

WARRINGTON BOROUGH COUNCIL

COUNCIL – 25 February 2019

Report of Executive Board Member: Councillor Russ Bowden, Leader and Executive Board Member, Corporate Finance

Executive Director: Lynton Green, Deputy Chief Executive and Director of Corporate Services

Senior Responsible Officer: Lynton Green, Deputy Chief Executive and Director of Corporate Services

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Key Decision No. N/A

Ward Members: All

TITLE OF REPORT: 2019/20 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 11 February 2019, 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 2019/20 revenue budget, the Council is asked to consider the options set out in this report, and to have regard to the 2019/20 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 2019/20 REVENUE BUDGET

3.1 This report presents the Executive Board's proposed 2019/20 budget which includes £22.2m 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 2019/20 budget. 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 (2018/19 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 £3.8m a year.

3.5 This highlights the issue surrounding the different levels of Council Tax raised by Authorities, and the unfair nature of the referendum limit (set at 3% for financial year 2019/20). Applying the referendum limit, Stockport is able to increase its Band D rate by £47.93, whereas Warrington is only able to increase its rate by £41.84 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 £42m.

- 3.7 The Final Local Government Finance Settlement for 2019/20 was confirmed 29 January 2019. Warrington’s Government funding has fallen by a further 10.5% in 2019/20. This equates to a drop in Government funding of £3.8m, which is equivalent to £18 per Warrington resident. This drop in funding has been additionally affected by the continuing operation of the New Homes Bonus (NHB) baseline for housing growth below which New Homes Bonus is not paid. Expected Warrington housing growth for 2019/20 is below this baseline and as such Warrington will not receive a New Homes Bonus 2019/20 funding instalment. In addition, year on year reductions in the public health grant are equivalent to 19p in every £1 not coming in to Warrington since the move to local authority in 2013.
- 3.8 The Council has already made savings of £8.8m and £15.5m in 2017/18 and 2018/19. However, £45m of additional savings will also need to be made over the next four years, with £22.2m of savings needed in 2019/20 to balance the budget. Currently £22.2m of saving proposals have been identified for 2019/20 creating a balanced budget. Legislative and other unavoidable pressures which have been built into the budget total £17.2m in 2019/20, a break-down of which can be seen in Appendix 2. Additional inflationary pressures (pay and sales inflation) total £1.1m. An analysis of the £22.2m saving proposals for 2019/20 is included in Appendix 3.
- 3.9 The proposed budget for 2019/20 totals £132.998m and the Directorate analysis of the draft cash limited budget is shown below:

Council Revenue Spending Plans		2018/19	2019/20
Directorate	Responsible Officer	Cash Limit	Cash Limit
		£000	£000
Corporate Services	Director of Corporate Services	4,240	2,697
Families & Wellbeing	Executive Director FWB	103,269	103,835
Economic Regeneration, Growth & Environment	Executive Director ERGE	24,071	23,108
Corporate Financing	Director of Corporate Services	5,256	3,358
Total		136,836	132,998

- 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 has worked well in recent years. It is estimated that the saving proposals will lead to a maximum reduction of 100 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 rephrase 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 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 As in previous years the Section 151 Officer has held a briefing on the budget for all Councillors to attend. This briefing was held on the 20 February to allow all Councillors to be able to take an informed decision when taking part in the named vote on the budget.
- 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. 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, there is a section 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 the internal Council publication, *Your Voice* and via social media.

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 29 January 2019 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 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 £0.95m (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. Similarly, whilst the announcement about additional grant funding for adult/children social care in 2019/20 is a recognition of the increasing demand and growing funding crisis in this area, it is, however, a further short-term solution with no clear commitment to future sustainability. A longer-term solution is necessary given that demand for this type of service means that costs will continue to rise each year.
- 5.3 The table overleaf shows the Council's forecasted budget position for the next four years. The funding position for 2020/21 to 2022/23 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 £45m over the next four years. This figure includes the 2019/20 budget gap of £22.2m.

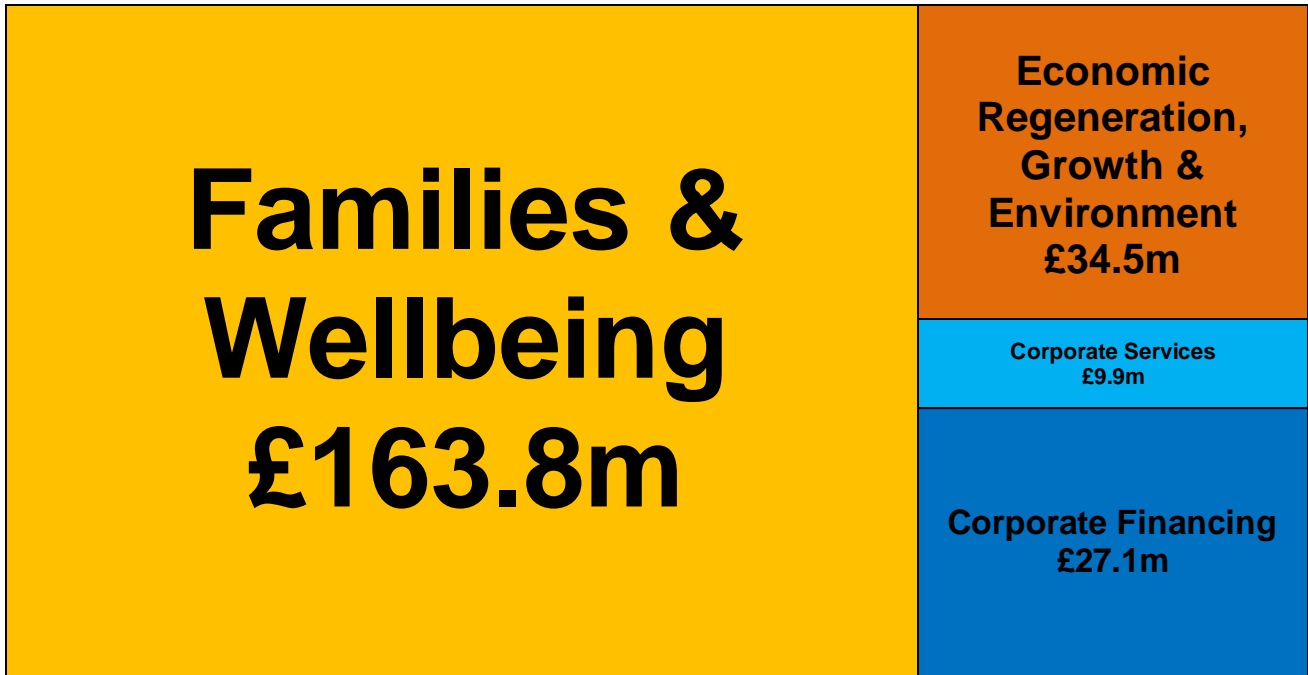
Ref		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
	Budget set for 2018/19	136,836			
	In-year changes to funding	-			
	Net Budget Brought Forward	136,836	155,165	168,135	175,879
1	Inflation pressure - Pay	1,639	1,639	1,639	1,639
	Inflation pressure - Fees & Charges	(529)	(595)	(595)	(595)
2	Additional budget pressures	17,219	11,926	6,700	6,775
	Total Budget Needed	155,165	168,135	175,879	183,698
3	Funding	132,998	132,917	135,799	139,144
	Budget Shortfall	22,167	35,218	40,080	44,554

A synopsis of the above table is given below:

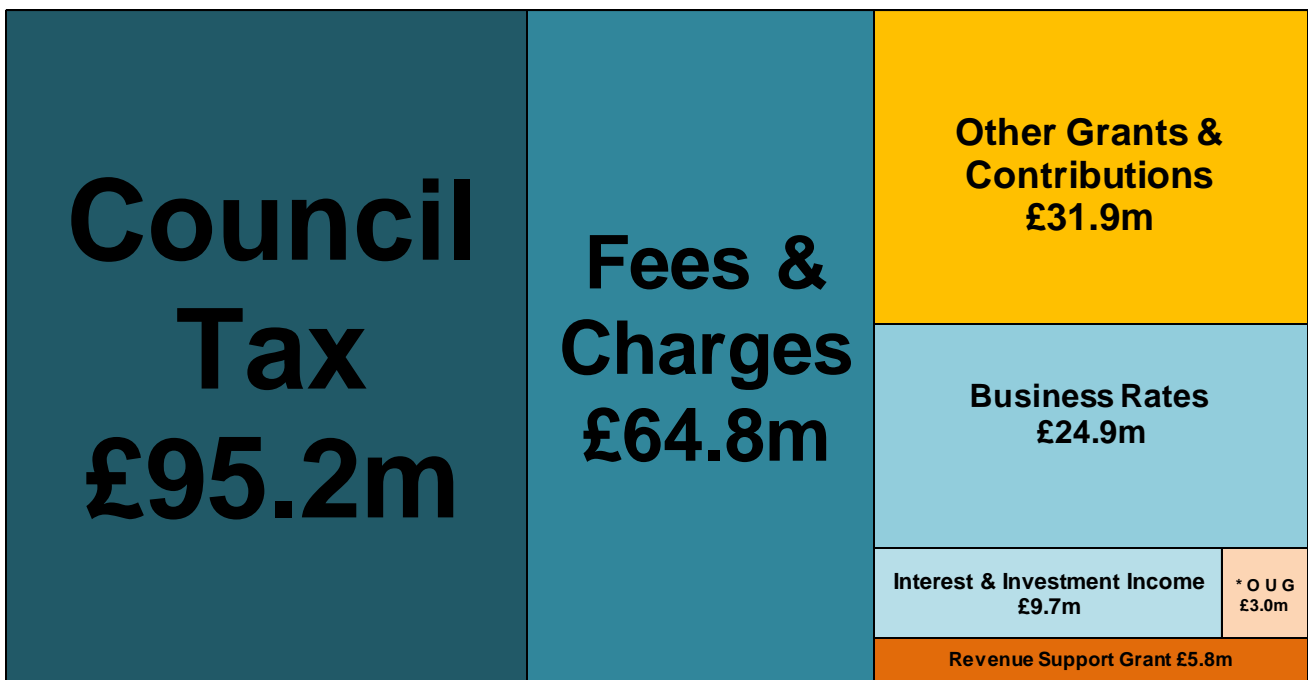
- **Inflation pressure** - This has been calculated as 0% for price inflation and a 3% expected rise in Fees and Charges income. Pay inflation has been provided for as a 2% increase.
- **Additional budget pressures** - This consists of legislative and demand pressures and non-achievement of previously committed MTFP savings. For further detail for 2019/20 see Appendix 2.
- **Funding** - This shows the funding that will be received in 2019/20 and estimated funding for future years. This is made up of Council Tax, Business Rates, 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 2018/19 and 2022/23. 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 2018-19



Gross Income 2018-19



* Other Unringfenced Grants £3.0m

Gross Income 2022-23

Council Tax £105.2m	Fees & Charges £72.9m	Business Rates £32.7m
		Other Grants & Contributions £24.3m
		Interest & Investment Income £9.7m

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. Warrington is a tariff authority.
- 6.3 We are predicting an in-year deficit for Warrington in the 2018/19 financial year. This estimate will be distributed as part of our business rate funding for 2019/20.
- 6.4 The Provisional 2019/2020 Local Government Finance Settlement announcements included consultation on system reforms associated with the move from 50% to 75% business rates retention from 2020/21. The consultation seeks views on how the business rates system can be reformed to continue to provide a strong incentive for local authorities to grow their business rates bases. It proposes a change in how the system is administered to mitigate the volatility business rates appeals have on local authorities' income and to help minimise complexity in the system. Additionally the Settlement included 'Fair Funding' consultation on the approach to measuring the relative needs and resources of local authorities, with the aim of determining new

baseline funding allocations for local authorities in England in 2020-21. Central Government intend further consultation on business rate system changes throughout 2019.

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 2019/20 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 2019/20 and the estimated deficit for 2018/19) was delegated to the Director of Corporate Services at Audit and Corporate Governance on 17 January 2019 and was authorised and returned to DCLG on 31 January 2019.

7 CAPITAL STRATEGY

- 7.1 Attached at Appendix 4 is the Council's 2019 Capital Strategy. Annexes 1 to 3 of Appendix 4 also contain the Council's 2019/20 – 2021/2022 Capital Programme, Capital Strategy Indicators 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 2018/19 Warrington increased the Council Tax by 5.98% (2.98% Council precept plus an additional 3% 'social care precept'). In the 2019/20 Final Settlement, Central Government confirmed that Councils can increase the Council precept by an additional 1% over the 2% referendum limit. This facility has applied to both 2018/19 and 2019/20.

- 8.2 It is proposed that Warrington increase the Council precept by 2.98% in 2019/20. This report is therefore based on an assumed 2.98% Council Tax increase for 2019/20 and a 1.98% increase for each of the next three years.
- 8.3 Appendix 6 shows the Council Tax resolution and confirms the 2019/20 proposed Council Tax increase is 2.98% and that a referendum is not required.
- 8.4 If a revenue budget for Warrington is set at £132.998m then this would lead to a Council Tax requirement calculated as follows:

Council Tax Requirement	2019/20 £m
Council Net Budget	132.998
Less Revenue Support Grant	-1.343
Less Business Rate Support Scheme Income	-30.828
Less Other Government Grants	-3.620
Less Use of Reserves	-0.210
Council Tax Requirement	96.997
Add Deficit on Collection Fund	0.506
Council Tax Requirement after deficit	97.503
Tax Base	67,892
Band D Council Tax	£ 1,436.15

- 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.

	2018/19 £	2019/20 £	% Increase
Warrington Borough Council	1,394.59	1,436.15	2.98
Cheshire Police Authority	176.44	200.44	13.60
Cheshire Fire Authority	75.48	77.74	2.99
Sub-Total	1,646.51	1,714.32	4.12
Parish Council (Average)	28.37	32.92	16.03
Total	1,674.88	1,747.24	4.32

Council Tax – Long Term Empty Properties

- 8.6 During the 2018/19 financial year confirmation was received that the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act had received Royal Assent. One of the changes within the Act is the extended permission to increase the premiums on long term empty properties. The 2018 Council Tax (Empty Dwellings) Act allows the Council to introduce the following Council Tax premiums on long –term empty properties:
- From 2019/20 up to 100% premium for homes empty between two and five years (currently 50%),
 - From 2020/21 up to 200% premium for homes empty between five and ten years,
 - From 2021/22 up to 300% premium for homes empty for ten years or more.
- 8.7 Commencing in 2019/20 it is intended the Council apply this extended permission. Additional exemptions from the premium are it will not be charged (a) on homes that are empty due to the occupant living in armed forces accommodation for job related purposes or (b) annexes being used as part of a main property.

Parish Precepts

- 8.8 As from 1st April 2013 Council Tax Benefit was replaced by a locally funded scheme, “Council Tax Support Allowance” (CTSA). Anyone receiving CTSA is exempt from payment of council tax and as such, has 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. Following Full Council approval in 2018/19 and commencing in 2019/20, it is intended 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. This action will save the Council £207,000.

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 2019/20 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.
- 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 2018/19 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 2019/20 and 2019/23 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 has been aggregated from funding previously included in the other blocks.

- 11.2 It is still the stated intention of Government that at some point in the future, Individual mainstream school budget allocations will be calculated nationally, using a standard formula approach, but presently, this proposed formula is being used to derive a per pupil funding rate for primary and secondary pupils, for each Authority. This then generates a Schools Block funding allocation within which Local Authorities will determine, in

consultation with their Schools Fora, individual allocations for their Schools and Academies.

- 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. For 3 and 4 year old children, the basic fifteen hour per week offer, and the extended offer up to 30 hours, are still calculated separately.
- 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. In response to widespread concern about funding levels, an additional £125 million has separately been added to both the 2019/20 settlement, and retrospectively to the 2018/19. Distributed based on population estimates, this equates to £469,344 in both years for Warrington.
- 11.5 Initial DSG allocation for Warrington in 2019/20 is £166.7 million (see below). Not all of this will be managed by Warrington Borough Council; Academies will have their relevant funding paid directly, through a process known as recoupment. The High Needs Block will be reduced 'at source' by £1,872,655 to reflect the places in other Local Authority settings taken by Warrington students.

	Value £	Census Numbers	Total £	2019/20 DSG £
Schools Block (Primary)	3,942.67	17,894	70,550,137	
Schools Block (Secondary)	4,975.14	11,930	59,350,933	
Rates Funding (17/18 levels)			1,420,549	
Split Site Funding			297,000	
Growth Funding			631,352	132,249,971
Early Years Block 15 hr offer 3 & 4	4.30	3,182.29	7,799,805	
Early Years Block extended 15 hr offer 3 & 4	4.30	1,516.14	3,716,067	
Early Years Block 2 year old	5.28	523.63	1,575,927	
Early Years Pupil Premium			129,117	
Early Years Disability Access Fund			34,440	
Nursery School Protection			57,456	13,312,812
High Needs Block				20,277,804
Central Services Block	29.69	29,824	885,475	885,475
Total DSG (before recoupments for Academies and deductions for High Needs Places)				166,726,062

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) was an increase of £400 on the pre-2018 figure. The other levels have remained unchanged since 2015/16. The total approximates to around £8.2 million for Warrington.

12 SCRUTINY COMMITTEE

12.1 Scrutiny Committee have previously indicated their agreement with the budget process. For 2019, in place of a report to Scrutiny Committee, an all Members briefing on the budget took place on the 20 February.

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 2019/20. 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 2019/20, but will be carried forward to 2020/21. 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 2019/20 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 2019/20 – 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 3 of Appendix 4 to this report.
 - (vi) agree the 2019/20 revenue budget of £132.998m set out in section 3 of this report.
 - (vii) note at the Audit & Corporate Governance Committee meeting of 17 January 2019, the 2019/20 tax base was set at 67,892.
 - (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 2.98% to a Band D of £1,436.15 set out in Appendix 6, and note that votes will be recorded on this resolution.
- (x) agree the introduction of Council Tax long term empty property provisions, with implementation from 2019/20.

19 BACKGROUND PAPERS

- 2019/23 MTFP Papers
- 2019/20 MTFP Report to Executive Board 11 February 2019

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		11.02.2019
SMT		x		11.02.2019
Relevant Executive Director	L Green	x		11.02.2019
Solicitor to the Council	M Cumberbatch	x		11.02.2019
S151 Officer	L Green	x		14.02.2019

Appendix 1a – North West Authorities Band D Council Tax

Authority	Local Services Band D (£)	Funding (£m)
Trafford	1,242.64	-10.255
Wigan	1,290.03	-7.057
Manchester	1,324.54	-4.728
Halton	1,377.88	-1.128
Warrington	1,394.59	0.000
St Helens	1,404.07	0.640
Cheshire East	1,404.28	0.654
Tameside	1,412.94	1.238
Knowsley	1,441.95	3.196
Cheshire West and Chester	1,447.83	3.593
Bolton	1,453.75	3.993
Wirral	1,479.19	5.710
Bury	1,506.64	7.562
Blackpool	1,511.14	7.866
Sefton	1,524.71	8.782
Salford	1,516.80	8.248
Rochdale	1,521.43	8.561
Oldham	1,562.04	11.302
Liverpool	1,602.16	14.009
Stockport	1,597.71	13.709
Average	1,450.82	3.795

Appendix 1b – Settlement Funding Per Dwelling

Authority	Settlement Funding per Dwelling (£)	Funding (£m)
Cheshire East	268	-11.105
Warrington	388	0.000
Cheshire West and Chester	400	1.110
Stockport	562	16.102
Trafford	584	18.138
Bury	684	27.392
Sefton	730	31.648
Wirral	808	38.866
St Helens	818	39.792
Wigan	818	39.792
Tameside	868	44.419
Bolton	888	46.270
Blackpool	927	49.879
Halton	929	50.064
Salford	1,029	59.317
Rochdale	1,062	62.371
Oldham	1,071	63.204
Liverpool	1,171	72.458
Manchester	1,312	85.506
Knowsley	1,433	96.703
Average	838	41.596

Appendix 2a – Pressures by Directorate

Directorate Pressures					
Ref.	Pressures	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Corporate Services					
1	All out elections	50	150	-	-
Total		50	150	-	-
Families & Wellbeing					
2	Care purchase pressure	2,000	2,500	3,000	3,500
3	National Living Wage/Sleep in allowance/Provider fee increases	680	1,900	1,950	2,000
4	MH & LD transitional client costs	600	600	600	600
5	Care Act funding rolled into settlement	525	-	-	-
6	Increasing Children in Care associated placement costs	400	1,000	600	300
7	CYPS Transport - Home to SEN/School	400	150	100	50
8	ASC Transport	400	150	100	50
9	Fostering team	200	-	-	-
10	Increasing leaving care costs / CAO's	160	125	150	175
11	Adoption allowances	100	-	-	-
12	Children with Disabilities Team pressure	90	-	-	-
13	Extra day of funding over and above the 13 care periods to provide 365 days of funding	85	-	-	-
14	Increased legal fee costs for Children in Care	60	50	50	50
15	High Needs block demand pressure	-	2,138	-	-
16	Fostering allowances	-	50	50	50
Total		5,700	8,663	6,600	6,775
Economic Regeneration, Growth and Environment					
17	Waste	-	1,800	-	-
18	Bus Lane Enforcement	-	100	100	-
Total		-	1,900	100	-
Corporate Financing					
19	Minimum Revenue Provision	4,000	-	-	-
20	Capital Financing Costs	3,469	1,213	-	-
21	Church Charities Local Authority Investment Fund Sale	3,000	-	-	-
22	Loans to Registered Housing Providers	1,000	-	-	-
Total		11,469	1,213	-	-
Grand Total		17,219	11,926	6,700	6,775

Appendix 2b – Pressures by Theme

OBB Theme Pressures					
Ref.	Pressures	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Demand Management and Behaviour Change					
1	Minimum Revenue Provision	4,000	-	-	-
2	Care purchase pressure	2,000	2,500	3,000	3,500
3	National Living Wage/Sleep in allowance/Provider fee increases	680	1,900	1,950	2,000
4	MH & LD transitional client costs	600	600	600	600
5	Care Act funding rolled into settlement	525	-	-	-
6	Increasing Children in Care associated placement costs	400	1,000	600	300
7	CYPS Transport - Home to SEN/School	400	150	100	50
8	ASC Transport	400	150	100	50
9	Fostering team	200	-	-	-
10	Increasing leaving care costs / CAO's	160	125	150	175
11	Adoption allowances	100	-	-	-
12	Children with Disabilities Team pressure	90	-	-	-
13	Extra day of funding over and above the 13 care periods to provide 365 days of funding	85	-	-	-
14	Increased legal fee costs for Children in Care	60	50	50	50
15	All out elections	50	150	-	-
16	High Needs block demand pressure	-	2,138	-	-
17	Fostering allowances	-	50	50	50
Total		9,750	8,813	6,600	6,775
Enterprise					
18	Capital Financing Costs	3,469	1,213	-	-
19	Church Charities Local Authority Investment Fund Sale	3,000	-	-	-
20	Loans to Registered Housing Providers	1,000	-	-	-
21	Waste	-	1,800	-	-
22	Bus Lane Enforcement	-	100	100	-
Total		7,469	3,113	100	-
Grand Total		17,219	11,926	6,700	6,775

Appendix 3a – Savings by Directorate

Directorate Savings					
Ref.	Savings Proposal	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Corporate Services					
1	Business Transformation to deliver a new operating model for 2020 for back & middle office services	1,500	-	-	-
2	ICT estate centralisation	100	-	-	-
3	Capitalisation to new office project - one off	100	(100)	-	-
4	Essential car user review	100	-	-	-
5	Reduce cost to Authority of training through increasing income and reducing external spend	65	25	-	-
6	Postage review	50	-	-	-
7	St Werburgh's - one off	25	(25)	-	-
8	Democratic Services	25	-	-	-
9	Financial Protection Team – increase weekly administration fee by £1	6	-	-	-
10	Officer Travel	5	-	-	-
11	Review of Council Meeting start times	4	-	-	-
12	Legal Services Subscriptions	1	-	-	-
Total		1,981	(100)	-	-
Families & Wellbeing					
13	Demand Management - Adult Social Care Culture Change	2,000	-	-	-
14	Edge of Care / Recruitment & retention implementation	660	300	-	-
15	Non-statutory contracts in housing support, mental and physical health and social care	500	-	-	-
16	Assistive Technology and Telecare Project	400	300	-	-
17	Neighbourhood restructure - managed reduction in community based activities	294	-	-	-
18	Adult Social Care - major restructure of staffing	250	-	-	-
19	Restructuring in Children's Services	250	-	-	-
20	Out of Borough Placements Project	180	180	-	-
21	Reducing dependency through growing reablement and providing the service to people who have been discharged from hospital with an increase in care packages	174	174	-	-
22	Police Community Support Officers	167	-	-	-
23	Reduce Culture Warrington management fee	130	-	-	-
24	Public Health senior management restructure	100	-	-	-
25	Review support to public health delivery	60	-	-	-
26	Using virtual reality technology in social work assessment, training and foster care recruitment	50	-	-	-
27	Review of Administration Support	50	-	-	-
28	Review of support to Adult Safeguarding Board	50	-	-	-
29	Detox/rehab framework	50	-	-	-
30	Community Initiatives Fund	20	-	-	-
Total		5,385	954	-	-

Appendix 3a – Savings by Directorate (cont'd)

Directorate Savings					
Ref.	Savings Proposal	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Economic Regeneration, Growth and Environment					
31	Bus Lane Enforcement	132	98	-	-
32	Increase Cremation Fees	125	-	-	-
33	Capitalise further maintenance work	100	-	-	-
34	Director of ERGE post removed from establishment	80	-	-	-
35	Local Bus Revenue Support - General	50	-	-	-
36	Review of operational structures	50	-	-	-
37	Review contract for Mickeldore support	50	-	-	-
38	Reduce staffing establishment	40	-	-	-
39	Increase Green Waste Charge	40	-	-	-
40	Review of Service delivery	35	-	-	-
41	Section 106 Finances	32	-	-	(32)
42	Open Spaces maintenance	30	-	-	-
43	Christmas lights - alternative funding - sponsorship	24	-	-	-
44	Reduction in Dial-a-Ride support	16	-	-	-
45	Agency Budget	14	-	-	-
46	Decommission storage facility Sandy Lane	11	-	-	-
47	Pay & Display Charges	10	-	-	-
48	Business Support review of structure	10	-	-	-
49	Green flag accreditation	5	-	-	-
50	Residents' Parking Zones	-	25	-	-
51	Town Centre Parking Charges	-	-	80	-
Total		854	123	80	(32)
Corporate Finance					
52	Strategic Investment	5,150	1,050	-	-
53	MRP saving - use of capital receipts	4,000	-	(4,000)	-
54	Loans to Registered Providers	1,500	-	-	-
55	Local Authority Energy Company	1,000	200	-	-
56	Solar Farm	500	-	-	-
57	Housing company	300	825	-	-
58	Parish Councils - Council Tax Support Allowance	207	-	-	-
59	The Base - Business plan assumption	90	-	-	-
60	Market	-	233	-	-
Total		12,747	2,308	(4,000)	-
Across Directorates					
61	Corporate Review of all Directorates Administration	1,200	-	-	-
Total		1,200	-	-	-
Grand Total		22,167	3,285	(3,920)	(32)

Appendix 3b –Savings by Theme

OBB Theme Savings							
Theme Ref.	Directorate Ref.	Savings Proposal		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Demand Management and Behaviour Change							
1	FWB 13	Demand Management - Adult Social Care Culture Change	An extensive programme of activity in adult social care – working with people in need of care and support and their communities on keeping people independent and local for longer in their own communities, with just enough support when and where they need it and to restore people to their local areas instead of out of area where appropriate and safe to do so.	2,000	-	-	-
2	FWB 14	Edge of Care / Recruitment & retention implementation	An extensive programme of activity designed to safely reduce the numbers of children in care and improve confidence in practice, managing 'safe uncertainty' within children's own communities and families where appropriate. Numbers of children receiving child in need and early help interventions are likely to rise, by design.	660	300	-	-
3	FWB 15	Non-statutory contracts in housing support, mental and physical health and social care	Non-statutory services have been reviewed and, where safe to do so and impact assessment allows, some services will be reduced or cut.	500	-	-	-
4	FWB 16	Assistive Technology and Telecare Project	Develop use of assistive technology to further client independence.	400	300	-	-
5	FWB 17	Neighbourhood restructure	Managed reduction in community based activities.	294	-	-	-
6	FWB 18	Adult Social Care - major restructure of staffing	Various initiatives across Adult Social Care.	250	-	-	-
7	FWB 19	Restructuring in Children's Services	Various initiatives across Children's Services.	250	-	-	-
8	FWB 20	Out of Borough Placements Project	Promote development of more services in the borough.	180	180	-	-
9	FWB 21	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	-	-

Appendix 3b –Savings by Theme cont'd

OBB Theme Savings							
Theme Ref.	Directorate Ref.	Savings Proposal		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Demand Management and Behaviour Change (cont'd)							
10	FWB 22	Police Community Support Officers	Cease WBC funding for Police Community Support Officers.	167	-	-	-
11	FWB 23	Culture Warrington	Reduce Culture Warrington management fee.	130	-	-	-
12	FWB 24	Public Health senior management restructure	Reduce Director of Public Health by one day to be covered by the Deputy Director and Consultant in Public Health who oversee public health delivery.	100	-	-	-
13	Corp Serv 2	ICT estate centralisation	Centralise all remaining outposted ICT activity.	100	-	-	-
14	Corp Serv 3	Capitalisation to new office project - one off	Increase capitalisation of Corporate Services team time spent on new office project.	100	(100)	-	-
15	Corp Serv 4	Essential car user review	Review and revision of current scheme.	100	-	-	-
16	Corp Serv 5	Reduce cost to Authority of training through increasing income and reducing external spend	Centralise all training at St Werbergh's to provide a single comprehensive training offer to both internal and external customers.	65	25	-	-
17	FWB 25	Review support to public health delivery	Transform frontline offer.	60	-	-	-
18	FWB 26	Virtual reality technology	Using virtual reality technology in social work assessment, training and foster care recruitment.	50	-	-	-
19	FWB 27	Administration support	Review of administration support.	50	-	-	-
20	FWB 28	Adult Safeguarding Board	Safely reducing resource to the Safeguarding Boards central support unit in a planned way and in line with the national reforms to Local Children's Safeguarding Boards.	50	-	-	-
21	FWB 29	Detox/rehab framework	Review detox/rehab framework and assessments.	50	-	-	-
22	Corp Serv 6	Postage review	Reduce cost of postage.	50	-	-	-

Appendix 3b –Savings by Theme cont'd

OBB Theme Savings							
Theme Ref.	Directorate Ref.	Savings Proposal		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Demand Management and Behaviour Change (cont'd)							
23	Corp Serv 7	St Werburgh's - one off	Income to undertake administration duties on behalf of CCG for training and venue hire.	25	(25)	-	-
24	Corp Serv 8	Democratic Services	Saving arising from service review.	25	-	-	-
25	FWB 30	Community Initiatives Fund	Reduction in Community Initiatives Fund.	20	-	-	-
26	Corp Serv 9	Financial Protection Team – increase weekly administration fee by £1	All Financial Protection Team clients to see an increase in their weekly administration fee of £1 per week.	6	-	-	-
27	Corp Serv 10	Officer Travel	Cease using Clarity Travel for travel bookings.	5	-	-	-
28	Corp Serv 11	Review of Council Meeting start times	Potential reduction in associated staff costs.	4	-	-	-
29	Corp Serv 12	Legal Services Subscriptions	Release of subscription costs.	1	-	-	-
Total				5,866	854	-	-

Appendix 3b –Savings by Theme cont'd

OBB Theme Savings							
Theme Ref.	Directorate Ref.	Savings Proposal		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Enterprise							
30	Corp Fin 52	Strategic Investment	Opportunity to invest to generate income.	5,150	1,050	-	-
31	Corp Fin 53	MRP saving - use of capital receipts	Use of capital receipts to fund minimum revenue provision expenditure.	4,000	-	(4,000)	-
32	Corp Fin 54	Loans to Registered Providers	Income received (both set up fees and ongoing interest payments) from arranging loan facilities with Registered Housing Providers.	1,500	-	-	-
33	Corp Fin 55	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.	1,000	200	-	-
34	Corp Fin 56	Solar Farm	Green energy self generation of the Council's electricity consumption requirements with savings achieved by a reduction in electricity costs.	500	-	-	-
35	Corp Fin 57	Housing company	Evaluating the option of setting up a housing company to build houses in Warrington.	300	825	-	-
36	Corp Fin 58	Parish Councils - Council Tax Support Allowance	Alignment of parish councils in the process of funding allowances for Council Tax support.	207	-	-	-
37	ERGE 31	Bus Lane Enforcement	Bus lane enforcement on selected roads in the town centre with access restricted to buses and emergency vehicles only. Income generated from issue of penalty charge notices.	132	98	-	-
38	ERGE 32	Increase Cremation Fees	Cremation fees charge to increase following benchmarking review of neighbour authorities.	125	-	-	-
39	ERGE 33	Capitalise further maintenance work	Look to charge further costs to capital within appropriate guidelines.	100	-	-	-
40	Corp Fin 59	The Base - Business plan assumption	Occupancy saving in line with the 3 year business plan.	90	-	-	-

Appendix 3b –Savings by Theme cont'd

OBB Theme Savings							
Theme Ref.	Directorate Ref.	Savings Proposal		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Enterprise (cont'd)							
41	ERGE 34	Director of ERGE post removed from establishment	Removal from establishment of the ERGE Director post.	80	-	-	-
42	ERGE 35	Local Bus Revenue Support - General	Efficiencies through contract management.	50	-	-	-
43	ERGE 36	Review of operational structures	Review of operational structures and service efficiencies.	50	-	-	-
44	ERGE 37	Mickeldore support	Review contract currently in place for support provided by Mickeldore.	50	-	-	-
45	ERGE 38	Reduce staffing establishment	Centralisation of outposted communications and advertising activity.	40	-	-	-
46	ERGE 39	Increase Green Waste Charge	Annual Green waste charge to increase by £1.50 from January 2020.	40	-	-	-
47	ERGE 40	Review of Service delivery	Review of operational service and external income generation.	35	-	-	-
48	ERGE 41	Section 106 Finances	Offset salary costs of Ranger posts and frontline operational staff undertaking habitat creation and management.	32	-	-	(32)
49	ERGE 42	Open Spaces maintenance	Drawdown Commuted Sums for maintenance of Open Spaces.	30	-	-	-
50	ERGE 43	Christmas lights - alternative funding - sponsorship	Secure alternative funding sources for Christmas lights via sponsorship.	24	-	-	-
51	ERGE 44	Reduction in Dial-a-Ride support	Implement a 25% reduction in grant support.	16	-	-	-
52	ERGE 45	Agency Budget	Remove the Agency budget that supports the summer maintenance regime.	14	-	-	-
53	ERGE 46	Decommission storage facility Sandy Lane	Centralise existing items at other operational depots.	11	-	-	-
54	ERGE 47	Pay & Display Charges	Introduce Pay and Display parking charges for long stay at Victoria Park.	10	-	-	-

Appendix 3b –Savings by Theme cont'd

OBB Theme Savings							
Theme Ref.	Directorate Ref.	Savings Proposal		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Enterprise (cont'd)							
55	ERGE 48	Business Support review of structure	Opportunity to restructure service and maintain delivery of key support structure.	10	-	-	-
56	ERGE 49	Green flag accreditation	Cease applying for Green Flag Accreditation, making an annual saving in terms of application fees.	5	-	-	-
57	Corp Fin 60	Market	Reversal of a pressure from previous year.	-	233	-	-
58	ERGE 50	Residents' Parking Zones	All existing holders of Registered Parking Zone permits would be charged £30 per annum for up to 2 permits and £60 per annum for any further permits.	-	25	-	-
59	ERGE 51	Town Centre Parking Charges	Introduction of on-street pay and display on various streets in the town centre.	-	-	80	-
Total				13,601	2,431	(3,920)	(32)

Appendix 3b –Savings by Theme cont’d

OBB Theme Savings							
Theme Ref.	Directorate Ref.	Savings Proposal		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Digital, Technology & Efficiency							
60	Corp Serv 1	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	-	-	-
Total				1,500	-	-	-

OBB Theme Savings							
Theme Ref.	Directorate Ref.	Savings Proposal		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Across Directorates							
61	A D 61	Corporate Review of all Directorates Administration	Phased review of management and back office support.	1,200	-	-	-
Total				1,200	-	-	-
Grand Total				22,167	3,285	(3,920)	(32)

WARRINGTON BOROUGH COUNCIL

FULL COUNCIL - 25 February 2019

Report of Executive Board Member: Councillor R Bowden, Leader of the Council

Executive Directors: Lynton Green, Deputy Chief Executive & Director Corporate Services

Senior Responsible Officer: Danny Mather – Head of Corporate Finance

Contact Details: **Email Address:** **Telephone:**
dzmather@warrington.gov.uk 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 2019 Capital Strategy which incorporates the 2019 – 2022 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 Councils to produce from April 2018 following the publication of the revised Prudential Code for Capital Finance in Local Authorities 2018.
- 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. 2019-2022 CAPITAL PROGRAMME

- 4.1 The Council's 2019-2022 Capital Programme, associated financing and Capital Flexibilities Policies is attached at Annexe 1 to this report.

5. 2019 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, growth 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 anytime.
- **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. This is primarily a response repairs budget with a specific statutory compliance budget alongside. There is no significant element of planned and structured maintenance as part of this budget.

Building Maintenance Programme Revenue Funding 2019:

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 with approximate allocations of funding typically:

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

Building Maintenance Programme Capital Funding 2019:

5.20 Allocation of capital to invest in and improve 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	Total
Operational business portfolio	£2,500,000	£2,500,000
Schools portfolio	£660,000	£660,000
Total	£3,160,000	£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 2019-2022	Total
Property Disposal General	£2,250,000	£2,250,000
Other Receipts	£4,430,000	£4,430,000
Total	£6,680,000	£6,680,000

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 Team has 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
 - A Birchwood Park Panel of professional officers across the Council meets bi monthly to manage the Council's large £211m investment in Birchwood Park. An independent financial advisors also attends the panel
 - A Corporate Loans Group consisting of professional officers across the Council meets monthly to manage the risks associated with the corporate loans programme
 - A Investment Project team consisting of professional officers from across the Council

meets monthly to review the Council's property investment portfolio and to assess potential new investments

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, legal, accounting, risk management, property, taxation advice.
- 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.
- 7.8 The strength of our Governance Framework is best evidence by the fact that Council was one of a few Councils to introduce the Revised Prudential Code and Treasury Management Code into our budget and strategies from 1st April 2018.
- 7.9 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 APPETITE STATEMENT 2019

- 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 by 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 areas 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	<p>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.</p> <p>No appetite for currency risk, emerging markets and high volatility investments.</p>
Macroeconomic	<p>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.</p>

Risk	Appetite
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 cash flow 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
- Corporate Plan
- 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 2018 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	2,515	112
LaFarge	-57	93
LiveWire	3,735	118
Warrington Cultural Trust	739	117
Your Housing	19	103

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 together with his deputy. Treasury Management and Capital training is undertaken on an ongoing basis by members of the Corporate Loans Group and the Capital Investment Planning Group. The head of Corporate Finance is Vice Chair of CIPFA'S Treasury Management Network and is a respected expert in the area of Treasury Management and Capital Accounting. The Council's Property Investment Strategy is supported by an internal Council team of professionally qualified (Royal Institution of Chartered Surveyors RICS) staff who also have extensive Local Government experience. This team also follows a CPD plan in accordance with their RICS membership.
- 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 usually in the areas of legal, accounting, property, risk and taxation. When external advice is taken advisors are advised in the importance of the nature of local government via the tendering process, being supplied with policies and ongoing communication.
- 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. Independent Treasury Management Training is carried out for members once a year in Warrington by CIPFA. The Council's Democratic Services Department is consulted when organising all training who keep training and development plans for Councillors.
- 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. Regular presentations are given to the Treasury Management Board setting out the risks and opportunities of new material investment schemes.

- 10.5 Directors for Council owned companies are chosen for their professional skills and undertake ongoing director training.
- 10.6 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 2021/2022 it is forecast that the Council's debt will be £1.596bn.
- 11.4 The Council's Authorised Borrowing limit for 2019/20 which is £ 1.733bn 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 2019/20 is £1.633bn. 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 2019/2020 – 2021/2022 the Council has made provision of £44.075m 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. The Council's Minimum Revenue Provision Policy is published in the Council's Treasury Management Strategy.
- 11.7 In assessing the Council's debt position it needs to be borne in mind that the Council is a very large organisation. It has been identified by CIPFA that if it were a company we would be a FT 250 Company. Also all the Council's main commercial borrowing and regeneration borrowing is asset back. All our investments properties can be sold to repay borrowing, our loans programme is covered by security covenants in excess of the amounts loaned and secured on property and land. The Council's 33% shareholding in Redwood Bank could be sold. It's a successful challenger bank with a banking licence of value. The Time Square scheme will create a valuable Council owned asset that could be sold to repay its borrowing cost in the future. The Council is pursuing an ambitious borrowing policy because it offers the best VFM option. Many Councils are funding their regeneration by previous PFI schemes, Income Strip deals and other private sector funding mechanism. These schemes while Councils do not record borrowing in their accounts make them liable for large

revenue charges for long periods into the future. The driving objective for Council borrowing is to deliver social impact for the residents of Warrington.

Treasury Management Governance

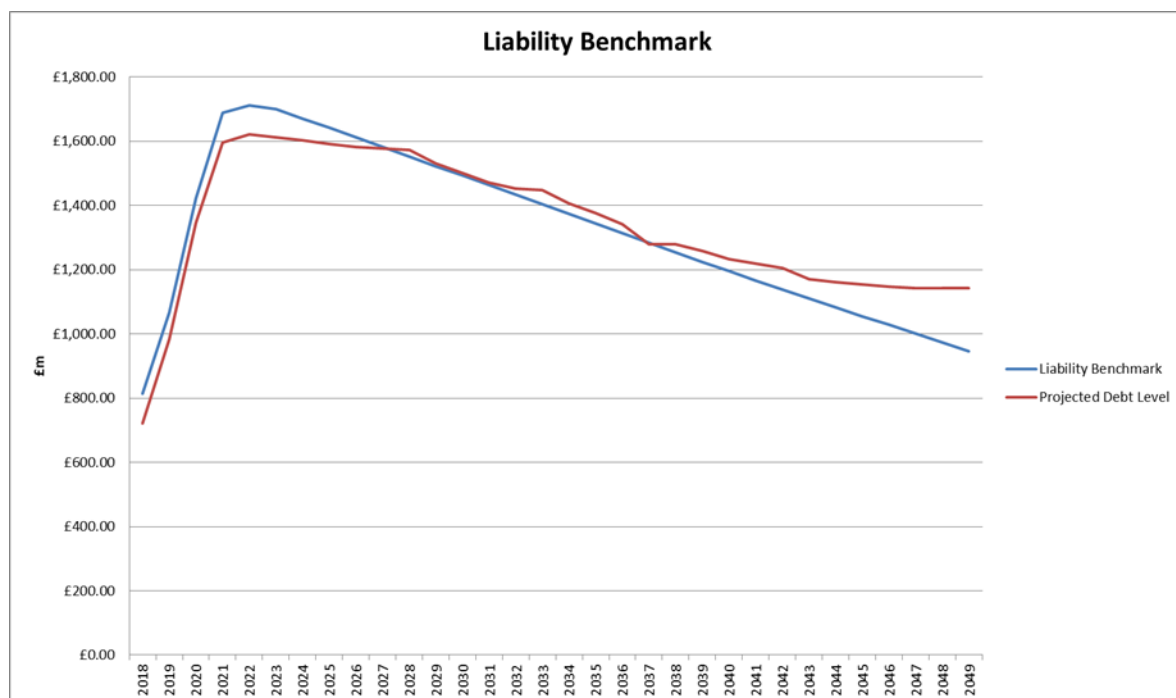
- 11.8 The Council follows the requirements of The Local Government Act 2003 (the Act) and supporting regulations in managing its Treasury Management activities.
- 11.9 The Audit & Corporate Governance Committee are the body responsible for the Governance of Treasury Management within the Council. They 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 a Mid-year Review Report and an Outturn report which is also reported to full Council.
- 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. Other specialist advice is taken on an ad/hoc basis driven by using organisations with the best experience linked to a particular project,
- 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



12. PREVAILING GUIDANCE

12.1 Under this Strategy and others, the Council have due regard to prevailing Guidance and the Prudential Code. In certain instances, notably in giving loans to London Housing Associations and purchasing assets outside its area for investment purposes, the Council have decided not to have full regard to the Guidance or the Prudential Code in these instances. This consideration is undertaken on a case by case basis following detailed due diligence, risk assessment and legal advice. Paragraph 42 of Guidance allows departure from guidance as long as the reasons are stated. Thus the reasons for the Council's departure are:

- The investment power, under Section 12 of LGA 2003, applies irrespective of the location of the investment. It applies equally inside or outside an authority's area.
- The investment return earned on these investments is invested in the Council's Capital Programme and leads to economic development in Warrington.
- Guidance does not define Borrowing in Advance of Need. Paragraph 41 of Guidance states: "Where a local authority borrows to invest in yield bearing opportunities the strategy should explain:". The draft Guidance therefore seems to acknowledge that

local authorities do and can borrow in advance of need, and that what is required is not prohibition but rather greater transparency.

- Borrowing in Advance of Need is not the same concept as borrowing in order to invest. There is a need to invest in order to make a return. Where both the financial pressure and the investment opportunity currently exist the borrowing in our mind is not borrowing in advance of need.
- All these investments are fully secured.
- A thorough Due Diligence process is followed.
- The borrowing is undertaken and advanced at the same time the investment is undertaken.
- Borrowing in Advance of Need is only applicable to the Investment Power and not expenditure powers.

13. PROPORTIONALITY

13.1 The table shows the proportion of the Council's budget that is funded from Commercial Income over the MTFP period. The table also shows the current limit on commercial income as a percentage of budget has been set at 23.3%. This represents the Council's real term cut in government funding since 2010. A full assessment of the risks and opportunities of commercial income schemes is incorporated into Executive Board business cases when the schemes are approved. The risks are also assessed on an on-going basis via the Council's risk management framework.

	19/20	20/21	21/22	22/23
Cumulative Commercial Income in Base Budget	20,551	21,826	21,826	21,826
% of Base Budget	15.45	16.42	16.07	15.69
Limit of Commercial Income as a % of Base Budget	23.30	23.30	23.30	23.30

13.2 The Council's Non Treasury Management Investments (commercial investment) is summarised in the table below:

Investments in Group Entities	£'000
Investment in Warrington Borough Transport Shares	888
Investment in Wire Regeneration (JV)	3,790
Investment in Warrington Wolves Rugby League Club Shares	1,650
Investment in Redwood Financial Partners Ltd Shares	20,059
Total Investments in Group Entities	26,387
Loans to Housing Associations & Commercial Loans	116,770
Purchase of Investment Properties	274,780
Total Non-Treasury Investments	417,937

13.3 The Non treasury Management investment portfolio makes the following contribution to the Council:

- Social Impact - all yield / profit is re-invested in front line services
- Regeneration
- Economic Benefit / business rate growth
- Responding to market failure
- Environmental
- Value for Money
- Delivery of United Nations Policy (Green Energy Programme)
- Asset Backed Security

13.4 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 and the strategic reserve.

14. INDICATORS

14.1 Annexe 2 to this report presents a range of indicators that enable greater understanding to the Council's total exposure from borrowing and investment decisions.

15. SECTION 151 OFFICER ASSURANCE

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

15.2 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.

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

16. FINANCIAL CONSIDERATIONS

16.1 Dealt with in the body of the report.

17. RISK ASSESMENT

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

18. EQUALITY AND DIVERSITY / EQUALITY IMPACT ASSESSMENT

18.1 These are fully integrated into the Capital Programme.

19. CONSULTATION

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

20. BACKGROUND PAPERS

Capital Programme Model

Annexe 1

1 2019/20 – 2021/22 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 2019/20 – 2021/22 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 2019/20 – 2021/22 capital programme is £735.357m. 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 2019/20 – 2021/22 capital programme. A full copy of the draft capital programme on a scheme by scheme basis can be found at pages 25 – 27.

2019/20 – 2021/22 Capital Programme

Capital Programme Directorate Budgets	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Families & Wellbeing	14.893	3.954	0.537	19.384
Corporate Services	5.395	2.120	6.000	13.515
Economic Regeneration, Growth & Environment	52.224	30.890	2.148	85.262
Invest to Save Programme	331.786	250.349	35.061	617.196
Total - Capital Spending Plans	404.298	287.313	43.746	735.357

Financing the Capital Programme

- 17 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.
- 18 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.
- 19 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 2019/20 – 2021/22 Capital Programme and pages 25 – 27 provides a breakdown of funding on a scheme by scheme basis.

Funding the 2019/20 – 2021/22 Capital Programme

Capital Programme Funding	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Unsupported Borrowing - Corporate	39.976	24.038	2.073	66.087
Unsupported Borrowing - Invest to Save	331.786	250.349	35.061	617.196
Capital Grants & Reserves	17.545	6.546	0.537	24.628
Capital Receipts	3.350	2.000	6.000	11.350
External Funding	11.641	4.380	0.075	16.096
Total - Capital Funding Plans	404.298	287.313	43.746	735.357

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 2019/20 – 2021/22 Capital Programme generates an additional revenue borrowing cost to the Council of £4.682m a breakdown of which is given below:

- 2019/20 - £3.469m
- 2020/21 - £1.213m

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.

FAMILIES & WELLBEING - CAPITAL PROGRAMME

Project Description	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Families & Wellbeing				
Warrington Youth Zone	2.999	-	-	2.999
Total	2.999	-	-	2.999
Education and Early Help				
New School Project at Chapelford	0.015	-	-	0.015
Additional primary places - Barrowhall Primary	0.125	-	-	0.125
Additional primary places Grappenhall Heyes	2.925	0.075	-	3.000
Grappenhall Heyes - New Roofing	0.230	0.010	-	0.240
Alderman Bolton Primary - Heating	0.011	-	-	0.011
Dallam Primary - External Improvements	0.021	-	-	0.021
Ravenbank Primary - Heating	0.008	-	-	0.008
Culcheth Primary - Roof Works	0.018	-	-	0.018
Croft Primary - Roof Works	0.029	-	-	0.029
Brook Acre Primary - Heating	0.008	-	-	0.008
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
The Cobbs Infant - Heating & Pipework	0.005	-	-	0.005
The Cobbs Infant - Flat Roof	-	0.221	0.010	0.231
Oughtrington Primary - Electrics	-	0.200	0.007	0.207
The Cobbs Infant - Electrics	-	0.217	0.010	0.227
Appleton Thorn - Flat Roof	-	0.121	0.010	0.131
Secondary Places St Gregory's High	0.068	-	-	0.068
Additional secondary places - South Warrington	3.000	2.500	-	5.500
Great Sankey High - School Expansion	1.200	-	-	1.200
Replacement of ICS Case Management for Children's Social Work	0.032	-	-	0.032
SEND - Oakwood CP KS1	0.180	0.010	-	0.190
SEND - Bridgewater High ASD	0.042	-	-	0.042
SEND - Sandy Lane Early Years Centre	0.167	-	-	0.167
SEND - Bridgewater High Key Stage 3&4	0.112	-	-	0.112
Children's Residences Maintenance Works	0.039	-	-	0.039
Children Centres Works	0.051	-	-	0.051
Healthy Pupil Capital - Kitchens	0.088	-	-	0.088
Total Education and Early Help	9.071	3.354	0.037	12.462
Public Health				
S106 Culcheth Bungalows	0.375	-	-	0.375
S106 Supported Housing Project	0.700	0.600	0.500	1.800
Refurbishment of Fearnhead Cross Community Centre	0.005	-	-	0.005
CCTV Procurement	0.250	-	-	0.250
Warrington Public Libraries Improvement Programme	0.970	-	-	0.970
Broomfields Leisure Centre Artificial Grass Pitch	0.523	-	-	0.523
Total Public Health	2.823	0.600	0.500	3.923
TOTAL FAMILIES & WELLBEING	14.893	3.954	0.537	19.384

CORPORATE SERVICES - CAPITAL PROGRAMME

Project Description	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Finance				
Corporate Redundancy Costs	2.000	2.000	6.000	10.000
Total Finance	2.000	2.000	6.000	10.000
Customer and Business Transformation				
Warrington 20:20 Transformation Programme	1.245	-	-	1.245
Network Improvement Programme	0.058	-	-	0.058
End User Computing - Management Systems & Technologies	1.106	-	-	1.106
ICT & Print Service	0.841	0.120	-	0.961
Total Customer & Business Transformation	3.250	0.120	-	3.370
Democratic and Member Services				
Town Hall Audio Visual Equipment	0.145	-	-	0.145
Total Democratic and Member Services	0.145	-	-	0.145
TOTAL CORPORATE SERVICES	5.395	2.120	6.000	13.515

ECONOMIC REGENERATION, GROWTH & ENVIRONMENT - CAPITAL PROGRAMME

Project Description	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Transport and Operations				
Road Maintenance	1.369	-	-	1.369
Bridge Maintenance	0.372	-	-	0.372
Traffic Signals - Maintenance	0.121	-	-	0.121
Bus Stop - Maintenance	0.014	-	-	0.014
Street Lighting Structural Works	0.398	-	-	0.398
Footpath & Cycleway - maintenance	0.231	-	-	0.231
Capitalisation of Potholes	0.500	0.500	1.000	2.000
Chapelford Highways Works (commuted sum)	0.159	-	-	0.159
Briarswood Remedial Works - Highways	0.069	-	-	0.069
Highways Maintenance Investment	5.038	5.000	-	10.038
Warrington Bus Interchange Refurbishment	0.069	-	-	0.069
Omega Burtonwood Village Traffic Management	0.857	-	-	0.857
S106 Saxon Park	0.079	-	-	0.079
S106 Farrell Street South	0.310	-	-	0.310
S106 Eagle Ottawa	0.035	-	-	0.035
S106 Walton Locks	0.013	-	-	0.013
S106 Doeford Close	0.029	-	-	0.029
Cycling Improvements	0.235	-	-	0.235
Pedestrian Improvements: PRow	0.049	-	-	0.049
General Accessibility Improvements	0.053	-	-	0.053
Cycle Training - Bikeability	0.006	-	-	0.006
Travel Planning and Marketing	0.020	-	-	0.020
Bus Stop Enhancements	0.019	-	-	0.019
Parking Strategy	0.015	-	-	0.015
Safer Routes to Schools	0.120	-	-	0.120
Road Safety - Local Safety Schemes	0.280	-	-	0.280
Traffic Management - Minor Works	0.195	-	-	0.195
Pedestrian Improvements: (Crossings)	0.078	-	-	0.078
Traffic Signal Enhancements	0.102	-	-	0.102
UTMC Development	0.069	-	-	0.069
Network Management Plan	0.104	-	-	0.104

Project Description	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Monitoring & Strategic Studies	0.117	-	-	0.117
Centre Park Link	4.070	10.501	0.400	14.971
Warrington West Station	5.519	-	-	5.519
Birchwood Pinch Point	-	0.030	-	0.030
Omega M62 Junction 8	0.215	-	-	0.215
ITB Smaller LST Scheme	-	0.702	-	0.702
Multi-modal Model	0.050	0.050	0.050	0.150
Chester Road Cycle Route	0.400	0.450	-	0.850
Trans Pennine Trail Upgrade	0.500	0.230	-	0.730
Victoria Park Improvement	0.452	-	-	0.452
Sankey Valley Park Improvement	0.265	-	-	0.265
Dallam/Bewsey Regeneration Programme	0.018	-	-	0.018
Warrington Allotments Improvement Programme	0.013	-	-	0.013
Alexander Park Developments Phase 1 - Play Area Phase 2 - Pavilion	0.012	-	-	0.012
S106 Gatewarth 300 (Omega South Zone 7)	0.080	0.050	-	0.130
Oakwood Avenue Park Refurbishment	0.110	-	-	0.110
Birchwood Forest Park Skate Area & Bike Pump Track	0.127	-	-	0.127
Victoria Park Bowling Pavilion Extension	0.150	-	-	0.150
Volunteer Support & Quick Win Projects	0.030	-	-	0.030
Lymm Dam Site Infrastructure Refurbishment	0.055	-	-	0.055
Shaw Street Recreation Ground Uplift	0.039	-	-	0.039
Culcheth Village Green Play Area Uplift	0.034	-	-	0.034
Birchwood Forest Park Ranger & Sports Changing Building Refurbishment	0.200	-	-	0.200
Whitecross Park Play Area	0.130	-	-	0.130
Causeway Park	0.140	-	-	0.140
Old Hall Park Refurbishment	0.200	-	-	0.200
Rixton Clay Pits Footpath Upgrade PROW to PFA	0.030	-	-	0.030
Parsonage Way	0.300	-	-	0.300
Flood Risk (contribution to Environment Agency scheme)	0.529	0.300	0.325	1.154
Western Link Blight Claims	1.240	-	-	1.240
M62 Junction 9 Improvements	0.320	-	-	0.320
Warrington East Phase 2	3.629	-	-	3.629
Warrington East Phase 3 (NPIF)	6.545	-	-	6.545
Omega Local Highways Phase 1 - Lingley Green Avenue/Omega Boulevard Junction Improvements	1.561	4.598	0.075	6.234
Omega Local Highways Phase 2A - Burtonwood Road/Kingswood Road	-	0.050	-	0.050
Omega Local Highways Phase 2B - Lingley Green Avenue/A57 Liverpool Road Junction Improvements	2.088	-	-	2.088
Omega Local Highways Phase 3 - Lingley Green Avenue/Whittle Avenue/Burtonwood Road Junction Improvements	1.900	3.997	-	5.897
Grey to Green Highways Improvements	0.040	-	-	0.040
Springfield Street Public Realm Improvements	0.016	-	-	0.016
Omega to Burtonwood Accessibility Improvements	1.250	0.200	-	1.450
Stadium Quarter Improvements	0.698	1.250	0.050	1.998
Community Recycling Centres Infrastructure Investment	0.045	-	-	0.045
Victoria Park Regeneration Phase 2 - New Sports Facilities	0.125	-	-	0.125
Travellers transit site	0.100	1.586	0.203	1.889
Walton Estate Old Riding School	0.017	-	-	0.017
Walton Estate (Heritage Lottery Fund)	1.174	-	-	1.174
Walton Estate Conservatory Range	0.250	-	-	0.250
Cenotaph Riverbank Stabilisation	1.394	0.020	-	1.414
Warrington Borough Council Combined Control Room	0.688	-	-	0.688
Risley Moss Tower Plus	0.535	-	-	0.535
Vehicle & Plant asset replacement programme (Environmental Operations)	0.358	-	-	0.358
Refuse Collection Vehicle Replacements	2.310	1.331	-	3.641
Total Transport and Operations	51.076	30.845	2.103	84.024

Project Description	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Warrington & Co				
Capital Building Maintenance Programme	0.152	-	-	0.152
Various Sites - Structural & Chimney Works	0.022	-	-	0.022
Museum - Roof	0.128	-	-	0.128
Various Civic Build - Fire Alarm Systems	0.109	-	-	0.109
Town Hall Golden Gates Refurbishment & Repair	0.030	-	-	0.030
Town Hall Fire Alarm System	0.056	-	-	0.056
Property Review Disposals	0.011	-	-	0.011
Maintenance Investment Estates Land (Roads and Footpaths)	0.045	0.045	0.045	0.135
Unit 11 & 13 Sanket Bridges Industrial Estate Works	0.049	-	-	0.049
Bewsey & Dallam Hub	0.406	-	-	0.406
Warrington Waterfront - Western Link (acquisition of land)	0.140	-	-	0.140
Total Warrington & Co	1.148	0.045	0.045	1.238
TOTAL ECONOMIC REGENERATION, GROWTH & ENVIRONMENT	52.224	30.890	2.148	85.262

INVEST TO SAVE - CAPITAL PROGRAMME

Project Description	2019/20 £m	2020/21 £m	2021/22 £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	19.572	419.572
Redwood Bank	10.000	-	-	10.000
Solar Farm Projects	62.480	17.178	-	79.658
Total Corporate Services	272.980	217.678	19.572	510.230
Economic Regeneration, Growth & Environment				
Street Lighting Energy, Carbon & Asset Improvement	3.500	3.328	-	6.828
Housing Company	22.000	22.000	15.489	59.489
Time Square Project	31.633	7.343	-	38.976
Solar Photovoltaic (PV) - Hermes	1.302	-	-	1.302
Solar Photovoltaic (PV) - Plastic Omnium	0.364	-	-	0.364
Walton Heritage Yard Developments	0.007	-	-	0.007
Total Economic Regeneration, Growth & Environment	58.806	32.671	15.489	106.966
TOTAL INVEST TO SAVE	331.786	250.349	35.061	617.196
TOTAL CAPITAL PROGRAMME	404.298	287.313	43.746	735.357

Annexe 2

Capital strategy indicators

A Debt to net service expenditure (NSE) ratio

This indicator shows the gross debt as a percentage of the next service expenditure of the Council. This shows the level of debt relative to the financial size and strength of the authority.

	18/19 Forecast £m	19/20 Estimate £m	20/21 Estimate £m	21/22 Estimate £m
Gross Debt	721.042	1050.323	1316.382	1328.516
Net Service Expenditure	136.836	132.998	132.917	135.799
Gross Debt to net service expenditure ratio	526.94%	789.73%	990.38%	978.30%

B Commercial Income to NSE

This indicator is to show the dependence on income that is not from fees and charges. Fees and charges income is netted off the NSE and compared to the non-fees and charges income. Commercial Income in this case refers to all commercial loans.

	18/19 Forecast £m	19/20 Estimate £m	20/21 Estimate £m	21/22 Estimate £m
Commercial Income	13.100	20.550	21.825	21.825
Gross Service Expenditure less Fees and Charges	388.594	397.985	407.601	417.447
Commercial income to NSE ratio	3.37%	5.16%	5.35%	5.23%

C Interest Cover Ratio

This indicator shows the ratio of income from commercial property investments compared to the interest expense incurred by them.

	18/19 Forecast £m	19/20 Estimate £m	20/21 Estimate £m	21/22 Estimate £m
Net Commercial Property Income	12.040	12.040	12.040	12.040
Commercial Property Interest	5.040	6.402	6.402	6.402
Interest cover ratio (times)	2.39	1.88	1.88	1.88

D Loan to Value Ratio

This indicator compares the amount borrowed against the value of the commercial property assets bought. All Council Invest to Save Schemes are 100% loan to value and interest is charged on the full amount of the purchase price and associated costs.

	18/19 Forecast £m	19/20 Estimate £m	20/21 Estimate £m	21/22 Estimate £m
Gross Debt related to Property investments	£281,104	£281,104	£281,104	£281,104
Commercial Property Purchase Costs	£281,104	£281,104	£281,104	£281,104
Loan to Value Ratio	100.00%	100.00%	100.00%	100.00%

E Target Income Returns

This indicator measures the yield for the portfolio of properties. This is measured by comparing the net income received, before interest, to the purchase costs. This is shown in totality for the whole of the Commercial Property portfolio. Purchase costs are the total for the portfolio not new purchases.

	18/19 Forecast £m	19/20 Estimate £m	20/21 Estimate £m	21/22 Estimate £m
Net Commercial Income from Property Investments	17.081	18.442	18.442	18.442
Commercial Property Purchase Costs	281.104	281.104	281.104	281.104
Target Income Returns	6.08%	6.56%	6.56%	6.56%

F Gross and Net Income/Operating Costs from Commercial Investments

This indicator shows the Gross Income received from Commercial activities, the Operating Costs of running them, and then the resulting Net Income received in monetary terms.

	18/19 Forecast £m	19/20 Estimate £m	20/21 Estimate £m	21/22 Estimate £m
Gross Commercial Income from Property Investments	18.250	18.250	18.250	18.250
Operating Costs including Interest	11.250	12.612	12.612	12.612
Net Commercial Income from Property Investments	12.040	12.040	12.040	12.040

G Occupancy Levels

The following table shows the expected average level of lease occupancy over the period. These are not expected to fluctuate over the next 3 years, except in the case of Birchwood Park which is very fluid due to the Park having multiple units.

Commercial Property	Occupancy Levels
1-2 Fennel Street (Pure Gym)	100%
DW Sports	100%
Birchwood Park	94%
Matalan	100%
Eddie Stobarts	100%
Stanford House	100%
Appleton House/Atlantic House	100%

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	2019/20 £000	2020/21 £000	2021/22 £000
Warrington 2020 Service Transformation Programme	1,500	-	-
Total	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 2018 £	31st March 2019 £
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	-116,066	-151,847
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	-3,517,353	-934,322
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
Corporate Services Enabling Reserve	To fund future expenditure in Corporate Services	-516,423	-384,203
TOTAL - Corporate Services Reserves		-11,299,693	-8,620,223
Families & Wellbeing			
Childrens Comfort Funds Reserve	Held on behalf of children in care and not available to the Council	-7,168	-7,168
Warrington Youth Offenders Team Reserve	Warrington Council's provision of Youth Offending services	-157,413	-135,604
Halton Youth Offenders Team Reserve	Halton Council's provision of Youth Offending services	-146,412	-105,412
Cheshire West & Chester Youth Offenders Team Reserve	Cheshire West & Chester Council's provision of Youth Offending services	-66,823	-66,823
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	-2,774,693	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	-1,307,973	-1,307,973
Financial Protection Team Balance	To fund FWB(Adults) with specific criteria	-20,035	-20,035
Local Public Service Agreement Reserve	To fund Local Public Service Agreement expenditure	0	-211,022
Public Health Grant	To fund public health expenditure	-903,253	0
Sinking Fund	To contribute to any refurbishment or enhancements of Alder Lodge Homeless Unit	-508,671	-508,671
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	-21,000	-21,000
Neighbourhood & Community Reserve Carry Forwards	To fund future Neighbourhood & Community expenditure	-942,104	0
TOTAL - FWB Reserves		-7,295,924	-2,824,087
Economic Regeneration, Growth & Environment			
Town Centre Sinking Fund	Potential future Town Centre overspends	-229,076	-229,076
Taxi Surplus	Ringfenced account with surpluses/losses earmarked for use in respect of this service	-24,745	-24,745
Walton Hall Reserve	Walton Hall refurbishment	-4,743	-4,743
Winwick Road Account - Surplus / Deficit	To contribute to any refurbishment or enhancements of Alder Lodge Homeless Unit	-110,555	-110,555
Market Tenants Advertising Reserve	To fund market tenants advertising expenditure	-2,184	-7,600
Environment & Regeneration Reserve Carry Forwards	To fund future expenditure in Environment Services	-578,000	-79,000
TOTAL - ERGE Reserves		-949,303	-455,719
TOTAL EARMARKED REVENUE RESERVES		-19,544,920	-11,900,029
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		-1,278,230	-1,278,230
TOTAL - Strategic Reserve		-6,038,306	-6,038,306
TOTAL REVENUE RESERVES		-25,583,226	-17,938,335

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 17 January 2019, the Audit & Corporate Governance Committee approved the following amounts as the Council's Council Tax Base for the financial year 2019/20:
 - (a) for the whole Council area as 67,892 [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 2019/20 (excluding Parish precepts) is £97,503,013.
3. That the following amounts be calculated for the year 2019/20 in accordance with Sections 31 to 36 of the Act:
 - (a) £135,232,722 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) £35,494,950 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
 - (c) £99,737,772 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) £1,469.07 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) £2,234,759 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) £1,436.15 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 2019/20 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 2019/20 is excessive in accordance with the principles approved under Section 52ZB of the Act.

Appendix 7

Parish Council	2018/19			2019/20			Council Tax Increase
	Tax Base	Precept (£)	Council Tax Band D (£)	Tax Base	Council Tax Precept (£)	Council Tax Band D (£)	
Appleton	4,563	131,179	28.75	4,866	150,359	30.90	7.48%
Birchwood	3,250	330,000	101.54	3,086	327,477	106.12	4.51%
Burtonwood & Westbrook	3,581	85,372	23.84	3,743	98,154	26.22	10.00%
Croft	871	65,847	75.63	923	72,980	79.07	4.55%
Cuerdley	42	0	0.00	45	0	0.00	0.00%
Culcheth & Glazebury	3,226	101,380	31.43	3,345	111,991	33.48	6.52%
Grappenhall & Thelwall	3,624	140,164	38.67	3,860	164,221	42.54	10.01%
Great Sankey	9,494	327,624	34.51	9,915	454,107	45.80	32.72%
Hatton	151	2,343	15.55	156	2,669	17.11	10.02%
Lymm	5,066	172,981	34.14	5,379	207,057	38.49	12.74%
Penketh	2,580	175,215	67.92	2,674	198,661	74.29	9.38%
Poulton with Fearnhead	5,082	110,300	21.70	4,973	134,472	27.04	24.60%
Rixton with Glazebrook	703	22,214	31.60	744	24,620	33.09	4.70%
Stockton Heath	2,302	110,480	48.00	2,414	132,770	55.00	14.58%
Stretton	351	8,269	23.56	378	9,450	25.00	6.11%
Walton	694	7,373	10.63	754	9,621	12.76	20.07%
Winwick	1,676	105,249	62.82	1,725	112,150	65.01	3.50%
Woolston	2,200	18,948	8.61	2,291	24,000	10.48	21.62%
Unparished	18,038	0	0.00	16,618	0	0.00	0.00%
Total /Average	67,492	1,914,939	28.37	67,892	2,234,759	32.92	16.01%

Appendix 8

Council Tax Schedule 2019/20	Band A Disabled	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£	£
Warrington Borough Council	797.86	957.43	1,117.00	1,276.58	1,436.15	1,755.29	2,074.44	2,393.58	2,872.30
Cheshire Police Authority	111.35	133.62	155.89	178.17	200.44	244.98	289.52	334.06	400.87
Cheshire Fire Authority	43.19	51.82	60.46	69.10	77.74	95.01	112.29	129.56	155.47
Total Unparished	952.40	1,142.88	1,333.36	1,523.84	1,714.32	2,095.28	2,476.24	2,857.20	3,428.64
Total by Parish									
Appleton	969.57	1,163.48	1,357.39	1,551.31	1,745.22	2,133.05	2,520.88	2,908.70	3,490.44
Birchwood	1,011.35	1,213.63	1,415.90	1,618.17	1,820.44	2,224.98	2,629.52	3,034.06	3,640.88
Burtonwood & Westbrook	966.97	1,160.36	1,353.76	1,547.15	1,740.54	2,127.33	2,514.12	2,900.91	3,481.09
Croft	996.33	1,195.59	1,394.86	1,594.12	1,793.39	2,191.92	2,590.45	2,988.98	3,586.78
Cuerdley	952.40	1,142.88	1,333.36	1,523.84	1,714.32	2,095.28	2,476.24	2,857.20	3,428.64
Culcheth & Glazebury	971.00	1,165.20	1,359.40	1,553.60	1,747.80	2,136.20	2,524.60	2,913.00	3,495.60
Grappenhall & Thelwall	976.04	1,171.24	1,366.45	1,561.66	1,756.87	2,147.28	2,537.70	2,928.11	3,513.73
Great Sankey	977.85	1,173.41	1,368.98	1,564.55	1,760.12	2,151.26	2,542.40	2,933.54	3,520.24
Hatton	961.91	1,154.29	1,346.67	1,539.05	1,731.43	2,116.19	2,500.96	2,885.72	3,462.86
Lymm	973.79	1,168.54	1,363.30	1,558.06	1,752.82	2,142.33	2,531.84	2,921.36	3,505.63
Penketh	993.68	1,192.41	1,391.15	1,589.88	1,788.62	2,186.09	2,583.56	2,981.03	3,577.23
Poulton with Fearnhead	967.42	1,160.91	1,354.39	1,547.88	1,741.36	2,128.33	2,515.30	2,902.27	3,482.72
Rixton with Glazebrook	970.78	1,164.94	1,359.10	1,553.26	1,747.41	2,135.73	2,524.04	2,912.35	3,494.83
Stockton Heath	982.96	1,179.55	1,376.14	1,572.73	1,769.32	2,162.50	2,555.69	2,948.87	3,538.64
Stretton	966.29	1,159.55	1,352.81	1,546.06	1,739.32	2,125.84	2,512.35	2,898.87	3,478.64
Walton	959.49	1,151.39	1,343.29	1,535.18	1,727.08	2,110.88	2,494.67	2,878.47	3,454.16
Winwick	988.52	1,186.22	1,383.93	1,581.63	1,779.34	2,174.74	2,570.15	2,965.56	3,558.67
Woolston	958.22	1,149.86	1,341.51	1,533.15	1,724.80	2,108.09	2,491.37	2,874.66	3,449.59
Average Band D	970.69	1,164.83	1,358.96	1,553.10	1,747.24	2,135.51	2,523.79	2,912.06	3,494.48