Stafford
BOROUGH COUNCIL

Civic Centre
Riverside
Stafford
ST16 3AQ

19 February 2024

Dear Members

Council Meeting

I hereby give notice that a meeting of the Council will be held in the **Council Chamber, County Buildings, Martin Street, Stafford** on **Tuesday 27 February 2024 at 7.00pm** to deal with the business as set out on the agenda.

Tim Clegg
Chief Executive

COUNCIL MEETING - 27 FEBRUARY 2024

Mayor, Councillor Andy Cooper

AGENDA

1 Approval of the Minutes of the meeting of Council held on 30 January 2024 as published on the Council's website.

2 Apologies for Absence

3 Declarations of Interest

4 Announcements (Paragraph 3.2(iii) of the Council Procedure Rules)

5 Public Question Time - Nil

6 Councillor Session - Nil

7 Notice of Motion - Nil

8 To receive Nominations for the Offices of Mayor and Deputy Mayor for the Municipal Year 2024/25

Chief Executive

Civic Centre
Riverside
Stafford
ST16 3AQ

Agenda Item 9

Council Tax Resolution 2024/25

Committee:	Council
Date of Meeting:	27 February 2024
Report of:	Section 151 Officer - Deputy Chief Executive and Head of Law and Governance
Portfolio:	Resources Portfolio

1 Purpose of Report

1.1 To set out the proposed Council Tax for the year 2024/25.

2 Recommendations

2.1 That the proposed Council Tax as set out in the Council Tax Resolution (**APPENDIX 1** of the Report) be approved.

2.2 That in accordance with the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 a named vote is taken in relation to the proposed Council Tax.

2.3 That a technical change be made to the Local Council Tax Reduction Scheme (LCTR) for 2024-25 onwards to simplify the method of calculating LCTR entitlement for unemployed Universal Credit claimants.

Reasons for Recommendations

2.4 In setting a budget for any year the Council must comply with the Budget and Council Tax setting requirements as reflected in the Local Government Finance Act 1992 as amended by the Localism Act 2011.

2.5 In accordance with the regulations the Council is required to:

(a) Calculate its Council Tax Requirement (Section 31A) - Replacing budget requirement (Section 32) and determination of the District Council element of Council Tax (Section 33).

(b) Set the overall level of Council Tax inclusive of Staffordshire County Council the Staffordshire Commissioner for Police, Fire and Rescue and Crime; and other precepts (Section 30).

2.6 The Council has received formal notification from the major precepting authorities of the relevant precepts. The Council has received formal notification from all parish / town councils apart from Creswell parish which is inquorate at present and can not formally set a precept.

2.7 Changes to the Council's Local Council Tax Reduction Scheme require a resolution of Full Council to be made no later than the date that the Council sets its Council Tax levels, following consultation with Major Preceptors and persons affected by the changes. No objections to the changes were identified during the consultation process.

3 Key Issues

3.1 Council at its meeting on 30 January 2024 minute C45 determined its Budget for 2024/25 and set a Band D Council Tax at £173.56

3.2 The overall level of Council Tax must be set before the 11 March each year; however, the overall level of Council Tax cannot be set before 1 March 2023 unless all precepting authorities have issued their precepts, and the required calculations in accordance with the Local Government Finance Act 1992 have been determined.

3.3 The Council has received notification from the major precepting authorities of the relevant precepts.

3.4 The Council has received notification from the parish / town precepting authorities of the relevant precepts, apart from Creswell Parish which is inquorate and can not set a precept at this time.

3.5 The Council Tax Resolution determining the overall level of Council Tax, and relevant Band A-H levels can therefore be set subject to the determination of Gross Expenditure (Resolution 3a) and Income (Resolution 3b) as required by the calculation being agreed as part of Council approving the borough Council budget for 2024/25.

3.6 The changes proposed to the Council's Local Council Tax Reduction Scheme will enable affected applicants to better understand that they will be entitled to the maximum level of support and will make the assessment process quicker, meaning that accurate Council Tax bills can be issued sooner than would otherwise be the case.

4 Relationship to Corporate Priorities

4.1 Not applicable

5 Report Detail

5.1 In setting a budget for any year the Council must comply with the Budget and Council Tax setting requirements as reflected in the Local Government Finance Act 1992 as amended by the Localism Act 2011.

5.2 The Localism Act 2011 has made significant changes to the 1992 Act with the main impact for setting a Council Tax being that a billing authority (Stafford Borough Council) is required to calculate a Council Tax Requirement rather than a Budget Requirement.

5.3 This primarily affects the Council Tax Resolution to be made by Council and is a technical rather than procedural issue.

5.4 In accordance with regulations the Council is required to:

(a) Calculate its Council Tax Requirement (Section 31A) - Replacing budget requirement (Section 32) and determination of the Borough Council element of Council Tax (Section 33)

(b) Set the overall level of Council Tax inclusive of Staffordshire County Council; Police and Crime Commissioner Staffordshire; Staffordshire Commissioner Fire and Rescue Authority, and other precepts (Section 30)

5.5 The determination of the Council Tax Requirement (Requirement (a)) is a function of all authorities; however, Requirement (b) is purely a function of this Council as a billing authority.

5.6 The overall level of Council Tax must be set before the 11 March each year; however, the overall level of Council Tax cannot be set before 1 March 2024 unless all precepting authorities have issued their precepts, and the required calculations in accordance with the Local Government Finance Act 1992 have been determined.

5.7 Council at its meeting on 30 January 2024 minute C45 approved the General Fund Revenue Budget for 2024/25 and determined the Council Tax for the Borough at £173.56.

5.8 Staffordshire County Council approved its precept at its meeting on 8 February 2024 and the precept proposal for the Staffordshire Commissioner Police, Fire and Crime portfolio was accepted by the Police, Fire and Crime Panel on 5 February 2024 in respect of the Police and 12 February for Fire.

All Town and Parish Precept have been received apart from Creswell Parish who are inquorate and cannot set a precept at this time for the 2024-25 financial year.

5.9 The Council Tax Resolution is attached as an **APPENDIX 1** to this report.

5.10 In determining the overall Council Tax Requirement the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 require that a named vote is taken.

5.11 The Council is required to review its Local Council Tax Reduction Scheme each year with any changes being approved by resolution of Council.

5.12 From 2024/25 onwards a technical change is incorporated into the scheme to award a Band 1 reduction in respect of claims, without applying a mean test, where each of the following criteria apply;

(a) Either the claimant or partner, in the case of a couple, are in receipt of Universal Credit.

(b) Neither the claimant nor partner, in the case of a couple, are in paid employment.

(c) The savings or capital of the claimant or the combined claimant and partner, in the case of a couple does not exceed £6,000.

6 Implications

6.1 Financial

As detailed in the attached appendix

6.2 Legal

As detailed in the report.

6.3 Human Resources

None

6.4 Risk Management

None

6.5 Equalities and Diversity

None

6.6 Health

None

6.7 Climate Change

None

7 Appendices

Appendix 1: Council Tax Resolution 2024/25

8 Previous Consideration

None

9 Background Papers

None

Contact Officer:	Chris Forrester and Ian Curran
Telephone Number:	01543 464 334 and 01785 619 220
Ward Interest:	All
Report Track:	Council 27 February 2024 (Only)
Key Decision:	Yes

Appendix 1

Council Tax Resolution 2024/2025

Following Minute No C45 of the Council of 30 January 2024 determining the level of net spending for the General Fund Revenue Budget and Transfer to Working Balances for 2024/2025; the Council is recommended to make a Council Tax for 2024/2025 by formally approving the following resolution:-

1 It be noted that under the power delegated to the Council's Section 151 Officer, the Council calculated the Council Tax Base 2024/25

(a) for the whole Council area as 49,302.73 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")] ; and

(b) for dwellings in those parts of its area to which a Parish precept relates as shown below

Parish	Taxbase
Adbaston	227.17
Barlaston	1,052.58
Berkswich	788.53
Bradley	230.69
Brocton	558.54
Chebsey	253.59
Church Eaton	291.87
Colwich	1,922.40
Creswell	789.03
Doxey	918.91
Eccleshall	2,183.12
Ellenhall	63.57
Forton	144.59
Fradswell	84.70

Parish	Taxbase
Fulford	2,312.53
Gayton	80.58
Gnosall	2,027.11
Haughton	456.39
High Offley	396.62
Hilderstone	275.35
Hixon	750.45
Hopton and Coton	855.14
Hyde Lea	186.64
Ingestre	85.37
Marston	92.83
Milwich	200.31
Norbury	201.14
Ranton	184.44
Salt and Enson	187.02
Sandon and Burston	169.29
Seighford	771.02
Standon	336.03
Stone Town	6,453.19
Stone Rural	748.85
Stowe by Chartley	197.81
Swynnerton	1,370.59
Tixall	133.31
Weston	480.08
Whitgreave	89.95
Yarnfield and Cold Meece	822.68
Sub Total	**29,374.01**

Parish	Taxbase
Unparished	
Stafford Town	19,471.92
MOD Contribution in Lieu	456.80
Council Tax Base	**49,302.73**

2 That the Council Tax requirement for the Council's own purposes for 2024/25 (excluding Parish precepts) is calculated at £8,556,981.82.

3 That the following amounts are calculated for the year 2024/25 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992:

(a) £52,154,133.83 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.

(b) £42,158,439.00 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

(c) £9,995,694.83 being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).

(d) £202.74 being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).

(e) £1,438,713.01 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.

(f) £173.56 being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

(g) For the following parts of the Council's Area

Parish	Band D £.p
Adbaston	188.06
Barlaston	277.04
Berkswich	225.90
Bradley	237.34
Brocton	200.53
Chebsey	201.20
Church Eaton	197.49
Colwich	285.32
Creswell	173.56
Doxey	196.30
Eccleshall	210.08
Ellenhall	179.00
Forton	182.30
Fradswell	193.37
Fulford	219.27
Gayton	222.93
Gnosall	224.21
Haughton	226.15
High Offley	186.21
Hilderstone	218.44
Hixon	225.35
Hopton and Coton	205.14
Hyde Lea	212.05
Ingestre	210.26
Marston	173.56
Milwich	210.57
Norbury	193.04
Ranton	200.76
Salt and Enson	215.57

Parish	Band D £.p
Sandon and Burston	233.27
Seighford	198.15
Standon	205.66
Stone Town	234.56
Stone Rural	195.91
Stowe by Chartley	269.08
Swynnerton	197.65
Tixall	197.15
Weston	244.79
Whitgreave	190.89
Yarnfield and Cold Meece	207.02

being the amounts given by adding to the amount at 3(f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at (1)(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

(h) For the following parts of the Council's area

Parish	Band A Disabled	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p
Adbaston	104.48	125.37	146.27	167.16	188.06	229.85	271.64	313.43	376.12
Barlaston	153.91	184.69	215.48	246.26	277.04	338.60	400.17	461.73	554.08
Berkswich	125.50	150.60	175.70	200.80	225.90	276.10	326.30	376.50	451.80
Bradley	131.86	158.23	184.60	210.97	237.34	290.08	342.82	395.57	474.68
Brocton	111.41	133.69	155.97	178.25	200.53	245.09	289.65	334.22	401.06
Chebsey	111.78	134.13	156.49	178.84	201.20	245.91	290.62	335.33	402.40
Church Eaton	109.72	131.66	153.60	175.55	197.49	241.38	285.26	329.15	394.98

Parish	Band A Disabled	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p
Colwich	158.51	190.21	221.92	253.62	285.32	348.72	412.13	475.53	570.64
Creswell	96.42	115.71	134.99	154.28	173.56	212.13	250.70	289.27	347.12
Doxey	109.06	130.87	152.68	174.49	196.30	239.92	283.54	327.17	392.60
Eccleshall	116.71	140.05	163.40	186.74	210.08	256.76	303.45	350.13	420.16
Ellenhall	99.44	119.33	139.22	159.11	179.00	218.78	258.56	298.33	358.00
Forton	101.28	121.53	141.79	162.04	182.30	222.81	263.32	303.83	364.60
Fradswell	107.43	128.91	150.40	171.88	193.37	236.34	279.31	322.28	386.74
Fulford	121.82	146.18	170.54	194.91	219.27	268.00	316.72	365.45	438.54
Gayton	123.85	148.62	173.39	198.16	222.93	272.47	322.01	371.55	445.86
Gnosall	124.56	149.47	174.39	199.30	224.21	274.03	323.86	373.68	448.42
Haughton	125.64	150.77	175.89	201.02	226.15	276.41	326.66	376.92	452.30
High Offley	103.45	124.14	144.83	165.52	186.21	227.59	268.97	310.35	372.42
Hilderstone	121.36	145.63	169.90	194.17	218.44	266.98	315.52	364.07	436.88
Hixon	125.19	150.23	175.27	200.31	225.35	275.43	325.51	375.58	450.70
Hopton and Coton	113.97	136.76	159.55	182.35	205.14	250.73	296.31	341.90	410.28
Hyde Lea	117.81	141.37	164.93	188.49	212.05	259.17	306.29	353.42	424.10
Ingestre	116.81	140.17	163.54	186.90	210.26	256.98	303.71	350.43	420.52
Marston	96.42	115.71	134.99	154.28	173.56	212.13	250.70	289.27	347.12
Milwich	116.98	140.38	163.78	187.17	210.57	257.36	304.16	350.95	421.14
Norbury	107.24	128.69	150.14	171.59	193.04	235.94	278.84	321.73	386.08
Ranton	111.53	133.84	156.15	178.45	200.76	245.37	289.99	334.60	401.52
Salt and Enson	119.76	143.71	167.67	191.62	215.57	263.47	311.38	359.28	431.14

Parish	Band A Disabled	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p
Sandon and Burston	129.59	155.51	181.43	207.35	233.27	285.11	336.95	388.78	466.54
Seighford	110.08	132.10	154.12	176.13	198.15	242.18	286.22	330.25	396.30
Standon	114.26	137.11	159.96	182.81	205.66	251.36	297.06	342.77	411.32
Stone Town	130.31	156.37	182.44	208.50	234.56	286.68	338.81	390.93	469.12
Stone Rural	108.84	130.61	152.37	174.14	195.91	239.45	282.98	326.52	391.82
Stowe-by-Chartley	149.49	179.39	209.28	239.18	269.08	328.88	388.67	448.47	538.16
Swynnerton	109.81	131.77	153.73	175.69	197.65	241.57	285.49	329.42	395.30
Tixall	109.53	131.43	153.34	175.24	197.15	240.96	284.77	328.58	394.30
Weston	135.99	163.19	190.39	217.59	244.79	299.19	353.59	407.98	489.58
Whitgreave	106.05	127.26	148.47	169.68	190.89	233.31	275.73	318.15	381.78
Yarnfield and Cold Meece	115.01	138.01	161.02	184.02	207.02	253.02	299.03	345.03	414.04
All other parts of the Council's area	96.42	115.71	134.99	154.28	173.56	212.13	250.70	289.27	347.12

Being the amounts given by multiplying the amounts at (3)(f) and (3)(g) above by the number by which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

4 To note that the County Council, the Office of the Police and Crime Commissioner and the Fire Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below.

Valuation Bands

	A £.p	B £.p	C £.p	D £.p	E £.p	F £.p	G £.p	H £.p
Staffordshire County Council	1029.76	1,201.39	1,373.01	1,544.64	1,887.89	2,231.15	2,574.40	3,089.28
Office of the Police and Crime Commissioner	182.38	212.78	243.17	273.57	334.36	395.16	455.95	547.14
Stoke-on-Trent and Staffs Fire Authority	57.85	67.49	77.13	86.77	106.05	125.33	144.62	173.54

5 That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the table below as the amounts of Council Tax for 2024/25 for each part of its area and for each of the categories of dwellings.

Parish	Band A Disabled	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p
Adbaston	1,162.80	1,395.36	1,627.93	1,860.47	2,093.04	2,558.15	3,023.28	3,488.40	4,186.08
Barlaston	1,212.23	1,454.68	1,697.14	1,939.57	2,182.02	2,666.90	3,151.81	3,636.70	4,364.04
Berkswich	1,183.82	1,420.59	1,657.36	1,894.11	2,130.88	2,604.40	3,077.94	3,551.47	4,261.76
Bradley	1,190.18	1,428.22	1,666.26	1,904.28	2,142.32	2,618.38	3,094.46	3,570.54	4,284.64
Brocton	1,169.73	1,403.68	1,637.63	1,871.56	2,105.51	2,573.39	3,041.29	3,509.19	4,211.02
Chebsey	1,170.10	1,404.12	1,638.15	1,872.15	2,106.18	2,574.21	3,042.26	3,510.30	4,212.36
Church Eaton	1,168.04	1,401.65	1,635.26	1,868.86	2,102.47	2,569.68	3,036.90	3,504.12	4,204.94
Colwich	1,216.83	1,460.20	1,703.58	1,946.93	2,190.30	2,677.02	3,163.77	3,650.50	4,380.60
Creswell	1,154.74	1,385.70	1,616.65	1,847.59	2,078.54	2,540.43	3,002.34	3,464.24	4,157.08
Doxey	1,167.38	1,400.86	1,634.34	1,867.80	2,101.28	2,568.22	3,035.18	3,502.14	4,202.56
Eccleshall	1,175.03	1,410.04	1,645.06	1,880.05	2,115.06	2,585.06	3,055.09	3,525.10	4,230.12
Ellenhall	1,157.76	1,389.32	1,620.88	1,852.42	2,083.98	2,547.08	3,010.20	3,473.30	4,167.96
Forton	1,159.60	1,391.52	1,623.45	1,855.35	2,087.28	2,551.11	3,014.96	3,478.80	4,174.56
Fradswell	1,165.75	1,398.90	1,632.06	1,865.19	2,098.35	2,564.64	3,030.95	3,497.25	4,196.70
Fulford	1,180.14	1,416.17	1,652.20	1,888.22	2,124.25	2,596.30	3,068.36	3,540.42	4,248.50
Gayton	1,182.17	1,418.61	1,655.05	1,891.47	2,127.91	2,600.77	3,073.65	3,546.52	4,255.82
Gnosall	1,182.88	1,419.46	1,656.05	1,892.61	2,129.19	2,602.33	3,075.50	3,548.65	4,258.38
Haughton	1,183.96	1,420.76	1,657.55	1,894.33	2,131.13	2,604.71	3,078.30	3,551.89	4,262.26
High Offley	1,161.77	1,394.13	1,626.49	1,858.83	2,091.19	2,555.89	3,020.61	3,485.32	4,182.38
Hilderstone	1,179.68	1,415.62	1,651.56	1,887.48	2,123.42	2,595.28	3,067.16	3,539.04	4,246.84
Hixon	1,183.51	1,420.22	1,656.93	1,893.62	2,130.33	2,603.73	3,077.15	3,550.55	4,260.66
Hopton and Coton	1,172.29	1,406.75	1,641.21	1,875.66	2,110.12	2,579.03	3,047.95	3,516.87	4,220.24
Hyde Lea	1,176.13	1,411.36	1,646.59	1,881.80	2,117.03	2,587.47	3,057.93	3,528.39	4,234.06
Ingestre	1,175.13	1,410.16	1,645.20	1,880.21	2,115.24	2,585.28	3,055.35	3,525.40	4,230.48
Marston	1,154.74	1,385.70	1,616.65	1,847.59	2,078.54	2,540.43	3,002.34	3,464.24	4,157.08

Parish	Band A Disabled	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p
Milwich	1,175.30	1,410.37	1,645.44	1,880.48	2,115.55	2,585.66	3,055.80	3,525.92	4,231.10
Norbury	1,165.56	1,398.68	1,631.80	1,864.90	2,098.02	2,564.24	3,030.48	3,496.70	4,196.04
Ranton	1,169.85	1,403.83	1,637.81	1,871.76	2,105.74	2,573.67	3,041.63	3,509.57	4,211.48
Salt and Enson	1,178.08	1,413.70	1,649.33	1,884.93	2,120.55	2,591.77	3,063.02	3,534.25	4,241.10
Sandon and Burston	1,187.91	1,425.50	1,663.09	1,900.66	2,138.25	2,613.41	3,088.59	3,563.75	4,276.50
Seighford	1,168.40	1,402.09	1,635.78	1,869.44	2,103.13	2,570.48	3,037.86	3,505.22	4,206.26
Standon	1,172.58	1,407.10	1,641.62	1,876.12	2,110.64	2,579.66	3,048.70	3,517.74	4,221.28
Stone Town	1,188.63	1,426.36	1,664.10	1,901.81	2,139.54	2,614.98	3,090.45	3,565.90	4,279.08
Stone Rural	1,167.16	1,400.60	1,634.03	1,867.45	2,100.89	2,567.75	3,034.62	3,501.49	4,201.78
Stowe-by-Chartley	1,207.81	1,449.38	1,690.94	1,932.49	2,174.06	2,657.18	3,140.31	3,623.44	4,348.12
Swynnerton	1,168.13	1,401.76	1,635.39	1,869.00	2,102.63	2,569.87	3,037.13	3,504.39	4,205.26
Tixall	1,167.85	1,401.42	1,635.00	1,868.55	2,102.13	2,569.26	3,036.41	3,503.55	4,204.26
Weston	1,194.31	1,433.18	1,672.05	1,910.90	2,149.77	2,627.49	3,105.23	3,582.95	4,299.54
Whitgreave	1,164.37	1,397.25	1,630.13	1,862.99	2,095.87	2,561.61	3,027.37	3,493.12	4,191.74
Yarnfield and Cold Meece	1,173.33	1,408.00	1,642.68	1,877.33	2,112.00	2,581.32	3,050.67	3,520.00	4,224.00
All other parts	1,154.74	1,385.70	1,616.65	1,847.59	2,078.54	2,540.43	3,002.34	3,464.24	4,157.08

6 That it is determined in accordance with Section 52ZB of the Local Government Finance Act 1992 that the Council’s basic amount of Council Tax for 2024/25 is not excessive in accordance with the principles determined by the Secretary of State under Section 52ZC of that Act.

Agenda Item 10

Treasury Management Strategy, Minimum Revenue Provision Policy, Annual Investment Strategy 2024/25

Committee:	Council
Date of Meeting:	27 February 2024
Report of:	S151 Officer and Deputy Chief Executive
Portfolio:	Resources Portfolio

The following report was considered by the Audit and Accounts Committee at its meeting held on 13 February 2024 and is submitted to Council as required.

1 Purpose of Report

This report is presented to obtain the Council's approval to: -

1.1. Prudential and Treasury Indicators - setting of indicators to ensure that the capital investment plans of the Council are affordable, prudent and sustainable;

1.2. The Minimum Revenue Provision (MRP) Policy;

1.3. Treasury Management Strategy Statement for 2024/25 - to set treasury limits for 2024/25 to 2025/26 and to provide a background to the latest economic forecasts of interest rates; and

1.4. Annual Investment Strategy 2024/25 - to set out the strategy of investment of surplus funds.

2 Recommendations

2.1 That the following be approved:-

(a) The Prudential and Treasury Indicators;

(b) The MRP Policy Statement;

(c) The Treasury Management Policy;

(d) The Annual Investment Strategy for 2024/25.

Reasons for Recommendations

2.2 To note that indicators may change in accordance with the final recommendations from Cabinet to Council in relation to both the General Fund Revenue Budget and the Capital Programme.

3 Key Issues

3.1 The Council is required to approve its treasury management, investment and capital strategies to ensure that cash flow is adequately planned and that surplus monies are invested appropriately.

4 Relationship to Corporate Priorities

4.1 Treasury management and investment activities are interwoven with all of the Council’s priorities and their spending plans.

5 Report Detail

Background

5.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Accordingly, a significant function of Treasury Management is ensuring that cash flows are adequately planned and controlled to meet this objective. Any surplus monies are invested with low-risk counterparties, and managed appropriately so that sufficient levels of liquid cash are available to meet any payment obligations as well as offer headroom for unexpected circumstances. Such considerations underpin the day-to-day operations of Treasury Management when determining investment-related outcomes rather than the sole factor of yield that aims to generate higher return on investments with little or no regards to financial risks.

5.2 The second main function of the Treasury Management service is the funding of the Council’s capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

5.3 The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

5.4 CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, including 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."

5.5 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

This Council has not engaged in any commercial investments and has no non-treasury investments.

Reporting Requirements

Capital Strategy

5.6 The CIPFA 2021 Prudential and Treasury Management Codes require all Local Authorities to prepare a Capital Strategy report which will provide the following: -

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

5.7 The aim of this capital strategy is to ensure that all elected Members on the Full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

5.8 The capital strategy is in the process of being updated and will then come to a cabinet and council meeting for adoption.

Treasury Management reporting

5.9 The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

5.10 **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report covers:-

- the capital plans (including Prudential Indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an Investment Strategy (the parameters on how investments are to be managed).

5.11 **A mid-year treasury management report** - This is primarily a progress report and will update members on the capital position, amending Prudential Indicators as necessary, and whether any policies require revision.

5.12 **An annual treasury report** - This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

5.13 **Scrutiny** - The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit and Accounts Committee.

5.14 The Council has adopted the following reporting arrangements in accordance with the requirements of the CIPFA Code of Practice:-

Area of Responsibility	Council/Committee	Frequency
Treasury Management Strategy/ Annual Investment Strategy/ MRP policy	Full Council	Annually in January/February each year
Treasury Management Strategy/ Annual Investment Strategy/ MRP policy/Monitoring of Prudential Indicators	Full Council	Mid-year
Treasury Management Strategy/ Annual Investment Strategy/ MRP policy - updates or revisions at other times	Full Council	As required
Annual Treasury Outturn Report	Audit and Accounts Committee and Council	Annually by 30 September after the end of the year
Scrutiny of treasury management strategy	Audit and Accounts Committee	Annually in February before the start of the year

Treasury Management Strategy for 2024/25

5.15 The Strategy for 2024/25 covers two main areas:-

Capital issues

- the capital expenditure plans and the associated Prudential Indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

5.16 These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

Training

5.17 The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.”

In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.

5.18 Training has been undertaken by members of the Audit and Accounts Committee in January 2020 but there has been a gap in training due to the Covid pandemic and lockdown restrictions since. Discussions have been undertaken with our external treasury advisors who will deliver training at an upcoming audit committee once the dates have been finalised.

Treasury Management Consultants

5.19 The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

5.20 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The Capital Prudential Indicators 2024/24 - 2026/27

5.21 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in Prudential Indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital expenditure

5.22 This Prudential Indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts, which include a review of current schemes together with the continuation of the applicable rolling programme schemes, but to note these may change as part of the scrutiny process and finalisation of the Budget.

5.23 Any change to the forecast and any new growth bids will be separately identified in future Budget Reports and reflected in this indicator as reported to full Council.

Capital Expenditure (£m)	2022/23 Actual £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	Unallocated £'000
Community Portfolio	1,467	1,766	2,017	1,522	1,522	3,434
Environment Portfolio	186	200	317	50	50	101
Leisure and Culture Portfolio	104	1,870	541	0	0	16
Planning and Regeneration	532	16,690	8,242	0	0	3,548
Resources Portfolio	80	122	50	50	50	750
Total	**2,369**	**20,648**	**11,167**	**1,622**	**1,622**	**7,849**

5.24 In addition to the above Capital Programme, the expenditure and borrowing of the Council may increase as a result of match funding requirements for bids in relation to such projects like the Future High Streets Fund. Such capital schemes and business cases will be subject to reports to Cabinet and Council and their respective approvals. If a borrowing requirement emerges, the Council shall consider the use of the Public Works Loan Board (PWLB) discount rate as well other sources of funding as prescribed under paragraph 5.65. An appraisal will be undertaken to determine and ensure that, amongst other things, any new borrowings are affordable and work within the Prudential Indicators limits before entering into such borrowing facilities.

5.25 Other long-term liabilities. The financing need excludes other long-term liabilities, such leasing arrangements which already include borrowing instruments.

5.26 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital expenditure	**2022/23 Actual £'000**	**2023/24 Estimate £'000**	**2024/25 Estimate £'000**	**2025/26 Estimate £'000**	**2026/27 Estimate £'000**	**Unallocated £'000**
Total Spend	2,369	20,648	11,167	1,622	1,622	7,849
Financed by:						
Capital receipts	89	1,048	320	43	0	6
Capital grants/ contributions	2,107	18,494	6,929	1,578	1,603	3,478
Revenue	173	1,106	3,918	1	19	4,365
Net financing need for the year	0	0	0	0	0	0

5.27 The capital financing of the programme will similarly be reviewed as part of the Budget process and any change will be separately identified in future Budget Reports and reflected in this indicator.

The Council's borrowing need (the Capital Financing Requirement)

5.28 The second Prudential Indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so it's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

5.29 The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life and so charges the economic consumption of capital assets as they are used.

5.30 The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility by the PPP lease provider and so the Council is not required to separately borrow for these schemes. As at the end of 2022/23, the Council currently has £1.580m of such Finance Leases within the CFR. However, it is anticipated that this figure will rise during 2024/25 in respect of the new IFRS 16 leasing requirements. Further work will be undertaken to ensure that this is reflected in the calculations when appropriate.

5.31 The Council is asked to approve the following CFR projections, subject to any changes arising from the budget process:-

Capital Financing Requirement (CFR)

	2022/23 Actual £'000	**2023/24** Estimate £'000	**2024/25** Estimate £'000	**2025/26** Estimate £'000	**2026/27** Estimate £'000
Total CFR	3,778	3,587	4,925	4,765	4,633
Movement in CFR		(191)	1,338	(160)	(132)

Movement in CFR represented by

	2022/23 Actual £'000	**2023/24** Estimate £'000	**2024/25** Estimate £'000	**2025/26** Estimate £'000	**2026/27** Estimate £'000
Net financing need for the year	0	0	0	0	0
Less MRP and other financing movements	(299)	(191)	1,338	(160)	(132)
Movement in CFR	(299)	(191)	1,338	(160)	(132)

Liability Benchmark

5.32 A third Prudential Indicator for 2024/25 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

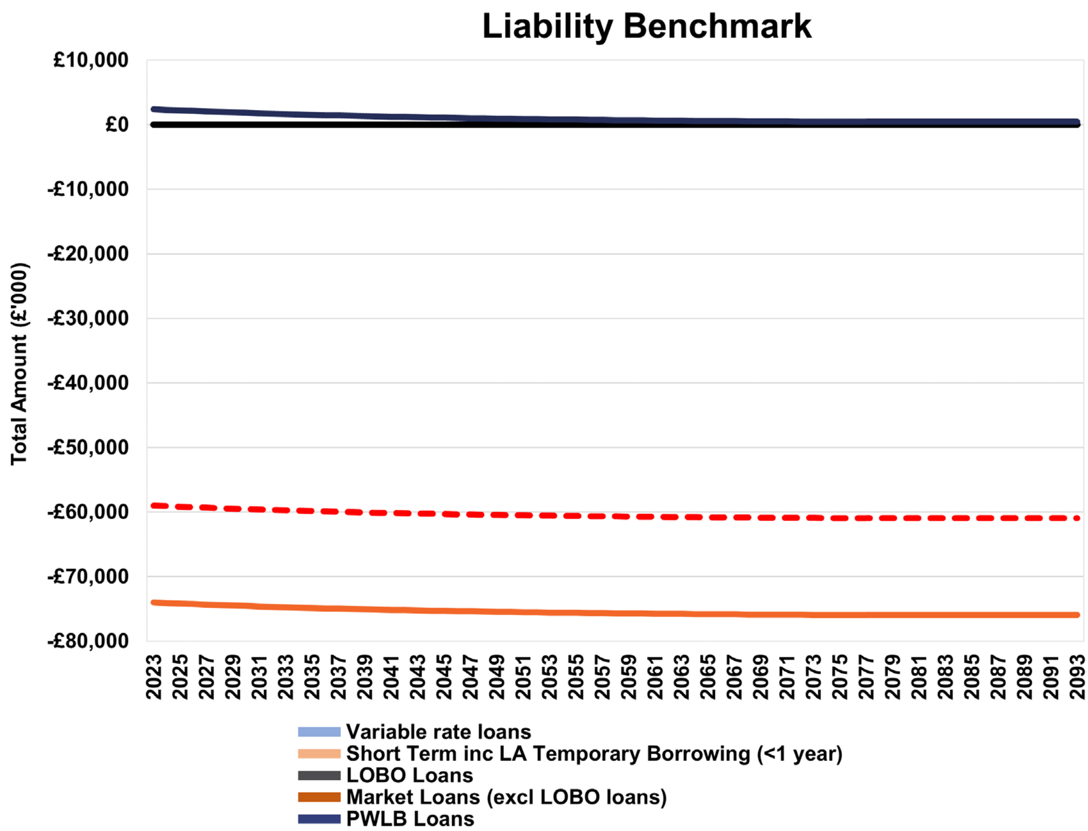
There are four components to the LB: -

1. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.

3. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

The Liability Benchmark is effectively the Net Borrowing Requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.



As the Council's Treasury position is debt-free across the entire forecast period, the Council's Liability Benchmark is also negative across the same time horizon. The Graph therefore indicates that there is no present need to borrow given the Council's current resources and capital intentions.

Core funds and expected investment balances

5.33 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources (£m)	2022/23 Actual £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Fund balances / reserves	32,415	33,155	32,061	33,624	29,899
Unallocated Reserves	1,569	1,618	1,741	1,775	1,511
Capital receipts	1,443	744	424	381	375
Capital grants unapplied	15,860	4,780	4,205	721	696
Provisions	3,374	851	0	0	0
Section 106 (Other) 6000-7853	3,689	3,163	2,149	2,149	2,149
Section 106 (Other) Revenue	2,495	2,030	2,010	2,010	2,010
Total core funds	**60,845**	**46,341**	**42,590**	**40,660**	**36,640**
Working capital*	(15,353)	5,000	5,000	5,000	5,000
Under/over borrowing	2,198	2,110	2,025	1,944	1,866
Expected investments	**74,000**	**39,231**	**35,565**	**33,716**	**29,774**

*Working cashflow requirement shown are estimated year-end; these may be higher mid-year.

Minimum revenue provision (MRP) Policy Statement

5.34 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (the Minimum Revenue Provision - MRP).

5.35 The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent. The MRP Policy Statement requires Full Council approval in advance of each financial year.

5.36 The Authority is recommended to approve the following MRP Statement:

Under powers delegated to the Section 151 Officer, the Council's Annual MRP provision for expenditure incurred after 1 April 2008 which forms part of supported capital expenditure will be based on the uniform rate of 4% of the Capital Financing Requirement (CFR).

The Council's Annual MRP provision for all unsupported capital expenditure incurred on or after 1 April 2008 will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments or as the principal repayment on an annuity with an annual interest rate 4%, starting in the year after the asset becomes operational.

5.37 Capital expenditure incurred during 2024/25 will not be subject to an MRP charge until 2025/26, or in the year after the asset becomes operational.

5.38 The Authority will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

5.39 Repayments included in finance leases are applied as MRP.

5.40 The Council are satisfied that the policy for calculating MRP set out in this Policy Statement will result in the Council continuing to make prudent provision for the repayment of debt, over a period that is on average reasonably commensurate with that over which the expenditure provides benefit.

5.41 The Section 151 Officer will, where it is prudent to do so, use discretion to review the overall financing of the Capital Programme and the opportunities afforded by the regulations, to maximise the benefit to the Council whilst ensuring the Council meets its duty to charge a prudent provision.

5.42 For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

Where no principal repayment is made in a given year, MRP will be charged at a rate in line with the life of the assets funded by the loan.

5.43 **MRP Overpayments** - Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

The Council has previously not made any VRP overpayments.

Affordability Prudential Indicators

5.44 The previous sections cover the overall capital and control of borrowing Prudential Indicators, but within this framework Prudential Indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:-

Ratio of financing costs to net revenue stream

5.45 This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream. The figures below show a negative ratio due to the investment income being recevied by the council on its treasury investments.

%	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Ratio of financing costs	-8.6%	-18.1%	-13.9%	-7.9%	-7.1%

Borrowing

5.46 The capital expenditure plans above provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Authority's Capital Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / Prudential Indicators, the current and projected debt positions, and the Annual Investment Strategy.

Current portfolio position

5.47 The Council's forward projections for borrowing are summarised below. The table shows the actual external debt against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	£'000	£'000	£'000	£'000	£'000
External Debt:					
PWLB debt at 1 April	0	0	0	0	0
Expected change in Debt	0	0	0	0	0
Other long-term liabilities (OLTL)	1,788	1,580	1,477	2,900	2,821
Expected in-year change in OLTL	(208)	(103)	1,423	(79)	(54)
Actual gross debt at 31 March	1,580	1,477	2,900	2,821	2,767
The Capital Financing Requirement	3,778	3,587	4,925	4,765	4,633
Under / (over) borrowing	**2,198**	**2,110**	**2,025**	**1,944**	**1,866**

5.48 Within the range of Prudential Indicators there are several key indicators to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

5.49 The Deputy Chief Executive Resources reports that the Authority complied with this Prudential Indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans and the proposals in this budget report.

Treasury Indicators: limits to borrowing activity

5.50 **The Operational Boundary**. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £m	**2022/23 Actual** £'000	**2023/24 Estimate** £'000	**2024/25 Estimate** £'000	**2025/26 Estimate** £'000	**2026/27 Estimate** £'000
Debt	2,385	2,385	17,385	17,385	17,385
Other long-term liabilities	1,580	1,477	2,900	2,822	2,768
Total	3,965	3,862	20,285	20,207	20,153

5.51 **The Authorised Limit for External Debt**. This is a key Prudential Indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

2. The Council is asked to approve the following authorised limit:-

Authorised limit £m	**2022/23 Actual** £'000	**2023/24 Estimate** £'000	**2024/25 Estimate** £'000	**2025/26 Estimate** £'000	**2026/27 Estimate** £'000
Debt	5,385	5,385	20,385	20,385	20,385
Other long-term liabilities	1,580	1,477	2,900	2,822	2,768
Total	6,965	6,862	23,285	23,207	23,153

Prospects for interest rates

5.52 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Link provided the following forecasts on 7 November 2023. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	07.11.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

5.53 Link's central forecast for interest rates was previously updated on 25 September and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least Q2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and that there is a likelihood of the overall economy enduring at least a mild recession over the coming months, although most recent GDP releases have surprised with their on-going robustness.

Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

On the positive side, consumers are still anticipated to be sitting on some excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, as noted previously, most of those excess savings are held by more affluent households whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

5.54 **PWLB rates.** Gilt yield curve movements have broadened since Link's review. The short part of the curve has not moved far but the longer-end continues to reflect inflation concerns. At the time of writing, there is 60 basis points difference between the 5 and 50 year parts of the curve.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).

- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- **Geopolitical risks,** for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- Despite the recent tightening to 5.25%, the **Bank of England proves too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.

- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Longer-term **US treasury yields** rise strongly if inflation remains more stubborn there than the market currently anticipates, consequently pulling gilt yields up higher. (We saw some movements of this type through October although generally reversed in the last week or so.)

- Projected **gilt issuance, inclusive of natural maturities and QT,** could be too much for the markets to comfortably digest without higher yields compensating.

LINK GROUP FORECASTS

Link now expect the MPC will keep Bank Rate at 5.25% for the remainder of 2023 and the first half of 2024 to combat on-going inflationary and wage pressures. They do not think that the MPC will increase Bank Rate above 5.25%, but it is possible.

Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, as inflation starts to fall through the remainder of 2023 and into 2024.

Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below:-

PWLB debt	Current borrowing rate as at 06.11.23 p.m.	Target borrowing rate now (end of Q3 2025)	Target borrowing rate previous (end of Q3 2025)
5 years	5.02%	3.80%	3.90%
10 years	5.15%	3.80%	3.80%
25 years	5.61%	4.20%	4.10%
50 years	5.38%	4.00%	3.90%

5.55 **Borrowing advice:** Link's Our long-term (beyond 10 years) forecast for Bank Rate has increased from 2.75% to 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to wait for inflation, and therein gilt yields, to drop back later in 2024.

Link's suggested budgeted earnings rates for investments up to about three months' duration in each financial year are rounded to the nearest 10bps and set out below. You will note that investment earnings have been revised somewhat higher for all years from 2025/26 as Bank Rate remains higher for longer.

Average earnings in each year	Now	Previously
2023/24 (residual)	5.30%	5.30%
2024/25	4.70%	4.70%
2025/26	3.20%	3.00%
2026/27	3.00%	2.80%
2027/28	3.25%	3.05%
Years 6 to 10	3.25%	3.05%
Years 10+	3.25%	3.05%

5.56 As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Link's interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

Borrowing Strategy

5.57 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate remains elevated through to the second half of 2024.

5.58 Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Deputy Chief Executive Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* then borrowing will be postponed.
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

5.59 Any decisions will be reported to Members appropriately at the next available opportunity.

Treasury management limits on activity

5.60 **Maturity structure of borrowing**. These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

5.61 The Council is asked to approve the following treasury indicators and limits:-

Maturity structure of fixed interest rate borrowing 2024/25

	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years and above	0%	100%

Maturity structure of variable interest rate borrowing 2024/25

	Lower	Upper
Under 12 months	0%	75%
12 months to 2 years	0%	75%
2 years to 5 years	0%	75%
5 years to 10 years	0%	75%
10 years and above	0%	75%

Policy on borrowing in advance of need

5.62 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

5.63 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Rescheduling

5.64 Debt rescheduling of external borrowing can help with migitating against exposure to the risk of interest rate movements, lower the cost of servicing debt and alter the maturity profile to avoid refinancing risk.

The Council’s current debt portfolio does not consist of borrowing but of leases and, accordingly, debt rescheduling will not occur.

New Financial Institutions as a Source of Borrowing and / or Types of Borrowing

5.65 Currently, the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so - generally still cheaper than the Certainty Rate).

- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a "cost of carry" or to achieve refinancing certainty over the next few years).

- UK Municipal Bonds Agency

- UK Infrastructure Bank - where the project meets its investment principles (namely, economic regeneration and tackling climate change), the Infrastructure Bank offers loans at the relevant Gilts rate + 60 basis points (20 basis points lower than the PWLB Certainty rate) and can match the length of the loan and repayment profile to needs of the project.

Our treasury advisors will keep us informed as to the relative merits of each of these alternative funding sources.

Annual Investment Strategy

Investment policy - management of risk

5.66 The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy, (a separate report).

The Authority's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")

- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")

- CIPFA Treasury Management Guidance Notes 2021

5.67 The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. Consistent with the spirit of the Code's treaury management practices (namely, TMP1 on credit and counterparty risk management), the Council shall be mindful of environmental, social and governance (ESG) considerations in its decision-making outcomes. To that end, the Council will not knowingly invest directly with financial participants whose activities and practices pose a risk of serious damage or whose activities are inconsistent with the Council's mission and values. In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

5.68 The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

5.69 This Authority has defined the list of types of investment instruments that the Treasury Management Team are authorised to use, as per **APPENDIX 2**. This Authority has defined the list of types of investment instruments that the Treasury Management Team are authorised to use, as per **APPENDIX 2**. These financial instruments can be separated into two categories of 'specified' and 'non-specified' investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.

- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by Members and officers before being authorised for use.

5.70 **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 50% of the total investment portfolio.

5.71 **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in the **APPENDIX 2**.

5.72 **Transaction limits** are set for each type of investment in **APPENDIX 2**.

5.73 The Council will set a limit for the amount of its investments which are invested for longer than 365 days.

5.74 Investments will only be placed with counterparties from countries with a specified minimum sovereign rating.

5.75 The Council has engaged external consultants, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

5.76 All investments will be denominated in sterling.

5.77 As a result of the change in accounting standards for 2023/24 under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. More recently, a further extension to the over-ride to 31.3.25 has been agreed by Government.

5.78 However, this Authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the financial year.

Creditworthiness policy

5.79 The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:-

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

5.80 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:-

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

5.81 The Link creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

5.82 Typically, the minimum credit ratings criteria the Council uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

5.83 All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of our creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

5.84 Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information, information on any external support for banks to help support its decision making process.

5.85 The Council has determined that it will only use approved counterparties from the UK and countries with a minimum sovereign credit rating of AA- from Fitch or equivalent. The list of countries that qualify using this credit criteria as at the date of this report are shown in **APPENDIX 3**. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Creditworthiness

5.86 Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

CDS Prices

5.87 Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government in the autumn of 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its Link-provided Passport portal.

Investment Strategy

5.88 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to optimise returns.

5.89 Accordingly, while most cash balances are required in order to manage the peaks and troughs of cash flows, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

5.90 **Investment returns expectations.** It should be observed that there is a relationship with inflation and interest rates. Rise in inflation will invariably lead to a rise in interests. The same wisdom holds turn from the opposite situation. Holding true to this relationship, the persistent rise of inflation as seen at the time of writing this report, has correspondingly increased the Bank Rate. The Bank of England (BoE) has opted to increase Bank Rate on 14 successive occasions, starting around mid-December 2021. At the beginning of April 2022, Bank Rate was set at 0.75% and moved up in stepped increases of either 0.25% or 0.5% thereafter, reaching 4.25% by the end of 2022/23 and to the current 5.25% in October 2023. Based on current modelling, Bank Rate has peaked. Amongst other things, the Bank of England’s short-term fiscal strategy and tight monetary mechanisms to control the rampant rise of inflation has had its desired effects. Inflationary pressures are cooling, moving downwards from 40-year highs of around 11% in October 2022 through to 4.6% in November 2023. As with the current trajectory of inflation, it is projected that Bank Rate will gradually decline during 2024/25.

5.91 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows: -

Average earnings in each year	
2023/24 (residual)	5.30%
2024/25	4.70%
2025/26	3.20%
2026/27	3.00%
2027/28	3.25%
Years 6 to 10	3.25%
Years 10+	3.25%

It should be observed, however, that as there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

5.92 **Investment treasury indicator and limit** - Total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Authority is asked to approve the Treasury Indicator and limit:-

Maximum principal sums invested > 365 days

	2024/25	2025/26	2026/27
Principal sums invested > 365 days	£10m	£10m	£10m

5.93 For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 182 days) in order to benefit from the compounding of interest whilst preserving the security of invested funds and liquidity.

Investment risk benchmarking

5.94 This Council will use an investment benchmark to assess the investment performance of its investment portfolio of overnight, 7 day, 1, 3, 6 or 12 month compounded / SONIA.

End of year investment report

5.95 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

6 Implications

6.1 **Financial**

Included in this Report

6.2 **Legal**

None

6.3 **Human Resources**

None

6.4 **Risk Management**

The Council regards security of the sums it invests to be the key objective of its Treasury Management activity. Close management of counterparty risk is therefore a key element of day-to-day management of treasury activity. The practices designed to ensure that risks are managed effectively are set out in the Treasury Management Practices available on the Council's website.

6.5 **Equalities and Diversity**

The Council considers the effect of its actions on all sections of our community and has addressed all of the following Equality Strands in the production of this report, as appropriate:-

Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

None

6.6 **Health**

None

6.7 **Climate Change**

None

7 Appendices

Appendix 1: Economic Update (provided by Link Asset Services as of November 2023)

Appendix 2: Treasury Management Practice (TMP1) - Credit and Counterparty Risk Management

Appendix 3: Approved Countries for Investment

Appendix 4: Treasury Management Scheme of Delegation

Appendix 5: The Treasury Management Role of The Section 151 Officer

8 Previous Consideration

Audit and Accounts Committee - 13 February 2024 - Minute No AAC17/24

9 Background Papers

Available in Financial Services

Contact Officer:	Chris Forrester
Telephone Number:	01543 464334
Ward Interest:	Nil
Report Track:	Audit and Accounts Committee 13 February 2024
	Council 27 February 2024
Key Decision:	Yes

Appendix 1

Economic Update (Provided by Link Asset Services as of November 2023)

- The first half of 2023/24 saw:
  - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
  - Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
  - CPI inflation falling from 8.7% in April to 6.7% in September, its lowest rate since February 2022, but still the highest in the G7.
  - Core CPI inflation declining to 6.1% in September from 7.1% in April and May, a then 31 years high.
  - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose by 7.8% for the period June to August, excluding bonuses).
- The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.7 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0% q/q rise in real GDP in the period July to September, being followed by a contraction in the next couple of quarters.
- The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.
- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got

through the cost-of- living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

- But the cooling in labour market conditions still has not fed through to an easing in wage growth. The headline 3myy rate rose 7.8% for the period June to August, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular annual average total pay growth for the private sector was 7.1% in June to August 2023, for the public sector this was 12.5% and is the highest total pay annual growth rate since comparable records began in 2001. However, this is affected by the NHS and civil service one-off non-consolidated payments made in June, July and August 2023. The Bank of England's prediction was for private sector wage growth to fall to 6.9% in September.

- CPI inflation declined from 6.8% in July to 6.7% in August and September, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.1%. That reverses all the rise since March.

- In its latest monetary policy meeting on 06 November, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation.

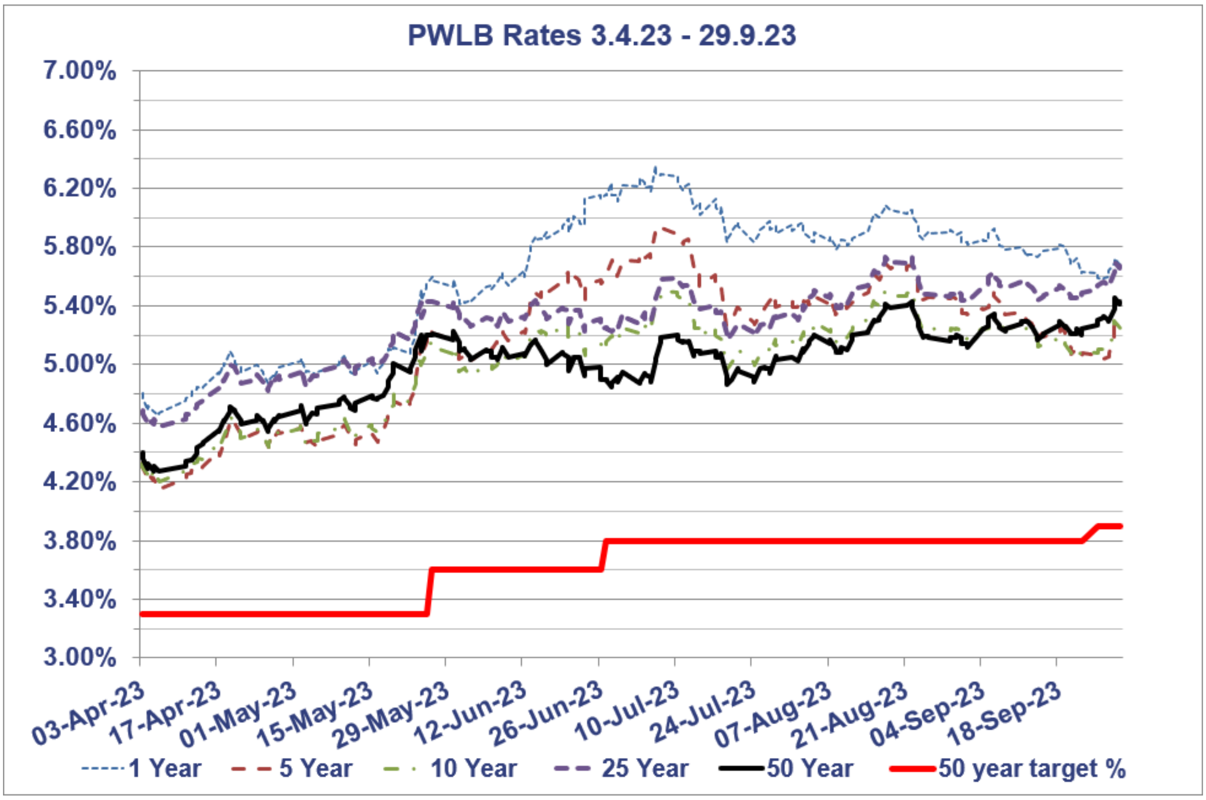
- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. In terms of messaging, the Bank once again said that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures", citing the rise in global bond yields and the upside risks to inflation from "energy prices given events in the Middle East".

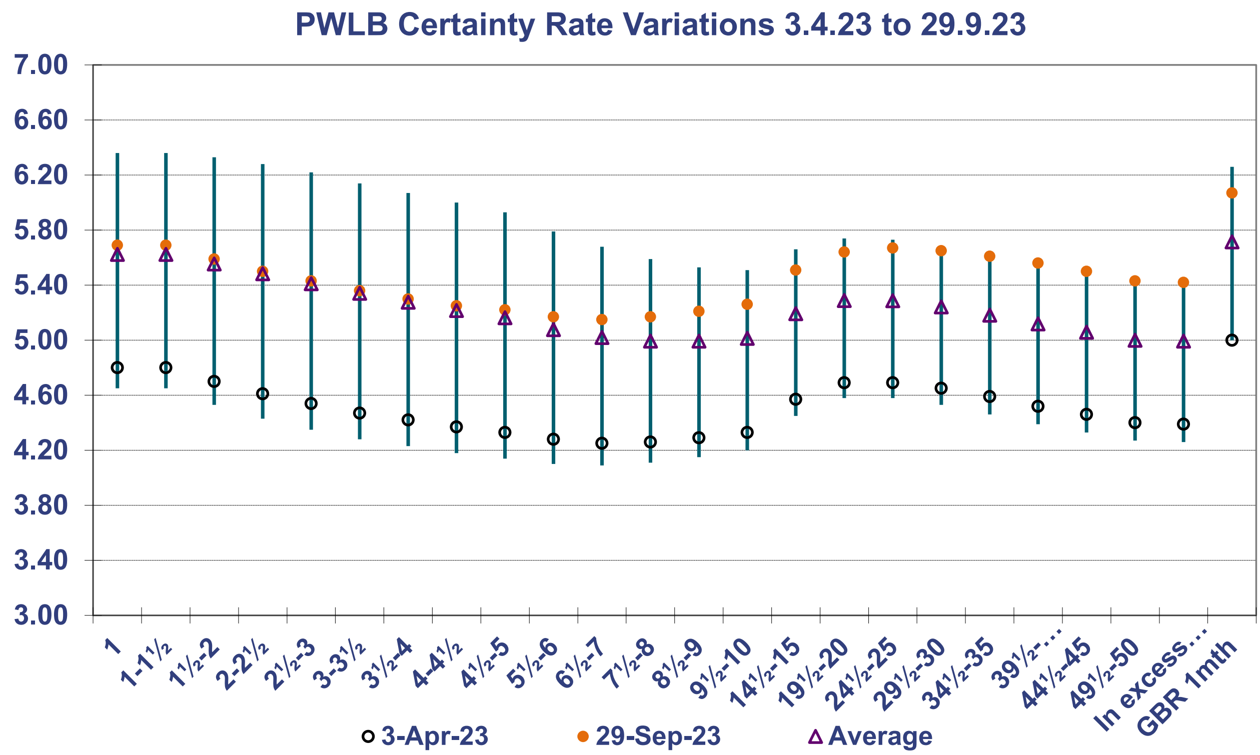
So, like the Fed, the Bank is keeping the door open to the possibility of further rate hikes. However, it also repeated the phrase that policy will be “sufficiently restrictive for sufficiently long” and that the “MPC’s projections indicate that monetary policy is likely to need to be restrictive for an extended period of time”. Indeed, Governor Bailey was at pains in his press conference to drum home to markets that the Bank means business in squeezing inflation out of the economy.

- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates in the future.

In the table below, the rise in gilt yields across the curve as a whole in 2023/24, and therein PWLB rates, is clear to see.

PWLB RATES 01.04.23 - 29.09.23





HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 29.09.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.14%	4.20%	4.58%	4.27%
Date	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.51%	5.73%	5.45%
Date	06/07/2023	07/07/2023	22/08/2023	17/08/2023	28/09/2023
Average	5.62%	5.16%	5.01%	5.29%	5.00%
Spread	1.71%	1.79%	1.31%	1.15%	1.18%

The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries.

The S&P 500 and FTSE 100 have struggled to make much ground through 2023.

CENTRAL BANK CONCERNS

Currently, the Fed has pushed up US rates to a range of 5.25% to 5.5%, whilst the MPC followed by raising Bank Rate to 5.25%. EZ rates have also increased to 4% with further tightening a possibility.

Ultimately, however, from a UK perspective it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

Appendix 2

Treasury Management Practice (TMP1) - Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of 50% will be held in aggregate in non-specified investments.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:-

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
DMADF – UK Government	Yellow	100%	6 months (max. is set by the DMO*)
UK Government gilts	UK sovereign rating	£6 million	5 years
UK Government Treasury bills	UK sovereign rating	£6 million	12 months
Bonds issued by multilateral development banks	AAA	£6 million	5 years
Money Market Funds CNAV	AAA	£9 million	Liquid
Money Market Funds LNVAV	AAA	£9 million	Liquid

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
Money Market Funds VNAV	AAA	£9 million	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	£6 million	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	£6 million	Liquid
Local authorities	N/A	£3 million	12 months
Call Accounts	N/A	£6 million	Liquid
Term deposits with housing associations	Blue Orange Red Green No Colour	£3 million	12 months 12 months 6 months 100 days Not for use
Term deposits with banks and building societies	Blue Orange Red Green No Colour	£6 million	12 months 12 months 6 months 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	£6 million	12 months 12 months 6 months 100 days Not for use
Gilt funds	UK sovereign rating	£6 million	12 months

* DMO – is the Debt Management Office of HM Treasury

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

Appendix 3

Approved Countries For Investments

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link creditworthiness service.

Based on lowest available rating

AAA

Australia
Denmark
Germany
Netherlands
Norway
Singapore
Sweden
Switzerland

AA+

Canada
Finland
U.S.A.

AA

Abu Dhabi (UAE)

AA-

Belgium
France
U.K.

Appendix 4

Treasury Management Scheme of Delegation

Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

Committees/Council

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

Body/person(s) with responsibility for scrutiny

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

Appendix 5

The Treasury Management Role of the Section 151 Officer

The s151 (responsible) officer:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers;
- preparation of a Capital Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe;

Agenda Item 11

Council Tax Charges in Respect of Unoccupied Dwellings

Committee:	Council
Date of Meeting:	27 February 2024
Report of:	Deputy Chief Executive (Resources)
Portfolio:	Resources Portfolio

The following report was considered by Cabinet at its meeting held on 8 February 2024 and is submitted to Council as required.

1 Purpose of Report

1.1 To inform members of new powers that have been given to them in respect of Council Tax charges on certain unoccupied dwellings.

1.2 To recommend that, at its meeting on 27 February 2024, Council resolves to introduce charges in line with those new powers and the remove the 12-month exemption currently given to some uninhabitable dwellings, with effect from 1 April 2024.

2 Recommendations

2.1 That the report be noted.

2.1.1 That Council resolves to end the current 12-month exemption given to properties which are unoccupied, substantially unfurnished, uninhabitable and in need of or undergoing major repair or structural alteration with effect from 1 April 2024.

2.1.2 That Council resolves to introduce a 100% Premium be added to the Council Tax liability in respect of properties which have been unoccupied and substantially unfurnished for 12 months with effect from 1 April 2024.

2.1.3 That Council resolves to introduce a 100% Premium to the Council Tax liability in respect of properties which are not occupied as any person’s sole or main residence and are substantially furnished (often referred to as second homes) with effect from 1 April 2025.

Reasons for Recommendations

2.2 There is no evidence that the exemption for uninhabitable property encourages the renovation of such premises or expedites their bringing into use. Administration of the exemption is very burdensome, due to it being often misconstrued by owners of properties undertaking remedial repairs or cosmetic improvements to dwellings. Options exist for the Valuation Office Agency to remove dwellings which are derelict from the Valuation List in the most severe cases.

2.3 It is expected that the introduction of an empty property levy after 12 months rather than 24 months will encourage earlier engagement from owners and in many cases expedite the occupation of their properties.

2.4 Similarly the imposition of a Second Home Premium will encourage some homes to be put to better use and will afford owners of the properties a choice as to whether to pay the premium of bring the dwelling into use. This premium will be introduced from 2025, giving owners time to deal with their properties.

2.5 Safeguards will exist by way of Government's intention to provide statutory exceptions to the Premiums for some categories of dwelling.

3 Key Issues

3.1 Historically Stafford Borough had a greater proportion of empty properties than comparable authorities. There is a published Empty Homes Strategy to combat this, and there is an Empty Homes Officer in post dedicated to bringing properties back into use. It is considered that any additional lever to encourage empty homes back into use should be explored as part of that objective.

3.2 There is significant demand for housing in Stafford Borough, with a strong housing market both for sale and rent. The Housing Options team face unprecedented demand for suitable accommodation for those approaching the service. As such empty or poorly utilised properties are a wasted resource that could be used to house families in the Borough.

3.3 The use of "second homes" varies considerably and the empty homes officer routinely receives complaints from neighbours regarding unkempt properties that are recorded as second homes due to the fact they are furnished, but in reality are as problematic as if recorded as empty.

3.4 Any agreed changes will be supported with action by both council tax staff and the empty homes officer to help affected owners make informed choices about the future use of their asset, whether that is to pay any additional premium or market for sale or rent.

4 Relationship to Corporate Priorities

4.1 The proposals contained in this report will encourage property owners to bring empty dwellings back into use thereby improving the local environment and providing additional housing capacity and choice.

5 Report Detail

5.1 New legislation permitting Premium charges to be applied to Second Homes and property that has been empty for 12 months received Royal Assent on 26 October 2023.

5.2 It is an accepted fact that empty and poorly utilised homes are a wasted resource that we would very much like to bring into use, to increase the supply of affordable accommodation in the area.

5.3 The Council's ability to charge our existing Premium Council Tax charges was given in 2013.

5.4 Whilst giving local authorities the power to charge, Government has indicated that they wish to restrict the level of charges for some categories of dwelling. The most recent legislation that allow increases, contain a condition that the Government may make regulations to restrict or inhibit the charges. Regulations are expected, but not yet made, regarding exceptions to the new Premiums for certain properties. Details are given at paragraph 5.11.

5.5 The following is a summary of the revenue that could be raised if we remove the exemption for uninhabitable property and increase the other charges to the new permitted levels. An element of caution is needed regarding the income figures. The figures quoted assume that all of the property owners will pay the additional charges. In reality some will claim exemptions, change categories or become re-occupied and so avoid the additional charges. Re-occupation is of course a very positive result both in terms of housing supply and New Homes Bonus.

Category of Dwelling	Recommendation	Number and Maximum Value
Property, which is unoccupied, substantially unfurnished uninhabitable and in need of or undergoing major repair or structural alteration	Remove 100% discount	51 £101,000
Property which is unoccupied and substantially unfurnished **12 - 24 months**	Increase from 100% to 200% charge	194 £365,000
Property which is unoccupied and substantially furnished (referred to as second homes)	Increase from 100% to up to 200% charge	338 £624.000

Stafford BC would retain around 10% of any revenue raised.

5.6 If the government were to confirm all of the restrictions included in the consultation document, the actual revenue could be reduced significantly. The revenue from dwellings empty from 1-2 years could be halved and the revenue received from second homes deferred for an additional 6 months, or more if all dwellings would satisfy one of the exception criteria.

Uninhabitable Property

5.7 We currently offer a full reduction for up to 12 months to property, which is unoccupied, substantially unfurnished, uninhabitable and in need of or undergoing major repair work or structural alterations which are necessary to make the dwelling habitable.

5.8 This reduction is often misunderstood and whilst it is intended to cover property in the poorest of states, often results in claims from people who have bought or inherited property in poor states of cleanliness and decoration, or property which requires replacement of electrical installations and plumbing. These works are not sufficient to attract the reduction.

5.9 A considerable amount of time is spent by the Revenues Team administering this exemption which could be saved and used more productively, if it were to be removed. There is no particular evidence to suggest that applying the exemption has incentivised owners to renovate property and it may well be that removing it may expedite the repair works and re-use of the dwellings.

Property Empty for 1 - 2 Years

5.10 We currently apply the premium charge when the dwelling is empty for 2 years as previously allowed by legislation. There is a common view that bringing the premium forward to the 1 year mark will encourage earlier engagement with the owner and in a number of cases lead to earlier occupation of the dwellings.

Second Homes

5.11 We currently charge the statutory maximum 100% charge on Second Homes. The new legislation would allow that to increase to 200%, but requires at least 1 year to pass from the time of the resolution until the date that new charges apply. If this report is adopted, the Premium would apply to Second Homes from 1 April 2025.

5.12 The expression “Second Home” can be a little misleading. The term is used to describe a dwelling which is nobody’s main home but is substantially furnished and so covers a multitude of scenarios. Some second homes are abandoned premises which happen to be furnished, whereas others will be well maintained and in regular use, albeit not as a main home. Any charges that we apply to second homes will apply equally to all, with the exception of those exempted by statute.

5.13 We cannot be certain why properties are maintained as second homes and so the impact of introducing the new premiums on each individual property owner cannot be predicted precisely. Officers have done some work to analyse information that has been provided to the Council Tax section previously and housing officer have visited a sample of the Second Homes to establish how their state of repair impacts on their locality. The results of that work are as follows. Some of the information will be quite old and circumstances may have changed. This is the best evidence currently available.

5.14 **Analysis of SBC Second Homes**

Analysis of SBC Second Homes as at 3 November 2023	**Number**	**Comment**
No-one's main residence but furnished	87	Could be awaiting sale or let or could be used as work-related accommodation. We would wish to encourage occupation where possible
Appear to be second homes in the truest sense as the owner has a main residence **outside of the area.**	99	Owners will be encouraged to make their properties available in order to avoid the Premium
Second homes where owner has a main residence **in the area** – examples of these could include • someone has moved in with a partner and has left their property unoccupied but furnished • someone has purchased another property and has left their prop furnished while for sale • Owner has purchased neighbouring properties .	66	We would wish to encourage occupation where possible
Properties that have been inherited and have been left furnished	25	We would wish to encourage occupation where possible
Properties that are part of a deceased persons estate. Probably left furnished awaiting probate or to aid sale	17	Potentially exempt for 12 months
Already re-occupied	16	No action needed
Annexe to an adjoining property	4	Exempt

Analysis of SBC Second Homes as at 3 November 2023	Number	Comment
No information held	24	We would wish to engage with owners and encourage occupation where possible
Total	**338**	

5.15 Housing Officers inspected a sample of 90 of the second homes, for which an external inspection could establish if the dwelling had a negative impact on the locality. Of those 90 properties.

- 56 (62% so extrapolates to 210 dwellings) were in comparable condition to neighbouring properties.
- 25 (28% so extrapolates to 94 dwellings) were marginally worse than neighboring properties
- 9 (10% so extrapolates to 34 dwellings) were in considerably worse condition than neighbouring properties.

Exceptions to the Premium Charges.

5.16 The Government has indicated that regulations will be made to restrict the Premium charges in some circumstances. The Council will be bound by any exceptions, which are prescribed by Government

5.17 Potential Exceptions to both Empty Homes and Second Homes Premiums

- Properties undergoing probate (12 month deferral)
- Properties being actively marketed for sale or let (6 month deferral)

5.18 Potential Exceptions to Empty Homes Premiums

- Properties undergoing major repairs (6 month deferral)

5.19 Potential Exceptions to Second Homes Premiums

- Annexes forming a part of, or being treated as part of, the main dwelling
- Job-related dwellings
- Occupied caravan pitches and boat moorings
- Seasonal homes where year-round or permanent occupation is prohibited or has been specified for use as holiday accommodation or prevents occupation as a person's sole or main residence.

5.20 The Council has the option to specify other categories of dwelling for which the Premium will not be charged. The Council will honour the remaining term of any 100% discounts granted to uninhabitable property prior to 1 April 2025. No other categories have been specified.

5.21 The Council's officers will consider requests to waive Premiums on the grounds of hardship or exceptional circumstances, based on the merits of the individual application.

Proposed Actions.

5.22 Whilst a significant amount of revenue may be generated by the imposition of the new charge levels for empty and second homes, another and more important intention of the changes is to increase the supply of affordable housing that is available in the area. To that end the Council's Revenues and Housing officers will work closely together to support owners of affected properties, who wish to bring their property into use.

5.23 These actions will include;

- Making contact with property owners as soon as is practicable to notify them of the changes to our charging policy and how it will affect them.
- Entering into payment agreements with property owners who will find it difficult to pay the premiums, pending disposal of their properties.
- Contact from Empty Homes Owner to all those impacted by the changed policy to offer a bespoke review of options and assistances available.
- Extension of the current Empty Homes Loan administered by the Housing Standards Team to support the owners of second homes in need of repair to facilitate sale or let.

6 Implications

6.1 Financial

There can be no loss of revenue resulting from the proposals. Each of the proposals will increase the amount of Council Tax collected and shared with our preceptors. The exact amounts cannot be established until the policy is implemented, property owners have engaged with our officers and bills are issued and paid.

Given the late approval of legislation and uncertainty of the circumstances of all of the affected properties, no provision has been made for these changes in the 2024-25 budget or Council Taxbase.

If every property owner paid the Premiums, over £1m would be raised, from 2025-26 onwards, of which we would retain around £100K. It is not a realistic to expect all of that revenue and indeed not the purpose of the policy.

Homes brought into use bring both financial and non-financial benefits to the Council and local resident.

6.2 Legal

The power to implement the proposed charges is given by the Levelling-up and Regeneration Act 2023, which amends Local Government Finance act 1992.

6.3 Human Resources

None

6.4 Risk Management

None

6.5 Equalities and Diversity

None

6.6 Health

None

6.7 Climate Change

None

7 Appendices

Appendix - Empty and Second Homes. Current and Proposed Charge and Discount Rates

8 Previous Consideration

Council Tax charges for empty dwellings were last reviewed on 28 January 2020.

Cabinet - 8 February 2024 - Minute No CAB60/24

9 Background Papers

None

Contact Officer: Rob Wolfe - Local Taxation and Benefits Manager

Telephone Number: 01543 46 4397

Ward Interest: No

Report Track: Cabinet 8 February 2024

Council 27 February 2024

Key Decision: Yes

Appendix

Empty and Second Homes. Current and Proposed Charge and Discount Rates

Based on our caseload at 1 November 2023 the following shows the number of dwellings in each category of unoccupied charge and an estimate of the value of the discounts given. For this purpose a standard unparished charge has been assumed.

The table also shows the changes that are proposed in this report.

Category of Dwelling	Charge and Discount	Number and Value	Proposed Charge and Discount WEF 1.4.24 unless stated
Property which is unoccupied and substantially furnished (referred to as second homes)	0% discount 100% charge	338 £624,000	100% Premium 200% charge **WEF 1.4.25**
Property, which is unoccupied, substantially unfurnished uninhabitable and in need of or undergoing major repair or structural alteration	100% discount for up to 12 months	51 £0.00 (101k discount given)	0% Discount 100% charge
Property which is unoccupied and substantially unfurnished **0- 28 days**	100% discount 0% charge	120 £0.00 (15k discount given)	100% discount **0% charge**
Property which is unoccupied and substantially unfurnished **28 days - 12 months**	0% discount 100% charge	478 £834,000	0% discount 100% charge
Property which is unoccupied and substantially unfurnished **12 - 24 months**	0% discount 100% charge	194 £365,000	100% Premium 200% charge
Property which is unoccupied, substantially unfurnished and has been so for between **2 - 5 years**	100% Premium 200% Charge	167 £626,000	100% Premium **200% Charge**

Category of Dwelling	Charge and Discount	Number and Value	Proposed Charge and Discount WEF 1.4.24 unless stated
Property which is unoccupied, substantially unfurnished and has been so for between **5 years and 10 years**	200% Premium 300% Charge	73 £128,000	200% Premium 300% Charge
Property which is unoccupied, substantially unfurnished and has been so for **over 10 years**	300% Premium 400% Charge	18 142,000	300% Premium 400% Charge

Grant Thornton

Auditor's Annual Report on Stafford Borough Council

2021-22 and 2022-23

January 2024

Contents

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive summary (1 of 4)

Value for money arrangements and statutory and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020-21 was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Council's arrangements for 2021-22 and 2022-23 given the similarity in issues between years and also the timing when the work was undertaken. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

We identify five significant weaknesses in the Council's arrangements for value for money (VFM) resulting in one statutory and four key recommendations

The Council have faced significant resource challenges since the pandemic which has meant that they have had to make choices on how it uses the resources it has available. In 2020-21 the Council initiated an upgrade to the financial ledger system which placed significant pressure on the capacity of the finance team. The Council bought in no specialist resource or additional support to scope or implement the new system or to programme manage its implementation. This lack of capacity has resulted in some of the weaknesses highlighted in this report

Our findings of the VFM audit for 2021-22 and 2022-23 identifies five significant weaknesses that covers all three areas covered by our VfM work.

The statutory recommendation relates to the urgent need to improve financial planning and monitoring.

The four key recommendations relate to the need for a savings programme to address the medium-term financial gap rather than planned use of reserves, the need to address significant weaknesses relating to internal controls in ICT and fraud and to significantly improving the Council's performance management arrangements.

Our conclusions are summarised in the table on the next page and set out in detail on pages 7 to 16.

Recommendations made under section 24 schedule 7 of the Local Audit and Accountability Act 2014

Our Responsibilities

As well as our responsibilities to give an opinion on the financial statements and assess the arrangements for securing economy, efficiency and effectiveness in the Council's use of resources, we have additional powers and duties under the Local Audit and Accountability Act 2014. These include powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts. We have concluded that it is appropriate for us to use our powers to make written recommendations under section 24 of the Act, due to inadequate arrangements relating to issues with financial planning and financial monitoring arrangements. Further details are set out in the attached report.

What does the Council need to do next?

Schedule 7 of the Local Audit and Accountability Act 2014 requires the following actions:

The Council must consider the recommendation at a meeting held before the end of the period of one month beginning with the day on which it was sent to the Council.

At that public meeting the Council must decide

- whether the recommendations are to be accepted; and
- what, if any, action to take in response to these recommendations.

Schedule 7 specifies the meeting publication requirements that the Council must comply with.

Executive summary (2 of 4)

Five significant weaknesses are identified in the Council's arrangements for value for money (VFM) resulting in one statutory recommendations and four key recommendations

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	2022/23 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but one improvement recommendation made	Two significant weaknesses in arrangements identified resulting in one statutory recommendation and one key recommendation. One improvement recommendation made.	Two significant weaknesses in arrangements identified resulting in one statutory recommendation and one key recommendation. One improvement recommendation made.	⬇
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but three improvement recommendations made	Two significant weaknesses in arrangements identified resulting in two key recommendations. Two improvement recommendations made.	Two significant weaknesses in arrangements identified resulting in two key recommendations. Two improvement recommendations made.	⬇
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but three improvement recommendation made	One significant weaknesses in arrangements identified resulting in one key recommendation. One improvement recommendation made.	One significant weaknesses in arrangements identified resulting in one key recommendation and one improvement recommendation made.	⬇

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (3 of 4)

Financial sustainability

In our Auditor's Annual Report (AAR) 2020-21 we identified the Council should put in place a more detailed and regular process for monitoring budget performance by members, including quarterly reporting to Scrutiny Committees, Cabinet or Council and we recommended the Council reviews finance team capacity. We have identified a significant weakness in the Council's arrangements for financial planning and monitoring in both 2021-22 and 2022-23 which has extended into 2023-24. There was no formal financial planning or monitoring in either year on revenue or capital. In our opinion these weaknesses were caused by a lack of financial leadership in 2021-22 and 2022-23 and ongoing finance team capacity pressures. A lack of formal monitoring continued into 2023-24. We make a statutory recommendation on page 7.

Finance team capacity in both years was impacted by the Council's decision not to bring in additional capacity to support the scoping, testing or implementation of the new finance system which has placed significant strain on the team. The lack of capacity in finance extended into 2022-23 and 2023-24. On 8 December 2022, the new Deputy Chief Executive (Resources) and S151 joined the Council. This is a joint post with Cannock Chase District Council. In September 2023 he started a review of finance team capacity.

In 2022-23, the Council did not have a robust plan to address its financial gap for the medium-term despite needing to find £1.659m, instead it was making planned use of reserves. The £1.659m assumed the delivery of savings of £0.876m in 2023-24 and a cumulative £1.711m in 2024-25 so this gap could increase without effective programme management. Using reserves to fund future budget gaps is unsustainable. In February 2022, Full Council were told savings would be required in future years, some savings were presented to members in January 2023 but in September 2023 the Council's own view is there is no savings programme in place to track and monitor their delivery and planned to introduce savings in 2024-25 budget setting. We make a key recommendation on page 9. We also raise an improvement recommendation to introduce a costed workforce strategy (page 23).

Governance

The Council has significant weaknesses in internal controls relating to ICT and fraud, which could expose it to significant financial or service loss including fraud and cyber-attacks and it has failed to follow-up on external audit recommendations in these areas and we have made key recommendations to address these on page 11 and 13. In our AAR 2020-21 we identified that internal audit recommendations were not followed-up and we raised an improvement recommendation which is not actioned. This related to critical information systems not supported by IT, Cyber and Network Security and Information Governance audits. These issues were still present in 2021-22 and 2022-23. A further Internal Audit carried out on Cloud Strategy and Security in 2021-22 gave partial assurance and found the Council's policy for hosted solutions was not updated since 2015. We found in both years, ICT did not undertake performance monitoring or reporting to address security weakness identified from the security monitoring software or to improve the Council's ICT security. The Council's Technology Strategy was out of date in both years and access to critical systems and data by non-corporate devices was possible during 2021-22 and 2022-23.

In our AAR 2020-21 we found there was no central coordination of the National Fraud Initiative (NFI) data matches and no dedicated counter fraud officer with reliance on services to review the datasets with no formal reporting or monitoring. We raised an improvement recommendation which is still outstanding. In 2021-22 and 2022-23, the Council also only had eight days of internal audit time dedicated to fraud risks however fraud is also included in audit report scoping. The Council's arrangements to prevent and detect fraud are significantly out of date. They rely on an Anti-Fraud and Bribery Framework and a Confidential Reporting Framework both from 2014. Procurement fraud is the second highest fraud volume area according to CIPFA's Fraud and Corruption Tracker (2020) but no work to identify fraud in this area was taking place in either year. Work to detect fraud also needs to extend to the Council's financial processes. We conclude the Council does not have adequate arrangements in place to detect and prevent fraud.

We have made key recommendations to address these significant weaknesses on page 11 and 13.

Executive summary (4 of 4)

Governance (continued)

The Council's Risk Management Strategy and Policy Framework (March 2016) needs updating, and SRR format improving. Risk, performance and finance reporting needs to be integrated for Cabinet and reported quarterly. Some risk controls are out-of-date in 2021-22 and 2022-23 given the lack of finance monitoring which is identified as a control measure. We found there is good conversation on risk management at the Audit and Accounts Committee particularly relating to finance and contract risks, but we identify improvements are required to the Council's risk management arrangements and make an improvement recommendation on page 27. We also raise an improvement recommendation to update the Officer Code of Conduct (page 28).

The lack of finance team capacity extended across both 2021-22 and 2022-23 and into 2023-24 which we discuss on page 20. We include this in our statutory recommendation on page 7.

Improving economy, efficiency and effectiveness

We find performance management arrangements were weak in both 2021-22 and in 2022-23 with no evidence the Council has a performance management framework to deliver its Corporate Plan. This meant the Council was reactive to challenges rather than proactively forward planning or anticipating issues before they emerged. The Council is seeing increasing cost on its leisure contract but is relying on the contractor for performance monitoring. The Council needs to develop a savings programme but cannot do so effectively without robust performance arrangements. We make a key recommendation on page 15.

The Council has shared some services with Cannock Chase District Council since April 2011. During 2021 it began sharing the Chief Executive on an interim basis and on 7 December 2022, Full Council agreed to extend its service sharing with Stafford. The sharing agreement includes all services apart from the Housing Revenue Account in Cannock, both housing registers and elections. The first two key stages are complete with a new joint Leadership Team including two new Deputy Chief Executives. Full transformation is planned over three years. The two Councils have established a Shared Services Board with members from each Council and the joint Leadership Team. The Deputy Chief Executive (Resources) is developing a strategic transformation plan and is bringing in a transformation resources and skills. Transformation costs are funded from ear marked transformation reserves.

The Council does not have a Procurement Strategy. It has an out-of-date contracts register and out of date procurement regulations. It has no client lead for procurement and contract management and relies on Staffordshire County Council for procurement advice. It has no planned procurement programme. Procurement processes are not always followed correctly and an overreliance on the use of waivers. This meant contracts were not always market tested fully or work was issued outside of contract agreements or on contracts that had expired. Lack of knowledge of current contracts, end dates and the timescales needed to re-tender major works. In June 2023 Internal Audit found a lack of knowledge of current contracts, end dates and the timescales needed to re-tender major works. There is no central record of waivers. We make an improvement recommendation on page 32. The Council is aware it needs improvement in these areas and has included the Contracts Register in its planned governance improvements for 2023-24 and 2024-25.

Statutory recommendation 1

Financial sustainability and Governance

Statutory Recommendation 1	The Council needs to improve its financial planning and financial monitoring arrangements by: • ensuring it has adequate capacity in its finance team and ensure that budget holders receive formal financial monitoring reports during the year and to review year end variances to help inform the budget setting process of the subsequent year • putting in place a Capital Strategy that complies with the revised Prudential Code. • producing draft financial statements in line with statutory requirements and working with external auditors to deliver audits effectively
Audit Year	2021-22 and 2022-23
Why/Impact	The lack of financial planning and monitoring in both years meant the Council could not deliver an efficient budget in 2021-22 or 2022-23 which impacted on its financial sustainability and on governance. As a result, it also failed to meet statutory financial statement audit deadlines.
Auditor judgement	The Council's arrangements for financial planning and financial monitoring are not adequate.
Summary findings	In our AAR 2020-21 we identified the Council should put in place a more detailed and regular process for the monitoring of budget performance by members, including quarterly reporting to Scrutiny Committees, Cabinet or Council and recommended the Council reviews finance team capacity. We have identified a significant weakness in the Council's arrangements for financial planning and monitoring in both years which has extended into 2023-24. There was no formal financial planning or monitoring in either year on revenue or capital. In 2021-22 there was no treasury management mid-year reporting and the annual Treasury Management report for 2021-22 was a year late. In our opinion these weaknesses were caused by a lack of financial leadership in 2021-22 and 2022-23 and ongoing finance team capacity pressures. Finance team capacity in both years was impacted by the Council's decision not to bring in additional capacity to support the scoping, testing or implementation of the new finance system which has placed significant strain on the team. The finance team did not engage budget holders during 2021-22 and 2022-23 to review their financial requirements and challenge revenue or capital budget variances. There is historical underspending on revenue outturn compared with agreed budgets and historic capital slippage. The Council is not compliant with the CIPFA Financial Management Code in both years or the Prudential Code. Finance team capacity and a lack of reporting has delayed statutory the financial audit for 2021-22 by a year and the Council is yet to publish financial statements for 2022-23.

Statutory recommendation 1

Management comments

The Council has been through a very challenging period with numerous demands and challenges being overcome by the finance team over the time span of this audit. The findings are helpful and highlight the need to increase the capacity of the finance team to ensure that it can carry out its statutory functions whilst supporting the organisation and its wider ambitions. This is being reflected in the 2024/25 budget setting with very significant investment being included in the base budget position to increase the capacity in the finance team. In addition, a budget is being included for transformation to review processes and systems to further support this, which includes several of the actions referred to throughout this report.

Progress has been made in 2023-24 with formal monitoring restarting, engagement with budget holders and a zero-based budgeting exercise to identify and rectify budget areas of recurring over/underspending. There is still work to be done and a review of the finance structure will be undertaken to ensure adequate resource is put in place to continue this work. In addition, before new projects or workstreams begin, an assessment will be undertaken to ensure that the team will be able to support and deliver it or if new additional resource is required.

A lessons learned will be undertaken on the system implementation; this review will be undertaken with support from Internal Audit. The crisis in local government audit is well documented and Stafford is far from unique in not having completed the sign-off its accounts as detailed above. Central government is expected to issue guidance on this in the new year. A full review of policies and compliance will be undertaken as new resource is added to the team. Balanced budgets have been set each year in line with the best information available and signed off by the relevant S151 officers that they are robust in line with guidance.

Key recommendation 1

Financial sustainability

Key Recommendation 1	The Council should develop a corporate saving and transformation programme to help it reduce spending by looking at different ways of delivering services. It needs to: • use the corporate business plan to identify its budget priorities and review service budgets. • develop an understanding of the cost of delivering its core statutory services and discretionary spend where it meets clear Council priorities and identify reductions to non-essential spending. • identify ways to deliver for less by using unit cost benchmarking to review the cost effectiveness of existing activities. • identify any discretionary activity that could be reduced or curtailed where it does not contribute to corporate business plan priorities. • consult on service changes and future spending plans with the public and include public engagement annually as part of business planning. • ensure the requisite skills are in place to manage the programme, lead change and explore new ways of working. • develop early ideas for savings with budget holders and present these members to enable early engagement with key stakeholders and to enable members to see options and the impact of savings on residents across the Council.
Audit year	2022-23
Why/impact	We identify a significant weakness in arrangements as the Council did not have a robust plan to address its financial gap in the medium-term, instead it was making planned use of reserves. This relates particularly to 2022-23 given the gap it identified for the next two years and the Council's own view that no programme management of savings was in place by September 2023 despite needing to find £1.659m from reserves by 2025-26. The £1.659m assumed the delivery of savings of £0.876m in 2023-24 and a cumulative £1.711m in 2024-25 so this gap could increase without effective programme management.
Auditor judgement	The Council needs to develop a corporate savings and transformation programme to identify reductions to non-essential spending and review the level at which it is delivering statutory services to ensure it is financially sustainable.
Summary findings	The Council does not have a robust plan to address its financial gap in 2022-23 for the medium-term, instead it was making planned use of reserves. Using reserves to fund future budget gaps is unsustainable. In February 2022, Full Council were told savings would be required in future years, some savings were presented to members in January 2023 but in September 2023 the Council had no savings programme in place to track and monitor their delivery and planned to introduce savings in 2024-25 budget setting.

Key recommendation 1

Management comments

Due to one year funding settlements from central government councils are unable to balance their budgets in the medium term. They are unable to include central government funding as it has not been announced but planning to bridge this gap in future years would be unreasonable as it is known funding will be announced, just uncertainty around the amount. Closing this gap entirely would lead to the end of many front-line services and be inappropriate as once the funding was announced the council would be in a surplus position.

Please see response to statutory recommendation above as much of it applies to this recommendation and the reasoning as to why a savings programme over and above that which is in place is not being looked at present.

By trying to set the budget later the council is planning to have better information on the central government settlement which can then be included. Regular monitoring will be maintained to ensure that any budget gap remaining after the settlement announcement is addressed.

Benchmarking and reviewing activities is something the Council will be integrating into its performance work as this will enable it to ensure best value is being achieved, as suggested above.

A savings programme is not appropriate for the Council at present. Instead, a transformative programme to review service delivery and processes is planned to be implemented over the next two years; this is part of our planned approach to bringing the services together. While savings may flow from this, service delivery and achieving best practice will be the focus.

Key recommendation 2

Governance

Key Recommendation 2	The Council needs to urgently address its significant weaknesses in its internal controls relating to ICT by: • ensuring its systems are fully supported by IT, Cyber and Network Security and making sure all policies are up to date and shared with staff who are appropriately trained and ensuring regular performance monitoring to address any evolving security weaknesses identified. • ensuring the Council has appropriate arrangements in place to meet information governance requirements including third party data transfers, privacy impact assessments and governance frameworks and ensuring staff know how to use these and access appropriate support and training. • working with procurement and commissioning to embed ICT controls and information governance in procurement and commissioning decisions.
Audit year	2021-22 and 2022-23
Why/impact	The lack of effective controls for information governance, cyber security and fraud could expose the Council to significant financial or service loss.
Auditor judgement	The Council has significant weaknesses in internal controls, which could expose it to significant financial or service loss including fraud and cyber-attacks and it has failed to follow-up on external audit recommendations in these areas.
Summary findings	In our AAR 2020-21 we identified that internal audit recommendations relating to Critical Information Systems not supported by IT, Cyber and Network Security and Information Governance were not followed-up and raised an improvement recommendation which is not actioned. These three issues were still present in 2021-22 and 2022-23. A further Internal Audit carried out on Cloud Strategy and Security in 2021-22 gave partial assurance and found the Council's policy for hosted solutions was not updated since 2015 and was not compliant with current security guidance and technology solutions. In 2021-22 only 50% of staff received cyber security training. We found in both years, ICT did not undertake performance monitoring or reporting to address security weakness identified from the security monitoring software or to improve the Council's ICT security. The Council's Technology Strategy was out of date in both years and access to critical systems and data by non-corporate devices was possible during 2021-22 and 2022-23. In March 2023, the recommendations concerning the Critical Information Systems not supported by IT were still outstanding and the Audit and Accounts Committee were told a further ICT audit received limited assurance. The ICT third party supplier audit had limited assurance with data protection impact assessments, risk assessments and signed confidentiality agreements not always completed or available for third party data transfers. We found significant weaknesses in the Council's ICT control environment. It is our opinion that these weaknesses are caused by a lack of leadership and capacity in the ICT team and could leave the Council open to a greater risk of cyber-attacks, fraud and data governance breaches if not addressed.

Key recommendation 2

Management comments

Priority in addressing recommendations identified in Internal Audit reports, and the external audit recommendations, has been given to ensuring measures have been put in place to improve security. The majority of these have now been addressed, and there are just a small number of IA recommendations still outstanding. Progress has been and continues to be made to address these.

- *Critical Information Systems - this was originally a limited assurance but moved to partial. The only recommendation outstanding is updating the IT Security Policy.*
- *Cyber and Network Security & Information Governance - this was originally a limited assurance but moved to partial. There is only one recommendation outstanding which relates to improving the number of staff who have completed their cyber security training (approx. 50% had). The cyber security training has been reissued to staff in December 2023 and an escalation process has been agreed to ensure that all staff complete their training.*
- *Third Party Supplier Management - this was originally a limited assurance but has moved to partial. The only recommendation outstanding at the last follow-up was the need for an IT contracts register. This has now been completed (copy attached).*
- *Change Management - this was originally a limited assurance but moved to partial. 3 recommendations were outstanding at the last follow-up and these are being addressed. A draft change management policy had been produced and this will be considered by Leadership Team in the new year for approval. This policy will address the outstanding recommendations from the change management audit.*

The Council has invested £250k from government funding into updating its security arrangements and training members of the IT team. Over the last 12+ months we have:

- *put an IT security officer in place (1st February 2023);*
- *received £10k grant from NCSC which has been used for Cyber training in the IT team in 2023;*
- *received £250k grant from the MHLCG which has been used to improve our IT security arrangements through the provision of security hardware/software (new VPN Software, new firewalls, new email filtering system and a full backup solution across both councils)*
- *a yearly IT Health check (penetration testing) is performed by external provider and a workplan devised from the findings.*
- *Received Cyber Essentials Plus certification for 2022 and progressing 2023.*
- *the Council has passed the PSN accreditation to connect to the Public Services Network.*

Whilst we accept that some non-corporate devices still have access to critical systems and data, conditional access policies are used within Microsoft Office 365 and our VPN software to determine access to the IT network (this has been in place since 2022).

We are looking at a "network monitoring, detection and response (MDR) solution" and a paper on this will be going to Leadership Team. In the interim we have been making the most we can of the tools within the Microsoft environment including Microsoft Defender and Sentinel products.

It is acknowledged that the focus on putting controls in place and ensuring the security of our systems has meant that progress in updating policies has been slower. But new management arrangements are in place, and we are working on addressing the remaining audit recommendations and updating policies.

The IT Security Policy has been identified as the immediate priority, along with refresher training for staff and this will be completed by April 2024. The Information Governance Framework will also be completed by April 2024.

Key recommendation 3

Governance

Key Recommendation 3	The Council needs to urgently address its significant weaknesses in its internal controls relating to fraud by: • ensuring there is central coordination for the National Fraud Initiative (NFI) matches. • putting in place a dedicated counter fraud officer. • updating the anti-Fraud and Bribery Framework and the Confidential Reporting Framework. • ensuring work to detect fraud is extended to cover the finance system and procurement arrangements in the Council.
Audit year	2021-22 and 2022-23
Why/impact	The lack of effective controls for fraud could expose the Council to significant financial loss.
Auditor judgement	The Council has significant weaknesses in internal controls relating to fraud, which could expose it to significant financial loss, and it has failed to follow-up on external audit recommendations in this area.
Summary findings	In our AAR 2020-21 we found there was no central coordination of the National Fraud Initiative (NFI) data matches and no dedicated counter fraud officer with reliance on services to review the datasets with no formal reporting or monitoring. We raised an improvement recommendation which is still outstanding. This was also raised by a member of the Council's Accounts and Audit Committee on 16 November 2022. In 2021-22 and 2022-23, the Council also only had eight days of internal audit time dedicated to fraud risks, however, fraud is also considered in audit planning. Responsibility for fraud is shared between Internal Audit and the compliance officers in the Revenues and Benefits Team who mitigate risk in Council Tax fraud. The Council's arrangements to prevent and detect fraud are significantly out of date. They rely on an Anti-Fraud and Bribery Framework and a Confidential Reporting Framework both from 2014. These Frameworks need bringing up to date. Procurement fraud is the second highest fraud volume area according to CIPFA's Fraud and Corruption Tracker (2020) but no work to identify fraud in this area was taking place in either year. Work to detect fraud also needs to extend to the Council's financial processes. We conclude the Council does not have adequate arrangements in place to detect and prevent fraud.
Management Comments	*Management response to follow*

Key recommendation 3

Management comments

We do have a central co-ordinator for the NFI Data Matching. This role has been undertaken by the Chief Internal Auditor & Risk Manager since 2007. He monitors progress and ensures that all significant areas are covered and that data matches are followed up. Reference to the NFI/Fraud work is included in the Annual Audit Report for 2022-23. The Revenues and Benefits Team also do pro-active data matching across the county which covers wider sources than the NFI exercise.

The Internal Audit Team take a pro-active approach to fraud and this is embedded in the planning for each system review, including finance and procurement. The days for this work are accounted for separate to the 8 days referred to; the 8 days relate to working with other organisations on fraud best practise. The Chief Internal Auditor also undertakes a number of key pieces of work relating to fraud, including the NFI work and investigations and this is not accounted for in the 8 days either. The Council does not have a high incidence of fraud and considers that the resources allocated are proportionate to the level of risk. We do not consider it realistic to have a dedicated Counter Fraud Officer given the size of the Councils and the nature of our spending.

The Anti- Fraud and Bribery Framework and the Confidential Reporting Framework will be updated. Furthermore, an assessment against the CIPFA Code of Practice for Fraud will be undertaken as part of the review and updating of the policy framework and fraud arrangements extended to cover all aspects of the Council's financial processes and procurement. This will be completed by April 2024.

Key recommendation 4

Improving economy, efficiency and effectiveness

Key recommendation 4	The Council needs to improve its performance management arrangements by: • establishing a golden thread for the Council, by creating a performance management framework at corporate and service levels linking outcomes to expected annual measures to track success and report these to the public; • developing annual delivery plans aligned with the Corporate Plan and reduce the number of service specific strategies to ensure the golden thread is in place; • agreeing performance outcomes, that can be measured, at least annually as part of the new performance management framework; • improving performance reporting to include targets, RAG rating, and actual measures and benchmarking. Reports should use previous year and 'nearest neighbours' data where possible; integrating performance, risk and finance reporting to drive improvement; • ensuring the Cabinet receives quarterly integrated performance, finance and risk reports to enable it to hold officers to account; • using performance and financial data and benchmarking to look at delivery levels of statutory services to ensure the Council is achieving value for money; • extending the new performance management framework and reporting to key contracts such as waste and leisure; • developing a strategic approach to assessing the levels of statutory services needed to save money; • agreeing corporate programme and project management methodology and ensuring its understood and applied across the Council and when commissioning these services. • internally validating contract performance management, including outcomes, together with cost and risk and reporting these regularly to Cabinet; and • engaging key stakeholders, where appropriate, to determine local priorities for resources or opportunities for savings. • developing a data quality policy and ensuring the quality of the Council's core datasets.
Audit Year	2021-22 and 2022-23
Why/Impact	Performance management arrangements are weak in both 2021-22 and in 2022-23 with no evidence the Council has a performance management framework to deliver its Corporate Business Plan. Without a framework in place, underpinned by effective performance management and validated data, it will not understand required improvements or have a golden thread to enable officers to understand how they contribute to corporate delivery or identify savings and achieve value for money. The Council was not able to use performance data to drive improvement or achieve value for money or to challenge its contractors. It needs to integrate performance, finance and risk reporting to ensure it is focusing spend on priorities to drive improvement. The Council is experiencing significant cost increases in its leisure contract, and it will require robust strategic monitoring in 2023-24 to identify further savings, scrutinise performance and contract costs. This requires closer member scrutiny.
Auditor judgement	The Council's arrangements for performance management are not adequate.
Summary findings	In 2021-22 and 2022-23 the Council lacked a performance framework and adequate performance monitoring meaning it was reactive to challenge, rather than proactively forward planning or anticipating issues before they emerged. Cabinet members cannot hold officers to account for performance if reporting is lacking. Performance benchmarking is not built into the Council's arrangements. The Council is seeing increasing cost on its leisure contract but is relying on the contractor for performance monitoring. The Council needs to develop a savings programme but cannot do so effectively without robust performance arrangements.

Key recommendation 4

Management comments

The Council has performance management arrangements in place to deliver the Corporate Business Plan. Annual delivery plans are in place that set out key actions to be delivered against each of the 4 key priorities in the Corporate Business Plan. bThe Delivery Plans are monitored and performance is reported to the relevant Scrutiny Committees. During the period covered by the review, performance was reported to Cabinet Briefings and the Cabinet Members attended the Scrutiny Committee meetings where the performance reports were considered in public. With effect from 2023-24 performance is reported directly to Cabinet and a RAG rating model has been adopted.

A documented Performance Management Framework will be produced to ensure a golden thread is established. As part of the work on this, steps will be taken to align performance with financial and risk reporting. Benchmarking data will also be used where relevant. The framework will also include performance management arrangements for the Council's key contractors. This framework is going to take time to fully develop; but steps will be taken to improve performance reporting alongside the new Corporate Plan for 2024/25.

A corporate Project Management Methodology will be developed and rolled out in 2024/25 along with training.

At this point in time the Council is not looking to create a new savings programme over and above that built into the approved budget, it is instead looking at a transformation programme to enhance and improve service delivery. Whilst savings may come from this, they are not the primary focus. This will be done as part of our development of shared services; this will include reviewing the level of statutory services, as we know that there are differences between the two councils.

Use of auditor's powers

We bring the following matters to your attention:

	2021/22	2022/23
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly	We make one statutory recommendation on pages 7.	We make one statutory recommendation on page 7.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not apply to the Court under Section 28.	We did not apply to the Court under Section 28.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We not issue any advisory notices.	We not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not apply for a judicial review.	We did not apply for a judicial review.

Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Our commentary on the Council's arrangements in each of these three areas, is set out on pages 19 to 32.

Financial sustainability (1 of 4)

We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

How the Council ensures that it identifies all the significant financial pressures that are relevant to its short- and medium-term plans and builds them into its plans

The Council did not have a Medium-Term Financial Strategy (MTFS) in 2021-22 or in 2022-23 and **we include the need to develop a MTFS in our statutory recommendation concerning financial planning and monitoring on page 7.**

Annual budget setting reflects the impact of key expenditure drivers, such as population changes, pay and other inflationary pressures. In both years, the funding settlement was for one-year creating challenges for financial planning. In 2021, the budget was set at Full Council on 23 February at £13.05m with no change to the Council's core spending power. This included £2.38m from New Homes Bonus (NHB), £5.414m from Business Rates and £7.789m from Council Tax.

Council Tax for a Band D property for 2021-22 was set at £162.30 or a 1.9% increase from the previous financial year. The Council Tax base was agreed as 47,994 an increase of 296 from 2020-21.

In 2021-22 the budget assumed a £1.033m gap in 2022-23 which did not happen due to unexpected one-off grants and better than expected levels of NHB. On 1 February 2022 Full Council set Council Tax for 2022-23 at £165.38 an increase of 1.9% or £3.08 on a Band D property. The tax base was set at 48,490. An increase of 496 from the previous year.

The 2022-23 budget of £15.475m included £5.83m from business rates, £1.702m from NHB, £0.455m from the Lower Tier Services Grant and £0.195m from the Services Grant. A 4% inflationary uplift was assumed for the waste and leisure contracts.

On 24 January 2023 Full Council determined its budget for 2023-24 at £16.172m and set a Band D Council Tax at £168.52 or an increase of 1.9%. The Council Tax base was set at 48,863.

In January 2023, Resources Scrutiny were advised that due to technical and resource challenges, the final outturn for 2021-22 was being finalised with a provisional position of £0.484m underspend after setting aside £0.90m to cover the shortfall in the 2023-24 Budget.

In February 2022, the Council had identified a £1.692m budget gap in 2023-24 and a further gap of £1.851m in 2024-25. The actual budget gap for 2023-24 was reduced to £0.899m due to the lack of a business rate reset was positive helped to reduce the gap from the expected level.

In both years, the Section 25 statements in the Cabinet budget papers referenced the reserve levels and external impacts on the estimated budgets and confirmed reserve levels were appropriate. The Council set working balances of £1m for each year. It also has a revenue surplus reserve of £1m set annually.

How the body plans to bridge its funding gaps and Identifies achievable savings

In February 2022 Full Council were advised that a savings programme would be required for future years. As part of budget setting for 2023-24 the Leadership and Finance Teams undertook a budget savings exercise with no budget holder engagement. Savings for 2023-24 and 2024-25 were presented to Full Council on 24 January 2023. Budget savings proposals amounted to £0.876m in 2023-24 and a cumulative £1.711m by 2024-25. This included an expected saving of £0.688m from the shared services with Cannock Chase District Council over two years and £0.466m from leasing vacant office space in the civic centre. There was no formal budget monitoring in 2021-22 or in 2022-23, this lack of monitoring extended to savings.

We include in our statutory recommendation on page 7 the need to introduce planning and monitoring for the Council's savings programme once it is in place.

Financial sustainability (2 of 4)

How the body plans to bridge its funding gaps and Identifies achievable savings (continued)

The Council plans to use reserves to meet the budget gaps of £0.243m in 2024-25 and £1.412m in 2025-26. The budget gap funded from reserves assumed the delivery of £1.7m of savings by 2024-25 including £0.876m in 2023-24. However, the Council had no savings programme in either 2021-22 or 2022-23 and by September 2023 had not put one in place. The lack of achieved savings will put further pressure on reserves and is not financially sustainable.

We note the Council was planning to identify savings as part of the zero-budget exercise it is introducing for 2024-25 budgeting with full budget holder engagement.

We make a key recommendation for the Council to ensure it develops and monitors a savings programme to address its medium-term financial gap (see page 9).

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Corporate Business Plan 2021-24 has four objectives: delivering sustainable economic and housing growth to provide income and jobs; improving the quality of life of local people by providing a safe, clean, attractive place to live and work and encouraging people to be engaged in developing strong communities that promote health and wellbeing; tackling climate change; and being a well-run, financially sustainable and ambitious organisation, responsive to customer needs and communities. Discretionary spend is aligned to this Plan with significant sending on economic development. However, the Council's corporate objective to tackle climate change is not budgeted and it has climate change reserve of £24,000 which is not sufficient to meet the costed carbon reduction plans.

We include in our statutory recommendation concerning financial planning the need to align the Council's budget with its Corporate Business Plan priorities (see page 7).

In 2020-21 the Council initiated an upgrade to the financial ledger system which also included cloud migration. The new finance system went live on 1 April 2021 enabling payments to creditors and income collection, but full implementation is significantly delayed impacting both 2021-22 and 2022-23 with ongoing reporting issues in 2023-24.

The upgrade placed significant pressure on the capacity of the finance team. The Council bought in no specialist resource or additional support to scope or implement the new system or to programme manage its implementation.

Due to a lack of capacity in the finance team, financial monitoring information was not provided to members in Committee, Cabinet or at Full Council during 2021-22 (including outturn reports for 2020-21 and 2021-22). This impacted on the production of an efficient budget. From 2022-23 the Cabinet and Scrutiny Committees received no formal monitoring. Some scrutiny committees did see some limited reporting, but this was not consistently applied, and full monitoring is not planned until 2024-25. In 2023-24 some financial monitoring reports are still not ready due to finance team capacity. This has delayed statutory timescales on the financial statements audit in both years. In 2021-22, 2022-23 and 2023-24 the finance team has not worked with budget holders to produce financial monitoring or discuss budget variances. **We identify a significant weakness relating to financial monitoring and make a statutory recommendation on page 7.**

However, we note in September 2023 there were plans to enhance capacity and to introduce business partnering as part of the zero-based budget work planned for the 2024-25 budget.

A lack of capacity in the finance team and a lack of financial reporting and monitoring has delayed the statutory finance statements audit by 12 months for the 2021-22 period meaning that timely assurance cannot be provided on the Councils budget. The 2022-23 draft financial statements are yet to be published by the Council.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Council did not have workforce strategy in 2021-22 or in 2022-23 which it recognised in its Annual Governance Statement for 2022-23. **We raise an improvement recommendation on page 23 to develop a workforce strategy that is fully costed and focused on long-term transformation and the partnership with Cannock Chase District Council.**

Financial sustainability (3 of 4)

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system (continued)

Capital spending is subject to historic slippage, and this continued into 2021-22 and 2022-23. In 2021-22 the Council identified it would spend £3.687m on capital investment but £1m of that slipped into 2022-23.

On 23 February 2021, Full Council approved the additional £19.748m in the capital programme for the Future High Streets (FHS) Programme, which included £14.3m from the Government Department for Levelling Up, Housing and Communities (DLUHC) and £5.37m of Council match-funding. The FHS Programme was not included in the capital monitoring report for 2021-22 presented to the Economic Development and Planning Scrutiny Committee on 9 November 2021.

In 2022-23, the Council was also awarded £4.673m from the UK Shared Prosperity Fund which includes capital and revenue funding. It covers a three-year period to 2025 and focuses on three key investment themes: community and place, supporting local business and people and skills.

In 2022-23 the agreed capital programme was £19.533m. The Council only spent £4.512m with significant slippage on the FHS Programme. In 2022-23 the Council had allocated £15.319m to the FHS Programme but spent just £2.180m. The capital programme for 2023-24 shows it spending £13.801m on the FHS Programme and the remaining £5.5m in 2024-25. Grant funding needs to be defrayed by 31 March 2024 and we are concerned about the Council's ability to achieve this date.

The FHS Programme includes four projects to improve Stafford Town Centre and provide future revenue for the Council. The projects include the resurfacing of Market Square to enable more events to take place, the relocation of the indoor market and enhancements to the station approach. Plans also included the former Marks and Spencer site and the Bus Station. The site changed in 2022-23 due to land availability issues which required a variation agreement from DLUHC which is still awaited in September 2023. This request includes a six-month extension to the grant funding defrayment date.

Reasons for capital programme slippages are not presented to members and members saw no capital reprofiling reports in 2021-22 or 2022-23. Members did see updates on two of the four projects in the FHS programme during 2022-23 but no reporting on the whole programme.

We find there is no capital programme management in place and risk management arrangements for capital projects are poor. Programme benefits from capital spend are not evident. During 2021-22 or 2022-23 members saw no formal financial monitoring on the whole of the capital programme. A lot of the Council's capital programme is managed by external contractors with no internal programme management oversight. The Council is aware that it needs to improve capital programme management and plans to create a capital pipeline and manage that through an intelligent client function. We also think capital reporting needs more detail including programme benefits and integration with performance reporting.

The reporting on the capital programme is a significant weakness and forms part of our statutory recommendation concerning financial planning and monitoring on page 7. We identify the need to improve risk management for projects and programmes in our risk management improvement recommendation on page 27.

On 1 February 2022, at Full Council members received the Annual Treasury Management Report for 2020-21. The Annual Treasury Management Report 2021-22 was presented to the Audit and Accounts Committee on 20 February 2023. Neither Full Council or the Audit and Accounts Committee received mid-year reporting on Treasury Management in 2021-22.

We identify the lack of treasury management reporting in 2021-22 was due to a lack of capacity in the finance team and forms part of our statutory recommendation on financial planning and monitoring on page 7.

The Council did not update their Capital Strategy in either year. It was last updated in 2018 and is not compliant with the new Prudential Code (2021). The Council needs to update its Capital Strategy to reflect the changes made to the reporting of investments which we include in our statutory recommendation on page 7.

Financial sustainability (4 of 4)

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system (continued)

During 2021-22 and 2022-23 the finance team did not meet with budget holders to discuss their budget requirements or reasons for budget variances. The Council plans to start budget monitoring in 2024-25 and is also planning to increase finance team capacity, reset the culture and introduce business partnering. The Council has year-on-year underspent its revenue budget and plans to address the variances between revenue budgets and their outturn as part of its zero-based budget exercise for 2024-25.

How the body identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

The Council does not use scenario planning across the medium-term such as the Office of Budget Responsibility (OBR) inflationary forecasting or expected changes to the Council Tax base over the period. Inflationary impacts are built in annually using the previous November inflation rate. **We include in our statutory recommendation concerning financial planning and monitoring on page 7 the need to use scenario planning and sensitivity testing when setting the MTFS. We think this would help the Council to plan more effectively.**

Council risk management is limited as we discuss on page 24. An appendix to the annual budget identifies very high-level risks with no impacts, controls or assurances in place. This needs aligning with the SRR format, and we include this in our improvement recommendation on risk management on page 27.

On 31 March 2021, the Council had £25.239m of earmarked reserves but only £0.395m of unallocated reserves. It had £15.540m in its earmarked revenue reserves and £10.501m of capital reserves. In January 2023, the Council only had £24,000 in its reserve budget for climate change despite it being one of its four objectives in the Corporate Business Plan.

In January 2023, the Council expected to have £16.020m in revenue reserves, including grants, and £8.863m in capital reserves. The Council also created a £1.569m reserve to offset the cost of borrowing for the FHS Programme and held a reserve of £4.566m to reduce the impact of Business Rates fluctuations. The Council was projected to hold total General Fund reserves of £24.884m on 31 March 2023 and £25.158m on 31 March 2024.

In 2022-23 internal audit found some S106 funds remained unspent for large periods of time and ongoing monitoring was needed to ensure they are spent before the agreements expire and are lost to the Council. The Council had £4.604m of Section 106 money unspent including £1.401m allocated to projects and £3.203m unallocated.

Improvement recommendation 1

Financial sustainability

Improvement Recommendation 1	Develop a workforce strategy that is fully costed and focused on long-term transformation and the partnership with Cannock Chase District Council.
Audit year	2021-22 and 2022-23
Why/impact	Costing the workforce requirements over the medium to long term will enable finance to build assumptions into the MTFS and is particularly critical given the next steps on the Council's shared transformation programme.
Auditor judgement	Developing a costed strategy will enable both Stafford Borough and Cannock Chase District Councils to plan its future workforce requirements and build in medium-to long-term assumptions for budget planning.
Summary findings	The Council is on a shared services journey with Cannock Chase District Council. Having a robust and costed workforce strategy to meet the workforce challenges ahead is important particularly given the two councils are looking at aligning pay and rewards in the medium-term and need to invest in skills to strengthen its capacity in key services.
Management Comments	*Agreed - it is proposed to produce a workforce strategy in 2024-25, once work on developing the organisation's vision, culture and values has been completed.*

Governance (1 of 3)

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

How the body monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Effective risk management enables councils to improve governance, stakeholder confidence and trust; set strategy and plans through informed decision making; evaluate options and deliver programmes, projects, and policy initiatives; prioritise and manage resources, manage performance, resources and assets; and achieve outcomes.

The Council's Risk Management Strategy and Policy Framework (March 2016) needs updating. It should cover an escalation process between the strategic and operational risk registers, including risk data transfer and ownership, risk types and agreed risk appetites for each type. It needs to include risk tolerances for each level of risk - strategic, programme and project, and operational or service risk. Risk responsibility needs updating which changed in 2017.

The current Strategy identifies the responsibility of the Cabinet to approve the Risk Management Policy and Strategy, set the risk appetite, approve the Strategic Risk Register (SRR) and monitor progress in managing strategic risk.

The SRR is a critical tool for the Council to capture and report on risk activity and their risk profile. The SRR format needs improvement to clearly separate risks from their causes and impact. It needs to include whether they are dynamic or static risks, risk type, risk appetite, cause. It also needs to set out likelihood, impact, score, mitigation to date, likelihood and impact scores after mitigation, direction of travel, planned completion date, linked risks.

Climate change impacts, and the Council's ability to mitigate these, are not on the Council’s SRR despite the Council’s identification of significant flood risks and its Adaption Strategy having an action to ensure climate risks are embedded into corporate risk assessments.

The Cabinet needs integrated quarterly reporting on performance, finance and risk. We found there is good conversation on risk management at the Audit and Accounts Committee particularly relating to finance and contract risks.

Since 2017, Internal Audit has led risk management. Internal audit should be separated from risk management responsibility because Audit is the third line of defence and independent of the Council’s risk management arrangements.

Corporate risks and their scores are not integrated into report writing for committee papers giving members no risk assurance or understanding of the risk impact on decision-making. Risk management considerations are not included in Committee sign-off sheets. Risk scores, mitigations and assurances are not present in performance reports. We also found that risks identified in the annual budget report to Full Council are not sufficiently detailed and need consistency with the revised SRR reporting format.

We make an improvement recommendation about risk management arrangements on page 27.

The Internal Audit Service is a shared service with Cannock Chase District Council. ICT audits are delivered by an external specialist auditor. Internal audit gave partial assurance opinion for the Council’s governance arrangements in 2021-22. In 2021-22, internal audit only completed 17 internal audits, or 74% of the agreed plan compared with 89% in 2020-21. This was capacity related which has been addressed for the 2023-24 audit period.

On 26 July 2022, the Audit and Accounts Committee received the Annual Governance Statement (AGS) for 2021-22, which concluded reasonable assurance. It identified the finance system implementation and learning, lack of cyber security and information governance as the key issues to address.

Governance (2 of 3)

How the body monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud (continued)

The External Quality Assessment (EQA) determines the performance of the internal audit function at least every five years. The outcome of the Assessment was presented to the Audit and Accounts Committee on 16 November 2022. The internal audit shared service is generally conforming with the Public Sector Internal Audit Standards and demonstrating a high standard of delivery. One area of non-conformance with the standards was relating to PSIAS 1110 Organisational Independence. The Standards require the "Chief Audit Executive" to report functionally to the Board including the Audit Committee Chair and Chief Executive commenting on the Performance Development Review (PDR). It was agreed at Audit Committee the Lead Officer would consult the Audit and Accounts Committee Chair prior to the PDR.

On 20 June 2023, the Audit and Accounts Committee received the internal audit report for 2022-23. The Audit team had completed 91% of its planned work in the year. The Committee also saw the Annual Governance Statement for 2022-23. It identified reasonable assurance but included several actions to address the Council's policy framework and finalise the finance system implementation and still identified the need for ICT improvement.

In our AAR 2020-21 we identified that internal audit recommendations relating to Critical Information Systems not supported by IT, Cyber and Network Security and Information Governance had not been followed up and raised an improvement recommendation which has not been actioned. These three issues were still present in 2021-22 and 2022-23.

A further Internal Audit carried out on Cloud Strategy and Security in 2021-22 gave partial assurance and found the Council's policy for hosted solutions was not updated since 2015 and was not compliant with current security guidance and technology solutions. We found in both years, ICT did not undertake performance monitoring or reporting to address security weakness identified from the security monitoring software or to improve the Council's ICT security. The Council's Technology Strategy was out of date in both years and access to critical systems and data by non-corporate devices was possible during 2021-22 and 2022-23.

In March 2023, the recommendations concerning the Critical Information Systems not supported by IT were still outstanding and the Audit and Accounts Committee were told a further ICT audit received limited assurance. The ICT third party supplier audit had limited assurance with data protection impact assessments, risk assessments and signed confidentiality agreements not always completed or available for third party data transfers.

In June 2023, the Information Governance Framework due to be completed in 2022-23 was still outstanding as was an IT Contracts register and the IT security policy. We found significant weaknesses in the Council's ICT control environment. It is our opinion that these weaknesses are caused by a lack of leadership and capacity in the ICT team and could leave the Council open to a greater risk of cyber-attacks, fraud and data governance breaches if not addressed.

We conclude that the Council has significant weaknesses in internal controls, which could expose it to significant financial or service loss including fraud and cyber-attacks and it has failed to follow-up on external audit recommendations in these areas. We make a key recommendation on page 11.

In our AAR 2020-21 we found there was no central coordination of the National Fraud Initiative (NFI) data matches and no dedicated counter fraud officer with reliance on services to review the datasets with no formal reporting or monitoring. We raised an improvement recommendation which is still outstanding. This was also raised by a member of the Council's Accounts and Audit Committee on 16 November 2022. In 2021-22 and 2022-23, the Council also only had eight days of internal audit time dedicated to fraud risks. Responsibility for fraud is shared between Internal Audit and the compliance officers in the Revenues & Benefits Team who mitigate risk in Council Tax fraud.

The Council's arrangements to prevent and detect fraud are significantly out of date. They rely on an Anti-Fraud and Bribery Framework and a Confidential Reporting Framework both from 2014. These Frameworks need bringing up to date and aligning with those of Cannock Chase District Council given the shared arrangements.

Procurement fraud is the second highest fraud volume area according to CIPFA's Fraud and Corruption Tracker (2020) but no work to identify fraud in this area was taking place in either year. Work to detect fraud also needs to extend to the Council's financial processes. We conclude the Council does not have adequate arrangements in place to detect and prevent fraud.

We found significant weaknesses in the Council's internal arrangements for fraud detection which could leave it exposed to fraud and financial loss. We make a key recommendation on page 13.

We also make an improvement recommendation for the Council to adopt the CIPFA 2014 code of practice on managing the risk of fraud and corruption and integrate fraud and anti-corruption risks with the revised risk management approach (see page 27).

Governance (3 of 3)

How the body approaches and carries out its annual budget setting process

For 2021-22 and 2022-23, in common with other councils, the budget process starts in Autumn, and is refined once the Government's local government settlement is agreed in January or early February. Portfolio budgets are discussed ahead of the Full Council meeting with the service scrutiny committees, then with Resources Scrutiny and the Cabinet.

In 2021-22 and 2022-23 internal and external engagement in the budget setting process was not adequate. In both years, the process was too finance led. The finance team reviewed existing budgets, amended for pay awards, inflation and income from fees and charges, they did not engage with budget holders or carry out any public budget consultation.

The Council did not have MTFS in either year but provided indicative budgets for the next two years based on estimates. It did not use risk and sensitivity analysis in setting its budget.

Finance team capacity is the reason for the lack of both a MTFS and engagement on the annual budget process. **We include this in our statutory recommendation relating to finance on page 7.**

How the body ensures effective processes and systems are in place to ensure budgetary control

We discuss the lack of financial reporting and engagement with budget holders on pages 20 and 21 and make a statutory recommendation on financial planning and monitoring on page 7.

Once reestablished the financial reports need to integrate with performance and risk management and include service and workforce information to enable members to challenge effectively. **We include this in our key recommendation on performance management on page 15.**

In our AAR in 2020-21 we recommended a review of finance team capacity to reduce risk from unplanned absences and increase resilience. Senior staff capacity in the Council was significantly strained during 2021-22, and this particularly impacted finance.

The introduction of the new finance system and the lack of dedicated resource to scope and manage its implementation put considerable pressure on the finance team in 2021. This was compounded by the reliance on a small number of individuals, including the S151 who left early in 2021. These factors led to reduced capacity to deal with business-as-usual financial operations. Internal interim arrangements were put in place in Quarter 1 of 2021-22 but for personal reasons this ended ten months later and the postholder returned to their substantive role.

Alternative interim arrangements were put into place on 1 February 2022. Further capacity challenges were caused by DLUHC's capital grant reporting requirements on the FHS Programme.

The lack of capacity in finance extended into 2022-23 and 2023-24. On 8 December 2022, the new Deputy Chief Executive (Resources) and S151 joined the Council. This is a joint post with Cannock Chase District Council. In September 2023 he started a review of finance team capacity particularly around monitoring.

Both years had delayed budgets due to the finance system implementation. **The 2021-22 and 2022-23 budgets were both closed by September 2023. The ongoing lack of detailed financial monitoring has impacted on delivering an efficient budget in both 2021-22 and in 2022-23 and we make a statutory recommendation financial planning and monitoring on page 7. These issues led to a 12-month delay to the financial statements audit for 2021-22 with ongoing challenges in preparing draft financial statements for 2022-23 also caused by finance team capacity at the Council.**

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour

The Local Government Association (LGA) is the national membership body for local authorities working on behalf of member councils to support, promote and improve local government. It recommends that councils have a Corporate Peer Challenge (CPC) every five years. In November 2021, the LGA CPC report for the Council identified that senior managers and members provided good leadership and set the right standards of behaviours.

In June 2023, the Council identified that the Officer Code of Conduct, 2021, still needed updating to reflect hybrid working and to include the shared staffing arrangements with Cannock Chase District Council. **We raise an improvement recommendation to update codes of conduct in a timely way (page 29).**

We identify a significant weakness in compliance with the CIPFA Financial Management Code in 2021-22 and in 2022-23 including no MTFS, out-of-date procurement and financial regulations, no CIPFA self-assessment, no formalised budget monitoring, poor capital programme management and reporting, no mid-year treasury management reporting in 2021-22. The lack of mid-year Treasury Management Reporting also means the Council was non-compliant on the Treasury Management Code in 2021-22. We also found the contracts register is out of date from 2021 and the Council is not fully compliant with the Local Government Transparency Code as purchasing card information is from 2014. **We addresses these weaknesses in our statutory recommendation on page 7 concerning financial planning and monitoring and in our improvement recommendation of page 33 concerning procurement and contract management.**

Improvement recommendation 2

Governance Improvement Recommendation 2	The Council needs to improve risk management by: • updating the Risk Management Strategy and Policy Framework including adding an escalation process between the strategic and service risk registers, including risk data transfer and ownership, risk types and agreed risk appetites for each type. The Strategy needs to set the risk levels - leadership / strategic, programme / project level and service level, an escalation process between the corporate and service risk registers, and risk types and agreed risk tolerances for each. It also needs to update risk responsibility which changed in 2017. • separating out responsibility for risk management from internal audit. • formatting the SRR to separate risks from their causes and impact and include whether risks are dynamic or static, identify for each risk type and appetite. It also needs to set out likelihood, impact, score, mitigation to date, likelihood and impact scores after mitigation, direction of travel, planned completion date, linked risks and provide members and the leadership team with a direction of travel at least quarterly. • ensuring services and projects and programmes have their own effective risk management arrangements that mirror changes to the SRR. • integrating corporate risks, their references and their scores into all report writing for committee papers giving members risk assurance and helping them to understand the impact of their decision-making on risk and include risk considerations in committee paper sign-off. • integrate risk, performance and financial reporting and report these quarterly to the Cabinet. • ensuring risks identified in the annual budget report are sufficiently detailed and consistent with the SRR revised format. • significantly improving risk management arrangements for capital projects. • adding risks on climate change mitigation and net zero to the SRR and reviewing other risks considering the recommendations identified in this AAR. • adopting the CIPFA 2014 code of practice on managing the risk of fraud and corruption and integrate fraud and anti-corruption risks as part of risk management improvement.
Audit year	2021-22 and 2022-23
Why/impact	Effective risk management enables councils to improve governance, stakeholder confidence and trust; set strategy and plans through informed decision making; evaluate options and deliver programmes, projects, and policy initiatives; prioritise and manage resources, manage performance, resources and assets; and achieve outcomes.
Auditor judgement	Risk management needs improvement
Summary findings	The Council's Risk Management Strategy and Policy Framework (March 2016) are out of date and need updating. The format of the strategic risk register also needs improvement as we identify above. Risk is not embedded into committee reports and do not provide members with an understanding of the risk of their decision-making. Risk, performance and finance reporting needs to be integrated for cabinet and reported quarterly.

Improvement recommendation 2

Management Comment

Agreed.

The Risk Management Policy and Strategy is currently being updated and will be completed early in 2024 Our new risk management framework will be based on the ALARM model.

As part of our review of the risk management framework, we will revise the format of the SRR; the arrangements for managing project risks (including capital schemes); and the presentation of the risks in the annual budget report. While a review of our SRR will be undertaken as part of the wider review of the policy and strategy, a number of the suggestions made in the recommendation are already in place e.g. likelihood, impact, risk scores, mitigations, direction of travel etc. Furthermore our reports to committee, already include a section for risk management implications.

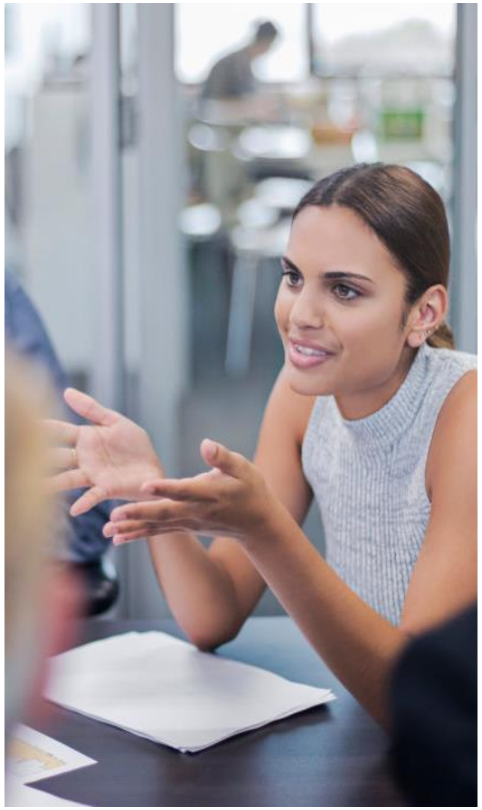
Aligning our risk reporting with performance and finance, will be done as part of our transformation work but is likely to take longer to develop.

We do not plan to remove risk management from the role of the Chief Internal Auditor as this is within accepted practice of both the Institute of Internal Auditors and the Chartered Institute of Public Finance and Accountancy. Safeguards are in place, with audits of the risk management process being outsourced, rather than being undertaken by the in-house audit team.

Improvement recommendation 3

Governance

Improvement Recommendation 3	The Council should ensure its Officer Code of Conduct is updated to consider the shift to hybrid working arrangements and the integration of staffing arrangements with Cannock Chase District Council. It also needs to ensure officers are aware of these updates.
Audit year	2022-23
Why/impact	The shift to hybrid working creates additional risk to the Council, this together with the next phase of shared working arrangements with Cannock Chase District Council means it needs to update, and communicate, the Code of Conduct for employees.
Auditor judgement	The Council needs to update its Officer Code of Conduct to reflect the greater risk from hybrid working and to align the Code of Conduct across both Councils.
Summary findings	In June 2023, the Council identified the Officer Code of Conduct, 2021, still needed updating to reflect hybrid working and to include the shared staffing arrangements with Cannock Chase District Council.
Management Comments	*Agreed - the Officer Code of Conduct will be reviewed in 2024/25 as set out in the Annual Governance Statement. Work on developing the organisations' vision, culture and values need to be completed before this.*



Improving economy, efficiency and effectiveness (1 of 3)

We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

How financial and performance information has been used to assess performance to identify areas for improvement

The Council has a three-year Corporate Business Plan for 2021-2024 with four objectives:

- delivering innovative, sustainable economic and housing growth to provide income and jobs.
- improving the quality of life of local people by providing a safe, clean, attractive place to live and work and encouraging people to be engaged in developing resilient communities that promote health and wellbeing.
- tackling Climate Change by implementing its Climate Change and Green Recovery objectives.
- being a well-run, financially sustainable, and ambitious organisation, responsive to the needs of its customers and communities.

The Council planned to introduce an annual delivery plan performance managed by the senior leadership team and elected members and shared annually with residents, but this has not yet happened. The Council has no golden thread in place for performance management in 2021-22 or in 2022-23. This thread would link the Council's objectives to what each of its services does and how the budget is spent.

In 2022-23 the Resources Scrutiny Committee received quarterly performance updates but only on Objectives 3 and 4 of the Corporate Business Plan. Performance is presented as key performance indicators (KPIs) and narrative updates, but reports do not include RAG (red-amber-green) rating or performance benchmarking, no trend data or comparison with previous year. The KPIs reported vary between period and the format is not consistent across scrutiny committee areas. The Cabinet saw no performance reporting in either year.

In 2019 the Council declared a climate emergency and agreed a net zero target by 2040. **In 2021 the Council has an action plan including the development of an adaption strategy which was delivered. Achieving this is not costed in the budget which we include in our statutory recommendation on financial planning and monitoring on page 7.**

The Council relies on its Leisure and Cultural Services contractor for an annual report to performance manage Objective 2 of its Corporate Business Plan. The Council also relies on its waste contractor for an annual waste performance report. Neither report is verified by the Council. This reliance on external contractors is not adequate performance management. These reports were shared with Scrutiny.

We find performance management arrangements are weak in both 2021-22 and in 2022-23 with no evidence the Council has a performance management framework to deliver its Corporate Business Plan. A lack of effective performance management meant the Council was reactive to challenges rather than proactively forward planning or anticipating issues before they emerged. The Council was not able to use performance data to drive improvement or achieve value for money or to challenge its contractors. It needs to integrate performance, finance and risk reporting to ensure it is focusing spend on priorities to drive improvement.

We identify performance management as a significant weakness and raise a key recommendation on page 15.

Improving economy, efficiency and effectiveness (2 of 3)

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council does learn from external sources. It had their last LGA CPC review in 2018 and a follow-up visit was held in November 2021 which found the Council had made significant progress on its recommendations, despite the huge challenges and difficult circumstances of the Covid-19 pandemic. The follow-up review identified financial sustainability and the ongoing partnership with Cannock Chase District Council as key challenges, particularly relating to capacity.

But it does not review and challenge strategic priorities and cost-effectiveness of existing activities, identifying those which do not contribute sufficient value. It also does not consider lower cost options for service delivery or use financial benchmarking. We include these improvements in our key recommendation on performance management on page 15.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified

The Council has shared some services with Cannock Chase District Council since April 2011. As already noted, during 2021 it began sharing the Chief Executive on an interim basis and on 6 December 2022, Full Council agreed to extend its service sharing with Cannock. Members discussed the business case for full sharing arrangement between both Councils, with a shared Chief Executive and Leadership Team and agreed this model would maximise benefits from the sharing arrangements. The sharing agreement includes all services apart from the Housing Revenue Account in Cannock, both housing registers and elections.

The first two key stages are completed with the establishment of a joint Leadership Team (with effect from 1 April 2023) and a legal agreement setting out the framework and authority for sharing. The two new Deputy Chief Executive are in post to provide a new strategic level of support to Members and the Chief Executive.

The next step is to complete the next tier management restructure, with one post outstanding in September 2023, and start bringing teams together. Full transformation is planned over three years. The two Councils have established a Shared Services Board with members from each Council and the joint Leadership Team. The Deputy Chief Executive (Resources) is developing a strategic transformation plan and is bringing in a transformation resources and skills. One of the first priorities will be to align pay and jobs. Transformation costs are funded from ear marked transformation reserves. Stafford Borough Council has a transformation reserve of £0.365m in each year for the next four years. Savings from shared services will be allocated to each Council based on the contribution made to transformation costs.

In June 2022 members of the Resources Scrutiny Committee were told the Council has set-up a Climate Change and Green Recovery Community Panel where residents can work with the Council to develop and deliver green initiatives. The Council is also working in collaboration with the Stafford Chamber to develop an initiative to help local businesses become more sustainable.

Where the body commissions or procures services, how the body assesses whether it is realising the expected benefits

The Council does not demonstrate effective leadership for procurement and contract management. It has a no intelligent client for procurement and no procurement strategy. The Council's Procurement Regulations were last updated in May 2021. These do not reflect the changes since the UK left the EU. Threshold in the Regulations are out of date. There is no mention of using the UK's e-notification service, Find a Tender, rather than the EU Official Journal. They also need to reference the National Procurement Policy Statement, June 2021 and consider the LGA national procurement framework from 2018, updated in 2022. The Strategy needs to address social value, climate change and the risk of modern slavery. It also needs to include how it meets the Local Government (Transparency Requirements) (England) Regulations 2015.

Improving economy, efficiency and effectiveness (3 of 3)

Where the body commissions or procures services, how the body assesses whether it is realising the expected benefits (continued)

The Council's Contracts Register (2021) is also out of date and in need of improvement. Procurements are not planned across the Council and there is a reliance on waivers and urgent decisions. For tenders over £50k the Council gets procurement support from Staffordshire County Council who administers the tendering process, but officers are expected to know who to go to.

In June 2023, internal audit identified some common reoccurring procurement weaknesses from their work in previous years, including procurement processes not always followed correctly and an overreliance on waivers. This meant contracts were not always market tested or work was issued outside of contract agreements or on contracts that had expired and to regular contractors without following a tender exercise. They also found a lack of knowledge of current contracts, end dates and the timescales needed to re-tender major works.

The Council is aware it needs improvement in these areas and includes the Contracts Register in its planned governance improvements for 2023-24 and 2024-25.

The Council needs to improve its procurement and contract management arrangements and we raise an improvement recommendation on page 33.

A procurement strategy would also help the Council to hold its contractors to account by improving the Council's contract management arrangements. The two largest contracts are the Leisure and cultural services contract with Wealden Leisure Ltd trading as Freedom Leisure Concession for £20m until November 2027 and the waste contract with Veolia (ES) UK Ltd for £61.95m until March 2028 with a further 10-year extension possible. Arrangements for members to monitor the performance of key contractors is not adequate. There is no independent verification process carried out by the Council to confirm the accuracy and validity of the performance information provided by the Leisure and Cultural Services Contractor this means the Council is not performance managing Objective 2 of its Corporate Business Plan. **We include this in the key recommendation on performance management relating on page 15.**

The Council has given significant financial support to its Leisure Services provider since 2021 which continued into 2023-24. This was to mitigate the impact of COVID-19 and because of the energy price increases and the costs associated with the annual Shakespeare production. The Council is using its Contract Reserve up to £0.690m to fund this support in addition to the £0.40m it gave the contractor during the period 2021-22 and 2022-23. The provider has agreed a series of savings options with the Council during the period to supplement its support. It is considered that failure to continue to work in partnership and support its leisure services provider could have had a serious impact upon the Council's leisure provision. **The leisure contract will require robust strategic monitoring in 2023-24 to identify further savings, scrutinise performance and costs of the contract, and risk. We recommend closer member scrutiny in this process and include it in our key recommendation on performance management on page 15.**

Improvement recommendation 5

Improving economy, efficiency and effectiveness

Improvement Recommendation 5	The Council needs to improve its procurement and contract management arrangement by; • Developing a procurement strategy. • ensuring the contracts register is updated, monitored, kept updated used by all services. • ensuring it fully meets the Local Government (Transparency Requirements) (England) Regulations 2015 legislation. • having a suitably trained client lead for procurement and contract management. • developing a procurement pipeline to improve planning an reduce the reliance on waivers and urgent decision-making. • providing training for officers and members on procurement and contract management to enable them to filly understand their responsibilities for social value and VFM. • ensuring the Council's shared arrangements for fraud also include procurement and contract management. • complying with the Local Government Transparency Code by ensuring P card expenditure is kept updated.
Audit year	2021-22 or 2022-23
Why/impact	The Council has an important responsibility to ensure that procurement and contract management arrangements maximise the use of public finances, that value for money is achieved, and procurement delivers strategic priorities.
Auditor judgement	The Council's arrangements for procurement and contract management are not adequate.
Summary findings	The Council does not have a Procurement Strategy. It has an out-of-date contracts register. It has no client lead for procurement and contract management and relies on Staffordshire County Council for procurement advice. It has no planned procurement programme. Procurement processes are not always followed correctly and an overreliance on the use of waivers. This meant contracts were not always market tested fully or work was issued outside of contract agreements or on contracts that had expired. Lack of knowledge of current contracts, end dates and the timescales needed to re-tender major works.

Improvement recommendation 5

Management Comments

The Council does have a client lead for procurement. Procurement sits within the remit of the Head of Transformation & Assurance, who acts as the client lead and has a working knowledge of procurement requirements. However, we do not consider it necessary or realistic to expect the client lead to be a procurement expert as the County Council's procurement team are contracted to provide this expertise. The client lead has sufficient knowledge and experience to manage the arrangement with the County's procurement team and provides ad hoc advice to officers.

While the Procurement Regulations are out of date, our arrangement with the County Council ensures that we are legally compliant with all tender processes they provide support for. The Procurement Regulations will be updated early in 2024-25 to comply with the new legislation being introduced. Consideration will be given as to whether to adopt a standalone procurement strategy or whether to embed the key elements into the Procurement Regulations. Training in procurement and contract management will be delivered once the procurement regulations are updated and approved.

The Contracts Register will be updated by end of March 2024 and used to develop a procurement pipeline for 2024-25.
Arrangements for compliance with the Transparency Code will be put into place for 2024-25.

All procurement waiver requests need to meet the requirements set out in the Council's Procurement Regulations. Waivers requests are subjected to challenge and 2 out of 3 senior/statutory officers have to authorize them.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Council should put in place a more detailed and regular process for the monitoring of budget performance by members, including quarterly reporting to Scrutiny Committees, Cabinet or Council throughout the year. The summary information provided must be sufficiently informative to enable performance against net spend by service, income, efficiency savings and any mitigating action taken by the Council to be properly examined and challenged.	Financial Sustainability Improvement	16 November 2022 at Audit Committee in the AAR 2020/21.	No formal budget monitoring in 2021-22 or in 2022-23	No	Yes, we make a statutory recommendation on financial planning and monitoring on page 7.
2	Internal audit recommendations including those raised but yet to be implemented due to the pandemic should be implemented promptly. Some of these recommendations include: i. Critical Information Systems not supported by IT ii. Cyber and Network Security iii. Information Governance	Governance Improvement	16 November 2022 at Audit Committee in the AAR 2020/21.	Internal audit have a new system to track and escalate audit recommendations since November 2022 but no progress on these audits.	No	Yes, the issues relating to ICT controls are still not addressed and continue in 2023-24. We make a key recommendation on page 11.
3	The Council may wish to action the one area of significant non-compliance with standards raised by the Public Sector Internal Audit Standards (PSIAS) in relation to PSIAS 1110 *Organisational Independence* of the internal audit. The standards require the "Chief Audit Executive" to report functionally to the Board and this includes the Audit Committee Chair and Chief Executive commenting on the Performance Development Review (PDR).	Governance Improvement	16 November 2022 at Audit Committee in the AAR 2020/21.	The Lead Officer has agreed to discuss the performance of the Internal Auditors prior to the PDR with the Chair of the Audit Committee	Audit Chairs to be consulted as part of the PDR process agreed on 16 November 2022.	No
4	The Council may wish to ensure adequate follow-up on the NFI datasets released by the Cabinet Office NFI team and report to the appropriate committee on the work undertaken.	Governance Improvement	16 November 2022 at Audit Committee in the AAR 2020/21.	We found a lack of resource for fraud detection in the Council.	No	Yes, we also identify other concerns relating to fraud and raise a key recommendation on page 13.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5	The Council should monitor the use of retrospective purchase orders (POs).	Economy, efficiency and effectiveness Improvement	16 November 2022 at Audit Committee in the AAR 2020/21.	No progress	No	Yes, we include this in our statutory recommendation of financial planning and monitoring on page 7.
6	The Council should review the capacity of the Finance team with a view to ensuring resilience and removing risks which could arise from unplanned absences of individuals whom the Council rely on for financial information.	Economy, efficiency and effectiveness Improvement	16 November 2022 at Audit Committee in the AAR 2020/21.	The Deputy Chief Executive (Resources) joined in December 2022.	Yes, in part for 2022/23	Yes. The Deputy Chief Executive (Resources) is reviewing capacity, but this is ongoing in September 2023.
7	The Council should undertake an independent review of the issues that led to difficulties with the implementation of the new finance ledger which resulted in its inability to produce some time-critical business management information for decision makers and statutory reports. The review should learn lessons to improve the Council's project and contract management procedures.	Economy, efficiency and effectiveness Improvement	16 November 2022 at Audit Committee in the AAR 2020/21.	No progress	No	Review not yet commissioned. This relates to the leadership and capacity of the finance team during the procurement of the system and its implementation. Leadership is now strengthened with the new Deputy Chief Executive (Resources) who intends to learn lessons.

Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

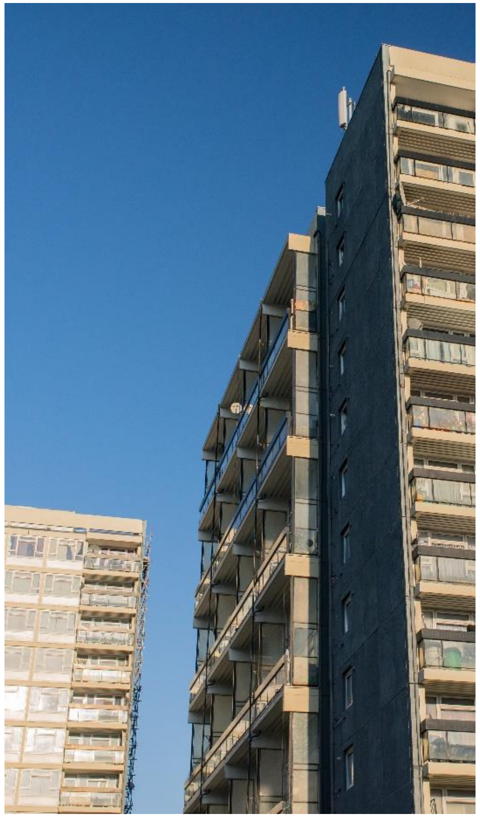
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the District Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors :

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	Yes	7
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money, they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	9-16
Improvement	These recommendations, if implemented should improve the arrangements in place at in the Council but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages 23, 27-29, and 33-34.

Agenda Item 13

The Council's Response to the Auditor's Annual Report 2021/22 and 2022/23

Committee:	Council
Date of Meeting:	27 February 2024
Report of:	Deputy Chief Executive (Resources) and S151 Officer
Portfolio:	Resources Portfolio

The following report was considered at the joint meeting Cabinet and the Audit and Accounts Committee at its meeting held on 13 February 2024 and is submitted to Council as required.

1 Purpose of Report

1.1 To set out the Council's response to the External Auditor's Annual Report (AAR) for 2021/22 and 2022/23, and the proposed actions.

2 Recommendations

2.1 That Members note the findings, recommendations and management comments set out in the AAR for 2021/22 and 2022/23.

2.2 That Members recommend to Council accepting the Statutory Recommendation set out in the AAR for 2021/22 and 2022/23.

2.3 That Members recommend to Council the approval of the improvement plan attached as an **APPENDIX** to address the issues identified in the AAR.

2.4 That Members note the additional resources required to address the issues identified in the AAR as set out in 5.9, which are provided for in the budget for 2024/25.

Reasons for Recommendations

2.5 The AAR has identified several significant issues relating to the Council's financial and governance arrangements which need to be addressed as a priority.

3 Key Issues

3.1 The Council's External Auditors, Grant Thornton, have recently concluded their AAR of the Council covering the period 2021/22 and 2022/23. Their report on the outcome of the review is a separate item on the agenda.

3.2 The report has highlighted several significant issues relating to the Council's financial and governance arrangements and made recommendations for addressing these. One of these recommendations is statutory and is being addressed as a priority.

3.3 The majority of the financial and governance findings set out in the AAR have already been reported to the Audit and Accounts Committee through the quarterly reports from the Chief Internal Auditor and Risk Manager and/or the Annual Governance Statements. However, progress in addressing these issues over the last few years has been hampered by capacity issues and this is acknowledged in the External Auditor's report.

3.4 An improvement plan to address the financial and governance issues has been drawn up and is set out at in the **APPENDIX**. Additional resources are required to deliver the improvement plan and provision has been made for these in the budget approved by Council for 2024/25. The funding for the financial and governance issues will be matched by Cannock Chase Council as appropriate.

4 Relationship to Corporate Priorities

4.1 Good governance and financial management specifically links to the Council's priority to be "a well-run, financially sustainable and ambitious organisation, responsive to the need of our customers and communities and focussed on delivering our outcomes". It also underpins the delivery of the Council's other corporate priorities and operational services.

5 Report Detail

5.1 As part of the work of the External Auditors, they are required to undertake a review of the Council's arrangements for Value for Money. This requirement was re-introduced to their work in 2020/21.

5.2 The first review in 2020/21 was relatively light touch but the review covering 2021/22 and 2022/23 has been much more in-depth and the standards expected have increased. This partly reflects a change in financial standards and the environment in which local government is operating with several Councils having issued s114 notices.

5.3 The AAR covers the years 2021/22 and 2022/23 has identified several areas of concern primarily:

(i) the delay in preparation of and audit of final accounts and budget monitoring; and

(ii) weaknesses in our arrangements for our IT systems, fraud, risk management, procurement, performance management and managing our workforce.

5.4 The External Auditors have acknowledged that there has been a lack of capacity in key service areas to address these issues.

5.5 None of the issues themselves are new; they were identified in the previous AAR, have been raised in reports issued by Internal Audit and/or have been raised as significant governance issues in the Annual Governance Statement over the same period.

5.6 However, the External Auditors have now raised the profile of these issues and the need to address them to prevent significant governance failings. One statutory recommendation has been made and this is being progressed as a priority.

5.7 Whilst the Council's response to each of the recommendations is set out in the AAR, a separate improvement plan setting out the actions to be undertaken is attached as an **APPENDIX**.

5.8 Progress in delivering the actions set out in the improvement plan will primarily be overseen by:

- The Leadership Team;
- Audit and Accounts Committee.

The Audit and Accounts Committee will escalate any concerns to Cabinet and the Cabinet will also receive periodic updates.

5.9 As referred to in 5.4, lack of capacity has been a key factor in the slow progress in addressing the issues. Consequently, to move forward and address the issues identified in the AAR, additional resources are going to be needed in key corporate services, primarily Finance and Transformation and Assurance. The corporate functions have lost considerable capacity over the last 12 years; the effect has been cumulative with savings taken as part of shared services, the outsourcing of leisure services and successive savings as part of the annual budget setting processes. In addition, corporate services have seen an increase in workload as a result of the Council's success in achieving funding from the Future High Streets Fund and the Levelling Up Fund for the regeneration of Stafford Town Centre, UK Shared Prosperity Funding etc.

5.10 The additional resources needed will be primarily focussed around:

- Finance - increased capacity, development of the finance system, budget monitoring, training for managers and supporting for key projects; and

- Transformation and Assurance - development and maintenance of the contracts register, performance, risk and assurance reporting and project management.

Provision for the additional resources has been included in the budget for 2024/25. £159,000 has been included for Finance and £100,000 for Transformation and Assurance. This funding is to be matched proportionately by Cannock Chase Council as part of the shared services arrangements. The additional resources will be for both staffing and IT systems.

6 Implications

6.1 Financial

The financial implications are referred to throughout the report.

6.2 Legal

Under the Local Audit and Accountability Act 2014, statutory recommendations made by a local auditor must be considered at a Council meeting within one month of receipt. The Council must consider whether the recommendation is to be accepted and what, if any, action to take in response. The report will, therefore be considered at the next full Council meeting.

6.3 Human Resources

None

6.4 Risk Management

Failure to address the statutory recommendation set out in the External Auditors' report would put the Council at risk of Judicial Review / Intervention. There is also a risk to the Council's reputation and relationship with partners, ability to attract funding etc. These risks are mitigated by the actions set out in the Improvement Plan.

6.5 Equalities and Diversity

None

6.6 Health

None

6.7 Climate Change

None

7 Appendices

Appendix: Improvement Plan

8 Previous Consideration

Joint meeting of Cabinet and Audit and Accounts Committee - 13 February 2024 - Minute No CAA3/24

9 Background Papers

AAR for 2020/21 and 2021/22 - 2022/23

Internal Audit Progress Reports and the Annual Audit Report to the Audit Committee for 2020/21, 2021/22 and 2022/23.

Annual Governance Statement 2022/23

Contact Officer:	Judith Aupers
Telephone Number:	01543 464411
Report Track:	Joint meeting of the Cabinet and Audit and Accounts Committee 13 February 2024 Council 27 February 2024
Key Decision:	No

Improvement Plan

Action	**Lead Officer**	**Timescale**
Financial Sustainability (Statutory Recommendation 1)		
Restructure of the Finance Team and creation of additional capacity	Deputy Chief Executive (Resources) & S151 Officer	Quarter 1 - 2024/25
Commence recruitment to new Finance team structure	Deputy Chief Executive (Resources) & S151 Officer and Deputy S151 Officer	Quarter 2 - 2024/25
Lesson learnt exercise to be undertaken of implementation of the finance system	Deputy Chief Executive (Resources) & S151 Officer	Quarter 2 - 2024/25
Implementation of remaining module of the finance system, ongoing development and maximising use of system functionality	Deputy Chief Executive (Resources) & S151 Officer	Quarter 4 - 2024/25
Training of managers in budget management and use of the new finance system.	Deputy Chief Executive (Resources) & S151 Officer	Quarter 2 - 2024/25
Follow-on zero-based budgeting session with managers to continue work started as part of the 2024/25 budget setting process	Deputy Chief Executive (Resources) & S151 Officer	Quarter 3 - 2024/25
Medium Term Financial Strategy for 2024/25 to 2026/27 drafted and approved by Cabinet and Council. Modelling, assumptions and risk assessment included as part of the budget report. MTFS includes assessment of likely future government funding.	Deputy Chief Executive (Resources) & S151 Officer	Completed
Capital Strategy to be updated in accordance with the revised Prudential Code.	Deputy Chief Executive (Resources) & S151 Officer	Completed

Action	Lead Officer	Timescale
Bring treasury strategy and its reporting to members up to date	Deputy Chief Executive (Resources) & S151 Officer	Completed
Regular performance monitoring to be re-established with budget managers and Leadership Team.	Deputy Chief Executive (Resources) & S151 Officer	Quarter 1 - 2024/25
Performance reporting for Cabinet and Scrutiny to be developed. This will be done alongside the review and development of performance and risk reporting.	Deputy Chief Executive (Resources) & S151 Officer	Quarter 4 - 2024/25
Reporting on the delivery of savings to be established and discussed at Strategic Leadership Team meetings. Where appropriate, project plans will be developed to support the delivery of significant/complex savings.	Deputy Chief Executive (Resources) & S151 Officer	Quarter 1 - 2024/25
Produce draft financial statements in line with statutory requirements and working with external auditors to deliver audits effectively. (Decision to be made on outstanding audits as there is a consultation taking place as to how to clear the backlog of audits nationally at present)	Deputy Chief Executive (Resources) & S151 Officer	This is to be discussed with Azets as to approach
Draft accounts published up to 2023/24	Deputy Chief Executive (Resources) & S151 Officer	Quarter 4 - 2023/24
Review of Financial Regulations	Deputy Chief Executive (Resources) & S151 Officer	Quarter 2 - 2024/25
Training for managers on Financial Regulations	Deputy Chief Executive (Resources)	Quarter 2 - 2024/25

Action	Lead Officer	Timescale
Corporate Service Transformation & Efficiency Programme (Key Recommendation 1)		
Process to be established for developing a service transformation and efficiency programme. Initial steps for both: • a discussion with the Cabinet to review priorities and key projects; • engagement with Heads of Service and Service Managers to review current service levels for statutory and discretionary services (to include high level benchmarking) - this will be a pre-cursor to bringing the services together and establish the baseline for service transformation (this will build on the initial work done on SLAs). • Range of options for efficiency savings and transformation Transformation: • Transformation options to be assessed and added to transformation programme for prioritisation. Will need to consider any investment required to deliver savings/service improvements; resourcing to deliver the changes, etc • Project Manager and Project support officer to be recruited to support delivery of transformation programme, funding allocated in budget 2024/25 to fund posts; • Training of managers and key officers in transformation techniques	Deputy Chief Executive (Resources) and Head of Transformation & Assurance	Quarter 3 - 2024/25

Action	**Lead Officer**	**Timescale**
Consultation to take place with stakeholders as part of development of new corporate plan and priorities.	Deputy Chief Executive (Resources) and Head of Transformation & Assurance	To be done for new Corporate Plan (s) and any savings exercises going forwards
Consultation and engagement to be embedded into the planning for the delivery of key projects where appropriate to ensure schemes meet community needs eg regeneration projects, redevelopment of play areas	Deputy Chief Executive (Resources) and Head of Transformation & Assurance	Quarter 3 - 2024/25
Align the MTFS to the corporate priorities in the Council's Business Plan including the costed climate change actions	Deputy Chief Executive (Resources) and Head of Transformation & Assurance	Completed as part of budget setting 2024/25 to be revisited Quarter 2 2024/25
IT (Key Recommendation 2)		
Update IT security policy and adopt a cyber security policy	Head of Transformation & Assurance and Chief Technology Officer	Quarter 1 - 2024/25
Develop assurance reporting for IT eg report on outcome of annual health check / penetration testing to Leadership Team and Audit Committee	Head of Transformation & Assurance and Chief Technology Officer	Quarter 2 - 2024/25
Implement outstanding recommendation from Cyber and Network Security Audit - staff to complete cyber training	Chief Technology Officer and Information Manager	Quarter 4 - 2023/24
Provide refresher training to ensure compliance with process for 3rd party data transfers and completion of privacy impact assessments	Chief Technology Officer and Information Manager	Quarter 1 - 2024/25

Action	**Lead Officer**	**Timescale**
Review of what we include in procurements re ICT controls and information governance	Head of Transformation & Assurance, Chief Technology Officer, Head of Law & Governance and Information Manager	Quarter 2 - 2024/25
Finalise the change management strategy	Chief Technology Officer	Quarter 4 - 2023/24 (currently in draft to be presented to Leadership team in February)
Finalise Information Governance Framework	Head of Law & Governance	Quarter 4 - 2023/24 (Currently in draft)
Complete the IT strategy	Deputy Chief Executive (Resources)	Quarter 1 - 2024/25
Fraud (Key Recommendation 3)		
Review Anti - Fraud & Bribery Policy	Chief Internal Auditor & Risk Manager	Quarter 3 - 2024/25
Review of Confidential Reporting Policy	Chief Internal Auditor & Risk Manager	Quarter 3 - 2024/25
Assess compliance against Cipfa 2014 Code for Fraud and develop an action plan as necessary	Chief Internal Auditor & Risk Manager	Quarter 3 - 2024/25

Action	Lead Officer	Timescale
Assess fraud risks and include in risk registers as appropriate	Chief Internal Auditor & Risk Manager and Leadership Team	Quarter 4 - 2024/25
Review the information we report on fraud work (including data matching) to the Audit Committee.	Chief Internal Auditor & Risk Manager	2025/26
Performance Management (Key Recommendation 4)		
Develop and adopt a performance management framework to establish golden thread from Corporate Plan to service plans through to employee reviews. Framework to include protocols for ensuring data quality	Head of Transformation & Assurance	Quarter 4 - 2024/25
Review our performance report style - delivery plans and KPIs. To consider the development of performance outcome measures	Head of Transformation & Assurance	Quarter 4 - 2024/25
Performance reporting for waste and leisure: • review of KPIs for monitoring and reporting on performance; • establish internal validation process of contract performance; and • review information reported to Cabinet / Scrutiny	Head of Transformation & Assurance, Head of Operations and Head of Wellbeing	Quarter 4 - 2024/25
Establish a Corporate Project Management Methodology. Provide templates, guidelines, and training for key officers (LT, Service Managers and key Principal Officers/Team Leaders).	Deputy Chief Executive (Resources) & S151 Officer and Head of Transformation & Assurance	Quarter 2 - 2024/25

Action	Lead Officer	Timescale
Establish corporate project resources to support transformation work (funding allocated in 2024/25 budget)	Deputy Chief Executive (Resources) & S151 Officer and Head of Transformation & Assurance	Quarter 2 - 2024/25
Review of all projects, the current governance arrangements and establish project reporting to Leadership Team	Deputy Chief Executive (Resources) and Deputy Chief Executive (Place)	Quarter 2 - 2024/25
HR related issues (Improvement Recommendations 1 and 3)		
Establish our culture, values and type of organisation we want to be. This work will inform the following actions	Deputy Chief Executive (Resources) & S151 Officer and Head of Transformation & Assurance	Quarter 1 2024/25
Complete review of hybrid working. This will inform the development of the workforce strategy and the review of the Code of Conduct as well as support the development of an asset strategy	Head of Transformation & Assurance and HR Manager	Quarter 1 2024/25
Develop a hybrid working policy and review other related policies and processes.	Head of Transformation & Assurance and HR Manager	Quarter 3 2024/25
Development of a workforce strategy that links to long term transformation / shared services	Head of Transformation & Assurance and HR Manager	2025/26
Review and update the Employee Code of Conduct	Head of Transformation & Assurance and Head of Law & Governance	Quarter 3 2024/25

Action	Lead Officer	Timescale
Risk Management (Improvement Recommendation 2)		
Review of risk management policy and framework - includes review of format of the Strategic Risk Register (SRR)	Head of Transformation & Assurance and Chief Internal Auditor & Risk Manager	Quarter 4 - 2023/24 (currently in draft to be presented to leadership team in February 2024)
Review of guidelines on risk implications for committee reports	Head of Transformation & Assurance and Chief Internal Auditor & Risk Manager	Quarter 4 - 2023/24
Training for Leadership Team, managers, team leaders/principal officers on risk management	Head of Transformation & Assurance and Chief Internal Auditor & Risk Manager	Quarter 1 - 2024/25
Develop risk registers for each Directorate and ICT	Deputy Chief Executive (Resources), Deputy Chief Executive (Place) and Head of Transformation & Assurance	Quarter 2 - 2024/25
Establish escalation process between other risk registers and the SRR eg services, projects	Head of Transformation & Assurance and Chief Internal Auditor & Risk Manager	Quarter 2 - 2024/25
Review of risks in annual budget report to be consistent with corporate process	Deputy Chief Executive (Resources) & S151 Officer	Completed

Action	**Lead Officer**	**Timescale**
Procurement and Contract Management (Improvement Recommendation 5)		
Review and update the Procurement Regulations	Deputy Chief Executive (Resources), Head of Transformation & Assurance and Head of Law & Governance	Quarter 2 - 2024/25
The key elements of the procurement strategy will be built into the procurement regulations rather than as a stand-alone document.	Head of Transformation & Assurance	Quarter 2 - 2024/25
Update the contracts register and ensure it is compliant with transparency requirements	Head of Transformation & Assurance and Leadership Team	Quarter 4 - 2023/24 (this will be the first draft to be revisited Quarter 3 2024/25)
Work with managers and the County's Procurement Team to develop a procurements pipeline	Head of Transformation & Assurance and Leadership Team	Quarter 3 - 2024/25
Provide training for managers on procurement and contract management	Head of Transformation & Assurance	Quarter 2 - 2024/25
Process to be established for publication of key data on the Council's website to meet transparency requirements re spend data, contracts register	Deputy Chief Executive (Resources) and Head of Transformation & Assurance	Quarter 3 - 2024/25

Action	**Lead Officer**	**Timescale**
Other Related Actions		
Review of Code of Governance	Head of Transformation & Assurance	Quarter 4 - 2024/25
Development of Assurance Model	Head of Transformation & Assurance and Chief Internal Auditor & Risk Manager	2025/26
Review of Audit Reporting to Leadership Team and escalation protocols	Head of Transformation & Assurance and Chief Internal Auditor & Risk Manager	Quarter 4 2023/24 (Coming to leadership team February 2024)
Establish an inventory of key policies and a programme of periodic reviews	Leadership Team	Quarter 3 - 2024/25

Agenda Item 14

Localism Act 2011 - SBC Pay Policy Statement 2024-25

Committee: Council

Date of Meeting: 27 February 2024

Report of: Head of Transformation and Assurance

Portfolio: Resources Portfolio

1 Purpose of Report

1.1 To agree a Pay Policy Statement for 2024-25 as required by Sections 38 and 39 of the Localism Act 2011.

2 Recommendations

That Council:

2.1 Approves the Pay Policy Statement as set out in **APPENDIX 1**.

2.2 Agrees to the publication of the Pay Policy Statement on the Council's website.

Reasons for Recommendations

2.3 Section 38 (1) of the Localism Act 2011 requires English and Welsh Local Authorities to prepare a Pay Policy Statement. Section 39 of the Act requires the Statement to be approved by Council by the end of March each year.

3 Key Issues

3.1 The purpose of a Pay Policy Statement is to provide transparency concerning the Council's approach to setting the pay of its employees in line with Chapter 8 of the Localism Act 2011 and the provisions of the guidance issued under s40 (i.e. Openness and accountability in local pay) by identifying:

- A Local Authority's policy on the level and elements of remuneration for each chief officer.
- A Local Authority's policy on the remuneration of its lowest paid employees (together with a definition of "lowest paid employees").
- A Local Authority's policy on the relationship between the remuneration of its chief officers and its other officers.
- A Local Authority's policy on other specific aspects of chief officers' remuneration such as remuneration on recruitment, increases and additions

to remuneration, use of performance related pay and bonuses, termination payments and transparency.

3.2 For these reasons a pay policy statement has been created for approval and publication.

4 Relationship to Corporate Priorities

4.1 This report contributes to corporate priority 4 To be a well-run, financially sustainable and ambitious organisation, responsive to the needs of our customers and communities and focussed on delivering our objectives.

5 Report Detail

5.1 Section 38 (1) of the Localism Act 2011 requires English (and Welsh) local authorities to prepare a pay policy statement for 2012/13 and for each financial year after that. The bill as initially drafted referred solely to chief officers (a term which includes both statutory and non-statutory chief officers, and their deputies); but amendments reflecting concerns over low pay and also drawing on Will Hutton's 2011 review of fair pay in the public sector introduced requirements to compare the policies on remunerating chief officers and other employees, and to set out the policy on the lowest paid.

5.2 The Act defines remuneration widely, to include not just pay but also charges, fees, allowances, benefits in-kind, increases in / enhancements of pension entitlements, and termination payments.

5.3 In terms of process, the Pay Policy Statement:

- Must be approved formally by the full Council.
- Must be approved by the end of March each year.
- Must be published on the Authority's website (and in any other way the Authority chooses)
- Must be complied with when the Authority sets the terms and conditions for a Chief Officer.
- Can be amended in-year.

5.4 The Act also requires an Authority to have regard to any statutory guidance on the subject issued or approved by the Secretary of State. Statutory recommendations have been issued on pay multiples (within a wider code of recommended practice) on data transparency and a broader set of statutory guidance on the publication of pay policy statements. The statutory guidance emphasises that each Local Authority has the autonomy to take its own decisions on pay and pay policies.

5.5 The Act sets out that in the context of managing scarce public resources, remuneration at all levels needs to be adequate to secure and retain high quality employees dedicated to the service of the public, but at the same time needs to avoid being unnecessarily generous or otherwise excessive (and seen as such). Each Local Authority will have its own way of balancing those factors, with legitimately differing emphases reflecting differing circumstances.

5.6 As well as being required to set out certain of its policies on pay, a Local Authority is required to use the pay policy statement to set out its policies on paying charges, fees (such as for the local returning officer or joint authority duties) allowances and benefits in kind.

5.7 Although not required by the Act or statutory guidance, in order to support the need for transparency the pay policy statement should include the percentage rate at which the employer's pension contributions have been set for the year in question together with the employee contribution rates.

5.8 The pay awards for NJC Green Book Employees from 1 April 2024 is currently under national negotiation between the employers and trade unions at the time of writing. On this basis figures quoted for employee salaries in **APPENDIX 1** are as of 1 April 2023.

6 Implications

6.1 Financial

The approval of the Council's pay policy statement does not commit any additional expenditure over and above that approved for the next financial year 2023/24.

6.2 Legal

The legal implications are discussed in the main body of this report.

6.3 Human Resources

None

6.4 Risk Management

None

6.5 Equalities and Diversity

Pay and conditions for employees are applied fairly and equitably under the Council's job evaluation scheme. Any differentials arising in pay between employees arise from the job evaluation scheme or from the effect of TUPE protections where applicable.

6.6 Health

None

6.7 Climate Change

None

7 Appendices

Appendix 1: Pay Policy Statement 2024-25

8 Previous Consideration

None

9 Background Papers

None

Contact Officer:	Suzanne Dutton
Telephone Number:	01543 464426
Ward Interest:	N/A
Report Track:	Council 27 February 2024 (Only)
Key Decision:	N/A

STAFFORD BOROUGH COUNCIL
PAY POLICY STATEMENT 2024-25

Introduction and Purpose

Under section 112 of the Local Government Act 1972, Council has the "power to appoint officers on such reasonable terms and conditions as the authority thinks fit". This Pay Policy Statement (the 'statement') sets out Stafford Borough Council's approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011 and associated guidance, and the Local Government (Transparency Requirements) Regulations 2015. The purpose of the statement is to provide transparency with regard to the Council's approach to setting the pay of its employees in line with Chapter 8 of the Localism Act 2011 and the provisions of the guidance issued under s40 (i.e., 'Openness and accountability in local pay') by identifying:

- the methods by which salaries of all employees are determined.
- the detail and level of remuneration of its most senior staff i.e., 'chief officers', as defined by the relevant legislation.
- those responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and recommending any amendments to the full Council.

Once approved by full Council, this policy statement will come into immediate effect and will be subject to review on a minimum of an annual basis in accordance with the relevant legislation prevailing at that time.

Legislative Framework

In determining the pay and remuneration of all its employees, the Council will comply with all relevant employment legislation. This includes:

- The Equality Act 2010
- The Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000
- The Agency Workers Regulations 2010, and where relevant
- The Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

With regard to the Equal Pay requirements contained within the Equality Act, the Council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified.

Pay Structure

The Authority concluded its Negotiations toward a Single Status Agreement during 2010. The details of the Agreement covering all employees within the scope of the National Joint council (NJC) for Local Government Services ("Green Book") were agreed at Council on 28 September 2010. The Agreement introduced a harmonised set of terms and conditions for all Council employees with effect from 1 October 2010.

The minimum and maximum rates of pay of employees within scope of the Single Status Agreement are based on either the national pay spine and/or locally negotiated rates of pay or national minimum wage legislation including Apprentice rates of pay as appropriate dependent on age.

National pay awards to be effective from 1 April 2024 (NJC Green Book) remain under national negotiation between the employers and the trade unions and are unresolved at the time of writing. On this basis, the figures used in this statement are based on 1 April 2023 rates of pay.

The Council remains committed to adherence with national pay bargaining in respect of the national pay spine and any annual cost of living increases negotiated in the pay spine and will implement any amended pay or grading structure that may arise from such national negotiations.

The grading of job roles is determined by reference to the NJC Job Evaluation Scheme, and the Hay Evaluation scheme as adopted by the Council. The exception to this is circumstances where, as part of shared service arrangements or other relevant transfers of personnel, employees have transferred to Stafford Borough Council under the TUPE regulations with protected pay and terms and conditions of employment. Those terms and conditions will remain in place until such time as there is an economic, technical, or organisational reason for changing them, as is required under the TUPE legislation.

The level of remuneration is not variable dependent upon the achievement of defined targets, except for progression through any incremental scale of any relevant grade being subject to overall satisfactory performance. There is provision for the acceleration of increments within any grade to take account of changes to duties and responsibilities or outstanding contribution.

All other pay related allowances are the subject of either national or local determination having been determined from time to time in accordance with national collective bargaining machinery and/or as determined by local negotiation with local trade union representatives.

In determining its pay and grading structure and setting remuneration levels for all posts, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to be able to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.

New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate and to respond to variations in regional or national pay rates. From time to time, it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector.

Local Government Pension Scheme

Subject to qualifying conditions, all employees have a right to join the Local Government Pension Scheme. In addition, the Council operates pensions 'Auto Enrolment' as required by the Pensions Act 2008. The table below sets out the employee pension contribution bands which will have been in place from 1 April 2023. At the date of writing employee pension contribution bands have not been confirmed for 2024/25.

2023/24 rates

Band	Whole-time equivalent pay range	Main Section Employee contribution rate (%)	50/50 Employee contribution rate (%)
1	Up to £16,500	**5.5%**	**2.75%**
2	£16,501 - £25,900	**5.8%**	**2.90%**
3	£25,901 - 42,100	**6.5%**	**3.25%**
4	£42,101 - £53,300	**6.8%**	**3.40%**
5	£53,301 - £74,700	**8.5%**	**4.25%**
6	£74,701 - £105,900	**9.9%**	**4.95%**
7	£105,901 - £124,800	**10.5%**	**5.25%**
8	£124,801 - £187,200	**11.4%**	**5.70%**
9	£187,201 or above	**12.5%**	**6.25%**

The Employer contribution rates are set by Actuaries advising the Staffordshire Pension Fund and are reviewed on a regular basis in order to ensure the scheme is appropriately funded. The Employer contribution rate for Stafford Borough Council for 2024/25 remains unchanged from 1 April 2023 at 22%.

In relation to payments to the Local Government pension scheme, these are made up of two separate elements, these being the primary rate (22%) which is paid as a percentage based on actual salary costs and a secondary contribution which is a fixed element payable each year notified by the pension authority as part of the triennial valuation of the pension fund.

Note: the level of employer's contribution is required to be published under S7 of the Accounts and Audit Regulations.

Senior Management Remuneration

For the purposes of this statement, senior management means 'chief officers' as defined within s43 of the Localism Act. The posts falling within the statutory definition are those officers who comprise the senior management team of the Council (the Leadership Team) reporting to the shared Chief Executive and whose salary exceeds £50k per annum (as required by the Local Government (Transparency Requirements) Regulations 2015). The national conditions of service, which apply to Chief Officers of the Council, and which are incorporated into contracts of employment are those set out in the Joint National Council for Chief Officers / Chief Executives terms and conditions of employment. Details of their annual salary and other additional payments as of 1 April 2023 (1 April 2024 pay award pending) are as follows:

Post	**Range/Fixed Salary (£)**	
Shared Chief Executive (Note 1 & 1a)		145,432.00
Deputy Chief Executive Place (Note 1a)	98,686	109,074
Deputy Chief Executive Resources & Section 151 Officer (Note 1b)	98,686	109,074
Head of Operations (Note 1a)	77,910	88,298
Head of Economic Development & Planning (Note 1a)	77,910	88,298
Head of Law & Governance (Note 1a)	77,910	88,298
Head of Transformation & Assurance (Note 1a)	77,910	88,298
Head of Wellbeing (Note 1b)	77,910	88,298
Head of Housing & Corporate Assets (Note 1b)	77,910	88,298
Head of Regulatory Services (Note 1b)	77,910	88,298

Note 1 - Single fixed salary pay point.

Note 1a - These posts are employed by Stafford Borough Council but also provide services to our Shared Services Partner, Cannock Chase Council. The salary costs of these posts are shared with Cannock Chase Council.

Note 1b - These posts are employed by our Shared Service partner, Cannock Chase Council. The salary costs of these posts are shared with Stafford Borough Council.

Stafford Borough Council and Cannock Chase District Council agreed to share all services (expect for Housing HRA functions and Elections) with effect from 1 April 2023. This agreement also included the implementation of the new Joint Leadership Team structure and the associated agreement of revised Terms and Conditions for Chief Officers. These terms and conditions offer an all-inclusive salary package.

The pay structure for Chief Officers is determined by reference to Hay Job Evaluation, benchmarking of comparable roles and responsibilities and recruitment and retention issues.

The Council does not apply any bonuses or performance related pay to its Chief Officers or any other employee.

Additions to Salary of Chief Officers

In addition to basic salary, as set out below are details of other elements of potential 'additional pay' which are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the normal course of work.

(i) Where appropriate and subject to operational circumstances - for officers who are unable to utilise their full leave entitlement, payment for untaken leave is permitted but not guaranteed. This discretionary provision applies to all employees. The purchase of additional leave is also permitted as appropriate.

(ii) Recognition Payments (including honoraria, acting-up payments, ex-gratia payments) - subject to approval such additional payments are permissible to recognise additional duties and responsibilities which occur over and above normal contractual obligations. The provision of such payments is available to all Council employees dependent on circumstances.

(iii) Returning Officer Fees - a range of fees are payable to the Chief Executive for his role as returning officer for local elections for Stafford Borough Council. The fees are based on indicative rates set by Staffordshire County Council for all Local Authorities in Staffordshire. The rates for 2024/25 reflect a 2% annual increase in line with the County Council's anticipated approach to budget setting for staffing costs.

Depending on the type of election, fees range from £118.77 per 1,000 or part, thereof, electors for either a standalone borough or parish election, with a maximum of £475.08 per ward; to £157.30 per 1,000 or part, thereof, electors for combined borough and parish elections, with a maximum of £629.23 per ward. Additionally, there are fees of £18.40 per ward for the issue and receipt of ballot papers; a supervisory fee of £39.62 per ward up to four wards, then £19.81 per ward thereafter, for poll cards; and £57.43 for every uncontested ward for which an election is held for a borough or parish councillor(s).

Recruitment of Chief Officers

The Council's policy and procedures with regard to recruitment/appointment of chief officers is set out in Section 10, Part 3 of the Council's Constitution (The Constitution | Stafford Borough Council (staffordbc.gov.uk) When recruiting to all posts the Council will take full and proper account of its own Recruitment, and where appropriate, Redeployment Policies. This policy does not exclude the possibility of recruiting former Chief Officers either from this Council or any other provided that a valid business case exists to do so. However, such occurrences are unlikely to be approved without a break in continuity of service being affected. This policy does not prevent the Council from any future use of the flexibility within the Local Government Pension Scheme to agree "flexible retirement" where a suitable business case exists. The determination of the remuneration to be offered to any newly appointed Chief Officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment and as agreed by Council.

Where the Council is unable to recruit to a post at the designated grade and/or salary, it will consider the use of temporary market forces supplements in accordance with its relevant policies, or review grades in light of market related information. Any decision as to the remuneration of chief officer posts is to be determined by Council.

Where the Council remains unable to recruit Chief Officers under a contract of employment, or there is a need for interim support to provide cover for a vacant substantive Chief Officer post, the Council will, where necessary, consider and utilise engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process ensuring the council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service.

The Council does not currently have any Chief Officers engaged under any such arrangements.

Payments on Termination

The Councils approach to statutory and discretionary payments on termination of employment of Chief Officers, prior to reaching normal retirement age, is set out within its policy statement in accordance with the provisions of the 2014 Local Government Pension Scheme.

Any other payments falling outside the provisions, or the relevant periods of contractual notice shall be subject to a formal decision made by the full Council or relevant elected members, committee, or panel of elected members with delegated authority to approve such payments in line with any prevailing legislation governing termination payments.

Publication

Upon approval by full Council, this statement will be published on the Council's Website. In addition, for posts where the full-time equivalent salary is at least £50,000, the Council's Annual Statement of Accounts includes a note setting out the total amount of:

- salary, fees or allowances paid to or receivable by the person in the current and previous year.
- any bonuses so paid or receivable by the person in the current and previous year; (not applicable) any sums payable by way of expenses allowance that are chargeable to UK income tax.
- any compensation for loss of employment and any other payments connected with termination.
- any benefits received that do not fall within the above.

Lowest Paid Employees

From 1 April 2024 the lowest paid persons employed under a contract of employment with the Council are paid in accordance with the minimum hourly rate currently in use within the Council's grading structure. This is £12.18 per hour, which equates to £23,500 per annum. The Council, from time to time, employs other categories of workers who are not included within the definition of 'lowest paid employees' as they are employed under the Government's national minimum wage legislation dependent on age.

The relationship between the rate of pay for the lowest paid and Chief Officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement.

The statutory guidance under the Localism Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton report was asked by Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than **20** times the lowest paid person in the organisation. The report concluded that the relationship to median earnings was a more relevant measure and the Government's Code of Recommended Practice on Data

Transparency recommends the publication of the ratio between highest paid salary and the mean average salary of the whole of the authority's workforce.

The current pay levels within the Council define the multiple between the lowest paid (full time equivalent) employee (£23,500) and the shared Chief Executive post (£145,432.00) as **1:6.2** and between the lowest paid employee (£23,500) and the average Chief Officer employed by Stafford Borough Council (£88,990.40) as **1: 3.8.**

The multiple between the median full time equivalent earnings (£29,777) and the Chief Executive is **1: 4.9**) and between the median full time equivalent earnings (£29,777) and average Chief Officer (excluding the shared Chief Officer positions, £88,990.40) is **1: 3.**

As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate.

Accountability and Decision Making

In accordance with the Council's Constitution, Council, and /or Cabinet are responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council. The Constitution sets out the various delegations to Chief Officers.

Agenda Item 15

Council Response to Notice of Motion - Protecting our Rivers and Oceans

Committee:	Council
Date of Meeting:	27 February 2024
Report of:	Head of Economic Development and Planning
Portfolios:	Economic Development and Planning Climate Change

1 Purpose of Report

1.1 To consider the Council's response and next steps to the Notice of Motion entitled 'Protecting our rivers and oceans' proposed on 28 November 2023.

2 Recommendation

2.1 That the report is noted and approval is given to progress associated actions and next steps in the proposed responses to the Notice of Motion.

Reason for Recommendation

2.2 To provide an appropriate response to the issues raised in the Notice of Motion.

3 Key Issues

3.1 On 28 November 2023 a Notice of Motion pursuant to Paragraph 13.1 of the Council Procedure Rules was proposed by Councillors J T Rose and D P Rouxel to the Full Council meeting. The Motion has now been considered by Cabinet Members, and officers, and a proposed response to each of the 18 proposals is set out in this report.

3.2 It is important for the Borough Council to make progress across a range of services and activities to address matters associated with climate change as well as engaging with other agencies to deliver action through strategies, policies and work programmes as appropriate. The Corporate Business Plan 2021 - 2024 sets out the current priorities for Stafford Borough Council with progress being reported through the relevant Committees on these matters.

3.2 Economic Development and Planning is a key service area addressing the matters raised in this Council motion, with action being taken through the Local Plan process and decisions through Development Management. It should be noted that since the current Plan for Stafford Borough 2011-2031 was adopted (Part 1 in June 2014 and Part 2 in January 2017) significant changes have occurred locally and nationally impacting upon planning policy influencing the response to climate change and water resource issues. These changes are being reflected through work on the emerging new Local Plan 2020-2040 and the Development Management decision-making process.

4 Relationship to Corporate Priorities

4.1 The most relevant of the Council's Corporate Business Plan 2021-2024 key objectives to the Council Motion are set out below:

"To improve the quality of life of local people by providing a safe, clean, attractive place to live and work and encouraging people to be engaged in developing strong communities that promote health and wellbeing."

"To continue work towards our Climate Change and Green Recovery objectives, integrating them into our activities and strategic plans"

5 Report Detail

5.1 The following sections set out the Council's response, next steps and actions to address the resolutions posed through the Notice of Motion - Protecting our rivers and oceans proposed on 28 November 2023.

1 *Recognise this Council's role in helping to protect its rivers and seas, including from the cumulative impacts of pollution, in line with its local planning policy, and the National Planning Policy Framework.*

Response

Policies N1, N2, N4, N5 of the adopted Plan for Stafford Borough make reference to water resources and requirements to protect rivers in order to reduce pollution impacts. The adopted Plan for Stafford Borough 2011-2031 and the related evidence base on this matter are available by clicking on the links below:

The Plan for Stafford Borough | Stafford Borough Council (staffordbc.gov.uk)

Examination of the Plan for Stafford Borough | Stafford Borough Council (staffordbc.gov.uk)

Examination Library | Stafford Borough Council (staffordbc.gov.uk)

Sustainability Appraisal (SA) | Stafford Borough Council (staffordbc.gov.uk)

[Habitats Regulations Assessment | Stafford Borough Council (staffordbc.gov.uk)]

The new Local Plan 2020-2040 Preferred Options includes draft policies 4, 36, 42, 43, 46, 47 and 50 and related evidence on this matter, which are available by clicking on the links below:

Stafford Borough Local Plan 2020-2040 | Stafford Borough Council (staffordbc.gov.uk)

Stafford Borough Local Plan 2020-2040: Evidence Base Documents | Stafford Borough Council (staffordbc.gov.uk)

2 *Recognise that there is clear evidence of deterioration of water quality due to cumulative impact of multiple sewage discharge events or 'sewage overload'.*

Response

The adopted Plan for Stafford Borough 2011-2031 and the emerging new Local Plan 2020-2040 have been prepared on evidence considering water quality issues, as set out in response to resolution 1.

3 *Seek to better understand the cumulative impact of wastewater discharge including untreated sewage on the Borough's rivers, wildlife and the health of its residents.*

Response

The Council leads on delivering biodiversity enhancements across the Borough, including management plans for Local Nature Reserves, close working with the Staffordshire Wildlife Trust, Environment Agency and Severn Trent Waster as well as facilitating a regular volunteer programme. Further information is available via the web-pages below:

Biodiversity in Stafford Borough | Stafford Borough Council (staffordbc.gov.uk)

Local Nature Reserves | Stafford Borough Council (staffordbc.gov.uk)

Nature Recovery Declaration | Stafford Borough Council (staffordbc.gov.uk)

The adopted Plan for Stafford Borough 2011-2031 and the emerging new Local Plan 2020-2040 have been prepared on evidence considering water quality issues, as set out in response to resolution 1.

4 *Take a lead on addressing this issue, working constructively with other agencies.*

Response

The adopted Plan for Stafford Borough 2011-2031 and the emerging new Local Plan 2020-2040 have been prepared on evidence considering water quality issues, as set out in response to resolution 1. Stafford Borough, as the Local Planning Authority therefore sets out the policy position, based on evidence, as well as taking account of the adopted Plan and relevant information through the Development Management decision-making process. Furthermore the Council will continue to work proactively with relevant organisations to deliver biodiversity enhancements benefiting local nature recovery strategy objectives, with further details in response to resolution 3.

5 *Ensure the evidence base being compiled for the new local plan fully assesses the cumulative impact of sewage discharge so that this is factored into decisions made in the new local plan, including the overall level of future development.*

Response

The emerging new Local Plan 2020-2040 is being prepared on evidence considering water quality issues, which is available by clicking on the links below:

https://www.staffordbc.gov.uk/evidence-base-southern-staffordshire-water-cycle-study-february-2020

https://www.staffordbc.gov.uk/evidence-base-strategic-flood-risk-assessment-level-1

6 *Fully incorporate JBA consulting's recommendation for 1.) Early engagement with water companies as part of the planning process. 2.) That more detailed water quality modelling is carried out in a Phase 2 Outline study to assess the cumulative impact of growth across the whole study area on the Water Framework Directive classification of the receiving waterbodies in order to ensure that the environmental capacity of the catchment is not a constraint to growth. 3.) Further study of the wastewater network is also recommended once greater certainty over which sites will be brought forward for development. As set out in Southern Staffordshire Councils Water Cycle Study – Phase 1 Scoping Report.*

Response

The emerging new Local Plan 2020-2040 has been prepared through engagement with water companies as set out by the evidence and will continue to consider water quality issues. Further information is available by clicking on the links below:

https://www.staffordbc.gov.uk/evidence-base-strategic-flood-risk-assessment-level-1

Site Selection Topic Paper (staffordbc.gov.uk)

7 *To work with Seven Trent to aim for water neutrality defined by the Government and the Environment Agency as "For every development, total water use in the wider area after the development must be equal to or less than total water use in the wider area before development". Achieved by reducing leakage from the water supply networks; making new developments more water-efficient; "offsetting" new demand by retrofitting existing homes with water-efficient devices; encouraging existing commercial premises to use less water; implementing metering and tariffs to encourage the wise use of water' education and awareness-raising amongst individuals.*

Response

The adopted Plan for Stafford Borough 2011-2031 and the emerging new Local Plan 2020-2040 have been prepared on evidence considering water quality issues, as set out in response to resolution 1. The Council will continue to work with Severn Trent and other relevant organisations to ensure local planning policy meets the Government requirements together with planning applications through the decision-making process. It should be noted that not all of these responsibilities are for Stafford Borough Council to implement.

8 *Write to the Environment Agency asking it to issue a position statement in relation to Stafford Borough, which sets out its understanding of the cumulative impact of 200+ sewage discharge on our rivers, or if it is not willing to do, the reasons why.*

Response

Head of Economic Development and Planning to formally write to Environment Agency to request information if available.

9 *Ask Natural England for an ecological assessment of the River Trent and its tributaries.*

Response

Head of Economic Development and Planning to formally write to Natural England to request information if available.

10 *Invite the Chief Executive of Seven Trent plus senior representatives from the Environment Agency and Natural England to attend a Stafford Borough Council Economic Development and Planning Scrutiny meeting to answer questions on the current levels of sewage discharge, the ecological health of our rivers, and their plans moving forward.*

Response

Resolution 10 to be discussed with the Chair of Economic Development and Planning Scrutiny Committee.

An option may be for the Head of Economic Development and Planning, relevant Portfolio Holders and Chair of the Economic Development and Planning Scrutiny Committee to request a meeting with senior representatives from the Environment Agency and Natural England and report the outcome of the meeting to a future Economic Development and Planning Scrutiny Committee

11 *Ask Seven Trent Water, from this date onwards, in its planning consultation responses for major development, to clarify which treatment works will be managing the sewage; and whether it has the information available to assess the impact on the number or duration of sewage discharges into local rivers, and if it does have this information to share it (noting that this can only be requested not required).*

Response

The Head of Economic Development and Planning could write to Severn Trent and ask to provide this information in its' response to consultations on major applications'. However, based on past experience, officers do not consider that this information will be provided.

For many years Severn Trent has provided a limited response on planning application consultations and has reduced the number of applications on which they provide a response. The responses we do receive often lack relevance.

The last email received from Severn Trent in November 2023 stated that *"From 2 January 2024, we will only assess planning applications that will add additional flow to our public network, any planned works that might be over or near to our assets and works that may have a detrimental effect on our water extraction points"*.

Whilst it is not encouraging that Severn Trent are now responding on even less planning applications the reason they give is *"To have a greater focus on new development and its impact on the environment and our customers",* which suggests that they will continue to respond on major applications for new residential and commercial development.

However, they will not cover all major applications as they state they will not respond on agricultural development.

It does also raise the question that if the Council managed to get Severn Trent to advise which treatment works will be managing the sewage for each major application, what will we do with this information?

If Severn Trent aren't responding to say that there isn't sufficient capacity in their treatment works, then it would be difficult to potentially refuse an application for this reason. A refusal in such cases is likely to result in an award of costs on appeal.

12 *Request that Borough Council planning officers, from now onwards, include in all reports relating to major development a specific section on the provision of adequate arrangements for the disposal of foul sewage trade effluent and surface water as set out in Policy N2 of the local plan under sustainable drainage, and the impact on watercourses, including the potential for the development to affect sewage outflow into watercourses (i.e. cumulative impact), or to flag if this information is not fully available, so that this information (or the lack of it) is clearly and transparently set out*

Response

The Council recognises that planning officers have a duty to consider the provision of adequate arrangements for the disposal of foul sewage trade effluent and surface water as set out in Policy N2 of the local plan under sustainable drainage.

On major applications the case officer's report will already contain a section on drainage which, as appropriate, will summarise the drainage element of the proposal, any responses which raise issues and where necessary a discussion of the issues and a conclusion. The consultee responses are also included in the officer report.

Officers do not consider that it is possible to consider "the potential for the development to affect sewage outflow into watercourses (i.e. cumulative impact)". It is not clear as to where that information is going to come from and who is capable of analysing and monitoring that information and potentially modelling sewage flow.

13 *Embed protection and recovery of the Sow, Penk and Trent in all strategic decisions, plans, budgets, procurement and approaches to decisions by the Council (particularly in planning, regeneration, waste, skills and economic policy), aligning with climate change mitigation and adaptation requirements, and considering nature-based solutions in our journey towards a carbon neutral and climate resilient future.*

Response

The adopted Plan for Stafford Borough 2011-2031 and the emerging new Local Plan 2020-2040 have been prepared on evidence considering water quality, climate change and nature based solution matters. The Council will continue to work with all relevant organisations to ensure local planning policy meets the Government requirements. Furthermore the Council will continue to work proactively with relevant organisations to deliver biodiversity enhancements benefiting local nature recovery strategy objectives, with further details in response to resolution 3.

14 *Ensure that the Council's Climate Change and Biodiversity Plan support ocean recovery through a focus on the protection and recovery of the Sow, Penk and Trent, and the implementation of nature-based solutions.*

Response

Council officers will continue to work collectively to progress relevant corporate plans, as well as proactively working with relevant organisations to deliver biodiversity enhancements benefiting local nature recovery strategy objectives, with further details in response to resolution 3. Furthermore officers in the Strategic Planning and Placemaking team will continue to raise awareness of key projects linked to the adopted Plan for Stafford Borough 2011-2031 and the emerging new Local Plan 2020-2040. The Local Plan has been prepared on evidence considering water quality, climate change and nature based solution matters. The Council will continue to work with all relevant organisations to ensure local planning policy meets the Government requirements.

15 *Work with partners locally and nationally to deliver improved water quality and increased sustainability, including other Staffordshire district Councils, the Staffordshire County Council, Staffordshire Sustainability Board, Staffordshire Nature Recovery Strategy Board, other local community groups, clubs and other organisations that have a recreational, economic or other interest in its protection and recovery.*

Response

The Council will continue to work with external partners and relevant organisations in order implement Government legislative requirements including the Environment Act 2021 and associated corporate programmes linked to the adopted Plan for Stafford Borough 2011-2031 and the emerging new Local Plan 2020-2040. The Local Plan has been prepared on evidence considering water quality, sustainable development, climate change and nature based solution matters. Furthermore, the Council will continue to work with all relevant organisations to ensure local planning policy meets the Government requirements.

16 *Use the Council website and other communication channels to update on the Sow, Penk and Trent recovery progress, and signpost to opportunities and guidance that enable residents to become more ocean literate and to get involved with river and marine citizenship activities.*

Response

Action to be agreed by relevant Cabinet Portfolio Holder, in consultation with the relevant Head of Service based on available information and updates, including from external organisations.

17 *Recognising that wherever we live we share responsibility for good marine management, we will write to the Government asking them to put the ocean into net recovery by 2030 by:*

(a) Ensuring Inshore Fisheries and Conservation Authorities have the resources they need to effectively research and monitor our growing number of marine protected areas, and to set and enforce appropriate fishing levels that support local economies and deliver environmental sustainability.

(b) Working with coastal, estuarine and maritime communities to co-develop marine policy to ensure it delivers equitable and sustainable outcomes in local placemaking.

(c) Appointing a dedicated Minister for the Coast.

(d) Embedding ocean and civic literacy into the national curriculum.

(e) Stopping plastic pollution at source by strengthening the regulations around single-use plastics and set standards for microfibre-catching filters to ensure that all new domestic and commercial washing machines are fitted with a filter that captures a high percentage of microfibres produced in the wash cycle and support the solutions needed to address the threat posed by historic coastal landfill sites.

(f) Improving the water quality of our rivers, estuarine and coastal waters leading to the ocean to benefit nature and the health and wellbeing of all UK residents, including by stopping the regular pollution of our rivers and seas.

(g) And by listening to marine and social scientific advice to update the Marine Policy Statement and produce a national Ocean Recovery Strategy which will:

(i) Enable the recovery of marine ecosystems rather than managing degraded or altered habitats in their reduced state.

(ii) Consider levelling up, marine conservation, energy, industrial growth, flood and coastal erosion risk management, climate adaptation and fisheries policy holistically rather than as competing interests.

(iii) Develop a smarter approach to managing the health of the entire ocean that moves beyond Marine Protected Areas and enables links to be made across sectors towards sustainability.

(iv) Establish improved processes for understanding the benefits of ocean recovery, leaving no doubt the links between this and human lives, livelihoods, and wellbeing

Response

Action to be agreed by relevant Cabinet Portfolio Holder to write to Government on the matters listed in Resolution 17.

18 *Report to Full Council within [12] months on the actions and projects that will contribute to the recovery of the Sow, Penk and Trent and their tributaries and the nature and wildlife that they support within Stafford Borough*

Response

Action to be agreed by relevant Cabinet Portfolio Holder, in consultation with the relevant Head of Service based on available information and updates, including from external organisations.

6 Implications

6.1 Financial

There are no direct financial implications linked to the next steps and actions associated with this report. However, it should be noted that future financial resources will be required to deliver strategies, policies, evidence and work programmes on these matters through existing Council resources.

6.2 Legal

There are no direct legal implications linked to the next steps and actions set out within this report.

6.3 Human Resources

Key actions will be delivered by existing staff from within the Development Service and the wider organisation, where appropriate, together with engagement with other relevant organisations and agencies.

6.4 Risk Management

Whilst the Council will seek to progress the actions set out in this report and minimise any risks of delay with associated strategies, policies, evidence base and work programmes it should be noted that the following external factors are beyond the Council's control and may have an impact:

- Changes in Government legislation, regulations and policy
- Failure of key partners and other agencies to deliver actions and evidence on time

It should be noted that the following risks can be considered and effectively managed by the Council:

- Staff turnover, recruitment difficulties and sickness absences leading to inadequate skills base
- Political changes, procedural delays or failure to meet Council deadlines
- Non-conformity and failure in the tests of soundness for new planning policy documents

The Council will continue to closely monitor Government legislation, regulations and policy whilst deploying robust programme management techniques to deliver actions as required. All internal risks will be reviewed when required and proposed actions delivered efficiently.

6.5 Equalities and Diversity

As set out in this report, a key policy document to address the matters raised in the Council Motion on Oceans and Rivers is the adopted Plan for Stafford Borough, which provides clear guidance to developers and also members of the public through planning policies and proposals across the Borough. This enables any resident or business to see the requirements related to future development. The Local Plan process delivers a statutory development plan which is designed to be inclusive to all residents and those interested in planning the future for the Borough.

Throughout the process of preparing the New Local Plan a thorough consultation and engagement process will enable residents and interested parties to be involved in its preparation, including 24/7 access to key documents through the Borough Council's website

As part of the Development Management process of determining planning applications consultation and engagement takes place in line with statutory requirements. Both processes follow requirements set out in the Council's adopted Statement of Community Involvement.

There are no direct impacts identified for Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation at this stage.

6.6 Health

Working from a consistent evidence base through the Borough Council and with partners, ensures that next steps and actions are consistent and complementary to an approach that supports equality in both service provision and health outcomes.

6.7 Climate Change

Working from a consistent evidence base through the Borough Council and with partners, ensures that that next steps and actions are consistent and complementary to an approach that supports equality in both service provision and climate change outcomes.

7 Appendices

Nil

8 Previous Consideration

Nil

9 Background Papers

File available in Economic Development and Planning

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Ward Interest:	Nil
Report Track:	Council 27 February 2024 (Only)
Key Decision:	No