COUNTY COUNCIL – 13th FEBRUARY 2020

Strategic Plan and Medium Term Financial Strategy 2020/25 and 2020/21 Budget and Council Tax

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

(a) We recommend that:

(b) The County Council approve the following:

i) the adoption of the Strategic Plan as set out in **Appendix 16**;

ii) a net revenue budget of £479.595m for 2020/21 as set out in **Appendix 13**;

iii) planning forecasts for 2021/22 to 2024/25 as set out in **Appendix 13**;

iv) a contingency provision of £4.000m for 2020/21;

v) a net contribution to reserves and general balances of £14.671m for 2020/21;

vi) a budget requirement of £494.266m for 2020/21;

vii) a council tax requirement of £370.977m for 2020/21;

viii) a council tax at Band D of £1,295.95 for 2020/21 which is an increase of 3.99% when compared with 2019/20. 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	863.97
Band B	1,007.96
Band C	1,151.96
Band D	**1,295.95**
Band E	1,583.94
Band F	1,871.93
Band G	2,159.92
Band H	2,591.90

ix) 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;

x) the Financial Health Indicators set out in **Appendix 12**;

(c) That the County Council consider and approve the following recommendations which are included within the Capital and Minimum Revenue Provision Strategy 2020/21, the Treasury Management Strategy 2020/21 and the Commercial Investment Strategy 2020/21 (**Appendices 11a to 11c**):

i. Approve the Minimum Revenue Policy for 2020/21 as contained within the Capital and Minimum Revenue Provision Strategy 2020/21 in **Appendix 11a**;

ii. Approve the Prudential Indicators as set out within the Capital and Minimum Revenue Provision Strategy 2020/21 at **Appendix 11a**;

iii. Approve the 2020/21 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) 2020/21 detailed in paragraphs 66 to 114 and Annex A and Annex B of the Treasury Management Strategy 2020/21 (**Appendix 11b**);

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 115 to 124 of the Treasury Management Strategy 2020/21 (**Appendix 11b**);

vi. Approve the proposed borrowing strategy for the 2020/21 financial year comprising maximising the use of cash in lieu of borrowing as far as is practical; the ability to borrow new long-term loans, where deemed appropriate; the use of cash to repay loans early, subject to market conditions and a loan rescheduling strategy that is unlimited where this re-balances risk;

vii. The Treasury Management Strategy recommendations will operate within the prudential limits set out in Annex C of the Treasury Management Strategy 2020/21 (**Appendix 11b**) 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 2020/21 (**Appendix 11c**) 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 2020/21;

xi. Approve a maximum limit for an individual service investment loan of £10 million in 2020/21;

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.

(d) That the County Treasurer be authorised to adjust centrally-held budgets or contributions to or from reserves as appropriate, to reflect any grant changes announced in the final 2020/21 Local Government Finance Settlement or any business rates changes;

(e) That the Cabinet Member for Finance 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.

(f) That the Leader of the Council and Chief Executive be authorised to finalise the details of the Strategic Plan 2020/21 prior to final publication to ensure that it reflects any changes to the management and accountability structures of the County Council as part of the organisation’s transformation.

COUNTY COUNCIL – 13th FEBRUARY 2020

Report of the County Treasurer and Director of Corporate Services

Strategic Plan and Medium Term Financial Strategy 2020/25 and 2020/21 Budget and Council Tax

Introduction

1. I am pleased to be able to introduce the Medium Term Financial Strategy (MTFS) 2020/25 and the detailed 2020/21 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 94 to 97 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, Select Committee Members, the Senior and Wider Leadership Teams and colleagues throughout the council for their help and support in developing the MTFS and 2020/21 budget.

4. The council has reaffirmed its priorities to reflect both county-wide and national issues. The three priority outcomes, which are clearly connected to ensure that the people of Staffordshire will:

   - Be able to access more good jobs and share the benefits of economic growth;
   - Be healthier and independent for longer;
   - Feel safer, happier and more supported in their community.

5. In addition to the above, the County Council is committed to ensuring that as a well run council, management and support services are provided in the most effective and efficient manner.

6. The Strategic Plan is the primary document that shapes the financial plans and the Corporate Delivery Plan. Developed and delivered in tandem, they are supported by a range of directorate, service and team plans across the

council. At an individual level, all members of the Wider Leadership Team (WLT) sign an annual Accountability Letter and a performance conversation process supports performance and development conversations for staff at all levels. The Plan has been refreshed and Cabinet have noted it at their meeting on 29th January. The Plan is set out in **Appendix 16**.

7. Our strategy is ambitious for our county, but also realistic that serious challenges remain for Staffordshire, its people and the local public sector. Most people are in work, but not enough people are earning the salaries and wages they need to lead the lives they want. There is continuing uncertainty for local employers and their staff around the impact of Brexit. Health and care challenges are great, with a growing ageing population contributing to enormous financial pressures on the health and care system. The numbers of children coming in to and remaining in the care system is increasing, as are the numbers of children with special educational needs, in line with national trends.

8. The Council therefore has agreed five priorities. These priorities are:

Financial Planning - MTFS Underlying Principles

9. We are in unprecedented times. Meeting the huge and increasing financial pressures from adult social care and children's services, with reduced funding, simply does not add up.

10. Last year we managed to balance the budget for 2019/20 and the MTFS overall by closing an initial gap of around £35m each year. The cost reduction options included in this balanced position are not without risk and achievement of these has been monitored closely throughout this year.

11. We started the Medium Term Financial Strategy process for 2020-25 with a balanced position in overall terms for the five-year plan period. However, we are still facing unprecedented pressures on our finances in order to provide social care to the most vulnerable people in our communities, as well as continuing to provide a range of services that our residents and businesses demand albeit on a reduced basis. As a result, we must make some extremely difficult decisions about what we can continue to fund. It is interesting to note that 10 years ago the council spent around £200m on adults and children care services. For 2020/21 this figure exceeds £320m.

12. We are continuing to lobby Government on the critical need for more money for social care. Government have acted to include some additional one-off monies for 2020/21 but this simply is not enough. It is also imperative that the sector returns to the arrangements of financial settlements covering a 3 or 4 year period to aid in financial planning. We need these changes now and we need the culture of our communities to change swiftly if there is any possibility of avoiding a lasting impact on core areas such as care and road maintenance.

13. We have a track record of delivering results and working with partners across the Midlands to help make the lives of Staffordshire people more rewarding. Our commitment to do this remains undiminished.

14. However, it is imperative that we review the financial plans with aims of understanding the impact of addressing the funding gap and underpinning the strategic plan to deliver effective services while living within our means.

15. To do this the council has agreed a set of principles to develop the financial planning in the council. These are:

    The Medium Term Financial Strategy, driven by the new vision and new strategic plan is;

    - To be focused on achieving outcomes in the delivery plan;
    - To be evidence-based using a data-driven approach;
    - Part of an ongoing, continuous process led by service leadership teams;

- About shaping options around a focus on the people of Staffordshire as citizens rather than customers;
- To assess delivery plan options against the following tests to determine whether they are:
    - managerially deliverable with an accurate assessment of the risks involved in delivery
    - politically manageable
    - deliver outcomes, and
    - 'ensure we live within our means'

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

17. 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".

18. 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 a Connected 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.

19. The financial position the County Council currently faces mean that these hallmarks of best practice will not be achievable without either a significant increase in resources available or a significant reduction in the services offered to citizens of Staffordshire.

20. The current political situation means there is a necessary short-term focus in our financial planning which risks compromising the medium-term focus on our priority outcomes. The uncertainty of the funding for future years makes it very difficult to plan further than one year ahead.

21. Our proposals mean we will still do more for Staffordshire people than those things we only have a legal duty to provide. The decisions we must make though, will have a significant and lasting impact on our communities, and reduce the size and capacity of the council, thereby reducing our flexibility

and resilience. This will inevitably raise the risk of undermining some of the good work we have done.

22. 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.

23. But the pace of change must be swift if, in the long-term, we can afford to protect the most vulnerable adults and children in our communities.

24. The MTFS has been informed by rigorous feedback from the Corporate Review Committee. Their comments together with Cabinet's response are set out in **Appendix 2**.

Financial Planning Approach – The '6 Strands'

25. Although there is a balanced position for 2020/21, there are significant risks inherent in this starting point. Last year's MTFS included some large savings which must be achieved in order to continue with the balanced position.

26. There are also new pressures emerging across all services and these have been mostly mitigated within existing resources, or alternative savings have been identified to fund them. This is not a comfortable place for services to be and does not help the most vulnerable members of our community.

27. There is no single answer to addressing this issue and therefore the six strands of activity introduced last year are continuing to have an impact on balancing the financial plans over the medium term.

Creating the right conditions for our economy to grow will increase Business Rates income

As we encourage housebuilding to meet growing demand, more homes will generate more Council Tax

Lobbying Government to secure greater funding and responsibility to act on the issues that matter most to Staffordshire people

Changing the way we use technology and data combined with closer working with communities, in a new offer to Staffordshire citizens

Using council assets such as land, buildings or money held in reserve to generate income

Continuing to reduce costs by finding new and more efficient ways of working, for instance through greater use of technology

28. Each of these strands is discussed in the paragraphs that follow.

Grow Business Rates

29. One of the income streams which can be increased is business rates and the County Council already has a strong track record of creating the right conditions for economic growth and job creation across Staffordshire. This work will continue. In the current year, the County Council is part of a business rates pilot which sees 75% of all rates collected in the county and in Stoke-on-Trent, retained in the area. Unfortunately the government has announced that this pilot will not continue into 2020/21 and therefore

Staffordshire will only retain 50% of its collected rates next year. However the authorities have already agreed to form a Business Rates Pool which includes all Districts and Boroughs, the City Council and the Office for the Police, Fire and Crime Commissioner.

Grow Council Tax

30. As the County Council becomes self-financing due to the loss of government grant, initiatives to increase income become more important. Levels of housebuilding in Staffordshire, in keeping with the rest of the UK, are failing to keep up with the needs and demands of our people. The County Council is pursuing the option of encouraging house building to meet local demand. In doing so, this will also increase the number of properties in the county and therefore increase the income received from council tax.

Lobby Government

31. The County Council plays an active role in consultations with Government and ensures that the situation in Staffordshire is made clear to Whitehall. In addition, we work with the Local Government Association (LGA), County Councils Network (CCN) and others to influence Government policy and secure additional funding and responsibilities for the benefit of Staffordshire and its people. The long-awaited green paper on social care is further delayed and it is hoped that the new administration will have this on its agenda as a longer-term solution to stabilise social care and support the NHS is needed. The Government is also undertaking a fair funding review of local government and Staffordshire has already made a contribution to consultation in this area. However, implementation of any revised funding system for local government has been delayed due to the general election.

Using Council Assets

32. In recent years the County Council has become more commercial in its approach and is considering making investments in property, particularly where there is both a return to be earned and a wider benefit for the citizens of Staffordshire.

Community and Digital First

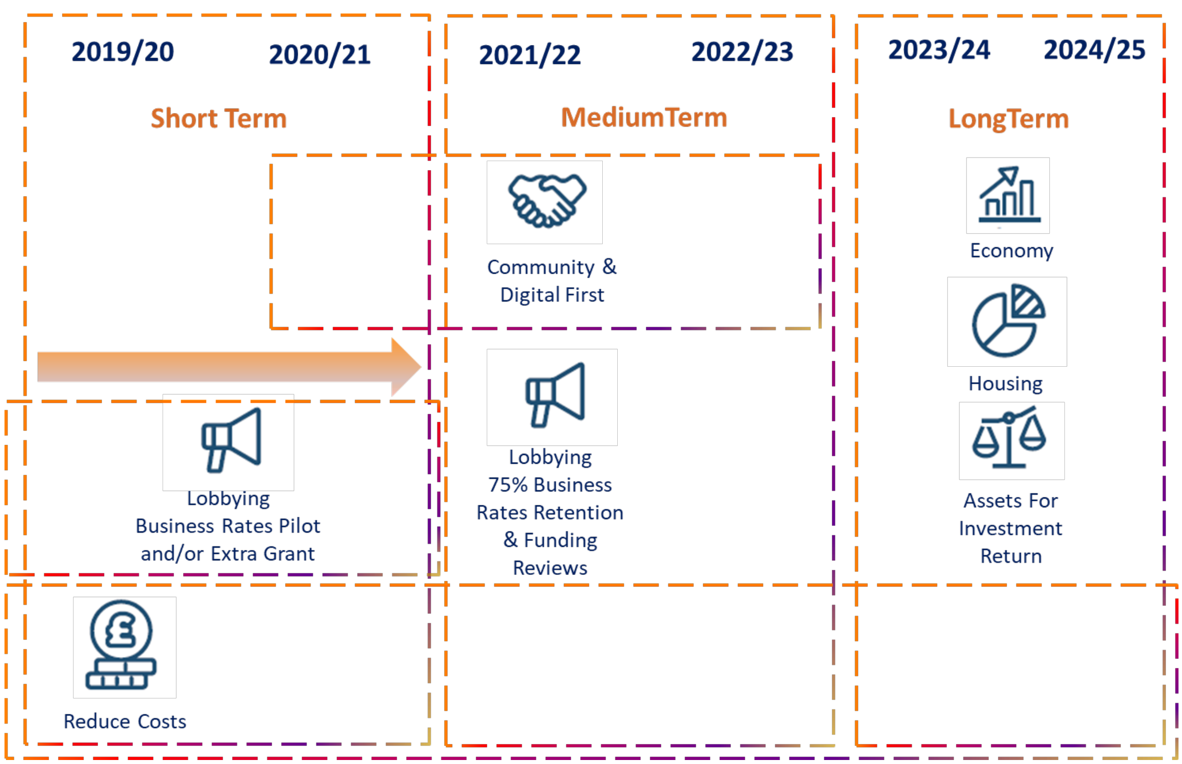
33. Given the funding pressures on public services, the county council cannot do everything we used to or would like to do. To make sure we can target resources where they are really needed, we must inspire more people to help themselves and each other. This involves three interconnected initiatives. Firstly, the County Council is developing its own digital programme, exploring how to better use technology and data to help people and business access the support they need. This is linked to a

wider Smart Staffordshire project which brings together the County Council, universities, businesses and other public partners to create a single digital transformation programme with shared objectives across the entire county. The final element of this new approach is the County Council's work with communities, called People Helping People, which aims to give citizens more control and the ability to act on the issues that matter most to them. The County Council will continue to provide care and support for people where it has a legal duty to do so. In doing this we will have to take our overall funding into account. This may mean that not everyone gets exactly the support that they want.

Reduce Costs

34. In the last decade the County Council has reduced its costs by £260 million, finding new, more efficient ways of working that deliver outcomes for residents. As a well-run council, we will continue this approach across the whole organisation, identifying opportunities to reduce overheads for instance through greater use of technology, joint working with partners, and closer working with the community.

35. The Strategic Plan sets out how these strands impact in the long term, medium term, and short/immediate term as shown in the following diagram:



36. What is clear from the previous diagram is that the aims of growing the economy and building more homes will take several years to realise any financial benefit to the council. Indeed, shaping the council's new offer will

take time and the council will not see immediate returns. Therefore, the council must plan to reduce its cost base now to balance the budget for the immediate term while the longer-term initiatives are developed. In addition, the short-term plan includes a range of activities aimed at lobbying government to ensure care pressures are met and grant reductions are slowed. This is essential to give the council the time needed to transform in the medium term; it would be counter-productive to be forced to reduce spending in the short terms on those activities which are essential to the long-term future of Staffordshire e.g. economic development services.

Medium Term Financial Strategy – Update

37. 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.

38. The planning period is five years, which provides a framework that promotes longer term planning.

39. The Local Government Finance Settlement for 2016/17 was a four-year settlement with allocations up to 2019/20. These amounts have then been confirmed in each annual settlement announcement. This provided certainty for the previous years but has meant that 2020/21 and future years are very uncertain. The Spending Round included some announcements for local government and these will be discussed in further detail below.

40. 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 £260m being identified and delivered in the past ten years (up to and including 2018/19).

41. 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.

42. In February the MTFS set a balanced budget for 2020/21 but one that includes £62.7m of savings each year by the end of the period and is dependent on those savings being achieved. This balanced budget includes 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.

Current Economic Climate / Forecast

43. The Bank of England has kept the official interest rate (the Bank Rate) at 0.75% since August 2018. If the economy continues to perform as expected, and this is very difficult to forecast with the current uncertainty, then interest rates will remain at around this level.

44. Inflation is below the HM Treasury target of 2%; currently the Consumer Price Index is at 1.3%. The forecast is for CPI to continue to reduce into 2020 due to falling energy and water prices, potentially to around 1.25%. However, there is upward pressure on pay levels nationally which may mean additional provision is required in the MTFS, if it can be funded.

45. Growth has been volatile during 2019, mainly as a result of Brexit and political uncertainty. It is expected to average 0.2% across the whole year which is around half the average of the previous three years. Growth is expected to increase through 2020 and 2021 as Brexit deals and trade talks with other countries add certainty for UK markets.

Spending Round 2019 and Provisional Settlement

46. The Spending Round was announced on 4th September and it covers one year, 2020/21 only. The intention is for a further Spending Review to happen which will cover a future period beyond next year. The local government finance settlement for 2020/21 was announced on 20 December 2019 and contained little change from the Spending Round announcement.

47. The announcement included some additional funding for social care, £1 billion nationally for both adults' and children's social care plus consultation on the continuation of the 2% increase for the Adult Social Care precept. This precept increase was already assumed in the MTFS and the Provisional Settlement has confirmed that it can be levied. Also included in the Spending Round was the continuation of the winter pressures funding and a commitment to maintain the Improved Better Care Fund at 2019/20. These two funding streams amount to an additional £8.5 million for Staffordshire as they had been previously been announced as allocated in 2019/20 only. In addition, there will be a real term increase to the Public Health grant instead of the anticipated further reduction.

48. Schools have also been given increased levels of funding nationally with a commitment to a £7.1 billion increase in funding by 2022/23. Additionally, there will be £780 million allocated nationally for children with special educational needs and an increase to the funding provided for early years. The details for Staffordshire are not yet known and are expected to be announced some time in the new year.

49. As mentioned above, the government has announced that there will not be any business rates pilots in 2020/21, however all Staffordshire and Stoke-on-Trent authorities have agreed to form a pool which will retain some income in the area.

50. Taking the Spending Round announcements together, there is an estimated £40 million to be allocated to the County Council for 2020/21 and this has now been confirmed in the Provisional Settlement. This has increased the Core Spending Power of the County Council by 6%, just below the national increase of 6.3%. Whilst this is beneficial and confirmation of the allocations is welcome, these are one-year funding streams at this stage per both announcements. However, it has been assumed that some of the additional specific grants for social care will continue beyond 2020/21 for planning purposes. Clearly if these funding streams do not materialise as part of future finance settlements then compensatory savings options will need to be identified. Certainty of funding as part of the Spending Review is desperately needed and multi-year settlements would be of great benefit to local government. The Adult Social Care precept is also assumed to continue in all years of the MTFS plan period and again there is a risk that the Government does not permit this.

Projected pressures and cost reduction options

51. Services have made efforts to mitigate their own spending pressures in order to maintain a balanced budget, however that is not possible in all service areas and some pressures have been identified along with some investments required in the Children's Service. The impact on our communities has been carefully considered and is shown at **Appendix 3**. The current list of pressures, investments and savings options are attached as **Appendices 4a-4d** and the key impacts are discussed in the paragraphs that follow.

52. 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. These cost pressures have been mitigated through a combination of service transformations and non-recurrent hypothecated central government funding and the directorate continues to operate within budget. However there remain significant pressures in residential and particularly nursing care for older people.

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

54. 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.

55. The County Council continues to lobby central government for a long-term funding settlement for public health and adult social care and for non-recurrent funding to be sustained in the interim.

56. The Families and Communities current plans and new options continue to be dominated by the requirement to transform 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 and further cost reductions on Special Educational Needs (SEN) transport.

57. Within the children's social care system an ongoing investment of £1.1m was made in 2018 and is being used to reduce and stabilise the number of children open to social workers within the Safeguarding, Care Planning & Court and Through Care functions. This investment has successfully reduced the number of children open to social workers, improved stability of the workforce and caseload management and has been recognised by Ofsted as a positive outcome. Following an inspection in February 2019, Children's Services have been rated as Good.

58. However, there have been several factors locally, regionally and nationally that have since impacted upon our system. This has led to a further and increasing rise in the number of looked after children and requests for EHCPs. This has created additional pressures upon our workforce provision and our budgets. In 2019/20 there is also a £10.916m underlying overspend within the quarter 2 forecast for Looked After Children in independent sector placements based on a current standstill position. The high needs block is currently projecting a £7.3m overspend by 2024.

59. To address these additional pressures and to achieve our aspiration of a whole system approach, which brings together children's social care, SEND and Inclusion, the Place Based Approach and commissioning - it has been recognised that a further phase of change and development is required.

60. In November Cabinet approved investment of £8.1m for the continued transformation of the Children and Families system. The benefits arising from this transformation are expected to significantly reduce the overspending in the medium term as the service implements a Restorative Practice methodology. This new practice model will also lead to better lives for Staffordshire children, where we will do all that we can to keep families together, unless it is clearly not safe to do so. It is currently

assumed that any investment required in SEND will be funded from the high needs block.

61. A saving of £3.3m, which has been carried forward since 2017/18 has been re-phased in the light of the Children's System Transformation Business Case approved by Cabinet in November.

62. In addition to the main care services within Families and Communities, there are also pressures in the Home to School Transport service including Special Educational Needs (SEN).

63. Outside the issue of social care, there are pressures in other service portfolios with the main one being demand for highway maintenance which continues to outstrip available funds resulting in significant challenges in maintaining the condition of our roads.

64. Across support services significant savings are being made which produces challenges in providing the required level of support to frontline services. We are also making significant savings from a programme of property rationalisation across the County as we invest in more digital technology and move to more agile working.

65. We are moving forward with invest-to-save options such as upgrading of parts of our street lighting infrastructure to be more energy efficient and therefore reduce our annual energy bills.

66. A further proposal is to invest in projects to help support the climate change agenda and help reduce carbon emissions. In order to assist with a range of investments into service redesign or re-provision that Cabinet is considering, it is proposed to establish an Investment Fund. The amount set aside in each year depends on available resources and averages just over £1m each year.

67. The total pressures and cost reductions, including the increasing pressures and savings from previous years, are shown in the table below. This table already includes the savings agreed last year, which totalled £40.3 million in 2019/20, rising to £62.7 million by 2023/24. A summary by Directorate is attached at **Appendix 5**.

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Pressures	37.533	48.191	60.111	70.931	82.322
Inflation	9.037	18.634	28.480	38.181	47.708
Savings	(21.994)	(31.282)	(39.037)	(44.219)	(47.684)
Investments	2.540	1.395	1.393	0.575	0.560
Net movement	27.116	36.938	50.947	65.468	82.906

Risks

68. 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.

69. 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.

70. Risks are inherent in the whole system change around Children's and Families' including new ways of working not being fully embedded to support delivery of children and families system transformation. The numbers and costs associated with Looked After Children and children with EHCPs have increased markedly over the last couple of years. Whilst this is a national trend there is risk to the financial plans that this trend continues.

71. In relation to the council's capacity to deliver, there is an increasing risk that restructures are not completed in time to realise savings. 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.

72. Given the levels of savings expected from property rationalisation, a very active and focussed approach will be required to avoid the risk that this does not proceed as fast as required.

73. Loss of specific grants and hence income to the authority is a risk.

74. The impact of the MTFS proposals on the wider Staffordshire economy may hamper the council's economic growth ambitions.

75. There is a high risk of increasing liabilities (including insurance claims) and growing maintenance costs if we reduce highways revenue spend further.

76. 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. In addition, there is a risk that the agreed pay award is more than the provision made for pay inflation. To respond to these increased risks, the Contingency budget is planned to be £4 million each year, in line with that provided in the last two years.

77. 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, Select Committees, Senior Leadership Team, Delivery Board, Service and Project Boards.

78. 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 Select Committees, Portfolio Holders, SLT and Cabinet on a quarterly basis.

79. 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.

80. 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.

81. 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

82. 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% Revenue Support Grant	£0.1 million
1% Council Tax	£ 3.5 million
1% Business Rates growth (SCC receives 9% of the total collected rates across Staffordshire)	£2.7m across Staffordshire, of which SCC receives £246k (9%)
1% Pay award (excludes staff funded from specific grant (e.g. Dedicated Schools Grant)	£ 1.1 million
1% Non-pay budget	£ 0.4 million
1% Interest (on balances)	£ 1.5 million

83. Details regarding the assumptions used in the financial planning exercise for the major cost elements and funding streams are attached as **Appendix 6.**

Council Tax and Business Rates

Council Tax

84. Staffordshire County Council has the third lowest council tax level amongst counties in England. This position demonstrates the careful consideration that the council has taken regarding the level of tax demand placed on residents. However, this does restrict the level of funding required to pay for essential services. Clearly a careful balance needs to be struck between these two factors.

85. The current assumptions in the financial plans contained in this report are that the general council tax increase (aligned with the referendum limits published by government) is 1.99% for 2020/21 and thereafter. In addition, the Spending Round announced that the government would again permit social care authorities to raise council tax by a further 2% 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.

86. 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.

87. 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.

88. An increase in the tax base of 1% had been assumed, in accordance with the 2019/20 MTFS. However, the notifications show an increase for 2020/21 of 1.6%. Details of the council tax base by District and Borough council are attached as **Appendix 7**. Following discussions with District and Borough Councils, the MTFS assumes an average increase of around 1% in the tax base for the remaining years of the period. This assumption includes data on house building where available.

89. 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. The estimated position set out in **Appendix 7** shows a surplus for the council of £5.736m. The final figures are subject to audit and any adjustments required are made in the following year.

90. 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 £1,295.95 which is an increase of less than £1 per week 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 £370.977m for 2020/21. Details of the precepts due from each District and Borough Council are shown in **Appendix 7**.

Category of dwelling	Council Tax rate £
Band A	863.97
Band B	1,007.96
Band C	1,151.96
Band D	**1,295.95**
Band E	1,583.94
Band F	1,871.93
Band G	2,159.92
Band H	2,591.90

Business Rates

91. The County Council, along with the other authorities in Staffordshire and Stoke on Trent, were successful in a bid to become a business rates pilot in 2019/20. This pilot is on the basis of retaining 75% of all business rates collected in both county and city areas. The successful bid has meant more income has been retained by all authorities as a result.

92. The government has already announced that no further pilots will be designated in 2020/21 which means that we will be operating a 50% retention scheme again. However, all authorities in Staffordshire and Stoke on Trent have agreed to form a business rates pool in order to retain as much income as possible in the area. As all authorities are part of the pool it maximises the amount kept in Staffordshire whilst keeping within the rules of the 50% scheme.

93. The amount of money potentially retained by the County Council is currently forecast to be around £1.8m.

Review of Reserves and Balances

94. 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.

95. We have reviewed the earmarked reserves and provisions we hold to make sure they are still required and that they are adequate. As part of producing the formal accounts of the council for 2018/19 earmarked reserves were reviewed. Excluding those reserves earmarked for schools, there was a total of £50.7m of earmarked reserves which were deemed to be fit for purpose for matters such as insurance claims and capital investment. The MTFS process last year identified a requirement for one-off resources to balance the budgets for the years 2019/20 and 2020/21. It was planned to use £5.477m of reserves to balance the budget in 2020/21 and this use continues to be assumed in the current plans. This review of reserves can be seen at **Appendix 8.**

96. As part of these budget considerations reference was made to the new CIPFA Resilience Index. This includes a range of indicators of financial information and allows comparisons with other councils to be made. The analysis re-enforces the view that has been taken for some time around funding for care services and the level of reserves. The cost of care services now dominates council financial considerations and means that any protection of these services from cost reductions places an increasing burden on other service areas, hence increasing the risk associated with delivering savings to ensure the budget is balanced. The analysis of the index also reinforces the need for strong financial management to continue and that the need to bolster reserves should be a priority for the council.

97. At the end of 2018/19, general balances were £30.4m. We have carried out a risk assessment of the level of general balances the council needs to hold. In doing this we have considered 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 9**, has concluded that in excess of £45m is deemed to be the minimum required for the council.

Capital, Treasury Management and Commercial Investment Strategies

98. The capital programme is over £200m across the five years, with £137m of investment planned in 2020/21. The main projects included in the programme are:
    - Expansion of two secondary schools at a cost of £7m;
    - Development of Greenwood House, Burntwood in partnership with the NHS at a cost of £6m. This will deliver a modern doctors' surgery and pharmacy;
    - Stafford Western Access Route continues to be constructed with an estimated cost of £20m in 2020/21;

- The i54 Western Extension is phase 2 of the original i54 development, in partnership with Wolverhampton City Council, the estimated cost of £16m in 2020/21;
- Refurbishment of Hillfield House nursing home at a cost of just over £1m;
- Other smaller projects include ICT server and blade refreshes, ten new gritters to enhance the fleet last acquired in 2009 and an upgrade to Newcastle Household Waste Site.

99. Further details of the Capital Programme 2020 – 2025 can be seen at **Appendix 10** together with funding information.

100. The Capital Strategy is attached to this report as **Appendix 11a** and it explains how the capital programme will be funded and the implications for that funding on the revenue budget. The Capital Strategy is interconnected with the Treasury Management Strategy (**Appendix 11b**) and the Commercial Investment Strategy (**Appendix 11c**). 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 as well as how the strategies contribute to the MTFS. In addition, the Treasury Management Strategy sets out the arrangements for the management of the council's cash and borrowing requirements.

101. The strategies incorporate a continuation of the use of one-off funding to ensure a balanced MTFS position and to support investments as appropriate. The flexibility given by the extension of the flexible use of capital receipts strategy means that there are a number of sources that these funds can be found from. These sums will be held in reserves until they are required.

102. The sources of one-off funding include:

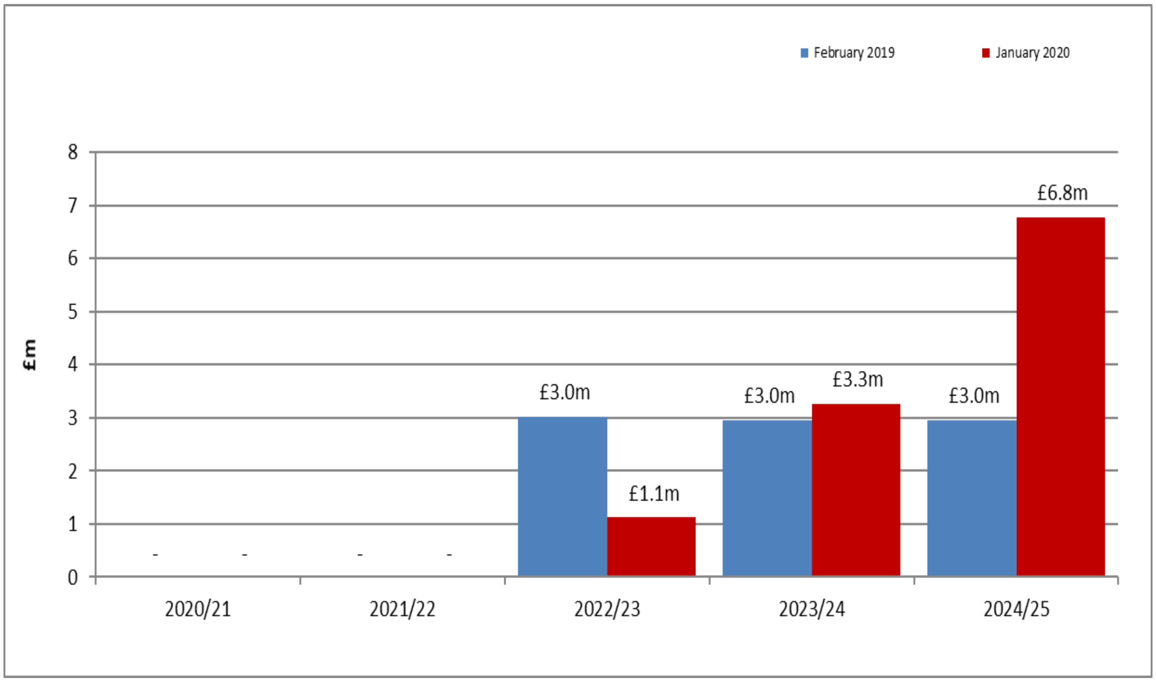
- Any underspending arising against approved budgets
- Capital receipts arising from the property rationalisation programme
- Capital receipts arising from County Farms
- Additional funding received from government as a result of lobbying or other funding received locally e.g. business rates pilot, additional general grant etc or surpluses from council tax or business rates collection arrangements
- Use of general reserves/balances

103. 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 12** and performance against these will be monitored and reported throughout the year.

Summary of Medium Term Financial Strategy

104. In February 2019, a balanced budget was reported for both 2020/21 and 2021/22 with small headroom in the following years. Achieving the balanced budget was always dependent on achieving the savings already agreed as part of last year's MTFS and having the flexibility to mitigate the risks that will emerge over time.

105. Assuming the spending pressures and savings options identified in **Appendices 4a – 4d** are considered, the current position, compared to the position in February, is shown in the graph below:



106. The graph shows that there is available headroom in future years but there are significant risks inherent within the plan, as mentioned above. In addition, there are risks around the assumptions on funding levels, which reflects the uncertainty created by the current financial settlement arrangements.

107. The 2020/21 draft revenue budget for each service area together with planning forecasts for future years is attached as **Appendix 13.** An analysis of the year on year changes to the budget is summarised in **Appendix 14**, while **Appendices 15a-15d** provide details of the budget allocations within each portfolio.

Consultation

108. Attached at **Appendix 3** 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 2020/21 as the savings options are implemented to ensure mitigations are developed to minimise any potential negative impacts.

109. Business ratepayers were consulted on 9th January 2020 when they met with the Leader and key officers. As a result of the meeting it is clear that businesses understand the issues and risks faced by the County Council regarding care services for both Adults and Children.

110. Businesses in Staffordshire feel that the business rates system causes difficulties and needs reform, they support any lobbying of government to encourage reform. In addition, the County Council could improve the way it communicates its support for local businesses and could highlight those Cabinet decisions which will impact on businesses more clearly. A particular concern is broadband connectivity for all businesses but especially in rural areas and there remains a superfast broadband project within the Capital Programme for 2020/21. Whilst the capital programme includes investments in the local economy, the links between this investment and the growth of business rates could be made clearer.

111. Consultation with the Trade Unions took place on 20th January and concerns were expressed regarding the increasing costs of facing care service and that funding for schools is in urgent need of review to ensure funding arrangements provide more stability to aid longer term planning.

Corporate Review Committee Comments

112. A good budget is transparent and well scrutinised. As part of the overall budget setting process the Corporate Review Committee have a remit to scrutinise the MTFS plans and as such it has been scrutinising the MTFS throughout the year. In addition it conducted a series of interviews with portfolio holders and Senior Officers to assess the issues facing services.

113. The Committee have also scrutinised the detailed spending pressures and cost reduction proposals. The report of the Committee, which concluded that the MTFS and 2020/21 budget met the principles of being a good and balanced budget, was considered by Cabinet at its 29th January meeting. The Committee's comments and recommendations along with Cabinet's response are attached as **Appendix 2**.

Conclusions

114. 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 will not be 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.

115. 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.

116. The council remains ambitious for Staffordshire, exploring new options and areas to make our county better. Take housing for example. We believe we have a key role to play in creating the right conditions for housing development. This will help deliver much-needed homes for Staffordshire families and bring in more council tax to pay for public services.

117. 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 gap facing the council is caused by circumstances beyond its control; including significant reductions in funding, increased demands for services and complying with government policy without the appropriate resources to be able to deliver those policies.

118. In the next year our priorities remain to:

- Create the conditions for the economy to grow and create more better paid jobs
- Support the construction of more homes for Staffordshire families
- Improve education and skills provision in our schools, colleges and universities
- Focus on a joined up approach to health, care and wellbeing
- Ensure children and families have a network of support to help manage their own problems and remain safe and well

119. We await the Government's response to the financial challenge facing good and well-run councils across the country, and the consequences if extra additional funding is not forthcoming. We will continue lobbying to ensure government is aware of the issues facing local authorities.

120. However, we are being open with everyone now about our finances, the action we are taking and the reality we all may potentially face.

Rob Salmon **County Treasurer**	**John Tradewell** **Director of Corporate Services**

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Appendix 1

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 68 - 83 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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Appendix 2

Recommendations of the Corporate Review Committee and Cabinet's response

Comments and Recommendations of the Corporate Review Committee	Cabinet's Response
Health and Care	
We endorse the Cabinet Member for Health, Care and Wellbeing's plan to create a Green Paper on funding adult social care for Staffordshire, as that promised by Government is continually pushed back, which could then be fed into the national version and we suggest staging an all member event in late Spring 2020 to harness a wide range of views which could be fed into the Staffordshire Green Paper.	Acknowledged and work is continuing on the Green Paper.
We welcome the introduction of pilot schemes in two areas of the county where residents who are in receipt of social care will work with Strategic Delivery Managers and Parish Councils around community planning; we are pleased that Parish Councils who are best placed to know their communities' vulnerabilities are engaged in this work and we urge local members to become involved.	Cabinet is grateful for the Working Group's support with this initiative.
Aware of the rising price of care home placements and the fragility of the marketplace, we support the Cabinet Member in increasing additional care home capacity by securing block booking and development of Council owned care homes.	The MTFS includes amounts for both rising prices and increasing demand and by securing block booking arrangements this ensures we can keep within these budgets. The development of Council owned care homes is a longer term solution.
We support the Cabinet Member in engaging with partners over developing a Carers Strategy. We feel a comprehensive database of all levels of support would be welcome and that select committees should be encouraged to put pressure on the digital agenda to get it executed. We recommend Corporate Review Committee to raise the profile of the Digital enabler as a priority.	The Digital initiative is a priority and its profile will be raised through various committees.
Digital and Community First	
Because the Digital and Community First	The profile of the Digital initiative will be

Appendix 2

Recommendations of the Corporate Review Committee and Cabinet's response

Comments and Recommendations of the Corporate Review Committee	Cabinet's Response
agenda will enable other organisations to be more efficient and to make savings as well as improving customer experience, we feel the pace of the Digital agenda needs to quicken.	raised across the organisation.
We remain concerned for the most vulnerable members of our communities, we urge the Cabinet Member not to make assumptions about the level of digital competence of some residents and we believe that technical advances should only progress at the same pace as the People Helping People agenda does. Furthermore, we recommend the ability to nominate a Digital Power of Attorney where necessary be explored.	Consideration is being given to assistance for the vulnerable members of our communities and the option of a Digital Power of Attorney will be explored.
Children and young people	
The County Council must step up the pace of transformation. Delays in Phase 1 of the Children's Transformation programme are acknowledged – the service must learn from difficulties encountered during implementation of this phase to ensure a swift and ordered transition into Phase 2 with ensuing savings.	The Children's Transformation programme is a top priority for the County Council. The MTFS includes investment in this area to assist with progress.
We endorse the approach of the Cabinet Member to create further in-house residential capacity to help manage the children's residential market.	The business case is in progress and will be presented to Cabinet in due course.
Due to the increased volume of proceedings in the Family Courts Division, we urge the Cabinet Member to apply pressure on the Courts service to improve the smooth transition of children through the court system and reduce delay.	Agreed.
Lobbying Government for Children's Care Services, happens through the Local Government Association and the National Association of Directors of Children's Services. We feel they must create a better narrative as there seems to be an inequitable spread of funds between local authorities.	Lobbying is continuing to happen through all available channels, including local MPs and through government consultations. It is hoped the Fair Funding Review of local government finance will address this.

Appendix 2

Recommendations of the Corporate Review Committee and Cabinet's response

Comments and Recommendations of the Corporate Review Committee	Cabinet's Response
With regards to Special Educational Needs, local authorities must continue to be transparent about how specialist provision is funded and encourage parents to recognise that many children would achieve equally well, supported in mainstream.	Agreed.
Environmental Maintenance	
We feel engagement with local councils is important and the Cabinet Member for Highways and Transport must be more proactive in engaging with local councils over community environmental services and must facilitate streamlining the licensing and permit process for voluntary groups who are willing to take on these functions. The Cabinet Member must ensure transparency and must put out a clear message to local councils about what the county council can realistically deliver.	Acknowledged and work is continuing with local councils to ensure messages are appropriately communicated and processes are streamlined where possible.
Parish Councils are best placed to approach local landowners who are likely to be known to them and we encourage Parish Councils to challenge farmers and landowners to apply pressure in the event of noncompliance or poor practice.	This will be communicated via the work with local councils mentioned above.
General	
In terms of property sales, we encourage the Leader to be more proactive and take a more strategic approach in maximising income from assets which no longer have a value to the council and are surplus to requirements.	The Property Sub Committee has an overview of the use of County Council assets and proposed sales.
The council must agree on climate change projects that are deliverable and will pay back in the short to medium term.	Climate change is a priority for the County Council and work is ongoing to identify projects.
There needs to be more impetus behind partnership arrangements with Parish, District and Borough Councils; to develop a mechanism to deliver closer working that will then impact positively on	Agreed.

Appendix 2

Recommendations of the Corporate Review Committee and Cabinet's response

Comments and Recommendations of the Corporate Review Committee	**Cabinet's Response**
opportunities to realise greater efficiencies in the delivery of services across the county.	

Annual MTFS Community Impact Assessment (CIA) - 2020/21

1. Background

1.1. In November 2018, Staffordshire County Council committed to undertaking a Community Impact Assessment (CIA) of its Medium-Term Financial Strategy (MTFS). The purpose of this is to provide **a high level, strategic impact assessment of the MTFS** 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.

1.2. Following a period of work, the first MTFS CIA was produced and submitted alongside the Council's MTFS 2019-24, for Cabinet approval in January 2019. The report set out the following:

- Staffordshire County Council's approach to assessing the potential community impact of the 2019-24 MTFS
- An overarching analysis of potential community impacts for proposed savings options
- A set of nine CIA priorities for focus and review in 2019.

1.3. The MTFS has recently undergone its annual review, for approval by Cabinet in January 2020. To accompany this report, the MTFS CIA has also been updated below to consider any additional savings proposals. This paper also provides a progress report against the previously identified nine CIA priorities from December 2018 and refreshes the list of CIA priorities for the upcoming year.

2. Existing MTFS CIA (2019/20) – Progress Update

2.1. The MTFS CIA presented to Cabinet in January 2019 found that nine proposed savings options had the highest potential impact on our communities and the places they live. These were:

- Withdrawal of ENTCS pre 9.30am Concessionary Travel Scheme.
- Further review of provision of School Crossing Patrols.
- Removal of non-statutory Community Transport.
- Review of non-statutory activities regarding appointeeships.
- Phasing out of Your Staffordshire Card.
- Home to School travel policy.
- Review policy on winter grit bins from winter 2019.
- Reduction in urban grass cutting and reduction in weed control.
- Rural review and reorganisation.

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

- Staff
- Age (older people)
- Disabilities
- Children and young people
- Localities

2.3. The report also set out a governance approach for the CIA as well as engagement with key stakeholders. These were:

- Establish an MTFS CIA Task and Finish Group of CIA leads

- Engage with Scrutiny through the MTFS Member Working Group and / or Corporate Review
- Engage with District councils through the Staffordshire Leaders and CXO group, as appropriate
- Ensure individual CIAs are completed as part of decision-making process.

2.4. **Appendix A** to this report provides a progress update against each of the CIA priorities listed 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.

2.5. The main finding of this work is that through commissioners engaging with stakeholders and the community, the service impact on some of our key vulnerable groups has been mitigated. This includes changes to ENCTS concessionary travel, urban grass cutting and school crossing patrols. Where changes have gone ahead, full CIAs have been developed and conversations are taking place both internally and with stakeholders to ensure potential impacts are minimised.

2.6. In addition, as agreed by Cabinet last year, an MTFS CIA Task and Finish Group has been established, meeting twice yearly. Commissioners for each of the nine CIA priorities have been discussing the potential cumulative impacts and opportunities to mitigate where appropriate, whilst also sharing progress and learning.

2.7. Through conversations, the MTFS CIA Task and Finish Group identified several cross-cutting key themes for many of the changes identified which are being worked on. These include:

- **Working with partners locally** – There are several changes happening in rural communities, potentially at the same time. These considerations have been factored into individual service CIAs, as well as ongoing partnership working and discussions with Districts and Boroughs on the implementation of any changes, and any specific impacts for key communities.

- **Information, Advice and Guidance (IAG)** – IAG has been identified as a key area of mitigation, particularly around the range of transport changes and options for young people. Conversations are taking place corporately to develop further mitigations, alongside those specific to service areas.

- **Stakeholder engagement** – Schools, CCGs and MPs have been identified as key groups that may require further stakeholder engagement as part of future MTFS implementation. Work is ongoing locally to promote this within individual service CIAs and consider opportunities for joined up conversations/communications where relevant.

2.8. An update was also taken to the Member-led MTFS Working Group to raise awareness of the new MTFS CIA process, summarise key findings from CIA analysis and seek Members / Scrutiny input on the identified CIA process and list of priority CIAs.

3. Updated MTFS CIA (2020/21) – Summary of Key Findings

3.1. A refresh of the MTFS CIA has been undertaken, in line with the production of the MTFS 2020-25. This is to ensure that we continue to monitor 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.**

3.2. The table at Appendix B provides an assessment of the potential impacts on communities, based on proposals set out in the refreshed MTFS for 2020-25, as well as an overall community impact rating for the respective Council business area.

3.3. This assessment has identified the following additional savings proposals as having 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

3.4. 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 on the above, regular updates and monitoring will be completed and recorded in the assessment as changes progress to ensure they remain up to date and relevant.

3.5. The assessment has also identified cumulative impacts for key groups / areas potentially most impacted by the above CIA priorities:

- **Learning disabilities –** There are several savings proposals in the MTFS that will result in changes to services or support for people with learning disabilities across both Families and Communities and Health and Care. These include the Community Offer for Learning Disabilities, the Learning Disability Review programme, the Children, Young People and Families Transformation Phase 2 (which includes the SEND review) and the review of Home to School Travel policies.

- **Children and Young People/Families** – The Children, Young People and Families Transformation Phase 2 will continue to implement a whole system approach for children and families. This change will impact upon how services are delivered and received; and will involve several different groups of people, particularly children and young people, their families and carers, and children and young people with disabilities through the changes to SEND. Although these changes are expected to be positive for communities, it is important that any risks of this transformation programme are monitored and mitigated to reduce any potential negative impacts.

- **Localities** – Several of the proposed savings options identified in the refreshed MTFS 2020-25 will involve working with local communities and our partners in District, Borough and Parish Councils and the VCSE sector. These include the Children, Young People and Families Transformation Phase 2, Community Offer for Learning Disabilities, Review of Countryside Estates and Rights of Way, and Reduction in Green Waste recycling credit payments.

4. Revised Community Impact Assessment Priorities for 2020/21

4.1. Following 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 2020-25, a refreshed list of CIA priorities is set out below.

4.2. This list is a combination of existing priorities from 2019/20 that are still to be implemented and/or impact monitored, along with new options proposed in the revised MTFS 2020-25 that has the highest potential impact on communities:

- Removal of non-statutory Community Transport.
- Review of non-statutory activities regarding appointeeships.
- Home to School travel policy.
- Review policy on winter grit bins from winter 2019.
- Rural review and reorganisation (including countryside estates and rights of way).
- Children, Young People and Families transformation phase 2 (including SEND).
- Community Offer for Learning Disabilities.
- Savings to Mental Health Recovery Service.

4.3. 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.

4.4. The work of the MTFS CIA Task and Finish Group will also bring together CIA 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.

4.5. This will accompany the individual 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, and how we can work with local partners, members and communities to mitigate any potentially negative impacts.

5. Next Steps

5.1. Next steps are set out below, to ensure that oversight is given to the ongoing cumulative impacts of the MTFS process:

- Revise the membership of the MTFS CIA Task and Finish group in line with CIA priorities set out in section 4.2. and reconvene to ensure CIA leads share progress and discuss potential cross-cutting impacts.
- Continue to engage with Members through the established MTFS Member Working Group.
- Ensure locality-based conversations are taking place, supporting SDMs to engage with Districts and Boroughs on relevant community impacts at a local level.
- Continue to provide corporate oversight and support for upcoming priority CIAs, and guidance on wider service-based CIAs.
- Embed priority CIA progress updates, where appropriate, in the Council’s Integrated Performance Management approach, as part of managing key risk areas.

6. Appendix A –Community Impact on MTFS CIA Priorities 2019/20 (current year) – Progress Update

MTFS Proposal	CIA Implementation Update	Community Impact & Mitigations
Withdrawal of ENCTS pre 9.30am Concessionary Travel Scheme.	• Approved by Cabinet, with a full CIA, in February 19 • Changes implemented in July 2019.	• Main potential impact was going to be on older people and people with disabilities, • Decision was made to allow people with disabilities to travel free, minimising the impact. • Ongoing community transport options have also helped to mitigate risk. • Minimal reports of community impact. • Recommended that this work no longer remains a MTFS CIA priority.
Further review of provision of School Crossing Patrols.	• Went to Cabinet, with a full CIA, in January 2019 • Decision made to no longer implement School Crossing Patrol changes	• Due to no change in service, this will no longer be a MTFS CIA priority.
Removal of non-statutory Community Transport.	• Changes approved as part of a Member delegated decision, with a CIA • Funding for Community Transport ceased in April 2019.	• One transport scheme has been withdrawn in since implementation (minibus scheme in Tamworth), one scheme in Newcastle-under-Lyme has extended to also cover Stoke-on-Trent, and one new group has formed in East Staffordshire this financial year. • Existing providers have either increased fares or found alternative funding. • SCC will continue to monitor the impact on affected transport groups, whilst also working with the voluntary sector, providers and partners to ensure there are transport options in each district to mitigate any emerging negative impacts.
Review of non-statutory activities regarding appointeeships.	• Pilot and consultation took place in March 19 • Proposal taken to Cabinet for a decision in May 2019 • The transfer to pre-paid cash cards for all appointees irrespective of disability or impairment took place successfully on 1st Oct 2019 • CIA recently refreshed to reflect changes and known impacts	• Small group of residents potentially affected by the work (200-400), mainly people with disabilities and their carers. • Majority of community feedback on the changes has been positive. • Mitigations put in place to ensure all affected by the changes are supported, including a 24-hour helpline, phased implementation and support for those who are no longer eligible to access alternative support. • Minimal cumulative impact / crossover with other changes.

Phasing out of Your Staffordshire Card.	• Scrutinised and approved by Member delegated decision in July 2019, with a full CIA. • Scheme ended in August 2019	• The main groups affected were young people, especially those in rural communities. • SCC promoting commercial ticketing offers that will help young people travel more cheaply. • SCC are working with bus operators, Youth Parliament and the Youth Union to obtain feedback from young people. • Young people can still access bus services in rural areas and are still able to travel by paying a commercial fare. • Continued level of community transport also mitigated cumulative impact. • Recommended that this work no longer remains a MTFS CIA priority.
Home to School travel policy.	• Current policies are being reviewed. If any changes to policy are made, this would be no sooner than September 2022 and would be subject to statutory consultation. • A CIA will be completed once any proposals are developed, and potential impacts identified.	• Current discretionary policies on Home to School travel are under review. These policies are in addition to statutory travel entitlements. • The discretionary policies benefit some families, with children and young people of compulsory and non-compulsory school age, with travel assistance to some mainstream and special schools and colleges.
Review policy on winter grit bins from winter 2019.	• Engagement with key stakeholders took place during October 2019. • Changes planned for this winter season (19/20). • CIA developed, and will be updated as appropriate following the monitoring of any impact.	• Older people, people with disabilities and people in rural communities most likely to be impacted by any changes. • Links with #DoingOurBit workstream. • Only communities with a 'low priority' grit bin will be affected by one pre-season re-stock, minimising the impact. • Mitigations also include ongoing communications with affected Parish Councils/Communities about only using the grit bins when necessary (e.g. prolonged periods of ice/snow). • All existing grit bins and registered Ice Buster assets will be fully stocked at the start of winter season • Grit bins at higher risk sites will be re-stocked during the winter season as required. • Communities will be offered guidance on how to use salt efficiently and can make local arrangements to replenish supplies as necessary.
Reduction in Urban Grass cutting and	• Communications and engagement with key stakeholders have taken place.	• Due to no change in service, this will no longer be a MTFS CIA priority.

reduction in weed control.	• Following discussion at Informal Cabinet, and feedback from partners, a decision has been made to longer implement the changes.	
Rural review and reorganisation.	• Went to Cabinet, with a CIA, in March 2019. • Review of wider staffing structures will take place in 2019/20. • Phase 2 of work will begin in 2020, with an updated CIA required to reflect latest changes. • Work ongoing with partners and community to ensure next wave of site transfers takes place around 2021.	• Biggest impact will be on the rural communities where the County Parks are situated. • Transfer of some countryside estates to partners will aim to mitigate impact • Staff will be impacted, and in line with HR process will be consulted along with Trade Unions.

7. **Appendix B – MTFS Community Impact Assessment for 2020/21**

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 full-service CIAs are conducted, reviewed as appropriate.

Area	**Programme**	**Group/Protected characteristics potentially affected**	**Overall Potential impact rating**	**Commentary / rationale**
Health and Care	Care Commissioning	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 a long-term service across the county - as agreed by Cabinet in July 2019. The purpose of these changes is to establish the assessed eligible care and support needs, as part of the council's usual review process, and ensure that there are appropriate and sustainable services across the county to meet them. Changes will include: commissioning a Supported Living service, redeveloping directly provided replacement care and residential care, and reviewing the provision day services. Assessed eligible needs will still be met, with changes in the way that some services are provided. A full CIA has been conducted as part of the process. **Savings to Mental Health recovery services** will involve recommissioning the services to focus on promoting independence 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. Changes are currently being developed and will require engagement with affected individuals and a full CIA.

				The **Learning Disability Review programme, Mental Health Market Savings** and the **Review of home care packages to identify non-regulated tasks** savings proposals will involve reviewing currently provided care to ensure it meets assessed eligible needs in the most cost effective way. This may result in some people seeing a change to their service although assessed eligible needs will continue to be met.
	Adult social care	Age (older people)	Medium	**Implementation of appointeeships payment cards** is part of work undertaken on appointeeships which began in 2018 (see appendix A for more details). Where eligible, personal monies will be issued via a pre-paid card to give increased choice and control. A small group of vulnerable residents and their carers / appointees may potentially be affected (200-400) by the changes that are underway. Support for appointees and those in receipt of budgets is being offered during the transition to ensure any potential negative impacts are mitigated. This was considered as part of the 2019 MTFS CIA, and will remain a MTFS CIA priority for 2020/21 as the changes are implemented**.**
Families and Communities	Children's services	Age (young people) Disability (SEND) Carers Sex (female) Pregnancy Staff	High	The second phase of the **Children, Young People and Families Transformation** will continue to implement a whole system approach for children and families. The aim of this work is to have a financially sustainable model that ensures that 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. This change will impact upon how services are delivered and received; and will involve 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, it is important that any risks of this transformation programme are monitored and mitigated to reduce any potential negative impacts. A full CIA has been conducted as part of the process. Current discretionary policies on **Home to School travel** are under review; these policies are in addition to statutory travel entitlements. The discretionary policies benefit some families, with children and young people of compulsory and non-compulsory school age, with travel assistance to

				some mainstream and special schools and colleges. Where changes are proposed, a public consultation would be required, and a full CIA would be developed.
	Culture and Communities	All Localities Staff	Medium	The **Re-organisation of the Archives and Heritage Service Operating Model** will potentially see a change to the service provided, which may impact up on local communities. Changes are still being developed, and communities and key stakeholders will be engaged to ensure the changes are designed in a way that ensures an effective service is still available and community impact is minimised
	Rural	All Localities Staff	Medium	**Review of Countryside Estates and Rights of Way** continues with phase 2 of the work beginning in 2020 **and** will be considered as part of the work ongoing with the **Rural Review and Reorganisation** that is being carried over from last year's MTFS CIA. Review of wider staffing structures will take place in 2019/20 and work is ongoing with partners and community to ensure next wave of site transfers takes place around 2021. Biggest impact will be on the rural communities where the County Parks are situated and staff that are involved in the review.
Economy, Infrastructure and Skills	Waste	Localities	Low / medium	**Reduction in Green Waste recycling credit payments** is a change to the arrangements between the Council and Districts in how green waste is collected. This saving itself will not impact on communities as there is no reduction in service, however the change may result in different arrangements between communities and District and Borough Councils.
Corporate	Assets	Localities	Low / medium	It is unlikely that the **Property Rationalisation** work taking place across the county as part of the move to smart working currently will impact on community and partner used buildings / premises. However, plans are currently being developed on a district by district basis, and if any community or partner used assets are considered for rationalisation, engagement with the relevant stakeholder and community will take place first, and an individual Community Impact Assessment will be conducted to ensure any negative impacts are considered and mitigated.

HEALTH AND CARE

Projected Pressures, Cost Reduction Options and Investments

Description	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m

Care Commissioning

Community Impact Assessment Rating - Medium

Total Service Spending Pressures Approved in February 2019	**4.978**	**15.602**	**24.864**	**33.610**	**41.960**
Total Projected Changes to Service Spending Pressures Approved in February 2019	**3.752**	**3.473**	**5.200**	**7.596**	**10.656**
New Service Projected Pressures					
The council continues to work with the local Clinical Commissioning Groups (CCGs) to support the discharge of people from specialist hospitals to community-based settings under the Transforming Care Partnership (TCP). Because the National Health Service England (NHSE) reduced the amount of funding that will accompany each individual, there is now a substantial cost pressure for the Staffordshire Health and Care economy.	1.500	1.500	1.500	1.500	1.500
The council is seeing increases in Mental Health Placement costs following joint reviews being held with Staffordshire CCGs.	0.050	0.050	0.050	0.050	0.050
The council has agreed to increase the care fees paid to some of its Supported Living providers in recognition of the fact that theirs were lower than reference rates and that an increase was necessary in order to ensure the sustainability of services	0.400	0.400	0.400	0.400	0.400
Care Act costs relating to Carers service.	0.800	0.800	0.800	0.800	0.800
The council and the CCGs have agreed to continue the Provider Improvement Response Team to support struggling independent care providers, maintain and improve the quality for services, and avoid provider failure.	0.118	0.118	0.118	0.118	0.118
2019/20 Budget available for Extra Care services is lower than the Commissioning Team were advised. Therefore, when looking at MTFS savings it was believed that the target had been achieved following reprocurement of services.	0.035	0.035	0.035	0.035	0.035
There was previously an agreement for the CCGs to fund the care of residents of Grove Court care home who had transferred from St Edward's Hospital. Grove Court care home now has new residents who are no longer entitled to NHS funding and are instead eligible for council funding for social care.	0.056	0.056	0.056	0.056	0.056
There was previously an agreement for the CCGs to fund the care of residents of Grove Court care home who had transferred from St Edward's Hospital. Grove Court care home now has new residents who are no longer entitled to NHS funding and are instead eligible for council funding for social care.	0.112	0.112	0.112	0.112	0.112

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

HEALTH AND CARE

Projected Pressures, Cost Reduction Options and Investments

Description	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Expenditure on services funded by the Winter Pressures Grant: Home First and home care	0.464	0.464	0.464	0.464	0.464
Expenditure on services funded by the Winter Pressures Grant: care home placements	3.078	3.078	3.078	3.078	3.078
Expenditure on services funded by the iBCF 2 - nursing care, home care, day services, replacement care	3.757	3.757	3.757	3.757	3.757
Expenditure on services funded by the iBCF 2 - residential care	1.243	1.243	1.243	1.243	1.243
Additional cost of paying care homes gross rather than net as required by the Local Government and Social Care Ombudsman	0.400	0.400	0.400	0.400	0.400
New Service Projected Pressures Total	**12.013**	**12.013**	**12.013**	**12.013**	**12.013**
Total Service Cost Reductions Approved in February 2019	**(2.401)**	**(5.574)**	**(8.072)**	**(10.572)**	**(13.072)**
Total Projected Changes to Service Cost Reductions Approved in February 2019	**0.429**	**3.160**	**5.639**	**8.139**	**10.639**
New Service Cost Reduction Options					
There was previously an agreement for the council to make a payment to the CCGs following transfer of Learning Disability funding from the NHS to local authorities in 2011. This agreement ceased in 2019/20 and there is an ongoing saving to the Health & Care budget.	(1.250)	(1.250)	(1.250)	(1.250)	(1.250)
Working with Midlands Partnership NHS Foundation Trust (MPFT) to reduce the costs of care packages and placements for people with mental health conditions, whilst ensuring that their assessed eligible needs continue to be met.	(0.250)	(0.250)	(0.250)	(0.250)	(0.250)
Moving home care provision from non-contracted to contracted providers who can offer the service at a lower cost.	(0.500)	(0.500)	(0.500)	(0.500)	(0.500)
Reduce nursing care placement costs through the use block booked beds rather than spot purchasing from the market.	(1.115)	(1.575)	(1.575)	(1.575)	(1.575)
Reduce nursing care placement costs by developing and using additional capacity at the Hillfield site.	(0.200)	(0.395)	(0.395)	(0.395)	(0.395)
Reduce nursing care placement costs by developing two new nursing care homes.	0.000	(0.135)	(0.635)	(0.663)	(0.681)
Review the top 10% of high cost nursing and residential care placements with a view to ensuring that they continue to meet people's assessed eligible needs at lower cost or with greater income.	(0.500)	(0.500)	(0.500)	(0.500)	(0.500)
The council has agreed recommissioning of reablement services with the CCGs and MPFT to ensure sufficient capacity to support urgent care,	0.000	(0.200)	(0.200)	(0.200)	(0.200)
Additional income generated by growth in demand and price rises.	(5.348)	(6.552)	(7.777)	(9.026)	(10.304)

HEALTH AND CARE

Projected Pressures, Cost Reduction Options and Investments

Description	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
The council will work closely with the Midlands Partnership NHS Foundation Trust (MPFT) to reduce the costs of care packages and placements for people with mental health conditions, whilst ensuring that their assessed eligible needs continue to be met.	(0.250)	(0.250)	(0.250)	(0.250)	(0.250)
Additional BCF funding from inflationary uplift to CCG cash transfer in 2018/19	(0.565)	(0.565)	(0.565)	(0.565)	(0.565)
Additional BCF funding from inflationary uplift to CCG cash transfer in 2019/20	(0.558)	(0.558)	(0.558)	(0.558)	(0.558)
Additional BCF funding from inflationary uplift to CCG cash transfer in 2020/21 onwards	(0.400)	(0.800)	(1.200)	(1.600)	(2.000)
New Service Cost Reduction Options Total	**(10.936)**	**(13.530)**	**(15.655)**	**(17.332)**	**(19.028)**

Total Pressures	20.743	31.088	42.077	53.219	64.629
Total Cost Reductions	(12.908)	(15.944)	(18.088)	(19.765)	(21.461)
Service Total	**7.835**	**15.144**	**23.989**	**33.454**	**43.168**

Adult Social Care and Safeguarding

Community Impact Assessment Rating - Medium

Total Service Spending Pressures Approved in February 2019	**(0.396)**	**(0.396)**	**(0.396)**	**(0.396)**	**(0.396)**

Total Projected Changes to Service Spending Pressures Approved in February 2019	**0.336**	**0.336**	**0.336**	**0.336**	**0.336**

New Service Projected Pressures					
Staffordshire Cares (currently funded from short term budgets)	0.192	0.192	0.192	0.192	0.192
Care Act costs relating to social work and safeguarding.	0.942	0.942	0.942	0.942	0.942
Staffing costs for additional staff in the First Contact Team	0.200	0.200	0.200	0.200	0.200
Care Act costs for Advocacy Services.	0.235	0.235	0.235	0.235	0.235
Increasing number of assessments for Deprivation of Liberty Safeguards.	0.200	0.200	0.200	0.200	0.200
New Service Projected Pressures Total	**1.769**	**1.769**	**1.769**	**1.769**	**1.769**

Total Service Cost Reductions Approved in February 2019	**(2.225)**	**(2.425)**	**(2.425)**	**(2.425)**	**(2.425)**

Total Projected Changes to Service Cost Reductions Approved in February 2019	**0.652**	**0.520**	**0.434**	**(0.021)**	**(0.021)**

HEALTH AND CARE

Projected Pressures, Cost Reduction Options and Investments

Description	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
New Service Cost Reduction Options					
Reduced costs of support for Direct Payments through use of Staffordshire Cares and information, advice and guidance on the website	(0.040)	(0.040)	(0.040)	(0.040)	(0.040)
Reduce requirements for Adult Social Care business support through implementation of appointeeship payment cards	(0.100)	(0.100)	(0.100)	(0.100)	(0.100)
Better use of Mental Health North staff will reduce the need to employ more expensive agency staff.	(0.100)	(0.100)	(0.100)	(0.100)	(0.100)
New Service Cost Reduction Options Total	**(0.240)**	**(0.240)**	**(0.240)**	**(0.240)**	**(0.240)**

Total Pressures	1.709	1.709	1.709	1.709	1.709
Total Cost Reductions	(1.813)	(2.145)	(2.231)	(2.686)	(2.686)
Service Total	**(0.104)**	**(0.436)**	**(0.522)**	**(0.977)**	**(0.977)**

Total Health & Care Pressures and Cost Reductions	**7.731**	**14.708**	**23.467**	**32.477**	**42.191**
Inflation	**1.770**	**3.581**	**5.357**	**7.174**	**9.033**
Health & Care Grand Total	**9.501**	**18.289**	**28.824**	**39.651**	**51.224**

FAMILIES AND COMMUNITIES

Projected Pressures, Cost Reduction Options and Investments

Description	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Children's Services — **Community Impact Assessment Rating - Medium**					
Total Service Spending Pressures Approved in February 2019	**(3.272)**	**(3.256)**	**(3.240)**	**(3.240)**	**(3.240)**
Total Projected Changes to Service Spending Pressures Approved in February 2019	**3.300**	**3.300**	**3.300**	**3.300**	**3.300**
New Service Projected Pressures					
Predicted growth in LAC	4.936	6.917	8.970	11.094	13.255
Avoidance of Growth in LAC numbers - placement costs	(4.936)	(6.917)	(8.970)	(11.094)	(13.255)
On-going pressure from existing numbers of LAC	12.916	12.916	12.916	12.916	12.916
New Service Projected Pressures Total	**12.916**	**12.916**	**12.916**	**12.916**	**12.916**
Total Service Cost Reductions Approved in February 2019	**(0.413)**	**(0.863)**	**(0.863)**	**(0.863)**	**(0.863)**
Total Projected Changes to Service Cost Reductions Approved in February 2019	**0.463**	**0.913**	**0.913**	**0.913**	**0.913**
New Service Cost Reduction Options					
Reduction in LAC as result of transformation - placement costs	(4.752)	(9.082)	(12.884)	(15.149)	(16.453)
Re-configuration of workforce as a result of the reduction in LAC / CIN numbers	0.000	(0.200)	(0.400)	(0.600)	(0.800)
New Service Cost Reduction Options Total	**(4.752)**	**(9.282)**	**(13.284)**	**(15.749)**	**(17.253)**
New Invest to Save					
Increase in capacity to support an increased number of Family Group Conferences	0.510	0.510	0.510	0.510	0.510
Court Team increased capacity to meet demand	0.445	0.000	0.000	0.000	0.000
Implementation of cluster model to better mnage existing workloads	0.747	0.000	0.000	0.000	0.000
LAC FSW to support the return home of children safely	0.428	0.000	0.000	0.000	0.000
LAC SGO and Legal costs to support an increased number of children on special guardianship orders	0.287	0.000	0.000	0.000	0.000
Placements Officer to improve the capacity to commission appropriate placements and reduce the numbers that require residential provision.	0.033	0.000	0.000	0.000	0.000
Virtual School - additional capacity to meet the current increase in demand	0.080	0.080	0.080	0.080	0.080

FAMILIES AND COMMUNITIES

Projected Pressures, Cost Reduction Options and Investments

Description	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Implementation of a Restorative Practice model working with children and their families to encourage more effective working relationships	0.040	0.025	0.023	0.015	0.000
Adult Specialist workers in District Teams to address the root cause of problems	0.000	0.810	0.810	0.000	0.000
New Invest to Save Total	**2.570**	**1.425**	**1.423**	**0.605**	**0.590**

Total Pressures	12.944	12.960	12.976	12.976	12.976
Total Cost Reductions	(4.702)	(9.232)	(13.234)	(15.699)	(17.203)
Total Investments	2.570	1.425	1.423	0.605	0.590
Service Total	**10.812**	**5.153**	**1.165**	**(2.118)**	**(3.637)**

Education Services

Community Impact Assessment Rating - Low

Total Service Spending Pressures Approved in February 2019	**0.060**	**0.040**	**0.380**	**0.380**	**0.380**
Total Service Cost Reductions Approved in February 2019	**(0.550)**	**(1.900)**	**(2.080)**	**(2.200)**	**(2.200)**
Total Projected Changes to Service Cost Reductions Approved in February 2019	**0.550**	**1.500**	**1.307**	**1.042**	**0.777**

Total Pressures	0.060	0.040	0.380	0.380	0.380
Total Cost Reductions	0.000	(0.400)	(0.773)	(1.158)	(1.423)
Service Total	**0.060**	**(0.360)**	**(0.393)**	**(0.778)**	**(1.043)**

Culture and Communities

Community Impact Assessment Rating - Medium

Total Service Cost Reductions Approved in February 2019	**(0.305)**	**(0.305)**	**(0.305)**	**(0.305)**	**(0.305)**

Total Cost Reductions	(0.305)	(0.305)	(0.305)	(0.305)	(0.305)
Service Total	**(0.305)**	**(0.305)**	**(0.305)**	**(0.305)**	**(0.305)**

Rural

Community Impact Assessment Rating - Medium

Total Service Cost Reductions Approved in February 2019	**(0.150)**	**(0.150)**	**(0.150)**	**(0.150)**	**(0.150)**

Total Cost Reductions	(0.150)	(0.150)	(0.150)	(0.150)	(0.150)
Service Total	**(0.150)**	**(0.150)**	**(0.150)**	**(0.150)**	**(0.150)**

FAMILIES AND COMMUNITIES

Projected Pressures, Cost Reduction Options and Investments

Appendix 4b

Description	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Community Safety — **Community Impact Assessment Rating - Medium**					
Total Service Cost Reductions Approved in February 2019	**(0.117)**	**(0.117)**	**(0.117)**	**(0.117)**	**(0.117)**
Total Cost Reductions	(0.117)	(0.117)	(0.117)	(0.117)	(0.117)
Service Total	**(0.117)**	**(0.117)**	**(0.117)**	**(0.117)**	**(0.117)**
Total Families and Communities Pressures and Cost Reductions	**10.300**	**4.221**	**0.200**	**(3.468)**	**(5.252)**
Inflation	**3.645**	**7.401**	**11.240**	**15.164**	**19.227**
Families and Communities Grand Total	**13.945**	**11.622**	**11.440**	**11.696**	**13.975**

ECONOMY, INFRASTRUCTURE AND SKILLS

Projected Pressures, Cost Reduction Options and Investments

Description	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Economic Development & Strategic Planning — Community Impact Assessment Rating - Low					
Total Service Spending Pressures Approved in February 2019	**(0.050)**	**(0.050)**	**(0.050)**	**(0.050)**	**(0.050)**
Total Service Cost Reductions Approved in February 2019	**(0.265)**	**(0.265)**	**(0.265)**	**(0.265)**	**(0.265)**
Total Pressures	(0.050)	(0.050)	(0.050)	(0.050)	(0.050)
Total Cost Reductions	(0.265)	(0.265)	(0.265)	(0.265)	(0.265)
Service Total	**(0.315)**	**(0.315)**	**(0.315)**	**(0.315)**	**(0.315)**
Infrastructure & Highways — Community Impact Assessment Rating - High					
Total Service Spending Pressures Approved in February 2019	**0.150**	**0.300**	**0.300**	**0.300**	**0.300**
Total Service Cost Reductions Approved in February 2019	**0.540**	**0.240**	**(0.060)**	**(0.160)**	**(0.160)**
Total Projected Changes to Service Cost Reductions Approved in February 2019	**(0.353)**	**(0.173)**	**(0.173)**	**(0.173)**	**(0.173)**
New Service Cost Reduction Options					
SCP - mitigate urban grass cutting saving (one-off saving in 2019-20)	0.130	0.130	0.130	0.130	0.130
Bridge Maintenance - mitigate urban grass cutting (one-off adjustment in 2019-20)	0.400	0.400	0.400	0.400	0.400
New Service Cost Reduction Options Total	**0.530**	**0.530**	**0.530**	**0.530**	**0.530**
Total Original Investment Approved in February 2019	**0.147**	**0.327**	**0.327**	**0.327**	**0.327**
Total Projected Changes to Investment Total	**(0.177)**	**(0.357)**	**(0.357)**	**(0.357)**	**(0.357)**
Total Pressures	0.150	0.300	0.300	0.300	0.300
Total Cost Reductions	0.717	0.597	0.297	0.197	0.197
Total Investments	(0.030)	(0.030)	(0.030)	(0.030)	(0.030)
Service Total	**0.837**	**0.867**	**0.567**	**0.467**	**0.467**
Transport, Connectivity & Waste — Community Impact Assessment Rating - High					
Total Service Spending Pressures Approved in February 2019	**0.184**	**0.488**	**1.108**	**1.108**	**1.108**

Appendix 4c

ECONOMY, INFRASTRUCTURE AND SKILLS

Projected Pressures, Cost Reduction Options and Investments

Description	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
New Service Projected Pressures					
Cimate Change / Sustainability Initiatives	0.690	0.585	0.585	0.285	0.285
New Service Projected Pressures Total	**0.690**	**0.585**	**0.585**	**0.285**	**0.285**
Total Service Cost Reductions Approved in February 2019	**(1.760)**	**(2.260)**	**(2.860)**	**(2.860)**	**(2.860)**
Total Pressures	0.874	1.073	1.693	1.393	1.393
Total Cost Reductions	(1.760)	(2.260)	(2.860)	(2.860)	(2.860)
Service Total	**(0.886)**	**(1.187)**	**(1.167)**	**(1.467)**	**(1.467)**
Total Economy, Infrastructure and Skills Pressures and Cost Reductions	**(0.364)**	**(0.635)**	**(0.915)**	**(1.315)**	**(1.315)**
Inflation	**2.698**	**5.554**	**8.582**	**11.314**	**13.660**
Economy, Infrastructure and Skills Grand Total	**2.334**	**4.919**	**7.667**	**9.999**	**12.345**

CORPORATE SERVICES

Projected Pressures, Cost Reduction Options and Investments

Description	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Assets					
Total Service Cost Reductions Approved in February 2019	**(1.100)**	**(2.200)**	**(2.600)**	**(2.700)**	**(2.700)**
Total Projected Changes to Service Cost Reductions Approved in February 2019	**0.634**	**1.364**	**1.514**	**1.514**	**1.514**
Total Cost Reductions	(0.466)	(0.836)	(1.086)	(1.186)	(1.186)
Service Total	**(0.466)**	**(0.836)**	**(1.086)**	**(1.186)**	**(1.186)**
Traded Services / Business Partner					
Total Service Cost Reductions Approved in February 2019	**0.500**	**0.500**	**0.500**	**0.500**	**0.500**
Total Cost Reductions	0.500	0.500	0.500	0.500	0.500
Service Total	**0.500**	**0.500**	**0.500**	**0.500**	**0.500**
People					
Total Service Cost Reductions Approved in February 2019	**(0.075)**	**(0.075)**	**(0.075)**	**(0.075)**	**(0.075)**
Total Cost Reductions	(0.075)	(0.075)	(0.075)	(0.075)	(0.075)
Service Total	**(0.075)**	**(0.075)**	**(0.075)**	**(0.075)**	**(0.075)**
Governance					
New Service Projected Pressures					
Legal additional childcare staff	0.443	0.411	0.366	0.344	0.325
New Service Projected Pressures Total	**0.443**	**0.411**	**0.366**	**0.344**	**0.325**
Total Pressures	0.443	0.411	0.366	0.344	0.325
Service Total	**0.443**	**0.411**	**0.366**	**0.344**	**0.325**
Strategy					

CORPORATE SERVICES

Projected Pressures, Cost Reduction Options and Investments

Description	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
New Service Projected Pressures					
Members' Community Investment Fund	0.160	0.160	0.160	0.160	0.160
New Service Projected Pressures Total	**0.160**	**0.160**	**0.160**	**0.160**	**0.160**
Total Service Cost Reductions Approved in February 2019	**(0.150)**	**(0.150)**	**(0.150)**	**(0.150)**	**(0.150)**
Total Pressures	0.160	0.160	0.160	0.160	0.160
Total Cost Reductions	(0.150)	(0.150)	(0.150)	(0.150)	(0.150)
Service Total	**0.010**	**0.010**	**0.010**	**0.010**	**0.010**
Total Corporate Services Pressures and Cost Reductions	**0.412**	**0.010**	**(0.285)**	**(0.407)**	**(0.426)**
Inflation	**1.153**	**2.332**	**3.538**	**4.770**	**6.030**
Corporate Services Grand Total	**1.565**	**2.342**	**3.253**	**4.363**	**5.604**

Summary of Pressures, Inflation, Savings and Investments

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Health and Care					
Pressures	22.452	32.797	43.786	54.928	66.338
Inflation	1.652	3.461	5.235	7.050	8.907
Savings	(14.721)	(18.089)	(20.319)	(22.451)	(24.147)
Investments	-	-	-	-	-
Health and Care Total	9.383	18.169	28.702	39.527	51.098
Families and Communities					
Pressures	13.004	13.000	13.356	13.356	13.356
Inflation	3.525	7.279	11.117	15.039	19.101
Savings	(5.274)	(10.204)	(14.579)	(17.429)	(19.198)
Investments	2.570	1.425	1.423	0.605	0.590
Families and Communities Total	13.825	11.500	11.317	11.571	13.849
Economy, Infrastructure and Skills					
Pressures	0.974	1.323	1.943	1.643	1.643
Inflation	2.723	5.579	8.608	11.341	13.689
Savings	(1.308)	(1.928)	(2.828)	(2.928)	(2.928)
Investments	(0.030)	(0.030)	(0.030)	(0.030)	(0.030)
Economy, Infrastructure and Skills Total	2.359	4.944	7.693	10.026	12.374
Corporate Services					
Pressures	1.103	1.071	1.026	1.004	0.985
Inflation	1.137	2.315	3.520	4.751	6.011
Savings	(0.691)	(1.061)	(1.311)	(1.411)	(1.411)
Investments	-	-	-	-	-
Corporate Services Total	1.549	2.325	3.235	4.344	5.585
Grand Total	**27.116**	**36.938**	**50.947**	**65.468**	**82.906**

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

Appendix 6

Major Assumptions Used in MTFS
Year-on-Year Increases

	2020/21	2021/22	2022/23	2023/24	2024/25
Staffing costs					
Pay	2.0%	2.0%	2.0%	2.0%	2.0%
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)	1.5%	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	10.0%	10.0%	10.0%	10.0%	10.0%
Business Rates bills	2.7%	3.0%	3.1%	3.1%	3.1%
Water[1]	3.0%	3.0%	3.0%	3.0%	3.0%
Petrol	2.7%	3.0%	3.1%	3.1%	3.1%
Diesel	2.7%	3.0%	3.1%	3.1%	3.1%
In-Year Increases					
Interest Rates					
Interest on investments	0.75%	0.75%	0.75%	0.75%	0.75%
Interest on debt	3.95%	3.99%	4.01%	3.99%	4.06%
General Funding					
New Homes Bonus	£1.8m	£1.4m	£0.8m	-	-
Loss of Revenue Support Grant	-	-£10.7m	-	-	-
Revenue Support Grant	£10.7m	-	-	-	-
Council Tax	1.99%	1.99%	1.99%	1.99%	1.99%
Social Care Precept	2.00%	2.00%	2.00%	2.00%	2.00%

[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 7

Council Taxbase, Collection funds and Precepts

Tax Base (Band D equivalents)

	2019/20	2020/21
Cannock Chase	28,874.46	29,242.50
East Staffordshire	37,278.20	38,388.50
Lichfield	38,010.80	39,032.30
Newcastle	37,117.00	37,387.00
South Staffordshire	38,090.13	38,355.90
Stafford	47,491.54	48,260.70
Staffordshire Moorlands	33,089.00	33,225.00
Tamworth	21,761.00	22,367.00
Totals	**281,712.13**	**286,258.90**

Estimated Council Tax Collection Fund Position

	2019/20 £	2020/21 £
Cannock Chase	330,614	777,387
East Staffordshire	555,480	498,783
Lichfield	164,620	1,074,400
Newcastle	1,452,172	(380,310)
South Staffordshire	678,617	1,347,810
Stafford	0	1,659,697
Staffordshire Moorlands	447,250	213,260
Tamworth	440,627	544,868
Totals	**4,069,380**	**5,735,895**

Key: Surplus / (Deficit)

Precepts

	2019/20 £	2020/21 £
Cannock Chase	35,984,218	37,896,818
East Staffordshire	46,457,211	49,749,577
Lichfield	47,370,199	50,583,909
Newcastle	46,256,319	48,451,683
South Staffordshire	47,469,063	49,707,329
Stafford	59,185,382	62,543,454
Staffordshire Moorlands	41,236,504	43,057,939
Tamworth	27,119,211	28,986,514
Totals	**351,078,108**	**370,977,221**

Review of Earmarked Reserves / Provisions

Reserve Name	Reason for Reserve	Forecast Balance 31st March 2020 £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.	4.087	0.000	4.087
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.	0.357	0.000	0.357
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.	0.330	0.000	0.330
Redundancy	To smooth the impact of redundancies over a five year period. This reserve is self-funding as all interest charged is posted to revenue. It is not possible to forecast demand for contributions from this reserve therefore the current level is	8.032	0.000	8.032

Review of Earmarked Reserves / Provisions

Reserve Name	Reason for Reserve	Forecast Balance 31st March 2020 £m	Transfer into General Balances £m	Forecast Balance after Transfer £m
Material Damage and Motor Vehicles Reserve and Provision	To ensure that sufficient resources are available to meet outstanding liabilities in respect of the self funding element of material damage claims. An internal review has been undertaken regarding the level of the insurance provision, and has deamed the level of reserves sufficient.	0.355	0.000	0.355
Insurance self-funding Provision (pre LGR)	To ensure that sufficient resources are available to meet outstanding claims not covered by the county council's former insurance arrangements for the period 1st May 1992 to 31st March 1997.	1.048	0.000	1.048
Insurance self-funding Provision (post LGR)	To ensure that sufficient resources are available to meet outstanding claims not covered by the county council's insurance arrangements from 1st April 1997. This is a long term fund and the gap in funding will be dependant on the level of	6.666	0.000	6.666
Schools' Balance of Risk Provision	To ensure sufficient funds are available to meet schools claims.	0.054	0.000	0.054
Schools' Supply Cover Reserves	To ensure sufficient funds are available to meet schools claims.	0.940	0.000	0.940
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.	0.011	0.000	0.011
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.	2.217	0.000	2.217

Review of Earmarked Reserves / Provisions

Reserve Name	Reason for Reserve	Forecast Balance 31st March 2020 £m	Transfer into General Balances £m	Forecast Balance after Transfer £m
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.	35.322	0.000	35.322
Vehicle/Plant Renewals	To ensure sufficient resources are available to purchase replacement vehicles, plant & equipment for specific services. This includes purchasing mowers, trailers and bush cutters. This funds completely different types of vehicles to those funded through the County Fleet Care reserve.	(0.002)	0.000	(0.002)

Total Earmarked Reserves	**59.428**	**0.000**	**59.428**

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.

2018/19 Provision £m	Area of Expenditure	Level of Risk	Explanation of risk/justification of balances
Treatment of inflation and interest rates			
2.0	**Inflation**	Medium	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.
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.
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.

2018/19 Provision £m	Area of Expenditure	Level of Risk	Explanation of risk/justification of balances
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			
2018/19 Provision £m	**Area of Expenditure**	**Level of Risk**	**Explanation of risk/justification of balances**
2.0	**Disaster recovery including impact of Brexit**	Medium	Cost of consequential losses for uninsurable risk incidents such as virus attack on ICT infrastructure and ensuring business continuity post-Brexit.
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	**44.5**

Appendix 10

Capital Programme

2020/21 to 2024/25 Capital Programme

Service	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Economy, Infrastructure & Skills					
Highways Schemes	68,777	13,042	-	-	-
Economic Planning & Future Prosperity	22,892	11,540	470	450	450
Waste & Sustainability Project	2,035	22	-	-	-
	93,704	**24,604**	**470**	**450**	**450**
Families and Communities					
Maintained Schools	21,803	16,120	-	-	-
Rural County	307	230	230	235	235
Tourism & Cultural County	34	-	-	-	-
	22,144	**16,350**	**230**	**235**	**235**
Health and Care					
Care & Independence	7,785	8,097	1,539	-	-
	7,785	**8,097**	**1,539**	**-**	**-**
Corporate Services					
Finance, Resources & ICT	1,945	400	-	-	-
Corporate Leased Equipment	50	40	40	40	40
Strategic Property	10,351	3,415	3,305	2,305	2,305
Trading Services - County Fleet Care	1,200	235	235	235	235
	13,546	**4,090**	**3,580**	**2,580**	**2,580**
Sub Total Capital Programme	**137,179**	**53,141**	**5,819**	**3,265**	**3,265**
Capital Programme	**137,179**	**53,141**	**5,819**	**3,265**	**3,265**

Cabinet – 8 January 2020

Capital and Minimum Revenue Provision Strategy 2020/21

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 2020/21, the Council is planning capital expenditure of £137m, as summarised below. Although additional funds from Government allocations are expected to be announced during January and February.

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

	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget
TOTAL	£137m	£53m	£6m	£3m	£3m

4. The main capital projects include:

- The Stafford Western Access Route: This will provide a strategic link between the north and west of the town, which will help the delivery of thousands of new homes and business, office and retail space. It will also reduce congestion in the town centre, particularly around the railway station. There is a total budget £62.8m funded by a combination of Local Growth Deal monies, Stafford Borough Council, Developers and SCC. Capital expenditure is predicted to be c.£20m in 2020/21.

- The i54 Western Extension, which will provide an additional 24 hectares (60 acres) of land to accommodate up to 100,000 metres squared of industrial employment floor space. It is envisaged that when the i54 site is fully completed in the coming years, it will have provided some 4,600 jobs in total and will have attracted over £1.1billion of private investment. This is a joint venture with the City of Wolverhampton Council, with a total budget of £38.5m and with partial funding from the Black Country LEP and Stoke and Staffordshire LEP. Capital expenditure is forecasted to be c.£16m in 2020/21.

- The Lichfield southern bypass, which will transform the Lichfield area by improving traffic flow to relieve congestion and boost connectivity. The bypass will unlock a housing development site and improve access to new employment sites, attracting investment and creating new jobs. There is a total budget of £9.5m funded by the Department for Transport, Greater Birmingham Solihull LEP, Developer and SCC. Capital expenditure is estimated to be c.£2m in 2020/21.

- Expansion of Nether Stowe and King Edward VI schools to accommodate the impact of new housing development in Lichfield district. Total school expansions in 2020/21 are anticipated to cost c.£7.5m.

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 –

	2020/21 budget	**2021/22 budget**	**2022/23 budget**	**2023/24 budget**	**2024/25 budget**
External sources	£88m	£27m	£6m	£0m	£0m
Own resources	£2m	£0m	£0m	£0m	£0m
Debt	£47m	£26m	£0m	£3m	£3m
TOTAL	**£137m**	**£53m**	**£6m**	**£3m**	**£3m**

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

	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget
Own resources	£19.0m	£19.5m	£19.0m	£18.5m	£17.5m

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 £1.6m during 2020/21. 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

	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget
TOTAL CFR	**£655.8m**	**£636.9m**	**£617.5m**	**£598.5m**	**£575.2m**

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 £39.5m of capital receipts in the coming financial year as follows:

Table 5: Capital receipts in £ millions

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget
Asset sales	£13.8m	£13.0m	£39.5m	£1.9m

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

	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget
External loans	**£468m**	**£468m**	**£464m**	**£459m**	**£454m**
Capital Financing Requirement	**£656m**	**£637m**	**£618m**	**£599m**	**£575m**

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

	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget
Authorised limit – borrowing	632	613	592	572	553
Authorised limit – Other liabilities	249	252	255	259	262
Authorised limit – total	881	865	847	831	815
Operational boundary – borrowing	515	522	525	521	516
Operational boundary – Other liabilities	249	252	255	259	262
Operational boundary – total	764	774	780	780	778

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

	2020/21 budget	**2021/22 budget**	**2022/23 budget**	**2023/24 budget**	**2024/25 budget**
Financing costs (£m)	38.1	38.1	37.2	36.0	34.1
Proportion of net revenue stream	7.4%	7.7%	7.2%	6.7%	6.1%

Conclusion

17. There is a planned capital programme amounting to £137m in 2020/21. 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 2020/21

The County Council implemented the new MRP guidance in 2009/10, and will assess their MRP for 2020/21 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 2020/21 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.

Further amounts of new capital expenditure may continue to be charged at the rate of 4%, and added to the above mentioned base Capital Financing Requirement (CFR) amount, up to an amount equivalent to the County Council's annual Supported Capital Expenditure (Revenue) allocation.

Certain expenditures reflected within the debt liability at 31 March 2020 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.

Appendix 11b

Cabinet – 8 January 2020

Treasury Management Strategy 2020/2021

Recommendations of the Cabinet Member for Finance

Report of the County Treasurer

1. That Cabinet approve the 2020/2021 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 County Council, at its meeting on the 13 February 2020, the adoption of the Annual Investment Strategy (AIS) 2020/21 detailed in **paragraphs 66 to 114,** and **Annex A** and **Annex B** of this report.

3. That Cabinet approve policies on:

   a) reviewing the strategy;
   b) the use of external advisors;
   c) investment management training; and
   d) the use of financial derivatives.

   as described in **paragraphs 115 to 124** of this report.

4. That Cabinet approve the proposed borrowing strategy for the 2020/2021 financial year comprising:

   a) maximising the use of cash in lieu of borrowing, as far as is practical;
   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.

5. All the above will operate within the prudential limits set out in **Annex C** 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.

Introduction

6. Treasury management comprises the management of the County Council's cash flows, borrowings and investments, and their associated risks. The County 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 funds. It is important that the County Council successfully identifies, monitors and controls financial risk as part of prudent financial management.

7. The County 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 County Council approves a treasury management strategy before the start of each financial year. In addition, this report fulfils the County Council's legal obligation to have regard to the CIPFA Code under the *Local Government Act 2003.*

8. Any investments held for service purposes or for commercial profit i.e. the Council's non-treasury investments, are considered in a separate report. The (Non-Treasury) Commercial Investment Strategy 2020/21 report meets the requirements of the statutory guidance issued by the Ministry of Housing, Communities and Local Government's (MHCLG) 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 County Council to produce a balanced budget. 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.

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 42** onwards.

External Context

Economic background

12. In its November 2019 Monetary Policy Report, the Bank of England confirmed UK GDP growth had slowed materially to 1% in 2019, moving further away from its long-term trend rate of about 2%. This was due to weaker global growth driven by trade protectionism, and the domestic impact of Brexit-related uncertainties. However, the Bank still expects an orderly transition to a free trade agreement between the UK and the EU, with forecasts for UK economic growth to pick up and reach 1.6% in 2020 and 1.8% in 2021.

13. The UK's progress in negotiating an exit from the European Union (EU), together with any future trading arrangements, will continue to be a major influence on the County Council's treasury management strategy for 2020/21.

14. Brexit has been delayed until 31 January 2020. However, with the recent Conservative victory in the General Election, it is thought that the UK-EU Withdrawal Agreement will now be approved by parliament, providing some level of near-term certainty.

15. The Bank of England's Monetary Policy Committee (MPC) maintained Bank Rate at 0.75% in November 2019, following a 7-2 vote. Despite keeping rates on hold, MPC members indicated they would be prepared to cut interest rates if Brexit uncertainties and the slowdown in global growth continued. UK inflation remained below the Bank of England target of 2%, with Consumer Price Inflation (CPI) falling to 1.5% in October 2019. This supports the view that MPC members may be less inclined to raise interest rates even if there is a Brexit deal.

16. The global economy is entering a period of slower growth, mainly due to the trade policy stance of the US. Growth in the US economy slowed to 1.9% in Q3 2019 on the back of its ongoing trade war with China. The Federal Reserve continued to ease monetary policy and at its last meeting in October 2019, it cut rates to the range of 1.5% to 1.75%. Financial markets expect further loosening of US monetary policy in 2020.

17. Growth in Europe remains soft; Germany, the largest economy avoided recession in Q3 2019, but the outlook remains weak. Eurozone inflation was 0.7% year on year in October 2019, the lowest it had been for 3 years and well below the European Central Bank (ECB) target of 2%. In response, the ECB has recommenced quantitative easing and has maintained the policy of ultra-low interest rates; the main interest rate is at 0% and the deposit facility rate at -0.5%.

Credit outlook

18. In 2015, the Bank Recovery and Resolution Directive (BRRD) introduced a significant risk for local authorities whereby a failing bank will need to be 'bailed-in' by current investors instead of being 'bailed out' by government. The risk of loss for local authorities in a bail-in situation is much greater, as any unsecured fixed-term deposits would be ranked near the bottom of the capital structure and would be one of the first to suffer losses.

19. As the risk under bail-in regulations has increased, the County Council will continue to follow the advice of its treasury management advisor Arlingclose. The full creditworthiness approach is outlined from **paragraph 105**.

20. Ring-fencing legislation adopted by UK financial regulators means the larger UK banks have separated their core retail banking activity (ring-fenced) from the rest of their business (non ring-fenced) i.e. investment banking. The aim is to protect retail banking activity from unrelated risks elsewhere in the banking group, as occurred during the global financial crisis. Credit rating agencies have adjusted the ratings of some of the legally separate entities with ringfenced banks generally better rated than their non-ringfenced counterparts.

21. The uncertainty caused by the protracted negotiations between the UK and EU continues has weighed on the creditworthiness for UK and European banks with substantial operations in both jurisdictions. However, with the recent Conservative victory in the General Election, some certainty may be provided if Parliament agree the UK-EU Withdrawal Agreement.

Interest rate forecast

22. In terms of treasury management activity, the Bank Rate is fundamental to the income received and may also affect expenditure on loan interest where new loans are taken out or variable rate loans are held.

23. The County Council's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. Arlingclose recognise the risks to this forecast due to on-going Brexit uncertainties and the continuing global economic slowdown. As such, the risks to the interest rate forecast are considered firmly to the downside.

24. The Bank of England's MPC had previously maintained a bias towards tighter monetary policy. MPC members have now stated an interest rate rise is less likely, even if a Brexit agreement is reached.

25. Gilt yields have risen recently although they remain at historically low levels. Arlingclose projections indicate only a modest upward movement is expected from current levels; 10-year and 20-year gilt yields are forecast to rise to around 1.00% and 1.40% by 2022 respectively. However, volatility arising from both economic and political events are likely to continue.

26. Due to the risks of financial market volatility, the treasury strategy retains the low risk approach adopted in recent years, based on prioritising security, liquidity and then yield.

Local Context

27. On 30 November 2019, the County Council held £467.6m of external borrowing and had £132.9m temporarily invested. The County Council's future requirements for borrowing and investments can be considered by reviewing its balance sheet forecasts.

Balance sheet

28. In terms of borrowing, the County 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), we remove PFI liabilities to calculate the County Council's Loans CFR.

29. If the Council increases debt 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 County Council's Loans CFR and how this will be financed through external and internal borrowing:

	31.03.19 Actual £m	31.03.20 Estimate £m	31.03.21 Forecast £m	31.03.22 Forecast £m	31.03.23 Forecast £m
Loans CFR	576.3	585.0	595.1	590.4	573.9
Less: External borrowing	(467.7)	(467.6)	(467.6)	(463.6)	(458.5)
Internal / (over) borrowing	**108.6**	**117.4**	**127.5**	**126.8**	**115.4**

30. The table shows that the County Council's Loans CFR is due to increase in 2020/21 before decreasing thereafter; primarily because of a reduced capital programme in future years. The County Council's internal borrowing requirements move in line with the Loans CFR projections as the level of external loans remains fairly static.

31. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the County Council's total external borrowing should be lower than its highest forecast CFR over the next three years; the above table shows the County Council will comply with this recommendation during 2020/21 and going forward.

32. For investments, the County 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:

	31.03.19 Actual £m	31.03.20 Estimate £m	31.03.21 Forecast £m	31.03.22 Forecast £m	31.03.23 Forecast £m
Usable reserves	147.6	152.8	152.3	153.8	157.0
Working capital surplus	20.0	20.0	20.0	20.0	20.0
Less Internal borrowing	(108.6)	(117.4)	(127.5)	(126.8)	(115.4)
Advanced Pension contributions	0.0	0.0	(50.2)	0.0	0.0
Investments / (New borrowing)	**59.0**	**55.4**	**(5.4)**	**47.0**	**61.6**

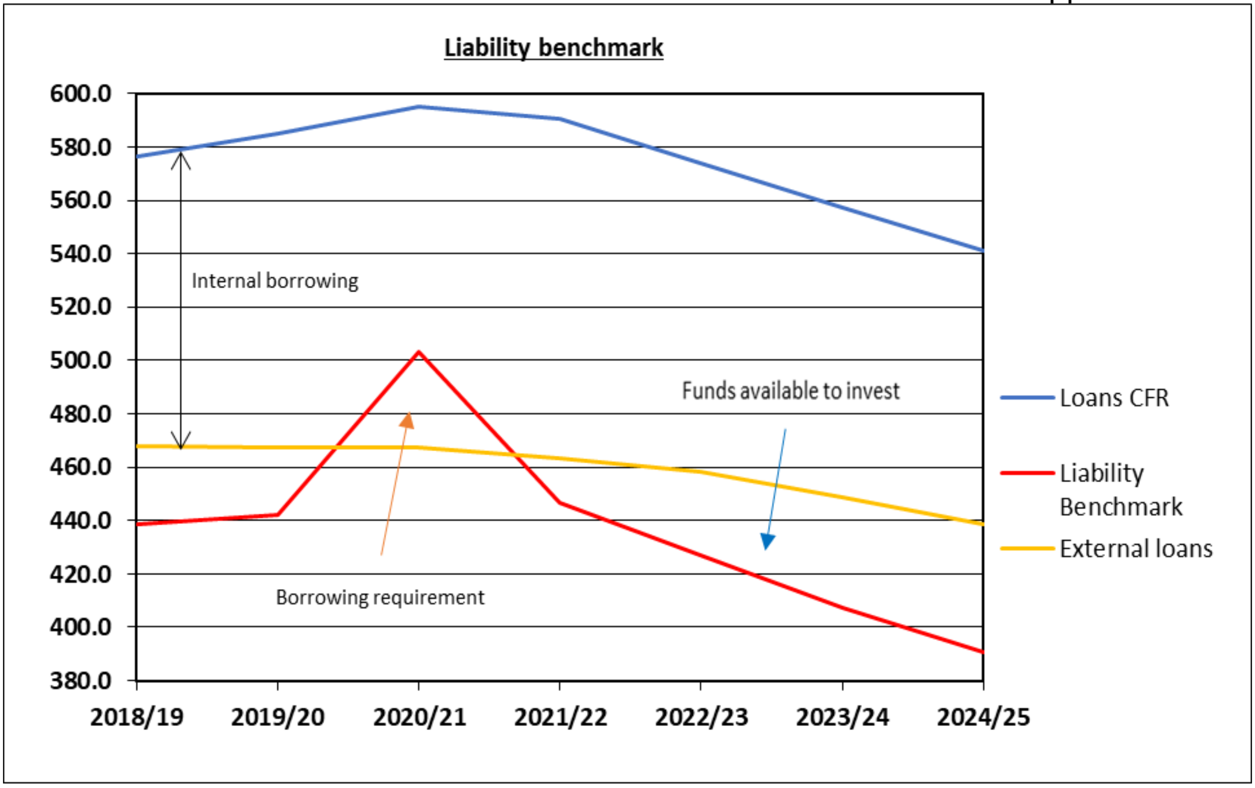
33. This demonstrates the County Council's recent strategy in using internal borrowing to reduce the need for external borrowing and as a result, reduced temporary investment levels. The above table also indicates that the County Council may not have enough internal resources to cover the internal borrowing requirement in 2020/21 and may need to borrow temporarily from external sources. This is mainly due to the payment in advance of £50.2m for pension contributions. Here, the County Council is expected to make significant savings by making an advanced payment for 3 years pensions contributions in April 2020 rather than annually for 2020 and two subsequent years. Investment balances are expected to recover from 2021/22 as internal borrowing requirements fall and the impact of the advanced pension contributions comes to an end.

Liability benchmark

34. The CIPFA Prudential Code encourages 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.

35. 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 County Council's liability benchmark are shown in the following table and chart:

	31.03.19 Actual £m	31.03.20 Estimate £m	31.03.21 Forecast £m	31.03.22 Forecast £m	31.03.23 Forecast £m
External loans	**467.7**	**467.6**	**467.6**	**463.6**	**458.5**
(Less Investments) / Add New borrowing	(59.0)	(55.4)	5.4	(47.0)	(61.6)
Net borrowing requirement	**408.7**	**412.2**	**473.0**	**416.6**	**396.9**
Add: Minimum investments	30.0	30.0	30.0	30.0	30.0
Liability benchmark	**438.7**	**442.2**	**503.0**	**446.6**	**426.9**



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

37. The chart indicates that by the end of 2020/21, the County Council's level of external loans will fall temporarily below the minimum required by the liability benchmark. This is primarily because the County Council has arranged to make payments in advance for pensions contributions (see **paragraph 33**), whilst committed to having minimum investment levels of £30m in local authority loans, where it is achieving significantly higher than the current market rate of interest. As a result, the County Council may need to borrow externally (short term) as it may not have enough usable reserves and working capital to cover the amounts required internally.

38. The borrowing requirement is considered to be temporary as the liability benchmark falls back below the external loans level in 2021/22 and is expected to continue to fall in future years as the capital programme decreases and cash balances increase. This implies that the shortfall in 2020/21 can be covered through short term borrowing and that the County Council may have surplus funds available to invest from 2021/22 onwards (subject to any changes to the capital programme). Further information on the duration of borrowing is provided from **paragraph 42** onwards.

Policy framework

39. 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

40. 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 County Council for its long-term loans or the price received for the money it invests.

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

Borrowing Strategy 2020/2021

42. In 2020/21, the County Council will hold £467.6m of loans as part of its strategy for funding previous years capital programmes. The County Council will need to ensure total amounts borrowed do not exceed the authorised limit for borrowing of £892 million, as disclosed in **Annex C** and as part of the capital strategy.

<u>Objectives</u>

43. The primary objective for the County Council when considering borrowing 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

44. Given the significant cuts to public services and to local government funding, the County 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 rates, it has been more cost effective for the County Council to use its internal resources in lieu of borrowing in the short term.

45. The current economic environment continues to favour using cash in lieu of borrowing:
- 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 shows the Bank Rate is still at a relatively 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.
- The medium/long term debt levels are forecast to fall.

46. In the past, cash balances have been enough to allow the strategy of using cash without the need to take further external loans. The liability benchmark analysis at **paragraph 37** indicates there may be a need to borrow temporarily in 2020/21 but the strategy of using cash will continue.

47. The County 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;
- changes in the County Council's cash funding because of structural changes; or
- LOBO loan call options being called.

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

49. It is important to understand that when raising loans, not all of the 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 45**. 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.

50. The County Council will monitor the benefits of internal borrowing on a regular basis as this strategy must be balanced against the possibility that long-term

borrowing costs may increase in future years, leading to additional costs incurred on deferring borrowing. The County Council will need to determine whether it borrows additional sums at long term fixed rates in 2020/21 with a view to keeping future interest costs low. To this end, the County Council will use advice and analysis carried out by its treasury management advisor, Arlingclose.

Sources of borrowing

51. The approved sources of long term and short-term borrowing are:
- Public Works Loans Board (PWLB) and any successor body
- 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
- Any institutions approved for investments.

Long term loans

52. The County 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 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.

53. On 9 October 2019, HM Treasury, the government department responsible for the PWLB, increased the margin over gilt yields from 80bps to 180bps for PWLB certainty rate loans. The government reasoned that the cost of borrowing had fallen to record lows and some local authorities have substantially increased their use of PWLB borrowing. This new shift in policy was aimed to restore PWLB lending rates to ‘normal’ levels.

54. The new rates are substantially higher than the rates under the old policy although they are still low when compared to historical PWLB rates. Should the County Council have a need to borrow long term loans, it will need to consider the alternative sources of borrowing highlighted in **paragraph 51**. Seeking lower interest costs may introduce greater administrative and resource costs, as well as increased risk and this would need to be balanced against the ease of access to loans from the PWLB.

55. The County Council currently holds £51m of long term borrowing in the form of LOBO (Lender’s Option Borrower’s Option) loans. The lender has the option to propose an increase in the interest rate at set dates, following which the County Council has the option to either accept the new rate or to repay the loan at no additional cost. £36m of these LOBO loans have such call options during 2020/21. Although the County 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.

56. Under the current strategy the County Council will repay all LOBO loans where call options are exercised by the lender. In addition, the County Council will

consider repaying LOBO loans where a loan restructuring opportunity becomes available and is considered financially advantageous (see **paragraph 61**).

57. Where the County Council is considering taking out long-term loans, the following observations are important.
    - The County Council's existing loan portfolio is very long term as can be seen in the graph at **Appendix 5.** Taking shorter term loans would rebalance the portfolio.
    - As stated already, the yield curve is normal, so shorter term loans are relatively cheaper.
    - PWLB interest rates are higher than they were historically (see **paragraph 62**).

58. The decision to borrow long term will be taken by the Treasury Management Panel, chaired by the County Treasurer, and reported to the Cabinet Member for Finance. This is because the optimum timing cannot 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.

<u>Short term loans</u>

59. Short-term loans raised from money markets are typically under 6 months duration. These are low cost and the County 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.

60. The local authority lending market has progressed considerably in recent years and funds 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 it to the County Council.

Loan restructuring

61. 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).
    - Repay loans early without replacing the loans, although this would increase the use of cash.

62. In current market conditions, loan restructuring would be very expensive and unattractive for the County Council. This is because:
    - Gilt yields are still historically low. This would lead to large penalties to compensate the PWLB if loans were repaid early; and
    - new loans are more expensive than in the past, even though Gilt yields are so low. Since 2019 the Government has increased the margin on top of Gilts at which it onward lends to local government via the PWLB (the margin is now 2.00% but can be reduced by 0.20% if the PWLB Certainty Rate is applied).

63. The County 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.

64. In 2017/18, the County Council repaid £30.5m of its LOBO loans, funded through a combination of using available cash and raising shorter term PWLB loans. The LOBO loans restructure became financially feasible for the Council as a particular counterparty was actively looking to remove LOBO loans from its balance sheet and so was willing to significantly reduce the repayment penalty. Changes made to accounting standards and capital adequacy regulations meant it was costlier for some banks to retain LOBO loans on their books.

65. As market conditions and regulations do change, it is proposed to allow loan restructuring. The decision will be delegated to the Treasury Management Panel, chaired by the County Treasurer, and reported to the Cabinet Member for Finance.

Annual Investment Strategy (AIS) 2020/21

66. It is the Council's borrowing strategy that determines its investment strategy as implied in **paragraph 45**. The current economic environment of relatively low interest rates favours the use of cash instead of borrowing, hence balances available for temporary investments are likely to be less.

67. Nevertheless, the County Council will have significant levels of funds to invest at different points of the year; this usually represents income received in advance of expenditure plus balances and reserves held. In the previous financial year, the County Council's investment balance ranged between £91.4 million and £187.0 million.,

<u>Brexit risks</u>

68. In the UK's exit from the EU, there are substantial issues that remain unresolved, meaning that several potential outcomes still exist. One of the more critical outcomes for the UK economy would be a no-deal Brexit and the County Council has considered the possible repercussions of this in the context of its treasury risk management. In this respect, the County Council will continue to seek advice from its treasury management advisor, Arlingclose.

69. Bank of England stress tests have shown the strongest UK banks can withstand a no-deal Brexit scenario. Arlingclose remain comfortable with banks used by money market funds (MMFs) for their underlying investments. Meanwhile investments held with central and local government are less exposed to such credit risk. Despite these assurances, a high-risk scenario is still a possibility in which case the County Council propose to use their account with central government's Debt Management Office (DMO), for any short-term investment needs.

70. The liquidity of certain funds from banks and MMFs domiciled outside the UK could be affected by unforeseen regulatory issues from a no-deal Brexit

position. For this reason, the County Council proposes not to hold the entirety of its liquid cash outside of the UK over the Brexit period.

MiFID II

71. 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 County 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.

72. The County Council meets the criteria set out under MiFID II and will continue to be treated as a professional client by regulated financial services firms in 2020/21.

Objectives

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

74. The County 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 County 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

75. 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.

76. The County Council has taken a low risk approach to investment and the AIS for 2020/21 will continue to do so. Short term unsecured bank investments have generally provided very low returns with the increasing risk from bail-in regulations (see **paragraph 18**). The County Council will continue to concentrate its short-term investments in more secure money market funds and government investments.

77. MHCLG Guidance on Local Government Investments specifies the types of financial instruments that local authorities can invest in and the County Council has divided its approved investments into Standard Investments and Non-standard Investments.

Standard Investments

78. The County 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 County 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) recommended by the County Council's treasury advisor, Arlingclose.
- bank and building society investments recommended by the County Council's treasury advisor, Arlingclose

i) Government

79. The County 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 elsewhere.

80. The County 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.

81. 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 County Council will continue to monitor such developments and seek advice from Arlingclose where necessary.

ii) Money Market Funds (MMFs)

82. 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 County Council for some time as they have tended to provide greater security and a higher yield than bank accounts.

83. 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.

84. The County 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 County Council's Approved Lending List:
- Recommended by the County Council's treasury adviser, Arlingclose.
- Diversified – MMFs invest across many different investments meaning they achieve more diversification than the County 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.
- Custodian – the investments are managed by an independent bank known as a custodian, who operates at arms-length from the fund management company.

85. 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.
- If the UK enters a recession, there is a possibility that the Bank Rate could be set to near or below zero. This could mean interest earned from MMFs could become negative after the deduction of their fee. In this instance, the County Council could move funds to an alternative category of investment.

iii) Bank and building society accounts

86. The County 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.

87. Investments held with banks and building societies run the risk of credit loss via a bail in, if the regulator determines that the bank is failing or likely to fail.

iv) Operational bank account

88. The County 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 92** onwards.

89. In respect of the Bank ring-fencing legislation referred to in **paragraph 20**, 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 County 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).

90. Lloyds Bank Plc has seen a credit ratings upgrade since ring-fencing legislation was introduced; should the Lloyds credit rating fall, then small balances may be retained with the bank for operational efficiency. The County Council will continue to monitor Arlingclose's advice on bank credit risk and any changes

will be determined by the Treasury Management Panel, chaired by the County Treasurer.

91. The County Council's commercial banking contract with Lloyds Bank is due to expire in March 2020 and the Council intends to utilise the ESPO 'Framework Agreement for Banking Services' to procure a new banking contract. However, a new ESPO Framework Agreement is currently being negotiated and will not be available when the current County Council banking contract ends. As an Exception to Procurement Regulations, the County Council has agreed to extend the current banking contract with Lloyds Bank for two years, by which time the new ESPO Framework Agreement should be in place.

Standard Investments diversification

92. Risks to investments, such as those discussed for MMFs in **paragraph 85**, 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 County Council's loss in the event of a counterparty default. Diversification will not protect the County Council from a systemic failure of the banking sector, even if the risk of this has diminished following the bail-in banking regulations.

93. 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 will review and reset these limits at least once a month with reference to forecast future balances.

94. 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)	50%
Banks and Building Societies	50%

95. No limits are proposed for government investments as these may be utilised for all the County Council's investments in certain circumstances. MMFs investments may occasionally be as high as 100% when cash balances are low; this acknowledges that there may be no other investment available for small amounts when liquidity is necessary.

96. 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%	10%

97. Due to bail-in regulations, Arlingclose have recommended 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).

98. 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.

Non-standard Investments

99. The County Council considers Non-standard Investments to be all other types of approved investment 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.

100. The Non-standard Investments proposed for use are listed below and do not present any additional security risk to the investments listed within Standard Investments:

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 Schemes: Examples include property and equity funds which have very different risk and return profiles to same day notice MMF’s. Enhanced MMF’s are considered to be collective schemes; they typically have a 3-5-day liquidity notice period as they invest further along the yield curve. In 2016/17, the Treasury Management Panel approved a decision to invest in the Royal London Enhanced ‘Cash Plus’ MMF with a 3-day liquidity notice period.

101. 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

102. Diversification of Non-standard Investments is equally important, and the County 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 £45m (up to 40 years duration) due to their high credit quality. The County Council has held £30m of long-term local authority investments since 2013.
- Other Non-standard Investments: these have an individual investment cap amount per asset class of £20m (up to 5 years duration) with an overall cap of £50m for this group.

103. This means a total of £95m can be invested in Non-standard Investments in 2020/21 and 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.

104. **Annex A** sets out the investment categories authorised for use in 2020/21 and **Annex B** lists the County Council’s Lending List at the time of writing this report.

The Credit Management Strategy for 2020/21

105. Investments made by the County 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 & Poor’s and Fitch). Credit ratings are monitored by and obtained from the County Council’s treasury management adviser, Arlingclose, where available.

106. An important aspect of Arlingclose’ service is the provision of credit advice. As a treasury advisor, Arlingclose 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 County Council maintains the ultimate responsibility for the decisions it takes with its investments.

107. For 2020/21, 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 Arlingclose.

108. The following elements are also factored in when considering creditworthiness:
- Potential government support.
- Credit Default Swap prices (CDS) (i.e. the cost of insuring against counterparty default).
- Share prices and bond yields.
- Balance sheet structure.
- Macro-economic factors.
- A subjective overlay, i.e. a judgement being made about whether the counterparty should be recommended or not.

109. Arlingclose will consider the above elements when determining their recommended investment counterparty list. Counterparties can be removed from this list based on changes to this information, so it is not solely based on credit rating changes.

110. The economic environment in the recent past has been very volatile, so Arlingclose have generally been cautious when providing their advice. This has resulted in the use of investment counterparties with high quality credit characteristics, intended to insulate the County Council against further volatility.

111. Arlingclose communicate credit rating changes and significant changes in other risk indicators to the Treasury team, together with any revisions to their recommendations. Such changes by Arlingclose are usually notified by e-mail, although in more urgent situations, this will be followed up by a telephone call.

112. As mentioned previously, the County Council retains the ultimate responsibility for its investment decisions. The Treasury Management Panel chaired by the County Treasurer meet on a monthly basis and review any changes recommended by Arlingclose. In between these meetings, the Treasury team may be required to make investment decisions at short notice upon the recommendation of Arlingclose. Where required, the Treasury team will implement these recommendations pending retrospective approval by the Treasury Management Panel, chaired by the County Treasurer. On the rare occasion that Arlingclose do not make a firm recommendation, this will also be referred to the Panel for review.

113. 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 County Council’s investment risk profile. This may result in moving investments to lower risk counterparties or instruments.

Non-treasury investments

114. These are discussed as part of a separate investment strategy report titled ‘(Non-Treasury) Commercial Investment Strategy 2020/21’.

Review of strategy

115. The County 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.

116. The responsibility for assessing these circumstances and proposing changes to the strategy is allocated to the Treasury Management Panel, chaired by the County Treasurer.

Policy on the use of external service providers

117. Arlingclose were appointed as the County Council’s external treasury management adviser from 1 April 2013 and their contract was renewed in 2017 following a tender process.

118. Arlingclose are contracted to provide information, technical accounting assistance and an investment advice service. The County Council recognises that the ultimate responsibility for treasury management decisions always remains with itself.

119. An annual review of service quality is carried out by the Treasury Management Panel. Arlingclose also attend meetings bi-annually to discuss strategy and how well they are assisting the County Council to discharge its responsibilities.

Investment management training

120. 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.

121. Officers who attend the Treasury Management Panel are senior qualified finance professionals. Treasury practitioners also attend regular CIPFA and treasury consultant training seminars throughout the year and have assessment conversations each year through which training needs are identified.

122. 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

123. Local authorities have previously made use of financial derivatives embedded into loans and investments (e.g. those embedded in LOBO loans), in order to reduce interest rate risk or reduce costs/increase income. The introduction of the General Power of Competence in the Localism Act 2011 removed the uncertainty around the use of standalone derivatives (e.g. swaps, forwards and futures).

124. The County Council will only use standalone derivatives with an approved investment counterparty and where it can be clearly demonstrated that they reduce financial risk.

Rob Salmon
County Treasurer

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List of background papers

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.

Annex A

Cabinet – 8 January 2020 - Investment categories authorised for use 2020/21

Investment	Standard	Non-standard	Comments
UK Government - Debt Management Account Deposit Facility (DMADF) (regulation investment)	**unlimited**	×	6 months maximum available
UK Government - Treasury Bills (T-Bills) (regulation investment)	**unlimited**	×	6 months maximum available
UK local authorities term deposits (regulation investment)	**unlimited**	**£45m across these categories**	Up to 40 years in duration (non-standard)
UK Government – Gilts	**unlimited**		
Money Market Funds	✓	×	50% of total investments in this category. Individual MMF - Lower of 0.50% of individual MMF size or 10% 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 £20m per investment category and £50m in total across all categories**	Up to 5 years in duration (non-standard)
Bonds issued by Multilateral Development Banks	×		
Collective Investment Schemes	×		
Covered Bonds	×		
Repos (repurchase agreement)	×		

** Up to 12 months*

Appendix 11b

Annex B

Cabinet - 8 January 2020

County Council Lending List – December 2019	
	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	100 days
HSBC UK Bank	6 months
Lloyds Bank	6 months
Santander UK	6 months
Nationwide Building Society	6 months
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

Annex C

Cabinet – 8 January 2020

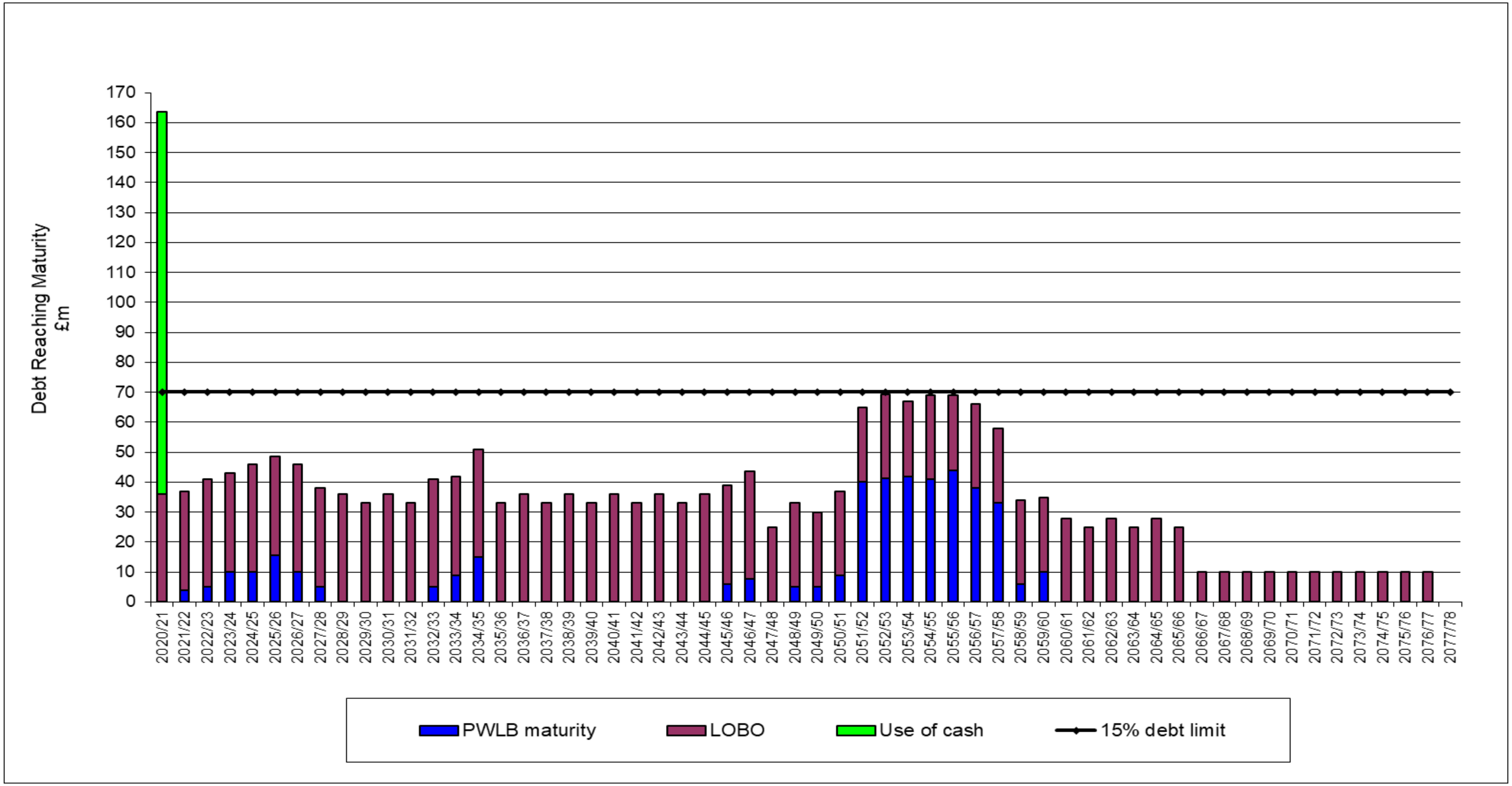
Prudential Indicators for Treasury Management

Indicator	Estimate 2020/21	Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25
1. External Debt	£m	£m	£m	£m	£m
Authorised Limit for borrowing	640	635	619	602	586
Authorised Limit for other liabilities	252	255	259	262	265
TOTAL	**892**	**890**	**878**	**864**	**851**
Operational Boundary for borrowing	518	523	524	517	507
Operational Boundary for other liabilities	252	255	259	262	265
TOTAL	**770**	**778**	**783**	**779**	**772**
External Loans	**468**	**464**	**459**	**449**	**439**
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)	£565m	£560m	£544m	£527m	£511m
b. Upper Limit (Variable)	(£183m)	(£191m)	(£206m)	(£214m)	(£220m)
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 using 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 103**) which is the maximum that could be invested for 1 year or over.*	£95m	£95m	£95m	£95m	£95m

Annex D

Cabinet – 8 January 2020

County Council maturity structure of debt



Cabinet – 8 January 2020

Commercial Investment Strategy 2020/2021

Recommendation of the Cabinet Member for Finance

Report of the County Treasurer

1. That Cabinet approves:

   (a) the Commercial Investment Strategy for 2020/21 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 a further £20 million in 2020/21;

   (d) a maximum limit for an individual Service Investment Loan of £10m in 2020/21; 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 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 2020/21, 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 2020/21 report meets the requirements of the statutory guidance issued by the Ministry of Housing, Communities and Local Government's (MHCLG) 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 County Council matters only and does not include any Pension Fund investments, which are subject to separate governance arrangements.

Treasury Management Investments

5. The Council typically receives income in cash (e.g. from precepts, taxes and grants) and pays for its expenditure in cash (e.g. through payroll and invoices). It might also hold 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.

6. The contribution that treasury investments make to the objectives of the County 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.

7. Details of the Council's policies and plans for treasury management activities for 2020/21 are covered in the Treasury Management Strategy, which includes the Annual Investment Strategy.

Service Investments

8. 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 those residents. Indeed, the Council's own Vision is for a connected Staffordshire where everyone has the opportunity to prosper, be healthy and happy.

9. Service Investments can be broadly defined as any investments made to support delivery of those statutory and local public services, and the details of these are contained within the Capital Strategy for 2020/21, which is the subject of a separate report. However, in terms of the MHCLG guidance on Service Investments, these are more specifically defined as Loans or Shares.

<u>Loans</u>

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

11. 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 balance outstanding as at 31 March 2019 was £118,290.

12. Whilst the loan to Nexxus is 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.

13. 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 2020/21 be set at £10m. 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. Local Business relative to Local Charity relative to an Employee.

14. 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; and
  iv. any ongoing investment needs for the borrower.
- 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.

15. 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.

Shares

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

17. 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) own 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.

18. 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 2019; however, the investment continues to contribute to the Council's service delivery objectives.

19. 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 2020/21, as any investment proposal will need to be considered fully prior to being presented to Cabinet for their decision.

20. 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.

21. For liquidity purposes, for both types of Service Investments, which fall outside the Capital Strategy, the Council will need to put in place procedures to determine how the Council will stay within any Approved Limits and also the maximum investment duration permitted for investments. For 2020/21, 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

22. Under current guidance, the Council is permitted to make commercial investments with the intention of making a profit or generating revenue income.

<u>Property Commercial Investments</u>

23. There has been recent professional and political challenge to permissions in relation to commercial property investments. In particular, there is unease over local authorities borrowing (relatively cheaply) from the Public Works Loans Board (PWLB) and then using these loans to purchase commercial property.

24. In November 2019, CIPFA published its informal guidance on 'Prudential Property Investment', highlighting concerns over the recent 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.

25. Although there is no legal duty for local authorities to have regard to the guidance, increasing purchases of commercial property could place a strain on the credibility of the prudential framework which in turn, may lead to statutory intervention. The Council does not have any such commercial investments in property.

26. Whilst there has been some 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. This may be funded using surplus reserves or borrowing (from the PWLB) for capital purposes, where long term reserves are not available.

27. Irrespective of location or service purpose, 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.
- 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.

28. 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.

<u>Other Commercial Investments</u>

29. 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 such as Clean tech, Agri tech and Renewable Energy to name but a few. These may take on multiple investment forms and legal structures such as direct investments, unitised investment vehicles and limited partnerships.

<u>Loan Commitments and Financial Guarantees</u>

30. 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.

<u>Commercial Investments Panel</u>

31. During 2019/20, the Council formed a Commercial Investments Panel (‘the Panel’) consisting of senior officers at the Council and chaired by the County Treasurer. The Panel met regularly during the year 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.

32. The Panel looked to agree 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.

33. The Panel also considered the appointment of an investment advisor to assist in the search for suitable investments and reviewed investment proposals from various fund managers.

34. To date, the Council has not made any commercial investments, as it has been waiting for funding to be delivered as part of the Capital Receipts Programme, to provide the cash resource. More detailed consideration of investments will take place from January 2020 by the Senior Leadership Team with a view to discussing options further with Cabinet afterwards. The Panel have agreed that should individual investment proposals warrant further consideration, they will be reviewed in accordance with the Governance framework described later in this report (see **Paragraph 38**).

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 a few Service Investments in the form of one loan and some shares which generate a small profit 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. As for 2019/20, and as the potential for Commercial Investments is explored further, it is proposed that in 2020/21 total exposure should be capped at £20m p.a. Whilst it would be beneficial to also limit the amount on any single investment, thus forcing diversification, (i.e. a £5m 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. The reasons for such would be explained as part of this report. The Council would also outline its policies for managing the risks of investing the money borrowed in advance of need e.g. not achieving the desired profits or the impact of a change in borrowing rates.

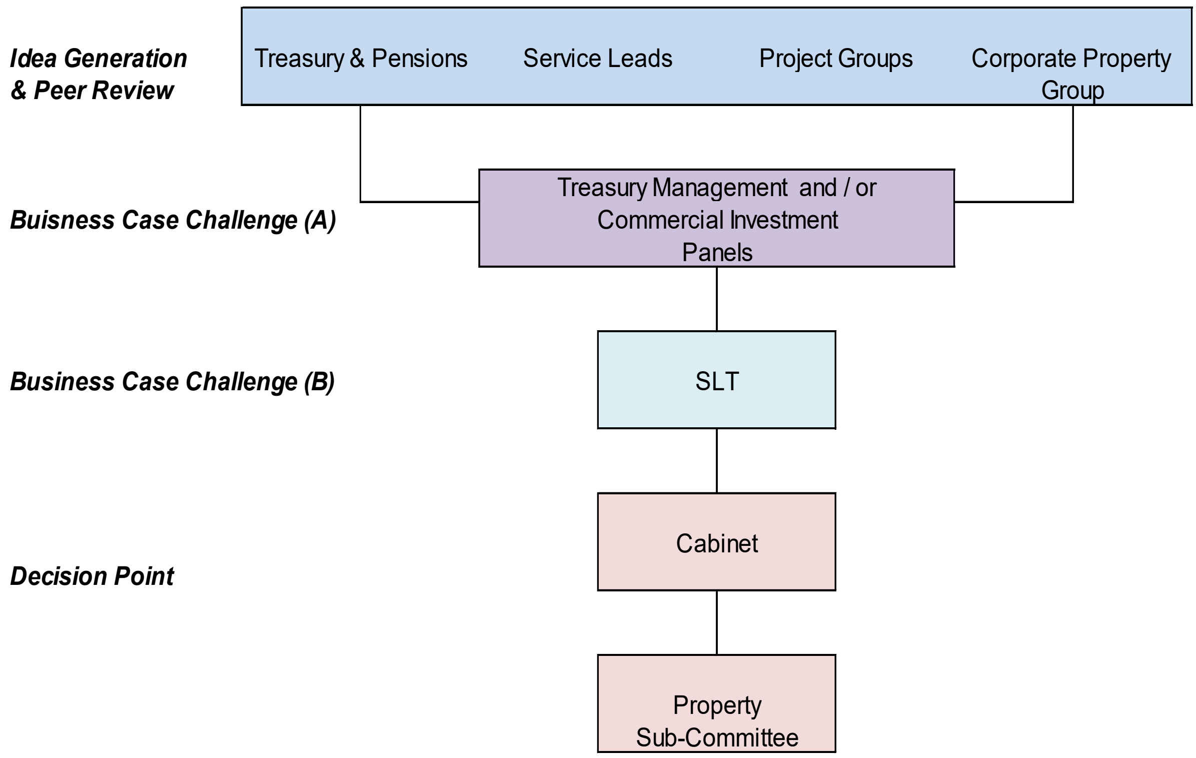
Governance, Capacity, Skills and Culture

39. The Council will ensure that Elected Members and 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.

40. Elected Members and 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.

41. 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



42. 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.

43. A Business Case, in an agreed form, but covering such details as that provided in **Annex A** 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

Investment Indicators

44. 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 B**.

Appendix 11c

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List of background papers

1. Statutory Guidance on Local Government Investments (3rd Edition) – Issued under Section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1 April 2018.
2. Treasury Management in the Public Services: Code of Practice (CIPFA) (2017)
3. Prudential Code for Capital Finance in Local Authorities (CIPFA) (2017)
4. Local Authorities (Capital Finance and Accounting) Regulations 2003
5. Localism Act 2011 – Guidance on the General Power of Competence in sections 1 to 6.

Appendix 11c

Annex A

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 B

COMMERCIAL INVESTMENT INDICATORS

Total Risk Exposure

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

Total investment exposure	**31 March 19 Actual £m**	**31 March 20 Forecast £m**	**31 March 21 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	**2018/19 Actual**	**2019/20 Forecast**	**2020/21 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 of at least 2% of the council's current net revenue budget	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	G

R Indicator not met	A Indicator not met by small margin	G Indicator met

Appendix 13

Proposed Net Budget 2020/21 Planning Forecasts 2021/22 to 2024/25

	Proposed Net Budget 2020/21	Planning Forecast 2021/22	Planning Forecast 2022/23	Planning Forecast 2023/24	Planning Forecast 2024/25
	£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	39.151	39.869	40.799	41.384	42.449
Care Commissioning	175.357	183.425	193.028	203.268	213.774
Better Care Fund	(31.737)	(31.737)	(31.737)	(31.737)	(31.737)
Sub Total	*182.771*	*191.557*	*202.090*	*212.915*	*224.486*
Families and Communities					
Children's Services	109.569	106.140	104.431	103.477	104.338
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	21.019	21.686	22.764	23.515	24.464
Culture and Communities	5.256	5.407	5.562	5.720	5.882
Rural	1.969	2.028	2.089	2.151	2.215
Community Safety	6.479	6.706	6.938	7.175	7.417
Sub Total	*144.292*	*141.967*	*141.784*	*142.038*	*144.316*
Economy, Infrastructure and Skills					
Business and Enterprise	0.949	1.079	1.215	1.357	1.506
Infrastructure & Highways	27.595	29.044	30.294	31.407	32.193
Transport, Connectivity & Sustainability	39.583	40.480	41.731	42.694	43.990
Skills	6.985	7.053	7.123	7.195	7.268
EI&S Business Support	1.103	1.144	1.186	1.229	1.273
Sub Total	*76.215*	*78.800*	*81.549*	*83.882*	*86.230*
Corporate Services					
Assets	9.962	9.970	10.106	10.400	10.803
Business Support and Compliance	4.283	4.441	4.603	4.769	4.939
Traded Service / Business Partner	(0.528)	(0.526)	(0.524)	(0.522)	(0.520)
County Treasurers	8.532	8.782	9.038	9.299	9.566
People	2.556	2.650	2.746	2.844	2.945
Governance	5.462	5.604	5.737	5.897	6.064
Corporate Services	(0.089)	(0.089)	(0.089)	(0.089)	(0.089)
Strategy	3.718	3.840	3.965	4.093	4.224
Sub Total	*33.896*	*34.672*	*35.582*	*36.691*	*37.932*
Service Total	**437.174**	**446.996**	**461.005**	**475.526**	**492.964**
Capital Financing					
Capital Financing	34.203	33.871	32.863	31.136	30.118
Centrally Controlled	22.596	23.224	24.759	29.930	31.416
Investment Fund	2.431	0.798	1.164	1.621	2.093
Social Care Support	(20.809)	(6.051)	(6.051)	(6.051)	(6.051)
Contingency	4.000	4.000	4.000	4.000	4.000
Net Revenue Budget	**479.595**	**502.838**	**517.740**	**536.162**	**554.540**
Use of Reserves	3.946	(6.255)	(1.043)	0.272	1.290
Contribution to Pay Provision	0.725	1.241	1.773	2.323	2.880
Contribution to General Balances	10.000	-	-	-	-
Budget Requirement	**494.266**	**497.824**	**518.470**	**538.757**	**558.710**
Revenue Support Grant	(10.865)	-	-	-	-
Retained Business Rates	(104.006)	(106.358)	(108.460)	(110.542)	(112.556)
Settlement Funding Assessment	**(114.871)**	**(106.358)**	**(108.460)**	**(110.542)**	**(112.556)**
New Homes Bonus	(2.682)	(1.401)	(0.803)	-	-
Council Tax Collection Fund Surplus	(5.736)	-	-	-	-
Council Tax	(370.977)	(390.065)	(410.327)	(431.472)	(452.934)
Financing Total	**(494.266)**	**(497.824)**	**(519.590)**	**(542.014)**	**(565.490)**
(Headroom) / Shortfall	-	-	*(1.120)*	*(3.257)*	*(6.780)*

Appendix 14

Summary of Budget Changes

	2019/20 Revised Base Budget £m	Inflation £m	Other Service Movements £m	Total Spending Pressures £m	Total Pressures £m	Investments £m	Service Savings £m	2020/21 Draft Budget £m
Health and Care	**205.125**	1.652	(31.737)	22.452	**(7.633)**	0.000	(14.721)	**182.771**
Families and Communities	**130.467**	3.525	0.000	13.004	**16.529**	2.570	(5.274)	**144.292**
Economy, Infrastructure and Skills	**73.856**	2.723	0.000	0.974	**3.697**	(0.030)	(1.308)	**76.215**
Corporate Services	**32.347**	1.137	0.000	1.103	**2.240**	0.000	(0.691)	**33.896**
Service Total	***441.795***	***9.037***	***(31.737)***	***37.533***	***14.833***	***2.540***	***(21.994)***	***437.174***
Centrally Controled Items	**21.226**	0.352	1.018	0.000	**1.370**	0.000	0.000	**22.596**
Capital Financing	**34.556**	0.000	(0.353)	0.000	**(0.353)**	0.000	0.000	**34.203**
Social Care Support	**0.000**	0.000	(20.809)	0.000	**(20.809)**	0.000	0.000	**(20.809)**
Community Investment Fund	**1.000**	0.000	1.431	0.000	**1.431**	0.000	0.000	**2.431**
Social Care Contingency	**6.051**	0.000	(6.051)	0.000	**(6.051)**	0.000	0.000	**0.000**
Contingency	**4.000**	0.000	0.000	0.000	**0.000**	0.000	0.000	**4.000**
Net Revenue Budget	***508.628***	***9.389***	***(56.501)***	***37.533***	***(9.579)***	***2.540***	***(21.994)***	***479.595***

Health and Care
BUDGET SUMMARY

	2019/20 Original Budget £m	2019/20 Revised Budget £m	2020/21 Draft Budget £m
Public Health and Prevention	0.000	(5.967)	27.382
Public Health Ring Fenced Grant	0.000	0.000	(27.382)
Adult Social Care and Safeguarding	37.788	38.250	39.151
Care Commissioning	164.348	172.842	175.357
Better Care Fund	0.000	0.000	(31.737)
TOTAL	**202.136**	**205.125**	**182.771**
Centrally Controlled Items	4.104	3.300	3.346
Total Including Centrally Controlled Items	206.240	208.425	186.117

Appendix 15b

Families and Communities
BUDGET SUMMARY

	2019/20 Original Budget **£m**	2019/20 Revised Budget **£m**	2020/21 Draft Budget **£m**
Children's Services	94.766	101.189	109.569
Childrens Public Health	0.000	0.000	9.802
Public Health Ring Fenced Grant	0.000	(4.546)	(9.802)
Education Services	20.082	19.946	21.019
Culture and Communities	5.481	5.417	5.256
Rural	2.062	2.062	1.969
Community Safety	6.600	6.399	6.479
TOTAL	**128.991**	**130.467**	**144.292**
Centrally Controlled Items	5.085	3.924	3.978
Total Including Centrally Controlled Items	134.076	134.391	148.270

Appendix 15c

Economy, Infrastructure and Skills
BUDGET SUMMARY

	2019/20 Original Budget **£m**	2019/20 Revised Budget **£m**	2020/21 Draft Budget **£m**
Business and Enterprise	1.144	1.144	0.949
Infrastructure & Highways	25.398	25.502	27.595
Transport, Connectivity & Sustainability	39.333	39.228	39.583
Skills	6.263	6.918	6.985
EI&S Business Support	1.064	1.064	1.103
TOTAL	**73.202**	**73.856**	**76.215**
Centrally Controlled Items	1.376	1.364	1.365
Total Including Centrally Controlled Items	74.578	75.220	77.580

Appendix 15d

Corporate Services
BUDGET SUMMARY

	2019/20 Original Budget **£m**	2019/20 Revised Budget **£m**	2020/21 Draft Budget **£m**
Assets	10.037	10.092	9.962
Business Support and Compliance	4.321	4.112	4.283
Traded Service / Business Partner	(0.901)	(1.030)	(0.528)
County Treasurers	7.870	8.290	8.532
People	2.538	2.538	2.556
Governance	4.945	4.848	5.462
Corporate Services	0.196	(0.089)	(0.089)
Strategy	3.331	3.586	3.718
TOTAL	**32.337**	**32.347**	**33.896**
Centrally Controlled Items	2.302	2.189	2.219
Total Including Centrally Controlled Items	34.639	34.536	36.115

Appendix 16

Staffordshire County Council

Staffordshire County Council

Connected Staffordshire

Strategic Plan 2018-2022: Update

Foreword

This document sets out Staffordshire County Council's strategic plan for 2018 to 2022. How we will inspire and support the 867,000 people living across the 1,000 square miles of our great county to prosper, achieve their full potential and enjoy life. At the midway point of delivering this strategy, and as we enter a new decade, we have paused, reflected and updated this strategy to emphasise additional work, for instance on climate change.

Staffordshire is home to historic and vibrant market towns, picturesque villages and stunning countryside. Our economy is strong and growing, from start-ups to world-renowned businesses, and is home to many of England's leading tourist attractions.

Over the last decade much has been achieved. More people are in work, young people are leaving school and college with better qualifications, people are living longer, and tell us they feel safer and happier than ever before.

We are proud of these achievements, the result of the hard work and dedication of families and communities, schools, parish councils, the voluntary sector, employers, the NHS, local government, police and many more. But the world around us is changing fast, our society continues to face big challenges, and there is so much more we want to do.

As the largest democratic body in Staffordshire we have an important role, to work with others and to give the people we serve every opportunity to improve their lives. This spirit of collaboration defines our approach as we work with people and communities to raise aspirations and take action on the things that matter to them.

We remain hugely ambitious for Staffordshire's future yet realistic about the challenges ahead. The uncertainty surrounding the UK economy, the health and wellbeing of our growing, ageing population, and reduced Government funding demand fresh thinking and new ways of working.

We will continue our track record of delivering results for the people of Staffordshire. The digital age we are living in presents the greatest opportunity to do this. As technology alters every aspect of how we live, work and learn, it presents boundless opportunities to transform public services around the needs of individual citizens. In everything we do, this means thinking community and digital first to help realise our ambitions.

We look forward with a sense of aspiration for Staffordshire, its people and the county council. Staffordshire has a bright future. This strategy details our priorities for the years ahead and explains how we will work with people, communities and others across our diverse county to deliver an even better Staffordshire for current and future generations.

Philip Atkins OBE
Leader of the Council

John Henderson CB
Chief Executive

Creating a Bright Future

As we focus on delivery up to 2022, we also need to think about our long-term aspirations for Staffordshire, its people and our environment. Our county is already a great place to live where most people enjoy life and good prospects. We want this to be the case for everyone.

The world and the way we live our lives is changing rapidly and in 15 years our county will be a very different place. While we cannot predict the future, we can imagine the kind of Staffordshire we want to help guide the things we and others do today, tomorrow and in the years ahead.

So, here is our vision for Staffordshire in 2035...

People will aspire to live in Staffordshire; from families looking for the very best schools and space to grow and thrive, to older people seeking a great quality of life.

Staffordshire is one of the safest places to grow up in the country. Schools are the top performing in the Midlands and among the best in the country, with excellent links to employers. Our highly rated colleges and universities offer courses that attract people of all ages to learn new skills throughout their careers so that they can adapt to changes in the workplace or the job market.

We are one of the greenest counties too, doing our bit to help reduce climate change. Through appropriate, low carbon and demand-driven development, Staffordshire offers attractive homes for all, from affordable starter homes helping graduates and young families on to the property ladder, to executive houses in sought after locations.

This development is matched by investment in road and rail connections, sustainable transport, and next generation digital communications technology. Our transport links are world class and Staffordshire is now a truly Smart County with ultra-fast digital connections to the rest of the UK and the world.

By exploiting the arrival of HS2 the county town of Stafford has undergone a renaissance with a new station quarter teeming with business start-ups and homes, all under an hour away from London, Birmingham and Manchester.

The regeneration of Stafford and our town centres, and investment in infrastructure across the county has helped balance Staffordshire's economy over the last decade as part of a thriving Midlands. The Staffordshire economy is diverse, with more people in higher value, better paid jobs across a wide range of different sectors.

Strengths remain in advanced manufacturing thanks to excellent road and rail freight links. In other areas from agri-tech to software development, employers are attracted by Staffordshire's skilled workforce, its connectivity and affordable land and premises.

Digital health and social care services are joined up and help people take responsibility for their own health and wellbeing. More specialist support in communities mean people are living at home in good health for longer. Demand on services has fallen due to pioneering schemes that inspire people to prepare and plan for later years and end of life.

The appeal of more and better jobs, leading schools, greener living, and the mix of housing has also rebalanced the age of Staffordshire's population, attracting a younger generation with more disposable income. The resulting growth in council tax and business rates, coupled with reduced demand for services, means public services have the funding they need to support our growing, ageing population.

In addition, the digital transformation of public services means technology is now used to provide residents with the right support, information and advice when they need it, and to ensure taxpayers' money is spent effectively.

Our Vision and Priorities

We have a clear vision for Staffordshire: a county where big ambitions, great connections and greener living give everyone the opportunity to prosper, be healthy and happy. And where the people of Staffordshire will:

1. **Have access to more good jobs and share the benefits of economic growth**
2. **Be healthier and more independent for longer**
3. **Feel safer, happier and more supported in their community**

This vision is fundamental. It reflects what matters most to local people. We all want to be happy, have a good job, live in good health and in a great environment, and do the things that we enjoy. People want much greater control over their own lives and to influence what they want and need from public organisations. Our role, with others, is to help create the conditions for people to flourish, achieve their potential and live in good health for as long as possible.

We are clear where we need to concentrate our efforts: the economy; infrastructure and homes; schools and lifelong further education; improving health and social care; preventing ill health through lifestyle choices; and transforming support for vulnerable children and families.

These things will not happen by themselves. Four principles will underpin the work we do: encouraging residents and communities to support themselves and one another; ensuring our workforce is ambitious for Staffordshire and makes a difference for our people; making the best use of technology and data; and thinking about climate change in all we do.

Everything we do is funded by local taxpayers so we need to ensure we deliver real value for money.

Our strategy is simple and summarised on the next page, but delivering it will be much more complicated. We are developing a detailed annual delivery plan that will be refreshed every year to set out exactly what we will do.

The Staffordshire Vision:

A county where big ambitions, great connections and greener living give everyone 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**
- **Be healthier and independent for longer**
- **Feel safer, happier and more supported in their community**

Priorities

- Help Staffordshire's economy to grow and generate more good jobs
- Invest in infrastructure for growing communities
- Improve education and training so that lifelong learning offers everyone the opportunity to succeed
- Inspire healthy, independent living
- Support more families and children to look after themselves, stay safe and well

Principles

- Encourage residents and **communities** to help themselves and one another
- Our **workforce** will be ambitious for Staffordshire, and make a difference for our people
- Be **digital**, using technology and data to connect, inform and support our citizens
- Think **climate change** in all we do to limit our impact on the planet

Our Pledge: Deliver value for money for residents and businesses and live within our means

Appendix 16

Economic Growth

A successful, vibrant and balanced economy is the bedrock of a successful Staffordshire. Enabling people to get better paid jobs is the best way to raise living standards, while evidence shows that being in work also improves your physical and mental health, self-esteem and confidence.

A thriving economy is increasingly important to how we fund public services too. In future, council tax and business rates will be the only way that the police, fire service and local government will be funded. So, our aim is to grow the number of businesses and build homes in a planned and environmentally friendly way, with the right schools, health services and other infrastructure that growing communities need.

This will allow us to continue investing in our communities, to keep them safe, and to support the most vulnerable people in Staffordshire.

In the last eight years our economy has grown by £3bn to £16.5bn. More than 21,000 new jobs and 4,555 businesses have been created. Unemployment is low, at just 2% of the working age population.

Since 2014, the county council has delivered or been involved in economy boosting projects with a total value of £478million. Of this total, we have spent or will commit £82million of direct investment. This means that for every £1 invested by the county council an additional £15 is leveraged in from the private sector or from Government.

We should celebrate these achievements, but we can and must do more to boost productivity and incomes, reduce carbon emissions, and be a place where everyone can feel the benefit of the growing economy.

Our ambition is to be one of the strongest performing and sustainable shire economies in the UK, driven by high-value, high-tech industries while our existing sectors, such as advanced manufacturing, continue to innovate to increase productivity and competitiveness, and reduce their carbon footprints.

We will accelerate the delivery of schemes to make Staffordshire the best-connected place in the UK, through investment in road, rail and next-generation digital communications such as 5G and ultrafast broadband.

This will see the county become a place where people aspire to live, attracting business to locate and invest here thanks to our balance of housing, excellent schools, an attractive cultural and wellbeing offer, and an outstanding environment.

Our main priorities will be:

- **Place and Infrastructure –** we will invest to create the right mix of places that are attractive as a destination to live, work and visit, with good transport connections.
- **Sites and Premises –** we will both build and support others to build employment sites and business premises that support the growth of a more diverse and eco-friendly economy, and give residents access to higher paid jobs.
- **Skills and Employability –** we will ensure that Staffordshire has an outstanding skills system that helps people to learn new skills and improve their job prospects throughout their entire career. It will help residents make informed choices about the best way to learn, develop their career, re-train or increase their skills, and in doing so, will give employers the skilled and ambitious workforce they need to drive business success.
- **Innovation –** we will support and encourage innovation across our traditional industries to increase productivity, competitiveness and sustainability, and foster growth in new, higher-value and green sectors.
- **Business Development –** we will enable and inspire our residents to start and grow their own business and provide the best possible support to help them succeed. We will make it easy for business to launch, innovate and expand in Staffordshire and promote the county to national and international investors to encourage a thriving supply chain.
- **Inclusive Growth –** we will ensure no one in the county is left behind by supporting the creation of the right types of jobs in the right locations and ensuring people can learn the skills they need for those jobs.
- **Health and Wellbeing -** we will encourage employers to promote employee wellbeing and embed greater social value into their business and supply chains.

Infrastructure

Staffordshire's population and communities are growing. Across the county new housing developments are under construction. A proposal for a new garden settlement of around 10,000 homes in Stafford received Government support in 2019.

To create the right conditions for current and new residents to enjoy a great quality of life, this growth must be carefully planned and delivered alongside investment in local schools, transport, health services and entertainment. Development must also be sensitive to the character of existing communities, and environmentally friendly as we work towards a zero-carbon future.

Currently, levels of housebuilding in Staffordshire, in common with the rest of the UK, are not keeping up with the needs and demands of our people. Not enough new homes or the right variety of low or zero-carbon homes are being built, prices are continuing to rise faster than incomes and it is becoming increasingly difficult for young people to buy a home of their own.

This needs to change. We want Staffordshire to be a place where people aspire to live with the right mix of homes for all in great communities, from first-time buyers seeking affordable starter homes to executives seeking prestige properties in sought after locations, and homes that support older people to enjoy a good quality of life.

We want the county to have a range of accommodation so that Staffordshire people can buy or rent a good home whatever they earn. We also want to attract and retain skilled workers, including graduates, through the development of smaller affordable and larger family homes in areas where people want to live.

Our main priorities will be:

- **Strategic Infrastructure Plan –** to support the construction of more environmentally friendly homes. Importantly the plan will make sure new developments are sustainable, and supported by employment opportunities, high quality transport, green spaces, places to go out and excellent digital connections like superfast broadband.
- **Housing Offer –** consider how we influence and affect the housing market in Staffordshire to deliver the right homes for our current and future residents. Housing can support a vibrant local economy, for example through the development of live/work apartments in town centres.
- **Housing Delivery –** increase choice by encouraging and supporting self-build, bespoke modular build and more developments by smaller housebuilders to increase the range of low carbon housing types and designs, and speed up construction.

Education and Skills

Every Staffordshire child deserves the best possible education and to leave school or college with the learning and skills they need to succeed in further education or the workplace. A strong economy relies on a high performing education system to produce the workforce of the future, and people with the right skills, attitude and ambition to meet the needs of our employers or to start a business of their own.

The education landscape is changing nationally and locally. In Staffordshire there is a mix of institutions providing opportunities from early years through to adulthood, from individual childminders who may be caring for just a few children, to universities with 15,000 students.

We want to offer Staffordshire parents and their children high performing early years settings, schools and colleges to attend. We also want our highly rated colleges and universities to offer courses that attract people of all ages to learn new skills throughout their careers, so that they can adapt to changes in the workplace or the job market.

These aspirations can only be delivered through a shared moral purpose and responsibility across the education landscape in Staffordshire. To do that, the county council is working with early years settings, schools, colleges and universities so that they support each other to improve, excel and contribute to their communities.

Our main priorities will be:

- To hold headteachers and governors to account for improving results and to act on underperformance in schools through the development of an Education Improvement / Challenge Board.
- Giving additional support to the most vulnerable in our communities.
- Support the delivery of high-quality independent advice and guidance to help residents make good career choices throughout their life.
- Deliver high quality school place planning, support for children with special educational needs and disabilities, and work to keep children safe from harm.

Health and Care

Improving the health and wellness of the whole population, with everyone taking some responsibility, is central to our ambitions for Staffordshire. It is not just about what happens when we are sick and need to see a doctor or go to the hospital, or need longer term care and support.

Staffordshire's population is growing and ageing, and by 2026 there will be nearly 11,000 more residents aged 85 and over. More people are spending their later years in poor health. This is placing a growing and unsustainable demand on our health and care services, with Staffordshire's public sector spending nearly £2 billion on health and care services each year. Much of this is down to our modern lifestyles, with 40% of poor health down to lifestyle choices, such as smoking, drinking too much alcohol, eating a poor diet or not doing enough exercise.

The county council and the NHS cannot keep spending more money on health and care services. We will quite simply run out of money. This means that people in Staffordshire will need to take more control of their own health and wellbeing through lifestyle choices that enable them to live a full and enjoyable life well into old age.

Public and private sector organisations can help by creating an environment that supports these choices and promoting a culture of physical and mental wellbeing whereby staying fit and healthy becomes the norm. Good health and wellbeing is essential, not a luxury, particularly for young people who are our future workforce, taxpayers and carers.

Good health improves our ability to attract businesses, jobs and income to the county too. We could save up to 137.3 million working days in the county every year through better health and wellbeing.

There will always be people in need of health and care services. We will continue to offer care and support to those people who really need it.

Our main priorities will be:

- That Staffordshire is a healthy place to live with an environment that promotes wellbeing for all.
- People can find simple, clear information and advice to enable them to take responsibility for their health and plan for their later years.
- Ensuring people can find support in the community to allow them to live independently in their own home.
- To offer support at times of crisis to help people maintain their independence.
- That people know what to expect from care services, who is eligible and who will pay.
- There are quality and affordable care services available to meet people's needs.

Children and Families

Most families in Staffordshire tell us they are happy, safe and enjoy life and evidence tells us that resilient and stable families will experience a better life.

Those who do need our help tell us they do not want to be in 'systems' or 'services'. They want to be supported by their friends, families and within their communities. If people are safe, this is what we want too.

If the day-to-day challenges some families experience can be supported in this way then their lives will be better and demand for public services will reduce, at a time when other demands, such as those for adult social care, are rising.

This will involve three separate but connected elements: quality statutory children's social care where teams provide appropriate support and challenge when it is required; quality services for all children and families; and a strong working relationship with the voluntary sector and community groups.

Our main priorities will be:

- Ensure that the support for families and children either nearing the point of, or in crisis, is effective and makes a positive difference in the lives of the children, young people, and their families.
- Using local intelligence, expertise and organisations to work flexibly in districts and communities, and keep children and families together wherever possible.
- Use all available resources to ensure that high quality provision exists in communities from universal to statutory services, helping to provide the foundations for a good quality of life.
- Ensure more families and communities in Staffordshire feel supported to manage challenges and take much greater control over their own health and wellbeing.
- Support and develop the Staffordshire workforce including volunteers to better meet the needs of our residents, ensuring people are happy, safe and well.

Principles

This plan sets out our ambitious agenda for Staffordshire and its people. To be successful, we need to constantly evolve with the changing world around us to ensure we can deliver the best possible outcomes for residents. We believe there are four key principles that underpin how we must work.

Workforce

Our 4,000 employees, many of whom are Staffordshire residents, make a positive difference for our county and our people every day. We want everyone who works at the county council to be ambitious for Staffordshire, courageous in their work and empowered to make a difference for our people.

As the council continues to change we want to create a great working environment and culture, that helps us to attract and keep talented people, to develop their skills and unleash their full potential. We are investing in learning and development, and new technology, to ensure our employees have the right skills and capabilities for today and for the future.

Get this right and we will have the highly skilled, motivated and innovative workforce we need to deliver our vision and outcomes for local people.

Communities

In our rapidly changing society people want more control over their lives and greater independence. When local people come together, they bring passion and commitment for the places they live in.

There are many examples of people and organisations providing support or activities in their community, with little or no involvement or funding from the county council or wider public sector.

When communities are involved in solving problems or meeting demand in their area, the solutions are often more enduring as the people involved have a personal interest or passion for making them work.

Drawing on the strengths of our people and communities and empowering them to act on the things that matter to them, rather than looking to the council, helps find lasting solutions to local problems. Where we do get involved, we will work with the right partners in that place to make the biggest impact.

Given the funding pressures on public services, the county council and others cannot do everything we used to do or would like to do.

We must inspire more people to help themselves and each other, so that we can deliver on our vision and priorities for the county and our people.

Digital

Technology and digital communications are changing every aspect of how we live our lives. The digital age presents an exciting opportunity to transform what we do and how we do it. In short the council needs to be like the internet: always on, controlled by the citizen, responsive, personalised and supporting personal responsibility.

We will work with public and private sector leaders to create a Smart Staffordshire, a county where data and technology connect and help people and business to flourish, and lead happy and successful lives.

Climate Change

In 2019 the county council declared a climate change emergency, recognizing the need for urgent action to protect our environment and reduce our impact on the planet. This is not a new agenda for us and over the last decade we have stopped sending waste to landfill, installed LED street lights, and reduced the number of buildings we use, to significantly reduce carbon emissions.

However, we must move further and faster, and work with communities, partners and businesses to move towards a low and ultimately zero carbon future in Staffordshire.

Deliver value for money for residents and businesses and live within our means

The county council receives and generates a range of different income to fund both our day-to-day activity and long-term investments. This includes council tax and business rates, Government grants and money from fees and charges.

To deliver on the aspirations in this plan, it is essential we have affordable and sustainable funding plans over the next four years. We need to manage demand in areas such as social care and seek new opportunities to increase our income. Our pledge to Staffordshire people is that we will spend their money wisely and well to extract maximum impact from every pound we spend, and always live within our means.

Council funding has changed significantly in recent years, with significantly less grant coming from Government. Since 2009 we have reduced our costs by £240million, by changing the way we work and support Staffordshire people and businesses.

However, the financial pressures ahead are far more significant than in the recent past. Government grant will continue to reduce as costs continue to rise. We will address this, deliver value for money and live within our means by focusing on six key strands.

Creating the right conditions for our economy to grow will increase Business Rates income

As we encourage housebuilding to meet growing demand, more homes will generate more Council Tax

Lobbying Government to secure greater funding and responsibility to act on the issues that matter most to Staffordshire people

Use technology and data, and work closer with communities to encourage more residents to help themselves and one another

Using council assets such as land, buildings or money held in reserve to generate income

Continuing to reduce costs by finding new and more efficient ways of working, for instance through greater use of technology

Notes

Notes

Appendix 16

Staffordshire County Council

Connected Staffordshire

Our Vision 2018-2022: Update

Staffordshire County Council