

Corporate Review Committee

Medium Term Financial Strategy 2018 - 2023

**Final Report of the Medium Term Financial
Strategy Working Group**

Chairman's Foreword

It is a particularly challenging and uncertain time for local government in relation to financial planning and strategy. The Working Group has been sensitive to these circumstances and has, hopefully, attempted to be constructive and understanding in its approach to its investigations.

This year, post-elections, there has been a strong input from a large contingent of the group made up of recently elected Members. This has been helpful in the diversity of the group in that some have been able to ask the 'innocent' questions with no pre-conceived views. In contrast, those with more experience have been able to hone in on service areas that have previously been the subject of budget pressures. The blend of inputs has been productive.

Although social care services account for a significant proportion of the Council spend, for this year the MTFs process has seen a concentration on four 'enablers': Commercialism; Community Capacity Building; Demand Management; and Digital Technology. Therefore, our approach has been to interview those Cabinet Members responsible for each one to assess their preparedness for these enablers to contribute improvements to the MTFs landscape.

Whilst the County Council has some strident financial challenges, it is not singular as an authority with having such concerns. Particularly in speaking with the external auditor, but also with Cabinet Members and Cabinet Support Members, we have sought any experience of best practice from other authorities, where these might assist in suggesting strategies.

The Group is grateful to all the officials who administered the process, particularly Nick Pountney, Carol Bloxham, Tina Gould, Rob Salmon and Rachel Spain. I would like to thank Members for their enthusiasm, pleasant camaraderie and insightful work. It is poignant to note that Robbie Marshall was one of the Working Group at the start of this year's process. He was most welcoming and supportive to me before his untimely death in November and we will miss his cheery and positive nature.

County Councilor Colin Greatorex
Chairman
Medium Term Financial Strategy Working Group
Corporate Review Committee



Conclusions and Recommendations

Conclusions

1. Overall, given the assurances we have had to date, we feel it has been demonstrated that the process of preparing the County Council's Medium Term Financial Strategy (MTFS) 2018 – 2023 and setting the 2018/19 Annual Budget and Council Tax has been thorough and robust. We have accepted assurance from the Leader and his Cabinet that they constantly monitor and review the assumptions made and we can conclude therefore that the proposals meet the principles of a good and balanced budget, subject to our comments, concerns and recommendations, which are set out in this report. We have been assured by the Director of Finance and Resources that the Budget has been brought into balance by the identification of further savings and the Local Government Finance Settlement.
2. The Settlement enables local authorities to raise a higher precept in addition to the increase ring-fenced for social care agreed last year – 6 % over three years (3% on 2018-19 0% in 2019/20).
3. We understand that Cabinet was late in bringing the Budget into balance this year due to late notification of pressures in particular, crisis issues in Children's Services and this is a consequence of changes to in-year monitoring
4. Furthermore the Settlement refers to a review of general local funding arrangements which may result in re-setting the base line. We endorse active lobbying of Government around transition support grant. It now seems likely that business rates retention, expected to have been 100% will now be capped at 75%.
5. Government will address pressures around social care and its future delivery in its Green Paper due in July 2018. We note that the additional 1% precept for social care does not translate equitably around the country.
6. It is important to continually challenge major risk assumptions within the MTFS and we believe that this should be the responsibility of the whole Council.
7. We note the key MTFS risk areas highlighted in the report to Cabinet in December 2017: Strategic Plan and Draft Medium Term Financial Strategy 2018/23 which needs to be managed and that the majority of the risk continues to be around 'Care'. The County Council must continue to transform the way it delivers services to meet the increasing demand for care services, best practice and ensuring value for money and accept that this will continue to result in some tough decisions across the whole council. The County Council must continue to work towards strategic cooperation and engagement with other public bodies to maximise potential of public funds. The County Council has valuable experience of delivering efficiencies and achieving more from less. Barriers to change and entrenched attitudes must be challenged.
8. Proposals in the five year plan from 2018 to 2023 include

- Around £310 million on the care of the elderly, the disabled and looked after children
- An investment programme in highways and infrastructure to support the continued growth of our economy including an additional £5 million to tackle potholes in 2018/19
- A programme of housing development to support growth and investment in the county and with a view to increasing income from council tax
- Bidding to be part of a Staffordshire-wide pilot which Roll out of the Smart Staffordshire programme which will maximise the use of digital technology to benefit residents and businesses

Recommendations

9. We have benefitted from the experience of a former MP in Charlotte Atkins on the Working Group and her insight has been helpful. The County Council must step up the pace of transformation and must keep up the lobbying of Government via local MPs of financial pressures challenging local authorities and engender a closer working relationship with MPs.
10. We recommend that all members of the Cabinet accept corporate responsibility for addressing savings and be able to demonstrate doing so. This should not be restricted to Cabinet Members with social care portfolios.
11. Due to overspend in the current year, it has been necessary to deplete reserves to less than £20 million and we urge Cabinet to develop a credible plan to replenish monies used from reserves during the course of the MTFS.
12. We recommend that the Cabinet Member for Commercial ensures his Cabinet colleagues are regularly briefed where deficiencies in contracts are identified through his live contract performance management reporting and where remedial action is required or where additional resource is needed.
13. We acknowledge that demand management is a key enabler to the MTFS and hope that Cabinet (including their support members) will be mindful of the demand implications of their actions, particularly when making commissioning decisions and where issues are identified, responds promptly. We recommend that future reports to Cabinet should, without exception, include a paragraph explaining how demand management has been addressed.
14. We recommend that the Cabinet Member for Children and Young People challenge the providers of outsourced services to children and families within Children's Centres to identify whether the families who need that support are the ones who are accessing it.
15. We encourage the Cabinet Member for Finance to continue to work closely with the All Party Member Group (APMG) whose focus is Smart Staffordshire's Digital Transformation. We hope that there will be no duplication of time and effort and recommend regular digital updates and a clear steer from the Cabinet Member to the APMG to ensure their work is most productive.

16. We urge Cabinet to work with other partners – particularly in the areas of Health and Housing – to identify shared digital projects which could be delivered for Staffordshire residents. We believe there is scope for work with Health partners around signposting; communication; and education.
17. We concluded that the Community Cabinet Support Members (CCSMs) are not clear about their remit and although they have initiated some good work, they have not added any value over and above what an engaged local councillor would have done. We understand that the Leader intends to review the role of CCSM and we recommend that in doing so he identifies the contribution towards MTFS which CCSMs can make and an expectation upon them to help embed difficult decisions in communities.
18. It is important to maximise digital opportunities to keep pace with technological advancements and we urge Cabinet to enable the digital economy to grow and innovation to flourish as Staffordshire must not lose its IT graduates to other parts of the country. Furthermore, Cabinet must ensure all County Council staff are trained and equipped to embrace the latest technology and to exploit digital opportunities.
19. Savings should be an indirect benefit of smarter working, and we recommend Cabinet to identify specific savings targets relating to Digital as a feature in the MTFS to give this aspect greater clarity and purpose.
20. We feel there is a tension between the digital future and the most vulnerable in communities who may feel increasingly isolated as a result with a danger that social isolation can have unintended consequences which may prove costly to the authority and we recommend that Cabinet address this issue.
21. Internal Audit conduct reviews into areas of perceived enhanced risk and we recommend the Audit and Standards Committee request that a review of budgetary control is undertaken. Given the current forecast overspending in Children's Services the Audit and Standards Committee may wish to examine the arrangements in this service area as part of that review.
22. We recommend Cabinet maintains constructive and open dialogue with partner organisations to influence decisions which impact on services for which the Council is responsible and work proactively with the LEP to drive inward investment.

Scope

23. The County Council's five-year MTFS provides the financial framework for the delivery of the Council's Strategic Plan. The MTFS Working Group of the Corporate Review Committee is responsible for providing challenge during the development of the Council's MTFS and the annual budget and council tax setting process. The work of scrutiny helps to ensure that the Cabinet develops a good and balanced budget. This year the working group has asked searching questions around innovation, transformation, efficiencies and aspirations.
24. We strongly believe all Members have a corporate responsibility to manage expectations and towards delivering the MTFS. Although social care services account for the majority of the Council spend, still only a small percentage of the population actually receive a social care service.

25. The use of capital receipts continue to be integral to the MTFs, where the proposed spend is transformational in nature. We continue to share our concern however and feel that the pace of change in the County Council continues to be too slow. Members feel they have a role in raising awareness of the increasing financial pressures which challenge local authorities and of the importance of continually lobbying Government directly or via local MPs.
26. The budget is aligned with service delivery plans. The current MTFs is informed by a focus on four 'enablers': Commercialism; Community Capacity Building; Demand Management and Digital designed to guide commissioning priorities. Members felt that MTFs scrutiny in 2017-18 should align itself with these priorities whilst maintaining a focus on financial aspects. This represents a departure from previous years when the working group's focus had been exclusively around health and care portfolios as the areas of greatest risk to the MTFs.
27. Ongoing budget monitoring demonstrates that the gap is widening across the next five years in line with the prediction and the Council will need to find £37m of savings by 2021.
28. The Working Group have tried to exert influence early on in the MTFs process by interviewing those Cabinet Members responsible for the enablers to help shape MTFs, offer a reality check and balance and temper unaffordable aspirations.
29. A good and balanced budget is one where:
 - It has a medium term focus, supporting the Leading for a Connected Staffordshire Business Plan.
 - Resources are focused on Vision for Connected Staffordshire and priority outcomes.
 - It is not driven by short term fixes.
 - It demonstrates how the County Council has listened to consultation with local people, staff and our partners.
 - It is transparent and well scrutinised.
 - It is integrated with the capital programme.
 - It maintains financial stability.
 - Income equals expenditure.
 - Savings targets and investment proposals are credible and achievable.
 - Key assumptions are "stress tested".
30. In assessing whether the budget is good and balanced the Committee had reference to:
 - financial strategy in the wider planning context;
 - how the budget is constructed and decisions made;
 - what criteria, information and consultation shape the budget;

Method of Investigation

31. We have aligned our work to these priorities whilst maintaining our focus on the financial aspects. We decided to conduct eight interviews:

- Mr Philip Atkins, Leader of the Council with responsibility for the Enabler: Public Sector Reform.
- Mrs Gill Heath, Cabinet Member for Communities with responsibility for the Enabler: People helping People.
- Mr Mark Deaville, Cabinet Member for Commercial with responsibility for the Enabler: Commercialism
- Mr Mark Sutton, Cabinet Member for Children and Young People with responsibility for the Enabler: Demand Management
- Mr Mike Sutherland, Cabinet Member for Finance with responsibility for the Enabler: Digital
- Community Cabinet Support Members (Phil Hewitt, Bernard Peters, Natasha Pullen, Trevor Johnson, Victoria Wilson, Jeremy Pert, Jeremy Oates).
- Mr Mark Surridge, Ernst and Young LLP, External Auditors to the County Council interviewed in respect of Value for Money judgements and risk to MTFS
- Mr Philip Atkins, Leader of the Council interviewed in respect of MTFS.

Budget Interviews

Date of Interview	Interviewee/s
12 October 2017	Philip Atkins, Leader of Council
18 October 2017	Gill Heath, Cabinet Member for Communities
30 October 2017	Mark Deaville, Cabinet Member for Commercialism
2 November 2017	Mark Sutton, Cabinet Member for Children and Young People
21 November 2017	Community Cabinet Support Members
30 November 2017	Mike Sutherland, Cabinet Member for Finance
6 December 2017	Mark Surridge, Ernst and Young LLP, External Auditors
4 January 2018	Philip Atkins, Leader of the Council

Membership

32. The membership of the MTFS Working Group is:

County Councillor Colin Greatorex (Chairman)
County Councillor Johnny McMahon
County Councillor John Francis
County Councillor Jonathan Price
County Councillor Sue Woodward
County Councillor Charlotte Atkins
County Councillor David Williams
County Councillor Robbie Marshall (to October 2017)

Findings

General

33. The County Council has been unsuccessful in its submission to Government of a bid to participate in a Business Rates Pilot in 2018/19 which if successful would have enabled the Council to keep 59 % of all business rates instead of 9 %. Whilst this is disappointing, the Council will hopefully apply to be part of the scheme in the following year.
34. We believe that any approach to identifying savings should be corporate. We questioned Cabinet Members in terms of their preparedness for Brexit; for non-delivery of BCF or any other circumstance which may impact negatively or indeed present opportunity for the MTFs. We have been assured that Cabinet are mindful of these issues and ready to take decisive action.

The Leader's Vision

35. The Leader shares our commitment to work with local MPs to lobby Government around funding pressures on local authorities compounded by demographic pressures. The Council had taken a decision last year to include a 3% Adult Social Care precept which would be proposed again this year.
36. In terms of accelerating capital receipts, the Leader told us that the Council is ahead of schedule and there is a possibility that they will achieve more than anticipated. He did not believe that more resources were required to facilitate delivery of these projects.
37. As the Council becomes more reliant on revenue generated from business rates, the Council will work towards improving strategic infrastructure in order to support local planning authorities to deliver developments at the right times and in the right places.
38. The Leader has told us that the County Council should keep between £18 – 21 million in reserves but due to overspend in the current year, it has been necessary to deplete reserves to less than £20 million. We urge Cabinet to develop a credible plan to replenish monies used from reserves during the course of the MTFs.

Building Communities: People helping People

39. Mindful of the need to find considerable savings, the Cabinet Member for Communities, with responsibility for the People helping People' enabler, told us that the only way for some services to continue was for communities to be empowered

to carry them out. The Community Library Project had shown how successful this model could be.

40. We cautioned against overly optimistic expectations around volunteers. The Staffordshire Library Offer will continue into 2018, following consultation, but the programme can only proceed at the speed at which volunteers come forward and are trained. We feel that tougher and more fundamental transformational decisions should have been taken sooner. Being able to gauge the monetary value of volunteering across the county would enable the Council to evaluate the value for money of its contract with S3 (voluntary organisations).
41. We explored with the Cabinet Member for Communities, her options for income generation as significant capital receipts had been generated from selling some part of the county farms estate for development. The farms estate is run efficiently and contributes some £500,000 annually. As a major contributor to Staffordshire's economy, we understand agriculture and the farm estate will be maintained but where there are specific opportunities to maximise land value, these will be considered.

Commercialism

42. The Cabinet Member for Commercial acknowledges that contract management has not previously been consistent but that the Head of Commercial and Property has a good handle on current contracts and now receives live performance management reports on all contracts. The Cabinet Member assured us that the Council has capacity to build and manage contracts in-house and that this is the future direction of the Council.
43. We agree with the Cabinet Member that the County Council must be shrewd in drawing up contracts and learn from previous experience. We are satisfied that robust challenge is being applied by Select Committees around service delivery and that some contracts are performing better than others.
44. In terms of ongoing contract management, the Cabinet Member assures us that the County Council has capacity to continue with on-going monitoring. The deep dive into existing contracts continues and if additional resource is needed in this respect, we understand it will be made available.
45. We recommend that the Cabinet Member ensure his Cabinet colleagues are regularly briefed where deficiencies in contracts are identified and where remedial action is required or where additional resource is needed.
46. In terms of property management and obtaining best use of the Councils assets, the Cabinet Member has told us that he would balance the need to maximise an assets value with local community need and he would use intelligence from local Members to communicate local need.
47. In terms of Entrust, the Cabinet Member believes that culture change is on-going and that there are signs the new service delivery model is starting to work. The move towards academisation presents challenges but also opportunities but Entrust must be competitive.

48. Fundamental changes to in-house transport have been subject to consultation. It is not possible to continue to fund the service as in the past and any options to be implemented will need to be radical and innovative. There is a need to work more closely with parishes and voluntary groups in a creative way to ensure individuals and communities are not left isolated. In SEN transport there is potential for significant savings if the Cabinet Member takes a strategic approach and builds good relationships with voluntary groups and local Councils. We agree with the Cabinet Member that the Council does not have time for a lengthy transformation process.
49. We believe there is scope for procurement capacity if the Council works proactively in partnership with District and Borough Councils to benefit the wider Staffordshire economy. An example was given of a Co-operative Councils model, which is working well in Preston.
50. Additional funds have been used to support the Amey contract in order to address a backlog of roads maintenance. Feedback from the public around the quality of work provided by these six sub-contractors is very good. The Cabinet Member is optimistic that progress is being made and rigorous performance measures are being implemented.

Demand Management

51. The Cabinet Member for Children and Young People told us that Children Services Transformation is a thorough and significant project and has been subject to robust scrutiny at the Safe and Strong Select Committee. Changes had been due to be implemented from April 2018 but due to postponed staff consultations, there will be some delay. We cautioned that from a financial perspective, the service cannot afford delay. We understand the approach will be District-based with funds pooled for optimum results.
52. Within Children and Families, we think the current structures are archaic and overly bureaucratic. We asked the Cabinet Member how he will strip out bureaucracy to make savings. The Cabinet Member welcomes innovative ideas from District Advisory Boards (DABs). We agree with him that there is variability around the county amongst DABs. The Cabinet Member has assured us that the Cabinet Support Members are involved in local decision making and that they should offer leadership of DABs and be prepared where necessary to take tough decisions.
53. We are assured that the retention of social worker posts in Staffordshire is good. The service has been rated by Ofsted to be 'good' and we share the Cabinet Member's hope that this judgement will not result in social workers being poached by other authorities.
54. In terms of Adult Social Care, the agreement with the Staffordshire and Stoke on Trent Partnership Trust (SSOTP) has changed and their role limited to assessments of need. The Cabinet Member for Health, Care and Wellbeing told us he has an overarching plan to address demand management in the short, medium and longer term. In the first instance, his approach is to reduce failure demand i.e. where processes in place are proved wrong and so inadvertently increase demand. Where the issue is an internal process it is relatively easy to take remedial action and so effect change, for example work around care pathways and with children on

the cusp of care. The medium term planning is about reducing demand by building resilient communities and making use of the voluntary sector to reduce dependence on the County Council. His longer term focus is to address the root causes of demand: i.e. why do children come into care? All three of these remedial actions should be carried out simultaneously.

55. We feel the demand management enabler role is more about being a 'champion' than taking direct action and we hope the Cabinet Member is able to inspire Cabinet colleagues in this regard and that where issues are identified, a prompt response follows. The Cabinet Member agreed that in every matter questions should be asked about the impact of any action on demand. The County Council must be vigilant about commissioning decisions.
56. The Cabinet Member assured us that although numbers of children in care in Staffordshire have risen significantly, managers within that service apply rigorous checks to the process and are confident that only those children who need to be in care are there. The increase in looked after children is due mainly to children staying longer in the care system and thus the age profile of looked after children has changed. Investment in early intervention is known to work – it is important to break the cycle of dependency. The Cabinet Member for Children and Young People agrees that the underlying principle of Children's Transformation is early intervention to reduce costly crisis management.
57. Children's centres can play an important role in prevention. We have cautioned that because the child care element has been outsourced, in some circumstances the need to make a profit may be driving activity. We asked whether child care is being accessed by those families who have the greatest need and we encourage the Cabinet Member to identify who is accessing the centres from their postcodes. It is not always easy to evaluate what value children's centres provide where the focus is delivering outsourced elements. The Cabinet Member for Children and Young People believes vulnerable families in Staffordshire are using the centres but he accepts that the extent may vary from one district to another. He has undertaken to explore this further with providers.
58. The Looked After Children budget is significantly overspent, but the Cabinet Member for Children and Young People is clear that if a child needs to be in care then the County Council will meet its obligations. He continues however, to focus the service on prevention and support for families in crisis to keep children out of care. We know that foster care is ideal and that children who maintain stable placements have far better outcomes than those who are subjected to multiple placements. The harder-to-place children who are arguably the most vulnerable and challenging, tend to be in residential care at significant cost to the authority and there is a significant shortage locally and nationally of these placements with some young people having to be placed at a distance from Staffordshire.
59. We recommend that in future, individual Cabinet reports should, without exception, include a paragraph addressing how demand management has been addressed, and that the Cabinet Member challenges providers of outsourced services to children and families within Children's Centres to identify whether the families who need their support are the ones who are accessing it.

Community Cabinet Support Members

60. We have explored the role of the eight Community Cabinet Support Members (CCSMs) and questioned how their role will add value. We have been told that they are already working in the community, identifying local issues and identifying where support is lacking. We have been told that they are invigorating communities with constructive and innovative ideas.
61. However, the role seems to have developed differently in each District with little consistency in approach and a lack of clarity around the role or guidance from the Leader accepting each District has a different set of priorities and needs. We have cautioned against CCSMs encouraging local initiatives which may in fact incur additional expenditure or raise expectations. Especially as CCSMs have not been asked to contribute specifically towards the Communities' or any other portfolios savings targets, although they are aware of budget pressures. There is a corporate responsibility upon all Members to achieve a balanced MTFS.
62. We have identified some conflict between the role of CCSM and that of the local Member. We feel communication between CCSMs and local members is inadequate or at best patchy and we would advise CCSMs to make better use of the intelligence and experience of local Members to feed into CCSM work. There is a danger that the local Member's role could be diminished.
63. We identified several positives in the achievements of CCSMs – initiatives designed to build resilient communities - and we accept that it is difficult to concisely evaluate their outcomes. However, we concluded that the Leader did not fully explain the CCSM purpose at the outset and consequently they are not clear about their remit and have not added any value over and above what an engaged local councillor would have done. We believe furthermore that local members should be supported to carry out their role effectively and should be made aware of expectations upon them.

Digital

64. In line with his vision, the Cabinet Member for Finance is exploring how digital technology can support every area of the County Councils work so the organisation becomes agile and able to manage demand and achieve better outcomes.
65. We are pleased that he is taking a cautious, measured and methodical approach and will not be seduced by the latest technological trends and that he has the support of LEPs and Staffordshire universities to assist funding. He has looked first at service design and then considered IT to facilitate delivery. He accepts it is a complex area and regularly shares developments with his Cabinet colleagues.
66. His ambition is commendable - for the whole county to be connected and using internet with confidence.
67. We encourage the Cabinet Member to continue to work closely with the All Party Member Group (APMG) whose focus is Smart Staffordshire's Digital Transformation and we understand that each shares progress with the other. We hope that there will be no duplication of time and effort and suggest regular digital

updates and a clear steer from the Cabinet Member to the APMG would ensure their work is most productive.

68. Currently 95% of Staffordshire residents have access to broadband and the Cabinet Member aims to improve on that. We caution that the most vulnerable in society are likely to be the most distant from being IT familiar or able to make best use of it. This sector of society is likely to be the most dependent on services and to redress this imbalance will require some imaginative thinking. We questioned how many of the 95% who have access, actually connect and we would encourage the Cabinet Member to analyse the 'take up' around the county as there are indirect opportunities for demand management.
69. We asked the Cabinet Member how his digital work is influencing demand management in other portfolios and he explained that he analyses any pressures emerging where digital enhancements may help. We hope the whole Council shares the Cabinet Member's aspiration for a fully connected county by 2020 and we would encourage Transformation Support Unit (TSU) to engage in projects to advance technology.
70. At one time, the County Council was leading the field in terms of assistive technology. We urge Cabinet to work with other partners – particularly in Health and Housing – to identify digital projects which could deliver for residents. We believe there is scope for work with Health partners around signposting; communication; and education.
71. We believe 'digital' is a shared responsibility across Cabinet colleagues and we explored how the Cabinet Member is able to influence his colleagues. We understand that Cabinet shares a vision of a digitally connected Staffordshire. It is important to maximise opportunities to keep pace with technological advancements and we feel, to enable the digital economy to grow and innovation to flourish, Staffordshire must not lose its IT graduates to other parts of the country.
72. Specific projects and technology in general will need to be adequately funded. We urge Cabinet to ensure all staff are trained and equipped to embrace the latest technology and to be able to exploit digital opportunities.
73. Savings should be an indirect benefit of smarter working, but we feel specific savings targets relating to Digital should be a feature in the MTFs to give greater clarity and purpose.

External Audit

74. The County Council's external auditors, Ernst and Young, explained how they arrive at their conclusions in respect of the County Council's MTFs. Based on their review, they had issued an unqualified opinion concluding that the Council's financial statements gave a true and fair view of the financial position of the Council as at 31 March 2017. Based on their review of the internal control environment and assessment of significant business risks and challenges, in planning their audit, they identified three significant risks to the Value for Money (VfM) conclusion:
 - Resilience of the County Council's MTFs

- That the Council does not have effective arrangements in place to work effectively with the Staffordshire CCGs to deliver strategic priorities through the Better Care Fund; and,
- That the Council does not have adequate arrangements in place to oversee performance and enact change in a timely manner with external providers of adult social care

75. As a result of their work Ernst and Young concluded that the Council have put in place proper arrangements to secure value for money in its use of resources.
76. The Health economy and particularly non-delivery of the BCF was a live issue in 2016-17. External Auditors looked for evidence that the Council was taking appropriate action to mitigate and minimise negative impact. They were satisfied that the Council promptly addressed the issue through the escalation process. Furthermore, whilst there was uncertainty around the BCF and it was unresolved, the Council managed to continue to deliver social care nonetheless. Whilst the County Council continues, despite these issues, to meet its statutory obligations in providing social care, External Audit is satisfied.
77. External Audit looked for evidence of clear decision-making processes and proper and robust arrangements which demonstrate good governance. They credited the MTFS Working Group as being an integral and effective part of the MTFS process. They are aware of the challenges which continue to face local authorities and have concluded that it shows sufficient resilience over the next three years.
78. External Audit are confident that assumptions in the MTFS are reasonable based on current evidence but agree that the impact of pressures can compound and challenge delivery not least, the resilience of the social care market locally and nationally is cause for concern.
79. We are satisfied that Internal Audit conduct reviews into areas of perceived enhanced risk and we recommend the Audit and Standards Committee request that a review of budgetary control is undertaken. Given the current forecast overspending in Children's Services the Audit and Standards Committee may wish to examine the arrangements in this service area as part of that review.
80. We feel the move towards greater reliance on business rates will result in geographical variance around the county, especially north/south. The Council will need to be mindful of activity on inward investment and infrastructure and how it engages with the LEP. The Council must maintain constructive and open dialogue with partner organisations to influence decisions which impact on services for which the Council is responsible and work proactively with the LEP to drive inward investment. We feel it is sometimes difficult for Members to know the extent of engagement with the LEP and would like to see greater transparency.
81. Whilst amalgamations and mergers within the Staffordshire Health Service impact directly on service delivery, External Audit limits their interest to the wider health economy. They want to satisfy themselves that the Council is able to influence decisions that are being taken with providers. Ernst and Young encourage the Council to focus on the interrelationship with partners on the Sustainability and Transformation Plan (STP) – the impact it has on the section 75 agreement and on

the provision of services. We feel the STP is largely invisible to the Council and there is little engagement with politicians: dialogue must be improved.

82. Negotiation around the BCF has been challenging. Pressures on the NHS continue to be significant and these are likely to be exacerbated towards the year end with inevitable increased delays and disputes. The Council must be vigilant around its relationships and agreements with partner organisations and frameworks must be watertight.

MTFS

83. As a County Council, we are ambitious for Staffordshire's future but we are aware of, and realistic about, the challenges ahead. The Council must concentrate its efforts on growing the economy to create better jobs for local people, support the construction of more homes, improve schools and skill levels, improve health and care, prevent ill health and promote healthy lifestyle choices and transform the way we support vulnerable children and families.

84. People must be supported to help themselves, take greater personal responsibility for their own lives, health and wellbeing and greater responsibility for improving their own communities.

85. The Government's flexible use of capital receipts enables revenue expenditure of a transformational nature to be funded from capital receipts. £15 million of receipts was included in the budget for 2017-18 and is included again for 2018-19. This has been extended for a further three years in the Provisional Settlement. This remains an option for the County Council to take but it should be wary of using one-off resources too frequently.

86. The MTFS includes investment in transformation, meeting cost pressures in adult social care and covering financial risks and pressures based on all the iBCF planned expenditure from 2018-19 onwards.

Implications

87. Resources and Value for Money - Consideration of the MTFS, annual budget and Council Tax, inevitably means that this review focused on the allocation of the County Council's resources. Considering the value for money delivered by services was a central theme of the evidence gathering process. Many of our conclusions and recommendations are focused on ensuring that the County Council is achieving value for money.

88. Equalities and Legalities - Determining priorities is central to the MTFS and budget setting process, and we were conscious in our review that this means some services are identified as being a lower priority than others. Any decision to significantly change or reduce a service based on its priority level will need to be taken into account the impact on various groups (equality impact assessment). There are no specific legal implications to the report.

89. Risk - Our conclusions and recommendations draw attention to some of the key risks to the successful delivery of the MTFS. We considered the relationship between risk management and financial management and asked questions about

the main financial risks to the authority and how these might be mitigated during the course of our work.

90. Climate Change - Taking action to reduce the County Council's Carbon Emissions has the potential to have a positive impact on the budget both in terms of avoiding financial penalties from Central Government and in terms of reducing energy costs. This is an issue which the Cabinet must continue to work on.

Acknowledgements

We would like to thank the following officers who supported the Working Group:

Rob Salmon	Deputy Director of Finance
Rachel Spain	Corporate Finance Manager
Nick Pountney	Scrutiny and Support Manager
Tina Gould	Scrutiny and Support Manager
Carol Bloxham	Scrutiny and Support Officer

The Working Group would like to thank the Cabinet Members, Cabinet Support Members and officers who participated in the budget interviews.

County Councillor Colin Greatorex
Chairman of the MTF Working Group
and
Vice Chairman of the Corporate Review Committee
January 2018

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List of Appendices/Background Papers

- Strategic Plan and Medium Term Financial Strategy 2018-2023, Cabinet - December 2017