improves in the Staffordshire. The Council's Transport Operations and Future Connectivity Team have also been asked to work with bus operators to see if existing bus routes can be extended/altered so as to provide travel opportunities for some pupils impacted by the PSVAR legislation.

(Cabinet – 15 December 2021)

4. Formal Report from the Local Government and Social Care Ombudsman regarding SEND

The Cabinet have considered the Formal Report from the Local Government and Social Care Ombudsman (LGSCO) in relation to the failure to review and update a young person's EHC Plan. The LGSCO has found the complainant suffered injustice as a result of fault and therefore has issued a formal public interest report and require the report to be considered at Cabinet. The Cabinet have noted the report's findings and have agreed to implement the recommendations made as part of the investigation report.

(Cabinet – 15 December 2021)

5. Proposed Relocation and Expansion of St Leonard's Primary School, Stafford

The Cabinet have approved the publication of a statutory proposal for the proposed relocation and expansion of St. Leonard's Primary School, Stafford, be approved. Subject to no major objection to the proposal, the Deputy Chief Executive and Director of Families and Communities has been authorised to implement the proposal at the end of the representation period. The proposed repurposing of the Kingston Centre will provide an opportunity, after remodelling and building work, to accommodate the relocated school. The relocation would enable the school to expand to meet the expected demand for primary school places generated by local housing development. The proposal would enable the school to increase its Published Admission Number (PAN) from 30 to 60, increasing its maximum capacity by 210 places (from 210 places (1FE) to 420 places (2FE)). The project would also provide a modern learning environment and on-site playing field for current and future families.

(Cabinet – 15 December 2021)

6. Diversity and Inclusion – Principles, Objectives and Action Plan

The Cabinet have considered the outcome of recent work to identify how the Council can further strengthen its commitment to promoting equality, diversity and inclusion across the Council and Staffordshire; and have also agreed the following Equalities, Diversity and Inclusion Principles and Objectives:

- The Principles are:
  - Staffordshire is a place where there is equality of opportunity for all, regardless of circumstances.
  - Staffordshire County Council is an inclusive and diverse employer, where our people feel they have the opportunity to succeed and progress.
  - Staffordshire County Council develops and delivers services that are inclusive and accessible to all.
- The proposed Objectives are:
  - Review and strengthen our recruitment and retention processes and practices.
  - Review and strengthen our diversity and inclusion training offer to employees.
  - Strengthen our approach to engaging and collaborating with our workforce and communities on diversity and inclusion issues.
  - Raise awareness of, and celebrate, diversity.

An initial Action Plan has been developed to take forward the proposed Objectives.

(Cabinet – 15 December 2021)

7. Chatterley Valley West - Project Update

The Cabinet have approved proposals to unlock a 43-hectare (gross) employment site at Chatterley Valley which could generate around 1,700 jobs (depending on the nature of the end users), Gross Value-Added Benefits of £67 million per annum and £60 million of private sector investment. The investment by the County Council is conditional on agreeing a Business Rates agreement with the Stoke-on-Trent and Staffordshire Local Enterprise Partnership to secure payback of the investment at the earliest opportunity.

(Cabinet – 15 December 2021)

8. Families Health & Wellbeing (0-19) Service: Contract Extension

The Cabinet have approved proposals to extend the contract for the Families Health and Wellbeing (0-19) service with MPFT from April 2023 – March 2024. The service enables children, young people and families to access information, advice and support from Health Visitors and School Nurses. Funding is available for the extension period as part of the Public Health Ring Fenced Grant.

(Cabinet – 15 December 2021)

9. IA2609 Framework for Responsive Property Maintenance and Day Works

The Cabinet have approved proposals for the procurement of a framework agreement for the provision of Responsive Property Maintenance and Dayworks. The Framework Agreement will be for a period of 3 years starting 1st June 2022 to 31st May 2025 with the option to extend by 1 x 12-month period. The Framework Agreement is being procured to provide the Council with an agreed schedule of rates for maintenance and minor works for Council owned buildings. The Framework Agreement can also be accessed by public sector partners including schools.

(Cabinet – 15 December 2021)

10. Staffordshire Means Back to Business - Oral Update

The Cabinet have received an update on "Staffordshire Means Back to Business" activity and noted the following matters:

- The challenges faced by businesses due to Covid, compounded by the emergence of the Omicron variant, and the help available to them via the Growth Hub and the Council's own Back to Business web pages.

- The rise in the overall number of job vacancies and new employment generating developments in the County, such as ASOS in Lichfield (2,000 jobs) and Pets at Home in Stafford (800 jobs).

- The on-going negotiations to deliver investment deals at the i54 Extension, and the commencement of work at Chatterley Valley, which could provide in excess of a further 3,000 jobs.

- The groups who have been disproportionally impacted by Covid 19, namely young people, women, the lower paid; with the proportion of young people in Staffordshire aged 18-24 that were claiming work-related Universal Credit currently standing at 4.9% compared to 3.7% in March 2020 and still well above the rate for the working age population.

- The most recent data available for overall government support packages following the ending of the 'furlough' scheme showed that 2% less of Staffordshire's residents were on a Government supported scheme than nationally.

- The Staffordshire Means Back to Business programme was continuing to support local businesses and those who wished to start their own. This programme had only been in operation for 12 months and to date had secured:

    - 290 Apprenticeships supported
    - 250 Companies supported with free training to help them with Covid restrictions
    - 297 students registered on the online Ignite Learning Platform to become business entrepreneurs in their own right
    - 7,000 students received Ignite lesson plan
    - 14 Business start-up loans made
    - 320 people through the Business Start Up Programme

- The Council's Skills and Employability team were leading on the delivery of 4 skills projects funded by the SSLEP's Getting Building Fund at Cannock, Tamworth, JCB Academy in Rocester and Stoke-on-Trent.

(Cabinet – 19 January 2022)

11. Economic Recovery & Growth: Enhancing Delivery

From 2021/22 onwards, the Medium-Term Financial Strategy (MTFS) includes an additional £1million per annum to support economic recovery and encourage economic growth. Of the additional resources made available in 2021/22, £0.840m of this £1m investment had been formally committed as follows:

(i) £0.200m had been used to create a Destination Management Partnership (DMP) post and to create a DMP marketing budget.

(ii) £0.640m had provided the ability to develop and operate the Staffordshire Means Back to Business scheme. To date the scheme had been able to generate an investment fund of over

£6m which included a successful bid to the Community Renewal Fund (CRF) of £751,000. As a result of the successful CRF bid, the allocation of £0.64m in County Council resources will not be spent in year but it is planned to utilise this in future years.

The Cabinet noted that the Council's Economic Recovery, Renewal and Transformation Strategy would be refreshed in the next few months to reflect the changing impact of Covid on our economy, and the priorities set out in the Strategic Plan. Over the next four years, future growth and investment will be driven by the following Business Economy and Skills priorities:

(i) Supporting the regeneration and transformation of our town centres.
(ii) Enabling infrastructure for economic growth through ready to fund projects.
(iii) Developing and implementing programmes which will make Staffordshire one of the best places to start-up or step up in business.
(iv) Having a high skilled, better paid workforce.
(v) A50/A500 Strategic Investment Corridor, realising opportunities it presents through innovative and sustainable growth.
(vi) Activities to be underpinned by the drive for Net Zero Carbon.

Authority has been delegated to the Director for Economy, Infrastructure and Skills, in consultation with the Deputy Leader and Cabinet Member for Economy and Skills, to move resources between the above activities as required to meet changing requirements (within the budget envelope).

(Cabinet – 19 January 2022)

12. Establishment of the Staffordshire Leaders Board

The Cabinet have approved proposals for the establishment of, and the County Council's participation in, the Staffordshire Leaders Board, the purpose of which will be to continue to improve joint working between the County, District and Borough Councils in Staffordshire, and to develop and negotiate a County Deal with Government. The proposals will allow the County and District/Borough Councils in Staffordshire to build on their strengths by focusing on joint approaches to the big issues that affect us, including the economy, public health and reducing carbon emissions.

It will also create an official structure by which Staffordshire's democratic organisations can speak jointly to central Government on how we can deliver better health and prosperity to the county.

The Leader of the Council has been appointed as the County Council's representative on the Leaders Board.

(Cabinet – 19 January 2022)

14. Future Commissioning Arrangements for Supported Living Services in Staffordshire

The Cabinet have considered options and proposals for future commissioning arrangements for Supported Living services in Staffordshire. The Council currently funds Supported Living for 416 people (373 in county and 43 out of county) with 53 care and support providers at a total gross annual cost of £23.3 million. A range of options for future commissioning arrangements for Supported Living have been developed through conversations between commissioners and providers and research on the arrangements used by other Local Authorities. The Cabinet have approved engagement with stakeholders to discuss the options and proposals. Feedback from this engagement will be used to refine the options appraisal and develop recommendations for future commissioning arrangements for Supported Living services in Staffordshire, with these recommendations brought to a future Cabinet meeting for approval.

Cabinet has also agreed an extension of the current Supported Living contracts for one year to allow sufficient time to discuss the options with stakeholders and to develop recommendations on a preferred option.

(Cabinet – 19 January 2022)

14. Update from COVID-19 Member Led Local Outbreak Control Board

The cabinet have received an update from the COVID-19 Member led Local Outbreak Control Board and noted the following matters:

- With the Omicron variant spreading fast, Covid infections in Staffordshire were at very high levels, with cases in all age groups. This was causing substantial pressure on health and care services due to Covid related hospitalisations on top of usual seasonal illness, as well as staff absences on top of long-term recruitment and retention difficulties.

- Vaccination remained the best way to reduce complications and deaths from Covid and was even more important in the face of the Omicron variant. The intention nationally was to offer all adults a booster as well as children over 12 two doses by the end of January 2022. The Council would continue to support the NHS to accelerate the vaccination programme.

- HM Government had announced a 3-month extension of Targeted Community Testing (TCT) until 31 March 2022 to support the holistic test, trace, isolate and vaccinate approach required for Winter Plan B and Omicron response. In Staffordshire, TCT had been provided by Nexxus Trading Services Ltd (Nexxus) who had the experience, skills, and infrastructure to be able to continue to provide TCT effectively. It was therefore agreed that the contract with Nexxus should be extended until 31st March 2022.

- Care providers had been particularly hard hit by the pandemic and had faced challenges to maintain enhanced standards of infection prevention and control, test clients and staff, and in recent months to recruit and retain their workforce. Government had provided a series of one-off grants to support care providers, which had been distributed via local authorities. On 17 and 29 December 2021, the Department of Health and Social Care (DHSC) announced two further grants and had asked local authorities to use both grants as quickly as possible. Funding could be given to providers to support their own initiatives or spent by local authorities on schemes to help all providers. Both grants must be used by 31 March 2022, with any unused funds returned to DHSC.

- Under the Workforce Recruitment and Retention Fund Round 2, the Council was to receive a total of £4,427,456 in two instalments in January 2022 and February 2022. The funding was contingent on submitting an assurance statement to DHSC by 21 January 2022. The purpose of the grant was to recruit and retain sufficient staff over winter, and support growth and sustain existing workforce capacity.

- Details of the Infection and Prevention Control Fund further round had not yet been published by DHSC. Funding totals £60m in England with Staffordshire's allocation expected to be c£900k. Grant conditions were expected to be similar to previous rounds of funding. Proposals for the expenditure of these grants were consistent with grant conditions and were a combination of funding to providers and schemes delivered by the Council. The proposals were largely an extension of allocations under the Workforce Recruitment and Retention Fund Round 1 and Infection and Prevention Control Fund previous rounds.

(Cabinet – 19 January 2022)

15. The Queen's Platinum Jubilee and Commonwealth Games

In spring and summer 2022 we will celebrate two momentous events that promise to bring communities and people together across Staffordshire and the West Midlands.

Firstly, we mark The Queen's Platinum Jubilee in May and June, to mark her incredible 75-year reign and the contribution she has made to our country. I hope that by then we will be in a position to see events and street parties across Staffordshire, and the opportunity for people to come together and celebrate after two hugely difficult years. Look out for more information and advice in the coming weeks.

This summer we also welcome the Commonwealth Games to Birmingham, and will be hosting two events right here in the county: mountain biking on Cannock Chase and part of the road cycling time trials in South Staffordshire.

There are lots of opportunities for Staffordshire people to get involved, whether as spectators or volunteers, and nominations are currently open for inspirational friends or colleagues to take part in the Queen's Baton Relay. The closing date is 14th February, so I urge people to go to Birmingham2022.com to find out more.

16. National Apprenticeship Week and skills

It is National Apprenticeship Week (7-13th February), celebrating the brilliant impact apprenticeships make to people, businesses and the wider economy.

Here in Staffordshire, it is vital we have a good supply of talented workers, with the skills that our employers need, to grow our economy. Apprenticeships are key to this and for apprentices, it's a great way of kickstarting or improving their careers.

The county council is running the 'Now's your time to recruit an apprentice for less' campaign. We are making up to £5,000 available to small businesses towards the cost of taking on an apprentice, and more than 160 businesses have already applied.

Up skilling your workforce to make sure that your business has the skill-base it needs for the future is no longer a nice to have, it's essential. One of the best ways of future-proofing your business is by taking on an apprentice and through our fund we can help you.

17. Director of Public Health Report

The real and devastating impact of Covid-19 on healthcare, businesses and communities across Staffordshire was detailed in our annual report from Dr Richard Harling.

Published to coincide with the 2nd anniversary of the first UK covid cases, the report sets out the incredible efforts of county council staff, working with partners across the public, healthcare, and private sectors. They include the handing out of 7 million items of PPE, more than 2 million lateral flow tests and dealing with more than 5,000 incidents and outbreaks.

I have been incredibly proud of the response in Staffordshire, supporting our residents through the most challenging two years. We are not out of the woods yet, with new Covid-19 variants appearing all the time. However, we are in a good position to tackle these head-on, with the partnerships and ways of working we have developed during this pandemic.

18. Climate Change

The new Strategic Plan before members today sets out the increasing scale of work we are doing, often with partners, to make Staffordshire sustainable, and combat climate change.

We are planting trees to mark The Queen's Platinum Jubilee, offering grants to community groups for environmental projects, running campaigns to increase recycling and reduce food waste, and much, much more.

We are facing a climate crisis and we must all do our bit to slow and reverse the effects of climate change, and chart our way to a carbon neutral future. Small steps make a big difference, from walking or cycling instead of hopping in the car for short journeys, or buying a reusable drinks bottle to cut your use of plastic. And while these measures are better for the environment, they bring health and financial benefits too.

So if it is not too late for another resolution this year, make it one to do your bit to help make Staffordshire sustainable.

Staffordshire County Council

Local Members Interest
N/A

Full Council – Thursday 10 February 2022

Future of Local Public Audit

Recommendation

I recommend that:

a. The Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government bodies for five financial years from 1 April 2023.

Report of the Chair of the Audit & Standards Committee

Report

Background

1. The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. When those transitional arrangements ended on 31 March 2018 the Council was able to move to local appointment of the auditor. There were three broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act); a) to make a stand-alone appointment; b) set up a Joint Auditor Panel/local joint procurement arrangement; or c) opt-in to a sector led body arrangement.

2. During July 2016 it was announced by the then DCLG that Public Sector Audit Appointments Ltd (PSAA) was named as a sector led body (SLB) authorised to make future audit appointments on behalf of principal local authorities in England. The first appointments made under the agreement commenced in relation to the financial year 2018/19.

3. The Council, via decisions taken by the Audit & Standards Committee and Full Council, decided to opt into the sector led body procurement process administered by PSAA in order to appoints its External Auditor for the 5-year period ending 31st March 2023. The role has been undertaken by EY during this period.

Options available from Financial Year 2023/24

4. Once again there are three ways for a principal Local Government Body to appoint its auditor for the five financial years from 2023/24 namely:

   Option a) Undertake an individual auditor procurement and appointment exercise as laid down in the Local Audit and Accountability Act 2014

   Option b) Undertake a joint audit procurement and appointing exercise with other local bodies: or

   Option c) Join the Public Sector Audit Appointment (PSAA) sector led body national scheme.

5. All of the three options require a local auditor to be appointed no later than the 31 December in the year preceding the financial year of the accounts to be audited. Therefore, this will be 31 December 2022 for the 2023/24 accounts.

   Pressures in the current local audit market and delays in issuing opinions

6. Much has changed in the local audit market since audit contracts were last awarded in 2017. At that time the audit market was relatively stable, there had been few changes in audit requirements, and local audit fees had been reducing over a long period. 98% of those bodies eligible opted into the national scheme and attracted very competitive bids from audit firms.

7. During 2018 a series of financial crises and failures in the private sector year led to questioning about the role of auditors and the focus and value of their work. Four independent reviews were commissioned by Government: Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator; the Competition and Markets Authority review of the audit market; Sir Donald Brydon's review of the quality and effectiveness of audit; and Sir Tony Redmond's review of local authority financial reporting and external audit. The recommendations are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator (ARGA) is to be established, and arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.

8. The Kingman review has led to an urgent drive for the FRC to deliver rapid, measurable improvements in audit quality. This has created a

major pressure for audit firms to ensure full compliance with regulatory requirements and expectations in every audit they undertake. By the time firms were conducting 2018/19 local audits during 2019, the measures they were putting in place to respond to a more focused regulator were clearly visible. To deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been needed than in prior years.

9. This situation has been accentuated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explore innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges have increased in subsequent audit years, with Covid-19 creating further significant pressure for finance and audit teams.

10. None of these problems is unique to local government audit. Similar challenges have played out in other sectors, where increased fees and disappointing responses to tender invitations have been experienced during the past two years.

Option a

11. In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be wholly, or a majority, independent members as defined by the Act. For this purpose, independent members are independent appointees, which excludes current and former elected members (or officers) and their close families and friends. This means that elected members would not have a majority input to assessing the bid submissions and determining which firm of accountants would be awarded the Councils external audit contract. A new independent auditor panel, established by the Council would fulfil this role. The ability to identify suitable potential independent candidates to sit on a panel would be a significant limiting risk factor for this option.

12. The recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract was estimated by the LGA for the first round of appointments to cost approximately £15,000 plus on-going expenses and allowances. To date no indicative costs

have been provided for the current round. The Council would not be able to take advantage of reduced fees that have been achieved through joint or national procurement contracts and the assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members. Auditor independence requirements would be straight forward to manage and control.

Option b.

13. The Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this would need to be constituted of wholly or a majority of independent appointees. Detailed guidance regarding the exact constitution of such a panel having regard to the obligations of each Council under the Act has been produced by the Chartered Institute of Public Finance & Accountancy (CIPFA). The Council would need to liaise with other local authorities in order to assess the appetite for such an arrangement.

14. The costs of setting up the panel, running the bidding exercise and negotiating the contract may be shared across a number of authorities and provides greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to firms.

15. The decision-making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used or possibly only one elected member representing each Council, depending on the constitution agreed with the other bodies involved. The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs, some firms may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for the Council then there will be a need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

16. To date there does not appear to be an appetite for this option within Staffordshire and feedback via the Staffordshire Finance Officers Group indicates a preference for option c.

Option c.

17. Option c is the continuation of the Council's present arrangement to appoint its Auditor via PSAA. This route avoids the need to directly undertake an auditor procurement and ongoing contract management activities, together with the avoidance of the costs and logistics of establishing an Auditor Panel.

18. During 2021 PSAA undertook a consultation exercise with Local Authority Bodies in order to determine what changes were needed in order to address the difficulties experienced with the 2018 contracts. The results of the exercise were as follows:

    a. the procurement arrangements are to have a strong focus on market sustainability and consideration of its proposal regarding social value.
    b. Consideration to be given to the setting of a minimum audit fee, the rationale, and arrangements behind this would be contained within the procurement documentation.
    c. A call for audit deadlines to be realistic for the complexity of the accounts and modern audit requirements.
    d. Capacity concerns to be included within the quality evaluation exercises undertaken by PSAA. Concerns regarding capacity will be taken up with the Financial Reporting Council on behalf of the sector as a whole.
    e. Specific benefits of the national scheme were also noted, in that the scheme was simpler to administer and more likely to deliver lower fees than achievable through a local procurement with less administrative cost and effort.

19. The latest information available from PSAA Ltd, outlines a number of benefits from the 2023 national scheme for participating bodies as detailed below.

    a. transparent and independent auditor appointment via a third party,
    b. the best opportunity to secure the appointment of qualified, registered auditor,
    c. appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency,
    d. on-going management of any independence issues which may arise,
    e. access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees,

f. a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members (in 2019 £3.5 million was returned to relevant bodies and in August 2021 it was announced a further £5.6m was to be distributed.)
g. collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements,
h. avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed elsewhere.
i. updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships, and ,
j. concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

20. Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups. PSAA has indicated that the procurement of audit services will be completed around August 2022. The appointment process will then take place as follows,

a. The process for making individual auditor appointments for opted-in bodies will be published during spring/summer 2022,
b. PSAA will consult with opted-in bodies on the proposed auditor appointment during the late summer/autumn 2022 and.
c. Auditor appointments will be confirmed by 31 December 2022 thereby meeting all of the required deadlines.

21. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 states that a principal authority may only decide to accept an invitation from PSAA Ltd to opt-in 'by the members of the authority meeting as a whole'

The way forward

22. The Council has until December 2022 to make an appointment. In practical terms this means that one of the options outlined in this report will need to be agreed by Members as the preferred route, in order for the procurement process to commence. The analysis undertaken in this paper concludes that option c i.e., to participate in the PSAA Ltd led procurement initiative will offer the best value for money. This was approved by the Audit & Standards Committee at their meeting on 14 December 2021. In order to accept the option to opt into the 2023 procurement exercise being undertaken by PSAA, the Council must

formally accept the invitation by 11 March 2022 following approval by Full Council at its February 2022 meeting.

Equalities Implications

23. There are no direct equalities implications arising from this report.

Legal Implications

24. Section 7 of the Local Audit and Accountability Act 2014 requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor.

25. Section 12 makes provision for the failure to appoint a local auditor. The authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.

26. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulation 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector led body to become the appointing person.

Resource and Value for Money Implications

27. Opting-in to a national SLB (i.e., PSAA Ltd) provides maximum opportunity to limit the extent of any increase in fees by entering into a large-scale collective procurement arrangement and would remove the costs of establishing an auditor panel.

Risk Implications

28. There is no immediate risk to the Council however early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner. Failure to meet the closing date (11 March 2022) for acceptance of PSAA invitation to opt-in to the sector led procurement exercise will result in the Council

having to create its own Auditor Panel and solely incur any associated procurement costs.

29. There is a financial risk that the current base fees may increase when the present External Audit contract ends in March 2023. However, given the level of additional fees incurred since the 2019/20 financial year it is anticipated that this will be broadly in line with actual payments made.

Climate Change Implications

30. There are no direct climate change implications within the report.

Contact Details

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Recommendations to the Council

10 February 2022

Re-Appointment/Appointment of Independent Persons under Localism Act 2011

1.The County Council has a Code of Conduct for members which complies with the requirements of the Localism Act 2011. That Code requires the involvement of Independent Persons (IPs) in considering alleged breaches of the Code. An Independent Person has to be consulted by the Monitoring Officer at various stages of the complaint handling process. Separately, if the complaint is pursued, the member complained about has the right to seek the views of an Independent Person.

2. Additionally the Employment Rules for the Head of Paid Service, the Monitoring Officer and the Chief Finance Officer require Independent Persons to be included in the membership of any special committee which might make recommendations to Council on any disciplinary action against the holders of those posts.

3. In 2017 the Council agreed to add to its then list of 2 Independent Persons by appointing a further two – Mr Tom Roach and Mrs Christina Robotham, each for a period of four years. The service and commitment given by both Mr Roach and Mrs Robotham, particularly following the loss of the original two IPs, has been greatly valued and appreciated and therefore Council is asked to approve their re-appointment for a further four year period. Both have confirmed their willingness to continue in the role.

4. To address the limited number of IPs currently available for consultation by the Monitoring Officer and other parties, it is proposed that a recruitment exercise be carried out with a view to appointing at least 1 more IP. That exercise would fall under the remit of the Audit and Standards Committee with any preferred 'candidate' recommended to Council for approval.

5. **Recommended:**

(i) That Mr Tom Roach and Mrs Christina Robotham be re-appointed as Independent Persons for a further four year period;
(ii) That the Audit and Standards Committee be requested to carry out a further recruitment exercise for a Independent Person(s).

Staffordshire Police, Fire and Crime Panel

Report of the Chairman of the Police, Fire and Crime Panel

To Staffordshire County Council

In accordance with agreed practice, I am reporting on matters dealt with by the Police, Fire and Crime Panel at its meeting on 7 December 2021.

The main items considered were:

Questions to the PFCC from Members of the Public
No questions were raised by the public prior to the meeting.

Decisions published by the Police, Fire and Crime Commissioner (PFCC)
The Panel considered the following decisions which had been published on the Commissioners website since the last meeting:

- Immediate Detriment Framework Adoption by Fire and Rescue
- Children and Young Peoples Sexual Assault Referral Service

No questions were asked.

Medium Term Financial Strategy (MTFS) - Police Service
The report updated the Panel on the current MTFS for the Police Force. It set out the current year's budget; updated MTFS assumptions; an analysis of key financial items; and an update on capital programme. The report also outlined the budget process and provided uplift numbers for members information.

The Commissioner explained that the budget would be constructed differently this year and this may result in some challenging discussions with the new Chief Constable. Budget challenge sessions would be held and the results would be shared with the Panel in the full budget report in January 2022 when the panel consider the Commissioners proposed precept level.

The Panel expressed concern over inflation costs, as this was viewed as the biggest risk factor. It was also felt that increased National Insurance costs from both employees and employers' way prove challenging.

It was reported that there had been no delay or problems in the recruitment of the additional 120 police officers during this financial year.

The recently announced National Government Drug strategy was discussed and the implications for mental health services and treatment programmes. The Commissioner explained the early intervention strategies currently employed which included stopping production and sales, and the need for timely treatment and rehabilitation programmes.

The Panel thanked the Commissioner for the update ahead of the precept meeting in January.

The Panel noted the contents of the report.

Medium Term Financial Strategy (MTFS) - Fire and Rescue Service
The report updated the Panel on the current MTFS. It set out the current years budget; updated MTFS assumptions; the impact of Covid on financial performance; analysis of key financial items; and an update on the capital programme.

The Panel were informed that the end of year budget figures were showing a slight underspend.

Again, the panel was informed that more information would be available at the Fire and Rescue precept meeting in February 2022. It was felt that the position was positive at the moment, but this was prior to the impact of winter pressures and rising prices.

Following a question on the increase in pay costs, it was explained that this was due to the increase in additional shifts to cover sickness.

The Panel noted the contents of the report.

Police and Crime and Fire and Rescue Plan consultation outcomes
The Commissioner explained the consultation process for both the Police and Crime and the Fire and Rescue Plans, the feedback received and how the plans had been amended to reflect the comments/concerns of reciprocates. The Plans had been published on the Commissioners website and would be considered in detail at a future meeting of the Panel.

The response to the consultation had been at a similar level to that expected but was reduced from the previous consultation. This was explained as due to GDPR, database contacts had been removed and the Citizens panel no longer exists.

There was a general discussion on the priorities in the plans and the need for detailed action plans to address some of the specific issues that were being experienced in the communities. These issues included:

- Consultation on planning applications so that new housing estates could be accessed if emergences occurred.
- Visits to elderly in their homes – with more prevention information and a wider range of services.

- Quicker response rates in some rural communities.
- Visibility of police officers and use of staff resources to reassure the public.
- The use of volunteers.
- More communication with those people who don't normally respond to consultation exercises.

The Panel noted the contents of the report.

Annual Conference for PFCP report
The Panel received a report from its member representatives at the AGM of the National Conference for Police, Fire and Crime Panels, held on 2 November 2021 at Warwick University.

Workshops attended as part of the National Conference had included discussions on 'Scrutinising the Commissioners Performance Framework' Funding and future direction' and 'Complaints handling'.

Questions to the PFCC by Panel Members
No further questions were asked.

Webcast can be found at [Browse meetings - Staffordshire Police, Fire and Crime Panel - Staffordshire County Council]

For more information on these meetings or on the Police, Fire and Crime Panel in general please contact Mandy Pattinson e mail mandy.pattinson@staffordshire.gov.uk

Details of Panel meetings are issued to contact officers in each of the District/Borough Councils in the County and Stoke-on-Trent City Council for posting on their own web sites.

Councillor Richard Cox (Vice Chairman in the Chair)
Staffordshire Police, Fire and Crime Panel Chairman