

Open Report



City of
Stoke-on-Trent

Cabinet

19 February 2020

Medium Term Financial Strategy and Council Tax Setting 2020/21

Report of	Cabinet Member for Corporate Resource, Strategy and Partnerships
Report Author	Nick Edmonds, Assistant Director – Finance Kerry Cartlidge, Strategic Manager – Financial Strategy and Business Partnering Paul Boden, Strategic Manager – Corporate Finance
Type of Decision	Budget and Policy Framework
Wards Affected	All Wards
Stronger Together Priorities and how they are applicable:	
A commercial council, well governed and fit for purpose, driving efficiency in everything we do	
<i>The budget is the financial interpretation of all the city council's priorities, and considers all aspects of funding, changes to service delivery, operating commercially and value for money.</i>	

1.0 Reason and Purpose of Report:

1.1	To agree, for recommendation to City Council: <ul style="list-style-type: none">the Medium Term Financial Strategy for the General Fund Revenue budgets and sets out the calculation of the council tax requirement for 2020/21.the Housing Revenue Account annual budget for 2020/21, which is funded in the main from council housing rents and was subject to a report to City Council on 23 January 2020.the Medium Term Financial Strategy for the Capital Investment Programme 2020/21 - 2024/25, incorporating the Housing Revenue Account capital programme and consideration of future investments.
1.2	The report also covers the following items, which are required to be approved by City Council following consideration by the Audit Committee on 30 January 2020: <ul style="list-style-type: none">the proposed Treasury Management Annual Borrowing and Investment Strategy 2020/21.the prudential indicators which are prepared to ensure that any borrowing agreed by the authority will be both prudent and affordable. The council operates within the CIPFA Prudential Code for Capital Finance in Local Authorities.Minimum Revenue Provision (MRP) Policy Statement 2020/21 which sets out the method by which the costs of past capital expenditure, financed by supported and unsupported borrowing and other credit liabilities, are charged to the General Fund balance. The council has regard to the MRP guidance in line with statutory requirements.the proposed capital strategy

2.0 Recommendation(s):

- 2.1 That Cabinet notes the public consultation feedback and other channels.
- 2.2 That Cabinet considers the recommendations from Overview & Scrutiny.
- 2.3 That Cabinet agrees to make the recommendations set out at paragraphs 2.4-2.18 to City Council.
- 2.4 That City Council sets the General Fund gross expenditure budget at £610,639,013 and the gross income budget at £520,294,681 for 2020/21, as detailed in **annexes D to H**.
- 2.5 That City Council notes that the Section 151 Officer has calculated the tax base (band D equivalents) to be 66,541.7 for 2020/21. [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")].

- 2.6 That City Council approves the following amounts for the year 2020/21 in accordance with Sections 31 to 36 of the Act. (Please note that these calculations exclude HRA.)
- a. £610,639,013 **Gross Expenditure** - being the aggregate of the amounts for the items set out in Section 31A (2).
- b. £520,294,681 **Gross Income** - being the aggregate of the amounts for the items set out in Section 31A (3) .
- c. £90,344,332 **Net Expenditure** - being the amount by which 2.6a. (£610,639,013) exceeds 2.6b above. (£520,294,681), calculated as the council tax requirement for the year in accordance with Section 31A (4). [Item R in the formula].
- d. £1,357.71 **Basic amount of council tax for 2020/21** - being the amount at 2.6c above (Item R), divided by the tax base (Item T at 2.5 above), in accordance with Section 31B(1),
- i.e.
$$\frac{\underline{\pounds 90,344,332}}{66,541.7} = \pounds 1,357.71$$
- e. That City Council notes that for 2020/21, under the governance of the Staffordshire Commissioner, the Office of the Police and Crime Commissioner and the Fire and Rescue Authority have stated the amounts shown below in precepts issued to the council in accordance with Section 40 of the Act.
- f. That City Council sets the following amounts of council tax for the year 2020/21, in accordance with Section 36(1) of the Act, for its own part, and in accordance with Section 30(2) of the Act, for the purposes of the aggregate amount of council tax.

Band	No. of properties	% No. of properties	City Council	Staffordshire Commissioner Police and Crime Precept as Stated	Staffordshire Commissioner Fire and Rescue Precept as Stated	Aggregate Council Tax
		%	£	£	£	£
A	70,160	59.37	905.14	150.06	51.49	1,106.69
B	24,871	21.05	1,055.99	175.07	60.08	1,291.14
C	15,549	13.16	1,206.85	200.08	68.66	1,475.59
D	5,048	4.27	1,357.71	225.09	77.24	1,660.04
E	1,820	1.54	1,659.43	275.11	94.40	2,028.94
F	508	0.43	1,961.14	325.13	111.57	2,397.84
G	172	0.14	2,262.85	375.15	128.73	2,766.73
H	44	0.04	2,715.42	450.18	154.48	3,320.08
	118,172	100.00				

2.7	That City Council notes that the increase in the city council element of council tax for 2020/21 represents 2% adult social care precept and 1.99% general increase which will be directed towards supporting the most vulnerable within the city.
2.8	That City Council notes that the city council's relevant basic amount of council tax for 2020/21 is not 'excessive' in accordance with the principles approved under Section 52ZC of the Act.
2.9	That City Council authorises the Assistant Director - Finance (Section 151 Officer), or their duly appointed representative: <ul style="list-style-type: none"> a. To collect and recover charges payable in respect of any council tax set by the council. b. To collect and recover any non-domestic rate set. c. To collect and recover any council tax set by council in previous years. d. To prosecute and appear on behalf of the council at the hearing of any legal proceedings in respect of unpaid council tax and Non-Domestic Rate under the Local Government Finance Acts of 1988 and 1992.
2.10	That City Council approves the Transformation Plan set out at Section 10 of Appendix A which takes advantage of the Government's policy in respect of flexible use of capital receipts to fund transformation.
2.11	That City Council sets the Housing Revenue Account budget for at £67,021,000 for 2020/21, as set out at annex I .
2.12	That City Council approves the Capital Strategy, as contained in this report at annex J .
2.13	That City Council approves the Capital Investment Programme 2020/21 – 2024/25, as contained in this report at annex K(i) and K(ii) , and the Capital Programme Funding at annex L .
2.14	That City Council approves, if the bid is successful, the addition of the Transforming Cities Tranche 2 grant award and up to £6.589 million of city council match funding to the Capital Programme. (Cabinet approved the Transforming Cities Bid at its meeting on 19 November 2019.)
2.15	That City Council approves the Prudential Indicators for 2020/21 - 2024/25 (in accordance with the Prudential Code for Capital Finance in Local Authorities 2017) as at annex M of the report.
2.16	That City Council approves the Minimum Revenue Provision Policy Statement 2020/21 as at annex N (in accordance with Statutory Guidance covering MRP published by the Department for Communities and Local Government, February 2012).
2.17	That City Council approves the Treasury Management Policy Statement 2020/21 as at annex O (in accordance with the City Council Financial Regulations and the Treasury Management Code of Practice).
2.18	That City Council notes the professional opinion of the Assistant Director - Finance (Section 151 Officer) on the robustness of budget estimates and the adequacy of the city council's reserves.

3.0 Summary of Main Points:

3.1	The launch of the budget proposals took place on 6 January 2020 with consultation continuing until 19 February 2020. Section 4 of Appendix A highlights the main comments received with further details included at annex A(i) . All Overview and Scrutiny Committees received details of proposals under their remit.
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3.2	The budget has been aligned to the Stronger Together priorities so that it can be seen how much money is spent in these key areas. Details of the investment in each priority is included in Section 6 of Appendix A .
3.3	Funding assumptions for 2020/21 include additional funding mainly as a consequence of the council's strategy for business rates and housing growth. The Spending Review on 4 September 2019 announced that 2019/20 Business Rates Pilots would not continue in 2020/21. Business Rates funding has therefore been amended to the 49% Business Rates Retention Scheme for 2020/21. The council is proposing a 3.99% council tax increase which includes 2% adult social care precept and a 1.99% general increase which, as in previous years, will be directed towards supporting the most vulnerable residents in the city. Further details of the funding assumptions are included in Section 5 of Appendix A .
3.4	A summary of the General Fund Revenue Budget for 2020/21 is attached at annex B . A full list of final savings proposed is detailed in annex C . The detailed operational budgets, which are aligned to the directorate structures to provide clear lines of accountability for delivery, are attached at annexes D-H .
3.5	The council has a duty under the Local Government and Housing Act 1989 to account for the income and expenditure relating to the council's housing stock separately in the Housing Revenue Account (HRA), and to set a budget for an accounting year that will not show a deficit. Further details about the Housing Revenue Account budget are included in Section 8 of Appendix A , and a summary of the budget for 2020/21 is included in annex I .
3.6	The council's ambitious capital investment programme supports the delivery of the growth and efficiency agenda. Key achievements and changes to the programme are included in Section 9 of Appendix A . The Capital Strategy is included in annex J and the full capital programme is shown in annexes K-L .
3.7	The council operates in accordance with CIPFA's Prudential Code for Capital Finance in Local Authorities which requires the preparation of a number of prudential indicators. The Code sets out a framework for self-regulation of capital spending; in effect allowing councils to invest in capital projects which best meet their service delivery objectives as long as they are affordable, prudent and sustainable, subject to Government reserve powers to restrict borrowing for national economic reasons. The objectives of the Code are to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. The Prudential Indicators for 2020/21 to 2024/25 are included at annex M , the Minimum Revenue Provision Policy Statement 2020/21 is annex N , and the Treasury Management Policy is annex O .
3.8	The economic and interest rate forecast provided by the authority's treasury management advisor underpin future assumptions on borrowing and investment. The interest rate forecasts are attached at annex P .
3.9	There is always a level of inherent risk in setting the budget as it is subject to external influences, such as service demand and funding pressures. A comprehensive Risk Register is attached at annex Q .
3.10	The 2003 Local Government Act stipulates that the council's Section 151 Officer should report to members on the robustness of budget estimates and the adequacy of proposed reserves. Further details are included in Section 12 of Appendix A and a summary of the total usable reserves available to the council is shown in annex R .

Technical Appendix:

List of Background papers/sources of information used for this report:

Medium Term Financial Strategy Mid-Year Update 2019/20 and Further Saving Proposals 2019/20 (City Council 17 October 2019)

<http://www.moderngov.stoke.gov.uk/ieListDocuments.aspx?CId=110&MId=9996&Ver=4>

Transforming Cities Fund – Tranche 2 Bid (Cabinet 19 November 2019)

<http://www.moderngov.stoke.gov.uk/ieListDocuments.aspx?CId=564&MId=10236&Ver=4>

Capital Programme Update 2019/20-2023/24 (City Council 05 December 2019)

<http://www.moderngov.stoke.gov.uk/ieListDocuments.aspx?CId=110&MId=9997&Ver=4>

Strategic Housing Investment Programme-HRA and Homebuyers Scheme (Cabinet 14 January 2020)

<http://www.moderngov.stoke.gov.uk/ieListDocuments.aspx?CId=564&MId=10755&Ver=4>

HRA Rent Setting Report 2020/21 (City Council 23 January 2020)

<http://www.moderngov.stoke.gov.uk/ieListDocuments.aspx?CId=110&MId=9998&Ver=4>

Local Council Tax Support Scheme 2020/21 (City Council 23 January 2020)

<http://www.moderngov.stoke.gov.uk/ieListDocuments.aspx?MId=9998&x=1>

Corporate Services Overview and Scrutiny Committee (15 January 2020)

<http://www.moderngov.stoke.gov.uk/ieListDocuments.aspx?CId=639&MId=10814&Ver=4>

Adult and Neighbourhoods Overview and Scrutiny Committee (16 January 2020)

<http://www.moderngov.stoke.gov.uk/ieListDocuments.aspx?CId=638&MId=10517&Ver=4>

City Renewal Overview and Scrutiny Committee (16 January 2020)

<http://www.moderngov.stoke.gov.uk/ieListDocuments.aspx?CId=637&MId=10289&Ver=4>

Children and Young People's Overview and Scrutiny Committee (24 January 2020)

<http://www.moderngov.stoke.gov.uk/ieListDocuments.aspx?CId=400&MId=10827&Ver=4>

List the appendices included as part of this report:

Appendix A Medium Term Financial Strategy and Council Tax Setting 2020/21

Annex A (i) Feedback from Budget Consultation 2020/21

Annex B General Fund Budget 2020/21

Annex C Saving Proposals

Annex D Children and Families Directorate Budget 2020/21

Annex E Social Care, Health Integration and Wellbeing Directorate Budget 2020/21

Annex F Place Growth and Prosperity Directorate Budget 2020/21

Annex G Housing and Customer Services Directorate Budget 2020/21

Annex H City Director and Corporate Services Directorate Budget 2020/21

Annex I Housing Revenue Account Budget 2020/21

Annex J Capital Strategy

Annex K (i) Capital Investment Programme for 2020/21 – 2024/25 by Council Priority

Annex K (ii) Capital Investment Programme for 2020/21 – 2024/25 by Directorate

Annex L Capital Programme Funding

Annex M Prudential Indicators 2020/21 to 2024/25

Annex N Minimum Revenue Policy Statement 2020/21

Annex O Treasury Management Policy Statement 2020/21

Annex P Economic and Interest Rate Forecast

Annex Q Risk Register

Annex R Position on the City Council's Reserves

Implications taken into consideration in this report *Please list as separate appendix if required*):

Financial and Commercial:

The financial implications are set out in the body of the report and in Appendix A.

Legal:

The Local Government Finance Act 1992 requires the Council to set a robust and legal budget before 11 March 2020. In particular, this Act (LGFA 1992) requires the Council to set an amount of council tax for the different categories of dwellings by this date (section 30). As part of this, the Council needs to calculate its council tax requirement for the forthcoming financial year (previously called its 'budget requirement') and then its basic amount of council tax for that year in accordance with the formulas prescribed by sections 31A and 31B of the LGFA 1992 respectively.

The decision which sets the amount of council tax (including the underlying calculations under sections 31A and 31B) is a matter that may only be discharged by Council (not the Executive). The Council's Constitution reflects this statutory requirement in Article 4. However, this decision relies on various amounts including estimates of expected expenditure and income, and the preparation of such amounts and estimates for consideration by Council are functions of the Executive, by virtue of Regulations 4(9) to 4(11) of SI 2000/2853. These provisions also provide that the Executive has the function of preparing estimates of the calculation itself for consideration by Council.

The majority of recommendations in this report are accordingly that Cabinet places before Council the aforementioned information and associated materials for the forthcoming budget, for decisions to be taken by Council. The Budget and Policy Framework Procedure Rules in Part 4c of the Constitution provide further details of the role of the Cabinet in this regard.

As part of the budget setting process, the LGFA 1992 provides that the Council must determine whether any council tax increase is excessive by reference to certain principles and if so, arrange for a referendum to be held.

The wide ranging budget consultations described in this report reflect various legal requirements and principles, including those pursuant to the Local Government Act 1999 (best value) and the Equality Act 2010. The provisions of the latter are particularly relevant for the purposes of assessing the potential impact of the savings proposals, to inform the relevant decisions. In addition, section 65 of the LGFA 1992 requires the Council, when calculating the council tax requirement, to consult with persons or bodies who the Council considers representative of persons who are required to pay non-domestic rates. There must also be consultation with the Overview and Scrutiny Committee.

The Council is obliged by section 151 of the Local Government Act 1972 to make proper arrangements for the management of its financial affairs. Having a Medium Term Financial Strategy supports compliance with this section 151 because it facilitates sound financial management. The Medium Term Financial Strategy also informs the budget process.

The report provides information about risks associated with the Medium Term Financial Strategy and the budget, consistent with having sound systems of internal control, as required by the Accounts and Audit Regulations 2015.

When taking borrowing and investment decisions (including the Capital Programme described in this report) the council needs to comply with the Prudential System, this being a statutory framework set up by Chapter I of the Local Government Act 2003 (LGA 2003) and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, and the various codes and guidance which this legislation incorporates.

Section 21(1B) of the LGA 2003 requires the council to have due regard to the Statutory Guidance on Minimum Revenue Provision issued by government under section 21(1A) of that Act. The council also needs to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) 'Code of Practice for Treasury Management in the Public Services'.

The Section 151 Officer is subject to the requirements of the Local Government Act 1972, Local Government Act 1988 and the LGA 2003 when assessing the adequacy and robustness of the city council's reserves.

The setting of the Housing Revenue Account budget needs to comply with the Local Government and Housing Act 1989.

The Local Government Finance Act (LGFA) 1988 states the system for financing local government from 1 April 2013 enabling local authorities to retain a proportion of the non-domestic rates generated in their area.

Human Resources:

Consultation exercises will be conducted in accordance with appropriate city council processes.

Public Health and Public Services (Social Value) Act 2012:

Not directly applicable

Equality Impact or Environmental Impact Assessments:

The Equality Act 2010 (section 149) sets out the "the public sector equality duty". This relates to the following "protected characteristics":

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race
- Religion or belief
- Sex
- Sexual orientation

The city council's legal duty throughout the budget setting process, and particularly at the point of decision making, is to have due regard to the need to:

- Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by or under the Equality Act 2010.
- Advance equality of opportunity between people who share a protected characteristic and people who do not share it.
- Foster good relations between people who share a protected characteristic and people who do not share it. It involves having due regard, in particular, to the need to tackle prejudice, and to promote understanding.
- Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
 - Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic.
 - Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.
 - Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Compliance with the duties in the Act may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by, or under the Act.

In short, the purpose of the legislation is to require decision-makers to identify any effects of their proposals on certain categories of people and to take measures to eliminate or mitigate those

effects. Although formal equality impact assessments are useful tools in this respect, guidance from the Equality and Human Rights Commission emphasises that they are not mandatory. However, in the absence of equality impact assessments, an alternative form of analysis which systematically assesses any adverse impact of a change in policy, practice or procedure will be required. Any assessment (however carried out) must:

- Contain sufficient information to enable a public authority to show it has paid “due regard” to the public sector equality duties in its decision-making.
- Identify methods for mitigating or avoiding any adverse impact.

The budget development process is described elsewhere in this report, including wide-ranging consultation exercises that have taken place. The key focus for the purposes of this section of the report is on members of the city council in their capacity of decision makers. In terms of consideration of the impact of budget proposals, there have been both formal and informal briefing and consultations over a number of months. In particular, two rounds of meetings of the overview and scrutiny committees considered the detailed impacts of all proposals and provided the opportunity, in a public setting, for detailed debate and discussion. Equality impact and human rights considerations were specifically referred to, with a file containing equality impact assessments relevant to the particular committee’s terms of reference being available for all members to review during all meetings including Cabinet.

It is important that members bear in mind the discussions at overview and scrutiny committees when considering this report. Since all members were not in attendance at all such committee meetings, a list of the dates of those meetings is set out within the ‘Background Papers and Information Sources’ section in this report, together with a link to the city council’s website to provide easy access. It is recommended that members satisfy themselves that they appreciate the potential equalities (and other) impacts of the decisions to be made. In the case of overview and scrutiny committee meetings in which they did not participate, they can also view the reports and minutes, to help inform their decision-making.

In addition, hard copies of all equality impact assessments prepared for the purpose of the current budget development exercise will be made available in the members’ office from the date of publication of this report, and copies will also be available at the City Council meeting for members to consult or refer to.

Where applicable, projects within the original capital programme were subject to an equality impact assessment.

The impacts of any changes to projects as part of this update have been considered to assess whether the original EIA will be affected and where necessary appropriate action has been taken.

Key Risks:

See **annex Q**

The following section must be completed for Executive Decisions i.e. Cabinet *

Options Considered:

1.	The options considered to set a balanced budget have formed the basis of the budget consultation.
2.	Do Nothing. This is not a viable option as the City Council has to set a balanced budget and its council tax each year.

* In accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012



Medium Term Financial Strategy and Council Tax Setting 2020/21

Contact Officers: Nick Edmonds, Assistant Director – Finance (S151 Officer)

Kerry Cartlidge, Strategic Manager – Financial Strategy and Business Partnering

Paul Boden, Strategic Manager – Corporate Finance

1. Purpose

1.1 The report proposes:

- The Medium Term Financial Strategy for the General Fund Revenue budgets and sets out the calculation of the council tax requirement for 2020/21.
- The Housing Revenue Account budget for 2020/21, which is funded in the main from council housing rents and was subject to a report to City Council on 23 January 2020.
- The Medium Term Financial Strategy for the Capital Investment Programme 2020/21 - 2024/25, incorporating the Housing Revenue Account capital programme and consideration of future investments.

1.2 The report also covers the following items, which are required to be approved by City Council following consideration by the Audit Committee on 30 January 2020:

- The proposed Treasury Management Annual Borrowing and Investment Strategy 2020/21.
- The prudential indicators which are prepared to ensure that any borrowing agreed by the council will be both prudent and affordable. The council operates within the CIPFA Prudential Code for Capital Finance in Local Authorities.
- Minimum Revenue Provision (MRP) Policy Statement 2020/21 which sets out the method by which the costs of past capital expenditure, financed by supported and unsupported borrowing and other credit liabilities, are charged to the General Fund balance. The council has regard to the MRP guidance in line with statutory requirements.
- The proposed Capital Strategy.

2. Recommendations

2.1 That Cabinet approves the recommendations as set out in the attached report.

3. Background

- 3.1 City Council has a legal requirement to set a balanced budget by 11 March each year. The government has confirmed a one year settlement for 2020/21 before moving to a longer term outlook from 2020/21. The financial strategy aims to maintain essential services for our residents, some of which may be delivered in different ways, taking advantage of technology, innovation and commercial opportunities.
- 3.2 The estimates take into account updated information and revised forecasts since the mid-year update was approved in October 2019. The forecast for 2020/21 includes:
- Funding projections for growth in council tax and business rates
 - Employee related increases and other contractual inflation
 - Demands and challenges relating to social care services, in line with national trends
 - Updates to the capital programme.
- 3.3 Over the last four years, Stronger Together has helped to transform Stoke-on-Trent into one of the country's fastest growing local economies which is outstripping most other areas in terms of job creation. The city council's strategy focuses on creating and sustaining a successful economy, leading on regeneration, investing in diversification of the housing market and creating the conditions for businesses to grow and thrive. This means that more money is being generated through more new people paying council tax and business rates and the additional income it has generated is being reinvested to support the provision of essential services valued by residents. The Stronger Together Strategic Plan 2020-24 sets out the strategic vision and priorities for the city council and the wider city, and is as much a corporate plan for the council's directorates and teams as it is a strategic blueprint for improving Stoke-on-Trent as a city.
- 3.4 Consideration must be taken of the overall financial sustainability of the authority and a balance struck between investment and savings. Ongoing challenges, some of which have been recognised nationally, need to be addressed, with savings totalling £13.0 million being required. Of this £3.0 million relates to the full year effect of savings implemented in 2019/20 and £0.8 million relates to savings not requiring consultation, with the remaining £9.2 million requiring public consultation. The following table provides a summary:

Detail	2020/21 £ million
Financial Challenge	
Employee related increases and other contractual inflation	8.1
Revenue investments to meet demand for services, changes in income and other adjustments	1.7
Funding adjustments	(2.6)
Initial Savings Requirement	7.2
Corporate budget amendments	10.6
Growth Strategy - Business Rates growth	(0.5)
Growth Strategy - additional houses	(0.9)
Adult Social Care Precept: 2% in 2020/21	(1.7)
Increase in Council Tax: 1.99% in 2020/21	(1.7)
Savings Required	13.0
Savings achieved (full year effect of 2019/20 savings)	(3.0)
Savings not requiring consultation	(0.8)
	9.2
Support vulnerable people in our communities to live their lives well	(3.9)
Enable our residents to fulfil their potential	(2.0)
Help businesses to thrive and make our city more prosperous	(0.1)
Work with our communities to make them healthier, safer and more sustainable	(1.5)
An innovative and commercial council, providing effective leadership to help transform outcomes	(1.7)
Total Savings to be Consulted	(9.2)

3.5 In balancing the challenges of the budget the council continues to invest in vital services that are important with £140.0 million being spent on adult and children's services in the next 12 months, accounting for 61% of the overall general fund revenue budget.

- 3.6 The financial strategy will see £336 million additional capital investment including:
- Housing Revenue Account (HRA) expansion – to deliver 1000 more homes
 - Public sector housing improvements - to continue to improve the existing housing stock
 - Smithfield multi-storey car park - to provide parking spaces for Clayworks apartment, Smithfield Hotel and Smithfield 1 and 2.
 - Fortior Homes second development - to develop 450 new homes for Private Rent and Open Market Sale
 - Ceramic Valley Enterprise Zone – further investment to secure continued economic growth
 - Highways improvements - the city council will continue improve the highways network
 - Playgrounds - to ensure that play areas remain, open, safe and accessible
 - City centre regeneration - consider the uses for the East/West precinct site
 - Commercial properties across the city – investment in both development and purchase to support economic growth and income for the council
 - Community Investment Fund - enabling local people to develop creative ideas which help create a stronger city through the development of community assets
 - Spode and Stoke Town - the council continues to redevelop and repurpose this historic site as well as Stoke Town Centre

Further detail of the capital investment programme is included in **section 9**.

4. Consultation

- 4.1 The council's draft budget proposals for 2020/21 were formally launched on 6 January 2020 to all residents, elected members, staff and the media, and included details of the capital and revenue investments and saving proposals in each priority area.
- 4.2 The document was published on the council website and feedback channels were available via the MyStoke app, social media, budget consultation e-mail box and the specific Budget 2020 freepost address. A StokeonTrentLive 'Question and Answer' session was also held on 16 January 2020, this offered people an opportunity to put questions forward on the budget proposals.
- 4.3 An open event took place on 14 January 2020 which offered the opportunity to everyone who lives or works in the city to talk to cabinet members and senior council officers about the proposals and about how the Stronger Together priorities are helping to shape the future of the city. The event also offered the chance for people to ask questions, offer ideas and give views on the budget proposals.
- 4.4 More consultation events have been carried out this time and there has been greater levels of engagement than in previous years, as well as more feedback being received. The following statistics highlight the extent of the engagement
- The Facebook post on StokeonTrentLive reached 24,781 people.

- The page has been viewed 1,294 times between the date of the Q&A on 23 January 2020 to 7 February 2020.
 - A total of 1,126 people engaged with the Facebook post.
 - People read the blog on average for 1 minute, 6 seconds, compared to the average time on a story of around 30 seconds.
- 4.5 Overview and Scrutiny committees also had the opportunity to review the proposals during their meetings in January 2020. Additional information including business cases had been provided to all members at the launch of the budget consultation. In addition, members had the opportunity to raise questions prior to all Overview and Scrutiny committees, and written responses were provided to the relevant meeting.
- 4.6 The public consultation will end on 19 February 2020.
- 4.7 The main concerns and comments received to date from staff and the public consultation are in respect of the following proposals.
- PS03-2021 Special Education Needs Disability, Information, Advice and Support Services (SENDIASS) restructure.
 - CMS05-2021 Residents car parking permit fee increase.
 - CMS06-2021 Increase in fees and charges for bulky waste from £16 to £40 for 5 items.
 - CMS11-2021 Review of library service provision.
 - CS02-2021 Review of terms and conditions across the council.
- 4.8 The following recommendations were made at the Overview and Scrutiny Committees for Cabinet to consider.
- VS04-2021 Charges for Non-Statutory Adult Day Care Services
That Council review the situation of the use of public transport and only progress with the proposed savings where a direct transport link between the service user's home and the day care centre is found.
 - CMS05-2021 Residents car parking permit fee increase
The proposal was noted with a recommendation that large increases to this charge be avoided in the future
 - CMS08-2021 Cease bank holiday waste collection
That consideration is given to replacement bank holidays collections taking place on the Saturday afterwards not before. This was considered better for residents (who may forget to put their bin out prior to the Monday and it gives workers a full Bank Holiday weekend off.
 - General Recommendation
That the council does more to connect with communities and communicate potential proposals much earlier in order to put ownership back to residents.
- 4.9 A summary of feedback results received in relation to the public consultation is included at **annex A(i)**.

- 4.10 As part of this consultation, and as a result of working with the community and listening to alternative ways savings could be raised, a number of changes are now proposed. At this stage there are no proposed changes to savings proposals; however, consideration will be given to all feedback received by 19 February 2020.

All proposed changes since consultation, including amendments to funding assumptions, are shown in the following table.

Detail	2020/21 £ million	Notes
Changes to Funding		
Retained Non Domestic Rates	0.9	Revised forecast based on submitted NNDR1 return including reduction in rateable values following successful appeals.
Council Tax	(1.3)	Revised forecast including additional dwellings and reduction in empty properties.
Collection Fund (surplus) / deficit	(0.1)	Estimated Collection Fund Balance in 2019/20 that feeds in to the resources available for 2020/21 budget.
Non-ringfenced grants	(0.4)	Adjustments to S31 NNDR compensating grants based on submitted NNDR1 return.
Other Adjustments		
Contribution to reserves to support financial resilience	0.9	Additional allocation based on outturn forecast, to bring the general reserves balance to £11.0 million in 2021.

5. Funding

- 5.1 The general fund revenue budget is funded by three main sources – government grant (revenue support grant and other specific grants); business rates and council tax. Funding assumptions for 2020/21 have been completed and the following sections discuss the funding streams in more detail.

Local Government Finance Settlement 2020/21

- 5.2 The government provided some confidence around the level of resources available by offering a multi-year settlement to 2019/20. The Spending Review on 4 September 2019 announced a 'roll-forward' finance settlement for 2020/21, with the Fair Funding Review and Business Rates Retention reforms delayed until 2021/22.

- 5.3 The Spending Review also announced that 2019/20 business rates pilots (including the Staffordshire and Stoke-on-Trent Business Rates Pool) would not continue in 2020/21, meaning that the city council will retain 49% of the business rates raised in the city instead of the current 74% under the pilot. However, the Revenue Support Grant funding that was foregone under the 74% retention pilot scheme would be reinstated for 2020/21.
- 5.4 Other announcements in the Spending Review included:
- A real-terms increase in Core Spending Power
 - All social care grants from 2019/20 would be protected as well as providing £1 billion in new social care funding
 - A core council tax referendum principle of 2%
 - An Adult Social Care Precept of 2%
- 5.5 The Queen's Speech on 19 December 2019 confirmed the additional funding from government and council tax referendum cap previously announced. There was also a commitment from government to conduct a fundamental review of business rates, along with providing additional business rates discounts for retail, cinemas and music venues.
- 5.6 The Provisional Finance Settlement was announced by government on 20 December 2019 and confirmed the announcements made in the Spending Review and the funding available to the city council for 2020/21. This included £6.4 million of new social care funding in addition to the £3.6 million received in 2019/20 that will continue into 2020/21.
- 5.7 The Final Finance Settlement was received from government on 6 February 2020 and confirmed the funding announced in the provisional settlement.

Business Rates (Non-Domestic Rates (NDR))

- 5.8 The council is the billing authority for business rates. In 2019/20 the city council was awarded business rates pilot status. The government has announced that 2019/20 pilots will not continue in 2020/21. This means that 49% of the business rates collected is retained to fund council services, 50% is paid to government, and 1% is paid to fund services provided by Staffordshire Fire and Rescue.
- 5.9 There are two key elements in calculating business rates:
- the rateable value, which is determined independently by the valuation office agency (VOA); and
 - the business rates multiplier which is set by central government.
- These are then multiplied together to calculate the business rates. Businesses can appeal to the valuation office agency if they are not satisfied with the rateable value set for their premises.

5.10 The government confirmed that the business rates multiplier will increase by September 2019's CPI (1.7%) from April 2020. This increase is included in the funding forecast for NDR in this report.

5.11 The Queen's Speech on 19 December 2019 announced additional business rates discounts as follows:

- an increase in the business rates discount from 33% to 50% for all retail businesses with a rateable value of £51,000 or less
- retail discount extended to cinemas and music venues
- duration of the local newspapers discount extended
- introduction of a new discount for pubs

Full details of these changes are not yet available and so are not incorporated into the funding assumptions for business rates included in this report. These initiatives are funded by S31 non-ringfenced grants and so will not impact on the total funding of the city council's general fund revenue services.

5.12 The non-domestic rates income base for 2020/21 has been set at £93.253 million. This includes the effect of the city council not having pilot authority status in 2020/21, changes in the value of reliefs offered to businesses and also includes additional growth of new and expanding businesses in the city, and reflects the strategy to encourage this. The income base is split as follows:

Detail	2019/20 Budget £'000s	2020/21 Budget £'000s
Stoke-on-Trent City Council (19/20 74%; 20/21 49%)	69,176	46,414
Staffordshire Commissioner - Fire & Rescue (1%)	915	925
Central Government (19/20 25%; 20/21 50%)	22,812	45,914
Total	93,344	*93,253

**Income retained by the city council has reduced to 49% due to the ending of pilot status from 1 April 2020. The total income base has reduced as a result of reductions in rateable values due to appeals and changes in reliefs offered to businesses.*

Council Tax

5.13 In determining the council tax proposed for 2020/21 a number of issues have had to be considered:

- The level of increase deemed to be 'excessive' by government, and therefore requiring a referendum;
- The service pressures being faced and the longer term impact on the resources of the council and hence on the city as a whole;

- The continuing cost of the local council tax support scheme;
- The impact on local tax payers.

5.14 In the Spending Review the government announced an adult social care precept of 2% on top of the core referendum principle of 2%, meaning that a total increase of 4% or above would be deemed excessive.

5.15 Having considered the above and the impact on local taxpayers, it is proposed that council tax will increase by 3.99% which includes 2% adult social care precept and a 1.99% general increase which, as in previous years, will be directed towards supporting the most vulnerable within the city. This would mean an increase of 67p per week for the 59.37% of households in a band A property. Full details of the council tax rates are shown in the table below for the city council element only.

Band	No of properties	% no. of properties	Ratio	City Council 2019/20	City Council 2020/21	Annual Increase £	Weekly increase £
A	70,160	59.37	6/9	870.41	905.14	34.73	0.67
B	24,871	21.05	7/9	1,015.48	1,056.00	40.52	0.78
C	15,549	13.16	8/9	1,160.54	1,206.85	46.31	0.89
D	5,048	4.27	9/9	1,305.62	1,357.71	52.09	1.00
E	1,820	1.54	11/9	1,595.76	1,659.42	63.66	1.22
F	508	0.43	13/9	1,885.89	1,961.14	75.25	1.45
G	172	0.14	15/9	2,176.03	2,262.85	86.82	1.67
H	44	0.04	18/9	2,611.24	2,715.42	104.18	2.00
	118,172	100.00					

5.16 At City Council on 23 January 2020 it was resolved to retain the current scheme for local council tax support. It is estimated that in 2020/21 on average there will be circa 24,000 residents (25,000 in 2019/20) receiving support with their council tax at any one time. Of these, 9,000 are of pensionable age (10,000 in 2019/20) and 15,000 are of working age (15,000 in 2019/20).

5.17 Bringing empty homes back into use is a priority for the city council. Empty homes are a wasted housing asset and can be used to provide housing for those who do not have a home and for people who are living in unsuitable or inappropriate accommodation.

Empty homes also have a negative impact on local communities, attracting crime, attracting vermin, and causing damage to neighbouring properties.

- 5.18 The Rating (Property in Common Occupation) and Council Tax Act 2018 allowed billing authorities to further increase the amount of council tax payable on empty properties. At City Council on 24 January 2019, it was resolved to apply the following Empty Homes Premiums:
- For the financial year beginning 1 April 2019 - 100% premium for properties that have been empty for at least two years
 - For the financial year beginning a April 2020 - 100% premium for properties that have been empty for at least two years; 200% premium for properties that have been empty for at least five years
 - For the financial year beginning a April 2021 - 100% premium for properties that have been empty for at least two years; 200% premium for properties that have been empty for at least five years; 300% premium for properties that have been empty for at least ten years

5.19 The amount of council tax to be collected for Stoke-on-Trent City Council is shown in the following table:

Detail	2020/21 Budget £'000s
Net budget requirement	229,180
Less:	
Revenue Support Grant	(23,356)
Retained Non Domestic Rates	(46,414)
NNDR returned Levy Distribution	(1,000)
Business Rates Top Up Grant	(30,858)
Collection Fund (Surplus) / Deficit	(88)
Ringfenced Grants	(14,945)
Non Ringfenced Grants	(18,674)
Capital Receipts	(3,501)
Council Tax Requirement	90,344

- 5.20 Housing growth projections and levels of discounts and exemptions awarded are continually monitored to ensure that the proposed budget includes the most up-to-date projections. The council tax base (band D equivalents) for 2020/21 is 66,541.7 which is an increase of 1,673.6 when compared to 2019/20. This is due to an increase in the number of properties – a positive reflection of the growth strategy.
- 5.21 The council tax requirement is divided by the tax base to arrive at the band D equivalent figure. This figure then forms the basis of the calculation of the liability for all council tax bands.
- 5.22 The council is both the billing and collecting authority for council tax in Stoke-on-Trent. The amount collected covers the city council's council tax requirement and the precept set by the Staffordshire Commissioner for Police and Crime, and for Fire and Rescue. The combined council tax is shown in the following table.

Detail	2019/20 Budget £	2020/21 Budget £	Increase
City Council	1,305.62	1,357.71	2% adult social care precept 1.99% general increase to support the most vulnerable
Staffordshire Commissioner Police and Crime Precept	216.56	225.09	£8.53 increase (3.94%)
Staffordshire Commissioner Fire and Rescue Precept	75.73	77.24	£1.51 increase (1.99%)
Combined Band D Council Tax	1,597.91	1660.04	

Collection Fund Balance

- 5.23 The Local Government Finance Act 1988 required the establishment of a Collection Fund from 1st April 1990. Monies paid into the fund include council tax and non-domestic rates (NDR). Payments from the fund include the General Fund demand of the city council, demands from precepting authorities and payment of the central government share in respect of NDR.
- 5.24 Any surplus / deficit on the Collection Fund is shared on a pro rata basis based on the demand and precepts. This then feeds in to the resources available for the next year's budget.
- 5.25 The estimated balance for 2019/20 is split between the city council (£0.088 million surplus), Central Government (£1.150 million deficit), the Staffordshire Commissioner - Police and Crime (£0.534 million surplus) and Staffordshire Commissioner - Fire and Rescue (£0.150 million surplus). The city council proportion of £0.088 million surplus is included in the 2020/21 proposed budget.

6. Budget Proposals

6.1 The medium term financial strategy is underpinned by the five Stronger Together priorities and the budget has been aligned to the priorities so that it can be seen how much money is spent in these key areas. A significant proportion of the money spent supports more than one of the Stronger Together priorities. When linking budgets to a priority this has been done on the basis of the main priority it supports.



6.2 This priority is about making sure that we understand people's needs and provide the support needed to protect them from harm and also improve their health, wellbeing and quality of life.

6.3 Our objectives:

- Transform outcomes for vulnerable children and young people in the city
- Help to protect vulnerable adults from neglect and harm
- Work with partners to tackle the causes and impacts of homelessness and rough sleeping
- Protect families from the harmful impacts of drug and alcohol misuse
- Address financial hardship and improve access to affordable financial services

6.4 The investment in this priority is shown in the table below:

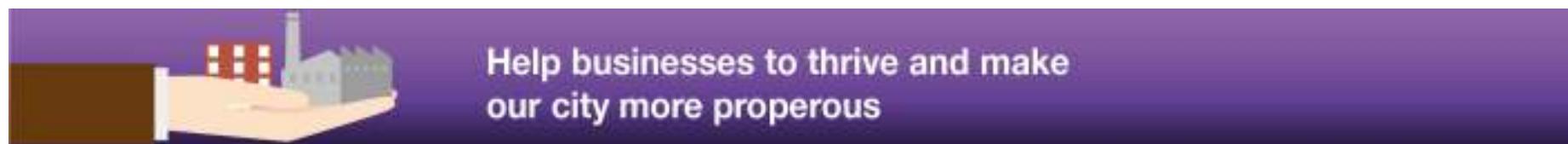
Detail	2020/21 Net Budget £'000s
Children and Family Services	63,153
Social Care, Health Integration and Wellbeing	76,487
Place, Growth and Prosperity	(1)
Housing and Customer Services	2,397

Detail	2020/21 Net Budget £'000s
City Director and Corporate Services	1,005
Financing and Non-Departmental Costs	(466)
Capital Programme	11,769
Total	154,344



- 6.5 This priority focuses on improving the life chances of our residents by targeting better outcomes in education, health, employment and skills.
- 6.6 Our objectives:
- Improve education and skill levels for residents of all ages
 - Protect and improve mental and physical health and wellbeing
 - Improve the quality and supply of housing in the city
 - Enable our residents to secure and progress in sustainable employment
 - Transform digital infrastructure to improve access to online services
- 6.7 The majority of the services provided in this area are directly funded by specific grants such as the Dedicated Schools Grant and the Public Health Grant and have no demand on council tax or business rates.
- 6.8 The investment in this priority is shown in the table below:

Detail	2020/21 Net Budget £'000s
Children and Family Services	2,979
Social Care, Health Integration and Wellbeing	(4,559)
Place, Growth and Prosperity	(179)
Financing and Non-Departmental Costs	600
Capital Programme	11,481
Total	10,322



6.9 This priority aims to deliver improvements in the physical infrastructure of the city that will make it easier for businesses to set up and grow.

6.10 Our objectives:

- Foster enterprise and entrepreneurship to support local business growth
- Deliver a high-quality transport network that boosts connectivity and enables sustainable travel
- Work with local and national partners to boost employment, pay and productivity
- Prioritise the redevelopment of derelict and brownfield sites at strategic locations in the city
- Celebrate and promote our great city as a destination for business, heritage and culture

6.11 The investment in this priority is shown in the table below:

Detail	2020/21 Net Budget £'000s
Children and Family Services	205
Place, Growth and Prosperity	6,414
Housing and Customer Services	221
Capital Programme	76,942
Total	83,782



6.12 This priority emphasises the need to listen to residents about the changes they want to see implemented in their local area that will make a real difference.

6.13 Our objectives:

- Improve the environmental sustainability of our towns and communities
- Work with residents and partners to make our communities safer, cleaner and healthier
- Reduce the number of empty properties to enable our town centres to thrive
- Transform community involvement in tackling issues which hold our city back
- Invest in communities to help build resilience and grow social capital

6.14 The investment in this priority is shown in the table below:

Detail	2020/21 Net Budget £'000s
Children and Family Services	562
Social Care, Health Integration and Wellbeing	804
Place, Growth and Prosperity	16,714
Housing and Customer Services	5,792
City Director and Corporate Services	220
Financing and Non-Departmental Costs	74
Capital Programme	82,687
Total	106,853



6.15 This priority focuses on ensuring that all of our services work together as efficiently and effectively as possible.

6.16 Our objectives:

- Deliver more joined-up services to maximise efficiency and achieve improved outcomes
- Ensure the continued financial stability of the city council
- Work with partners to devise innovative and collaborative approaches to local challenges
- Deliver a wide range of commercial services and invest to enable the city to prosper
- Improve the use of data in decision-making and service improvement

6.17 The investment in this priority is shown in the table below:

Detail	2020/21 Net Budget £'000s
Children and Family Services	84
Social Care, Health Integration and Wellbeing	257
Place, Growth and Prosperity	3,739
Housing and Customer Services	2,726
City Director and Corporate Services	14,012
Financing and Non-Departmental Costs	35,940
Capital Programme	44,079
Total	100,837

6.18 A summary of the General Fund Revenue Budget for 2020/21 is attached at **annex B**. A full list of final savings proposed is detailed in **annex C**. The detailed operational budgets, which are aligned to the directorate structures to provide clear lines of accountability for delivery, are attached at **annexes D-H**.

7. Dedicated Schools Grant

- 7.1 The Dedicated Schools Grant (DSG) is paid in support of the local authority's schools budget and is the main source of income supporting both the delegated budget allocations made to schools and academies across the city through the local schools funding formula, and the provision of services in relation to high needs and early years' pupils.
- 7.2 The DSG now comprises four blocks: schools, high needs, early years and the central school services block. Following on from 2018/19 a national formula is used to calculate all of the blocks.
- 7.3 Within the schools block, the government has provided an average increase of 4.2% per pupil compared to 2019/20. Local authorities' schools block allocations have also been calculated by aggregating schools' notional allocations under the national funding formula. Schools block allocations are expressed as separate per pupil primary and secondary rates for each local authority. They also include funding at local authority level for premises, based on historic spend, and growth based on a formula basis.

- 7.4 In 2020/21 the schools block primary unit of funding has increased to £4,305.46 (from £4,099.48) and the secondary unit of funding has increased to £5,596.32 (from £5,379.09).
- 7.5 The local funding formula for schools is used to calculate the delegated budget share allocations to individual schools and academies each year. Within the formula there is a maximum of 14 allowable factors (3 being mandatory) of which the minimum pupil funding level factor is now a mandatory factor. For 2020/21 the minimum per pupil funding factor value for all primary schools is £3,750 (from £3,500) and for all secondary schools £5,000 (from £4,800).
- 7.6 The minimum funding guarantee (MFG) for schools will continue, but local authorities will continue to have the flexibility to set a local MFG between +0.5% and +1.84% per pupil.
- 7.7 The schools block will again be ring-fenced in 2020/21, but local authorities will be able to transfer up to 0.5% of their schools block funding to other DSG blocks with the agreement of their Schools' Forum. Local authorities will be expected to demonstrate to their Schools' Forum that they have consulted locally with all maintained schools and academies when seeking agreement to transfer any funding out of the schools block. There is still an exceptions process, which will require Secretary of State approval, for considering transfers above the 0.5% limit and/or where the Schools' Forum is opposed to the transfer. It was agreed in November 2019, not to transfer funding from the schools block in 2020/21 following additional high needs funding. However, the local authority recognises that by not requesting the 0.5% transfer for 2020/21 that additional pressures will be placed on the high needs block budgets. In order to manage the pressures, the actions below are proposed. It is critical that the local authority and schools work together to deliver the outcomes:
- The retention of places for pupils with special needs in mainstream schools and the reduction in the predicted Education Health Care plans.
 - Schools to use their budgets, especially notional SEN, to include students with special educational needs into mainstream. This will include the re-integration of children and young people from external placements and independent sector placements (ISPs) into Stoke schools.
 - A review of the Matrix, Fair Access protocol, Panel procedures and high needs expenditure to ensure children are placed within Stoke schools. Schools will use their own budgets to re-integrate children and young people into educational settings, whilst providing an appropriate and relevant curriculum.
 - Working together towards a sector led improvement model, schools will develop new ways of working with the local authority to become more responsible and accountable for pupils with special educational needs, looked after children (LAC) and other vulnerable groups of young people, including children missing education.
 - The local authority will develop more traded services to offer to schools.

- The local authority will focus on their statutory duties which include SENMAS, admissions, transport and school performance and outcomes. Commissioning models within Children’s Services will be developed working across both social care and learning services, along with health and adults. An integrated commissioning model will be developed.
- Schools will be encouraged to work together to place and retain children in educational and learning settings. This will be based on an inclusive way of working across the city.
- An inclusive, integrated educational partnership will be worked towards which focuses on the needs of every child and young person to provide the safe learning environment in Stoke.

7.8 On the 19 December 2019 the Department for Education (DfE) issued the ‘Schools Revenue Funding Settlement 2020 to 2021’ which provided details of the DSG allocations for Stoke-on-Trent for 2020/21.

7.9 Based on the above, the total 2020/21 DSG allocation (before academy recoupment) for Stoke-on-Trent was confirmed at £239.36 million. This allocation was broken down as follows:

Block	Funding 2019/20 (Nov 2019) £ million	Funding 2020/21 (Dec 2019) £ million
Schools – Pupil Led and NFF School Led	164.09	173.92
Schools – Funding through the premises factor	3.49	3.59
Schools – Growth Funding	1.54	1.48
Sub Total	169.12	178.99
High Needs	32.25	37.31
Central Services	5.41	4.56
Early Years	18.19	18.50
Total	224.97	239.36

7.10 The DSG balance brought forward into 2019/20 was a deficit balance of £14.240 million. The forecast DSG overspend in 2019/20 is currently £10.386 million which will result in a cumulative deficit balance of £24.626 million at the 31 March 2020. A deficit of such a level is clearly not sustainable as it would have an impact on current reserve levels. The DfE issued a joint statement with CIPFA in June 2019 stating that “the DfE does not therefore expect or require any DSG deficits to be funded from a local authority’s general resources”. It is believed this statement was intended to indicate DSG deficits would not impact upon a council’s general resources. Whilst welcomed it remains unclear how this will work in practice from a financing and balance sheet perspective. Clarity on how the deficit is to be accounted for and financed under the legislation is critical. A revised action plan is currently being finalised which will then be sent to the DfE for review. The DfE are keen to work with the city council and schools to determine how the deficit will be brought back into balance over the five year recovery period. Further details of the DSG balance and the forecast for future years is shown in **annex R**.

8. Housing Revenue Account

- 8.1 The council has a duty under the Local Government and Housing Act 1989 to account for the income and expenditure relating to the city council’s housing stock separately in the Housing Revenue Account (HRA), and to set a budget for an accounting year that will not show a deficit. The following section sets out the context of the HRA services and associated budget proposals relating to the revenue elements of the Housing Revenue Account (HRA). Proposals relating to capital investment and associated funding are included separately within **section 9** of this report.
- 8.2 The city council is responsible for managing 17,864 (as at October 2019) council dwellings and associated services across the city. Social housing represents one of the council’s major assets. Managing and maintaining our council housing to a good standard and, importantly, investing in its longer term sustainability, contributes markedly to the provision of appropriate, high quality, affordable homes for people of all ages and at all stages of life. It is widely recognised that housing condition is a key factor in influencing people’s health and well-being, people’s ability to live safely and independently and people’s life chances, including, for example as they relate to educational attainment and employment.
- 8.3 The provision of a supply of good quality council housing also helps the council to fulfil its obligations in relation to addressing housing need and preventing homelessness. Importantly, new housing provision will bring financial benefits to the council and the city and will have a positive impact on the city’s economy, by way of example, in addition to increased rental income in to the HRA and areas like New Homes Bonus.
- 8.4 The Housing Revenue Account budget supports the following priorities:

Priority	2020/21 £'000s
Support vulnerable people in our communities to live their lives well	6,529
Help businesses to thrive and make our city more prosperous	3,884
Work with our communities to make them healthier, safer and more sustainable	48,722
An innovative and commercial council, providing effective leadership to help transform outcomes	7,886
Total (revenue only)	67,021

- 8.5 In 2012, the 'self-financing' system was introduced by government, under which housing services were expected to operate on a stand-alone commercial basis retaining and utilising rental income to support the operation, maintenance and investment in the housing stock and related services. Self-financing involved local authorities taking on additional debt and greater flexibility on income they received.
- 8.6 In addition to operating on a more commercial basis self-financing places a greater emphasis on long term asset management of the housing stock. In order to ensure that rental income is sustained and a good quality of housing is offered to tenants it is essential that properties are maintained to a sufficient standard so that:
- Void repair costs and turn-around times are minimised.
 - Planned maintenance programmes complement work carried out on a day to day basis to ensure work is carried out when it is required, not merely when it is planned.
 - Tenants' expectations are met.
- 8.7 To ensure that the HRA budget meets these requirements the proposals detailed below reflect the following principles:
- Making most effective use of the resources available to maximise investment in the stock.
 - Minimising the cost and rent loss arising from void properties.
 - Maximising the levels of rent collection.
 - Identifying on-going efficiencies within the service.

Based on these principles, **annex I** sets out the forecast requirements and proposed budget for the Housing Revenue Account from 2019/20 to 2020/21.

Income

- 8.8 The HRA generates the majority of its income from housing rents. For the last four years in compliance with the Welfare Reform and Work Act 2016 rents have been reduced by 1% until April 2020. From 2020/21 the Ministry of Housing, Communities and Local Government (MHCLG) has advised that social rent will be limited to an increase of CPI plus 1% for five years. This will be the first year following that new rent standard guidance. The levels of housing rent for 2020/21 were approved by City Council at their meeting on 23 January 2020, and will increase by CPI (1.7%) plus 1%. This report also approved the level of other fees and charges.
- 8.9 The overall budgeted increase in rental income for 2020/21 is £1.079 million which will help to support investment in:
- Decent Homes Standards - where the independent stock condition survey from Dyson in 2017/18 advised that to have the current stock at decent homes level would require extensive investment over a 30 year period, leading to an additional £6m per annum
 - New stock – so that the council can replace homes lost through Right to Buy
 - Remodelling the estate – to improve existing council housing and estates
- 8.10 Right to Buys continue to reduce the council's housing stock. The number of council dwellings at the end of October 2019 was 17,864; this is forecast to reduce to an estimated 17,776 by 1 April 2020. An average void rate of 1.5% has been assumed across all properties for budget setting purposes. For 2020/21, it is forecast that voids based on the last two years performance will be within this tolerance level.
- 8.11 In addition to dwelling rents, proposals relating to other fees and service charges were also presented in the Rent Setting Report. In line with previous years, government guidance permits an increase of CPI (1.7%) plus 1% in relation to other fees and charges.

Expenditure

- 8.12 In June 2017 Cabinet approved a revised affordable 30 year HRA business plan which provided direction, priorities and plans for the HRA business. The plan included a baseline position which essentially advises what can be delivered with the money which was forecast to be available to the HRA over the 30 years.
- 8.13 The current HRA Business Plan worked within debt limits set by the Treasury which limited the amount the council could borrow by an arbitrary amount. In October this limit was rescinded and councils are now able to borrow as long as they can show prudence and affordability. The Business Plan is to be updated to include additional borrowing of £125 million which will see the building or purchasing of 1,000 new council homes by 2024/25, with a target of circa 200 per year. There is a significant shortfall in some

specific types of housing including for older people, one-bedroomed flats and larger family houses. These plans are included in the council’s new Strategic Housing Investment Programme which was approved by Cabinet on 14 January 2020.

- 8.14 Additional budget has been identified from the savings highlighted to cover the forecast pay award of up to 2% to local government employees, as well as expected increases in superannuation costs (total of £0.395 million).
- 8.15 Unitas, the council’s housing repairs company, started in February 2018 and has undertaken a major procurement exercise to “Keep the Stoke £ in Stoke” through procurement of local suppliers and contractors where possible. 76% of Unitas sub-contractor spend is within Stoke-on-Trent and Staffordshire, worth £7 million.
- 8.16 The HRA Financing Charges in 2020/21 take into account the level of debt attributed to the HRA. All repayment of principal debt falling due over the budget cycle has been included within the proposed budget.
- 8.17 As stated above, a prudent level of reserves will be maintained. Statute dictates that the HRA keeps a working revenue balance reserve which offers an appropriate level of contingency. It is therefore proposed the balance retained by the end of 2020/21 is circa £4 million. This is currently deemed a prudent amount based on stock levels and will cover any unforeseen events which the HRA may face. This will be retained for the full length of the 30 year business plan.
- 8.18 The table below shows the projected level of balances on the revenue reserves over the period of this budget.

Detail	2019/20 £'000s	2020/21 £'000s
Non Earmarked Reserve (revenue balance)	7,592	4,592
Earmarked Reserve	11,392	-
Total	18,984	4,592

9. Capital Investment Programme

Background

- 9.1 The 2019/20 – 2023/24 Capital Investment Programme was approved by City Council in February 2019. The programme was revised by City Council on 5 December 2019 and has been updated within the quarterly financial performance reports to reflect changes during 2019 for schemes approved by Cabinet and City Council during the year. The following paragraphs set out the key achievements in 2019/20.

2019/20 Key Achievements

- 9.2 **Ceramic Valley Enterprise Zone** - As one of the highest performing Enterprise Zones in the country we are continuing to see significant activity across the range of sites. Tunstall Arrow recently won the Regeneration Project of the Year at the West Midlands Insider Media Awards. Highgate Trade Park at Tunstall has seen the completion of both terraces with 10 units fully let, work has commenced on the Canal Site units and Tile Mountain 2 is now complete. Work is progressing on 11 units on Etruria Valley due for completion in March 2020, these will be owned and let by Stoke-on-Trent City Council, a further 11 units are planned to start in the new year on Innovation Way. With further schemes planned across the sites, the Ceramic Valley Enterprise Zone continues to go from strength to strength supporting economic growth across the city and the redevelopment of brownfield sites that have remained vacant for many years.
- 9.3 **Fortior Homes Ltd** - The company has made significant progress in reducing the shortfall in quality private rented sector housing provision and bringing top quality development to key sites in the city. By March 2020 Fortior Homes will have available 107 properties for rent to tenants with a further 276 properties being built. "Clayworks", the ground breaking 11-storey city centre apartment block at Smithfield consisting of 151 apartments is close to completion and will transform the quality of city living provision in the city. The show apartments are open to the public and the scheme will be completed in May 2020. Building work on the derelict land on Lichfield Road is well underway and "Saxon Place", which will be delivering 128 homes for rent and sale, will be completed in 2020. In addition, 10 apartments aimed at young professionals and Key Workers will be completed at "Chamberlain Court", Penkhull in March 2020 and a further 12 in Trent Vale are due to commence in spring 2020.
- 9.4 **Trentham Community Learning Centre** – The facility was completed in June and is operated from the Trentham Academy site. Used by the School and the council the facility is supported by library service volunteers who manage the collection and loan of books to help educate and inform.
- 9.5 **Park Hall Country Park Visitor Centre** - The newly built centre completed in July is near to the park's Hulme Road entrance and has space for community use as well as providing a base for the parks team and toilets. CCTV cameras have also been installed to improve security around the area.
- 9.6 **Hanley Park** – the refurbishment of this historic and highly valued park was completed in September 2019. Its special landscape, features and heritage buildings have been restored to a high standard, and it has now regained its role as an important city park with a range of facilities, activities and events planned of such a prestigious green space. The café operator is expected to fit-out in the new year and open in April 2020.

- 9.7 **Longton Town Hall** – the newly refurbished town hall was opened by the Lord Mayor on 13 November 2019. The ground floor has new toilet facilities and now accommodates the Local Centre providing city council inquiry services such as council tax and benefits to assist residents.
- 9.8 **Queens Park Longton Café** – the newly created café in the city’s oldest park has now opened and is serving hot and cold refreshments to the many park visitors.
- 9.9 **Variable Message Signs** – Motorists are now being given the latest traffic, travel and parking information thanks to a series of new ‘smart’ signs. Eight full screen electronic variable message signs (VMS) have been installed on key routes heading into the city centre. The new low energy LED signs, which are linked directly to the city council’s highways team, can be used to display a wide range of traffic-related information, from details about live spaces available in the city’s main car parks to real-time updates about any emerging issues on the roads, such as closures, diversions or gritting.
- 9.10 **Housing Development & Regeneration** – The current programme will see 390 new affordable homes built in the city. A new high quality 57 home supported housing scheme at Fenton is well underway, along with 10 new homes at developing existing garage sites. A further 65 home supported housing scheme is planned for Fenton and 115 home scheme at Chell Heath. This is complimented with a number of general needs new build housing developments at Fenton, Shelton and Blurton. In addition, the programme of acquiring two bedroom bungalows and one bedroom properties off the open market continues to provide homes to match current need.
- 9.11 **Current Housing Stock** - There will be substantial planned maintenance investment in our current housing stock along with a focus on better quality estate conditions. The funding will be based on the agreed 30 year Housing Revenue Account business plan agreed by Cabinet in July 2017 plus an additional investment of £30 million looking at increased decent homes, high rise blocks, remodelling/conversion of three bedroomed homes and the potential conversion of two tower blocks from general needs to sheltered provision.
- 9.12 **Unitas** – The company has completed £20 million of investment in the existing HRA Social Housing Stock this year, comprising of roof replacements, new heating and electrical systems, the city’s first High Rise Sprinkler system, windows, doors, external wall insulation and more, all of which ensures the continued financial viability of the HRA through its 30 year HRA business plan, whilst maintaining the quality of our social housing provision for residents.
- 9.13 **Highway Resurfacing Programme** - The city council will have reconstructed or resurfaced over 30 miles of carriageway or footway throughout the city by the end of the year.

- 9.14 **Spode** - The council continues to redevelop and repurpose this historic site. In October, Historic England announced a grant award from the Historic High Streets Heritage Action Zone Programme to support work on the site which will see it become more closely linked with Stoke Town and the High Street. January will see work commence on ACAVA Phase 2 with an additional 12 artist studios, gallery space in the Roundhouse and the relocation of BCB Clay Studios. The popularity of the China Halls as a venue continues to grow with a number of events in the last year, including dance music events, the Stoke-on-Trent beer festival, Staffordshire University graduations and theatre productions. New doors have been fitted in the China Halls and additional external lighting has been installed on site to improve accessibility and use. Work continues on the proposed new car park and additional drainage solutions as part of our ongoing regeneration of the site.

Developments to the proposed Capital Investment Programme - Capital Investment Strategy

- 9.15 The city council's capital strategy appended at **annex J** provides a framework within which the council's capital investment will be considered, created and delivered. The capital strategy supports and is driven by the council's strategic plan and objective Stronger Together that provides a clear direction for the capital investments for the City of Stoke-on-Trent, to create a city we can all be proud of.
- 9.16 Our investment falls into three main areas:
- Essential – investing to maintain or improve service delivery to our citizens and provide, as a minimum, our statutory duties;
 - Place Shaping – investing in the necessary infrastructure to encourage and promote external growth and development in the city;
 - Economic Growth – investment to provide a permanent return or cost saving to the council over a long term period.

The capital strategy will endeavour to reinforce this holistic and balanced approach, recognising the financial pressures and service demands within the resources available.

- 9.17 In addition there are also a number of other key documents produced by the city council that inform future investment, in particular:
- the Revenue Budget and Council Tax Setting 2020/21;
 - the Stoke-on-Trent and Newcastle-under-Lyme Joint Local Plan Documents (the Local Plan);
 - the Stoke-on-Trent and Staffordshire Strategic Economic plan;
 - the Medium Term Financial Plan, underpinned by a number of policy framework strategies;
 - Building Together for a Stronger Future - Stoke-on-Trent Housing Strategy 2017 – 2022.

The capital programme has been developed in detail over a five year term, as discussed above, longer term capital investment development (2025/26 onwards) will apply broad assumptions to identify key headline schemes with high level cost estimates and timescales. Those estimates will become firmer and crystallise as schemes fall into our five year programme planning.

Key Challenges/Opportunities

- 9.18 The supporting documents referred to above identify a number of key challenges and pressures facing the council including financial and service demand pressures.
- 9.19 The government continues with its intention to change the way in which local government is funded via retention of 75% Business Rates from 2021/22. This provides the council with an incentive to continue to invest in areas that attract business to generate a financial return that the council can retain a higher proportion of. This return will provide funding support to council services, attract new businesses, create new jobs and provide those workers with new homes. The aim is to provide prosperity to the area while reducing the city's reliance upon Central Government support.
- 9.20 The city council will strive to grow its own income streams to support service delivery, increase business rates and create new jobs by attracting new businesses and provide new homes and decent housing and improve educational attainment to create an attractive area to work, live and thrive. Capital investment will form part of that delivery to provide a complete 'offer' that provides:
- Businesses need good road access networks and physical infrastructure, fit for purpose premises and nice places for employees to live;
 - Residents need resilient social infrastructure including decent housing, education, recreational spaces, council services and social care;
 - Council services meet the needs of the residents and businesses
- 9.21 Investment returns are expected to flow from existing capital investments such as the wholly owned subsidiaries, Fortior Homes – the private rented sector housing company and Unitas – the housing maintenance company and, once operational, the District Heat Network. Further investment considerations will be applied to future capital programmes where that investment will drive a positive return to the council in the form of dividends and/or cost savings.
- 9.22 Continued growth in employment and prosperity through the expansion of economic development via inward investment and direct development and regeneration of the city's commercial and retail centres including the highly successful Ceramic Valley Enterprise Zone.
- 9.23 In developing its programme the council cannot deliver or fund the changes needed by itself. Investment in improving the area and creating an environment for business growth and success also involves government agencies and the private sector. These agencies and partners will continue to be lobbied and encouraged to invest and support the growth ambitions of the council.

Capital Budget Proposal 2020/21 to 2024/25

- 9.24 The budget proposals for 2020/21 to 2024/25 retain the schemes approved in December 2019 reflecting their continued support. The programme has been refreshed to take account of additional schemes, changes to funding, timescales and cost estimates.

The proposals also include an estimate of the carry forward from 2019/20 into 2020/21 and future years for current schemes based on the December 2019 (Quarter 3) capital outturn position as reported.

- 9.25 The Capital Investment Programme has a total planned investment from 2020/21 to 2024/25 of £620.7 million including £45.5 million estimated carry-forward from 2019/20 into future years for current schemes based on an estimated capital outturn position.
- 9.26 The programme moves on a further year (2024/25) to maintain the strategy of rolling 5 year capital programme assumption. This extends currently approved schemes by a further year in respect of core programme by £5.2 million and grant funded schemes by £7.6 million. The report seeks to approve and amend the core Housing Revenue Account (HRA) housing programme by the addition of a further £81.4 million. The report also seeks approval for additional new projects at a value of £242.3 million including £15.0 million brought into 2019/20. Details of the scheme changes summarised above are discussed in more detail later in this report. A summary of the changes is shown in the table below and incorporated in the detailed programme at **annex K(i)** and **annex K(ii)**.

Table A: Changes to the Programme	Capital Programme 2019/20 £'000s	Capital Programme 2020 – 24 £'000s	Capital Programme Expansion 2024 – 25 £'000s	Proposed Capital Programme 2020 – 25 £'000s
Approved Programme February 2019				
• General Fund	100,629	104,494	-	104,494
• HRA	39,137	115,682	-	115,682
• Est Carry forward	34,890	-	-	-
Total 2019/20 MTFS Capital Programme	174,656	220,176	-	220,176
• Additional Carry forward	35,315	-	-	-
• Re-profiling	(27,949)	27,949	-	27,949
• Funding Changes	3,767	(754)	-	(754)
• Additional Investment	9,058	4,783	-	4,783
Total approved as at December 2019	194,847	252,154	-	252,154
Changes at Q3 2019/20				
• Funding changes existing programme	331	-	-	-
• Re-profiling	(1,659)	1,659	-	1,659

Table A: Changes to the Programme	Capital Programme 2019/20 £'000s	Capital Programme 2020 – 24 £'000s	Capital Programme Expansion 2024 – 25 £'000s	Proposed Capital Programme 2020 – 25 £'000s
New Proposals 2020/21 to 2024/25				
• New Schemes Proposed (Table B)	15,000	101,404	910	102,314
• HRA Expansion (Table B)		105,300	19,700	125,000
• Additional year of core programme (Table C)		4,700	450	5,150
• Assumed grant support (Table D)		-	7,594	7,594
Public sector Housing (Core Projects)		40,618	40,750	81,368
Programme (Pre Carry Forward)	208,519	505,835	69,404	575,239
Estimated Carry Forward	(45,475)	45,475	-	45,475
Proposed Programme	163,044	551,310	69,404	620,714
Of which				
• General Fund	123,907	289,710	8,954	298,664
• HRA	39,137	261,600	60,450	322,050
Total	163,044	551,310	69,404	620,714

9.27 The funding of the capital programme is a mixture of council support, leverage from external bodies, grants and reserves. The funding of the programme separates those funding streams to show how that funding is applied to both the HRA and the general fund. Of the total £620.714 million of proposed investment £253.295 million is directly supported through existing and new grants, receipts and reserves. The balance of £367.419 million is currently assumed to be funded by borrowing for which the HRA element is £156.942 million.

Funding Bids Submitted Awaiting Outcome

9.28 In the latter half of 2019/20 the council submitted a bid to the Department for Transport for £5.0 million Highways Maintenance Challenge Fund. This funding will enable the city council to fully upgrade a number of both strategic and heavily used roads along two strategic road corridors within the city, improving pedestrian movement, traffic flows and air quality. The result of the bid should be announced in spring 2020, and if successful the capital programme will be amended accordingly.

Transforming Cities Fund

- 9.29 Stoke-on-Trent has been shortlisted as one of 12 city regions to receive a share of £840.0 million to upgrade public transport links. The city council was successful in its Tranche 1 bid and received £5.566 million last year. A tranche 2 bid has been submitted with cost ranges from £50.298 million (lowest cost) up to £69.394 million (upper cost). If successful, a level of match funding will be required which, based on 10% of the cost required, ranges from £4.680 million to £6.589 million. It is hoped to secure some of this match funding from partners however in the worst case scenario if this match has to be financed by the city council, the associated financing costs range from £0.281 million to £0.395 million per annum. Proposals made include transforming Stoke-on-Trent Railway Station into a major transport hub, improving public transport links (including between the station, city centre and Etruria Valley) and enhancing walking and cycling links across the city. The result of the bid should be announced in spring 2020, and if successful the capital programme will be amended accordingly.

Leasing of Assets vs Outright Purchase of Assets

- 9.30 The decision to purchase or lease an asset will be based on the most favourable financial assessment applied against the asset requirement, e.g. period of use, cost, resale value. Budgets for leasing charges are currently held within services. Should a decision be made to purchase a replacement asset previously leased, the leasing budget will be transferred to the corporate budget to fund the capital financing costs incurred as a result of the purchase. The capital budget will be amended within the appropriate approval levels to reflect the increase in capital budget required to facilitate the purchase.

Schemes Added – New Requests

- 9.31 The capital investments proposed provide a mixture of direct financial return to the city council in the form of New Homes Bonus and council tax, social benefit to our citizens and improved delivery of services for example through rationalisation and improvements to our corporate properties. In addition, in-direct benefits also accrue via the improvements to the overall environment and look and feel of the city. By improving the area and making the area attractive has the effect of attracting new business and associated jobs that make the city grow and prosper in the future. This positive investment maintains the delivery of sustainable improvement and growth and supporting our 'Stronger Together' vision. In support of the city council's strategic priorities the capital programme is attached at **annex K(i)** matched to those priorities.
- 9.32 The following schemes and summary description have been proposed for inclusion:
- Commercial Property Investment (£30.000m) – The city council has opportunities to grow its Commercial Property portfolio in three areas: New Build, Investments, and Existing Assets of which £15.000 million is profiled in 2019/20. This will generate a return in excess of the cost of financing the investment.
 - Fortior Homes Second Development (£28.149m) – to develop 450 new homes for Private Rent and Open Market Sale.
 - Asset Maximisation (£3.500m) – the investment will support one off projects to make changes to assets we are retaining, and any capital costs associated with vacating properties, (including associated demolition) and bringing vacant assets to market.

- Condition Surveys & Risk Assessments (£0.750m) – the programme of conditions surveys and updated risk assessments will enable us to plan out investment into the retained estate as efficiently as possible.
- Corporate landlord (£4.000m) – the corporate landlord budget will allow investment into the necessary works to ensure the council meets its current and projected health and safety priorities and asset improvement works.
- Smithfield Multi Storey Car Park (£15.000m) – to provide parking spaces for the Clayworks apartment, Smithfield Hotel and Smithfield 1 and 2.
- Special School for Complex Needs (£4.600m) – to renovate the former Middlehurst School to be a special school for pupils with complex needs including severe learning difficulties, ASD and complex behaviour.
- CVEZ Ravensdale Access Road (£9.000m) – to install the infrastructure that is required to open-up further land within the Ceramic Valley Enterprise Zone, with the potential to create jobs and secure additional business rate income for the city council.
- CVEZ Gap Funding (£3.750m) – to build upon the success of previous gap-funding projects in the Enterprise Zone by investing in other projects, therefore continuing its success, creating jobs and securing business rate income for the city council.
- City Centre Regeneration Area (£1.500m) – to consider options in respect of regenerating the East/West Precinct site into a major attraction in the City Centre to generate footfall and secure investment and growth.
- Intrusion Detection 3 (£0.190m) – to provide greater resilience and increased monitoring at sites which are targeted by trespassers including Chatterley Whitfield Mining Museum, reducing the need for on- site static security.
- Re-deployable Cameras & Associated Equipment (£0.175m) – to provide greater support in efficient evidence gathering for Fly-tipping, ASB, security, child protection and other investigations in places not under fixed coverage.
- Spode & Stoke Town (£4.450m) – Historic England have provisionally approved £2.0 million to support a scheme for Stoke Town, this bid includes £1.4 million for capital works on the Spode site with regard to preserving and enhancing the historic environment and diversifying uses to provide a more sustainable model in the future. The scheme will also provide £600k to contribute to further development of the High Street and linkages to Spode Works.
- Waste Review (£0.500m) – A city-wide waste infrastructure review is currently underway which will explore opportunities to introduce efficiencies and savings in waste collection and disposal methodology - as well as capitalising on commercial revenue generating opportunities through investment in waste infrastructure.
- Playgrounds (£1.820m) – this investment is requested to ensure that play areas remain, open, safe and accessible. If investment is not identified a number of play areas will need to be closed over the next few years.
- Tunstall Town Hall (£0.800m) – complete the refurbishment works to bring landmark heritage building back into use, incorporating an improved library offer, Children’s Centre and Local Centre.
- ICT Strategy (£5.230m) – the investment will ensure we have technology available for supporting the council’s services.
- Fenton Manor Sports Complex (£0.200m) – this investment is for the initial feasibility work. Any resulting major works will be the subject of a further request.

- Gym Equipment at Sports Complexes (£0.150m) – this project requests £50,000 of capital investment per year for three years to replace and improve the range of Cardiovascular and resistance equipment.
- BSF School Improvements (£0.450m) – this investment represents the financial defects which have yet to be rectified. This is due to the fact that the original contractor is not willing to progress with the works.
- Pay & Display Machine Modernisation (£0.600m) – the pay and display machines in the towns are at end of life and need replacing to improve the aspect and allow non-cash payments. The proposal provides for a replacement strategy over four years, replacing c.25 machines a year, starting with the oldest machines in the streets of Stoke, Burslem, Longton and Meir.
- Community Investment Fund (£2.500m) – the Community Investment Fund will be a three-year programme operating between 2019/2020 and 2022/2023 aimed at enabling local people to develop creative ideas which help create a stronger city through the development of community assets.
- Development of HRA new properties (£125.000m) – the provision of around 1,000 new social housing properties to replace disposals in existing stock and offer properties to residents, approved at Cabinet 14 January 2020.

9.33 The new requests highlighted in the paragraph above are profiled in the following table together with the funding assumptions that form part of the financing estimates discussed later in this report:

Table B: New Projects	2019/20 £'000s	2020/21 £'000s	2021/22 £'000s	2022/23 to 2024/25 £'000s	2020-25 Total £'000s
Commercial Property Investment	15,000	10,000	5,000	-	30,000
Fortior Homes Second Development		16,167	8,958	3,024	28,149
Asset Maximisation		1,000	2,000	500	3,500
Condition Surveys & Risk Assessments		500	250	-	750
Corporate Landlord		2,000	2,000	-	4,000
Smithfield Multi Storey Car Park		5,000	10,000	-	15,000
Special School for Complex Needs		2,200	2,400	-	4,600
CVEZ Ravensdale Access Road		500	3,500	5,000	9,000
CVEZ Gap Funding		1,000	1,000	1,750	3,750
City Centre Regeneration Area		1,500	-	-	1,500
Intrusion Detection 3		70	70	50	190

Table B: New Projects	2019/20 £'000s	2020/21 £'000s	2021/22 £'000s	2022/23 to 2024/25 £'000s	2020-25 Total £'000s
Re-deployable Cameras & Associated Equipment		135	40	-	175
Spode & Stoke Town		1,230	1,800	1,420	4,450
Waste Review		500	-	-	500
Playgrounds		300	300	1,220	1,820
Tunstall Town Hall		500	300	-	800
ICT Strategy		1,450	200	3,580	5,230
Fenton Manor Sports Complex		200	-	-	200
Gym Equipment at Sports Complexes		100	50	-	150
BSF School Improvements		150	300	-	450
Pay & Display Machine Modernisation		200	140	260	600
Community Investment Fund		1,000	750	750	2,500
General Fund Schemes	15,000	45,702	39,058	17,554	102,314
HRA Expansion		20,600	28,200	76,200	125,000
Total all schemes	15,000	66,302	67,258	93,754	227,314
<i>Funded by:</i>					
External Grants		1,730	770	-	2,500
General Fund – Borrowing	15,000	43,972	38,288	17,554	99,814
HRA – Borrowing		20,600	28,200	76,200	125,000
Total funding all schemes	15,000	66,302	67,258	93,754	227,314

Schemes Carried Forward

9.34 A number of schemes have been re-profiled into future years reflecting known and assumed changes to spending profiles and cash flows affected by for example, revised grant notifications. The re-phasing of these schemes is based on the Quarter 3 outturn

estimates to be reported to Cabinet. The carry forward figure is currently estimated at £45.5 million and is subject to amendment once the final capital outturn for 2019/20 is known and carry forwards agreed by the end of May 2020, these amendments will be reported in the Quarter 1 Financial report during 2020/21.

Additional funding investment to existing projects

9.35 The proposed programme adds additional funding amounting to £5.150 million to existing core schemes so as to continue to provide for those programmes to deliver and maintain existing services, as summarised in the table below.

Table C: Additional Core Programme	Amount £'000s
Highways works - to maintain the roads network	4,700
Building maintenance – maintaining the council’s premises	300
Statutory Clearance – to take action on unfit housing	150
TOTAL	5,150

9.36 Furthermore, £7.594 million of schemes supported by an assumed level of external grants have been added for 2024/25. The programme assumes that the level of funding will continue at the present level; the funding assumptions are reflected in the table below. The value of each programme will be adapted to reflect known grant positions during the year in order to ensure that the council does not incur costs higher than the level of grant received.

Table D: Assumed Grant Support	Amount £'000s
LTP Transport Block	1,665
LTP Maintenance	1,916
Basic Need / Schools Condition Allocation	940
Devolved Formula Capital	259
Disabled Facilities Grant	2,814
TOTAL	7,594

Housing Capital Programme

- 9.37 The HRA capital programme for the next five years is £322.0 million. This includes £125.0 million additional from the Strategic Housing Investment Programme (SHIP) approved by Cabinet in January 2020. It reflects the recent flexibilities afforded to the HRA by the Ministry of Housing Communities and Local Government (MHCLG), in particular the council's ability to borrow additional money for investment into its housing stock as a result of the lifting of the borrowing cap. This means the HRA programme has expanded over its current 30 year business plan which demonstrated the council's intention to continue to improve and expand the city's housing stock to continue to provide a safe, secure and quality offer to our tenants. An updated business plan will be looked at over the next 12 months.
- 9.38 The SHIP programme focuses on the development and acquisition of new homes for social, affordable rent and shared ownership through the Housing Revenue Account (HRA). This will enable it to enhance its programme of new housing provision for social, affordable rent through the HRA by a further circa 1,000 homes over the period to the end of March 2025, thereby facilitating the provision of 1,370 new homes over the coming five years.
- 9.39 SHIP also looks into additional investment of circa £30 million into existing homes and estates including:
- High rise apartments, bringing them to a high standard and improving our housing offer by apartment refurbishment, external wall insulation, new windows, replacement roofs, upgraded security systems, entrance doors and canopies.
 - Remodelling and/or conversion of three bedroomed homes and looking at potential options for example the potential conversion of two tower blocks from general needs to sheltered housing.
 - Investment in decent homes to respond to a recent Stock Condition Survey investing significantly in our stock including roofing, boiler renewals and external wall finishes of non-decent properties. This programme aims to diminish the pressure on the budget of reactive repairs and maintenance.
 - This continues our programme of a better offer in terms of accommodation standards which has already helped reduce void levels which are currently at a 3 year low.
- 9.40 A number of schemes have already commenced. The programme in the initial years is targeted at the provision of supported housing for older person, with an element of general needs housing matched to demand. The new 57 supported housing scheme at Fenton, QEII, is well underway and will be ready for occupation in summer 2020, garage sites and land at Norfolk Street, Shelton are being converted into 38 general need apartments. A further 180 new homes for supported housing are at the planning stage, with a start on site planned in the next 12 months. Also in 2020 will see the start on site of 70 new homes for general needs in Fenton. Added to this is the ongoing programme of acquiring much needed two bedroom bungalows off the open market, using a combination of one for one Right to Buy receipts and capital funding and planning to build 10 Homeless Hub "Move On" homes.

- 9.41 The current programme also enables the city council to continue with the estate focused approach to its planned maintenance programme as part of an ambition to deliver better quality estate conditions and environments to deliver more impact. This approach will include such items as replacement roofs, external doors, kitchens, bathrooms and central heating systems.
- 9.42 The proposed HRA capital programme will be funded via in year contributions, utilisation of reserves, capital receipts and borrowing.

HRA Outstanding Debt estimates

Table E	2019/20 Balances £ million	2020/21 Balances £ million	2021/22 Balances £ million	2022/23 Balances £ million	2023/24 Balances £ million	2024/25 Balances £ million
Prior Stock Transfer Debt Split	72.200	72.200	68.839	63.798	62.677	62.677
Market Loan Split	10.000	10.000	10.000	10.000	10.000	10.000
Stock Transfer (01/04/12) Debt	74.441	74.441	74.441	74.441	74.441	74.441
Accumulated New Debt	0	20.600	48.800	87.442	128.042	156.942
TOTAL	156.641	177.241	202.080	235.681	275.160	304.060

Funding Assumptions

- 9.43 The council recognises that the costs of investment and budget implications that may arise need to be well understood and planned for. In developing the capital programme the council has been able to leverage direct financial support to schemes. In developing the capital programme over the 5 years a number of assumptions are made in relation to the level of external support either through government grants or other external agencies. These assumptions are made because grants are notified to us over a short period and are prudently based on the view that these annual grants will continue at their present value. Once notified on the actual figure where this differs from the assumption the capital schemes will be adjusted; these schemes are shown in **annex L**.

Responding to demand change

- 9.44 The capital programme has been developed over a five year term and as such contains best estimates of costs, funding assumptions and expected delivery. Schemes put forward for approval as part of this report may be subject to change or removal during the period of the report reflecting changes resulting from funding amendments, revisions to estimates, reprioritisation or taking advantage of opportunities offered e.g. grants, external funding support. Where necessary, Cabinet/City Council will be asked to consider those changes, including the removal of schemes or their substitution as differing priorities emerge. Minor

changes will be managed in compliance with the financial regulations (virement) procedures. Major scheme changes, in particular those funded by the city council, will be reported to members and be clear on the financial impact and future liability to the council in respect of those changes. There are also a number of schemes that have been split into phases providing the opportunity for the council to ensure that funding is available prior to the next phase taking place.

Financing

- 9.45 When considering increased investment to improve the city this is balanced with overall affordability in the longer term. Where additional investment has to be met by the council in the form of borrowing this increases demand on revenue resources (to meet debt and interest payments). Assessment of the economic return to the city and the city council is of increasing importance to the decision to invest in a capital project.
- 9.46 The city council operates in accordance with CIPFA's Prudential Code for Capital Finance in Local Authorities (the Code) which requires the preparation of a number of prudential indicators. The Code sets out a framework for self-regulation of capital spending; in effect allowing councils to invest in capital projects which best meet their service delivery objectives as long as they are affordable, prudent and sustainable, subject to government reserve powers to restrict borrowing for national economic reasons. The objectives of the Code are to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. A revised set of indicators based on the capital programme proposed in this report are reflected in the Treasury Management Annual Borrowing and Investment Strategy 2020/21 and Minimum Revenue Provision Policy Statement 2020/21. The Prudential Indicators for 2020/21 to 2024/25 are included at **annex M** and the Minimum Revenue Provision Policy Statement 2020/21 is **annex N**.

Capital financing budget development 2020/21

- 9.47 The capital financing budget covers the cost of principal and debt incurred as a result of the proposed and previous capital programmes. For 2020/21 the capital financing budget is proposed at £23.4 million.
- 9.48 The budget has been rebased to cover the actual and expected costs of the capital programme. This rebasing has been reflected in the overall revenue budget proposals for 2020/21. This budget supports the liabilities in respect of the actual commitments for debt repayment, in the form of interest, and the Minimum Revenue Provision (MRP) which accounts for the principal expended, plus an assumption that £113.1 million of debt will be undertaken in 2020/21. This is detailed in the table below.

Table F: 2020/21 Budget	General Fund Debt £ million	HRA Debt £ million	All Debt £ million	General Fund Budget £ million	Note	HRA Budget £ million
2020/21 Budget				23.4		
<i>Consisting of;</i>						
- Interest on current debt/leases	460.6	74.4	535.0	16.8	1	2.6
- Interest on leases				0.3	1	
- Less HRA recharge debt split	(82.2)	82.2		(3.9)	1	3.9
- Assumed new debt for 20/21	92.5	20.6	113.1	1.9	2	0.3
- Minimum Revenue Provision				10.3	3	
- Interest on balances/other charges				(2.0)	4	(0.1)
Debt repaid			(6.9)			
Total	470.9	177.2	641.2	23.4		6.7

Notes

1. The debt and interest estimates for 2020/21 is - £641.2 million debt. £470.9 million is general fund with interest costs of £14.8 million plus £0.3 million finance lease charges. HRA is £177.2 million with interest costs of £6.8 million.
2. Included is new debt in 2020/21 estimated at £92.5 million General Fund and £20.6 million HRA phased over the year approximating to 50% of the year i.e. a part year cost of £1.9 million (full year £2.8 million) General Fund, £0.3 million (Full year £0.6 million) HRA.
3. MRP is estimated at £10.3 million
4. There is a net £2.0 million general fund credit for interest on investments and other recharges.

The implications of the capital financing costs of the HRA capital programme are managed within the overall HRA revenue budget.

Borrowing

- 9.49 The city council's capital programme is funded in part by borrowing. This borrowing requirement is not necessarily drawn down immediately but when required for the city council's cashflow. For financial and budget planning the assessment on the level of expected borrowing over the 5 years of the capital programme is determined using a number of considerations:

1. Determining the gross level of borrowing;
 - a. The amount of internal borrowing that currently exists. This is based on the capital expenditure that has taken place in the past which is temporarily financed by cash reserves.
 - b. The amount of new borrowing needed to finance the capital programme as proposed in the MTFs;
 - c. The amount of borrowing needed to on-lend to support business growth, currently this includes the loan to Fortior Homes and to GenR8 Hotel Ltd for the Smithfield Hotel.

2. An assessment is then made as to the expected level of borrowing needed each year over the next 5 years influenced by:
 - a. The net movement on reserves (increase or decrease);
 - b. The expected level of capital expenditure in the year funded by borrowing;
 - c. The expected repayment of any on-lending.

3. Estimating the timing of any debt and the estimated interest rates and repayment type and period.

Delayed (Unborrowed) liability

9.50 As summarised in the table below, based on the past and the proposed capital programme, produces a gross borrowing requirement of £503.8 million by the period of the capital programme. The assumed HRA borrowing (£156.9 million) financed by the housing revenue budget, leaves a balance of unborrowed liability falling on the general fund of £346.9 million. Borrowing during the 5 years is estimated at £317.5 million leaving an unborrowed general fund liability at the end of 2024/25 is estimated at £29.4 million. During the same period the council will repay £66.9 million of debt.

Estimated borrowing liability	Amount £ million	Amount £ million
Temporary Internal borrowing for Capital financing at the end 2018/19		44.5
Estimated total borrowing 2019/20 – 2023/24 December refresh		
– General Fund	199.4	
– HRA	37.6	237.0
2020/21 capital programme proposals		
– General Fund	103.0	
– HRA	119.3	222.3

Estimated borrowing liability	Amount £ million	Amount £ million
Total gross borrowing requirement at end of 2024/25		503.8
- Less: HRA borrowing element		(156.9)
General Fund Borrowing Requirement 2019/20-2024/25		346.9
- Less: Estimated Borrowing in 2019/20	(75.0)	
- Less: Estimated borrowing to be taken out in 2020/21 – 2024/25	(242.5)	(317.5)
General Fund unborrowed liability by end of 2024/25		29.4

Estimated Borrowing to 2024/25

- 9.51 The revenue budget to support interest charges on debt is required when actual debt is taken out however since the implementation of prudential borrowing in 2007, the city council has not needed to borrow the maximum amount of funds required to cover actual and planned capital expenditure, instead opting to run down existing cash resources in order to temporarily fund the capital programme (internal borrowing) and reduce the annual impact of borrowing costs on the revenue budget. The option to internally borrow will remain a key strategy into the future.
- 9.52 Taking account of revenue income and expenditure, based on cash flows generally remaining as currently and capital costs being incurred at an assumed rate an estimated level of borrowing has been calculated. The table below applies these estimates to show the future estimated full costs for debt taken in the year. The revenue implication of the estimates is included in the future capital financing budget. Where cash flows permit, the borrowing assumed will be delayed reducing the level of capital financing costs to the council and budget demand.

Estimated Forecast New Borrowing	General Fund		HRA	
	Per year £ million	Full year Cost £ million	Per year £ million	Full year Cost £ million
2019/20 (expected)	75.0	1.9	0.0	0.0
2020/21	92.5	2.8	20.6	0.6
2021/22	70.2	2.1	28.2	0.8

Estimated Forecast New Borrowing	General Fund		HRA	
	Per year £ million	Full year Cost £ million	Per year £ million	Full year Cost £ million
2022/23	42.5	1.3	38.6	1.2
2023/24	25.0	0.8	40.6	1.2
2024/25	12.3	0.4	28.9	0.9
Total	317.5	9.3	156.9	4.7

Summary estimated level of borrowing over next 5 years

9.53 The table below represents the estimated borrowing owing at the end of each year taking account of new debt assumed. During the period the council will also repay borrowing to reduce the overall amount owing during the year. These estimates are included in the borrowing and investment strategy of this report.

Financial Year	Total Borrowing £ million	Of which General Fund £ million	Of which HRA £ million	Loans repaid in year £ million
2019/20 year end	535.0	378.4	156.6	
2020/21 (estimate)	648.1	470.9	177.2	(6.9)
2021/22 (estimate)	739.6	537.5	202.1	(35.9)
2022/23 (estimate)	784.8	549.1	235.7	(20.4)
2023/24 (estimate)	830.0	554.8	275.2	(9.9)
2024/25 (estimate)	861.3	557.2	304.1	(6.9)

Minimum Revenue Provision (MRP)

9.54 The council general fund is required to set aside Minimum Revenue Provision (MRP) representing the capital costs of schemes funded by the council. Following the decision in 2015/16 to reprofile existing MRP charges by annuitising the costs the budget requirement will continue to rise gradually over future years, this commitment and the additional MRP budget resulting from the

2020/21 programme shown in the table below has been factored into the budget planning. The table below shows the net increase in MRP over period.

Financial Year	Budget increase £ million
2020/21	1.8
2021/22	2.1
2022/23	1.6
2023/24	1.0
2024/25	0.6
Total	7.1

Summary Capital Financing Budget

9.55 The borrowing and MRP requirement assumptions have been included in the capital financing budget, the 2020/21-2024/25 planned budget estimate for revenue capital financing is shown below.

Financial Year	Budget Required £ 000's	Movement £ 000's
Brought forward	18,957	4,484
2020/21	23,441	3,719
2021/22	27,160	2,821
2022/23	29,981	1,143
2023/24	31,124	1,398
2024/25	32,522	

The increased capital financing costs are incorporated into the overall revenue budget.

Return on Investments

9.56 The city council has invested in capital projects that aim to generate income streams / savings for the city council. When evaluating these schemes the net savings / income generated is calculated by considering the expected operating and financing costs. The net position informs the viability of the project.

The returns expected by the capital investment provide income to assist in the overall funding of the revenue budget including the capital financing costs. For the 2020/21 to 2024/25 programme the costs of the additional borrowing of £13.4 million is supported by expected returns of £16.3 million. The major schemes are shown in the table below;

Scheme	Investment £ million	Capital Financing Cost £ million	Gross income £ million	Net Return £ million
Commercial Properties	30.0	1.8	(2.1)	(0.3)
Fortior phase 2	28.1	0.5	(1.9)	(1.4)
Asset Maximisation	3.5	0.2	(1.2)	(1.0)
Smithfield Multi storey car park	15.0	0.8	(1.0)	(0.2)
Ceramic Valley Enterprise Zone	12.8	0.7	(1.6)	(0.9)
Spode and Stoke Town	4.4	0.1	(0.3)	(0.2)
HRA	125.0	7.5	(8.1)	(0.6)
TOTAL	218.8	11.6	(16.2)	(4.6)

9.57 The city council will continue to explore financing options to support the capital programme. These include the securing of external funding to minimise the impact on use of internal resources and the local tax payer. Given the reduction in the national availability of external funding sources there is a growing pressure for the city council to use non external resources in the form of revenue contributions, existing reserves, capital receipts or borrowing to deliver these investments.

9.58 In addition to the revenue funding required to support capital financing, revenue resources are also required to support the development of major schemes. Careful evaluation is undertaken of the funding, skills and other resources required in bringing the

capital programme to fruition. The revenue impact of the capital programme is provided in the revenue budget proposals presented as part of this agenda.

- 9.59 As part of the budget development for 2021/22 all projects and funding options will again be revisited and updated, including the assumptions in respect of financing costs, level of potential capital receipts, general resources forecast, external and private sector funding etc. In addition, there will be the opportunity to re-phase and reschedule investment to delay or stop certain projects to deliver the most beneficial package of outcomes to the local taxpayer and businesses within the overall level of resources available.

10. Capital Receipts Assumptions

- 10.1 In March 2016 the DCLG published a Capitalisation Direction which permitted capital receipts generated from 1 April 2016 to 31 March 2019 to be used to fund the revenue costs of transformation. The budget settlement announcement on 19 December 2017 extended the flexibilities for a further 3 years to 31 March 2022. This is a major concession as normally the use of capital receipts is constrained by statute for the funding of capital expenditure or the repayment of debt. It is proposed that the council will continue to apply this capitalisation opportunity so that any receipts generated will, in the first instance, be applied to finance revenue costs of transformation.
- 10.2 For this report a prudent level of receipts for transformation has been assumed. A summary of the capital receipts and planned revenue use is shown in the table below.

Detail	2018/19 Outturn £'000s	Forecast	
		2019/20 £'000s	2020/21 £'000s
Assumed Receipts	3,910	6,173	3,501
Use of receipts for transformation			
Redundancy costs	2,386	700	715
Children's Improvement Plan / Service Transformation	-	4,160	800
Transform Adult Social Care	57	-	-
Channel shift in Customer Services	196	-	55

Detail	2018/19 Outturn £'000s	Forecast	
		2019/20 £'000s	2020/21 £'000s
Strategic council transformation	863	575	1,054
Finance Transformation	-	-	158
Investment in IT systems / Business Change	551	738	741
Total	4,053	6,173	3,523

10.3 In the event that more receipts are generated than planned or revenue costs are lower there remains the option to apply them to revenue transformation or to finance capital expenditure.

10.4 There remain a number of capital receipts that will continue to be applied to finance the capital programme principally in respect of HRA capital investment and, from 2022/23 onwards, when the current capitalisation direction expires, general fund receipts generated which, once again, may only be used to support capital financing. The table below reflects the funding assumptions used to support the financing of the capital programme.

Detail	2020/21 £'000s	2021/22 £'000s	2022/23 £'000s	2023/24 £'000s	2024/25 £'000s	Total £'000s
General fund	-	-	-	-	-	-
Ring-fenced receipts	62	-	-	-	-	62
HRA Receipts	5,300	8,000	9,300	9,300	9,300	41,200
Total	5,360	8,000	9,300	9,300	9,300	41,262

10.5 The timing of capital receipts has been incorporated into the funding arrangements for the proposed capital programme. Should receipts not be realised in line with the assumptions in the table above the programme will be adjusted to reflect those changes.

10.6 There are ring-fenced pre 2016/17 housing receipts of £0.062 million to use for the funding of clearance sites. These receipts are not applicable to the capitalisation direction.

11. Treasury Management

Background

- 11.1 The city council operates in accordance with CIPFA Codes of Practice namely:
- CIPFA Code of Practice for Treasury Management in Public Services (the “CIPFA TM Code”) (revised 2018);
 - CIPFA Prudential Code for Capital Finance in Local Authorities. (revised 2017);
- And has regard to the MHCLG statutory guidance on investments and Minimum Revenue Provision.
- 11.2 The CIPFA Codes have been revised and incorporate a number of amendments and clarifications:
- The development of a capital strategy (linking both the codes); providing a high level context setting and strategy with key indicators;
 - Confirmation that the codes apply to all investments (treasury and non-treasury);
 - Recognition that for non-treasury investments the principle of placing security and liquidity above yield may not be appropriate in all cases but decisions should be explicit;
 - Approval of strategy remains the responsibility of City Council but detail can be delegated;
 - Encouragement of local indicators - to include HRA indicators;
 - Requirement for the Chief Financial Officer to report on risks;
 - Report on the Councils designation under the Markets in Financial Instruments Directive (MiFID II).
- 11.3 The original MHCLG (2010) guidance was focused on treasury management investments. As authorities are now increasingly investing in non-financial assets, they too have now been brought into the scope of the guidance introducing a new requirement to distinguish between those investments made for treasury management purposes and other (non-treasury) cash and non-cash investments. The guidance retains the requirement for an Investment Strategy to be prepared at least annually and approved by City Council, these requirements have been incorporated into this report.
- 11.4 The CIPFA codes of practice require the council to determine and approve the Treasury Management Policy Statement and Prudential Indicators (PI's) on an annual basis. The policy provides the policies, objectives and approach to risk management of the council's treasury management activities by producing an Annual Borrowing and Investment Strategy supported by Prudential Indicators and a Minimum Revenue Provision Statement.
- 11.5 Underpinning the policy statement are a number of day to day procedures governed by the city council's Treasury Management Practices, which adhere to the CIPFA TM Code, setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

- 11.6 The Treasury Management Practices include delegated authority for borrowing and investing to permit day to day transactions to be undertaken and allow for swift reaction to market conditions in respect of borrowing and investment. The responsibility for this function falls within the City Director's Directorate.
- 11.7 The council will receive and approve an annual strategy and plan and delegates responsibility for the implementation and regular monitoring of its treasury management activities to Audit Committee who will receive quarterly reports to support their role in governance. These reports will also be presented to Corporate Services Overview and Scrutiny Committee on request.
- 11.8 The revised code and guidance requirements therefore are to develop for approval these are appended as shown:
- Capital Strategy Report covering the period of the capital investment - **annex J**
 - Annual Treasury Management Policy statement - **annex O**
 - Annual Treasury Management and Annual Borrowing and Investment Strategy including Prudential Indicators - **annex M**
 - Annual Minimum Revenue Provision Statement - **annex N**

Treasury Management Strategy

- 11.9 The council defines its treasury management activities as:
The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 11.10 The council regards the identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- 11.11 The council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

External Outlook

- 11.12 The economic and interest rate forecast provided by the council's current treasury management advisor, Arlingclose Ltd, underpin future assumptions on borrowing and investment, those assumptions are summarised below¹

¹ As at November 2019

Economic background: *The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2020/21.*

The General Election has removed some uncertainty within the market, however following the expected Withdrawal Bill, uncertainties around the future trading relationship with the EU remain.

GDP growth rose by 0.4% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.1% from 1.2%. Services, construction and production added positively to growth, by 0.5%, 1.2% and 0.1% respectively, while agriculture recorded a fall of 0.1%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

The headline rate of UK Consumer Price Inflation remained the same in November 2019 at 1.5% year-on-year, the same as October 2019, however continuing to fall from highs of 2.1% in July and April 2019 as accommodation services and transport continued to contribute to a level of inflation below the Bank of England target of 2%. Labour market data continues to be positive. The International Labour Organisation (ILO) unemployment rate continues to hold at historic lows at 3.8%, its lowest level since 1975. The 3-month average annual growth rate for pay excluding bonuses rose to 3.5% in November 2019 providing some evidence that a shortage of labour is supporting wages. However, adjusting for inflation this means real wages were only up by 0.9% in October 2019 and only likely to have a moderate impact on household spending.

Domestic inflationary pressures have abated, as domestic gas and electricity price freezes have taken effect until 2020. The price of oil has fallen through the year, despite a rise in prices in December 2019. The limited inflationary pressure from real wages will likely keep inflation below the Bank of England target of 2%. The Bank of England maintained Bank Rate to 0.75% in November following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

The US economy has continued to perform relatively well compared to other developed nations; however, the Federal Reserve has started to unwind its monetary tightening through 2019. The Federal Reserve has cut rates three times to 1.5% - 1.75%, to stimulate growth as GDP growth has started to fall (to 2.1%).

The fallout from the US-China trade war continues which, risks contributing to a slowdown in global economic activity in 2019. Recent suggestions have been an initial compromise and potential unwinding of tariffs; however, this can change quickly. Slow growth in Europe, combined with changes in leadership at the ECB and IMF has led to a change of stance in 2019. Quantitative easing has continued and been extended.

Credit outlook: *The recent Bank of England stress tests assessed all seven UK banking groups. The tests scenarios include deep simultaneous recessions in the UK and global economies that are more severe overall than the global financial crisis, combined with large falls in asset prices and a separate stress of misconduct costs. All seven banks passed the test. Major banks have steadily increased their capital for many years now. However, there are a number of shortcomings in the Bank's approach; timeliness as the results are over 11 months of out date when they are published, being based on end-2018 balance sheets; ringfencing, as the tests ignore the restrictions on transferring capital between ringfenced "retail" banks and non-ringfenced "investment" banks within the larger groups and; coverage – the tests should be expanded to cover a wider range of UK banks and building societies.*

The Bank of England will seek to address some of these issues in 2020, when Virgin Money/Clydesdale will be added to the testing group and separate tests will be included of ringfenced banks.

Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers.

Looking forward, the potential for a "no-deal" Brexit and/or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits remains advisable.

Interest rate forecast: *The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the upcoming general election, the need for greater clarity on Brexit and the continuing global economic slowdown. The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its November Monetary Policy Report and its Bank Rate decision (7-2 vote to hold rates) that the MPC now believe this is less likely even in the event of a deal.*

Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.

An economic and interest rate forecast provided by Arlingclose is attached at **annex P**.

For the purpose of setting the budget, it has been assumed that new treasury management investments will be made at an average rate of 0.75%, and that new long-term loans will be borrowed at an average rate of 3.00%.

Brexit

- 11.13 The impact of leaving the EU on financial markets is unknown however opportunities to invest may alter as funds continue to be domiciled outside of the UK, this may require a change in the treasury management limits. For regulatory purposes it is assumed

that current EU regulations will become enshrined in UK law and therefore continue as currently. Any changes in legislation will be adhered to and their impact assessed.

Bail-in

- 11.14 The Financial Service (Banking Reform) Act 2013 prevents government from supporting banks in the event of the bank having financial difficulties without the bank first taking measures to resolve those difficulties. Commonly known as Bail-in legislation it requires that large investors including local authorities may have their investments applied to rescue failing banks rather than, as previously, that rescue falling on taxpayers.
- 11.15 The impact of a bail-in depends on, the size of loss incurred by the bank, the amount of equity capital and junior bonds that can absorb those losses, and the proportion of investments that are exempt from bail-in. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the authority that are exempt from bail-in typically insured deposits, covered bonds and repurchase agreements. Insured deposits are classed as a preferred creditor, ranking above others in the event of insolvency, the council will therefore make investments that aim to reduce this bail-in risk.
- 11.16 Financial Services Compensation Scheme regulations do not permit public sector and financial organisations, including pension funds and money market funds, eligibility for compensation, the rationale being that “public authorities have much better access to credit than citizens, so should not be eligible for protection.”
- 11.17 These changes do not in themselves increase the risk of any bank defaulting, they will definitely increase the loss given default. Losses from either a bail-in or an insolvency process will be larger than they would otherwise have been, since there will be fewer creditors among which to share the losses.

MiFID II

- 11.18 The Markets in Financial Instrument Directive 2014/65 (MiFID II), an EU directive, has been introduced to tighten the regulation of financial markets with the expected outcome to protect investors. The change occurred in January 2019 and Local authority investors are defaulted to a retail client, the same as individuals and SME's, but have the option to elect to become a professional client.
- 11.19 Having retail status the council will receive more advice on the specific risks of investments. Access to certain investments will however be unavailable where considered too risky to be offered to a retail client and some financial institutions will no longer transact with retail clients. It is not considered a major issue with our current investment strategy to retain low cash balances.

To elect to be a professional client the council must hold a constant minimum investment balance of at least £10 million throughout the year, given our policy of holding low levels of cash and to minimise borrowing costs the council cannot guarantee the minimum cash requirement for the whole year. Consequently, the council has elected to be a retail client. There are considerations that the minimum investment balance required to be a professional client will reduce, should this be the case the council will reconsider its status.

11.20 The council's treasury management advisors will continue to keep the council informed of any emerging position surrounding the credit position of the banks. To mitigate the impact the Treasury Management Strategy proposes to ensure diversification of deposits and investment vehicles across banks and other organisations to reduce any potential risk to loss.

Borrowing Strategy

11.21 The borrowing strategy is to minimise the level of debt costs utilising either internal resources to fund capital expenditure and maturing debt, or where applicable to take advantage of short-term variable borrowing to cover shortfalls in the cash flow. The council will continue to monitor interest rates to take advantage where the need to borrow arises.

11.22 The council's main objective when deciding when to borrow money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. Should the council's long-term plans change the flexibility to renegotiate loans is a secondary objective.

11.23 The borrowing strategy is influenced by the difference between borrowing and investment interest rates over the short and long term, this difference creates a "cost of carry". With short-term interest rates currently much lower than long-term rates the cost of carry is likely to remain an issue for the foreseeable future and consequently borrowing will take place when cash requirements dictate.

The council will adopt a flexible approach to this borrowing in consultation with its treasury management advisors. The following issues will be considered prior to undertaking any external borrowing:

- Affordability
- Maturity profile of existing debt
- Interest rate and refinancing risk
- Borrowing source.

Current Debt

11.24 As at 31 March 2020, the council is expected to have, including the HRA, £535.0 million of loans. This is made up of Public Works Loans Board (PWLB) loans of £495.0 million, £20.0 million loans from Dexia a Lender's Option Borrower's Option (LOBO) and £20.0 million inter-authority loans. Details including the average interest rate are highlighted in the table below.

Current Debt Portfolio Position

		Principal £ million		Av. Rate %
Fixed rate funding	PWLB	495.030		
	Market	40.000	535.03	3.29%
Variable rate funding	PWLB	0.000		
	Market	0.000	0.000	0.000

11.25 A LOBO is called when the Lender exercises its right to amend the interest rate on the loan at which point the borrower can accept the revised terms or reject them and repay the loan. LOBO loans present a potential refinancing risk to the council since the decision to call a LOBO is entirely at the lender’s discretion. The next drawdown date for the LOBO loans is 2021/22 however, the assumption made by our Treasury Management advisors is that it was highly unlikely that the lender would exercise their options in the current low interest rate environment.

11.26 In conjunction with advice from its treasury advisor the council will keep under review the following borrowing sources:

- Public Works Loans Board (PWLB)
- Municipal Bonds Agency plc
- Other Local Authorities
- Commercial Banks
- Internal
- Capital markets (stock issues, commercial paper and bills)
- Structured finance

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

- Leasing
- Hire purchase
- Private Finance Initiative
- Sale and leaseback

The council has previously raised the majority of its long-term borrowing from the PWLB but does investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates. Any borrowing may be a mix of the sources identified above based on the funding requirements and forecast cash position of the city council at the time any borrowing is determined.

Capital Financing Requirement

- 11.27 The city council’s underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR is the key element of the Authority’s treasury management activities particularly in relation to borrowing and represents the maximum upper limit of borrowing permitted, not the actual required. The CFR includes all types of borrowing, including finance leases and PFI which are classed as a form of borrowing.
- 11.28 CIPFA’s Prudential Code for Capital Finance in Local Authorities recommends that the authority’s total debt should be lower than its highest forecast CFR over the reporting period. As the expected level of borrowing is lower than the borrowing requirement incorporated into the CFR, the council expects to comply with this recommendation.
- 11.29 From the start of 2020/21 a new accounting standard for Leases - IFRS 16 - will be implemented. The new standard changes the way in which lessee accounting operates and requires lessees to record the value of “Right of Use” leased assets on its balance sheet. The rationale for the change is to disclose the value of future liabilities the entity will incur, previously these costs were expended on an annual basis and not shown as a liability.
- 11.30 The consequences of the introduction of this new standard will be to increase the Capital Financing Requirement by the corresponding present value of the future lease liabilities. The change of this standard does not impact on the current revenue budget of the council as lease costs will continue to be funded as before. In the event that the estimate is changed as a result of amendments or additions to leases, the Prudential Indicators will be amended accordingly.
- 11.31 The borrowing requirement for the city council resulting from its capital programme is incorporated into the CFR. The capital financing requirement represents the maximum expected level of borrowing to finance capital and is based on existing and historic capital approvals.

31.3.19 Actual £ million		31.3.20 Forecast £ million	31.3.21 Forecast £ million	31.3.22 Forecast £ million	31.3.23 Forecast £ million	31.3.24 Forecast £ million	31.3.25 Forecast £ million
488.028	General Fund CFR	567.080	678.343	714.400	717.137	705.725	680.880

156.641	HRA CFR	156.641	177.241	202.080	235.680	275.160	304.060	
644.669	Total CFR	723.721	855.584	916.480	952.817	980.885	984.940	
	<i>Represented by:</i>							
90.200	PFI liabilities	81.315	74.674	67.865	60.413	51.955	41.671	
0.908	Finance Leasing debt liabilities	0.655	0.397	0.132	-	-	-	
-	Right of use debt liabilities	-	0.591	0.353	0.236	0.860	0.635	
553.561	Borrowing debt liabilities	641.751	779.922	848.130	892.168	928.070	942.634	The overall level of

borrowing is a mixture of three principal aspects, actual debt, leases and PFI schemes and internal borrowing. Internal borrowing represents temporary delayed borrowing which will eventually be replaced by external borrowing e.g. as reserves are applied. The requirement for actual borrowing takes into account estimated cash balances and levels of income and expenditure. The estimated level of borrowing for General Fund and HRA assumed during the next five years is shown below:

	Total Borrowing £ million	Of which General Fund £ million	Of which HRA £ million	Loans repaid in year £ million
2019/20 year end	535.0	378.4	156.6	
2020/21 (estimate)	648.1	470.9	177.2	(6.9)
2021/22 (estimate)	739.6	537.5	202.1	(35.9)
2022/23 (estimate)	784.8	549.1	235.7	(20.4)
2023/24 (estimate)	830.0	554.8	275.2	(9.9)
2024/25 (estimate)	861.3	557.2	304.1	(6.9)

The estimated borrowing, actual external debt and usable reserves combine to inform the council's borrowing requirement and potential investment strategy in the current and future years.

Housing Debt

11.33 The table below shows the split of estimated HRA total debt over the next 5 years and assumes borrowing based on all of the funding assumed within the capital programme being utilised. In the event that schemes are delayed or alternative funding becomes available the actual borrowing may be lower.

HRA Estimated Debt

	2019/20 Balances £ million	2020/21 Balances £ million	2021/22 Balances £ million	2022/23 Balances £ million	2023/24 Balances £ million	2024/25 Balances £ million
Prior Stock Transfer Debt Split	72.200	72.200	68.839	63.798	62.677	62.677
Market Loan Split	10.000	10.000	10.000	10.000	10.000	10.000
Stock Transfer (01/04/12) Debt	74.441	74.441	74.441	74.441	74.441	74.441
Accumulated New Debt	0	20.600	48.800	87.442	128.042	156.942
TOTAL	156.641	177.241	202.080	235.681	275.160	304.060

Debt Rescheduling

11.34 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Where this is expected to lead to an overall cost saving or a reduction in risk the authority may take advantage of this and replace some loans with new loans, or repay loans without replacement. Borrowing and rescheduling activity will be reported in the Annual Treasury Management Outturn Report and the quarterly treasury management reports presented to the Audit Committee. It is unlikely that there will be any rescheduling of debt during 2020/21.

Investment Strategy

11.35 Both the CIPFA Code and the MHCLG Guidance require the council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The strategy adopted by the council for 2020/21 will be to achieve the maximum amount of interest from investments without incurring significant risk, this will be at the expense of yield.

Objectives

The council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the council will aim to achieve a total return that is equal or higher than the prevailing rate of

inflation, in order to maintain the spending power of the sum invested. Given the low returns from investments and the costs of debt, the Authority aims to retain low cash balances but invest cash into secure asset classes during 2020/21.

Business Models

11.36 Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's classification of those investments (the "business model") which is based on how those investments are managed in order to generate cash flows. IFRS 9 identifies three types of business models: 'hold to collect', 'hold to collect and sell' and 'other'.

The objective of the 'hold to collect' business model is to hold financial assets to collect their contractual cash flows, rather than with a view to selling the assets to generate cash flows. Under the 'hold to collect and sell' business model, the objective is to both collect the contractual cash flows and sell the financial asset. In contrast to the 'hold to collect' sales are integral rather than incidental, and consequently this business model typically involves a greater frequency and volume of sales. Other are all those that do not meet the previous classifications, these can include investments where the primary objective is realising cash flows through sale.

The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

11.37 The MHCLG guidance distinguishes between investments for treasury management purposes and other (non-Treasury) cash and non-cash investments. Treasury management investments being, for example, short term investments with the bank or other financial institution, these will follow the Treasury Management Code. Other non-Treasury cash investments can include loans to 3rd parties including loans to wholly owned subsidiaries and other non-cash investments including assets held by the council for investment return purposes including investment property portfolios.

Non-Treasury investments

11.38 The non-treasury investments includes monitoring of investment properties and investments in subsidiaries and the proportionality of these types of investments against other income the Council receives in order to consider and highlight the overall level of reliance on commercial income within the council's budget.

11.39 The council owns shares to the par value of £3.271 million at the end of 2018/19 and expect to hold £12.290 million by the end 2019/20 and £19.383 million by 2020/21 on investments including wholly owned subsidiaries. The investments in the companies are held with the primary intention to receive a return which is expected to contribute 1.78% of the overall net budget. Under the revised prudential code, we are required to show our share investments, a summary is shown below:

Investment	2018/19 actual		2019/20 estimate		2020/21 estimate		Return as a %age of net budget (£229.2m) %
	Shares par value £	Shares fair value £000	Shares par value £	Estimated Dividend £000	Shares par value £	Estimated Dividend £000	
Fortior Homes Ltd	3,252,195	3,226	12,271,000	0	16,852,000	0	-
Fortior Homes Ltd (Ph 2)					2,512,000	0	-
Unitas (Stoke-on-Trent) Ltd	1	9,442	1	2,600	1	2,600	1.11
Stoke Energy Co Ltd ²	1	-	1	0	1	0	-
Stoke on Trent Regeneration Ltd	19,000	5,119	19,000	1,500	19,000	1,500	0.67
Total	3,271,197	17,787	12,290,002	4,100	19,383,002	4,100	1.78

11.40 The council has and expects to make the following non treasury investments in respect of loans to Fortior Homes, a wholly owned subsidiary and GenR8 Hotel Ltd as follows:

Organisation	Expected total amount invested £000	Period of investment		Duration
		Earliest provided	Latest provided	
Fortior Homes	35,810	Feb 18	Mar 22	10 years
Fortior Homes (Phase 2)	28,149	April 20	Mar 24	10 years
GenR8 Hotel Ltd	6,887	Jun 18	Dec 19	6.5 years
Total	70,846			

² The Stoke Energy Co is not expected to derive an income for the council in the initial phase but will provide a low cost base for energy thereby reducing current costs.

The loan exposure for these loans measured against the expected total council debt for 2019/20 represents 13.23%. (£70.8m/£535.0m). The loans are to support and deliver two key aims:

- to generate a return to the council to support strategic services and reduce the dependency on government support and
- to address the shortage of private rented sector homes and high quality hotel accommodation.

Security

11.41 To reduce the risk of financial loss on the investments, the council have secured the investment against the assets constructed from the loan advanced specifically private rented sector properties located about the city and the hotel constructed on the Smithfield site. There is a point where the value of the assets secured against the investment is expected to reach a position where their value exceeds that of the value of the debt outstanding. The assets for Fortior Homes are expected to reach this position by the end of 2020/21. For the hotel, this point is expected to be reached by the December 2020.

11.42 The loans are planned to be financed from prudential borrowing. The borrowing is assumed to take place at the point the loan is made and not in advance of need. The loans are secured against the properties being constructed and/or purchased. In the event of any default the assets may be disposed of to liquidate the loans made. In the case of Fortior Homes the council has the first charge on the assets of the company, the value of these assets is expected to exceed the overall the overall investment made by the council of £52.7 million by the end of 2020/21 when asset values are estimated at £53.6 million, an investment to value ratio of 98%. For the hotel the council has a second charge on the asset after the principal lender. The value of the asset is expected to be £18m upon completion, a loan to value ratio of 38%.

Risk Assessment

11.43 In considering a loan arrangement the council assesses the risk of loss before entering into it. For the current loans demand for rented sector and hotel accommodation was assessed as part of the original business cases. This assessment included the risks and opportunities of the current market and future demand estimates and was supported by the use of independent advisors who understand the market conditions locally. The investments will be assessed for any unexpected losses and accounted for under IFRS 9 Financial Instruments. The loans are also incorporated in the prudential indicators.

11.44 The council holds a small number of assets (62) that are classed as investment properties under accounting standards. Under the revised prudential code, we are required to show the loans and expected returns, the expected returns are shown in the table below:

Measure	Position as at 31/03/19	Estimated 2019/20	Estimated future full year effect
Loans made to subsidiary companies	<ul style="list-style-type: none"> Gross return £0.24m Less: Capital Financing Costs £0.12m Net surplus £0.12m represents 0.05% of net revenue budget. 	<ul style="list-style-type: none"> Gross return £1.48m Less: Capital Financing Costs £0.58m Net surplus £0.9m represents 0.39% of net revenue budget. 	<ul style="list-style-type: none"> Gross return £1.98m Less: Capital Financing Costs £0.83m Net surplus £1.15m represents 0.50% of net revenue budget.
Loans made to other companies	<ul style="list-style-type: none"> Gross return £0.08m Less: Capital Financing Costs £0.03m Net surplus represents 0.02% of net revenue budget. 	<ul style="list-style-type: none"> Gross return £0.39m Less: Capital Financing Costs £0.14m Net surplus £0.25m represents 0.11% of net revenue budget. 	<ul style="list-style-type: none"> Gross return £0.40m Less: Capital Financing Costs £0.14m Net surplus £0.26m represents 0.11% of net revenue budget.
Contribution Investment Properties make to core functions	<ul style="list-style-type: none"> Direct Net surplus was £0.91m Less: Capital Financing costs estimated at £0.88m Net surplus £0.03m represents 0.02% of net revenue budget. 	<ul style="list-style-type: none"> Direct Net surplus 19/20 of £1.27m Less: Capital Financing costs estimated at £0.88m Net surplus £0.39m represents 0.17% of net revenue budget. 	<ul style="list-style-type: none"> Direct Net surplus 20/21 of £2.42m Less: Capital Financing costs estimated at £0.88m Net surplus £1.08m represents 0.50% of net revenue budget.

The returns reflect an assumed level of vacancy to recognise changes in tenants and hotel occupancy.

In the event that the income returns are not received in either the quantum or in the timing, the council will review its revenue budgets and make the necessary adjustments to ensure the budget remains balanced.

Treasury Investments

11.45 The forecast for the forthcoming year is for the levels of Treasury investments to reflect the budget set at £100,000. Since the 1 April 2019 to the end of December 2019, the average investment balance has been £20 million generating an average return of 0.74%.

11.46 Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the authority to diversify into asset classes other than cash without the need to own and manage the underlying investments.

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the authority's investment objectives will be monitored. The policy permits the consideration to invest in property funds and place funds with external fund managers. This will mean placing funds for periods in excess of between 3 and 5 years, this remains unlikely given the policy to hold low levels of liquidity.

- 11.47 Money Market Funds (MMFs) will be utilised where appropriate but good treasury management practice prevails and whilst MMFs provide good diversification the Authority will also seek to diversify any exposure by utilising more than one MMF. MMF's in addition to call accounts offer immediate access to funds, thus maintaining a high degree of liquidity. The authority will also restrict its exposure to MMFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of the MMF.
- 11.48 Investment returns in Treasury Bills continue to be monitored and the facility used where appropriate. While offering a high level of security this form of investment provides a lower rate of return to the council.
- 11.49 The council's treasury management advisors regularly monitor and advise the council on the financial standing of select countries and financial institutions to support treasury investment, the areas monitored are:
- Published credit ratings for financial institutions
 - Credit Default Swaps (where quoted)
 - Economic fundamentals (for example Net Debt as a percentage of GDP)
 - Sovereign support mechanisms
 - Share Prices
 - Corporate developments, news, articles, markets sentiment and momentum
 - Subjective overlay – or, put more simply, common sense
 - Any institution can be suspended or removed should any of the factors identified above give rise to concern.
- 11.50 Investments will be placed with a range of approved investment counterparties in order to achieve a diversified portfolio of prudent counterparties, investment periods and rates of return. The council will continue to use the security of the principle invested as the main factor when placing any investments.
- 11.51 The proposed levels of maximum investment for UK and Non-UK banks are detailed in the tables below. While mindful of the need to provide a return on investments, investment decisions will be made to retain security and liquidity and will not be influenced by the income budget set. It should be noted that although the following tables show the maximum amount that can be held in any counterparty or group to be agreed as part of this strategy, this will fluctuate throughout the year based on the advice of Arlingclose. The authority and its advisors remain vigilant for signs of credit or market distress that might adversely affect the authority.

UK Institution limits based on credit rating

Credit Rating / Investment Limit	Gov't Agency	AAA to A+	A and A-
Unlimited	✓		
£10 million		✓	
£8 million			✓

Non-UK Institution limits based on credit rating

Credit Rating / Investment Limit	AAA	AA+	AA	AA-
£8 million	✓			
£6 million		✓		
£4 million			✓	
£2 million				✓

11.52 The city council will continue to invest funds in the UK for durations appropriate with the rating and risk. The value of an investment in both UK and non-UK institutions will be dependent upon their credit ratings detailed in the tables above. The maximum duration of the investment will be strictly in line with advice from the council's treasury management advisors. If it is deemed further sovereign diversification is required (by the s151 Officer) then only institutions within triple A rated sovereign countries should be considered.

11.53 Some investment types available to the authority, for example, Covered Bonds or Covered Floating Rate Notes offer the opportunity to take advantage of a highly rated investment in an institution that may not meet the criteria set out in the tables above. These types of investments are secured on the bank's assets which means they are exempt from bail-in. There is also an available market where they can be traded should the authority wish to sell them prior to the date of maturity in the event of the credit rating of the institution falling below the minimum level set by the authority. The authority will ensure that any new investment opportunity is discussed with their advisors prior to undertaking.

On-Call Accounts

11.54 The authority currently banks with Lloyds. Lloyds have a credit rating of A+. There is a bail-in risk associated with maintaining a non-covered investment with this or any other bank. This is mitigated in part by the investment being on-call permitting the council to withdraw the funds by mid-day and investing in another institution. Post mid-day access to the funds remains but the ability to transfer those funds to another institution is severely limited due to banking.

Risk Management

11.55 Throughout this report we have commented on issues concerning risk within the treasury management function. Risk management is at the forefront of all treasury decisions as, whilst not being risk averse, informed decisions must be made to safeguard the public purse. In line with the city council's Corporate Risk Management Strategy a risk register has been compiled for the treasury management function and mitigating controls included. This is included in the Risk Register attached to this report at **annex Q**.

Treasury Management Indicators

11.56 The council measures and manages its exposures to treasury management risks using the following indicators:

Security

The council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit	AA-

Liquidity

The council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount it can borrow each year without giving prior notice.

Liquidity risk indicator	Target
Total sum borrowed in the year without prior notice	£150 million

The amount to be borrowed above is based on the estimated borrowing requirement for the capital programme plus temporary borrowing for the lump sum payment to the Staffordshire Pension Fund as approved by Cabinet in November 2019.

Interest Rate Exposures

This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 0.5% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 0.5% <u>rise</u> in interest rates	£745,000
Upper limit on one-year revenue impact of a 0.5% <u>fall</u> in interest rates	(£745,000)

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

Maturity Structure of Borrowing

This indicator is set to control the council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing Rate Risk Indicator	Upper Limit	Lower Limit
Under 12 months	20%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	25%	0%
5 years and within 10 years	25%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than a year

The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2020/21	2021/22	2022/23
Limit on principal invested beyond year end	£2m	£1m	£1m

Governance

- 11.57 CIPFA's Code of Practice requires the *responsible officer* (s151 officer) to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

At the end of the financial year the city council will report on its investment activity as part of its Annual Treasury report. Update reports will continue to be presented to Audit Committee for scrutiny and Corporate Services and Overview and Scrutiny Committee for comment on a quarterly basis.

Members should be aware that under Financial Regulations section 16.04 '*On approval of the Treasury Management Strategy, the city council shall delegate authority for the implementation, management and administration of treasury management decisions to the s151 Officer*', thus giving the necessary freedom and flexibility to make quick decisions.

12. Robustness of the budget and the adequacy of the city council's reserves

- 12.1 The 2003 Local Government Act stipulates that the council's Section 151 Officer should report to Members on the robustness of budget estimates and the adequacy of proposed reserves. This opinion is set out below and a position statement on the city council's reserves is included at **annex R**. The statement includes estimates of future reserve levels based on known plans, risks and commitments.
- 12.2 There is a legal requirement for the Section 151 Officer to make a detailed statement on the adequacy of the level of reserves and the robustness of the budget setting process. This statement is contained in the following section.
- 12.3 There is no prescriptive guidance on the level of general reserves for the city council or indeed any authority. The level is based on the professional judgement and opinion of the council's Section 151 Officer. Based on the council's current circumstances, future plans and exposure to risk, it is the opinion of the Section 151 Officer that it is prudent and reasonable for the council to aim to have a general reserve balance of around £11 million by the end of March 2021.

Professional opinion of the city council's Assistant Director – Finance (Section 151 Officer)

- 12.4 Despite the challenges presented, my conclusion is that the budget as set out in this report is legal, robust and sustainable. This opinion has been formed based upon the following rationale:

- The Medium Term Financial Strategy builds on previous years and the Mid-Year Update Report 2019/20 presented to City Council on 17 October 2019.
- Members developed a clear formulated strategy early in the process based on the council's vision for 2020-2024 to maintain essential services for the city's residents and creating and sustaining a successful economy.
- The city council has considered emerging risks such as the uncertainty of funding after 2020/21, and other external factors such as the potential impact of Brexit, and internal risks including increased commercial activity, and the challenges faced by all councils relating to increasing demand for services like social care and is increasing the level of the General Reserve to cover the risk associated with these uncertainties. Announcements from government in relation to funding beyond 2020/21 will be closely monitored.
- The council has a proven record of delivery of significant savings each year, over a number of years. This has been achieved through robust financial management, strict budgetary control and the on-going monitoring of both savings and investment delivery plans. Where savings haven't been achieved alternative savings have been delivered.
- A range of unavoidable demand pressures, for example, those relating to children's and adult social care, have been recognised and built into the budget process, along with a number of service improvements, some of which will have longer term financial benefits.
- The council's effective financial management is reflected in the Annual Audit Letter.

It is important to note that whilst the levels of projected reserves and balances are deemed to be adequate, should any unforeseeable, extraordinary items of major expenditure be incurred, subject to the magnitude of the event, it would have to be funded from existing general reserves. It is vital that the council continues to manage its resources well which is supported by the medium term financial strategy.

Nick Edmonds, CPFA
Assistant Director - Finance (Section 151 Officer)

Budget Consultation Feedback

The council's draft budget proposals for 2020/21 were formally launched on 6 January 2020 to all residents, elected members, staff, and the media and included details of the capital and revenue investments and saving proposals in each priority area.

An open event took place on 14 January 2020 which offered the opportunity to everyone who lives or works in the city to talk to cabinet members and senior council officers about the proposals and about how the Stronger Together priorities are helping to shape the future of the city. The event also offered the chance for people to ask questions, offer ideas and give views on the budget proposals.

A StokeonTrentLive 'Question and Answer' session was also held on 16 January 2020, this offered people an opportunity to put questions forward on the budget proposals

The public consultation will end on 19 February 2020.

The main concerns and comments received to date, during the consultation period, are shown below:

Saving Reference	Detail of Proposal	Comments Received
VS01-2021	Contributions will be made by non-statutory school age users of SEN transport.	<ul style="list-style-type: none"> Concerns about which children will be denied transport and ability to attend school
VS02-2021	Review of Small Group Homes.	<ul style="list-style-type: none"> Concerns regarding the impact on families in the city
VS06-2021	The current Mental Health Section 75 contract will be reviewed to deliver improved value for money.	<ul style="list-style-type: none"> Concerns that a reduction in this contract will have disproportionate effect on the most vulnerable residents in the city
VS07-2021	Restructure of the wellbeing support worker service moving to local area co-ordinators model.	<ul style="list-style-type: none"> Concerns that a reduction in this area will have disproportionate effect on the most vulnerable residents in the city Concerns that the reduction in this area will impact on other service areas within the council
VS09-2021	The Shopmobility service will be reviewed. The existing reserve will be used to support the service in 2020/21 with a view to becoming self-sustaining in future years.	<ul style="list-style-type: none"> Concern that if the service closes it will take away the independence of service users
PS03-2021	Special Education Needs Disability, Information, Advice and Support Services (SENDIASS) restructure.	<ul style="list-style-type: none"> Concerns that the reduced team will not be able to provide the same level of support

Budget Consultation Feedback

Saving Reference	Detail of Proposal	Comments Received
PS07-2021	A review of public health contracts including Community Drug and Alcohol Services and Stop Smoking Service.	<ul style="list-style-type: none"> • Concerns about the reduction in support from users of the Drug and Alcohol Service • Concerns that a reduction these contracts will have disproportionate effect on the most vulnerable residents in the city
CMS03-2021	Review of Organic Waste collection period	<ul style="list-style-type: none"> • Concerns about the impact on recycling rates
CMS05-2021	Residents' car parking permit fee increase.	<ul style="list-style-type: none"> • Concerns about affordability of the permit • Concerns that residents will park in neighbouring streets instead of buying a permit.
CMS06-2021	Increase to fees and charges for Bulky Waste from £16 to £40 for 5 items.	<ul style="list-style-type: none"> • Concern that increase will result in more fly-tipping • Concerns that the increase in charge is too big
CMS07-2021	Reduction in Housing Related Support (HRS) services and certain Citizens Advice Bureau grants.	<ul style="list-style-type: none"> • Concerns that this will not help to eliminate homelessness in the city
CMS11-2021	Review of library service provision.	<ul style="list-style-type: none"> • Concerns regarding access to library services and loss of a valuable community resource • Concerns regarding level of service from a combined location

Budget Consultation Feedback

Saving Reference	Detail of Proposal	Comments Received
CS02-2021	Review of terms and conditions across the council.	<ul style="list-style-type: none"> • Concerns regarding the detail of this proposal • Concerns as to whether all elements of pay have been examined including expenses claimed • Concerns that this may lead to an increase in staff resignations • Concerns that the proposal will effect mainly those on lower pay • Agree that terms and conditions at the council should match those in other businesses • Some alternative suggestions relating to terms and conditions
N/A	Increase in Car Parking Charges	<ul style="list-style-type: none"> • Concerns about the impact on the high street • Concerns that limiting the free parking to 30 minutes may risk people receiving a penalty charge • Concerns that free evening parking will only benefit Hanley and not the other towns in the city.
N/A	Council Tax Increase	<ul style="list-style-type: none"> • Concern that the increase in council tax is higher than an inflationary increase and will not be affordable for residents.
N/A	Capital Programme	<ul style="list-style-type: none"> • Concerns regarding need to build a new school for children with complex needs when existing schools could be improved

Budget Consultation Feedback

Saving Reference	Detail of Proposal	Comments Received
N/A	Other options	<p>Other comments included potential consideration of the following:</p> <ul style="list-style-type: none">• Lobby government for more funding instead of increasing council tax• Review staffing related costs and benefits• Review use of city council buildings / asset rationalisation• Consider use of volunteers in some service areas• Review charges for other services provided by the council

GENERAL FUND REVENUE BUDGET 2019/20

Detail	2019/20	2020/21
	£'000s	£'000s
Children and Family Services	68,855	66,983
Social Care, Health Integration and Wellbeing	71,409	72,989
Place, Growth and Prosperity	29,260	26,687
Housing and Customer Services	11,139	11,136
City Director and Corporate Services	13,858	15,237
Directorate Total	194,521	193,032
<u>Non-Departmental Costs</u>		
Benefit Payments	284	(466)
Civic & Corporate Expenses	1,473	1,238
Capital Financing Charges	17,957	23,440
External Contributions	3,258	3,258
Other Non-Departmental Costs	4,288	8,678
Budget Requirement	221,781	229,180
Funding		
Revenue Support Grant	-	(23,356)
Retained Non Domestic Rates (Business Rates)	(69,076)	(46,414)
Retained Non Domestic Rates returned levy distribution	-	(1,000)
Top Up Grant (Business Rates)	(32,254)	(30,858)
Collection Fund (surplus) / deficit	(290)	(88)
Ringfenced grant	(13,613)	(14,945)
Non-ringfenced grants	(15,682)	(18,674)
Capital Receipts	(6,173)	(3,501)
Total Funding	(137,088)	(138,836)
Council Tax Requirement	84,693	90,344

SAVING PROPOSALS 2020/21

Annex C

VULNERABLE - DETAIL OF SAVING PROPOSALS FOR CONSULTATION							
Reference	Cabinet Member	Overview and Scrutiny Committee	Detail of Savings Proposal	Business Impact Description	Net Staff Decrease		Saving
					Occupied FTE	Vacant FTE	2020/21 £'000s
VS01-2021	Cllr. Bridges	Children and Young People	Contributions will be made by non statutory school age users of SEN transport.	A 50% discount will apply to low income families for pre-school age and post 16 users. Eligible pupils will be able to apply for a bursary from the school.	-	-	120
VS02-2021	Cllr. Evans	Children and Young People	Review of Small Group Homes.	Reduction of homes and an overall review of residential placements with movement to supported accommodation and other providers where appropriate. This is to ensure that children are in an appropriate setting according to their needs.	32.50	-	1,208
VS03-2021	Cllr. Evans	Children and Young People	Commissioning Contracts will be reviewed to provide better value for money. This will include contracts relating to: •Mental Health Tier 4 •SEND placements •Respite arrangements •Joint financial decision process/panel	Review could result in changes to some children's / cohorts of children's level of respite or the place respite is provided in.	-	-	250
VS04-2021	Cllr. James	Adults & Neighbourhood	Charges will be raised for the use of non statutory Adult Day Care services.	Charges for service users with learning disabilities for day opportunities will be reviewed and brought in line with comparable local authorities.	-	-	410
VS05-2021	Cllr. James	Adults & Neighbourhood	Charges will be raised for telecare service (community alarm and pendant).	Charges for people who use telecare services will be brought in line with comparable local authorities.	-	-	327

SAVING PROPOSALS 2020/21

Annex C

VULNERABLE - DETAIL OF SAVING PROPOSALS FOR CONSULTATION							
Reference	Cabinet Member	Overview and Scrutiny Committee	Detail of Savings Proposal	Business Impact Description	Net Staff Decrease		Saving
					Occupied FTE	Vacant FTE	2020/21 £'000s
VS06-2021	Cllr. James	Adults & Neighbourhood	The current Mental Health Section 75 Contract will be reviewed to deliver improved value for money.	Bringing the commissioned mental health services for adults in house and delivering through local, integrated teams will mean a more holistic and enabling service for mental health service users.	-	-	250
VS07-2021	Cllr. James	Adults & Neighbourhood	Restructure of the wellbeing support worker service moving to local area co-ordinators model.	As part of the NHS Forward Plan social prescribing will be delivered through local GPs. The revised local co-ordinators model will compliment and align with this service therefore there will be a minimal impact on service users.	6.00	-	200
VS08-2021	Cllr. James / Cllr Evans	Adults & Neighbourhood	Creation of 14-25 year old service developing a joined up approach to the preparation for adulthood plans. This will deliver a more effective service at a lower cost.	The preparing adulthood plans will form part of the education health care plans for young people aged 14-25 years who need additional support, developing a more stepped experience of transitioning from childhood to adulthood. This will support a gradual transition to independence for young people.	-	-	1,000

SAVING PROPOSALS 2020/21

Annex C

VULNERABLE - DETAIL OF SAVING PROPOSALS FOR CONSULTATION							
Reference	Cabinet Member	Overview and Scrutiny Committee	Detail of Savings Proposal	Business Impact Description	Net Staff Decrease		Saving
					Occupied FTE	Vacant FTE	2020/21 £'000s
VS09-2021	Cllr. Jellyman	City Renewal	The Shopmobility service will be reviewed. The existing reserve will be used to support the service in 2020/21 with a view to becoming self-sustaining in future years.	There are no immediate alternative providers for the service and it is highly valued by users. The proposal is to seek sponsorship to ensure service continuity.	-	-	17
VS10-2021	Cllr. Brown	Corporate Services	Charges for a corporate appointeeship service will be introduced.	Charges for service users will be reviewed and brought in line with comparable local authorities. Charges will not be applied to clients who have less than a £1,000 in their savings account.	-	-	100

Support vulnerable people in our communities to live their lives well	38.50	-	3,882
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SAVING PROPOSALS 2020/21

Annex C

POTENTIAL - DETAIL OF SAVING PROPOSALS FOR CONSULTATION							
Reference	Cabinet Member	Overview and Scrutiny Committee	Detail of Savings Proposal	Business Impact Description	Net Staff Decrease		Saving
					Occupied FTE	Vacant FTE	2020/21 £'000s
PS01-2021	Cllr. Bridges	Children and Young People	<p>A fully traded model for non statutory services will be introduced and offered to schools and academies.</p> <p>This will include the following areas:</p> <ul style="list-style-type: none"> •Education Psychology •Admissions •Employment and Skills / Careers Service •Education Welfare Services 	A fully traded model for non statutory services in these areas will offer schools and academies the opportunity to select and choose the specific services required for their individual circumstances.	-	-	228
PS02-2021	Cllr. Bridges	Children and Young People	The Early Years Support Team (training element) will offer a traded model, there will also be a minor restructure of the team.	Reduced service to Private, Voluntary and Independent (PVI) settings - currently PVI at 95% good or outstanding.	-	0.80	50
PS03-2021	Cllr. Bridges	Children and Young People	Special Education Needs Disability, Information, Advice and Support Services (SENDIASS) restructure.	Parents have been used to 1-1 support although the service has been moving away from this model. The service is changing to provide more of its advice, support and information through virtual media.	1.00	-	37
PS04-2021	Cllr. James / Cllr Evans	Adults & Neighbourhood	0-19 years Public Health Review of contracts and services provided within public health.	<p>Will result in a newly designed integrated 0-19 years service model with a transformational and targeted approach through joined up working.</p> <p>Use of existing resources in a different way to deliver effective support for residents.</p>	-	-	500
PS05-2021	Cllr. Conteh / Cllr. James	Adults & Neighbourhood	Review of service charges to the Coroners Service.	Efficiencies will lead to improvements in the service.	-	-	25

SAVING PROPOSALS 2020/21

Annex C

POTENTIAL - DETAIL OF SAVING PROPOSALS FOR CONSULTATION							
Reference	Cabinet Member	Overview and Scrutiny Committee	Detail of Savings Proposal	Business Impact Description	Net Staff Decrease		Saving
					Occupied FTE	Vacant FTE	2020/21 £'000s
PS06-2021	Cllr. Conteh / Cllr. James	Adults & Neighbourhood	A review of Public Protection fees and charges including the registrars and bereavement care service.	Annual review of fees and charges. These charges once fully implemented will bring the authority in line with comparable authorities.	-	-	153
PS07-2021	Cllr. Beardmore / Cllr. James	Adults & Neighbourhood	A review of public health contracts including Community Drug and Alcohol Service and Stop Smoking Service.	Opportunity to implement a smoking cessation service targeting high risk groups.	-	-	1,000

Enable our residents to fulfil their potential	1.00	0.80	1,993
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BUSINESS - DETAIL OF SAVING PROPOSALS FOR CONSULTATION							
Reference	Cabinet Member	Overview and Scrutiny Committee	Detail of Savings Proposal	Business Impact Description	Net Staff Decrease		Saving
					Occupied FTE	Vacant FTE	2020/21 £'000s
BS01-2021	Cllr. Edwards	City Renewal	The Trade Waste Service Provision - will be transferred to third party waste operator.	This proposal will mitigate existing pressures and create a surplus whilst still continuing to comply with legislation.	6.00	-	135

Help businesses to thrive and make our city more prosperous	6.00	-	135
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SAVING PROPOSALS 2020/21

Annex C

COMMUNITIES - DETAIL OF SAVING PROPOSALS FOR CONSULTATION							
Reference	Cabinet Member	Overview and Scrutiny Committee	Detail of Savings Proposal	Business Impact Description	Net Staff Decrease		Saving
					Occupied FTE	Vacant FTE	2020/21 £'000s
CMS01-2021	Cllr. Beardmore	City Renewal	Leisure Services - Review of fees and charges and review of service delivery model.	Fees and charges - minimal impact. A review of the Sports and Leisure service will be undertaken to establish the most appropriate future delivery model. The review will aim to deliver improvements in the service over the medium term.	-	-	200
CMS02-2021	Cllr. Edwards	City Renewal	Operational Management Restructure.	Some training will be required where identified.	3.03	8.97	470
CMS03-2021	Cllr. Edwards	City Renewal	Review of Organic Waste collection period.	Reduce collection period to better reflect when the service is most used by residents	-	6.00	80
CMS04-2021	Cllr. Jellyman	City Renewal	Introduce car parking charges at Spode.	Increased occupancy and usage of Spode means potential to generate a small income, dependent upon usage, turnover and fee regime deployed etc. This proposal will be subject to engagement and consultation with tenants. Parking concessions will be available for hotel visitors and Acava studio tenants and some free parking periods for museum and café visitors.	-	-	25
CMS05-2021	Cllr. Jellyman	City Renewal	Residents car parking permit fee increase.	Increasing the contribution residents make towards the schemes' operations to reflect the cost of the service and bring in line with comparable local authorities.	-	-	44

SAVING PROPOSALS 2020/21

Annex C

COMMUNITIES - DETAIL OF SAVING PROPOSALS FOR CONSULTATION							
Reference	Cabinet Member	Overview and Scrutiny Committee	Detail of Savings Proposal	Business Impact Description	Net Staff Decrease		Saving
					Occupied FTE	Vacant FTE	2020/21 £'000s
CMS06-2021	Cllr. Edwards	City Renewal	Increase to fees and charges for Bulky Waste from £16 to £40 for 5 items.	Increase charges to better reflect cost of service and bring in line with neighbouring local authorities.	-	-	100
CMS07-2021	Cllr. Conteh	Adults & Neighbourhood	Reduction in Housing Related Support (HRS) services and certain Citizens Advice Bureau grants.	These proposals will bring services up to date within a revised strategy and will build on existing successes to maximise the effectiveness of reducing homelessness and rough sleeping within the available resource.	-	-	188
CMS08-2021	Cllr. Edwards	City Renewal	Cease bank holiday waste collection.	Residents will need to be made aware of the change to collection days. The proposal will bring the council in line with neighbouring local authorities.	-	-	25
CMS09-2021	Cllr. Beardmore	Corporate Services	Review of grants to cultural organisations.	The grant funding allocation to the following partners is to be reduced by £60k per annum. Mitchell Arts Centre, Clay Foundation (British Ceramic Biennial) and the New Vic Theatre. This is a small reduction of the overall grant funding allocation to theatres and cultural groups.	-	-	60

SAVING PROPOSALS 2020/21

Annex C

COMMUNITIES - DETAIL OF SAVING PROPOSALS FOR CONSULTATION							
Reference	Cabinet Member	Overview and Scrutiny Committee	Detail of Savings Proposal	Business Impact Description	Net Staff Decrease		Saving
					Occupied FTE	Vacant FTE	2020/21 £'000s
CMS10-2021	Cllr. Powell-Beckett / Cllr. Brown	Adults & Neighbourhood / Corporate Services	Review of Local Centres.	This will provide a more customer focussed joined up approach to service delivery in better located and higher standard facilities across the city for our customers and will provide savings to the organisation. Through the development of a stronger locality team based approach there will also be better links with Library and Children Centre functions / facilities. Further reports will be provided to demonstrate a more place / locality based approach to service delivery and how this will contribute more effectively to the delivery of the Council's Stronger Together priorities and objectives.	4.20	0.80	155

SAVING PROPOSALS 2020/21

Annex C

COMMUNITIES - DETAIL OF SAVING PROPOSALS FOR CONSULTATION							
Reference	Cabinet Member	Overview and Scrutiny Committee	Detail of Savings Proposal	Business Impact Description	Net Staff Decrease		Saving
					Occupied FTE	Vacant FTE	2020/21 £'000s
CMS11-2021	Cllr. Beardmore	Corporate Services	Review of library service provision.	The proposal is to change the operating model at Meir to be a volunteer led service (VLS) based at Meir Community Education Centre (or other suitable location within the area). Successful VLS libraries operate in other parts of the city. In conjunction with that we are reviewing the central costs across the library service and identifying efficiencies to further reduce the overall operating costs within the service, whilst improving service experience, based on models operated by other neighbouring and comparable local authorities.	2.81	1.00	200

Work with our communities to make them healthier, safer and more sustainable	10.04	16.77	1,547
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SAVING PROPOSALS 2020/21

Annex C

COMMERCIAL - DETAIL OF SAVING PROPOSALS FOR CONSULTATION							
Reference	Cabinet Member	Overview and Scrutiny Committee	Detail of Savings Proposal	Business Impact Description	Net Staff Decrease		Saving
					Occupied FTE	Vacant FTE	2020/21 £'000s
CS01-2021	Cllr. Jellyman	City Renewal	Expected return from investment commercial property.	Deliver a financial return on investment in commercial property that brings businesses and jobs to the city.	-	-	700
CS02-2021	Cllr. Brown	Corporate Services	Review of terms and conditions across the council.	Amendments to terms and conditions to better reflect service requirements and delivery. This will bring the council more in line with other private and public sector organisations.	-	-	934
CS03-2021	Cllr. Brown	Corporate Services	Restructure of Revenue and Benefits Service.	Workload review to be undertaken, reflecting changes to service delivery through the roll out of Universal Credit.	4.00	4.00	40
CS04-2021	Cllr. Brown	Corporate Services	A restructure of Financial Assessments and review of service delivery.	Processes to be reviewed to minimise impact on staff.	-	-	12

An innovative and commercial council, providing effective leadership to help transform outcomes	4.00	4.00	1,686
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TOTAL SAVINGS	59.54	21.57	9,243
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CHILDREN AND FAMILY SERVICES DIRECTORATE BUDGET 2020/21

Division	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Management Team	S Parker	436	(489)	(53)	593	(489)	104
Children's Social Care	P Segurola	72,833	(10,502)	62,331	70,172	(10,475)	59,697
Learning Services	J Lomas	98,162	(91,696)	6,466	98,831	(91,764)	7,067
Programme Team	P Segurola	111	-	111	115	-	115
		171,542	(102,687)	68,855	169,711	(102,728)	66,983

DIRECTORATE DESCRIPTION

The Children and Families Directorate works to keep all children and families safe, healthy and successful, with particular focus on assisting vulnerable young people to develop their potential and independence. The directorate works towards joining up services internally and with partners to be responsive, cost effective and accessible. In this way, the directorate contributes to the city's Stronger Together vision and to the delivery of the Joint Health and Wellbeing Strategy.

CHILDREN AND FAMILY SERVICES DIRECTORATE BUDGET 2020/21
Management Team

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Management Team	S Parker	436	(489)	(53)	593	(489)	104
		436	(489)	(53)	593	(489)	104

DIVISION DESCRIPTION

The Management Team provide leadership and strategic direction on the delivery and implementation of the transformation of the directorate's services to ensure continued improvement and high quality services.

CHILDREN AND FAMILY SERVICES DIRECTORATE BUDGET 2020/21

Children's Social Care

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Vulnerable Children Management Team	P Segurola	2,775	(801)	1,974	409	(186)	223
Children in Care	G Guy-Edwards	10,156	(691)	9,465	8,610	(611)	7,999
Adoption, Fostering & Permanency	G Guy-Edwards	10,710	(200)	10,510	10,965	(200)	10,765
Integrated Specialist Services	A Wild	25,075	(3,057)	22,018	24,959	(3,554)	21,405
First Response Stoke	P Swindlehurst	2,368	(28)	2,340	2,505	(28)	2,477
Safeguarding and Quality Assurance	A Morrissey	2,564	(970)	1,594	2,662	(970)	1,692
Vulnerable Children	S MacDonald	11,315	(419)	10,896	12,024	(318)	11,706
Early Intervention	R Dodd	7,870	(4,336)	3,534	8,038	(4,608)	3,430
		72,833	(10,502)	62,331	70,172	(10,475)	59,697

DIVISION DESCRIPTION

The Early Intervention and Children's Social Care Division provides the following services :

* Early Intervention: Troubled Families, Contact Service, Youth Offending Service, Children's Centres and Youth Services

* Vulnerable Children: Children Assessment and Support Teams provide the statutory social work services and services including assessments, Children in Need and Child Protection Plans and Better Together Project.

* Front Door: Safeguarding and Referral Team, Emergency Duty Team, providing a 24/7 response to concerns raised by public and professionals.

* Children in Care & Adoption Fostering and Permanency: Fostering and Adoption, Children in Care teams, Next Steps care leavers service.

* Safeguarding and Quality Assurance: Conference and Review Service, child protections services.

* Targeted Services - Service Support, Children with Disabilities, Small Group Homes and Adolescent Support Team.

CHILDREN AND FAMILY SERVICES DIRECTORATE BUDGET 2020/21

Learning Services

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
School Catering & Cleaning Traded Services	P Gerrard	11,050	(11,071)	(21)	11,051	(11,071)	(20)
Employment and Skills	J Obada	3,424	(2,840)	584	3,682	(2,883)	799
Local Enterprise Partnership	J Obada	7,008	(6,823)	185	2,528	(2,323)	205
Inclusion	S Robinson	36,108	(31,078)	5,030	40,733	(35,543)	5,190
Pupil Achievement	S Robinson	1,512	(1,430)	82	1,529	(1,480)	49
Strategic Services and Support	J Lomas	25,336	(24,944)	392	25,532	(24,944)	588
School Services	P Gerrard	13,724	(13,510)	214	13,776	(13,520)	256
		98,162	(91,696)	6,466	98,831	(91,764)	7,067

DIVISION DESCRIPTION

The Learning Services Division includes the following areas:-

- Strategic Support Services includes budgets that are mainly spent on or distributed to schools.
- Pupil Achievement services focus on strategic monitoring, support and challenge for schools and early years settings across the city. Additionally, there is a range of services traded with schools and others which contribute to improving leadership and management, teaching and learning, and the attainment and progress of children and young people.
- Inclusion provides special educational needs (SEN) and disability services. This includes assessment teams to establish the needs of particular children and services that support children including the Educational Psychology Team, the SENDIAS Service and Alternative Learning Pathways.
- School Services provide various services such as catering, cleaning, school crossing patrols, outdoor education, home to school transport and free school meals. The service also delivers the admission function of the city council including school place, capital planning and fair access.
- Employment and Skills provide services for young people and adults across the city assists local people in gaining employment or training and continuing in education. The service supports the Local Enterprise Partnership and the Education Trust.

CHILDREN AND FAMILY SERVICES DIRECTORATE BUDGET 2020/21
Programme Team

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
TCA Funded Programmes	P Segurola	111	-	111	115	-	115
		111	-	111	115	-	115

DIVISION DESCRIPTION

This is a reserve and will fund the transition into the new children's social care structure. Funding will likely finish early 2020/21.

SOCIAL CARE, HEALTH INTEGRATION AND WELLBEING DIRECTORATE BUDGET 2020/21

Division	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Management Team	P Edmondson-Jones	819	(920)	(101)	1,156	(920)	236
Adult Health, Social Care and Commissioning	P Tomlin / B Cameron	114,560	(42,757)	71,803	113,951	(40,060)	73,891
Integrated Commissioning Staff	B Cameron	2,139	(193)	1,946	2,841	(223)	2,618
Public Health Grant	J Ashdown	19,300	(22,737)	(3,437)	17,956	(22,646)	(4,690)
Wellbeing, Health Protection and Lifecourse	J Ashdown	6,075	(5,193)	882	6,124	(5,321)	803
Sport and Leisure	J Ashdown	5,771	(5,455)	316	5,586	(5,455)	131
		148,664	(77,255)	71,409	147,614	(74,625)	72,989

DIRECTORATE DESCRIPTION

The Social Care, Health integration and Wellbeing Directorate includes a wide range of services including Adult Social Care, Public Health, Health Protection, Sport and Leisure Services. The directorate is seeking to bring these services together with the intention of improving the health and well being of the city's residents and reducing health inequalities across the city and also protects the health of citizens and provides public health support to the CCG. The directorate is looking to explore and implement new ways of working and to integrate services to maintain and improve service provision for residents. The directorate will focus on improving outcomes and services for the city's residents and achieving key performance targets so that all of its resources are effectively targeted to achieve maximum impact. The directorate will support the city's residents to fulfil their potential and to support vulnerable people to live their lives well in accordance with the Stronger Together Priorities. In order to deliver these objectives the directorate will continue to work closely with statutory and third sector partners.

SOCIAL CARE, HEALTH INTEGRATION AND WELLBEING DIRECTORATE BUDGET 2020/21
Management Team

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Management Team	P Edmondson-Jones	819	(920)	(101)	1,156	(920)	236
		819	(920)	(101)	1,156	(920)	236

DIVISION DESCRIPTION

Strategic Management Team for the directorate.

SOCIAL CARE, HEALTH INTEGRATION AND WELLBEING DIRECTORATE BUDGET 2020/21
Adult Health, Social Care and Commissioning

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s			£'000s
Care in the Community (DP, Res, OP)	All Strategic Managers	69,042	(21,474)	47,568	71,764	(21,559)	50,205
Early Intervention, Contact and Hospital	S Totten	2,304	(30)	2,274	2,127	(100)	2,027
Local Wellbeing Teams	C Bayliss	5,435	(214)	5,221	5,597	(214)	5,383
Mental Health	K Lovatt / A Allcock	5,880	(1,896)	3,984	5,280	(1,896)	3,384
Provider Services	I Clarke	10,411	(1,108)	9,303	10,449	(1,238)	9,211
Quality and Commissioning	K Lovatt / S Favell	8,617	(6,225)	2,392	8,498	(6,225)	2,273
Service Transformation	K Lovatt	866	(11,200)	(10,334)	(1,512)	(8,218)	(9,730)
Younger Adults & Principal Social Worker	A Allcock	12,005	(610)	11,395	11,748	(610)	11,138
		114,560	(42,757)	71,803	113,951	(40,060)	73,891

DIVISION DESCRIPTION

The division is responsible for the provision of assessment, care management and safeguarding for older people, and younger adults with a physical disability and their carers. Care needs are met through a range of differing services dependent upon individuals assessed level of need. Older People's Services include specific support to facilitate hospital discharge, specialist rehabilitation and dementia care services. The provision of services to meet long term care needs are largely provided by care commissioned from the independent sector. These services include residential, nursing, domiciliary and Extra Care.

This division also includes the commissioning and contracting of a range of services including public health functions and support for vulnerable adults. The commissioning of services by the same division enables the identification and streamlining of services in order to provide greater customer focus and value for money. The division also brings together the operational management and commissioning of all Learning Disability services and will ensure services are designed and commissioned to meet the needs identified by frontline staff.

SOCIAL CARE, HEALTH INTEGRATION AND WELLBEING DIRECTORATE BUDGET 2020/21
Integrated Commissioning Staff

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s			£'000s
Commercial Development	J Phipps	403	(43)	360	305	(48)	257
Integrated Commissioning and Partnerships	K Lovatt	765	(100)	665	1,047	(100)	947
Quality Monitoring and Improvement	S Favell	971	(50)	921	1,489	(75)	1,414
		2,139	(193)	1,946	2,841	(223)	2,618

DIVISION DESCRIPTION

Commissioning integrated staffing team

SOCIAL CARE, HEALTH INTEGRATION AND WELLBEING DIRECTORATE BUDGET 2020/21

Public Health Grant

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Public Health Management Team	J Ashdown	696	(22,229)	(21,533)	(1,310)	(22,252)	(23,562)
Children's Public Health	J Ashdown / C Mclver	5,410	(16)	5,394	4,894	(16)	4,878
Health Improvement	J Ashdown	13,194	(492)	12,702	14,372	(378)	13,994
		19,300	(22,737)	(3,437)	17,956	(22,646)	(4,690)

DIVISION DESCRIPTION

The Public Health function aims to reduce health inequalities across the whole life course. This includes a number of programmes covering a wide range of services. Through these services it also looks to promote healthier lifestyles and health care advice. This investment includes targeting resources at the reduction in the use of harmful substances and aims to seek improvements in health and wellbeing including promoting healthy weight, NHS Health Checks, sexual health, mental wellbeing and community development. The division commissions services to protect and improve the health of the city's children and young people aged 0-19, this includes the Health Visiting Service and Public Health Advisory Service (historically called School Nursing), and undertakes the statutory duties to protect the health of the population and provide public health support to the NHS.

SOCIAL CARE, HEALTH INTEGRATION AND WELLBEING DIRECTORATE BUDGET 2020/21
Wellbeing, Health Protection and Lifecourse

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Wellbeing; Health Protection & Lifecourse	J Ashdown / A Fisher	6,075	(5,193)	882	6,124	(5,321)	803
		6,075	(5,193)	882	6,124	(5,321)	803

DIVISION DESCRIPTION

This includes services delivered at particular points in an individual's life (bereavement care, registrars, coroners) plus wider health & well-being services such as environmental health, air quality and trading standards.

SOCIAL CARE, HEALTH INTEGRATION AND WELLBEING DIRECTORATE BUDGET 2020/21
Sport and Leisure

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
Sport and Leisure	A Fisher	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
		5,771	(5,455)	316	5,586	(5,455)	131
		5,771	(5,455)	316	5,586	(5,455)	131

DIVISION DESCRIPTION

The Sport & Leisure service contributes towards improving health and wellbeing across the city. It includes the operation of our leisure centres, the school swimming service and community-based sporting activity.

PLACE GROWTH AND PROSPERITY DIRECTORATE BUDGET 2020/21

Division	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Management Team	P Cresswell	(96)	-	(96)	286	-	286
Environmental Services	C Gibbs	33,122	(15,023)	18,099	32,392	(15,270)	17,122
Highways and Fleet	C Gibbs	20,891	(13,677)	7,214	20,753	(13,483)	7,270
Investment, Planning and Regeneration	J Dunn	25,248	(20,883)	4,365	23,583	(20,737)	2,846
Regulatory Services	I Tamburello	7,657	(7,979)	(322)	7,206	(8,043)	(837)
		86,822	(57,562)	29,260	84,220	(57,533)	26,687

DIRECTORATE DESCRIPTION

The directorate is focused on the continued need to provide services across the city within the budget constraints whilst developing and implementing plans for the regeneration and development of the Place, Growth & Prosperity agenda to support the economic and growth aspirations of the city. The directorate brings together planning, transport and property services. It also performs a key role for the council in terms of highways and grounds maintenance, waste management as well as being the lead for the council on meeting our commitments to carbon reduction. The directorate also leads on the creation of Green Energy projects and the council's interface with the Local Economic Partnership and the Growth Deal. The work of the directorate is key to three of the priorities under the Stronger Together vision: helping our businesses to thrive and making our city more prosperous; working with our communities to make them healthier, safer and more sustainable; enabling our residents to fulfil their potential.

PLACE GROWTH AND PROSPERITY DIRECTORATE BUDGET 2020/21
Management Team

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
Management Team	P Cresswell	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
		(96)	-	(96)	286	-	286
		(96)	-	(96)	286	-	286

DIVISION DESCRIPTION

The Management Team are responsible for ensuring the city is a great place to live, work, study and develop business through the planning and delivery of major capital projects, maintaining through regulation and support a clean and safe environment and the direct provision of services to households and business.

PLACE GROWTH AND PROSPERITY DIRECTORATE BUDGET 2020/21
Environmental Services

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Streetcare and Greenspace	P Evison	9,183	(3,737)	5,446	8,472	(3,838)	4,634
Waste Collection and Disposal	C Gibbs	23,939	(11,286)	12,653	23,920	(11,432)	12,488
		33,122	(15,023)	18,099	32,392	(15,270)	17,122

DIVISION DESCRIPTION

Environmental Services is responsible for all of the day to day operational functions that, together, help to maintain the city's public spaces and manage waste. The service purpose is to improve quality of life for local people and enhance the city's outward image and reputation through ensuring the city is safe, clean and looking good. The division brings together a range of functions including grounds and parks maintenance as well as street cleansing and waste collection and disposal.

PLACE GROWTH AND PROSPERITY DIRECTORATE BUDGET 2020/21
Highways and Fleet

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Fleet Operations and Compliance	I Tamburello	9,225	(7,697)	1,528	9,224	(7,697)	1,527
Highways Repairs and Maintenance	C Gibbs	11,666	(5,980)	5,686	11,529	(5,786)	5,743
		20,891	(13,677)	7,214	20,753	(13,483)	7,270

DIVISION DESCRIPTION

The division brings together a range of functions including highways asset and network management and fleet services. Together this division maintains the city's road network and provides a range of fleet solutions which enables the effective delivery of a range of council services.

PLACE GROWTH AND PROSPERITY DIRECTORATE BUDGET 2020/21
Investment, Planning and Regeneration

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Green Projects	A Briggs	619	(1,382)	(763)	626	(986)	(360)
Highway Engineering and Structures	D Stubbs	2,556	(1,913)	643	2,559	(1,884)	675
Planning and Building Regulations	H Jassal	2,208	(2,294)	(86)	2,261	(2,196)	65
Property and Asset Management	J Dunn	15,472	(12,229)	3,243	13,527	(11,649)	1,878
Regeneration and Economic Development	R Chadwick	4,393	(3,065)	1,328	4,610	(4,022)	588
		25,248	(20,883)	4,365	23,583	(20,737)	2,846

DIVISION DESCRIPTION

The Investment, Planning & Regeneration Division is responsible for strategic planning and delivery of the council's flagship transformational projects and large scale employment sites. The Division also provides services in relation to planning, highways engineering and the management of corporate assets. Both the Property and Asset Management Team, along with the Regeneration and Economic Growth Team, are responsible for assisting with the procurement and management of the range of technical and project management disciplines required to progress capital projects and to secure their successful delivery. The Buildings PFI Management Team is responsible for delivering client services on the Schools PFI Contract and the RM contract for ICT schools.

The purpose of the Green Projects team is to create and manage the projects which will support the city and the council in achieving greater self sufficiency in energy use. The work will concentrate on those projects which use the region's natural assets such as biomass, household and commercial waste and deep geothermal energy to provide heat, electricity and gas. These projects will reinforce the council's commitment to the low carbon and climate change agenda, and add to the city's ability to retain and grow jobs.

The purpose of the Economic Growth team is to bring in to the city investment, to strengthen/improve the growth of our local businesses and to stimulate enterprise through the integration of inward investment, enterprise support, and the co-ordination of the authority's relationship with the Local Enterprise Partnership including input to the Strategic Economic Plan. The team are also leading on the delivery of the Ceramic Valley Enterprise Zone.

PLACE GROWTH AND PROSPERITY DIRECTORATE BUDGET 2020/21
Regulatory Services

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Regulatory Services	I Tamburello	7,657	(7,979)	(322)	7,206	(8,043)	(837)
		7,657	(7,979)	(322)	7,206	(8,043)	(837)

DIVISION DESCRIPTION

The Regulatory Services Division is responsible for Car Parks Management, CCTV Services, Environmental Crime, and Licensing. These services incorporate a range of statutory duties, including those related to road traffic legislation, licensing requirements and environmental crime. The Division also has responsibility for civil contingency planning.

HOUSING AND CUSTOMER SERVICES DIRECTORATE BUDGET 2020/21

Division	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Management Team	C Brazier	290	(6,260)	(5,970)	173	(6,885)	(6,712)
Housing Transformation	A Scarrott	6,406	(2,876)	3,530	5,737	(2,360)	3,377
Private Sector Housing, Development and Regeneration	S Thompson	2,093	(949)	1,144	2,174	(858)	1,316
ICT, Customer Services & Libraries*	N Mason	16,495	(4,060)	12,435	16,487	(3,332)	13,155
		25,284	(14,145)	11,139	24,571	(13,435)	11,136
<i>* NB part of this division will transfer to City Director from 01/04/2020</i>							

DIRECTORATE DESCRIPTION

Developing housing and residential areas so that people actively choose to live and work here including delivering a step change in the speed of housing growth in the city via direct delivery, enabling and facilitation role with a range of partners including the construction industry, public sector partners and private sector investors. Increasing the number of professional private landlords in the city and taking enforcement action where landlords are letting housing containing serious hazards. Increasing the supply and quality of housing by bringing long term empty homes back into use. Developing and training private landlords. Regenerating deprived private housing areas through selective licensing. Providing aids and adaptations to council and private housing and undertaking Occupational Therapy assessments to reduce the waiting list to enable people to live safely in their homes and to be able to access basic facilities. Maintain reliable, secure and fit for purpose ICT systems whilst providing key frontline services of libraries and customer access to meet customers need.

HOUSING AND CUSTOMER SERVICES DIRECTORATE BUDGET 2020/21
Housing and Customer Services Management Team

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
Management Team	C Brazier	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
		290	(6,260)	(5,970)	173	(6,885)	(6,712)
		290	(6,260)	(5,970)	173	(6,885)	(6,712)

DIVISION DESCRIPTION

Management Team with control of Housing and Customer Services centralised expenditure and income.

HOUSING AND CUSTOMER SERVICES DIRECTORATE BUDGET 2020/21

Housing Transformation Service

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Communities	A Bullman	2,130	(1,268)	862	2,190	(1,241)	949
Voids Allocation and Homelessness	T Jones	4,250	(1,608)	2,642	3,523	(1,119)	2,404
Housing Enabling	T Gibson	26	-	26	24	-	24
		6,406	(2,876)	3,530	5,737	(2,360)	3,377

DIVISION DESCRIPTION

Deal with the housing needs requirements for the homelessness provision inclusive of temporary accommodation. Policy and strategy for private sector housing within the city.

HOUSING AND CUSTOMER SERVICES DIRECTORATE BUDGET 2020/21

Private Sector Housing, Development and Regeneration

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Housing Development and Regeneration	P Brundrett	395	(167)	228	415	(194)	221
Private Sector Housing	Z Pirmohamed	1,698	(782)	916	1,759	(664)	1,095
		2,093	(949)	1,144	2,174	(858)	1,316

DIVISION DESCRIPTION

Developing housing and residential areas so that people actively choose to live and work here including delivering a step change in the speed of housing growth in the city via direct delivery, enabling and facilitation role with a range of partners including the construction industry, public sector partners and private sector investors. The Housing Growth, Development and Regeneration teams are set to deliver over 2,000 new homes in the coming years, including around 1,200 homes across the seven Housing Zone sites and over 400 through Fortior Homes. Increasing the number of professional private landlords in the city and taking enforcement action where landlords are letting housing containing serious hazards. Increasing the supply and quality of housing by bringing long term empty homes back into use. Developing and training private landlords. Regenerating deprived private housing areas through selective licensing. Providing adaptations to homeowners and private sector tenants to help them to live independently and safely in their homes. Providing financial assistance to help vulnerable home owners and private sector tenants to live in safe homes.

HOUSING AND CUSTOMER SERVICES DIRECTORATE BUDGET 2020/21

ICT, Customer Services and Libraries

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Customer Services and Business Support	E Bagnall	4,269	(1,304)	2,965	4,132	(1,335)	2,797
Cultural Development and Museums	K Bloor	2,637	(816)	1,821	2,721	(842)	1,879
ICT	J Bowler	7,373	(1,819)	5,554	7,555	(1,034)	6,521
Libraries and Archives	E Bagnall	2,216	(121)	2,095	2,079	(121)	1,958
		16,495	(4,060)	12,435	16,487	(3,332)	13,155
<i>NB part of this division will transfer to City Director from 01/04/2020</i>							

DIVISION DESCRIPTION

Maintain reliable, secure and fit for purpose ICT systems whilst providing key frontline services of libraries, museums and customer access to meet customers need. The focus is on developing more efficient ways of working, investment in new technologies and reviewing services and processes that will result in more streamlined structures that deliver efficient and effective services that meet the requirements of our customers. The division also helps with the cultural strategy with focus on specific events that encourage interaction with the public.

CITY DIRECTOR AND CORPORATE SERVICES BUDGET 2020/21

Division	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
City Director	J Rouse	1,036	(132)	904	1,196	(132)	1,064
Finance*	N Edmonds	12,473	(6,552)	5,921	13,665	(6,680)	6,985
Governance	J Doble	11,399	(4,366)	7,033	11,242	(4,054)	7,188
		24,908	(11,050)	13,858	26,103	(10,866)	15,237

* NB part of the ICT, Customer Services & Libraries Division will transfer from Housing and Customer Services Directorate from 01/04/2020

DIRECTORATE DESCRIPTION

The City Director's Office promotes, and is the foundation for, the delivery of a commercial council, well governed and fit for purpose, driving efficiency in everything we do, as part of the 'Stronger Together' vision of the city council.

The main roles of the directorate are to support all city council services, keep the council safe and secure, drive organisational understanding and improvement, policy development, promote the city council and oversee publications.

CITY DIRECTOR AND CORPORATE SERVICES BUDGET 2020/21
City Director

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Management Team	J Rouse	545	(23)	522	699	(23)	676
City Director Executive Support	T Roberts	491	(109)	382	497	(109)	388
		1,036	(132)	904	1,196	(132)	1,064

DIVISION DESCRIPTIONManagement Team

Includes the City Director, Director of Resources (section 151), Assistant Director - Finance and the Assistant Director - Governance (Monitoring Officer).

City Director Executive Support

Provides administrative and secretarial support to the City Director Management Team and the other 4 directorates.

CITY DIRECTOR AND CORPORATE SERVICES BUDGET 2020/21

Finance

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Accountancy	K Cartlidge / P Boden	2,714	(998)	1,716	3,183	(998)	2,185
Audit Services	C Potts	3,992	(1,623)	2,369	4,495	(1,681)	2,814
Financial Assessment	K Cartlidge	788	(210)	578	807	(310)	497
Policy and Performance	S Wiseman	807	(368)	439	839	(368)	471
Revenues and Benefits	K Holmes	4,172	(3,353)	819	4,341	(3,323)	1,018
		12,473	(6,552)	5,921	13,665	(6,680)	6,985

* NB part of the ICT, Customer Services & Libraries Division will transfer from Housing and Customer Services Directorate from 01/04/2020

DIVISION DESCRIPTION

Accountancy

To ensure the highest standards of financial and commercial advice, administration, management, governance, stewardship and support are delivered across the city council. To lead on the development of the Medium Term Financial Strategy and the Statement of Accounts.

Audit Services

To give assurance to Officers and Members and make recommendations for improvement. To prevent, detect and investigate and where appropriate prosecute, all forms of fraud and corruption. To independently assess and report on the city council's main financial and operational systems, providing an opinion on the controls and making recommendations for improvement.

Financial Assessments

To undertake the necessary financial assessments of service users in receipt of social care services. To ensure the correct charges are raised and to process payments to independent sector care providers.

Policy and Performance

Policy and Performance brings together strategic and policy support, analytical insight, expertise in community enablement and information rights to support Elected Members and officers in robust decision making, effective strategic planning and empowerment of local communities. The Performance and Intelligence Team deliver the Council's performance management framework, analysing service data to inform operational and strategic management of the organisation. The Policy Team lead the Council's strategic planning processes and shape policy in key corporate areas.

Revenues and Benefits

The purpose of the team is to pay customers benefits quickly and correctly, raise correct invoices at the correct time, helping customers to pay their bills in the timescales allowed and provide help and advice to customers when needed.

CITY DIRECTOR AND CORPORATE SERVICES BUDGET 2020/21

Governance

Section	Responsible Officer	2019/20			2020/21		
		Exp	Inc	Net	Exp	Inc	Net
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Communications and Marketing	E Rodgers	1,080	(559)	521	1,167	(559)	608
Elections	G Jones	1,171	(651)	520	588	(300)	288
Governance	H Barr	369	(39)	330	314	(28)	286
Human Resources	N Wood / E Pilmore	5,057	(2,564)	2,493	5,162	(2,564)	2,598
Legal Services	G Clarke	2,259	(528)	1,731	2,647	(578)	2,069
Member Services	M Hilton	1,463	(25)	1,438	1,364	(25)	1,339
		11,399	(4,366)	7,033	11,242	(4,054)	7,188

DIVISION DESCRIPTION

Communications and Marketing

The Communications Team are responsible for internal and external communications and service marketing. They produce and oversee all council publications, corporate and directorate literature to communicate and promote the city council, its services, policies and initiatives and protect the reputation of the council. The team are also responsible for managing corporate branding, signage, vehicle livery, protect the image of the city council, write press releases, deal with media inquiries, advise officers and councillors and seek out good news stories.

The Web Team are responsible for managing the council's e-communications, social media channels and the design and content on city council websites, making sure corporate standards are maintained in line with e-government standards and plain English.

The Translation and Interpretation Team offer their services in over 70 languages.

Elections

Administer registration of electors and conduct elections as required by law and increase participation by candidates and voters.

Governance

Supports the city council's democratic processes including the City Council meetings, Cabinet meetings and all other statutory meetings.

Human Resources

The division is responsible for people management, culture change, health and safety and the provision of the council's payroll.

Legal Services

To provide accurate advice and assistance with a "can do" approach, focusing legal advice and assistance on customer priorities, ensure a value-for-money service.

Member Services

Provides administrative and secretarial support to all Members, with dedicated support to the Lord Mayor and Mayoralty. The team also co-ordinates member development activities and assists with civic and ceremonial events. In addition the service provides mentoring support for Members and assistance with casework.

HRA Revenue Budget 2020/21

Revenue Summary	2019/20 Budget	2020/21 Proposed Budget
	£'000s	£'000s
A) Income		
1) Dwellings rent	(64,006)	(65,026)
2) Non Dwelling Rents	(570)	(629)
3) Services and Facilities	(1,135)	(1,164)
3a) Contribution to Expenditure	(202)	(202)
A) Income Total	(65,913)	(67,021)
B) Expenditure		
4) Repairs and Maintenance	26,224	26,708
5) Supervision and Management	17,419	17,491
6) Service Charge Expenditure	1,453	1,489
7) Provision for Bad Debts	300	300
8) Debt Management Expenses	21	21
9) Principal Debt Repayment	-	800
10) Depreciation	12,700	12,700
B) Expenditure Total	58,117	59,509
C) Interest Payable, Investment Income & Capital Financing		
11) Interest Payable	6,465	7,055
12) Investment Income	(123)	(123)
13) Revenue Contributions to Capital	1,454	580
14) Transfer To Reserve	-	-
C) Interest Payable, Investment Income & Capital Financing Total	7,796	7,512
HRA (Surplus)	-	-



City of
Stoke-on-Trent

Capital Strategy

2020/21 – 2024/25

January 2020

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1 Strategy on a page

The overarching aim of the strategy is to provide a framework within which the council's capital investment will be considered, created and delivered.

The strategy supports and is driven by the council's strategic plan and objective – **STRONGER TOGETHER** that provides a clear vision for Stoke-on-Trent, to create a city we can all be proud of.

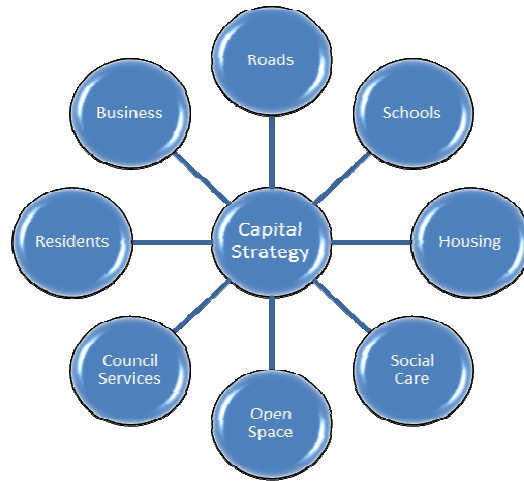
Our investment falls into three main areas;

- Essential – investing to maintain or improve service delivery to our citizens and provide, as a minimum, our statutory duties;
- Place Shaping – investing in the necessary infrastructure to encourage and promote external growth and development in the city;
- Economic Growth – investment to provide a permanent return or cost saving to the council over a long term period.

Integral to capital investment is consideration of how individual investments combine to provide a fuller offer to the citizens and businesses of the City. For example:

- Businesses need good road access networks and physical infrastructure, fit for purpose premises and nice places for employees to live;
- Residents need resilient social infrastructure including decent housing, education, recreational spaces, council services and social care
- Council services meet the needs of the residents and businesses

The capital strategy will endeavour to reinforce this holistic and balanced approach, recognising the financial pressures and service demands within the resources available.



2 Stronger Together



The Stronger Together Strategic Plan 2020 – 2024 provides a clear vision for Stoke-on-Trent, to create a city we can all be proud of. This vision is underpinned by five priorities which guide everything the Council does:

- Support vulnerable people in our communities to live their lives well;
- Enable our residents to fulfil their potential;
- Help businesses to thrive and make our city more prosperous;
- Work with our communities to make them healthier, safer and more sustainable;
- An innovative and commercial council, providing effective leadership to help transform outcomes.

The Capital strategy and capital projects fit within and support the Stronger Together Priorities.

“Stoke is on the up”

3 Purpose of the Strategy

The Capital Strategy is a key document for the City Council and informs the authority's integrated revenue and capital financial planning. The strategy provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services and provides an overview of governance, risk management and monitoring the implications for future financial sustainability.

Production of a Capital Strategy supports the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code to demonstrate that capital expenditure and investment decisions are taken in consideration of service objectives and taking account of stewardship, value for money, prudence, sustainability and affordability.

4 Relationship of this strategy to other complimentary polices and strategies.

The Capital Strategy is supported by a number of other key policy and strategy documents. This can be best demonstrated by the illustration below;



5 Capital Expenditure

The accounting definition of capital expenditure is described as *'costs incurred on the acquisition or creation of assets, or expenditure that enhances or adds to the life or value of an existing fixed asset¹ that is needed to provide services.'*

Capital expenditure within local government is highly regulated by statute. The Local Government Act 2003 defines an authority's powers to borrow and sets out controls relating to borrowing. The Act also introduced a self-regulated framework for capital investment - the Prudential Framework that requires an Authority to prudently manage the financial consequences of capital investment.

The capital investment programme is the authority's planned investment in its own infrastructure and estate as well as investments in wholly owned council commercial companies. The capital investment programme is presented within the Council's **MTFS** over a five year timeframe in order to fairly represent the whole investment cost and funding implications over that timescale.

6 Capital and Treasury Management

The City Council operates in accordance with CIPFA's Code of Practice for Treasury Management in Public Services that requires the council to determine and approve the Treasury Management Policy Statement. The Policy Statement states the policies, objectives and approach to risk management of the council's treasury management activities. This is achieved by producing an Annual Borrowing and Investment Strategy supported by Prudential Indicators and a Minimum Revenue Provision Statement, approved by Council.

¹ Fixed assets are tangible or intangible assets that yield benefits to the Council generally for a period of more than one year, e.g. land, buildings, roads, vehicles. This is in contrast to revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services.

The CIPFA's Prudential Code for Capital Finance in Local Authorities which requires the preparation of a number of prudential indicators. A set of indicators based on the capital programme proposed in the MTFS report are reflected in the **Treasury Management Annual Borrowing and Investment Strategy and Minimum Revenue Provision Policy Statement** and are approved as part of the MTFS report presented to City Council in February.

For Treasury Management investments and in compliance with guidance issued by the Ministry of Housing, Communities and Local Government, the security and liquidity of funds are placed ahead of the investment return. The management of associated risk is set out in the Treasury Management Policy and the Annual Investment Strategy.

The financing of the capital programme and the associated implications are incorporated into the medium term financial strategy. These implications consider areas such as;

- How the scheme is financed
- When the costs will be incurred
- The cash position of the council
- Borrowing requirements and associated cost implications
- Current debt and future affordability

7 Service and Commercial Investments

The CIPFA Treasury Management Code recognises that organisations may make investments for policy reasons outside of normal treasury management activity. These may include service and commercial investments such as;

- **Service investments**

These are investments held clearly and explicitly in the course of the provision, and for the purposes, of operational services, including regeneration.

- **Commercial investments**

These are investments taken for mainly financial reasons. These may include:

- investments arising as part of business structures, such as shares and loans in subsidiaries;
- investments explicitly taken with the aim of making a financial surplus for the Council.

Commercial investments also include fixed assets which are owned and held primarily for financial benefit, such as investment properties. Other investments also provide none financial benefits e.g. the Councils Housing Company which also addresses the market need for quality private rented sector accommodation.

A summary of the principal commercial investments and expected returns is contained within the medium term financial strategy report presented to City Council.

Due to the nature of the assets or for valid service reasons, such investments do not always give priority to security and liquidity over yield. In these cases, such a decision will be explicit, with the additional risks set out and the impact on financial sustainability identified and reported.

The Council's Assistant Director of Finance officer (s151) will ensure that the Council has the appropriate legal powers to undertake such investments and such investments do not expose the council to an excessive level of risk compared to its financial resources.

8 Option Appraisals, Feasibility Studies

As part of the process of producing a list of potential schemes for the capital programme, service managers complete option appraisals to determine the most cost effective and best service delivery options. Options Appraisals will form part of the Business Case for Investment, Business cases will be generated from inception onwards and be a living document. All Project Managers who lead on each investment for the Council are required to produce a costed business case.

In assessing capital investment there are three stages of approval:

Stage One – Feasibility & Options Appraisal

- The Capital Programme Board will approve a funding allocation from the approved capital budget based on the estimated costs of feasibility & options appraisals
- On completion of the Feasibility & Options Appraisals the results will be presented to the Capital Programme Board

Stage Two – Design Development

- approval would be sought to proceed to the next stage with resource allocated to enable the project to be taken forward to a fully developed design;
- the detailed design presented to the Capital Programme Board to sign off;

Stage Three – Project Implementation

- final commitment to invest, finances and returns considered, final business case scrutinised;
- approval given proceed to the next stage with the remaining resource allocated to take the project through the technical design stage to project tendering;
- the tendering stage a review against the approved budget and the investment decision agreed for the appointment of the main contractor;
- Project Delivery commences;
- Business cases and investment appraisals remain under scrutiny and development through the delivery of the scheme.

In submitting the project the service manager is agreeing to fund all necessary capital resources to fund the scheme and future operational and running costs and/or make the Council aware of the full costs requirements in assessing the overall budgetary implications for consideration within the quantum of financial resources available to the Council.

Further resources to progress any of these stages will need to be approved separately by Cabinet and/or as part of the annual review of the capital programme and would be subject to the relevant resources being available.

9 Due Diligence

For all capital investments, the appropriate level of due diligence is undertaken reflecting the complexity and risk associated with the scheme being a main consideration.

Due diligence process and procedures include:

- Initial assessment and scrutiny at Senior Officer level of the scheme proposals including;
 - the commercial market in which the investment will be operating within;
 - identification of the risk to both the capital sums invested and expected returns;
 - understanding the extent and nature of any external underwriting of risks;
 - the potential impact on the financial sustainability of the Council if those risks materialise;
 - estimation of all costs and returns, including capital financing and on-going running costs.
 - use of hurdle rates to stress test investments and consider affordability
- discussions with member portfolio holders;
- effective scrutiny of proposed investments by the member led committee;
- where necessary independent and expert advice will be sought.

10 The Capital Budget Setting Process

10.1 Key Criteria Set by Cabinet Members

For any particular budget setting year, the process starts in the year prior with sessions held with Cabinet Members to identify and discuss the key criteria by which proposals will be considered. These include:

- Maintaining the essential service support infrastructure of the council;
- Essential rolling programmes;
- Key council pledges;
- Investment for regeneration projects;
- The outcome of feasibility studies and reviews;
- Invest to returns projects.

10.2 Identifying Capital Schemes

The proposal for a capital scheme may be identified through one or more processes including but not limited to;

- Annual Service Plans for the improvement of their areas (ensuring that their objectives meet the overall service aims and objectives of the Council); identifying any capital investment needed to meet future service demands;
- The Asset Management Strategy (completed by Property Services alongside Service Departments) highlights deficiencies in the condition, suitability and sufficiency of the Council's existing building stock and identify future areas of need;
- The Local Transport Plan is a comprehensive and rolling plan of local transport strategies for achieving an integrated transport system to tackle the problems of congestion and pollution, looking at the roads and infrastructure needs of the Council;

- The Joint Local Plan for the area and will ensure that long term policies are in place to manage and meet the needs of local people and businesses for employment, housing, green space and supporting services.
- 30 year business plan for the HRA decent homes programme.
- Reviews and external inspections may also identify areas that need capital investment;
- The requirement to respond to Government initiatives and new laws and regulations;
- Investments to generate a sustainable revenue income return to contribute to the overall funding of council services.

These plans and review outcomes are considered by Cabinet Portfolio Holders and Chief Officers to identify their key capital priorities for the relevant service planning period.

10.3 Deciding which Schemes are to be put forward

Once the list of key capital priorities has been identified, in preparing capital project proposals consideration is given to the key criteria identified earlier in the year.

Affordability:

- The revenue impact of the proposals on the council's budget including capital financing costs and on-going revenue costs;
- The borrowing position of the council, projections of external debt and the opportunity to temporarily use internal borrowing to support capital expenditure;
- The prudential limits affected by such an investment;
- Financing of the scheme where supported in part or in whole by external funding;
- Existing resources available to finance the scheme;
- Expected savings/returns accruing from the investment, including return on investment, financing hurdle rate and whole life cost.

Achievability:

- Recognition of the capacity in the organisation to deliver such a programme;
- Recognition of the knowledge and skills available and whether these are commensurate with the appetite for risk;
- The approach to commercial activities including ensuring effective due diligence, expert advice and scrutiny, defining the risk appetite and considerations of proportionality in respect of overall resources;

The approach to treasury management and the management of risk as set out in the Treasury Management Strategy.

Sustainability:

- Ability of the council to support the capital financing costs with reference to the life of the project/assets;
- Recognition of the future vision of the authority;
- An overview of asset management planning including maintenance requirements and planned disposals.
- Sustainability and certainty of any expected returns.

All bids are produced in line with the appropriate timetable with consideration for the financial information contained within the bid.

Portfolio Holders are briefed and understand the service need and the budget consequences, both revenue and capital, of completing the scheme.

The proportionality of the proposals as a whole will then be considered in respect of overall resources and longer term sustainability and risk. The Assistant Director of Finance will take an overall view on the prudence, affordability and sustainability of the overall borrowing level if all bids are accepted.

10.4 Prioritisation of Schemes put forward

Schemes will be categorised as follows:

- i. Essential – investing to maintain or improve service delivery to our citizens and provide, as a minimum, our statutory duties;
- ii. Place Shaping – investing in the necessary infrastructure to encourage and promote external growth and development in the city;
- iii. Growth – investment to provide a permanent return or cost saving to the council over a long term period.

A formalised corporate system for prioritising capital projects has been adopted by the Council. This has resulted in:

- Identifying essential capital investment for the five year period;
- Utilising feasibility studies where needed;
- The ability to revise the capital programme in a managed way to take account of changes and/or opportunities;
- Being mindful of the current level of the programme in relation to capacity to deliver, the relevant financing of schemes and any other running costs.

This will result in a list of capital project proposals to be considered as part of that year's budget approval process and a 'waiting list' of other capital project proposals that may be put forward for consideration later in the year or as part of the following year's budget approval process.

10.5 Member Approval Process

The Cabinet receive the Capital Programme in the autumn of the preceding year which is then subject to scrutiny via all the relevant scrutiny committees who provide feedback and comment on the proposals which are considered against the proposals. Subject to any revisions Cabinet receive the updated Capital Programme in February each year and in turn make their recommendations to full Council.

Members approve the overall borrowing levels at the budget meeting in February each year as part of the Treasury Management Strategy. The taking of loans then becomes an operational decision for the Assistant Director Finance who will make decisions based on the forecast levels of cash and demand.

Once the Council has approved the capital programme, expenditure can be committed against these approved schemes subject to the normal contract procedure rules and the terms and conditions of funding.

11 Funding Strategy and Capital Policies

The funding and capital financing implications form a key consideration of the approval and planning process. Funding can be achieved via a single or blend of methods typically;

- External grants and contributions
- Capital receipts
- Revenue contributions
- Borrowing
- Pump Priming and Invest to Return/Save Schemes
- Finance leasing.

11.1 External Funding and contributions

Services must seek to maximise external funding wherever possible to support capital schemes. This can be in the form of grants and contributions from external bodies including central government.

Prior to submitting bids for grant funding, an assessment of the conditions of the grant are made e.g. match funding, expected outcomes and outputs, legal obligations and pricing risk.

11.2 Capital Receipts

A capital receipt is an amount of money exceeding £10,000 which is received from the sale of an asset. The Council will review all of the Council's assets, in particular property, annually against the aims and objectives of the council. The general policy is that any capital receipts are then pooled and used to finance future capital expenditure and investment according to priorities, although they may be used to repay outstanding debt on assets financed from loans, as permitted by the regulations.

Changes to the use of capital receipts as a consequence of Directions given by the Ministry of Housing, Communities and Local Government will also be taken into account when considering capital financing.

11.3 Revenue Contributions

While not frequently used services may offer revenue to contribute to the funding of capital expenditure, this can be in the form of applications of earmarked reserves and/or the use of in year revenue budgets.

11.4 Prudential/Unsupported Borrowing

Local Authorities can set their own borrowing levels based on their ability to finance the debt (Prudential Borrowing). Where the capital programme cannot be funded from any other source borrowing is considered as the last resort. Costs of borrowing in the form of principal and interest, which impact on the revenue budget of the council, are taken account of in the MTFS.

The Assistant Director of Finance will assess the overall affordability and sustainability of the borrowing implications. These are reflected in the MTFS and reported as part of the Treasury Management Strategy, capital financing requirement and associated Prudential Indicators. The council's policy on providing for a minimum level of revenue for the repayment of debt is also contained within the MTFS.

11.5 Pump Priming and Invest to Return/Save Schemes

Occasionally projects arise for which services require assistance with meeting the set up costs of projects which may bring long term service delivery improvements and/or cost savings. The initial set up costs may be of a revenue or capital nature.

For 'invest to return/save' schemes assistance may be given for initial set up costs, but it is expected that in the longer term these schemes will produce savings and/or additional income that will as a minimum fund any additional operational or borrowing costs.

11.6 Leasing

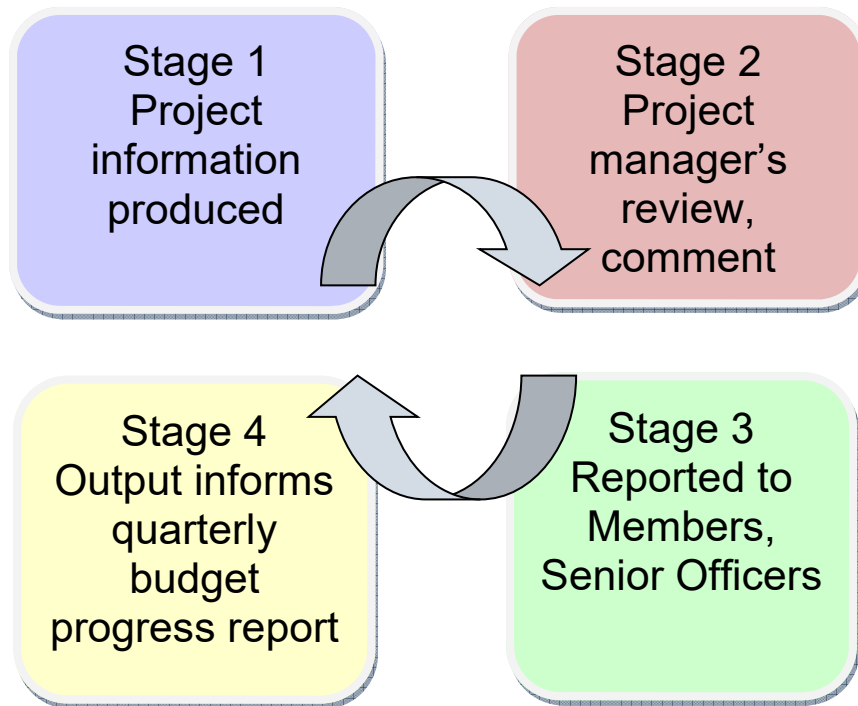
The Council may enter into leasing agreements to procure assets. However, a full option appraisal and comparison of other funding sources is made in order to ensure that leasing provides the best value for money method of procurement.

Under the Prudential Code leasing agreements are counted against the overall borrowing levels when looking at the prudence of the authority's borrowing.

12 Reporting, Monitoring and Governance

Capital schemes are monitored and reported on monthly. There is a distinct lifecycle for monitoring which is summarised in the diagram below.

Summary Capital reporting process



During the development and implementation of major building and construction schemes they are managed and reported using the Royal Institute of British Architects (RIBA) Plan of Work. The plan organises the process of briefing, designing, constructing and operating building projects into eight stages and details the tasks and outputs required at each stage. Details of the plan can be found at <https://www.ribaplanofwork.com/>

Funding is managed and released in phases approved in principle by the Capital Programme Board.

Projects are reviewed by the service areas on a monthly basis and by Capital Programme Board on a bi-monthly basis and authority to progress is required at appropriate stages

throughout the project lifecycle to minimise the risk of abortive costs. The review ensures that projects:

- Fit with current strategy
- Have appropriate levels of sponsorship and funding
- Possess realistic business cases and have a defined plan for measuring and delivering those benefits
- Are supported by the appropriate governance arrangements

Project Managers and Directors are accountable for schemes under their areas and are required to attend the board as necessary.

The Board will also ensure the provision of capital resources across portfolios is appropriately balanced within the strategic priorities of the council. The board will also receive and access reports on proposed capital projects for recommendation to the Cabinet for the future development of the capital programme.

13 Amendments to the programme

In order to address any new capital demands, the programme may be reviewed as part of the Cabinet cycle to reconsider original approvals and profiles to assess whether any revisions need to be made to the approved programme. Outside of this timetable a separate Cabinet report is required to seek approval for any changes/revisions.

Requests for approval of revisions to the profiling of scheme expenditure across financial years and the movement of budget between schemes (known as a virement) will be considered by Cabinet at the appropriate points during the financial year as part of the capital monitoring reports.

Requests for new capital schemes would need to be approved as an amendment to the existing capital programme by Full City Council. Prior to any approval schemes will follow the same assessment process.

14 Procurement and Value for Money

The Council has a Procurement team that ensures they provide value for money and to see where efficiency savings can be achieved. This also covers capital procurement.

All procurement activities comply with EU/UK procurement directives and adhere to the relevant requirements stipulated in directives and with the Councils policies and regulations; Contract Procedural Rules and Financial Regulations.

The main aim is to hold 'value for money' as a key goal in all procurement activity to optimise the combination of cost and quality.

The City Council's policy is, whilst remaining legally compliant, to retain as much of its capital spend locally as possible, through: (a) favouring local providers for lower value contracts; (b) using the Council's Social Value User Guide (adopted by Council in October 2017) to require prime contractors to sub-contract as much of their work as possible to local firms; and (c) engaging with the local market through "meet the buyer" events.

15 Partnerships and Relationships with other Organisations

Wherever possible the council looks to work on a partnership basis where joint projects can be implemented providing an opportunity to share skills, reduce risk and provide joint funding where schemes have mutual benefit for both parties.

16 Performance and Risk Management

Clear measurable outcomes for part of the approved schemes, milestones and project stages are budgeted and approvals are provided at each stage. Services check that outcomes are being achieved as expected.

The Council has a risk management process to identifying risks, evaluating their potential consequences and determining the most effective methods of managing them and/or responding to them. Project risks are reported to and managed by the capital programme

board. The affordability and risk associated with the Capital Strategy is reported as part of the MTFS.

17 Accountability

Project managers are responsible for the schemes allocated to them which are expected to be delivered on time and to budget. The financial and programme delivery of each scheme is reported to senior managers monthly and members on a quarterly basis via the financial performance reports formally and informally via regular meetings.

PROPOSED CAPITAL PROGRAMME 2020 - 2025 (2020 MTFS)

Annex K (i)

Description	Proposed Budget 2020/21 (incl c/fwd) Total £'000s	Proposed Budget 2021/22 Total £'000s	Proposed Budget 2022/23 Total £'000s	Proposed Budget 2023/24 Total £'000s	Proposed Budget 2024/25 Total £'000s	Total Proposed Budget 2020-2025 Total £'000s
Longton Primary Care	4,063	-	-	-	-	4,063
Small Group Homes	812	-	-	-	-	812
Disabled Facilities Grant (Housing)	2,773	2,263	2,242	2,243	2,243	11,764
Adult Social Care Adaptations	571	571	571	571	571	2,855
Aids & Adaptations HRA	1,050	1,050	1,050	1,050	1,050	5,250
Homelessness Hub	2,500	-	-	-	-	2,500
Support vulnerable people in our communities to live their lives well	11,769	3,884	3,863	3,864	3,864	27,244
Burslem Town Hall / School of Art	20	-	-	-	-	20
BSF Design & Build	150	300	-	-	-	450
Devolved Formula Capital (Schools Controlled grant)	259	259	259	259	259	1,295
The Willows Primary School extension	3,226	-	-	-	-	3,226
Special School for Complex Needs	2,200	2,400	-	-	-	4,600
SCP - TBC (Secondary / Primary)	632	1,396	1,675	940	940	5,583
Holden Lane Primary	10	-	-	-	-	10
SEND Capital Grant	279	-	-	-	-	279
Fenton Manor Sports Complex Review	200	-	-	-	-	200
Gym Equipment at Sports Complexes	100	50	-	-	-	150
Potteries Museum and Art Gallery / Spitfire / Library	3,831	-	-	-	-	3,831
Legible Stoke (Wayfinding)	574	-	-	-	-	574
Enable our residents to fulfil their potential	11,481	4,405	1,934	1,199	1,199	20,218
Vested / Legacy Clearance Properties	156	-	-	-	-	156
Home Buyers Scheme	1,000	-	-	-	-	1,000
Custom & Self Build	120	120	120	-	-	360
Housing Zones	2,026	1,114	-	-	-	3,140
Market Housing, Site Design and Delivery	1,090	-	-	-	-	1,090
City Waterside (Housing Development)	138	-	-	-	-	138
City East Link Road	7,004	-	-	-	-	7,004

PROPOSED CAPITAL PROGRAMME 2020 - 2025 (2020 MTFS)

Annex K (i)

Description	Proposed Budget 2020/21 (incl c/fwd)	Proposed Budget 2021/22	Proposed Budget 2022/23	Proposed Budget 2023/24	Proposed Budget 2024/25	Total Proposed Budget 2020-2025
	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s
City Centre Access	2,779	-	-	-	-	2,779
Local Transport Plan (LTP) Integrated Transport Block	1,665	1,665	1,665	1,665	1,665	8,325
LTP Maintenance	2,036	1,916	1,916	1,916	1,916	9,700
Local Sustainable Transport Programme	711	-	-	-	-	711
OLEV Taxi Infrastructure	788	-	-	-	-	788
Access Links to Etruria Valley	17,588	9,509	-	-	-	27,097
Waterloo Road Junction	3,034	15	-	-	-	3,049
Highways Bus Lanes	377	-	-	-	-	377
Norton Heights Balancing Pond/Roads	83	-	-	-	-	83
Springfields Car Park	59	-	-	-	-	59
Capitalised Highways Works	5,700	5,800	5,800	5,800	-	23,100
Stoke Town & Spode Development Sites	1,923	1,800	1,000	420	-	5,143
Canal Quarter	105	-	-	-	-	105
Private Sector Housing Company	25,469	9,184	3,024	-	-	37,677
Statutory Clearance (Unfit housing)	615	216	150	150	150	1,281
Empty Homes	262	100	-	-	-	362
Stoke Station (TCF)	1,292	-	-	-	-	1,292
Development of Industrial Units	814	-	-	-	-	814
Enterprise Spaces	108	-	-	-	-	108
Help businesses to thrive and make our city more prosperous	76,942	31,439	13,675	9,951	3,731	135,738
Community Investment Fund	1,000	750	750	-	-	2,500
Public Sector Housing	30,800	36,300	42,500	42,500	39,700	191,800
New Build Projects/HRA Expansion	20,600	28,200	28,300	28,200	19,700	125,000
Intrusion Detection	70	70	50	-	-	190
Re-deployable Cameras & Associated Equipment	135	40	-	-	-	175
Upgrade Cromer Road Depot / Shredder	2,420	-	-	-	-	2,420
Flood Protection	750	353	233	-	-	1,336
Stoke Town Flood Alleviation	720	-	-	-	-	720

PROPOSED CAPITAL PROGRAMME 2020 - 2025 (2020 MTFS)

Annex K (i)

Description	Proposed Budget 2020/21 (incl c/fwd)	Proposed Budget 2021/22	Proposed Budget 2022/23	Proposed Budget 2023/24	Proposed Budget 2024/25	Total Proposed Budget 2020-2025
	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s
Youth Provision	1,000	2,250	-	-	-	3,250
Carmountside	390	600	600	-	-	1,590
Cemetery Improvements	221	113	-	-	-	334
Energy Infrastructure Partnerships	500	-	-	-	-	500
Public Realm Works (Glebe Street, Thornton and Spencer Rd)	2,692	339	-	-	-	3,031
City Centre Public Realm	6,687	-	-	-	-	6,687
Station Regeneration	3,218	-	-	-	-	3,218
Canal Corridor Improvements	301	-	-	-	-	301
Playgrounds	300	300	300	460	460	1,820
Park Hall Dam	140	-	-	-	-	140
Tunstall Park Restoration	356	-	-	-	-	356
Trent SUNRISE	678	-	-	-	-	678
Gladstone Museum	37	-	-	-	-	37
District Heat Network	9,672	-	-	-	-	9,672
Work with our communities to make them healthier, safer and more sustainable	82,687	69,315	72,733	71,160	59,860	355,755
Vehicle & Plant Replacement - Uitas	4,750	-	-	-	-	4,750
Waste Transport Vehicles	180	-	-	-	-	180
Public Buildings Maintenance / Fire Remedial	614	300	300	300	300	1,814
Condition Surveys and Risk Assessments	500	250	-	-	-	750
Corporate Landlord	2,000	2,000	-	-	-	4,000
Asset Maximisation	1,000	2,000	500	-	-	3,500
Pay & Display Machine Modernisation	200	140	140	120	-	600
Waste Review	500	-	-	-	-	500
City Centre Regeneration Area	1,500	-	-	-	-	1,500
Kings Hall Renovation	347	-	-	-	-	347
Development Fund	617	-	-	-	-	617
Refurbishment - Civic/Stoke Town Hall/Other smaller buildings/ Historic Town Halls	4,119	300	-	-	-	4,419
IT Strategy	2,499	200	1,200	2,930	450	7,279

PROPOSED CAPITAL PROGRAMME 2020 - 2025 (2020 MTFS)

Annex K (i)

Description	Proposed Budget 2020/21 (incl c/fwd) Total £'000s	Proposed Budget 2021/22 Total £'000s	Proposed Budget 2022/23 Total £'000s	Proposed Budget 2023/24 Total £'000s	Proposed Budget 2024/25 Total £'000s	Total Proposed Budget 2020-2025 Total £'000s
Digital First	96	-	-	-	-	96
Full Fibre Network	6,440	-	-	-	-	6,440
Development Infrastructure	1,410	-	-	-	-	1,410
Schools Catering	103	-	-	-	-	103
Smithfield MSCP	5,000	10,000	-	-	-	15,000
Commercial Property Investment	10,000	5,000	-	-	-	15,000
CVEZ Ravensdale Access Road	500	3,500	5,000	-	-	9,000
CVEZ Gap Funding	1,000	1,000	1,750	-	-	3,750
Development Site Demolitions	704	-	-	-	-	704
An innovative and commercial council, providing effective leadership to help transform outcomes	44,079	24,690	8,890	3,350	750	81,759
Total Gross Capital Investment Programme	226,958	133,733	101,095	89,524	69,404	620,714

PROPOSED CAPITAL PROGRAMME 2020 - 2025 (2020 MTFs)

Annex K(ii)

Description	Forecast Spend 19/20	Proposed Budget 2020/21 (incl c/fwd)	Proposed Budget 2021/22	Proposed Budget 2022/23	Proposed Budget 2023/24	Proposed Budget 2024/25	Total Proposed Budget 2020-2025
	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s
Stoke Town & Spode Development Sites	811	1,923	1,800	1,000	420	-	5,143
Burslem Town Hall / School of Art	-	20	-	-	-	-	20
Stoke PSiCA	128	-	-	-	-	-	-
Town Centre Development	939	1,943	1,800	1,000	420	-	5,163
Hanley Park Regeneration HLF	1,252	-	-	-	-	-	-
Stoke Station (TCF)	690	1,292	-	-	-	-	1,292
Public Realm Works (Glebe Street, Thornton and Spencer Rd)	530	2,692	339	-	-	-	3,031
University Station Gateway	2,472	3,984	339	-	-	-	4,323
District Heat Network	3,523	9,672	-	-	-	-	9,672
Energy Infrastructure Partnerships	500	500	-	-	-	-	500
Green Technologies	4,023	10,172	-	-	-	-	10,172
City Centre Public Realm	429	6,687	-	-	-	-	6,687
City East Link Road	2,267	7,004	-	-	-	-	7,004
Full Fibre Network	2,760	6,440	-	-	-	-	6,440
Station Regeneration	130	3,218	-	-	-	-	3,218
Smithfield MSCP	-	5,000	10,000	-	-	-	15,000
City Centre Access	315	2,779	-	-	-	-	2,779
City Centre Infrastructure	5,901	31,128	10,000	-	-	-	41,128
Local Transport Plan (LTP) Integrated Transport Block	1,630	1,665	1,665	1,665	1,665	1,665	8,325
LTP Maintenance	2,103	2,036	1,916	1,916	1,916	1,916	9,700
Local Sustainable Transport Programme	244	711	-	-	-	-	711
Waterloo Road Junction	1,922	3,034	15	-	-	-	3,049
Access Links to Etruria Valley	6,704	17,588	9,509	-	-	-	27,097
OLEV Taxi Infrastructure	-	788	-	-	-	-	788
Traffic Signal Lighting Stock	19	-	-	-	-	-	-
Capitalised Highways Works	2,519	5,700	5,800	5,800	5,800	-	23,100
Highways Red Route Roads	37	-	-	-	-	-	-
Highways Bus Lanes	50	377	-	-	-	-	377

PROPOSED CAPITAL PROGRAMME 2020 - 2025 (2020 MTFs)

Annex K(ii)

Description	Forecast Spend 19/20	Proposed Budget 2020/21 (incl c/fwd)	Proposed Budget 2021/22	Proposed Budget 2022/23	Proposed Budget 2023/24	Proposed Budget 2024/25	Total Proposed Budget 2020-2025
	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s
Highways Variable Message Signs	479	-	-	-	-	-	-
Highways Road Resurfacing and Replacement	453	-	-	-	-	-	-
Highways Infrastructure	16,160	31,899	18,905	9,381	9,381	3,581	73,147
Playgrounds	-	300	300	300	460	460	1,820
Section 106 - Parks & Play Areas	110	-	-	-	-	-	-
Bucknall Park	11	-	-	-	-	-	-
Park Hall Visitor Centre	420	-	-	-	-	-	-
Park Hall Dam	-	140	-	-	-	-	140
Tunstall Park Restoration	336	356	-	-	-	-	356
Queens Park Longton - Proposed Café Conversion	338	-	-	-	-	-	-
Canal Corridor Improvements	797	301	-	-	-	-	301
Foley Street	47	-	-	-	-	-	-
Parks & Greenspace	2,059	1,097	300	300	460	460	2,617
Vehicle & Plant Replacement	2,263	-	-	-	-	-	-
Vehicle & Plant Replacement - Units	-	4,750	-	-	-	-	4,750
Waste Transport Vehicles	-	180	-	-	-	-	180
Upgrade Cromer Road Depot / Shredder	664	2,420	-	-	-	-	2,420
Highways & Fleet	2,927	7,350	-	-	-	-	7,350
Waste Review	880	500	-	-	-	-	500
Waste Strategy	880	500	-	-	-	-	500
BSF Design & Build	-	150	300	-	-	-	450
Building Schools for Future	-	150	300	-	-	-	450
Public Buildings Maintenance / Fire Remedial	734	614	300	300	300	300	1,814
Condition Surveys and Risk Assessments	250	500	250	-	-	-	750
Corporate Landlord	500	2,000	2,000	-	-	-	4,000
Commercial Property Investment	15,000	10,000	5,000	-	-	-	15,000
Asset Maximisation	-	1,000	2,000	500	-	-	3,500
Ceramic Valley Enterprise Zone	2,399	-	-	-	-	-	-

PROPOSED CAPITAL PROGRAMME 2020 - 2025 (2020 MTFs)

Annex K(ii)

Description	Forecast Spend 19/20	Proposed Budget 2020/21 (incl c/fwd)	Proposed Budget 2021/22	Proposed Budget 2022/23	Proposed Budget 2023/24	Proposed Budget 2024/25	Total Proposed Budget 2020-2025
	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s
CVEZ Ravensdale Access Road	-	500	3,500	5,000	-	-	9,000
CVEZ Gap Funding	-	1,000	1,000	1,750	-	-	3,750
City Centre Regeneration Area	-	1,500	-	-	-	-	1,500
Pay & Display Machine Modernisation	-	200	140	140	120	-	600
Potteries Museum and Art Gallery / Spitfire / Library	1,521	3,831	-	-	-	-	3,831
Flood Protection	705	750	353	233	-	-	1,336
Stoke Town Flood Alleviation	480	720	-	-	-	-	720
Trent SUNRISE	88	678	-	-	-	-	678
Strategic Acquisitions	1,877	-	-	-	-	-	-
Longton Primary Care	1,000	4,063	-	-	-	-	4,063
Kings Hall Renovation	-	347	-	-	-	-	347
Development Fund	215	617	-	-	-	-	617
Enterprise Spaces	9	108	-	-	-	-	108
Development Site Demolitions	10	704	-	-	-	-	704
Development of Industrial Units	5,532	814	-	-	-	-	814
Smithfield Hotel	1,491	-	-	-	-	-	-
Intrusion Detection	43	70	70	50	-	-	190
Re-deployable Cameras & Associated Equipment	230	135	40	-	-	-	175
Hanley Market Refurbishment and Toilets	1,284	-	-	-	-	-	-
Trentham Community Learning Facility	162	-	-	-	-	-	-
Norton Heights Balancing Pond/Roads	-	83	-	-	-	-	83
Springfields Car Park	-	59	-	-	-	-	59
New Horizons Car Park	62	-	-	-	-	-	-
Refurbishment - Civic/Stoke Town Hall/Other smaller buildings/ Historic Town Halls	4,000	4,119	300	-	-	-	4,419
Property, Planning & Employment Initiatives	37,592	34,412	14,953	7,973	420	300	58,058
Place, Growth and Prosperity Directorate	72,953	122,635	46,597	18,654	10,681	4,341	202,908
Schools Catering	100	103	-	-	-	-	103

PROPOSED CAPITAL PROGRAMME 2020 - 2025 (2020 MTFs)

Annex K(ii)

Description	Forecast Spend 19/20	Proposed Budget 2020/21 (incl c/fwd)	Proposed Budget 2021/22	Proposed Budget 2022/23	Proposed Budget 2023/24	Proposed Budget 2024/25	Total Proposed Budget 2020-2025
	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s
Devolved Formula Capital (Schools Controlled grant)	459	259	259	259	259	259	1,295
Burnwood Primary- Various Improvements	198	-	-	-	-	-	-
Birches Head High - Toilets	25	-	-	-	-	-	-
Discovery Academy - 2FE Extension (10 classrooms)	2,000	-	-	-	-	-	-
Etruscan Primary - Various Improvements	16	-	-	-	-	-	-
Hanley St. Lukes - Dining Facilities	7	-	-	-	-	-	-
Heron Cross Primary - Various works	114	-	-	-	-	-	-
Hillside Primary - Various Improvements	40	-	-	-	-	-	-
Mill Hill Academy - Car Park	64	-	-	-	-	-	-
Newstead Academy - Expansion	83	-	-	-	-	-	-
Sandford Hill Primary - Kitchen/Remodelling	1,334	-	-	-	-	-	-
Sneyd Green Primary - Car Park/Reception	434	-	-	-	-	-	-
St. John's Primary - Courtyard	86	-	-	-	-	-	-
St. Mark's Primary - Kitchen/Disabled Access/Fire Alarms	50	-	-	-	-	-	-
St. Paul's Primary - Additional Room	114	-	-	-	-	-	-
Stoke Minster Primary - Security	67	-	-	-	-	-	-
The Willows - Parapet works/Roof repairs	96	-	-	-	-	-	-
Waterside Primary - 4 Classrooms/Kitchen	964	-	-	-	-	-	-
SCP - TBC Healthy Pupils Capital Fund	35	-	-	-	-	-	-
SCP - TBC (Secondary / Primary Health & Safety Access)	20	-	-	-	-	-	-
SCP - TBC (Secondary / Primary)	2,215	632	1,396	1,675	940	940	5,583
The Willows Primary School extension	93	3,226	-	-	-	-	3,226
SEND Capital Grant	815	279	-	-	-	-	279
Burnwood Primary Nursery Classrooms	474	-	-	-	-	-	-
Special School for Complex Needs	-	2,200	2,400	-	-	-	4,600
Holden Lane Primary	116	10	-	-	-	-	10
St Josephs College Sixth Form Extension	23	-	-	-	-	-	-
Education Service Development	10,042	6,709	4,055	1,934	1,199	1,199	15,096

PROPOSED CAPITAL PROGRAMME 2020 - 2025 (2020 MTFS)

Annex K(ii)

Description	Forecast Spend 19/20	Proposed Budget 2020/21 (incl c/fwd)	Proposed Budget 2021/22	Proposed Budget 2022/23	Proposed Budget 2023/24	Proposed Budget 2024/25	Total Proposed Budget 2020-2025
	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s
Children's Centres	13	-	-	-	-	-	-
Early Years	13	-	-	-	-	-	-
Kemball - Hazel Trees Phase 1	11	-	-	-	-	-	-
Hazel Trees Phase 2	1,181	-	-	-	-	-	-
Youth Provision	-	1,000	2,250	-	-	-	3,250
Small Group Homes	-	812	-	-	-	-	812
Children's Social Care	1,192	1,812	2,250	-	-	-	4,062
Children and Family Directorate	11,247	8,521	6,305	1,934	1,199	1,199	19,158
IT Strategy	1,600	2,499	200	1,200	2,930	450	7,279
Digital First	150	96	-	-	-	-	96
Development Infrastructure	-	1,410	-	-	-	-	1,410
ICT(NB service to move to City Director from 01/04/2020)	1,750	4,005	200	1,200	2,930	450	8,785
Vested / Legacy Clearance Properties	-	156	-	-	-	-	156
Custom & Self Build	-	120	120	120	-	-	360
Home Buyers Scheme	-	1,000	-	-	-	-	1,000
Private Sector Housing Company	29,461	25,469	9,184	3,024	-	-	37,677
Market Housing, Site Design and Delivery	392	1,090	-	-	-	-	1,090
Housing Zones	478	2,026	1,114	-	-	-	3,140
Canal Quarter	144	105	-	-	-	-	105
City Waterside (Housing Development)	-	138	-	-	-	-	138
New Build Housing	30,475	30,104	10,418	3,144	-	-	43,666
Community Investment Fund	1,506	1,000	750	750	-	-	2,500
Community Development	1,506	1,000	750	750	-	-	2,500
Disabled Facilities Grant (Housing)	2,560	2,773	2,263	2,242	2,243	2,243	11,764
Statutory Clearance (Unfit housing)	50	615	216	150	150	150	1,281
Homelessness Hub	-	2,500	-	-	-	-	2,500
Empty Homes	590	262	100	-	-	-	362
Housing (GF)	3,200	6,150	2,579	2,392	2,393	2,393	15,907
Housing and Customer Service Directorate	36,931	41,259	13,947	7,486	5,323	2,843	70,858

PROPOSED CAPITAL PROGRAMME 2020 - 2025 (2020 MTFs)

Annex K(ii)

Description	Forecast Spend 19/20 Total £'000s	Proposed Budget 2020/21 (incl c/fwd) Total £'000s	Proposed Budget 2021/22 Total £'000s	Proposed Budget 2022/23 Total £'000s	Proposed Budget 2023/24 Total £'000s	Proposed Budget 2024/25 Total £'000s	Total Proposed Budget 2020-2025 Total £'000s
Leisure Centre Improvements	261	-	-	-	-	-	-
Fenton Manor Sports Complex Review	-	200	-	-	-	-	200
Gym Equipment at Sports Complexes	-	100	50	-	-	-	150
Sport & Leisure	261	300	50	-	-	-	350
Gladstone Museum	100	37	-	-	-	-	37
Museums & Culture	100	37	-	-	-	-	37
Adult Social Care Adaptations	1,089	571	571	571	571	571	2,855
Abbots House	397	-	-	-	-	-	-
Adult Social Care	1,486	571	571	571	571	571	2,855
Carmountside	20	390	600	600	-	-	1,590
Cemetery Improvements	10	221	113	-	-	-	334
Bereavement Care	30	611	713	600	-	-	1,924
Legible Stoke (Wayfinding)	500	574	-	-	-	-	574
PHE - Alcohol Capital Grant	399	-	-	-	-	-	-
Public Health	899	574	-	-	-	-	574
Public Health & Adult Social Care Directorate	2,776	2,093	1,334	1,171	571	571	5,740
Total General Fund Capital Programme	123,907	174,508	68,183	29,245	17,774	8,954	298,664
Public Sector Housing	18,505	30,800	36,300	42,500	42,500	39,700	191,800
New Build Projects/HRA Expansion	19,332	20,600	28,200	28,300	28,200	19,700	125,000
Aids & Adaptations HRA	1,300	1,050	1,050	1,050	1,050	1,050	5,250
Total HRA Capital Programme	39,137	52,450	65,550	71,850	71,750	60,450	322,050
Total Gross Capital Investment Programme	163,044	226,958	133,733	101,095	89,524	69,404	620,714

PROPOSED CAPITAL PROGRAMME 2020 - 2025 (2020 MTFS)

Annex L

Capital Programme Funding	Forecast Spend 19/20	Proposed Budget 2020/21 (incl c/fwd)	Proposed Budget 2021/22	Proposed Budget 2022/23	Proposed Budget 2023/24	Proposed Budget 2024/25	Total Proposed Budget 2020- 2025
	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s	Total £'000s
General Fund							
Borrowing Requirement	73,326	110,095	45,023	18,861	10,180	1,360	185,518
Private Sector Housing Company	20,695	16,657	6,245	-	-	-	22,903
General Capital Receipts	-	-	-	-	-	-	-
Ringfenced Capital Receipts	396	62	-	-	-	-	62
Capital Grants, Reserves and Contributions - Known	22,440	16,333	836	2,056	-	-	19,225
Capital Grants, Reserves and Contributions - Assumed	7,050	31,361	16,079	8,328	7,594	7,594	70,956
Total General Fund	123,907	174,508	68,183	29,245	17,774	8,954	298,664
Housing Revenue Account							
Major Repairs Reserve	19,054	13,000	13,300	13,700	14,000	14,400	68,400
Earmarked Reserves	6,099	4,250	6,450	3,408	-	-	14,108
Capital Receipts (Incl 1-4-1)	750	5,300	8,000	9,300	9,300	9,300	41,200
Capital Grants, Reserves and Contributions - Known	834	-	-	-	-	-	-
Capital Grants, Reserves and Contributions - Assumed	5,010	9,300	9,600	6,800	7,850	7,850	41,400
Borrowing (SHIP)	-	20,600	28,200	28,300	28,200	19,700	125,000
Borrowing	7,390	-	-	10,342	12,400	9,200	31,942
Total Housing Revenue Account	39,137	52,450	65,550	71,850	71,750	60,450	322,050
Gross Capital Funding	163,044	226,958	133,733	101,095	89,524	69,404	620,714

Prudential Indicators 2020/21 to 2024/25

1. Background and Context

- 1.1 The city council uses a number of regulatory Prudential Indicators that govern the performance parameters within which the Treasury Management function is managed. Some of the indicators span all council activity (Corporate Indicators) and others are specific to either the General Fund account or Housing Revenue Account (HRA).
- 1.2 For each Indicator, a summarised interpretation of the Code requirement is shown in italics together with the main purpose of the Indicator. The proposed Indicators are shown at the end of each relevant section i.e. to reflect when actual debt is taken out.
- 1.3 The indicators assume that expenditure and borrowing will be incurred as per the profiled capital programme. The actual position may differ from this as, for example, borrowing is based on the council's cash forecast position.
- 1.4 Some of the calculations are extremely complicated and authorities' individual circumstances vary widely, particularly in respect of debt positions and this may require the revision of certain Indicators during the financial year. Any amendment to the Prudential Indicators will be ratified by full council.
- 1.5 The Prudential Code has been revised in 2018 and recently published and sets out the minimum required Prudential Indicators that should be published. This report follows the revised code requirements.

2. Indicators

i. Capital Expenditure

- a. **Make reasonable estimates of the total capital expenditure that the city council plans to incur.**

This indicator estimates the capital expenditure that the authority plans to incur and forms the basis for a number of other Prudential Indicators.

The figures shown in Table 1 reflect the council's proposed 2020/21 - 2024/25 capital expenditure plans. Based on the information that is available, the best estimates of planned capital expenditure incurred are:

Table 1:
Total capital expenditure that the city council plans to incur

	2020/21 (£'000s)	2021/22 (£'000s)	2022/23 (£'000s)	2023/24 (£'000s)	2024/25 (£'000s)	Total (£'000s)
General Fund	174,508	68,183	29,245	17,774	8,954	298,664
HRA	52,450	65,550	71,850	71,750	60,450	322,050
Total	226,958	133,733	101,095	89,524	69,404	620,714

The figures are subject to change as the capital programme is developed and delivered over the 5-year period. The revenue implications of the proposed programme have been included in the budget report.

b. Make reasonable estimates of the total capital financing requirement at the end of the financial year.

The capital financing requirement illustrates the estimated underlying need for the authority to borrow on a long term basis for capital purposes.

The Capital Financing Requirement shown in table 2 below incorporates the impact of previous capital expenditure decisions, the future capital expenditure plans as profiled in table 1 above and the liabilities in respect of PFI schemes and leases. The Prudential Code requires that debt that is managed by the city council on behalf of authorities following local government review (transferred debt) is excluded from the total.

Table 2:
Total capital financing requirement at the end of the financial year

	2018/19 ^(Act) (£'000s)	2019/20 (£'000s)	2020/21 (£'000s)	2021/22 (£'000s)	2022/23 (£'000s)	2023/24 (£'000s)	2024/25 (£'000s)
General Fund	488,028	567,080	678,343	714,400	717,137	705,725	680,880
HRA	156,641	156,641	177,241	202,080	235,680	275,160	304,060
Total	644,669	723,721	855,584	916,480	952,817	980,885	984,940

Gross Debt and the Capital Financing Requirement. The local authority should ensure that borrowing does not, except in the short term, exceed the total capital financing requirement (Table 2) in the first year plus the estimates of any additional capital financing requirement for the current and next five financial years. The city council will only borrow for capital purposes. In addition, to ensure that treasury management is carried out in accordance with exacting professional standards, the city council has adopted CIPFA's latest Treasury Management Code of Practice. The treasury management indicators in Section 4 below assist to further demonstrate compliance with good practice in this regard.

The Section 151 Officer reports that the authority had no difficulty meeting this requirement in 2019/20, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

ii. **External Debt**

a. **Set the authorised limit for the city council's total external debt, gross of investments.**

The authorised limit is based on the operational limit but also allows additional headroom to cater for unforeseen events such as unusual cash movements.

The authorised limit represents the absolute maximum debt that the council may have at any one time. As with the calculation of the operational limit above, allowance has been afforded to allow the council for the possibility that the council may wish to take its entire annual borrowing requirement early in the year where this is the most financially prudent course of action. In

addition, a margin to allow for unusual treasury events has been included in the calculation. The recommended authorised limits for the next five years are as follows:

Table 3:
Authorised limit for the city council's total external debt, gross of investments

	2020/21 (£'000s)	2021/22 (£'000s)	2022/23 (£'000s)	2023/24 (£'000s)	2024/25 (£'000s)
Gross	808.909	855.792	905.817	917.168	939.038
PFI/Leasing element	75.662	68.350	60.649	52.815	42.307
Borrowing element <i>(incl headroom)</i>	733.247	787.442	845.168	864.353	896.731

b. Set the operational boundary for the city council's total external debt, gross of investments.

The operational boundary also links directly to the authority's capital expenditure plans and should equate to the maximum level of expected debt projected by these plans.

This limit represents a measure of the realistic level that the city council is to borrow including any credit arrangements that are not in the form of borrowing, for example, finance leases. It is, therefore, based on the 'likely' circumstances to arise during the year(s) and is based on best estimates of current known plans and economic conditions. The Prudential Code recognises that circumstances may arise where the limits are breached temporarily but states that any sustained breaches ought to be investigated as they may be indicative of an underlying financial problem. The Operational Boundary includes finance costs in respect to PFI debt and finance leases that are supported through revenue contributions. The recommended operational limits are as follows:

Table 4:
Operational boundary for the city council's total external debt, gross of investments

2018/19 ^(Act) (£'000s)	2019/20 (£'000s)	2020/21 (£'000s)	2021/22 (£'000s)	2022/23 (£'000s)	2023/24 (£'000s)	2024/25 (£'000s)
557.138	620.372	787.327	828.410	867.310	901.091	922.997

iii. **Affordability**

a. **Make reasonable estimates of the ratio of net financing costs to net revenue stream.**

This Indicator illustrates the future cost of borrowing decisions as a proportion of future revenue streams.

The purpose of this Indicator is to express the resultant cost in future years of net capital financing costs, interest and principal of unsupported debt (both historic and planned), as a proportion of the city council's total estimated net revenue stream. In the event that the capital programme is amended and/or level of assumed income change in the future this ratio will also change e.g. if income increased the ratio would fall.

Table 5:
Ratio of General Fund financing and HRA costs to net revenue stream

	2018/19 ^(Act) (%)	2019/20 (%)	2020/21 (%)	2021/22 (%)	2022/23 (%)	2023/24 (%)	2024/25 (%)
General Fund	8.53	11.04	10.39	12.03	13.29	13.79	14.41
HRA	31.07	30.75	30.82	30.95	31.09	31.28	31.25

The above indicator includes an estimate for annual depreciation which is a major factor in the cost of service provision for the HRA.

iv. Treasury Management (Corporate Indicators)

a. Adopt the CIPFA Code of Practice on Treasury Management.

It is a fundamental requirement of the Prudential Code that an authority has proper treasury procedures in place. This requirement will be met if the authority adopts and implements CIPFAs 'Code of Practice for Treasury Management in the Public Services'.

The first treasury Indicator is, therefore, already met as the city council has adopted the latest CIPFA Treasury Management Code. The Treasury Management Practices (TMPs) that are an integral part of the Code have been implemented and are kept up to date.

Minimum Revenue Provision (MRP) Policy Statement 2020/21

'The council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09, and assessed its MRP for 2010/11 onwards 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 Council has due regard for that guidance and subsequent amendments in setting its policy'

The MRP for 2019/20 in respect of historic debt prior to the introduction of the Prudential Code will be charged at a flat rate of 2% fixed at the same value so that the whole debt is repaid within 50 years. Expenditure incurred within the debt liability from 31st March 2010 will, under delegated powers, be subject to MRP under option 3 – Asset Life Method - Annuity, which will be charged over a period that is reasonably commensurate with the estimated useful life applicable to the nature of expenditure using the annuity method (or equal instalment method if preferred). For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life for which that building will deliver services to the city council at the time the expenditure was incurred.

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 city council. However, the city 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.

In instances where the Council incurs borrowing in order to lend funds to a third party, in accordance with the revised guidelines issued by the Secretary of State, MRP is required to be provided over the useful life of the asset created. The Council in this instance will not follow the guidance but rather treat any advance as "Serviced debt" and therefore no MRP will be set-aside providing there is an agreed repayment date. Annually the Council will undertake a financial assessment of the third parties ability to repay the debt and where any adverse changes are perceived to be occurring then a provision will be created to cover any future potential financial losses.

As some types of capital expenditure incurred by the city council are not capable of being related to an individual asset, 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 and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

The duty to make MRP does not extend to cover borrowing or credit arrangements used to finance capital expenditure on HRA assets. This is because of the different financial structure of the HRA, in which depreciation charges have a similar effect to MRP.

MRP will commence in the year following the year the asset becomes available for use.

The city council may, from time to time, apply capital receipts, grants and other advances available at the end of a financial year, which it is considered will be used in the following or subsequent financial year to offset what would otherwise be an increase in their debt liability. In anticipation of such use, which will be determined according to the nature of expenditures deemed at the time to be financed for MRP purposes, the city council considers it prudent that the debt liability assessed for MRP purposes at the end of a financial year will be reduced by applying those capital receipts, grants and other advances.

Treasury Management - Policy Statement

Background

1. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. These activities are supported by recommended guidance; CIPFA Code of Practice for Treasury Management in Public Services 2018 Edition (the "CIPFA TM Code") and the CIPFA Prudential Code for Capital Finance in Local Authorities. These codes of practice require the council to determine and approve the Treasury Management and Investment Strategy and Prudential Indicators (PI's) on an annual basis.
2. The policy statement provides the policies, objectives and approach to risk management of the council's treasury management activities by producing an Annual Borrowing and Investment Strategy supported by Prudential Indicators and a Minimum Revenue Provision Statement. The purpose of the policy statement is therefore, to develop for approval a:
 - Treasury Management and Annual Borrowing and Investment Strategy for 2020/21 including Prudential Indicators; and
 - Minimum Revenue Provision Statement for 2020/21
3. Underpinning the policy statement are a number of day to day procedures governed by the city council's Treasury Management Practices, which adhere to the CIPFA TM Code, setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
4. The Treasury Management Practices include delegated authority for borrowing and investing to permit day to day transactions to be undertaken and allow for swift reaction to market conditions in respect of borrowing and investment. The responsibility for this function falls within the City Director's Directorate.
5. The council will receive and approve an annual strategy and plan and delegates responsibility for the implementation and regular monitoring of its treasury management activities to Audit Committee who will receive quarterly reports to support their role in governance. These reports will also be sent to Corporate Services Overview and Scrutiny Committee for consideration.

Economic and Interest Rate Forecast (as at November 2019)

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.21
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
3-month money market rate														
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.25
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
1yr money market rate														
Upside risk	0.10	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.30	0.30	0.30	0.30	0.23
Arlingclose Central Case	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
Downside risk	-0.30	-0.50	-0.55	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.60
5yr gilt yield														
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45	0.37
Arlingclose Central Case	0.50	0.50	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.57
Downside risk	-0.35	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.56
10yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.85	0.85	0.90	0.90	0.95	0.95	1.00	1.00	1.00	0.88
Downside risk	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.45
20yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
Arlingclose Central Case	1.20	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.30
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.45
50yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
Arlingclose Central Case	1.20	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.30
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.45

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 1.80%

PWLB Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

RISK REGISTER

Key: Score 12-25 High Risk; Score 7-11 Medium risk; Score 1-6 Low Risk						
Risk Ref	Corporate Risk Owner	Cause of Uncertainty	Description of Financial Uncertainty 2020/21	Starting Risk Score	Controls	Expected Residual Risk Score
FAILURE IN REGENERATION AND INVESTMENT INITIATIVES TO INCREASE THE CITY COUNCIL'S INCOME BASE						
Risk 01 20/21	Director of Place, Growth and Prosperity	Economy/ Government/ City Council	<p>The financial return from growth is uncertain as past performance does not translate into certain future growth. Other factors can also affect the increase in funding such as number of empty properties and reduction in the rateable value of businesses.</p> <p>The future financial sustainability of the city council improves where investment creates the environment to strengthen the business rates and the council tax bases. Growth needs to take place with sufficient pace to closely match reduction impacts from central government and erosion to the Business rates base due to successful appeals and demolitions.</p>	20	<ol style="list-style-type: none"> 1. Employ Capital and revenue investments to attract and deliver direct and in-direct growth. 2. Provide and develop strategies and policies to encourage an environment to deliver business growth. 3. Encourage public and private sector partnerships. 4. Continue to work with the Local Enterprise Partnership to access funding and develop investment proposals. 5. Provide capital investment that prioritises returns on investment supporting areas for redevelopment. 6. Creation of arm's length companies to provide long term and steady income streams to the council. 	9

RISK REGISTER

Key: Score 12-25 High Risk; Score 7-11 Medium risk; Score 1-6 Low Risk						
Risk Ref	Corporate Risk Owner	Cause of Uncertainty	Description of Financial Uncertainty 2020/21	Starting Risk Score	Controls	Expected Residual Risk Score
UNCERTAINTY IN FUTURE CENTRAL GOVERNMENT FUNDING						
Risk 02 20/21	Assistant Director - Finance	Economic / Government	<p>Central government policy changes and financial challenges impact on the capacity to deliver investment opportunities, maintain services and deliver a balanced budget for example:</p> <ul style="list-style-type: none"> - impact on financial prudence and efficiency - loss of funding - impact on the quality of services - loss of potential income and negative impact on the sustainability of services - reputational damage <p>The government's revised Business Rates Retention Scheme and Fair Funding Review is to be introduced from 2021/22. Uncertainty remains around how the government is intending to equalise funding across all local authorities, which grants will be incorporated into Business Rates Retention and what new burdens will transfer to local authorities. 75% retention also means that a higher proportion of business rates funding reduced due to appeals falls on the local authority.</p>	20	<ol style="list-style-type: none"> 1. Proactive environmental scan of information from Government. 2. Ensuring responses to appropriate government consultations are submitted. 3. Prudent resource forecasting and modelling. 4. Open and transparent decision making. 5. Challenge of all expenditure decisions and service delivery and transformation options. 6. Robust budget setting and the development of a Medium Term Financial Plan. 7. Workforce Development Plan to ensure that, with a reductions in staff, requisite skills are in place or can be managed / developed. 8. Development of investment opportunities that will provide a return and support self sufficiency. 	8

RISK REGISTER

Key: Score 12-25 High Risk; Score 7-11 Medium risk; Score 1-6 Low Risk						
Risk Ref	Corporate Risk Owner	Cause of Uncertainty	Description of Financial Uncertainty 2020/21	Starting Risk Score	Controls	Expected Residual Risk Score
EFFECT OF BREXIT ON LOCAL GOVERNMENT SERVICES AND FUNDING						
Risk 03 20/21	All Directors	Economic / Government	<p>Britain left the European Union (EU) in 2020. The effect on local authorities and uncertainty is around the following key issues:</p> <ul style="list-style-type: none"> - provision of effective business continuity, civil contingency and community reassurance services - the future status of EU and non-EU migrant workers who are employed by public services - the future voting rights of EU migrant residents - the possible role of local government in enforcing new/transitional customs arrangements - financial compensation for councils if they have to take on additional duties following Brexit - the status of ongoing procurement exercises which were undertaken via the OJEU - the need to modify existing legal and regulatory frameworks 	20	<ol style="list-style-type: none"> 1. review existing contingency / business continuity policies 2. review annual leave applications from January 2020 3. if an impact on availability of fuel materialises, agree a policy for the prioritisation of fuel usage by council staff 4. draft key messaging to provide timely advice and reassurance to residents, visitors and service users 5. continue to work with the Local Resilience Forum on Brexit planning and preparedness 6. engage with businesses and other local stakeholders for the purposes of information-sharing, reassurance and resilience 7. participate in the government's planned regional Brexit workshop 8. monitor emerging guidance and intelligence relating to Brexit 	8
DEIDCATED SCHOOLS GRANT						

RISK REGISTER

Key: Score 12-25 High Risk; Score 7-11 Medium risk; Score 1-6 Low Risk						
Risk Ref	Corporate Risk Owner	Cause of Uncertainty	Description of Financial Uncertainty 2020/21	Starting Risk Score	Controls	Expected Residual Risk Score
Risk 04 20/21	Director of Children and Family Services	Service Pressure	<p>The City Council currently has a significant High Needs deficit balance which is currently carried on the balance sheet. Discussions are underway in respect of the accounting treatment of the DSG deficit and how it impacts on the City Council's overall financial position.</p> <p>If the actions within the High Needs Deficit Recovery Plan are not delivered to reduce the Dedicated Schools Grant (DSG) deficit, and the accounting treatment is not resolved, this could have a major impact on the financial resilience of the City Council.</p>	20	<ol style="list-style-type: none"> 1. Liaison with the Department for Education and the Ministry of Housing, Communities and Local Government in relation to the deficit recovery plan and accounting treatment. 2. Robust action plan to reduce overall DSG deficit developed. 3. Programme board in place to drive / monitor delivery of savings forward. 	9
RETURNS FROM COMMERCIAL ACTIVITIES						
Risk 05 20/21	All Directors	Economic Environment	Financial Losses incurred by City Council's commercial activities and/or failure to achieve expected returns to the City Council.	16	<ol style="list-style-type: none"> 1. Regular review of business plans and progress made for each commercial activity. 2. Obtain professional guidance to inform decisions on investment activity. 3. Constant scanning of wider economic activity with prompt and appropriate response. 4. Sensitivity analysis of expected returns. 	9
IMPACT OF UNIVERSAL CREDITS ON THE CITY						
Risk 06 20/21	Assistant Director - Finance	Economic Environment / Government	<p>Potential for increased rent arrears, increased debt levels and more reliance on charities and voluntary sector.</p> <p>Uncertainty over administration and funding for Housing Benefit.</p> <p>Universal Credit full roll out has been delayed until 2024.</p>	16	<ol style="list-style-type: none"> 1. Liaison with Department of Works & Pensions. 2. Welfare Reform Working Group and Internal Departments. 3. Liaison and working cooperatively with other agencies. 4. Range of support services and signposting offered by the Council and partners. 5. Appointment of Universal Credit Officers. 	9
BORROWING COSTS AS A PROPORTION OF REVENUE BUDGET AND AFFORDABILITY IN FUTURE YEARS						

RISK REGISTER

Key: Score 12-25 High Risk; Score 7-11 Medium risk; Score 1-6 Low Risk						
Risk Ref	Corporate Risk Owner	Cause of Uncertainty	Description of Financial Uncertainty 2020/21	Starting Risk Score	Controls	Expected Residual Risk Score
Risk 07 20/21	Assistant Director - Finance	Cash Flow/Budget	<p>The level of revenue budget applied to capital financing charges as a proportion of income set against a reducing resource base.</p> <p>Average asset lives in relation to capital spend may be shorter than estimated impacting on MRP.</p> <p>City Council becomes contractually committed to unbudgeted future years' expenditure.</p>	15	<ol style="list-style-type: none"> 1. The costs of capital will be considered within the overall resources available to the council. 2. The costs of capital are incorporated into the budget development process. 3. Income expectations on investments will mitigate the net total budget requirement. 4. Capital financing budget is closely monitored. 5. Investment programme under constant review. 6. Disposals programme is reviewed regularly. 7. Prudent approach taken to asset lives. 	10

RISK REGISTER

Key: Score 12-25 High Risk; Score 7-11 Medium risk; Score 1-6 Low Risk						
Risk Ref	Corporate Risk Owner	Cause of Uncertainty	Description of Financial Uncertainty 2020/21	Starting Risk Score	Controls	Expected Residual Risk Score
INCREASED DEMAND IN THE PROVISION OF ADULT SOCIAL CARE AND HEALTH SERVICES						
Risk 08 20/21	Director of Social Care, Health Integration and Wellbeing	Service Pressure	Demographic challenges to service delivery are evident due to an ageing population and to numbers of people who survive with complex clinical conditions and profound disabilities. There is an increasing expectation that citizens will have a choice over the way services are delivered and the quality of those services. The Stoke-on-Trent area has a high incidence of health inequalities which places the service under significant pressure.	15	1. Pressures recognised in the budget setting process for 2020/21. 2. Transformation programme of adult social care services, carried out in partnership with the NHS and voluntary sector. 3. Strict monitoring of the development, delivery and achievement of detailed transformation plan.	9
COST AND NUMBER OF CHILDRENS PLACEMENTS						
Risk 09 20/21	Director of Children and Family Services	Service Pressure	The cost and number of independent sector placements in Children's Social care has continued to rise, uncertainty as to whether the Children's Improvement Plan will have the effect of reversing this trend in the required timescale.	15	1. Pressure recognised in the budget setting process for 2019/20 (in the Mid-Year Update) and 2020/21. 2. Strict monitoring of the milestones, outcomes and delivery of the Children's Improvement Plan. 3. Ofsted continue to review these outcomes.	9
BORROWING ACTIVITY						
Risk 10 20/21	Assistant Director - Finance	Exposure to fluctuations in interest rates	More market availability of debt products where PWLB is not the debt provider. Increased risk of those products having complex repayment and charging structures requiring more legal input increasing the time needed to make borrowing decisions.	15	1. Identification and monitoring of annual borrowing requirement through prudential indicators and capital programme. 2. Monitoring of borrowing rates. 3. Awareness of alternative products available to fund expenditure. 4. Regular review of borrowing level and possible opportunities and costs. 5. Sufficient resources identified to cover capital expenditure and cash flows.	8

RISK REGISTER

Key: Score 12-25 High Risk; Score 7-11 Medium risk; Score 1-6 Low Risk						
Risk Ref	Corporate Risk Owner	Cause of Uncertainty	Description of Financial Uncertainty 2020/21	Starting Risk Score	Controls	Expected Residual Risk Score
MONEY MARKET INVESTMENTS						
Risk 11 20/21	Assistant Director - Finance	Failure of counterparties	Cash deposits placed by the City Council on the money market are at enhanced risk of loss	15	<ol style="list-style-type: none"> 1. Clear investment policy approved by City Council. 2. Continued use of external advisors. 3. Use of approved counterparties list based on full range of formal credit ratings and wider market intelligence and advice from advisors. 4. Limits set for amounts and time periods with individual institutions. 5. Counterparty limits amended as and when required and future investments suspended if deemed appropriate. 6. Quarterly update to Audit Committee. 7. Continued scan of wider economic environment provided by advisors, with amendments to the existing strategy, as required. 8. Weekly notification to s151 Officer of current investments. 	8
REVENUE COSTS OF BORROWING UNAFFORDABLE IN FUTURE YEARS						
Risk 12 20/21	Assistant Director - Finance	Economic Environment / Asset Management	Average asset lives in relation to capital spend may be shorter than estimated impacting on MRP. City Council becomes contractually committed to unbudgeted future years' expenditure.	12	<ol style="list-style-type: none"> 1. Capital financing budget is closely monitored. 2. Investment programme under constant review. 3. Project approval and Management System Disposals programme is reviewed regularly. 4. Prudent approach taken to asset lives. 5. Robust financial management monitoring & budget development 	8

RISK REGISTER

Key: Score 12-25 High Risk; Score 7-11 Medium risk; Score 1-6 Low Risk						
Risk Ref	Corporate Risk Owner	Cause of Uncertainty	Description of Financial Uncertainty 2020/21	Starting Risk Score	Controls	Expected Residual Risk Score
FAILURE TO MEET TIMELINES, OUTPUTS AND CONDITIONS OF EXTERNAL FUNDING						
Risk 13 20/21	Assistant Director - Finance	Capital Programme	<p>External grants usually have conditions attached, such as:</p> <ul style="list-style-type: none"> - deadlines - outputs - eligibility of expenditure <p>There is a risk that failure to meet any of the conditions of the grant will result in loss of funding against actual expenditure incurred. This increases the risk that the City Council will have unfunded committed expenditure.</p>	12	<ol style="list-style-type: none"> 1. Terms and conditions of grant are known prior to any commitment to ensure they are achievable within the given timescales. 2. Agreed outputs based on realistic estimates. 3. Planned expenditure is eligible and in accordance with the terms and conditions of the grant. 4. Consider opportunities to use grant against other projects. 	8
FAILURE TO ACHIEVE PROPOSED SAVINGS TO BALANCE THE BUDGET IN 2020/21						
Risk 14 20/21	All Directors	Future expenditure	<p>The achievability of the budget and the future financial sustainability of the city council will be weakened if funding levels are reduced and / or savings are delivered late or not delivered at all or capital receipts are not delivered in a timely manner.</p> <p>This could impact on the financial resilience of the City Council which could impact on the following areas: efficiencies, loss of funding, impact on quality of services, loss of potential income, negative impact on sustainability of services, reputational damage.</p>	12	<ol style="list-style-type: none"> 1. Business cases considered before savings put forward for approval. 2. Robust monitoring and clear accountability and ownership. 3. Recovery plans / action plans are required to be prepared if overspends occur during the year. 4. Risk assessment of initial savings proposals and consultation undertaken. 5. Hold suitable contingency and reserve levels to cover. 	9
POOR CASH MANAGEMENT / DETRIMENTAL IMPACT ON CASH FLOW POSITION						

RISK REGISTER

Key: Score 12-25 High Risk; Score 7-11 Medium risk; Score 1-6 Low Risk						
Risk Ref	Corporate Risk Owner	Cause of Uncertainty	Description of Financial Uncertainty 2020/21	Starting Risk Score	Controls	Expected Residual Risk Score
Risk 15 20/21	Assistant Director - Finance	Cash Flow	The City Council needs to have cash available to meet its cost commitments. Activities have a detrimental impact on the cash flow position. There is a risk that the combined effect of these activities will result in a significant variance to the planned cash flow position increasing the risk of borrowing.	12	<ol style="list-style-type: none"> 1. Use of cash forecasting models, with regular monitoring and updates undertaken. 2. Continuous adaptation of model in the light of prevailing and forecast circumstances 3. Independent Treasury Management Advice and agreed. 4. Overdraft facility exists with bank. 5. Prudent approach taken to income realisation and the taking of new borrowing in conjunction with analysis of the economic environment. 6. Effective budget monitoring is applied to maintain balanced budget. 	6

RISK REGISTER

Key: Score 12-25 High Risk; Score 7-11 Medium risk; Score 1-6 Low Risk						
Risk Ref	Corporate Risk Owner	Cause of Uncertainty	Description of Financial Uncertainty 2020/21	Starting Risk Score	Controls	Expected Residual Risk Score
MANAGEMENT OF DEBT PORTFOLIO						
Risk 16 20/21	Assistant Director - Finance	Exposure to refinancing risks and fluctuations in interest rates	The City Council needs to manage its borrowing in such a way so as not to place financial stress in any one year or leave itself bound to follow the market on interest rates.	12	<ol style="list-style-type: none"> 1. Continued review of rescheduling conditions by independent advisors. 2. Regular monitoring and reporting of debt maturity profile. 3. Opportunities for rescheduling implemented if appropriate. 4. Adherence to Prudential Indicators which help set reasonable borrowing limits for debt maturing in any one year. 	6
RESERVES FALL TO AN UNACCEPTABLE LEVEL						
Risk 17 20/21	Assistant Director - Finance	Future expenditure	There is a risk that reserves are not used in a sustainable way leading to a level that is insufficient to cover unplanned expenditure.	12	<ol style="list-style-type: none"> 1. Strategic planned approach to use of reserves. 2. All earmarked reserves are scrutinised regularly and challenged. 3. Any new earmarked reserves have to be approved by the Section 151 Officer. 4. Risk analysis is undertaken of the levels of general fund reserve to be held and the impact of failure to achieve planned budgets. 5. Robust budget monitoring and clear accountability and ownership. 	6

RISK REGISTER

Key: Score 12-25 High Risk; Score 7-11 Medium risk; Score 1-6 Low Risk						
Risk Ref	Corporate Risk Owner	Cause of Uncertainty	Description of Financial Uncertainty 2020/21	Starting Risk Score	Controls	Expected Residual Risk Score
FAILURE TO COMPLY WITH CIPFA CODE OF PRACTICE AND/OR RESPOND TO CHANGES IN RELEVANT LEGISLATION						
Risk 18 20/21	Assistant Director - Finance	Non- compliance or change in regulations	Failure to comply with relevant legislation causing loss of financial credibility or financial loss. Possibility of City Council acting ultra vires when discharging its treasury function.	12	1. Formal adoption of Code in place since inception and revisions to it are promptly and accurately incorporated. 2. Updates to the Code and legislation are reflected in annual review of TM and Strategy Statement. 3. Review of requirements to take place as early as possible when changes are known. 4. Training for relevant staff on accounting issues. 5. s151 officer will arrange for the preparation of Prudential Indicators on an annual basis for scrutiny and approval by City Council.	2
CAPITAL INVESTMENT PLANS OVERCOMMITTED DUE TO UNFORESEEN PRESSURES/CIRCUMSTANCES						
Risk 19 20/21	Assistant Director - Finance	Cash Flow	Our capital investment plans may be subject to unforeseen pressures/circumstances which impact on our desired outcomes.	9	1. Projects are designed so that they can be phased, reviewed and if necessary put on hold until resources become available. 2. Realistic assessment made of funding available. 3. Regular monitoring of capital programme.	6

RISK REGISTER

Key: Score 12-25 High Risk; Score 7-11 Medium risk; Score 1-6 Low Risk						
Risk Ref	Corporate Risk Owner	Cause of Uncertainty	Description of Financial Uncertainty 2020/21	Starting Risk Score	Controls	Expected Residual Risk Score
SCHEMES MAY HAVE STARTED BEFORE FULL FUNDING IS SECURED						
Risk 20 20/21	Assistant Director - Finance	Funding Pressure	Schemes may assume future funding streams and begin prior to the funding being secured increasing the risk that the City Council will be committed to the financing	9	1. The Council has the option to reprioritise the programme to remain affordable. 2. Monitoring of the scheme to highlight future funding position.	6
FAILURE TO MANAGE OUR PHYSICAL ASSETS						
Risk 21 20/21	Director of Place, Growth and Prosperity	Asset Management	Failure to manage our physical assets leading to unplanned calls on revenue and capital resource, reducing availability for use in other service areas.	9	1. Asset Management Strategy. 2. Office Accommodation Strategy. 3. Property Review and Rationalisation Strategy. 4. Careful planning of capital programme financing in line with strategies.	6
INCREASED INCIDENT OF FRAUD AND CORRUPTION						
Risk 22 20/21	Assistant Director - Finance	Economic Pressure	There is an inherent risk of fraud and corruption in the financial environment. The impact of the economic downturn could lead to an increase in the number of attempts to defraud the City Council.	9	1. Maintain 'get tough' approach to fraud. 2. Dedicated internal audit and fraud team. 3. Programme of planned audit work across the city council. 4. Whistleblowing procedure in place. 5. Expansion and implementation of Fraud Awareness campaign.	4

RISK REGISTER

Key: Score 12-25 High Risk; Score 7-11 Medium risk; Score 1-6 Low Risk						
Risk Ref	Corporate Risk Owner	Cause of Uncertainty	Description of Financial Uncertainty 2020/21	Starting Risk Score	Controls	Expected Residual Risk Score
BANKING ACTIVITY						
Risk 23 20/21	Assistant Director - Finance	Failure of current banking provider	Loss of access to funds and receipts	8	1. Daily review and response to notifications of bank rating changes and market commentary. 2. Agreed overdraft facility available to minimise cash held at bank.	6
PENSION COSTS						
Risk 24 20/21	Assistant Director - Finance	Economic Environment / Government	The Local Government Superannuation Scheme brings significant financial obligations to its members. The scheme must ensure that there will be sufficient assets to meet their future obligations and can be affected by movements in investments and changes to membership in future years. Contributions are set by the appointed Actuary to deliver a balanced scheme over the next 20 years to ensure financial obligations are met with continuing financial implications for the city council.	8	1. Triennial review by Pension Authority. 2. Clear understanding and challenge of the forecast cost estimations. 3. Engagement with the Pensions Authority. 4. Implications incorporated into financial planning process.	6

RISK REGISTER

Key: Score 12-25 High Risk; Score 7-11 Medium risk; Score 1-6 Low Risk						
Risk Ref	Corporate Risk Owner	Cause of Uncertainty	Description of Financial Uncertainty 2020/21	Starting Risk Score	Controls	Expected Residual Risk Score
BUDGET HOLDER TRAINING						
Risk 25 20/21	Assistant Director - Finance	Systemic	Failure to provide adequate financial training to Budget holders, resulting in poor budgetary management / control within departments.	8	<ol style="list-style-type: none"> 1. Ensure financial training is part of induction. 2. Regular training / update events. 3. Named finance contacts to provide appropriate guidance to Budget Holders. 4. Monitoring of budgets and address issues as they arise. 	6
INCOME FROM FEES AND CHARGES						
Risk 26 20/21	All Directors	Economic Environment	Income is raised from fees and charges on discretionary services and, where allowed, to defined levels on statutory services. Decreases in fees/charges and centrally imposed restrictions impact on service affordability and resource availability to the city council.	6	<ol style="list-style-type: none"> 1. Charging policies are reviewed and balanced against affordability and reasonableness by considering social and economic reasons for charging. 2. Strict monitoring of all fees and charges that are demand led to ensure recovery action taken if the original predictions appear unachievable. 3. Benchmarking of Fees & Charges 	4

RISK REGISTER

Key: Score 12-25 High Risk; Score 7-11 Medium risk; Score 1-6 Low Risk						
Risk Ref	Corporate Risk Owner	Cause of Uncertainty	Description of Financial Uncertainty 2020/21	Starting Risk Score	Controls	Expected Residual Risk Score
A CHANGE TO THE STOKE-ON-TRENT CITY COUNCIL VAT STATUS						
Risk 27 20/21	Assistant Director - Finance	Economic Regeneration	Due to recent policy changes the level of exempt activity has increased leading to an increased risk that the city council will breach its VAT partial exemption limit, and so incur loss through pay back of previously recovered VAT. This may be triggered by property transactions and new schemes being introduced without consideration of the impact on the overall corporate VAT status.	4	<ol style="list-style-type: none"> 1. Continuing assessment of capital schemes and property transactions to assist in monitoring the partial exemption position. 2. Application to HMRC to 'opt to tax' in specific cases. 3. In cases where an 'option to tax' is exercised and non-VAT registered entities are potentially disadvantaged financially, pricing policy to be reconsidered. 4. Lobbying HMRC to seek appropriate solutions where partial exemption presents national problems for local authorities. 5. Work with national officer groups to keep abreast with all on going issues. 	2
INFLATIONARY PRESSURES HIGHER THAN ANTICIPATED						
Risk 28 20/21	Assistant Director - Finance	Economic Environment	Different economic analysts provide different predictions. There is no certainty of outcome and many factors can impact on inflation levels within the economy. The budget identifies certain specific inflationary pressures (where known) and expects that other price rises are managed within the budget monitoring process.	4	<ol style="list-style-type: none"> 1. Inflation pressures identified within the budget setting process. 2. Robust monitoring. 3. Action plans can be put in place if necessary. 	2

RISK REGISTER

Key: Score 12-25 High Risk; Score 7-11 Medium risk; Score 1-6 Low Risk						
Risk Ref	Corporate Risk Owner	Cause of Uncertainty	Description of Financial Uncertainty 2020/21	Starting Risk Score	Controls	Expected Residual Risk Score
LEGAL CHALLENGE RESULTS IN CHANGES TO BUDGET AND POLICY FRAMEWORK						
Risk 29 20/21	All Directors	Systemic	The city council may face challenges from residents, taxpayers, government and other stakeholders arising from its decisions. These challenges may be more frequent as the resources available to the city council diminish and decisions about their use are questioned.	4	<ol style="list-style-type: none"> 1. Identification of legal implications for all policy decisions. 2. Appropriately informed open and transparent decision making. 3. Public consultation of major policy decisions 4. Equality Impact Assessments completed as required. 5. Members of Overview and Scrutiny Committees challenge policy decisions made. 6. Risk awareness policy, management and training. 	2

POSITION ON THE CITY COUNCIL'S RESERVES

1. Level of Reserves

- 1.1 The Local Government Finance Act 1988 and 1992 and the Local Government Act 2003 emphasises the importance of sound and effective financial management In England and Wales by the statutory duty of the Chief Financial Officer (CFO) to report to the authority, at the time the budget is considered and the council tax set, on the adequacy of financial reserves.
- 1.2 CIPFA and the Local Authority Accounting Panel consider that local authorities should establish reserves including the level of those reserves based on the advice of their CFO. There is no statutory or recommended minimum level of reserves as they are established by the CFO making his/her own judgements on such matters taking into account all the relevant known and expected local circumstances. Imposing a statutory minimum would therefore be against the promotion of local autonomy and would conflict with the financial freedoms offered to local authorities.
- 1.3 The Secretary of State has reserve powers to specify in regulations a statutory minimum level of reserves that will be used if authorities fail to remedy deficiencies or run down reserves against the advice of the CFO. The government has undertaken to apply this only to individual authorities in the circumstances where an authority does not act prudently and disregards the advice of CFO.

2. Reserves Strategy

- 2.1 The council has a strategy to maintain a reasonable level of reserves to satisfy short to medium term known liabilities and a working balance to cushion the impact of unexpected events, cash flows or emergencies.
- 2.2 The council is working towards a General fund un-earmarked reserve balance of 5% of the net budget. The 2020/21 budget seeks to improve the overall level of the general fund reserves by providing budgeted contribution of an additional £5.0 million to bring the level in the General Reserve to £11.0 million.
- 2.3 When reviewing medium term financial plans and preparing annual budgets the council considers the establishment and maintenance of reserves.
 - **General Reserve** - a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing and a contingency to cushion the impact of unexpected events or emergencies;
 - **Earmarked Reserves** - to meet known or predicted requirements in the short to medium term; earmarked reserves remain legally part of the General Fund.
- 2.4 Within earmarked reserves there are a number of separate categories;
 - those held to meet specific planned expenditure, for example, that relating to PFI schemes and monies held on behalf of Schools under the Financial Management of Schools scheme and the Dedicated Schools Grant.

- Capital Grants Unapplied which are grants that have been received in advance and are committed to specific projects in future years, ring fenced for capital.
- Housing Revenue Account reserves, both general and earmarked, ring fenced for social housing use.
- Usable Capital Receipts which have been generated as a result of past land and property sales, ring fenced for capital unless statute permits alternative uses.

3. Known and possible reserve influences and assumptions

- 3.1 The projected balance of the General Fund Reserve as at 31 March 2020 is £6.0 million. This is a prudent projection and assumes that there will be a residual forecast overspend in 2019/20. Plans continue to be developed in 2019/20 to manage and minimise this risk to the reserve.
- 3.2 The city council is in the process of addressing the financing of the redundancy programme in 2019/20 as a result of the additional investment required to 'Invest in Children'. Options are being considered including the capitalisation of these transformation costs. If a suitable solution is not sourced this will result in a significant risk to the reserve position.
- 3.3 The deficit in respect of the Dedicated Schools Grant, High Needs Block is currently impacting upon the overall non capital reserves available to the council. When this reserve is not in deficit it remains ring-fenced for the sole use of schools activity, when in deficit its position is less clear. The DfE issued a joint statement with CIPFA in June 2019 stating that "the DfE does not therefore expect or require any DSG deficits to be funded from a local authority's general resources". It is believed this statement was intended to indicate DSG deficits would not impact upon a council's general resources. Whilst welcomed it remains unclear how this will work in practice from a financing and balance sheet perspective. Clarity on how the deficit is to be accounted for and financed under the legislation is critical.
- 3.4 Clarification is being sought from the Department for Education but until it is obtained, the default presumption is that the deficit needs to be covered by existing earmarked reserves. While the gross level of reserves are sufficient the DSG impact leaves the net level of reserves lower than would be desired.
- 3.5 The city council must consider emerging risks such as the uncertainty of funding after 2020/21, and other external factors such as the potential impact of Brexit, and internal risks including increased commercial activity, and the challenges faced by all councils relating to increasing demand for services like social care.
- 3.6 CIPFA has produced a comparative Financial Resilience Indicators to support good financial management. One indicator measures reserves sustainability being the ratio between the current level of reserves matched against the average change in reserves in the each of the previous 3 years to assess whether a trend exists. As a consequence, the city council was highlighted as being one of 10 unitary authorities where, should the trend continue, the reserves position would be at risk. The reductions to earmarked reserves from 2015/16 to 2017/18 formed part of the budget setting, the overall reduction in 2018/19 is principally due to the increased deficit of the DSG reserve and is likely therefore to continue to be highlighted as a risk.

- 3.7 A sensitivity analysis demonstrating the adequacy of the levels of the un-earmarked general fund reserve required against business risk is shown at the bottom of the report. It should be noted that in a worst case scenario if this general reserve is diminished significantly then the Medium Term Financial Strategy in future years will reflect the need to replenish the reserve to cover any potential future risk.

Overall Forecast Position of Reserves

- 3.8 The city council continues to take an active and prudent approach regarding its reserves position. The level of reserves for this year and the next four years based on the above assumptions and known plans and commitments is shown in the table below.

Table 1 – City Council reserves forecast to 31 March 2024

Reserve	Opening Balance as at 1 April 2019	Projected Balance as at 31 March 2020	Forecast Balance as at 31 March 2021	Forecast Balance as at 31 March 2022	Forecast Balance as at 31 March 2023	Forecast Balance as at 31 March 2024
	£ million	£ million	£ million	£ million	£ million	£ million
General Fund Non-Earmarked	9.7	6.0	11.0	11.0	11.0	11.0
General Fund - Earmarked	45.0	37.1	33.3	30.0	26.8	22.8
Dedicated Schools Grant	(14.2)	(24.6)	(26.1)	(21.4)	(12.9)	(4.5)
Schools Balances	4.4	1.5	0.4	(0.8)	-	-
Net earmarked reserves	35.2	14.0	7.6	7.8	13.9	18.3
Housing Revenue Account Reserves	32.1	19.2	4.7	4.7	4.7	4.7
Capital Grants Unapplied	4.5	4.5	4.5	4.5	4.5	4.5
Usable Capital Receipts	11.7	10.3	11.5	11.5	10.2	10.2
Total	93.2	54.0	39.3	39.5	44.3	48.7

4. Earmarked General Fund Reserves

- 4.1 Earmarked reserves are a means of building up funds to meet known, future or potential future requirements. A number of earmarked reserves have also been set up over time for specific purposes and are maintained at a level that is estimated to meet future planned expenditure in full. The economy and financial challenges facing the city council have increased the focus and necessity of these funds. The following table shows the main categories of earmarked reserves currently held:

Table 2 – General Fund earmarked reserves forecast to 31 March 2024

Earmarked Reserve	Opening Balance as at 1 April 2019	Projected Balance as at 31 March 2020	Forecast Balance as at 31 March 2021	Forecast Balance as at 31 March 2022	Forecast Balance as at 31 March 2023	Forecast Balance as at 31 March 2024
	£ million	£ million	£ million	£ million	£ million	£ million
Education PFI	22.8	20.3	17.3	14.8	12.3	8.8
Street Lighting PFI	6.7	6.5	6.0	5.5	5.0	4.4
Other PFIs	3.2	2.6	2.4	2.2	2.2	2.1
Insurance	4.4	4.4	4.4	4.4	4.4	4.4
Public Health	0.7	-	-	-	-	-
Other	7.2	3.3	3.2	3.1	2.9	3.1
Sub Total	45.0	37.1	33.3	30.0	26.8	22.8
Dedicated Schools	(14.2)	(24.6)	(26.1)	(21.4)	(12.9)	(4.5)
<u>Ring-fenced school reserves</u>						
Schools Balances	4.4	1.5	0.4	(0.8)	-	-
Total	35.2	14.0	7.6	7.8	13.9	18.3

- 4.2 These earmarked balances are managed on an on-going basis and reviewed annually as part of the budget setting process and in line with statutory requirements. The aim of the review is to ensure that any reserves that are held take account of the need to balance the likelihood of needing the reserve to meet known or potential future requirements balanced against the benefit that would accrue from service investment.
- 4.3 If any of the relating amounts set aside above are used for a purpose other than the one that they were originally earmarked then the following factors must be considered:
- The reserve will no longer be available for the original intention.
 - The reserve can only be used once and may have future consequences in the form of new related commitments.
- 4.4 As shown in table 2, a large proportion of the balance of earmarked reserves is in the form of amounts held in respect of PFI schemes to ensure that such schemes can be fully funded over their life time. This reserve reduces over the lifetime of the PFI contract to fund the costs of the capital investment. Once the reserve is fully utilised there will be no outstanding PFI liabilities remaining for the council to provide for. The insurance reserve is a self-insurance fund set aside to meet potential liabilities and reduce annual premium costs.
- 4.5 The remaining reserves are retained for service directorates' use on specific initiatives and commitments. These reserves allow the city council to develop plans for services into future years or fund those future commitments.
- 4.6 The School balances remain part of the council's reserves the management of which is governed by the city council's 'Scheme for Financing Schools' and are subject to the school balances control mechanism policy that is currently required by the Department

for Education (DfE) which requires balances to be ring-fenced to schools. The reduction in school balances is due to schools converting to academy status.

- 4.7 Each year schools are requested to complete a school balances survey to justify their individual school's committed and uncommitted balances. The authority will continue to proactively monitor school balances to ensure that schools only hold reserves up to a reasonable and justifiable level. The forecast level of school balances in the table above includes assumptions in relation to Academy transfers.
- 4.8 The Dedicated Schools Grant (DSG) reserve currently has a negative balance. This relates to spend above that budgeted due to increased demand for independent sector provision, alternative provision and high needs top up funding to schools. An action plan is currently in place with regular progress meetings to bring DSG back into balance over a five year period (this is subject to Department for Education approval, following submission at the end of June 2019). The current plan assumes a further increase in the DSG deficit in 2019/20 of £10.4 million. The increase is due mainly to delays in the movement of placements.

5. Housing Revenue Account (HRA) Reserves

- 5.1 There are three main reserves held in respect of the HRA which statute restricts their use to HRA purposes, a general working balance to cover unforeseen future items, a Capital Reserve to meet committed housing repair costs and a Major Repairs Reserve. Table 3 below provides details of the forecast balances for each of these reserves:

Table 3 - Housing Revenue Account reserves forecast to 31 March 2024

HRA Reserves	Opening Balance as at 1 April 2019	Projected Balance as at 31 March 2020	Forecast Balance as at 31 March 2021	Forecast Balance as at 31 March 2022	Forecast Balance as at 31 March 2023	Forecast Balance as at 31 March 2024
	£ million	£ million	£ million	£ million	£ million	£ million
HRA Non Earmarked	7.8	7.6	4.6	4.6	4.6	4.6
Housing Capital Reserve	14.8	11.4	-	-	-	-
Major Repairs Reserve	9.5	0.2	0.1	0.1	0.1	0.1
Total	32.1	19.2	4.7	4.7	4.7	4.7

6. Usable Capital Receipts and capital grants

- 6.1 All of the usable capital receipts and grants currently held by the city council as at 31 March 2019 are earmarked for major schemes that are included within the General Fund and the Housing Capital Programme.
- 6.2 The use of capital receipts is restricted by statute, principally for capital purposes; however in March 2016 the DCLG published a Capitalisation Direction which permits capital receipts generated from 1 April 2016 to 31 March 2019 to be used to fund the revenue costs of transformation. The December 2017 budget settlement extended this flexibility to March 2022. It is proposed that the council will apply this capitalisation

opportunity so that any receipts generated in the year will, in the first instance, be applied to finance revenue costs of transformation.

7. Other liabilities

7.1 Where there are known liabilities but the timing of any settlement is uncertain, the council has established provisions within its accounts.

7.2 The city council also has a number of contingent liabilities for which amounts have not been specifically set aside. These are recognised on an annual basis as a disclosure note in the authority's statutory Statement of Accounts and include examples such as the potential claw-back of grants given by external funding agencies if grant conditions are not met. Any liabilities that may arise would have a direct impact upon the level of non-earmarked reserves held by the city council as specific amounts have not been set aside. This is because it is not considered probable that there will be a transfer of economic benefits or the amount of the obligation cannot currently be measured accurately.

Background Papers

CIPFA LAAP Bulletin 99 – Guidance Note on Local Authority Reserves and Balances

Local Government Act 1972 / Local Government Act 1988 / Local Government Act 2003

Stoke-on-Trent City Council Statement of Accounts 2018/19

SENSITIVITY ANALYSIS – GENERAL FUND RESERVE

General Fund Reserve			
Projected Balance as at 31 March 2021		<u>£11.0 million</u>	
Key Variable	Base Assumption	Sensitivity	Impact Value
		%	£'000s
Inflation – premises / transport / supplies	£175.8 million	1.0%	1,758
Non delivery of savings	£9.2 million	4.0%	368
Under recovery of fees and charges and other commercial activities	£69.2 million	4.0%	2,768
Children and Family Services	£67.0 million	4.0%	2,680
Adult Social Care Services	£73.9 million	2.0%	1,478
Business rates income lower than expected	£46.4 million	1.0%	464
Council Tax income lower than expected	£90.3 million	1.0%	903
Total Impact			<u>10,419</u>