

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S
REPORT TO CABINET

Report Title: Revenue and Capital Budgets and Strategies 2020/21

Submitted by: Executive Director (Resources and Support Services)

Portfolio: Finance and Efficiency

Wards(s) affected: All

Purpose of the Report

To review progress on the completion of the revenue and capital budgets for 2020/21 and approve the 5 year Medium Term Financial Strategy for 2020/21 to 2024/25.

To consider drafts of the Flexible Use of Capital Receipts Strategy (updated for 2020/21), the Capital Strategy for 2020/2030, the Treasury Management Strategy for 2020/21 and the Investment Strategy for 2020/21 prior to their submission to Full Council for final approval.

Recommendations

- (a) That the progress on the completion of the Revenue and Capital Budgets and updated MTFFS Funding Strategy for 2020/21 (Appendix 1) be noted.
- (b) That the updated Medium Term Financial Strategy 2020/21 to 2024/25 (Appendix 2) be approved.
- (c) That the strategy for ensuring a balanced revenue outturn position for 2019/20 be noted.
- (d) That the calculation of the Council Tax base and the Council Tax increase to be proposed for 2020/21 of £5 (2.55%) per Band D equivalent property be noted.
- (e) That the proposed Empty Homes Premium for long term empty properties (2-5 years 100%, 5-10 years 200% and 10 years plus 300%) be approved.
- (f) That the proposed change in accounting policy for Minimum Revenue Provision from the straight line basis to the annuity basis (as per the draft Treasury Management Strategy) be noted.
- (g) That the risk assessment at Appendix 3 and S151 Officer's recommendation on the level of reserves and contingencies provisionally required to be maintained in 2020/21 be noted.
- (h) That the draft Flexible Use of Capital Receipts Strategy (Appendix 6), updated for 2020/21, be noted.
- (i) That the draft Capital Strategy (Appendix 8) for 2020-30 be noted.
- (j) That the draft Treasury Management Strategy (Appendix 9) for 2020/21 be noted.
- (k) That the draft Investment Strategy (Appendix 10) for 2020/21 be noted.

(I) That the draft Budget and Council Tax proposals be referred to Finance, Assets and Partnerships Scrutiny Committee for comment before the final proposals are considered at Cabinet on 4 February 2020.

Reasons

To inform the Cabinet in recommending a robust and affordable budget for 2020/21 to the Council meeting on 19 February 2020.

The Council needs to have an approved Flexible Use of Capital Receipts Strategy for 2020/21, an approved Capital Strategy for 2020/30, an approved Treasury Management Strategy for 2020/21 and an approved Investment Strategy for 2020/21 in place before the start of the 2020/21 financial year.

1. Background

- 1.1 The Council is committed to the delivery of high quality services. Integral to this ambition is effective targeting of financial resources in line with the vision of “a growing borough that is an attractive and welcoming place for all” and the Council’s stated aims and objectives, as set out in the Council Plan 2018-22, which was approved by Cabinet on 19 September 2018.
- 1.2 The Council has a Medium Term Financial Strategy (MTFS) which sets out its financial position over the next 5 years. This is aligned to the Council Plan 2018-2022 and is the key vehicle for ensuring efficiency in service delivery and targeting resources to priority areas.
- 1.3 There has been good progress against Council Plan objectives in the current year, with high standards of service delivery being achieved overall. Key Outcomes so far in 2019/20 are set out in Appendix 5.
- 1.4 The draft 2020/21 budget is based on the assumptions set out in the MTFS which was approved as a basis for consultation by the Cabinet at its meeting on 16 October 2019 and scrutinised by the Finance, Assets and Partnerships Scrutiny Committee at its meeting on 16 December 2019.
- 1.5 The draft and provisional proposals included in this report will inform the Revenue and Capital Budgets and Council Tax 2020/21 reports to Cabinet on 4 February 2020 and to Council on 19 February 2020.
- 1.6 The Capital Strategy 2020-30 sets out how the Council proposes to deploy its capital resources in order to achieve its corporate and service objectives. It takes into account other relevant Council strategies, policies and plans and the views of partners and interested parties with whom the Council is involved. It also takes account of the resources which are likely to be available to the Council to fund capital investment and the effect of that investment on the Council’s revenue budget. It will serve as a useful point of reference when determining or reviewing the Council’s Capital Programme.
- 1.7 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice. This requires a report to be prepared and approved by the Council concerning the Treasury Management Strategy to be followed in carrying out its treasury management activities in the forthcoming financial year, 2020/21.
- 1.8 The Investment Strategy 2020/21 is compiled according to the Ministry of Housing, Communities and Local Government’s Guidance on Local Government Investments (‘the Guidance’) and the 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (‘the CIPFA TM Code’) It sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments.

2. Budget 2019/20 – Provisional Outturn Forecast

Revenue

2.1 Monthly reports monitoring actual spending against budget have shown adverse variances during the first eight months of the year, the latest reported variance being £0.374m as at the end of November. It is forecast that this adverse variance will be reduced to a balanced year end outturn via management action, as detailed at 2.3. A balanced outturn has been achieved from a similar position in previous years.

2.2 The main reasons for this overall adverse variance are:

- An action plan to reduce the operating deficit at Jubilee 2 is being implemented and has resulted in a significant year-on-year improvement. Nevertheless the centre is still operating at a net deficit due to continuing high levels of staff sickness and a shortfall in income. It is forecast that the deficit will amount to £0.197m at the close of the financial year;
- Income from car parking is below the budgeted amount due to a combination of historic budget shortfalls and the introduction of parking initiatives designed to drive increased town centre footfall. It is forecast that the income shortfall will amount to £0.219m at the close of the financial year;
- Income from planning application fees is below the budgeted amount and it is forecast that there will be an adverse variance of £0.190m at the close of the financial year. The number of major planning applications received can fluctuate significantly from year to year. Over the two year period from 2018/19 to 2019/20 income is still expected to be significantly above budget; and,
- The provision of temporary cover for Senior Management posts in Resources, Legal and Democratic Services and Planning while recruitment is underway – it is forecast that this will amount to £0.240m at the close of the financial year.
- It should be noted that a balanced year end position is forecast for the Waste and Recycling service.

2.3 A strategy to address the overspend is being implemented and it is forecast that the actions identified will reduce the adverse variance to a balanced year end outturn. These actions include:

- Use of additional forecast income from the Staffordshire and Stoke-on-Trent Business Rates Pilot;
- Savings from reorganisation exercises within the Resources and Support Services Directorate;
- Appeals relating to the rateable value of disused or demolished Council Assets;
- Continuing action to reduce the Jubilee 2 operating deficit;
- Grants have been received for a number of areas including Brexit and Air Quality to which significant time spent in these areas can be allocated;
- A review of expenditure currently allocated to the Repairs and Renewals fund is being undertaken to identify items that can be capitalised;
- Use of the Borough Growth Fund to fund officer time spent on priority projects including digital delivery and commercial development.

- 2.4 The Interim Director of Resources and Support Services informed the Ministry of Housing, Communities and Local Government by letter of the Council's intention to make flexible use of up to £500,000 of capital receipts in each of the financial years 2018/19 and 2019/20 on 5 December 2018 and up to £400,000 for the financial year 2020/21 on 5 December 2019.
- 2.5 Officers have reviewed the 'Statutory Guidance on the Flexible Use of Capital Receipts', and have identified expenditure that meets the eligibility criteria laid out in the guidance document, in that it relates to initiatives that are forecast to generate, or have generated, on-going revenue savings through reducing the costs of service delivery.
- 2.6 The Council's Flexible Use of Capital Receipts Strategy for 2020/21 is included as Appendix 6 to this report. Cabinet are asked to endorse the strategy and recommend to Council that it be approved, as required by the statutory guidance.
- 2.7 The majority of savings incorporated in the 2019/20 budget are on target to be achieved. This means that altogether over the ten years from 2010/11 to 2019/20 £22.104m of 'gaps' will have been met via a combination of savings, efficiencies and additional income. Savings from 2017/18 and 2018/19 regarding the Waste and Recycling review that had not been achieved have now been offset by the successful introduction of the chargeable Green Waste service.

Capital

- 2.9 The Capital Programme approved by Council in February 2019 (£5,606,298) has been updated to take account of amounts brought forward from 2018/19 where planned expenditure did not occur (£1,341,573). This has been added to the budget for 2019/20 (apart from cases where costs have been reduced or expenditure will no longer be incurred). The revised budget for capital projects in 2019/20 therefore totals £6,947,871
- 2.10 It is forecast that the Capital Programme outturn for 2019/20 will largely be in line with the budget and there will not be any significant variance to report. It is anticipated that re-profiling of approximately £1,567,377 will be incurred (i.e. 2019/20 projects carried forward to 2020/21).
- 2.11 The Capital Funding required for the 2019/20 programme includes £3,508,298 of capital receipts. These receipts are still expected however it is anticipated that there will be a delay in one of the asset sales which amounts to around £1,000,000. This is due to the Property Team re-advertising the site and achieving a greater value than originally expected. In addition 'Right to Buy' sales have slowed down this year and it is expected that the target will not be reached for 2019/20. The impact of this and the expected re-profiling from the 2019/20 programme is shown below:

Delay in Sale of Asset	£1,000,000
Reduced Right to Buy Receipts	£400,000
Capital Projects Re-Profiling	£1,567,377
Impact on Funding (Surplus)	£167,377

3. Medium Term Financial Strategy 2020/21 – 2024/25

- 3.1 The draft MTFs was approved as a basis for consultation by the Cabinet on 16 October 2019. There have subsequently been a number of amendments to the MTFs resulting in the following revised gaps. Further details of these changes are set out at Appendix 2.

- £1.249m in 2020/21;
- £1.367m in 2021/22;

- £1.115m in 2022/23;
- £1.106m in 2023/24; and,
- £0.858m in 2024/25.

3.2 Previous years' budget shortfalls have been addressed by a combination of measures such as efficiency savings, reductions in expenditure or income increases, consideration of the need for Council Tax increases, the flexible use of capital receipts, and service reviews. Significant progress has been made to meet shortfalls in the years after 2020/21 as shown in the summary below:

Detail	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Income	135	50	-	-	-
Commercial Strategy	-	250	250	250	250
Digital Strategy	-	150	150	150	150
Staffing Related	495	37	-	-	-
Good Housekeeping	29	13	-	-	-
Tax Base	385	150	152	154	157
Council Tax Increase	187	227	236	244	253
Contributions	18	-	-	-	-
TOTAL SAVINGS	1249	877	788	798	810
UPDATED MTFS GAPS	1249	1367	1115	1106	858
REMAINING GAP (- = surplus)	-	490	327	308	48

4. Draft Revenue Budget 2020/21

4.1 The revenue funding "gap" for 2020/21 has increased by £0.041m from £1.208m to £1.249m as a result of the following changes:

- The financing of capital expenditure has been reviewed (including the profiling and requirement for projects), the annuity method as opposed to the straight line method for Minimum Revenue Provision (i.e. the principal element or repayments) will now be utilised. This has reduced pressures on the budget during 2020/21 by £0.135m;
- As part of the continued drive to build capacity, additional staffing resources have been allocated for Data Protection/Information Governance, Democratic Services and Human Resources. These have resulted in additional pressures of £0.101m;
- An additional pressure of £0.010m has been identified regarding the costs of continuing with the Britain in Bloom competition within the Borough and an enhanced programme of works to celebrate the Council's 30th year of participation; and,
- A further adjustment to income budgets to reflect long-standing structural issues. This has resulted in an additional pressure of £0.065m.

4.2 The table below shows the factors which give rise to the £1.249m "gap" for 2020/21:-

Additional Income	£'000
Fees and Charges	120
Business Rates Retention Pool levy	200
New Waste Service	100
Total Additional Income (A)	420
Additional Expenditure and Loss of Income	
Reduction in Government funding	35
Government funding re Business Rates baseline	(77)
New Homes Bonus - revised scheme	347
Provision for Pay Awards (including National Insurance)	342
Incremental pay rises for staff	56
Superannuation increase in employers and lump sum contributions	290
Additional holiday pay	34
Price increases e.g. energy, fuel, rates, insurances, supplies & services	75
Adjustments re. one-off items in 2019/20	(148)
Capital Financing Costs	(45)
Additional staffing resources	126
Borough Growth Fund contribution	250
Jubilee 2 operating deficit	100
Reduction in income from under achieved budgets	215
Reduction in waste income and recycling credits awarded	69
Total Additional Expenditure and Loss of Income (B)	1,669
Net Increase In Base Budget (B-A)	1,249

4.3 A number of savings and funding strategies to address the funding gap for 2020/21 have been identified, via a vigorous Efficiency Board process, and agreed with managers as being both feasible and sustainable. The proposed savings, totalling £1.249m are summarised in the table below and set out in detail in Appendix 1:

Category	Amount £'000	Comments
Income	135	Additional sources of income generation and an increased demand for services that the Council charges for.
Staffing Related Efficiencies	495	No redundancies are anticipated to arise from these proposals.
Good Housekeeping Efficiencies, General Other Savings, Changes in Base Budgets	29	Various savings arising from more efficient use of budgets.
Alternative Sources of Finance/ Other Savings	590	Savings from negotiated contribution rates and advanced payments of superannuation contributions, effect of forecast Council Tax Base and Business Rates Base increase, savings from Parish Council concurrent functions contributions. An assumed £5 (2.55%) per band D equivalent increase in Council Tax.
Total	1,249	

- 4.4 As in previous years, the first draft of the savings plan set out at Appendix 1 was made available to the Finance, Assets and Partnerships Scrutiny Committee for scrutiny at its meeting on 16 December 2019. The Committee will also scrutinise this Cabinet report at its meeting on 16 January 2020.

Borough Growth Fund

- 4.5 The savings and funding strategies identified in the table above and in Appendix 1 will enable further investment of £250,000 in the Council's priorities as per the Council Plan 2018-2022 via the Borough Growth Fund. In accordance with the 'Statutory Guidance on the Flexible Use of Capital Receipts', the 'Borough Growth' fund will continue to be used to provide pump-priming investment in initiatives that are forecast to generate on-going revenue savings through reducing the costs of service delivery or through the generation of additional income. The Council's Section 151 Officer will determine whether any proposed use of the fund complies with this guidance on a case by case basis. Priorities for 2020/21 are:

- Council Modernisation – Local Services That Work For Local People
- Building Financial Sustainability
- Recycling and Climate Change
- Town Centres

Council Tax and Collection Fund

- 4.6 The savings and funding strategy assumes a £5 (2.55%) per Band D equivalent property Council Tax increase (this is the referendum limit announced as part of the Local Government Finance Settlement for 2020/21 on 20 December 2019), producing £187,000 of additional income. This increase in Council Tax would equate to the following monetary increases for residents:

Property Band	Annual Increase £ p	Weekly Increase £ p
A	3.91	0.08
B	4.56	0.09
C	5.21	0.10
D	5.86	0.11
E	7.17	0.14
F	8.47	0.16
G	9.77	0.19
H	11.73	0.23

- 4.7 The savings and funding strategy also includes an increase in the Council Tax premium charged for long term empty properties in line with an amendment to the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill which now permits Councils to charge a 100% premium for domestic properties that have been empty for 2-5 years, 200% for those that have been empty for 5-10 years and 300% for properties that have been empty for 10 or more years.
- 4.8 The primary aim of this premium is to encourage owners of these properties to bring them back into use. All domestic properties that have been empty for in excess of 2 years are currently charged a 50% premium by the Council. This proposed amendment will generate around £24,000 per annum in terms of an increased tax base for the Council.
- 4.9 Taking into account the proposed increase in the Council Tax premium and other changes to the Council Tax base (i.e. new properties, discounts and exemptions), the Council Tax base has increased by 270 band D equivalent properties from 37,117 in 2019/20 to 37,387 for 2020/21.

- 4.10 The Council is required to declare its estimated surplus or deficit on the Collection Fund (for both Business Rates and Council Tax) ahead of the financial year end for 2019/20, this surplus or deficit is then shared between the relevant preceptors in 2020/21 (a surplus if paid out to preceptors, including the Council, and a deficit is repaid to the collection fund from preceptors, including the Council).
- 4.11 The Business Rates Collection Fund is estimated to be in a surplus position at 31 March 2020 when compared to the estimates submitted via the NNDR1 form in January 2019. The surplus is estimated to amount to £4.320m, of which the Council will receive £1.728m during 2020/21. This surplus has arisen as a result of significant growth, above that estimated by Central Government, within the Borough since the Business Rates Retention scheme was introduced. In previous years the Business Rates Appeals Provision has been significantly increased via the collection fund which has offset surplus positions that would otherwise have been achieved during these years.
- 4.12 The Council Tax Collection Fund is estimated to be in a deficit position as at 31 March 2020. This deficit is estimated to amount to £0.529m. Performance for 2019/20 is estimated to be as expected, the deficit amount relates to 2018/19 whereby the surplus declared in January 2019 was £0.540m more than the actual surplus calculated at the financial year end due to an increased bad debts provision being calculated at the financial year end in compliance with revised accounting standards. The Council will be required to repay £0.060m to the Collection Fund regarding this deficit in 2020/21.
- 4.13 The net receipt from the Collection Fund to the Council in 2020/21 will therefore be £1.668m (£1.728m surplus re. Business Rates less £0.060m deficit re. Council Tax). This amount will be paid into the Council's earmarked reserves in order to significantly increase the Council's financial resilience and ability to manage funding risks including those arising from the forthcoming Fair Funding Review.
- 4.14 The Local Government Finance Settlement for 2020/21 was received on 20 December 2019, this is largely in line with the assumptions that had previously been made via the Medium Term Financial Strategy. The Settlement Funding Assessment for the Council increased by £0.061m as opposed to an assumed £0.077m increase in the Medium Term Financial Strategy, this was as a result of the decreased CPI inflation applied (1.6% as opposed to the forecast of 2.1%). However, this has been offset by the receipt of an Affordable Housing Premium awarded to the Council for the introduction of new Affordable Housing within the Borough during 2019/20, this amounts to £0.016m and negates the decrease in Settlement Funding Assessment previously referred to.

5. Budget Consultation

- 5.1 Public consultation has been undertaken on the budget (Appendix 7). The consultation clearly determined that residents again felt that the following services were the most important to them.
- Town Centre regeneration;
 - Refuse collection;
 - Parks, playgrounds and open spaces;
 - Recycling facilities; and,
 - Street cleansing.

It also showed that residents feel that services should be protected as far as possible, even if that requires an increase in Council Tax.

- 5.2 The consultation has been reviewed by Cabinet and the views of those residents that have engaged in the consultation have been taken account of, and reflected, in the 2020/21 savings and funding strategy.

6. Capital Programme 2020/21 to 2022/23 and Capital Strategy 2020-30

- 6.1 The Capital Programme for 2020/21 to 2022/23 (Appendix 4) is based on new schemes which are vital to ensure continued service delivery and in assisting the Council to achieve its corporate and service objectives as set out in the Council Plan 2018-22 approved by Cabinet on 19 September 2018. These schemes total £24.587m, of which £12.425m relates to 2020/21.
- 6.2 The Capital Strategy for 2020-30 (Appendix 8) meets the requirements of statutory guidance issued by the Government in January 2018. The Council's capital investment is carried out within the statutory framework laid down by the Local Government Act 2003 and regulations under that Act. Accordingly, only expenditure which fits the definition of capital expenditure contained in the Act or Regulations pursuant to it will be capitalised.
- 6.3 The Capital Programme is produced in line with the Capital Strategy for 2020-30 (Appendix 8). In addition to the Council's corporate and service objectives, as set out in the Council Plan 2018-22, the Capital Programme is also influenced by a number of external parties and factors:
- Central government and its agencies;
 - Legislation requiring capital works;
 - Partner organisations;
 - Businesses and Developers; and,
 - The needs and views of other interested parties, particularly those of Borough residents.
- 6.4 The Capital Programme for 2020/21 includes £3.151m for the refurbishment and reopening of Kidsgrove Sports Centre. This replaces the Kidsgrove Sports Centre scheme previously scheduled to commence in 2023/24 and will enable the provision of leisure facilities within Kidsgrove ahead of the timescale previously planned.
- 6.5 Delivering the capital programme for 2020/21 will require prudential borrowing to be undertaken. The impact of borrowing is included in the MTFs pressures for 2020/21 and future years.
- 6.6 Advice will be sought from the Council's Treasury Management advisors, Arlingclose, as to the most beneficial timing of prudential borrowing. Their current advice is to borrow on a short term basis (up to 4 years) from other local authorities whilst interest rates remain low, particularly in light of the recent increase in the Public Works Loan Board interest rates.
- 6.7 In summary, investment in the capital programme for 2020/21 to 2022/23 totalling £24.587m will be funded by:
- £5.845m External Funding including Disabled Facilities Grant and s106;
 - £6.993m Capital Receipts;
 - £0.150m ICT Development Fund; and,
 - £11.599m Vehicle Leasing/Prudential Borrowing

7. Treasury Management Strategy 2020/21 and Investment Strategy 2020/21

- 7.1 The Treasury Management Strategy for 2020/21 is attached at Appendix 9. The Minimum Revenue Provision Policy for 2020/21, as referred to at 4.1 of this report, is contained in Annex C to the strategy.
- 7.2 The Treasury Management Strategy for 2020/21 allows for borrowing. Although not utilised in recent years, the Council has previously considered the option of long-term borrowing from the Public Works Loans Board (PWLB), but the government increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. After the utilisation of capital receipts and internal borrowing, the Council will now look to borrow short term from other local authorities in the first instance and will then review any other sources of funding if required.

- 7.3 The Investment Strategy for 2020/21 is attached at Appendix 10. This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and is based on guidance provided by Arlingclose, the Council's treasury management advisors. Quantitative investment indicators are included within the Strategy to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.
- 7.4 The Investment Strategy is informed by and consistent with the Commercial Strategy approved by Cabinet in October 2019 which proposes the establishment of a Revolving Investment Fund of £50m funded from a mix of revenue contributions, capital receipts and prudential borrowing. This fund will be used to finance a commercial asset acquisition programme and a strategic asset development programme.
- 7.5 The overriding objective of the Commercial Asset Acquisition Programme will be to generate and secure a long-term and sustainable income stream for the Council. This will be achieved by investing in assets with a projected minimum level of return of 2% above the cost of borrowing and other holding and management costs. The investments will not be required to meet other Council objectives and priorities e.g. regeneration, economic development or housing, and can be located outside the borough.
- 7.6 Direct investment in commercial property offers a relatively familiar path as the Council already has a diversified property portfolio including office, retail and industrial assets which currently generates a net annual revenue stream. Other potential investment opportunities include renewable energy (for example solar farms and solar bonds) and development of a commercial loan portfolio including loans to registered social landlords within the borough to fund housing development.
- 7.7 The aim of the strategic asset development programme will be to steer and manage development opportunities from the Council's property asset base so as to deliver capital receipts and improved revenue income streams but at the same time securing the regeneration, economic development and housing objectives of the Council. Examples include acquisition and development of strategic town centre sites, housing and industrial sites within the borough (including, for example within the Chatterley Valley Enterprise Zone). Developments may be undertaken on a co-investment basis with public, not for profit and private sector partners.
- 7.8 The draft MTFs assumes that a return of £250k will be generated from these investments from 2021/22, rising to £1m p.a. in 2024/25. This assumption will be validated as initial investment proposals are brought forward for Cabinet approval.
- 7.9 The treasury management strategy has been updated to provide the necessary flexibility to manage this significant programme of acquisitions. Any surplus returns will be recycled to fund future investments.
- 7.10 The costs of employing specialist commercial advisers, providing training for members and officers involved in investment decisions and undertaking due diligence on early investment opportunities will be met from the Borough Growth Fund. £100,000 of the fund has been allocated to support the development of the commercial strategy in 2019-20.

8. Balances and Reserves

- 8.1 The minimum reserves level was increased as part of the 2019/20 budget setting process to ensure that robust levels were maintained to reflect the levels of risks shown in the budget. A further review of the Council's Balances and Reserves together with a risk assessment informing the levels of these has been undertaken. Details of the risk factors considered and the weightings applied to each are set out at Appendix 3.
- 8.2 The Council currently holds a minimum balance of £100,000 as a Contingency Reserve. It is proposed that this reserve is re-designated as an Income Reserve with a minimum balance of £100,000 in order to

provide increased flexibility to manage year-to-year fluctuations in income. If the Income Reserve is used in year it is proposed that this be replenished to a balance of £100,000 during the budget setting process for the following financial year.

- 8.3 The Council's S151 Officer has undertaken a financial resilience assessment based in part on the recently published CIPFA Financial Resilience Index and has recommended that a minimum level of unallocated reserves and contingencies of £1.548m be held in 2020/21 to reflect the levels of revenue risk shown. Therefore, the Council's Balances and Reserves Strategy for 2020/21 is that there should be a minimum General Fund balance of £1.448m and an Income Reserve of £0.100m.
- 8.4 The MTFs makes provision for the General Fund balance to be increased to £1.948m over the life of the strategy via annual contributions of £100k commencing in 2021/22. The S151 Officer's recommendation to increase the level of unallocated reserves, together with action already taken to address historic structural budget deficits, is part of continuing action to safeguard the long term financial resilience of the Council and reflects the additional risks that the Council will increasingly be exposed to via the commercial investment strategy over the life of the MTFs.
- 8.5 Earmarked reserves will be bolstered by £1.668m (per 4.13) to further increase the Council's resilience to risk including that relating to the forthcoming Fair Funding Review.
- 8.6 In addition it is recommended that the current £1m capital programme contingency which is held to allow for emergency unforeseen projects that may be required during the year be transferred to an earmarked fund.

9. **Legal and Statutory Implications**

- 9.1 The Council is required to set its Council Tax for 2020/21 by 9 March 2019. However, it is planned to approve the final budget and council tax rates on the 19 February 2020.

10. **Risk Statement and Major Risks**

- 10.1 Section 25 of the Local Government Act 2003 places a duty on the Section 151 Officer to report on the robustness of the budget. The main risks to the Revenue and Capital budgets include:
- Spending in excess of the budget;
 - Income falling short of the budget; and,
 - Unforeseen elements e.g. changes to legislation or reductions in government grants.
- 10.2 Such risks require regular and robust monitoring and it is essential that the Council has sufficient useable reserves to call on if required (see Section 6 above). The review and risk assessment indicates that overall unallocated reserves and contingencies are required to be maintained at £1.548m to reflect the levels of risk shown in the revenue budget. In addition an earmarked reserve of £1m is required to provide flexibility to manage risks relating to delivery of the capital programme. Earmarked reserves will be bolstered by £1.668m in 2020/21 (per 4.13) to further increase the Council's resilience to risk including that relating to the forthcoming Fair Funding Review.
- 10.3 The assessment of the Section 151 Officer is that the draft proposals included in this report are robust and will ensure an adequate level of reserves. However, it should be noted that a number of assumptions and proposals are provisional or draft, and as such this opinion will be confirmed in the Revenue and Capital Budgets and Council Tax 2020/21 reports to Cabinet on 4 February 2020 and to Council on 19 February 2020.

10.4 Treasury management is a major area of risk for the Council in that large amounts of money are dealt with on a daily basis and there are a number of limits and indicators, which must be complied with.

10.5 The overriding consideration in determining where to place the Council's surplus funds is to safeguard the Council's capital. Within this constraint the aim is to maximise the return on capital. Operational procedures, coupled with monitoring arrangements, are in place to minimise the risk of departures from the approved strategy.

11. **Budget Timetable**

11.1 The current timetable for the setting of the 2020/21 budget and Council Tax levels is:-

Event	Body Affected	Date
Approval of final MTFS and consideration of draft Budget proposals	Cabinet	15 January
Scrutiny of draft budget	Finance, Assets and Performance Scrutiny Committee	16 January
Final budget proposals recommended for approval by Full Council	Cabinet	4 February
Full Council to approve Budget	Full Council	19 February

*FAPSC – Finance, Assets and Partnerships Scrutiny Committee

12. **Key Decision Information**

12.1 Affects all wards within the Borough and monetary values involved are highly significant.

13. **Earlier Cabinet Resolutions**

Medium Term Financial Strategy 2020/21 to 2022/23 (Cabinet 16 October 2019)

14. **List of Appendices**

Appendix 1: 2020/21 MTFS Funding Strategy

Appendix 2: 2020/21 to 2024/25 MTFS 'Gaps'

Appendix 3: Risk Assessment on Required Balances/Contingency Reserve

Appendix 4: 2020/21 to 2022/23 Capital Programme

Appendix 5: Key Council Achievements in 2019/20

Appendix 6: Flexible Use of Capital Receipts Strategy 2019 to 2022

Appendix 7: 2020/21 Budget Consultation Report

Appendix 8: Capital Strategy 2020 to 2030

Appendix 9: Treasury Management Strategy 2020/21

Appendix 10: Investment Strategy 2020/21

15. **Background Papers**

CIPFA Treasury Management Code of Practice (revised December 2017)

Council's Treasury Management Policy Statement

Local Government Act

Local Authorities (Capital Finance and Accounting) (England) Regulations
Ministry of Housing, Communities and Local Government's Guidance on Local Government
Investments
Statutory Guidance on the Flexible Use of Capital Receipts

Appendix 1 - 2020/21 MTFs Funding Strategy

Ref	Service Area	Description	£000's	% of Budget Line(s)	Detail
Income					
I2	Environmental Health	Licensing Income	20	3.8%	Increased demand in licensing requirements from customers
I3	Operational Services	Bereavement Services Income	10	0.7%	Increased memorialisation offer to customers
I4	Housing Regeneration & Assets	Street Naming/ Numbering	20	166.7%	Increased levels of income received during 2018/19 and 2019/20
I5	Recycling and Fleet	New Properties Delivery Charge	16	New	Delivery charge for waste/recycling bins to properties on new developments
I6	Recycling and Fleet	Trade Waste Income	50	10.0%	Increased marketing and sales regarding the trade waste service
I7	Planning and Development	Pre Planning Application Advice	19	76.0%	Increased level of income following review of fee structure
			135		
Staffing Related Efficiencies					
S1	Revenues & Benefits/Customer Services	Restructure	300	TBC	Restructure of Revenues and Benefits and Customer Services
S2	Finance	Car Leasing Scheme	8	72.7%	Car leases not renewed following expiry
S3	Finance	Payroll	25	44.9%	Payroll function to be undertaken by Stoke-on-Trent City Council
S4	All	Vacant Posts, Retirements, Reprioritisation	162	TBC	Vacant posts, service reprioritisation and employees retirement
			495		
Good Housekeeping/General Other Savings/Changes in Base Budgets					
G1	Housing Regeneration & Assets	Bus Station	10	33.4%	Contribution to Banksman post - post ceased
G2	ICT Services	Staffordshire Connects	19	39.6%	Saving in partnership contribution following change of Customer Relationship Manager system
			29		
Alternative Sources of Finance/Other					
A1	Corporate	Council Tax Base	53	0.7%	Increase in Council Tax Base (increase of 270 residential properties), includes the impact of the Empty Homes Premium
A2	Corporate	Business Rates Base	332	7.0%	This additional funding is due to the Business Rates collection fund being in surplus at the end of 2018/19 and is net of additional provision for appeals.
A3	Corporate	Council Tax Increase	187	2.55%	Assumed increase of £5 per Band D equivalent property (2.55%)
A4	Corporate	Parish Council Section 136 Contributions	18	25.0%	Reduction of 25% of the 2016/17 payment made to Parish Councils for concurrent functions as agreed as part of the 2017/18 budget setting process - final reduction
			590		
Grand Total			1,249		

Appendix 2 - 2020/21 to 2024/25 MTFS 'Gaps'

Detail	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Description
Employees:						
Increments	56	46	31	13	6	Employees due an increment in 2020/21
Pay awards	294	301	309	317	324	2.5% pay award assumed for all years
Superannuation increases	60	59	58	56	57	17.1% of increase in salaries
Superannuation lump sum increases	230	74	76	78	80	Increase from the currently discounted figure in 2020/21.
National insurance	48	48	47	45	46	13.8% of increase in salaries
Additional holiday pay	34	1	1	1	1	Holiday pay due on overtime
Premises:						
Business Rates	27	23	24	24	25	Inflationary increase in business rates payable (per CPI)
Utilities	7	7	7	13	7	Inflationary increase in gas and electric (per Department for Business, Energy and Industrial Strategy)
Transport:						
Fuel	6	6	6	12	6	Inflationary increase in fuel (per Department for Business, Energy and Industrial Strategy)
Income:						
Fees and charges	-120	-123	-125	-128	-130	3% increase in fees and charges
New Homes Bonus	347	246	158	192	106	Drop out of New Homes Bonus legacy payments
BRR pilot/pooling - additional income	-200	200	-	-	-	Pooling arrangements ahead of the spending review
Government grant	35	35	35	35	35	Reduction in Housing Benefit /Council Tax Admin grant
Settlement Funding Assessment	-77	-79	-80	-82	-84	Inflationary increase in baseline funding level (per CPI)
Business Rates surplus		-500				
New Pressures:						
Borough growth fund	250	-	-	-	-	Contribution to the borough growth fund
Income pressures	284	169	169	169	169	To enable income budgets to be corrected
Jubilee 2 Operating Deficit	100	50	-	-	-	To remove the current operating deficit of Jubilee 2
Borrowing/leasing costs	-45	246	301	260	217	Revenue costs relating to the capital programme
Waste service	-100	-	-	-	-	£100,000 saving based on initial modelling undertaken
Castle House/facilities management	15	-	-	-	-	Review following full occupancy of Castle House
Asset management system	5	-	-	-	-	Annual maintenance costs of software
Streetscene community payback	25	-	-	-	-	Mainstreaming of community payback Streetscene costs
Rough sleepers service	5	-	-	-	-	Increase in contract costs
Additional staffing resources	101	-	-	-	-	Human Resources, Data Protection, Democratic Services
Britain in Bloom	10	-	-	-	-	Additional resources
Microsoft licenses	-	50	-	-	-	Increase in charges to the Council
Contribution to unallocated reserves		100	100	100	100	To increase resilience of Unallocated Reserves
One off Budget Items:						
Flexible use of capital receipts	252	-	-	-	-	Flexible use of capital receipts undertaken in 2019/20
	-400	400				Flexible use of capital receipts undertaken in 2020/21
TOTAL GAPS	1249	1367	1115	1106	858	

Appendix 3 – Risk Assessment on Required Balances/Contingency Reserve

Note: All these risks relate to the Business Objective 'To set a balanced, affordable and achievable budget'

All of the risks fall into the “Finance” Category

Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Target Date
1	Increase in fees and charges does not result in higher income levels	Shortfall in income leading to overspends	3 x 4	High	Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
2	Reduced Income due to non-availability of service (e.g. through closure of facilities for repairs)	Shortfall in income leading to overspends	3 x 3	High	Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
3	Income falls short of Budget because of general change in market conditions, e.g. because of demand fluctuations	Shortfall in income leading to overspends	3 x 5	High	Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
4	Bad debts reduce the Council's income	Shortfall in income leading to overspends Need to top up Bad Debts Provision	3 x 4	High	The Council has a sundry bad debts provision (£275k balance at 31/03/19). £30k contribution to provision included in the base budget.	3 x 3	High	Increase monitoring of collection performance	Exec Dir Resources	N/a
5	Employee budgets – The budget is discounted on the assumption there will be vacancies. The impact of 1% vacancy is about £150,000	Vacancies do not occur leading to additional costs	3 x 3	High	The budget assumes a vacancy factor of 2%. This is realistic compared with experience from previous years.	3 x 3	High	None	Exec Mgt Team	N/a
6	Employee Budgets - The 2020/21 employee pay settlement results in an increase higher than included in the budget	Additional unbudgeted costs	2 x 1	Low	Pay Spine review known in advance. Balances sufficient to deal with any additional costs, plus reduced job security in economy.	2 x 1	Low	None	Exec Mgt Team	N/a
7	Problems with staff recruitment/retention resulting in the payment of market supplements at extra cost	Additional unbudgeted costs	3 x 3	High	Subject to ongoing review.	3 x 3	High	None	Exec Mgt Team	N/a
8	Problems with staff sickness/suspensions	Additional unbudgeted costs	3 x 3	High	Situation subject to ongoing review.	3 x 3	High	None	Exec Mgt Team	N/a

Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Target Date
	resulting in the needs to use agency/interim staff at extra cost.									
9	Council becomes liable to pay compensation or legal fees or other unforeseen commitment arises.	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Mgt Team	N/a
10	Inflation relating to supplies and services exceeds the allowance in the budget.	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Mgt Team	N/a
11	Existing commitment(s) missed out of budget	Additional unbudgeted costs	3 x 2	Moderate	Budgets subject to checking at several levels. Preparation of standstill budget for comparison.	3 x 2	Moderate	None	Exec Mgt Team	N/a
12	Fall in interest rates reduces income to the Council.	Investment income targets not met	2 x 2	Moderate	Rates are very low now. A decrease would make only a relatively small difference. Included in calculation of prudent minimum balances	1 x 2	Low	None	Exec Mgt Team	N/a
13	Profile of capital spend differs adversely from that assumed in the investment interest calculation	Investment income targets not met	2 x 2	Moderate	Capital Budgets have been realistically set. Due to low interest rates investment income is no longer significant.	1 x 2	Low	None	Exec Mgt Team	N/a
14	Fuel costs increase by more than allowed for in budget.	Additional unbudgeted costs	3 x 3	High	Realistic increases included in base budget.	2 x 3	Moderate	None	Exec Dir Op Serv	N/a
15	Energy costs increase by more than allowed for in budget.	Additional unbudgeted costs	3 x 3	High	Realistic increases included in base budget.	2 x 3	Moderate	None	Exec Mgt Team	N/a
16	Unforeseen major repairs needed to Council properties.	Additional unbudgeted costs	4 x 3	High	Planned maintenance programme in place and stock condition survey.	3 x 2	Moderate	None	Exec Mgt Team	N/a
17	Insurances – unexpected increases in premiums.	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Chief Exec	N/a
18	Insurances - high level of excesses to be met by Council or uninsured losses	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances. Insurance Provision established.	3 x 3	High	Monitor level of Insurance Provision	Chief Exec	N/a
19	Government increase NI rates during 2020/21. An	Additional unbudgeted costs	3 x 3	High	Included in calculation of prudent minimum balances	3 x 3	High	None	Exec Dir Resources	N/a

Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Target Date
	increase of 1% adds about £100,000 to the Council's costs									
20	Loss of VAT Exempt Status	Additional unbudgeted costs	3 x 3	High	None	3 x 2	Moderate	Continue to monitor position regularly	Exec Mgt Team	N/a
21	Savings built into Budget are not realised	Additional unbudgeted costs	3 x 3	High	Regular Budget Monitoring	3 x 3	High	None	Exec Mgt Team	N/a
22	New Legislation imposes extra costs but provides insufficient resources	Additional unbudgeted costs	3 x 3	High	Contingency Reserve available. Included in calculation of prudent minimum balances.	3 x 3	High	None	Exec Mgt Team	N/a
23	Partnerships - expenses falling on Council as accountable body	Additional unbudgeted costs	2 x 3	Moderate	Few partnerships in place now. Monitor partnership activities and ensure carried out according to agreements.	2 x 1	Low	None	Exec Mgt Team	N/a
24	Civil Emergency	Additional unbudgeted costs	5 x 2	High	Bellwin Scheme will meet 100% of eligible expenditure within 1 month of an emergency (over threshold set- £25k for NBC)	4 x 2	Moderate	None	Exec Mgt Team	N/a
25	Investment Counterparty (including own bank re current account, etc) fails to meet its financial commitments	Loss of interest due Ongoing loss of interest owing to loss of capital	2 x 3	Moderate	Use of credit rating agencies Counterparty list based on minimum ratings with CDS overlay. Limits to investments with one counterparty (£7m)	2 x 3	Moderate	Frequent reviews of investment strategy	Exec Dir Resources	N/a
26	Municipal Mutual Insurance (MMI) Clawback	Additional unbudgeted costs	4 x 4	Extreme	MMI Provision	4 x 3	High	Consider increasing amount of provision if reports from administrator indicate it to be necessary	Exec Dir Resources	N/a
27	Data Protection breach resulting in fine	Additional unbudgeted costs	3 x 3	High	Data Protection Policy Reminders to staff. All staff complete mandatory Data Protection e-learning module.	3 x 3	High	None	Exec Mgt Team	N/a

Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Target Date
28	Members act against officer advice resulting in cost to the Council	Additional unbudgeted costs	3 x 3	High	Agenda pre-meetings. Liaison with members. Monitoring Officer.	3 x 3	High	None	Exec Mgt Team	N/a
29	Volatility in respect of Brexit	Additional unbudgeted costs re supplies and services and utilities	3 x 3	High	Include in calculation of prudent minimum balances.	3 x 3	High	Monitor	Exec Mgt Team	N/a

Impact (I)

- 1 - Negligible <£25,000
- 2 - Marginal <£50,000
- 3 - Serious <£250,000
- 4 - Critical <£1m
- 5 - Catastrophic >.£1m

Likelihood (L)

- 1 - Extremely Unlikely
- 2 - Remote Chance
- 3 - Possible
- 4 - Probable
- 5 - Frequent / very likely

Score

- 1-2
- 3-8
- 9-15
- 16-25

Risk rating

- Low Risk
- Moderate Risk
- High Risk
- Extreme Risk

Appendix 4 – 2020/21 to 2022/23 Capital Programme

CAPITAL PROJECTS	Proposed Programme			
	2020/21	2021/22	2022/23	TOTAL
	£	£	£	£
PRIORITY - Local Services that work for Local People				
Service Area - Council Modernisation	380,000	506,000	110,000	996,000
Total	380,000	506,000	110,000	996,000
PRIORITY - Growing our People and Places				
Service Area - Housing Improvements	1,070,000	1,080,000	2,615,000	4,765,000
Service Area - Managing Property & Assets	131,531	101,500	410,846	643,877
Total	1,201,531	1,181,500	3,025,846	5,408,877
PRIORITY - A Healthy, Active and Safe Borough				
Service Area - Environmental Health	10,000	0	0	10,000
Service Area – Street Scene and Bereavement Services	295,600	1,170,600	1,265,600	2,731,800
Service Area - Recycling and Fleet	3,766,000	609,500	351,000	4,726,500
Service Area - Leisure	3,682,000	331,000	687,000	4,700,000
Service Area - Museum	95,000	240,000	40,000	375,000
Service Area - Managing Property & Assets	55,547	40,456	273,403	369,406
Service Area - Engineering	165,873	140,193	806,287	1,112,353
Total	8,070,020	2,531,749	3,423,290	14,025,059
PRIORITY - A Town Centre for All				
Service Area - Managing Property & Assets	1,673,553	1,106,383	77,126	2,857,061
Total	1,673,553	1,106,383	77,126	2,857,061
CONTINGENCY/FEASABILITY STUDIES	1,100,000	100,000	100,000	1,300,000
TOTAL	12,425,103	5,425,631	6,736,262	24,586,997
FUNDING				
Capital Receipts C/Fd from 2019/20	2,062,506			2,062,506
Flexible Use of Capital Receipts	-400,000			-400,000
Capital Receipts	4,330,000	500,000	500,000	5,330,000
External Contributions	2,065,000	2,765,000	1,015,000	5,845,000
ICT Development Fund	50,000	50,000	50,000	150,000
Borrowing/Leasing	4,317,597	2,110,631	5,171,262	11,599,491
TOTAL	12,425,103	5,425,631	6,736,262	24,586,997

Appendix 5 – Key Council Achievements in 2019/20

KEY ACHIEVEMENTS IN 2019/20

Britain in Bloom

Newcastle-under-Lyme has achieved its 18th consecutive gold award in the regional Heart of England in Bloom campaign, as well as the judges' discretionary award in the Environmental category for Silverdale Country Park and a merit award for one of our local volunteers. Business sponsorship of the campaign achieved cash income of over £60,000 with further "in kind" contributions to a value of over £10,000. Phase 5 of the Public Art programme, a "snowdrops" sculpture, was installed at Northwood Lane Roundabout. A total of 6 of the Borough's strategic parks and cemeteries achieved Green Flag status this year.

Bereavement Services

The Council's Bereavement Services achieved Gold Standard again in the Charter for the Bereaved and held an annual stakeholder meeting with local Funeral Directors, Memorial Masons and Clergy to discuss future service improvements. A memorial afternoon was held at Keele Cemetery in December for families to remember loved ones.

Environmental Action

The Council delivered a programme of environmental education and enforcement activities, engaging with 25 schools, and facilitated over 1000 hours of community volunteering activity in local parks, open spaces and neighbourhoods. Successful enforcement action has been delivered in relation to unauthorised traveller encampments and abandoned vehicles. The number of vacant allotment plots has reduced and income from this has increased. Birchenwood Playing Fields and pavilion have been leased to a local community sports club. Capital programme improvement and equipment replacement projects have been successfully delivered in relation to the Council's playground stock, and the SUNRISE partnership project has improved biodiversity at Thistleberry Parkway, Lyme Valley Parkway and Pool Dam Local Nature Reserve.

Streetscene

As well as delivering the daily Borough-wide street cleansing and grounds maintenance work, the Streetscene team has worked in partnership with the Probation Service Community Payback team to deliver a programme of litter and graffiti clearance, painting of railings, play equipment and planters, and vegetation management at various sites across the Borough. Deterrent measures to protect against unauthorised traveller encampments have been installed at a number of locations and the Council's footpath and railing stock has been repaired at key sites. A contract has been let to progress the large volume of tree work which has been identified as part of the Council's ongoing tree inspection programme, and a Mobile Elevated Work Platform has been purchased to assist in making this work safer and more efficient.

New Garden Waste Service

Introduced chargeable garden waste service to residents with gardens within the Borough. New service commenced in January 2019, and provides residents with a fortnightly collection service for garden waste for a full twelve months, at the cost of £36 for the year. Nearly 50% of residents signed up for the scheme. The quality of material collected is excellent, and subscriptions have filled a budget hole created by the removal of external funding which helped provide this service in the past.

Our Digital Council

The introduction of a customer portal and self-service tools for a basket of council services will be a major step forward in the digital delivery of services for residents in Newcastle-under-Lyme. Digital technologies have the potential to improve the way the majority of council customers interact with local authority services whilst at the same time generating significant efficiency savings. Over the

next 12 months we will further embrace the digital delivery of other services of the Council to enhance the local services offered, a significant dedicated resource has been committed in order to progress this even further.

Added to this, officers in the Recycling and Waste service are delivering major successes in a drive to get the most out of the Bartec waste management system. The technology is used by more than 60 councils in the UK for scheduling all types of waste collection, monitoring performance and continuous service improvement. Bartec helps teams out on the road to record key service data such as missed bins, contamination, presentation rates and so on.

The Council's website

The Council's website retained its Plain English Crystal Mark – a key factor of this award is accessibility, and supports work to ensure compliance and accessibility requirements as stated in the 2018 regulations for Public Sector websites by 23 September 2020.

Leisure

A new Playing Pitch Strategy produced to support the Joint Local Plan work. Delivery of the strategy, will drive external investment in outdoor sport activities. In partnership with the BID, the Ride Staffs Cycle Race was brought to Newcastle Borough.

Jubilee 2

The Council has made good progress towards addressing long term issues through the appointment of Alliance Leisure to support marketing development and Strategy Solutions to sell advertising space at Jubilee 2 to boost membership and increase income generation.

Cultural developments

A Heritage Lottery Bid to provide funding for the extension to the Brampton Museum was submitted, and is planned to commence in April 2020.

Guildhall

The Council continues to work with Support Staffordshire and a range of partners to ensure that valuable community support can be provided from community and voluntary sector groups based at the Guildhall. A wide range of organisations such as Staffordshire Adult Autistic Society, Shaw Trust-Work and Health Programme and Moneyline are providing their services for the people of the Borough. Friends of the Guildhall Group are providing cover for the reception area.

Supporting Retailers and Local Businesses

Working with partners, the Council continues to support retailers and local business to remain and prosper in the town centres. The annual Business Boost competition, which provides business support and cash prizes is open to Newcastle based businesses some of which are based in our town centres. Working with Newcastle Business Improvement District and Appetite Creative People and Places Programme, we continue to celebrate our local cultural heritage by promoting events which encourage visitors, support local businesses and raise the profile of our towns.

Partnership Working and Support

Co-ordination of a range of partnership activity (including a launch of the town centre Public Space Protection Order) to address Anti-Social Behaviour and Begging in the town centre undertaken, and is ongoing. There has also been a review of the town centre CCTV and creation of a joint framework with SOTCC for a new improved service for 2020 and beyond and worked with Newcastle Bid and gained success with the Purple Flag Accreditation.

Delivery of the Daily Vulnerability Hub continues, as does the MARAC pilot, which co-ordinates the response to vulnerable victims of domestic abuse. Several services to deliver support to vulnerable people were commissioned this year:-Safe Recovery, Financial Inclusion and Children and Young.

In the community, assistance given to community groups to achieve external funding and support for the development of Newcastle Dementia Friendly project. The Council has signed up to the Support Staffordshire VCSE Pledge and celebrated our first £2,000 Lyme Lottery winner.

HR Developments

The HR team has undergone restructure and provided a new shared service for Payroll with Stoke City Council. The team have also worked to reorganise Customer Services, Revenues & Benefits and Customer Services. A new Attendance Policy including Guidance and Toolkit documentation provided for staff and training undertaken in December. In addition, Customer Service, Revenues & Benefits & Customer Service have undergone reorganisation.

FUTURE PLANS 2020/21

New Recycling Service

We will be introducing our new recycling and separate food waste collection service to all residents, with a vastly simpler system to use for residents, collecting a greater range of plastics, and utilising wheelie bins for glass cans and plastic, with a strong bag for paper and card. Collections from residents will be made on a fortnightly basis, and will lead to less litter from collections, and more efficient and effective operations. Plans are also in place to introduce a commercial waste recycling service to business within the Borough of Newcastle under Lyme.

Keele University Growth Corridor

The Council continues to have aspirational plans for the long-term expansion of the area to the west of Newcastle as a result of a significant planning exercise by the Council and its partners, focussing on the former golf course at Keele, parts of Silverdale and land adjacent to Keele University. The Keele University Growth Corridor responds to the borough's housing needs and ambitious plans set out in the Keele Deal which identifies opportunities for significant investment at the university and includes the provision for new housing on the former golf course, a new primary school and a small convenience store. An important feature will be the creation of attractive walking routes within the campus and residential parts of the scheme. Land has also been set aside to help the university meet its sustainability aims with renewable energy provision on the campus.

Regeneration of the Newcastle and Kidsgrove Town Centres

The Council has been successful in the first stage of the Future High Streets Fund and is looking forward to developing exciting new plans for the redevelopment of the Ryecroft site as a key site in Newcastle Town Centre. Working with partners the Council will be developing a Business Case for the next stage of the Future High Street Fund.

Newcastle and Kidsgrove towns have both been selected to bid for Town Deal status, two new Town Deal Boards are being developed and working with a wide range of stakeholders including local businesses the Town Boards will be seeking to develop Investment Plans to ensure long term sustainable development takes place.

Re-opening of the Kidsgrove Sports Centre

The Council is working to improve access to sports and leisure facilities for residents in Kidsgrove and surrounding areas as part of a community led initiative to refurbish and re-open the Kidsgrove Sport Centre. A key focus in the coming year will be building on the considerable preparatory work already completed to effect the transfer of the sports centre from the County Council and bring our ambitious plans to fruition.

Britain in Bloom

Newcastle-under-Lyme will be celebrating its 30th year of participation in the regional Heart of England in Bloom campaign. To mark this milestone, a 10 year programme of projects and events will be launched based around 3 themes of public art, parks and youth engagement. 2020 will see Phase 6 of the public art programme being installed on Gallowstree Lane Roundabout, the

Borough hosting the regional Heart of England in Bloom awards ceremony at Keele Hall and a refurbishment of the landscaping in the Bearpit (Grosvenor Roundabout) as well as many other community projects.7 of the Borough's strategic parks and cemeteries will apply for Green Flag status this year.

Bereavement Services

The Council's Bereavement Services will seek to achieve Gold Standard again in the Charter for the Bereaved and hold 2 stakeholder meetings with local Funeral Directors, Memorial Masons and Clergy to discuss future service improvements. The Council will launch an affordable "Resident Funeral" offer in partnership with local Funeral Directors and explore the potential for a greater choice of memorialisation options in the grounds of Bradwell Crematorium.

Environmental Action

The Council will deliver a programme of environmental education and enforcement activities, engage with schools, and facilitate over 1000 hours of community volunteering activity in local parks, open spaces and neighbourhoods. Successful enforcement action will be delivered in relation to unauthorised traveller encampments and abandoned vehicles. The number of vacant allotment plots will be further reduced through proactive letting. Capital programme improvement and equipment replacement projects will be successfully delivered in relation to the Council's playground stock, and Section 106 agreement funding will be used to improve a range of facilities in line with the aims of the Open Space Strategy.

Streetscene

As well as delivering the daily Borough-wide street cleansing and grounds maintenance work, the Streetscene team will continue to work in partnership with the Probation Service Community Payback team to deliver a programme of litter and graffiti clearance, painting of railings, play equipment and planters, and vegetation management at various sites across the Borough. The Council's footpath and railing stock will be repaired at key sites. A contract to progress the large volume of tree work which has been identified as part of the Council's ongoing tree inspection programme will continue, and monthly clearances of identified "grotspot" areas will take place.

ICT Delivery

The ICT team will play a crucial role in supporting the Council's Digital ambitions from both the external customer perspective and for internal users. The technology and solutions that ICT deliver over the next 12 months will pave the way to fundamentally alter how services are delivered; allowing staff to be more productive and deliver better outcomes for the residents, visitors and businesses within Newcastle under Lyme.

HR Developments

Next year, the team will work on Organisational Development for the Council and implement Career Pathways for all posts within the Council. Also, corporate training on Managing Mental Health in the Workplace is planned for delivery.

Appendix 6 – Flexible Use of Capital Receipts Strategy



Introduction

In the Spending Review 2015, the Chancellor of the Exchequer announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects.

Power under which the guidance is issued

1. The Local Government Act 2003 ('the Act'), section 15(1) requires a local authority '... to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify ...'.
2. Two codes of practice issued by the *Chartered Institute of Public Finance and Accountancy (CIPFA)* contain guidance on capital receipts and local authority accounting that complement the DCLG guidance. These publications are:
 - *The Prudential Code for Capital Finance in Local Authorities*
 - *The Code of Practice on Local Authority Accounting*
3. Local authorities are required to have regard to the current edition of *Treasury Management in Public Services: Code of Practice and Sectoral Guidance Notes* by regulation 2 of the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146]* and to the *Local Authority Accounting Code* as proper practices for preparing accounts under section 21(2) of the Act.

Application

4. This guidance applies with effect from 1 April 2016 to 31 March 2022 – i.e. to the financial year 2016-17 and for each subsequent financial year to which the flexible use of capital receipts direction applies.
5. The Council cannot borrow to finance the revenue costs of service reform and can only use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered.

The Council may not use its existing stock of capital receipts to finance the revenue costs of reform.

Qualifying expenditure

6. The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to the authority.
7. A list of types of project that would qualify for the flexible use of capital receipts is shown below. This list is not meant to be prescriptive or exhaustive and individual authorities who have projects that will generate ongoing savings that are not included in the list provided in the guidance can apply the flexibility to fund those projects.

Accountability and transparency

8. The Council is required to prepare a strategy that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full Council or the equivalent. This strategy can be included as part of the annual budget documentation and approved by full Council or the equivalent at the same time as the annual budget.

Qualifying expenditure

Types of qualifying expenditure

9. Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years.
10. Set up and implementation costs of any new processes or arrangements can be counted as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

Examples of qualifying expenditure

11. There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:
 - Sharing back-office and administrative services with one or more other council or public sector bodies
 - Investment in service reform feasibility work, e.g. setting up pilot schemes
 - Collaboration between local authorities and central government departments to free up land for economic use
 - Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation
 - Sharing Chief-Executives, management teams or staffing structures
 - Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible
 - Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations
 - Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training
 - Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others)
 - Integrating public facing services across two or more public sector bodies (for example children's social care, trading standards) to generate savings or to transform service delivery.

Accountability and transparency

Preparation

12. For each financial year, the Council should ensure it prepares at least one Capital Strategy (“the Strategy”)

Content

13. As a minimum, the Strategy should list each project that plans to make use of the capital receipts flexibility, that it details the split of up front funding for each project between capital receipts and other sources, and that on a project by project basis, a cost benefit analysis is included to highlight the expected savings. The Strategy should report the impact on the Councils Prudential Indicators for the forthcoming year and subsequent years.
14. From the 2017-18 Strategy and in each future year, the Strategy should contain details on projects approved in previous years, including a commentary on whether the planned savings or service transformation have been/are being realised in line with the initial cost/benefit analysis.
15. The Strategy may also include any other matters considered to be relevant.

Approval

16. The Strategy should be approved by the full council.

Timing

17. For any financial year an efficiency Strategy (“the initial Strategy”) should be prepared and approved before the start of the year.

2020/21 Strategy

The Council intends to use capital receipts received in 2020/21 to finance qualifying expenditure up to £400,000 in accordance with the Guidance. The projects which will be financed in this way are shown in the table below.

Project	Expenditure	Expected Savings
	£'000	£'000
Digital Delivery Project	100	150
Recycling and Environmental Action	200	TBC
Financial Sustainability	100	100
Total	400	400

The individual projects selected within these categories will be financed entirely from in year capital receipts

2019/20 and Previous Years' Flexible use of Capital Receipts

The Council financed qualifying expenditure in 2017/18 and 2018/19 in accordance with the Guidance, and further intends to finance such expenditure in 2019/20, as shown in the table below.

Project	Actual Expenditure	Actual Savings
	£'000	£'000
2017/18		
Castle House Project - Redundancy Costs	80	80
2018/19		
Digital Delivery Project	66	100
Chargeable Garden Waste Preparatory Costs	233	371
Waste Recycling Service	142	150
Building Efficiency Works Expenditure	59	50
2019/20		
Digital Delivery Project	100	150
New Recycling Service - Preparatory Costs	120	TBC
Chargeable Garden Waste Preparatory Costs	40	TBC
Building Efficiency Works Expenditure	40	40
Building for the Future	100	217
Restructuring	100	250
Total	1,000	TBC

All of these projects are in the process of being completed. The total savings for these projects cannot be totally quantified until their completion, monitoring of these will continue to be provided to Cabinet on a quarterly basis. Savings shown as TBC will be updated prior to approval of strategy at February Council.



2020/21 Budget Consultation report

Headline findings

- 366 responses – three times last year’s responses
 - 98 per cent were residents from the borough
- Five council services by far seen as most important
 - Town centre regeneration
 - Refuse collection
 - Parks, playgrounds and open spaces
 - Recycling facilities
 - Street cleaning
- Non-statutory services that respondents want to be protected:
 - Town centre regeneration **by far** the most important, followed by:
 - Outdoor markets
 - Outdoor leisure facilities
- 65 per cent want to protect services even if it means an increase in Council Tax
- Oldest and youngest age groups were under-represented
- Responses from 20 wards
 - Disproportionately high response rate from Audley
 - No responses from Keele.

Background

This survey was available online since 7 November via an online form on the Council's Have Your Say web page, and was publicised by the Communications Team on Facebook and Twitter. There were **366** responses – a huge increase on the 124 for last year's survey - but not all respondents answered every question.

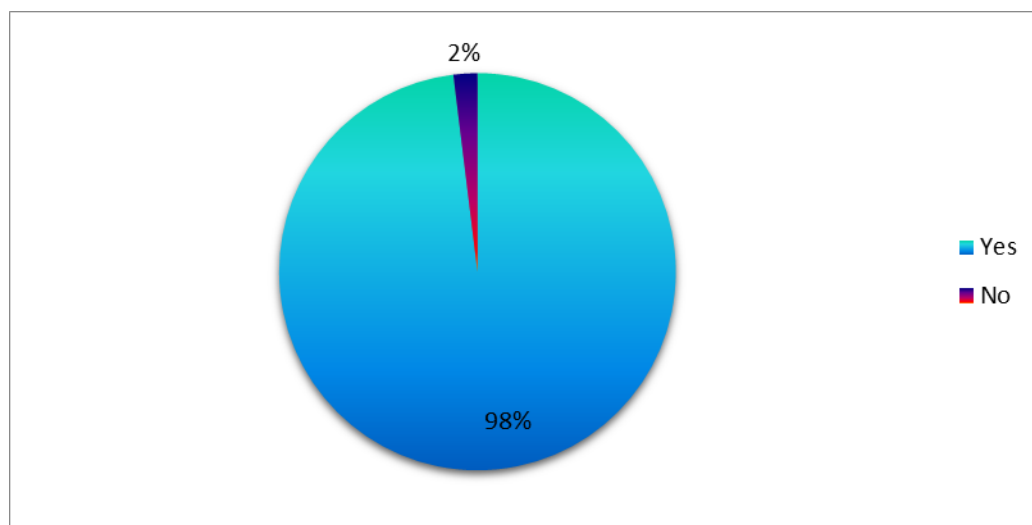
At three different places on the survey, respondents were made aware of the services that were not the responsibility of the Borough Council, but several respondents still recommended that we protected such services from funding cuts.

Analysis of data

Q1) Are you a resident of the borough of Newcastle-under-Lyme?

Not everyone answered this question, but, of the 362 who did, 98 per cent of them said that they were a resident. Only six respondents (two per cent) said that they were not.

Figure 1: Q1) Are you a resident of the borough of Newcastle-under-Lyme? 362 respondents



Q2) What is the single most important thing the Council could do differently to improve the quality of life for your local community?

This was a purely open question – an open text box was provided for respondents to answer, purely unprompted, with no suggested answers to choose from. There was a note on the survey explaining the services that were not the responsibility of the Council, yet there were several mentions of schools, pot holes and police, as the below shows - there were some key themes that were submitted and the following were mentioned by more than five respondents:

- | | |
|--|--------------|
| • Improve /regenerate the town centres / more shops: | 48 responses |
| • Street/paths cleaning of litter | 29 |
| ○ Better leaf clearing from gutters | 10 |
| • Weekly recycling collection with tubs | 26 |
| ○ Free garden waste | 5 |
| ○ Recycle more items | 6 |
| • Whalley's Quarry smell | 22 |
| • Roads/pot holes/road sweeping | 22 |
| • Free car parking in the town centres | 16 |
| • Homelessness (including removing rough sleepers and beggars from Newcastle town centre in particular | 15 |
| • Anti-social behaviour (generally youths) | 12 |
| • Improve Newcastle's market (reduce stall holders rent) | 12 |
| • Reduce Council Tax / spend money more wisely | 11 |
| • More police / open the police station | 10 |

- Improve bus services, in particular to rural areas 10
- Spend money across the borough – not just Newcastle 10
- Enforce parking regulations 6

Figure 2: Word cloud showing key themes from 308 responses



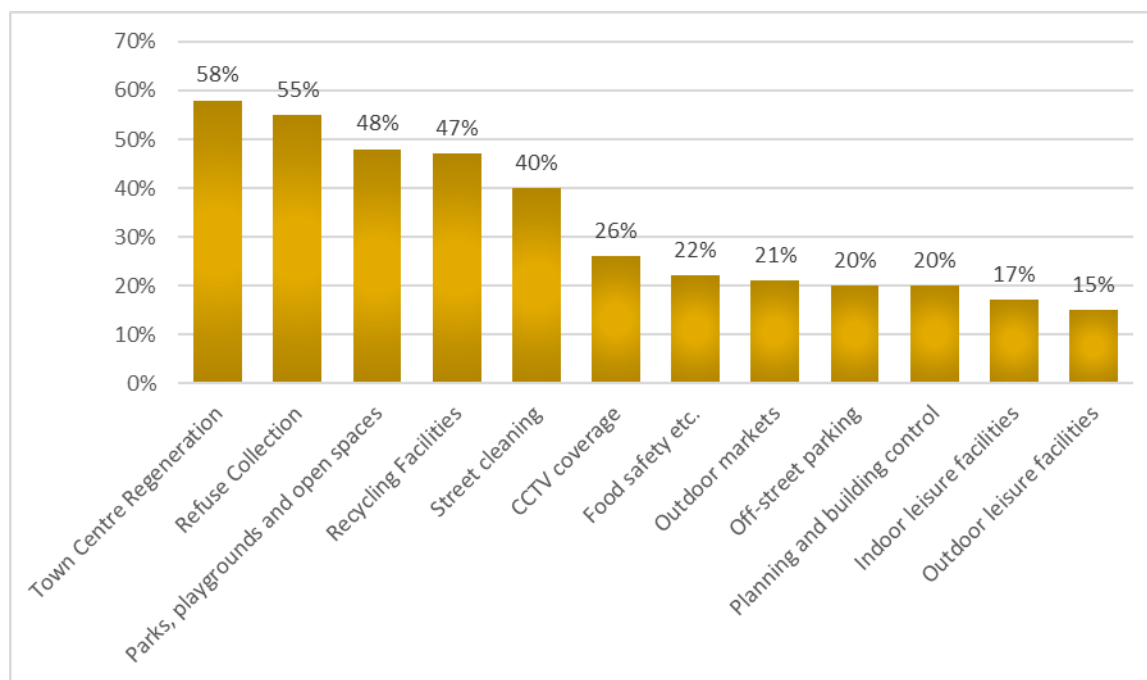
Q3) Which of these Council services are the most important to you?

For this question, respondents were asked to choose up to five services from a list of 12 services. As respondents could choose up to five options, totals will add up to more than 100 per cent.

Five services were, by some distance, more popular than the other choices:

- Town Centre Regeneration (chosen by 58 per cent of respondents)
- Refuse collection, (55 per cent)
- Parks, playgrounds and open spaces (48 per cent)
- Recycling facilities (47 per cent)
- Street cleaning (40 per cent)

Figure 3: Which of these Council services are the most important to you? 360 respondents



If you ticked 'other' then please say which service(s) you think are the most important in the box below, remembering that the Council is not responsible for policing, hospitals, the NHS, social care, roads/highways or schools/academies.

Respondents were given the chance to answer 'other' and then to say which other services they considered important, and 13 gave the following responses which are as submitted – only spelling mistakes have been altered:

- On street free parking for short stay (30-60 min).
- Support to the vulnerable and helping residents feel safe in and around the town.
- You have been collecting police increment , we do not have a recognized police presence , only CPSO, but for over 8 years it been going on , also you are now charging extra for garden rubbish on top of council taxes so you have enough money as you do not offer social care anymore.
- I don't feel that this survey is very user friendly - many will be put off by the layout and language used. You need to reach out to every level in the community, young, old, IT literate or not. A simpler score 1-10 might be simpler.
- Partnerships
- Public Toilets in town centre - especially by the multi storey car park Bus services for wheelchair users and better Sunday service Libraries
- Crossing guards at crossings near to schools
- Car parking charges for council car parks: To encourage people to the centre, stop charging. Even if it was one day a week or something, if you are encouraging regeneration, look at the car parks.
- Stop the charge for emptying the green waste bins.
- The environment and carbon reduction
- Improve Youth Services
- Local social groups to learn new skills & get to know other residents but at weekends & evenings not during the day when most people work
- Transport

- Off street parking is vital with the number of houses being built, we've had 3 cars written off so far
- Address parking for the disabled.
- I didn't even know there was a New Vic theatre in Newcastle!
- The disgusting sickening smell from red industries quarry landfill off Cemetery Road.
- Better management of J2
- Environmental health
- Fewer charity shops and fast food outlets; beggars on the streets
- The STINK

Q4) Out of the following services which the Council is not required by law to provide would you most like to see protected? Please tick up to five boxes.

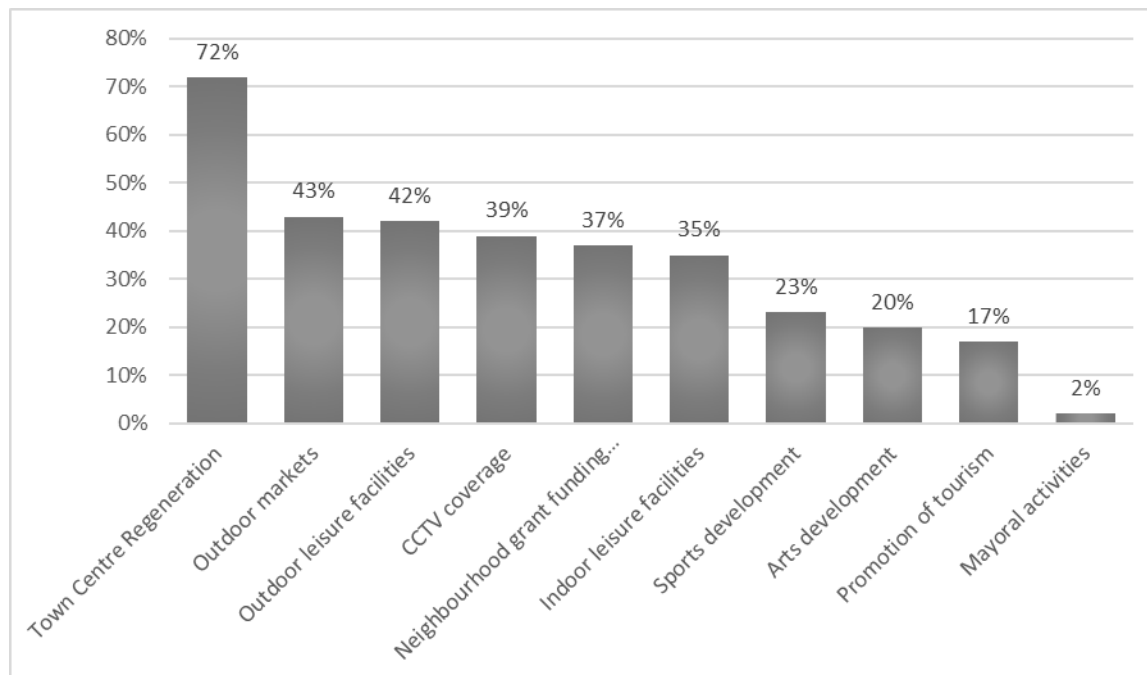
Again, respondents were asked to choose up to five options out of a list of 10 services. There were three services that were significantly more popular than any others, namely:

- Town centre regeneration (72 per cent)
- Outdoor markets (43 per cent)
- Outdoor leisure facilities (42 per cent)

...and four in particular were chosen by relatively few respondents:

- Mayoral activities (2 per cent)
- Promotion of tourism (17 per cent)
- Arts development (20 per cent)
- Sports development (23 per cent)

Figure 4: Out of the following services which the Council is not required by law to provide would you most like to see protected? 360 responses



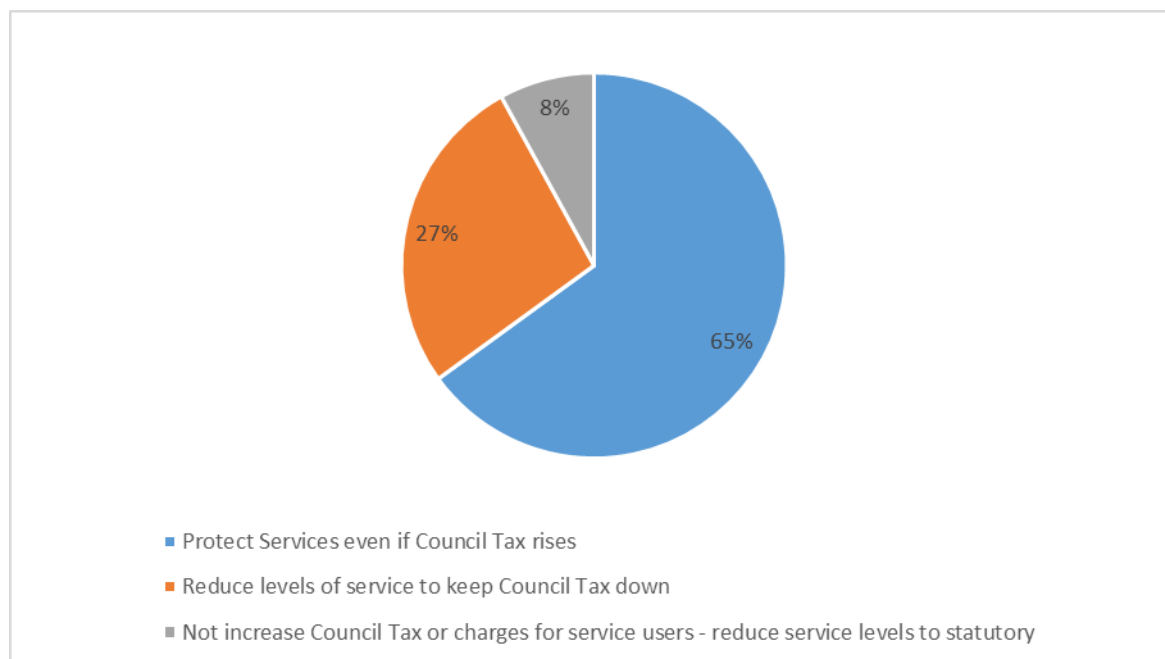
Q5) When making decisions about spending plans for next year and beyond, should we...

Respondents were asked to choose from a set list of three options, and they were chosen as follows:

- *Protect services, even if this means we will need to increase Council Tax and charges to service users because of central funding reductions.* This was by far the most popular option, chosen by almost two-thirds (65 per cent) of all respondents.

- *Reduce levels of service to make sure that Council Tax rises and fee increases for service users are kept to a minimum* was the second most popular choice. A little over one-quarter (27 per cent) of respondents chose this option.
- *To not increase Council Tax or charges for service users, but instead look to reduce service levels towards a core statutory offer - that is, excluding those listed in question 3*, was comparatively unpopular, chosen by 8 per cent.

Figure 5: When making decisions about spending plans for next year and beyond, should we...



Q6) Are there any particular service areas where you feel Newcastle-under-Lyme Borough Council should not reduce its funding?

This was another open comments box where respondents were asked to make suggestions, unprompted. The following themes were mentioned by at least four respondents:

- | | |
|---|--------------|
| • Recycling / refuse collection | 50 responses |
| • Town centre regeneration | 31 |
| • Street cleaning | 24 |
| • Leisure | 16 |
| • Parks | 10 |
| • Arts/Brampton | 7 |
| • CCTV | 5 |
| • Young – but let them choose what they want provided | 5 |
| • Benefit claim processing | 4 |
| • Bus routes to the rural villages | 4 |
| • New Vic Theatre | 4 |

Figure 6: Word cloud showing comments from 202 responses

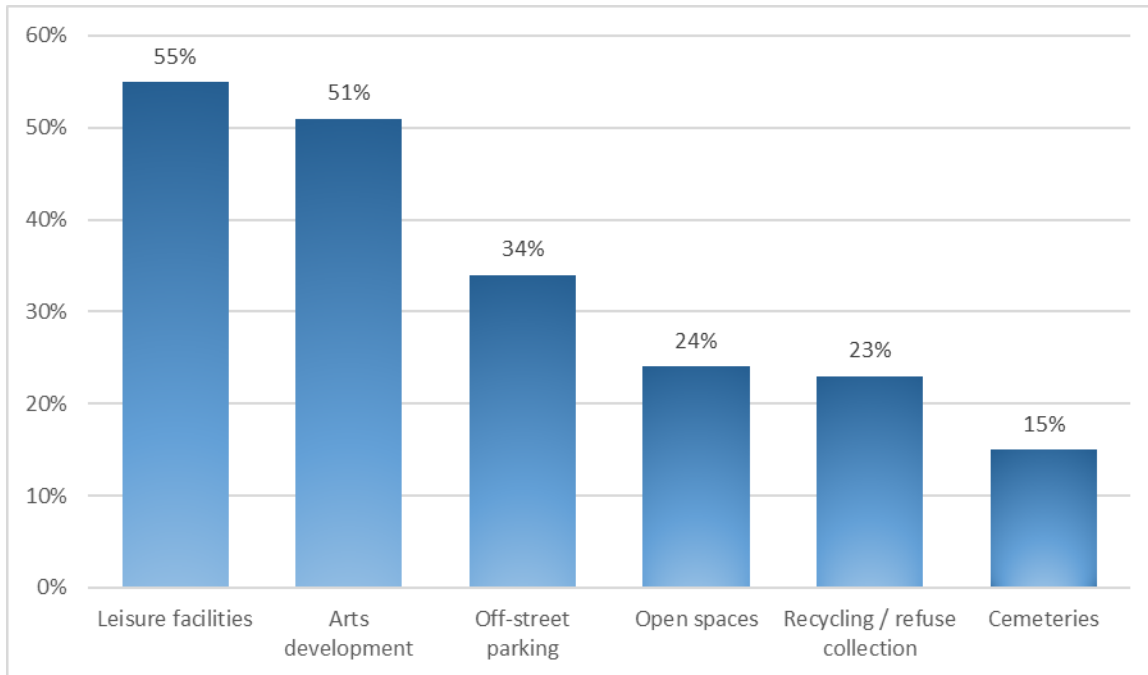


Q7) Which service areas should the Council seek to generate additional income from service users in order to help balance the budget? Please tick as many as you feel are appropriate.

Respondents were asked to choose from a list of six options, and could select as many of these six as they wanted to – explaining why percentages add up to more than 100 per cent.

Like last year, leisure facilities (55 per cent) and arts development (51 per cent) were chosen clearly ahead of the others as the following chart demonstrates.

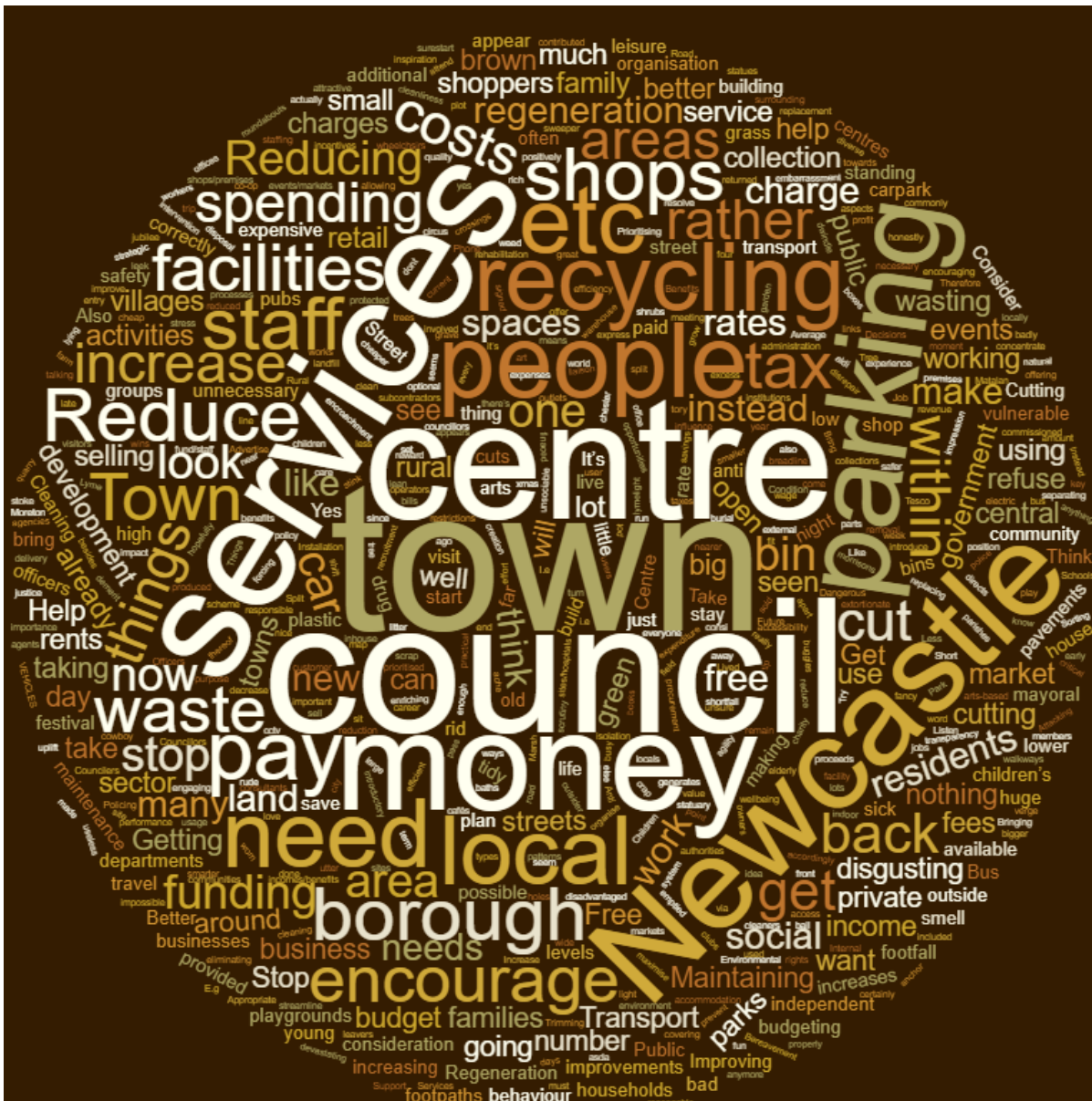
Figure 7: Out of the following services which the Council is not required by law to provide would you most like to see protected? 354 responses



Q8) Is there anything else you think the Council should consider a priority when setting the budget?

Another open comments box invited respondents to make unprompted suggestions. As there were so many comments expressing opinions on a massive range of subjects they have not been analysed in the same way as the previous open questions. However, the following word cloud does give some indication of which subjects were mentioned the most:

Figure 8: Word cloud showing responses from 153 responses



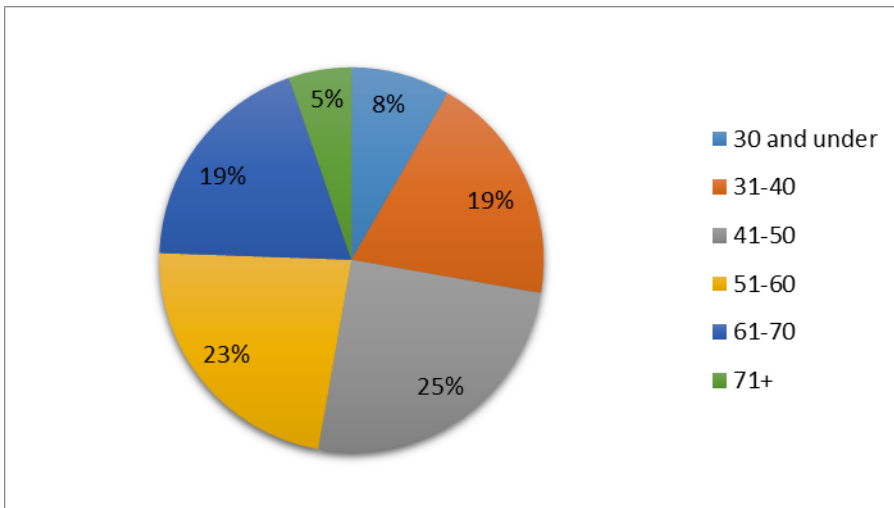
Profile of respondents

Finally, respondents were asked to provide their age and postcode – this enables us to see how representative of the borough the respondents were. The following table shows how many respondents were received by broad age group compared to the population of the borough. As the following table shows, the youngest (up to 30) and the oldest age group (71 plus) were very much under-represented, with those aged 41 to 70 being over-represented. Whereas almost one-quarter (23.7 per cent) of the borough’s adult residents are aged 30 and under, only 8.3 per cent of respondents were from this age group. Conversely, whereas only 15.3 per cent of the borough’s adults are aged 41-50, exactly one-quarter (25 per cent) of respondents were.

Table 1: Age profile of respondents compared to the borough based on 360 responses

Broad age group	Proportion of respondents	Proportion of 18+ residents in the borough
30 and under	8.3%	23.7%
31-40	19.4%	14.0%
41-50	25.0%	15.3%
51-60	22.8%	16.6%
61-70	19.2%	14.0%
71+	5.3%	16.5%

Figure 9: Age profile of respondents -360 responses



Location of respondents

Unfortunately, not all respondents did provide valid postcodes. 333 respondents did put something, but as the below table shows there were several incomplete postcodes. There were submissions from 20 wards (with a massive response from Audley) but none from Keele, as follows:

Table 2: Respondents by ward. 333 respondents

Ward	Respondents
Audley	59
Bradwell	19
Clayton	5
Crackley and Red Street	9
Cross Heath	14
Holditch and Chesterton	10
Keele	0
Kidsgrove and Ravenscliffe	9
Knutton	8
Loggerheads	2
Madeley and Betley	9
Maer and Whitmore	6
May Bank	20
Newchapel and Mow Cop	2
Silverdale	5
Talke and Butt Lane	6
Thistleberry	11
Town	21
Westbury Park and Northwood	18
Westlands	25
Wolstanton	12
Unidentifiable	
Unknown ST4	1
Unknown ST5	32
Unknown ST6	1
Unknown ST7	20
Unknown CW3	2
Unknown TF	1
No postcode provided	34
Outside the borough	4