Public Document Pack

Executive Board

Thursday, 15 November 2018 2.00 p.m.
The Boardroom, Municipal Building

Chief Executive

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

PART 1

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, 13 December 2018

PART II

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

Item	Page No

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.

Agenda Item 3a

REPORT TO:	Executive Board
DATE:	15 November 2018
REPORTING OFFICER:	Strategic Director – Enterprise, Community and Resources
PORTFOLIO:	Resources
SUBJECT:	Annual External Audit Letter 2017/18
WARD(S):	Borough Wide

1.0 PURPOSE OF REPORT

1.1 To present the Annual External Audit Letter 2017/18 for approval.

2.0 RECOMMENDATION: That the Annual External Audit Letter for 2017/18 be approved.

3.0 SUPPORTING INFORMATION

3.1 The Annual External Audit Letter summarises the findings from the 2017/18 audit completed by Grant Thornton, the Council's external auditors. It includes messages arising from the audit of the financial statements and the results of the work undertaken in assessing the Council's arrangements to secure value for money in the use of its resources.

3.2 A copy of the 2017/18 Annual External Audit Letter is attached to the report. Grant Thornton will attend the Board to present the letter and answer any questions.

4.0 POLICY IMPLICATIONS

4.1 The Council is a publicly funded body and, as such, is required to receive and consider annual reports from externally appointed auditors. The external audit function provides an important contribution to the stewardship of resources and the corporate governance of public services.

4.2 The Annual External Audit Letter provides an unqualified opinion on the Council's 2017/18 financial statements. It also provides an unqualified conclusion that the Council has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

5.0 FINANCIAL IMPLICATIONS

5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

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**

The economic, efficient and effective use of the Council's resources is a major factor in delivering better and sustainable outcomes for local people and therefore contributes to all of the Council's priorities.

7.0 RISK ANALYSIS

7.1 The Annual External Audit Letter states that no significant weaknesses were identified in the Council's internal control arrangements. However, the key risks identified through the audit process are reflected in the recommendations for improvement made in the report.

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.

Grant Thornton

Annual Audit Letter

Year ending 31 March 2018

Halton Borough Council

August 2018

Contents

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Executive Summary

Purpose
Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Halton Borough Council (the Council) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Business Efficiency Board as those charged with governance in our Audit Findings Report on 25 July 2018.

Respective responsibilities
We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £7,116,000, which is 2% of the Council's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the Council's financial statements on 31 July 2018.
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 31 July 2018.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2018. We will report the results of this work to the Business Efficiency Board in our Annual Certification Letter.
Certificate	We will certify that we have completed the audit of the accounts of Halton Borough Council in accordance with the requirements of the Code of Audit Practice when we have completed our review of the Council's Whole of Government Accounts submission. This will be done by the deadline of 31 August 2018.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
August 2018

Audit of the Accounts

Our audit approach

Materiality
In our audit of the Council’s financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's accounts to be £7,116,000, which is 2**%** of the Council's gross revenue expenditure for 2016/17. We revisited this in receipt of the 2017/18 draft financial statements and concluded it remained appropriate. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration of £117,000 as this area is an item of special interest and sensitivity/

We set a lower threshold of £355,000, above which we reported errors to the Business Efficiency Board in our Audit Findings Report.

The scope of our audit
Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts, the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Our audit approach is based on a thorough understanding of the Council’s business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Accounts

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Improper revenue recognition Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including at Halton Borough Council, mean that all forms of fraud are seen as unacceptable Therefore, we did not consider this to be a significant risk for Halton Borough Council.	Whilst we rebutted this risk, our other work on the Council's income including council tax, non domestic rates, grants and other income did not identify any issues.
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	We have: • gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness • obtained a full listing of journal entries, identified and tested any unusual journal entries for appropriateness • evaluated the rationale for any changes in accounting policies or significant unusual transactions.	Our audit work has not identified any issues in respect of management override of controls.

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Audit of the Accounts

Significant Audit Risks *(continued)*

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of pension liability The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements. We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.	We have: ▪ identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We have also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement ▪ evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We have gained an understanding of the basis on which the valuation is carried out ▪ procedures to confirm the reasonableness of the actuarial assumptions made ▪ checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.	Our work did not identified any significant issues in this area

Audit of the Accounts

Significant Audit Risks *(continued)*

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of plant, property and equipment The Council revalues its land and buildings on an quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements. We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration..	We have undertaken the following work in relation to this risk: ▪ reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work ▪ considered the competence, expertise and objectivity of any management experts used ▪ discussed with the valuer the basis on which the valuation is carried out and challenged the key assumptions ▪ reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding ▪ tested revaluations made during the year to ensure they are input correctly into the Council's asset register ▪ evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.	Our review identified that depreciation had not been charged on the bridge in 2017/18. The bridge opened for use on 13 October 2017 and under Code requirements an asset should be depreciated from the time it is available for use. Officers calculated depreciation for the period from the opening of the bridge to 31 March 2018 which results in a depreciation charge of £12.052m. Officers amended the financial statements to reflect this. We have not identified any other significant issues in relation to the accounting treatment of the bridge or the valuation of property, plant and equipment..

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Audit of the Accounts

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 31 July 2018, in line with the national deadline.

Preparation of the accounts

The Council presented us with draft accounts in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit to the Council's Business Efficiency Board on 25 July 2018.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. The Council included the Narrative Report within the statement of accounts and published the Annual Governance Statement on its website alongside the Statement of Accounts in line with the national deadlines.

Some areas for improvement in terms of disclosure within the narrative report were identified and officers made some adjustments to reflect these matters. The Annual Governance Statement was prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We are continuing to carry out work on the Council's Data Collection Tool in line with instructions provided by the NAO . We will issue an assurance statement when our work is complete. This will be done by the deadline of 31 August 2018.

Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of Halton Borough Council in accordance with the requirements of the Code of Audit Practice. This will be done once the WGA work is completed.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out overleaf.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018

Value for Money conclusion

Key Value for Money risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Financial position and sustainability The Council does not have a history of financial difficulty but the position is beginning to become more challenging. At the latest review of budget performance the Council was forecasting a £3-4m over spend against budget mainly due to pressures on Children's Social Services and Adult Social Services. Plans have been put into place to try to reduce the potential over spend before the end of the year. The Council is in the process of setting the budget for 2018/19	As part of our audit we: • reviewed budget monitoring reports and updates to the Medium Term Financial Plan • discussed with officers plans to address future potential budget gaps and how the Council is identifying, managing and monitoring financial risks • reviewed and monitored revenue and capital reports.	The financial position of the Council is becoming increasingly challenging. In 2017/18 the Council overspent its budget by £1.026m compared to an overspend of £0.559m in 2016/17. This was an overall improved position from the forecast overspend reported in quarter 3 of £3.5m. At that time the Council identified and implemented corrective action to reduce the final overspend to just over £1m. The over spend was due to a number of spending pressure areas against the Council's budget; the most significant of these was within the Children and Families department. The over spend was funded from the general reserve. This initially reduced the general fund reserve to a relatively low level but the Council was able to review their current earmarked reserves and identify reductions which could be transferred to the general fund reserve to bring it up to around £5m. Although the Council over spent in 2017/18, arrangements were in place to identify this and monitor it through the year and via this the Council was able to reduce the forecast over spend. Therefore we are able to conclude appropriate arrangements are in place. A balanced budget has been set for 2018/19 including a £600,000 contingency and an additional £3m of funding to assist with meeting the current overspend in Children's Services costs. Initially there was a £11.7m gap in the budget funding for 2017/18. The gap in the Medium Term Financial Plan over the subsequent three financial years (2019/20 to 2021/22) is forecast to be around £23m. The Council are working on identifying savings and alternative ways of working in order to bridge these gaps. **Conclusion** On this basis we have concluded that the risk was sufficiently mitigated and the Council has proper arrangements. The Council will need to continue to monitor spending and the achievement of savings closely through the coming year to ensure budgeted spending is met. .

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

Reports issued

Report	Date issued
Audit Plan	January 2018
Audit Findings Report	July 2018
Annual Audit Letter	August 2018

Fees

	Planned £	Actual fees £	2016/17 fees £
Statutory Council audit	105,294	105,294	105,294
Housing Benefit Grant Certification	6,828	6,828	8,055
Total fees	**112,122**	**112,122**	**113,349**

The planned fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Fees for non-audit services

Service	Fees £
Audit related services	
- Teachers Pension	3,750 (TBC)
- Dept for Transport – Silver Jubilee Bridge	TBC
Non-Audit related services	
- CFO Insights	12,500

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.

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Agenda Item 3b

REPORT TO:	Executive Board
DATE:	15 November 2018
REPORTING OFFICER:	Operational Director, Finance
PORTFOLIO:	Resources
SUBJECT:	Determination of Council Tax Base 2019/20
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

1.1 The Council is required to determine annually the Council Tax Base for its area and also the Council Tax Base for each of the Parishes.

1.2 The Council is required to notify the Council Tax Base figure to the Cheshire Fire Authority, the Cheshire Police & Crime Commissioner and the Environment Agency by 31January 2019. The Council is also required to calculate and advise if requested, the Parish Councils of their relevant Council Tax Bases.

2.0 RECOMMENDED: That

(1) Council set the 2019/20 Council Tax Base at 34,950 for the Borough, and that the Cheshire Fire Authority, the Cheshire Police & Crime Commissioner, and the Environment Agency be so notified; and

(2) Council set the Council Tax Base for each of the Parishes as follows:

Parish	Tax Base
Hale	660
Halebank	526
Daresbury	173
Moore	329
Preston Brook	359
Sandymoor	1,216

3.0 SUPPORTING INFORMATION

3.1 The Council Tax Base is the measure used for calculating Council Tax and is used by both the billing authority (the Council) and the major precepting authorities (Cheshire Fire Authority and Cheshire Police & Crime Commissioner), in the calculation of their Council Tax requirements.

3.2 The Council Tax Base figure is arrived at in accordance with a prescribed formula, and represents the estimated full year number of chargeable dwellings in the Borough, expressed in terms of the equivalent of Band ‘D’ dwellings.

3.3 The Council Tax Base is calculated using the number of dwellings included in the Valuation List, as provided by the Valuation Office Agency, as at 15 October 2018. Adjustments are then made to take into account the estimated number of discounts, voids, additions and demolitions during the period 15 October 2018 to 31 March 2019.

3.4 From 2013/14 onwards, the tax base calculation has included an element for the Council Tax Reduction Scheme (the replacement for Council Tax Benefit). The estimated amount of Council Tax Support payable for 2019/20 is converted into the equivalent number of whole properties which are deducted from the total.

3.5 An estimated percentage collection rate is then applied to the product of the above calculation to arrive at the Council Tax Base for the year.

3.6 From 2019/20 onwards, the tax base calculation will include an element for Care Leavers Discretionary Discount, as approved by Executive Board on 19th July 2018. The estimated amount of Care Leavers Discount payable for 2019/20 is converted into the equivalent number of whole properties which are deducted from the total.

3.7 An estimated percentage collection rate is then applied to the product of the above calculation to arrive at the Council Tax Base for the year.

3.8 Taking account of all the relevant information and applying a 97.0% collection rate, the calculation for 2019/20 provides a tax base figure of **34,950** for the Borough as a whole.

3.9 Taking account of all the relevant information and applying a 97.0% collection rate, the appropriate Council Tax Base figure for each of the Parishes is as follows

Parish	Tax Base
Hale	660
Halebank	526
Daresbury	173
Moore	329
Preston Brook	359
Sandymoor	1,216

4.0 POLICY IMPLICATIONS

4.1 None.

5.0 FINANCIAL IMPLICATIONS

5.1 The Council Tax Base will enable the Council to set the level of Council Tax to be charged for 2019/20.

6.0 IMPLICATIONS FOR THE COUNCILS PRIORITIES

6.1 **Children and Young People in Halton**
None.

6.2 **Employment, Learning and Skills in Halton**
None.

6.3 **A Healthy Halton**
None.

6.4 **A Safer Halton**
None.

6.5 **Halton's Urban Renewal**
None.

7.0 RISK ANALYSIS

7.1 There would be significant loss of income to the Council if the Council Tax Base were not agreed, as it would not be possible to set the level of Council Tax to be charged for 2019/20.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None.

9.0 REASON FOR THE DECISION

9.1 To seek approval for the 2019/20 Council Tax Base for the Borough.

10.0 ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

10.1 There is no alternative option, as unless the Council Tax Base is approved it would not be possible to set the level of Council Tax to be charged for 2019/20.

11.0 IMPLEMENTATION DATE

11.1 The 2019/20 Council Tax Base will be implemented from 1st April 2019.

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

Document	Place of Inspection	Contact Officer
Working Papers	Kingsway House	Stephen Baker

Agenda Item 3c

REPORT TO:	Executive Board
DATE:	15 November 2018
REPORTING OFFICER:	Operational Director, Finance
PORTFOLIO:	Resources
SUBJECT:	Medium Term Financial Strategy 2019-2022
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

1.1 To establish the Medium Term Financial Strategy for the period 2019/20 to 2021/22.

2.0 RECOMMENDATION: That

1) the Medium Term Financial Strategy be approved;

2) the 2019/20 base budget be prepared on the basis of the underlying assumptions set out in the Strategy;

3) the Budget Strategy and Capital Strategy be approved;

4) the Reserves and Balances Strategy be approved; and

5) the award of Council Tax Support for 2019/20 remains at the 2018/19 level of 21.55%.

3.0 SUPPORTING INFORMATION

3.1 The Medium Term Financial Strategy (MTFS) sets out a three-year projection of the Council's resources and spending. It has been based on information that is currently available but there is information yet to be received, primarily from Government.

3.2 Although the projections in the Strategy must be treated with a considerable degree of caution, they clearly show there is continued need to make a significant level of savings over the next three years. This is an effect of the projections of public spending through to 2020 resulting from the 2015 Comprehensive Spending Review and uncertainty from 2020 on Government plans for public spending and continuity of the austerity programme. The strategy takes into account the:

- Budget 2018 announced by the Chancellor of the Exchequer on 13 March 2018.
- Comprehensive Spending Review 2015 announced by the Chancellor of the Exchequer on 25 November 2015.
- Local Government Finance Settlement 2018/19 dated 06 February 2018.

3.3 The strategy provides initial guidance to the Council on its financial position into the medium term. The strategy identifies that revenue savings of approximately £9.8m, £8.2m, and £3.3m are required over the next three years. As a result a total of £21.3m will need to be removed from the Council's budget, by reducing spending or increasing income. This represents 19.5% of the net budget. It continues to be a significant challenge to find sufficient savings over the medium term in order to balance the budget.

3.4 The Council's current financial position is particularly challenging and continued reductions to Government funding together with increasing service demands is beginning to have a serious impact upon the Council's finances. In 2017/18 the Council overspent on the approved budget by £1.026m and as at 30 September 2018 the Council is forecasting a 2018/19 year-end overspend of £4.3m unless corrective action is taken.

3.5 As at 31 March 2018 the Council had general reserves of £5.004m, earmarked reserves of £39.023m and provisions of £13.876m to meet existing known risks. It would not be considered prudent for general reserves to reduce any further and therefore earmarked reserves and provisions will be continue to be reviewed to release funds for general purposes.

3.6 In their report titled 'The Audit Findings for Halton Borough Council', for the year ended 31 March 2018, the External Auditor (Grant Thornton LLP) stated in evaluating the risk of the Council's financial position and sustainability of the Council, that the Council does not have a history of financial difficulty but the position is becoming more challenging. The Auditor concluded that financial risk was sufficiently mitigated and proper arrangements were in place to make properly informed decisions and resources deployed to achieve planned and sustainable outcomes.

3.7 In setting its revenue and capital budgets, the Council will need to have regard to its priority areas, namely:
- Healthy Halton
- Environment & Regeneration in Halton
- Children and Young People in Halton
- Employment Learning and Skills in Halton
- Safer Halton; and
- Corporate Effectiveness and Business Efficiency

3.8 These priorities are set out in more detail in the Council's Corporate Plan.

3.9 In summary, the Council's Medium Term Financial Strategy (MTFS) has the following objectives:

- To deliver a balanced and sustainable budget.
- To prioritise spending towards the Council's priority areas.
- To avoid excessive council tax increases.
- To achieve significant cashable efficiency gains.
- To protect front line services and vulnerable members of the community as far as possible.
- To deliver improved procurement.

Budget Strategy

3.10 The MTFS shows that in order to balance the budget over the medium term there is a requirement to make significant cost savings. In making these savings the Council will need to have in mind the objectives of the Medium Term Financial Strategy set out above.

3.11 The Council will identify further savings by:

- Reviewing the portfolio of land and other assets, including its use of buildings in accordance with the Accommodation Strategy.
- Continuing to drive improved procurement across the Council.
- Identifying opportunities to generate new or additional sources of income.
- Exploring opportunities for shared services and joint working with partner organisations.
- Offering staff voluntary redundancy or early retirement under the terms of the Staffing Protocol, where there is a clear benefit to the Council.
- Delivering services in more efficient and effective ways such as via greater use of technology.
- Reducing the cost of services either by reducing spend or increasing income.
- Utilising cost and performance benchmarking data from comparable authorities, to highlight potential areas where savings might be achieved.
- Considering alternative approaches to address high demand and high cost services.
- Using the Invest to Save Reserve to invest in initiatives which will delivery revenue budget savings through improved efficiency, reduced costs, and/or increased income.
- Continuing to facilitate economic development and regeneration across the Borough, particularly in light of the opportunities provided by the Mersey Gateway Bridge, in order to deliver new

jobs, generate additional business rates income and additional council tax income.
- Reducing or ceasing the delivery of some lower priority services.

Capital Strategy

3.12 The Asset Management Strategy sets out how the land and buildings that are in Council ownership or occupation are structured to support the Council's priorities. The capital programme is a major part of the Strategy.

3.13 The MTFS shows that there is sufficient resource to cover the cost of the current Capital Programme. However, the scope for the Council to generate new capital receipts is limited. Therefore, it is likely that proposals for new capital schemes will need to include their own funding.

3.14 Prudential borrowing remains an option for funding capital schemes, but the capital financing costs as a result of that borrowing will increase the Council's revenue budget gap and would therefore require greater revenue savings to be found by the relevant Directorate.

4.0 POLICY IMPLICATIONS

4.1 The MTFS represents the "finance guidelines" that form part of the medium term corporate planning process. These guidelines identify the financial constraints which the Council will face in delivering its key objectives, and are an important influence on the development of the Corporate Plan, Service Plans and Strategies.

5.0 FINANCIAL IMPLICATIONS

5.1 The MTFS provides a guide to projected receivable funding resources over the three year term. The grant amounts included in the MTFS are based on the latest information provided by Government. As new information comes to light the forecast of future income streams will be updated. Decreases to funding resources will create further budget pressures for the Council in delivering its key objectives.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 The revenue budget and capital programme support the delivery and achievement of all the Council's priorities. Reductions of the magnitude identified within the Strategy are bound to have a negative impact upon the delivery of those priorities.

7.0 RISK ANALYSIS

7.1 The MTFS is a key part of the Council's financial planning process, and as such minimises the risk that the Council fails to achieve a balanced budget.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 There are no direct equality and diversity issues.

9.0 REASON FOR THE DECISION

9.1 To seek approval for the Council's Medium Term Financial Strategy for 2019/20 to 2021/22.

10.0 ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

10.1 The alternative option of not maintaining a Medium Term Financial Strategy has been considered. However, this would not follow good financial management practice, as the Medium Term Financial Strategy is a key element in informing the Council's financial planning and budget setting processes.

11.0 IMPLEMENTATION DATE

11.1 The Medium Term Financial Strategy 2019/22 will be implemented from 1st April 2019.

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

Document	Place of Inspection	Contact Officer
Local Government Grant Settlement 2018/19	Revenues and Financial Management Division, Kingsway House, Widnes	Steve Baker
Autumn Statement and Spending Review 2015	“ “	“ “
Spring Budget 2018	“ “	“ “
2019/20 Local Government Finance Settlement – Technical Consultation	“ “	“ “

MEDIUM TERM FINANCIAL STRATEGY

2019/20 to 2021/22

Finance Department
November 2018

1.0 INTRODUCTION

1.1 The Medium Term Financial Strategy (MTFS) sets out a three-year projection of the Council's resources and spending covering the period 2019/20 to 2021/22. The projections made within the MTFS must be treated with caution and require continuous updating as the underlying assumptions behind them become clearer.

1.2 The MTFS represents the "finance guidelines" that form part of the medium term corporate planning process. These guidelines identify the financial constraints which the Council will face in delivering its key objectives, and are an important influence on the development of the Corporate Plan, Service Plans and other Strategies.

1.3 Beyond 2019/20 there is great uncertainty regarding the funding of Local Government. Arguably, there is more uncertainty for 2020/21 onwards than there has been at any point during the last 10 years.

1.4 The implications for Halton of the following changes to Local Government funding will have to be considered for 2020/21. More information should be known about each as we progress through the next year:

- Fair Funding Review – A review of how Local Government funding should be apportioned between Councils. The last review was in April 2013 and since then cuts made to Local Government have been on a percentage basis. This has had the impact of protecting those authorities less reliant on Government grant funding, with those councils who are more reliant (such as Halton) having to deal with the largest cuts in funding on a per head basis.
- 75% Business Rate Retention – Government have confirmed from 2021 the percentage share of retained rates at a local level will be 75%. It is unclear how this will impact on pilot authorities such as Halton and whether they will continue at 100% or switch to 75% retention.
- Business Rate Baseline Reset – It is currently proposed there will be a reset of the business rate baseline in April 2020, which could work against Halton and similar authorities who have seen significant growth in business rates since the current baseline was set in 2013. It is not known whether there will be a transition process put in place to protect authorities from too high a loss in funding from an increase in their baseline position.
- 2019 Public Spending Review – The next medium term review of public spending for the period from 2020 is expected to be announced in 2019.
- Pension Triennial Review – The next Pension Fund revaluation will take effect from April 2020.
- Social Care Green Paper – This was expected to be announced by Government in the Summer of 2018 but has been delayed. It is

uncertain what impact this will have upon the future of Local Government funding.

1.5 There are a number of Government announcements which in addition to service demands form the basis of the Financial Forecast, details of which are outlined below.

2.0 Spending Review and Autumn Statement 2015

2.1 The 2015 Spending Review and Autumn Statement was announced by the Chancellor of the Exchequer on 25 November 2015. The main points impacting on Local Government finances included:

a) Local Government settlement funding will be cut by approximately 30% over the 4 years of the spending review, cuts will be weighted towards the earlier years. Revenue Support Grant will be gradually phased out over the course of this period.

b) An option for Councils to set a precept over the council tax referendum threshold to help meet the increased needs of Adult Social Care. The option will be made available in each of the 4 years of the spending review.

c) An additional £1.5 billion being made available to local authorities within the Better Care Fund by 2019/20.

d) The ring-fence on Public Health spending will be maintained. Government will make savings in Public Health spending with annual real-term savings of 3.9% over the next five years.

e) There will be a consultation to the New Homes Bonus grant. The aim will be to “sharpen” the incentive to reward communities for additional homes whilst reducing the length of payments from 6 years to 4 years.

f) £250m to be provided nationally over the next 5 years to tackle potholes on local roads. In addition the roads maintenance capital budget will increase by £300m nationally.

g) An apprenticeship levy will be applied to larger employers from April 2017, the cost of which will be 0.5% of the employer’s wage bill.

h) A national funding formula for schools will be introduced, the intention for which was a start date of April 2017 but has now been pushed back to April 2018.

3.0 Local Government Finance Settlement 2018/19

3.1 Government announced the 2018/19 final Local Government Finance Settlement on 06 February 2018. The Settlement Funding Assessment for the Council was £47.8m a reduction of £3.2m (6.4%) from the previous year.

3.2 Government also issued indicative Settlement Funding Assessment figures for the following year which show a further reduction of £3.0m (5.6%) for the final year of the 2015 Spending Review.

3.3 Government further announced one-off monies for 2018/19 of £150m of additional funding through the Adult Social Care Support Grant. The value of the grant to Halton was £0.399m.

3.4 The Secretary of State confirmed that there will be a business rates baseline reset in 2020/21 and, from 2020/21, business rates retention will be at 75% (with existing grants, including RSG and Public Health Grant incorporated into business rates retention).

3.5 There was an increase to the referendum limit for Council Tax from 2% to 3%. Government also stated its intention that the referendum principles applied in 2018/19 would also be in place for 2019/20.

3.6 Despite strong rumours, Government confirmed there was to be no changes (for 2018/19) to the way New Homes Bonus grant was calculated.

3.7 On 15 September 2016, Executive Board approved the necessary steps to be taken to accept a 4 year settlement offer from Government which guaranteed the amounts due to the Council under the indicative Settlement Funding Assessment; only in exceptional circumstances would the amounts be subject to change.

4.0 Spring Budget 2018

4.1 The Chancellor of the Exchequer presented his 2018 Spring Budget to the House of Commons on 13 March 2018. The areas relevant to local government finances included:

a) The Chancellor reported on improved Gross Domestic Product (GDP) and borrowing forecasts, reporting this gives the Government more latitude and that if figures continue to improve then in the Autumn Budget there is scope to increase public spending. Plans for the Autumn Budget to include an overall path of Government spend for 2020 and beyond, with a detailed spending review being planned in 2019.

b) Confirmation that the next revaluation of business rates will be in 2021, with triennial revaluations thereafter (currently 5 years).

5.0 Council Tax Support

5.1 Support funding for council tax discounts is funded by Government through a grant included in the Settlement Funding Assessment. Every council is responsible for implementing a local scheme to offer council tax discounts to those residents who may have been eligible to this previously through Council Tax Benefit.

5.2 The Halton scheme uses as a basis the previous regulations relating to Council Tax Benefit, which ensures that support for claimants with disabilities, claimants with children and claimants who are working is maintained. At the end of the existing support calculation, a reduction of 21.55% is made from every non pensioner award of support, to cover the shortfall in the Government grant funding for Halton's Scheme.

5.3 In 2013/14 the level of grant awarded was shown separately within the formula for the Settlement Funding Assessment but from 2014/15 onwards the grant is no longer separately identifiable. It is assumed the level of funding will reduce each year in line with the Council's overall Settlement Funding Assessment.

5.4 The MTFS assumes that the level of council tax support given to existing claimants will remain at the rate of 21.55% for the period of the MTFS. It also assumes that council tax support funding will not be shared with Parish Councils.

6.0 Business Rate Retention Scheme

6.1 The Business Rates Retention scheme was introduced in April 2013, the intention of which was to reward councils for promoting economic development and generating future growth in business rates. The Council will only be rewarded if it increases its local share of business rates above a pre-set baseline. Conversely if the local share of business rates collected falls below the baseline position this would be to the Councils detriment.

6.2 In 2018/19 the Council used £3.391m of surplus (one-off) business rates income to help fund the budget position. The mid-year forecast of cumulative retained business rates as at 30 September 2018, indicates that by year-end there will be a relatively small surplus relating to the Council within the Collection Fund.

6.3 It is difficult to accurately forecast retained business rates due to appeals and changing rating values, the financial forecast therefore assumes there will be no Council local share available for distribution in 2019/20.

6.4 An estimate of the Council's share of retained business rates will be provided to DCLG in January 2019. It is currently forecast that the 2019/20 retained amount will be above the baseline figure. It is difficult to predict the level of business rates for future years due to the unpredictability of the economic climate and the high level of appeals received on the rateable value of properties but the forecast assumes growth of £2.6m above the baseline position.

6.5 The business rate baseline position will be reset in 2020/21 which could potentially have an adverse impact on Halton as the growth the Council has generated in business rates since 2013 may be reduced as part of the reset. The Forecast therefore assumes a loss in funding of £4m to business rates in 2020.

100% Business Rate Retention – Pilot Scheme

6.6 As part of the Liverpool City Region, the Council has signed up to being a member of a pilot scheme for 100% business rate retention. The pilot scheme has been in operation since April 2017. DCLG have provided confirmation the pilot scheme will continue in 2019/20.

6.7 The pilot scheme results in Halton no longer being in receipt of Revenue Support Grant (RSG) through the Settlement Funding Assessment. RSG is replaced by the additional business rates retained; in addition the improved and additional Better Care Fund grants have been included in the pilot and are now funded by retained business rates.

6.8 DCLG has confirmed the operation of the pilot scheme should be at no financial detriment to participating councils. Therefore for as long as the pilot scheme operates Halton will be no worse off financially than it would have been if it is was still operating under the 49% rate retention scheme.

6.9 Operation of “no financial detriment” within the pilot scheme means that any LCR authority who reports a deficit as a result of the pilot will as a first call be reimbursed from the other LCR pilot authorities who report a surplus as a result of the pilot. Only when any available surplus has been exhausted will Government step in and provide financial support.

6.10 For the first year of the pilot scheme all LCR authorities reported an improved position as a result of retaining 100% business rates. As at 30 September 2018 all LCR authorities were estimating 2018/19 pilot retention schemes would report a surplus at the end of March 2019 and therefore no detriment funding would be required.

Settlement Funding Assessment

6.11 In 2018/19 DCLG allocated Halton a Settlement Funding Assessment (SFA) of £52.683m. This was made up of £45.214m business rates baseline funding and £7.469m of top-up grant funding. Top-up grant funding is received as the Council’s funding baseline is greater than the business rate baseline i.e. the Council’s needs are greater than business rates it can generate. The business rates baseline and funding level is set in the system until 2020 and uplifted each year by the Consumer Price Index (CPI).

6.12 Table 1 shows the expected Settlement Funding Assessment for the next two years based on information provided at the time of the 2018/19 settlement announcement. As Government have yet to publish any public spending plans from 2020/21, SFA for that year has been increased by the Governments inflation target of 2%.

6.13 Also included at Table 1 are the forecasts for business rate growth retained for the next three years and the difference between each of the years.

Table 1 – Business Rate Retention

	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000
Business Rate Baseline	45,214	46,119	47,041	47,982
Top-Up Funding	7,469	4,858	4,051	4,132
Total Settlement Funding Assessment	**52,683**	**50,977**	**51,092**	**52,114**
Business Rates Growth Retained	**7,633**	**4,326**	**413**	**501**
Forecast Business Rates Retained (Incl Top-Up Funding)	**60,316**	**55,303**	**51,505**	**52,615**
Change in Business Rates Retained		**-5,013**	**-3,798**	**1,110**

7.0 Specific Grants

7.1 The level of specific revenue grants received by Halton in 2018/19 is approximately £173.8m, including Housing Benefit Subsidy of £49.8m, Dedicated School Grant of £76.0m, Public Health Grant of £10.2m and DfT Support Grant for the Mersey Gateway crossing of £27.0m.

7.2 Halton was allocated a New Homes Bonus grant of £2.152m for 2018/19 which was used to balance the budget. Halton will receive additional allocations in each year of the scheme, based upon the number of new homes and empty homes brought back into use entering the council tax register in each year. The allocation for 2019/20 has not been announced although based on how the New Homes Bonus scheme operates it is forecast the Council will gain an additional £0.077m in the first year of the financial forecast.

7.3 The Council receives grant funding from Government to compensate for changes made to cap the increase in the small business rating multiplier each year. In late March 2018 MHCLG informed the Liverpool City Region of an error made in calculating the 2018/19 grant for all six authorities. As budgets had already been set it was too late to make the change and therefore the reduction will be applied permanently in 2019/20, a reduction for the Council of £0.411m

7.4 Indicative allocations for the 2019/20 Public Health grant show a reduction of 2.6% to the 2018/19 grant allocation, a loss of £0.269m to the Council. The forecast assumes Public Health grant reductions will be contained within the overall spend for Public Health.

7.5 It is unclear as to the allocation of Public Health grant from 2020/21 although it has been identified as one grant which may roll into business rate retention when baselines are reset from 2020. During the past year the Department of Health and Social Care issued a discussion paper on the future formula calculation in apportioning the Public Health grant. It was proposed to move away from the current formula to a more complicated formula first proposed by the Advisory Committee on Resource Allocation (ACRA) devised in 2013 and consulted on in 2015. Modelling of the change in apportionment methods will have an adverse impact on grant allocated to Halton of approximately 9.5%.

7.6 The forecast change in the level of specific grant funding for Halton is shown in Table 2:

Table 2 – Change in Grant 2019/20 to 2021/22

	2019/20	**2020/21**	**2021/22**
	£000's	**£000's**	**£000's**
Changes to New Homes Bonus	77	-112	-112
Section 31 Compensation Grant	-411	0	0
Total Change	**-334**	**-112**	**-112**

8.0 COUNCIL TAX FORECAST

8.1 For 2018/19 the Council Tax for a Band D property in Halton is £1,377.88 (excluding Police, Fire and Parish precepts), which is expected to generate income of £47.447m.

8.2 When setting Council Tax levels it is clear that higher increases reduce the requirement to make savings. However, there are other factors that need to be considered when determining the appropriate increase in Council Tax. These factors include:

- Halton has the 4th lowest Council Tax level in the North West for 2018/19,

- Halton's 2018/19 Council Tax is £48.95 (3.4%) below the average Council Tax set by unitary councils in England.

- Inflation - the Consumer Price Index (CPI) as at September 2018 (latest available) is currently at 2.4% and the Retail Price Index (RPI) is at 3.3%.

- The public spending review, welfare reforms and high needs, which are all placing pressure upon the Council's funding and demand for the Council's services.

8.3 The consultation on the 2019/20 Local Government finance settlement in July 2018 detailed the Government's proposals for 2019/20 council tax referendum principles. The proposal is for a core referendum threshold of less than 3%, with continuation of the Adult Social Care precept of 2% with the flexibility to increase by a further 1% to 3% as long as it does not increase by over 6% for the three year period 2017/18 to 2019/20.

8.4 The 2019/20 Council Tax Base shows an increase of 515 Band D equivalent properties to a total of 34,950 assuming a collection rate of 97%. The increase in the Tax Base will generate an additional £0.710m of council tax income.

8.5 For the purposes of this Strategy it is assumed the Council will apply a council tax increase of approximately 3% in 2019/20. There is no council tax increase relating to the social care precept, as the total allowable increase of 6% over three years (2017/18 to 2019/20) has been exhausted in 2017/18 and 2018/19 (3% each year).It is assumed that there will be a 2% increase in each of the final two years of the Forecast.

8.6 Table 3 below estimates the net amount of council tax income that will be produced for various percentage increases in Halton's Band D Council Tax for the next three years and assumes no change in council tax base beyond 2019/20.

Table 3 – Additional Council Tax Income 2019/20 to 2021/22

Projected Increases in Council Tax Income (£'000)	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
0%	-	-	-	-
1%	482	487	490	1,459
2%	963	982	1,002	2,947

3%	1,445	1,488	1,532	4,465
4%	1,926	2,003	2,084	6,013
5%	2,408	2,528	2,655	7,590

8.7 Over the past few years the amount of council tax collected has been greater than forecast. As at 31 March 2018 there was a surplus of £3.207m of council tax held as part of the Collection Fund relating to the Council only (excluding Police and Fire). In 2018/19 £1.471m of this was used in balancing the budget. This Strategy assumes that an amount of £1.736m will be released in 2019/20 to provide a further one-off budget saving.

9.0 Spending Forecast

9.1 The Spending Forecast provides an estimate of the increase in revenue expenditure that will be required over the next three years in order to maintain existing policies and programmes. In effect this represents an early estimate of the standstill budget requirement using the information that is currently available.

9.2 The scope of the Forecast covers General Fund revenue activities that are financed through the Settlement Funding Assessment, Specific Grants and Council Tax.

9.3 The Forecast includes the budgetary consequences of previous budget decisions, including one-off savings used to balance the 2018/19 budget. This adds £1.980m to the Spending Forecast for 2019/20.

9.4 Pay and price inflation is the biggest uncertainty in the Spending Forecast. As part of the Summer Budget 2015 it was announced that public sector pay awards would be restricted to 1% for four years from 2016/17. However, in 2018/19 a two year pay offer (2018-2020) of 2% was offered by Central Government and subsequently agreed with Unions, with those on lower grades receiving a greater increase in line with the National Living Wage.

9.5 The next pension triennial review will take place in 2019 and be effective from 2020/21 to 2022/23. The Forecast assumes the employers' pension contribution over this period will remain static, given the improved funding position of the Cheshire Pension Fund.

9.6 The Consumer Price Index (CPI) for September 2018 – the index by which the Government measures inflation - stands at 2.4% which is above the Government's 2% target. The Spending Forecast assumes that many items of supplies and services expenditure will continue to be cash limited. In other cases the Forecast assumes an appropriate rate that reflects current and estimated future prices.

9.7 The Council has a significant capital programme and the Spending Forecast includes the financing costs of the existing programme, including the investment of Council cash balances. The net revenue costs associated with the capital programme are included in the Forecast at a reduction of £0.307m in 2019/20, whilst an increase of £0.200m is forecast for each of the last two years of the forecast. The MTFS assumes that any new capital projects which are approved over the medium term will be self-funded through capital grant, capital receipts or will generate revenue savings to fund the cost of borrowing.

9.8 The construction of the Mersey Gateway crossing was completed in October 2017. The Council has made a contribution towards the construction costs of the bridge funded by prudential borrowing, the financing costs of which will be met from toll revenues and Department for Transport (DfT) grant. The Mersey Gateway Crossing Board will continue to manage the Mersey Gateway; their costs will also be met from toll revenues and DfT grant.

9.9 No surplus toll revenue is included with this forecast, as if revenue is greater than forecast this will be offset by reductions in the annual revenue grant provided by DfT.

9.10 A key assumption that has been used in constructing the MTFS is that total spending in the current year is kept within the overall budget. In particular it can be difficult to control ‘demand led’ budgets such as children in care and care in the community and many income streams. In this context it is important to consider the contingency for uncertain and unexpected items. Due to the considerable uncertainty in inflation, interest rates, demand led budgets, impact of spending cuts and loss of income, the spending forecast includes a contingency of £1m in 2019/20, £1.5m in 2020/21 and £2.0m in 2021/22.

9.11 The Council has had an arrangement in place for the last 8 years whereby staff have included within their terms and conditions 4 days unpaid leave. It is estimated this saves the Council £0.750 per year. This arrangement ends in 2018 with the effect of increasing overall staff costs.

9.12 The Additional Better Care Fund grant is payable for three years between 2017/18 and 2019/20, gradually reducing each year. The grant is funded through the LCR 100% business rate retention pilot and the effect of this funding reduction is shown in the business rate retention figures earlier on within the Strategy. The Spending Forecast shows the reductions in spend of £0.923m in 2019/20 and £0.904m in 2020/21 equal to the reduced funding.

9.13 The Council has held an Equal Pay reserve for a number of years to provide for the cost of claims being received. The risk of the receipt of claims reduces on an annual basis and therefore £0.500m of the reserve is used in balancing the budget each year. As at March 2020 the reserve will be fully utilised and from 2020/21 growth of £0.500 in included in the forecast position as the reserve will no longer be available.

9.14 The Children and Families Department is continuing to experience significant budget pressures and for the current financial year is expected to be approximately £4.1m over budget by year-end. There is high demand for a number of services within the Department including residential placements, direct payments, out-of-borough fostering and special guardianship orders. Significant sums have been provided in previous years from contingency budgets and £3m additional budget provided in 2018/19. Initiatives are in place to help reduce the overspend position for the forthcoming year and the contingency budget will also help address this pressure.

9.15 The Chancellor of the Exchequer stated in his 2015 Summer Budget that a new compulsory National Living Wage (NLW) for over 25s was to be introduced from April 2016. This was set at £7.83 per hour from April 2018 and will continue to rise each financial year until 2020 when it is expected to reach £9.00. The cost of the NLW for Council employees is built into pay inflation and the cost for care contracts is included within price inflation.

9.16 Table 4 summarises the Spending Forecast.

Table 4 – General Fund Medium Term Standstill Spending Forecast

Increase in spending required to maintain existing policies and services	Year on year change (£'000)		
	2019/20	**2020/21**	**2021/22**
Full Year Effect of Previous Year Budget	1,980	0	0
Capital Programme	-307	200	200
Pay and Price Inflation	4,356	2,702	2,646
Contingency	1,000	1,500	2,000
Additional Better Care Fund	-923	-904	0
4 Days Unpaid Leave	750	0	0
Equal Pay – Release of Reserve	0	0	500
TOTAL INCREASE	**6,856**	**3,498**	**5,346**

10.0 The Funding Gap

10.1 At this level of spending there is a funding gap with the forecast level of resources. Table 5 demonstrates the forecast gap between spending and forecast resources at different levels of council tax increase.

Table 5: Funding Gap with a given % increase in Council Tax

	2019/20 £'000	2020/21 £'000	2021/22 £'000
Increase in Spending Forecast	6,856	3,498	5,346
Change in Business Rates Retained (Incl Top-Up)	5,013	3,798	-1,110
Change in Grant	334	112	112
Increase in Council Tax Base	-710	0	0
Council Tax Surplus	-272	1,736	0
Funding Gap Before Council Tax	**11,221**	**9,144**	**4,348**
Funding Gap After Council Tax Increase at Various Levels			
0%	11,221	9,144	4,348
1%	10,739	8,657	3,858
2%	10,258	8,162	3,346
3%	9,776	7,656	2,816
4%	9,295	7,141	2,264
5%	8,813	6,616	1,693

10.2 The table shows that total savings of £9,776m are forecast to be needed to balance next year's budget after the use of one-off surplus council tax and an assumed 3% increase to council tax.

10.3 The use of surplus council tax adds to the deficit position for the following year and is included in the above table.

10.4 Further savings of £8.162m in 2020/21 and £3.346m in 2021/22, are required assuming a 2% increase to Council Tax. The total funding gap is approximately £21,284m and represents 19.5% of the Council's 2018/19 net budget.

10.5 This represents a significant challenge for the Council to balance its budget. As a result every aspect of the Council's budget needs to be scrutinised to identify potential savings. In addition, all opportunities will continue to be taken to generate additional income from charging for services, in order to reduce costs whilst maintaining levels of service delivery.

11.0 Capital Programme

11.1 The Council's capital programme is updated regularly throughout the year. Table 6 summarises the fully funded capital programme for the next two years.

Table 6 – Capital Programme

	2019/20 (£'000)	**2020/21 (£'000)**
Spending	**10,852**	**5,529**
Funding:		
Prudential Borrowing	5,862	2,660
Grants	1,393	910
Revenue Financing	98	0
Capital Receipts	3,499	1,959
Total Funding	**10,852**	**5,529**

11.2 The current system of capital controls allows councils to support and fund the capital programme by way of prudential borrowing. Such borrowing is required to be:

- prudent
- affordable, and
- sustainable

11.3 The Council has used prudential borrowing provided that the cost of borrowing has been covered by revenue budget savings and the spending forecast continues this assumption.

11.4 In previous years the Council has been extremely successful in attracting capital grants and contributions. In this way the Council has been able to undertake significant capital expenditure without financing costs falling on the revenue budget and this approach will continue.

12.0 Reserves and Balances

12.1 The Council's Reserves and Balances Strategy is attached in the Appendix. It sets out the Council's strategy in respect of the level of reserves and balances it wishes to maintain, by reference to the financial needs and risks associated with the Council's activities.

12.2 The level of balances and reserves will be reviewed as part of the budget and final accounts processes.

13.0 Schools Budget

13.1 Schools are funded by the Dedicated Schools Grant (DSG). The DSG is used to fund the Individual Schools Budget which is allocated to schools through a locally agreed formula. The central allocation of DSG is in accordance with the revised Department for Education guidance.

13.2 The Schools Forum assesses and considers current and future arrangements and changes to schools funding following consultation with local schools and academies.

13.3 From April 2018 Halton has adopted the National Funding Formula (NFF) as the basis for the methodology behind the allocation of Schools Block DSG monies. The Schools Block of DSG is now ring-fenced for allocation through the formula to local mainstream schools and academies with the exception of a transfer to the High Needs Block of DSG. The Council has been informed that local authorities will continue to determine the local funding formula up to and including 2020-21.

14.0 Partnership/Joint Working/Shared Services

14.1 In 2015/16 the Government introduced a £3.8 billion fund to support the pooling of budgets for health and social care services, shared between the NHS and local authorities. This was intended to deliver better outcomes and greater efficiencies through more integrated services for older and disabled people. The Better Care Fund (BCF) provides an opportunity to improve the lives of some of the most vulnerable people in our society, to provide them with a better service and better quality of life. The Fund will be an important enabler for integrated care, acting as a significant catalyst for change.

14.2 The Council has been the host body in a Complex Care Pooled budget for a number of years. From 01 April 2015 the Better Care Fund was included within the pooled budget arrangements, working jointly with Halton Clinical Commissioning Group (HCCG). The gross expenditure value of the pooled budget for 2018/19 is approximately £58m.

14.3 The Council will receive a number of different strands of Better Care funding in 2019/20, this is summarised at Table 6, including details for 2018/19:

<u>Table 6 - Better Care Funding (BCF) 2018/19 to 2020/21</u>

	2018/19 £'000	2019/20 £'000	2020/21 £'000
Original BCF	9,844	Not Known	Not Known
Improved BCF	3,045	5,233	Not Known
Additional BCF	1,827	904	Not Known

14.4 Details of the grants are as follows:

- Original BCF
  - Paid as a grant by the Department of Health To Halton CCG.
  - Required to be included within the Complex Care Pool Budget.
- Improved BCF
  - Announced by Government in 2015, payable from April 2017.
  - Paid direct to Local Government, original intention to be paid as a direct grant.
  - From April 2017 included within the LCR Business Rate Retention Pilot Scheme and therefore funded from business rates.
  - Uncertainty to funding from 2020/21 but assumed as part of this Strategy that it will continue.
- Additional BCF
  - Announced by Government as part of the 2017 Spring Budget and not expected to continue beyond 2020.
  - From April 2018 included within the LCR Business Rate Retention Pilot Scheme and therefore funded from business rates.

14.5 The Council has established partnerships and shared service arrangements with a number of councils and other organisations over recent years for activities including, Children Services, Adult Social Services, Procurement and ICT Services. The Council is also part of the Liverpool City Region Combined Authority and the agreement with Government regarding devolution of powers and resources to the City Region. These arrangements should provide opportunities to achieve significant on-going savings from alternative ways of working and improved service delivery across the City Region.

15.0 Efficiency Strategy

15.1 In order to maintain the level of performance across services delivered by the Council, it needs to find new and innovative ways to deliver services whilst making efficiency savings. The Council recognises the need to look more radically at the way it does business in order to achieve the level of savings that will protect key services.

15.2 The Council has published an Efficiency Plan linked to the four year settlement from 2016/17 to 2019/20.

15.3 The Council has an established Efficiency Programme in place to review services in a consistent way. This enables the identification of opportunities to enhance productivity, reduce costs, explore alternative delivery mechanisms and ensure that services are configured in the most appropriate way to meet the needs of service users.

15.4 The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. This is strengthened and improved by the centrally coordinated procurement arrangements established via the Procurement Division. Procurement is considered a key mechanism for delivering efficiencies across the Council.

15.5 The Council's strategy regarding accommodation aims to rationalise the land and property portfolio and wherever possible to locate staff in Council owned buildings. Progress continues to be made with implementation of the strategy, which has and will continue to result in revenue budget savings during the period of the forecast.

16.0 Monitoring

16.1 Spending against each Department's revenue budget and capital programme is monitored and reported to the Policy and Performance Boards, alongside service outcomes, within the quarterly performance management reports. The Council-wide position is also reported quarterly to Executive Board.

17.0 Summary

17.1 The 2015 Comprehensive Spending Review followed the approach Government have taken since 2010 in implementing the public spending austerity programme. The spending review only published details up to 2019/20 and therefore the final two years of the strategy come with further uncertainty and only assumptions can be made at this point with regards to the direction of travel for public spending. This strategy highlights that considerable savings will be required over the next three years, there remains great uncertainty to the future funding of services.

17.2 The Business Rates Retention Scheme and localisation of Council Tax Support carry further risk to the funding available to the Council over the medium and longer term. Whilst there may be opportunity to take advantage of growth, there will be circumstances outside of the Council's control such as decline in the national economy which could be at the detriment of business rates and council tax collected.

17.3 Future levels of growth and savings required will be directly influenced by the decisions made concerning council tax increases. Council tax increases will reduce the level of savings required, although the legislative requirements regarding council tax referendums will restrict the Council's scope to increase council tax.

17.4 The Medium Term Financial Strategy has been based on information that is currently available. Revisions will need to be made as new developments take place and new information becomes available.

APPENDIX

RESERVES AND BALANCES STRATEGY

1.0 INTRODUCTION

1.1 The following sets out the Council's Strategy in respect of the level of reserves and balances it wishes to maintain, by reference to the financial needs and risks associated with the Council's activities.

1.2 The overall strategy is to provide the Council with an appropriate level of reserves and balances in relation to its day to day activities and to ensure the Council's financial standing is sound and supports the achievement of its long term objectives and corporate priorities.

1.3 The Operational Director, Finance will undertake quarterly reviews of the level of reserves and balances and take appropriate action in order to ensure the overall strategy is achieved. The outcome of the reviews will be reported to the Executive Board and will be used to inform the Medium Term Financial Strategy (MTFS), the annual budget setting process and the final accounts process.

1.4 The Strategy concentrates upon the Council's key reserves and balances, being those which may potentially have a significant affect upon the Council's financial standing and its day to day operations.

2.0 GENERAL BALANCES

2.1 It has been the Council's policy to maintain general balances at a reasonable level, based upon the financial risks and challenges it faces. This is particularly important at the current time given the increasing demand-led pressures upon Children's Services and Adult Social Care. Close monitoring and control of budgets has meant this policy has been successfully achieved. As at 31 March 2018 the balance of the Councils General Reserve was £5.0m.

3.0 PROVISIONS

Sundry Debtors

3.1 The Council makes provision for bad and doubtful debts based upon an annual review of outstanding debts profiled by age and the associated risks of non-payment, depending upon the types of debt.

3.2 Past experience has shown that after 43 days (the period covering the initial stages of recovery action) the likelihood of sundry debts being paid reduces significantly and therefore the risk of them not being recovered increases greatly. Full provision will therefore be made for all sundry debts outstanding for more than 43 days.

3.3 The bad debt provisions in respect of sundry debtors at 31 March 2018 totals £2.6m.

Council Tax / Business Rates (NNDR)

3.4 Bad debt provisions are made in respect of Council Tax and National Non Domestic Rate (NNDR) debts. The bad debt provisions (Council Share) in respect of Council Tax and NNDR debtors at 31 March 2018 totals £6.8m.

3.5 The levels of bad debt provisions held are considered prudent in relation to the current level and age profile of outstanding debts. But they will be reviewed annually, particularly in the light of the prevailing economic climate and reductions in Council Tax Support payments and empty property discounts which may affect collection rates. Therefore appropriate provisions will be made to minimise the risk of financial loss to the Council.

3.6 The Council is required to hold a provision for NNDR valuation appeal claims. The provision as at 31 March 2018 totals £5.5m. The treatment and funding of appeals is currently being considered nationally as part of the consultation regarding the implementation of 75% business rates retention from 2020 onwards. Once the outcome of this is known, the implications for future provisions for appeals can be determined.

4.0 CAPITAL RESERVE

4.1 The Council holds a Capital Reserve to support the financing of the Council's capital programme which currently totals £2.9m and is based upon current capital funding needs.

5.0 INVEST TO SAVE FUND

5.1 The Council has an Invest to Save Fund which at 31 March 2018 stood at £0.6m. This is in order to provide one-off funding for proposals which will generate efficiencies and thereby create significant, permanent, revenue budget savings, whilst also supporting the achievement of the Council's corporate objectives.

6.0 TRANSFORMATION FUND

6.1 The Council has a Transformation Fund to fund the costs associated with efficiency reviews and structural changes required in order to deliver a balanced budget. At 31 March 2018 the fund's balance stood at £1.0m.

REPORT TO:	Executive Board
DATE:	15 November 2018
REPORTING OFFICER:	Operational Director – Finance
PORTFOLIO:	Resources
SUBJECT:	Initial Budget Proposals 2019/20
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

1.1 To recommend to Council initial revenue budget proposals for 2019/20.

2.0 RECOMMENDED: That Council approve the initial budget proposals for 2019/20 set out in Appendix 1.

3.0 SUPPORTING INFORMATION

3.1 The Medium Term Financial Strategy (MTFS) elsewhere on the Agenda forecasts potential revenue budget funding gaps for the Council totalling £21m over the next three years, with a gap of £9.8m for 2019/20. The Forecast assumes that the Council will apply a general council tax increase of 2.9% in 2019/20.

3.2 Budget saving proposals for 2019/20 are currently being developed by the Budget Working Group.

3.3 The first set of these proposals totalling £4.7m is listed in Appendix 1. It is proposed to implement these immediately in order to also achieve a part-year saving wherever possible in 2018/19, which will assist in keeping the Council's overall spending in line with budget. In addition, a number of the proposals will take time to implement and therefore commencing the process as soon as possible will assist with ensuring they are fully implemented by 1st April 2019.

3.4 Appendix 1 includes an indication of whether each saving proposal is permanent or temporary (one-off). It also presents the impact in 2020/21 of certain of the savings proposals.

3.5 The Government will announce its Grant Settlement for Local Government on 6th December 2018. However, in announcing the 2018/19 Grant Settlement the Government provided indicative grant figures for 2019/20 upon which the MTFS has been based.

3.6 The Council also accepted the Government's four-year grant settlement offer, which should ensure that the Council will receive no less than the indicative grant figures for each year. Therefore, it is not expected that the forecast budget gaps will change significantly for next year, however the position for 2020/21 is much less certain.

3.7 A second set of budget saving proposals is currently being developed by the Budget Working Group, which will be recommended to Council on 6th March 2019 to deliver a balanced budget for 2019/20.

4.0 POLICY AND OTHER IMPLICATIONS

4.1 The revenue budget supports the Council in achieving the aims and objectives set out in Halton's Sustainable Community Strategy and the Council's Corporate Plan.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 The revenue budget supports the delivery and achievement of all the Council's priorities. The budget proposals listed in Appendix 1 have been prepared in consideration of all the Council's priorities.

6.0 RISK ANALYSIS

6.1 Failure to set a balanced budget would put the Council in breach of statutory requirements. The budget is prepared in accordance with detailed guidance and a timetable, to ensure statutory requirements are met and a balanced budget is prepared which aligns resources with corporate objectives.

6.2 The Council has accepted the Government's four-year grant settlement offer, which should ensure that the Council will receive no less than the indicative grant figures for 2019/20.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None.

8.0 REASON FOR THE DECISION

8.1 To seek approval for the initial set of revenue budget proposals for 2018/19.

9.0 ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

9.1 There is no alternative option, as failure to set a balanced budget would put the Council in breach of statutory requirements.

10.0 IMPLEMENTATION DATE

10.1 The 2019/20 revenue budget will be implemented from 1st April 2019.

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

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

APPENDIX 1

	DIVISION / SERVICE AREA	DESCRIPTION OF PROPOSAL	TOTAL BUDGET £'000	ESTIMATED BUDGET SAVING 2019/20 £'000	ESTIMATED BUDGET SAVING 2020/21 £'000	PERM TEMP (P/T)	MANDATORY OR DISCRETIONARY SERVICE AFFECTED (M / D)
PEOPLE DIRECTORATE							
INCOME GENERATION OPPORTUNITIES							
1	Children & Families Dept	To increase the contribution from the Health Service towards the cost of Children's Continuing Health Care and Children in Care.	**100**	**150**	**0**	**P**	**M**
2	Education, Inclusion & Provision	Increased funding generated from the performance reward grant in relation to Troubled Families.	**246**	**50**	**0**	**P**	**M**
PROCUREMENT OPPORTUNITIES							
3	People Directorate	Target reduction in the cost of existing or re-procured contracts, across the Directorate.	**N/A**	**590**	**0**	**P**	**M**
EFFICIENCY OPPORTUNITIES							
4	Education Inclusion & Provision	Following a restructuring of the Early Years team an initial saving of £70,000 was approved for 2018/19. A further £25,000 saving has been identified now that the new structure has been finalised and implemented.	**373**	**25**	**0**	**P**	**D**

	DIVISION / SERVICE AREA	DESCRIPTION OF PROPOSAL	TOTAL BUDGET £'000	ESTIMATED BUDGET SAVING 2019/20 £'000	ESTIMATED BUDGET SAVING 2020/21 £'000	PERM TEMP (P/T)	MANDATORY OR DISCRETIONARY SERVICE AFFECTED (M / D)
5	Education Inclusion & Provision	Due to the reduction in the number of maintained secondary schools, the vacant Secondary School Advisor post has been deleted. A partial budget saving was approved in 2018/19 and this is the balance of the saving relating to that post.	**38**	**38**	**0**	**P**	**D**
6	Adult Social Care Department/ Commissioning Division	Restructuring within the Commissioning & Quality Assurance and Policy, Performance & Customer Care teams, resulting in the deletion of a vacant Representations & Information Officer post.	**422**	**30**	**0**	**P**	**M**
7	Adult Social Care Department/	Reductions in workload resulting from the implementation of the Transforming Domiciliary Care programme which will enable the deletion of a vacant Care Arranger post.	**168**	**30**	**0**	**P**	**M**
8	Adult Social Care Department/ Care Management Division	Various small budget savings within the Care Management Division.	**1,671**	**20**	**0**	**P**	**M**
9	Children & Families Dept/ Children's Locality Services Divisions	Review of Early Help and Intervention Services, to deliver rationalisation and management efficiencies.	**1,686**	**350**	**0**	**P**	**M**

	DIVISION / SERVICE AREA	DESCRIPTION OF PROPOSAL	TOTAL BUDGET £'000	ESTIMATED BUDGET SAVING		PERM TEMP (P/T)	MANDATORY OR DISCRETIONARY SERVICE AFFECTED (M / D)
				2019/20 £'000	2020/21 £'000		
10	Children & Families Dept/ Children in Care Division	Review of children-in-care placements, with a focus upon increasing in-house foster care provision and utilisation.	**4,352**	**150**	**0**	**P**	**M**
OTHER BUDGET SAVINGS							
11	Public Protection Department / Environmental Protection	Re-profiling of budget from Environmental Protection creating a one-off saving.	**200**	**200**	**-200**	**T**	**M**
12	Children & Families Dept	Review of short break respite provision, to achieve efficiencies without effecting service provision.	**809**	**150**	**0**	**P**	**D**
13	Children & Families Dept	Review of the level of targeted support provided by the Health Improvement Team for Early Help.	**N/A**	**80**	**0**	**P**	**M**
14	Adult Social Care Department	Re-profiling of budget from Adult Social Care creating a one-off saving.	**1,000**	**1,000**	**-1,000**	**T**	**M/D**
15	People Directorate	Review of transport arrangements across the Directorate.	**1,000**	**375**	**0**	**P**	**M**

	DIVISION / SERVICE AREA	DESCRIPTION OF PROPOSAL	TOTAL BUDGET £'000	ESTIMATED BUDGET SAVING 2019/20 £'000	ESTIMATED BUDGET SAVING 2020/21 £'000	PERM TEMP (P/T)	MANDATORY OR DISCRETIONARY SERVICE AFFECTED (M / D)
16	People Directorate	Review of support costs and allowances relating to the Halton Safeguarding Childrens and Adults Boards with the introduction of Assurance Frameworks.	**40**	**20**	**0**	**P**	**M**
		TOTAL PERMANENT SAVINGS		**2,058**	**0**		
		TOTAL TEMPORARY (ONE-OFF) SAVINGS		**1,200**	**-1,200**		
		GRAND TOTAL		**3,258**	**-1,200**		

	DIVISION / SERVICE AREA	DESCRIPTION OF PROPOSAL	TOTAL BUDGET £'000	ESTIMATED BUDGET SAVING		PERM TEMP (P/T)	MANDATORY OR DISCRETIONARY SERVICE AFFECTED (M / D)
				2019/20 £'000	2020/21 £'000		
ENTERPRISE, COMMUNITY & RESOURCES DIRECTORATE							
INCOME GENERATION OPPORTUNITIES							
17	Community & Environ Dept / Community Safety	Income generated from a new contract to provide CCTV monitoring services for Merseylink.	**N/A**	**75**	**0**	**P**	**M**
18	Community & Environ Dept / Waste Management Div	Additional income from increasing the charge for collection of garden waste by £5 per annum. Current charges are £27 pa online (90% of subscribers) and £32 pa via phone or HDL, which are lower than most North West councils.	**420**	**85**	**0**	**P**	**D**
19	PP&T Dept / Traffic Div	Increased income generated from; (i) Charges for pavement licences and skip permits. (ii) Streetworks permit charges to utility companies.	 **3** **250**	 **1** **10**	 **0** **0**	 **P** **P**	 **D** **D**
20	PP&T Dept / Planning Div	Additional income from increasing the pre-application planning charges.	**36**	**10**	**0**	**P**	**D**
21	PP&T Dept / Planning Div	Income generated from enhanced charges for large or complex planning proposals, through the introduction of Planning Performance Agreements.	**0**	**10**	**0**	**P**	**D**
22	EE&P Dept / Development & Investment Services	Income generated from the introduction of the external funding charging policy.	**253**	**10**	**0**	**P**	**D**

	DIVISION / SERVICE AREA	DESCRIPTION OF PROPOSAL	TOTAL BUDGET £'000	ESTIMATED BUDGET SAVING 2019/20 £'000	ESTIMATED BUDGET SAVING 2020/21 £'000	PERM TEMP (P/T)	MANDATORY OR DISCRETIONARY SERVICE AFFECTED (M / D)
23	Finance Dept / Audit, Procuremt & Op Fin Div	Extra income from charging for additional financial processing services provided under a contract with the National Consortium for Examination Results.	**10**	**5**	**0**	**P**	**D**
24	Finance Dept / Audit, Procuremt & Op Fin Div	Increased income from supplier statement reconciliations, to recover credits owed by suppliers who are no longer used by the Council.	**21**	**6**	**0**	**P**	**D**
SHARED SERVICES / PARTNERSHIP ARRANGEMENTS							
25	Community & Environ Dept / Community Development	Development of opportunities for further efficiencies within Community Centre provision.	**114**	**35**	**0**	**P**	**D**
EFFICIENCY OPPORTUNITIES							
26	Community & Environ Dept / Splash Fund	Reduce the Splash Fund budget.	**61**	**34**	**0**	**P**	**D**
27	Community & Environ Dept / Open Spaces Div	Efficiencies arising from delivery of the Halton Residents Funeral package.	**105**	**15**	**0**	**P**	**M**

	DIVISION / SERVICE AREA	DESCRIPTION OF PROPOSAL	TOTAL BUDGET £'000	ESTIMATED BUDGET SAVING		PERM TEMP (P/T)	MANDATORY OR DISCRETIONARY SERVICE AFFECTED (M / D)
				2019/20 £'000	2020/21 £'000		
28	Community & Environ Dept / Open Spaces Div	The bowling greens at Crow Wood Park, Hough Green Park, Leigh Recreation Ground and Rock Park to be closed or offered to bowling clubs to maintain and operate them. This would leave those in Victoria Park and Runcorn Hill Park operated by the Council.	**40**	**40**	**0**	**P**	**D**
29	PP&T Dept / Building Control	Deletion of the unused Structural Engineers contracted services budget, as now funded by the relevant schemes.	**10**	**10**	**0**	**P**	**M**
30	PP&T Dept / Traffic Div	Further reduction in the street lighting budget as a result of the ongoing LED replacement programme, which provides reduced energy and maintenance costs.	**1,718**	**100**	**0**	**P**	**M**
31	Finance Dept / Audit, Procuremt & Op Fin Div	Deletion of a vacant 0.6fte Purchase to Pay Officer post.	**16**	**16**	**0**	**P**	**D**
32	Finance Dept / Revenues & Financial Management Div	Deletion of two (1.6fte) vacant posts in the Financial Management team.	**1,256**	**42**	**0**	**P**	**D**
33	Finance Dept / Audit, Procuremt & Op Fin Div	Reduction in the vehicle insurance budget in order to realign the budget with the actual level of spend.	**110**	**10**	**0**	**P**	**D**

	DIVISION / SERVICE AREA	DESCRIPTION OF PROPOSAL	TOTAL BUDGET £'000	ESTIMATED BUDGET SAVING 2019/20 £'000	ESTIMATED BUDGET SAVING 2020/21 £'000	PERM TEMP (P/T)	MANDATORY OR DISCRETIONARY SERVICE AFFECTED (M / D)
34	Community & Environ Dept / Area Forums	Reduction in the Area Forum budget with resulting allocations of; • AF1 Broadheath, Ditton, Hough Green, Hale £35k • AF2 Birchfield, Farnworth, Halton View £30k • AF3 Appleton, Kingsway, Riverside £35k • AF4 Grange, Heath, Halton Brook, Mersey £42k • AF5 Halton Castle, Norton Nth, Norton Sth, Windmill Hill £35k • AF6 Beechwood, Halton Lea £16k • AF7 Daresbury £7k Total Allocation £200,000	**250**	**50**	**0**	**P**	**D**
35	Legal & Dem Svcs Dept / Member Services	Reduction in the small functions budget.	**22**	**5**	**0**	**P**	**D**
36	Legal & Dem Svcs Dept / Licencing	Budget reduction arising from a reduction in hours already approved for a member of staff in the Licencing Team	**40**	**12**	**0**	**P**	**M**
37	EE&P Dept	Review of service provision within the Regeneration and Asset Management Divisions of the Economy, Enterprise and Property Department.	**1,032**	**100**	**0**	**P**	**D**
38	EE&P Dept / Property Operations	Reduction in the property maintenance budget, as a result of the rationalisation of premises in accordance with the accommodation strategy.	**2,171**	**100**	**0**	**P**	**M**
39	EE&P Dept / Operations Div	Saving (excluding utility costs) from the phased vacation of Kingsway House.	**260**	**85**	**175**	**P**	**D**

	DIVISION / SERVICE AREA	DESCRIPTION OF PROPOSAL	TOTAL BUDGET £'000	ESTIMATED BUDGET SAVING 2019/20 £'000	ESTIMATED BUDGET SAVING 2020/21 £'000	PERM TEMP (P/T)	MANDATORY OR DISCRETIONARY SERVICE AFFECTED (M / D)
40	Policy, Planning & Transport Dept	Estimated energy saving from implementation of the Solar Farm.	**N/A**	**40**	**0**	**P**	**D**
OTHER BUDGET SAVINGS							
41	Community & Environ Dept / Waste Mgt Div	Deletion of a vacant Refuse Collection Operative post.	**597**	**25**	**0**	**P**	**D**
42	PP&T Dept / Traffic Div	Deletion of vacant part-time posts within the Traffic Division.	**131**	**14**	**0**	**P**	**D**
43	EE&P Dept / External Funding	Review of arrangements for potential clawback on externally funded projects.	**258**	**50**	**-50**	**T**	**D**
44	Corporate	Reduction in those non-staffing budgets which are not bound by contractual commitments, across all Services.	**4,350**	**400**	**0**	**P**	**D**
		TOTAL PERMANENT SAVINGS		**1,345**	**175**		
		TOTAL TEMPORARY (ONE-OFF) SAVINGS		**50**	**-50**		
		GRAND TOTAL		**1,395**	**125**		

REPORT TO:	Executive Board
DATE:	15 November 2018
REPORTING OFFICER:	Operational Director – Finance
PORTFOLIO:	Resources
SUBJECT:	2018/19 Quarter 2 Spending
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

1.1 To report the Council's overall revenue and capital spending position as at 30 September 2018.

2.0 RECOMMENDED: That;

1) **All spending continues to be limited to only absolutely essential items;**

2) **Strategic Directors take appropriate action to ensure overall spending is contained as far as possible within their total operational budget by year-end; and**

3) **Council approve the revised Capital Programme as set out in Appendix 2.**

3.0 SUPPORTING INFORMATION

Revenue Spending

3.1 Appendix 1 presents a summary of spending against the revenue budget up to 30 September 2018, along with individual statements for each Department. In overall terms revenue expenditure is £2.515m above the budget profile, compared to £1.079m at quarter 1. The summary table also shows the previous budget variances at the end of quarter 1.

3.2 Since reporting the quarter 1 position, the rate of spending has continued at a faster pace than for the first three months of the financial year. It is now critical that Directorates restrict and question any non-essential spend over the remainder of the financial year. Strategic Directors should continue to ensure that action is taken to reduce spending in those areas experiencing significant overspends.

3.3 Based upon current spend patterns, projections show the Council will have a year-end outturn overspend position of approximately £4.3m, if no corrective action is taken. As at 31 March 2018 the Council's General Fund balance was £5m. Unless the projected overspend is reduced and net spending brought back into line with budget as far as possible, the general reserve will be largely consumed and impact negatively on the future financial sustainability of the Council

3.4 There are a number of Departments where net expenditure at half year exceeds the budgeted profile, with four having negative variances of over £250k. The main budget pressure continues to be within the Children & Families Department. Further detail is given in the report to the issues creating the continuing overspend position.

3.5 Total spending on employees is only £49,000 below budget profile at the end of the quarter. This is a very marginal position compared to the budget allocation to date of £35.8m for employee costs. Casual staffing costs are exceeding available budget and in some areas there is increased spend on overtime costs.

3.6 Included within the employee's budget is a staff turnover saving target of 3.0% which reflects the saving made between a member of staff leaving a post and the post being filled. The target for the quarter has been achieved in all Departments with the exception of Children & Families, Community & Environment, Economy, Enterprise & Property, Policy People Performance & Efficiency and Education Inclusion & Provision.

3.7 Within the overall budget position for the quarter, the key budget variances are as follows;

(i) **Children and Families Department:-**
As at 30 September 2018 the Department's net spend is exceeding the profiled budget by £2.035m.

Employee costs for the year to date are only marginally above the budgeted profile by £13,000. However, within this there has been a significant increase in the cost of agency staff and overtime costs have also increased from this point last year. Included within employee budget there is also an efficiency saving of £50k which has yet to be identified, therefore this will continue to be a pressure on the budget until the means of achieving the saving is identified. The delay in the re-opening of Edinburgh Road has helped to partly mitigate the overspend on employee costs, but is offset by additional spend on residential placements.

Spend on out-of-borough residential placements in quarter 2 is 60% higher than in quarter 1. The total spend to date of £2.626m is £1.081m over the profiled budget. In quarter 2 there was net increase of 4 children entering the service at an annual equivalent cost of £0.740m. Extensive work continues to reduce costs of residential packages which is having a positive impact, but it is still forecast that spend in this area will be £2.162m above budget by year-end.

Out of borough fostering costs continue to be a significant pressure with costs at 30 September 2018 exceeding budget by

£0.682m. Over the past quarter an additional 10 children have entered the Service at an annual equivalent cost of £0.212m and 9 children have left the service but at an annual equivalent lower cost of £0.088m.

The average weekly cost for an in-house foster placement is £287, compared to the average weekly cost of out-of-borough foster placement of £814. A range of actions are currently underway to try to increase the recruitment of in-house Foster Carers.

Payments for special guardianship orders for the year to date total £0.810m, which is £0.215m above the budget profile. Unless the number of orders reduce, it is forecast this area will be £0.430m overspent at year end.

Net spend on the Early Years settings at Warrington Road and Ditton continue to be a concern. Chargeable income at these settings is not fully recovering the cost of operations and it is forecast that in total they will be £0.255m over budget by year-end.

At this stage it is forecast the year-end overspend position for the Department will be £4.071m, an increase of 9.3% from the figure of £3.725m estimated at the end of June 2018.

(ii) **Community & Environment Department:-**
As at 30 September 2018 the Department's net spend is exceeding the profiled budget by £0.853m, an increase from £0.380m at quarter 1.

Employee spending is over the budget profile by £0.106m as at 30 September 18. One of the main reasons for this is the increased costs from casual staff and overtime, with spend to date currently exceeding the profiled budget by £0.261m. In addition the lack of staff turnover in some areas has meant the Department has struggled to achieve the turnover saving target.

Income targets were reduced by approximately £200k this year when setting the budget, although in many areas the Department will still struggle to meet the reduced income targets. Fees and charges is the main source of concern again, with large shortfalls on Leisure Centre income due to cancelled classes as staff vacancies cannot be filled, and a continued reduction in the number of memberships being taken out. There are shortfalls in income at the Brindley with lower than expected ticket sales over the Summer due to the football World Cup and several weeks of unusually hot weather. However, it is hoped that sales will increase during the busier Winter season. With no concert or similar major event at the Stadium, there will be a shortfall in planned events income by year-end.

Overall it is forecast the Department will be £1.945m short on the budgeted income target of £9.487m.

Based on demand and current income levels, unless action is taken to improve the position, it is forecast that the Department's net spend for the year will be £1.794m over budget.

(iii) **Complex Care Pool:-**
As at 30 September 2018 the net spend of the Complex Care Pooled Budget (operated in conjunction with Halton Clinical Commissioning Group) is above the profiled budget by £0.508m.

The biggest pressure area for the budget is health and social care spending which is currently exceeding the profiled budget by £0.605m. This budget is a mix of residential, domiciliary and direct payment services and combines both continuing health care and Council funded packages. The cost of direct payments in particular is having an impact with spend for the first six months of the year exceeding the allocated budget by £1.041m.

However, last year a Financial Recovery Action Plan was instigated and a Working Group established to identify ways of mitigating the budget pressures. The Working Group is continuing to look at ways of reducing spend whilst ensuring the needs of clients continue to be met. Halton CCG have agreed to meet the full cost of particular aspects of the Pool relating to their Health responsibilities, whilst it is anticipated that those aspects relating to Adult Social Care will be managed within budget by year-end. Therefore, it is expected that total spending within the Pool will be in line with budget by year-end.

(iv) **Education, Inclusion & Provision:-**
As at 30 September 2018 the Department's net spend is exceeding the profiled budget by £0.292m.

There continues to be high demand to provide special education needs pupils with transport to and from school settings. As at 30 September 2018 spend for this Service was £0.586m against a profiled budget of £0.362m. A re-tendering exercise effective from October 2018 may provide a reduction in the forecast outturn position.

The Department is struggling to achieve income levels in terms of providing places within SEN schools for children from other authorities. This is due to lack of available places and it is currently forecast there will be a shortfall of £0.242m against the annual income target.

Based on current demand and income levels it is forecast the Department's net spend at year end will be £0.588m above the available budget.

(v) **Corporate & Democracy:-**
As at 30 September 2018 net expenditure is under the profiled budget by £0.692m.

There are a number of factors which have contributed towards the underspend to date, including the one-off receipt of £0.132m from the business rates shared pool arrangement with Warrington and St Helens Councils.

In addition, the level of interest receivable on investments is £0.353m greater than was forecast at the start of the year. This is due to improved returns on investments and the level of cash balances held by the Council being greater than forecast.

3.8 The council tax collection rate for the half year of 55.07% is marginally lower (0.30%) than at this stage last year. However, the collection rate for business rates of 57.01% is up by 1.27% from last year. The forecast retained element of business rates is slightly higher than the estimate used when setting the 2018/19 budget. However, forecasting retained business rates through to the end of the financial year remains difficult due to the number of appeals outstanding with the Valuation Office Agency and the process of appealing against rateable values from the 2017 valuation exercise. This will continue to be closely monitored during the financial year and forecasts changed accordingly.

Capital Spending

3.9 The Capital Programme has been revised to reflect a number of changes in spending profiles and funding as schemes have developed and these are reflected in the Capital Programme presented in Appendix 2. The schemes which have been revised within the programme are as follows and it is proposed that Council be recommended to approve the revised capital programme as set out in Appendix 2.

1. Murdishaw Regeneration
2. KRN – Earle Road Gyratory

Capital spending at 30th September 2018 totalled £9.4m, which is 96% of the planned spending of £9.8m at this stage. This represents 24.45% of the total Capital Programme of £38.5m (which assumes a 20% slippage between years).

Balance Sheet

3.10 The Council's Balance Sheet is monitored regularly in accordance with the Reserves and Balances Strategy which forms part of the Medium Term Financial Strategy. The key reserves and balances have been reviewed and are considered prudent and appropriate at this stage in the financial year and within the current financial climate.

4.0 POLICY AND OTHER IMPLICATIONS

4.1 None.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

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

6.0 RISK ANALYSIS

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

6.2 In preparing the 2018/19 budget, a register of significant financial risks was prepared which has been reviewed and updated as at 30 September 2018.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None.

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

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

APPENDIX 1

Summary of Revenue Spending to 30 September 2018

Directorate / Department	Annual Budget £'000	Budget To Date £'000	Actual £'000	Variance (overspend) £'000	Q1 Variance (overspend) £'000
Community & Environment	21,117	9,451	10,304	(853)	(380)
Economy, Enterprise & Property	1,829	806	827	(21)	(32)
Finance	4,040	2,785	2,611	174	56
ICT & Support Services	270	-274	-243	(31)	(45)
Legal & Democratic Services	617	217	174	43	17
Planning & Transportation	7,174	2,681	2,454	227	90
Policy, People, Performance & Efficiency	0	-313	-283	(30)	(24)
Enterprise, Community & Resources	**35,047**	**15,353**	**15,844**	**(491)**	**(318)**
Adult Social Care	18,292	7,867	7,763	104	53
Children & Families	23,317	10,581	12,616	(2,035)	(918)
Complex Care Pool	24,987	9,569	10,077	(508)	(247)
Education, Inclusion & Provision	7,650	9,306	9,598	(292)	(161)
Public Health & Public Protection	832	357	334	23	11
People	**75,078**	**37,680**	**40,388**	**(2,708)**	**11**
Corporate & Democracy	**(902)**	**1,849**	**1,157**	**692**	**501**
Mersey Gateway	**0**	**-22,600**	**-22,592**	**(8)**	**0**
Net Total	**109,223**	**32,282**	**34,797**	**(2,515)**	**(1,079)**

ENTERPRISE, COMMUNITY & RESOURCES DIRECTORATE

Community & Environment Department

	Annual Budget £'000	Budget To Date £'000	Actual £'000	Variance (overspend) £'000
Expenditure				
Employees	13,897	6,980	7,086	**(106)**
Other Premises	2,026	1,158	1,161	**(3)**
Supplies & Services	1,389	743	642	**101**
Book Fund	160	73	65	**8**
Hired & Contracted Services	1,165	488	492	**(4)**
Food Provisions	470	240	209	**31**
School Meals Food	1,980	744	656	**88**
Transport	51	28	25	**3**
Other Agency Costs	390	194	183	**11**
Waste Disposal Contracts	5,900	3,306	3,352	**(46)**
Grants To Voluntary Organisations	67	17	2	**15**
Grant To Norton Priory	172	87	87	**0**
Rolling Projects	7	7	7	**0**
Capital Financing	101	101	101	**0**
Total Expenditure	**27,775**	**14,166**	**14,068**	**98**
Income				
Sales Income	-1,879	-945	-767	**(178)**
School Meals Sales	-2,368	-961	-839	**(122)**
Fees & Charges Income	-6,073	-3,329	-2,723	**(606)**
Rents Income	-225	-126	-111	**(15)**
Government Grant Income	-1,198	-1,018	-1,050	**32**
Reimbursements & Other Grant Income	-681	-271	-241	**(30)**
Schools SLA Income	-1,347	-1,347	-1,346	**(1)**
Internal Fees Income	-172	-92	-74	**(18)**
School Meals Other Income	-254	-105	-66	**(39)**
Catering Fees	-177	-83	-56	**(27)**
Capital Salaries	-123	-53	-61	**8**
Rolling Projects Income	0	0	-45	**45**
Transfers From Reserves	-125	-125	-125	**0**
Total Income	**-14,622**	**-8,455**	**-7,504**	**(951)**
Net Operational Expenditure	**13,153**	**5,711**	**6,564**	**(853)**
Recharges				
Premises Support	1,558	779	779	**0**
Transport Recharges	3,069	1,376	1,376	**0**
Central Support Services	3,665	1,871	1,871	**0**
Asset Charges	93	0	0	**0**
HBC Support Costs Income	-421	-286	-286	**0**
Net Total Recharges	**7,964**	**3,740**	**3,740**	**0**
Net Department Expenditure	**21,117**	**9,451**	**10,304**	**(853)**

Economy, Enterprise & Property Department

	Annual Budget £'000	Budget To Date £'000	Actual £'000	Variance (overspend) £'000
Expenditure				
Employees	4,308	2,362	2.395	**(33)**
Repairs & Maintenance	2,215	1,064	1,064	**0**
Premises	51	50	47	**3**
Energy & Water Costs	686	270	257	**13**
NNDR	542	541	541	**0**
Rents	353	212	221	**(9)**
Economic Regeneration Activities	17	4	4	**0**
Supplies & Services	1,649	1,099	1,094	**5**
Grants To Voluntary Organisations	36	24	24	**0**
Other Expenditure	25	13	13	**0**
Capital Financing	99	74	74	**0**
Total Expenditure	**9,981**	**5,713**	**5,734**	**(21)**
Income				
Fees & Charges Income	-248	-93	-92	**(1)**
Rent – Commercial Properties	-1,139	-15	-28	**13**
Rent – Investment Properties	-44	-20	-20	**0**
Rent – Markets	-773	-691	-687	**(4)**
Government Grant Income	-1,696	-1,696	-1,696	**0**
Reimbursements & Other Grant Income	-105	-58	-58	**0**
Schools SLA Income	-504	-465	-457	**(8)**
Capital Salaries	-62	-16	-16	**0**
Transfers From Reserves	-857	-512	-512	**0**
Total Income	**-5,428**	**3,566**	**3,566**	**0**
Net Operational Expenditure	**4,553**	**2,147**	**2,168**	**(21)**
Recharges				
Premises Support	1,965	983	983	**0**
Transport	26	11	11	**0**
Asset Charges	4	0	0	**0**
Central Support Services	2,121	1,085	1,085	**0**
Accommodation Income	-2,396	-1,198	-1,198	**0**
Repairs & Maintenance Income	-2,402	-1,201	-1,201	**0**
Central Support Income	-2,042	-1,021	-1,021	**0**
Net Total Recharges	**2,724**	**-1,341**	**-1,341**	**0**
Net Department Expenditure	**1,829**	**806**	**827**	**(21)**

Finance Department

	Annual Budget £'000	Budget To Date £'000	Actual £'000	Variance (overspend) £'000
Expenditure				
Employees	5,446	2,668	2,556	112
Supplies & Services	409	192	142	50
Insurance	1,071	687	687	0
Rent Allowances	50,200	19,209	19,209	0
Non HRA Rent Rebates	65	26	26	0
Discretionary Social Fund	154	53	53	0
Discretionary Housing Pmts	387	160	160	0
Concessionary Travel	2,175	666	691	(25)
LCR Levy	2,241	2,241	2,241	0
Total Expenditure	**62,148**	**25,902**	**25,765**	**137**
Income				
Clerical Error Recovery	-400	-123	-123	0
Rent Allowances	-49,800	-17,359	-17,359	0
Other fees & Charges	-197	-102	-147	45
Non HRA Rent Rebate	-65	-34	-34	0
Burdens Grant	-61	-61	- 86	25
Dedicated Schools Grant	-96	0	0	0
Discretionary Hsg Payment Grant	-387	-179	-179	0
Hsg Benefit Admin Grant	-510	-255	-237	(18)
Universal Credits	-130	-124	-121	(3)
Council Tax Admin Grant	-211	-211	-211	0
Council Tax Liability Order	-421	-348	-348	0
Business Rates Admin Grant	-166	0	0	0
Schools SLAs	-858	-858	-853	(5)
LCR Reimbursement	-2,241	-2,241	-2,241	0
Reimbursements & Other Grants	-103	-49	-42	(7)
CCG McMillan Reimbursement	-80	-40	-40	0
Transfer from Reserves	-105	-4	-4	0
Total Income	**-55,831**	**-21,988**	**-22,025**	**37**
Net Operational Expenditure	**6,317**	**3,914**	**3,740**	**174**
Recharges				
Premises Support	8	4	4	0
Central Recharges	2,356	1,178	1,178	0
Central Recharge Income	-4,641	-2,311	-2,311	0
Net Total Recharges	**-2,277**	**-1,129**	**-1,129**	**0**
Net Department Expenditure	**4,040**	**2,785**	**2,611**	**174**

ICT & Support Services Department

	Annual Budget £'000	Budget To Date £'000	Actual £'000	Variance (overspend) £'000
Expenditure				
Employees	6,766	3,391	3,471	(80)
Supplies & Services	711	337	325	12
Capital Financing	1,607	53	49	4
Computer Repairs & Software	934	634	569	65
Communication Costs	385	287	328	(41)
Transfer to Reserves	15	0	0	0
Premises Costs	58	47	53	(6)
Total Expenditure	**10,476**	**4,749**	**4,795**	**(46)**
Income				
Fees & Charges	-841	-117	-136	19
Schools SLA Income	-522	-485	-481	(4)
Reimbursements & Other Grant Income	-15	-8	-8	0
Total Income	**-1,378**	**-610**	**-625**	**15**
Net Operational Expenditure	**9,098**	**4,139**	**4,170**	**(31)**
Recharges				
Premises Support Recharges	605	303	303	0
Transport Recharges	8	4	4	0
Central Support Recharges	1,063	532	532	0
Support Services Income	-10,504	-5,252	-5,252	0
Net Total Recharges	**-8,828**	**-4,413**	**-4,413**	**0**
Net Department Expenditure	**270**	**-274**	**-243**	**(31)**

Legal & Democratic Services Department

	Annual Budget £'000	Budget To Date £'000	Actual £'000	Variance (overspend) £'000
Expenditure				
Employees	1,746	889	871	18
Supplies & Services	290	160	153	7
Civic Catering & Functions	56	25	10	15
Legal Expenses	223	49	58	(9)
Total Expenditure	**2,315**	**1,123**	**1,092**	**31**
Income				
Land Charges	-78	-42	-42	0
School SLAs	-79	-79	-79	0
Licence Income	-245	-110	-110	0
Fees & Charges Income	-55	-55	-67	12
Total Income	**-457**	**-286**	**-298**	**12**
Net Operational Expenditure	**1,858**	**837**	**794**	**43**
Recharges				
Premises Support	155	78	78	0
Central Support Recharges	346	173	173	0
Support Recharges Income	-1,742	-871	-871	0
Net Total Recharges	**-1,241**	**-620**	**-620**	**0**
Net Department Expenditure	**617**	**217**	**174**	**43**

Planning & Transportation Department

	Annual Budget £'000	Budget To Date £'000	Actual £'000	Variance (overspend) £'000
Expenditure				
Employees	4,510	2,174	2,073	101
Other Premises	168	96	86	10
Contracted Services	209	83	97	(14)
Supplies & Services	157	78	75	3
Street Lighting	1,700	492	387	105
Highways Maintenance	2,446	861	861	0
Fleet Transport	1,413	484	484	0
Lease Car Contracts	1	0	0	0
Bus Support	649	285	282	3
Finance Charges	145	4	4	0
Contribution to Reserves	201	0	0	0
Grants to Vol. Organisations	61	29	29	0
LCR Levy	882	220	220	0
NRA Levy	64	64	64	0
Total Expenditure	**12,606**	**4,870**	**4,662**	**208**
Income				
Sales	-351	-133	-133	0
Planning Fees	-526	-245	-220	(25)
Building Control Fees	-209	-104	-92	(12)
Other Fees & Charges	-646	-406	-424	18
Rent	-9	0	0	0
Grants & Reimbursements	-177	-191	-228	37
Government Grant Income	-126	0	0	0
Efficiency Savings	-68	-9	-9	0
Schools SLAs	-43	-44	-45	1
Capital Salaries	-317	-13	-13	0
LCR Levy Reimbursement	-882	-220	-220	0
Total Income	**-3,354**	**-1,365**	**-1,384**	**19**
Net Operational Expenditure	**9,252**	**3,505**	**3,278**	**227**
Recharges				
Premises Recharges	642	321	321	0
Transport Recharges	771	356	356	0
Asset Charges	539	0	0	0
Central Recharges	1,732	866	866	0
Transport Recharge Income	-4,896	-1,969	-1,969	0
Central Recharge Income	-866	-398	-398	0
Net Total Recharges	**-2,078**	**-824**	**-824**	**0**
Net Department Expenditure	**7,173**	**2,681**	**2,454**	**227**

Policy, People, Performance & Efficiency Division

	Annual Budget £'000	Budget To Date £'000	Actual £'000	Variance (overspend) £'000
Expenditure				
Employees	1,857	889	929	(40)
Employees Training	133	57	46	11
Supplies & Services	140	49	37	12
Apprenticeship Levy	300	72	72	0
Total Expenditure	**2,430**	**1,067**	**1,084**	**(17)**
Income				
Fees & Charges	-93	-84	-83	(1)
Schools SLAs	-426	-389	-377	(12)
Transfer from Reserves	-98	0	0	0
Total Income	**-617**	**-473**	**-460**	**(13)**
Net Operational Expenditure	**1,813**	**594**	**624**	**(30)**
Recharges				
Premises Support	12	6	6	0
Central Support Recharges	-1,042	-521	-521	0
Support recharges Income	-783	-392	-392	0
Net Total Recharges	**1,813**	**-907**	**-907**	**0**
Net Department Expenditure	**0**	**-313**	**-283**	**(30)**

PEOPLE DIRECTORATE

Adult Social Care Department (excluding Complex Care Pool)

	Annual Budget £'000	Budget To Date £'000	Actual £'000	Variance (overspend) £'000
Expenditure				
Employees	14,770	7,069	6,971	98
Other Premises	329	134	132	2
Supplies & Services	1,596	616	615	1
Aids & Adaptations	113	39	37	2
Transport	201	83	81	2
Food Provision	206	82	81	1
Contracts & SLAs	528	160	170	(10)
Emergency Duty Team	98	20	21	(1)
Other Agency	635	299	313	(14)
Payments To Providers	1,443	653	648	5
Transfer to Reserve	210	0	0	0
Total Expenditure	**20,129**	**9,155**	**9,069**	**86**
Income				
Sales & Rents Income	-281	-196	-196	0
Fees & Charges	-666	-304	-318	14
Reimbursements & Grant Income	-1,139	-366	-369	3
Transfer From Reserves	-800	0	0	0
Capitalised Salaries	-111	-56	-56	0
Government Grant Income	-1,161	-1,115	-1,115	0
Total Income	**-4,158**	**-2,037**	**2,054**	**17**
Net Operational Expenditure	**15,971**	**7,118**	**7,015**	**103**
Recharges				
Premises Support	610	305	305	0
Asset Charges	50	0	0	0
Central Support Services	3,027	1,456	1,456	0
Internal Recharge Income	-2,037	-1,127	-1,127	0
Transport Recharges	671	115	114	1
Net Total Recharges	**2,321**	**749**	**748**	**1**
Net Department Expenditure	**18,292**	**7,867**	**7,763**	**104**

Children & Families Department

	Annual Budget £'000	Budget To Date £'000	Actual £'000	Variance (overspend) £'000
Expenditure				
Employees	9,370	4,611	4,624	(13)
Premises	277	114	102	12
Supplies and Services	1,131	424	426	(2)
Transport	112	56	61	(5)
Direct Payments/Individual Budgets	598	318	349	(31)
Commissioned Services	247	90	84	6
Out of Borough Residential Placements	4,366	1,545	2,626	(1,081)
Out of Borough Adoption	82	1	1	0
Out of Borough Fostering	1,379	634	1,316	(682)
In House Adoption	215	61	126	(65)
Special Guardianship	1,119	595	810	(215)
In House Foster Carer Payments	2,027	997	760	237
Care Leavers	144	87	121	(34)
Family Support	60	24	50	(26)
Emergency Duty Team	100	0	0	0
Contracted Services	4	2	3	(1)
Early Years	60	20	146	(126)
Total Expenditure	**21,291**	**9,579**	**11,605**	**(2,026)**
Income				
Fees and Charges	-22	-14	-9	(5)
Sales Income	-52	-31	-31	0
Rents	-80	-29	-31	2
Dedicated Schools Grant	-48	-24	-24	0
Reimbursements & Other Grant Income	-451	-179	-173	(6)
Government Grants	-37	-37	-37	0
Transfer from Reserves	-62	-62	-62	0
Total Income	**-752**	**-376**	**-367**	**(9)**
Net Operational Expenditure	**20,539**	**9,203**	**11,238**	**(2,035)**
Recharges				
Premises Support	140	75	75	0
Transport Support	29	15	15	0
Central Support Service Costs	2,609	1,288	1,288	0
Net Total Recharges	**2,778**	**1,378**	**1,378**	**0**
Net Department Expenditure	**23,317**	**10,581**	**12,616**	**(2,035)**

Complex Care Pool

	Annual Budget £'000	Budget To Date £'000	Actual £'000	Variance (overspend) £'000
Expenditure				
Intermediate Care Services	6,459	2,465	2,437	28
End of Life	200	92	83	9
Sub-Acute	1,769	818	798	20
Urgent Care Centres	615	155	155	0
Joint Equipment Store	613	56	70	(14)
CCG Contracts & SLA's	1,219	494	460	34
Intermediate Care Beds	599	299	299	0
BCF Schemes	1,729	865	865	0
Carers Breaks	440	229	184	45
Madeline McKenna Home	527	254	285	(31)
Millbrow Home	1,329	705	1,026	(321)
BCF unallocated	713	0	0	0
Adult Health & Social Care Services:				
Residential & Nursing Care	20,336	8,589	8,458	131
Domiciliary & Supported Living	13,446	5,701	5,323	378
Direct Payments	7,611	4,003	5,044	(1,041)
Day Care	420	152	210	(58)
Total Expenditure	58,025	24,877	25,697	(820)
Income				
Residential & Nursing Income	-6,144	-2,280	-2,276	(4)
Domiciliary Income	-1,414	-587	-559	(28)
Direct Payments Income	-569	-169	-210	41
BCF	-9,844	-4,922	-4,922	0
CCG Contribution to Pool	-13,631	-6,816	-6,816	0
ILF	-677	-169	-169	0
Income from other CCG's	-113	-56	-64	8
Madeline McKenna fees	-279	-137	-101	(36)
Millbrow fees	-307	-142	-163	21
Falls Income	-60	-30	-30	0
Total Income	-33,038	-15,308	-15,310	2
Net Department Expenditure	**24,987**	**9,569**	**10,387**	**(818)**
Liability as per Joint Working Agreement (HCCG share - 38%)	**0**	**0**	**-310**	**310**
Adjusted Net Dept. Expenditure	**24,987**	**9,569**	**10,077**	**(508)**

Education, Inclusion & Provision Department

	Annual Budget £'000	Budget To Date £'000	Actual £'000	Variance (overspend) £'000
Expenditure				
Employees	6,080	2,790	2,826	(36)
Premises	34	7	6	1
Supplies & Services	2,357	956	909	47
Transport	5	0	0	0
Schools Transport	949	362	586	(224)
Commissioned Services	2,520	232	232	0
Agency Related Expenditure	1,567	983	978	5
Independent School Fees	2,412	1,178	1,178	0
Inter Authority Special Needs	175	30	30	0
Pupil Premium Grant	95	26	26	0
Nursery Education Payments	5,215	3,864	3,864	0
Capital Finance	12	0	0	0
Total Expenditure	**21,421**	**10,428**	**10,635**	**(207)**
Income				
Fees & Charges	-346	-102	-140	38
Government Grants	-532	-486	-486	0
Reimbursements & Other Income	-489	-97	-121	24
Schools SLA Income	-366	-347	-321	(26)
Transfer to/from Reserves	-855	-723	-723	0
Dedicated Schools Grant	-12,557	0	0	0
Inter Authority Income	-578	-289	-168	(121)
Total Income	**-15,723**	**-2,044**	**-1,959**	**(85)**
Net Operational Expenditure	**5,698**	**8,384**	**8,676**	**(292)**
Recharges				
Central Support Services Costs	1,596	812	812	0
HBC Support Costs Income	-79	-39	-39	0
Premises Support Costs	156	78	78	0
Transport Support Costs	279	71	71	0
Net Total Recharges	**1,952**	**922**	**922**	**0**
Net Department Expenditure	**7,650**	**9,306**	**9,598**	**(292)**

Public Health & Public Protection Department

	Annual Budget £'000	Budget To Date £'000	Actual £'000	Variance (overspend) £'000
Expenditure				
Employees	3,664	1,792	1,760	32
Other Premises	5	0	0	0
Supplies & Services	267	96	85	11
Contracts & SLA's	6,803	3,089	3,098	(9)
Transport	6	3	3	0
Other Agency	18	18	18	0
Total Expenditure	**10,763**	**4,998**	**4,964**	**34**
Income				
Other Fees & Charges	-73	-63	-60	(3)
Government Grant	-10,185	-4,798	-4,798	0
Reimbursements & Grant Income	-278	-162	-153	(9)
Transfer from Reserves	-226	0	0	0
Total Income	**-10,762**	**-5,023**	**-5,011**	**(12)**
Net Operational Expenditure	**1**	**-25**	**-47**	**22**
Recharges				
Premises Support	179	89	89	0
Central Support Services	718	359	359	0
Transport Recharges	32	15	14	1
Support Income	-98	-81	-81	0
Net Total Recharges	**831**	**382**	**381**	**1**
Net Department Expenditure	**832**	**357**	**334**	**23**

Corporate & Democracy

	Annual Budget £'000	Budget To Date £'000	Actual £'000	Variance (overspend) £'000
Expenditure				
Employees	281	140	144	(4)
Contracted Services	35	17	7	10
Supplies & Services	150	69	154	(85)
Members Allowances	801	440	434	6
Interest Payable	1,333	661	564	96
Bank Charges	81	40	63	(22)
Audit Fees	124	62	62	0
Contingency	1,100	375	0	375
Capital Financing	2,255	2,255	2,267	(12)
Contribution to Reserves	2,971	2,971	2,971	0
Debt Management Expenses	34	17	13	4
Precepts & Levies	701	257	257	0
Total Expenditure	**9,866**	**7,304**	**6,936**	**368**
Income				
Interest Receivable – Treasury	-599	-299	-602	302
Interest Receivable – Other	-348	-174	-225	51
Fees & Charges	-53	-27	-152	126
Grants & Reimbursements	-85	-42	-40	(2)
Government Grant Income	-6,040	-3,021	-2,868	(153)
Transfer from Reserves	-2,369	-2,369	-2,369	0
Total Income	**-9,494**	**-5,932**	**-6,256**	**324**
Net Operational Expenditure	**372**	**1,372**	**680**	**692**
Recharges				
Premises Recharges	6	3	3	0
Central Recharges	1,296	648	648	0
Central Recharge Income	-63	-31	-31	0
Support Services Income	-2,513	-143	-143	0
Net Total Recharges	**-1,274**	**477**	**477**	**0**
Net Department Expenditure	**-902**	**1,849**	**1,157**	**692**

Mersey Gateway

	Annual Budget £'000	Budget To Date £'000	Actual £'000	Variance (overspend) £'000
Expenditure				
Other Premises	149	99	110	(11)
Agency Costs	45,152	12,883	14,183	(1,300)
Insurance	1,502	986	0	986
Supplies & Services	0	0	4	(4)
MGCB Ltd	2,625	1,323	1,082	241
MGET Ltd	646	415	271	144
Bus Support	0	0	24	(24)
External Interest	5,173	2,587	2,587	0
Finance Charges	149	149	148	1
Total Expenditure	**55,396**	**18,442**	**18,409**	**33**
Income				
Toll Income	-27,753	-13,607	-18,196	4,589
Grants & reimbursements	-27,043	-27,043	-22,557	(4,486)
Transfer from reserves	-646	-415	-271	(144)
Total Income	**-55,442**	**-41,065**	**-41,024**	**(41)**
Net Operational Expenditure	**-46**	**-22,623**	**-22,615**	**(8)**
Recharges				
Central Support Recharges	46	23	23	0
Net Total Recharges	**46**	**23**	**23**	**0**
Net Department Expenditure	**0**	**-22,600**	**-22,592**	**(8)**

APPENDIX 2

Capital Programme as at 30 September 2018

Directorate/Department	Actual Expenditure to Date £'000	2018/19 Cumulative Capital Allocation Quarter 2 £'000	Quarter 3 £'000	Quarter 4 £'000	Capital Allocation 2019/20 £'000	Capital Allocation 2020/21 £'000
Enterprise Community & Resources Directorate						
Community and Environment						
Stadium Minor Works	17	25	38	50	30	30
Stadium Pitch	0	0	0	300	0	0
Brindley Café Extension	6	30	55	80	0	0
Open Spaces Schemes	128	100	300	611	0	0
Children's Playground Equipment	0	0	60	61	65	65
Upton Improvements	0	0	0	13	0	0
The Glen Play Area	0	0	0	41	0	0
Runcorn Hill Park	3	5	5	5	0	0
Crow Wood Play Area	5	5	458	478	5	0
Peelhouse Lane Cemetery	16	25	225	500	500	90
Peelhouse Lane Cemetery – Enabling Works	7	0	0	33	0	0
Pheonix Park	103	80	95	100	14	0
Victoria Park Glass House	0	0	50	170	73	0
Sandymoor Playing Fields	470	560	760	1,032	500	0
Widnes & Runcorn Cemeteries	0	0	10	190	20	0
Landfill Tax Credit Schemes	0	0	0	340	340	340
Litter Bins	0	0	0	20	20	20

Directorate/Department	Actual Expenditure to Date £'000	2018/19 Cumulative Capital Allocation			Capital Allocation 2019/20 £'000	Capital Allocation 2020/21 £'000
		Quarter 2 £'000	Quarter 3 £'000	Quarter 4 £'000		
ICT & Support Services						
ICT Rolling Programme	133	133	480	700	700	700
Economy, Enterprise & Property						
3MG	42	42	403	499	0	0
Widnes Waterfront	0	0	0	0	1,000	0
Decontamination of Land	0	0	0	50	0	0
SciTech Daresbury – EZ Grant	243	243	382	382	0	0
Venture Field	0	0	41	41	0	0
Linnets Clubhouse	22	22	207	287	0	0
The Croft	0	0	0	30	0	0
Murdishaw redevelopment	0	0	0	38	0	0
Former Crosville Site	83	83	200	440	0	0
Advertising Screen at The Hive	0	0	0	100	0	0
Widnes Market Refurbishment	813	813	1,125	1,191	29	0
Equality Act Improvement Works	0	0	55	150	300	300
Broseley House	711	711	711	1,190	0	0
Solar Farm	19	19	857	1,278	0	0
Stadium Alterations	0	0	100	200	0	0
Directorate/Department	Actual Expenditure to Date	2018/19 Cumulative Capital Allocation			Capital Allocation 2019/20	Capital Allocation 2020/21

	£'000	Quarter 2 £'000	Quarter 3 £'000	Quarter 4 £'000	£'000	£'000
Mersey Gateway						
Land Acquisitions	24	24	40	4,039	0	0
Development Costs	170	182	225	436	0	0
Other						
Risk Management	0	0	30	170	206	120
Fleet Replacements	434	434	1,154	1,513	1,015	1,260
Policy, Planning & Transportation						
Bridge & Highway Maintenance	640	640	2,108	3,639	0	0
Integrated Transport & Network Management	115	115	330	460	0	0
Street Lighting – Structural Maintenance & Upgrades	23	23	380	782	1,200	2,000
STEPS Programme	66	66	660	2,643	0	0
Silver Jubilee Bridge Major Maintenance	3,023	3,023	5,000	7,265	0	0
Silver Jubilee Bridge Decoupling	230	230	400	9,596	0	0
Widnes Loops to West Bank Link Road	113	113	200	1,000	4,227	0
KRN – Earle Road Gyratory	129	129	575	1,150	0	0
Total Enterprise Community & Resources	**7,787**	**7,875**	**17,719**	**43,293**	**10,244**	**4,925**
Directorate/Department	Actual Expenditure to Date £'000	2018/19 Cumulative Capital Allocation			Capital Allocation 2019/20	Capital Allocation 2020/21

		Quarter 2 £’000	Quarter 3 £’000	Quarter 4 £’000	£’000	£’000
People Directorate						
Adult Social Care						
ALD Bungalows	0	0	0	199	0	0
Vine Street Reconfiguration	1	0	10	10	0	0
Purchase of 2 adapted properties	0	0	0	520	0	0
Complex Pool						
Disabled Facilities Grant	221	270	780	1,109	0	0
Stairlifts (Adaptations Initiative)	108	150	225	300	0	0
RSL Adaptations (Joint Funding)	65	125	150	250	0	0
Madeline McKenna Residential Home	5	10	90	136	0	0
Millbrow Care Home	180	150	150	150	0	0
Directorate/Department	Actual Expenditure to Date	2018/19 Cumulative Capital Allocation			Capital Allocation 2019/20	Capital Allocation 2020/21
		Quarter 2	Quarter 3	Quarter 4		
	£’000	£’000	£’000	£’000	£’000	£’000

Schools Related						
Asset Management Data	1	2	3	5	0	0
Capital Repairs	565	613	753	893	0	0
Asbestos Management	2	5	10	19	0	0
Schools Access Initiative	42	40	65	77	0	0
Basic Need Projects	0	0	0	216	283	437
Lunts Heath Primary School	0	0	11	11	0	0
Fairfield Primary School	9	17	70	79	0	0
Weston Point Primary School	0	0	4	4	0	0
Kitchen Gas Safety	53	30	60	85	0	0
Small Capital Works	60	53	80	119	0	0
Bridge School Vocational Centre	306	300	380	380	21	0
Simms Cross remodelling	0	70	122	122	0	0
Ashley School remodelling 6th form	8	50	70	70	0	0
SEND Capital allocation	1	0	0	30	304	166
Healthy Pupils Capital Fund	4	20	40	70	0	0
Total People Directorate	**1,631**	**1,905**	**3,073**	**4,854**	**608**	**603**
TOTAL CAPITAL PROGRAMME	**9,418**	**9,780**	**20,792**	**48,147**	**10,852**	**5,528**
Slippage (20%)				-9,629	-2,170	-1,106
					9,629	2,170
TOTAL	**9,418**	**9,780**	**20,792**	**38,518**	**18,311**	**6,592**

REPORT TO:	Executive Board
DATE:	15 November 2018
REPORTING OFFICER:	Operational Director – Finance
PORTFOLIO:	Resources
TITLE:	Treasury Management Half Year Report 2018-19
WARDS:	Borough-wide

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to provide an update regarding activities undertaken on the money market as required by the Treasury Management Policy.

2.0 RECOMMENDED: That

1) **Council be recommended to adopt the updated Operational Boundary and Authorised Limits as detailed in paragraph 3.18; and**

2) **the report be noted.**

3.0 SUPPORTING INFORMATION

Economic Outlook

3.1 The following analysis of the economic situation has been provided by Link Asset Services, the Council's treasury management advisors.

3.2 During the six months ended 30th September 2018:

- The economy showed signs of regaining momentum after the slowdown in the previous quarter
- A tight labour market put upward pressure on wage growth
- Consumer price inflation rose unexpectedly
- Base rate increased in August to 0.75%
- Brexit negotiations remained at an impasse

3.3 The first half of 2018/19 has seen UK economic growth post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase Bank Rate on 02 August 2018 from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019

3.4 Some Monetary Policy Committee (MPC) members have expressed concerns about a build-up of inflationary pressures, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

3.5 As for the labour market, unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 2.9%, (3 month average regular pay, excluding bonuses) and to a one month figure in July of 3.1%. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.

3.6 In the political arena, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, it appears the Government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

3.7 In the USA President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2, but also an upturn in inflationary pressures. With inflation moving towards 3%, the Federal Bank increased rates another 0.25% in September to between 2.00% and 2.25%, this being four increases in 2018, and indicated they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Federal Bank in the second half of 2019

3.8 In the Eurozone growth was unchanged at 0.4% in quarter 2, but has undershot early forecasts for a stronger economic performance in 2018. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of 2% for 2018, the horizon is less clear than it seemed just a short while ago.

Interest Rate Forecast

3.9 The following forecast has been provided by Link Asset Services.

Link Asset Services Interest Rate View											
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

Short Term Borrowing Rates

3.10 The bank base rate increased from 0.50% to 0.75% on the 2nd August 2018.

	Mar	Apr	May	Jun	Jul	Aug	Sep
	%	%	%	%	%	%	%
Call Money (Market)	0.47	0.47	0.47	0.47	0.46	0.71	0.70
1 Month (Market)	0.51	0.51	0.50	0.50	0.68	0.72	0.72
3 Month (Market)	0.72	0.71	0.61	0.67	0.80	0.80	0.80

Longer Term Borrowing Rates

	Mar	Apr	May	Jun	Jul	Aug	Sep
	%	%	%	%	%	%	%
1 Year (Market)	1.01	0.97	0.89	0.96	1.05	1.05	1.06
10 Year (PWLB)	2.26	2.35	2.20	2.21	2.27	2.25	2.37
25 Year (PWLB)	2.57	2.69	2.56	2.57	2.63	2.63	2.74

3.11 Market rates are based on LIBOR rates and PWLB rates are for new loans based on principal repayable at maturity. The rates are shown for the end of each month.

Borrowing and Investments

Turnover During the Period

	No of deals	Turnover £m
Short Term Borrowing	-	-
Short Term Investments	18	200

Position at Month End

	Mar £m	Apr £m	May £m	Jun £m	Jul £m	Aug £m	Sep £m
Total Borrowing	172	153	153	153	143	143	143
Total Investments	(65)	(95)	(95)	(95)	(95)	(100)	(100)
Call Account Balance	(16)	(19)	(18)	(25)	(25)	(15)	(20)

Investment Benchmarking

Benchmark	Benchmark Return %	Performance Apr - Sep %	Investment Interest Earned £000
7 day	0.40	0.52	70
1 month	0.43	0.00	-
3 months	0.58	0.84	67
6 months	0.69	0.80	213
12 months	0.89	0.92	89
Over 12 months		1.30	65
Property Fund		4.07	102
Total			**606**

3.12 This shows the Council has over achieved on all benchmarks for the first 6 months of the year. There are no benchmarks available for the Council's investment in the CCLA property fund, or for investments held over 12 months.

Budget Monitoring

	Net Interest at 31st March 2018		
	Budget Year to Date £000	Actual Year to Date £000	Variance (o/spend) £000
Investment	(300)	(606)	306
Borrowing	1,099	1,099	-
Total	**799**	**493**	**306**

New Long Term Borrowing

3.13 No new long term borrowing has been taken in this period.

Policy Guidelines

3.14 The Treasury Management Strategy Statement (TMSS) for 2018/19, which includes the Annual Investment Strategy, was approved by the Council on 07 March 2018. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield

3.15 The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate and the heightened credit concerns it is considered appropriate to keep the majority of investments short term and to ensure all investments are in in line with Sector's credit rating methodology.

Change to the Authorised Limit and Operational Boundary

3.16 One of the key Treasury Indicators set by the Council as part of the Treasury Management Strategy is the Operational Boundary (the limit beyond which external debt is normally expected to exceed) and the Authorised Limit (the limit beyond which external debt is prohibited).

3.17 Due to the valuation of the Mersey Gateway Bridge being required to be included during the preparation of the 2017/18 Statement of Accounts, an additional £644m was added to the Council's Capital Financing Requirement. This represents the capital element of the future Unitary Payments the Council are due to make over the next thirty years, funded from toll income. It should be noted that this is a purely accounting adjustment and doesn't reflect any additional borrowing over and above what is already taken.

3.18 It is therefore proposed that £644m is added to the Operation Boundary and Authorised Limit as shown below:

	Treasury Strategy £000	Updated Limits £000	Increase £000
Operational Boundary	212,500	856,312	643,812
Authorised Limit	282,500	926,312	643,812

Treasury Management Indicators

3.19 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators were set out in the Treasury Management Strategy Statement and are reviewed in Appendix 1.

Debt Rescheduling

3.20 No debt rescheduling was undertaken during the quarter.

4.0 POLICY IMPLICATIONS

4.1 None.

5.0 FINANCIAL IMPLICATIONS

5.1 The financial implications are as set out in the report.

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 main risks with Treasury Management are security of investment and volatility of return. To combat this, the Authority operates within a clearly defined Treasury Management Policy and annual borrowing and investment strategy, which sets out the control framework

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 no background papers under the meaning of the Act.

Appendix 1

Treasury and Prudential Indicators – 2018/19 – Quarter 2

	2017/18	2018/19	
Prudential Indicators	**Full Year Actual £000**	**Original Estimate £000**	**Quarter 2 Estimate £000**
Capital Expenditure	104,663	36,253	48,146
Net Financing Need for the Year *(Borrowing Requirement)*	85,206	21,161	17,841
Increase / (Decrease) in CFR *(Capital Financing Requirement)*	79,134	18,274	15,575
Ratio of Financing Costs to Net Revenue Stream *(Proportion of cost of borrowing to Council's net revenue)*	2.5%	2.4%	2.0%
Incremental Impact on band D Council Tax (£) *(net cost of borrowing compared to tax base)*	17.30	2.50	27.63
External Debt	172,000	172,000	172,000
Operational Boundary *(Limit of which external debit is not epected to exceed)*	254,164	212,500	856,312
Authorised Limit *(Limit beyound which external debit is prohibited)*	270,000	282,500	926,312

Upper Limit for Interest Rate Exposure	**Exposure Limit %**	**2017/18 Actual %**	**2018/19 Estimate %**
Fixed Rate	100	100	100
Variable Rate	30	-	-

Maturity Structure of Fixed Rate Borrowing	**Exposure Limit %**	**2017/18 Actual %**	**2018/19 Estiamte %**
Under 12 months	40	0	0
12 months to 24 months	40	0	0
24 months to 5 years	40	0	0
5 years to 10 years	40	0	0
10 years and above	100	100	100

Maximum Principal invested > 365 days	Investment Limit £000	2017/18 Actual £000	2018/19 Estimate £000
Principal Sums Invested over 365 days	30,000	10,000	20,000

REPORT TO:	Executive Board
DATE:	15 November 2018
REPORTING OFFICER:	Strategic Director – Enterprise, Community and Resources
SUBJECT:	Discretionary Non-Domestic Rate Relief
PORTFOLIO:	Resources
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to consider an application for discretionary non-domestic rate relief, under Section 47 of the Local Government Finance Act 1988.

2.0 RECOMMENDATION: That the request for 15% discretionary rate relief from Child Bereavement UK for the period 26th September 2018 to 31st March 2019, is refused on the grounds of being a charity which operates nationally.

3.0 SUPPORTING INFORMATION

3.1 Under the amended provisions of the Local Government Finance Act 1988, the Council is able to grant discretionary rate relief to any business ratepayer. This relief had previously only been available to organisations that were a registered charity, a community amateur sports club or a not-for-profit organisation.

3.2 From 1st April 2017 the Council became responsible for meeting the full cost of all mandatory and discretionary relief granted, as part of the Liverpool City Region 100% Business Rates Retention Pilot Scheme.

3.3 An application for discretionary rate relief has been received as outlined below, from Child Bereavement UK who are a registered charity. Currently, where discretionary rate relief has been granted to registered charities, it has been provided until 31st March 2019 in order to provide the organisations with some degree of certainty.

Child Bereavement UK
2nd Floor, Ashley House, Victoria Road, Widnes, Cheshire, WA8 7RP

3.4 Child Bereavement UK is a registered charity that operates throughout England, Northern Ireland and Scotland. Child Bereavement UK's objectives are as follows:

- To advance the education of the public and in particular professionals and families primarily in infant bereavement and the emotional and psychological effects thereof but also in infertility and foetal abnormality.

- The promotion of research into the causes and prevention of shock or depression arising from bereavement and the dissemination of the results thereof.

- The relief of poverty and sickness amongst any persons suffering from bereavement and its psychological effects and those suffering from the psychological effects of infertility or foetal or child abnormality.

3.5 In their relief application, Child Bereavement UK have detailed their main objectives and purposes of the organisation as follows:

Child Bereavement UK supports families and educates professionals when a baby or child of any age dies or is dying, or when a child is facing bereavement. Every year we train more than 9,000 professionals, helping them to better understand and meet the needs of grieving families. We provide ongoing professional support to bereaved children and families and also support the individuals and organisations that become involved with these families. We do this through our training, our national helpline, via our website, and face to face at an increasing number of locations across the UK. We continually strive to raise the profile of child bereavement as an issue, and to ensure that the interest and needs of bereaved children and families are reflected in policy and practice. We map and raise awareness of the support that is available across the UK and are a trusted authority for the media and others on issues related to child bereavement. In the UK, when a baby or child dies, or a child is bereaved, many of those affected are unable to access good quality support which meets their individual needs. Child Bereavement UK believes all families should have the support they need to rebuild their lives when a child grieves or when a child dies. Our aim is to make sure they do.

3.6 The application is in respect of 2nd Floor, Ashley House, Victoria Road, Widnes. Child Bereavement UK has stated on their application that the property is used for family bereavement service.

3.7 As they are a registered charity, 80% mandatory rate relief has already been awarded automatically, but their application also includes a request for 15% discretionary rate relief.

3.8 Child Bereavement UK is not currently receiving discretionary rate relief anywhere in Halton. Up until 28th September 2018, they leased two other premises in Runcorn for which they received 80% mandatory relief only, as discretionary relief had previously been refused.

3.9 The cost to the Council would be as follows for the period 26/09/18 to 31/03/19;

Cost of 80% mandatory rate relief	£ 2,121.66
Cost of 15% discretionary rate relief	£ 397.81
Total	£ 2,519.47

4.0 POLICY IMPLICATIONS

4.1 The Board is required by the regulations to consider each application on its own merit. Any recommendations provided are given for guidance only, are consistent with Council policy and, wherever possible, previous decisions.

4.2 Historically the Board has chosen to only support applications for discretionary rate relief from locally based charities and has therefore rejected applications from charities which operate nationally such as Child Bereavement UK. It is therefore proposed that the application from Child Bereavement UK is rejected on the grounds that they are a charity which operates nationally.

5.0 FINANCIAL IMPLICATIONS

5.1 The Appendix presents the potential annual costs to the Council of granting rate relief and the cost in the current financial year.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 **Children and Young People in Halton**
The organisation supports families and educates professionals when a child is facing bereavement.

6.2 **Employment, Learning and Skills in Halton**
None

6.3 **A Healthy Halton**
None

6.4 **A Safer Halton**
None

6.5 **Halton's Urban Renewal**
None.

7.0 RISK ANALYSIS

7.1 There are no key risks associated with the proposed action.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 The applicant offer their services to all sections of the community, without any prejudice.

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

9.1	**Document**	**Place of Inspection**	**Contact Officer**
	Application form	Kingsway House, Caldwell Road, Widnes	Adel Tomkins Senior Rating Officer

APPENDIX

Ratepayer	Address	Annual Rates Liability £	Mandatory Rate Relief Awarded	Annual Cost of Mandatory Rate Relief to HBC £	Disc. Rate Relief Claimed	Annual Cost of Disc. Rate Relief to HBC £	Actual Rates Liability 2018/19 £	Actual Cost of Mandatory Relief to HBC from 26th September to 31st March 2019 £	Actual Cost of Disc. Rate Relief to HBC from 26th September to 31st March 2019 £
Child Bereavement UK	2nd Floor, Ashley House, Victoria Road, Widnes, Cheshire, WA8 7RP	5176.50	80%	4,141.20	15%	776.48	2,652.07	2,121.66	397.81

REPORT TO:	Executive Board
DATE:	15 November 2018
REPORTING OFFICER:	Strategic Director – Enterprise, Community and Resources
PORTFOLIO:	Physical Environment
SUBJECT:	Community Shop
WARD(S):	Borough-wide

1. PURPOSE OF REPORT

To provide Members with an update following the appraisal of options for the introduction of a Community Shop in Halton and to seek Members' approval to progress a preferred option.

2. RECOMMENDED: That

1) **Executive Board approve that the Council progresses the option of working with Community Shop, and other partners, to deliver a Community Shop at the Onward Homes Priory House Office ("the Onward Homes Option");**

2) **Council be recommended to approve an amendment to the Capital Programme and a £50k capital allocation be approved to provide a contribution towards the costs involved in developing a Community Shop in Halton, and;**

3) **the Strategic Director - Enterprise, Community and Resources be authorised, in consultation with the Executive Board Member for Physical Environment, to take all such actions and to make any decisions necessary in order to progress "the Onward Homes Option".**

3. BACKGROUND

3.1 At their meeting of 20th September 2018, Executive Board received a report setting out a number of options to progress the potential delivery of a Community Shop in Halton. Members approved that, following the outcome of the appraisal of those options, a further report be presented to the Board for consideration to be given as to how best to proceed to deliver a Community Shop in Halton.

3.2 The potential options for delivering a Community Shop in Halton, as set out in the previous report to Members, were to;

- Develop an ‘Integrated Hub’ on Windmill Hill

- Introduce a Community Shop into a current Council asset, including the current Windmill Hill Children’s Centre Building or Upton Community Centre

- Undertake a further site/buildings options appraisal to identify alternative premises

3.3 Since the previous report, there have been key developments with regards to two of the above options; the Integrated Hub and the identification of alternative premises, details of which are set out below.

4.0 POTENTIAL OPTIONS FOR A COMMUNITY SHOP IN HALTON

Integrated Hub

4.1 A feasibility study for an Integrated Health & Wellbeing Hub for Windmill Hill was commissioned by the Big Local Partnership and Well Halton in September 2017. In January 2018, Community Shop asked to be part of this feasibility study and this was agreed by the Big Local Partnership Steering Group.

4.2 The feasibility study is now complete and has been circulated to stakeholders for feedback. The recommendation arising from the study is to create a ‘hub’ development; providing a ground level extension to the Children’s Centre building to allow the co-location of a Community Shop alongside the Children’s Centre and to provide new multi-functional meeting room spaces. The proposal also includes extending St Berteline’s Church Hall to accommodate flexible ‘community space’ and a larger café space. A new car park on the former GP Surgery site and public realm improvements to support fluid access to the site and traffic management are also proposed. This recommendation is estimated to cost £4.5 million and would require approximately 97 weeks for procurement and build. At this stage, there is no capital funding secured to deliver this project.

4.3 Feedback on the study recommendation has been received from a number of stakeholders. The Big Local Partnership Steering Group considered the stakeholder responses at a meeting on 19th October 2018 and, in summary, the feedback is as follows;

- <u>Clinical Commissioning Group</u> – The CCG’s approach is based upon the ‘One Halton’ work and tackling thematic areas of health needs with general practice population sizes. There are therefore no plans to commission any specific services for Windmill Hill and, as such, the CCG cannot commit to the recommendations progressing.

- Public Health - support the study and feel a key anchor tenant is essential for long term sustainability. Whatever the outcome of the study, Public Health will consider an offer of outreach health improvement services to Windmill Hill as there are existing assets that could support this activity.

- Onward Homes – is supportive of the study however, they have concerns about the level of investment required and feel a Community Shop is pivotal to any development and if one is not realised then what would be on offer would largely be what is currently in place.

- St Berteline's Church – supportive however, anxious at the lack of 'buy in' from the local community to the proposals. Feel a staged approach to any development may begin to build community confidence and be more achievable.

- Big Local Partnership – In 2012, Windmill Hill was awarded £1m 'Big Local' funding to be spent over a 10 year period. Following the award of the funding the Windmill Hill Big Local Partnership was established. This is a resident led Partnership that has identified community infrastructure/facilities as a key priority in their strategic plan.

  The Big Local Partnership is opposed to Community Shop being sited on Windmill Hill. The Partnership has stated that it will not invest any of its Big Local funds towards the development of a Community Shop or the Children's Centre site as they feel that Community Shop is a Borough-wide initiative and should be sited elsewhere.

  The Partnership is keen to support the proposed development at St Berteline's Church, to enable broader access to community activity, and it will consider investment of Big Local funds to this element of the scheme.

- Residents – Windmill Hill has 1,003 households and a population of 2,364 residents. As part of the feasibility study, each household received information about the options for a Hub development and was invited to provide comment and feedback on their preferred option. 33 written responses were received.

  The Big Local Partnership facilitated a session to allow residents to provide feedback on the study. Big Local have reported that those residents who attended the session were very concerned about the recommendation of the study as they felt that the local community had only asked for 'community space' to be developed and the other elements of the recommendation were too ambitious and not what the community desires.

In July, Officers held to two open sessions to provide Windmill Hill residents with an update of the options contained within the feasibility study. A number of residents who lived in the immediate vicinity of the proposed development site attended these sessions and provided feedback on the recommendations. These residents expressed concern about any change in use and perceived that the development would result in the 'saturation of the assets' and lead to traffic management issues.

Further Site/Building Options Appraisal

4.4 As a result of their ambition to introduce a shop into Halton, Community Shop has been actively seeking to identify potential sites or buildings. Community Shop recently approached the Council and advised that it had been in dialogue with Onward Homes and was exploring the potential to locate a shop the at their Runcorn Office site, Priory House, which is located next to Shopping City.

4.5 Onward Homes have been progressing a transformational programme of re-organisation. Their new structure requires a small staff team being located at the Runcorn office and therefore surplus accommodation is available to be utilised for other purposes from January 2019. Some staff will remain at the site hence, it would become a shared space facility. Onward Homes are keen to develop this option and see Community Shop as an opportunity to provide access to the reduced cost retail offer and other support that can positively impact their tenants.

4.6 Community Shop are also be keen to see this option developed, in partnership with the Council and Well North/Halton, to create a 'hub' approach where other initiatives could also be located alongside the shop. Well North/Halton are similarly keen to progress this option.

4.7 Community Shop have advised that the anticipated cost to remodel the accommodation they would occupy is £330k. This is significantly less than the anticipated £4.5m to develop the Integrated Hub option and the circa £800k that would be needed to develop the Windmill Hill Children's Centre option.

4.8 Community Shop will be seeking support towards the capital costs from financial contributions from project partners and support with grant applications. Where Community Shops exist elsewhere, Local Authorities have been very supportive by contributing either capital funding or buildings. It is being recommended that the Council makes a £50k contribution towards the capital costs which would provide a match funding source to help enable the remaining funds to be secured.

Recommendations

4.9 Officers have worked very closely with the local Ward Councillor to introduce a Community Shop in Windmill Hill. A model had been identified to help achieve this, through the development of an Integrated Health and Wellbeing Hub, however, after considering the feedback set out above it is now considered that it would not be possible to progress this option.

4.10 The most viable option to achieve a Community Shop in the Borough appears to be to progress of the option to introduce a shop into the Onward Homes Priory House Office. Community Shop have advised within their business plan for 2019 that they have commitment to two Community Shops opening in the Liverpool City Region, one by April and the second by October, and not only could the Onward Homes option allow the shop to be opened within desired timescales, the level of capital funding required to deliver the project is much reduced compared to other options and will provide increased opportunity for it to be secured.

4.11 Members are asked to approve a recommendation that the Council progresses the option of working with Community Shop, and other partners, to deliver a Community Shop at the Onward Homes Priory House Office. It is also recommended that the Strategic Director - Enterprise, Community and Resources be authorised, in consultation with the Executive Board Member for Physical Environment, to take all such actions and to make any decisions necessary in order to progress the delivery of a Community Shop in Halton.

4.12 With regards to the options of delivering a Community Shop at the Windmill Hill Children's Centre building or Upton Community Centre, these can remain as potential future options that could be revisited in the event that the Onward Homes option is not realised.

5.0 FINANCIAL IMPLICATIONS

5.1 The financial implications are set out within the report.

6.0 POLICY IMPLICATIONS

7.1 There are no new Policy implications as a result of this report.

7.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

7.1 Children and Young People in Halton

Community Shop is targeted at households in need of support, and children & young people would benefit by virtue of the targeted approach.

7.2 Employment, Learning & Skills in Halton

The model provides permanent employment opportunities. There would be opportunities to support linkages to further employment across the retail and logistics partners linking into Halton Employment Partnership (HEP). The mentoring programme focusses on skills development and employability.

7.3 A Healthy Halton

Access to low cost food provision, including fresh produce, will improve the quality of food intake. The mentoring programme that goes alongside the shopping offer will increase knowledge and practice of healthy eating for the scheme participants and their households.

7.4 A Safer Halton

A sense of community and community connectedness reduces residents' fears of crime where they live. Residents are likely to feel a stronger sense of belonging and safety in an environment where the community members know each other, are active and there are established links to other stakeholders like police, housing associations, community wardens, etc. Community Shop can engender this approach in the Community Hub.

7.5 Halton's Urban Renewal

A Community Shop would be an asset within the Borough and provide a targeted retail offer. A location is yet to be determined, but will be identified through exploration and further understanding of the Shop's impact.

8.0 RISK ANALYSIS

Community Shop provides the opportunity to address food poverty, work intensely with individuals to support building skills and employability prospects, create employment opportunities and overall positively impact on health and wellbeing.

There is a risk that not securing the establishment of a Community Shop will result in the failure to realise these benefits in Halton.

9.0 EQUALITY & DIVERSITY ISSUES

This initiative targets the most financially disadvantaged residents in Halton's Community. Poverty and inequality are often elements of a complex set of circumstances which present exclusion. This initiative aims to tackle poverty and generate improved life chances for disadvantaged members of our local community.

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

Document	Place of Inspection	Contact Officer
Employment, Learning & Skills and Community Policy & Performance Board Report 23rd March 2015 - Community Shop	Municipal Building Kingsway Widnes	Angela Scott
Executive Board Report 15th March 2018 Community Shop	Municipal Building Kingsway Widnes	Angela Scott
Executive Board Report 20th September 2018 Community Shop	Municipal Building Kingsway Widnes	Angela Scott

REPORT TO:	Executive Board
DATE:	15 November 2018
REPORTING OFFICER:	Strategic Director Enterprise Community and Resources
PORTFOLIO:	Physical Environment & Transport
SUBJECT:	Runcorn Station Quarter & Masterplan
WARD(S)	Borough-wide

1.0 PURPOSE OF THE REPORT

1.1 The purpose of this report is to present to Members for approval, the Masterplan for the Runcorn Station Quarter.

1.2 The Masterplan sets out a wide range of proposals and options for the regeneration of the area, but it is for the Council to determine whether it chooses to accept some or all of the recommendations made in the document.

1.3 The report also provides an update on work being undertaken on the delinking of the Silver Jubilee Bridge (SJB) and construction of a new junction to serve Runcorn Station and the surrounding area.

2.0 RECOMMENDATION: That

1) **the Runcorn Station Quarter Masterplan Guiding Principles and methodology and approach as outlined in sections 3.10-3.12 of the report be approved and adopted;**

2) **the Board formally endorses the preferred road scheme for the station quarter as outlined in the recent planning application (October 2018) and as set out in section 3.15 of the report; and**

3) **a further report be brought to the Board, following the completion of the exercise to identify a development partner.**

3.0 SUPPORTING INFORMATION

3.1 In October 2017, the Executive Board (Minute 59/17) agreed to the commissioning of a Runcorn Station Quarter Masterplan. However, at the time, it was noted that the Masterplan would need to be sympathetic to the development of a preferred design option for the delinking of the Silver Jubilee Bridge, as well as, the creation of a new junction to serve the area in and around Runcorn Station.

3.2 The approval to fund a preferred design option was given by the Executive Board in December 2017 and the company, “We Made That”, was appointed in January 2018 to produce the Masterplan.

3.3 The Masterplan is complete and is now presented to the Executive Board for consideration.

3.4 The aim of the Masterplan and accompanying delivery strategy is to enable the regeneration of the Runcorn Station Quarter area to be realised as quickly as possible, although recognising that the overall project has a number of complexities attached to it. The Masterplan recognises the importance of a rejuvenated Runcorn Station as a way of providing a new gateway into Runcorn, the Liverpool City Region and beyond.

3.5 It also takes account of and complements the forthcoming HS2 and West Coast Mainline Improvements.

3.6 The Masterplan proposes a mix of land uses, including quality public realm, and the proposals contained in the Masterplan are considered to be achievable and deliverable because they are supported by a detailed evidence base.

3.7 The evidence base has provided an analysis of spatial constraints (e.g. levels and services) opportunities in the area. It has also looked at socio-economic factors impacting on the regeneration of the area, the housing and commercial market and the relationship between Runcorn Town Centre and Runcorn station.

3.8 In developing the Masterplan, key stakeholders have been advised on the emerging proposals. These include bus operators, the Taxi Forum, land owners, West Coast Mainline franchise bidders and Network Rail. Responses to date have been extremely positive. It is proposed that further engagement with the local community will be commenced through the Runcorn Town Team.

3.9 The Masterplan will play an important role in developing a business case for securing external funding from, for example, the Combined Authority Strategic Investment Fund.

3.10 There are some guiding principles around the redevelopment of the Station Quarter which have informed the production of the Masterplan document. These are:

‘**a clear and accessible movement network’** – aimed at promoting a positive environment for vehicles, cyclists and pedestrians and improving links to the town centre;

'**a public realm led Masterplan'** – using the delinking of the SJB as a catalyst for addressing poor connectivity and improving the public realm in and around the station.

'**a welcoming station hub'** - a key aspiration is to provide a welcoming gateway into Runcorn by introducing a new civic square into the heart of the Station Quarter, along with transport interchange elements which are in clear sight and easy walking distance to the station, but also promote better signage to and from the town centre.

'**a rich mix of complementary uses for Runcorn'** – creating a positive gateway into Runcorn but ensuring that end uses within the Station Quarter are complementary to the wider Runcorn Town Centre offer.

'addressing complex ownerships' – the Masterplan recognises there are some complex ownerships in the area and also recognises the role of Network Rail as a key landowner in supporting the development of the area.

'**working towards a viable Masterplan'** – five development zones have been identified. A delivery strategy has been produced which identifies potential uses and sets out a strategy for land assembly; with a viability analysis as well as potential delivery approaches and potential funding opportunities.

3.11 The Masterplan presents options for the incremental and phased development of the Runcorn Station Quarter. There is enough flexibility contained within the document to allow for a short, medium and long-term programme of change within the area. There are also some catalyst stages identified which will help to provide some 'quick wins', thereby helping to unlock further opportunities within the station quarter and beyond.

3.12 The Masterplan is also reflective of the fact that there are existing assets or uses in the area, which are complementary to the wider development and the Masterplan works on the principle of where possible, maintaining or improving rather than removing these assets from the Masterplan study area.

3.13 A presentation for Board Members will be provided at the meeting which will outline a summary of the Masterplan. The briefing will include some 'before' and 'after' Computer Generated Images (CGIs) which will hopefully bring to life the proposed transformation of the Runcorn Station Quarter area.

3.14 During the preparation of the Masterplan, “We Made That” have worked closely with the Council’s Highways and Transportation Team to ensure that the emerging Masterplan complements design proposals for the new junction and delinking of the SJB. Whilst the Masterplan presents options for potential road layouts , there is clearly a need to both maximise the opportunity to deliver a road scheme during the period in which the existing Silver Jubilee Bridge is closed to traffic and a scheme that provides for the greatest amount of future development opportunities.

3.15 The transport scheme that is represented in the recent planning application does both those things, as well as reflecting the guiding principles of the Masterplan as set out above.

Further details are set out below

- Revised access onto the Silver Jubilee Bridge (SJB) via the spur that carried traffic off the SJB towards Runcorn Old Town in an easterly direction. In the future this spur will be open to two way traffic as per the original configuration in 1961. The works consist of repairs, reconfiguration, and parapet upgrades.
- ‘Delinking’ and complete deconstruction of the structures carrying traffic from the SJB around ‘Trumpet Loop’ leading to the Weston Point Expressway.
- Construction of a new roundabout to link the Daresbury Expressway with the Weston Expressway. This will require a closure of the expressways between Picow farm and Bridge Retail Park during the construction period.
- The permanent stopping up of some public highway used under the old SJB arrangement, together with the construction of some new sections of road.

3.16 The overall project is very complex, with particular challenges around site levels and land ownership, which will require the efficient sequencing and coordination of works across a large area to deliver the works as quickly as possible.

4.0 POLICY IMPLICATIONS

4.1 Runcorn Station Quarter is a key priority for the Council and is one of eight Key Impact Areas contained within the Council’s Mersey Gateway Regeneration Programme. That programme aims to:

- seek to maximise the long-term economic benefits from the new crossing for Halton and represents a new chapter in our continued economic transformation.
- provide the strategic context for growth and recognises the Mersey Gateway as a catalyst for change.

- set out a cohesive package of development and investment opportunities and identifies the key infrastructure and enabling projects that we are looking to bring forward to complement and support economic growth.
- The eight Key Impact areas are places where the new crossing and the reconfigured road network will unlock land for new development opportunities and reposition the area for further growth.

5.0 OTHER/FINANCIAL IMPLICATIONS

5.1 The Council has already made a significant financial commitment to the project to finance the delivery of the Silver Jubilee Bridge and the construction of the new roundabout. However, further investment will be required to realise all of the objectives of the Masterplan.

5.2 In order to progress the Masterplan it has always been recognised that the Council will need to work in partnership with a developer. In order to identify an appropriate development partner a brief has been produced and expressions of interest are being sought. A further report will be brought to the Board with the result of that exercise.

5.3 Whilst recognising that additional funding will be required to deliver the totality of the plan the Masterplan identifies potential sources of that funding.

The funding required to the deliver the new improvements identified in the Masterplan will need to be supported and secured through a variety of public sector and private funding pots. These include:

The **Combined Authority Strategic Investment Fund**. Runcorn Station Quarter appears to accord with the criteria in that investment can be provided for the development of infrastructure to facilitate future growth and prioritises existing and future demand led physical expansion (land and premises), and supports transport infrastructure to enable routes to servicing new and existing markets.

The SIF also supports the Visitor Economy and investments that promote the Liverpool City Region by supporting improvements to transport connectivity and infrastructure development associated with growing identified visitor markets.

Two current funds available for local authorities to support unlocking housing developments are the **Housing Infrastructure Fund (HIF) and the Growth and Housing Fund (GHF by Highways England.**

The £5 billion Housing Infrastructure Fund is a government capital grant programme to help unlock new homes in areas with the greatest housing demand. Funding is awarded to local authorities on a highly competitive basis. The fund is divided into two streams, with the Marginal Viability Fund the only one available to Halton Borough Council. The fund is used to fund infrastructure to get additional sites allocated, or existing sites unblocked quickly.

There is a strong argument that can be made to **Network Rail** that the Council is seeking to enhance the rail network, by seeking to invest directly in the station environment.

Network Rail has recently released guidance on investing in stations and the network and has entered a period of being directed to engage actively to this end, with sponsors, promoters, developers and funders wishing to invest directly in the station environment.

To support the conversation with Network Rail, HBC must be able to demonstrate it is able to bring its own land holdings to the table and to explore the opportunity to merge its land with Network Rail's; in order to provide the land required to deliver the station-led development.

Another funding avenue to explore would be if the Council considered entering into a forward commitment to occupy a new building; whether this is with existing or future property owners in the study area is yet to be determined. However, the Council would be able to lever the strength of its Public Sector Guarantee to attract third party funds to forward fund the delivery of the Masterplan, as well as leveraging third party funding for the wider infrastructure improvements.

Investment capital is readily available in the market for long dated government-backed leases and there are examples in the market where Local Authorities are entering similar deal structures; offering their long-term commitments to a lease structure in exchange for annuity / pension fund-type funding, which provides the up-front capital to deliver the scheme.

Capital land Receipts – it is anticipated that following the redesign of the road infrastructure, along with the Council's existing property holdings, additional land will become available for development and or disposal. This could again serve to fund some elements of the Masterplan.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 **Children & Young People in Halton**

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

It is anticipated that new jobs will be created through the undertaking of the works within the Masterplan, but in the long-term it is hoped that new jobs will be created as a result of an enhanced leisure, business, retail and cultural offer in Runcorn town centre.

6.3 **A Healthy Halton**

6.4 **A Safer Halton**

6.5 **Halton's Urban Renewal**

The proposals present a number of Urban Renewal opportunities:

- The creation of a new gateway into Runcorn
- A high quality arrival and destination point, in the town
- The improvement of links to Runcorn Town Centre
- The release of development land and improvement of existing sites.

7.0 RISK ANALYSIS

7.1 The main risk associated with the delivery of the Masterplan relates to the state of the commercial and property market. However, the Masterplan sets out a longer term vision for Runcorn. A realistic market appraisal has informed the proposed development options in the area. Given the phased approach being taken, it is anticipated that this will address this.

7.2 The other major risk is the ability to attract the further investment, from whichever sector, to realise the development. This has been mitigated in part by the production of the Masterplan and the research behind it. It is also hoped that the identification of a development partner will further mitigate this risk.

7.3 The Council's investment in the delinking works is clearly necessary, irrespective of the further development opportunities that are envisaged.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 There are no Equality and Diversity issues highlighted in this report.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF

THE LOCAL GOVERNMENT ACT 1972

Document	**Place of Inspection**	**Contact Officer**
Masterplan Document	5th Floor, Municipal Building	Wesley Rourke

REPORT TO:	Executive Board
DATE:	15 November 2018
REPORTING OFFICER:	Strategic Director, People
SUBJECT:	The funding formula for mainstream schools and high needs for 2019-20
PORTFOLIO:	Children, Education and Social Care
WARDS:	Borough wide

1.0 PURPOSE OF THE REPORT

1.1 This report will outline the proposal for the Dedicated Schools Grant Schools Block Funding Formula for Halton mainstream schools and academies for 2019-20. It will summarise the outcomes of consultation with schools on the funding options for 2019-20. The Board will be asked to consider the proposed options, the response to the consultation and the views of School Forum and agree the most appropriate option for funding Halton schools during the continuing NFF transitional period.

2.0 RECOMMENDATION: That the Board

1) approve the continuation of the National Funding Formula for 2019/2020 with transitional protection; and

2) note the decision to transfer 1.0% from the Schools Block to High Needs Block and the requirement to submit a disapplication request to the Secretary of State for Education.

3.0 SUPPORTING INFORMATION

3.1 From April 2018 the Dedicated Schools Grant was split into four blocks, Schools Block, Central Schools Services Block, High Needs Block and Early Years Block. The Schools Block supports mainstream primary, secondary and academies from reception to year 11. The Central Schools Services Block mainly supports the statutory functions carried out centrally on behalf of the schools and academies. The High Needs Block supports provision and central services for children with Special Educational Needs and Disabilities aged 0-25. The Early Years Block supports provision and central services for children aged 2 to 4 years.

3.2 In July 2017 the Secretary of State confirmed the introduction of the national funding formula from April 2018. The National Funding Formula is used by the DfE to calculate the Schools Block element of the Dedicated Schools Grant allocated to Halton. However, as the full "hard" implementation of the National Funding Formula has been deferred for a year and will now not take place until April 2021, each local authority area, following consultation with its schools and School Forum, must consider which formula to use to fund mainstream schools in 2019-20 and 2020-21.

3.3 After consultation with schools and Schools Forum it was decided to move Halton mainstream schools and academies to the National Funding Formula with transitional protection for 2018-19.

3.4 We are required to now make a decision on the funding formula to be adopted for 2019-20. Once again, for 2019-20 there is an increase in per pupil funding, which is set at a minimum of 1% above the 2017-18 per pupil baseline, known as the Funding Floor. The Minimum Per Pupil funding level, introduced in April 2018 as part of the National Funding Formula is also being increased to £3,500 for primary pupils and £4,800 for secondary pupils. The Minimum Funding Guarantee can still be used if required although local authorities in consultation with School Forum have the flexibility of setting it at between 0% and -1.5%.

3.5 On 10th October 2018 a report highlighting the key changes to the funding of mainstream schools was presented to the Schools Forum. Following the release of indicative budgets from the DfE, a consultation paper was sent out to each school in the borough on 10th September 2018 (see Appendix A). A short presentation on the funding options and the key changes was delivered to both the primary and secondary Head Teachers on 12th September 2018.

3.6 The consultation asked schools two questions for their consideration

(1) Do we continue with the NFF with transitional protection in place for 2019-20, with the same criteria and funding factors as currently in use for 2018-19?
(2) Do you agree to Schools Forum determining the level of the Minimum Funding Guarantee and any capping or scaling at the January Schools Forum meeting?

3.7 Of the 16 responses received, 13 were in favour of continuing with the NFF with transitional protection while 3 schools made a comment only. The majority of schools (15) also said that they supported the proposal that School Forum make a decision on the appropriate level for the Minimum Funding Guarantee at their January meeting.

3.8 The indicative DSG Schools Block allocation released in July gave an increase of £1.25M although this will change once the October 2018 census data has been received by the DfE. The final allocation will be issued in December. The transitional protection applied to the National Funding Formula has reduced the allocation to Halton's mainstream schools by approximately £1.5M.

3.9 In previous years Local Authorities have had the flexibility to move funding between the different funding blocks. From April 2018 the Schools Block is ring-fenced. Local Authorities are allowed to transfer up to 0.5% of the Schools Block allocation to High Needs to ease the budget pressures on High Needs, if this is approved following consultation with schools and academies and receives the approval of School Forum. A transfer in excess of 0.5% is possible but is also subject to approval by the Secretary of State. For 2018-19, schools and Schools Forum agreed to a transfer of 0.5% which equates to £421,594.

3.10 Alongside the consultation on the Schools Block funding formula, we also consulted on a possible transfer from Schools Block to the High Needs Block for 2019-20. A copy of the consultation is attached at Appendix B.

The consultation asked the following:
(1) Do you agree to the transfer of 0.5% of Schools Block funds, to be taken from the Basic Per Pupil funding factor, to the High Needs Block for 2019-20?

17 schools responded – 14 supported this proposal, 3 did not.

(2) Do you agree to the transfer of 1.0% of Schools Block funds, to be taken from the Basic Per Pupil funding factor, to the High Needs Block for 2019-20?

17 schools responded – 10 supported this proposal and 7 did not.

(3) Do you agree to not transfer any funding from the Schools Block to the High Needs Block for 2019-20 on the understanding that all top-up funding levels?

17 schools responded – 2 supported this proposal and 15 did not.

3.11 If approval is given by the Secretary of State to the transfer of 1%, from the Schools Budget to the High Needs budget, on the current estimated budget for 2019/2020 this equates to £854k.

3.12 To try and reduce the costs and ensure more sustainable provision in future years, Independent consultants “Peopletoo” were commissioned to undertake a comprehensive review of Halton SEND making recommendations that identify key strategic opportunities to support the Authority and partners in achieving our ambition to ensure that all children and young people with special educational needs and disabilities (SEND) have access to a range of provision and support across the borough, which meets their educational needs, provides good opportunities for them to progress and is sustainable. “Peopletoo” have now completed the review and will be presenting it to the Local Authority for consideration.

3.13 Challenging behaviour has been identified as a key issue in the borough which has led to increased budget pressures. A dedicated Behaviour Support Team has been now been established with the aim of working with schools to promote positive behaviour, offer training and build the capacity of staff to deal with children with challenging behaviour. In addition, two new 6 place Foundation/ Key Stage 1 Resources Bases for pupils with Social, Emotional and Mental Health have been approved. It is planned that this new provision will commence in September 2019.

3.14 A new Placements Division is being established. The Division will be responsible for the commissioning of high quality children's social care and special educational needs placements, ensuring all placements are robust, improve outcomes and offer the best value for money.

4.0 FINANCIAL IMPLICATIONS

4.1 If pupil numbers and cohort in each school remained the same for 2019-20, every school would see an increase in funding. However, we know that in some schools, pupil numbers are falling. For 2018-19 90.99% of Schools Block funding was allocated through pupil-led factors. Therefore, where pupil numbers are falling schools are likely see a reduction in funding, however the three level of safeguards – Minimum per pupil, Funding floor and Minimum Funding Guarantee will ensure that on a per pupil basis the reduction is no more than 1.5% per pupil.

4.2 The Secretary of State approved a disapplication for the four special schools for 2018/2019. A commitment was given to review the funding formula for the four special schools in 2018/2019.

4.3 Any overspend from 2018/2019 will need to be the first call on the 2019/2020 budget. Although the current estimated overspend for 2018/2019 is £700k by the end of the financial year it is anticipated that the £854k will be totally committed.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 Children & Young People in Halton

It is essential the funding allocated to schools ensures that they are sustainable and have the resources to invest in improving outcomes for all Halton children and young people.

5.2 Employment, Learning & Skills in Halton

None.

5.3 **A Healthy Halton**

None

5.4 **A Safer Halton**

None.

5.5 **Halton's Urban Renewal**

None.

6.0 RISK ANALYSIS

6.1 There is insufficient funding in the High Needs Budget to meet our costs each year and the level of demand continues to increase. The High Needs Review has been considering the changes needed in Halton to ensure that we can continue to appropriately support our children and young people with SEND whilst reducing costs.

6.2 Increased investment in schools through the NFF and promoting and developing increased inclusion in our schools and settings should reduce the need for additional support or specialist placements.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 The aim of the introduction of the national funding formula to create a system that supports opportunity, is fair, efficient, delivers funding straight to schools, transparent, simple and predictable.

7.2 The transfer of 1% of the Schools Budget to the High Needs budget allows us to meet our commitment to support all pupils.

8.0 REASON FOR DECISION

8.1 To ensure that there is a fair distribution of resources across the schools in the borough and that we can meet the needs of children and young people with Special Educational Needs and Disabilities.

9.0 ALTERNATIVE OPTIONS

9.1 Consideration was given to either the transfer of 0.5% from the Schools Budget to the High Needs Budget or no transfer. Both of these options were rejected as they would not provide sufficient funding to address the high needs funding gap.

10.0 IMPLEMENTATION DATE

10.1 1st April 2019.

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

Document	**Place of Inspection**	**Contact Officer**
The national funding formula for schools and high needs (Policy document) July 2018	DFE website	Ann McIntyre – Operational Director – Ann McIntyre – Operational Director-Education, Inclusion and Provision & Operational Director - Resources
Impact of the schools NFF – EFA – August 2018	Ann McIntyre	Ann McIntyre – Operational Director – Education Inclusion and Provision & Operational Director Resources
Schools Block National Funding Formula – Technical note (August 2018) High Needs Funding Operational Guide 2019-20 (September 2018) Central School Services Block National Funding Formula - Technical note - (August 2018) High Needs Funding Formula – Technical note (August 2018) School Revenue Funding 2019-20 – Operational Guide July 2018	DFE Website	Ann McIntyre – Operational Director – Education, Inclusion and Provision & Operational Director Resources

School Forum agenda, papers and minutes	HBC website	Ann McIntyre – Operational Director – Education Inclusion and Provision & Operational Director Resources

Consultation on the Schools Block funding formula for 2019-20

A briefing session will be held on Wednesday 12th September, 4.30pm to 6.00pm in the Karalius Suite, Halton Stadium to try to answer your questions.

Introduction
As you will be aware the Department for Education introduced a National Funding Formula (NFF) for primary and secondary schools from April 2018. It was agreed in Halton to move to the NFF for 2018-19. We now need to consider our position for the 2019-20 financial year. We have the ability to use a different formula to the NFF if we so chose or to continue with the NFF until its full implementation. We have informed that local authorities can continue to set their own local formula up to and including 2020-21.

We are required to consult with all maintained schools and academies within the borough as well as with Schools Forum regarding any proposed changes to the local funding formula including the method, principles and rules adopted. The final decision on the local funding formula for 2019-20 again rests with the local authority. As we are expecting to have no reserves or even a deficit (overspend) due to demands on the High Needs Block from 2018-19 we can only use the grant allocated to us for 2019-20 for the formula.

In the most simplistic form, we are asking schools to let us know what funding formula you want us to use for 2019-20.

- Do we continue with the NFF with the transitional protection for 2019-20
- Do we look to an alternative funding formula moving away from the NFF – albeit for a temporary period until the NFF is fully implemented in a couple of years' time.

* At the time of writing, no further details are known regarding the new Teachers Pay Award Grant which totals £187M for 2018-19 and £300M for 2019-20. How much Halton schools will receive, or the criteria for allocating the new grant is unknown. Therefore we cannot attempt to compare budgets with forecast expenditure.

Comparison to 2018-19
How does 19-20 compare to 18-19? Using the October 2017 census data (used to build your 2018-19 budget) we have added 2.5% to LA Rates figures (as an estimate) and still have £99.2k left from the indicative allocation of Schools Block DSG. This has been added to Basic per pupil at £10.41 for ease of modelling. This increase in Basic per pupil is *after* we have deducted 0.5% from the indicative Schools Block DSG allocation so that we are comparing like for like with the current financial year.

Below are details of Schools Block funding for 2018-19 (before de-delegation) that you have received. We have modelled 19-20 budgets with a 0.5% transfer to High Needs to give you a like-for-like comparison. Please refer to the second consultation paper for information regarding the transfer to High Needs Block.

Individual funding factors explained

Basic per Pupil
This is based on the number of pupils within each school on the October census. There is a primary rate, a Key stage 3 rate and a Key stage 4 rate.

	Current value	Indicative 19-20 value
Primary	£2,689.81	£2,700.22

The primary level cannot be less than £2,000.

Key stage 3	£3,894.28	£3,904.69
Key stage 4	£4,417.40	£4,427.81

The secondary level cannot be less than £3,000.

Deprivation

We must use this factor but can decide which criteria. Under the NFF we are using the current Free School Meals eligibility, Free School Meals Ever 6 eligibility and the Income Deprivation Affecting Children Index (IDACI) which uses pupil's home postcodes. The postcodes are split into seven bands – A to G and we are allowed to fund bands A to F only. FSM is measured against the October census while FSM Ever 6 is measured against the previous January census. These are set by the ESFA and cannot be changed.

		Current value	Indicative 19-20 value
Primary FSM		£346.11	£346.11
Secondary FSM		£439.97	£439.97
Primary FSM6		£494.00	£494.00
Secondary FSM6		£779.00	£779.00
Primary IDACI band	G	not funded	not funded
	F	£180.00	£180.00
	E	£220.00	£220.00
	D	£345.00	£345.00
	C	£380.00	£380.00
	B	£410.00	£410.00
	A	£565.00	£565.00
Secondary IDACI	G	not funded	not funded
	F	£260.00	£260.00
	E	£370.00	£370.00
	D	£505.00	£505.00
	C	£550.00	£550.00
	B	£590.00	£590.00
	A	£800.00	£800.00

Low Prior Attainment

The prior attainment factors act as proxy indicators for low level, high incidence, special educational needs.

Primary – applied for pupils identified as not achieving the expected level of development in the Early Years Foundation Stage Profile. As the EYFSP changed in 2013, from 2019-20 there will be no need for a primary weighting as all primary year groups will represent results under the new framework. In order to keep to the overall Primary LPA funding, local authorities are advised to consider adjusting the unit value. Until the October 2018 census data is received, we will not know what level of adjustment would be required.

Secondary – based on the number of pupils not achieving the expected level at KS2 in one or more of reading, writing or mathematics. The proportion of pupils funded through this factor is a mix of the old and new requirements with weighting applied to the new requirements introduced in 2015-16. For 2019-20 the weightings will be applied by the Education and Skills Funding Agency to Years 7, 8 and 9. We are not allowed to change the weightings applied but can adjust the cash value to keep within the overall Secondary LPA funding. Again, until the October 2018 census data is received, we will not know what level of adjustment would be required.

	Current value	Indicative 19-20 value
Primary	£900.00	£900.00
Secondary	£1,400.00	£1,400.00

English as an Additional Language

For pupils recorded on the October census as having entered state education in England during the last three years and having a mother tongue other than English.

	Current value	Indicative 19-20 value
Primary	£515.00	£515
Secondary	£1,056.09	£1,056.09

Looked After Children

Under the NFF there is no LAC factor as the DfE feel the funding should be through the PP Plus grant. As such, they have transferred funding from DSG to the PP Plus Grant for 2018-19. This is not done on an individual LA basis. The PP Plus grant was increased from £1,900.00 per pupil to £2,300.00 per pupil. As we no longer receive funding for this factor we recommended that this factor was not used for 2018-19. If we were to re-introduce it, we will have to take the funding from another factor. For information, we allocated more than £250k through this factor in 2017-18.

Lump Sum

A lump sum amount payable to each school, paid at a single level under the NFF.

	Current value	Indicative 19-20 value
Primary	£110,000.00	£110,000.00
Secondary	£110,000.00	£110,000.00

Pupil Mobility

This is where a pupil entered a school during the last three academic years, but did not start at the beginning of the Autumn Term (or January for Reception pupils). There is a 10% threshold and funding is only payable where the proportion of pupils entering a school exceeds 10%. Since the introduction of this factor, no schools in Halton have met the criteria to be eligible for funding.

Sparsity

To be eligible for this funding, schools must

a) be located in areas where pupils would have to travel a significant distance to an alternative school should the school close and
b) be a small school.

No schools in Halton meet these criteria.

Split sites

This factor is to support schools have unavoidable extra costs because the school buildings are on separate sites. No schools in Halton qualify for split site funding at the present time.

LA Rates

Local authorities must fund rates at an estimate of the actual cost and can make adjustments to the rates funding during the year, outside of the funding formula. The effect on a school of LA Rates funding is zero as the funding would equate to that year's charge. LA Rates funding is specific to each school so is not listed here. For modelling purposes, we have applied an increase of 2.5% to the 18-19 estimated level of LA Rates.

Private Finance Initiatives

This factor supports schools with unavoidable extra premises costs because they are a PFI school and to cover situations where the PFI 'affordability gap' is delegated and paid back to the local authority. Only one school qualifies for this funding, at £197.82 per pupil for 2018-19. From April 2018 the NFF has applied inflation but there is no indication as yet of the level to be applied for 2019-20.

London Fringe

This is not applicable to Halton.

Exceptional Premises Factor

We are allowed to apply to the ESFA to use exceptional premises factors for joint-use sports facilities. They can only be applied where the value of the factor is more than 1% of a school's budget and applies to fewer than 5% of the schools in the borough. In Halton we have one school funded at £139,000. We can use applications submitted for 2017-18 for 2019-20 if the qualification criteria are still met.

Minimum per pupil funding

The ESFA have set minimum per pupil funding levels for 2019-20 at £3,500 for primary schools and £4,800 for secondary schools with pupils in years 10 and 11.

When we look at any capping or scaling of increases, these cannot take a school below the minimum value set in the local formula.

The minimum per pupil funding is calculated by adding together the pupil-led funding and school-led funding then dividing by the number of pupils. It isn't just the Basic Per Pupil factor.

Per pupil increase (Funding Floor)

The Secretary of State confirmed in July 2017 that the NFF will provide for at least a 1.0% per-pupil increase for each school in 2019-20 through the national funding formula compared to their 2017-18 baseline.

To calculate this we use the 2017-18 baseline per pupil figure (similar to the minimum per pupil funding calculation above) and compare it to the 2019-20 per pupil figure AFTER the minimum per pupil calculation has been applied. If the difference is less than 1.0% then the funding floor is applied to ensure it reaches 1.0%.

Minimum Funding Guarantee (MFG) / Gains cap

The MFG has been applied since the introduction of the revised funding formula in 2013-14 and has been set at minus 1.5% for the past few years. It is to ensure that a school's budget cannot fall by more than 1.5% for anything other than a reduction in pupil numbers. For 2019-20 local authorities have the flexibility to set their MFG between plus 0.5% and minus 1.5%.

We have also been allowed to set capping or scaling of increases to ensure the affordability of such. The total of any capping or scaling cannot exceed the total MFG. A cap sets a maximum on the amount of any increase a school can receive while a scale reduces all increases by the same percentage. The gains cap has been increased by the ESFA so that schools can attract gains of up to 6.09% against their 2017-18 baseline. The minimum per pupil levels are not subject to a gains cap.

In recent years we have had to apply capping and scaling to ensure school budgets equal the funding available. To merely reduce the value of a funding factor in the hope of reducing the overall budget total doesn't work due to the impact of the MFG.

For 2019-20 it is impossible to say at this point in time what level of MFG, capping or scaling will give the best fit for school budgets within the funding we are given. We will not know what level will be required until we get the October census and updated allocation in December. As such, given the timescales we must work to and the Christmas break we are asking once again that schools agree that Schools Forum be allowed to agree these levels at the January meeting, when we will have indicative budgets calculated for all primary and secondary schools.

What happens next?

The deadline for this consultation is **Friday 21st September 2018.**

We can collate and analyse responses week commencing 24th September and write the report for Schools Forum by the deadline of Friday 28th September.

Schools Forum will then consider their responses at the meeting on Wednesday 10th October.

The funding formula decision needs to be made at Executive Board in November 2018 so that if we need to submit a disapplication request we can do so by the deadline of 30th November 2018

Timescales
Mid-December will see the release of the October census data and the Schools Block allocation (usually one week before Christmas).

Formula calculations completed for Schools Forum on 16th January 2019

Submission of Halton's funding formula for 2019-20 to the ESFA by 21st January 2019

The funding formula will be reviewed and checked by the ESFA to ensure compliance with the regulations and we will be notified by 28th February 2019 if it is accepted.

We are required to notify maintained primary and secondary schools of their Schools Block allocations by 28th February 2019.

The ESFA will notify academies of their allocations during February and March 2019.

Questions

1. *Do we continue with the NFF with transitional protection in place for 2019-20, with the same criteria and funding factors as currently in use for 2018-19?*

   Yes / No

   If No, please suggest alternative formula:

   ____
   ____
   ____
   ____

2. *Do you agree to Schools Forum determining the level of the Minimum Funding Guarantee and any capping or scaling at the January meeting?*

   Yes / No

   If No, please give reason:

   ____
   ____
   ____
   ____

Deadline for responses:
Please respond to Anne.Jones@halton.gov.uk no later than **5.00pm on Friday 21st September 2018** to ensure your feedback can be included in the report to Schools Forum and Executive Board in November.

School Name	18-19 Post MFG Budget	19-20 Post MFG Budget	variance to 2018-19
	0.5% transfer to high needs		
All Saints Upton Primary School	£ 892,634.24	£ 895,058.00	£ 2,423.77
Astmoor Primary School	£ 728,816.70	£ 730,560.10	£ 1,743.39
Beechwood Primary School	£ 605,020.31	£ 606,781.71	£ 1,761.40
Bridgewater Park Primary School	£ 574,298.38	£ 594,911.47	£ 20,613.09
Brookvale Primary School	£ 1,164,253.06	£ 1,167,393.95	£ 3,140.89
Castle View Primary School	£ 648,310.52	£ 650,041.38	£ 1,730.85
Daresbury Primary School	£ 526,996.17	£ 529,543.21	£ 2,547.04
Ditton Primary School	£ 1,667,579.28	£ 1,672,728.49	£ 5,149.21
Fairfield Primary School	£ 2,147,469.89	£ 2,154,197.94	£ 6,728.05
Farnworth Primary School	£ 1,376,100.00	£ 1,459,500.00	£ 83,400.00
Gorsewood Primary School	£ 877,849.21	£ 880,173.92	£ 2,324.71
Hale Primary School	£ 640,115.06	£ 641,801.45	£ 1,686.39
Halebank Primary School	£ 473,418.89	£ 483,935.92	£ 10,517.04
Hallwood Park Primary School and Nursery	£ 661,740.13	£ 663,297.53	£ 1,557.41
Halton Lodge Primary School	£ 926,497.51	£ 929,244.81	£ 2,747.30
Hillview Primary School	£ 740,469.86	£ 742,811.18	£ 2,341.32
Lunts Heath Primary School	£ 1,234,087.25	£ 1,281,000.00	£ 46,912.75
Moore Primary School	£ 736,648.56	£ 739,052.04	£ 2,403.48
Moorfield Primary School	£ 989,455.02	£ 992,607.27	£ 3,152.25
Murdishaw West Community Primary School	£ 796,447.87	£ 798,665.09	£ 2,217.22
Oakfield Community Primary School	£ 1,236,624.15	£ 1,239,914.67	£ 3,290.52
Our Lady Mother of the Saviour Primary School	£ 819,603.01	£ 821,629.41	£ 2,026.41
Our Lady of Perpetual Succour Primary School	£ 818,963.29	£ 821,162.70	£ 2,199.42
Palace Fields Primary Academy	£ 871,845.11	£ 873,976.90	£ 2,131.78
Pewithall Primary School	£ 789,397.43	£ 791,816.81	£ 2,419.38
Runcorn All Saints Primary School	£ 477,780.00	£ 478,785.80	£ 1,005.81
Simms Cross Primary School	£ 1,197,135.85	£ 1,200,157.40	£ 3,021.54
Spinney Avenue Primary School	£ 809,983.68	£ 812,139.09	£ 2,155.41
St Augustine's Primary School	£ 461,871.13	£ 471,347.48	£ 9,476.35
St Basil's Primary School	£ 1,467,621.30	£ 1,471,591.94	£ 3,970.64
St Bede's Infant School	£ 894,620.01	£ 915,684.29	£ 21,064.28
St Bede's Junior School	£ 1,159,445.63	£ 1,162,688.86	£ 3,243.23
St Berteline's Primary School	£ 1,074,025.73	£ 1,077,204.14	£ 3,178.41
St Clement's Primary School	£ 771,473.70	£ 773,643.48	£ 2,169.78
St Edward's Primary School	£ 570,643.93	£ 572,023.53	£ 1,379.60
St Gerard's Primary School	£ 900,203.61	£ 902,293.88	£ 2,090.28
St John Fisher Primary School	£ 798,583.58	£ 800,828.01	£ 2,244.44
St Martin's Primary School	£ 882,066.76	£ 884,258.31	£ 2,191.55
St Mary's Primary School	£ 890,664.63	£ 893,079.84	£ 2,415.20
St Michaels Primary School	£ 962,457.85	£ 964,977.70	£ 2,519.85
The Brow Community Primary School	£ 811,247.98	£ 813,555.32	£ 2,307.34
The Holy Spirit Primary School	£ 544,859.52	£ 546,080.43	£ 1,220.91
Victoria Road Primary School	£ 909,553.69	£ 912,094.56	£ 2,540.87
Westfield Primary School	£ 665,516.43	£ 667,316.67	£ 1,800.24
Weston Point Community Primary School	£ 744,856.57	£ 746,748.47	£ 1,891.89
Weston Primary School	£ 786,504.10	£ 804,986.05	£ 18,481.95
Widnes Academy	£ 656,014.00	£ 671,074.80	£ 15,060.80
Windmill Hill Primary School	£ 726,009.36	£ 727,812.93	£ 1,803.57
Woodside Primary School	£ 831,285.22	£ 833,335.46	£ 2,050.24

School Name	18-19 Post MFG Budget	19-20 Post MFG Budget	variance to 2018-19
	0.5% transfer to high needs		
Ormiston Bolingbroke Academy	£ 4,926,964.80	£ 4,988,672.07	£ 61,707.27
Ormiston Chadwick Academy	£ 3,919,710.99	£ 4,035,035.08	£ 115,324.09
Saints Peter and Paul College	£ 7,033,547.91	£ 7,216,616.89	£ 183,068.98
Sandymoor	£ 2,114,751.13	£ 2,182,233.18	£ 67,482.05
St Chads High School	£ 4,122,404.27	£ 4,223,396.34	£ 100,992.08
The Grange School	£ 5,205,620.21	£ 5,217,733.54	£ 12,113.32
The Heath School	£ 5,586,687.07	£ 5,743,421.00	£ 156,733.94
Wade Deacon High School	£ 7,913,400.13	£ 8,135,635.17	£ 222,235.04
Total	£ 83,762,151.65	£ 85,008,257.65	£ 1,246,106.01

Proposal to transfer funds from Schools Block to High Needs Block for 2019-20

Background

From the introduction of the notional DSG funding blocks in April 2013 up to the end of 2017-18, local authorities have been allowed to move funds freely between the blocks with the approval of their local Schools Forum. From 2018 we were required to consult with schools and Schools Forum if we wished to move funds from the Schools Block to any other block. The main movement of DSG has been from Schools Block, which is the main source of funding for Primary and Secondary schools, to the High Needs block. As you will recall, we asked for a transfer of 0.5% or £421,594 for the current financial year to help us cover the expected overspend on the High Needs Block, which was over £2M.

The High Needs Block supports provision for children and young people with special educational needs and disabilities (SEND) from their early years to age 25. High Needs funding is also intended to support alternative provision for pre-16 pupils who cannot receive education in schools.

The situation over the past few years is:

	2015-16	2016-17	2017-18	18-19 forecast
Central HN spend	£6,459,666	£6,240,520	£6,836,754	£7,632,203
School budgets	£9,930,166	£9,403,710	£9,960,907	£8,425,098
Total expenditure	£16,389,832	£15,644,230	£16,797,661	£16,057,301
HN funding received	£13,268,052	£13,235,000	£14,055,751	£14,409,410*
Overspend	**£3,121,780**	**£2,409,230**	**£2,741,910**	**£1,647,891^**
% overspend	**23.5%**	**18.2%**	**19.5%**	**11.4%**

*Includes the 0.5% transfer from Schools Block.

How have we funded this overspend in previous years – at the start of each year we have an estimate of what the overspend on High Needs will be, we used to move money from the Schools Block accordingly. At the end of the year, the additional overspend has been met from reserves.

Schools Block funding (excluding central schools services block)

	2015-16	2016-17	2017-18	18-19 indicative
Grant allocation	£83,284,930	£81,826,997	£82,321,802	£84,318,746
To schools/academies	£81,096,572	£80,942,662	£81,819,524	£83,897,152
Difference	£2,188,358	£884,335	£502,278	£421,594

It should also be remembered that the Schools Block has been needed to cover expected overspends in the Early Years block although this has now stopped and the Early Years block grant is covering the Early Years spend each year.

With the introduction of the National Funding Formula from April 2018 there are new regulations restricting the movement of funding from the Schools Block. We are allowed to move up to 0.5% of the Schools Block funding to the High Needs Block following consultation with schools and the approval of Schools Forum. If we wish to move more than 0.5% we must also then get approval from the Secretary of State.

For 2019-20 based on the indicative Schools Block allocation of £85,435,458, the 0.5% figure that can be approved by Schools Forum is £427,177. It should be noted that we are required to consult and get approval on any transfer from the Schools Block each year, and such consultation and approval covers just one year. Therefore, for 2019-20 a 0.5% transfer would be just £427,177, not £427,177 on top of the £421,594 approved for 2018-19.

Even after the movement of 0.5% of Schools Block funding for 2018-19, we are forecasting the High Needs block to have a funding shortfall of £1.65m this year. We are looking at further options to reduce the funding gap during 2018-19 and for 2019-20.

Budget Pressures

The numbers of pupils who receive funding from the High Needs Block has increased by 4.5% from 1,030 in 2015-16 to 1,076 in 2017-18. So far in 2018-19 we are funding 998 pupils from the High Needs Block and we know that number will increase during the autumn and Spring Terms. We have put in place a number of measures, some that have had a full year impact for 2018-19, some that are only having a part-year impact this year. The SEND review being carried out by Peopletoo is almost complete and it is hoped this will help to identify where further efficiencies.

Due to the continuing increase in pupil numbers and their complexity of needs, the cost of supporting those needs has increased. In the detail below, the total pupil numbers is the total of individual pupils who have at any time during the year been receiving the particular type of provision. Therefore the number of individuals can be higher than the number of places due to pupils coming into places and pupils leaving. Below are key areas of High Needs expenditure:

Special Schools including Special Academies in Halton

	2015-16	2016-17	2017-18	2018-19 to date
Total pupil numbers	343	359	332	377
Total cost	£5,579,254	£5,318,730	£5,678,618	£5,829,469
Average top-up per pupil	£10,347.68	£9,160.81	£10,359.79	£9,019.41

Special schools are funded at £10,000 per commissioned place plus top-up funding which is pupil specific. While pupil numbers have increased, we reviewed the funding level criteria during 2015-16 with the special school Head Teachers and introduced a process whereby for a pupil to be funded at anything other than the lowest level of top-up, evidence of need has to be submitted to the SEN Team to be considered against the funding criteria. Demand for higher levels of funding increased in 2017/2018. For 2018-19 we submitted a disapplication request of the Minimum Funding Guarantee to allow a decrease in the region of 5% of the top-up funding levels. The Special Schools worked collectively to identify the level of reduction that is financially sustainable.

Independent and Non-Maintained Special Schools

	2015-16	2016-17	2017-18	2018-19 to date
Total pupil numbers	81	87	78	76
Total cost	£2,444,335	£2,687,275	£2,871,532	£3,004,844
Average cost per pupil	£30,176.98	£30,888.22	£36,814.51	£39,537.42

Requests for placements in INMSS are scrutinised before the provision begins to check if there is any available alternatives to an INMSS. The type of provision and the costs of different INMSS is explored with a view to finding the most cost efficient appropriate provision which can meet the needs of the pupils. The use of an INMSS is the last resort as one placement for a full year can cost up to £80,000. Where a placement is made jointly with health and social care, we always identify and separate the health and social care elements so only the education element is charged to the High Needs Block. However, the INMSS providers in the North West region are aware that there is more demand than places so Halton is putting in place plans to enter into negotiations with providers. In Halton we are recruiting a Commissioning Manager to negotiate with providers on rates to ensure that places are value for money, quality assured and offer improved outcomes for children and young people.

Top-up support in Mainstream schools

	2015-16	2016-17	2017-18	2018-19 to date
Total pupil numbers	396	373	430	313
Total cost	£1,950,497	£1,843,016	£1,721,912	£1,155,745
Average cost per pupil	£4,925.50	£4,941.06	£4,004.45	£3,692.48

Top-up funding is provided to schools for named pupils who require additional support and is approved following submission of evidence to panel. The funding can be through an EHCP or in certain circumstances schools can access Discretionary Top-up for pupils with SEND. All primary and secondary maintained schools and academies are required to fund the first £6,000 of costs for each child with SEND.

Resource Bases

	2015-16	2016-17	2017-18	2018-19 to date
Total pupil numbers	117	126	124	136
Number of fte places	130	124	118	118
Total cost	£1,615,405	£1,343,018	£1,483,397	£1,159,637
Average top-up per pupil	£2,695.77	£2,404.90	£3,898.36	£2,957.23

The Education Funding Agency has changed the way in which resource bases are funded from April 2018. Filled places are now funded at £6,000 per place and the pupil is also counted towards the Schools Block funding formula (previously they were excluded). Empty places continue to be funded at £10,000 per place.

PRU

	2015-16	2016-17	2017-18	2018-19 forecast
Total pupil numbers	62	75	81	60 (estimate)
Number of places	60	60	60	60
Total cost	£1,284,823	£1,346,346	£1,489,146	£1,500,000
Average top-up per pupil	£11,851.98	£9,951.28	£10,977.11	£15,000.00

The PRU is funded at £10,000 per commissioned place plus top-up funding which is pupil specific. For 2018-19 agreement has been reached to fund top-up at £15,000 per pupil.

The regulations require local authorities to recover funding from schools and academies who permanently exclude pupils, and this includes all pupil-led funding factors within the funding formula plus the Pupil Premium Grant for which the pupil may be eligible.

Inter Authority Recoupment Expenditure

	2015-16	2016-17	2017-18	2018-19 to date
Total pupil numbers	31	34	31	36
Total cost	£238,481.64	£294,935.11	£224,094.00	£341,192
Average cost per pupil	£7,692.96	£8,674.56	£7,228.84	£9,477.56

The costs of inter authority High Needs placements have increased considerably as the number of children needing such placements have increased. We are not required to pay the per place funding as the places should have been commissioned by the relevant local authority. Therefore we only have to pay the top-up amounts. However, where schools have taken in pupils over the number of commissioned places, we must negotiate with the provider to decide on whether a per-place payment (and the amount) should be made.

Central DSG funded posts

	2015-16	2016-17	2017-18	2018-19
Number of posts	17.5 fte	17.0 fte	20.4 fte	18.4 fte
Total cost	£897,196	£898,563	£1,096,540	£1,344,799

The FTE numbers above take into consideration a number of staffing changes over the years including; the closure of the Hearing Impaired Resource Bases at Wade Deacon High and Westfield Primary School and the employment of centrally based peripatetic teaching and non-teaching support to meet the needs of pupils in Halton with HI, staff re-organisations and efficiencies.

The way forward:

- Independent consultants “Peopletoo” have been commissioned to undertake a comprehensive review of Halton SEND making recommendations that identify key strategic opportunities to support the Authority and partners in achieving our ambition to ensure that all children and young people with special educational needs and disabilities (SEND) have access to a range of provision and support across the borough, which meets their educational needs, provides good opportunities for them to progress and is sustainable. “Peopletoo” will complete the review by the end of September and present it to the Local Authority for consideration.

- Social Emotional and Mental Health has been identified by the Education Strategic Partnership as the key priority for the Borough. A local definition and action plan aimed at addressing SEMH has been developed by a multi-agency SEMH Task and Finish group.

- Recruitment has now been completed for a new Behaviour Support Team. The team will be in place after October half term and will aim to work with schools to promote positive behaviour, offering training and building the capacity of staff to deal with children with challenging behaviour.

- Subject to Executive Board approval on 20th September 2018, it is planned that two new Foundation/Key Stage 1 SEMH Resource Bases are developed. One base will be located at Beechwood, the second at Halton Lodge.

- Recruitment is underway for a new Placements Division. The Division will be responsible for the commissioning of high quality children’s social care and special educational needs placements, ensuring all placements are robust, improve outcomes and offer the best value for money.

Approval by School Forum to permit 0.5% of the schools budget to supplement the costs of the High Needs Budget will still leave an estimated gap of £1.2 million. This funding can only be found by reducing the expenditure across High Needs from April 2019. It is proposed that this gap in funding is found by the following:

- Promoting greater inclusion in all mainstream schools;
- Reducing the number of children and young people placed out of borough;
- Negotiated better rates for children and young people placed out of borough;
- Making full use of specialist provision available in our schools;
- Review the budgets for all specialist provision including special schools, resource bases and the PRU.
- Review of High Needs Central Costs

<u>What are we asking for:</u>

We are allowed to consult with schools and ask Schools Forum for approval to move up to 0.5% of Schools Block funding to the High Needs Block as previously mentioned. To move 0.5% - £427,177 – using the October 2017 census data and applying the funding floor protection (which wasn't in place for 2018-19) would leave just under £100,000 of the indicative Schools Block grant to be allocated to schools on top of the 2018-19 budget. This is due to the additional 0.5% increase to the Schools Block allocation to Halton.

We can only take the funding from the Basic per Pupil factor, as per the guidance. The actual cash value for 2019-20 will only be known once the census data for October 2018 is received along with the December update of our funding allocation.

Given that we are expecting to end 2018-19 with a deficit in the region of £1.65M based on current information, we also wish to consider a transfer of 1% of Schools Block funding to the High Needs Block. This can only be done after consultation with schools and Schools Forum then submitting an application to the Secretary of State for approval. A reduction of 1% currently equates to £854,334.

However, we understand that by doing this we are taking funding from all schools to support those who receive High Needs top-up funding and centrally funding High Needs services.

Therefore we are including another option, of not asking for a transfer of funding from Schools Block to High Needs block. This means schools MUST accept that by doing this we will have to make even further reductions to the funding we use to support pupils in schools with high needs. We cannot recommend this option as we feel it will seriously impact on the provision for SEND pupils and cause increasing costs in the coming years, which is the opposite to what we are trying to achieve.

<u>Consultation Questions:</u>

Do you agree to the transfer of 0.5% of Schools Block funds, to be taken from the Basic Per Pupil funding factor, to the High Needs Block for 2018-19?

Yes / No

Do you agree to the transfer of 1.0% of Schools Block funds, to be taken from the Basic Per Pupil funding factor, to the High Needs Block for 2018-19?

Yes/No

Do you agree to not transfer any funding from the Schools Block to the High Needs Block for 2018-19 on the understanding that all top-up funding levels would have to be reduced to keep the High Needs Block within budget?

Yes / No

<u>Deadline for responses:</u>

Please respond to Anne.Jones@halton.gov.uk no later than 5.00pm on Friday 21st September 2018 to ensure your feedback can be included in the report to Schools Forum in October.

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