HALTON BOROUGH COUNCIL

Municipal Building,
Kingsway,
Widnes.
WA8 7QF

23 February 2021

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

You are hereby summoned to attend an Ordinary Meeting of the Halton Borough Council to be held remotely on Wednesday, 3 March 2021 commencing at 6.30 p.m. for the purpose of considering and passing such resolution(s) as may be deemed necessary or desirable in respect of the matters mentioned in the Agenda.

David W R

Chief Executive

-AGENDA-

RECOMMENDATION: That Council be recommended to:

1) adopt the resolution set out in Appendix A, which includes setting the budget at £111.446m, the Council Tax requirement of £54.509m (before Parish, Police, Fire and LCR Combined Authority precepts) and the Band D Council Tax for Halton of £1,549.34; and

2) approve the revenue budget proposals for 2021/22 set out in Appendix B and capital programme set out in Appendix F.

c)	Capital Strategy 2021/22 (Minute EXB74 refers)	**43 - 58**

Executive Board considered the attached report.

RECOMMENDATION: That Council be recommended to approve the 2021/22 Capital Strategy.

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d)	Treasury Management Strategy Statement (Minute EXB75 refers)	**59 - 82**

Executive Board considered the attached report.

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

e)	Calendar of Meetings 2021-22 (Minute EXB78 refers)	**83 - 86**

Executive Board considered the attached report.

RECOMMENDATION: That Council approve the Calendar of Meetings for the 2021/22 Municipal Year, as appended to the report.

f)	Pay Policy Statement	**87 - 94**

RECOMMENDED: That Council adopts this Pay Policy Statement for the Financial Year 2021/22

11.	**MINUTES OF THE POLICY AND PERFORMANCE BOARDS AND THE BUSINESS EFFICIENCY BOARD**	**SEE MINUTE BOOK**

a) Children, Young People and Families

b) Employment, Learning, Skills and Community

c) Health

d) Safer

e) Environment and Urban Renewal

f) Corporate Services

g) Business Efficiency Board

12. COMMITTEE MINUTES — **SEE MINUTE BOOK**

a) Development Control

b) Regulatory

Agenda Item 6

REPORT TO:	Council
DATE:	3 March 2021
REPORTING OFFICER:	Chief Executive
PORTFOLIO:	Leader
SUBJECT:	Urgent Decisions
WARDS:	Borough Wide

1.0 PURPOSE OF THE REPORT

1.1 To bring to the attention of Council urgent decisions taken since the last meeting of Council.

2.0 RECOMMENDATION:

2.1 That the report is noted.

3.0 SUPPORTING INFORMATION

3.1 The Council's Constitution gives authority to the Chief Executive to take urgent decisions which are required before the next formal meeting of Executive Board/Council.

These must be made in consultation with the Leader of the Council where practicable, and with the Operational Director – Finance and/or Operational Director – Legal and Democratic Services where necessary. They must also be reported for information to the next practically available meeting of the Board.

3.2 The absence of meetings of full Council during the COVID-19 crisis has meant that a number of urgent decisions have been necessary. More information on each can be found on the Council's website here:

http://councillors.halton.gov.uk/mgDelegatedDecisions.aspx?bcr=1

3.3 The urgent decisions taken since the last meeting of Council:

Date Decision taken	Decision details
2 September 2020	Cronton College - to approve proposed demolition, refurbishment and extension to two areas to provide two 24 classrooms, one tutorial room, 3 staff rooms, general store, male and female changing facilities, student WC's, staff WC and shower room, remodelled circulation spaces including new stairs and lifts and enhancements to external elevations including replacement of windows and doors.

24 September 2020	HBC Field Disposal – authority given to sell 7.4 acres to CDP in addition to the 27.4 acres already approved by Executive Board on 12 December 2019.
8 October 2020	Kick Start Intermediary - to enable the Council to apply for Intermediary Status to deliver the Government's Kick Start Programme.
9 October 2020	Covid-19 Self-Isolation Grant Payments - to approve the eligibility criteria to be used by the Council for assessing applications from residents for Covid-19 Self Isolation grant payments.
9 October 2020	Essential server replacement – for the provision of Microsoft Teams and Office 365 through the Halton Cloud Services Platform.
14 October 2020	To enable the Council to administer Halton's element of the Liverpool City Region Leisure and Hospitality Business Support Programme '*No Reservations*'.
11 November 2020	Liverpool City Region Leisure and Hospitality Business Support Programme 'No Reservations' – support to taxi drivers.
1 December 2020	Approval of WONDE – the School Meal Voucher Scheme

4.0 POLICY IMPLICATIONS

4.1 There are none other than the constitutional requirement to report urgent decisions for information.

5.0 OTHER IMPLICATIONS

5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S 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 The report is for information, and there are no risk issues arising from it.

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 No background papers were used in the preparation of this report. Further information on the decisions taken is available from the link in Paragraph 3.2.

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Agenda Item 10a

REPORT TO:	Council
DATE:	03 March 2021
REPORTING OFFICER:	Operational Director – Finance
PORTFOLIO:	Resources
SUBJECT:	2020/21 Revised Capital Programme
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

1.1 To seek approval to a number of revisions to the Council's 2020/21 capital programme.

2.0 RECOMMENDED: That;

(i) The revisions to the Council's 2020/21 capital programme set out in paragraph 3.2 below, be approved;

3.0 SUPPORTING INFORMATION

3.1 On 19 November 2020 and 25 February 2021 Executive Board received a report of spending against the Council's revenue budget and capital programme as at the end of September and December 2020. A number of revisions to the 2020/21 capital programme were recommended for approval by Council as outlined below.

3.2 It is proposed to revise the Council's 2020/21 capital programme, to reflect a number of changes in spending profiles and funding as schemes have developed. These are reflected in the revised capital programme presented in Appendix 1. The schemes which have been revised within the programme are as follows:

1. Kingsway House Moves
2. Murdishaw Redevelopment
3. Peelhouse Lane Cemetery
4. Widnes Market Refurbishment
5. Broseley House
6. Equality Act Improvement works
7. Kingsway Learning Centre
8. Halton Lea TCF
9. Property Improvements
10. Mersey Gateway – Handback Land
11. Mersey Gateway Land Acquisition
12. Mersey Gateway Development Costs

13. Fleet Replacements
14. Street Lighting - Structural Maintenance & Upgrades
15. Windmill Hill Flood Risk Management
16. Orchard House
17. RSL Adaptations (Joint Funding)
18. Carehome Refurbishment
19. Capital Repairs
20. Basic Need Projects
21. Fairfield Primary School
22. Small Capital Works
23. Chesnut Lodge
24. Woodside Primary
25. Brookfields @ The Grange
26. New Leisure Centre
27. Foundry Lane Residential Area
28. Runcorn Town Centre Development
29. Integrated Transport & Network Management
30. Lilycross
31. Disabled Facilities Grant
32. SEND Capital Allocation

3.3 Capital spending at 31st December 2020 totalled £21.3m, which is 98% of the planned spending of £21.7m at this stage. This represents 54.9% of the total Capital Programme of £38.9m (which assumes a 20% slippage between years).

4.0 POLICY AND OTHER IMPLICATIONS

4.1 None.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

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

6.0 RISK ANALYSIS

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

6.2 In preparing the 2020/21 budget and capital programme, a register of significant financial risks was prepared which has been updated as at 31 December 2020.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None.

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

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

APPENDIX 1

Capital Programme as at 31 December 2020

Directorate/Department	Actual Expenditure to Date £'000	2020/21 Cumulative Capital Allocation Quarter 3 £'000	2020/21 Cumulative Capital Allocation Quarter 4 £'000	Capital Allocation 2021/22 £'000	Capital Allocation 2022/23 £'000
<u>Enterprise Community & Resources Directorate</u>					
Community and Environment					
Stadium Minor Works	28	50	69	30	30
Kingsway House moves	17	13	13	0	0
Brookvale Pitch Refurbishment	0	0	488	12	0
New Leisure Centre	1,031	1,031	1,986	10,000	8,000
Open Spaces Schemes	302	310	542	0	0
Children's Playground Equipment	22	22	120	65	65
Upton Improvements	0	0	13	0	0
Crow Wood Park	21	21	91	20	0
Peelhouse Lane Cemetery	368	389	389	0	0
Victoria Park Glass House	21	21	25	0	0
Sandymoor Playing Fields	0	0	3	0	0
Widnes & Runcorn Cemeteries	0	3	3	0	0
Landfill Tax Credit Schemes	0	0	10	340	340
Runcorn Town Park	22	22	246	330	280
Bowling Greens	4	4	5	0	0
Litter Bins	26	20	20	20	20
Directorate/Department	Actual	Cumulative	Cumulative		

	Expenditure to Date £'000	Capital Allocation Quarter 3 £'000	Capital Allocation Quarter 4 £'000	Capital Allocation 2021/22 £'000	Capital Allocation 2022/23 £'000
ICT & Support Services					
ICT Rolling Programme	33	33	700	700	700
Economy, Enterprise & Property					
3MG	30	30	72	167	0
SciTech Daresbury – Project Violet	2,180	2,180	6,389	0	0
The Croft	31	30	30	0	0
Murdishaw redevelopment	0	0	0	38	0
Advertising Screen at The Hive	0	0	0	100	0
Widnes Market Refurbishment	102	102	290	3	0
Broseley House	27	27	35	388	15
Solar Farm	754	754	766	0	0
Equality Act Improvement Works	68	68	93	380	300
Foundary Lane Residential Area	132	132	150	1,682	0
Kingsway Learning Centre – improved facilities	404	404	499	0	0
Kingsway Learning Centre – equipment	42	42	281	0	0
Halton Lea TCF	13	13	371	550	0
Runcorn Town Centre Development	42	42	750	0	0
Property Improvements	96	96	200	200	200
Mersey Gateway					
Land Acquisitions	237	230	1,738	0	0
Development Costs	75	75	100	0	0
Additional signage	48	48	48	0	0
Mersey Gateway handback land	104	100	100	0	0
Directorate/Department	Actual	Cumulative	Cumulative		

	Expenditure to Date £'000	Capital Allocation Quarter 3 £'000	Capital Allocation Quarter 4 £'000	Capital Allocation 2021/22 £'000	Capital Allocation 2022/23 £'000
Other					
Risk Management	68	68	355	120	120
Fleet Replacements	312	312	1,086	3,043	2,590
Policy, Planning & Transportation					
Bridge & Highway Maintenance	1,339	1,339	4,810	0	0
Integrated Transport & Network Management	269	269	1,169	0	0
Street Lighting – Structural Maintenance & Upgrades	175	175	1,484	2,200	200
STEPS Programme	159	0	0	0	0
SJB - Major Maintenance	320	320	641	0	0
Silver Jubilee Bridge Decoupling	6,778	6,778	10,247	0	0
SJB Deck Reconfiguration	502	453	453	0	0
SJB Decorative Lighting	7	7	500	0	0
Widnes Loops	1,474	1,474	4,258	0	0
KRN – Earle Road Gyratory	0	0	233	0	0
SUD Green Cycle / Walk Corridors	447	447	469	267	0
Windmill Hill Flood Risk Management	54	54	218	68	0
Total Enterprise Community & Resources	**18,184**	**18,008**	**42,558**	**20,723**	**12,860**
People Directorate					
Adult Social Care					
ALD Bungalows	0	0	0	199	0
Purchase of 2 adapted properties	9	10	369	0	0
Orchard House	156	160	200	0	0
Lilycross	955	960	1,026	0	0
Directorate/Department	Actual Expenditure to	Cumulative Capital Allocation	Cumulative Capital Allocation	Capital Allocation	Capital Allocation

	Date £'000	Quarter 3 £'000	Quarter 4 £'000	2021/22 £'000	2022/23 £'000
Complex Pool					
Disabled Facilities Grant	425	430	570	600	600
Stairlifts (Adaptations Initiative)	123	200	270	270	270
RSL Adaptations (Joint Funding)	85	140	185	270	270
Carehome refurbishment	66	100	516	1,000	0
St Luke's Care Home	0	0	265	0	0
St Patrick's Care Home	2	10	55	0	0
Oak Meadow redesign	9	15	20	0	0
Madeline McKenna Care Home	8	8	10	0	0
Schools Related					
Asset Management Data	22	20	28	25	0
Capital Repairs	652	899	1,305	793	0
Asbestos Management	7	20	40	12	0
Schools Access Initiative	1	35	63	50	0
Basic Need Projects	0	0	315	0	0
Ashley School	243	250	263	6	0
Fairfield Primary School	10	15	17	0	0
Kitchen Gas Safety	11	14	31	0	0
Small Capital Works	30	75	125	0	0
SEND capital allocation	22	30	50	233	0
Healthy Pupils Capital Fund	2	2	2	0	0
Chesnut Lodge	174	174	174	4	0
Woodside Primary	129	130	130	3	0
Brookfields @ The Grange	9	9	9	0	0
Unallocated School Condition Grant	0	0	0	395	0
Total People Directorate	**3,150**	**3,706**	**6,038**	**3,860**	**1,140**
Directorate/Department	Actual Expenditure to Date	Cumulative Capital Allocation Quarter 3	Cumulative Capital Allocation Quarter 4	Capital Allocation 2021/22	Capital Allocation 2022/23

	£'000	£'000	£'000	£'000	£'000
TOTAL CAPITAL PROGRAMME	**21,334**	**21,714**	**48,596**	**24,583**	**14,000**
Slippage (20%)			-9,719	-4,917	-2,800
				9,719	4,917
TOTAL	**21,334**	**21,714**	**38,877**	**29,385**	**16,117**

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Agenda Item 10b

REPORT TO:	Executive Board
DATE:	25 February 2021
REPORTING OFFICER:	Operational Director – Finance
SUBJECT:	Budget 2021/22
PORTFOLIO:	Resources
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

1.1 To recommend to Council the revenue budget, capital programme and council tax for 2021/22.

2.0 RECOMMENDATION: That;

(i) Council be recommended to adopt the resolution set out in Appendix A, which includes setting the budget at £111.446m, the Council Tax requirement of £54.509m (before Parish, Police, Fire and LCR Combined Authority precepts) and the Band D Council Tax for Halton of £1,549.34;

(ii) Council be recommended to approve the revenue budget proposals for 2021/22 set out in Appendix B and capital programme set out in Appendix F.

3.0 SUPPORTING INFORMATION

Medium Term Financial Strategy

3.1 The Executive Board approved the Medium Term Financial Strategy (MTFS) at its meeting on 19 November 2020. In summary, funding gaps of around £15.2m in 2021/22, £3.9m in 2022/23 and £3.0m in 2023/24 were identified. The Strategy had the following objectives:

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

Budget Consultation

3.2 The Council uses various consultation methods to listen to the views of the public and Members' own experience through their ward work is an important part of that process.

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

Review of the 2020/21 Budget

3.4 The Executive Board receives regular reports summarising spending in the current year against the budget. The latest report indicates that spending may be over budget in the current year by approximately £1.2m against a net budget of £115.8m. The Council has worked hard to reduce the cost of day to day operational activities and the forecast for the current year shows that net expenditure on these costs will be below budget by approximately £1.0m. Over the past year children's social care demand has continued to grow and has shown a continued increase in costs, but generally other service costs have been well managed and a forecast overspend at the start of the year has been reduced to bring net costs in line with budget.

3.5 The greatest impact on the budget has been the Covid pandemic. Whilst Government have provided general un-ringfenced funding of £12.8m together with other funding for specific tasks and compensation for lost income this has proven to be insufficient. The current forecast shows the Council will be approximately £2.2m short on funding required to meet the costs of the pandemic during the current year.

3.6 The Council are continuing to take measures to mitigate the impact of these pressures and bring net spending back in line with budget as far as possible. A review of earmarked reserves is also being undertaken to identify options which might assist with funding the overspend. The general reserve balance is currently around £4.0m, equivalent to approximately 3.5% of the net budget for 2020/21, which is considered a prudent level. Any overspend would reduce the level of the general reserve, however the actions being taken should help to mitigate the impact.

2021/22 Revenue Budget

3.7 The proposed revenue budget totals £111.446m. The departmental analysis of the budget is shown in Appendix C and the major reasons for change from the current budget are shown in Appendix D.

3.8 Included at Appendix B are proposed budget savings for 2021/22 totalling £1.369m.

3.9 The proposed budget incorporates the grant figures announced in the Local Government Finance Settlement. It includes £1.703m for the New Homes Bonus grant. This is inclusive of additional grant of £0.347m for 2021/22, confirmed by Government that it would be paid for one year only rather than a four year legacy payment which has been the case prior to the 2020/21 financial year. Government are due to consult on a replacement for the New Homes Bonus grant in Spring 2021.

3.10 The budget includes Better Care Funding (BCF) of £6.777m, this is inclusive of £5.234m for the improved BCF element, £0.904m for the additional BCF element and £0.639m covering Winter Care Pressures. The grant has been awarded at the same allocation levels as for 2020/21.

3.11 Announced in the Government's 2020 Spending Review was additional funding for both Adult and Children's Social Care. Confirmation was given that the 2020/21 grant used for wider social care measures of £4.006m was to continue in 2021/22. An additional £300m grant was announced for 2021/22; the value of the allocation to Halton is £1.050m. This funding will be included in the Council budget to help to fund existing pressures within Social Care services.

3.12 Government have confirmed the continuation of the 100% Business Rates Retention pilot within the Liverpool City Region for 2021/22. The pilot comes with a no detriment guarantee from Government that no authority will be worse off than had they not been in the pilot.

3.13 Pay rates for 2021/22 have not yet been agreed but the budget reflects the announcement at the Comprehensive Spending Review 2020 that, for those earning over £24k per year, public sector pay would be frozen. In order to meet the Chancellor's guarantee that public sector workers earning under £24k will receive a minimum pay rise of £250, a 1.5% increase has been applied to the budgets of the lower pay bands.

3.14 Inflation of 1% has been applied to contractual (non-controllable) budgets for 2021/22. Additional inflation has been applied to social care contract costs which will increase at above normal inflation rates due to the increase of 2.2% in National Living Wage rates from April 2021 and an increase in charges from social care suppliers to reflect the impact of Covid-19 on their services.

3.15 The risk to the Council's budget continues over the next year due to increasing service demand pressures. To mitigate the risk, budgets have been increased in 2021/22 to help manage the current departmental budget overspends, inclusive of £1.927m across Adults' and Children's Social Care and £1.045m for the Education, Inclusion and Provision Department.

3.16 It is considered prudent for the budget to include a general contingency of £0.5m. At this stage it is considered sufficient to cover the potential for price changes, increases in demand led budgets, as well as a general contingency for uncertain and unknown items. Additionally, £2.376m of Covid-19 grant funding for 2021/22 currently remains unallocated and will be used to fund additional costs which are likely to be incurred as part of the Council's response to Covid-19, but which have not been identified at present.

3.17 The Local Government Act 2003 places a requirement on the Chief Financial Officer to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. In my view the budget setting process and the information provided should be sufficient to allow the Council to come to an informed view regarding the 2021/22 revenue budget, capital programme and council tax. Balances and reserves should provide sufficient resilience to meet the financial consequences of any unforeseen events.

Local Government Finance Settlement

3.18 The Government announced the provisional Local Government Finance Settlement on 17 December 2020. At the time of writing the report, the final settlement is still to be announced. In addition, the Council are waiting on confirmation of some 2021/22 grant allocations, including the Public Health grant.

3.19 As part of the Liverpool City Region, the Council will continue to participate in a pilot scheme of 100% business rates retention. Government have reiterated that the pilot scheme will operate under a "No Detriment" policy, in that no council operating as part of the pilot will see a reduction in their funding in comparison to what it would have received under the 49% national scheme. The pilot will result in additional business rates being retained by the Council although offset by Revenue Support and Better Care Fund grants no longer being received.

3.20 It was anticipated that the Business Rates Retention Scheme would be rolled out on a national basis from April 2021, with the level of retained rates for each Council being set at 75%. In conjunction with this, Government had stated their intention to undertake a review of needs and resources of Local Government, the first review since April 2013, and also reconsider the business rate "baselines" for each council. These funding reforms have been delayed due to the disruption caused by Covid-19 and it is currently unclear when they will be introduced.

3.21 For 2021/22 the Council's total Government Settlement Funding Allocation is £52.424m. This is made up of £46.857m Business Rates Baseline Funding and Top-Up grant of £5.568m. Excluding the rolled in

Better Care Funding grant, the increase to the Settlement Funding Assessment from 2019/20 is 1.3%.

3.22 The Government's Spending Power analysis (the total of business rates, council tax and Government grant funding available to each council) calculates that over the period 2011/12 to 2021/22, in cash terms there has been a reduction in funding for Halton of £22.5m or 16.1%. This compares with a national average reduction over the same period of 6.3%.

3.23 The Council is required to provide an annual forecast of business rates to Government by the end of January of the preceding year. The forecast has been undertaken and the Council expect net collectable rates to be £51.056m for 2021/22.

3.24 As far as non-domestic premises are concerned, the business rates multiplier rate is fixed centrally by Government and then applied to each premises' rateable value. For 2021/22 the multiplier rate has been frozen at 51.2p in the pound and 49.9p in the pound for small businesses. This is unchanged from 2020/21.

3.25 In 2016/17 the Council set an Adult Social Care council tax precept level of 2%. For the three years from 2017/18 to 2019/20 Government extended the flexibility in order that councils could apply a further precept of up to 6% over the period, with a limit of 3% being in place for the first two years and a limit of 2% for 2019/20. In 2017/18 and 2018/19 the Council set Adult Social Care precept levels of 3% in each of the years. For 2020/21, the Adult Social Care council tax precept was set at 2%.

3.26 The Government Spending Review published 25 September 2020 confirmed that a further Adult Social Care council tax precept of 3% could be applied for 2021/22.

3.27 As part of the Local Government Finance Settlement, several new, one-off sources of grant funding were announced for 2021/22. Halton will receive a fifth tranche of grant funding to reflect the additional costs incurred due to Covid-19, worth £4.376m. £1.976m of this funding has been included in the 2021/22 budget to fund additional Covid-related costs which have already been identified. The remaining £2.400m will be held in reserve to meet unanticipated costs in 2021/22. Halton has been allocated £1.5m of Local Council Tax Support Grant which will be used to offset the loss of income arising from a reduction in Council Tax base due to an increase in Local Council Tax Support claimants. To reflect the lower legacy payments in the New Homes Bonus grant, Government have introduced a new Lower Tier Services grant for 2021/22 only, with Halton receiving an allocation of £0.2m.

Budget Outlook

3.28 Beyond 2021/22 there is great uncertainty regarding the funding of Local Government, due to the potential impact of a number of changes to the Local Government funding regime and the ongoing impact of Covid-19 on social care services and income streams. There is therefore further continued uncertainty regarding the Council's funding resources in 2022/23.

3.29 The impact of the following developments will have to be assessed when considering the 2022/23 budget and beyond. Further information will be known as we progress through the coming year:

- Fair Funding Review – A review of how cumulative Local Government funding should be apportioned between Councils. The last review was in April 2013 and since then reductions made to Local Government funding have been made on a percentage basis. This has had the impact of protecting those authorities less reliant on Government grant funding, whilst those councils who are more reliant (such as Halton) have had to deal with the larger reductions in funding on a per capita basis.
- New Homes Bonus – Government have announced that 2021/22 will be the final year of the New Homes Bonus grant in its current form. A consultation is due to be launched in Spring 2021 on a replacement for the scheme.
- 75% Business Rate Retention – Government have indicated that 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, as to whether they will continue at 100% or switch to 75% retention.
- Business Rates Baseline Reset – It is proposed there will be a reset of the business rates baseline, 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 yet known if there will be a transition process put in place to protect authorities from excessive losses in funding from an increase to the baseline position.
- 2021 Public Spending Review – The next medium term review of public spending for the period from 2021 onwards is expected to be announced during the coming year.
- Social Care Green Paper – It is uncertain what impact this will have on the future of Local Government funding.

3.30 The Medium Term Financial Strategy has been updated to take into account the 2021/22 Local Government Finance Settlement and multi-year allocations and saving measures already agreed or proposed. It includes a number of assumptions for 2022/23 including:

- Settlement Funding Assessment as per 2021/22 plus 2% inflation.
- Pay, prices and income growth of 2%.

- Reversal of 2021/22 one-off savings proposals.

3.31 The resulting funding gap over the subsequent three financial years (2022/23 to 2024/25) is forecast to be in the region of £19.8m.

Halton's Council Tax

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

3.33 The Government have confirmed the council tax referendum threshold at 2% for 2021/22.

3.34 On 12 December 2018 the Council's Executive Board agreed council tax premiums for empty properties be applied as follows:

- From 01 April 2019, 100% premium in addition to the full council tax charge for each dwelling unoccupied and unfurnished for more than two years.

- From 01 April 2020, 100% premium in addition to the full council tax charge for each dwelling unoccupied and unfurnished between two and five years, and 200% premium for dwellings unoccupied for more than five years.

- From 01 April 2021, 100% premium in addition to the full council tax charge for each dwelling unoccupied and unfurnished between two and five years, 200% for dwellings unoccupied between five and ten years, and 300% for properties unoccupied for more than ten years.

3.35 The number of long-term empty properties in Halton is currently 158. The number of properties empty for between five and ten years, and therefore billed a 200% premium, is currently 63, and the number of properties empty for over ten years and billed at a 300% premium from April 2021, is 36.

3.36 The tax base (Band D equivalent) for the Borough has been set by Council at 35,182.

3.37 The combined effect of the budget proposals presented within this report, Government grant support, business rate retention and the council tax base, requires the Council to set a Band D council tax for Halton of £1,549.34 (equivalent to £29.80 per week), in order to deliver a balanced budget for 2021/22 as required by statute. This is an increase of 4.99% (£73.64 per annum or £1.42 per week) over the current year.

Parish Precepts

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

	Precept	Precept Increase		Additional Council Tax	Basic Council Tax
	£	£	%	£	£
Hale	43,724	-5,278	-10.77%	66.75	1,616.09
Daresbury	6,700	1,341	25.02%	37.43	1,586.77
Moore	5,625	400	7.66%	17.36	1,566.70
Preston Brook	13,000	916	7.58%	36.41	1,585.75
Halebank	39,085	-150	-0.38%	75.02	1,624.36
Sandymoor	38,573	4,240	4.82%	29.09	1,578.43

Average Council Tax

3.39 In addition, it is also necessary to calculate the average Council Tax for the area as a whole. This is the figure required by Government and used for comparative purposes. For a Band D property the figure is £1,553.51, an increase of £73.63 per annum.

Police Precept

3.40 The Cheshire Police and Crime Commissioner has set the precept on the Council at £7.931m which is £225.44 for a Band D property, an increase of £15.00 or 7.13% The figures for each Band are shown in Recommendation 5 in Appendix A.

Fire Precept

3.41 The Cheshire Fire Authority has set the precept on the Council at £2.845m which is £80.87 for a Band D property, an increase of £1.58 or 1.99%. The figures for each Band are shown in Recommendation 6 in Appendix A.

Liverpool City Region Mayoral Precept

3.42 The Liverpool City Region Combined Authority has set the precept on the Council at £0.668m which is £19.00 for a Band D property, an increase of £0.00. The figures for each Band are shown in Recommendation 7 in Appendix A.

Total Council Tax

3.43 Combining all these figures will give the Total Council Tax for 2021/22 and these are shown in Recommendation 8 in Appendix A. The total Band D Council Tax (before Parish precepts) is £1,874.65, an increase of £90.22 or 5.06%. The inclusion of parish precepts means the increase in Hale is 4.47%, in Daresbury is 5.39%, in Moore is 5.09%, in Preston Brook is 5.16%, in Halebank is 4.85%, and in Sandymoor is 4.97%.

3.44 It is expected that Halton's total council tax will continue to be amongst the lowest in the North West. Given that nearly half of all properties in the Borough are in Band A, and also 82% of properties are in Bands A-C, most households will pay less than the "headline" figure. In addition, many households will receive reduced council tax bills through discounts, and these adjustments will be shown on their bills.

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

Capital Programme

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

	2021/22 £000	**2022/23** £000	**2023/24** £000
Spending			
Scheme estimates	24,582	14,000	4,322
Slippage between years	4,802	2,117	1,936
	29,384	16,117	6,258
Funding			
Borrowing and Leasing	14,815	9,191	807
Grants and External Funds	7,089	1,726	1,446
Direct Revenue Finance	0	0	0
Capital Receipts	2,678	3,083	2,069
Slippage between years	4,802	2,117	1,936
	29,384	16,117	6,258

3.46 The committed Capital Programme is shown in Appendix F.

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

Prudential Code

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

- capital expenditure plans are affordable;
- external borrowing is within prudent and sustainable levels;
- treasury management decisions are taken in accordance with good professional practice; and
- there is accountability through providing a clear and transparent framework.

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

School Budgets

3.50 Schools are fully funded by Government Grants, primarily the Dedicated Schools Grant (DSG) which is mainly used to fund the Individual School Budgets. DSG is now allocated in four blocks; Schools Block, Central Schools Services Block, Early Years Block and High Needs Block. The funding is allocated to schools by way of a formula in accordance with the National Funding Formula introduced in 2018/19.

3.51 Schools Block pupil numbers in mainstream primary and secondary schools have increased very slightly from 18,281 for 2020/21 to 18,285 for 2021/22. Funding for mainstream primary and secondary schools is based on the pupil cohort on the October 2020 census. The DSG settlement was announced on 18 December 2020 giving a total of £99.05m for the Schools Block for 2021/22. While this is an increase of £6.5m, £4.1m relates to the Teachers Pay and Pension Grants which have been rolled into the DSG for 2021/22 onwards.

3.52 The Central Schools Services Block (CSSB) was split from the Schools Block for the first time in 2018/19, following the introduction of the ring-fenced requirement for the Schools Block to be wholly passed to primary and secondary schools, with the exception any agreed transfer to the High Needs Block. For 2021/22 we are not transferring any Schools Block funding to High Needs. There are regulations in place which limit what the CSSB grant can be used for and limit budgets to the same level as previous years. The CSSB includes budgets that are de-delegated from maintained schools. As more schools convert to academy status, so the de-delegated funds are reduced, unless schools are asked to contribute a higher amount.

3.53 The Early Years Block indicative allocation for 2021/22 is £9.82m. The hourly rate the Council are funded at for 3 and 4 year old provision, as opposed to the hourly rate we pay providers, is remaining the same at £5.12 per hour. The hourly rate the Council are funded at for 2 year old provision has increased from £5.36 per hour to £5.44 per hour.

3.54 The High Needs Block for 2020/21 was £16.15m after recoupment by the Department for Education for commissioned places in special academies and independent special schools. For 2021/22 the High Needs Block is £18.55m after recoupment, which is an increase of £2.4m.

3.55 The Minimum Funding Guarantee has been agreed by Schools Forum at plus 1.29%. This is within the range allowed by the DfE of 0.5% to 2.0%.

3.56 The Pupil Premium Grant rates have remained the same at £1,345 per Primary pupil and £955 per Secondary pupil who are or have been eligible for Free School Meals in the last six years. Children who have been adopted from care and children who leave care under a special guardianship order or residence order will be funded at £2,345 per pupil. Eligibility for the Service Children Premium will be funded at £310 per pupil. The amount for Looked after Children which comes to the Council for distribution is £2,345 per pupil. There is a major change to the Pupil Premium Grant for 2021/22 in that the school census upon which it is calculated has been changed from January to October. This will have a negative impact on the amounts we receive as pupil numbers tend to be lower in October than in January.

4.0 POLICY IMPLICATIONS

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

5.0 FINANCIAL IMPLICATIONS

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

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

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

6.1 **Children and Young People in Halton**

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

6.3 **A Healthy Halton**

6.4 **A Safer Halton**

6.5 **Halton's Urban Renewal**

7.0 RISK ANALYSIS

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

7.2 A number of key factors have been identified in the budget and a detailed risk register has been prepared. These will be closely monitored throughout the year and the Contingency and the Reserves and Balances Strategy will help to mitigate the risks.

8.0 EQUALITY AND DIVERSITY ISSUES

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

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

Document	**Place of Inspection**	**Contact Officer**
Local Government Finance Report (England) 2021/22	Financial Management Halton Stadium	Steve Baker

10.0 REASON FOR THE DECISION

10.1 To seek approval for the Council's revenue budget, capital programme and council tax for 2021/22.

11.0 ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

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

12.0 IMPLEMENTATION DATE

12.1 03 March 2021.

APPENDIX A

DRAFT RESOLUTION FOR SUBMISSION TO THE COUNCIL AT ITS MEETING ON 03 March 2021

RECOMMENDATION: that the Council adopt the following resolution:

1. The policies outlined in this paper be adopted, including the budget and council tax for 2021/22, the savings set out in Appendix B and the Capital Programme set out in Appendix F.

2. That it be noted that at the meeting on 11 November 2020 the Council agreed the following:

   (a) The Council Tax Base 2021/22 for the whole Council area is 35,182 (item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the Act) and

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

Parish	Tax Base
Hale	655
Daresbury	179
Moore	324
Preston Brook	357
Halebank	521
Sandymoor	1,326

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

3. Calculate that the Council Tax requirement for the Council's own purposes for 2021/22 (excluding Parish precepts) is £54,508,880.

4. In accordance with the relevant provisions of the Local Government Finance Act 1992 (Sections 31 to 36), the following amounts be now calculated by the Council for the year 2021/22 and agreed as follows:

   (a) £419,777,326 – being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the said Act, taking into account all precepts issued to it by Parish Councils.

(b) £365,121,739– being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

(c) £54,655,587 – being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year (item R in the formula in Section 31A(4) of the Act).

(d) £1,553.51 – being the amount at 3(c) above (item R), all divided by item T (2 above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).

(e) £146,707 – being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act, each individual Parish precept being:

	£
Hale	43,724
Daresbury	6,700
Moore	5,625
Preston Brook	13,000
Halebank	39,085
Sandymoor	38,573

(f) £1,549.34 being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by item T (2(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates.

(g) <u>Part of the Council's Area</u>

	£
Hale	66.75
Daresbury	37.43
Moore	17.36
Preston Brook	36.41
Halebank	75.02
Sandymoor	29.09

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

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

(h) Part of the Council's Area

Band	Hale	Daresbury	Moore	Preston Brook	Halebank	Sandymoor	All other Parts of the Council's Area
	£	£	£	£	£	£	£
A	1,077.39	1,057.85	1,044.47	1,057.17	1,082.91	1,052.29	1,032.89
B	1,256.96	1,234.15	1,218.54	1,233.36	1,263.39	1,227.67	1,205.04
C	1,436.52	1,410.46	1,392.62	1,409.56	1,443.88	1,403.05	1,377.19
D	**1,616.09**	**1,586.77**	**1,566.70**	**1,585.75**	**1,624.36**	**1,578.43**	**1,549.34**
E	1,975.22	1,939.39	1,914.86	1,938.14	1,985.33	1,929.19	1,893.64
F	2,334.35	2,292.00	2,263.01	2,290.53	2,346.30	2,279.95	2,237.94
G	2,693.48	2,644.62	2,611.17	2,642.92	2,707.27	2,630.72	2,582.23
H	3,232.18	3,173.54	3,133.40	3,171.50	3,248.72	3,156.86	3,098.68

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

5. It is further noted that for the year 2021/22 the Cheshire Police and Crime Commissioner has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwellings shown below:

	£
A	150.29
B	175.34
C	200.39
D	**225.44**
E	275.54
F	325.64
G	375.73
H	450.88

6. It is further noted that for the year 2021/22 the Fire Authority have stated the following amounts in precepts issued to the Council, in accordance with the Local Government Act 2003 for each of the categories of dwellings shown below:

	£
A	53.91
B	62.90
C	71.88
D	**80.87**
E	98.84
F	116.81
G	134.78
H	161.74

7. It is further noted that for the year 2021/22 the Liverpool City Region Combined Authority have stated the following amounts in precepts issued to the Council, in accordance with the Local Government Act 2003 for each of the categories of dwellings shown below:

	£
A	12.67
B	14.78
C	16.89
D	**19.00**
E	23.22
F	27.44
G	31.67
H	38.00

8. That, having calculated the aggregate in each case of the amounts at 4h, 5, 6 and 7 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2021/22 for each of the categories of dwellings shown below:

Band	Hale	Daresbury	Moore	Preston Brook	Halebank	Sandymoor	All other Parts of the Council's Area
	£	£	£	£	£	£	£
A	1,294.27	1,274.72	1,261.34	1,274.04	1,299.78	1,269.16	1,249.77
B	1,509.98	1,487.17	1,471.56	1,486.38	1,516.41	1,480.69	1,458.06

C	1,725.69	1,699.63	1,681.79	1,698.72	1,733.04	1,692.21	1,666.36
D	**1,941.40**	**1,912.08**	**1,892.01**	**1,911.06**	**1,949.67**	**1,903.74**	**1,874.65**
E	2,372.82	2,336.99	2,312.46	2,335.74	2,382.93	2,326.79	2,291.24
F	2,804.24	2,761.89	2,732.90	2,760.42	2,816.19	2,749.85	2,707.83
G	3,235.67	3,186.80	3,153.35	3,185.10	3,249.45	3,172.90	3,124.42
H	3,882.80	3,824.16	3,784.02	3,822.12	3,899.34	3,807.48	3,749.30

being satisfied that:

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

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

9. The Operational Director Finance be authorised at any time during the financial year 2021/22 to borrow on behalf of the Council by way of gross bank overdraft such sums as he shall deem necessary for the purposes of this paragraph, but not such that in any event the said overdraft at any time exceeds £10m on an individual bank account (£0.5m net across all bank accounts) as the Council may temporarily require.

APPENDIX B

	DEPARTMENT/ DIVISION / SERVICE AREA	DESCRIPTION OF PROPOSAL	TOTAL BUDGET £'000	ESTIMATED BUDGET SAVING 2021/22 £'000	ESTIMATED BUDGET SAVING 2022/23 £'000	PERM /TEMP (P/T)	MANDATORY OR DISCRETIONARY SERVICE AFFECTED (M / D)
DIRECTORATE: PEOPLE							
PROCUREMENT OPPORTUNITIES							
1	Education, Inclusion & Provision Dept	Revision of the Emotional Health and Wellbeing contract to include services currently commissioned separately, with a contribution being provided by Halton CCG and savings in areas such as court costs, children's act section 17 children in need provision and placement costs.	**159**	**47**	**0**	**P**	**M**
EFFICIENCY OPPORTUNITIES							
2	Education, Inclusion & Provision Dept/ Youth Service	Following consultation with young people and partners, the provision for young people has been reviewed. The priorities identified can be met through providing the service differently and more efficiently.	**378**	**100**	**0**	**P**	**D**
3	Children & Family Dept/ Children's Centres	Cease use by children's centres of satellite rooms within premises at All Saints Upton and Halton Brook. Services can be delivered within other settings in the respective communities. This will be subject to consultation.	**56**	**56**	**0**	**P**	**D**

4	Children & Family Dept/ Children's Social Work Training	Reduction in the Children's Social Work Training budget This budget supports specialist training for social workers usually delivered face to face. The reduction is possible due to the move to increased virtual and online e-learning approaches.	**66**	**16**	**0**	**P**	**M**
OTHER BUDGET SAVINGS							
5	Education, Inclusion & Provision Dept/ Troubled Families	Halton has achieved 100% funding in terms of payment-by-results for the Troubled Families programme. Funding was set-aside to continue to support some of the key elements of the programme in 2021/22, which it has now been confirmed will be grant funded. Therefore a one-off saving is available from the set-aside funds.	**n/a**	**150**	**-150**	**T**	**M**
6	Adult Social Care Dept	Transfer of the Care Arrangement function to Care Management, as a result of now operating with fewer care providers and with increased use of technology based support.	**171**	**171**	**0**	**P**	**D**
		TOTAL PERMANENT		**390**	**0**	**P**	
		TOTAL TEMPORARY (ONE-OFF)		**150**	**-150**	**T**	
		GRAND TOTAL		**540**	**-150**		

	DEPARTMENT/ DIVISION / SERVICE AREA	DESCRIPTION OF PROPOSAL	TOTAL BUDGET £'000	ESTIMATED BUDGET SAVING 2021/22 £'000	ESTIMATED BUDGET SAVING 2022/23 £'000	PERM / TEMP (P/T)	MANDATORY OR DISCRETIONARY SERVICE AFFECTED (M / D)
DIRECTORATE: ENTERPRISE, COMMUNITY & RESOURCES							
INCOME GENERATION OPPORTUNITIES							
7	Legal & Democratic Svcs Dept/ Legal Services	Income generated from an SLA agreed with the National Consortium for Examination Results (NCER) from March 2021.	**n/a**	**6**	**0**	**P**	**M**
PROCUREMENT OPPORTUNITIES							
8	Legal & Democratic Svcs Dept/ Member Services	A one-off procurement saving from a vehicle lease arrangement.	**11**	**3**	**-3**	**T**	**D**
EFFICIENCY OPPORTUNITIES							
9	Legal & Democratic Svcs Dept/ Member Services	A one-off saving from delaying the recruitment of the second Mayoral Attendant.	**17**	**7**	**-7**	**T**	**D**
10	Finance Dept/ Benefits Division	Two existing Benefits Officer vacancies will be held until 30th September 2021. At that point the situation will be reviewed in light of benefit claimant numbers and	**923**	**24**	**-24**	**T**	**M**

		processing performance. Initially therefore, a part-year one-off budget saving will be achieved. These posts relate to claims processing rather than the provision of advice.					
11	Finance Dept/ Audit & Op Finance Division	Restructuring of the Procurement Team to enable the deletion of vacant posts.	**450**	**65**	**0**	**P**	**D**
12	Policy, People, Performance & Efficiency	Reconfiguration of the Performance Management function leading to a reduction in the staffing establishment by the deletion of vacant posts.	**97**	**25**	**0**	**P**	**D**
OTHER BUDGET SAVINGS							
13	Legal & Democratic Svcs Dept/ Marketing & Communications	Reduction in the corporate marketing budget.	**135**	**8**	**0**	**p**	**D**
14	Legal & Democratic Svcs Dept/ Member Services	Reduction in the small functions budget.	**49**	**5**	**0**	**P**	**D**
15	Finance Dept/ Concessionary Travel	Reduction in the concessionary travel budget, to realign the budget with forecast costs, given the anticipated reduction in concessionary passenger numbers going forward.	**2,218**	**110**	**0**	**P**	**M**

16	Community & Environment Dept	Area Forums: (i) Remove the £200,000 budget provision for Area Forums for one year only. (ii) Deletion of an associated vacant part-time post, leave another post in place. This will be on the basis that the total underspend remaining at 31/03/21 (currently forecast to be £223,000) will be fully carried forward and reallocated on the usual basis to the new Area Forums in order to provide funding for 2021/22.	**200** **26**	**200** **26**	**-200** **0**	**T** **P**	**D** **D**
17	Community & Environment Dept/ Library Services	Reduction in the Libraries Book Fund budget, by way of a one year reduction of £35,000 plus a permanent reduction of £15,000. The Book Fund provides for the purchase of new books, other print items, dvds, computer games and other digital media.	**155**	**15** **35**	**0** **-35**	**P** **T**	**M**
18	Policy, Transport & Planning Dept	Restructure of the Department to facilitate the deletion of the vacant Traffic DM post.	**991**	**100**	**0**	**P**	**D**
19	Economy, Enterprise & Property Dept/ Operations	Capitalisation of major building maintenance works, so as to provide a reduction in the revenue budget without reducing the amount of works which can be provided.	**n/a**	**200**	**0**	**P**	**D**

TOTAL PERMANENT	**560**	**0**	**P**	
TOTAL TEMPORARY (ONE-OFF)	**269**	**-269**	**T**	
GRAND TOTAL	**829**	**-269**		

APPENDIX C

DEPARTMENTAL OPERATIONAL BUDGETS

	£000
People Directorate	
Children and Families Service	21,923
Education, Inclusion & Provision	5,904
Adult Social Care	22,589
Complex Care Pooled Budget	22,508
Public Health & Public Protection	294
	73,218
Enterprise, Community & Resources Directorate	
Finance	7,106
Policy, Planning & Transportation	9,359
ICT & Support Services	8,037
Legal & Democratic Services	1,843
Policy, People, Performance & Efficiency	2,100
Community and Environment	15,542
Economy, Enterprise and Property	4,387
	48,374
Departmental Operational Budgets	
Corporate and Democracy	-10,146
Total Operational Budget	**111,446**

APPENDIX D

2021/22 BUDGET – REASONS FOR CHANGE

	£000
2020/21 Approved Budget	115,770
Add back One-Off savings	861
	116,631
<u>Policy Decisions</u>	
Capital Programme	264
<u>Inflation and Service Demand Pressures</u>	
Pay (including Increments)	811
Prices	1,462
Income	-326
Existing Service Demand Pressures	3,723
<u>Other</u>	
Net Adjustment to Specific Grants	-3,171
Contingency Increase	500
Social Care Grant	-1,200
Reserves	-5,879
Base Budget	**112,815**
Less Savings (Including savings agreed by Council)	-1,369
Total 2021/22 Budget	**111,446**

APPENDIX E

MEDIUM TERM FINANCIAL FORECAST

	2022/23 £000	2023/24 £000	2024/25 £000
Spending			
Previous Year's Budget	111,446	114,375	117,789
Add back one-off savings	419	0	0
Inflation			
Pay	1,450	1,479	1,508
Prices	1,352	1,379	1,406
Income	-603	-615	-628
Other			
Capital Financing	2,942	1,191	1,315
Contingency	1,500	2,000	2,000
Reduction to New Homes Bonus Grant	513	0	0
Reverse Use of Reserves	6,422	0	0
Reverse One-Off Grant Funding	3,676	0	0
Terms and Conditions – 4 Day Xmas Saving	1,000	0	0
Budget Forecast	130,117	119,854	123,437
Resources			
Baseline Business Rates Funding and Top-Up Grant	57,736	58,891	60,069
Council Tax	56,684	58,945	61,297
	114,420	117,836	121,366
Funding Gap	-15,697	-2,018	-2,071

APPENDIX F

COMMITTED CAPITAL PROGRAMME 2021/24

SCHEME	2021/22 £000	2022/23 £000	2023/24 £000
Schools Capital Projects	1,520	-	-
ALD Bungalows	199	-	-
Disabled Facilities Grant	600	600	600
Stairlifts	270	270	270
Adapted Properties	270	270	270
Care home acquisition and refurbishment	1,000	-	-
People Directorate	**3,859**	**1,140**	**1,140**
Stadium Minor Works	30	30	30
Brookvale Pitch Refurbishment	12	-	-
Leisure Centre	10,000	8,000	-
Children's Playground Equipment	65	65	65
Landfill Tax Credit Schemes	340	340	340
Crow Wood Park Play Area	20	-	-
Runcorn Town Park	330	280	-
Litter Bins	20	20	20
IT Rolling Programme	700	700	700
3MG	167	-	-
Murdishaw Redevelopment	38		
Equality Act Improvement Works	480	300	300
Widnes Market Refurbishment	3	-	-
Broseley House	388	15	-
Foundry Lane Residential Area	1,682	-	-
Halton Lea TCF	550	-	-
Property Improvements	200	200	200
Street Lighting - Structural Maintenance	200	200	200
Street Lighting – Upgrades	2,000	-	-
Sustainable Urban Development	268	-	-
Windmill Hill Flood Risk Management	68	-	-
Risk Management	120	120	120
Fleet Replacements	3,043	2,590	1,207
Economy, Community & Resources Directorate	**20,724**	**12,860**	**3,182**
Total Capital Programme	**24,583**	**14,000**	**4,322**
Slippage between years	**4,802**	**2,117**	**1,936**
GRAND TOTAL	**29,385**	**16,117**	**6,258**

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Agenda Item 10c

REPORT TO:	Executive Board
DATE:	25 February 2021
REPORTING OFFICER:	Operational Director – Finance
PORTFOLIO:	Resources
TITLE:	Capital Strategy 2021/22
WARDS:	Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the Council's Capital Strategy for 2021/22 and recommend its approval by Council.

2.0 RECOMMENDATION: That Council be recommended to approve the 2021/22 Capital Strategy.

3.0 SUPPORTING INFORMATION

3.1 The revised 2017 Prudential and Treasury Management Code of Practice requires that all councils prepare annually a Capital Strategy, which will provide the following:

- a high-level, long term overview of how capital expenditure, capital financing and treasury management activity will contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

3.2 The aim of the Capital Strategy is to ensure that the Council understands the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

3.3 The Capital Strategy should be read in conjunction with the Treasury Management Strategy Statement, found elsewhere on the Agenda, which details the expected activities of the treasury management function and incorporates the Annual Investment Strategy and the Minimum Revenue Provision (MRP) policy for 2021/22.

4.0 POLICY IMPLICATIONS

4.1 The successful delivery of the Capital Strategy will assist the Council in planning and funding its capital expenditure over the next three years, enabling the Council to use capital expenditure to assist in delivering the Council's priorities and managing the revenue cost implications.

5.0 OTHER IMPLICATIONS

5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

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

7.0 RISK ANALYSIS

7.1 This report, along with the Treasury Management Strategy ensure that the Council operates within the guidelines set out in the Prudential Code. The aim at all times is to operate in an environment where risks are clearly identified and managed.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None.

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

Document	**Place of Inspection**	**Contact Officer**
Working Papers	Financial Management	Matt Guest
CIPFA TM Code	Halton Stadium	
CIPFA Prudential Code		

HALTON BOROUGH COUNCIL

CAPITAL STRATEGY

2021/22

Revenues and Financial Management Division
Finance Department
February 2021

CAPITAL STRATEGY STATEMENT 2021/22

1 Background

1.1 The Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It is written in an accessible style to assist understanding of these, sometimes technical, areas.

2 Capital Expenditure and Financing

2.1 Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion as to what is treated as capital expenditure, for example assets costing below £35,000 are not capitalised and are charged to revenue in year. Further detail on how the Council differentiates between revenue and capital spend is shown in the Capital Guidance included at Appendix 1.

2.2 All capital expenditure must be financed, either from external sources (Government grants and other contributions), the Council's own resources (revenue, reserves or capital receipts) or debt (borrowing, leasing or Private Finance Initiative).

2.3 Capital expenditure and financing for 2019/20 is shown below, along with estimates for 2020/21 and the following three years:

Table 1 – Capital Expenditure and Funding

	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Capital Expenditure:					
People	5,033	6,037	3,859	1,140	1,140
Enterprise, Community & Resources	38,307	42,558	20,724	12,860	3,182
	43,340	**48,595**	**24,583**	**14,000**	**4,322**
Financed By:					
Capital receipts	(3,083)	(4,285)	(2,678)	(3,083)	(2,069)
Capital grants	(26,953)	(24,073)	(7,089)	(1,726)	(1,446)
Revenue	(211)	(153)	-	-	-
Net financing need for the year	**13,093**	**20,084**	**14,816**	**9,191**	**807**

3 Governance

3.1 The Council maintains a three year rolling programme of capital schemes (The Capital Programme). A summary of the three year Capital Programme is included in the Budget Report approved annually by Council. In addition a more detailed capital programme report is approved in June of each year, this contains detail of all known grant funded capital projects.

3.2 In line with Finance Standing Orders specific capital schemes are reported throughout the year to Executive Board with a recommendation for Council to subsequently approve. Changes to the Capital Programme during the year are reported quarterly to Council.

3.3 Capital project managers must complete a capital project form (Appendix 2) giving details of the financial impact of their capital schemes. The form will be completed in conjunction with Financial Management and will help to evaluate whether capital schemes are fully, correctly and effectively funded, that consideration has been given to contingency costs within the project and known future revenue costs are fully budgeted for. The project form should be included with reports to Executive Board by way of evidencing that the financial implications of schemes have been fully addressed.

4 Repayment of Borrowing:

4.1 Debt is only a temporary source of finance, since loans and leases must be repaid. This is therefore replaced over time by other financing, usually from revenue which is known as the Minimum Revenue Provision (MRP). Planned MRP payments are shown in the table below:

Table 2 – Minimum Revenue Provision

	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Minimum Revenue Provision					
General Fund	2,116	2,377	2,094	2,100	2,071
Leases and PFI Schemes	614	534	479	558	616
Mersey Gateway unitary charge	5,509	6,310	6,518	6,766	7,326
Net financing need for the year	**8,239**	**9,221**	**9,091**	**9,424**	**10,013**

4.2 The table above includes MRP payable for finance leases, PFI schemes and the Mersey Gateway unitary charge. For accounting purposes these schemes are classed as borrowing and the annual payments are split between an interest charge and repayment of borrowing, which is shown as MRP above. It should be noted that leases, PFI schemes and Mersey Gateway unitary repayments have no impact on the Council's General Fund.

The Council's MRP statement is included as an appendix to the Treasury Management Strategy which should be read in conjunction with this report.

5 Outstanding Debt – Capital Financing Requirement

5.1 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP. The table below shows the Council's Capital Financing Requirement for 2019/20 and how this is expected to change in 2020/21 and over the following three years.

Table 3 – Capital Financing Requirement

	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Capital Financing Requirement	**613,236**	**617,602**	**627,965**	**625,178**	**624,420**
Movement in CFR due to:					
Net financing need for the year	13,093	20,084	14,816	9,191	807
PFI / Finance Leases	-	-	-	-	-
Use of Reserves to reduce MRP liability	(488)	(500)	(8,512)	(525)	(539)
Less Minimum Revenue Provision	(8,239)	(9,221)	(9,091)	(9,424)	(10,013)
Increase / (Decrease) in CFR	**4,366**	**10,363**	**(2,787)**	**(758)**	**(9,745)**

6 Asset Management

6.1 To ensure that capital assets continue to be of long-term use, the Council has an asset management plan in place. This summarises how the Council manages its land and property assets and sets out the Council's strategy to ensure that these assets can make the maximum contribution to achieving the aims and the objectives of the organisation.

6.2 The Council's Asset Management Plan comprises a number of sections including the accommodation plans; assets disposal plan and maintenance programme which are presented to the Asset Management Working Group, on a quarterly basis.

7 Asset Disposals

7.1 When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or the repayment of debt relating to the asset sold. The level of the Council's capital receipts reserve, the expected sales and planned expenditure is shown in the table below:

Table 4 – Capital Receipts Reserve

	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Capital Receipts - 1st April	**(7,741)**	**(5,640)**	**(2,411)**	**(5,949)**	**(6,901)**
Asset Sales	(1,470)	(1,556)	(14,727)	(4,561)	(2,639)
Use of Capital Receipts					
- New Capital Expenditure	3,083	4,285	2,678	3,083	2,069
- Repayment of debt	488	500	8,511	526	539
Capital Receipts - 31st March	**(5,640)**	**(2,411)**	**(5,949)**	**(6,901)**	**(6,932)**

8 Treasury Management

8.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

8.2 The Treasury Management Strategy, elsewhere on the Agenda, details all aspects of the Treasury Management function and the associated risks as detailed below.

- Borrowing strategy
- Investment strategy
- Capital Financing Requirement
- Capital Prudential Indicators
- Treasury Indicators – Operational Boundary and Authorised Limit
- Prospects for interest rates
- MRP Policy

9 Knowledge and Skills

9.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions:

- The Operational Director - Finance is a CIPFA qualified accountant with over 35 years' experience in local government finance
- The Operational Director – Economy, Enterprise and Property has over 20 years' experience in Regeneration
- The Treasury Manager is a CIMA qualified accountant with 15 years' experience in local government finance and treasury management.
- The Council ensures all staff receive appropriate training for their roles including formal training and courses to support their development.
- The Council currently employs Link Asset Services to provide treasury management services in order to access specialist skills, advice and resources

APPENDIX 1

CAPITAL GUIDANCE

1. Background & Purpose

1.1 The difference between capital and revenue expenditure is by no means simple to establish. In recent years it has become even more difficult, with the increasingly multi-funded and complex nature of many of the Council's services.

1.2 There is now an increased focus on the treatment of capital and revenue expenditure from Government and other funding bodies, along with the external auditor who have previously identified and reported upon capital transactions which had been incorrectly categorised. It is therefore essential to ensure the correct accounting treatment of capital and revenue transactions.

1.3 This Guidance is intended to clarify the difference between capital and revenue expenditure. It will also assist those involved in managing capital projects or processing capital transactions, to ensure the correct approval, accounting treatment, coding, monitoring, control and funding of capital expenditure.

2. Introduction

2.1 Capital expenditure is fundamentally different in its nature, funding and methods of control from revenue expenditure. It is therefore important that expenditure is correctly treated in terms of whether it constitutes capital or revenue expenditure and is correctly coded as such within the Agresso system. In addition, both revenue and capital expenditure must be accounted for correctly in order to comply with statutory accounting regulations.

3. Capital Definition

3.1 All costs must be treated as revenue expenditure, unless it is correct and proper to treat them as capital expenditure.

3.2 Capital expenditure is defined as expenditure on the acquisition of an asset (eg. land, property, plant, equipment, vehicles) or expenditure which adds to (rather than merely maintains) the value of an existing asset, or considerably extends the life of the asset. The asset must also provide benefit to the Council for more than one year.

3.3 For example, the construction of a Council office building will be treated as capital expenditure. Whereas, the on-going annual running costs for that building (eg. staffing, heating, lighting, contracts, supplies) will be treated as revenue expenditure.

4. What Constitutes Capital Expenditure?

4.1 In order to be included in the Council's Capital Programme, capital schemes must have a total estimated cost of at least £10,000 in respect of land, property and infrastructure and £5,000 in respect of equipment, plant and vehicles. Schemes having a total cost of less than these values must be treated as revenue expenditure.

4.2 Directly attributable costs incurred after a capital scheme has been formally approved in detail by Council, should be treated as capital expenditure.

4.3 Preparatory or feasibility costs incurred "prior" to the formal approval of a capital scheme must initially be treated as revenue expenditure, as these costs may prove abortive if the scheme does not ultimately go ahead and so may not ultimately result in the creation of an asset. However, once the scheme has been formally approved and will therefore proceed, the related preparatory or feasibility costs may be treated as part of the capital scheme costs.

4.4 The cost of providing an extension to a building should be treated as capital expenditure, as it is likely to increase the value of the building.

4.5 Major structural maintenance costs such as re-roofing, re-wiring, re-plumbing, boiler replacement, full window replacement etc., which are considered to considerably extend the life of a property, should also be treated as capital expenditure.

4.6 However, day-to-day building maintenance and repair costs such as roof repairs, electrical and plumbing repairs, decorating, building and window repairs must be treated as revenue expenditure.

4.7 Individual expenditure transactions of less than £1,000 should usually be treated as revenue expenditure, unless they form part of a larger capital cost which meets the capital definition eg. the balance of capital contract payments, monthly recharges of capital fees, invoices for specific elements of capital works.

4.8 Professional fees in respect of Valuers, Highway Engineers, Landscape Architects, and Regeneration staff are considered to add value to the assets they deal with and may therefore be charged to the relevant capital schemes. However, it is important to ensure that sufficient capital allocation exists to fund these costs. All other staffing costs must be treated as revenue expenditure.

4.9 Project support and implementation costs such as room hire, printing, hospitality, training, advertising, publicity etc. must be treated as revenue expenditure.

4.10 Expenditure on the initial, one-off purchase of computer software may be capitalised as an intangible asset. However, the on-going cost of annual software licences, support contracts, implementation consultancy and system training must be treated as revenue expenditure.

4.11 Where capital schemes are part or fully externally funded, the definition of what constitutes capital expenditure applied by the external funding body may differ to that presented in this Guidance and therefore the requirements of the external funding body should take precedence.

5. The Council's Capital Programme

Scheme Approval

5.1 The Council maintains a three year rolling programme of capital schemes (The Capital Programme). A summary of the three year Capital Programme is included in the Budget Report approved annually by Council. In addition a more detailed capital programme report is approved by Executive Board in June of each year, this contains detail of all known grant funded capital projects. In line with Finance Standing Orders specific capital schemes are reported throughout the year to Executive Board with a recommendation for Council to subsequently approve. Proposed new capital starts will be considered and prioritised in the light of the Council's Medium Term Financial Strategy, the Asset Management Plan, and delivery of the Council's corporate priorities.

5.2 Reports seeking approval for individual capital schemes should include the following financial information;

(i) the gross cost of each scheme before any external contributions, reimbursements, or capital grants;
(ii) the estimated cashflows over the life of the scheme;
(iii) the expected revenue expenditure consequences of the scheme and how these will be funded;
(iv) details of any specific funding attributable to the scheme such as from capital grants, external contributions and other reimbursements.

5.3 The Operational Director, Finance will ensure that the estimated capital financing costs of the approved Capital Programme are incorporated within the annually set revenue budget.

5.4 Once a detailed scheme has been formally approved the designated Project Manager should contact the Revenues and Financial Management Division, providing details of the approval, in order for the appropriate capital accounting codes to be set-up to enable orders to be raised and expenditure incurred against the scheme.

Variations to the Capital Programme

5.5 Variations to the Capital Programme may be addressed by transfers (virements) between capital schemes within the Programme. This must be with the written approval of the Operational Director, Finance, and may only be up to 10% on schemes costing less than £5m or up to £500,000 on schemes costing more than £5m, as set out in the Council's Standing Orders Relating to Finance.

5.6 Any variations in excess of £500,000 must be reported for approval by Council. The report should include the reasons for the variation, details of how the variation might be contained or mitigated, revised cost estimates profiled over the life of the scheme, and the impact upon the scheme of the potential cost overrun.

Year-end Carry Forward / Slippage

5.7 Where total expenditure by year-end is less than the total capital allocation approved for a particular capital scheme, due to delays, slippage, or other exceptional circumstances, the Operational Director, Finance may choose to approve the carry forward of allocation into the following financial year. All applications for carry forward, including full details of the circumstances, must be made in writing to the Operational Director, Finance by 31st March each year.

6. Funding the Capital Programme

6.1 Capital expenditure may be funded from a variety of sources including capital receipts, capital grants, prudential borrowing, and revenue contributions. The Operational Director, Finance shall arrange for the financing of the Capital Programme as considered appropriate.

Capital Receipts

6.2 Where capital assets are sold the resulting income is termed capital receipts. Capital receipts can be used to fund additional capital expenditure or to repay outstanding capital financing debt, but they cannot be used for revenue purposes.

Capital Grants

6.3 Capital grants are provided with the specific purpose of funding capital expenditure. This will be stated within the grant conditions and therefore they cannot be used for revenue purposes.

6.4 Where funding agencies indicate that capital grants may be utilised for expenditure which does not meet the capital definition or constitute capital expenditure as per Sections 3 and 4 above, then the funding agency should be asked to re-assign part of the capital grant as a revenue grant.

Prudential Borrowing

6.5 The Council is able to borrow funds from approved external institutions. However, this must be in accordance with the Prudential Borrowing Code of Practice (The Prudential Code).

6.6 The fundamental requirements for compliance with the Prudential Code is that the Council must be able to demonstrate that its borrowing is prudent, affordable and sustainable ie. that it is able to repay the annual financing costs (principal and interest) over the life of the loan.

Revenue Contributions

6.7 The Council may decide to make a contribution from the revenue budget to assist with funding a capital scheme. It is “not” however possible to use capital funding for the purposes of meeting revenue expenditure.

External Contributions and Reimbursements

6.8 External contributions or reimbursements from partner organisations or other bodies may be received towards the funding of capital schemes.

6.9 Where capital schemes are part or fully funded from external funding sources, the “gross” rather than “net” cost of the scheme must be included within the Council’s Capital Programme. All approval limits etc. will then apply to the gross expenditure total for the scheme.

6.10 Any external funding should be claimed regularly and as early as possible, in order to minimise the cash flow costs associated with schemes.

6.11 Where funding organisations indicate that their contribution may be utilised for expenditure which does not meet the capital definition or constitute capital expenditure as per Sections 3 and 4 above, then the funding organisation should be asked to re-assign part of their contribution as revenue funding.

7. Capital Expenditure Controls

7.1 Full narrative descriptions must be input on the Agresso system in respect of all capital transactions, to support their correct accounting treatment and to assist with reporting.

7.2 In order to ensure that all capital expenditure is correctly treated within the accounts, the Revenues and Financial Management Division will periodically check that all transactions charged to capital schemes meet the definition of capital expenditure outlined above.

7.3 Where transactions are identified which do not meet the capital expenditure definition they will be transferred to the revenue account.

7.4 All capital expenditure must be incurred in accordance with the Council's Procurement Standing Orders.

8. Capital Monitoring and Reporting Requirements

8.1 Comments should be sought from the Operational Director, Finance on all draft reports to Management Team or Members regarding capital proposals, spending and funding.

8.2 It is the responsibility of each designated Capital Project Manager to monitor expenditure for their schemes, in order to ensure they remain within the approved Capital Programme allocations.

8.3 Where expenditure is anticipated to exceed allocation, Capital Project Managers should liaise with their Finance Officer at the earliest opportunity, in order to agree the corrective action required to bring the scheme back in line with the Capital Programme.

8.4 Capital Project Managers are required to provide the Revenues and Financial Management Division with estimated quarterly expenditure profiles for each of their capital schemes, by 31 May each year. Any significant revisions to the profiles should also be notified to the Revenues and Financial Management Division during the year. The profiles will be used to monitor the Capital Programme and to provide quarterly Councilwide reports to Executive Board

8.5 The Revenues and Financial Management Division will provide access to appropriate financial reports, to assist Capital Project Managers with monitoring expenditure for each of their capital schemes.

9. Accounting for Capital Expenditure

9.1 Where capital expenditure does not increase the value of an asset or considerably extend its life, then at year-end the expenditure will be deemed "impaired" and certified as such by a Valuer. The impaired expenditure will then be charged against the Council's revenue budget.

9.2 The Council operates a five year rolling programme of land and property re-valuations, whereby a fifth of the land and property assets are re-valued each year. Changes in valuation arising from this exercise are then reflected in the value of assets held on the Council's balance sheet at year-end.

9.3 Changes in the valuation of assets are required by accounting regulations to be recorded and maintained as a historic record for each individual asset. This is to enable revaluations and impairments to be identified and accounted for on an individual asset basis.

APPENDIX 2

Capital Project Financial Assessment Form

Division	
Responsible Officer	
Project Name	
Brief Description of project	
Intended purpose of scheme (eg regeneration, operational, investment, maintenance of asset)	
Outcomes hoped to be achieved	
Projected total cost	
How funded (eg grant, S106, capital receipts, borrowing, revenue, other)	
Value of contingency within project costs	
Ongoing annual revenue costs	
Estimated Life of asset (in years)	
Projected start date	
Projected end date	
Sensitivity analysis (for invest to save schemes)	

Notes for completion of form

Responsible Officer	This should be the name of the officer responsible for implementing the project.
Brief description of project	Describe what the capital monies will be spent on e.g. building new commercial property to be rented out to bring in income, purchase nursing home, prepare land for sale etc.
Outcomes hoped to be achieved	describe the reason for the scheme e.g. to retain nursing beds, to generate future revenue savings, to prolong life of existing asset etc.
Projected cost	This should be the total estimated cost to complete the capital project including capitalised salary costs, landscaping the area after completion (if required) and should include a contingency for unexpected costs.
How funded	For each different funding stream state exactly where the funding is coming from and how much e.g. for grants state which grant, for S106 monies state the agreement number, if borrowing state how the borrowing is to be repaid (i.e. cost centre savings will be coming from and over what period), if revenue state cost centre, if other state exactly where funds are coming from i.e area forum (state cost centre), developer - state who. Note that the total of ‘how funded’ should equal the ‘projected cost’.
Ongoing annual revenue costs	e.g if purchasing a nursing home what would be the annual net cost of running the home, if building a new building what would be the costs of utilities, repairs etc.
Estimated life of asset	How long do you think the asset will last. E.g a vehicle may be 5yrs or may be 7 yrs, a building in good repair may be 60yrs. For a capital project to develop land for resale this may not be applicable.
Projected start & end date	When is it proposed the project will commence and if everything goes to plan when is the project expected to be complete so that the building can be used, the land can be sold, savings can be achieved etc.
Sensitivity analysis	This is required only for those schemes where the purpose of the scheme is to generate future income and may require input from your finance officer. You should state how long it would take for the scheme to break given the assumptions you have made, and how long it would take for the scheme to break given if those assumptions where different. Eg. if the scheme was to generate future income from solar energy and you have assumed future income will increase @ 3% per year how long would it take to break even if the increase was only 2% per year, or if it was 4% per year.

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 Agenda Item 10d

REPORT TO:	Executive Board
DATE:	25 February 2021
REPORTING OFFICER:	Operational Director – Finance
PORTFOLIO:	Resources
TITLE:	Treasury Management Strategy Statement 2021/22
WARDS:	Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the Treasury Management Strategy Statement which incorporates the Annual Investment Strategy (AIS) and the Minimum Revenue Provision (MRP) Strategy for 2021/22.

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

3.0 SUPPORTING INFORMATION

3.1 This Treasury Management Strategy Statement (TMSS) details the expected activities of the treasury function in the forthcoming financial year (2021/22). Its production and submission to Council is a requirement of the CIPFA Prudential Code and the CIPFA Treasury Management Code.

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

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

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

3.5 The Council is also required to produce a Minimum Revenue Provision (MRP) Policy Statement. There is a formal statement for approval detailed in paragraph 2.3 and the full policy is shown in Appendix A.

4.0 POLICY IMPLICATIONS

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

5.0 OTHER IMPLICATIONS

5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

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

7.0 RISK ANALYSIS

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

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

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None.

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

Document	**Place of Inspection**	**Contact Officer**
Working Papers	Financial Management	Matt Guest
CIPFA TM Code	Halton Stadium	
CIPFA Prudential Code		

HALTON BOROUGH COUNCIL

TREASURY MANAGEMENT STRATEGY STATEMENT

2021/22

Revenues and Financial Management Division
Finance Department
February 2021

TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22

1 INTRODUCTION

1.1 Background

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

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

CIPFA defines treasury management as:

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

1.2 Reporting requirements

Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes requires all local authorities to prepare, a capital strategy report, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

Treasury Management Reporting

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

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

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

A mid-year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

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

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

1.3 Treasury Management Strategy for 2021/22

The strategy for 2021/22 covers two main areas:

Capital issues

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

Treasury Management Issues

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

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

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny and therefore training was undertaken by Members in February 2018. The training needs of treasury management officers are periodically reviewed.

1.5 Treasury management consultants

The Council uses Link Asset Services as its external treasury management advisors.

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

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

2 THE CAPITAL PRUDENTIAL INDICATORS 2021/22 – 2023/24

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

2.1 Capital Expenditure

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

Table 1 shows planned capital spend by directorate and summarises how these plans are being financed by capital or revenue resources, any shortfall of resources results in the need to borrow.

Table 1 – Capital Expenditure

	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Capital Expenditure:					
People	5,033	6,037	3,859	1,140	1,140
Enterprise, Community & Resources	38,307	42,558	20,724	12,860	3,182
	43,340	**48,595**	**24,583**	**14,000**	**4,322**
Financed By:					
Capital receipts	(3,083)	(4,285)	(2,678)	(3,083)	(2,069)
Capital grants	(26,953)	(24,073)	(7,089)	(1,726)	(1,446)
Revenue	(211)	(153)	-	-	-
Net financing need for the year	**13,093**	**20,084**	**14,816**	**9,191**	**807**

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

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

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

The CFR does not increase indefinitely as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with the life of each asset, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

Table 2 – Capital Financing Requirement

	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Capital Financing Requirement	**613,236**	**617,602**	**627,965**	**625,178**	**624,420**
Movement in CFR due to:					
Net financing need for the year	13,093	20,084	14,816	9,191	807
PFI / finance leases	-	-	-	-	-
Use of Reserves to reduce MRP liability	(488)	(500)	(8,512)	(525)	(539)
Less Minimum Revenue Provision	(8,239)	(9,221)	(9,091)	(9,424)	(10,013)
Increase / (Decrease) in CFR	**4,366**	**10,363**	**(2,787)**	**(758)**	**(9,745)**

2.3 Minimum revenue provision (MRP) statement

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

MHCLG regulations require Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The full statement is detailed in Appendix A.

The Council is recommended to approve the following MRP Statement.

For capital expenditure incurred before 1 April 2008 the MRP policy will be to follow Option 1 (regulatory method), which will be charged on a 2% straight line basis.

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

One exception to the above is expenditure that the Council has incurred on the construction of the Mersey Gateway Bridge. As this debt will be repaid from future toll income the Council will not charge any MRP on this expenditure until the income is received. When received, MRP payments will be matched with income received thus having little impact on the Council's revenue budget.

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

2.4 Affordability prudential indicators

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

2.5 Ratio of financing costs to net revenue stream

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

Table 3 – Ratio of financing costs to net revenue stream

Ratio of finance costs to net revenue stream	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Council's net budget	**114,035**	**115,769**	**112,705**	**116,044**	**119,492**
Finance Costs					
Net interest costs	4,341	4,786	5,211	5,549	5,562
Minimum Revenue Provision	2,116	2,377	2,094	2,100	2,071
	6,457	**7,163**	**7,305**	**7,649**	**7,633**
	5.7%	**6.2%**	**6.5%**	**6.6%**	**6.4%**

The MRP and Interest cost relating to PFI schemes and finance leases have been excluded from the figures above as they have no impact on the revenue budget.

3 BORROWING

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

3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2020 and the position as at 31 December 2020 are shown in Table 4 for borrowing and investments.

Table 4 – Current Portfolio Position

	31st March 2020		31st December 2020	
	£000	**%**	**£000**	**%**
Treasury Investments				
UK banks and building societies	36,354	34%	55,863	46%
Non-UK banks	10,000	9%	-	0%
Local authorities	55,000	52%	55,000	46%
Money market funds	-	0%	5,000	4%
Property funds	5,000	5%	5,000	4%
Total	**106,354**	**100%**	**120,863**	**100%**
Treasury External Borrowing				
Local authorities	(5,000)	3%	-	-
Public Works Loans Board (PWLB)	(162,000)	92%	(162,000)	94%
Other long term borrowoing	(10,000)	6%	(10,000)	6%
Total	**(177,000)**	**100%**	**(172,000)**	**97%**
Net treasury investments / (borrowing)	**(70,646)**		**(51,137)**	

The Council's treasury portfolio position at 31 March 2020, with forward projections are summarised in Table 5. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 5 – External debt

External debt	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Borrowing					
Debt at 1 April	172,000	172,000	172,000	192,000	192,000
Expected change in debt	-		20,000	-	-
Debt at 31 March	**172,000**	**172,000**	**192,000**	**192,000**	**192,000**
Other long-term liabilities					
Debt at 1 April	381,074	374,519	367,675	360,678	353,354
Expected change in debt	(6,555)	(6,844)	(6,997)	(7,324)	(7,942)
Debt at 31 March	**374,519**	**367,675**	**360,678**	**353,354**	**345,412**
Total external debt at 31 March	**546,519**	**539,675**	**552,678**	**545,354**	**537,412**
Capital Financing Requirement	**613,236**	**617,602**	**627,965**	**625,178**	**624,420**
Under / (over) borrowing	**66,717**	**77,927**	**75,287**	**79,824**	**87,008**

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not (except in the short term) exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years.

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

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary

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

Table 6 – Operational Boundary

Operational boundary	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Debt	192,000	192,000	212,000	212,000
Other long term liabilities	374,519	367,675	360,678	353,354
Operational boundary	**566,519**	**559,675**	**572,678**	**565,354**
Total external debt at 31 March	546,519	539,675	552,678	545,354
Estimated headroom	**20,000**	**20,000**	**20,000**	**20,000**

The authorised limit for external debt

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

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

Table 7 – Authorised Limit

Authorised limit	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Capital Financing Requirement	617,602	627,965	625,178	624,420
Contingency	20,000	20,000	20,000	20,000
Total	**637,602**	**647,965**	**645,178**	**644,420**
Total external debt at 31 March	546,519	539,675	552,678	545,354
Estimated headroom	**91,083**	**108,290**	**92,500**	**99,066**

3.3 Prospects for Interest Rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Table 8 and supporting narrative gives their central view:

Table 8 – Interest rate forecast

Quarter average	Bank rate %	PWLB borrowing rates % (including certainty rate adjustment)			
		5 year	10 year	25 year	50 year
Mar-21	0.10	0.8	1.1	1.5	1.3
Jun-21	0.10	0.8	1.1	1.6	1.4
Sep-21	0.10	0.8	1.1	1.6	1.4
Dec-21	0.10	0.8	1.1	1.6	1.4
Mar-22	0.10	0.9	1.2	1.6	1.4
Jun-22	0.10	0.9	1.2	1.7	1.5
Sep-22	0.10	0.9	1.2	1.7	1.5
Dec-22	0.10	0.9	1.2	1.7	1.5
Mar-23	0.10	0.9	1.2	1.7	1.5
Jun-23	0.10	1.0	1.3	1.8	1.6
Sep-23	0.10	1.0	1.3	1.8	1.6
Dec-23	0.10	1.0	1.3	1.8	1.6
Mar-24	0.10	1.0	1.3	1.8	1.6

Interest Rates

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut the Bank Rate to first 0.25%, and then to 0.10%, it left the Bank Rate unchanged at its subsequent meetings to 16th December 2020, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the near-term as economic recovery is expected to be only gradual and, therefore, prolonged.

Gilt yields / PWLB Rates

There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was a heightened expectation that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields.

While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020. After gilt yields spiked up during the financial crisis in March, we have seen these yields fall sharply to unprecedented lows as investors panicked during March in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks took rapid action to deal with excessive stress in financial markets during March, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. Gilt yields and PWLB rates have been at remarkably low rates so far during 2020/21.

As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

Investment and borrowing rates

- Investment returns are likely to remain exceptionally low during 2021/22 with little increase in the following two years.
- Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were negative during most of the first half of

2020/21. In November 2020, the increase of 100 bps in PWLB rates was reversed, although a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The council can now utilise the PWLB certainty rate which is gilt plus 80 basis points.
- As PWLB rates are at a very low level, longer term borrowing could be undertaken for the purpose of certainty, and the Council may not be able to avoid borrowing to finance new capital expenditure. But there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns) for any new short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

3.4 Borrowing Strategy

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2021/22 treasury operations. The Operational Director - Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

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

3.5 Policy on borrowing in advance of need

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

3.6 Debt Rescheduling

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

The reasons for any rescheduling to take place will include:

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

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

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy

The Council's investment policy has regard to the following:

- MGCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, liquidity second, then yield.

The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

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

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

4. The Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. These are split into specified and non-specified investments, as detailed below:

   Specified investments
   These are sterling denominated with maturities up to a maximum of 1 year and include the following:
   - Debt Management Agency deposit facility
   - UK Government gilts
   - Bonds issued by an institution guaranteed by the UK Government
   - Term deposits – UK Government
   - Term deposits – other local authorities
   - Term deposits - banks and building societies
   - Certificates of deposit with banks and building societies

- Money market funds (rated AAA)

Non-specified investments
These are investments that do not meet the specified investment criteria. A variety of investment instruments can be used, subject to the credit quality of the institution:
- Term deposits – UK Government (maturities over 1 year)
- Term deposits – Other local authorities (maturities over 1 year)
- Term deposits – Banks and building societies (maturities over 1 year)
- Certificates of deposit with banks and building societies (maturities over 1 year)
- Property funds

5. Non-specified investments limit. The Council has determined that it will limit the maximum total exposure to non-specified investments as being 40% of the total investment portfolio at the time of investing.

6. Lending limits, (amounts and maturity), for each counterparty will be set through applying the creditworthiness policy detailed in 4.2, and the Counterparty Limits detailed in 4.4.

7. The Council will set a limit for the amount of its investments which are invested for longer than 1 year, (see paragraph 4.4).

8. Investments will only be placed with counterparties from countries with a specified minimum sovereign rating, (see paragraph 4.3).

9. The Council has engaged external consultants, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

10. All investments will be denominated in sterling.

11. The Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund (IFRS9).

4.2 Creditworthiness Policy

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

- credit watches and credit outlooks from credit ratings agencies
- CDS spreads to give early warning of likely changes in credit ratings

- Sovereign ratings to select counterparties from only the most creditworthy counties
.

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

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

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

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

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

Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data, market information, and information on any external support for banks to help support its decision making process.

4.3 Country Limits

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

4.4 Counterparty Limits for 2021/22

The Council has set the following counterparty limits for 2021/22, and will invest in line with the creditworthiness policy detailed in 4.2.

Table 9 – Counterparty limits

	Maximum limit per institution £m
UK Government	40
UK banks/building societies with:	
- Minimum rating of AAA	30
- Minimum rating of AA	25
- Minimum rating of A	20
- Minimum rating of BBB	10
Foreign banks in countries with a soverign rating of AAA and:	
- Minimum rating of AAA	20
- Minimum rating of AA	10
- Minimum rating of A	5
Money market funds	
- Minimum rating of AAA	20
Local authorities	40
Property fund	10
Note: No more than 25% of the total portfolio will be placed with one institution at the time of investing, except where balances are held for cash-flow purposes	

4.5 Investment strategy

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable

- Conversely, if it is thought that Bank Rate is likely to fall within this time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment return expectations
Base Rate is forecast to remain at 0.1% until at least March 2024. Base Rate forecasts for financial year ends (March) are shown below:

- 2020/21 0.1%
- 2021/22 0.1%
- 2022/23 0.1%

Investment treasury indicator and limit – Total principal funds invested for greater than 1 year
These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Table 10 – Maximum principal sums invested over 365 days

Upper limit for principal sums invested for longer than 1 year	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Upper limit of principal sums invested for longer than 1 year	40,000	40,000	40,000	40,000
Current investments in excess of 1 years outstanding at year-end'	20,000	5,000	-	-

4.6 Investment rate benchmarking

The Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 days, 1, 3, 6, 12 month LIBID uncompounded.

4.7 End of year investment report

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

Appendix A

Minimum Revenue Provision

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

Statutory duty

Statutory Instrument 2008 no. 414 s4 lays down that:

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

Government Guidance

Along with the above duty, the Government issued guidance which came into force on 31st March 2008 which requires that a Statement on the Council's policy for its annual MRP should be submitted to the full Council for approval before the start of the financial year to which the provision will relate. This guidance was updated in February 2018.

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

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

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

Option 1: Regulatory Method

Under the previous MRP regulations, MRP was set at a uniform rate of 4% of the adjusted CFR (i.e. adjusted for “Adjustment A”) on a reducing balance method (which in effect meant that MRP charges would stretch into infinity). From the 2016/17 financial year the Council changed this to a 2% straight line as the new method:

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

Option 2: Capital Financing Requirement Method

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

Option 3: Asset Life Method

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

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

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

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

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

Option 4: Depreciation Method

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

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

Date of implementation

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

Strategy Adopted for 2021/22 and future years

In order to determine its MRP for 2021/22 and taking into consideration the available options the Council has applied the following strategy:

- For all capital expenditure incurred before 2009/10 and for all capital expenditure funded via supported borrowing MRP to be calculated using Option 1 – The Regulatory Method, calculated using a 2% straight-line charge.
- For all capital expenditure incurred from 2009/10 financed by prudential borrowing MRP to be calculated using Option 3 the Asset Life Method, with the MRP Holiday option being utilised for assets yet to come into service use.
- For Mersey Gateway expenditure the options above will not be used. The MRP Holiday option will be utilised until the Council receives toll income to repay outstanding capital expenditure. MRP payments will then be matched with income received.
- For credit arrangements such as on-balance sheet leasing arrangements (finance leases), the MRP charge will be equal to the principal element of the annual rental.
- For on balance sheet PFI contracts MRP charge will be equal to the principal element of the annual rental.
- For the unitary payments for the Mersey Gateway, the MRP charge will equal the principal repayment elements of the payments made.
- For assets that have an outstanding balance in the Capital Adjustment Account at the time of disposal, the Council have the option of using the capital receipts raised from the sale to repay the balance. Although this will not affect the MRP charge in year (this will be a direct charge from Capital Receipts Reserve to the Capital Adjustment Account) this will reduce an MRP charge for future years. Please note:
    - If the sale of the asset does not raise sufficient receipts to repay the outstanding balance the council has the option to use the Capital Receipts Reserve to make the repayment
    - If the Council choose not to use the methods detailed above, the MRP should be repaid over a period that is considered prudent

REPORT TO:	Executive Board
DATE:	25 February 2021
REPORTING OFFICER:	Strategic Director – Enterprise, Community and Resources
SUBJECT:	Calendar of Meetings – 2021/22
WARDS:	Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To approve the Calendar of Meetings for the 2021/22 Municipal Year attached at Appendix 1 (NB light hatched areas indicate weekends and Bank Holidays, dark hatched areas indicate school holidays).

2.0 RECOMMENDATION: That Council be recommended to approve the Calendar of Meetings for the 2021/22 Municipal Year.

3.0 SUPPORTING INFORMATION

3.1 Members are asked to consider and recommend approval of the calendar of meetings for the 2020/21 Municipal Year.

4.0 POLICY IMPLICATIONS

None.

5.0 OTHER IMPLICATIONS

None.

6.0 IMPLICATIONS FOR THE COUNCIL'S 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

Should a Calendar of Meetings not be approved, there will be a delay in publishing meeting dates. This would result in practical difficulties in respect of the necessary arrangements required and the planning process regarding agenda/report timetables.

8.0 EQUALITY AND DIVERSITY ISSUES

Once a Calendar of Meetings has been approved the dates will be published, hence assisting public involvement in the democratic process.

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

None under the meaning of the Act.

2021/2022 Year Planner

NB Lightly shaded areas indicate weekends and Bank Holidays; dark shaded areas indicate school holidays.

	MAY 2021	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN 2022	FEB	MARCH	APR	MAY
M	3 Early May Bank Holiday			2 Dev Control Com			1 Dev Control Com		3 New Year Bank Holiday				2 Early Spring Bank Holiday
T	4	1		3			2 Corporate PPB		4	1 Safer PPB	1 Dev Control Com		3
W	5	2		4	1		3	1 Regulatory	5	2	2 COUNCIL		4
T	6 Elects - Local Parish Mayoral PCC	3	1	5	2		4	2	6	3	3		5 Local Elections
F	7	4	2	6	3	1	5	3	7	4	4	1	6
S	8	5	3	7	4	2	6	4	8	5	5	2	7
S	9	6	4	8	5	3	7	5	9	6	6	3	8
M	10 Dev Control Com	7 Dev Control Com	5 Dev Control Com	9	6 Dev Control Com	4 Dev Control Com	8 CYPF PPB	6	10 Dev Control Com	7 Dev Control Com	7 SEMINAR	4 Dev Control Com	9 Dev Control (prov)
T	11	8 Corporate PPB	6 SEMINAR	10 SEMINAR	7 Corporate PPB	5 SEMINAR	9 Safer PPB	7 Dev Control Com	11	8	8	5	10
W	12	9	7 H W Board B E Board	11	8 SEMINAR	6 HW Board Regulatory	10	8 COUNCIL	12 Regulatory	9 Mayoral Com Standards Com	9 Regulatory	6	11
T	13	10	8	12	9	7	11	9 Executive Board	13	10	10	7	12
F	14	11	9	13	10	8	12	10	14	11	11	8	13
S	15	12	10	14	11	9	13	11	15	12	12	9	14
S	16	13	11	15	12	10	14	12	16	13	13	10	15
M	17	14 CYP&F PPB	12	16	13 CYP&F PPB	11	15 ELS&C PPB	13	17	14	14	11	16
T	18 Exec Board Select Comm	15 Safer PPB	13	17	14 Safer PPB	12	16	14	18 SEMINAR	15 Health PPB	15	12	17 Exec Board Select Com (prov)
W	19	16 Schools Forum	14 COUNCIL	18	15	13 Schools Forum COUNCIL	17 Environment PPB	15	19 H W Board Schools Forum	16 Environment PPB - Schools Forum	16	13	18
T	20	17 Executive Board	15 Executive Board	19	16 Executive Board	14 Executive Board	18 Executive Board	16	20 Executive Board	17 Executive Board	17 Executive Board	14 Executive Board	19
F	21 Annual Council (prov)	18	16	20	17	15	19	17	21	18	18	15 GOOD FRIDAY	20 ANNUAL COUNCIL (prov)
S	22	19	17	21	18	16	20	18	22	19	19	16	21
S	23	20	18	22	19	17	21	19	23	20	20	17	22
M	24	21 ELS&C PPB	19	23	20 ELS&C PPB	18	22	20	24 CYP&F PPB	21	21	18 EASTER MONDAY	23
T	25	22	20	24	21	19	23 Health PPB	21	25 Corporate PPB	22	22	19	24
W	26	23 Environment PPB	21	25	22 Environment PPB	20	24 BE Board	22	26	23	23 H W Board B E Board	20	25
T	27	24	22	26	23	21	25	23	27	24	24	21	26
F	28	25	23	27	24	22	26	24	28	25	25	22	27
S	29	26	24	28	25	23	27	25 Christmas Day	29	26	26	23	28
S	30	27	25	29	26	24	28	26 Boxing Day	30	27	27	24	29
M	31 Spring Bank Holiday	28	26	30 Summer Bank Holiday	27	25	29	27 Bank Holiday	31 ELS&C PPB	28	28	25	30 Spring Bank Holiday
T		29 Health PPB	27	31	28 Health PPB	26	30	28 Bank Holiday			29	26	31
W		30 Regulatory	28		29 B E Board	27		29			30	27	
T			29		30	28		30			31	28	
F			30			29		31				29	

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REPORT TO:	Council
DATE:	3 March 2021
REPORTING OFFICER:	Strategic Director Enterprise, Community & Resources
PORTFOLIO:	Resources
SUBJECT:	Pay Policy Statement 2021 – 2022
WARD(S):	Borough-wide

1.0 PURPOSE OF THE REPORT

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

1.2 This report details the Council's recommended Pay Policy Statement for 2021/22. The statement will be subject to annual review and approval by Full Council. In exceptional circumstances, the statement may be reviewed/amended in-year by the Full Council.

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

2.0 RECOMMENDATION: That:

Council adopts this Pay Policy Statement for the Financial Year 2021/22.

3.0 SUPPORTING INFORMATION

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

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

3.3 The statement complies with the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Worker Regulations 2010, The Agency Worker (Amendment) Regulations 2019 and where relevant, the Transfer of Undertakings (Protection of Employment) Regulations 2014.

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

3.5 With effect from April 2018, employers with more than 250 employees have been required to report on Gender Pay Gap to the Government Equalities Office. The calculation is prescribed statutorily and is based on a snapshot date of 31st March of the previous year. The most recent submission to government, filed in 2020, is as at 31st March 2019;

- Median pay gap: 10.4% lower for female employees.
  The median gender pay gap for the whole UK economy is 17.8% (October 2019 ONS figures).

- Mean pay gap: 13.4% lower for female employees.
  The mean gender pay gap for the whole UK economy is 17.2% (October 2019 ONS figures).

Further detailed information is published on the Council website at: https://www4.halton.gov.uk/Pages/councildemocracy/Equality-and-Diversity.aspx

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

4.0 THE PAY POLICY STATEMENT

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

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

5.0 BACKGROUND – PAY STRUCTURE

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

5.2 The Council adopts the national pay bargaining arrangements in respect of the national pay spine and any agreed annual pay increases negotiated with the joint trade unions.

5.3 From 1st April 2019, a revised NJC pay spine was introduced which consolidated the twelve lowest points from the previous version into six. This was designed to promote equity within the pay and grading model. The Council adopted this model.

5.4 The Council has determined that it will pay the Living Wage, as calculated annually by the Living Wage Foundation. From 1 April 2021, the minimum hourly rate paid will be £9.50.

5.5 From 1st April annually, the minimum hourly rate paid will be the higher of the hourly rate of the bottom NJC pay point (SCP 1), or the hourly rate as calculated by the Living Wage Foundation and announced in the prior November. At the time of writing, the NJC rate for SCP1 effective 1st April 2021 has not yet been negotiated at the national level (it was set at £9.30 for 2020/21).

5.6 For staff on Joint Negotiating Committee (JNC) terms and conditions (Chief Officers), the Council operates a locally determined pay structure, in accordance with JNC guidance, and any agreed annual pay increases negotiated with the joint trade unions on a national level.

5.7 In late 2018 employees of the Council were consulted and agreed to vary their contracts of employment by taking four days unpaid leave for a period of three years as a budget saving measure. This was endorsed by Council. This agreement follows three similar successive agreements, which ended in 2018/19. This has the effect of a 1% annual pay cut but contributes to enabling the Council to present a balanced budget. The variation of contract covers the three financial years to 2021/22, ending on 31st March 2022.

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

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

5.10 There is a formal job evaluation process for new positions created or for proposed changes to existing job descriptions. For positions which are subject to the National Joint Council (NJC) for Local Government Services ('Green Book'), the grading review is undertaken with representation from the Human Resources Service, the Trade Unions and the Manager, using the Local Government Single Status Job Evaluation Scheme (the NJC scheme) which is used to evaluate posts up to grade HBC11.

5.11 Apprentices within the Council are paid a minimum of 75% of the Council's grade HBC3. From April 2020, this equated to £7.51 per hour. The April 2021 rate remains subject to national negotiations, but will be uprated when the 2020/21 pay points have been agreed. Apprentices aged 21 or over, who have completed the first year of an apprenticeship are paid the relevant National Minimum Wage, in line with prevailing legislation.

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

- Employees whose pay and conditions are determined by the Soulbury Committee
- Employees within the Council whose pay is determined by the annual review of the School Teachers Pay and Conditions document (STPCD)
- Employees who have transferred from the NHS to the Council on NHS terms and conditions
- Employees who have retained terms and conditions following a TUPE transfer to the Council

5.13 Any temporary supplement to the salary scale for any grade is approved in accordance with the 'Green Book' criteria on such matters and can only be approved be the Chief Executive in consultation with the Operational Director – Policy, People, Performance & Efficiency (PPPE).

6.0 SENIOR MANAGEMENT REMUNERATION

6.1 For the purposes of this Statement, senior management means 'chief officers' as defined within the Localism Act. The posts falling within the statutory definition are set out below:

- Chief Executive
- Strategic Directors
- Operational Directors
- Director of Public Health

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

6.3 The salary details of the Council's Chief Officers can be found on the Council website and are published as part of the Council's Annual Statement of Accounts.

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

6.5 The terms and conditions applicable to officers on director grade and above are determined by the JNC for Chief Executives, the JNC for Chief Officers of Local Authorities or NHS as amended, supplemented or superseded by the Council from time to time.

7.0 RECRUITMENT OF CHIEF OFFICERS

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

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

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

8.0 ADDITIONS TO SALARY OF CHIEF OFFICERS

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

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

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

8.4 The Chief Executive also receives reimbursement for the duties undertaken as a Returning Officer.

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

9.0 PENSION CONTRIBUTIONS

9.1 Where employees have exercised their right to become members of the Local Government Pension Scheme, the Council is required to make a contribution to the Scheme representing a percentage of the pensionable remuneration due under the contract of employment of that employee. The rate of contribution is set by Actuaries advising the Pension Fund and reviewed on a triennial basis in order to ensure the Scheme is appropriately funded. The current employer's rate, set at April 2020, is 19.8%.

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

Rate of Contribution	Annual Rate of Pay
5.5%	Up to £14,600
5.8%	£14,601 - £22,800
6.5%	£22,801 - £37,100
6.8%	£37,101 - £46,900
8.5%	£46,901 - £65,600
9.9%	£65,601 - £93,000
10.5%	£93,001 - £109,500
11.4%	£109,501 - £164,200
12.5%	More than £164,201

These salary bands may be revised for 2021/22, however at the time of writing no notification has been issued.

10.0 PAYMENTS ON TERMINATION

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

10.2 The Council's Policy on Voluntary Redundancy is contained in its Staffing Protocol which was approved by the Appointments Committee on 21st September 2009 with revised terms to reflect the changes to the Local Government Pension Scheme in April 2014 being agreed by the Committee on 4th February 2015. These arrangements apply to all employees at all levels

11.0 PUBLICATION

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

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

- Salary, fees or allowances paid to or receivable by the person in the current and previous years;

- Any bonuses so paid by way of expenses allowance that are chargeable to UK Income Tax;
- Any compensation for loss of employment and any other payments connected with termination;
- Any benefits received that do not fall within the above.

12.0 LOWEST PAID EMPLOYEES

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

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

12.3 From April 1st 2021, the lowest rate of pay for established employees will be £9.50 per hour.

12.4 The relationship between the rate of pay for the highest paid employee and the mean average earnings across the Council is recommended as the best way of illustrating the relationship between the two. This is called the pay multiple and for this Authority, the pay multiple is 1:7.0.

12.5 The Hutton Review (2011) stipulated that a pay multiple between the highest and the lowest paid median average salary should not exceed 1:20. On this basis, the Council has a pay multiple of 1:8.47, well within the recommended range.

12.6 From April 2019, the Council committed to pay the Living Wage, as calculated by the Living Wage Foundation. In doing so, it will meet all statutory requirements in respect of paying the National Minimum Wage and the National Living Wage, by default.

13.0 ACCOUNTABILITY AND DECISION MAKING

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

14.0 POLICY IMPLICATIONS

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

15.0 FINANCIAL IMPLICATIONS

15.1 The Pay Policy Statement must be prepared for the financial year 2021/22 and each subsequent financial year. Once in place, it will provide the public with a clear rationale to explain the Authority's approach to pay.

15.2 The Council employs 2507 people in 2578 positions and is responsible for spending annually over £300 million of public money.

16.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

16.1 Employees are a key element of the delivery of services that contribute to all of the Council's priorities. As such, appropriate and relevant payment to employees enables the delivery of those priorities.

17.0 RISK ANALYSIS

17.1 The adoption of this Pay Policy Statement, and use of the frameworks and mechanisms described within, provides assurance that the Council is mitigating any legislative and ethical risk linked to the remuneration of its employees.

18.0 EQUALITY AND DIVERSITY ISSUES

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

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

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