HALTON BOROUGH COUNCIL

Municipal Building,
Kingsway,
Widnes.
WA8 7QF

24 February 2015

TO: **MEMBERS OF THE HALTON BOROUGH COUNCIL**

You are hereby summoned to attend an Ordinary Meeting of the Halton Borough Council to be held in the Council Chamber, Runcorn Town Hall on Wednesday, 4 March 2015 commencing at 6.30 p.m. for the purpose of considering and passing such resolution(s) as may be deemed necessary or desirable in respect of the matters mentioned in the Agenda.

Chief Executive

-AGENDA-

In this case Council has a discretion to exclude the press and public and, in view of the nature of the business to be transacted, it is **RECOMMENDED** that under Section 100A(4) of the Local Government Act 1972, having been satisfied that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 of Part 1 of Schedule 12A to the Act.

<u>Please note that if this resolution is passed, members of the press and public will be asked to leave the room during consideration of the following business.</u>

6. MATTERS REQUIRING A DECISION OF THE COUNCIL

a) John Briggs House and the Police & Magistrates sites (Minute EXB 128 refers) **63 - 90**

Executive Board considered the attached report:-

RESOLVED: That Council be recommended to approve the addition to the Capital Programme, of a scheme for the demolition and fencing of the Police and Magistrates Court sites, as set out in paragraph 3.10 of the report.

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Agenda Item 3a

REPORT TO:	Council
DATE:	4 March 2015
REPORTING OFFICER:	Operational Director – Finance
SUBJECT:	Budget 2015/16
PORTFOLIO:	Resources
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

1.1 To recommend to Council the budget, capital programme and council tax for 2015/16.

1.2 When the report was considered by Executive Board on 12th February 2015, the Cheshire Police and Crime Commissioner and the Cheshire Fire Authority had not set their precepts. These figures are now available and are included within the report.

2.0 RECOMMENDATION: That Council be recommended to adopt the resolution set out in Appendix A, which includes setting the budget at £101.452m, the Council Tax requirement of £38.649m (before Parish, Police and Fire precepts) and the Band D Council Tax for Halton of £1,204.01.

3.0 SUPPORTING INFORMATION

Medium Term Financial Strategy

3.1 The Executive Board approved the Medium Term Financial Strategy (MTFS) at its meeting on 20th November 2014. In summary, funding gaps of around £19m in 2015/16, £13m in 2016/17 and £10m in 2017/18 were identified. The Strategy had the following objectives:

- Deliver a balanced and sustainable budget
- Prioritise spending towards the Council's five priority areas
- Avoid excessive Council Tax rises
- Achieve significant cashable efficiency gains
- Protect essential front line services
- Deliver improved procurement

Budget Consultation

3.2 The Council uses various consultation methods to listen to the views of the public and Members own experience through their Ward work is an important part of that process. The Council also undertakes Budget Presentations at its seven Area Forums giving local people the opportunity to feed their views into the process. The views offered by the Area Forums were reported to the Executive Board at its meeting on 12th February 2015.

3.3 Individual consultations are taking place in respect of specific budget proposals and equality impact assessments will be completed where necessary.

Review of the 2014/15 Budget

3.4 The Executive Board receives regular reports summarising spending in the current year against the budget. The latest report indicates that spending will be within budget for the year. It is anticipated that balances at 31st March 2015 will be around £8.6m, broadly as planned when the budget was set last year.

2015/16 Budget

3.5 On 10th December 2014 Council approved initial budget savings for 2015/16 of £11.332m and further proposed savings are shown in Appendix B.

3.7 The proposed budget totals £101.452m. The departmental analysis of the budget is shown in Appendix C and the major reasons for change from the current budget are shown in Appendix D.

3.8 The proposed budget incorporates the grant figures announced in the Provisional Grant Settlement. It includes £440,000 for the New Homes Bonus grant, which is payable to local authorities based upon the net increase in the number of homes in their area. This grant is payable at this amount for 6 years.

3.9 It is considered prudent for the budget to include a general contingency of £1m. This should be sufficient to cover the potential for price changes, increases in demand led budgets, as well as a general contingency for uncertain and unknown items.

3.10 The Local Government Act 2003 places a requirement on the Chief Financial Officer to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. In my view the budget setting process and the information provided should be sufficient to allow the Council to come to an informed view regarding the 2015/16 budget, capital programme and council tax. Balances and reserves should provide sufficient resilience to meet the financial consequences of any unforeseen events.

Local Government Finance Settlement

3.11 The Government announced on 3rd February 2015 the Final Local Government Finance Settlement (Settlement Funding Allocation) for 2015/16. From the provisional settlement announced in December 2014 there was an increase to the Revenue Support Grant element of £0.262m, which is to assist in dealing with pressures on local welfare provision via the Council's Discretionary Support Scheme.

3.12 From 1st April 2013 the Local Government funding regime changed significantly with the introduction of the Business Rates Retention Scheme. Under the Scheme 49% of any increase in business rates generated within the Borough above a baseline level, is retained. The Council also receives a Top-Up grant, as it previously received more funding than the business rates it collected and paid over to Government. In addition, the Council receives Revenue Support grant.

3.13 For 2015/16 Halton's Settlement Funding Allocation will be £61,030m. This is made up of £25.320m Baseline Grant Funding, £7.449m Top-Up grant and £28.261m Revenue Support Grant. In total the Settlement Funding Allocation has reduced by £10.89m or 15.1% from the 2014/15 adjusted level.

3.14 The Government have once again offered councils a Council Tax Freeze grant equivalent to a 1% increase in council tax. The grant will be paid for 2015/16 and thereafter will be included within baseline grant funding from 2016/17 onwards.

3.15 As far as the non domestic premises are concerned, the rate is fixed centrally by the Government. For 2015/16 the rate has been set at 49.3p in the pound, an increase of 2% and 48.0p in the pound for small businesses, also an increase of 2%.

Budget Outlook

3.16 It is very difficult to forecast resources over the following two years, given the uncertainties caused by the current economic climate, the Government's continuing austerity measures and the national election in May 2015. Nevertheless, the Medium Term Financial Forecast has been updated and the latest forecast is shown in Appendix E.

3.17 The resultant funding gap over the next two years (2016-18) is forecast to be in the region of £31.8m. The approach to finding these savings will be the continuation of the budget strategy of:

- Progressing the Efficiency Programme.

- Reviewing the portfolio of land and assets, including the use of buildings, in accordance with the Accommodation Strategy.
- Better procurement.
- Reviewing terms and conditions of staff (subject to negotiation).
- Offering staff voluntary early retirement and voluntary redundancy under the terms of the Staffing Protocol.
- Reducing the cost of services either by reducing spend or increasing income.
- Partnership working, collaboration and sharing of services with other councils and other organisations.
- Stopping some lower priority services.

3.18 The budget strategy is predicated on the Government continuing to withdraw considerable amounts of grant from the Council. To help offset this loss, support will be given to our partners and the voluntary sector to lever-in monies into the Borough.

Halton's Council Tax

3.19 The Government no longer operate council tax capping powers, but instead there is a requirement for councils to hold a local referendum if they propose to increase council tax by more than a percentage threshold prescribed by the Government.

3.20 The Government have confirmed the availability of a council tax freeze grant, as outlined in paragraph 3.14 above, and have set the council tax referendum threshold at 2%.

3.21 The tax base (Band D equivalent) for the Borough has been set by Council at 32,100.

3.22 The combined effect of the budget, Government grant support and the council tax base gives a Band D council tax for Halton of £1,204.01, an increase of 1.9% over the current year. This is equivalent to £23.15 per week.

Parish Precepts

3.23 The Parish Councils have set their precepts for the year as shown below, with the resultant additional Council Tax for a Band D property in these areas being as follows:

	Precept	Precept Increase		Additional Council Tax	Basic Council Tax
	£	£	%	£	£
Hale	16,000	600	3.9	24.65	1,228.66
Daresbury	4,000	525	15.1	26.14	1,230.15
Moore	4,416	116	2.7	13.80	1,217.81
Preston Brook	8,500	500	6.3	26.23	1,230.24
Halebank	13,625	-195	-1.4	27.92	1,231.93
Sandymoor	15,566	-34	-0.2	16.42	1,220.43

Average Council Tax

3.24 In addition, it is also necessary to calculate the average Council Tax for the area as a whole. This is the figure required by Government and used for comparative purposes. For a Band D property the figure is £1,205.94, an increase of £22.45 per annum.

Police Precept

3.25 The Cheshire Police and Crime Commissioner has set the precept on the Council at £5.015m which is £156.23 for a Band D property, an increase of £3.02 or 1.97%. The figures for each Band are shown in Recommendation 5 in Appendix A.

Fire Precept

3.26 The Cheshire Fire Authority has set the precept on the Council at £2.262m which is £70.46 for a Band D property, an increase of £1.37 or 1.99%. The figures for each Band are shown in Recommendation 6 in Appendix A.

Total Council Tax

3.27 Combining all these figures will give the Total Council Tax for 2015/16 and these are shown in Recommendation 7 in Appendix A. The total Band D Council Tax (before Parish precepts) is £1,430.70 an increase of £26.84 or 1.91%. The increase in Parish precepts in Hale is 1.93%, in Daresbury is 2.09%, in Moore is 1.91%, in Preston Brook is 1.96%, in Halebank is 1.87% and in Sandymoor is 1.89%.

3.28 It is expected that Halton's Total Council Tax will continue to be amongst the lowest in the North West. Given that nearly half of all properties in the Borough are in Band A, and also 85% of properties are in Bands A-C, most households will pay less than the "headline" figure. In addition, many households will receive reduced Council Tax bills through discounts, and these adjustments will be shown on their bills.

3.29 A complex set of resolutions, shown in Appendix A, needs to be agreed to ensure that the Budget and Council Tax level are set in a way which fully complies with legislation, incorporating changes required under the Localism Act 2012.

Capital Programme

3.30 The following table brings together the existing capital programme spend and shows how the capital programme will be funded.

	2015/16 £000	**2016/17** £000	**2017/18** £000
<u>Spending</u>			
Scheme estimates	40,201	85,926	40,596
Slippage between years (after	+ 8,653	+ 8,040	+ 3,185
excluding MG costs)	- 8,040	- 3,185	- 1,619
	40,814	90,781	42,162
<u>Funding</u>			
Borrowing and Leasing	18,308	77,718	35,540
Grants and External Funds	15,544	8,595	3,771
Direct Revenue Finance	487	28	0
Invest to Save	1,735	1,970	887
Capital Receipts	4,740	2,470	1,964
	40,814	90,781	42,162

3.31 The committed Capital Programme is shown in Appendix F. In addition, new capital spending will come forward as required to Executive Board from relevant Directorates as a result of Government allocations. These allocations are currently funded by capital grant. The Capital Programme reflects the funding to be provided by the Council during this period towards the Mersey Gateway project, which will be financed from toll revenues.

3.32 As the Capital Programme is fully committed, there are no funds available for new capital starts unless external funding is available or further savings are identified to cover financing costs.

Prudential Code

3.33 The Local Government Act 2003 introduced the Prudential Code which provides a framework for the self-regulation of capital expenditure. The key objectives of the Code are to ensure that the Council's:

- capital expenditure plans are affordable;
- external borrowing is within prudent and sustainable levels;

- treasury management decisions are taken in accordance with good professional practice; and
- is accountable by providing a clear and transparent framework.

3.34 To demonstrate that councils have fulfilled these objectives, the Prudential Code sets out a number of indicators which must be used. These are included in the Treasury Management Strategy report elsewhere on the Agenda. The prudential indicators are monitored throughout the year and reported as part of the Treasury Management quarterly monitoring reports to the Executive Board.

School Budgets

3.35 Schools are fully funded by Government Grants, primarily the Dedicated Schools Grant (DSG) which is mainly used to fund the Individual School Budgets. DSG is now allocated in three notional blocks – Schools Block, Early Years Block and High Needs Block. The funding is allocated to schools by way of a formula in accordance with the revised funding arrangements introduced in April 2013 and updated for April 2015, which is primarily based on pupil numbers.

3.36 The Government have announced Unit of Funding allocations split between blocks. For Halton the per pupil Unit of Funding for the Schools Block is £4,850.02, for the Early Years Block is £3,363.39. The High Needs Block is no longer funded on a per pupil unit basis but on a total figure of £14,458,452. Schools will be informed of their funding allocation for Schools Block funding by 28th February 2015 in accordance with the Financial Scheme. Early Years and High Needs funding will be notified to relevant schools during March 2015. The minimum funding guarantee has been set so that the maximum reduction for schools is 1.5%, no details of a cash floor reduction for each council have yet been provided.

3.37 The Pupil Premium has been set at £1,320 per Primary pupil who are or have been eligible for Free School Meals in the last six years. For Secondary pupils this is set at £935 per pupil. Children who have been adopted from care and children who leave care under a special guardianship order or residence order will be funded at £1,900 per pupil. Eligibility for the Service Children premium will be funded at £300 per pupil. No information has been provided yet with regard to Looked After Children. The Pupil Premium will be added to school budgets on top of the minimum funding guarantee.

3.38 The allocation of DSG funding to schools for 2015/16 will be via the schools funding formula, which has been approved by the Schools Forum following consultation with schools and the Department for Education.

4.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

The budget will support the Council in achieving the aims and objectives set out in the Community Strategy for Halton and the Council's Corporate Plan and has been prepared in consideration of the priorities listed below.

4.1 **Children and Young People in Halton**

4.2 **Employment, Learning and Skills in Halton**

4.3 **A Healthy Halton**

4.4 **A Safer Halton**

4.5 **Halton's Urban Renewal**

5.0 RISK ANALYSIS

5.1 The budget is prepared in accordance with detailed guidance and timetable to ensure the statutory requirements are met and a balanced budget is prepared that aligns resources with corporate objectives.

5.2 A number of key factors have been identified in the budget and a detailed risk register has been prepared. These will be closely monitored throughout the year and the contingency and Reserves and Balances strategy should help mitigate the risk.

6.0 EQUALITY AND DIVERSITY ISSUES

6.1 Equality Impact Assessments will be undertaken in relation to the individual savings proposals as required.

7.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
Local Government Finance Report (England) 2015/16	Financial Management Kingsway House	Steve Baker

APPENDIX A

DRAFT RESOLUTION FOR SUBMISSION TO THE COUNCIL AT ITS MEETING ON 4th MARCH 2015

RECOMMENDATION: that the Council adopt the following resolution:

1. The policies outlined in this paper be adopted, including the Budget for 2015/16, the savings set out in Appendix B and the Capital Programme set out in Appendix F.

2. That it be noted that at the meeting on 10th December 2014 the Council agreed the following:

   (a) The Council Tax Base 2015/16 for the whole Council area is 32,100 (item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the Act) and

   (b) For dwellings in those parts of its area to which a Parish precept relates, be set out as follows:

Parish	Tax Base
Hale	649
Daresbury	153
Moore	320
Preston Brook	324
Halebank	488
Sandymoor	948

   being the amounts calculated by the Council, in accordance with Regulation 6 of the Regulations, as the amounts of its Council Tax Base for the year for dwellings in those parts of its area to which special items relate.

3. Calculate that the Council Tax requirement for the Council's own purposes for 2015/16 (excluding Parish precepts) is £38,648,721.

4. In accordance with the relevant provisions of the Local Government Finance Act 1992 (Sections 31 to 36), the following amounts be now calculated by the Council for the year 2015/16 and agreed as follows:

   (a) £314,972,845 – being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the said Act, taking into account all precepts issued to it by Parish Councils.

(b) £276,262,017– being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

(c) £38,710,828 – being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year (item R in the formula in Section 31A(4) of the Act).

(d) £1,205.94– being the amount at 3(c) above (item R), all divided by item T (2 above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).

(e) £62,107– being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act, each individual Parish precept being:

	£
Hale	16,000
Daresbury	4,000
Moore	4,416
Preston Brook	8,500
Halebank	13,625
Sandymoor	15,566

(f) £1,204.01 being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by item T (2(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates.

(g) Part of the Council's Area

	£
Hale	1,228.66
Daresbury	1,230.15
Moore	1,217.81
Preston Brook	1,230.24
Halebank	1,231.93
Sandymoor	1,220.43

being the amounts given by adding to the amounts at 3(e) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 2(b) above, calculated by the

Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings of its area to which one or more special items relate.

(h) Part of the Council's Area

Band	Hale	Daresbury	Moore	Preston Brook	Halebank	Sandymoor	All other Parts of the Council's Area
	£	£	£	£	£	£	£
A	819.10	820.10	811.87	820.16	821.28	813.62	802.67
B	955.62	956.78	947.18	956.85	958.17	949.22	936.45
C	1,092.14	1,093.47	1,082.50	1,093.55	1,095.05	1,084.83	1,070.23
D	**1,228.66**	**1,230.15**	**1,217.81**	**1,230.24**	**1,231.93**	**1,220.43**	**1,204.01**
E	1,501.70	1,503.52	1,488.44	1,503.63	1,505.69	1,491.64	1,471.57
F	1,774.74	1,776.89	1,759.06	1,777.02	1,779.46	1,762.85	1,739.13
G	2,047.76	2,050.25	2,029.68	2,050.40	2,053.21	2,034.05	2,006.68
H	2,457.32	2,460.30	2,435.62	2,460.48	2,463.86	2,440.86	2,408.02

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

5. It is further noted that for the year 2015/16 the Cheshire Police and Crime Commissioner has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwellings shown below:

	£
A	104.15
B	121.51
C	138.87
D	**156.23**
E	190.95
F	225.67
G	260.38
H	312.46

6. It is further noted that for the year 2015/16 the Fire Authority have stated the following amounts in precepts issued to the Council, in accordance with the Local Government Act 2003 for each of the categories of dwellings shown below:

	£
A	46.97
B	54.80
C	62.63
D	**70.46**
E	86.12
F	101.78
G	117.43
H	140.92

7. That, having calculated the aggregate in each case of the amounts at 4h, 5 and 6 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2015/16 for each of the categories of dwellings shown below:

Band	Hale	Daresbury	Moore	Preston Brook	Halebank	Sandymoor	All other Parts of the Council's Area
	£	£	£	£	£	£	£
A	970.22	971.22	962.99	971.28	972.40	964.74	953.79
B	1,131.93	1,133.09	1,123.49	1,133.16	1,134.48	1,125.53	1,112.76
C	1,293.64	1,294.97	1,284.00	1,295.05	1,296.55	1,286.33	1,271.73
D	**1,455.35**	**1,456.84**	**1,444.50**	**1,456.93**	**1,458.62**	**1,447.12**	**1,430.70**
E	1,778.77	1,780.59	1,765.51	1,780.70	1,782.76	1,768.71	1,748.64
F	2,102.19	2,104.34	2,086.51	2,104.47	2,106.91	2,090.30	2,066.58
G	2,425.57	2,428.06	2,407.49	2,428.21	2,431.02	2,411.86	2,384.49
H	2,910.70	2,913.68	2,889.00	2,913.86	2,917.24	2,894.24	2,861.40

being satisfied that:

(a) The total amount yielded by its Council Taxes for the said financial year will be sufficient, so far as is practicable, to provide for items mentioned at 4(a) to (c) above; and, to the extent that they are not, to be provided for by any other means.

(b) Those amounts which relate to a part only of its area will secure, so far as is practicable, that the precept or portion of a precept relating to such part will be provided for only by the amount yielded by such of its Council Taxes as relate to that part.

8. The Operational Director Finance be authorised at any time during the financial year 2015/16 to borrow on behalf of the Council by way of gross bank overdraft such sums as he shall deem necessary for the purposes of this paragraph, but not such that in any event the said overdraft at any time exceeds £10m (£0.5m net) as the Council may temporarily require.

APPENDIX B

SAVINGS PROPOSALS
COMMUNITIES DIRECTORATE

Service Area	2015/16 £'000	2016/17 £'000
Community & Environment/Waste Management – Introduce a charge of £30 per annum (£25 pa online) for green waste collection (based upon an estimated 30% uptake)	340	-
Community & Environment/School Meals – Add a further 10p per meal to the charge for paid school meals taking the total increase for 2015/16 to 20p per meal.	100	-
Community & Environment/Open Spaces - Charge each Bowling Club for their use of the bowling greens, as a contribution towards maintenance costs.	20	-
Strategic Director – Income from Sefton MBC to reimburse 50% of the costs of the Strategic Director	70	-70
Commissioning & Complex Needs – Re-procurement of the Housing Floating Support Service into a combined contract, achieving a reduction in overall costs	40	-
Commissioning & Complex Needs – Cease the contract for Supported Housing Services for homeless young people provide at Orchard House, with the opening of the Albert Road Hostel	150	-
Commissioning & Complex Needs – Cease the contract with St Helens Accommodation Project (SHAP) for the provision of Service User Involvement	36	12
Waste Management – Cease to operate the current recycling rewards scheme and replace with an in-house developed scheme	50	-
Leisure & Recreation Services – Generate additional external income for Sports Development, from various sources including grants, sponsorship and charging	20	-
Open Spaces – Streetscene – generation of additional external income from the following:		
• Charging businesses for street cleansing	25	-

adjacent to their premises (where land is not owned by the Council)		
• Halton Hornets taking responsibility for management of the Wilmere Lane sports facilities	25	-
Commissioning & Complex Care/Housing Strategy – Implementation of a revised service delivery model for the Grangeway Court Homeless accommodation	72	-
Prevention & Assessment – Carry forward against the Supporting People budget to provide a one-off saving in 2015/16	500	-500
Community & Environment – Restructure of Community Centres	25	-
Community & Environment – Secondment relating to the Community Safety Service	18	-18
Communities – Carry forward to provide a one-off saving for 2015/16	200	-200
	1,691	**-776**
Approved by Council 10th December 2014	**2,060**	**-851**
TOTAL COMMUNITIES DIRECTORATE	**3,751**	**-1,627**

SAVINGS PROPOSALS
CHILDREN & ENTERPRISE DIRECTORATE

Service Area	2015/16 £'000	2016/17 £'000
Learning & Achievement – Attendance and Behaviour Service – generation of income from selling non-statutory services to schools	110	-
Children's Organisation & Provision Dept/Policy, Provision & Performance Div – Technical Support Team – generation of income from providing additional training to schools and other settings	13	-
Children's Organisation & Provision Dept/14-19 Division – Development of shared management arrangements with Cheshire West & Chester Council	15	-
regarding 14-19 Services and deletion of vacant post from the 14-19 Division	20	-20
Children's Organisation & Provision Dept/14/19 Division – Reduction in budget for the provision of Information Advice and Guidance – through reducing the funding available for commissioning coaches and mentors	19	-
Children's Organisation & Provision Dept/Policy, Provision & Performance Div – Costs of the Learning Outside the Classsroom contract to be funded by the Schools Forum for one year initially	35	-35
Children's Organisation & Provision Dept – Reduction in the commissioned / professional services budget	29	-
Children's Organisation & Provision Dept/Integrated Youth Sevices – Reduction to the Youth Service budget through combining universal and targeted services and developing a new more targeted service specification	200	-
	441	**-55**
Approved by Council 10th December 2014	**1,050**	**1,500**
TOTAL CHILDREN & ENTERPRISE DIRECTORATE	**1,491**	**1,445**

SAVINGS PROPOSALS
POLICY AND RESOURCES DIRECTORATE

Service Area	2015/16 £'000	2016/17 £'000
ICT and Support Services Department – Additional income generated from provision of ICT services to external organisations	200	-
Policy Planning & Transportation Department / Street Lighting – Reduction in Street Lighting energy contract through annual retendering	68	-
Finance Dept / Financial Management Division – Reduction in external audit fees through improved procurement by the Audit Commission	20	-
Finance Dept / Financial Management Division / Concessionary Travel – Reduction in the concessionary fares reimbursement rate agreed with bus operators, without any impact for service users.	120	-
Finance Dept / Audit & Operational Finance Div – Voluntary reduction in hours of a Purchase to Pay Officer facilitated as part of a restructuring within the Team	4	-
Policy Planning & Transportation Department / Highways & Transportation – Secondment relating to the post of Divisional Manager, Bridge & Highway Maintenance	75	-75
ICT and Support Services Department – Management of various budgets in order to carry forward a one-off saving for 2015/16	150	-150
Legal & Democratic Services Dept / Communications Design and Marketing – Deletion of a vacant Internal Communications Officer post (HBC6) and a vacant Press Officer post (HBC6)	60	-
Finance Dept / Revenues, Benefits & Customer Svcs Division / Housing Benefits – Release of provision for housing benefit overpayment recoveries	230	-
	927	**-225**
Approved by Council 10th December 2014	**1,662**	**-602**
TOTAL POLICY AND RESOURCES DIRECTORATE	**2,589**	**-827**

SAVINGS PROPOSALS
COUNCILWIDE ITEMS

Service Area	2015/16 £'000	2016/17 £'000
Staff Terms and Conditions – Continuation for one year of 4 days unpaid leave for all staff	750	-750
Staff Terms and Conditions – Reduction in car mileage rates to the HMRC approved level	50	-
	800	**-750**
Approved by Council on 10th December 2014	**6,560**	**-5,440**
TOTAL COUNCILWIDE ITEMS	**7,360**	**-6,190**
GRAND TOTAL	**15,191**	**-7,199**

APPENDIX C

DEPARTMENTAL BASE BUDGETS

	£000
Children and Enterprise Directorate	
Children and Families Services	19,440
Children's Organisation and Provision	13,209
Learning and Achievement	2,665
Economy, Enterprise and Property	3,955
	39,269
Communities Directorate	
Commissioning and Complex Needs	14,058
Prevention and Assessment	27,269
Community and Environment	26,770
	68,097
Policy and Resources Directorate	
Finance	4,226
Policy, Planning and Transportation	16,774
ICT and Support Services	252
Legal and Democratic Services	624
Human Resources	198
Public Health	1,486
	23,560
Departmental Base Budgets	**130,926**
Corporate and Democracy	-14,283
Base Budget	**116,643**
Less Savings	-15,191
Total Budget	**101,452**

APPENDIX D

2015/16 BUDGET – REASONS FOR CHANGE

	£000
2014/15 Approved Budget	108,243
Add back One-Off savings	5,226
	113,469
Policy Decisions	
Capital Programme	-61
Inflation	
Pay	918
Prices	1,150
Income	- 394
Other	
Increments	299
Contingency	1,000
Increase in Final 15/16 Settlement – Local Welfare Provision	262
Base Budget	**116,643**
Less Savings	- 15,191
Total Budget	**101,452**

APPENDIX E

MEDIUM TERM FINANCIAL FORECAST

	2016/17 £000	2017/18 £000
Spending Forecast		
Previous Year's Budget	101,452	93,601
Add back one-off savings	8,759	0
Policy Decisions		
Capital Programme	201	-307
Inflation		
Pay	699	712
Prices	1,421	1,472
Income	-425	-434
Other		
Superannuation	250	250
Increments etc	400	400
Contingency	1,000	1,500
Single Tier State Pension	1,300	0
Pension Early Retirement Costs Dropping Out	-927	0
Transition from Children's to Adult Social Care	250	0
Deprivation of Liberty Safeguards	500	0
Introduction of the Care Act	900	200
New Homes Bonus Grant Dropping Out	0	347
Total Spending Forecast	115,780	97,741
Resources		
Previous Years Resources:		
Settlement Funding Allocation	61,030	54,953
Council Tax	38,648	38,648
Reduction in Settlement Funding Allocation	-6,077	-5,469
Total Resources	93,601	88,132
Forecast Funding Gaps	**22,179**	**9,609**

APPENDIX F

COMMITTED CAPITAL PROGRAMME 2015-18

SCHEME	2015/16 £000	2016/17 £000	2017/18 £000
Basic Need Projects	892	936	
Widnes Cemetery	1,912	274	50
SciTech – Daresbury	8,630		
Disabled Access	300	300	300
John Briggs House / Police Station	350		
Children and Enterprise Directorate	**12,084**	**1,510**	**350**
IT Rolling Programme	1,100	1,100	1,100
Highways Capital Maintenance	2,228	2,043	1,981
Street Lighting	200	200	200
Fleet Replacements	2,089	1,940	624
Risk Management	120	120	120
Mersey Gateway Land Acquisition	10,125	1,461	567
Mersey Gateway Development Costs	2,843	2,858	2,153
Mersey Gateway Construction Costs		70,000	32,500
Mersey Gateway Loan Interest	3,587	3,989	356
Policy and Resources Directorate	**22,292**	**83,711**	**39,601**
Stadium Minor Works	30	30	30
Norton Priory	3,290	150	190
Norton Priory – Biomass Boiler	140		
Children's Playground Equipment	65	65	65
Landfill Tax Credit Schemes	340	340	340
Runcorn Hill Park	250		
Litter Bins	20	20	20
Disabled Facilities	787		
ALD Bungalows	200	100	
Grangeway Court	347		
Better Care Fund	356		
Communities Directorate	**5,825**	**705**	**645**
Total	**40,201**	**85,926**	**40,596**
Slippage between years *	**+ 8,653**	**+ 8,040**	**+ 3,185**
	- 8,040	**- 3,185**	**- 1,619**
GRAND TOTAL	**40,814**	**90,781**	**42,162**

*Slippage for 2016/17 & 2017/18 is calculated after excluding Mersey Gateway Construction Costs

 Agenda Item 3b

REPORT TO:	Executive Board
DATE:	12 February 2015
REPORTING OFFICER:	Operational Director – Finance
PORTFOLIO:	Resources
TITLE:	Treasury Management Strategy Statement 2015/16
WARDS:	Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the Treasury Management Strategy Statement which incorporates the Annual Investment Strategy (AIS) and the Minimum Revenue Provision (MRP) Strategy for 2015/16.

2.0 RECOMMENDATION: That Council be recommended to adopt the policies, strategies, statements, prudential and treasury indicators outlined in the report.

3.0 SUPPORTING INFORMATION

3.1 This Treasury Management Strategy Statement (TMSS) details the expected activities of the treasury function in the forthcoming financial year (2015/16). Its production and submission to Council is a requirement of the CIPFA Code of Practice on Treasury Management.

3.2 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

3.3 The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy; this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

3.4 Government guidance notes state that Authorities can combine the Treasury Strategy Statement and Annual Investment Strategy into one report. The Council has adopted this approach and the Annual Investment Strategy is therefore included as section 4.

3.5 The Council is also required to produce a Minimum Revenue Provision (MRP) Policy Statement. There is a formal statement for approval detailed in paragraph 2.3 with Appendix A detailing MRP in more detail.

4.0 POLICY IMPLICATIONS

4.1 The successful delivery of the strategy will assist the Council in meeting its budget commitments.

5.0 OTHER IMPLICATIONS

5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 There are no direct implications, however, the revenue budget and capital programme support the delivery and achievement of all the Council's priorities.

7.0 RISK ANALYSIS

7.1 The Authority operates its treasury management activity within the approved code of practice and supporting documents. The aim at all times is to operate in an environment where risk is clearly identified and managed. This strategy sets out clear objectives within these guidelines.

7.2 Regular monitoring is undertaken during the year and reported on a quarterly basis to the Executive Board.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
Working Papers	Financial Management	Matt Guest
CIPFA TM Code	Kingsway House	
CIPFA Prudential Code		

HALTON BOROUGH COUNCIL

TREASURY MANAGEMENT STRATEGY STATEMENT

2015/16

Financial Management Division
Finance Department
January 2015

TREASURY MANAGEMENT STRATEGY STATEMENT 2015/16

1 INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

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

CIPFA defines treasury management as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 Reporting requirements

The Council is required to receive and approve the following reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - which covers:

- The capital plans (including prudential indicators)
- A minimum revenue provision (MRP) policy - how residual capital expenditure is charged to revenue over time
- The treasury management strategy – how the investment and borrowing are organised, including treasury indicators
- An investment strategy – the parameters of how investments are to be managed

A mid-year treasury management report (Quarter 2) **–** This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, the Executive Board receives Quarter 1 and Quarter 3 reports.

An annual treasury report (Quarter 4) – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.3 Treasury Management Strategy for 2015/16

The strategy for 2015/16 covers two main areas:

Capital issues
- the capital plans and the prudential indicators
- the minimum revenue provision (MRP) policy

Treasury Management Issues
- The current treasury position
- Treasury indicators which limit the treasury risk and activities of the Council
- Prospects for interest rates
- The borrowing strategy
- Policy on borrowing in advance of need
- Debt rescheduling
- The investment strategy
- Creditworthiness policy
- Policy on use of external service providers

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

1.4 Training

Training is provided periodically for Members, to assist with undertaking their responsibilities with regard to treasury management. Similarly the training needs of treasury management officers are reviewed periodically and addressed as necessary.

1.5 Treasury management consultants

The Council uses Capita Asset Services, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

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

2 THE CAPITAL PRUDENTIAL INDICATORS 2015/16 – 2017/18

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

2.1 Capital Expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

The table below summarises how these plans are being financed by capital or revenue resources, any shortfall of resources results in the need to borrow.

	2013/14 Actual £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000
Capital Expenditure:					
Children & Enterprise	14,163	15,055	12,084	1,510	350
Policy & Resources	22,936	22,147	22,292	83,711	39,601
Communities	1,371	6,064	5,826	706	645
	38,470	**43,266**	**40,202**	**85,927**	**40,596**
Financed By:					
Capital receipts	(2,431)	(8,577)	(3,781)	(2,143)	(1,919)
Capital grants	(26,590)	(26,211)	(12,877)	(7,525)	(2,833)
Revenue	(914)	(1,874)	(140)	-	-
Net financing need for the year	**8,535**	**6,604**	**23,404**	**76,259**	**35,844**

The above financing need excludes other long term liabilities such as PFI and leasing arrangements which already include borrowing instruments.

2.2 The Council's borrowing need – The Capital Financing Requirement

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

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with the life of each asset.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. An estimate of £100k has been used for finance leases in future years.

	2013/14 Actual £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000
Capital Financing Requirement	**78,487**	**106,807**	**110,161**	**130,369**	**203,066**
Movement in CFR due to:					
Net financing need for the year	8,535	6,604	23,404	76,259	35,844
PFI / Finance Leases	25,076	100	100	100	100
Less MRP	(5,291)	(3,350)	(3,296)	(3,662)	(3,414)
Increase / (Decrease) in CFR	**28,320**	**3,354**	**20,208**	**72,697**	**32,530**

2.3 Minimum revenue provision (MRP) statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge called the Minimum Revenue Provision (MRP).

CLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. These options are further explained in Appendix A

The Council is recommended to approve the following MRP Statement.

For capital expenditure incurred before 1 April 2008 the MRP policy will be to follow Option 1 (regulatory method) and provide for an approximate 4% reduction in the borrowing need (CFR) each year.

For all unsupported borrowing since 1 April 2008, the MRP policy will be Option 3 (Asset Life Method) and is based on the estimated life of the assets. This will usually be charged using the equal instalment method, but the annuity method may also be used.

The MRP relating to PFI schemes and finance leases will be based on the annual lease payment, and will have no direct impact on the Council's revenue budget.

2.4 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

2.5 Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing net of investment income) against the net revenue stream.

Ratio of Finance Costs to Net Revenue Stream	2013/14 Actual £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000
Council's Net Budget	**115,114**	**108,243**	**101,188**	**95,000**	**90,000**
Finance Costs					
Net Interest Costs	954	1,008	1,152	1,028	587
Minimum Revenue Provision	2,269	2,201	2,306	2,843	2,776
	3,223	**3,209**	**3,458**	**3,871**	**3,363**
	2.8%	**3.0%**	**3.4%**	**4.1%**	**3.7%**

Interest costs relating to the Mersey Gateway project and have been excluded from the above estimates as these will not be a cost on the Council's revenue budget. Interest costs and MRP relating to PFI and finance leases have also been excluded for this reason.

2.6 Incremental impact of capital investment decisions on council tax

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period. For this table it has been assumed that the tax base will remain the same for the following three years.

Incremental Impact of capital investment decisions on band D Council Tax	2013/14 Actual £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000
Net cost of additional borrowing	353	661	541	72	38
Council Tax Base	31,189	31,400	31,400	31,400	31,400
Impact on Band D (£)	**11.31**	**21.05**	**17.21**	**2.29**	**1.19**

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2014, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

External Debt	2013/14 Actual £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000
Borrowing					
Debt at 1 April	80,474	70,000	183,000	153,000	143,000
Expected Change in Debt	(10,474)	113,000	(30,000)	(10,000)	20,000
Debt at 31 March	**70,000**	**183,000**	**153,000**	**143,000**	**163,000**
Other long-term liabilities					
Debt at 1 April	1,228	23,282	22,518	21,713	20,879
Expected Change in Debt	22,054	(764)	(805)	(834)	(853)
Debt at 31 March	**23,282**	**22,518**	**21,713**	**20,879**	**20,026**
Total External Debt at 31 March	**93,282**	**205,518**	**174,713**	**163,879**	**183,026**
Capital Financing Requreiment	**106,807**	**110,161**	**130,369**	**203,066**	**235,596**
Under / (over) borrowing	**13,525**	**(95,357)**	**(44,344)**	**39,187**	**52,570**

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and the following two financial years.

This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The table above shows that the Council are expecting to be in an overborrowed position for 2014/15 and 2015/16. This is relating to the borrowing in advance of need that was done in respect to the Mersey Gateway project. Further detail is given in 3.5.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000
Debt	233,100	233,100	233,100	233,100
Other Long Term Liabilities	19,500	22,213	21,379	20,526
Total	**252,600**	**255,313**	**254,479**	**253,626**
Estimated Headroom	**47,082**	**80,600**	**90,600**	**70,600**

The boundary is significantly higher than the CFR until 2017/18. This is due to borrowing in advance of need for the Mersey Gateway.

The authorised limit for external debt

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

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

Authorised limit	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000
Debt	250,000	250,000	250,000	250,000
Other Long Term Liabilities	20,000	20,000	20,000	20,000
Total	**270,000**	**270,000**	**270,000**	**270,000**
Estimated Headroom	**64,482**	**95,287**	**106,121**	**86,974**

3.3 Prospects for Interest Rates

The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table and commentary is the view of Capital Asset Services:

Quarter Average	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar-15	0.50	2.2	3.4	3.4
Jun-15	0.50	2.2	3.5	3.5
Sep-15	0.50	2.3	3.7	3.7
Dec-15	0.75	2.5	3.8	3.8
Mar-16	0.75	2.6	4.0	4.0
Jun-16	1.00	2.8	4.2	4.2
Sep-16	1.00	2.9	4.3	4.3
Dec-16	1.25	3.0	4.4	4.4
Mar-17	1.25	3.2	4.5	4.5
Jun-17	1.50	3.3	4.6	4.6
Sep-17	1.75	3.4	4.7	4.7
Dec-17	1.75	3.5	4.7	4.7
Mar-18	2.00	3.6	4.8	4.8

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth has rebounded during 2013 and especially during 2014, to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are also currently very positive in indicating that growth prospects are strong for 2015, particularly in the services and construction sectors. However, growth in the manufacturing sector and in exports has weakened during 2014 due to poor growth in the Eurozone.

There does need to be a significant rebalancing of the economy away from consumer spending to manufacturing, business investment and exporting in order for this initial stage in the recovery to become more firmly established. One drag on the economy is that wage inflation has been lower than CPI inflation so eroding disposable income and living standards, although income tax cuts have ameliorated this to some extent. This therefore means that labour productivity must improve significantly for this situation to be corrected by warranting increases in pay rates. In addition, the encouraging rate at which unemployment has been falling must eventually feed through into pressure for wage increases, though current views on the amount of hidden slack in the labour market probably means that this is unlikely to happen in the near future.

The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- As for the Eurozone, concerns in respect of a major crisis subsided considerably in 2013. However, the downturn in growth and inflation during the second half of 2014, and worries over the Ukraine situation, Middle East and Ebola, have led to a resurgence of those concerns as risks increase that it could be heading into deflation and a triple dip recession since 2008. Sovereign debt difficulties have not gone away and major concerns could return in respect of individual countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;

- Investment returns are likely to remain relatively low during 2015/16 and beyond;

- Borrowing interest rates have been volatile during 2014 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. During July to October 2014, a building accumulation of negative news has led to an overall trend of falling rates. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt

- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

3.4 Borrowing Strategy

Apart from the borrowing relating to the Mersey Gateway (discussed in 3.5) the Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

Against this background and the risks within the economic forecast, caution will be adopted with the 2015/16 treasury operations. The Operational Director - Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- If it was felt that there was a significant risk of a sharp fall in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- If it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in the anticipated rate to US tapering of asset purchases, or in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.

3.4 Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

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

Upper Limit for Interest Rate Exposure	2015/16 %	2016/17 %	2017/18 %
Fixed Rate	100	100	100
Variable Rate	30	30	30

Maturity Structure of Fixed Rate Borrowing	2015/16	
	Lower	Higher
Under 12 months	0%	40%
12 months to 24 months	0%	40%
24 months to 5 years	0%	40%
5 years to 10 years	0%	40%
10 years and above	0%	100%

3.5 Policy on borrowing in advance of need

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

Due to very favourable interest rates available from the PWLB, the Council have borrowed £113m during 2014/15 to fund the Mersey Gateway Project. These funds will not be needed until the 2016/17 and puts the Council in an ‘over-borrowed’ position until then.

The funds borrowed have been invested in line with the Council’s Investment Strategy and the net cost of this borrowing (interest payable net of investment income) has been analysed separately to the Council’s other Treasury Costs. As the cost of this borrowing (interest and MRP) will be funded from the future revenue raised by the Mersey Gateway, this will have no effect on the Council’s revenue budget and has therefore been excluded from the costs shown in the prudential indicators shown in Section 2.

3.6 Debt Rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and/or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then yield.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.

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

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

Investment instruments identified for use in the financial year are listed below and are split between ‘specified’ and ‘non-specified’ investment categories. These will be used in line with the Creditworthiness Policy, and Counterparty List detailed in 4.2 and 4.4 below:

Specified investments
These are sterling denominated with maturities up to a maximum of 1 year and include the following:

- Debt Management Agency Deposit Facility
- UK Government Gilts
- Bonds issued by an institution guaranteed by the UK Government
- Term Deposits – UK Government
- Term Deposits – Other LAs
- Term Deposits - Banks and Building Societies
- Certificates of deposit with banks and building societies

Non-specified investments
These are Investments that do not meet the specified investment criteria. A variety of investment instruments will be used, subject to the credit quality of the institution:

- Term deposits – UK Government (maturities over 1 year)
- Term deposits – Other LAs (maturities over 1 year)
- Term deposits – Banks and Building Societies (maturities over 1 year)
- Certificates of deposit with banks and building societies (maturities over 1 year)
- Money Market Funds (rated AAA)
- Property Funds

At the time of investing, no more than 30% of the Council’s portfolio will be held in non-specified investments

4.2 Creditworthiness Policy

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

- credit watches and credit outlooks from credit ratings agencies
- CDS spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy counties
.

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

- Yellow 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised and part nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No Colour May not be used

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

All credit ratings will be monitored whenever new lending takes place. The Council is alerted to changes to ratings of all three agencies through its use of Capita's creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

4.3 Country Limits

Other than the United Kingdom, the Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AAA from Fitch or equivalent.

4.4 Counterparty Limits for 2015/16

The Council has set the following counterparty limits for 2015/16, and will invest in line with the creditworthiness policy detailed in 4.2.

	Maximum Limit per institution £m
UK Government	40
Nationalised and Part Nationalised Banks with a minimum rating of A	40
UK Banks/Building Societies with:	
- Minimum rating of AAA	30
- Minimum rating of AA	25
- Minimum rating of A	20
- Minimum rating of BBB	10
Foreign Banks in countries with a soverign rating of AAA and:	
- Minimum rating of AAA	20
- Minimum rating of AA	10
- Minimum rating of A	5
Money Market Funds	
- Minimum rating of AAA	20
Local Authorities	40
Note: No more than 25% of the total portfolio will be placed with one institution, except where balances are held for cash-flow purposes	

Due to the high level of investments the Council holds in relation to the Mersey Gateway project, the Counterparty limits have been increased for 15/16 to ensure the Council is able to obtain the best rates available. These levels will be reviewed once the final Mersey Gateway payments have been made.

4.4 Investment strategy

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 4 of 2015. Bank Rate forecasts for financial year ends (March) are:

- 2015/16 0.75%
- 2016/17 1.25%
- 2017/18 2.00%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate occurs later) if economic growth weakens. However, should the pace of growth quicken, there could be an upside risk.

Investment treasury indicator and limit – Total principal funds invested for greater than 365 days

These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Maximum principal sums invested > 365 days	2015/16 £000	2016/17 £000	2017/18 £000
Principal sums > 365 days	30	20	20

Please note that the indicator suggested in the treasury code is principal sums over 364 days. This has been changed to include investments of 365 days, as investments of 1 year are classed as short-term and specified investments.

4.5 End of year investment report

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

Appendix A

Minimum Revenue Provision

Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred therefore such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision, which was previously determined under Regulation, and will in future be determined under Guidance.

Statutory duty

Statutory Instrument 2008 no. 414 s4 lays down that:

- "A local authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent."
- The above is a substitution for the previous requirement to comply with regulation 28 in S.I. 2003 no. 3146 (as amended).
- There is no requirement to charge MRP where the Capital Financing Requirement is nil or negative at the end of the preceding financial year.
- The share of Housing Revenue Account CFR is not subject to an MRP charge.

Government Guidance

Along with the above duty, the Government issued guidance which came into force on 31st March 2008 which requires that a Statement on the Council's policy for its annual MRP should be submitted to the full Council for approval before the start of the financial year to which the provision will relate.

The Council is legally obliged to "have regard" to the guidance, which is intended to enable a more flexible approach to assessing the amount of annual provision than was required under the previous statutory requirements. The guidance offers four main options under which MRP could be made, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits. The requirement to 'have regard' to the guidance therefore means that: -

1. although four main options are recommended in the guidance, there is no intention to be prescriptive by making these the only methods of charge under which a local authority may consider its MRP to be prudent.

2. it is the responsibility of each authority to decide upon the most appropriate method of making a prudent provision, after having had regard to the guidance.

Option 1: Regulatory Method

Under the previous MRP regulations, MRP was set at a uniform rate of 4% of the adjusted CFR (i.e. adjusted for “Adjustment A”) on a reducing balance method (which in effect meant that MRP charges would stretch into infinity). This historic approach must continue for all capital expenditure incurred in years before the start of this new approach. It may also be used for new capital expenditure up to the amount which is deemed to be supported through the SCE annual allocation.

Option 2: Capital Financing Requirement Method

This is a variation on option 1 which is based upon a charge of 4% of the aggregate CFR without any adjustment for Adjustment A, or certain other factors which were brought into account under the previous statutory MRP calculation. The CFR is the measure of an authority’s outstanding debt liability as depicted by their balance sheet.

Option 3: Asset Life Method

This method may be applied to most new capital expenditure, including where desired that which may alternatively continue to be treated under options 1 or 2.

Under this option, it is intended that MRP should be spread over the estimated useful life of either an asset created, or other purpose of the expenditure. There are two useful advantages of this option: -

- longer life assets e.g. freehold land can be charged over a longer period than would arise under options 1 and 2
- no MRP charges need to be made until the financial year after that in which an item of capital expenditure is fully incurred and, in the case of a new asset, comes into service use (this is often referred to as being an ‘MRP holiday’). This is not available under options 1 and 2

There are two methods of calculating charges under option 3: -

a. equal instalment method – equal annual instalments
b. annuity method – annual payments gradually increase during the life of the asset

Option 4: Depreciation Method

Under this option, MRP charges are to be linked to the useful life of each type of asset using the standard accounting rules for depreciation (but with some exceptions) i.e. this is a more complex approach than option 3.

The same conditions apply regarding the date of completion of the new expenditure as apply under option 3.

Date of implementation

The previous statutory MRP requirements ceased to have effect after the 2006/07 financial year. Transitional arrangements included within the guidance no longer apply for the MRP charge for 2009/10 onwards. Therefore, options 1 and 2 should only be used for Supported Capital Expenditure (SCE). Authorities are however reminded that the DCLG document remains as guidance and authorities may consider alternative individual MRP approaches, as long as they are consistent with the statutory duty to make a prudent revenue provision.

Strategy Adopted for 2015/16 and future years

In order to determine its MRP for 2015/16 and taking into consideration the available options the Council has applied the following strategy:

- For all capital expenditure incurred before 2009/10 and for all capital expenditure funded via supported borrowing MRP to be calculated using Option 1 – The Regulatory Method.
- For all capital expenditure incurred from 2009/10 financed by prudential borrowing MRP to be calculated using Option 3 the Asset Life Method, with the MRP Holiday option being utilised for assets yet to come into service use
- For Mersey Gateway expenditure the options above will not be used. The MRP Holiday option will be utilised until the Council receives toll income to repay outstanding capital expenditure. MRP payments will then be matched with income received.
- Expenditure funded through the Regional Growth Fund is currently utilising the MRP holiday option. If the conditions are not met, MRP will be payable using the Asset Life Method.
- For credit arrangements such as on balance sheet leasing arrangements (finance leases) MRP charge to be equal to the principal element of the annual rental.
- For on balance sheet PFI contracts MRP charge to be equal to the principal element of the annual rental.

Agenda Item 3c

REPORT TO: Council

DATE: 4 March 2015

REPORTING OFFICER: Operational Director – Finance

PORTFOLIO: Resources

SUBJECT: 2014/15 Revised Capital Programme

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To seek approval to a number of revisions to the Council's 2014/15 capital programme.

2.0 RECOMMENDED: That the revisions to the Council's 2014/15 capital programme set out in paragraph 3.2 below, be approved.

3.0 SUPPORTING INFORMATION

3.1 On 12th February 2015 the Executive Board received a report of spending against the Council's revenue budget and capital programme as at 31st December 2014. A number of revisions to the 2014/15 capital programme were recommended for approval by Council as outlined below.

3.2 The Council's 2014/15 capital programme has been revised to reflect a number of changes in spending profiles and funding as schemes have developed. These are reflected in the revised capital programme presented in Appendix 1. The schemes which have been revised within the programme are as follows

i Widnes Recreation Site
ii Warrington Road Traveller Site
iii Norton Priory
iv Former Fairfield Site – Demolition / Highways / Cemetery
v Mersey Gateway Land Acquisitions
vi Mersey Gateway Interest during Construction
vii IT Rolling Programme
viii School Capital Repairs
ix Lunts Heath Primary School
x Universal Infant School Meals
xi Education Programme (General)
xii Stadium Minor Works

4.0 POLICY AND OTHER IMPLICATIONS

4.1 None.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 There are no direct implications, however, the capital programme supports the delivery and achievement of all the Council's priorities.

6.0 RISK ANALYSIS

6.1 There are a number of financial risks within the capital programme. However, the Council has internal controls and processes in place to ensure that spending remains in line with budget.

6.2 In preparing the 2014/15 budget and capital programme, a register of significant financial risks was prepared which has been updated as at 31st December 2015.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None.

8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1072

8.1 There are no background papers under the meaning of the Act.

APPENDIX 1

Capital Expenditure to 31st December 2014

Directorate/Department	Actual Expenditure to Date	2014/15 Cumulative Capital Allocation		Capital Allocation 2015/16	Capital Allocation 2016/17
		Quarter 3	Quarter 4		
	£'000	£'000	£'000	£'000	£'000
Children & Enterprise Directorate					
Schools Related					
Asset Management Data	5	5	10	0	0
Fire Compartmentation	2	2	39	0	0
Capital Repairs	795	795	1,191	0	0
Asbestos Management	20	20	25	0	0
Schools Access Initiative	63	63	100	0	0
Education Programme (General)	68	68	88	0	0
Inglefield	2	2	50	0	0
Basic Need Projects	0	0	983	892	936
School Modernisation Projects	407	407	683	0	0
Universal Infant School Meals	229	229	259	0	0
Lunts Heath Primary School	31	31	36	0	0
Beechwood Primary School	92	92	93	0	0
St Bedes Junior School	0	0	36	0	0
Halebank	8	8	20	0	0
Ashley School	351	351	369	0	0
Early Education for 2 Year Olds	163	163	334	0	0

Directorate/Department	Actual Expenditure to Date	2014/15 Cumulative Capital Allocation		Capital Allocation 2015/16	Capital Allocation 2016/17
		Quarter 3	Quarter 4		
	£’000	£’000	£’000	£’000	£’000
Economy, Enterprise & Property					
Castlefields Regeneration	174	174	925	0	0
3MG	1,578	1,578	2,909	0	0
Widnes Waterfront	0	0	1,000	0	0
Johnsons Lane Infrastructure	15	15	466	0	0
Decontamination of Land	0	0	6	0	0
SciTech Daresbury – Power Infrastructure	1377	1,377	1,915	0	0
SciTech Daresbury - Transport	0	0	177	0	0
SciTech Daresbury – Tech Space	0	0	0	8,630	0
Queens Arms	11	20	23	0	0
Former Crosville Site	0	0	518	0	0
Moor Lane Demolition	11	11	150	0	0
Moor Lane Property Purchase	161	160	160	0	0
Former Fairfield Site - Demolition	2	2	2	0	0
Former Fairfield Site – Contingency	49	49	51	27	0
Former Fairfield Site – Highways	0	0	155	605	106
Former Fairfield Site – Cemetery	0	0	20	900	50
Former Fairfield Site –Primary School	0	0	0	380	118
Travellers Site Warrington Road	30	30	1,658	0	0
Widnes Town Centre Initiative	22	22	60	0	0
Lowerhouse Lane Depot - Upgrade	401	410	444	0	0
Disability Discrimination Act	38	38	150	300	300
John Briggs House / Police Station	0	0	0	350	0
Total Children & Enterprise	**6,105**	**6,122**	**15,105**	**12,084**	**1,510**

Directorate/Department	Actual Expenditure to Date	2014/15 Cumulative Capital Allocation		Capital Allocation 2015/16	Capital Allocation 2016/17
		Quarter 3	Quarter 4		
	£'000	£'000	£'000	£'000	£'000
Policy & Resources Directorate					
ICT & Support Services					
ICT Rolling Programme	699	700	2,100	1,100	1,100
Policy, Planning & Transportation					
Local Highway Maintenance Block Funding				2,228	2,043
Local Transport Plan					
Bridge & Highway Maintenance	1,186	1,300	2,761	0	0
Integrated Transport & Network Management	152	200	1,020	0	0
Street Lighting – Structural Maintenance	83	100	200	200	200
Surface Water Management	22	25	195	0	0
Local Pinch Point Fund Programme – Daresbury Expressway	1,161	1,200	2,253	0	0
Mersey Gateway					
Land Acquisitions	5,422	5,422	6,386	10,125	1,461
Development Costs	2,330	2,330	3,289	2,843	2,858
Loan Interest during Construction	0	0	1,980	3,587	3,988
Construction Costs	0	0	0	0	70,000
Other					
Risk Management	39	50	120	120	120

Directorate/Department	Actual Expenditure to Date	2014/15 Cumulative Capital Allocation		Capital Allocation 2015/16	Capital Allocation 2016/17
		Quarter 3	Quarter 4		
	£'000	£'000	£'000	£'000	£'000
Mid-Mersey Sustainable Transport	7	10	399	0	0
Fleet Replacements	862	900	1,121	2,089	1,940
Brookvale Biomass Boiler	289	322	322	0	0
Total Policy & Resources	**12,252**	**12,559**	**22,146**	**22,292**	**83,710**

Directorate/Department	Actual Expenditure to Date £'000	2014/15 Cumulative Capital Allocation		Capital Allocation 2015/16 £'000	Capital Allocation 2016/17 £'000
		Quarter 3 £'000	Quarter 4 £'000		
Communities Directorate					
Community & Environment					
Stadium Minor Works	77	75	80	30	30
Widnes Recreation Site	1,125	1,258	2,792	0	0
Children's Playground Equipment	4	15	79	65	65
Landfill Tax Credit Schemes	17	17	340	340	340
Upton Improvements	49	47	63	0	0
Crow Wood Park	0	0	13	0	0
Runcorn Hill Park	316	311	311	250	0
Open Spaces Schemes	138	142	189	0	0
Runcorn Cemetery Extension	0	0	9	0	0
Widnes Crematorium Cremators	264	297	396	0	0
Litter Bins	0	0	20	20	20
Norton Priory	12	12	339	3,290	151
Norton Priory – Biomass Boiler	0	0	0	140	0
Prevention & Assessment					
Grants for Disabled Facilities	247	375	500	787	0
Energy Promotion	6	6	12	0	0
Joint Funding RSL Adaptations	133	150	200	0	0
Stair lifts (Adaptations Initiative)	180	188	250	0	0

Directorate/Department	Actual Expenditure to Date £'000	2014/15 Cumulative Capital Allocation Quarter 3 £'000	 Quarter 4 £'000	Capital Allocation 2015/16 £'000	Capital Allocation 2016/17 £'000
Commissioning & Complex Care					
ALD Bungalows	0	0	100	200	100
Lifeline Telecare Upgrade	0	0	100	0	0
Grangeway Court	0	0	0	347	0
Halton Carers Centre Refurbishment	16	16	50	0	0
Section 256 Grant	0	0	55	0	0
Community Capacity Grant	0	0	166	0	0
Social Care Capital Grant	0	0	0	356	0
Total Communities Directorate	**2,584**	**2,909**	**6,064**	**5,825**	**706**
TOTAL CAPITAL PROGRAMME	**20,941**	**21,590**	**43,315**	**40,201**	**85,926**
Slippage (20%) *			-8,663	-8,040	-3,185
				8,663	8,040
TOTAL			**34,652**	**40,824**	**90,781**

*Slippage for 2016/17 is calculated after excluding Mersey Gateway Construction costs.

REPORT TO: Council

DATE: 4 March 2015

REPORTING OFFICER: Strategic Director – Policy & Resources

SUBJECT: Pay Policy Statement 2015 – 2016

PORTFOLIO: Resources

WARDS: Borough-wide

1.0 INTRODUCTION

1.1 The Localism Act 2011 requires every local authority to prepare a pay policy statement each year which details the Council's approach to a range of issues relating to the pay of its workforce, particularly its senior staff (Chief Officers) and its lowest paid employees.

1.2 This report details the Council's recommended Pay Policy Statement for 2015/16. The statement will be subject to annual review and approval by Full Council by 31st March each year. In exceptional circumstances, the statement may be reviewed/amended in-year by the Full Council.

1.3 On approval the statement will be published on the Council's website following each annual review.

2.0 RECOMMENDATION: That Council adopts this Pay Policy Statement for the Municipal Year 2015/16.

3.0 LEGISLATIVE FRAMEWORK

3.1 The Council is committed to transparency and fairness in the pay and remuneration of all its employees. In determining the pay and remuneration of all of its employees, the Council will comply with all relevant legislation and has had regard to the Guidance issued by the Department for Communities and Local Government in February 2012.

3.2 The Localism Act requires the Council to produce a policy statement that covers a number of matters concerning the pay of the Councils staff; principally it's Chief Officers and the Authority's lowest paid employees. This pay policy statement meets the requirements of the Localism Act 2011 and takes account of the guidance issued by the Secretary for Communities and Local Government "Openness and Accountability in Local Pay : Guidance under Section 40 of the Localism Act".

3.3 The statement complies with the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010, and where relevant, the Transfer of Undertakings (Protection of Employment) Regulations 2006.

3.4 With regard to the equal pay requirements contained within the Equality Act, the Council ensures that there is no pay discrimination in its pay and grading structures and that all pay differentials are objectively justified through the use of job evaluation mechanisms, which directly establish the relative levels of post grades according to the requirements, demands and responsibilities of the job role.

3.5 This pay policy statement does not apply to schools maintained by the Council and there is not a requirement to do so.

4.0 THE PAY POLICY STATEMENT

4.1 Under Section 112 of the Local Government Act 1972, the Council has the power "to appoint officers on such reasonable terms and conditions as the authority sees fit." The purpose of the Statement is to provide transparency with regard to the Council's approach to setting the pay of its employees by identifying;

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

5.0 BACKGROUND – PAY STRUCTURE

5.1 The Council uses the NJC nationally negotiated pay spine (i.e. a defined list of salary points) as the basis for its local pay structure, based on the application of the job evaluation process to determine the salaries of the majority of its staff.

5.2 The Council adopts the national pay bargaining arrangements in respect of the national pay spine and any agreed annual pay increases negotiated with the joint trade unions. The first pay award for staff on Green Book terms and conditions since 2009 was agreed and backdated to 1st April 2013. The award was for a 1% increase on all spinal column points in the NJC pay spine. This was then agreed for staff on Soulbury terms and conditions. Following protracted negotiations the pay award for 2014 for staff on NJC terms and conditions was award at 2.2% effective from 1st Jan 2015.With an additional Non-Consolidated payment made to staff in post at 1st Dec 2014.

5.3 The position for staff on JNC terms and conditions (Chief Officers) is different. There had been no pay increase for Chief Officers since 2008/09. This had the effect, in real term impact as if there had been 18% of loss of earnings during this period. In January 2015, agreement was reached on a 2% increase for all JNC officers who earned under £99,999. No award was agreed for officers earning over this amount.

5.4 In 2012/13 all employees of the Council agreed to vary their contracts of employment by taking four days unpaid leave for a period of three years as a budget saving measure. This agreement ended in 2014/15 however, following a period of consultation with the trade unions, they agreed to ballot their membership about entering into a local agreement to extend the agreement for a further 12 months. The results of the ballots were positive and four days unpaid leave will be taken in 2015/16. This has the effect of a 1% annual pay cut but does contribute to the enabling the Council to present a balanced budget.

5.5 All other pay related allowances are the subject of either national or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined locally.

5.6 Starting salaries for new appointments will normally be made at the minimum of the grade, although this can be varied where necessary to secure the best candidate for the job. From time to time it may be necessary to take account of the external pay market in order to attract and retain the best employees with particular experience, skills and abilities. Where necessary, the Council will ensure that the requirement for such payments is objectively justified by reference to a clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the public sector and where such retention payments are necessary, they will be subject to local negotiations.

5.7 There is a formal job evaluation process for new positions created or for proposed changes to existing job grades. For positions which are subject to the National Joint Council (NJC) for Local Government Services (‘Green Book’), the grading review is undertaken with representation from the Human Resources Division, the Trade Unions and the Manager, using the Local Government Single Status Job Evaluation Scheme (the NJC scheme) to evaluate posts up to grade HBC 11.

5.8 The following employee groups are not presently paid in accordance with an evaluated grade/role determined by the Council and instead nationally or locally determined rates apply.

- Employees whose pay and conditions are determined by the Soulbury Committee
- Employees who have transferred from the NHS to the Council

- Employees who have retained terms and conditions following a TUPE transfer to the Council

5.9 Any temporary supplement to the salary scale for any grade is approved in accordance with the “Green Book” criteria on such matters and can only be approved by the Chief Executive in consultation with the Head of Human Resources.

6.0 SENIOR MANAGEMENT REMUNERATION

6.1 For the purposes of this Statement, senior management means “chief officers” as defined within the Localism Act. The posts falling within the statutory definition are set out below with details of their basic salary at 01 April 2014:

- Chief Executive
- Strategic Directors
- Operational Directors
- Director of Public Health
- Officers reporting to the Chief Executive

The Act defines posts reporting directly to or accountable to the Chief Executive as non-statutory Directors. There is currently one officer reporting directly to the Chief Executive who meets the statutory definition.

6.2 The basis of salary levels of Chief Officers was established following a review exercise in April 2005 carried out by Tribal Resources, using the Hay system to evaluate grades and salary points.

6.3 The details of salaries of the Council’s Chief Officers can be found on the Council website and are published as part of the Council’s Annual Abstract of Accounts.

6.4 The arrangements and factors considered in determining progression through the relevant grade is incremental progression awarded on an annual basis until the top of the grade is reached.

6.5 The Council employs 2458 staff in 2547 posts and is responsible for spending annually over £313 million of public money.

6.6 The terms and conditions applicable to officers on director grade and above are as determined by the JNC for Chief Executives, the JNC for Chief Officers of Local Authorities or NHS as amended, supplemented or superseded by the Council from time to time. A handbook is available via the Local Government web site: http://www.lge.gov.uk/lge/dio/2546689

7.0 RECRUITMENT OF CHIEF OFFICERS

7.1 The Council's policy and procedures with regard to the recruitment of chief officers is as contained in the Council's Constitution which is reviewed annually by the full Council.

7.2 When recruiting to all posts the Council will take full and proper account of all provisions of relevant employment law, its recruitment guidance and equal opportunities policies.

7.3 The determination of any newly appointed chief officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment.

8.0 ADDITIONS TO SALARY OF CHIEF OFFICERS

8.1 Incremental progression through the grade is time related i.e., employees are entitled to receive an increment (i.e., the next salary point on the pay spine in accordance with the maximum of the grade) on an annual basis and this cannot be withheld or varied from the agreed pay spine, under the employment contract, unless formal proceedings on capability have been implemented.

8.2 To meet specific operational requirements it may be necessary for an individual to temporarily take on additional duties to their identified role. The Council's arrangements for authorising any additional remuneration (e.g., honoraria, acting up) is dependant upon the provision and approval of a business case to the Chief Executive and relevant Strategic Director in consultation with the Head of Human Resources.

8.3 Officers required to use a vehicle for Council business are currently entitled to an essential car user allowance, currently £1,000pa from April 2013. The Chief Executive, Strategic Directors and Operational Directors are also entitled to this payment.

8.4 The Chief Executive also receives reimbursement for the duties undertaken as a returning officer.

8.5 Additions to pay are negotiated for all employees, including those covered by the NJC ('Green Book') and JNC terms and conditions.

9.0 PENSION CONTRIBUTIONS

9.1 Where employees have exercised their right to become members of the Local Government Pension Scheme, the Council is required to make a contribution to the Scheme representing a percentage of the pensionable remuneration due under the contract of employment of that employee. The rate of contribution is set by Actuaries advising the

Pension Fund and reviewed on a triennial basis in order to ensure the Scheme is appropriately funded. The current employer's rate, set at April 2014 is 20.6%.

9.2 The employee contribution rates, which are defined by statute, are currently based on their annual full time equivalent rate of pay at the following rates:

Rate of Contribution	Annual Rate of Pay (01 April 2014 to 31 March 2015)
5.5%	*Up to £13,500*
5.8%	*£13,501 - £21,000*
6.5%	*£21,001 - £34,000*
6.8%	*£34,001 - £43,000*
8.5%	*£43,001 - £60,000*
9,90%	*£60,501 - £85,000*
10.5%	*£85,001 - £100,000*
11.40%	*£100,001 - £150,000*
12.50%	*More than £150,000*

10.0 PAYMENTS ON TERMINATION

10.1 The Council's approach to (statutory) and discretionary payments on termination of employment of chief officers, prior to reaching normal retirement age is set out within its Pensions Discretions Policy and in accordance with Regulation 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 (and if adopted) Regulations 12 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007.

10.2 The Council's Policy on Voluntary Early Retirement and Voluntary Redundancy are contained in its Staffing Protocol which was approved by the Appointments Committee on 21st September 2009 with revised terms to reflect the changes to the Local government Pensions Scheme in April 2014 being agreed by the Committee on 4th February 2015. The Staffing Protocol can be found below. These arrangements apply to all employees at all levels.

http://intranet/documents/efficiencydocs/staffprotocol1111rev

11.0 PUBLICATION

11.1 Upon approval by full Council, this Statement will be published on the Council's website.

11.2 For posts where the full time remuneration is at least £50,000, the Council's Annual Statement of Accounts will include a note setting out the total amount of:

- Salary, fees or allowances paid to or receivable by the person in the current and previous years;
- Any bonuses so paid by way of expenses allowance that are chargeable to UK Income Tax;
- Any compensation for loss of employment and any other payments connected with termination;
- Any benefits received that do not fall within the above.

12.0 LOWEST PAID EMPLOYEES

12.1 Employees not on Chief Officer or Soulbury terms and conditions are paid in accordance with the National Joint Council (NJC) for Local Government Services ('Green Book'). The basic pay for each 'Green Book' employee consists of a salary scale containing a number of spinal column points on the NJC pay spine.

12.2 An increment is awarded on an annual basis up to the maximum of the salary grade. The normal increment date is 01 April. Pay awards are generally awarded with effect from 01 April, although the date can be influenced by the negotiation process. The current pay award runs from 01/01/2015 to 31/03/2016

12.3 The current pay award removed the lowest spinal column point on the NJC pay scale – 005 wef 1st October 2015. The pay spine will then start at 006 which equates to a full time equivalent salary of £13,614 per annum. In the meantime, SCP 005 increased to £13,500 wef 01/01/2015

12.4 The relationship between the rate of pay for the highest paid employee and the mean average earnings across the Council is recommended as the best way of illustrating the relationship between the two. This is called the pay multiple and for this Authority, the pay multiple is 1:7.28.

12.5 The Hutton Review asked for a pay multiple between the highest and the lowest paid median average salary not to exceed 1:20. On this basis, the Council has a pay multiple of 1:8.56 well within the recommended range.

12.6 As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate. In addition, upon the annual review of this Statement, the Council will also monitor any changes in the relevant 'pay multiples' and benchmark against other comparable local authorities.

13.0 ACCOUNTABILITY AND DECISION MAKING

13.1 In accordance with the Constitution of the Council the Appointments Committee is responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements relating to employees of the Council.

14.0 FINANCIAL IMPLICATIONS

14.1 The Pay Policy Statement must be prepared for the financial year 2015/16 and each subsequent financial year. Once in place, it will provide the public with a clear rationale to explain the Authority's approach to pay.

15.0 POLICY IMPLICATIONS

15.1 The requirements under the Localism Act to produce and publish the Pay Policy Statement supplements existing duties and responsibilities that the Authority, as an employer, has, particularly its responsibilities under the Equality Act 2010 to avoid discrimination and provide equal pay.

16.0 EQUALITY AND DIVERSITY ISSUES

16.1 The Pay Policy Statement will assist the Council to monitor remuneration across the Council and provide a fair system which avoids discrimination.

17.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

17.1 There are no background papers under the meaning of the Act.

The following motion has been submitted in accordance with Standing Order No.6:

Proposer: Councillor Dave Thompson

Seconder: Councillor Tom McInerney

Water service charges

Council resolves:

1) To write to the Secretary of State for Environment, Food & Rural Affairs expressing the concern of Council at both current charges and proposed further water service charges affecting Halton Council.

2) Council asks the Secretary of State to note that surface water highway drainage charges applied by United Utilities to local authorities are already charged at the highest rates in England and Wales. Her attention is drawn to United Utilities proposing to phase-in new and further charges for Council premises and open spaces from April 2016 at a time when this Council has sustained prolonged and unprecedented reductions in budget.

3) The Secretary of State is asked to note the significant difference between what Council's within the United Utilities region are charged and what level of water service charges are applied to local authorities by all other water and sewerage companies in other regions.

The following examples are noted:

- This Council pays £13,168 a year, through site area charges on premises that United Utilities class as Band 7, yet the same charging method used in Yorkshire Water would result in a charge of just £377. The higher the charging band the greater the disproportionate level of charging there is between what United Utilities apply to this Council and that charged in other regions.

- Department for Education CFR data shows that in 2012/13, schools in the North West region paid a total of £27 million for water/sewerage, whereas schools in the South East paid £11 million. Both regions roughly have similar numbers of schools and pupils yet an extra £16 million of added charges are applied in our region.

- Halton pays £37.78 in water charges per school child, the comparative costs in the Windsor and Maidenhead LEA area are just £10.22. Both areas have similar numbers of schools and pupils, yet Halton is ranked 4th highest nationally and Windsor has one of the lowest charges in England & Wales.

- United Utilities have indicated intent to phase in added charges to the six Greater Merseyside local authorities of £2,430,000 from April 2016. No other district outside the North West will face such extensive additional charging.

4) Council calls upon the Secretary of State for Environment, Food & Rural Affairs to commission an independent review of the differing scale of charges facing public sector services for water and sewerage services, similar in scope to the 2009 Walker Review of household charging.

   She is asked to revise guidance on concessionary schemes that relate to section 43 of the Flood & Water Management Act 2010 to make clear that community assets managed by local authorities can be included within a concessionary scheme.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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