

# Public Document Pack



## Executive Board

Thursday, 11 February 2016 2.00 p.m.  
The Boardroom, Municipal Building

A handwritten signature in black ink, appearing to read 'David W R'.

Chief Executive

### ITEMS TO BE DEALT WITH IN THE PRESENCE OF THE PRESS AND PUBLIC

#### PART 1

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<b>1. MINUTES</b>	
<b>2. DECLARATION OF INTEREST</b>	
Members are reminded of their responsibility to declare any Disclosable Pecuniary Interest or Other Disclosable Interest which they have in any item of business on the agenda, no later than when that item is reached or as soon as the interest becomes apparent and, with Disclosable Pecuniary interests, to leave the meeting during any discussion or voting on the item.	
<b>3. CHILDREN YOUNG PEOPLE AND FAMILIES PORTFOLIO</b>	
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*Please contact Angela Scott on 0151 511 8670 or  
Angela.scott@halton.gov.uk for further information.  
The next meeting of the Committee is on Thursday, 25 February 2016*

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<b>(A) BUDGET 2016/17 - KEY DECISION</b>	<b>33 - 58</b>
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***In accordance with the Health and Safety at Work Act the Council is required to notify those attending meetings of the fire evacuation procedures. A copy has previously been circulated to Members and instructions are located in all rooms within the Civic block.***

<b>REPORT TO:</b>	Executive Board
<b>DATE:</b>	11 February 2016
<b>REPORTING OFFICER:</b>	Strategic Director – People & Economy
<b>PORTFOLIO:</b>	Children, Young People and Families
<b>SUBJECT:</b>	School Admission Arrangements 2017
<b>WARDS:</b>	Borough-wide

## **1.0 PURPOSE OF THE REPORT**

1.1 This report fulfils the Local Authority's statutory requirement to consult upon and then determine Halton's School Admissions Policy for Local Authority maintained community and voluntary controlled schools, and Coordinated Admission Schemes for all primary and secondary schools in Halton, for the September 2017 intake.

**2.0 RECOMMENDATION: That the Board approves the attached School Admissions Policy, Admission Arrangements and Coordinated Schemes for admission to primary and secondary schools for the 2017/18 academic year.**

## **3.0 SUPPORTING INFORMATION**

3.1 In November 2015 Halton Local Authority issued a statutorily required consultation paper on the proposed admission arrangements and co-ordinated admission schemes for the September 2017 intake (attached as Appendix 1). The full consultation was available on the Council's website, was issued to Chairs of Governing Bodies, the four Diocesan Authorities responsible for voluntary aided schools in Halton, to all schools in Halton who are their own admission authority, and to neighbouring local authorities.

3.2 The consultation ran until 11<sup>th</sup> December 2015 and no changes were proposed to the current oversubscription criteria for admission to Local Authority maintained community and voluntary controlled primary schools, and no change to the current oversubscription criteria for admission to Local Authority maintained community secondary schools.

3.3 The Local Authority's consultation advised that there would be no individual response to any submission made, but any responses submitted would be considered by the Council's Executive Board. No responses to the consultation were received.

3.4 The Local Authority as commissioner of school places must ensure that the admission arrangements are fair, clear and objective, and fully

comply with all statutory requirements. The arrangements proposed for the 2017/18 academic year reflect those requirements.

### **4.0 POLICY IMPLICATIONS**

- 4.1 The Admissions Policy has been drawn up to maximize parental preference for Halton Local Authority maintained community and voluntary controlled schools. The oversubscription criteria contained within the Policy reflect the criteria which are considered good practice and acceptable by the Department for Education.
- 4.2 Parents/carers may express a preference for any school and must complete an application form which allows them the opportunity to express a preference for any school. If the school of preference is undersubscribed then all applications will be successful. If the school is oversubscribed then the oversubscription criteria will be applied and places allocated in accordance with the criteria.

### **5.0 OTHER IMPLICATIONS**

- 5.1 None.

### **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

#### **6.1 Children and Young People in Halton**

The proposed policy complies with statutory requirements in ensuring that the admission arrangements are fair and do not disadvantage, either directly or indirectly, a child from a particular social or racial group, or a child with disability or special educational needs, thereby ensuring that the educational provision for children & young people in the borough is inclusive and accessible.

#### **6.2 Employment, Learning and Skills in Halton**

Educational achievement is critical to the life chances of all children in the borough and the School Admissions Policy detailing school admission arrangements in Halton underpins the requirement to promote fair access to educational opportunity.

#### **6.3 A Healthy Halton**

The School Admissions Policy is aligned to the Council's Sustainable School Travel Policy which promotes and supports measures that encourage local communities to use environmentally sustainable forms of travel, especially walking, cycling, and public transport.

#### **6.4 A Safer Halton**

The alignment of the School Admissions Policy and the Sustainable School Travel Policy promotes the safe travel and transfer of pupils to school.

**6.5 Halton's Urban Renewal**

N/A

**7.0 RISK ANALYSIS**

7.1 The admission arrangements and co-ordinated schemes are proposed to maximise parental preference for Halton schools. Any amendment to the current arrangements at this time may reduce parental preference and lead to an increased number of admission appeals, adversely affecting the intake at some schools. Furthermore, any amendments may affect the Local Authority's School Organisation planning.

**8.0 EQUALITY AND DIVERSITY ISSUES**

8.1 The proposed admission arrangements reflect any requirements of the Equality Act 2010.

**9.0 REASON(S) FOR DECISION**

9.1 The decision is statutorily required and any revision to the proposed arrangements may adversely affect school place planning as detailed in 7.1 above.

**10.0 ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

10.1 Other options considered and rejected include the allocation of places through random allocation (lottery) as this method could be seen as arbitrary and random.

**11.0 IMPLEMENTATION DATE**

11.1 The Policy applies for the September 2017 academic intake.

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

<b>Document</b>	<b>Place of Inspection</b>	<b>Contact Officer</b>
<b>School Admissions Code 2014</b>	<b>People &amp; Economy Directorate</b>	<b>Martin West</b>
<b>School Standards &amp; Framework Act 1998</b>	<b>People &amp; Economy Directorate</b>	<b>Martin West</b>
<b>Education Act 2002</b>	<b>People &amp; Economy Directorate</b>	<b>Martin West</b>
<b>Education &amp; Inspections Act 2006</b>	<b>People &amp; Economy Directorate</b>	<b>Martin West</b>



**HALTON LOCAL AUTHORITY  
SCHEME FOR THE CO-ORDINATION OF ADMISSION  
ARRANGEMENTS FOR SECONDARY SCHOOLS –  
2017/18 ACADEMIC YEAR**

- 1.0** This document is intended to fulfil the statutory requirements for admissions into year 7 at secondary schools in September 2017.
- 2.0** Halton Local Authority is consulting on its proposed admission arrangements and oversubscription criteria for community schools to determine a co-ordinated scheme which will apply to all schools in the authority's area for the September 2017 intake.
- 3.0** The Scheme will apply to the following schools (the proposed published admission number (PAN) detailed below):

<b>School</b>	<b>PAN</b>	<b>Type</b>
The Grange	180	Community
Saints Peter and Paul Catholic College	289	Voluntary Aided
St Chad's Catholic and Church of England Joint Faith High School	190	Voluntary Aided
Ormiston Bolingbroke Academy	180	Academy
Ormiston Chadwick Academy	190	Academy
The Heath School	240	Academy
Wade Deacon High School	300	Academy
Sandymoor School	120	Free School

Halton Local Authority (LA) is the Admission Authority for community high schools. Each Academy School (including Free Schools) has a Trust who is responsible for determining the admission arrangements for its school. The Governing Bodies of the Voluntary Aided Schools are the admission authorities for these schools. Academy Trusts and Governing Bodies of Voluntary Aided Schools are required to undertake their own consultation regarding admission arrangements.

- 4.0** From September 2016 Halton residents will be given the opportunity to complete a common preference form and express a preference, with reasons, for up to 3 secondary schools using this form for a school place in September 2017. The LA must invite applications on the preference form and the preference form must comply with mandatory provisions and the requirements of the DfE School Admissions Code. This form will be available on-line and parents/carers are required to apply for a school place via the Halton Borough Council website at [www.halton.gov.uk/schooladmissions](http://www.halton.gov.uk/schooladmissions). Parents/carers should only complete one application form and preferences may include Halton schools and schools maintained by other LAs. Paper forms are available by request only.
- 5.0** Admission authorities (the LA for community and voluntary controlled schools, and governing bodies for voluntary aided, academy and free schools) **must** ensure that their determined admission arrangements comply with the mandatory provisions of the School Admissions Code. All admission authorities must operate an Equal Preference Scheme. Within an equal preference scheme all preferences are considered against each school's published admission criteria. After all preferences have been considered, if only one school named on the preference form can offer a place, the LA will send out an offer of a place. If more than one school can offer a place, parents will be offered a place at whichever of those schools is ranked highest on the preference form. This may not be the first preference school. If a school becomes oversubscribed then places will be allocated in accordance with the oversubscription criteria.
- 6.0 APPLYING FOR A SECONDARY SCHOOL PLACE FOR SEPTEMBER 2017**
- 6.1** Halton LA publishes online an "Admission to Secondary School" booklet (a Composite Prospectus). A letter and information leaflet will be issued to all year 6 pupils attending Halton Primary Schools and Halton resident pupils who attend schools in other LAs, advising parents of the online booklet and application process, and will be available at the Halton Direct Link Offices, Halton Libraries, on line via the council's website, and from the Admissions Team. The booklet will be published online at the start of the Autumn Term, **September 2016**, and the on-line application system will be available at the same time.
- 6.2** The preference form will seek three preferences in ranked order (regardless of which LA the school preferences are for). Applications from Halton resident parents, either on-line submissions or hard copy (by request only), must be returned no later than **Monday 31<sup>st</sup> October 2016**.



- 6.3** Halton resident parents may request information (a prospectus) regarding schools in neighbouring LAs but **must** complete their preferences on the Halton form. Halton LA will work with its neighbouring authorities: Cheshire West and Chester, Warrington, Liverpool, Knowsley, and St Helen's, together with any other admission authority where a parent has applied for a school place.
- 6.4** On-Line Admissions: LAs are required to have a facility for parents to apply on-line for a secondary school place. This facility is in place for Halton residents via Halton Borough Council's website at [www.halton.gov.uk/schooladmissions](http://www.halton.gov.uk/schooladmissions). This is the preferred method of application. Residents who cannot apply online may request a paper copy of the preference form from any of the Halton Direct Link Offices or directly from the School Admissions Team.
- 6.5** Halton LA will record all preferences on the admissions database, including those received from neighbouring LAs whose children are seeking a place at a Halton School and will forward, week beginning 14th November 2016, details of all first, second, and third preferences for admission to aided schools, for consideration in accordance with their published admission criteria.
- 6.6** The governing bodies of Voluntary aided schools should note that they must treat first, second, and third preferences equally against their admission criteria and **must** place in ranked order, against their criteria, the details of all pupils applying to their school, and must return the ranked list to the Admissions Team by Friday 9<sup>th</sup> December 2016.
- 6.7** When all preferences have been considered and allocations finalised, Halton residents will be able to view their allocated school place online on **Wednesday 1<sup>st</sup> March 2017**, together with details of the appeal process if applicable. Letters advising of the allocated school place will be posted to parents submitting a paper copy of the preference form on this date. Parents/carers will be required to decline any offer of the school place within 10 school days. If the LA does not hear from the parent/carer then it is assumed the place has been accepted. Parents/carers who applied online will also receive an email confirming the allocated place.

## **7.0 OVERSUBSCRIPTION CRITERIA**

- 7.1** For admission to The Grange in Runcorn (a community all through school), as this is an all through school, pupils already attending The Grange in year 6 will automatically transfer to year 7 in the School and children will not be required to complete a preference form. The remaining places will then be allocated in accordance with the following criteria:

- 1) Looked after children and children who were looked after but ceased to be so because they were adopted (or became subject to a residence order or special guardianship order).
- 2) Siblings - pupils with elder brothers or sisters including half brothers and sisters and unrelated children living together as part of the same household, already attending the school and expected to continue in the following year
- 3) Pupils living nearest to the school measured using an Ordnance Survey address-point system which measures straight line distances in metres from the address point of the school to the address point of the place of permanent residence of the pupil

### 7.2 The following notes apply:

a) Children who have a statement of special educational needs (to be known as Education, Health & Care Plans) will be allocated a place at the school named in the statement (Education, Health & Care Plan). If this happens this will reduce the number of places available within any of the oversubscription criteria detailed above.

b) If oversubscription occurs within any one of the above criteria, places will be allocated on distance grounds as described within the distance criteria above.

c) Where applications are received for twins, triplets etc, the LA will apply the oversubscription criteria and will oversubscribe the school if a family would otherwise be separated.

d) The address to be used in measuring distance for the purpose of allocating school places will be the child's permanent address. Where a child lives with parents with shared responsibility, the LA will use the address of the person receiving Child Benefit for allocation purposes. Parents may be required to submit evidence of Child Benefit upon request from the LA. It may be necessary for the Council to carry out checks that the address given is genuine and parents may be requested to produce further documentary evidence of the child's address. The above criteria will apply without reference to the Halton Borough Council boundary.

e) Where applications are received from families of UK Service personnel and other Crown servants, school places will be allocated to children in advance of the approaching school year if accompanied by an official MOD, FCO or GCHQ letter declaring a return date with full address details and providing they would meet the criteria when they return to the UK.

f) If none of the parent's preferences can be met, Halton LA will allocate a school unless there are insufficient places remaining in the

authority. In Halton, a place will be allocated at the nearest school, with places available, to the home address measured in a straight-line distance measurement from the child's permanent residence to the school. This does not affect the parent's rights to appeal for a place at the school(s) they have been refused.

## **8.0 EARLY AGE TRANSFER TO SECONDARY SCHOOL**

Children of exceptional ability and maturity can be considered for transfer to secondary schools one year earlier than normal. It is the responsibility of the Head teachers of primary/junior schools to put forward the names of any pupils whom they consider are physically, intellectually, and emotionally suitable to benefit from such a transfer, and who might be educationally disadvantaged by remaining in the primary sector for a further year. However, as a first step, head teachers will discuss possible candidates with parents, the school's link adviser, and the Educational Psychologist. Parents who consider that early transfer might benefit their child should discuss this with the head teacher.

## **9.0 LATE APPLICATIONS FOR HALTON SECONDARY SCHOOLS**

Late applications for places at Halton Local Authority maintained community schools received after the closing date will not be considered until after the main allocation of places has taken place for all those applications received on time. If an application is received after places have been allocated and the school(s) of preference are oversubscribed, the child will be placed on the school's waiting list, the child's position on the waiting list being determined by the admission policy. Parents have the right of appeal if admission is refused and details on the appeals process are given in paragraph 14 below.

If parents are making a late application to a voluntary aided school the school will advise how this will be dealt with. Late applications **must** be made on a paper copy of the preference form which can be obtained from any of the Halton Direct Link Offices or directly from the School Admissions Team. The online application system is not available after the deadline for application, **31<sup>st</sup> October 2016**.

## **10.0 CHANGE OF PREFERENCE**

If parents decide to change their preference after the closing date they will need to complete another preference form. If places have already been allocated the LA may not be able to meet the change of preference and the child's name will be added to the waiting list. It should be noted that the online application process will cease on the closing date, so parents/carers will need to request and complete a paper copy of the application form.

## **11.0 CHANGE OF ADDRESS**

If a pupil moves house **after the closing date of 31<sup>st</sup> October 2016 and before 20<sup>th</sup> January 2017**, parents must notify the LA. The LA may require documentary evidence to confirm this change of address. For changes made **after 20<sup>th</sup> January 2017**, the address used for the initial allocation of places will be the permanent place of residence provided in application before this date. A new address may be submitted for purposes of waiting list position if required and documentary evidence will be necessary to confirm this change of address.

## **12.0 WITHDRAWAL OF OFFER OF A SCHOOL PLACE**

Halton LA reserves the right to withdraw the offer of a school place in limited circumstances. These may include where a fraudulent/intentionally misleading preference form is received claiming a false sibling or false residence.

## **13.0 WAITING LISTS**

Waiting lists will be held for oversubscribed LA Maintained Community Secondary Schools. The waiting list will comprise of those pupils refused admission to the school(s) of preference. This list will be maintained from the time of initial allocation until the end of the Autumn Term, at which point the waiting list will cease. If a place becomes available at an oversubscribed school, the place will be reallocated in accordance with the published over-subscription criteria detailed above. Parents should be aware that their child's place on the waiting list might alter, either up or down, dependent upon the movement of other applicants. The waiting list forms part of the co-ordinated scheme, therefore applications received up to the end of the Autumn Term will be considered within the scheme, following which any applications received after this date will be dealt with as an in-year admission and the in-year admission process will be applied.

## **14.0 ADMISSION APPEALS**

Parents who are not offered a place at any of their preferred LA maintained community, voluntary aided, trust, academy or Free schools have a right of appeal to an independent appeals panel under section 94 of the School Standards & Framework Act 1998. Appeals must be submitted in writing but parents have the right to present their case to the panel in person. The Chairman of the appeal panel will have no connection with the LA. The Panel will consist of at least one lay person and one person with experience in education, and will consist of no less than three people including the Chair. The decisions of independent appeals panels are binding on the LA and on the school's governing body.

Applications for admission to Aided Church schools, Trust and Academy schools will be referred to the Admissions Committee of the governing body of the school concerned. The LA, acting on behalf of the governors, will notify parents of the result of their application. If the application is not approved parents will be notified of their statutory right of appeal.

## 15.0 SCHOOLS WITH SIXTH FORMS

Each school with a sixth form **must** include in its consultation paper the arrangements they propose to use to allocate places in Year 12. It is not intended that the LA will co-ordinate admissions to sixth form, therefore applications must be sent to the relevant admission authority (i.e. the school) for consideration. Parents and children above compulsory school age have the right to make separate applications for more than one school.

Each school **must** set an admission number for its sixth form, and should say in its published information what the anticipated sixth form capacity will be. However, the published admission number **must** only relate to those being admitted to the school for the first time and should be based on an estimate of the minimum number of external candidates likely to be admitted. It is not necessary for children already in the school to apply formally for places in year 12, but the admission arrangements **must** give details of any entry requirements. Children in care **must** be given highest priority within the criteria, schools **must not** interview children or their families for entry to year 12, although meetings can be held to provide advice on options and entry requirements. Entry **must not** be dependent on attendance, behaviour record, or perceptions of attitude or motivation. Where the admission authority has not admitted up to its PAN it cannot refuse to admit applicants who have met the minimum entry. Any other applicant refused must be given the right of appeal to an independent appeal panel.

**TIMETABLE FOR SEPTEMBER 2017 SECONDARY ADMISSIONS**

**SEPTEMBER 2016 – APPLICATION PROCESS COMMENCES**

**31<sup>ST</sup> OCTOBER 2016 CLOSING DATE FOR RECEIPT OF APPLICATIONS**

**WEEK COMMENCING 14<sup>TH</sup> NOVEMBER 2016 LA PROVIDES DETAILS OF ALL 1<sup>ST</sup> 2<sup>ND</sup> AND 3<sup>RD</sup> PREFERENCES TO VA SCHOOLS**

**BETWEEN 14<sup>TH</sup> NOVEMBER AND 16<sup>TH</sup> DECEMBER 2016 ADMISSION COMMITTEES OF OWN AUTHORITY SCHOOLS MUST MEET TO CONSIDER ALL APPLICATIONS (IF APPLICABLE)**

**NO LATER THAN 16<sup>TH</sup> DECEMBER 2016 OWN AUTHORITY SCHOOLS MUST HAVE RANKED ALL APPLICATIONS IN CRITERIA ORDER & SUBMITTED THIS LIST TO THE LA, FOLLOWING WHICH INTER-LA EXCHANGE OF DATA WILL ALSO OCCUR**

**1<sup>ST</sup> MARCH 2017 ONLINE NOTIFICATION OF OFFER MADE TO PARENTS APPLYING ONLINE. LETTER POSTED TO PARENTS SUBMITTING A PAPER COPY OF THE PREFERENCE FORM**

**THURSDAY 30<sup>TH</sup> MARCH 2017 APPEALS TO BE LODGED WITH THE LA MAINTAINING THE SCHOOL**



## HALTON LOCAL AUTHORITY SCHEME FOR THE CO-ORDINATION OF ADMISSION ARRANGEMENTS FOR PRIMARY SCHOOLS – 2017/18 ACADEMIC YEAR

- 1.0 This document is intended to fulfil the statutory requirements for admissions into reception class in maintained infant and primary schools.
- 2.0 This Co-ordinated Primary Scheme applies to all those schools detailed on pages 16 and 17 of this document. Halton Borough Council (as the Local Authority - LA) is the Admission Authority for all community and voluntary controlled schools, and the Governing Body of each voluntary aided or academy school is the admission authority for the school.
- 3.0 Parents/carers **must** complete their home LA's preference form, therefore if a non-Halton resident is seeking admission to a Halton school, (or vice-versa) they must complete their own authority's form which will then be forwarded to the relevant authority and LAs will then share any cross border applications for consideration.
- 4.0 Halton residents will be required to complete a Halton preference form and will be given the opportunity to express a preference, with reasons, for up to 3 primary schools regardless of which authority the school is in. The LA must invite applications on the preference form and the preference form must comply with mandatory provisions and the requirements of the School Admissions Code. This form will be available on-line and parents are encouraged to apply for a school place via the Halton Borough Council website at [www.halton.gov.uk/schooladmissions](http://www.halton.gov.uk/schooladmissions).
- 5.0 Where a Voluntary Aided School requires supporting information e.g. asking for a reference from a priest or other religious minister for a faith school, or details of baptism etc parents may be required to complete a supplementary form and VA schools **must** inform parents of their requirements within their school's published admission arrangements.
- 6.0 Admission authorities (the LA for community and voluntary controlled schools, and governing bodies for voluntary aided and academy schools) **must** ensure that their determined admission arrangements comply with the mandatory provisions of the Code. In Halton, as

statutorily required, an Equal Preference Scheme is operated. Within the equal preference scheme all preferences are considered equally against each school's published admission criteria. After all preferences have been considered if only one school named on the preference form can offer a place the maintaining LA will send out an offer of a place. If more than one school can offer a place parents will be offered a place at whichever of those schools is ranked highest on the preference form. This may not be the first preference school. If a school becomes oversubscribed then places will be allocated in accordance with the relevant oversubscription criteria.

- 7.0** Admission authorities **must** provide for the admission of all children in the September following their fourth birthday and parents are allowed to request that the date their child is admitted to the school is deferred until the child reaches compulsory school age in that school year. In Halton this already happens. Parents can request their child attends part-time until the child reaches compulsory school age and admission authorities **must** accommodate these requests where it appears to be in the best interest of the child.
- 7.1** As recommended in the School Admissions Code the LA will allow parents/carers to defer their child's entry to school until the child is of compulsory school age, providing the parent applies, is offered, and accepts the place within the normal admissions timetable, and the place is taken up within the same academic year.
- 7.2** In addition, the LA, as detailed within the Department for Education document "Advice on the admission of summer born children" (2013), will ensure that flexibilities exist for children whose parents do not feel they are ready to begin school in the September following their fourth birthday. School admission authorities are responsible for making the decision on which year group a child should be admitted to, but are required to make a decision based on the circumstances of the case. In these cases the School may seek the professional views of Local Authority officers including the Special Educational Needs Assessment Team, the Education Welfare Service, and the Educational Psychology Service, together with any other agencies who are involved with the child/family.
- 7.3** It should be noted that if a child is presently attending a nursery class/early years setting they do not have an automatic right to transfer to the primary school to which the nursery/early years setting is attached (the only exception being The Grange School which is an all-through school). Parents/carers are required to indicate a preference for a primary school along with all other parents/carers. The same applies for children who already have siblings already at a particular school, parents/carers must complete a preference form along with all other parents.



**8.0 APPLYING FOR A PRIMARY SCHOOL PLACE FOR SEPTEMBER 2017**

- 8.1** Halton LA publishes online an “Admission to Primary School” booklet (a Composite Prospectus). A letter and information leaflet will be issued to all Halton Primary Schools and will be available at Halton Direct Link Offices, Halton Libraries, on line via the council’s website, and upon request from the Admissions Team. The booklet will be published online in **September 2016** and the on-line application system will be available at the same time.
- 8.2** The preference form will seek three preferences in ranked order. All applications, whether made online or submitted in paper format (by request only) must be submitted by no later than **Sunday 15<sup>th</sup> January 2017**. This closing date is a statutorily set closing date. The online application system will not be available after this date and late applications must be submitted on a paper copy of the preference form.
- 8.3** Halton resident parents may request information (a prospectus) regarding schools in neighbouring local authorities but **must** complete their preferences on their home LA form.
- 8.4** The Admissions Team will load all preferences onto the database including those received from neighbouring LAs (inter-LA exchange to take place **Monday 6<sup>th</sup> February 2017**). Halton LA will then forward all application details, regardless of whether they are first, second and third preferences to all Voluntary Aided schools where admission is being sought, on **Friday 24<sup>th</sup> February 2017**. The Admissions Committee of those governing bodies **must** meet and place in ranked order against their criteria the details of all pupils applying to their school. Governing bodies must treat first, second, and third preferences equally against their admissions criteria. Voluntary Aided schools **must** then notify the Admissions Team by **Friday 10<sup>th</sup> March 2017** all pupils’ details in ranked order against their criteria.
- 8.5** The LA will then undertake a final data exchange with neighbouring LAs to ensure that all children have an allocated school on **Friday 24<sup>th</sup> March 2017**.
- 8.6** When all preferences have been considered and allocations finalised, Halton residents will be able to view their allocated school place online on **Tuesday 18<sup>th</sup> April 2017**, together with details of the appeal process if applicable. Letters advising of the allocated school place will be posted to parents submitting a paper copy of the preference form on this date. Parents/carers will be required to decline any offer of the school place within 10 school days. If the LA does not hear from the parent/carer then it is assumed the place has been accepted.
- 8.7** Parents will have until **Wednesday 17<sup>th</sup> May 2017** to lodge any appeals with the LA.

## 9.0 OVERSUBSCRIPTION CRITERIA

9.1 If a Halton community or voluntary controlled school becomes oversubscribed, places will be allocated in accordance with the following criteria:

- 1) Looked after children and children who were looked after but ceased to be so because they were adopted (or became subject to a residence order or special guardianship order).
- 2) Siblings – pupils with elder brothers or sisters including half brothers and sisters and unrelated children living together as part of the same household, already attending the school and expected to continue in the following year
- 3) Pupils living nearest to the school measured using an Ordnance Survey address-point system which measures straight-line distances in metres from the address point of the school to the address point of the place of permanent residence of the pupil.

For admission to community and voluntary controlled schools the following notes apply:

a) Children who have a statement of special educational needs (to be known as Education, Health & Care Plan) will be allocated a place at the school named in the statement (Education, Health & Care Plan). Where a child with a statement (Education, Health & Care Plan) is allocated a place this will reduce the number of remaining places available to allocate within the above oversubscription criteria.

b) If oversubscription occurs within any one of the above criteria 1-3, places will be allocated on distance grounds as described within the distance criteria (3) above.

c) Where applications are received for twins, triplets etc, the LA will apply the oversubscription criteria and will oversubscribe the school if a family would otherwise be separated.

d) The address to be used in measuring distance for the purpose of allocating school places will be the child's permanent home address. Where a child lives with parents with shared responsibility the LA will use the address of the person receiving Child Benefit for allocation purposes. Parents may be required to submit evidence of Child Benefit upon request from the LA. It may also be necessary for the Council to carry out checks that the address given is genuine and parents may be requested to produce further documentary evidence of the child's address. The above criteria will apply without reference to the Halton Borough Council boundary.

e) Where applications are received from families of UK Service personnel and other Crown servants, school places will be allocated to children in advance of the approaching school year if accompanied by an official MOD, FCO or GCHQ letter declaring a return date with full address details and providing they would meet the criteria when they return to the UK.

f) If none of the parent's preferences can be met, Halton LA will allocate a school unless there are insufficient places remaining in the authority. In Halton, a place will be allocated at the nearest school, with places available, to the home address measured in a straight-line distance measurement from the child's permanent residence to the school. This does not affect parent's rights to appeal for a place at the school(s) they have been refused.

## **9.2 THE GRANGE ALL THROUGH COMMUNITY SCHOOL**

The Grange is a designated all through community school, therefore children enrolled in the nursery at the closing date will automatically transfer from the nursery to infants, infants to juniors, and juniors to secondary within The Grange. Following the transfer of those children from the nursery to reception class the remaining places will be allocated in accordance with the admissions criteria as detailed in paragraph 9.1 above. If a child is enrolled to the nursery after the primary closing date, and allocations have been made and the school is full, the child will be placed on the waiting list.

## **10.0 LATE APPLICATIONS FOR HALTON PRIMARY SCHOOLS**

Late applications for places at Halton Local Authority maintained community and voluntary controlled schools received after the closing date will not be considered until after the main allocation of places has taken place for all those applications received on time. If an application is received after places have been allocated and the school(s) of preference are oversubscribed, the child will be placed on the school's waiting list, the child's position on the waiting list being determined by the admission policy. Parents have the right of appeal if admission is refused and details on the appeals process are given in paragraph 15 below.

If parents are making a late application to a voluntary aided school or academy the school will advise how this will be dealt with. Late applications **must** be made on a paper copy of the preference form which can be obtained from any of the Halton Direct Link Offices or directly from the School Admissions Team. The online application system is not available after the deadline for application, **15<sup>th</sup> January 2017**.

### **11.0 CHANGE OF PREFERENCE**

If parents decide to change their preference after the closing date they will need to request and complete another preference form. The on-line facility will not be available after the closing date. If places have already been allocated the LA may not be able to meet the change of preference and the child's name will be added to the waiting list as detailed in paragraph 14 below. It should be noted that the online application process will cease on the closing date, so parents/carers will need to request and complete a paper copy of the application form.

### **12.0 CHANGE OF ADDRESS**

If a pupil moves house **after the closing date of 15<sup>th</sup> January 2017 and before 24<sup>th</sup> February 2017**, parents must notify the LA. The LA may require documentary evidence to confirm this change of address. For changes made **after 24<sup>th</sup> February 2017**, the address used for the initial allocation of places will be the permanent place of residence provided in application before this date. A new address may be submitted for purposes of waiting list position if required and documentary evidence will be necessary to confirm this change of address.

### **13.0 WITHDRAWAL OF OFFER OF A SCHOOL PLACE**

Halton LA reserves the right to withdraw the offer of a school place in limited circumstances. These may include where a fraudulent/intentionally misleading preference form is received claiming a false sibling or false residence.

### **14.0 WAITING LISTS**

The LA will maintain waiting lists for oversubscribed community and voluntary controlled primary schools. The waiting list will comprise of those pupils refused admission to the school(s) of preference. This list will be maintained from the time of initial allocation until the end of the Autumn Term, at which point the waiting list will cease. If a place becomes available at an oversubscribed school, the place will be reallocated in accordance with the published over-subscription criteria detailed above. Parents should be aware that their child's place on the waiting list might alter, either up or down, dependent upon the movement of other applicants. The waiting list forms part of the co-ordinated scheme, therefore applications received up to the end of the Autumn Term will be considered within the scheme, following which any applications received after this date will be dealt with as an in-year admission and the in-year application process will be applied.

## 15.0 ADMISSION APPEALS

Parents who are not offered a place at any of their preferred community, voluntary controlled, voluntary aided trust or academy schools have a right of appeal to an independent appeals panel under section 94 of the School Standards & Framework Act 1998. Appeals must be submitted in writing but parents have the right to present their case to the panel in person. The Chairman of the appeal panel will have no connection with the LA. The panel will consist of at least one lay person and one person with experience in education, and will consist of no less than three people, including the Chair.

Regulations made under Section 1 of the School Standards and Framework Act 1998 limit the size of an infant class (in which the majority of children will reach the age of 5, 6, or 7 during the school year) to 30 pupils per school teacher. Parents will have a right of appeal but an appeal panel can only uphold this appeal if it is satisfied that:

- a) It finds that the admission of additional children would **not** breach the infant class size limit; or
- b) It finds that the admission arrangements did not comply with admissions law or were not correctly and impartially applied and the child would have been offered a place if the arrangements had complied or had been correctly and impartially applied; or
- c) It decides that the decision to refuse admission was not one which a reasonable admission authority would have made in the circumstances of the case.

The decisions of independent appeals panels are binding on the LA and on the school's governing body.

Applications for admission to Aided Church schools will be referred to the Admissions Committee of the governing body of the school concerned. The LA, acting on behalf of the governors, will notify parents of the result of their application. If the application is not approved parents will be notified of their statutory right of appeal.

## 16.0 SCHOOLS TO WHICH THIS SCHEME APPLIES:

The LA as commissioner of school places is continually reviewing and monitoring the number of places available against projected pupil numbers and updates head teachers accordingly. It is possible that occasionally, there may be certain geographical areas within the borough where demand for places is higher than the actual number of places available, and the LA will, in discussion with the school, give consideration to admitting above a school's Published Admission Number (PAN). Admitting above a school's PAN will only be agreed between the school and the LA where it is confirmed that to do so will

not affect the school in the longer term and will not have a detrimental effect on neighbouring schools and providing it does not breach infant class size legislation.

The figure in brackets denotes the school's proposed Published Admission Number for 2017 but may alter as a result of any school reorganisation.

**COMMUNITY AND VOLUNTARY CONTROLLED SCHOOLS TO WHICH THIS SCHEME APPLIES:**

All Saints Upton C E Voluntary Controlled Primary (30)  
Astmoor Primary (25)  
Beechwood Primary (20)  
Brookvale Primary (40)  
Castleview Primary (20)  
Daresbury Primary (20)  
Ditton Primary (60)  
Fairfield Primary (80)  
Farnworth C E Voluntary Controlled Primary (60)  
Gorsewood Primary (30)  
Hale C E Voluntary Controlled Primary (25)  
Halebank C E Voluntary Controlled Primary (15)  
Hallwood Park Primary (25)  
Halton Lodge Primary (30)  
Hillview Primary (30)  
Lunts Heath Primary (50)  
Moore Primary (30)  
Moorfield Primary (45)  
Murdishaw West Community Primary (30)  
Oakfield Community Primary (40)  
Pewithall Primary (30)  
Simms Cross Primary (40)  
Spinney Avenue C E Voluntary Controlled Primary (30)  
The Brow Community Primary (25)  
Victoria Road Primary (40)  
Westfield Primary (25)  
Weston Primary (30)  
Weston Point Primary (20)  
Windmill Hill Primary (25)  
Woodside Primary (30)

**ALL THROUGH COMMUNITY SCHOOLS TO WHICH THIS SCHEME APPLIES:**

The Grange (60)

**VOLUNTARY AIDED SCHOOLS TO WHICH THIS SCHEME APPLIES:**

**CHURCH OF ENGLAND:**

Runcorn All Saints' CE Aided Primary (20)  
St Berteline's CE Aided Primary (44)  
St Mary's CE Aided Primary (35)

**CATHOLIC:**

Our Lady Mother of the Saviour Catholic Primary (30)  
Our Lady of Perpetual Succour Catholic Primary (30)  
St Basil's Catholic Primary (60)  
St Bede's Catholic Infant (75)  
St Bede's Catholic Junior (75)  
St Clement's Catholic Primary (30)  
St Edward's Catholic Primary (15, to be confirmed)  
St Gerard's Roman Catholic Primary & Nursery (30)  
St John Fisher Catholic Primary (30)  
St Martin's Catholic Primary School (30)  
St Michael's Catholic Primary (30)  
The Holy Spirit Catholic Primary (20)

**ACADEMY SCHOOLS TO WHICH THIS SCHEME APPLIES:**

Palace Fields Primary Academy (40)  
St Augustine's Catholic Academy (15)  
The Bridgewater Park Academy (20)  
Widnes Academy (30)

**TIMETABLE FOR SEPTEMBER 2017 PRIMARY ADMISSIONS**

**15<sup>th</sup> January 2017**  
Closing Date for applications

**Monday 6<sup>th</sup> February 2017**  
Inter LA exchange of preferences

Week beginning **Monday 20<sup>th</sup> February 2017** preference details sent to all VA schools to rank applications in criteria order

**Friday 10<sup>th</sup> March 2017** VA schools must have ranked all applications in criteria order and submitted the details to the LA

**Friday 24<sup>th</sup> March 2017**  
Final exchange of data between neighbouring LAs to confirm allocations

**Tuesday 18<sup>th</sup> April 2017**  
Online notification of offer for parents submitting preferences online. Letter posted to parents submitting paper copy.

**Wednesday 17<sup>th</sup> May 2017**  
appeals to be lodged with LA



**REPORT TO:** Executive Board

**DATE:** 11 February 2016

**REPORTING OFFICER:** Director of Adult Social Services

**PORTFOLIO:** Health & Wellbeing

**SUBJECT:** Adult Social Care Contracts

**WARD(S)** Borough-wide

**1.0 PURPOSE OF THE REPORT**

1.1 To seek approval from Executive Board to extend the current services provided by external providers in the voluntary sector for a one year period to from 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017, and which requires a waiver to Procurement Standing Orders.

**2.0 RECOMMENDATION: That Executive Board**

- 1) agree to use Procurement Standing Orders 1.8.3 (e) and (f) to waive Procurement Standing Orders 4.1 and 4.1(a) in respect of the current Halton Carers Centre, MIND, and Healthwatch contracts; and**
- 2) agree to an extension of the existing contracts listed in Appendix 1 for a period of up to 1 year from 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017.**

**3.0 SUPPORTING INFORMATION**

3.1 The authority currently has contracts in place that are due to expire on the 31<sup>st</sup> March 2016 with the following services;

- MIND; A day service for individuals with mental health issues that is jointly funded with NHS Halton CCG.
- Halton Carers Centre; A universal service providing a wide range of information, support and advice for both adult and young carers that is jointly funded with NHS Halton CCG.
- Halton Healthwatch; A service to provide an independent local voice for all aspects of adult and children's health and social care within Halton.

3.2 Following the implementation of the Care Act in April 2015, during 2015/16 the local authority has been working with these service providers with a view to achieving; service specification re-design

based on the achievement of outcomes, better quality and value for money, and improved integration within an evolving system of integrated health and social care services

**4.0 BUSINESS CASE FOR EXTENSION OF CONTRACTS**

**4.1 Value for money**

Value for money will continue to be assured through regular contract monitoring by the commissioner and Quality Assurance Team

**4.2 Transparency**

Contracts will be recorded in the Council's Contract Register accessible via the internet together with the publication of all spend in excess of £500.00.

**4.3 Propriety and Scrutiny**

The extension of the contracts referred to in this report will be compliant with Halton Borough Council's Procurement Standing Orders. Compliance with anti-corruption practices will be adhered to and any of the contracts within the subject of this report will be terminated if there is any occurrence of corruption by any organisations or their staff.

**4.4 Accountability**

The contracts will be performance managed and service standards monitored by commissioners and the contracts team.

**5.0 POLICY IMPLICATIONS**

5.1 Section 3 of the Care Act places a duty on local authorities to promote integration with health provision where it would; promote the well-being of adults with needs and carers in its area; or contribute to the prevention of the development of needs in adults / carers; or improve the quality of care for adults / carers, provided.

5.2 Care Act guidance also encourages local authorities to move to outcomes based commissioning. Instead of simply commissioning 'units of provision to meet a specified need (eg hours of care provided)' they should move towards specifying outcomes for the individual which 'emphasise prevention, enablement, ways of reducing social isolation and the promotion of independence. The guidance cautions however that this move should not have the result of disadvantaging or excluding 'smaller, specialist, voluntary sector and community-based providers.

**6.0 FINANCIAL IMPLICATIONS**

6.1 The total financial cost to the authority of the contracts listed in Appendix 1 is £304,822. A further £378,943 is provided to support the joint commissioning of these services by NHS Halton CCG.

6.2 The cost of the recommended extension to contracts can be met within existing budget allocations.

## **7.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

### **7.1 Children & Young People in Halton**

Healthwatch Halton provides services across all age groups including children and young people.

### **7.2 Employment, Learning & Skills in Halton**

Voluntary sector organisations rely significantly on volunteer time to deliver services. The organisations provide training and placement opportunities for volunteers, increasing their skills and employability.

### **7.3 A Healthy Halton**

All of the services listed make an important contribution to improving the health of people in Halton.

### **7.4 A Safer Halton**

Healthwatch Halton's role is to act as a voice for local residents regarding the quality of local health and social care services. The safeguarding of local residents in the care of health and social services is a high priority for Healthwatch Halton.

### **7.5 Halton's Urban Renewal**

None

## **8.0 RISK ANALYSIS**

8.1 These contracts individually fall below the current EU threshold of £589,148 for Contracts for Social and Specific Services, and subsequently the risk of challenge will be negligible.

8.2 The Quality Assurance Team will monitor the grants and ensure the Council and Halton residents receive value for money.

## **9.0 EQUALITY AND DIVERSITY ISSUES**

9.1 None identified

## **10.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

None.



## Appendix 1

Service	Budget 2014/15	Funding source
MIND (Mental Health Day Services)	£57,890	HBC Base budget, £37,890 NHS Halton CCG £20,000
Halton Carers Centre	£491,160	HBC Base Budget, £132,217 NHS Halton CCG, £358,943
Halton Healthwatch	£134,715	HBC Base Budget

**REPORT TO:** Executive Board

**DATE:** 11 February 2016

**REPORTING OFFICER:** Strategic Director, People and Economy

**SUBJECT:** Adult Social Care Budget Pressures

**PORTFOLIO:** Health and Wellbeing

**WARD(S):** Borough-wide

### **1.0 PURPOSE OF THE REPORT**

1.1 The purpose of the report is to present a summary of the current and forthcoming budget pressures facing Adult Social Care, in order to support and inform the Board whilst considering the 2016/17 Budget Report later on this agenda.

**2.0 RECOMMENDATION: That the budget pressures facing Adult Social Care outlined in the report be noted and be taken into account when considering the 2016/17 Budget Report later on this agenda.**

### **3.0 SUPPORTING INFORMATION**

3.1 Adult Social Care is critical to the health and wellbeing of people with a complex range of often intense needs, their carers and families. Adult Social Care also plays a key role in a sustainable National Health Service (NHS).

3.2 Adult Social Care Services are currently experiencing significant and increasing pressures, driven by the following:

- Demand increases in both the volume and complexity of people's needs for adult social care due to the increasing number of adults with complex physical and mental health needs, ageing population and also those in transition from childhood to adulthood.
- Increased pressure and demand on acute hospitals.
- The NHS Transforming Care agenda.
- Reductions to wider local government funding.
- The introduction of the National Living Wage (NLW) and absence of certainty of funding.
- Availability and skills needs of the workforce.
- The reduced scope for further efficiency savings.

3.3 On the basis of all the factors outlined above, the Local Government Association (LGA) estimates that the funding gap facing Adult Social Care is growing on average by just over £700 million a year. In addition, to the quantified pressures there are further uncertainties which must also be considered, including;

- The impact of NLW on personal assistants through a direct payment

and the provision of sleep-ins after recent changes to the current National Minimum Wage.

- The 2014 Supreme Court judgement has widened the scope of Deprivation of Liberty Safeguards (DoLS). The Law Commission has estimated the annual cost of achieving compliance is £172 million per year.
- The Independent Living Fund (ILF) is an additional funding burden however future funding allocations are not yet clear.
- The funding which councils received for winter pressures in the last financial year, was in no way proportional to the scale of support needed for vulnerable people. Councils must be funded adequately if they are to continue reducing pressures and costs for NHS during times of increased demand.

3.4 The care market is becoming increasingly fragile and this adds a further risk. These risks are illustrated by high staff turnover, suppliers leaving the market and increasingly slim margins for those that remain particularly within domiciliary care. Funding for Adult Social Care must keep pace with growing demand and costs in order to avert market failure and the consequential impact on the lives of some of the most vulnerable residents in the Borough.

3.5 Phase 1 of the Care Act reform was introduced from April 2015 and the main changes introduced include duties on local authorities to;

- provide services that prevent care needs from becoming more serious, or delay the impact of their needs.
- meet a national minimum level of eligibility for a person's care and support needs.
- assess carers, regardless of how much care they provide, and meet carers' needs on a similar basis to those they care for.
- offer deferred payment or loan agreements to more people, avoiding property sales to pay for care and support.
- provide information and advice (including financial advice) on care and support services to all, regardless of care needs.
- provide an independent advocate where such support is needed.
- work with care providers to get a diverse and high-quality range of local services.
- comply with a new legal framework for protection of adults at risk of abuse or neglect.
- give continuity of care to those whose needs are being funded by the local authority who choose to move to another area.
- assess the care and support needs of children and their carers, who may need support after they turn 18, as they move to Adult Social Care.
- arrange and fund services to meet the care and support needs of adults who are detained in prison.

3.6 Although local authorities received Care Act Funding in 2015/16 for new burdens arising from the Care Act, future funding is at present unclear,

which presents a further potential pressure. The grant allocated to Halton for 2015/16 was £602,000.

- 3.7 In July 2015 confirmation was received from the Minister of State for Community and Social Care that Phase 2 of the Care Reform which proposed to cap care costs, was to be delayed until 2020. This phase was expected to add £6 billion to public sector spending over 5 years.
- 3.8 The integration of health and social care in Halton has already and will continue to improve outcomes for residents through joint commissioned services, improved quality of care and close working relationships to provide a more seamless service from primary to social care. The Better Care Fund (BCF) will enhance this integration process ensuring the provision of cost effective services across Health and Social care, hence addressing funding gaps to make services sustainable in the future. Halton has a very strong close partnership with Halton Clinical Commissioning Group (HCCG) and works innovatively to ensure services are provided in an effective and efficient way ensuring costs are maintained within budget.
- 3.9 Since April 2010 funding has been transferred to local authorities from health by way of an agreement under Section 256 of the 2006 NHS Act. This funding must be used to support Adult Social Care services in each local authority, which also has a health benefit. However, beyond this broad condition, there is flexibility for local areas to determine how this investment in social care services is best used.
- 3.10 As a condition of the transfer the Council and HCCG must have regard to the Joint Strategic Needs Assessment for their local population, and existing commissioning plans for both health and social care, when deciding how the funding is used.
- 3.11 It is also a condition of the transfer that local authorities demonstrate how the funding transfer will make a positive difference to Adult Social Care services, and outcomes for service users, compared to service plans in the absence of the funding transfer. Funding is used to support existing services or transformation programmes, where such services or programmes are of benefit to the wider health and care system, provide good outcomes for service users, and would be reduced due to budget pressures in local authorities without this investment.
- 3.12 From April 2015 this funding was integrated into the BCF, the Council received £9.451m. The Provisional Local Government Finance Settlement 2016/17 indicates that an additional £1.5 billion of funding will be available to local authorities to spend on Adult Social Care by 2019/20 however, this will be back loaded. For Halton indicative figures suggest the allocations could be £0.6m for 2017/18, £3.0m for 2018/19 and £5.2m for 2019/20. However, it must be noted that this additional BCF funding is partly being met by a reduction of £800m in the New Homes Bonus (NHB) grant.
- 3.13 Therefore Halton's NHB grant is anticipated to be reduced considerably over the same period, from £2.8m in 2018/19 to £1.7m in 2019/20. So in overall



terms there will be no “additional” funding for Halton and it is not yet known if additional responsibilities will be placed on the Council.

- 3.14 In the 2015 Autumn Statement and Spending Review it was announced that councils will have the power to increase Social Care funding through levying up to a 2% as an additional Council Tax Precept from 2016/17 and in each subsequent year of this Parliament. This was confirmed by the Provisional Local Government Grant Settlement, as the Government have recognised the significant spending pressures which Adult Social Care services are facing. A 2% Social Care Precept will generate £793,000 of additional council tax for the Council.

**4.0 POLICY IMPLICATIONS**

- 4.1 The spending pressures outlined in the report will impact upon the funding and thereby the delivery of Adult Social Care services.

**5.0 FINANCIAL IMPLICATIONS**

- 5.1 The estimated impact for Halton of the spending pressures outlined in Section 3 above have been quantified and are summarised below;

<b>Budget Pressure</b>	<b>Estimated Annual Cost £000</b>
National Living Wage (External Providers)	2,000
Independent Living Fund	570
Ageing Population	500
Transition from Children’s to Adult Services	300
Care Act – Part 1	500
Deprivation of Liberty Safeguards	250
Sleep-ins	100
<b>TOTAL</b>	<b>4,220</b>

**Conclusion**

- 5.2 The current year budget for Adult Social Care is £67.9m gross (£40.4m net of income). This includes budget savings of £2.4m which have contributed towards meeting the Council’s budget funding gap for 2016/17. The potential funding gap of £4.22m facing Adult Social Care, identified in the table above, is approximately 10% of the current year’s net budget. Given the uncertainty and lack of information from government, at this stage this is a worst case forecast, however, it does demonstrate the scale of the pressures facing the Council’s Adult Social Care Services.

- 5.3 Although the Council now has the power to increase council tax by up to a further 2% (£793,000) each year from 2016/17 to 2019/20, this still falls well

short of the increased costs expected to be incurred on Adult Social Care services. Unless this potential funding gap is addressed, it may impact upon the delivery of services at a satisfactory level, to improve the health and wellbeing of Halton's residents.

- 5.4 The Adult Social Care budget accounts for over half of the total Council's budget. Therefore, it will also be required to contribute significant budget savings each year, in order to assist the Council with delivering a balanced budget each year as required by statute.

## **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

### **6.1 Children & Young People in Halton**

None.

### **6.2 Employment, Learning & Skills in Halton**

None.

### **6.3 A Healthy Halton**

The Adult Social Care budget supports the delivery of services which contribute towards this priority.

### **6.4 A Safer Halton**

None.

### **6.5 Halton's Urban Renewal**

None.

## **7.0 RISK ANALYSIS**

- 7.1 If the potential funding pressures identified within this report are not addressed, there may be a significant impact upon the delivery of Adult Social Care services within the Borough.

## **8.0 EQUALITY AND DIVERSITY ISSUES**

- 8.1 None.

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

- 9.1 There are none under the meaning of the Act.

**REPORT TO:** Executive Board

**DATE:** 11 February 2016

**REPORTING OFFICER:** Operational Director – Finance

**SUBJECT:** Budget 2016/17

**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 2016/17.
- 1.2 The Police and Crime Commissioner and the Cheshire Fire Authority are not expected to set their precept until after the meeting of Executive Board. Therefore a number of figures contained within the report and resolution cannot yet be finalised and these are indicated by question marks. Once known these figures will be incorporated into the report and resolution to Council showing the Total Council Tax.

**2.0 RECOMMENDATION: That Council be recommended to adopt the resolution set out in Appendix A, which includes setting the budget at £98.465m, the Council Tax requirement of £41.217m (before Parish, Police and Fire precepts) and the Band D Council Tax for Halton of £1,250.97.**

### **3.0 SUPPORTING INFORMATION**

#### **Medium Term Financial Strategy**

- 3.1 The Executive Board approved the Medium Term Financial Strategy (MTFS) at its meeting on 10 December 2015. In summary, funding gaps of around £18m in 2016/17, £16m in 2017/18 and £7m in 2018/19 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 Area Forums giving local people the opportunity to feed their views into the process. As those meetings were taking place when this report was being drafted any views offered by the Area Forums will be reported to the Executive Board at the meeting.
- 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 2015/16 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, despite continued significant pressure in respect of children in care costs. It is anticipated that general reserve balances at 31 March 2016 will be around £5.8m, broadly as planned when the budget was set last year, this is after having used £3m of general reserves in balancing the budget for 2015/16.

### **2016/17 Budget**

- 3.5 On 14 October 2015 and 09 December 2015 Council approved initial budget savings for 2016/17 totalling £11.5m and further proposed savings are shown in Appendix B.
- 3.6 The proposed budget totals £98.465m. 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.
- 3.7 The proposed budget incorporates the grant figures announced in the Provisional Grant Settlement. It includes £0.5m for the New Homes Bonus 2016/17 grant, which is payable to local authorities based upon the net increase in the number of homes in their area.
- 3.8 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.
- 3.9 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 2016/17 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**

- 3.10 The Government announced on ?? February 2016 the Final Local Government Finance Settlement for 2016/17, this was in line with the Provisional Settlement announced on 17 December 2015.
- 3.11 From 1<sup>st</sup> April 2013 the Local Government funding regime changed significantly with the introduction of the Business Rates Retention Scheme. Under the Scheme 49% of business rates generated within the Borough is retained. The Council also receives a Top-Up grant, as the amount of business rates it retains is estimated to be lower than its spending needs. In addition, the Council receives Revenue Support grant.
- 3.12 The Government also confirmed that by 2019/20 the Business Rates Retention Scheme will be altered, such that councils will then retain 100% of the business rates they generate. However, over the same period Revenue Support Grant will cease to be provided in its current form.
- 3.13 For 2016/17 Halton's total Government Settlement Funding Allocation will be £55.29m. This is made up of £33.04m Business Rates Baseline Funding (including Top-Up grant of £7.51m) and £22.25m Revenue Support grant. In total the Settlement Funding Allocation has reduced by £6.53m or 10.6% from the 2015/16 adjusted level.
- 3.14 The 2015 Spending Review announced that for the rest of the current Parliament, local authorities responsible for adult social care will be given an additional 2% flexibility on their current council tax referendum threshold, to be used towards the funding shortfall for adult social care. This is being offered in recognition of increased pressure on Council budgets due to adult social care demographic changes and cost increases such as the National Living Wage.
- 3.15 As far as non-domestic premises are concerned, the rate is fixed centrally by the Government. For 2016/17 the rate has been set at 49.7p in the pound and 48.4p in the pound for small businesses, which are both increases of 0.8%.

### **Budget Outlook**

- 3.16 As part of the Local Government Provisional Finance Settlement for 2016/17 Government published indicative Settlement Funding Allocations for the following three years, up to 2019/20. They have also published a consultation on the future of the New Homes Bonus grant (NHB) which looks to reduce the number of years NHB grant is paid

over from six to four years. The Medium Term Financial Forecast has been updated to take account of the Provisional Finance Settlement and the latest forecast is shown in Appendix E.

- 3.17 Government are proposing to offer any Council that wishes to take it up a four year funding settlement to 2019/20. They see this as a way of providing funding certainty and stability to local authorities, together with strengthening financial management and efficiency. Government will expect local authorities to produce an efficiency plan should they decide to accept the offer. At the time of preparing this report the details of what the offer would include and what is expected of an efficiency plan are still to be published by Government.
- 3.18 The resultant funding gap over the subsequent three financial years (2017/18 to 2019/20) is forecast to be in the region of £34m. 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.
  - Continuing to seek improved 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.
  - Ceasing to deliver certain lower priority services.
- 3.19 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**

- 3.20 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.
- 3.21 The Government have confirmed the council tax referendum threshold at 4% for 2016/17, this includes the additional 2% precept for adult social care costs mentioned in para 3.14.
- 3.22 The tax base (Band D equivalent) for the Borough has been set by Council at 32,948.

- 3.23 The combined effect of the budget proposals presented within this report, Government grant support and the council tax base, requires the Council to set a Band D council tax for Halton of £1,250.97 (equivalent to £24.06 per week), in order to deliver a balanced budget for 2016/17 as required by statute. This is an increase of 3.9% (£46.96 per annum or 90p per week) over the current year.

### Parish Precepts

- 3.24 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	26,131	10,131	63.3%	39.65	1,290.62
Daresbury	?,???	???	?.%	??.??	?,???.??
Moore	4,498	82	1.9%	13.80	1,264.77
Preston Brook	9,150	650	7.6%	27.23	1,278.20
Halebank	15,350	1,725	12.7%	30.76	1,281.73
Sandymoor	24,556	8,990	57.8%	25.42	1,276.39

### Average Council Tax

- 3.25 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 £?,???.??, an increase of £???.?? per annum.

### Police Precept

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

### Fire Precept

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

### Total Council Tax

- 3.28 Combining all these figures will give the Total Council Tax for 2016/17 and these are shown in Recommendation 7 in Appendix A. The total Band D Council Tax (before Parish precepts) is £?,???.?? an increase of £?.?? or ?.?%. The increases in Parish precepts means the increase in Hale is ?.?%, in Daresbury is ?.?%, in Moore is ?.?%, in Preston Brook is ?.?%, in Halebank is ?.?% and in Sandymoor is ?.?%.
- 3.29 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.
- 3.30 A complex set of resolutions, shown in Appendix A, needs to be agreed by Council 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

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

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	£000	£000	£000
<u>Spending</u>			
Scheme estimates	105,146	56,986	6,916
Slippage between years (after excluding MG costs)	+ 9,598	+ 7,029	+ 4,897
	- 7,029	- 4,897	- 1,383
	<u>107,715</u>	<u>59,118</u>	<u>10,430</u>
<u>Funding</u>			
Borrowing and Leasing	87,613	49,995	4,705
Grants and External Funds	12,173	5,625	3,733
Direct Revenue Finance	551	69	0
Invest to Save	115	0	0
Capital Receipts	7,263	3,429	1,992
	<u>107,715</u>	<u>59,118</u>	<u>10,430</u>

- 3.32 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.

- 3.33 The Department for Health has confirmed the Social Care Capital Grant will not continue from 2016/17 onwards but the value of the grant should be covered by the expansion of the Disabled Facilities Grant. This could potentially restrict the freedom to how these funds are spent, further details are still awaited confirming the value and conditions of the grant from 2016/17.
- 3.34 As the Capital Programme is fully committed, there are no funds available for new capital schemes unless external funding is available or further savings are identified to cover financing costs.

### **Prudential Code**

- 3.35 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.
- 3.36 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 monitoring reports to the Executive Board.

### **School Budgets**

- 3.37 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 2016, which is primarily based on pupil numbers.
- 3.38 The Government have announced Unit of Funding allocations split between blocks. For Halton the per pupil Unit of Funding for the Schools Block is £4,863.77, 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 £14,498,539. Schools will be informed of their funding allocation for Schools Block funding by 28<sup>th</sup> February 2016 in accordance with the Halton Schools Financing Scheme. Early Years and High Needs funding will be notified to relevant schools during March 2016. The Minimum Funding Guarantee has been set so that the maximum reduction for schools is 1.5%.

- 3.39 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.
- 3.40 The allocation of DSG funding to schools for 2016/17 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 POLICY IMPLICATIONS**

- 4.1 The Council's budget will support the delivery of all of the Council's services.

#### **5.0 FINANCIAL IMPLICATIONS**

- 5.1 The financial implications relating to the Council's budget are as set out within the report and appendices.

#### **6.0 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.

- 6.1 **Children and Young People in Halton**
- 6.2 **Employment, Learning and Skills in Halton**
- 6.3 **A Healthy Halton**
- 6.4 **A Safer Halton**
- 6.5 **Halton's Urban Renewal**

#### **7.0 RISK ANALYSIS**

7.1 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.

7.2 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 the Reserves and Balances strategy should help mitigate the risk.

**8.0 EQUALITY AND DIVERSITY ISSUES**

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

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

<b>Document</b>	<b>Place of Inspection</b>	<b>Contact Officer</b>
Local Government Finance Report (England) 2016/17	Financial Management Kingsway House	Steve Baker

**10.0 REASON FOR THE DECISION**

10.1 To seek approval for the Council's revenue budget, capital programme and council tax for 2016/17.

**11.0 ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

11.1 In arriving at the budget saving proposals set out in Appendix B, numerous proposals have been considered, some of which have been deferred pending further information or rejected.

**12.0 IMPLEMENTATION DATE**

12.1 2<sup>nd</sup> March 2016.

**DRAFT RESOLUTION FOR SUBMISSION TO THE COUNCIL  
AT ITS MEETING ON 02 MARCH 2016**

**RECOMMENDATION:** that the Council adopt the following resolution:

1. The policies outlined in this paper be adopted, including the Budget for 2016/17, 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 09 December 2015 the Council agreed the following:
  - (a) The Council Tax Base 2016/17 for the whole Council area is 32,948 (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	659
Daresbury	159
Moore	326
Preston Brook	336
Halebank	499
Sandymoor	966

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 2016/17 (excluding Parish precepts) is £41,216,960.
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 2016/17 and agreed as follows:
  - (a) £304,971,357 (parish precepts to be added) – 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) £263,754,397– being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
- (c) £41,216,960 (parish precepts to be added) – 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) £?,???.??– 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) £??,???.??– 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	26,131
Daresbury	?
Moore	4,498
Preston Brook	9,150
Halebank	15,350
Sandymoor	24,556

- (f) £1,250.97 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	1,290.62
Daresbury	?
Moore	1,264.77
Preston Brook	1,278.20
Halebank	1,281.73
Sandymoor	1,276.39

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	860.42	?	843.18	852.13	854.49	850.93	833.98
B	1,003.82	?	983.71	994.16	996.90	992.75	972.98
C	1,147.22	?	1,124.24	1,136.18	1,139.32	1,134.57	1,111.97
<b>D</b>	<b>1,290.62</b>	<b>?</b>	<b>1,264.77</b>	<b>1,278.20</b>	<b>1,281.73</b>	<b>1,276.39</b>	<b>1,250.97</b>
E	1,577.43	?	1,545.83	1,562.25	1,566.56	1,560.03	1,528.96
F	1,864.23	?	1,826.89	1,846.29	1,851.39	1,843.67	1,806.96
G	2,151.04	?	2,107.95	2,130.34	2,136.22	2,127.32	2,084.95
H	2,581.25	?	2,529.54	2,556.40	2,563.46	2,552.78	2,501.94

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 2016/17 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:



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 2016/17 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**

	DEPARTMENT / DIVISION / SERVICE AREA	DESCRIPTION OF PROPOSAL	TOTAL BUDGET  £'000	ESTIMATED BUDGET SAVING		PERM OR TEMP  (P / T)	MANDATORY OR DISCRETIONARY SERVICE AFFECTED (M / D)
				2016/17 £'000	2017/18 £'000		
<b>PEOPLE &amp; ECONOMY DIRECTORATE</b>							
<b>INCOME GENERATION OPPORTUNITIES</b>							
1	Prevention & Assessment Dept	Proposed increase in transport charges by £1.40 per journey to £3.00 from the current £1.60, subject to consultation.	<b>74</b>	<b>70</b>	<b>0</b>	<b>P</b>	<b>D</b>
2	Economy, Enterprise & Property Dept	Charge a one-off management fee to the Sci-Tech Daresbury Joint Venture, as the Enterprise Zone retained business rates have exceeded forecasts. This will be used to reimburse Council officer time in respect of Regeneration, Property, Legal, Finance etc.	<b>n/a</b>	<b>100</b>	<b>-100</b>	<b>T</b>	<b>D</b>
3	Economy, Enterprise & Property Dept	Increase industrial and commercial property rents (including markets) by 1% over and above normal annual 2% inflationary increase.	<b>2,000</b>	<b>20</b>	<b>0</b>	<b>P</b>	<b>D</b>
<b>EFFICIENCY OPPORTUNITIES</b>							
4	Prevention & Assessment Dept	Deletion of a vacant 0.4fte Adult Mental Health Practice Manager HBC10 post.	<b>50</b>	<b>20</b>	<b>0</b>	<b>P</b>	<b>M</b>

	DEPARTMENT / DIVISION / SERVICE AREA	DESCRIPTION OF PROPOSAL	TOTAL BUDGET £'000	ESTIMATED BUDGET SAVING		PERM OR TEMP (P / T)	MANDATORY OR DISCRETIONARY SERVICE AFFECTED (M / D)
				2016/17 £'000	2017/18 £'000		
5	Commissioning & Complex Care Dept/ Community Services	Efficiency review of the Halton Supported Housing Network.	1,773	83	0	P	D
6	Children's Organisation & Provision Dept/ 0-25 Inclusion Div	Restructuring the Special Education Needs Team with the deletion of a vacant Special Education Needs Assessment post.	135	40	0	P	M
7	Children's Organisation & Provision Dept	The Policy Provision & Performance and 14-19 Divisions have been combined and as a result it is proposed to delete a vacant Information Advice & Guidance post.	112	40	0	P	M
8	Children & Families Dept	Restructuring within the Children and Families Department resulting in the deletion of a vacant Principle Team Manager post.	155	32	0	P	M
<b>SHARED / COLLABORATIVE SERVICES</b>							
9	Prevention & Assessment Dept	Shared arrangement for 12 months for a Practice Manager post (Clinical lead nurse) to work collaboratively with Halton CCG.	20	20	-20	T	M

	DEPARTMENT / DIVISION / SERVICE AREA	DESCRIPTION OF PROPOSAL	TOTAL BUDGET £'000	ESTIMATED BUDGET SAVING		PERM OR TEMP (P / T)	MANDATORY OR DISCRETIONARY SERVICE AFFECTED (M / D)
				2016/17 £'000	2017/18 £'000		
<b>OTHER BUDGET SAVINGS</b>							
10	Prevention & Assessment Dept	Deletion of the residual training budget for Induction Adults in the Learning Disability Team, which is no longer required following a transfer of staff from the PCT to HBC.	20	20	0	P	D
11	Prevention & Assessment Dept	Service efficiencies (eg. additional winter pressures funding) achieved during 2015/16 which have been managed in order to provide a one-off budget saving for 2016/17.	263	263	-263	T	D
12	Children's Organisation & Provision Dept	Reduction in various specialist commissioned services budgets and a one-off saving achieved from efficiencies in 2015/16.	805	90 80	0 -80	P T	D D
13	Children's Organisation & Provision Dept	One-off performance saving relating to a school project.	200	200	-200	T	D
<b>TOTAL PERMANENT</b>				415	0	P	
<b>TOTAL TEMPORARY (ONE-OFF)</b>				663	-663	T	
<b>GRAND TOTAL</b>				1,078	-663		

	DEPARTMENT / DIVISION / SERVICE AREA	DESCRIPTION OF PROPOSAL	TOTAL BUDGET £'000	ESTIMATED BUDGET SAVING		PERM OR TEMP (P / T)	MANDATORY OR DISCRETIONARY SERVICE AFFECTED (M / D)
				2016/17 £'000	2017/18 £'000		
<b>COMMUNITY &amp; RESOURCES DIRECTORATE</b>							
<b>INCOME GENERATION OPPORTUNITIES</b>							
1	Finance Dept/ Audit & Op Finance Div	Introduction of an SLA to provide Balance of Risks insurance cover for schools.	n/a	50	0	P	D
2	Finance Dept/ Audit & Op Finance Div	Providing a Financial Support SLA on a one year agreement initially to the National Consortium for Examination Results.	n/a	10	-10	T	D
<b>PROCUREMENT OPPORTUNITIES</b>							
3	Community & Environment Dept / Catering Svcs	Saving from the re-procurement of food provisions contracts.	683	60	0	P	D
<b>EFFICIENCY OPPORTUNITIES</b>							
4	Community & Environment Dept	Staffing restructure within the Select Security Stadium and Catering Services with the resulting deletion of vacant posts.	344	65	0	P	D

	DEPARTMENT / DIVISION / SERVICE AREA	DESCRIPTION OF PROPOSAL	TOTAL BUDGET £'000	ESTIMATED BUDGET SAVING		PERM OR TEMP (P / T)	MANDATORY OR DISCRETIONARY SERVICE AFFECTED (M / D)
				2016/17 £'000	2017/18 £'000		
5	Finance Dept / Procurement Div	Temporary restructuring within the Procurement Division resulting in a one-off saving.	583	28	-28	T	D
6	ICT & Support Services Dept	Introduction of the ICT Apprenticeship Scheme.	n/a	60	0	T (2 years)	D
7	ICT & support Services Dept	Further balance of budget savings from the original £100,000 estimate included for the ICT & Support Department staffing restructure approved in the first set of 2016/17 savings.	5,282	70	0	P	D
8	Legal & Democratic Svcs Dept / Democratic Services Div	Deletion of a vacant post within the Democratic Services Division.	207	38	0	P	M
9	Public Protection Dept / Regulatory Services Div	Deletion of a vacant Environmental Technician post.	287	26	0	P	D
10	Finance Dept / Audit & Op Finance Div	Deletion of a vacant HBC7 post within the Audit and Operational Finance Division.	277	36	0	P	D
11	Finance Dept / Financial Management Div	Deletion of a vacant HBC4/6 post within the Financial Management Division.	1,275	32	0	P	D

	DEPARTMENT / DIVISION / SERVICE AREA	DESCRIPTION OF PROPOSAL	TOTAL BUDGET £'000	ESTIMATED BUDGET SAVING		PERM OR TEMP (P / T)	MANDATORY OR DISCRETIONARY SERVICE AFFECTED (M / D)
				2016/17 £'000	2017/18 £'000		
<b>SHARED / COLLABORATIVE SERVICES</b>							
12	Policy, People, Performance & Efficiency	Reduction in union representative costs from undertaking a regional role for 1 day per week, for one year initially.	183	10	-10	T	D
<b>OTHER BUDGET SAVINGS</b>							
13	Finance Dept / Capital Financing	Revision to the Minimum Revenue Provision Policy in order to lengthen the period over which capital assets are written down within the accounts, to closer match the life of those assets. A further increase to the £520,000 saving included in the 2 <sup>nd</sup> set.	1,786	300	0	P	D
14	Finance Dept / Halton Direct Link	Cease provision of staff uniforms within Halton Direct Link, as only a proportion of staff based within the HDL shops now have uniforms.	5	5	0	P	D
15	Legal & Democratic Svcs Dept	Full year effect of various previous year staff savings and an in-year underspend to be used as a one-off saving.	866	22 5	0 -5	P T	M M
16	Legal & Democratic Svcs Dept / Customer Intelligence Unit	Cease the contract for external maintenance of the Council's website as it will now be undertaken in-house.	10	10	0	P	D

	DEPARTMENT / DIVISION / SERVICE AREA	DESCRIPTION OF PROPOSAL	TOTAL BUDGET £'000	ESTIMATED BUDGET SAVING		PERM OR TEMP (P / T)	MANDATORY OR DISCRETIONARY SERVICE AFFECTED (M / D)
				2016/17 £'000	2017/18 £'000		
17	Policy Planning & Transportation Dept / Fleet Management	Revenue savings from the reduction of two operational refuse collection vehicles, inclusive of vehicle operating costs.	1,435	100	0	P	M
18	Policy Planning & Transport Dept / Logistics Division	Realignment of the business rates budget for Lowerhouse Lane Depot to reflect the actual charge.	47	10	0	P	D
19	Policy Planning & Transport Dept / Highway Maintenance	Reduction in the highway maintenance budget.	2,281	50	0	P	M
20	Council Wide	Staff Terms and Conditions – Continuation for next three years of 4 days unpaid leave for all staff.	n/a	750	0	T	n/a
<b>TOTAL PERMANENT</b>				1,624	0	P	
<b>TOTAL TEMPORARY (ONE-OFF)</b>				113	-53	T	
<b>GRAND TOTAL</b>				1,737	-53		

## APPENDIX C

## DEPARTMENTAL BASE BUDGETS

£000

**People & Economy Directorate**

Children and Families Service	20,415
Education, Inclusion & Provision	14,429
Economy, Enterprise and Property	3,102
Commissioning and Complex Care	11,653
Adult Social Care & Prevention and Assessment	25,179
	<hr/>
	<b>74,778</b>

**Community & Resources Directorate**

Finance	4,249
Policy, Planning & Transportation	16,103
ICT & Support Services	48
Legal & Democratic Services	424
Policy, People, Performance & Efficiency	-567
Public Protection	551
Community and Environment	22,812
	<hr/>
	<b>43,620</b>

**Departmental Base Budgets****118,398**

Corporate and Democracy

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-17,118**Base Budget****101,280**

Less Set 3 Savings

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-2,815**Total Budget**

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**98,465**

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## APPENDIX D

## 2016/17 BUDGET – REASONS FOR CHANGE

	<b>£000</b>
2015/16 Approved Budget	101,452
Add back One-Off savings	8,759
	<hr/> 110,211
<u>Policy Decisions</u>	
Capital Programme	-261
<u>Inflation</u>	
Pay (including NI adjustments due to Single Tier State Pension)	1,678
Prices	575
Income	-388
<u>Other</u>	
Increments	290
Contingency	1,000
Increase to New Homes Bonus Grant	591
Reduction in Pension Actuarial Payments	-916
<b>Base Budget</b>	<hr/> <b>112,780</b>
Less Savings	-14,315
<b>Total 2016/17 Budget</b>	<hr/> <b>98,465</b> <hr/>

## APPENDIX E

## MEDIUM TERM FINANCIAL FORECAST

	2017/18 £000	2018/19 £000	2019/20 £000
<b>Spending</b>			
Previous Year's Budget	98,465	91,867	88,836
Add back one-off savings	5,983	0	
<u>Policy Decisions</u>			
Capital Programme	-370	0	0
<u>Inflation</u>			
Pay	973	985	997
Prices	961	1,253	1,253
Income	-511	-521	-521
<u>Other</u>			
Increments etc	300	300	300
Contingency	1,000	1,500	2,000
Children in Care	210	290	0
National Living Wage – Ext Service Providers	500	500	500
National Living Wage – Direct HBC Staff Cost	173	156	150
Apprenticeship Levy	300	0	0
Mersey Gateway Council Vehicle Tolls	75	150	0
Pension Auto Enrolment – Employer Contributions	624	624	0
Social Care Act	100	100	100
Transition from Children's to Adult Social Care	200	200	200
Reduction to New Homes Bonus Grant	394	627	45
Budget Forecast	109,377	98,031	93,860
<b>Resources</b>			
Previous Years Resources:			
Revenue Support Grant	16,790	13,082	9,337
Retained Business Rates (Incl Top-Up Funding)	33,860	34,537	35,227
Council Tax	41,217	41,217	41,217
	91,867	88,836	85,781
<b>Funding Gaps</b>	<b>17,510</b>	<b>9,195</b>	<b>8,079</b>

## APPENDIX F

## COMMITTED CAPITAL PROGRAMME 2016-19

SCHEME	2016/17 £000	2017/18 £000	2018/19 £000
Schools Capital Projects	2,411	74	-
Fairfield Primary	1,133	853	-
Widnes Waterfront	800	-	-
Runcorn Town Centre Regeneration	2618	300	300
John Briggs House / Police Station	150	-	-
Hive Signage & Advertising	195	-	-
Equality Act Improvement Works	300	-	-
Widnes Market	1,433	-	-
ALD Bungalows	100	100	-
Grangeway Court Refurbishment	325	-	-
Community Capacity Grant	57	-	-
<b>People &amp; Economy Directorate</b>	<b>9,522</b>	<b>1,327</b>	<b>300</b>
IT Rolling Programme	1,100	1,100	1,100
Highways Capital Maintenance	2,951	2,889	-
Major Maintenance Silver Jubilee Bridge	330	330	330
Street Lighting – Structural Maintenance	200	200	200
Street Lighting – Upgrades	2,350	1,500	-
Silver Jubilee Corridor Business Hubs	171	-	-
Connect Widnes	369	-	-
Fleet Replacements	2,940	624	556
Risk Management	120	120	120
Mersey Gateway Land Acquisition	5,667	919	3,855
Mersey Gateway Liquidity Fund	-	10,000	-
Mersey Gateway Crossing Board	3,474	2,649	-
Mersey Gateway Construction Costs	70,000	32,500	-
Mersey Gateway Loan Interest	3,917	1,773	-
Stadium Minor Works	280	30	30
Children's Playground Equipment	65	65	65
Norton Priory	920	530	-
Landfill Tax Credit Schemes	340	340	340
Crow Wood Park Play Area	8	-	-
Peelhouse Lane Cemetery	402	70	-
Litter Bins	20	20	20
<b>Community &amp; Resources Directorate</b>	<b>95,624</b>	<b>55,659</b>	<b>6,616</b>

<b>Total Capital Programme</b>	<b>105,146</b>	<b>56,986</b>	<b>6,916</b>
<b>Slippage between years *</b>	<b>+ 9,598</b>	<b>+ 7,029</b>	<b>+ 4,897</b>
	<b>- 7,029</b>	<b>- 4,897</b>	<b>- 1,383</b>
<b>GRAND TOTAL</b>	<b>107,715</b>	<b>59,118</b>	<b>10,430</b>

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

**REPORT TO:** Executive Board

**DATE:** 11 February 2016

**REPORTING OFFICER:** Operational Director – Finance

**PORTFOLIO:** Resources

**TITLE:** Treasury Management Strategy Statement 2016/17

**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 2016/17.

**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 (2016/17). 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, Appendix A shows the full policy, and the changes in the policy for 2016/17 are detailed in Appendix B.

**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 half-yearly 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**

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

**HALTON BOROUGH COUNCIL**  
**TREASURY MANAGEMENT STRATEGY**  
**STATEMENT**

**2016/17**

## TREASURY MANAGEMENT STRATEGY STATEMENT 2016/17

### 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** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.



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

### **Scrutiny**

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Executive Board.

## **1.3 Treasury Management Strategy for 2016/17**

The strategy for 2016/17 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**

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training was undertaken by members in October 2013 and further training will be arranged as required. The training needs of treasury management officers are periodically reviewed.

## **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 2016/17 – 2018/19

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.

**Table 1 – Capital Expenditure**

	<b>2014/15 Actual £000</b>	<b>2015/16 Estimate £000</b>	<b>2016/17 Estimate £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>
<b>Capital Expenditure:</b>					
Children & Enterprise	8,095	-	-	-	-
Policy & Resources	19,598	-	-	-	-
Communities	4,464	-	-	-	-
People & Economy	-	26,288	9,522	1,327	300
Community & Resources	-	21,700	95,624	55,659	6,616
Slippage Adjustment	-	(9,598)	2,569	2,132	3,515
	<b>32,157</b>	<b>38,390</b>	<b>107,715</b>	<b>59,118</b>	<b>10,431</b>
<b>Financed By:</b>					
Capital receipts	(5,408)	(5,996)	(7,378)	(3,429)	(1,992)
Capital grants	(21,457)	(17,095)	(12,173)	(5,625)	(3,733)
Revenue	(1,505)	(1,370)	(551)	(69)	-
<b>Net financing need for the year</b>	<b>3,787</b>	<b>13,929</b>	<b>87,613</b>	<b>49,995</b>	<b>4,706</b>

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.

**Table 2 – Capital Financing Requirement**

	<b>2014/15 Actual £000</b>	<b>2015/16 Estimate £000</b>	<b>2016/17 Estimate £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>
<b>Capital Financing Requirement</b>	<b>106,807</b>	<b>107,893</b>	<b>119,889</b>	<b>205,215</b>	<b>252,907</b>
<b>Movement in CFR due to:</b>					
Net financing need for the year	3,787	13,929	87,613	49,995	4,706
PFI / Finance Leases	224	100	100	100	100
Less Minimum Revenue Provision	(2,925)	(2,033)	(2,387)	(2,403)	(2,407)
<b>Increase / (Decrease) in CFR</b>	<b>1,086</b>	<b>11,996</b>	<b>85,326</b>	<b>47,692</b>	<b>2,399</b>

### **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. The full statement is detailed in Appendix A and the changes to the 2016/17 MRP statement are detailed in Appendix B.

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), but from 2016/17 will be charged at 2% straight line (this was previously charged at 4% reducing balance).

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.

**Table 3 – Ratio of financing costs to net revenue stream**

<b>Ratio of Finance Costs to Net Revenue Stream</b>	<b>2014/15 Actual £000</b>	<b>2015/16 Estimate £000</b>	<b>2016/17 Estimate £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>
<b>Council's Net Budget</b>	<b>108,243</b>	<b>101,452</b>	<b>98,465</b>	<b>91,867</b>	<b>88,836</b>
<b>Finance Costs</b>					
Net Interest Costs	1,019	1,120	733	370	162
Minimum Revenue Provision	2,201	2,128	1,407	1,941	1,941
	<b>3,220</b>	<b>3,248</b>	<b>2,140</b>	<b>2,311</b>	<b>2,103</b>
	<b>3.0%</b>	<b>3.2%</b>	<b>2.2%</b>	<b>2.5%</b>	<b>2.4%</b>

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. The MRP and Interest cost relating to PFI schemes and finance leases do not add any additional cost to the revenue budget, so have also been excluded.

## 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.

**Table 4 – Impact of capital investment decisions on Council Tax**

<b>Incremental Impact of capital investment decisions on band D Council Tax</b>	<b>2014/15 Actual £000</b>	<b>2015/16 Estimate £000</b>	<b>2016/17 Estimate £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>
Net cost of additional borrowing	353	315	87	187	140
Council Tax Base	31,400	32,948	32,948	32,948	32,948
<b>Impact on Band D (£)</b>	<b>11.23</b>	<b>9.56</b>	<b>2.63</b>	<b>5.66</b>	<b>4.26</b>

### **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 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 2015, 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.

Table 5 – External Debt

	2014/15 Actual £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000
<b>External Debt</b>					
<b>Borrowing</b>					
Debt at 1 April	70,000	183,000	163,000	143,000	153,000
Expected Change in Debt	113,000	(20,000)	(20,000)	10,000	-
<b>Debt at 31 March</b>	<b>183,000</b>	<b>163,000</b>	<b>143,000</b>	<b>153,000</b>	<b>153,000</b>
<b>Other long-term liabilities</b>					
Debt at 1 April	23,282	22,549	21,852	21,326	20,980
Expected Change in Debt	(733)	(697)	(526)	(346)	(954)
<b>Debt at 31 March</b>	<b>22,549</b>	<b>21,852</b>	<b>21,326</b>	<b>20,980</b>	<b>20,026</b>
<b>Total External Debt at 31 March</b>	<b>205,549</b>	<b>184,852</b>	<b>164,326</b>	<b>173,980</b>	<b>173,026</b>
<b>Capital Financing Requirement</b>	<b>107,893</b>	<b>119,889</b>	<b>205,215</b>	<b>252,907</b>	<b>255,306</b>
<b>Under / (over) borrowing</b>	<b>(97,656)</b>	<b>(64,963)</b>	<b>40,889</b>	<b>78,927</b>	<b>82,280</b>

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 2016/17 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 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.

**Table 6 – Operational Boundary**

	<b>2015/16 Actual £000</b>	<b>2016/17 Estimate £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>
<b>Operational boundary</b>				
Debt	233,100	233,100	233,100	233,100
Other Long Term Liabilities	19,500	21,826	21,480	20,526
<b>Total</b>	<b>252,600</b>	<b>254,926</b>	<b>254,580</b>	<b>253,626</b>
<b>Total External Debt at 31 March</b>	184,852	164,326	173,980	173,026
<b>Estimated Headroom</b>	<b>67,748</b>	<b>90,600</b>	<b>80,600</b>	<b>80,600</b>

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.

**Table 7 – Authorised Limit**

	<b>2015/16 Estimate £000</b>	<b>2016/17 Estimate £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>
<b>Authorised limit</b>				
Debt	250,000	250,000	250,000	250,000
Other Long Term Liabilities	20,000	20,000	20,000	20,000
<b>Total</b>	<b>270,000</b>	<b>270,000</b>	<b>270,000</b>	<b>270,000</b>
<b>Total External Debt at 31 March</b>	184,852	164,326	173,980	173,026
<b>Estimated Headroom</b>	<b>85,148</b>	<b>105,674</b>	<b>96,020</b>	<b>96,974</b>

### 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:

**Table 8 – Interest rate forecast**

Quarter Average	Bank Rate %	PWLB Borrowing Rates %			
		(including certainty rate adjustment)			
		5 year	10 year	25 year	50 year
Mar-16	0.50	2.4	3.0	3.7	3.5
Jun-16	0.75	2.6	3.1	3.8	3.7
Sep-16	0.75	2.7	3.2	3.9	3.8
Dec-16	1.00	2.8	3.3	4.0	3.9
Mar-17	1.00	2.8	3.4	4.1	4.0
Jun-17	1.25	2.9	3.5	4.1	4.0
Sep-17	1.50	3.0	3.5	4.2	4.1
Dec-17	1.50	3.2	3.7	4.3	4.2
Mar-18	1.75	3.3	3.8	4.3	4.2
Jun-18	1.75	3.4	3.9	4.4	4.3
Sep-18	2.00	3.5	4.0	4.4	4.3
Dec-18	2.00	3.5	4.1	4.4	4.3
Mar-19	2.00	3.6	4.1	4.5	4.4

#### Overview

The November Bank of England Inflation Report included a forecast for growth to remain around 2.5 – 2.7% over the next three years. This is driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero since February 2015. Investment expenditure is also expected to support growth. However, since the August Inflation report was issued, worldwide economic statistics have distinctly weakened and the November Inflation Report flagged up particular concerns for the potential impact on the UK.

The Inflation Report was notably subdued in respect of the forecasts for inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. However, once the falls in oil, gas and food prices over recent months fall out of the 12 month calculation of CPI, there will be a sharp tick up from the current zero rate to around 1 percent in the second half of 2016. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon was the biggest since February 2013. There is considerable uncertainty around how quickly inflation will rise in the next few years and this makes it difficult to forecast when the Monetary Policy Committee will decide to make a start on increasing Bank Rate.



The American economy made a strong comeback after a weak first quarter to grow by no less than 3.9% in quarter 2 of 2015, but then weakened again to 1.5% in quarter 3. The downbeat news in late August and in September about Chinese and Japanese growth and the knock on impact on emerging countries that are major suppliers of commodities, was cited as the main reason for the Fed's decision at its September meeting to pull back from a first rate increase. However, the non-farm payroll figure for growth in employment in October was very strong and, together with a likely perception by the Federal Reserve that concerns on the international scene have subsided, has now firmly opened up the possibility of a first rate rise in December.

In the Eurozone (EZ), the European Central Bank (ECB) fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. However, the recent downbeat Chinese and Japanese news has raised questions as to whether the ECB will need to boost its Quantitative Easing programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

During July, Greece finally capitulated to EU demands to implement a major programme of austerity and is now cooperating fully with EU demands. An €86bn third bailout package has since been agreed though it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the resistance of the Greek Government, elected in January, to EU demands. The surprise general election in September gave the Greek government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so Greek exit from the euro may only have been delayed by this latest bailout.

### **Impact on Rates:**

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

- Investment returns are likely to remain relatively low during 2016/17 and beyond
- Borrowing interest rates have been highly volatile during 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. Gilt yields have continued to remain at historically phenomenally low levels during 2015. 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 2016/17 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.

### **3.5 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:

**Table 9 – Upper limit for interest exposure**

<b>Upper Limit for Interest Rate Exposure</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Fixed Rate	100	100	100
Variable Rate	30	30	30

**Table 10 – Maturity structure of fixed rate borrowing**

<b>Maturity Structure of Fixed Rate Borrowing</b>	<b>2016/17</b>	
	<b>Lower</b>	<b>Higher</b>
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%

### **3.6 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 borrowed £113m during 2014/15 to fund the Mersey Gateway Project. The first payments relating to Mersey Gateway will be made in 2016/17, with the remainder being made in 2017/18. The Council will be in an over-borrowed position until the second milestone payment is made towards the end of 2016/17 (see table 5)

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 prudential indicators shown throughout Section 2.

### **3.7 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. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To 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
- Money Market Funds (rated AAA)

### **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)
- 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 equivalent) 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 the Council will also use market data, market information, and information on any external support for banks to help support its decision making process.

### **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 2016/17

The Council has set the following counterparty limits for 2016/17, and will invest in line with the creditworthiness policy detailed in 4.2.

**Table 11 – Counterparty limits**

	<b>Maximum Limit per institution £m</b>
UK Government	40
Nationalised and Part Nationalised Banks with:	
- Minimum rating of A	40
- Minimum rating of BBB	20
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 sovereign 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
- Minimum rating of AA	10
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 were 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 2 of 2016. Bank Rate forecasts for financial year ends (March) are:

- 2017            1.00%
- 2018            1.75%
- 2019            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.

**Table 12 – Maximum principal sums invested over 365 days**

<b>Maximum principal sums invested &gt; 365 days</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>
Principal sums > 365 days	20	20	20

**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



### **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 31<sup>st</sup> 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). From the 2016/17 financial year the Council will change this to a 2% straight line method. This change to the policy has been implemented as this:

- will aid forecasting as option 1 MRP will remain unchanged each year and enable the Council to link additional MRP costs to specific assets
- will ensure that option 1 MRP is paid off by 2065. If the reducing balance method was used, there would still be a balance of £5.4m by this date

Further detail on the changes to the MRP policy is included in Appendix B.

## **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 2016/17 and future years**

In order to determine its MRP for 2016/17 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 (which has now been amended to a 2% straight-line charge)
- 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) the MRP charge will be equal to the principal element of the annual rental.
- For on balance sheet PFI contracts MRP charge will be equal to the principal element of the annual rental.
- For assets that have an outstanding balance in the Capital Adjustment Account at the time of disposal, the Council have the option of using the capital receipts raised from the sale to repay the balance. Although this will not affect the MRP charge in year (this will be a direct charge from Capital Receipts Reserve to the Capital Adjustment Account) this will reduce an MRP charge for future years. Please note:
  - If the sale of the asset does not raise sufficient receipts to repay the outstanding balance the council has the option to use the Capital Receipts Reserve to make the repayment
  - If the Council choose not to use the methods detailed above, the MRP should be repaid over a period that is considered prudent

## Changes to the 2016/17 MRP Policy

### Change 1 – 2% straight line for spend before 1st April 2008

#### Introduction

The Council currently provide for Capital Expenditure before 1 April 2008 using option 1. This method treats this expenditure as if the old regulations are still in place.

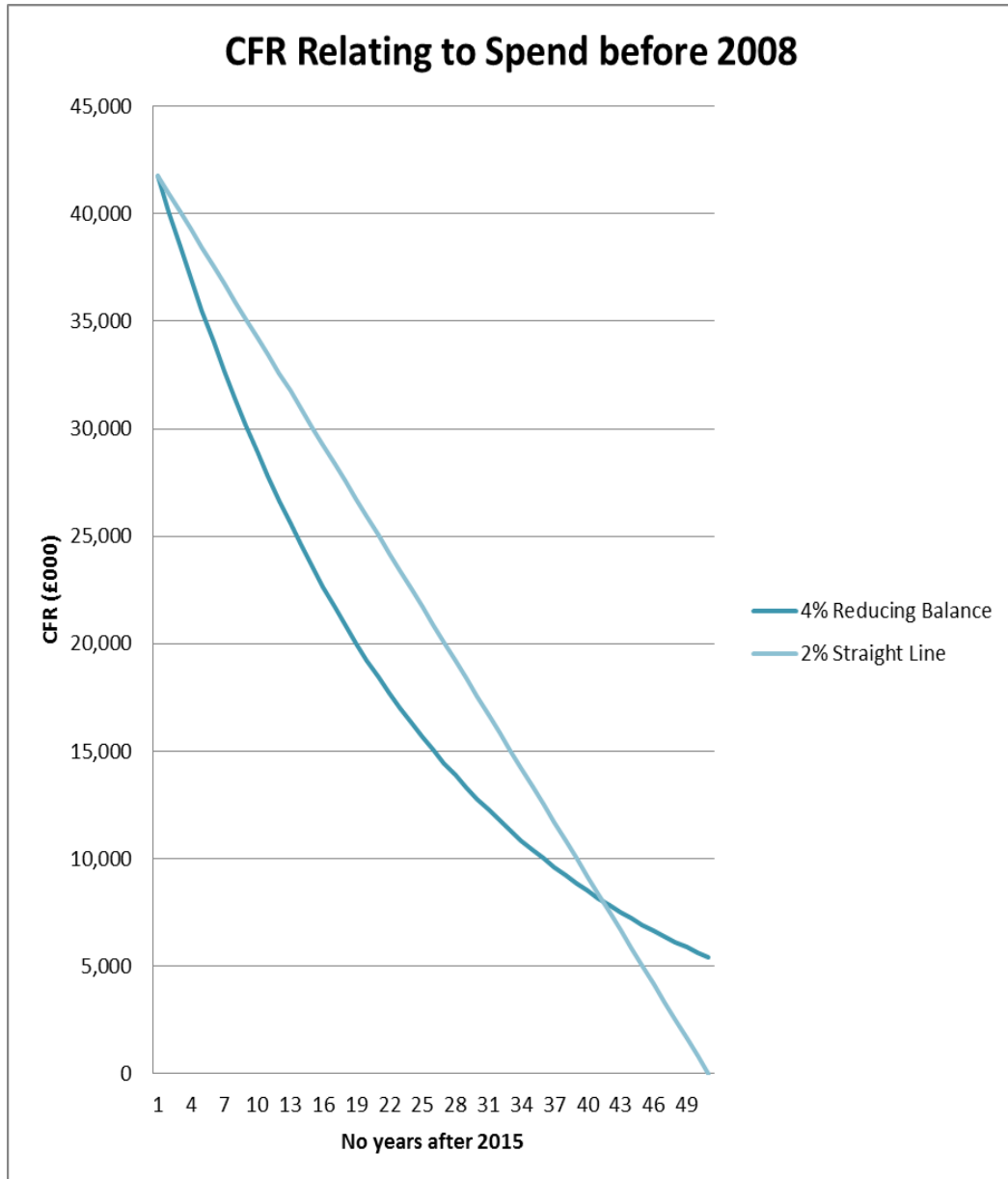
This is calculated by taking the Council's Capital Financing Requirement (CFR) which relates to this spend, deducting Adjustment A (which was set in 2004 to balance the new system) and then charging on a 4% reducing balance basis.

The change that we are implementing from 1 April 2016 is to charge expenditure relating to before 1 April 2008 on a 2% straight line charge over the next 50 years, rather than a 4% reducing balance.

#### Why are we changing the policy?

There are a number of advantages to the Council of changing the MRP charge to 2% straight line. These are detailed below:

- Using the reducing balance method, on 1 April 2065 the CFR relating to pre-2008 spend would still have a balance of £5.4m. By using the 2% straight line method the CFR relating to this spend will be reduced to zero by this date. This is therefore considered the most prudent approach to the repayment of debt. The impact on the CFR is shown on the graph on the following page. It can be seen that although the CFR relating to spend before 2008 drops at a slower rate, it is totally repaid within 50 years, whereas the 4% reducing balance method will never reach zero.
- This will ensure the Council pays the same amount of MRP (relating to spend pre April 2008 Capital Spend) every financial year. As spend after April 2008 is linked directly to capital projects this makes it easier to monitor the MRP charge and link annual changes directly to capital schemes.
- In comparison to the reducing balance basis, the change in MRP policy will reduce expenditure on MRP by £835k in 2016/17. This will continue to have a positive effect on the MRP charge until 1 April 2034.



**Change 2 – Use of Capital Receipts to repay MRP**

**Introduction**

For capital expenditure after 1st April 2008, the Council follows Option 3 in the MRP Guidance notes and charges MRP on a straight line or annuity basis (based on the type of scheme) over the life of the asset.

Currently when an asset is sold or disposed of, the MRP relating to that asset will continue to be paid off over the life of the asset, even if the Council no longer owns this asset. Any income made from the sale of the Asset will be paid into the Capital Receipts Reserve to fund future capital schemes.

The change suggested is to enable the Council to use the capital receipts made from the sale of an asset to repay any outstanding MRP relating to that scheme. Also if an

asset is disposed of (or the income received is less than the outstanding MRP) the Capital Receipts Reserve could be used to repay the MRP.

It should be noted that this change is only an option. For strategic reasons (or if there are no capital receipts available) the Council may decide not to use the capital receipts for this purpose.

### **Why are we changing the policy?**

By changing the treatment of MRP on disposed assets, for any expenditure after 1st April 2008:

- The council will only be charged for assets they hold
- This will enable the council to reclaim capital expenditure from the sale of an asset
- The change will enable the council to use asset management in a more strategic way by matching spend and income to specific assets