The Chartered Institute of
Public Finance & Accountancy

Stoke-on-Trent City Council

External Assurance Review

September 2024

A Report by:

The Chartered Institute of Public Finance and Accountancy

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

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1 Executive Summary

1.1 Summary of Findings, Issues, Evidence and Analysis

The review is focussed primarily on providing assurance on the financial position and governance arrangements of Stoke-on-Trent City Council (the council), assessing whether the council has appropriate arrangements for both financial management and governance in place, and reviewing the justification for the council's request for EFS in 2023-24 and 2024-25.

The council's request for Exceptional Financial Support amounting to £42.2 million is shown below:

Area	**2023-24 £m**	**2024-25 £m**	**Total £m**
Social Care Placement Pressure	10.0	14.0	24.0
Investment in Early Intervention	-	3.0	3.0
Interest on Initial Borrowing	-	2.2	2.2
Enabling Investment	3.0	3.0	6.0
Financial Resilience (including redundancy costs)	7.5	2.0	9.5
Sub-Total (original EFS request)	**20.5**	**24.2**	**44.7**
Additional social care funding	-	(2.5)	(2.5)
Total EFS Request	**20.5**	**21.7**	**42.2**

Taking into account the use of £20.5 million EFS in 2023-24, the council's provisional outturn position is an overall deficit of £9.8 million. Spending pressures are predicted to persist for 2024-25, such that the full request of £42.2 million will be needed by the council. Some of this challenge relates to historically low relative funding positions when compared with other councils. The council's recovery plan profile submitted to MHCLG as part of the original discussions on support set out a 5-year recovery period. Further discussions are therefore likely to be required to deal with 2025-26 onwards.

Since the CIPFA review commissioned by the council reported in December 2023, the council has made progress in a number of areas. This report focuses on the improvements since that review. Particular improvements have been made in dealing with pressures in demand-led services, improving financial management arrangements and governance. Specific examples include appointing an independent financial advisor, maintaining a comprehensive dashboard reporting on projects and programmes, creating a new Childrens and Families senior management team with increased family support, a focus on placements and a detailed children's improvement plan.

A revised Medium Term Financial Plan (MTFP)t has been agreed as well as a related financial recovery plan which includes actions to build capacity and capability in key areas. There are fundamental challenges, however, given the low council tax base and low funding position relative to others. There is clarity and focus from the leadership team on the financial position. Capacity, however, remains a real challenge and a further assessment of working practices by the council, particularly in respect of Human Resources, is underway. There is recognition of the need to review meeting structures given demand and capacity challenges. The council has a number of actions and improvement plans which are already underway. Further, the additional workload for staff in implementing the new Enterprise Resource Planning (ERP) system and the changes resulting from the PFI contract expiry should not be underestimated.

Challenges remain in generating significant capital receipts to support the council's financial position due to the lower land and property values relative to others, but progress is being made. The council is in active discussions on a number of more significant opportunities and is still planning to 'fund' capitalisation through the realisation of capital receipts. The council recognises the need to develop a 20-year capital strategy to support this and ensure a sustainable capital programme.

The rollout of the Family Support approach appears to be meeting its objectives through increasing wider access to support including through the family hubs, a downward trend in referrals through early support, and targeted support at an early stage and at the right time. Despite this, there is still a view, which we concur with, that more can be done in changing behaviours of teams in respect of social care placements.

Despite significant savings programmes of almost £270 million over the past 13 years, according to its MTFP, the council will still have budget gaps:

Financial Year	**Savings to be identified £m**
2025-26	17.8
2026-27	21.5
2027-28	20.3
2028-29	14.5

Available General Fund Reserve reserves were around 5% of Net Service Revenue Expenditure as of 1 April 2024. Unearmarked reserves are such that they cannot be used to meet this gap. Hence, a further request for Exceptional Financial Support will be required in 2025-26 to balance the budget.

Spending pressures are currently mostly in Children's Social Care and home to school transport. However, there are developing pressures in homelessness and the MTFP shows that, in response to the local Joint Strategic Needs Assessment (JSNA), the adult services budget is set to increase to £100.9 million by 2028-29. This service budget was increased between 2023-24 and 2024-25 by £7.1 million. There are also continued challenges in respect of the maintenance of housing stock with similar budget pressures now being experienced in the Housing Revenue Account to those experienced in the General Fund. The council will need to consider some politically challenging decisions to ensure it can address the projected overall deficits in future years.

Challenges remain in addressing the pressures in Dedicated Schools Grant spending (DSG) with a projected deficit of £16.5 million by the end of 2024-25.

There are no identified governance or compliance issues in the council and relations between members and officers are good.

1.2 Key Risks and Recommendations

This table provides the improvement plan and roadmap that we recommend the council follows with priority actions indicated by the RAG rating and the recommended timeline included with the recommendations.

Key risk	Risk rating (see details in Annex 1)	Recommendation (including Timeline)
1. The dashboard providing a picture of the transformation efforts across the council does not drive the desired changes.	4	1. All parts of the council need to be held accountable for their commitment to the transformation programme. The council will need to maintain visibility of transformation progress across board.
2. The council does not have the capacity to address the areas for improvement in relation to the Audit and Standards Committee.	3	2. The role of the Audit and Standards Committee is enhanced through a combination of training and awareness events provided through external sources such as the council's external auditors or other recognised training bodies such as the Local Government Association (LGA) and CIPFA.
3. The finance team does not have the capacity to support the council's long term transformation objectives.	6	3. The capacity and capability of the finance team to support transformation is monitored.
4. That significant savings expected from re-procurement exercises planned are delayed or do not deliver as planned.	4	4. The council should ensure its procurement exercises are properly resourced to drive out the significant savings that have been earmarked.
5. The council cannot maintain the improvements it has made in controlling the costs and pressures it is experiencing and the full implications of any decisions or inaction affect the sustainability of reserves.	3	5a. The council should carefully and routinely model the impact of decision-making on the sustainability of reserves.
	3	5b. The council should ensure it maintains its focus on addressing and modelling scenarios key demand led services whilst not ruling out other challenging savings opportunities as part of is budget proposals.
6. Based on current forecasts, the council will not be able to set a balanced budget in future years, and will therefore need Exceptional Financial Support going forward.	6	6a. The council needs to continue to assess its capacity and capability to apply the EFS it is receiving and deliver the necessary recovery actions.
	6	6b. The council's recovery plan should include some clear scenarios, the likelihood of them occurring and their impact on the potential extent of EFS required.

Key risk	Risk rating (see details in Annex 1)	Recommendation (including Timeline)
7. The capital programme, whilst linked to the councils priorities, is ambitious and challenging to deliver.	3	7. The council models the different scenarios and funding considerations associated with different scales of capital programme to ensure it is both affordable and deliverable.
8. There is a risk that the process for unwinding its investments takes longer and costs more. There is also risk of disruption to the services previously provided by the company to the council.	4	8. The council is encouraged to thoroughly explore the options for extracting itself from the non-performing aspects of its commercial ventures in a manner that preserves services.
9. The council is unable to realise its asset disposals in a timely manner to support its plans for financial sustainability due to inherent low land and asset values.	4	9. The council needs to ensure it can realise its planned asset disposals in line with its recovery plan, accepting the limited opportunities available.
10. Changing guidance on MRP impacts the council's MRP Policy Statement.	3	10. The council continues to monitor the changes and developments in capital flexibilities including MRP guidance.
11. The council does not maintain ongoing external financial support and advice now that existing support arrangements have finished.	3	11. The council should consider the value of continued formal financial support and advice as part of its recovery plan and what forum or mechanism could best support that.
12 The ERP system implementation doesn't deliver the intended benefits upon implementation.	3	12. The council should ensure it has the appropriate expertise and corporate commitment to deliver a successful ERP implementation.
13. The council does not sustain the improvements achieved so far and plan for the projections contained within the JSNA.	4	13. The council should ensure a continued focus on behaviours and risk appetite through its continued review of social care practices.

2 Introduction

2.1 Background

Stoke-on-Trent Council is the largest city situated between the West Midlands and Greater Manchester conurbations. It has a population of 258,000 (forecast to reach 265,000 by 2032). The council is a polycentric city comprising the ‘Six Towns’ of Tunstall, Burslem, Stoke, Hanley (City Centre), Fenton and Longton with each town having its own separate identity. The council is the 14th most deprived of 317 local authority areas in England.

In November 2023, the council formally requested Exceptional Financial Support (EFS) from the Department for Levelling Up, Housing and Communities (DLUHC at the time, hereafter renamed and known as Ministry for Housing, Communities and Local Government – MHCLG). The council had previously received a capitalisation direction for 2019-20 to fund revenue expenditure incurred in respect of redundancy costs.

In applying for this EFS, at the council’s request in December 2023, CIPFA undertook a review of the council’s financial resilience to assess how it would perform against such a review that might be required by MHCLG following any approval process.

It was noted that the council had already done a lot of work in this area and had been proactive in commissioning other independent reviews. CIPFA did not wish to duplicate that work and drew on previous reports to understand the issues and to provide a narrative around progress and next steps.

The review focussed on children’s services and social care demand in more detail. Fundamentally, the council was trying to do everything it could to avoid a Section 114 and acting proactively to get itself on a path to financial sustainability.

The approach taken was to gather a small, experienced team to undertake the review, working with the Section 151 Officer and other officers of the council. The team provided constructive challenge, advice and insight as appropriate to produce a report grounded in a practical set of actions.

CIPFA’s review indicated that the council was exposed to the acute end of social care pressures due to their low council-tax base and relatively high level of deprivation. In addition, it found the council’s governance arrangements appeared healthy and that the council had taken multiple opportunities to seek external support or advice, including taking an ‘open book’ approach in relation to oversight of its transformation and improvement work by MHCLG.

This review in December 2023 found that between 2010 and 2020, Early Help provision had been significantly eroded leading to an impact on children’s services, unlike some neighbouring councils that had taken a more proactive approach in building resilience within their systems and processes.

The December 2023 review identified that staff retention and the relative attractiveness of the council as a place to work are key challenges. The council continues to try to promote innovative methods by seeking alternative ways of making its employment offer more compelling, as seen by the recently changed management structure, aiming to retain current staff and attract future candidates.

2.2 Requirement

MHCLG asked CIPFA to undertake the external assurance review on which the EFS is conditional. They invited us to provide an assessment of the council's financial resilience, financial management, governance arrangements, capital programme, debt position, and service delivery, with a view to providing recommendations for improvement.

To provide this assessment, we were asked to look at five key themes:

- *financial management and sustainability:* an assessment of the council's financial management and management of risk to reach a view on the council's overall financial resilience and sustainability

- *capital programme, debt, investments and assets:* an assessment of the council's capital programme / overall debt position including short- and long-term borrowing, and approach to investment / asset management to reach a view on the suitability, VfM and risk exposure of the council in this space, and how this may impact on the overall financial resilience / sustainability of the council

- *governance:* an assessment of the council's approach to overall governance / management processes, leadership, operational culture, capacity and capability to reach a view on whether the council is operating in line with the Nolan Principles and in a way to secure continuous improvement

- *service delivery:* an assessment of the effectiveness of council service delivery reflecting the importance of delivering outcome orientated, citizen focused services to reach a view on the council's ability to deliver services that are economic, efficient and effective, striking the right balance between cost and quality of service

- *improvement plan and roadmap:* in consideration of the findings of the review areas, targeted, tangible and timely recommendations to assist the council in designing and implementing an improvement plan to address the identified risks and issues.

2.3 Methodology

In our approach, we were mindful of the five broad areas for review as set out above and comprised the following elements:

Desktop analysis

MHCLG provided appropriate background. We reviewed the material and made supplementary document requests to the council. The team has analysed key documents together with other records that have been shared by the council as being relevant for the review. A list of documents reviewed is shown in Appendix 2. We also examined relevant comparator material. We would like to record our thanks to officers for their ready compliance with our request for reports and data.

Specialised inputs

Some comparative data analyses were conducted on issues such as revenue spend and indebtedness. These are based on analysis undertaken by CIPFA using published data such as the Revenue Account and Revenue Outturn forms. Service performance data has been extracted from a wider range of sources including: the Office for Local Government (Oflog), the council's own surveys of residents and staff.

Interviews

The bulk of the fieldwork comprised of interviews. These provided the invaluable 'triangulation' of our analysis. Council officers, members, auditors, and other experts were invited to give views and respond to queries provoked by documentary evidence. Council officers at senior and junior levels, members, auditors, and other experts were invited to give views and respond to queries provoked by documentary evidence. We would like to thank everyone involved for their courtesy and constructiveness. A list of interviewees is shown in Appendix 3.

Report drafting, feedback and fact-checking

The above inputs were then analysed and subjected to our professional and expert judgement. The result is this report.

This report was fact checked as far as possible and is based on the fieldwork completed within the time frame for the review. It is not a comprehensive audit of the council's finances or its governance arrangements. Consequently, the conclusions do not constitute an opinion on the status of the council's financial accounts. Our review of the council's Minimum Revenue Provision (MRP) considers the reasonableness of the council's MRP policy and does not constitute an audit of the full application of the policy. Similarly, our review of the council's productivity does not constitute an audit of the council's productivity plan but represents an overview of the arrangements in place to consider productivity and take account of any publicly available information on historic or relevant performance.

CIPFA's review team consisted of an experienced finance consultant and support from other consultants with relevant backgrounds in social care and children's services. All three consultants have had career experience at director level in local government and the wider public sector.

CIPFA would like to take this opportunity to thank the council for being so amenable and open to meeting with the review team and for the considerable effort that has been expended in collating and sharing key documents with CIPFA. We also thank everyone involved for the openness, tact, and honesty in what is a sensitive issue for the council.

Report Structure

The key findings and analysis, together with supporting evidence, are set out under each of the review areas requested (as detailed in the commission). Risks and recommendations are detailed under each of the review areas.

3 Areas Reviewed

3.1 Review Area 1: FINANCIAL MANAGEMENT / SUSTAINABILITY

An assessment of the council's financial management and management of risk to reach a view on the council's overall financial resilience and sustainability.

The council's financial management, governance processes including the effectiveness of the audit and scrutiny committee(s), as well as compliance with Local Government accounting codes and international finance reporting standards.

Key findings and analysis

The council has made good progress in reinforcing its financial management and governance arrangements. There are no significant concerns expressed by the auditors in respect of compliance with local government accounting codes and international financial reporting standards although the audit of accounts has been delayed. The council still has challenges in securing financial resilience and sustainability, but has robust and developing plans in place and focussed financial governance arrangements.

Financial management

The council has continued to develop its financial management arrangements. It has produced a Financial Recovery Plan – which sets actions over an 8 week period in the following six areas:

1. **CORPORATE STRATEGY & IMPROVEMENT PLAN** - Agree approach to delivering corporate strategy, strategic objectives and prioritisation of resource allocation. Develop an Improvement Plan.
2. **MTFS FINANCIAL FORECASTS** - Update and maintain robust financial forecasts which are evidence-based, supported by relevant activity data and include sensitivity analysis/scenario planning. Determine financial gap and savings requirement.
3. **PRODUCTIVITY PLANS/SERVICE REVIEWS** - Agree a coordinated and prioritised approach to a set of specific service reviews, deep dives and zero-base budget exercises across key service areas. Review best practice & benchmarking data.
4. **TRANSFORMATION & INVEST TO SAVE** - Set out parameters and approach to agreeing and targeting transformation and invest to save resource.
5. **CAPITAL STRATEGY & ASSET MANAGEMENT** - Consider and develop long term approach to capital investment and asset management strategy.
6. **CORPORATE GOVERNANCE, CULTURE & ACCOUNTABILITY** - Consider role of corporate governance, culture and accountability. Whole organisational approach to budget savings and financial discipline. Consider financial assurance and controls. Consider approach to Budget Management.

The council has also established a Financial Sustainability Working Group. The aim of the group is to ensure there is continued engagement and transparency between senior officers (Section 151 Officer/ deputy Section 151 Officer/ SMT) and cabinet members on the major aspects of the MTFP and budget setting. This ranges from monitoring expenditure to reviewing major cost proposals. The group plays a crucial role in scrutinising key activities, trajectories and forecasts for demand-led areas such as children's placements. The council was keen to further increase engagement in the assumptions that build up these forecasts and the scenarios and trajectories that underpin them.

Cabinet nominated four key members including the Finance Portfolio Holder to sit on this group. The recent session in August established the Terms of Reference for the group and made specific reference to the areas that the council set out in its Improvement and Productivity Plan, again to ensure they keep the golden thread between the plan and the activity on the ground. The meetings are scheduled every two to three weeks.

Transformation governance

The leadership team continues to demonstrate responsibility for governance through their active involvement in setting and monitoring Stoke-on-Trent's transformation plan with the clear focus on what was identified through the CIPFA work. We reviewed the July 2024 iteration of the transformation and project management monitoring dashboard and report. It presents a traffic light view of the organisation's progress and shows highlights of benefit realisation, risks to delivery, mitigation efforts and further actions planned.

Enterprise Resource Planning (ERP) Implementation

The current financial and HR/Payroll systems are coming to the end of their lives and will be replaced by an ERP (SAP) solution in October 2024. An ERP Board has been established and is chaired by the Section 151 Officer supported by an experienced project delivery team. The council is taking an 'adopt', not 'adapt' approach which will transform finance, payroll and HR and related processes and avoid the need to customise the solution. This is a huge change programme for the council which will consume huge amounts of resources and will require a significant people change programme. The scale of the challenge is not to be under-estimated.

Compliance with the CIPFA Accounting Codes and Standards

The council assess themselves against the financial management code. The accounting policies applied by the council in preparing and presenting its financial statements confirm that the authority complies with the Accounting Code and relevant statutory reporting requirements. The accounting policies also set out how any discretion on accounting policy choices permitted by the Accounting Code have been exercised.

Audit sign-off for the 2019-20 to 2022-23 financial accounts remains outstanding although the 2019-20 audit report has now been issued. This delay is in part due to a whistle-blowing allegation, which has since been internally investigated. Management representation has been issued by the Section 151 Officer and Chairperson of the Audit Committee, addressing the areas of concern expressed by the auditors and approving the statement of accounts. The council's new auditors have also been engaged for subsequent accounting period.

Audit committee effectiveness

The Audit and Standards Committee receive a quarterly internal audit presentation setting out the audit plan and changes to it, completed audits, completed and overdue audit recommendations. Often the service managers with overdue audit actions are required to attend audit committee for accountability. Similarly, the Audit and Standards Committee receives a quarterly update on the strategic risks facing the council and how the council mitigates them.

The Audit and Standards Committee has recently undergone an effectiveness self-review in line with CIPFA's standards on audit committee effectiveness. Key recommendations included appointing an independent member and further ongoing training for members. A job description is now being developed for that role with a view to recruiting an independent member of the audit and standards committee.

Risks

1. The dashboard providing a picture of the transformation efforts across the council does not drive the desired changes.

2. The council does not have the capacity to address the areas for improvement in relation to the Audit and Standards Committee.

Recommendations

1. All parts of the council need to be held accountable for their commitment to the transformation programme. The council will need to maintain visibility of transformation progress across board.

2. The role of the Audit and Standards Committee is enhanced through a combination of training and awareness events provided through external sources such as the council's external auditors or other recognised training bodies such as the LGA and CIPFA.

The capacity and capability of the council to deliver an effective finance function to the council commensurate with the complexity of its particular circumstances, this should include the ability to undertake any transformation activity as required and consider whether officers / members are provided with the right information and training to take necessary financial decisions.

Key findings and analysis

The Childrens and Family Services Directorate (CAFS) team leadership have been strengthened with mix of permanent and interim people, reducing vacancy levels to 15% from about 40% at the last review. New team members are gradually settling in and beginning to provide a reasonable level of financial support across the organisation. For example, senior finance business partners support each directorate during their quarterly reviews. Specialist finance support has also been allocated to the ongoing implementation of the ERP system. Feedback on the finance business partner support is positive.

The recruitment market however remains challenging for recruiting and retaining finance and other specialist professionals. The Internal Audit team adopted a grow your own approach using an internship program which improved retention. Whilst an internship programme may not immediately produce the calibre of finance professionals required for the complexity of the council's current needs, it creates a pipeline of the right skill set that the council needs for a sustainable finance function in the long-term.

There remain challenges to provide the finance resourcing capacity to support all teams and further develop reporting but reports were comprehensive and members were briefed and meet with the Section 151 Officer on a regular basis. They felt they could ask the pertinent questions and get appropriate responses. The Transformation team (PMO) stated that they received appropriate support from the finance function to support business case development and track savings although this is continually reviewed and refined subject to the resources available. Further short term capacity has also been provided in the finance team.

The savings programme is also tracked by the PMO who have developed an 'early warning system' to identify key risks to savings delivery, whilst Finance remain responsible for tracking the delivery of savings. Finance and PMO staff appreciate the need to challenge service areas in identifying achievable savings and as part of the savings identification review process they provide challenge regarding optimism bias.

Business cases are created using a basic template and the Finance team are acute to the need to review savings across the service portfolio so as to avoid double-counting. Savings delivery is reviewed by Finance on a regular basis and people are held accountable through upward challenge involving the Section 151 Officer and the City Director.

Risks

3. The finance team does not have the capacity to support the council's long term transformation objectives.

4. That significant savings expected from re-procurement exercises planned are delayed or do not deliver as planned.

Recommendations

3. The capacity and capability of the finance team to support transformation is monitored.

4. The council should ensure its procurement exercises are properly resourced to drive out the significant savings that have been earmarked.

The council's approach to financial risk management including identification, management and treatment of risk.

Key findings and analysis

The council's strategic risk register identifies the primary financial risk is that the council is unable to deliver its priorities within a balanced budget. The register outlines actions being taken to mitigate the primary financial risk. The council has put in place disciplined processes and procedures for ensuring all expenditure is relevant, appropriate and authorised including:

- the use of the Establishment Board (City Director/ Section 151 Officer) to sign off all recruitment/ non-payroll staff.
- the removal of vacancy budgets no longer required.
- engagement with key officers across a range of fora to maintain responsibility for financial management including:
    - the Capital Projects & Asset Management Board.
    - the Major Projects Board reports to elected members.
    - the Transformation Assurance Group and Transformation Board Officer Group oversee the overall transformation programme and individual projects.
    - the financial Working Group (proposed to involve members early on in prioritising for the 2025/26 budget setting)

The council also maintains some reserves as part of its risk mitigation strategy. As of 31 March 2024, the Council had a total reserve of £152.9 million, up from March 2023 levels of £142.7 million. Over half of the council's reserves are ringfenced to the HRA, public health & schools, or otherwise earmarked to capital expenditure. The council has also proactively identified financial risk in aspects of its General Fund commitments and set aside reserves to address the risk arising from the unwinding Private Finance Initiative (PFI) arrangements among other risks.

Risks

None identified

Recommendations

None identified

The underlying drivers of any financial fragility and risk and the council's ability to successfully manage those drivers so that issues do not materialise. This should include an assessment of the council's approach to managing increased demand in adult social care and children's services due to the demographic growth in both populations in the borough, which the council describes as the key driver of its EFS request.

Key findings and analysis

Similar financial pressures highlighted in CIPFA's independent assurance review of December 2023 persist. Although demand for children's services has stabilised somewhat, but the complexity of cases and associated costs remains a challenge. Primarily, the council experiences pressures in demand led services such as children's and adult social care, special educational needs & alternative provision, and homelessness and housing. Other macro pressures such as the cumulative impact of inflationary pressures and the cost of living crisis contributed to the council's difficult financial position.

The finance team uses different scenarios to forecast both service demand and costs. This approach provides a range of potential outcomes from best case, through expected to worst case and enables the council to manage risks and to plan contingency, where needed, The team maintains the range of potential financial outcomes to provide early sight of budget gaps and to ensure the appropriate challenge and pressure is maintained on those responsible for delivery. This could be captured more formally and considered more widely across the council including with members but the capacity to do that and keep such forecasts updated remains a challenge.

The council has developed a detailed plan to address service performance, and the mitigations for worse case scenarios are considered later in the report. Specific modelling on children's placements pressures is considered below.

Children's placements

The modelling introduced enables the council to plan for multiple scenarios, across all placement settings and cohorts, incorporating both demand (numbers of children) as well as variations on Unit Cost and inflation which is the other factor playing in to children's placements pressure. The council uses this to forecast, track and monitor. This is used to provide regular updates and is currently being developed for adult social care.

The council introduced what it terms an 'Our City, Our Wellbeing' approach within its new corporate strategy, designed to change the relationship between the council and its residents. To effect this change in approach the council has begun to take steps to:

- Work with partners, including voluntary, community and faith organisations, to invest in early support services; and

- Invest in upstream activities that help people to stay well, to develop themselves

The council has transformation programmes that focus on reducing demand in these key areas of financial pressure:

- **Children and Family Services** - Several measures aimed to reduce the number of children who need to be taken into care, including joint working with the voluntary sector to provide early help for families who need support to prevent vulnerable children being taken into care.

- **Adult Social Care** - A programme of work to increase the financial sustainability of adult social care services by reducing levels of demand through effective preventative approaches.

- **Public Health** - Building in the right capability and capacity to support improving the wellbeing of the City's population. The council is also transitioning to a community-focused leisure service which supports sport and rehabilitation opportunities to help improve health outcomes.

- **Housing** - Efforts focused on tackling the damp and mould problems in the council's housing stock.

Risks

5. The council cannot maintain the improvements it has made in controlling the costs and pressures it is experiencing and the full implications of any decisions or inaction affect the sustainability of reserves.

Recommendations

5a. The council should carefully and routinely model the impact of decision-making on the sustainability of reserves.

5b. The council should ensure it maintains its focus on addressing and modelling scenarios key demand led services whilst not ruling out other challenging savings opportunities as part of is budget proposals

An assessment of steps the council is undertaking to ensure it remains within its spending envelope, including deliverability and appropriateness of current savings / transformation plans, income generating activity, and ensuring activities that are no longer required are being scaled back (e.g. teams that were previously expanded during COVID) etc.

Key findings and analysis

The provisional outturn for 2023-24 reflects the crystallisation of financial pressures anticipated by the council in its application for EFS. The EFS has been applied to the budget overspend, redundancy costs, and replenishing certain reserves. Although the overall outturn position appears similar to the position presented in the EFS application, the council mitigated some of the financial pressures so that it did not need to utilise the planned £1.8 million capitalisation to support the outturn position.

The 2023-24 outturn also reports on the progress of achieving planned savings. There appears to be delays in delivering on historic schemes in the Children's and Families and Adult Social Care directorates, but the council is aware and is looking at the further action it needs to take. This is also covered later in the report.

Discussions suggest that there is reasonable detail behind the proposals for unlocking savings for the financial year 2024-25. A review of the 2024-25 Q1 outturn, however, suggests that the council is still assessing the extent to which it will deliver the savings planned. It is early in the year to confidently forecast how much of the savings will be delivered. There is still scope to develop more detailed scenario modelling whilst accepting the challenges this brings due to the lack of resources.

The council has now started engagement with members to highlight financial challenges for medium term (2025-26 to 2028-29). Based on current forecasts, the General Fund gap expands initially and then begins to drop in 2028/29 when the benefits of early intervention efforts are expected to begin to crystalise. The council has created a further list of options which have been shared as part of discussions with members on potential budget proposals. Some of these proposals are politically sensitive and there is a view from some that more can be done to full realise the savings through demand led services in children's and adults, in particular, further challenge of some of the behaviours and decisions of officers when assessing support and the level of risk the council is prepared to accept. It is important that all opportunities in this area fully considered but that the 'further options also form part of those discussions given the scale of savings that the council still needs to achieve.

The council has also commenced an operational finance workplan over the summer with the aim of reviewing all of the underlying assumptions, pressures and forecasts for 2024-25 and 2025-26 but primarily to identify further mitigation against these pressures. This aims to put the council in a robust position for the beginning of September and the start of budget setting. The outputs of this work are being collated and then shared with the Cabinet for a half-day budget session on 10th September.

There is an anticipation that through this work that the forecast pressures will come down, although this is not guaranteed. This will not mitigate all pressures in both years at this stage but it is hoped that this enables the council to use the period between September to November to focus on some of the key strategic elements that they will need to look at with the Cabinet to continue to deliver on the Improvement and Productivity Plan. It is also designed to enable the council to have confidence in the figures whilst in dialogue with MHCLG. This approach, coupled with the Financial Sustainability Working Group, the Financial Review Group, the continuation of increased financial controls and the delivery of the Improvement and Productivity Plan, is designed to provide the best opportunity to deal with the budget challenges.

The plan and timeline for the coming period is set out below:

- 9th September – Catch up with MHCLG (continued dialogue and updating)
- 10th September – Dedicated Cabinet Budget Session (out of which, phase 2 of the workplan will be undertaken for budget setting)
- 1st October – Further dedicated cabinet budget session to review progress
- October-November – focus on budget setting with planned December/January launch.

Risks

None identified

Recommendations

None identified

An assessment of the council's efforts to maximise productivity and minimise waste. This should include consideration of the council's approach to Equality, Diversity and Inclusion (EDI) activity.

Key findings and analysis

The council has produced a comprehensive Improvement and Productivity Plan which is referred to earlier. This includes an assessment of the council's EDI activity which is proportionate and linked to continuous improvement and the council's vision and designed to harness skills and experience. The alignment of the plan, and the examples referred to in the plan where more efficient and productive working arrangements have been introduced, show the council gives this careful consideration.

The further development of the programme office and overview of the Improvement and Productivity Plan through the financial sustainability working group shows that the council has a focus on these areas.

Risks

None identified

Recommendations

None identified

An overall view on the ability of the council to manage identified budget pressures through its own resources. This should include a view on whether the council could and should take further action to minimise the need to use / seek a capitalisation direction. If it is apparent the council requires capitalisation to manage its budget, an assessment of how the council expects to 'fund' the capitalisation (i.e. through external / internal borrowing or through capital receipts), and the viability / risks of their proposed approach.

Key findings and analysis

The council is unable to manage the identified budget pressures through its own resources. The council has reviewed the mitigations available and has undertaken detailed reviews through its spend control arrangements to limit the request for Exceptional Financial Support (EFS). There may be some opportunity through the upcoming budget development to challenge this further and the council has recognised this might help to give further confidence in the amount required through EFS. Until this exercise is completed it is not possible to determine whether there is any further action that could be taken to reduce the need for a capitalisation direction, but based on the information provided even after considering the council's further list of potential savings options (the more extreme savings possible which fundamentally affect key service delivery), the council could only balance the budget without a capitalisation direction by reducing reserves to a level that would not be prudent.

Based on the most recent forecast for 2024-25, the council will need all of the current request for Exceptional Financial Support and has flagged the likely need in 2025-26. The cost of the revenue support for funding the EFS has been factored into the MTFS. There is no scope for capital receipts to be redirected to the cost of funding as they are being earmarked to repay the EFS. The historic funding needs faced by the council create a significant challenge when considered alongside some of the demand pressures it is facing and suggest continued support will be needed in some form, and structural funding issues remain.

The above approach appears affordable for 2024-25, however as the council is unable to rectify the structural budget gap going forward by reducing reserves, the council will require Exceptional Financial Support in future years.

The Section 151 Officer set out the overall financial position in the Section 25 statement in the budget report. It also recognised the need to build these reserves back up to the target 5% from 2025-26 to 2028-29. It also highlights that had it not been for the EFS, the council would have had to issue a S114 notice and that the risk remains into 2025-26 and beyond without EFS.

Risks

6. Based on current forecasts, the council will not be able to set a balanced budget in future years, and will therefore need exceptional financial support going forward.

Recommendations

6a. The council needs to continue to assess its capacity and capability to apply the EFS it is receiving and deliver the necessary recovery actions.

6b. The council's recovery plan should include some clear scenarios, the likelihood of them occurring and their impact on the potential extent of EFS required.

3.2 Review Area 2: CAPITAL PROGRAMME / DEBT / INVESTMENTS / ASSETS

An assessment of the council's capital programme / overall debt position including short and long term borrowing, and approach to investment / asset management to reach a view on the suitability, VfM and risk exposure of the council in this space, and how this may impact on the overall financial resilience / sustainability of the council.

The council's management / governance of its capital programme, major projects (whether delivered in house or via companies) and investments including the adequacy of internal processes, scrutiny of investment decisions, use of external expertise where required, risk management and capacity and capability to deliver. This should include an assessment of the council's exposure to refinancing and any other risks identified because of its chosen borrowing strategy.

Key findings and analysis

The council is aware of the need to be realistic about its capital commitments and has strengthened the arrangements in place for governance and approval with a clear capital strategy. Its overall current debt position is being managed but modelling suggest pressure to borrow in future years which needs monitoring and managing to ensure it is sustainable given the challenges in realising capital receipts and challenging savings targets.

The Capital Programme and major projects

The council has an overall Capital Strategy to guide its investment decisions and ensure the best outcomes for the city and its residents. It sets out the council's vision, objectives, priorities and principles for capital spending, as well as the sources of funding and the governance arrangements. The strategy covers the period from 2022-23 to 2032-33 and is aligned with the council's corporate plan, MTFP and other key strategies.

The Capital Investment Programme has a total planned investment from 2024-25 – 2033-34 of £700.881 million.

Approved Capital Programme 2023-24 to 2033-34

Changes to the Programme	Capital Investment Programme 2023-24 £'000s	Capital Investment Programme 2024-25 £'000s	Capital Investment Programme 2033-34 £'000s	Proposed Capital Investment Programme 2024-34 £'000s
Approved Programme December 2023	**208,726**	**577,260**	**-**	**577,260**
New Proposals 2022-23 to 2032-33				
• New schemes proposed	1,715	40,797	-	40,797
• Additional years of core programme	-	-	2,300	2,300
• Assumed grant support	(700)	=	7,828	7,828
• Public Sector Housing Core Programme	(2,252)	8,089	24,306	32,395
• HRA New Build Projects	(28,471)	35,301	5,000	40,301

Proposed Programme	**179,016**	**661.447**	**39,434**	**700,881**
Of which • General Fund	136,449	296,176	10,128	306,304
• HRA	42,567	365,271	29,306	394,577
Total	**179,016**	**661,447**	**39,434**	**700,881**

The funding of the Capital Investment Programme is a mixture of council support, leverage from external bodies, grants and reserves. The funding of the programme separates those funding streams to show how that funding is applied to both General Fund and HRA. Of the total £700.881 million proposed investment, £443.204 million is directly supported through existing and new grants, receipts and reserves. The balance of £257.677 million is currently assumed to be funded by borrowing, of which the HRA element is £114.776 million.

Capital expenditure is monitored quarterly. Virement is allowed between schemes; there is evidence of this being utilised but no evidence of significant overspends on approved capital expenditure on both General Fund and HRA schemes.

The council has strengthened its internal processes around the delivery and monitoring of the capital programme through its Capital Programme & Asset Management Board. This is supported by a Major Projects Board, comprising key elected members and senior officers, which acts as a strategic consultee in considering delivery options, tracking project progress and maximising the economic and social impact of projects.

The 10-year Capital Programme is refreshed on an annual basis and included within the MTFP. However, the council recognises the need to develop a 20-year programme to fully reflect the costs and priorities of the council and has captured this in its plans going forward.

Investments

The council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the council's treasury investment balance has ranged between £0.1 million and £25.0 million and similar levels are expected to be maintained in the forthcoming year.

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

The council invests in the shares of its subsidiaries to support local public services and to address the shortage of private rented sector homes. The shares are held with the primary intention to receive a return via a dividend which is expected to contribute to the overall net budget.

Shares held for service purposes in £

Category of Company	31/03/2023 Actual			2024/25
	Amounts Invested	Gains or losses	Value in accounts	Approved Limit
Fortior Homes	£13,454,524	£80,476	£13,535,000	£13,454,524
Unitas Stoke-on-Trent Limited	£1	£2,193,000	£2,193,000	£1
Stoke-on-Trent Regeneration Ltd	£19,000	£4,955,000	£4,974,000	£19,000

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

Capacity, capability and expertise

CIPFA's Code of Practice requires the responsible officer (Section 151 Officer) to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

The council's external treasury management advisors, Arlingclose, are responsible for providing an annual training session for all elected members to enable them to take informed decisions, assess individual assessments in the context of the strategic objectives and understand how the quantum of these decisions have changed the overall risk exposure of the council.

Arlingclose also provide more regular training sessions for officers involved in the treasury management function alongside specific meetings tailored to the council's requirements. The training sessions ensure that officers are well informed of any changes within the sector and the economy, and the associated risks, as well as possible and probable changes in the future.

Risk management

Risk management is considered in all treasury decisions. In line with the council's Corporate Risk Management Strategy, a risk register has been compiled for the treasury management function and mitigating controls included.

The borrowing position and refinancing risk is considered later on in the report.

Risks

7. The capital programme, whilst linked to the council's priorities, is ambitious and challenging to deliver

Recommendations

7. The council models the different scenarios and funding considerations associated with different scales of capital programme to ensure it is both affordable and deliverable.

Where applicable, an assessment of the council's approach to any part or wholly owned companies and any associated risk these companies expose the council to.

Key findings and analysis

Over the last few years, the council has strengthened and clarified its approach to company governance following a review by Local Partnerships. The council has established a Commercial Board, Shareholder Board, and client arrangements. It has also ensured that it has appropriate conflicts ring-fencing arrangements in place. The council has established appropriate liaison arrangements, helped strengthen boards and clarified objectives for the companies it owns.

The Shareholder Group was established to provide companies with clear strategic direction and support in its role as sole shareholder. Despite the efforts to strengthen governance of its wholly owned companies, the council has now determined that its commercial investments are no longer viable due to deteriorating market conditions. The council is now exploring the alternatives for divesting commercial aspects of Unitas (the wholly owned company) as well as options for continued service delivery, where the company provided council services.

Risks

8. There is a risk that the process for unwinding its investments takes longer and costs more. There is also risk of disruption to the services previously provided by Unitas to the council.

Recommendations

8. The council is encouraged to thoroughly explore the options for extracting itself from the non-performing aspects of its commercial ventures in a manner that preserves services.

A view on the alignment of the capital programme with the broader strategic direction of the council including an assessment of the deliverability and affordability of its capital programme including consideration of how the council plans to fund its programme (i.e. grants, borrowing etc.) set against the overall debt position and potential impact on longer term sustainability, including liability benchmarking.

Key findings and analysis

The Capital Strategy clearly sets out capital investment priorities in line with the council's 'Stronger Together' vision. The links to the other key strategies of the council are set out in the strategy and longer term capital investment which shows an ambitious programme of £700 million over the next ten years.

The proposed funding of the programme is shown below which still shows a significant reliance on borrowing to fund the ambition.

Financial Year Funding Source	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	2031/32 £'000	2032/33 £'000	2033/34 £'000
Capital Grants, Reserves and Contributions (known)	72,811	17,076	4,715	-	-	-	-	-	-	-
Capital Grants, Reserves and Contributions (assumed)	8,667	7,828	7,828	7,828	7,828	7,828	7,828	7,828	7,828	7,828
Major Repairs Reserve	19,700	20,291	20,882	21,300	21,726	22,160	22,603	23,014	23,517	23,987
Capital Receipts	15,768	11,695	7,575	3,415	1,975	1,975	1,975	1,975	1,975	1,975
Borrowing (Gap Funding)	68,258	65,944	41,702	45,039	7,618	7,304	5,385	5,325	5,458	5,644
Total Funding Capital Investment Programme	185,204	122,834	82,702	77,582	39,147	39,267	37,791	38,142	38,778	39,434

The council's modelling of the lowest risk level of borrowing, with cash and investment balances maintained at a level to minimise risk and maintain liquidity, show the extent of borrowing still required. The gap between existing borrowing and the required peak borrowing in 2023-24 is £521 million. This is significant and whilst the strategy recognises that, it is important that the council models the different scenarios through its asset management plans of what a minimum capital programme could look like from a health and safety and compliance perspective, given the challenging savings targets it also has to meet.

The capacity to deliver the programme is also considered in the following section.

Risks

See earlier recommendation (7)

Recommendations

See earlier recommendation (7)

The council's approach to asset management and valuation, the appropriateness of its asset portfolio, and a view on a proposed asset disposal plan set against broader Value for Money considerations.

Key findings and analysis

The council has a number of assets which it might dispose of but capital receipts are unlikely to generate returns of a significant scale when compared to larger cities due to a combination of lower land values generally and challenges associated with viability and historic or industrial contamination of some sites. The council has completed a number of rationalisations to identify opportunities for cost reduction, increased income, service improvement and site release for development or capital disposal.

The council is implementing an integrated approach to Land and Property Asset Management, based on the following CIPFA/ Royal Institution of Chartered Surveyors good practices:

- Corporate Landlord – single responsibility, knowledge centre and strategy.
- CIPFA model 3 part Corporate Land and Property Asset Management Plan (AMP)
- Governance – Single integrated decision-making process.
- Service Asset Management Plans (SAMP) – an understanding of needs and aspirations of services and partners.

The corporate property service is being reviewed and aligned behind an agreed model of implementation, condition surveys, and process improvement. The COVID pandemic has had an effect on the utilisation of the portfolio and although the Council Asset Management Plan (AMP) 2022-24 started to address this it will be replaced with a longer term and more ambitious L&P AMP 2024-2029 and accommodation strategy based on service need and the councils revised priorities. Work continue to develop plans over a 20-year period in line with a planned extension of the capital programme from the current 10 years.

The council is still projecting £49 million of capital disposals over the medium term to 2028-29 despite inherently limited opportunities available to it. Although this amount of capital receipts exceeds the request for EFS, it is the projected entire capital receipts which might not be deliverable due to volatility in the market and timings, which are likely to change. Some of the more specific sites are still not in the public domain and disposals are likely to fall at the end of the programme. There are also further considerations given the government's recent housebuilding and 'grey belt' announcements that could also affect the speed and likelihood of some asset disposal proposals.

Risks

9. The council is unable to realise its asset disposals in a timely manner to support its plans for financial sustainability due to inherent low land and asset values..

Recommendations

9. The council needs to ensure it can realise its planned asset disposals in line with its recovery plan, accepting the limited opportunities available.

The council's commercial investment portfolio (property, bonds etc.) and forward strategy, including dependence on commercial income, exposure to debt costs and whether, in CIPFA's view, it is prudent to reduce the council's exposure and over what timeframe.

Key findings and analysis

The council's income and dependence on commercial income is very low; it does not hold investment properties purely for short term capital appreciation and its investments are linked to regeneration priorities.

The investment properties are considered within the context of the AMP to ensure that assets are being used most efficiently and effectively. The council has invested in a number of capital projects in recent years, including Smithfield One and Fortior Homes Ltd, which have generated an income. These projects were primarily for regeneration purposes addressing market failure to provide homes or services that are of value to local people and would not otherwise be provided by the private sector.

The council assesses the risk of loss before entering into and whilst holding property investments. The Council has made loans to:

- Fortior Homes (£36.569 million) - Valuations exceed the outstanding debt liability with both forecast asset values to increase and debt levels to decrease, with a prudent MRP policy in place.

- Smithfield GenR8 Hotel Ltd (£6.887 million) - The council agreed to invest, along with other funders including Coutts Bank and the Stoke on Trent and Staffordshire LEP, into a £19 million 4* full-service hotel in the city centre. The hotel was opened in October 2020; the impact of the pandemic has led to under-performance and a potential current risk to the repayment of this debt as a result. The council is in the process of appraising its options, one of which is to invest a further additional capital in order to support the business and protect its original stake. It does, however, recognise the risk and the council holds no shares in the company and is solely an investor.

The council invests in the shares of its subsidiaries to support local public services and address the shortage of private rented sector homes. The shares are held with the primary intention to receive a return via a dividend which is expected to contribute to the overall net budget. The latest actual and forecast rates of returns are shown below and represent a reasonable return on a range of investments. However, commercial investments funded through borrowing are expected to increase by £6 million in 2023-24 to £37 million. This is planned for in the council's Capital Programme. It is important that the level of commercial investment and associated borrowing continues to be kept under close review. This includes continued monitoring of the return net of financing costs.

Investments net rate of return	2022/23 Actual	2023/24 Forecast	2024/25 Forecast
Treasury management investments	1.42%	5.22%	3.00%
Service investments: Loans	6.02%	6.30%	5.40%
Service investments: Shares	15.86%	26.01%	26.01%
Commercial investments: Property	6.14%	8.44%	8.44%

The council's reliance on income from Commercial Property and Service Investments is relatively low, representing 3.17% of the net revenue stream in 2022-23.

The council holds the following commercial assets:

Property	Actual	31.3.2023 Actual	
	Purchase Cost	Gains or (losses)	Value in accounts
One Smithfield	£20.918m	*-	£12.657m
Two Smithfield	£20.516m	£0.432m	£11.941m
Tontine Shopping Centre	£3.035m	(£2.742m)	£0.496m
Daniel Platt Business Park	£3.490m	£0.330m	£4.117m
Etruria Valley Trade Park	£3.972m	£0.120m	£4.920m
Innovation Way Industrial Units	£3.123m	£0.066m	£4.138m
19 Charles Street	£0.836m	£0.012m	£0.365m
Fenton Industrial Estate (Land)	-	£0.069m	£0.937m
Spedding Road Units	£0.442m	£0.010m	£1.108m
Maplehurst Close Units	£0.486m	£0.020m	£1.215m
Dain Street Units	£0.490m	£0.208m	£0.947m
Callender Place Units	£0.550m	£0.008m	£1.182m
3/3a Piccadilly	£0.456m	-	£0.214m
Other (Land)	-	£0.003	£0.242m

*One Smithfield was reclassified as an investment property asset during 2022-23 due to the change in nature of occupation. This has resulted in a revaluation based on the investment method, therefore no gain or loss will be recognised until the second year valuation.

Risks

See earlier recommendation (8)

Recommendations

See earlier recommendation (8)

Whether and to what extent the council is complying with statutory guidance / following best practice with regards its capital programme, wholly / part-owned companies and investments including but not limited to investment guidance, minimum revenue provision guidance and accounting codes.

Key findings and analysis

The council is compliant with the CIPFA prudential code in terms of the reporting requirements in terms of prudential indicators. The council is also compliant with the CIPFA treasury management code. The MRP Policy for 2024/25 was approved by the council at the Audit and Standards Committee in January 2024.

The council has no plans to make financial investments other than short term cash investments which are invested in line with the requirement of the CIPFA treasury management code.

The council is aware of the changes to the MRP legislation and the implications for any lending to third parties. MRP is charged in years where there is no principal repayment due. In applying this policy, the council undertakes an assessment of ability to repay and recognises any adverse charges through a provision to cover any future financial losses. The council is advised to continually monitor any changes to guidance to ensure it is compliant. Advice is received from Arlingclose as the council's treasury management advisors.

Risks

10. Changing guidance on MRP impacts on the council's MRP Policy Statement

Recommendations

10 The council continues to monitor the changes and developments in capital flexibilities including MRP guidance.

3.3 Review Area 3: **GOVERNANCE**

An assessment of the council's approach to overall governance / management processes, leadership, operational culture, capacity and capability to reach a view on whether the council is operating in line with the Nolan Principles and in a way to secure continuous improvement.

Key findings and analysis

The council has established governance arrangements and has developed its programme management and strategic and recovery plans with a clear focus and understanding at leadership level. Capacity and capability remains a challenge and work is underway to improve processes and policies to support managers in their responsibilities to manage and develop their teams. Challenging decisions remain and it will be important that officers and members continue to build on the work so far work to build understanding and confidence to support effective decision-making.

The adequacy of the council's decision-making processes including presence / absence of clear schemes of delegation, scrutiny arrangements, quality of council papers and whether there is a clear understanding of governance arrangements across all levels of the council. This should include a view on the effectiveness of the adopted Governance model and whether it is suitable to drive the right outcomes for the area.

The Constitution is up-to-date and is consistent with the scheme of delegation which was updated in September 2024 and which needs to be kept under review.

There is clear leadership from the City Director through the board structure which seems to be working to deliver against the council's key programmes. Member governance appears from our work to be good and well defined, supported by appropriate training and officer support. The council continues to look to streamline some boards and continue to align programme management and reporting, but resourcing remains a challenge.

Strategic measures relating to the 'Stronger Together' vision are reported to Cabinet and Overview and Scrutiny Committee on a quarterly basis. The operating framework, operating plan and individual team plans sit below the strategic plan sit below the strategic to guide operational delivery. All staff complete annual plans that link to the strategic vision and their team plans.

The council now has established a Commercial Board, Shareholder Board and client arrangements to ensure it has appropriate arrangements in place to avoid conflicts of interest in respect of its companies. The council has also established appropriate liaison arrangements, helped strengthen boards and clarified objectives for the companies it owns.

Reports are comprehensive and the feedback suggested reports had improved along with the information contained within them. When interviewed, members and officers at a range of levels had a clear understanding as to governance arrangements. The current governance arrangement, is effective and suitable for the council at this time and is supported by appropriate working groups.

Risks

None identified

Recommendations

None identified

The presence / absence of a clear, outcome orientated, measurable and performance driven strategic direction for the council and whether this is clearly set out through alignment of the key strategy documents (Corporate / Strategic Plan, Annual Governance Statement and Medium Term Financial Plan). This should include an assessment of the extent to which the strategic direction of the council is present throughout operational implementation or whether it exists in 'name only'.

Key findings and analysis

Following the election of a new political administration in May 2023 it was noted that the Council was setting out a new corporate strategy 'Our City, Our Wellbeing.' As relationships between officers and members have been formalised this plan has been being rolled out since February 2024.

This has now been developed further into the strategy for 2024-2028, with the key themes centred around community wellbeing which was clearly understood across all levels of the council through the meetings we had. This is accompanied by an achievement report for the prior year.

Our seven key themes are:

- **Healthier:** Creating a healthier standard of living for all our citizens
- **Wealthier:** Reducing hardship and enabling greater shared prosperity
- **Safer:** Building empowered communities, safe from the threat of harm
- **Greener:** Conserving our environment and living more sustainably
- **Cleaner:** Working together to clean up our city and our communities
- **Fairer:** Tackling inequality and improving life chances for everyone
- **Skilled:** Providing opportunities for people to improve their skills and education

The enhancements in programme management and dashboard reporting have further strengthened existing arrangements which we reviewed in December 2023.

Risks

None identified

Recommendations

None identified

A view on the effectiveness of council leadership including their ability to work effectively together, set and communicate a clear vision and set of priorities for the local area, as well as their ability to lead the delivery of those priorities (as set out in key strategy documents) through the fostering of a cohesive organisation built on cooperation, trust and respect.

Key findings and analysis

There was a view that the council leadership was developing well along with the new administration. Relationships were considered to be healthy with appropriate challenge and involvement from members. Priorities were understood and challenges were discussed and debated. The new corporate plan, Our City, Our Wellbeing with the priorities around community wellbeing and health were shared and actively referred to.

There are good relationships at both a senior and lower level between staff and elected members and a mutual understanding of respective roles and responsibilities. Members were challenging officers to look at driving out further savings before considering some more challenging decisions on the 'Z list', but it was encouraging these discussions were happening. This view is based on interviews,

Risks

None identified

Recommendations

None identified

A view on the working culture and working relationships across all levels of the council including between political and officer leadership, and senior officers and junior staff.

Key findings and analysis

Staff appear to be aware, and are informed, of major issues. The most recent Chief Executive's newsletter to all staff advised them of a number of issues including the development of the 'Starting Well' improvement plan with the Integrated Care Board (ICB), the annual report and the improvement and transformation plan, together with the customer services strategy.

There are regular meetings between staff and elected members and debate and discussion appeared heathy and respectful. This is based on direct feedback from members and officers. It was recognised that there was more work to do to improve HR practices and people management skills across the council to support the council in making the changes it needs to make as part of its improvement plans.

Risks

None identified

Recommendations

None identified

The council's capacity and capability to improve and transform at an operational level (i.e. sufficient expertise, staff etc.) and at a cultural level (i.e. acknowledgement of problems, openness to constructive criticism and change, delivery with local partners, and collaboration with sector support).

Key findings and analysis

The council recognised that its procurement processes needed a full overhaul in order to realise significant savings in high spend contracts. A new procurement model/central buying team has since been rolled out in the first quarter of 2024/25. It is expected that from a contract spend base of around £200 million, the council it can drive out significant savings this year and next. The procurement service is also reviewing contracts' "break clauses" with a view to re-negotiate and re-compete contracts early.

Programme management arrangements referred to earlier in the report alongside dashboard reporting and a commitment from the leadership team mean there is an openness to change and challenge. Engagement of the LGA, other peer support and financial consultancy as well as looking at learning from other family councils was evident.

Challenges remain, as referred to earlier, in respect of HR support and people management understanding and the capacity in finance to support the range and depth of change programmes, but this is recognised and captured through the councils risk management reporting.

Risks

11. The council does not maintain ongoing external financial support and advice now that existing support arrangements have finished.

12. The ERP system implementation doesn't deliver the intended benefits upon implementation

Recommendations

11. The council should consider the value of continued financial support and advice as part of its recovery plan and what forum or mechanism could best support that.

12. The council should ensure it has the appropriate expertise and corporate commitment to deliver a successful ERP implementation.

3.4 Review Area 4: SERVICE DELIVERY

An assessment of the effectiveness of council service delivery reflecting the importance of delivering outcome orientated, citizen focused services to reach a view on the council's ability to deliver services that are economic, efficient and effective, striking the right balance between cost and quality of service.

Key findings and analysis

Council service delivery is being maintained and demand in children's and adult services in some key areas is stabilising at the moment. Transformation strategies are in place to build capacity and capability in preventative activities to try and create a more sustainable position. Housing service challenges remain with demanding targets to achieve and a forthcoming housing inspection. The underlying low council tax base and low funding position relative to others adds to the challenges.

The efficiency of service delivery, including against comparator Local Authorities, sector metrics and wider public sector metrics.

As part of the review process comparative data was used to measure the council's relative performance against a range of measures across the council's services. In addition to raw service data, the most recent council survey of residents was examined to ascertain relative satisfaction with key council services and how that measured up, where comparators exist, with other local authorities. Relative efficiency of service delivery and performance is considered in key areas below.

Children's Social Care

The Interim Director of Children's Services (DCS) has been in post for approximately 6 months having had extensive experience in other councils as a DCS and Chief Executive. In developing a Children's Improvement Plan, he has appointed two permanent Directors to strengthen the "Front Door" (the access point for children's services where families can come for Information, Advice and Assistance.) and social work practice.

The Children and Family Services Directorate overspent by £12.9 million at the end of March 2024, of which £10.5 million is related solely to the children's placements. There were 1,158 children in care at the end of Quarter 4, including a proportion of high cost placements due to significant complexities of need. Mitigations against this financial pressure continue to be sought, including further improvements to processes and scrutiny of partnership funding opportunities.

In conjunction with the Public Health Directorate, a multi-agency Family Support Partnership (including the voluntary community and faith sectors) has been established. It has a programme to reduce both the number of children in care and the number of families who reach crisis situations which require formal intervention. To date this has delivered two Family Hub sites that have been opened; the services offered by hubs include:

- Midwife, health visitor, and speech and language appointments.
- Universal groups and activities for families including parenting classes, activities to develop early language and improve the home learning environment.
- Special educational needs support sessions, peer support for infant feeding and groups to support parents' social networks.
- Targeted interventions for families who need extra support.

- Drop in sessions for wider services.
- Family learning sessions.
- Affordable food and hygiene banks.
- ‘Book Nooks’ include community reading collections from the Library Service.

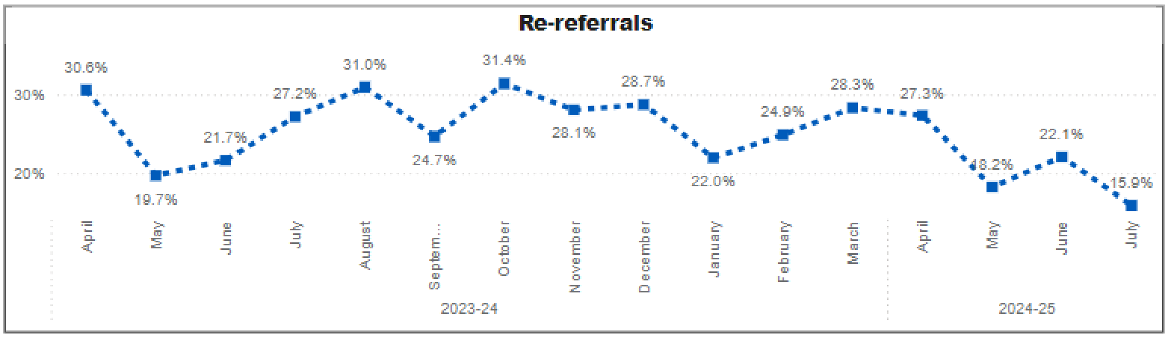
In addition, a virtual Family Hub (www.familyhub.stoke.gov.uk) was launched in January 2024 and families in Stoke-on-Trent have free access to the EasyPeasy app, which provides them with activities to support the home learning environment.

The Front Door has been re-modelled and integrated with Early Help to improve recognition and mitigate the impact of poverty on families across the city. Collaboration with the Citizens Advice Bureau (CAB) is ongoing to develop advice surgeries for families on the edge of care and protection to prevent families going into crisis, as well as collaboration with the Department for Work and Pensions (DWP) to enhance training, skills and knowledge to be offered to all front-line practitioners on basic benefit advice and guidance.

A revised “threshold document” has been introduced with a view to clarifying criteria for social care services. In addition, resources have been used to employ four Domestic Abuse Family Support workers and four Family Network Support workers as well as seconding a social worker to the police service. This has led to a decrease in social care contact and referrals.

There appears to be an impact on referrals to social care; between September 2023 and February 2024 the number of referrals accepted each month was within a consistent range of between 335 and 383. By comparison, since March 2024 numbers have fallen with highs of 287 and 290 in March and April respectively to a low of 193 in May. The new range appears to be forming between 240 and 290 referrals per month.

In addition, re-referrals rates are also showing a reduction: from 31.4% in October 2023 to below 20% in 18.27 in May 2024.



The last quarter of 2023-24 saw a net increase of five more children in care taking the total to 1,156. There were 288 admissions into care in the year which represents a 2% increase on the previous year. The number of discharges increased by 19.8%. In comparison to its statistical neighbours the city has a rate of 198 children in care per 10,000 population compared to the statistical neighbour average of 115.

Work continues on commissioning strategies to reduce the costs of placements, both in children’s social care and in special educational needs.

The continued work on reducing the percentage of agency workers and investment in their development, so maintaining these workers as permanent workers in the council as they increase their level of experience is on-going.

Areas of persistent challenge that continue to need specific focus and managerial oversight are:

- The high number of children looked after at 1,156.
- The number of children with three or more placements in the last 12 months is 11.1%, which is above statistical neighbours and England average of 10%.
- The average case load per social worker is 20 compared to the England average of 16.6.

It should be stated that considerable financial and service challenges face the council. Progress since November indicates that the Early Help strategy is developing and beginning to make an impact on service delivery. The children looked after in the system will benefit from reviewing cases, proactively stepping down children, improving social work practice and moving from a process driven approach to an outcome focused culture. It is, however, too early to say determine the impact on the financial budget.

This strategic, longer term planned approach is supported by the council and there is a corporate understanding that the changes will not have an immediate impact on the financial pressures being faced by the council.

SCHOOLS:

The city council receives £290.0 million Dedicated Schools Grant (DSG), before academy recoupment and direct funding of high needs places by the Education and Skills Funding Agency (ESFA), of which £53.7 million is within the High Needs Block. As at March 2024 the DSG deficit was £12.4 million.

The council has a ‘safety valve’ agreement with the Department for Education (DfE) regarding the DSG position, including support agreed over a four year period of £10 million to support the reduction of the DSG deficit. This was supported by an action plan which was intended to ensure that the DSG reserve was returned to a balanced position by the end of 2023-24. This focused on two key strands:

- to reduce the number of independent sector placements through the increase of provision within the city including expansion of special schools, resource bases and free schools
- to work with mainstream schools to ensure that the pupils with special educational needs can have appropriate provision within a mainstream setting.

A further £7.5 million capital allocation was granted by the DfE to help to address identified sufficiency issues, supporting the creation of additional local special school places. Additional pressure has arisen due to the COVID pandemic, the increased number of Education Health and Care Plan (EHCP), the costs of Alternative Provision as well as an increase in the costs of placements.

The council recognises some of these increased costs will continue to have an impact in future years, which will need to be managed. A remedial plan is being discussed with the DfE along with a request to extend the safety valve agreement by a further year until 2024/25.

ADULT SERVICES

The Adult Social Care, Health Integration and Wellbeing Directorate overspent by £1.8 million at the end of March 2024. This was due to increases in demand and unit cost of social care placements. This is a result of the ongoing impact of the COVID pandemic , rising hospital discharge numbers and inflation. Planned mitigations and new models of care in line with a strength-based approach are beginning to reduce pressures.

A savings target of £10.170 million was under achieved by £2.501 million in 2023-24. Any ongoing unachieved savings that were to be delivered in the future have been removed and incorporated within the development process for the Medium-Term Financial Plan 2024-25 to 2028-29.

Pressures of over £1 million existed in 2023-24 in care at home and in community and accommodation based support due to activity levels and increased demand and costs. These were mitigated by financial negotiations with the Integrated Care Board with challenge on specific areas of cost resulting in a payment of £1.4 million to the council. The distribution and use of the Better Care Fund is regularly considered with health partners to ensure equitable use across the sectors.

The directorate is developing its service plans towards being more community focused and towards an “Own Front Door” model where services are delivered in domestic rather than council-owned institutional settings. Support is provided by community and faith sectors rather than a sole reliance on the council. This involves the creation of a number of “Community Lounges” across the city, working in partnership with health. The directorate works closely with public health and housing to facilitate this strategy. The overall aim is to rethink and deliver services differently; move away from new dedicated accommodation towards reshaping and refocusing in house facilities with multi-agency support.

Reference to the Joint Strategic Needs Assessment (JSNA) data is made to consider future demand for services; the MTFP shows an expected increase in budget requirement of over 60% i.e. from £70 million in 2023-24 to £101 million in 2028-29. Clearly with this level of additional demand and limited financial resources available, the council will have many competing demands in both children’s and adults’ services to consider. The relationship with the Finance Business Partner is well established and embedded in the directorate. Workforce requires further attention and development including staff mix, skills, pay structures for social workers and management development strategies.

The council is undertaking a three-year transformation programme of its adult social care services to improve outcomes and reduce demand for care services:

- Stronger focus on early intervention and prevention.
- Improved quality of practice to manage risk and safeguard residents.
- Seamless co-ordination of care and support resulting from integrated assessments and case management with partner agencies.
- Development of a market which offers choice for the resident and value for money to the taxpayer.
- Responsive and integrated models to avoid admissions to hospital and support timely and safe discharges.
- A workforce development plan that promotes innovative (including digital) practice.

Risks

13. The council does not sustain the improvements achieved so far and plan for the projections contained within the JSNA.

Recommendations

13.The council should maintain its focus on behaviours and risk appetite through its continued review of social care practices.

Identification of particular service areas that are underperforming and the ability of the council to rectify the issue within its own resources and activity. This should include a view on the council's management of customer feedback and complaints procedures.

Key service performance in schools, adults and children's services is considered above. The council has a housing strategy and tenant satisfaction is generally good but there are significant pressures on housing services, and the financial pressures are now appearing in the Housing Revenue Account (HRA) as well as General Fund services. Challenges exist in meeting the Decent Homes Standard. A revised HRA business plan has been produced to reflect demand, changes have been made to the 30-year business plan and processes around the 'front door' are being reviewed along with housing repairs.

Challenges remain with planning targets along with the preservation and structural considerations associated with some significant heritage assets. The introduction of apprenticeships are designed to improve capacity and capability in planning services and some succession planning is happening around key assistant director roles. There is an understanding at officer level that in some areas including leisure there might be a need to consider different delivery models to deliver services in the future.

The council recognises the challenges above and is developing plans to address them. It also has an established complaints process and reports annually on complaints performance in housing and education alongside tenant satisfaction and wider customer feedback.

Risks

None identified

Recommendations

None identified

A view on the extent to which service plans are aligned to the council's strategic priorities and long term plan.

Key findings and analysis

The council's service plans are aligned closely with their corporate plan. Service plans are developed and structured to support the strategy of 'Our City, Our Wellbeing' and the programme management office ensure that they prioritise their resources to key service priorities. There is clarity of message based on the feedback we have from our meetings.

Risks

None identified

Recommendations

None identified

A consideration of the effectiveness of the chosen approach in delivering services (i.e. in house or external). This should include a consideration of how the operation of the procurement functions is geared towards effective service delivery, including overall management of the pipeline, capacity and capability of officers, the adequacy of the processes, and culture and attitude towards procurement.

Key findings and analysis

The council has no one defined way of delivering services. There is a mix of services and delivery models, with some delivered in house, others through commercial arrangements, external contractors and a wholly owned subsidiary. Decisions on service delivery are made on a case-by-case basis to determine what methodology provides the most economic, effective, and efficient service delivery. However, officers have recognised that some services might need to be delivered differently going forward.

The council has now rolled out the new procurement model. in the first quarter of 2024/25 The core purpose was to transform the end-to-end process from the initial purchasing requirement and decision-making on the ground. This includes integrating procurement, commercial services and accounts payable and in addition creating a centralised buying team (CBiT) built up from existing staff already in the directorates, where possible. The majority of the council's buying activity is now channelled and managed through CBiT which is designed to improve the efficiency around how they purchase but also to challenge the VfM and the necessity of the purchase itself. The change to category management (a procurement strategy that groups similar products or services together to optimize purchasing) and the development of existing contract management will play a key part in the model and new governance has been wrapped around this, including the Procurement and Assurance Board.

The council has engaged with staff and has rolled out a dedicated procurement training programme which has been well attended to date. The council has also engaged with Cabinet and taken this through Overview and Scrutiny Committee.

The centralised buying team enables Finance to tighten controls on things like everyday discretionary and controllable budgets. The team will now capture all requests coming through to them on targeted codes and divert them to Finance for approval. The new model enables the council to have additional grip and control that builds on the measures from 2023/24.

Risks

See earlier risk

Recommendations

See earlier recommendation

Annex

A1 Risk Assessment – Method

Impact

Likelihood	Critical:3	Moderate:2	Marginal:1
Probable:3	High - 9	High - 6	Medium - 3
Occasional:2	High - 6	Medium - 4	Low - 2
Improbable:1	Medium - 3	Low - 2	Low - 1

Likelihood:
- Improbable – possible, but unlikely to happen.
- Occasional – might happen, might not happen, in the order of 50/50.
- Probable – most likely will happen.

Impact:
- Marginal – some minor (less than £1000) costs involved, possible minor operating difficulties largely contained within the council, some awareness/ action may be required by members.
- Moderate – financial losses/ costs up to £100,000, operating impacts hitting services for some of the community, a significant issue for members to deal with.
- Critical – major financial losses/ costs in excess of £100,000, subsequent intervention by MHCLG or other third parties, reaches national press interest, major political embarrassment for members.

A2 Documents Reviewed

- 2023-4 full year and 2024-25 Q1 outturn reports
- Transformation and programme management dashboard – July 2024
- Improvement and Productivity Plan (2023 – 2027)
- Management representation letter in respect of the financial statement for the year ended 31 March 2020 – 14 May 2024
- Audit and Standards Committee – Outcome of self-assessment report – April 2024
- Strategic risk register – July 2024
- Medium term financial strategy and council tax setting 2024/25
- Budget report
- Treasury Management Strategy and monitoring
- External advisors and contract details
- Latest revenue and capital monitoring
- Efficiency savings breakdown over next 5 years (2024/25 onwards) and past results of savings initiatives
- Minimum Revenue Provision (MRP) calculations for 23-24
- Any Investments/board papers (last 12 months from date of review)
- Asset Management Plan
- Capital Strategy
- Latest stock condition surveys
- Independent third-party valuations for investment properties
- Affordability assessment of future projected borrowing
- Details of contracts for advice – Link, Software, LG Insights, Property
- Governance documents for any companies – Articles and Memoranda of Association
- Structure charts for Assets, Legal and Finance teams
- Vacancies and interim roles across key roles
- Chief Executive and SLT succession plans/ changes
- Copies of training records for staff and reports on building capacity
- Latest sensitivity analysis.

A3 Interviews Conducted

- Chief Executive
- Leader of the Council
- Portfolio holder – Finance
- Corporate Director of Strategy & Resources & Section 151 Officer
- Corporate Director of Legal/Monitoring Officer
- Corporate Director – Social Care, Health Integration and Wellbeing
- Corporate Director – Children's Services
- Corporate Director – Housing, Development and Growth
- Corporate Director – Public Health
- Director of Finance (Deputy Section 151 Officer)
- Director of Children's Services – Early Intervention & Children's Social Care Head of Project Management Office
- Head of Internal Audit