WARRINGTON BOROUGH COUNCIL

COUNCIL – 26 February 2018

Report of Executive Board Member:	Councillor Russ Bowden, Executive Board Member, Corporate Finance	
Executive Director:	Lynton Green, Director of Corporate Services	
Senior Responsible Officer:	Lynton Green, Director of Corporate Services	
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Key Decision No.	N/A	
Ward Members:	All	

TITLE OF REPORT: 2018/19 MEDIUM TERM FINANCIAL PLAN, DRAFT REVENUE BUDGET AND CAPITAL PROGRAMME

1 PURPOSE

1.1 The Council's Constitution requires the Executive Board to recommend its annual Budget proposals, Capital Programme and proposed Council Tax to a full meeting of the Council. On 12 February 2018, the Executive Board agreed its proposals, and this report details those proposals for the Council's consideration. It should be noted that alternative budget proposals may also be presented at the meeting for Members' consideration. The report also outlines the prospects for the Council's finances for the medium term.

1.2 In agreeing its 2018/19 revenue budget, the Council is asked to consider the options set out in this report, and to have regard to the 2018/19 proposed Treasury Management Strategy which is the subject of a separate report on this agenda.

2 CONFIDENTIAL OR EXEMPT

2.1 The report is not confidential or exempt.

3 2018/19 REVENUE BUDGET

3.1 This report presents the Executive Board's proposed 2018/19 budget which includes £15.5m of savings. These proposals build upon the work that has been undertaken by the Council in previous financial years to address budget challenges and to ensure that over the next 12 months there will be a further underpinning of the Council's medium term financial plan. This will enable the Council to deliver financial stability and investment opportunities through a long term efficiency programme based on sound financial management arrangements.

3.2 The Executive Board Member, Corporate Finance has worked closely with officers over the past six months to formulate the 2018/19 budget. During the autumn a series of Spotlight Challenge Panel sessions were held at which Outcome Based Budgeting savings proposals were discussed. These sessions were led by the Executive Board Member, Corporate Finance, the Leader and the Deputy Leader of the Council and supported by the Director of Corporate Services. The principal features of the Outcome Based Budget approach are described in section 4 below.

3.3 The formulation of the budget has been influenced by the continuation of the major cuts that National Government has imposed on Local Government since the 2010 Spending Review and given shrinking resources, an ambition to become financially sustainable through longer term planning rather than just one year planning.

3.4 Warrington has one of the lower Council Tax levels of the 91 Unitary and Metropolitan Authorities and the 5th lowest in the North West (2017/18 figures). The table in Appendix 1a shows Warrington's Band D Council Tax in comparison with the North West Unitary and Metropolitan Authorities and the additional funding we would receive if our Council Tax was changed to their level. If Warrington increased its Council Tax to the same level as Stockport we would raise an additional £13.7m every year and that if we increased it to the average of North West Authorities we would raise an additional £4.2m a year.

3.5 This highlights the issue surrounding the different levels of Council Tax raised by Authorities, and the unfair nature of the 2% referendum limit. Applying the referendum limit, Stockport is able to increase its Band D rate by £30.44, whereas Warrington is only able to increase its rate by £26.32 thereby increasing the gap between Authorities.

3.6 Warrington has the 12th lowest Settlement Funding of all 91 Unitary and Metropolitan Authorities and the lowest in the North West. The Settlement Funding comprises non-ringfenced government funding and the income we receive from the Business Rates Retention Scheme. Appendix 1b shows how we compare with other North West Authorities, and how much additional funding we would receive if Warrington received the amount of funding per dwelling received by other Authorities. Based on the average amount of funding per dwelling for the North West Authorities we would receive an additional £40m.

3.7 The Final Local Government Finance Settlement for 2018/19 was confirmed 7 February 2018. Warrington's Government funding has fallen by a further 9% in 2018/19. This equates to a drop in Government funding of £3.6m, which is equivalent to over £17 per Warrington resident. This drop in funding has been additionally affected by a decrease in the New Homes Bonus (NHB) payment arising from the final phase transition from 6 years to 4 years NHB legacy funding and introduction of the NHB threshold limit (£1.8m). In an addition to the Provisional Settlement figures, the Final Settlement announced Adult Social Care Support Grant funding for Warrington of £0.5m in 2018/19. This funding together with the income derived from the 2018/19 Adult Social Care precept amounts to £3.1m but this falls some way short of the additional £5.0m of Adult Social Care pressures included in the 2018/19 budget.

3.8 The Council has already made savings of £20.5m and £8.8m in 2016/17 and 2017/18. However, £38m of additional savings will also need to be made over the next four years, with £15.5m of savings needed in 2018/19 to balance the budget. Currently £15.5m of saving proposals have been identified for 2018/19 creating a balanced budget. Legislative and other unavoidable pressures which have been built into the budget total £15.4m in 2018/19, a break-down of which can be seen in Appendix 2. Additional inflationary pressures (pay and sales inflation) total £0.53m. An analysis of the £15.5m saving proposals for 2018/19 is included in Appendix 3.

3.9 The proposed budget for 2018/19 totals £136.836m and the Directorate analysis of the draft cash limited budget is shown below:

Council Revenue Spending Plans **Directorate**	**Responsible Officer**	**2017/18 Cash Limit £000**	**2018/19 Cash Limit £000**
Corporate Services	Director of Corporate Services	9,013	4,241
Families & Wellbeing	Executive Director FWB	87,289	103,270
Economic Regeneration, Growth & Environment	Executive Director ERGE	17,719	23,819
Corporate Financing	Director of Corporate Services	22,328	5,506
Total		**136,349**	**136,836**

3.10 A detailed analysis of these cash limits are provided in the budget book referenced at Appendix 9, to be sent under separate cover.

3.11 The Director of Corporate Services has a statutory responsibility to report to Council, as part of his annual budget statement, on the adequacy of reserves and the robustness of budget proposals. A full risk assessment of all budget options has been undertaken to enable the Director of Corporate Services to discharge this responsibility.

3.12 As always, the Council will work closely with staff and the Trade Unions to reduce the need for compulsory redundancies, which worked particularly well in 2017/18. Due to the cross-cutting nature of the savings detailed in Appendix 3 and our continued move away from traditional service cuts, it is particularly difficult to confirm the exact staffing impact in 2018/19. However, it is estimated that the proposals will lead to a maximum reduction of 40 posts, with the deletion of vacant posts and approval of voluntary redundancies keeping the need for compulsory redundancies to a minimum.

4 OUTCOME BASED BUDGETING (OBB) PROCESS

4.1 The Council operates an outcomes based approach to budgeting; the purpose being to provide a long term strategic and sustainable financial plan. Outcomes Based Budgeting (OBB) is a process designed to create a public sector that works better, costs less, focuses on delivering outcomes, puts citizens and their priority needs first and emphasises accountability and innovation. The process requires the Council to work across organisational boundaries, be proactive rather than reactive and encourages longer term planning and sustainability.

4.2 The OBB approach is to identify and select areas to focus on and review the associated budgets to understand what is being spent, what services/functions are provided by this budget, how the services/functions are structured and how the spend relates to commissioning themes and priorities to ensure value for money can be demonstrated and a tangible benefit derived from outcomes. By use of this approach, budget pressures and saving proposals will be identified.

4.3 The overall OBB ambition is that the Council will have developed a sustainable budget. In achieving this, the associated commissioning, budget and change processes will become ongoing systematic programmes of activity that run throughout the year(s).

4.4 As the OBB process reflects a longer term scenario, it is recognised that many proposals will come to fruition later and therefore not generate savings or income until future years. Change and transformation projects may also require initial investment, facilitated through the ‘Invest to Save’ programme, to allow the project to take shape with the benefit of an increased payback once the project is complete. In these circumstances, bids can be made to draw down funds from the MTFP ‘smoothing’ reserve to pump prime proposals. The Council has additionally developed and had agreed by Executive Board an ‘Enterprising Warrington Commercial Strategy’ as part of a coordinated approach to addressing lost government funding.

4.5 As part of the OBB process Council budgets have been considered under the commissioning themes of:

- Demand Management and Behaviour Change
- Enterprise
- Digital, Technology and Efficiency

4.6 The Demand Management and Behaviour Change theme will examine relationships with the community to promote self-service, early intervention or prevention and also address high cost spend areas.

4.7 The Enterprise theme will develop proposals for innovative investments, alternative delivery models and scope for further income generation.

4.8 The Digital, Technology and Efficiency theme will take forward the technology strategy to allow anytime/anywhere access for customers and workforce leading to increased flexibility and responsiveness and look for other organisational efficiencies.

4.9 Proposals identified through the themes were challenged by the Executive Board and Senior Management through Spotlight Challenge Panels. The Panels offered the opportunity for Members to challenge how the proposals aligned with the Council's priorities and what impact they would have on the outcomes for Warrington. Instead of a long list of cuts, the OBB approach has led to a more manageable list of transformational/enterprise savings which can deliver income to mitigate government cuts. A list of saving proposals is included at Appendix 3.

4.10 As always, the Council works closely with staff and the Trade Unions. There is close involvement and regular meetings with Trade Unions throughout the year with the intent to minimize the number of redundancies.

4.11 A separate examination was undertaken to look at the capital programme in detail to confirm that the capital schemes were aligned with the Council's priorities and whether there were opportunities to remove or rephase capital schemes to release some of the revenue provision.

Consultation and Engagement

4.12 As part of the setting of a four year budget in 2016/17, it was agreed that in order to be meaningful, our approach to consultation and engagement will need to be phased to ensure that we seek feedback from all sections of the community in relation to any specific proposals that may affect them over the duration of the budget period, in turn enabling a more constructive, detailed and informed dialogue at the relevant point in time at the point when proposals for change are being formed. This approach will continue to apply.

4.13 Following comments from Scrutiny Committee in previous years, an addition to the consultation process for 2018/19 is to have offered an all Members briefing on the budget delivered by the Section 151 Officer (Director of Corporate Services).

4.14 By law the Council has a duty to consult with local businesses on the overall annual budget and to this end local businesses have been invited to a breakfast meeting. In addition to the statutory meeting, sessions have been held with other groups including Trade Unions, Youth Council and Third/Voluntary.

4.15 The Council is committed to being transparent about its income and expenditure and about changes to its financial position. To ensure that the public has greater visibility of the Council's finances, in 2016/17, new pages were set up on the Council's website to explain the detail of the Council's budget in plain English, with a link that enables people to ask questions. These pages are available via www.warrington.gov.uk/budget. As the Council's financial position becomes more challenging it is important that we are responsive to this feedback and also that we address any misconceptions about our income, or what we spend public money on.

4.16 Internally, a new section has also been created on the Council's intranet that sets out the budget challenge in more detail and that seeks to ensure our own employees have full visibility of the overall budget position, including any current and emerging savings proposals. This is designed to be supplementary to the usual face to face communication and consultation processes. In addition information has and will continue to be, circulated in internal Council publication, Your Voice and via social media, the wider media and the Council's own email publication The Wire.

4.17 Finally, the Council recognises that as Council budgets shrink, the role our communities and our partners play becomes even more important. We want to do more to harness this capacity and to work together to mitigate the impact of government cuts. That is why we are continuing to support the borough wide 'Count Me In' campaign that encourages everyone to 'do their bit' – be that recycling more, supporting family and neighbours or just being a little more active. Greater emphasis will be placed on 'Count Me In' in the 2018/19 budget year and we welcome feedback from our communities on how best we can work together to ensure we continue to protect the most vulnerable.

5 MEDIUM TERM FINANCIAL PLAN

5.1 Warrington's submission of a financial efficiency plan in October 2016 secured the Government's offer of a four year funding settlement for the period 2016/17 to 2019/20. Given this element of certainty, the budget approach has been to develop the medium term financial plan over a four year period so as to enable a better planned and managed outcome.

5.2 The Final Settlement 7 February 2018 confirmed details of the settlement funding levels together with flexibility to increase the Council precept by up to 1% above the 2% referendum limit in 2018/19 and 2019/20. The flexibility reflects some acknowledgement by Central Government of the very serious spending pressures facing Local Government, especially around adult and children social care, but the overall financial effect of the flexibility for Warrington is £0.89m (which equates to slightly over £4 per Warrington resident). The flexibility shifts funding responsibility from Central Government to local tax payers and still leaves a significant budget gap.

5.3 The table overleaf shows the Council's forecasted budget position for the next four years. The funding position for 2020/21 and 2021/22 is an estimate based on previous years funding. Due to a number of budget pressures and a reduced funding position the Council will need to achieve savings of £38m over the next four years. This figure includes the 2018/19 budget gap of £15.5m.

Ref		2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
	Budget set for 2017/18	**136,349**			
	In-year changes to funding	-			
	Net Budget Brought Forward	**136,349**	**152,312**	**164,396**	**168,959**
1	Inflation pressure - Pay	1,547	1,547	1,547	1,547
	Inflation pressure - Fees & Charges	(1,015)	(1,015)	(1,015)	(1,015)
2	Additional budget pressures	15,431	11,552	4,031	5,090
	Total Budget Needed	**152,312**	**164,396**	**168,959**	**174,581**
3	Funding	136,836	129,547	133,979	136,971
	Budget Shortfall	**15,476**	**34,849**	**34,980**	**37,610**

A brief synopsis of the above table is given below:

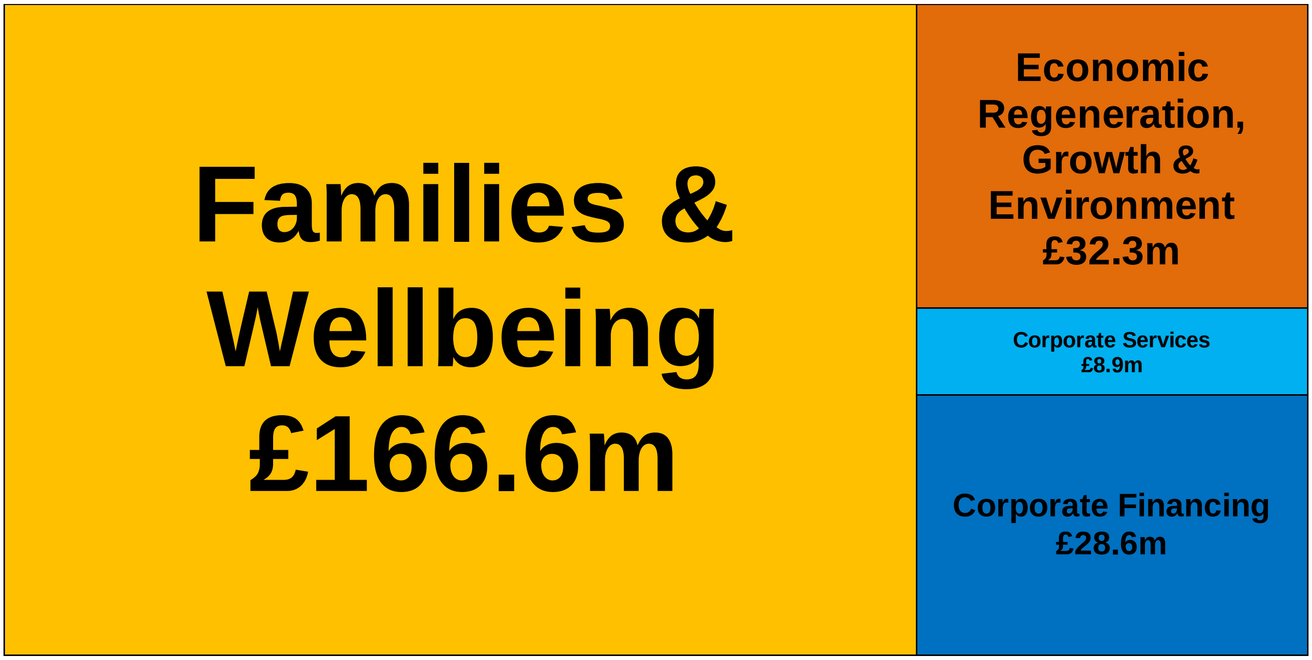
- **Inflation pressure** - This has been calculated as 0% for price inflation and a 3% expected rise in Fees and Charges income. Pay inflation has been provided for as a 2% increase. It should be noted that whilst a 2% pay award has been offered it has not yet been accepted and any increase over this amount will put pressure on the Council's budget.

- **Additional budget pressures** - This consists of legislative and demand pressures and non-achievement of previously committed MTFP savings. For further detail for 2018/19 see Appendix 2.

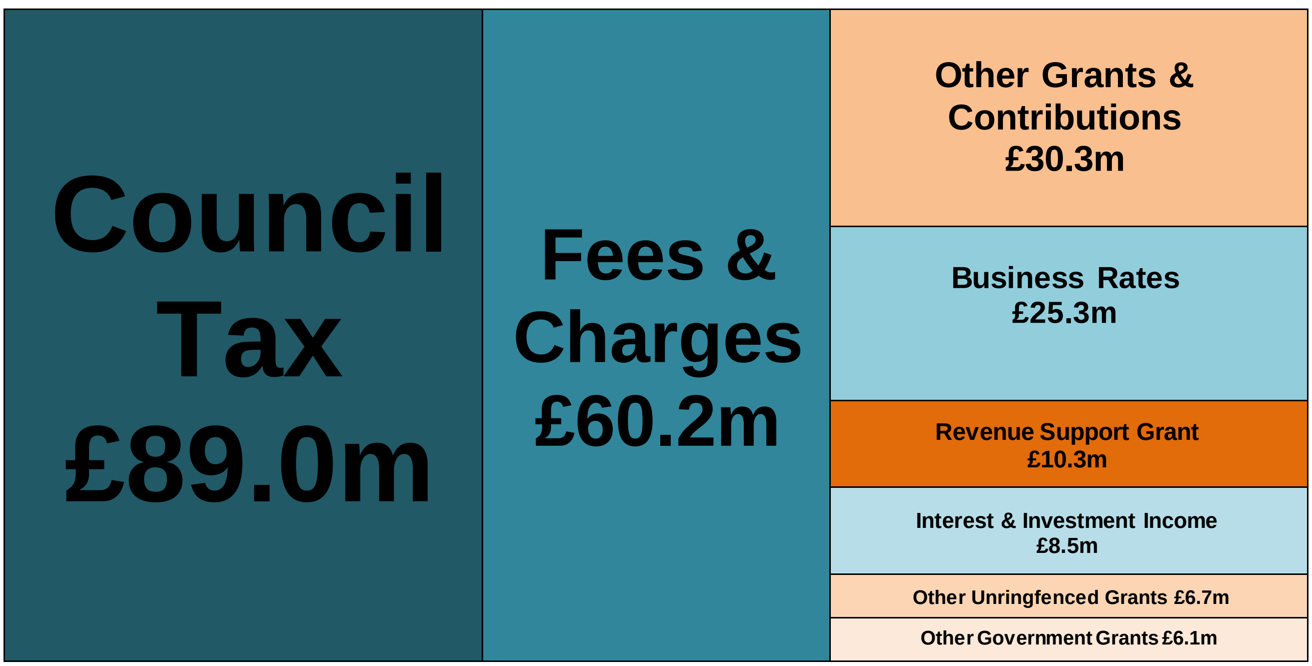
- **Funding** - This shows the funding that will be received in 2018/19 and estimated funding for future years. This is made up of Revenue Support Grant, Business Rates, Council Tax, non-ringfenced Government Grants and use of reserves.

5.4 The graphics overleaf show how the gross expenditure is currently distributed, and how the income received will change between 2017/18 and 2021/22. Benefits payments and the Dedicated Schools Grant have been removed from the graphics as funding received is passported directly out of the Authority.

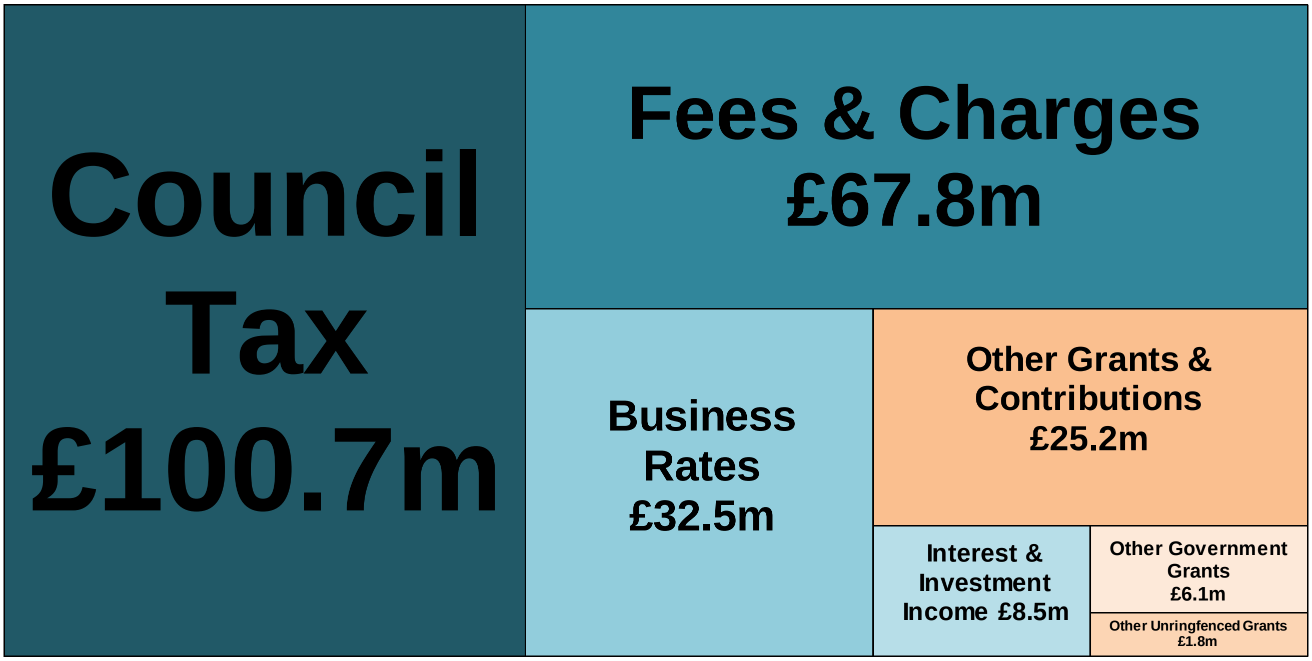
Gross Expenditure 2017/18



Gross Income 2017-18



Gross Income 2021-22



6 BUSINESS RATE RETENTION SCHEME

6.1 The Business Rate Retention Scheme was implemented on 1 April 2013.

6.2 Previously all income raised from Business Rates was transferred directly to Central Government and any surplus or shortfall would have no impact on the Council's Funding. As part of the Business Rate Retention Scheme, 50% of all Business Rates are transferred to Local Authorities and any movement in business rates will have a direct funding impact. This is to provide a greater incentive for Local Government to increase the Business Rate income in their area. However, the value of business rates actually retained is dependent on whether an authority is a top-up or tariff authority.

6.3 We are predicting an in-year deficit for Warrington in the 2017/18 financial year. This estimate will be distributed as part of our business rate funding for 2018/19.

6.4 The 2018/19 Local Government Finance Settlement announced significant future changes to the Business Rates Retention Scheme. The Settlement announced an increase to 75% in the proportion of locally collected business rates that Councils will retain with implementation in 2020/21. It is the Government's intention for the following grants to be funded through retained business rates: Revenue Support Grant, Rural Services Delivery Grant and the Public Health Grant. The Settlement also announced that a 'Fair Funding' review of relative needs and resources is ongoing for implementation in 2020/21. This review will calculate new baseline business rates funding levels based on an up-to-date assessment of the relative needs and resources of local authorities. Business rates will be redistributed according to the outcome of the new assessment. Central Government intend to consult on the proposed changes throughout the coming year.

Levy Payments & Mid-Mersey Business Rate Pool

6.5 As part of the Business Rate Retention Scheme any authority classed as a tariff authority (i.e. the business rate collected is higher than the business rate funding due to the authority) is required to pay a levy payment to Central Government. Warrington's levy for 2018/19 is calculated as 35%.

6.6 Warrington has formed a Business Rate Pool with Halton Borough Council and St Helens Metropolitan Borough Council and as a result the levy payment that would have been due to Central Government will be distributed below, as agreed in the governance arrangements of the Pool:

- 20% Economic Regeneration & Shared Working Fund
- 30% Safety Net Reserve
- 25% to Warrington Borough Council
- 13% to Halton Borough Council
- 12% to St Helens Metropolitan Borough Council

6.7 The submission and authorisation of the NNDR1 return (which informs Central Government of the estimated Business Rate income for 2018/19 and the estimated deficit for 2017/18) was delegated to the Director of Corporate Services at Audit and Corporate Governance on 18 January 2018 and was authorised and returned to DCLG on 31 January 2018.

7 CAPITAL STRATEGY

7.1 Attached at Appendix 4 is the Council's 2018 Capital Strategy. Annex 1 and 2 of Appendix 4 also contain the Council's 2018/19 – 2020/2021 Capital Programme and Flexible Use of Capital Receipts Strategy. The Capital Strategy is a new requirement for Councils from 1st April 2018 following the publication of the Revised Prudential Code of Capital Finance for Local Authorities in January 2018.

8 COUNCIL TAX

8.1 In 2017/18 Warrington increased the Council Tax by 4.98% (1.98% Council precept plus an additional 3% 'social care precept'). In the 2018/19 Finance Settlement, Central Government announced that Councils can increase the Council precept by an additional 1% over the 2% referendum limit. This facility applies to 2018/19 and 2019/20. Social care authorities, such as Warrington, will be able to increase the 'social care precept' by up to 3% in 2018/19. Central Government assessment of spending power assumes Councils will take the full 3% increase plus the social care precept.

8.2 It is proposed that Warrington increase the Council precept by 2.98% in 2018/19 and also apply the additional 3 per cent 'social care precept' in 2018/19. This report is therefore based on an assumed 5.98% Council Tax increase for 2018/19, a 2.98% Council Tax increase for 2019/20 and a 1.98% increase for each of the next two years.

8.3 Appendix 6 shows the Council Tax resolution and confirms the 2018/19 proposed Council Tax increase is 5.98% (2.98% Council Tax precept plus the additional 3% 'social care precept') and that a referendum is not required.

8.4 If a revenue budget for Warrington is set at £136.836m then this would lead to a Council Tax requirement calculated as follows:

Council Tax Requirement	**2018/19 £m**
Council Net Budget	136.836
Less Revenue Support Grant	-5.814
Less Business Rate Support Scheme Income	-30.137
Less Other Government Grants	-3.319
Less Use of MTFP Reserve	-2.426
Council Tax Requirement	95.140
Less Surplus on Collection Fund	-1.016
Council Tax Requirement after surplus	94.124
Tax Base	67,492
Band D Council Tax	**£ 1,394.59**

8.5 However, the Council Tax increase is also dependent upon Cheshire Police Authority and Cheshire Fire & Rescue Authority precepts and where appropriate individual parish precepts. Taking these into account, if the Council Tax resolution at Appendix 6 is approved, the total Band D Council Tax will be as shown below.

	2017/18 £	**2018/19 £**	**% Increase**
Warrington Borough Council	1,315.90	1,394.59	5.98
Cheshire Police Authority	164.44	176.44	7.30
Cheshire Fire Authority	73.29	75.48	2.99
Sub-Total	**1,553.63**	**1,646.51**	**5.98**
Parish Council (Average)	23.72	28.37	19.62
Total	**1,577.35**	**1,674.88**	**6.18**

Council Tax Discount – Care Leavers

8.6 When care leavers move into independent accommodation they begin to manage their own budget fully for the first time. This can be a challenging time and it has been found that care leavers are a particularly vulnerable group for Council Tax debt. In a 2015 report issued by the Children's Society it was noted that making care leavers eligible for Council Tax exemption would help relieve some of the initial pressure and would sit alongside other financial support available to care leavers. Currently in Warrington there is no discount scheme for care leavers; individuals are instead encouraged to claim Council Tax Support. From 2018/19 it is proposed to fully exempt care leavers from Council Tax liability. It is also proposed that there be no age limit applied to this exemption.

Parish Precepts

8.7 As from 1st April 2013 Council Tax Benefit was replaced by a locally funded scheme, "Council Tax Support Allowance" (CTSA). Anyone receiving CTSA will be exempt from payment of council tax and as such, have been taken out of the Council tax base for Council tax setting purposes. From 2013/14 to date, this reduction in the tax base has not been passed down to the parishes and has resulted in a charge to the Council's revenue budget to fund this reduction. It is proposed (subject to Full Council approval) to pass this reduction down to the lowest level whereby each parish's tax base would be reduced by the number of Band D equivalents within that parish related to CTSA.

8.8 For 2018/19 it has been agreed that the Parish tax bases will be unaffected by the change to the tax base relating to the introduction of the Council Tax Support Allowance as the Council will fund any shortfall. However, due to increasing pressure on the Council's budget it is proposed to bring the Parish tax base in line with the Council's tax base calculation as above. This will save the Council £207,000. To give the Parishes time to prepare for this change it is proposed to be implemented from 2019/20.

9 RESERVES

9.1 The Local Government Act 2003 requires the Director of Corporate Services to report on the adequacy of reserves and provisions, and the robustness of budget estimates, as part of the annual budget setting process.

9.2 Best practice guidance does not advise on the actual level of unallocated general reserves, but on the processes that should be in place. There is a broad range within which a Council might reasonably operate, depending on its particular circumstances and each Council should make its own judgement, based on the advice of its Chief Finance Officer. In making this decision the Director of Corporate Services takes account of strategic, operational and financial risks. The financial risks are assessed in the context of the Council's overall approach to risk management.

Statement on the Adequacy of Proposed Financial Reserves and Robustness of Estimates

9.3 It is the view of the Director of Corporate Services that the budget setting process and the information provided is sufficient to allow the Council to come to an informed view regarding the 2018/19 budget, capital programme and council tax requirement.

9.4 The Council has always operated within tight financial constraints. As a consequence of increasing financial pressures and reductions in financial settlement from government these constraints continue. Robust budget monitoring and a thorough budget and financial planning process have allowed the Council to operate with a relatively low level of reserves.

9.5 The Council's financial planning processes enable issues with a significant financial impact to be highlighted by Executive Directors in good time. The level of reserves is only adequate for the forthcoming financial year and financial planning period through the continuing commitment of Members, the Chief Executive and Executive Directors to control spend within approved budgets.

9.6 The Council is required to make financial provisions for known future liabilities or losses of uncertain timings or amount. These are reviewed on an ongoing basis and detailed in the annual Statement of Accounts. The 2016/17 Statement of Accounts was approved by Audit and Corporate Governance Committee on 27 July 2017. In their report 'The Audit Findings for Warrington Borough Council (year ended 31 March 2017) the External Auditors recommended that "Given the increased level of risk associated with some of the Council's initiatives and the financial challenges facing the public sector, the Council should consider its overall level of reserve balances going forward." For 2017/18 the draft Statement of Accounts will be presented to Audit and Corporate Governance Committee in June 2018.

9.7 An annual review of the Council's reserves and balances has been undertaken as part of the annual financial planning exercise. This review has followed best practice guidance on Local Authority Reserves and Balances as required by the Local Government Act 2003.

9.8 The review confirmed that there is currently sufficient resilience for the Council to meet the financial consequences of any unforeseen events. The Director of Corporate Services is satisfied that the Council's ongoing approach to its reserves and provisions is robust. The Council's strategic reserve is held at £4.7m (between 3% - 5% of the net budget requirement) and will ensure that the Council has adequate resources to fund unforeseen financial liabilities, and that the Council's approach to general balances for 2017/18 is deemed appropriate. The level of reserves and the movement in year are included at Appendix 5.

9.9 The Council has in place well established robust and regular budget monitoring processes. These take account of the current level of reserves, the latest budget requirements calling on reserves to meet current commitments and to make contributions to reserves to meet future commitments. Approval to use or make contributions to reserves is given by the Director of Corporate Services as part of the regular budgetary process.

9.10 The Director of Corporate Services has considered strategic, operational and financial risks in arriving at this statement. The financial risks have been assessed within the context of the Council's overall approach to risk management. Account has also been taken of key budget assumptions and existing financial management arrangements. Savings proposals put forward by Executive Directors have been subject to a full risk assessment and Equality Impact Assessments by the responsible Executive Director.

9.11 This statement of assurance is based on the 2018/19 and 2018/22 Medium Term Finance Plan (MTFP) contained in this report. Any significant changes to these proposals, changes to MTFP assumptions, or additional budget proposals require further full evaluation by the Director of Corporate Services before assurance could be given.

10 BUDGET CONSULTATION

10.1 Engagement with residents of Warrington, local businesses, council staff, elected members, partner agencies and other stakeholders is ongoing and continuous. A series of engagement events have been held with key groups including trade union representatives, young people, local businesses and local third sector organisations.

11 SCHOOLS BUDGETS

11.1 The Dedicated Schools Grant (DSG) is the funding stream which supports individual school budgets, plus funding for many non-school educational activities. DSG is determined in specific blocks, although Authorities are at liberty, with School Forum agreement, to transfer funding between blocks (transfers out of Schools Block are now limited to 0.5% of the Block total). The blocks are,

- Schools Block – supports mainstream activities in primary and secondary schools (i.e. basic school delegated budgets).

- Early Years Block – supports nursery provision in dedicated nursery schools, nurseries attached to mainstream schools, and private, voluntary or independent nursery providers within the Authority's boundaries.

- High Needs Block – intended to support special school budgets, Pupil Referral Units, designated/specialist provision in mainstream schools, pupil placement in independent schools or non-mainstream special schools outside of the home Authority. It also funds all Special Educational Needs requirements for Warrington pupils.

- Central Services Block – allocation for central education functions. This is a new Block allocation, aggregated from funding previously included in the other blocks.

11.2 Individual mainstream school budget allocations will soon be calculated nationally, using a standard formula approach. For 2018/19, this formula was applied to the current 2017/18 data and averaged to give each Authority its own per pupil funding rate for primary and secondary pupils, generating a Schools Block funding envelope within which Local Authorities will determine individual allocations.

11.3 Early Years funding for 2, 3 and 4 year olds is similar, with an individual local authority hourly rate applied to estimated activity. The extended offer (up to 30 hours) for 3 and 4 year old children began in September 2017, therefore this is the first full 12 month allocation.

11.4 High Needs Block allocations are now generated 50% from a historical baseline of funding, and 50% on a formula basis, using factors such as population, deprivation data, child health indicators, disability allowances and attainment levels.

11.5 Initial DSG allocation for Warrington in 2018/19 is £163.3 million (see below). Not all of this will be managed by Warrington Borough Council; Academies will have their relevant funding paid direct, through a process known as recoupment. The High Needs Block has also been reduced by £1,280,000 to reflect the places in other Local Authority settings taken by Warrington students.

	Value £	**Census Numbers**	**Total £**	**2018/19 DSG £**
Schools Block (Primary)	3,909.09	17,952	70,175,984	
Schools Block (Secondary)	4,886.85	11,782	57,576,867	
Rates Funding			1,380,785	
Split Site Funding			297,000	
Growth Funding			287,852	129,718,488
Early Years Block 15 hr offer 3 & 4	4.30	3,350.17	8,211,267	
Early Years Block extended 15 hr offer 3 & 4	4.30	1,169.60	2,866,690	
Early Years Block 2 year old	5.28	634.20	1,908,688	
Early Years Pupil Premium			86,461	
Early Years Disability Access Fund			48,585	
Nursery School Protection			56,594	13,178,285
High Needs Block				19,594,046
Central Services Block	29.06	29,734	864,070	864,070

Total DSG (before recoupments)	**163,354,889**

11.6 The remainder of the schools' allocation is through the mainstream Pupil Premium, based on historical pupil entitlement to Free School Meals (FSM), status as a Looked After/Adopted Child, or being from a Services family. Each qualifying student will attract varying bands of funding:

Secondary FSM	£ 935
All other FSM	£1,320
Looked After Children (Pupil Premium Plus)	£2,300
Service Children	£ 300

11.7 The funding level of £2,300 for Pupil Premium Plus (which includes children in adoption and guardianship arrangements) is an increase of £400 on previous levels. The other levels have remained unchanged since 2015/16. The total approximates to around £7.8 million for Warrington.

12 SCRUTINY COMMITTEE

12.1 Scrutiny Committee have previously indicated their agreement with the budget process. For 2018, in place of a report to Scrutiny Committee, request was made for an all Members briefing on the budget which took place on the 25 January.

13 FINANCIAL CONSIDERATIONS

13.1 The financial considerations are dealt with throughout the report.

14 RISK ASSESSMENT

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

14.2 As part of the Outcome Based Budgeting process the risks of each savings proposal were discussed with the Spotlight Panel before being agreed, and these risks, along with the risk of slippage around the delivery of savings proposals will be closely monitored during the year. The Council already has robust systems in place for monitoring the delivery of savings and will continue to use the existing approach to ensure the delivery of savings throughout 2018/19. Large transformational or long running savings will be subject to full risk assessment.

14.3 Due to the volatile nature of the Business Rates income the predictions of funding could change significantly from the estimates that were reported on the NNDR1 form. Although this is a high risk to the Council, any change from the current estimates will not alter the funding for 2018/19, but will be carried forward to 2019/20. The Business Rates income will be monitored throughout the year and will be incorporated into next year's budget monitoring process.

15 EQUALITY AND DIVERSITY / EQUALITY IMPACT ASSESSMENT

15.1 The Finance Service undertakes Equality Impact Assessment in its wider functions. Service changes that emerge from proposals contained in the MTFP are subject to individual Equality Impact Assessments.

15.2 All proposals put forward as part of the budget are subject to an Equality Impact Assessment during the Outcome Based Budgeting process. Each assessment will be reconsidered further before the implementation of any of the proposals and will follow the recognised consultation process for each specific activity.

16 REASONS FOR RECOMMENDATION

16.1 To fulfil the Council's statutory responsibilities under the Localism Act 2011 of calculating a Council Tax requirement.

17 RECOMMENDATION

17.1 It is recommended that the Council:

(i) note the consultation with the public, partners and business community set out in section 10 of this report in setting the 2018/19 budget.

(ii) consider the Director of Corporate Services judgement on the robustness of the estimates made for the purposes of the budget calculation and the adequacy of the proposed financial reserves and following this consideration determine that the estimates are robust for this purpose and that the proposed financial reserves are adequate.

(iii) agree the Capital Strategy contained in Appendix 4 to this report.

(iv) agree the 2018/19 – 2021/22 Capital Programme and funding arrangement contained in Annexe 1 of Appendix 4 to this report.

(v) agree the Flexible Use of Capital Receipts Strategy contained within Annexe 2 of Appendix 4 to this report.

(vi) agree the 2018/19 revenue budget of £136.836m set out in section 3 of this report.

(vii) note at the Audit & Corporate Governance Committee meeting of 18 January 2018, the 2018/19 tax base was set at 67,492.

(viii) note the calculation of the Council Tax as directed by section 3A of the Local Government Finance Act 1992 contained in section 8 of this report.

(ix) adopt the formal Council Tax Resolution requiring Council Tax to be increased by 5.98% to a Band D of £1,394.59 set out in Appendix 6, and note that votes will be recorded on this resolution.

(x) agree the introduction of a Council Tax discount for care leavers with implementation from 2018/19 with further agreement that there be no age limit applied to this exemption.

(xi) agree the change in the method of funding Council Tax Support Allowance for parish councils for implementation from 2019/20.

19 BACKGROUND PAPERS

- 2018/22 MTFP Papers
- 2018/19 MTFP Report to Executive Board 12 February 2018

Contacts for Background Papers:

Name	E-mail	Telephone
Stephen Owen	sowen1@warrington.gov.uk	01925 443852

20.	Clearance Details			
	Name	Consulted		Date Approved
		Yes	No	
Relevant Executive Board Member	Cllr R Bowden	x		12/02/2018
SMT		x		06/02/2018
Relevant Executive Director	L Green	x		12/02/2018
Solicitor to the Council	M Cumberbatch	x		06/02/2018
S151 Officer	L Green	x		12/02/2018

Appendix 1a – North West Authorities Band D Council Tax

Authority	Local Services Band D £	Funding £m
Trafford	1,183.58	-8.803
Wigan	1,252.46	-4.220
Manchester	1,279.87	-2.397
Halton	1,312.27	-0.241
Warrington	1,315.90	0.000
St Helens	1,324.72	0.587
Cheshire East	1,324.92	0.600
Tameside	1,345.79	1.988
Knowsley	1,360.46	2.964
Bolton	1,384.66	4.574
Cheshire West & Chester	1,379.02	4.199
Wirral	1,395.59	5.302
Bury	1,422.16	7.069
Blackpool	1,425.75	7.308
Sefton	1,438.54	8.159
Salford	1,444.71	8.569
Rochdale	1,449.12	8.863
Liverpool	1,511.61	13.020
Oldham	1,502.11	12.388
Stockport	1,521.77	13.696
Average	**1,378.75**	**4.181**

Appendix 1b – Settlement Funding Per Dwelling

Authority	Settlement Funding per Dwelling (£)	Funding (£m)
Cheshire East	311	-10.863
Warrington	429	0.000
Cheshire West & Chester	448	1.749
Stockport	612	16.848
Trafford	631	18.597
Sefton	701	25.041
Bury	733	27.987
Wirral	775	31.854
St Helens	787	32.959
Wigan	870	40.600
Halton	910	44.282
Tameside	920	45.203
Bolton	941	47.136
Blackpool	979	50.635
Salford	1098	61.590
Rochdale	1122	63.800
Oldham	1132	64.720
Liverpool	1143	65.733
Manchester	1377	87.276
Knowsley	1394	88.841
Average	**866**	**40.199**

Appendix 2a – Pressures by Directorate

Ref.	Pressures	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Directorate Pressures					
Corporate Services					
1	Information Governance	52	-	-	-
	Total	**52**	**-**	**-**	**-**
Families & Wellbeing					
2	Child Disability Direct Payments pressure	78	75	100	125
3	Child Arrangement Orders pressure	172	150	250	350
4	Targeted Services staffing pressure proposal (Invest to Save)	138	84	-	-
5	Fostering Allowances pressure	237	250	350	450
6	Demand - leaving care	-	75	100	125
7	Demand - Unaccompanied Asylum Seeking Children	415	250	350	450
8	Demand - legal fees	-	75	100	125
9	Demand - High Needs block	-	515	-	-
10	Demand - Special Educational Needs & Mainstream Transport	-	75	100	125
11	Quality Assurance & Other - Service Development post	56	-	-	-
12	Livewire Management Fee	325	-	-	-
13	Children in Care associated placement costs	-	400	450	500
14	Care Act funding rolled into settlement 16/17	131	525	-	-
15	Care purchase pressure 2016/17	1,985	-	-	-
16	Court of Protection Pressures - Mental Capacity Act	-	113	124	-
17	National Living Wage/Sleep in allowance/Provider fee increases	2,933	2,240	2,240	2,240
18	Mental Health & Learning Disability transitional client costs	600	600	600	600
19	Public Health Reserves Saving	191	-	-	-
20	Domestic Abuse	105	-	-	-
	Total	**7,366**	**5,427**	**4,764**	**5,090**
Economic Regeneration, Growth and Environment					
21	Waste	1,486	-	(600)	-
22	CCTV	77	-	-	-
23	Direct Taxation	164	-	-	-
24	Regeneration Resource	300	-	-	-
	Total	**2,027**	**-**	**(600)**	**-**
Corporate Financing					
25	Minimum Revenue Provision	-	4,000	-	-
26	Capital Financing Costs	4,076	2,215	100	-
27	Loans to Registered Housing Providers	1,000	-	-	-
28	Market	-	-	(233)	-
29	The Base - B Plan Assumption	(90)	(90)	-	-
30	Reframing the relationship with Schools	1,000	-	-	-
	Total	**5,986**	**6,125**	**(133)**	**-**
	Grand Total	**15,431**	**11,552**	**4,031**	**5,090**

Appendix 2b – Pressures by Theme

OBB Theme Pressures

Ref.	Pressures	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Demand Management and Behaviour Change					
1	Child Disability Direct Payments pressure	78	75	100	125
2	Child Arrangement Orders pressure	172	150	250	350
3	Targeted Services staffing pressure proposal (Invest to Save)	138	84	-	-
4	Fostering Allowances pressure	237	250	350	450
5	Demand - leaving care	-	75	100	125
6	Demand - Unaccompanied Asylum Seeking Children	415	250	350	450
7	Demand - legal fees	-	75	100	125
8	Demand - High Needs block	-	515	-	-
9	Demand - Special Educational Needs & Mainstream Transport	-	75	100	125
10	Quality Assurance & Other - Service Development post	56	-	-	-
11	Livewire Management Fee	325	-	-	-
12	Children in Care associated placement costs	-	400	450	500
13	Care Act funding rolled into settlement 16/17	131	525	-	-
14	Care purchase pressure 2016/17	1,985	-	-	-
15	Court of Protection Pressures - Mental Capacity Act	-	113	124	-
16	National Living Wage/Sleep in allowance/Provider fee increases	2,933	2,240	2,240	2,240
17	Mental Health & Learning Disability transitional client costs	600	600	600	600
18	Public Health Reserves Saving	191	-	-	-
19	Domestic Abuse	105	-	-	-
20	Minimum Revenue Provision	-	4,000	-	-
	Total	**7,366**	**9,427**	**4,764**	**5,090**
Enterprise					
21	Capital Financing Costs	4,076	2,215	100	-
22	Loans to Registered Housing Providers	1,000	-	-	-
23	Market	-	-	(233)	-
24	The Base - B Plan Assumption	(90)	(90)	-	-
25	Waste	1,486	-	(600)	-
26	CCTV	77	-	-	-
27	Direct Taxation	164	-	-	-
28	Regeneration Resource	300	-	-	-
29	Reframing the relationship with Schools	1,000	-	-	-
	Total	**8,013**	**2,125**	**(733)**	**-**
Digital, Technology & Efficiency					
30	Information Governance	52	-	-	-
	Total	**52**	**-**	**-**	**-**
	Grand Total	**15,431**	**11,552**	**4,031**	**5,090**

Appendix 3a – Savings by Directorate

Directorate Savings					
Ref.	**Savings Proposal**	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**
Corporate Services					
1	Income generation from HR advice to care homes/private nurseries	10	-	-	-
2	Advertising and Sponsorship	75	-	-	-
3	Customer Delivery Programme	800	-	-	-
4	Business Transformation to deliver a new operating model for 2020 for back & middle office services	-	1,500	-	-
5	Paperlight Office - Phase 2	50	-	-	-
6	Information Governance	52	-	-	-
7	Additional Corporate Services savings including vacant posts and training costs	139	(86)	-	-
	Total	**1,126**	**1,414**	**-**	**-**
Families & Wellbeing					
8	Housing Company	220	300	825	-
9	Out of Borough Placements Project	180	180	180	-
10	Assistive Technology and Telecare Project	400	400	300	-
11	Demand Management - Adult Social Care Culture Change	1,500	2,000	-	-
12	Edge of Care	940	660	300	-
13	Reducing dependency through growing reablement and providing the service to people who have been discharged from hospital with an increase in care	174	174	174	-
14	Adult Contract Renegotiations	436	-	-	-
15	Supporting People	350	-	-	-
16	Additional Children Care	100	-	-	-
	Total	**4,300**	**3,714**	**1,779**	**-**
Economic Regeneration, Growth and Environment					
17	Property Investment Fund	250	250	250	-
18	Bus Lane Enforcement	200	(100)	(100)	-
	Total	**450**	**150**	**150**	**-**
Corporate Financing					
19	Review of Council Tax discounts	100	-	-	-
20	Parish Councils - Council Tax Support Allowance	-	207	-	-
21	Local Authority Energy Company	500	1,000	200	-
22	Loans to Registered Housing Providers	1,000	(500)	1,000	-
23	Time Square	-	-	2,300	-
24	Investment Property Portfolio	4,500	-	-	-
25	Church Charities Local Authority Investment Fund Sale - One Off	3,000	(3,000)	-	-
26	Solar Farm	500	500	-	-
	Total	**9,600**	**(1,793)**	**3,500**	**-**
	Grand Total	**15,476**	**3,485**	**5,429**	**-**

Appendix 3b –Savings by Theme

OBB Theme Savings							
Theme Ref.	**Directorate Ref.**	**Savings Proposal**		**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**
Demand Management and Behaviour Change							
1	FWB 9	Out of Borough Placements Project	Promote development of more services in the borough.	180	180	180	-
2	FWB 10	Assistive Technology and Telecare Project	Develop use of assistive technology to further client independence.	400	400	300	-
3	FWB 11	Demand Management - Adult Social Care Culture Change	A programme of culture and system change by working with service users and their families and communities to identify existing support and emphasising what people can do.	1,500	2,000	-	-
4	FWB 12	Edge of Care	Reduction in numbers of children entering care or becoming the subject of a child protection plan.	940	660	300	-
5	FWB 13	Reducing dependency through growing reablement and providing the service to people who have been discharged from hospital with an increase in care packages	Reduction in increases in care packages for those discharged from hospital and promotion of independence.	174	174	174	-
6	FWB 14	Adult Contract Renegotiations	Review and/or service re-design targeted areas of adult social care contract commissioning to achieve savings or generation of income.	436	-	-	-
7	FWB 15	Supporting People	Project to review all associated spend relating to Supporting People monies and seek efficiency savings.	350	-	-	-
8	FWB 16	Additional Children Care	Opportunity to redesign children care service	100	-	-	-
9	Corp Fin 19	Review of Council Tax discounts	Review and redesign of Warrington's Scheme for Council Tax discounts, to help reduce the number of empty properties.	100	-	-	-
10	Corp Fin 20	Parish Councils - Council Tax Support Allowance	Alignment of parish councils in the process of funding allowances provided for Council Tax support.	-	207	-	-
		Total		**4,180**	**3,621**	**954**	**-**

Appendix 3b –Savings by Theme cont'd

OBB Theme Savings							
Theme Ref.	**Directorate Ref.**	**Savings Proposal**		**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**
Enterprise							
11	Corp Serv 1	Income generation from HR advice to care homes/private nurseries	Human Resources advice and support to external organisations which already have a relationship with the Authority i.e. private nurseries.	10	-	-	-
12	Corp Serv 2	Advertising and Sponsorship	Scope for income generation from advertising/sponsorship initiatives, by maximising the Council's existing assets.	75	-	-	-
13	FWB 8	Housing company	Evaluating the option of setting up a housing company to build houses in Warrington.	220	300	825	-
14	ERGE 17	Property Investment Fund	Opportunity to invest in property to generate income.	250	250	250	-
15	ERGE 18	Bus Lane Enforcement	Bus lane enforcement on selected roads in the town centre with access resricted to buses and emergency vehicles only. Income generated from issue of penalty charge notices.	200	(100)	(100)	-
16	Corp Fin 21	Local Authority Energy Company	Scope to form a joint venture energy company to develop green energy production for the sale of electricity to public sector bodies and the business community.	500	1,000	200	-
17	Corp Fin 22	Loans to Registered Housing Providers	Income received (both set up fees and ongoing interest payments) from arranging loan facilities with Registered Housing Providers.	1,000	(500)	1,000	-
18	Corp Fin 23	Time Square	Reduction in lease and running costs for Council buildings as Time Square development comes on stream.	-	-	2,300	-
19	Corp Fin 24	Investment Property Portfolio	Opportunity to invest in property to generate income - Birchwood Park.	4,500	-	-	-
20	Corp Fin 25	Church Charities Local Authority Investment Fund Sale - One Off	A one off income generation of £3m from the sale of an invetment initially made at £10m and now valued at £13m.	3,000	(3,000)	-	-
21	Corp Fin 26	Solar Farm	Green energy self generation of the Council's electricity consumption requirements with savings achieved by a reduction in electricity costs.	500	500	-	-
		Total		**10,255**	**(1,550)**	**4,475**	**-**

Appendix 3b –Savings by Theme cont'd

OBB Theme Savings							
Theme Ref.	**Directorate Ref.**	**Savings Proposal**		**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**
Digital, Technology & Efficiency							
22	Corp Serv 3	Customer Delivery Programme	Review of all of the Council's end to end customer facing services, to deliver a simpler back office and better customer experience.	800	-	-	-
23	Corp Serv 4	Business Transformation to deliver a new operating model for 2020 for back & middle office services	Review and transformation of business systems and processes across the organisation.	-	1,500	-	-
24	Corp Serv 5	Paperlight Office - Phase 2	Continuing work on reducing paper, printing and storage requirements.	50	-	-	-
25	Corp Serv 6	Information Governance	Additional saving related to the Warrington 2020 transformation programme to fund an Information Governance post.	52	-	-	-
26	Corp Serv 7	Additional Corporate Services savings including vacant posts and training costs	A set of immediate efficiency savings for 2018/19 arising from, for example, freezing of temporary vacant posts and reductions in training budget.	139	(86)	-	-
		Total		**1,041**	**1,414**	**-**	**-**
		Grand Total		**15,476**	**3,485**	**5,429**	**-**

Appendix 4 – Capital Strategy

WARRINGTON BOROUGH COUNCIL

EXECUTIVE BOARD - 12 February 2018

Report of Executive Board Member:	Councillor R Bowden, Deputy Leader and Executive Board Member, Corporate Finance	
Executive Directors:	Lynton Green, Director, Corporate Services	
Senior Responsible Officer:	Danny Mather – Head of Corporate Finance	
Contact Details:	**Email Address:** dzmather@warrington.gov.uk	**Telephone:** 01925 442344
Key Decision No.		
Ward Members:	All	

TITLE OF REPORT: CAPITAL STRATEGY

1. PURPOSE

1.1 To seek Executive Board approval of the Council's 2018 Capital Strategy which incorporates the 2018 – 2021 Capital Programme and to recommend it to Full Council for approval.

2. CONFIDENTIAL OR EXEMPT

2.1 This report is not confidential or exempt.

3. INTRODUCTION AND BACKGROUND

3.1 The Capital Strategy is a new requirement for Council's to produce from April 2018 following the publication of the revised Prudential Code for Capital Finance in Local Authorities 2017.

3.2 The Capital Strategy focuses on core principles that underpin the Council's three year capital programme as presented in this strategy. It gives a position statement with regards to capital expenditure and the resources available in terms of funding. The Strategy projects where the Council will be in three years' time and how it will get there. It also focuses on the key issues and risks that will impact on the delivery of the Capital Investment Strategy and the governance framework required to ensure the Strategy is delivered.

3.3 The Strategy maintains a strong and current link to the Council's priorities and to its key strategy documents notably the Treasury Management Strategy, Asset Management Strategy, Property Investment Strategy, Medium Term Financial Strategy and the Corporate Plan.

4. **2018-2021 CAPITAL PROGRAMME**

4.1 The Council's 2018-2021 Capital Programme, associated financing and Capital Flexibilities Polices is attached at Appendix 1 to this report.

5. **2018 ASSET MANAGEMENT PLANNING**

5.1 The Council has a typical local authority property portfolio. This consists of operational property, investment property and property held for specific community or regeneration purposes. The Council has specific reasons for owning and retaining property:

- Operational – supporting core business and service delivery
- Investment – to provide a financial return to the Council
- Community – to support specific local community projects
- Regeneration – enabling strategic place shaping and economic growth

PROPERTY INVESTMENT STRATEGY

5.2 In the context of the Capital Strategy, the Council is using capital to invest in property to produce a revenue return.

5.3 In July 2017, the Council adopted a Property Investment Strategy. This proposed a formal approach to invest in property that provides a positive surplus/financial return. This is done by buying property that has a tenant who pays rent to the owner of the property – the landlord. The tenant needs to be of good financial standing and the property and lease must meet certain standards such as being in a commercially popular location and have a number of years left on the lease providing a certain and contractually secure rental income into the future.

5.4 The Council funds the purchase of the property by borrowing money – potentially from the Public Works Loans Board (itself funded by the Government). The rental income paid by the tenant must exceed the cost of repaying the borrowed money each year. The annual surplus then supports the Council's budget position, and enables the Council to continue to provide services for local people.

5.5 Historically, property has proved to be one of, if not the best, investment in terms of capital growth over the last 50 years. If the Council owns the property for 20 years plus, and the property is managed and maintained appropriately, the Council can expect to see an increase in the value of the property as well as a net annual surplus of revenue.

5.6 The formal Property Investment Strategy:

- Sets out what the Council wants to achieve when acquiring property assets for investment purposes – primarily financial gain.
- Identifies the issues of the economy, the general property market and the possible risks for the Council in acquiring investment property.
- Clarifies the legal powers used to operate the Strategy and ensure continued compliance.
- Identifies criteria for acquiring and owning property assets for investment purposes to ensure risks are minimised.
- Includes an outline of the process involved in acquiring property assets for investment purposes.
- Is part of a wider policy framework supporting what the Council does and why.

5.7 Acquisition for investment and treasury management purposes, to generate an income stream is a natural progression from acquisition for regeneration purposes. The two can also be combined – a good example of this is the Council's acquisition of DW Sport on Academy Way in September 2016, which offers a secure income stream and the option for future regeneration of a site adjacent to the Time Square development.

5.8 The reasons for buying and owning property investments are primarily in this order:

- Financial gain to fund our services to local people
- Market and economic opportunity – the time is right
- Economic development and regeneration activity in Warrington

OPERATING IN THE PROPERTY INVESTMENT MARKET

5.9 Investment property will usually have a commercial occupier, paying a rent to the landlord. The better the covenant of the occupier, the more secure the rental income, the better the investment value and the yield obtainable in the open market. A tenant with a strong covenant and a long lease (10 years plus) with no break clause and with responsibility for repairing and maintaining the property, is the best type of investment.

5.10 The UK commercial property investment market is very well established, attracts global investors and is defined as a 'mature asset class'. It has a wide range of new and established investors including institutions, pension funds, specialist property companies, charities, family trusts and individuals.

5.11 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines investment property as "…used solely to earn rentals or for capital appreciation or both…". Returns from property ownership can be both income driven (through the receipt of rent) and by way of appreciation of the underlying asset value (capital growth). The combination of these is a consideration in assessing the attractiveness of a property for acquisition.

5.12 Property prices and returns are a function of the property type, condition, use and location, together with the lease structure and covenant strength of the tenant (in the case of a let property). Lease contracts will reflect all liability and outgoings being the responsibility of the tenant.

5.13 What should be sought by the Council are property investments which produce the best returns possible, whilst carrying an acceptable level of risk. The main mitigation measure in managing risk is to target investments which are let to 'blue chip' tenants, on relatively long leases with little or no landlord management involvement – typically the tenant is responsible for all property costs such as repair, maintenance and outgoings. In this way, the Council will be primarily buying a secure income stream and the buildings themselves become almost secondary considerations.

5.14 Any property asset coming onto the market could be for a number of reasons. Investors seek to buy and sell in many different circumstances - rebalancing their portfolio, seeking cash to influence balance sheet or share price, requirement for a more "liquid" asset, short term investment taking advantage of small capital growth, moving into different property classes, etc.

PRIORITIES & RISK IN PROPERTY INVESTMENT

5.15 The Priorities for the Council when acquiring property interests for investment purposes are (in order of importance):

- **Covenant Strength** - in the case of a let property, the quality of the tenant and, more importantly, their ability to pay the rent on time and in full. The Council's primary reason and objective for this strategy is financial gain. The underlying principles of a Property Investment Strategy imply, assume and default to nothing taking higher priority than financial gain. It is however worth noting that the Council, as a public body, may not wish to invest in properties where the occupiers are generally seen to be undertaking a business which is contrary to its corporate values.

- **Lease length** - in the case of a let property, the unexpired length of the term of the lease or a tenant's break clause is of key importance in ensuring that the landlord's revenue stream is uninterrupted. The Council will take into consideration the risks associated with a tenant vacating and the potential to attract good quality replacements tenants at acceptable rental levels. Generally occupiers are moving away from 25 year leases which were more common back in the late twentieth century with 10 to 15 years now becoming more acceptable unless some form of lease break provisions are included in favour of the tenant.

- **Rate of return** - the rate of return from the property (for example through annual rental incomes) will need to be equivalent or better to the returns that could be earned from alternate investments, such as placing monies on deposit, following adjustment for risks and potential growth. The property will also need to produce an annual return in excess of the cost of PWLB borrowing (interest only).

- **Risk** – rate of return is one side of the coin; risk is the other. In general, the higher the sought level of return from an investment, the higher level of risk that it carries. For example, if a property is let at an attractive rent which would create a good return, it could still be risky if the tenant does not possess good covenant strength and could default at any time.

- **Lease Terms** – The terms of leases vary and even those held on an "Institutionally acceptable basis" can be very different in nature particularly as such leases have developed over time. The Council is seeking to invest in modern leases with full repairing and insuring obligations on the Tenant and a full Service Charge recovery to include any management fees where applicable. This will ensure a certain income/return to the Council.

- **Growth** - property has the potential for both revenue and capital growth. The Council will take into account that potential when assessing the strength of the investment opportunity. Property values can fall as well as rise and mechanisms to minimise revenue reductions should be identified. Generally the nature of standard, institutional leases is that rent review clauses are upward only which protects landlords from any downward pressure on rental income giving some security as to the level of income.

- **Location** - should a tenant default or vacate, the location of the property is the key factor in influencing the ability to re-let and find another tenant. Location is also important when considering future redevelopment or regeneration opportunities. Ideally the Council will be able to undertake inspections and to deal with any management issues without the need to employ specialists or agents. Preference should be given to properties located within Warrington or in the wider north west of England. This does not prevent investment outside of Warrington, subject to the appropriate justification and business case and correct governance procedure.

- **Sector** - information as to the sector of use of the property (e.g. office, retail, industrial, leisure) will assist in deciding on the risks associated with specific properties and the mix of sectors within the portfolio.

- **Building Age and Specification** - in the case of a let property, whilst the Council, as an investor, may be principally concerned with the characteristics of the tenant and lease, the age and specification of the property will also affect the ability of the Council to let or sell the property in the future. It must also be taken into consideration in respect of the cost of protecting the investment. An example of this would be the undertaking of repairs and refurbishment if the cost cannot be fully recovered from the tenant.

5.16 In summary, the strategy for acquiring investment property assets is therefore to:

- Seek property let to tenants who are of strong covenant strength and sound financial standing with at least more than five years remaining on an FRI lease.
- Minimise risk.
- Maximise rental income and minimise management costs to ensure the best return is generated.
- Identify opportunities for future growth, redevelopment or regeneration via property in commercially popular or development areas.
- Prioritise Warrington and the North West.
- Pursue opportunities to increase returns and improve the investment value of commercial assets.

5.17 The Council has invested in a number of investment property assets, as well as a Business Bank and a Property Holding Unit Trust. A fair value assessment was conducted on purchase and provides sufficient security for the underlying capital invested. These assets will be revalued per the Council's revaluation programme and appropriate provision will be made if there is a fall in the value of the assets.

Building Asset Maintenance Programme

5.18 The Council has historical data on the property portfolio to assess building condition and backlog maintenance. Although this data collection is not done on a rolling annual basis of survey due to revenue cuts in recent years, the Council retains an annual building maintenance programme of revenue funding.

Building Maintenance Programme Revenue Funding 2018:

5.19 The Council's Building Maintenance Programme (BMP) is an annually revised programme of typically around £1.2 million per year. It is primarily directed at operational buildings (non-Housing) and excludes ring fenced funding. The BMP is structured to fund the following scope of work over the next three years:

	Servicing and statutory compliance	Response repairs	Total
Operational business portfolio	£300,000	£900,000	£1,200,000
Schools portfolio	Funded through client directorate where local authority	Funded through client directorate where local authority	

Building Maintenance Programme Capital Funding 2018:

5.20 Allocation of capital to invest in, improve and ensure statutory compliance in the operational business portfolio is prioritised through the corporate CIPG meetings. Bids and applications are made through a directorate process to approval at CIPG and then Executive Board. The schools that remain under jurisdiction of the local authority and not academy programme, are similarly prioritised for capital investment through a structured professional assessment of condition and need. The capital programme of spend on buildings is structured as follows:

	Capital improvement and statutory compliance	Total
Operational business portfolio	£2,500,000	£2,500,000
Schools portfolio	£660,000	£660,000
Total		£3,160,000

Property Disposal Capital Receipts

5.21 Traditionally local authorities have maintained a property review and disposal programme to rationalise property holdings and raise capital. This traditional approach has changed significantly in recent years for many Councils. Warrington reflects this national trend.

5.22 In Warrington, property review and disposal programmes from 2006 onwards identified surplus or under used property. Our property disposal programme has resulted in capital receipts exceeding £13 million. This also enabled revenue savings (from the costs associated with empty or underused property) of around £1.5 million per year.

5.23 This process of review and disposal continues. However, the disposal element is now much more focused on revenue rather than capital in line with financial requirements.

5.24 Any surplus properties are prioritised to be used to generate revenue wherever possible. This can be done in a number of ways. For example rather than a freehold disposal, if there is an opportunity to improve Council services and generate revenue, this may be considered better value for the Council. This also means the Council retains ownership of the asset, ultimate control and long terms benefit for the town.

5.25 All such decisions are ultimately taken by Executive Board or the Executive Member for Corporate Property in line with the Constitution and appropriate audit and governance structure.

5.26 Based on recent years, future capital receipts will be formed around residential leasehold disposals (typically less than £1,000 each) and occasional windfalls from property where disposal is enabling of regeneration or last resort.

	Capital Receipt Forecast Per year 2018-2021	Total
Property disposal general	£300,000	£300,000
Residential freehold conversion	£50,000	£50,000
VAT Shelter	£1,500,000	
Total		£1,850,000 per year

6. GOVERNANCE FRAMEWORK

6.1 It is important given the risks surrounding Capital Projects that the appropriate Governance framework is in place hence the following processes are in place:

- The Capital Strategy itself to be presented annually alongside the Medium Term Financial Strategy at Council
- All schemes and the overall Capital Programme are subject to approval by the Executive Board
- Portfolio holders are assigned projects in line with their responsibilities
- A senior officer group exists known as the Capital Investment Planning Group which is chaired by the Chief Executive. The group monitors the delivery of the capital programme on an ongoing basis. The group reports to the Executive Board on a quarterly basis
- The CIPG will receive post project completion reports to ensure that its limited resources have been used effectively

- Directorate Departmental Management Teams must agree all deletions and additions to their directorate capital programme before they go to CIPG. Each departmental Management have a Capital Group that meets to review the Capital Programme on a monthly basis
- The Capital Programme is guided by the Council's Capitalisation Policy and Financial Procedure Rules of the Council
- The Capital Programme is subject to Internal and External Audit Review
- Scrutiny Committee can call in Executive Board Reports

7. COMMERCIAL ACTIVITY

7.1 The Council has a strong reputation throughout Local Government for its commercial approach to service delivery and have also advised other authorities in this this area. In 2017 the Council was also used as a case study in the Local Government Association (LGA Publication) ''Enterprising Councils: Supporting Councils Income Generation Activity.

7.2 The Council has a strong governance framework that goes beyond the regulatory codes. We have a Treasury Management Board (TMB) in addition to the common local government audit and corporate governance committees. The TMB is made up of leading councillors from across the political divide, members have been integral in translating vision into delivery –and senior council officers who meet to discuss new investment products in detail.

7.3 Due diligence is of paramount importance. All of our commercial investments have individual business cases that are subject to thorough risk assessment and stress testing and we also stress test the whole investment portfolio to ensure all risks are captured and properly controlled. Where appropriate to the size and scale of the project we also commission independent technical and legal reviews.

7.4 Project Groups are set up for all commercial schemes and on-going performance monitoring takes place after the scheme is completed and is reported to members and senior officers on an ongoing basis.

7.5 Financial and social audits are carried out during the life cycle of investments.

7.6 The Council follows a beyond prudence approach to governance of commercial activities. We ensure that all our commercial schemes are fully aligned with priority outcomes.

7.7 Our innovative schemes form part of our Outcomes Based MTFP planning process, are subject to audit and assurance, stakeholder engagement and ongoing performance monitoring.

7.6 The strength of our Governance Framework is best evidence by the fact that Council will be one of a few Councils to introduce the Revised Prudential Code and Treasury

Management Code into our budget and strategies from 1st April 2018.

7.7 The Council's commercial approach is covered in the Council's Commercial Strategy ''Enterprising Warrington 2017 -20.'' The strategy makes it clear that we will continue to invest wisely on a commercial basis and to take advantage of opportunities as they present themselves, supported by our robust governance process.

8. RISK APPITITE STATEMENT 2018

8.1 This outlines Warrington Borough Council's risk appetite with regard to its investment and commercial activities.

8.2 For the purpose of this statement, we have adopted the Orange Book (UK government publication on the strategic management of risk within government) definition of Risk Appetite, namely "the amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time." It is important to note that risk will always exist in some measure and cannot be removed in its entirety. Additionally, in order to realise investment and commercial gains, one has to take some measure of risk. Therefore, risks need to be considered both in terms of threats to the Council as well as positive opportunities. It is worth noting that the Public Accounts Committee supports well-managed risk taking across government, recognising that innovation and opportunities to improve public services requires risk taking, providing that the ability, skills, knowledge and training to manage those risks well exist within the organisation or can be brought to bear.

8.3 Our risk appetite statement sets out how we balance risk and return in pursuit of achieving our objectives. It is intended to aid careful decision-making, such that the Council takes well thought through risks to aid successful delivery of its services and obligations, while also understanding the adverse aspects of risk undertaken and taking appropriate measures to mitigate these in line with its stated goals. Thereby, the Council's risk judgements are more explicit, transparent and consistent over time.

8.4 The risk appetite statement forms a key element of the Council's governance and reporting framework and is set full Council, which also reviews the statement annually. In addition, the risk appetite will be considered annually and monitored on an ongoing basis by senior management, external risk advisors, Corporate Governance Group and the Audit & Corporate Governance Committee as appropriate.

Relationship to Other Aspects of Risk Management

8.5 It is important to note that the risk appetite is a high level view on the key areas of risk and the qualitative quantum therein that the Council is willing to accept in pursuit of its objectives. In this, it is different to other key aspects of risk management, primarily:

- The risk universe – a detailed list of all the potential risks the Council is exposed to.
- Risk capacity – the maximum level of risk the Council can run given its reserves, revenues, and access to funding, liquidity, regulatory and legal constraints, and any other restrictions.
- Risk tolerance – the maximum amount and type of risk that the Council is willing to tolerate on a prudent assessment.

8.6 The latter two are usually quantified and given as a series of limits and analyses.

8.7 The risk appetite is also supported by the following:

- The Council's risk management framework
- The governance structure and responsibilities
- Risk reporting
- Monitoring and escalation procedures

8.8 It should be noted that aspects of these will be bespoke to individual areas where risk is undertaken, e.g. the treasury portfolio, loans made, housing etc.

Risk Appetite

8.9 In general, the Council's risk appetite is expressed through its tolerance to risk in respect of capital preservation, meaningful liquidity and income volatility. The Council seeks to minimise its exposure to risks that are unwanted and unrewarded. Capital is managed centrally on an ongoing basis to ensure that there is sufficient liquidity in the short and medium term to meet costs and support front line services, as well as meeting long-term solvency and funding requirements.

8.10 The Council is exposed to a range of broad buckets of risks:

- **Financial risks** related to the investment of the Council's assets and cash flow, market volatility, currency etc.
- **Macroeconomic risks** related to the growth or decline of the local economy, interest rates, inflation and to a lesser degree, the wider national and global economy amongst others.
- **Credit and counterparty risks** related to investments, loans to institutions and individuals and counterparties in business transactions.
- **Operational risks** related to operational exposures within its organisation, its counterparties, partners and commercial interests
- **Strategic risks** related to key initiatives undertaken by the Council such as significant purchases, new ventures, commercial interests and other areas of organisational change deemed necessary to help the Council meet its goals.
- **Reputational risks** related to the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception.
- **Environmental and social risks** related to the environmental and social impact of the Council's strategy and interests.
- **Governance risks** related to ensuring that prudence and careful consideration sit at the heart of the Council's decision-making, augmented by quality independent advice and appropriate checks and balances that balance oversight and efficiency.

8.11 Managing the Council's risks is an area of significant focus for senior management and members, and the Council adopts an integrated view to the management and qualitative assessment of risk.

8.12 The Council aims to minimise its exposure to unwanted risks – those risks that are not actively sought and which carry no commensurate reward for the Council – through a range of mitigation strategies to the extent that it is cost-effective to do so. Specifically, the Council has no appetite for reputational risk, governance risk and currency risk.

8.13 For other risks, the Council's appetite is as follows:

Risk	Appetite
Financial	Moderate appetite for a range of asset classes, property and longer-term investments, subject to careful due diligence and an emphasis on security as well as matching with the Council's required liquidity profile. Low appetite for capital growth oriented investments versus income generating investments. No appetite for currency risk, emerging markets and high volatility investments.
Macroeconomic	High appetite for exposure to local economic growth. Moderate appetite for exposure to national and global growth. Low appetite for interest rate risk, and inflation risk. No appetite for geopolitical risks and tail risk events.
Credit and counterparty	High appetite for investment grade or secured credit risk, as well as exposure to highly rated counterparties and financial institutions with strong balance sheets. Low appetite for unsecured non-investment grade debt. All subject to careful due diligence and an assessment of the transaction versus the Council's resources, capacity, funding needs, broader goals and cashflow requirements.
Operational	Low appetite for BAU (Business as Usual) operational risks such as pricing errors, errors in administration, IT, cybersecurity etc. The Council maintains Risk Registers for key initiatives and significant investments to assess and mitigate specific risks on a more granular level. Business continuity plans have also been established to mitigate external occurrences. No appetite for fraud, regulatory breaches and exceeding risk tolerances.

Strategic	High appetite for strategic initiatives, where there is a direct gain to the Council's revenues or the ability to deliver its statutory duties more effectively and efficiently.
Environmental and Social	No appetite for environmentally negative risks. Low appetite for social risks, especially in the local region and always subject to full due diligence.

Relationship with other processes

8.14 Risk management is not a stand-alone discipline. In order to maximize risk management benefits and opportunities, it is integrated with existing business processes.

8.15 Some of the key business processes with which risk alignment exists are:

- Capital strategy
- Medium Term Financial Plan
- Internal Audit
- Business Planning (including budget)
- Performance Management
- Treasury management
- Council owned subsidiaries and joint ventures
- External Audit Review
- Credit Rating

8.16 The Council is one of a handful of authorities to have a Moody's (one of the world's leading credit rating agencies) credit rating. The Council's credit rating is Aa2 which is one of the highest possible credit rating and the same as Saudi Arabia and the Czech Republic. The rating is reviewed on an annual basis and acts as a barometer check of the risk of the Council's policies.

9. OTHER LONG-TERM LIABILITIES

Pension Guarantees

9.1 The Council has entered into a number of long-term contracts for services that have been outsourced to service providers. These often involve the transfer of Council employees to the new service provider. Employee's rights are protected under the provision in Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). However, pension rights are not fully covered within TUPE regulations. The Council have thus given pension guarantees to the following organisations, Livewire, Culture Warrington, Catalyst, Lafarge and Your Housing Group. This guarantee means that if an admitted body fails to pay its pension obligations then the Council will be responsible for taking on those obligations.

9.2 All guarantees entered into need the approval of the Executive Board. The guarantees are reviewed annually as part of the closure of accounts process. The pension balance is assessed on an annual basis by the Cheshire Pension fund and is subject to change due to the underlying assets. This is rebalanced on a three year basis, formerly known as a triennial review.

9.3 The table below shows the pension position as at 31st December 2017 for all of the companies the Council guarantees. Of the five companies guaranteed only the pension for Lafarge is currently in deficit. The guarantees are monitored by the Corporate Services Departmental Management Team on a quarterly basis as part of the budget monitoring process.

Employer Name	Surplus/ Deficit (£000)	Funding Level (%)
Catalyst Choices	3,498.3	119.0
LaFarge	-51.9	93.4
Livewire	4,648.2	124.2
Warrington Cultural Trust	935.7	122.7
Your Housing	60.7	110.4

10. KNOWLEDGE AND SKILLS

10.1 The Capital Programme and Treasury Management Strategy are managed by a team of professionally qualified accountants with extensive Local Government finance experience between them. They all follow a Continuous Professional Development Plan (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills. The Council's Section 151 Officer is the officer with overall responsibility for Capital and Treasury activities. He too is a professionally qualified accountant and follows an ongoing CPD programme.

10.2 All the Council's commercial projects have project teams from all the professional disciplines from across the Council and when required external professional advice is taken.

10.3 Internal and external training is offered to members on an annual basis to ensure they have up to date skills to make capital and treasury decisions. A register is also kept on member attendance. The Council also involves members at a very early stage of a projects life cycle.

10.4 The Council's Treasury Management Board (cross party and senior officer group) reviews all commercial and investment deals from inception right through to project completion and ongoing performance management.

10.5 The knowledge and skills of officers and members are commensurate with the Council's risk appetite.

11. TREASURY MANAGEMENT

11.1 The Council also produces a Treasury Management Strategy which is approved by full Council annually as part of the budget setting process.

11.2 There are close links between the Capital Strategy and Treasury Management Strategy. This capital programme determines 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.

11.3 At the end of 2020/2021 it is forecast that the Council's debt will be £1.6bn.

11.4 The Council's Authorised Borrowing limit for 2018/19 which is £1.208bn represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council.

11.5 The Council's Operational Boundary debt forecast for 2018/19 is £1.121bn. This represents the limit beyond which external debt is not normally expected to exceed.

11.6 The Council makes provision for the repayment of debt over the life of the asset that the borrowing is funding. Over the period 2018/2019 – 2020/2021 the Council has made provision of £21.2m for the repayment of debt. The bulk of Council borrowing is linked to the Invest to Save Programme, which generates a financial return to the Council above the borrowing cost and a lot of the schemes are asset backed.

Treasury Management Governance

11.7 The Council follows the requirements of The Local Government Act 2003 (the Act) and supporting regulations in managing its Treasury Management activities.

11.8 The Audit & Corporate Governance Committee are the body responsible for the Governance of Treasury Management within the Council. They recommend an annual Treasury Management Strategy to Council for approval as part of the annual approval of the budget. They also receive quarterly monitoring reports and a Mid-year Review Report which is also reported to full Council.

11.9 The Audit and Corporate Governance Committee also receive and send on to full Council for approval an annual Treasury Management Outturn Report.

11.10 Once a year they receive and agree a Treasury Management Practices Report which sets out in detail the Governance and Responsibilities of Treasury Management and the responsibilities of all those who are involved in the process.

11.11 The Council also operates a Treasury Management Board which is made up of cross party member representation and senior officers of the Council. The Group meets to allow the detailed evaluation of Treasury Management and future proposal.

11.12 The Council also employ Link Asset Services as its Treasury Management Advisors.

11.13 Treasury Management is also subject to regular Internal and External Audit Review.

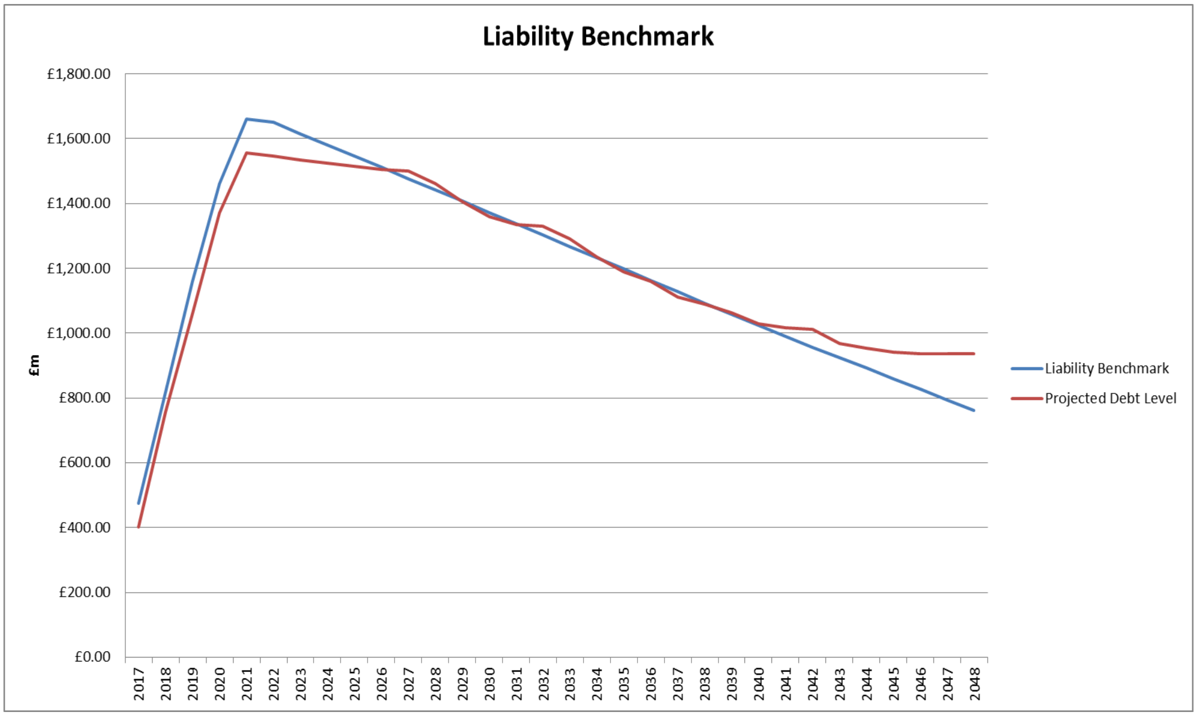
Loans

11.14 The Council make loans for a number of reasons primarily economic development and investment objectives.

11.15 The Council in making these loans ensure they are prudent and secured by:

- Carrying out a full independent due diligence exercise
- Using an expected loss model to assess the impact on the balance budget requirement if the loan was at risk
- On-going monitoring of the loans
- Ensuring adequate security is in place
- The financial exposure of the Council is proportionate to its size. This is set at £1.25 billion. This limit has been independently set following an independent review of the Council's Balance Sheet and risk exposure of the loans
- All loans are agreed by the Council's Executive Board

11.16 The Prudential Code requires the production of a liability benchmark which is shown in the graph below. The liability benchmark is the level of expected debt given current projections for capital expenditure up to year 2021/22. The projected debt levels show what the Council expects its debt level to be. Where the debt level is below the benchmark, the Council will be in an under-borrowed position, and when it is above it will be over-borrowed. This makes assumptions regarding repayment dates and this can be used as a tool for scheduling future borrowing requirements.



Liability Benchmark
£1,800.00
£1,600.00
£1,400.00
£1,200.00
£1,000.00
£800.00
£600.00
£400.00
£200.00
£0.00
£m
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Liability Benchmark
Projected Debt Level

12. BUDGET CONTRIBUTION

12.1 The Council's Invest to Save Programme and Commercial activities are forecast to contribute £10.5m to the Council's 2018 budget. When all the schemes are complete and reach maturity in five years' time they are forecast to contribute £25m to the Council's revenue budget.

12.2 The Council has a treasury management reserve and MTFP reserve that it contributes to on an annual basis from returns made from its Invest to Save Programme. Failure to meet budgeted returns would be met by drawings from these reserves.

13. SECTION 151 OFFICER ASSURANCE

13.1 This capital strategy is compiled in line with the requirements of the 2018 CIPFA Prudential Code and 2018 Treasury Management Code.

13.2 The Section 151 Officer views the strategy to be prudent and affordable and it is fully integrated with the Council's 2018 Medium Term Financial Plan, Treasury Management Strategy and other Strategic Plans.

13.3 The risk associated with the strategy is covered by the Council Risk Appetite Statement above.

14. FINANCIAL CONSIDERATIONS

14.1 Dealt with in the body of the report.

15. RISK ASSESMENT

15.1 Contained within the body of the report. All schemes entering the programme are subject to a full risk assessment and on-going monitoring.

16. EQUALITY AND DIVERSITY / EQUALITY IMPACT ASSESSMENT

16.1 These are fully integrated into the Capital Programme.

17. CONSULTATION

17.1 A full officer and member consultation has taken place in developing the Capital Strategy.

18. REASONS FOR RECOMMENDATION

18.1 That the Executive Board approves the recommendations included in this report and refers the Capital strategy to Council on 26 February 2018.

18.2 To ensure the Council adopts the Prudential Code for Capital Finance 2017.

19. RECOMMENDATION

19.1 The Executive Board is recommended to:

(i) Propose the Capital Strategy to full Council on 26 February 2018 for agreement.

(ii) Propose that the 2018/19 – 2021/22 Capital Programme contained in Annexe 1 to this report be approved and recommended to full Council on 26 February 2018 for adoption.

(iii) Agree the Capital Receipts Flexibilities Policy contained within Annexe 2 of this report and recommend it to full Council on 26 February 2018 for adoption.

20. BACKGROUND PAPERS

Capital Programme Model

21. Clearance Details				
	Name	**Consulted**		**Date Approved**
		Yes	**No**	
Relevant Executive Board Member	**Cllr R Bowden**			
SMT				
Relevant Director/S151 Officer	**Lynton Green**			
Head of Legal and Democratic Services & Monitoring Officer to the Council	**Matthew Cumberbatch**			

Annexe 1

1 2018/19 – 2020/21 CAPITAL PROGRAMME

1.1 The Council has a statutory responsibility to set a fully funded 3 year capital programme each year when agreeing the budget. There are largely two main funding streams to finance capital schemes, capital grants received from the government and direct funding from the Council (which is made up of Prudential Borrowing, Capital Receipts and Revenue Contributions).

1.2 Capital expenditure mainly includes spending on the acquisition or improvement of physical assets.

1.3 In agreeing the 2018/19 – 2020/21 capital programme it is proposed to follow the previous years practice of ring fencing government capital grants to the service that they are allocated to. The bulk of the capital grant allocation is accounted for by the Local Transport Plan and Children's Services allocations, which are all priority service areas.

1.4 The Council's strategic management of the capital programme allows new schemes to be added to the programme quarterly by agreement with the Executive Board.

1.5 The proposed 2018/19 – 2020/21 capital programme is £948.918m. As part of the budget process the programme has been reviewed to ensure it continues to meet Council priorities and remains affordable within the level of resources available.

1.6 The table below provides a summary of the 2018/19 – 2020/21 capital programme. A full copy of the draft capital programme on a scheme by scheme basis can be found at pages 24 – 27.

2018/19 – 2020/21 Capital Programme

Capital Programme Directorate Budgets	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Families & Wellbeing	10.202	6.790	2.575	**19.567**
Corporate Services	7.491	0.924	0.120	**8.535**
Economic Regeneration, Growth & Environment	60.556	53.171	10.280	**124.007**
Invest to Save Programme	311.293	283.101	202.415	**796.809**
Total - Capital Spending Plans	**389.542**	**343.986**	**215.390**	**948.918**

Financing the Capital Programme

1.7 The level and availability of capital funding determines the size of the overall capital programme and is heavily reliant on external funding, mainly in the form of capital grants from the Government. The programme is also reliant on internal funding to deliver more local priorities like town regeneration, Housing, Highways, Parks and Schools. These internal funds are largely in the form of prudential borrowing but can also include capital receipts and earmarked reserves. There are significant constraints on the availability of internal funds due to a finite asset base which puts pressure on delivering capital receipts from the sale of surplus assets.

1.8 Borrowing tends to pay for major Invest to Save schemes, for example the Time Square Scheme and Housing Schemes. All borrowing is done within agreed prudential limits and needs to be affordable and sustainable. A range of indicators are maintained to demonstrate this. These indicators are contained within the Council's Treasury Management Strategy and monitored and reported to the Audit & Corporate Governance Committee on a quarterly basis.

1.9 All Invest to Save schemes require the production of a detailed business case which is subject to stringent internal challenge before recommending to the Executive Board for approval. The Council's Invest to Save Programme has proved very successful. This can be evidenced by the positive financial return the schemes have generated to the Council and the increase in Balance Sheet worth to the Council that they have created.

1.10 The table below provides a summary of the funding of the 2018/19 – 2020/21 Capital Programme and pages 24 – 27 provides a breakdown of funding on a scheme by scheme basis.

Funding the 2018/19 – 2020/21 Capital Programme

Capital Programme Funding	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**Total £m**
Unsupported Borrowing - Corporate	40.641	32.690	7.729	**81.060**
Unsupported Borrowing - Invest to Save	311.258	283.101	202.415	**796.774**
Capital Grants & Reserves	13.262	11.678	4.491	**29.431**
Capital Receipts	5.941	-	-	**5.941**
External Funding	18.440	16.517	0.755	**35.712**
Total - Capital Funding Plans	**389.542**	**343.986**	**215.390**	**948.918**

1.11 It can be seen from the table above that the Council borrows for two types of schemes. Corporate borrowing, this is borrowing for schemes that generate a borrowing cost to the Council and do not generate additional revenue e.g. parks, highway schemes, building maintenance. Invest to Save borrowing is for schemes that generate a financial return to the Council after the repayment of borrowing costs. The largest allocation is for the Council's potential future loans programme. All loans entering the programme must be approved by the Executive Board.

1.12 The 2018/19 – 2020/21 Capital Programme generates an additional revenue borrowing cost to the Council of £5.671m a breakdown of which is given below:

- 2018/19 - £2.839m

- 2019/20 - £2.289m
- 2020/21 - £0.543m

These costs relate to schemes previously agreed by the Council the bulk of which can be accounted for by 3 schemes - Major Transport Projects, Highways Investment Strategy and Warrington Priority Infrastructure Schemes – and the new schemes contained within the New Corporate Schemes section.

New Corporate Schemes

1.13 The following projects are proposed for inclusion in the 2018/19 – 2020/21 Capital Programme:

- **Warrington Public Libraries Improvement Programme** – Investment into Warrington libraries. Total budget of £1.150m which will cost the Council an extra £81k per annum for a 25 year period.

- **Fearnhead Cross Community Centre Replacement Roof** – Replacement roof to the Community Centre. Total budget of £120k with prudential borrowing of £89k which will cost the Council an extra £7k per annum for a 25 year period.

- **Westy Park Pedestrian & Cycleway Improvements** - New shared footpaths and cycleways to provide key links to the new facilities and existing adjacent amenities bounding the park area. Total budget of £406k with prudential borrowing of £158k which will cost the Council an extra £11k per annum for a 25 year period.

- **Omega Local Highways Phase 3** – A series of highway improvements to key junctions around the Omega site. Total budget of £8.2m which will cost the Council an extra £574k per annum for a 25 year period.

- **Warrington East Phase 3** - To complete the dualling of Birchwood Way between the Moss Gate junction and Junction 11 of the M62. Total budget of £3m which will cost the Council an extra £210k per annum for a 25 year period.

- **Stadium Quarter Highways Improvements** – A series of highway improvements to facilitate servicing, pedestrian access routes, cyclists and private vehicles. Total budget of £2.5m which will cost the Council an extra £175k per annum for a 25 year period.

FAMILIES & WELLBEING - CAPITAL PROGRAMME

Project Description	2018/19 £m	2019/20 £m	2020/21+ £m	Total £m
Families & Wellbeing				
Warrington Youth Zone	3.000	-	-	3.000
Total	**3.000**	**-**	**-**	**3.000**
Education Services				
Additional primary places - South Warrington	-	2.925	0.075	3.000
Alderman Bolton Primary - Heating	0.016	-	-	0.016
Dallam Primary - External Improvements	0.257	0.010	-	0.267
Statham Primary - Flat Roof	0.014	-	-	0.014
Bradshaw Primary - Flat Roof	0.014	-	-	0.014
Ravenbank Primary - Heating	0.137	0.003	-	0.140
Culcheth Primary - Roof Works	0.230	0.005	-	0.235
Croft Primary - Roof Works	0.193	0.004	-	0.197
Brookacre Primary - Heating	0.086	0.002	-	0.088
Oughtrington Primary - replacement roof	-	0.261	-	0.261
Twiss Green Primary - replacement roof	-	0.234	-	0.234
Newchurch Primary - replacement roof	-	0.202	-	0.202
Secondary Places in West Warrington	1.007	0.064	-	1.071
Additional secondary places - South Warrington	-	3.000	2.500	5.500
Great Sankey High - School Expansion	2.925	0.075	-	3.000
Total Education Services	**4.879**	**6.785**	**2.575**	**14.239**
Integrated Commissioning				
Town Centre Cultural Asset Development	0.054	-	-	0.054
Warrington Public Libraries Improvement Programme	1.150	-	-	1.150
Total Integrated Commissioning	**1.204**	**-**	**-**	**1.204**
Public Health				
Acquisition of housing for use as temporary accommodation	1.000	-	-	1.000
Refurbishment of Fearnhead Cross Community Centre	0.115	0.005	-	0.120
Air Quality	0.004	-	-	0.004
Total Public Health	**1.119**	**0.005**	**-**	**1.124**
TOTAL FAMILIES & WELLBEING	**10.202**	**6.790**	**2.575**	**19.567**

CORPORATE SERVICES - CAPITAL PROGRAMME

Project Description	2018/19 £m	2019/20 £m	2020/21+ £m	Total £m
Finance				
Capitalisation of Redundancy & Pension Costs	1.000	-	-	1.000
Total Finance	**1.000**	**-**	**-**	**1.000**
Customer & Business Transformation				
Website Improvements - Phase 1	0.061	-	-	0.061
Warrington 2020 Transformation Programme	4.386	-	-	4.386
Network Improvement Programme	0.087	-	-	0.087
End User Computing - Management Systems & Technologies	0.850	0.811	-	1.661
ICT & Print Service	1.107	0.113	0.120	1.340
Total Customer & Business Transformation	**6.491**	**0.924**	**0.120**	**7.535**
TOTAL CORPORATE SERVICES	**7.491**	**0.924**	**0.120**	**8.535**

ECONOMIC REGENERATION, GROWTH & ENVIRONMENT - CAPITAL PROGRAMME

Project Description	2018/19 £m	2019/20 £m	2020/21+ £m	Total £m
Transport & Environment				
Road Maintenance	1.369	1.369	-	2.738
Bridge Maintenance	0.470	0.365	-	0.835
Traffic Signals - Maintenance	0.121	0.121	-	0.242

ECONOMIC REGENERATION, GROWTH & ENVIRONMENT - CAPITAL PROGRAMME				
Project Description	**2018/19 £m**	**2019/20 £m**	**2020/21+ £m**	**Total £m**
Transport & Environment				
Bus Stop - Maintenance	0.014	0.014	-	0.028
Street Lighting Structural Works	0.398	0.398	-	0.796
Footpath & Cycleway - maintenance	0.231	0.231	-	0.462
Pothole Action Fund	0.069	-	-	0.069
Capitalisation of Potholes	0.500	0.500	1.500	2.500
Chapelford Street Lighting Works (commuted sum)	0.049	-	-	0.049
Chapelford Highways Works (commuted sum)	0.100	0.100	-	0.200
Briarswood Remedial Works - Street Lighting	0.024	-	-	0.024
Highways Maintenance Investment	10.000	10.033	-	20.033
S106 Saxon Park	0.125	-	-	0.125
S106 Omega (Walking & Cycling)	0.133	-	-	0.133
S106 Omega (Burtonwood Village)	0.428	-	-	0.428
S106 Omega (HGV Order)	0.025	-	-	0.025
S106 Farrell Street South	0.313	-	-	0.313
S106 - Eagle Ottawa	0.035	-	-	0.035
S106 Riverside Point (Farrell Street)	0.100	-	-	0.100
S106 Land Adjacent Farmers Arms	0.012	-	-	0.012
S106 Former Ship Inn (Chester Road)	0.009	-	-	0.009
Greenways	0.164	0.164	-	0.328
Cycling Improvements	0.071	0.071	-	0.142
Pedestrian Improvements: PRoW	0.049	0.049	-	0.098
General Accessibility Improvements	0.053	0.053	-	0.106
Cycle Training - Bikeability	0.006	0.006	-	0.012
Travel Planning and Marketing	0.020	0.020	-	0.040
Rail Schemes & Studies	0.007	0.007	-	0.014
Bus Stop Enhancements	0.019	0.019	-	0.038
Parking Strategy	0.015	0.015	-	0.030
Safer Routes to Schools	0.120	0.120	-	0.240
Road Safety - Local Safety Schemes	0.305	0.305	-	0.610
Traffic Management - Minor Works	0.195	0.195	-	0.390
Pedestrian Improvements: (Crossings)	0.078	0.078	-	0.156
Traffic Signal Enhancements	0.102	0.102	-	0.204
UTMC Development	0.069	0.069	-	0.138
Network Management Plan	0.104	0.104	-	0.208
Monitoring & Strategic Studies	0.117	0.117	-	0.234
Centre Park Link	0.199	8.384	7.287	15.870
Warrington West Station	9.281	5.519	-	14.800
Birchwood Pinch Point	0.020	-	-	0.020
Omega M62 Junction 8	0.576	-	-	0.576
ITB Allocation 'top up'	-	0.243	-	0.243
ITB Smaller LST Scheme	0.493	-	-	0.493
Multi-modal Model	0.251	-	-	0.251
Mary Ann Meadows	0.001	-	-	0.001
Sports Pitch Drainage Projects	0.002	-	-	0.002
S106 G J Greenalls - Causeway Park	0.002	-	-	0.002
Culcheth Park Flood Alleviation	0.007	-	-	0.007
Victoria Park Improvement	0.400	0.214	-	0.614
Sankey Valley Park Improvement	0.128	0.125	-	0.253
Warrington Allotments Improvement Programme	0.034	-	-	0.034
Larkfield Park (Bruche S106)	0.010	-	-	0.010
Alexander Park Developments Phase 1 - Play Area Phase 2 - Pavilion	0.050	-	-	0.050
S106 Total Fitness	0.010	-	-	0.010
S106 G J Greenalls - Westy Park	0.254	0.095	-	0.349

ECONOMIC REGENERATION, GROWTH & ENVIRONMENT - CAPITAL PROGRAMME				
Project Description	**2018/19 £m**	**2019/20 £m**	**2020/21+ £m**	**Total £m**
Transport & Environment				
S106 Omega (Bericote Land)	0.048	0.048	-	0.096
S106 Wildlife Habitat Improvements	0.043	-	-	0.043
S106 Omega South (Zone 7)	0.090	-	-	0.090
Oakwood Avenue Park Refurbishment	0.200	-	-	0.200
Birchwood Forest Park Skate Area & Bike Pump Track	0.080	-	-	0.080
Longbarn Park Refurbishment	0.150	-	-	0.150
Enfield Park Refurbishment	0.200	-	-	0.200
Mee Brow Play Area Refurbishment	0.200	-	-	0.200
Victoria Park Bowling Pavilion Extension	0.150	-	-	0.150
Victoria Park Toy Library Refurbishment & Roof	-	0.100	-	0.100
Volunteer Support & Quick Win Projects	0.020	0.020	-	0.040
Lymm Dam Site Infrastructure Refurbishment	0.060	-	-	0.060
Shaw Street Recreation Ground Uplift	0.015	0.024	-	0.039
Culcheth Village Green Play Area Uplift	0.015	0.019	-	0.034
Birchwood Forest Park Ranger & Sports Changing Building Refurbishment	0.020	0.180	-	0.200
Flood Risk (contribution to Environment Agency scheme)	0.570	0.300	0.625	1.495
Grey to Green - Highways Improvements	1.259	-	-	1.259
Springfield Street Public Realm Improvements	0.358	0.016	-	0.374
Bank Park Enhancements & Improvement	0.135	-	-	0.135
Travellers transit site	0.300	0.818	0.818	1.936
Walton Estate Old Riding School	0.025	-	-	0.025
Walton Estate (Heritage Lottery Fund)	2.000	1.074	-	3.074
Cenotaph Riverbank Stabilisation	1.000	0.234	-	1.234
Walton Gardens CCTV Security Systems	0.044	-	-	0.044
Burtonwood Road/Kingswood Road - Omega Highway Gateways (NPIF)	2.628	0.307	-	2.935
Lingley Green Avenue/Liverpool Road - Omega Highway Gateways (NPIF)	1.765			1.765
Warrington East Phase 3 transport improvements (NPIF)	1.600	3.850	-	5.450
Active Travel Investment Strategy	0.841	1.826	-	2.667
Warrington East Phase 2	4.800	6.514	-	11.314
Omega Local Highway Schemes Phase 1	1.675	4.640	-	6.315
Omega Local Highways Phase 3	8.200	-	-	8.200
Warrington East Phase 3	-	3.000	-	3.000
Stadium Quarter Highways Improvements	1.690	0.760	0.050	2.500
Total Transport & Environment	**57.918**	**52.935**	**10.280**	**121.133**
Warrington & Co				
Building Maintenance Programme	0.249	-	-	0.249
Various Sites - Structural & Chimney Works	0.033	-	-	0.033
Broomfields Leisure Centre - All Weather Pitch	0.082	-	-	0.082
Birchwood Tennis Centre - Roof	0.068	-	-	0.068
Museum - Roof	0.320	0.128	-	0.448
Various Civic Build - Fire Alarm Systems	0.185	0.015	-	0.200
Town Hall Golden Gates Refurbishment & Repair	0.220	0.030	-	0.250
West Annexe - Structural Works	0.023	-	-	0.023
Drill Hall - Roof	0.125	0.025	-	0.150
Town Hall Fire Alarm System	0.100	0.018	-	0.118
Town Hall & Annexes - Windows	0.235	0.020	-	0.255
Maintenance Investment Estates Land (Roads and Footpaths)	0.118	-	-	0.118
Bewsey & Dallam Hub	0.625	-	-	0.625
Warrington Waterfront - Western Link (acquisition of land)	0.121	-	-	0.121
Town Centre - empty shops grant	0.134	-	-	0.134
Total Warrington & Co	**2.638**	**0.236**	**-**	**2.874**
TOTAL ECONOMIC REGENERATION, GROWTH & ENVIRONMENT	**60.556**	**53.171**	**10.280**	**124.007**

INVEST TO SAVE - CAPITAL PROGRAMME

Project Description	2018/19 £m	2019/20 £m	2020/21+ £m	Total £m
Corporate Services				
Shared Ownership Mortgages (Local Authority Partnership Purchase)	0.500	0.500	-	1.000
Loans to Housing Associations	200.000	200.000	156.072	556.072
Business Bank	10.000	10.000	-	20.000
Green Energy Programme	17.988	-	-	17.988
Housing Company	15.000	22.000	22.000	59.000
Wider Area Network (WAN) Redesign and Hardware Refresh	0.020	-	-	0.020
Total Corporate Services	**243.508**	**232.500**	**178.072**	**654.080**
Economic Regeneration, Growth & Environment				
Street Lighting Energy, Carbon & Asset Improvement	9.011	-	-	9.011
Strategic Property Investment Programme to support Regeneration & Investm	17.000	17.000	17.000	51.000
Time Square Project	38.037	30.033	7.343	75.413
Crematorium Garden of Remembrance	0.093	-	-	0.093
Walton Heritage Yard Developments	0.075	-	-	0.075
Waste Transfer Station	3.569	3.568	-	7.137
Total Economic Regeneration, Growth & Environment	**67.785**	**50.601**	**24.343**	**142.729**
TOTAL INVEST TO SAVE	**311.293**	**283.101**	**202.415**	**796.809**
TOTAL CAPITAL PROGRAMME	**389.542**	**343.986**	**215.390**	**948.918**

Annexe 2

FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY

Introduction

As part of the November 2015 Spending Review, the Government announced that it would introduce flexibility for the period of the Spending Review for local authorities to use capital receipts from the sale of non-housing assets to fund the revenue costs of service reform and transformation. Guidance on the use of this flexibility was issued in March 2016 which applies to the financial years 2016/17 through to 2019/20. In the Provisional Local Government Settlement 2018/19 (announced 19 December 2017) the Government confirmed that the flexibility to use capital receipts to help meet the revenue costs of transformation will be extended for a further 3 years to April 2022. The Guidance requires local authorities to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy. This document constitutes the Warrington Council Strategy.

The Guidance

The Guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 specified that;

- Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. Following the Provisional Settlement announcement 19 December 2017, the period of offer is 1st April 2016 to 31st March 2022. They may not use their existing stock of capital receipts to finance the revenue costs of reform.

- Local authorities cannot borrow to finance the revenue costs of the service reforms.

- The expenditure for which the flexibility can be applied should be the up-front (set up or implementation) costs that will generate future ongoing savings and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

- In using the flexibility, the Council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice.

The Guidance provides a definition of expenditure which qualifies to be funded from the capital receipts flexibility. Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

There are a wide range of projects that could generate qualifying expenditure. The key determining criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to an authority’s net service expenditure. Within the above definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.

The Council's Proposals
The Council intends to use the capital receipts flexibility to fund or part fund the following project:

Warrington 2020 Service Transformation Programme

The expected savings generated by this project are set out in the table below.

Project	2017/18 £000	2018/19 £000	2019/20 £000
Warrington 2020 Service Transformation Programme	800	800	1,500
Total	**800**	**800**	**1,500**

The Prudential Code

The Council will have due regard to the requirements of the Prudential Code and the impact on its prudential indicators from implementing the proposed project. The capital expenditure prudential indicators will be amended and approved as appropriate.

The Council will also have due regard to the Local Authority Accounting Code of Practice when determining and including the entries required from undertaking and funding this project within the Council's Statement of Accounts.

Monitoring the Strategy

The strategy will be monitored throughout the financial year and may be updated and replaced as proposals are developed and expenditure is incurred.

Appendix 5 – Revenue Reserves

EARMARKED REVENUE RESERVES	PURPOSE OF RESERVE	31st March 2017 £	31st March 2018 £
Corporate Services			
Members Voluntary Initiative	To fund International Partnerships initiative	-7,822	-7,822
Museum Arts	To fund future museum exhibitions or art acquisitions	-12,877	-12,877
Community Investment Funding Reserve	To fund Community Investment Schemes	-91,070	-91,070
Coroners Reserve	To fund any one off costs of future judicial reviews	-71,084	-116,066
Union Learner Representatives	To increase participation in union training services	-16,623	-16,623
Salary Sacrifice Car Leasing Reserve	Potential future liability on salary sacrifice car leasing scheme	-93,075	-93,075
Insurance Fund Reserve	Third Party Insurance Claim excesses and self insure certain areas of risk	-2,128,663	-2,128,663
Medium Term Financial Plan Reserve	To ensure the Council's future financial sustainability	-7,794,436	-2,926,125
Local Authoritys Mortgage Scheme Reserve	Potential future LAMS defaults	-724,826	-724,826
Municipal Mutual Insurance Payments Reserve	To fund future potential MMI clawback	-465,350	-465,350
Early Release Reserve	To fund movements in the redundancy calculation	-609,545	-609,545
Loans and Investment Reserve	Contingency for repayment of the Council's loan portfolio	-3,000,000	-3,000,000
Assistant Chief Executive Reserve Carry Forwards	To fund future expenditure in Assistant Chief Executives	-3,196,297	-494,242
TOTAL - Corporate Services Reserves		**-18,211,668**	**-10,686,284**
Families & Wellbeing			
Childrens Comfort Funds Reserve	Held on behalf of children in care and not available to the Council	-7,168	-7,168
Criminal Injuries Compensation Reserve	To provide for any criminal injury claims from children in care	-11,744	-11,744
Warrington Youth Offenders Team Reserve	Warrington Council's provision of Youth Offending services	-199,219	-199,219
Halton Youth Offenders Team Reserve	Halton Council's provision of Youth Offending services	-229,218	-229,218
Cheshire West & Chester Youth Offenders Team Reserve	Cheshire West & Chester Council's provision of Youth Offending services	-108,629	-108,629
Schools Forum Service Development	To fund the development of service packages to Schools Forum and Warrington schools	-58,890	-58,890
Children & Young People Reserve Carry Forwards	To fund future expenditure in Children's Services	-3,521,117	0
Joint Primary Care Trust Initiative	To fund Joint PCT Initiative	100	100
Homelessness Bond Money	Closing the Gap proposals	-91,172	-91,172
Solar Panel Lifecycle Fund	Future replacement cost on solar panels	-280,066	-280,066
Unitary Charge Reserve - Public Finance Initiative schemes	Future variations on unitary charge on PFI schemes	-1,030,764	-1,030,764
Financial Protection Team Balance	To fund FWB(Adults) with specific criteria	-20,035	-20,035
Public Health Grant	To fund public health expenditure	-931,141	-931,141
Sinking Fund	To contribute to any refurbishment or enhancements of Alder Lodge Homeless Unit	-300,894	-300,894
Community Drug & Alcohol Misuse Service	To fund the Council's drug and alcohol misuse strategy	-10,351	-10,351
Better Care Fund Pooled Reserve	To fund Better Care Fund expenditure	-115,000	-70,000
Neighbourhood & Community Reserve Carry Forwards	To fund future Neighbourhood & Community expenditure	-625,224	-230,015
TOTAL - FWB Reserves		**-7,540,532**	**-3,579,206**
Economic Regeneration, Growth & Environment			
Town Centre Sinking Fund	Potential future Town Centre overspends	-274,132	-229,076
Taxi Surplus	Ringfenced account with surpluses/losses earmarked for use in respect of this service	-57,868	-57,868
Walton Hall Reserve	Walton Hall refurbishment	-4,743	-4,743
Walton Zoo Reserve	Walton Hall zoo animals	-8,687	0
Winwick Road Account - Surplus / Deficit	To contribute to any refurbishment or enhancements of Alder Lodge Homeless Unit	-110,555	-110,555
Environment & Regeneration Reserve Carry Forwards	To fund future expenditure in Environment Services	-1,079,909	-79,000
TOTAL - ERGE Reserves		**-1,535,894**	**-481,242**
TOTAL EARMARKED REVENUE RESERVES		**-27,288,094**	**-14,746,732**
OTHER GENERAL FUND RESERVE			
Council Strategic Reserve	To cover emergency events such as unforeseen financial liabilities or natural disasters	-4,760,076	-4,760,076
Council General reserve		-1,402,451	-1,402,451
TOTAL - Strategic Reserve		**-6,162,527**	**-6,162,527**
TOTAL REVENUE RESERVES		**-33,450,621**	**-20,909,259**

Appendix 6

Regulations laid before parliament on 31st January 2014 and come into force on 25th February 2014 require that immediately after any vote is taken at a budget decision meeting (relating to the adoption of the Council Tax resolution below) there must be recorded in the minutes of the proceedings of that meeting the names of the persons who cast a vote for the decision or against the decision or who abstained from voting.

The Council is recommended to resolve as follows:

1. That it be noted that on 18 January 2018, the Audit & Corporate Governance Committee approved the following amounts as the Council's Council Tax Base for the financial year 2018/19:

   (a) for the whole Council area as 67,492 [Item T in the formula in Section 31B 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 as in the attached Appendix 7; and that

   (c) the Audit and Corporate Governance Committees approval be affirmed.

2. That pursuant to section 31(A) of the Act the Council Tax requirement for the Council's own purposes for 2018/19 (excluding Parish precepts) is £94,123,668.

3. That the following amounts be calculated for the year 2018/19 in accordance with Sections 31 to 36 of the Act:

(a)	£138,751,216	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
(b)	£42,712,609	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£96,038,607	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 31B of the Act).
(d)	£1,422.96	being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
(e)	£1,914,939	being the aggregate amount of all special items (Parish

precepts) referred to in Section 34(1) of the Act (as per the attached Appendix 7).

(f) £1,394.59 being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(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 Parish precept relates.

4. That it be noted that the Police Authority and the Fire Authority have issued precepts to the Council in accordance with Section 40 of the Act 1992 for each category of dwellings in the Council's area as indicated in Appendix 8.

5. That the Council, in accordance with Sections 30 and 36 of the Act 1992, hereby sets the aggregate amounts shown in the Appendix 8 as the amounts of Council Tax for 2018/19 for each part of its area and for each of the categories of dwellings.

6. That it considered and determines whether the relevant basic amount of Council Tax for 2018/19 is excessive in accordance with the principles approved under Section 52ZB of the Act.

Appendix 7

Parish Council	2017/18 Tax Base	2017/18 Precept (£)	2017/18 Council Tax Band D (£)	2018/19 Unadjusted Tax Base	2018/19 Total Precept (£)	2018/19 Final Tax Base	2018/19 Council Tax Precept (£)	2018/19 Council Tax Band D (£)	Council Tax Increase
Appleton	4,532	113,288	25.00	5,057	145,389	4,563	131,179	28.75	15.00%
Birchwood	3,228	316,732	98.11	3,602	365,747	3,250	330,000	101.54	3.49%
Burtonwood & Westbrook	3,491	79,254	22.70	3,969	94,620	3,581	85,372	23.84	5.00%
Croft	860	64,090	74.53	965	72,980	871	65,847	75.63	1.47%
Cuerdley	41	0	0.00	47	0	42	0	0.00	0.00%
Culcheth & Glazebury	3,195	98,472	30.82	3,575	112,362	3,226	101,380	31.43	1.98%
Grappenhall & Thelwall	3,569	135,367	37.93	4,017	155,347	3,624	140,164	38.67	1.95%
Great Sankey	9,406	315,105	33.50	10,522	363,114	9,494	327,624	34.51	3.01%
Hatton	146	2,065	14.14	167	2,597	151	2,343	15.55	9.97%
Lymm	5,013	155,600	31.04	5,615	191,719	5,066	172,981	34.14	9.99%
Penketh	2,562	161,063	62.87	2,859	194,195	2,580	175,215	67.92	8.04%
Poulton with Fearnhead	4,961	99,547	20.06	5,633	122,248	5,082	110,300	21.70	8.16%
Rixton with Glazebrook	686	22,053	32.14	779	24,620	703	22,214	31.60	-1.67%
Stockton Heath	2,277	91,078	40.00	2,551	122,448	2,302	110,480	48.00	20.00%
Stretton	347	7,425	21.42	389	9,165	351	8,269	23.56	10.00%
Walton	672	7,139	10.63	769	8,172	694	7,373	10.63	0.00%
Winwick	1,669	102,212	61.25	1,857	116,650	1,676	105,249	62.82	2.56%
Woolston	2,183	17,734	8.12	2,438	21,000	2,200	18,948	8.61	6.03%
Unparished	17,691	0	0.00	19,992	0	18,038	0	0.00	0.00%
Total /Average	**66,527**	**1,788,222**	**26.88**	**74,803**	**2,122,373**	**67,492**	**1,914,939**	**28.37**	**5.56%**

Appendix 8

Council Tax Schedule 2018/19	Band A Disabled £	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Warrington Borough Council	774.77	929.73	1,084.68	1,239.64	1,394.59	1,704.50	2,014.41	2,324.32	2,789.18
Cheshire Police Authority	98.02	117.63	137.23	156.84	176.44	215.65	254.86	294.07	352.88
Cheshire Fire Authority	41.93	50.32	58.71	67.09	75.48	92.25	109.03	125.80	150.96
Total Unparished	**914.73**	**1,097.67**	**1,280.62**	**1,463.56**	**1,646.51**	**2,012.40**	**2,378.29**	**2,744.18**	**3,293.02**
Total by Parish									
Appleton	930.70	1,116.84	1,302.98	1,489.12	1,675.26	2,047.54	2,419.82	2,792.10	3,350.52
Birchwood	971.14	1,165.37	1,359.59	1,553.82	1,748.05	2,136.51	2,524.96	2,913.42	3,496.10
Burtonwood & Westbrook	927.97	1,113.57	1,299.16	1,484.76	1,670.35	2,041.54	2,412.73	2,783.92	3,340.70
Croft	956.74	1,148.09	1,339.44	1,530.79	1,722.14	2,104.83	2,487.53	2,870.23	3,444.27
Cuerdley	914.73	1,097.67	1,280.62	1,463.56	1,646.51	2,012.40	2,378.29	2,744.18	3,293.02
Culcheth & Glazebury	932.19	1,118.63	1,305.06	1,491.50	1,677.94	2,050.82	2,423.69	2,796.57	3,355.88
Grappenhall & Thelwall	936.21	1,123.45	1,310.70	1,497.94	1,685.18	2,059.67	2,434.15	2,808.64	3,370.36
Great Sankey	933.90	1,120.68	1,307.46	1,494.24	1,681.02	2,054.58	2,428.14	2,801.70	3,362.04
Hatton	923.37	1,108.04	1,292.71	1,477.39	1,662.06	2,031.41	2,400.75	2,770.10	3,324.12
Lymm	933.70	1,120.44	1,307.18	1,493.91	1,680.65	2,054.13	2,427.61	2,801.09	3,361.31
Penketh	952.46	1,142.96	1,333.45	1,523.94	1,714.43	2,095.42	2,476.40	2,857.39	3,428.87
Poulton with Fearnhead	926.78	1,112.14	1,297.50	1,482.86	1,668.21	2,038.93	2,409.64	2,780.35	3,336.42
Rixton with Glazebrook	932.29	1,118.74	1,305.20	1,491.66	1,678.11	2,051.03	2,423.94	2,796.86	3,356.23
Stockton Heath	941.39	1,129.67	1,317.95	1,506.23	1,694.51	2,071.07	2,447.63	2,824.18	3,389.02
Stretton	927.82	1,113.38	1,298.94	1,484.51	1,670.07	2,041.20	2,412.32	2,783.45	3,340.14
Walton	920.63	1,104.76	1,288.88	1,473.01	1,657.14	2,025.39	2,393.64	2,761.89	3,314.27
Winwick	949.63	1,139.55	1,329.48	1,519.40	1,709.33	2,089.18	2,469.03	2,848.88	3,418.65
Woolston	919.51	1,103.42	1,287.32	1,471.22	1,655.12	2,022.93	2,390.73	2,758.54	3,310.25
Average Band D	**930.49**	**1,116.59**	**1,302.69**	**1,488.78**	**1,674.88**	**2,047.08**	**2,419.28**	**2,791.47**	**3,349.77**