APPENDIX A

MEDIUM TERM FINANCIAL STRATEGY
2022-2025 &
REVENUE AND CAPITAL BUDGET
2022/23

#STHELENSTOGETHER

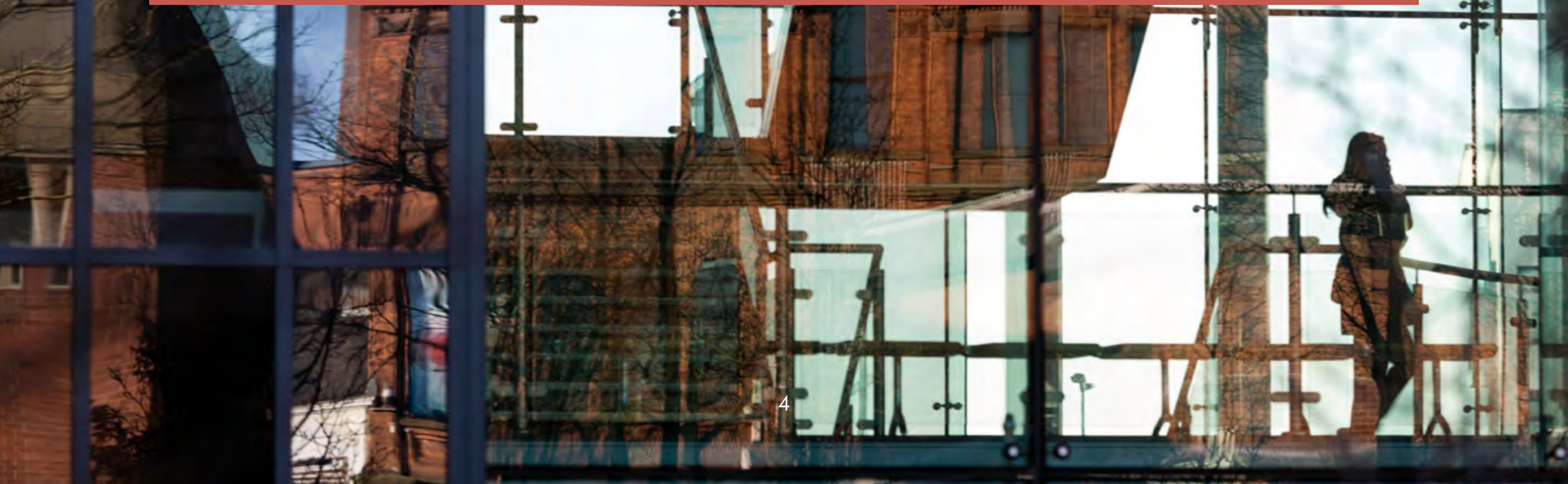
ST HELENS
BOROUGH COUNCIL

CONTENTS

MEDIUM TERM FINANCIAL STRATEGY 2022-2025

INTRODUCTION

1. This Strategy provides an overarching framework which sets out the context in which future decisions on resource allocation and budgeting will be taken. The primary purpose of this Strategy is to provide an indication of the future financial position of the council and, in turn, inform the annual budget setting process. It quantifies the likely level of resources that are available to deliver the council's services and achievement of its core strategic objectives.
2. The legacy financial pressures arising from the global pandemic and the sustained uncertainty surrounding local government funding means the council continues to face a challenging funding position and will do so for the foreseeable future. The additional pressures that will arise from the demand for social care, the need to resource a local economic recovery from the pandemic, and the ability to achieve strategic objectives will drive the need to identify and deliver cash savings and cost reductions. Consequently, it is crucial that resources are allocated following an assessment of strategic priorities and that annual budget decisions are aligned to those priorities.
3. This Strategy includes:
   - Financial context and a high-level overview of funding changes likely to affect the strategy
   - An impact assessment of the Revenue Budget 2022/23 on future years
   - Gap analysis for 2023/24 and 2024/25 informed by underlying assumptions
   - Balancing the medium term resources
   - Risks to the council's financial resilience and sustainability
   - Reserves Forecast and Strategy
   - Arrangements for Monitoring and Review
   - Treasury Management Strategy
   - Capital and Investment Plan over the medium term
4. The medium term financial planning process has been developed for the period 2022-2025. It provides a forecast of the cost of continuing to provide existing levels of service and the resources that are likely to be available to the council over the period. It sets out the extent of the potential budget gap, to inform Cabinet and Council resource allocation decisions, and to determine the overall size of the efficiencies and cost reduction programme needed over the medium term.



LOCAL GOVERMENT FUNDING

5. On 27 October 2021, the Chancellor announced details of the Spending Review 2021, which set out high level details of the Government's spending plans on health, education, transport and other public services for 2022/23 to 2024/25.

6. Whilst those plans did allow for the availability of additional funding for local government in 2022/23, it is critical to note that they allowed for no further increases in general settlement funding being made available in 2023/24 or 2024/25.

7. This will mean that local authorities will be increasingly reliant on other revenue sources (including those from local taxes) to meet spending pressures in 2023/24 and 2024/25 and face the requirement for further cuts to services. The more deprived local authorities have significantly less ability to raise additional sums from Council Tax due to a much higher proportion of lower banded dwellings.

8. The major aspects of the local government provisional settlement for 2022/23 as they may affect 2022/23, 2023/24 and 2024/25:

- Inflationary increases to Revenue Support Grant (RSG) and improved Better Care Fund (iBCF), with no changes to the distribution methodologies from those used in 2021/22
- An increase to the existing level of Social Care Grant allocated to St Helens and confirmation that it will remain for the council to determine how much of the grant is applied on children's and adult social care respectively
- The level of Council Tax increase (excluding any social care precept) beyond which a referendum is required has been set at 2% for 2022/23
- The maximum level of Council Tax increase for the social care precept element has been set at 1% for 2022/23
- A new one-off 2022/23 Services grant which includes funding for local government costs for the increase in employer National Insurance contributions that become effective from April 2022 and is provided in recognition of the vital services delivered. The provisional settlement explicitly references the application of this grant to fund the inflationary and demographic pressures facing children's and adult social care
- A further year allocation of New Homes Bonus (NHB). NHB is paid annually from a top slice of RSG, and whilst the Government has previously committed to reforming the NHB, its response to a previous consultation seeking views on options for reform is awaited
- The introduction of a Market Sustainability and Fair Cost of Care Fund during 2022/23 which Government have announced is designed to ensure local authorities can prepare their markets for reform and move towards paying providers a fair cost of care
- Continuation of Lower Tier Services Grant in 2022/23 to local authorities with responsibility for lower tier services (e.g. homelessness, planning, recycling and refuse collection, and leisure services)
- Continuation of the Liverpool City Region Business Rates Retention arrangements into 2022/23, whereby authorities within the City Region retain 99% of Business Rates
- A freeze in the multiplier used to determine the level of Business Rates income.

9. In publishing the settlement, Government acknowledged that the funding allocations for councils should be based on an up-to-date assessment of their needs and resources and that the data used in allocations has not been updated for a number of years.
10. Government have committed to update the data used in allocations and to look at the challenges and opportunities facing the sector before consulting on any potential changes.
11. During the final quarter of 2021, Government made a number of announcements that will impact on the funding of Adult Social Care over the period of the MTFS:
    - From April 2022, the Government will introduce a new, UK-wide 1.25% Health and Social Care Levy, based on National Insurance Contributions. This levy is forecast to raise around £12bn per year
    - Of the total sum, £5.4bn has been allocated over three years for Adult Social Care reform. At the Spending Review in October 2021, it was announced that £3.6bn of the funding would be used to pay for the cap on care costs, the extension of means test and to support progress towards local authorities paying a fair cost of care. The remaining sum will be utilised to improve social care in England
    - Government has allocated just £162m of the £3.6bn for 2022/23, for which St Helens' provisional allocation is £650k. The balance of the funding will be allocated during 2023/24 and 2024/25, with individual authority level allocations yet to be announced
    - The Department for Health and Social Care have held back the £1.7 billion of funding for social care reform. There is continued uncertainty around both the cost of the reforms and how the funding will be determined and distributed. As a result, there is a very significant financial risk to local authorities with social care responsibilities.

    The following table summarises the current position:

ADULT SOCIAL CARE REFORM FUNDING							
£5.4bn OVER 3 YEARS ON ADULT SOCIAL CARE REFORM							
£3.6bn over 3 years directly to local government for the cap, means test and fair cost of care	**£1.7bn** over 3 years to improve wider social care system						
£2.2bn over 3 years directly to local government for the cap and means test 22/23: £0m 23/24: £800m 24/25: £1.4bn	Funding commitments made in the People at the Heart of Care adult social care reform white paper*						
	At least **£300m** to integrate housing	At least **£150m** for technology and digitisation	At least **£500m** for workforce training and qualifications	Up to **£25m** to support unpaid carers	**£30m** for innovation of support and care	At least **£5m** to help people understand care and support available	More than **£70m** to improve the delivery of care and support services

12. As part of its levelling up agenda the Government will set out a plan for streamlining the local growth landscape this year. Local authorities will play a leading role in levelling up, though the recently published White Paper would appear to lack the funding to deliver at the scale that is envisaged. At this stage it is difficult to draw any firm conclusions about how levelling up will affect the distribution of local government funding.

13. On 2 February 2022 the Government published pre-launch guidance for the UK Shared Prosperity Fund (UKSPF) alongside its Levelling Up White Paper.

    Led by the Department for Levelling Up, Housing and Communities (DLUHC), the UKSPF is planned to provide a national £2.6bn of funding for investment by March 2025.

14. All areas of the UK will receive an allocation from the Fund via a funding formula, rather than via competition. The Fund will primarily operate over the strategic geographies of the Mayoral Combined Authorities to support programmes under the priorities of communities and place, local businesses and people and skills.

15. The Government have advised that they will publish further information, rules and guidance on the Fund in the spring.

IMPACT OF COVID-19

16. The pandemic has been the most challenging emergency that the council has ever faced. COVID-19 has had far reaching impacts on the economy and communities within the borough. It has had a significant impact on the way council services are delivered and has brought many financial challenges. The impact of which will be felt over a sustained period beyond 2021/22 and therefore impact on future years' budgets.
17. Since the outbreak of the pandemic COVID-19 related pressures have been considerable, with significant additional costs and income losses. In financial planning terms the degree of estimation and uncertainty that this has introduced has been unparalleled.
18. It is unknown how the continuation of the pandemic will further impact the economy, future funding for the sector and demands on services. There is an unknown impact on individuals and families from the COVID-19 lockdowns, increased stress and anxiety leading to a higher likelihood of domestic abuse, family breakdowns and homelessness. Responding to this requires the council to be agile to emerging needs and opportunities and may require a managed change in service offer.
19. The Local Government Finance Settlement for 2022/23 does not include any specific ongoing funding for COVID-19 pressures.
20. The Government announcement in late December 2021 that unspent monies from the Contain Outbreak Management Fund (COMF) can be carried forward into financial year 2022/23 does provide the potential for some funding to be applied, though the anticipated updated guidance is yet to be published and uncertainty also exists around the future of additional COMF funding.

CORE SPENDING POWER

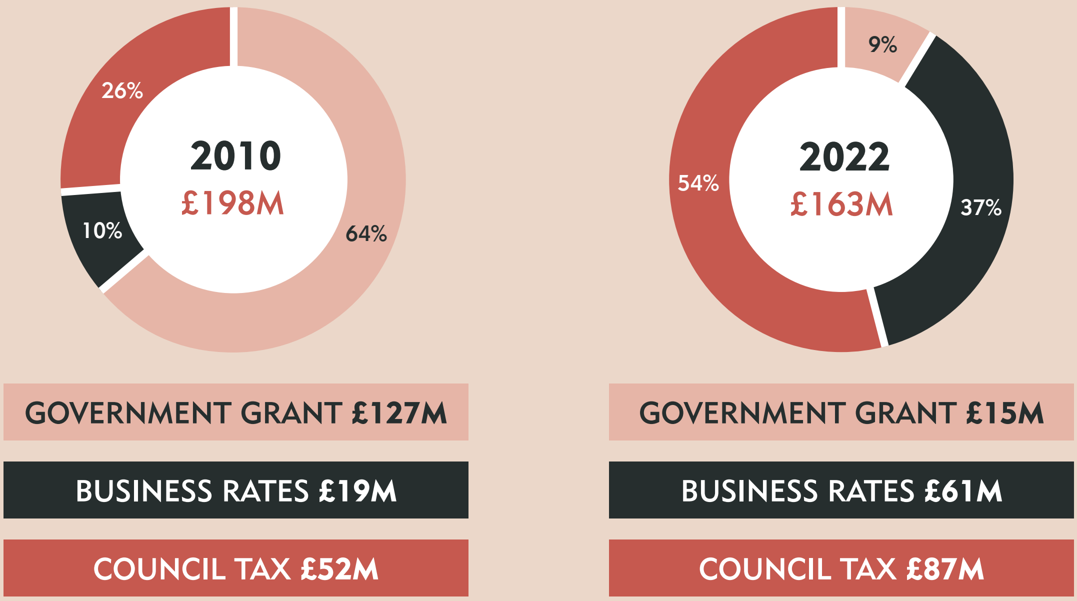
21. The Government's calculation of Core Spending Power has changed over the years and is not limited to general Government revenue grant and Business Rates but also includes estimated Council Tax receipts, New Homes Bonus and other specific grants. This means that the headline percentage changes quoted by the Government also take into account income from sources other than core general Government revenue grant and do not represent changes in levels of direct Government funding.

22. The methodology of the Core Spending Power calculation for 2022/23 includes Revenue Support Grant, Business Rates baseline funding, Council Tax, New Homes Bonus, improved Better Care Fund, Social Care Grant, 2022/23 Services Grant and Lower Tier Services Grant. The Government's published Core Spending Power figures show an increase of 8.4% for the council in 2022/23 (compared to a 4.6% increase in 2021/22).

23. The use of Core Spending Power as a headline indicator can distort the underlying position. In 2022/23, Council Tax represents 49.1% of the Government's published Core Spending Power figures for St Helens. The equivalent percentage for 2015/16 was 41.2% and shows the increasing reliance that the Government has placed on Council Tax income in delivering services. The figure increases to 50.0% when excluding the one-off 2022/23 Services Grant.

24. Over the period of austerity, the direction of travel has been for local government to become increasingly funded from local revenues. The following graphic shows how the Government Grant support has reduced over a number of years and the reliance on funding from Business Rates and Council Tax income becoming an ever-increasing part of local government funding.

ST HELENS FUNDING ANALYSIS



25. Whilst this would be a concern nationally, the reduction will have higher impact for St Helens as it is more heavily dependent on Government funding than other councils, which have greater buoyancy in their Council Tax and Business Rates base.

26. The Government have been considering the major overhaul of the Local Government Funding mechanism for a number of years. A series of delays have previously been announced in relation to the Government's Fair Funding Review (of the methodology that determines how much funding each authority receives, based on an assessment of its relative needs and resources). Similar delays have also been experienced in relation to the Government's intention to introduce reforms to the Business Rates Retention system.

27. Alongside four consecutive one-year settlements, these delays have resulted in significant uncertainty for the council in considering future years' budget requirements and present a significant risk in financial planning and ensuring financial sustainability.

28. The draft settlement acknowledges that the funding allocations for councils should be based on an up-to-date assessment of their needs and resources and that the data used in allocations has not been updated for a number of years. The Government have stated that over the coming months, they will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.

BUSINESS RATES RETENTION

29. Since 2017/18, St Helens has participated in a designated Liverpool City Region-wide Business Rates Retention Scheme. The Government has confirmed the scheme will continue to operate under the same terms in 2022/23.

30. The estimated benefit for 2022/23 from participation in the scheme is in excess of £4m. The council's financial position could be significantly worse if this arrangement were to be withdrawn. Under the terms of the arrangement St Helens is allowed to retain 99% of any Business Rates growth.

31. The Council has successfully grown its Business Rate base in recent years, which has generated additional Business Rates income. However, in the current economic climate there remains a significant deal of uncertainty over the stability of the Local Business Rates Base. The council is developing an Inclusive Growth Strategy that will seek to drive economic growth and ensure that residents benefit from this growth.

32. There remain considerable uncertainties in several key areas relating to the Business Rates Retention scheme that could have a significant impact on the council's funding in future years.

33. As previously referred, planned reforms to the Business Rates Retention system have been continually deferred. A potential Business Rates baseline reset is expected to be under consideration again during 2022, with a possible implementation in 2023/24.

34. The Government's future plans regarding Business Rates retention levels are unclear. The Local Government Finance Settlement confirmed a one year only guaranteed extension of the arrangements for the six authorities in the Liverpool City Region Combined Authority area for 2022/23.

35. The settlement also allows for the continuation of the Mid Merseyside Business Rates Pool with Halton and Warrington Councils in 2022/23.

36. The planned Business Rates revaluation was also delayed because of the impact of COVID-19 and is now due to take place on 1 April 2023. The revaluation will be based on property values as of 1 April 2021.

37. Whilst the potential impact of the Business Rates reforms referenced above represent significant financial risks to the council, it is anticipated that the Government would include transitional protection systems to ensure Local Authorities are not faced with any significant financial cliff edges.

38. The current medium term financial planning assumptions include for these protections and are based on the council's current funding levels from participation in the Business Rates Retention scheme.

39. There is uncertainty that the Government might not afford protection to the additional funding derived from the Business Rates Retention scheme. This would put additional pressure on the council's budget in future years.

40. The potential impact of the proposed Business Rates reforms, together with the outcome of future government Budgets and the Fair Funding Review, determine that Business Rates Retention will be an even more important funding source for the council. It is uncertain how the results of these reviews will affect funding for the council and whilst that is the case, this remains a key risk for the council.

PENSIONS

41. The Council is a member of the Merseyside Pension Fund on behalf of former, current and future employees. Both the council and its current employees make contributions to the fund at levels determined by the Fund's actuaries. The actuaries also prescribe the levels at which the council need to make annual payments to contribute towards any forecast deficit of the Fund (with regards to the St Helens element of the Fund), when comparing the projected assets and liabilities. Where the projections are such that the level of assets exceed the liabilities, the annual contributions are reduced.
42. Every three years, the Pension Fund makes arrangements for the revaluation of the assets and liabilities of the fund on a per-authority basis, with contribution rates and the projected surplus / deficit adjusted for the upcoming valuation period to ensure the fund is sustainable for each local authority.
43. The results from the 2019 Actuarial Valuation showed the council's element of the Fund to be in a surplus position, with the council's Future Service Contribution Rate for the three-year period commencing 2020/21 set at 16.9% - a rate that is deemed sufficient, alongside individual employee contributions, to meet the cost of new benefits being accrued by currently active members.
44. The 2022 revaluation will determine contribution rates for the three years commencing 2023/24.
45. Investment returns can be volatile, and subject to performance of the Fund during the current valuation period, could result in a reduction in valuation of the council's assets in the Pension Fund, thereby potentially requiring a greater contribution in Future Service Rate and deficit payments from the next valuation. Changes in assumptions (inflation, mortality, discount rates etc.) made by the actuaries between each valuation period can also have an effect on the scheme, both positive and negative, depending on the type of change.
46. Given the recent economic conditions, it is possible that assets will underperform against estimates that were used as part of the 2019 Actuarial Valuation. This introduces a risk that the fund position may not be as positive at the next revaluation.
47. The Medium Term Financial Strategy makes some provision for a potential negative movement arising from the 2022 Actuarial Revaluation. This position will need to be closely monitored, with ongoing dialogue with the Fund and its actuaries, and revisions to the financial modelling as the position becomes clearer.
48. By way of example, if the Pension Fund assets decreased by 5% at the 2019 actuarial valuation, this reduction in the value of St Helens' share of assets in the fund would have changed the underlying position from a surplus to a deficit, requiring additional revenue contributions in order to address the deficit. This is illustrated in the following table.

2019 PROVISIONAL ACTUARIAL VALUATION SENSITIVITY ANALYSIS		
	BASE AS PER 2019 VALUATION	**5% REDUCTION IN ASSET VALUE**
Assets (£m)	725.5	689.2
Liabilities (£m)	702.9	702.9
Surplus / (Deficit) (£m)	22.6	(13.7)
Pay (£m)	82.8	82.8
Recovery period (yrs.)	16	16
"Maturity" (liabilities/pay)	8	8
Surplus Recovery / (Deficit Contributions) (£m)	1.50	(0.86)
As a % of payroll	1.8%	(1.0%)

49. Further uncertainty exists around public sector pension schemes after the Government announced in 2019 that they accepted a judgement that applies to all of the main public service pension schemes, known as 'The McCloud Judgement'. This judgement was based around transitional protections afforded to older members of schemes which were ruled unlawfully age discriminatory.

50. The cost of remedying the discrimination will be a key consideration in the 2022 Actuarial Review process, with regulations expected to determine the impact and period over which increased costs will be charged.

51. Provision for additional pension costs has been built into the model from 2023/24 in relation to the potential negative movement in the fund and additional costs arising from the McCloud judgement.

COUNCIL TAX INCREASES

52. The Government establish a threshold to limit the level of future Council Tax increases by requiring local authorities to carry out referendums above a certain level of increase. The 2022/23 Local Government Finance Settlement allows Local Authorities to increase their Council Tax by less than 2% without the need to hold a referendum.

53. The Adult Social Care precept will continue for 2022/23 and Government has allowed an additional 1% of flexibility available for those Authorities with responsibility for Social Care.

54. The council recognises the impact that Council Tax has on local residents and will always take their ability to pay into consideration when setting Council Tax levels and provide support to ensure that entitlements to Local Tax Reduction are maximised.

55. A Council Tax increase of 2.99% has been factored into the medium-term financial forecast for 2022/23. There has been no guidance from Government on future Council Tax limits; currently the modelling assumes a 3.99% (inclusive of a 2% Adult Social Care Precept) increase for each subsequent year. Clearly, any decisions on setting future Council Tax levels will be considered each year at Budget Council.

56. An increase in Council Tax of 2.99% will generate around £2.5m to fund some of the demand pressures the council faces in providing its statutory functions and would avoid the need for further reductions in service delivery.

AN IMPACT ASSESSMENT OF THE REVENUE BUDGET 2022/23 ON FUTURE YEARS

57. The Medium Term Financial Strategy for 2022-2025 is dependent on a number of assumptions within the annual budget for 2022/23. This strategy assumes that:
    - an increase of 2.99% is applied to the level of Council Tax for 2022/23 when compared to 2021/22
    - the council will approve an annual budget that delivers savings totalling £6.044m - the individual savings proposals having been previously approved as part of the Medium Term Financial Strategy for 2021-2024
    - the council receives the estimated Business Rates assumed in the calculation of the baseline funding level and any additional Business Rates included as funding within the approved net revenue budget
    - the assumed costs of delivering the council's services both directly and indirectly are in line with planning assumptions
    - the ongoing pay negotiations for 2021/22 and 2022/23 result in increases in pay of 2.25% and 2.5% respectively
58. These assumptions are a realistic assessment of the underlying financial position as shown in the Medium Term Financial Strategy. A breadth of planning assumptions and budget risks had been considered in arriving at a forecast indicative budget gap.

POTENTIAL GAP FOR 2023/24 AND 2024/25

59. The overall funding gap for 2022-2025, using planning assumptions, and before the delivery of agreed savings is summarised in the following table.

	2022/23 £'000	2023/24 £'000	2024/25 £'000	CUMULATIVE £'000
BUDGET GAP	6,044	11,736	6,357	24,137

60. Underlying assumptions / matters included within the forecast for 2023/24 and 2024/25 are:
    - Council Tax will increase by 1.99% each year with additional Adult Social Care Precept of 2%
    - Increases have been factored in for non-inflationary changes in Council Tax base and Business Rates
    - The model assumes that New Homes Bonus allocations will be discontinued after 2022/23
    - Pay award incorporated at 2.5% per annum, general price inflation at 2.5% per annum (with additional provision for some specific areas of cost) and fees and charges income at 2% per annum
    - Increases in costs arising in 2023/24 from the next pension revaluation as a result of the McCloud judgment and economic conditions
    - Any changes arising from the Business Rates Retention Scheme, Business Rates Revaluation, or the Fair Funding Review will have neutral impact for the authority
    - The 'exceptional' (COVID-19 driven) Collection Fund deficit arising in relation to financial year 2020/21 has been spread equally across financial years 2021/22, 2022/23 and 2023/24 in accordance with the conditions of the Government's Collection Fund deficit phasing scheme
    - Increases to the National Living Wage levels of 5% in both 2023/24 and 2024/25
    - The Social Care Grant, Better Care Fund and improved Better Care Fund (or equivalents) will continue into 2023/24 and 2024/25 at the same levels as in 2022/23
    - The underlying rate of levy (Waste Disposal & Merseytravel) increases beyond 2022/23 to be at around an average of 2.5% per annum
    - Previously, General Fund Reserves have been rebuilt to allow for resources to be available to afford the council financial resilience from changes in funding, inflationary pressures and unexpected events, whilst at the same time having sufficient resources to support its priorities. Similar provision is included across the period of the updated Medium Term Financial Strategy.

61. The model includes assumptions about potential increases in service demand levels / utilisation, based upon trend analysis of historic data. The forecast additional expenditure or reduction in income levels have been included within the model.

62. The ongoing impact of COVID-19 has been factored into the funding gap modelling, on the basis that expenditure / income pressures will continue to exist and Government funding for legacy expenditure pressures, income losses and future years' local taxation income reductions will cease.

63. It will be necessary to utilise the balance of uncommitted COVID-19 funding sums, previously set aside, to support the ongoing additional costs and income losses resulting from the pandemic.

64. Any changes to the key assumptions above would impact upon the size of the projected budget gap for future years. The following table shows the impact that a 2% change, either positive or negative, in the key assumptions would make to the model.

KEY ASSUMPTIONS SENSITIVITY ANALYSIS +/- 2%	
	(£m)
Pay Award	+/- 1.8
Price Inflation	+/- 3.0
Levies	+/- 0.4
Council Tax	+/- 1.7
Retained Business Rates	+/- 1.2

BALANCING OVER THE MEDIUM TERM

65. The council continues to operate in a challenging environment. Given the significant reductions in the council's funding from Government over the last decade and forecasts of further pressures over the medium term there will need to be a continuing council wide focus on delivering efficiencies, maximising commercial opportunities and providing greater value for money. This will demand strategic and corporate leadership and it is essential that there is seen to be strategic ownership of any such reviews, given the scope of changes which will result from this.

66. The overall size of the challenge that the council faces is significant and the formulation of a balanced budget over the longer term requires the delivery of savings through consultation with its residents, leading to strategic prioritisation, service transformation and continuous improvement. The council continues to make and face key decisions affecting the way it delivers core council services.

67. The council will consider fully its strategic intent and will seek not only to reduce costs and deliver the necessary savings but seize opportunities to use those cost saving programmes as leverage for wider strategic benefits.

68. The structure of the council will adapt to reflect the challenging operating environment. Furthermore, these structural changes will require that there is also sufficient flexibility to meet all challenges which may arise. Significant service reconfiguration will continue to take place and further progress will be made to update the way the council is structured. Review of internal business processes will also continue to implement enhanced levels of automation and to reduce back office workloads. This will change the way the council works in line with the organisational development strategy and through the promotion of self-service wherever possible.

69. The council has a strong track record of delivering efficiency savings over recent years and this work will need to continue for the foreseeable future. The outcome will be a council which is more streamlined and focussed on key strategic priorities, delivered through transformed services working in partnership.

70. The council has approved a commercial strategy which sets a framework for developing an increasingly commercial approach within the council. In doing so it will seek to reduce costs and generate additional income from activities and services. The council will also become more business like, applying best practice from all sectors to add value to services and secure its finances in a way that benefits local businesses and residents.

71. Outcomes from the Government's Budget, the anticipated Fair Funding Review and Business Rates reforms will be critical to determine the financial horizon for St Helens. In the absence of such, there remains significant uncertainty for the future funding of the council, which makes it very difficult to plan over the medium term. Various scenarios for funding have been presented in this report. However, until indicative allocations are given for future years that uncertainty will remain.

72. The council will continue to consider and quantify future demand pressures, including any ongoing impacts of COVID-19 over the medium term, and factor these issues into the Medium Term Financial Strategy. It is increasingly

apparent that the successful ongoing implementation and delivery of demand management strategies, particularly in relation to social care, is critical in ensuring the future financial sustainability of the council.

73. The Medium Term Financial Strategy 2021-2024 allowed for the in principle addition of a number of strategic capital investment schemes to the capital programme for 2021/22, alongside pipeline schemes for future years, subject to the submission and approval of feasibility, design, and detailed scheme plans. These schemes included investment in highway and property assets, regeneration of the borough and its localities, and invest to save schemes.

74. Potential new schemes have been brought forward during the final quarter of 2021/22 for consideration, and, where appropriate, for inclusion as potential pipeline Strategic Capital Investment schemes within the Medium Term Financial Strategy 2022-2025. Provision for the debt servicing costs associated with this capital investment remain to be incorporated into the modelling included in the revised Medium Term Financial Strategy.

75. In agreeing the Medium Term Financial Strategy 2021-2024, Directorates were required to propose potential savings options to address the forecast budget gap. Savings were proposed that covered the period 2021/22 to 2023/24, with the revised profile of those savings being approved by Cabinet at its meeting on 12 January 2022.

76. Based upon the potential gap identified in paragraph 55, it is imperative that the savings options that have been agreed are delivered in order to reduce the forecast future funding gaps. The following table shows the profile of agreed savings against the forecast budget gaps.

77. It should be noted that the level of uncertainty beyond 2022/23 is significant, given the continuing unknown longer term impact of the pandemic, the demand pressures that continue to rise in social care and the how the reform of local government funding will impact the council. Further updates of the Medium Term Financial Strategy will be brought back to periodically update on developments.

<table>
<tr><th></th><th>2022/23
£'000</th><th>2023/24
£'000</th><th>2024/25
£'000</th></tr>
<tr><td>Integrated Health & Social Care Directorate</td><td></td><td></td><td></td></tr>
<tr><td>Integrated Care & Health</td><td>733</td><td>2,072</td><td>-</td></tr>
<tr><td>Public Health</td><td>752</td><td>-</td><td>-</td></tr>
<tr><td>Children & Young People Department</td><td></td><td></td><td></td></tr>
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<tr><td>Environment & Transport</td><td>602</td><td rowspan="4">949</td><td>-</td></tr>
<tr><td>Regeneration & Planning</td><td>100</td><td>-</td></tr>
<tr><td>Wellbeing, Culture & Heritage</td><td>144</td><td>-</td></tr>
<tr><td>Safer, Stronger Communities</td><td>345</td><td>-</td></tr>
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<tr><td>Finance & Governance</td><td>209</td><td>139</td><td>-</td></tr>
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<tr><td>TOTAL PROPOSED SAVINGS</td><td>6,044</td><td>5,300</td><td>-</td></tr>
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<tr><td>RESIDUAL GAP</td><td>-</td><td>6,436</td><td>12,793</td></tr>
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BUDGET RISK ASSESSMENT

78. The following risks have been considered in determining the appropriate level of General Fund balances required within the Medium Term Financial Strategy.

Risk area	Comment and Mitigation	Prob
Asset management	Backlog maintenance (for land, property and infrastructure) is significant and the potential for reactive / responsive repairs increasingly exists. The council is undertaking a transformation programme and is developing an asset disposal strategy. The results of the transformation plan will feed into the MTFS 2023-2026. The Strategic Capital Investment Schemes include proposals to invest in a number of the council's property assets.	Medium
Brexit	Direct or indirect cost implications of the UK's departure from the European Union, including issues such as supply chain workforce and goods shortages, could possibly impact the council.	Medium
Business Rates Retention scheme	Risks relating to the council's financial position arising from the Government's review of the existing retention scheme and any requirement in relation to pooling of Business Rates across the City Region or wider geographical area.	High
Commercial (third party) failure	There is evidenced potential for service provider failure (e.g. in the care or construction sectors) to cause the council to incur additional costs. These costs could arise from the need to re-procure and/or integrate new arrangements. Robust processes in commissioning and procurement sourcing, management and review should mitigate the risk but cannot be guaranteed to eliminate it in its entirety.	Medium
Demand for social care	Actions providing an increased focus on safeguarding and permanence have increasingly marked cost implications. It is evident that relatively small fluctuations in the demand for social care for both Children and dults can generate considerable additional cost and it is increasingly evident that the successful ongoing implementation and delivery of demand management strategies in relation to social care is critical in reducing the risk to the financial position of the council. Unique, complex care placements are becoming increasingly difficult to source and come at significant additional cost. There is a significant number of young people who are supported in semi-independent living, whose needs are such that they require high levels of support. There continues to be the potential for Health funded continuing care cases to become the council's responsibility. There have been several backdated CHC cases that have arisen and the potential for additional future cases exists. In recent years the region has experienced significant numbers of persons declaring themselves as unaccompanied child asylum seekers. Costs associated with related service provision are significant. The council's social care services, both adults and children, continue to face significant challenges, the provider market is fragile and saturated leading to significant increases in costs.	High

Risk area	Comment and Mitigation	Prob
Disaster, major emergency, accident or incident	There will need to be available funds to respond to / recover from any such situation. This could result in uninsured costs arising which are not met by other sources (e.g. the Government's Bellwin scheme). For example, the likelihood of St Helens being affected by extreme weather events cannot be discounted.	Low
General and Commodity/Service specific inflationary pressures	Current high levels of inflation will impact on costs and may influence wage demands. It is evident that inflationary cost increases experienced within some specific goods or services could be significantly above general inflation levels. For example, inevitable increases in energy prices will be faced, though the absolute levels of those remain unquantified. Other areas at risk of enhanced levels of price or market driven inflation exist, including construction and social care placements. An inflationary reserve exists to support services where cost increases are significantly over and above the inflation provision that is built into the Medium Term Financial Strategy, and where to not allow for these costs would have a direct impact on the delivery of essential services.	High
Impact of COVID-19	Predicting the extent to which the COVID-19 pandemic will continue to impact the council's financial position remains challenging, whilst the longer term impact on employers and businesses can still not be determined with certainty. In previous years, the Government have provided short-term funding to support councils, however, the provisional settlement does not include any specific funding for COVID-19 related pressures. The Government announcement in late December 2021 that unspent monies from the Contain Outbreak Management Fund (COMF) can be carried forward into financial year 2022/23 does provide the potential for some funding to be applied, though the anticipated updated guidance is yet to be published and uncertainty also exists around the future of additional COMF funding. Reports will be provided to Members highlighting issues, if and when they arise, which will also consider potential mitigating actions.	High
Income collection: Business rates, fees, rents and service charges	Lower economic activity (e.g. planning and building control fees, rental income), increased competition, market volatility (e.g. recyclates) and changes in customer behaviour may reduce the yield of income streams. There are current pressures in relation to the income associated with a number of specific service areas where actions to address these have been taken in formulating the budget for 2022/23. Government policy around Business Rates has transferred significant risk linked to business failures and the consequent reduction in Business Rates, which would impact locally. The level of Rating appeals in the system could generate a significant requirement to refund prior years' payments of Business Rates. Potential negative movements in income collection will be considered, with a view to managing any pressures that arise within existing budgets or through the Medium-Term Financial Plan.	Medium

Risk area	Comment and Mitigation	Prob
Litigation against/ impacting on the council	Litigation could be experienced in relation to any aspects of its service delivery and the council is also potentially exposed to legal judgements brought against other local authorities or organisations.	Medium
Local authority funding	Negative impacts on the council's financial position arising via one, a combination, or all of the Local Government Finance Settlement; Spending Review; Fair Funding Review and needs assessment; Business Rates Reform / Revaluation / Baseline Reset. The council will continue to lobby directly and will work with the LGA, SIGOMA, Liverpool City Region partner authorities and other stakeholders in presenting the case for adequate funding for the council and the wider local government sector.	High
Major Projects	Risks of cost escalation creating a funding gap and/ or requiring an increase in capital financing costs and subsequent impact on the general fund revenue budget. Robust processes in commissioning and procurement sourcing, management and review should mitigate the risk but cannot be guaranteed to eliminate it in its entirety.	Medium
New Policy/ Legislation	Generally, such changes have an appropriate lead in time and where relevant should be covered by the 'new burdens' doctrine. However, there are potential risks due to potential policy agendas of the Government and the speed of implementation of changes in some areas. For example, it is considered that the social care reform agenda is likely to carry significant risks, with concern over the adequacy of the levels of Government funding to be made available to implement fair cost of care reform, the care cost cap and extension of the means test threshold. Additionally, there is risk that the timescales set by Government, and that councils are expected to adhere to, is over ambitious and/or undeliverable. Conducting cost of care exercises, proper engagement with providers and strengthening capacity for market oversight and improved market management will take time if they are to be done comprehensively and at reduced levels of risk.	Medium
Other	Other risks - these are potentially diverse in nature e.g. arising from system failure and recovery or statutory duties to investigate and, where necessary, remediate contaminated land.	Low
Pension Fund costs	Further uncertainty exists in relation to what is referred to as the 'McCloud judgement', which was made as a result of age discrimination cases brought against the Government (in respect of the firefighters and judges pensions schemes). The cost of remedying the discrimination will be a key consideration in the 2022 Actuarial Review process, with regulations expected to determine the impact and period over which increased costs will be charged. A provision of additional pension costs has been built into the Medium Term Financial Plan.	Medium

Risk area	Comment and Mitigation	Prob
Social Care responsibilities and Funding	Uncertainty around the funding available to provide for a sustainable social care system from 2022/23, given the non-recurrent nature of existing funding streams and uncertainties arising from the continued delays to the reform and funding of social care. The LGA have expressed concern over the adequacy of the government funding to implement fair cost of care reform, the care cost cap and extension of the means test threshold. And, in a scenario in which the costing exercise reveals a deeper level of unsustainability in provider fee rates, are seeking assurances that additional funding will be made available.	Medium
The deliverability of services within the baseline level of available resources	Alternative actions will be required where transformation and/or savings and/or additional projected income are not deliverable, or increases in demand result in costs pressures, though given the nature of alternatives that may need to be progressed there may be lead in periods for this to be fully achieved.	High
Treasury Management	The budget reflects the current bank rate and anticipated borrowing costs. Economic uncertainty and interest rate movements could negatively impact on either or both investment returns and debt servicing costs. The council's investment counterparty criteria seeks to minimise counterparty risk but cannot completely eliminate it.	Low
Welfare Reform and employment/ unemployment (see also New Policy/Legislation)	There are a number of areas of potential risk associated with Welfare Reform, including the potential for increased costs and loss of income e.g. increased cost of Council Tax Reduction Scheme and potential reduction in Council Tax Collection rates as further Welfare reforms impact low income households in the borough. Further increases to homelessness are possible, whilst financially impacted clients may require increased Social Care interactions. Higher unemployment rates may require additional services across the council beyond those already provided.	Low
Workforce related matters	There have been significant changes to the labour market both nationally and locally as a result of the pandemic and availability of EU Nationals following Brexit. Shortages in key areas such as care and professional services are and will have an impact on the council's ability to deliver services within the current cost envelopes. The need for more costly interim staffing arising from the permanent or temporary loss of existing resource.	Medium

RESERVES AND BALANCES

79. The table below shows the forecast position for the council's General Fund Balances, General Earmarked Reserves and the COVID-19 reserve. The forecast includes the currently approved commitments and the anticipated spend / income into the reserves through to 31 March 2025. The Reserves Strategy can be found at Appendix 1, which also contains further detail.

	March 2021 £'000	March 2022 £'000	March 2023 £'000	March 2024 £'000	March 2025 £'000
General Earmarked Reserves	41,740	32,880	41,650	45,700	50,010
Earmarked Reserve - COVID-19 Funding	7,395	6,649	3,649	1,649	649
Subtotal	**49,135**	**39,529**	**45,299**	**47,349**	**50,659**
General Fund Balances	12,780	12,206	12,000	12,000	12,000
Total	**61,915**	**51,735**	**57,299**	**59,349**	**62,659**

80. The reserves position does not provide any general support to balance the budget in 2022/23 or future years. It has previously been recognised that the use of reserves to support the revenue budget is not feasible or sustainable and the council will rebuild its level of reserves over future years as part of the agreed Medium-Term Financial Strategy.

81. However, it is recognised that ongoing legacy pressures arising from COVID-19 will continue and the application of the specific COVID-19 reserves during the period of the Medium Term Financial Strategy will provide some resource in relation to additional expenditure and income losses.

82. In addition to the above reserves, the council set aside £10.0m of Capital Receipts for the creation of a Land and Property Acquisition Fund during 2020/21.

83. The council maintains a General Reserve to provide short-term emergency funds for exceptional circumstances and to cover risks that could impact the council as a going concern. The level has been reviewed as part of the re-assessment of the Medium Term Financial Strategy and it is proposed that it should remain at £12.0m.

84. Earmarked reserves are held for specific purposes either as a strategic reserve to give flexibility in the use of corporate resources or as specific ring-fenced reserves for strategic, priority driven needs. They should only be used for the specific purpose for which they were set aside for. This includes funding non-recurring items, invest to save initiatives or to provide time limited support to manage the transition from the withdrawal of funding.

85. The council's reserves are not set at excessive levels and given the degree of uncertainty of the current financial climate and longer-term risks associated with the local government funding arrangements, it is prudent to protect and enhance Earmarked Reserves where there are opportunities to do so.

86. The council recognises that the level of reserves it should maintain must be set having regard to its future sustainability, priorities, and the operational and financial risks facing the authority. These risks can, and will, change over time and the consequence of not having a prudent level of reserves can be significant.

87. The purposes for which reserves are held are included within Appendix 1. Proposals for rationalisation of reserves are included within the Revenue and Capital Budget 2022/23 section of this report.

MONITORING AND REVIEW

88. The Council operates delegated financial management arrangements. Following approval of the annual budget, Directorates have the responsibility to ensure that monitoring and budgetary control is undertaken and saving plans which have been built into the budget are achieved. The financial position is reported to the council's Section 151 Officer or his / her deputy on a monthly basis. Financial Monitoring Reports are produced periodically during the year to update Cabinet on the budget position. Executive Directors/Directors ensure their Portfolio Member is fully briefed on financial issues.

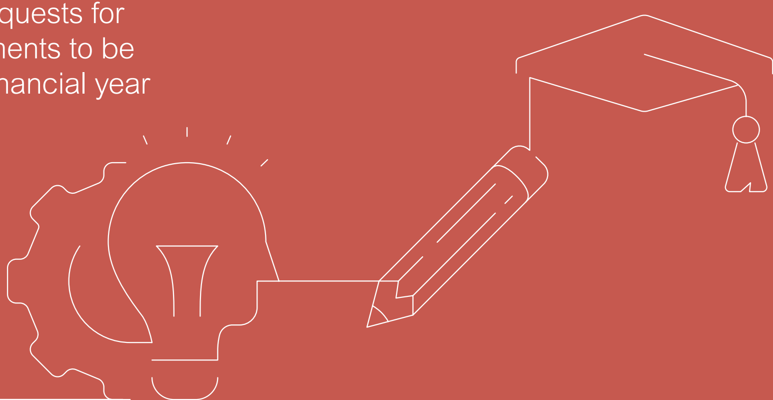
89. In the event of any underperformance against budget, corrective action is required, where possible, to ensure a balanced budget by the end of the financial year. The Council's Financial Procedure Rules and Budget Strategy determine that any overspends in one year are ordinarily funded by a corresponding reduction in the Directorate budgets in the subsequent year. However, the Section 151 Officer has the delegations to waive this requirement having due regard to the specific circumstances prevailing at the time. Service underspends at the end of the financial year will be aligned to the General Fund, or earmarked reserves in specific instances. Generally, service underspends are not carried forward. However, in exceptional cases any requests for specific service commitments to be rolled into the following financial year will be considered.

90. The Council is committed to achieving Value for Money in all aspects of its operations. To achieve this, reviews are regularly undertaken to determine whether cost improvements can be made, and to ensure that resources are prioritised and are aligned to strategic intent.

91. The council seeks to operate on a more commercial basis and continues to develop its actions to increase opportunities from income generation, promote improved procurement and minimise service delivery costs to strengthen the budget position.

92. The council will carry out three quarterly cycles of budget monitoring during each financial year together with a combined revenue and capital final outturn report, each of which will be reported formally to Cabinet. These will also be reported to the Overview and Scrutiny Commission. Cabinet will recommend for council approval any adjustments to capital or revenue budgets.

93. The financial modelling projections contained within this Medium Term Financial Strategy are a dynamic model, which will be updated, revised and reported following receipt of business intelligence, changes to underlying assumptions and as the position becomes clearer.



REVENUE AND CAPITAL BUDGET 2022/23

INTRODUCTION AND BACKGROUND

1. This section of the report provides an update on the latest budget position and seeks approval for a 2022/23 Council budget which is affordable, complies with the agreed priorities and budget strategy of the council and meets the needs of the residents of St Helens.
2. The Council remains dedicated to the ongoing review and evolution of its form and functions as it responds to the challenges facing itself and the wider local government sector. A Council wide transformation programme incorporating digitalisation and modernisation, alongside the continuing review of working practices under the Ways of Working project is proving key in ensuring that residents, businesses, partners and communities are provided with the best possible services.
3. In supporting this agenda, the council continues to deliver major changes in the integration of Social Care, Housing, Health and other public services within an Accountable Care System, incorporating an Integrated Care System and Integrated Care Partnership, allowing partner organisations to manage demand, reduce costs and improve people's outcomes through integrated provision of high quality care and support.
4. The Council continues to prioritise the Growth and Regeneration agenda aimed at delivering the economic activity across the Borough which will provide local jobs, opportunities and skills and generate the local revenues to support services in the future. This will include continued working with the Liverpool City Region Combined Authority and other partners to promote jobs, growth and investment across the borough.
5. The budget has also been produced whilst the council continues to deal with the ongoing financial pressures arising from the COVID-19 pandemic. The lasting impact of the pandemic on the council, residents, businesses, partners and communities continues to bring significant additional uncertainty to the budget setting process.
6. The budget has been formulated and agreed against the challenge of significant, increasing, demand-led pressures, particularly in relation to social care. Opportunities to manage the demand for services through targeted non-statutory, preventative and early intervention remain key and it is increasingly evident that the successful ongoing implementation and delivery of demand management strategies in relation to both children's and adult social care is critical in ensuring the ongoing financial sustainability and resilience of the council. A demand management strategy for Children's Social Care was approved by Cabinet on 1 December 2021, whilst approval for an Adult Social Care Demand Strategy will be sought in the near future.
7. The council continues to work closely through the Children's Improvement Board to prioritise actions and deliver new models of practice to ensure that all children and young people in the borough receive the support, care and protection they need and deserve, following the Ofsted inspection in November 2019.

   Ofsted's most recent monitoring visit to was undertaken in November 2021, where inspectors reviewed the progress in relation to Children in Need and children subject to a Child Protection Plan and provided recognition that the council has continued to support service improvement, with funding to increase the resources available for edge of care services and a financial commitment to support the recruitment and retention of the social care workforce.

8. The aim of the Budget is to provide, within the overarching constraints that exist, the most appropriate balance of resources to deliver the council's statutory responsibilities and to set a foundation for, and facilitate, the delivery of the council's key ambitions and its existing and emerging corporate priorities and borough level strategic objectives, as set out within the council's "Our Borough Strategy 2021-2030".

9. Cabinet has previously approved a series of actions in support of the 2022/23 budget process having considered reports at its previous meetings, the most recent being the Budget 2022-2023 Report on 12 January 2022.

10. At its meeting on 10 November 2021, Cabinet noted and approved a report that provided an update on announcements made within the Government's Spending Review 2021 and Autumn Budget, and the impact on the council's Medium Term Financial Strategy, highlighting a series of key risks, uncertainties and pressures that continued to exist.

11. That report provided commentary on the revised modelling undertaken to forecast indicative budget gaps for 2022/23 and future years. In doing so, a breadth of planning assumptions and budget risks had been revisited to ensure that a realistic mid-term forecast financial position was established, with revisions to forecasts having been made in relation to a number of aspects of the budget, based on most recent data or information.

12. Following the announcement of the provisional local government finance settlement 2022 to 2023, the report of 12 January 2022 provided Cabinet with a further update of the Medium Term Financial Strategy, the outcome of the provisional settlement and the further actions necessary in relation to the closing the budget gap for 2022/23 and delivering a sustainable, balanced budget.

13. This report is consistent with the resolutions previously made and contains proposals that take into account both the current position and the latest financial forecasts. It should be considered with due regard to the series of previous reports considered and agreed by Cabinet.

BUDGET CONSULTATION

14. Information relating to the council's budget challenge has been published on the council Website, and an active social media campaign has been conducted encouraging residents and businesses to respond and share their views on vital service activities provided by the council and where spending should be prioritised. The consultation was aligned to the council's Service Priorities as set out in the Borough Strategy 2030 and ran from 8 December 2021 to 3 January 2022, with 104 responses received.

15. In addition, views were also sought on how the council could generate additional income to support the budget.

16. The budget setting process for 2022/23 has been subject to a detailed and thorough review by a Task Group of the Overview and Scrutiny Commission. At its meeting on 4 October 2021, the Commission agreed to establish a cross party Budget Scrutiny Task Group whose remit was to assess the budget setting process to ensure it has been robust.

17. Having conducted its review via a series of meetings, discussions and challenges, the Task Group reported back to the Overview and Scrutiny Commission at its meeting on 7 February 2022, setting out its findings and conclusions and the Commission agreed the following statement be provided:

    The Overview and Scrutiny Commission established a cross-party Budget Scrutiny Task Group to examine the robustness of the 2022/23 budget setting process undertaken by portfolio holders and officers. To examine the budget setting process, the Task Group held a series of meetings on 20th January 2022 with portfolio holders and officers invited to attend. The Task Group focused on portfolio holders' understanding of the potential proposals they were making, rather than a line-by-line scrutiny of the individual decisions themselves.

    The Commission acknowledges that the ongoing COVID-19 pandemic continues to impact significantly on the council, as well as all local authorities across the country. The Commission recognises the increasing pressures faced by the council in maintaining the delivery of services whilst providing good outcomes for the residents of the Borough, particularly the most vulnerable in our society, at a time of unparalleled financial constraints. During their responses, portfolio holders demonstrated a commitment to ensuring the council meets it statutory duties whilst delivering a balanced budget and this is commended by the Commission.

    The Commission noted that the one-year financial settlement from central government impacts on the council's ability to plan for the long-term. This was particularly evident in the ongoing review and redesign of services and structure within Council directorates. However, the Commission welcomes the approach taken by portfolio holders to use the council's Borough Strategy (agreed by Cabinet in February 2021) and the numerous other strategies agreed and in development, as the basis to prioritise how services operate and are delivered to ensure they offer value for money and efficiency for the borough's residents.

    The Commission was pleased to hear of the consistent approach of cross portfolio and collective Cabinet discussion to understand how services in each portfolio are interrelated; how decisions in relation to one service/directorate can impact on those *of another; and how services (and partners) can work more closely to avoid duplication. The Commission also notes the challenge provided by the portfolio holder for Finance and Governance which was noted by fellow portfolio holders in all sessions.*

The Commission recognised that the council's new 'ways of working' and 'localities' models presented new opportunities for directorates and services and would be a key factor in the future sustainability of services across all directorates. The Commission looks forward to seeing these models of working becoming further embedded within the council over the course of the forthcoming year.

The Commission welcomes the importance placed during the budget setting process on looking for opportunities to generate additional revenue. This includes through exploring commercial opportunities, bidding for grant funding were appropriate, and commissioning and procuring services in a commercial way whilst still retaining the social value and ethical principles of the council. The Commission was especially pleased to note success of the council in securing external funding from a variety of sources, such as the Liverpool City Region Combined Authority and others. Whilst welcoming steps to improve income generation, the Commission underlines the importance of ensuring proposals are robust and will deliver realistic returns.

Overall, the Overview and Scrutiny Commission is satisfied that in context of the amount of time available for scrutiny, the process for setting the council Budget for 2022/23 has been robust and thorough. The Commission recognises that there is still further work to be done by portfolio holders and officers to develop the final budget which will be presented to Council on 2nd March. The Overview and Scrutiny Commission welcomes the commitment of portfolio holders and officers to continue to engage fully with Scrutiny over the forthcoming year to further understand the implications for services, residents, stakeholders and the borough as a whole.

18. The detailed outcomes of the public consultation have been posted on the council's website.

MATTERS IMPACTING UPON PREVIOUS BUDGET ESTIMATES

Levying Bodies

19. The levying bodies have informed the council of their requirements for 2022/23 and these are provided in the table below.

Levying body	Amount £'000	Increase/ (Decrease) %
Transport (Merseytravel)	12,545	2.0
Merseyside Recycling & Waste Authority (MRWA)	9,375	7.2
Environment Agency	102	2.0
	22,242	**4.1**

20. The increase in relation to MRWA is reflective of the volumes of waste sent to landfill in the most recent (complete) financial year. During 2020/21, the impact of COVID-19 saw a 20% increase in tonnages managed by MRWA when compared to 2019/20. The actual cost per tonne managed has fallen by 8% over the period.

21. Apprenticeship Levy will also be payable at the continuing rate of 0.5% of the council's pay bill.

Collection Fund Deficit 2021/22

22. The Non-Domestic Rate Return for 2022/23 has been submitted in accordance with the delegation provided to the Executive Director of Corporate Services at the Cabinet meeting on 12 January 2022, based upon the position at 31 January 2022. Major preceptors have been advised accordingly, and the impact has been fully included within the Budget estimates for 2022/23.

23. The Return indicates an estimated £8.3m deficit on the Business Rates element of the Collection Fund as at 31 March 2022. However, the Government's decision to award over £11m of Extended Retail and COVID-19 Additional Reliefs has created a position whereby the council's income from business ratepayers in the year has been reduced accordingly. The Council will receive separate Section 31 Grant funding to compensate for this loss of income, which will need to be set aside in an earmarked reserve during 2021/22 to meet the deficit that needs to be charged in 2022/23.

24. The net position, when also considering the estimated Council Tax element of the Collection Fund as at 31 March 2022 is that a surplus of £2.6m is available in 2022/23 as one-off funding to support the budget position.

Spending Review 2021 and Local Government Finance Settlement

25. On 27 October 2021, the Chancellor announced details of the Spending Review 2021, which set out high level details of the Government's spending plans on health, education, transport and other public services for 2022/23 to 2024/25.

26. The Spending Review provided limited information relating to Local Government - the full detail would only be received at a later date, as part of the Local Government Finance Settlement. However, there were some significant announcements to note:

    - No further increases in general settlement funding to local government would be made available in 2023/24 or 2024/25. This will mean that local authorities will be increasingly reliant on other revenue sources (including those from local taxes) to meet spending pressures in 2023/24 and 2024/25 and face the requirement for further cuts to services. The more deprived local authorities have significantly less ability to raise additional sums from Council Tax when compared to other authorities.
    - Public sector workers would receive a pay increase across the spending review period. This formally ended the public sector pay freeze, put in place in the previous year's Spending Review
    - An increase in the National Living Wage from 1 April 2022 by 6.6%, from £8.91 to £9.50 per hour

27. On 16 December 2021, the Secretary of State for Levelling Up, Housing and Communities published the Provisional Local Government Finance Settlement 2022/23, with a consultation period running through to 13 January 2022.

28. Although the Spending Review covered the years 2022/23 to 2024/25, the settlement only covers a single year, 2022/23. This will result in a fourth consecutive one-year settlement for Councils and continues to limit strategic financial planning and the ability to ensure financial sustainability.

29. A report was considered by Cabinet on 12 January 2022, providing detail of the outcome of the provisional settlement for 2022/23, confirmed when the Local Government Finance Settlement was published in February 2022, with key points arising including the following:

    - Government acknowledged that the funding allocations for Councils should be based on an up-to-date assessment of their needs and resources and that the data used in allocations has not been updated for a number of years.

      A government commitment has been provided to work closely with the sector and other stakeholders over the coming months to update the data used in allocations and to look at the challenges and opportunities facing the sector before consulting on any potential changes.
    - Inflationary increases to Revenue Support Grant (RSG) and improved Better Care Fund (iBCF), which equate to increases of £336k and £308k in the council's respective allocations when compared to 2021/22.
    - A new one-off 2022/23 Services Grant for which the council's indicative allocation is £3.186m. The grant is un-ringfenced and includes funding for the increase in National Insurance contributions that become effective from April 2022. The provisional settlement explicitly references the application of this grant to fund the inflationary and demographic pressures facing children's and adults social care.
    - A £2.753m increase to the level of Social Care Grant allocated to St Helens, bringing the council's

total allocation for 2022/23 to £10.623m. It remains for the council to determine how much of the grant is applied on children's and adult social care respectively.

- The Lower Tier Services Grant is set to continue into 2022/23 with St Helens' allocation increasing by £0.020m to £0.291m.
- A further year allocation of New Homes Bonus (NHB). NHB is paid annually from a top slice of RSG, and whilst the Government has previously committed to reforming the NHB, its response to a previous consultation seeking views on options for reform is awaited.
- No specific funding for COVID-19 related pressures.
- A core principle of up to a 2% increase in the metropolitan district Council Tax levels for 2022/23 to apply, above which referendum requirements are necessary.
- The flexibility for an additional 1% adult social care precept on top of the core principle referred to above.
- A council tax referendum principle for Police and Crime Commissioners of up to an increase of £10 and a principle of 2% for the majority of fire authorities, including Merseyside Fire and Rescue Service.
- In previous years the Government did not set a referendum principle for Mayoral Combined Authorities, on the basis that mayors would set a precept that was affordable and proportionate to their needs. The Government has announced a similar approach for 2022/23 and will also continue the deferral of referendum principles for parish councils.
- A freeze in the multiplier used to determine the level of Business Rates income in 2022/23.
- The extension of Business Rates Retention Scheme arrangements for the six authorities in the Liverpool City Region Combined Authority area for 2022/23.
- The continuation of the Mid Merseyside Business Rates Pool with Halton and Warrington Councils in 2022/23.
- The introduction of a Market Sustainability and Fair Cost of Care Fund during 2022/23 which Government have announced is designed to ensure local authorities can prepare their markets for reform and move towards paying providers a fair cost of care.

SPECIFIC GRANTS 2022/23

30. The Local Government Finance Settlement section above includes some detail in relation to the following:
    - Revenue Support Grant
    - 2022/23 Services Grant
    - Improved Better Care Fund
    - New Homes Bonus
    - Social Care Grant
    - Lower Tier Services Grant
    - Market Sustainability and Fair Cost of Care Fund

31. Commentary is provided below in relation to the most material of the other grant funding expected to be received in 2022/23.

Dedicated Schools Grant

32. The Dedicated Schools Grant (DSG) allocation for 2022/23 will continue to comprise of four funding blocks
    - Schools
    - High Needs
    - Early Years
    - Central School Services

    The total value of each block is determined by a national funding formula.

33. Local authorities will continue to use their existing formulae to calculate school budgets for 2022/23. Current indications are that the phased implementation of a national school funding formula will begin in 2023/24.

34. The indicative DSG for St Helens (prior to adjustments for Academy funding) is £173.0m. This represents an increase of approximately £7.0m over the 2021/22 funding level. The increase broadly comprises:
    - £6.2m additional funding announced in the Spending Review 2021
    - £0.8m arising from an increase in the total number of St Helens pupils

35. The increase in the level of the DSG includes an additional £2.3m of funding to support young people with special needs and disabilities (SEND) via the High Needs block. In addition, £1.0m of the Schools Supplementary Grant (see below) relates to High Needs.

    There are a number of existing pressures in respect of the High Needs block, particularly in respect of the costs of specialist out-of-borough educational provision, the demand for additional special school places and the costs in respect of supporting SEND pupils in mainstream schools. Although the additional funding will help to alleviate these pressures, the local and national context is one of increasing complexity of need and a rising number of pupils who require additional support.

Schools Supplementary Grant

36. This is a new grant for 2022/23 that will be paid separately to the DSG. Its purpose is to fund the impact of the Health & Social Care Levy on schools in addition to wider costs. The estimated allocation for St Helens is £4.8m and further details in relation to the funding is expected in the spring term.

Pupil Premium Grant

37. The Pupil Premium Grant provides additional funding for schools to raise the attainment of disadvantaged pupils, including those who are looked after by a local authority. The pupil premium rates for 2022/23 have increased from the previous year and are as included in the following table.

Pupil Premium	2021/22 £ Per Pupil	2022/23 £ Per Pupil
Primary Pupil	1,345	1,385
Secondary Pupil	955	985
Children Looked After / Former Children Looked After	2,345	2,410
Service Child	310	320

Public Health Grant

38. The Spending Review 2021 included an announcement that the Public Health Grant would be maintained at the same real-terms levels over the Spending Review period. The Council received notification on 8 February 2022 that the allocation for 2022/23 would be £15.065m, equating to a 2.8% increase over the 2021/22 allocation.

Independent Living Fund (ILF)

39. There has been no confirmation as to whether the ILF grant will continue to be paid to authorities in 2022/23. The value to St Helens in 2021/22 is £1.082m.

Household Support Discretionary Funding

40. On 3 February 2022, the Government announced a package of support to help households with rising energy bills. This included a £150 non-repayable Council Tax 'Rebate' payment for all households that are liable for Council Tax in Bands A-D in England, to be administered by billing authorities.

In addition, £144m of discretionary funding will be made available to councils to support households who need support but are not eligible for the council Tax 'Rebate'. At the time of drafting this report the details of individual council allocations and guidance on the scheme is awaited.

Education Investment Area funding

41. On 1 February 2022 the Government announced St Helens as one of 55 Education Investment Areas identified for targeted investment, support and action. Further detail, including the level of funding available, is awaited.

SAVINGS

42. In setting the budget for 2021/22 and approving the Medium Term Financial Strategy for the period 2021-2024, Cabinet approved the requirement for budget options and further actions necessary in relation to the closing of the budget gap for the period and delivering a sustainable, balanced budget.

43. Collectively, all Portfolio holders worked with, and robustly challenged, a range of officers including the Chief Executive, Executive Directors and senior service managers to identify what were considered acceptable options that met the requirements determined by Cabinet. In doing so, full regard was had to matters such as:

    - Impact on statutory duties and other agreed priorities
    - Impact on current policy matters
    - Impact on staff/structures
    - Impact on performance and/or service delivery (including members of the public, service users, carers) - immediately and/or in the future
    - Impact on other council services - immediately and/or in the future
    - Impact on partner organisations - immediately and/or in the future
    - Potential/actual risks and actions to mitigate them
    - Benchmarking of costs

44. Cabinet agreed the Budget Savings 2021-2022 report on 6 January 2021, which reported on progress in identifying potential savings proposals to meet the anticipated budget gap through to 2023/24.

45. The profile of savings over the period was approved within the Medium Term Financial Strategy 2021-2024, with the value of savings proposals to be delivered in 2022/23 totalling £10.044m.

46. Following the announcement of the Provisional Local Government Finance Settlement 2022 to 2023, which was confirmed with the announcement of the Final Local Government Finance Settlement in February 2022, the budget assumptions and modelling have been reviewed and updated. The remodelled position remains based on, and sensitive to, a series of highly critical assumptions and variables as detailed in the Budget 2022-2023 Report approved by Cabinet at its meeting on 12 January 2022.

47. That report included commentary that the revised position provided an opportunity to revise the profile of £4m savings from 2022/23 to 2023/24. Approval to the reprofiling was given and the following table sets out the savings that have already been agreed for the respective years.

Nature of Saving Proposal	2022/23 £'000	2023/24 £'000
Adult Social Care Service Reviews		
• Learning Disabilities Service Review	417	1,763
• Commissioned Services	191	309
• Care Packages	125	0
Children's Social Care Service Reviews		
• Residential and Foster Care Placements	1,346	1,804
• Young People Leaving Care	214	286
• Children's Centres and Early Help Services	700	0
• Family Support Services	479	0
• Other Services	50	50
Children's Services Service Reviews		
• Education Services	95	0
• Young People's Services	150	0
• Department Wide	125	0
Public Health Service Reviews		
• Review of Public Health Funded Programmes	752	0
Place Services Service Reviews		
• Councillor Improvement Fund	75	0
• Department Wide Service Review	871	949
• Supported Living Grant	245	0
Corporate Services Service Reviews	209	139
TOTAL	**6,044**	**5,300**

RESERVES AND BALANCES

48. The level of reserves that the council should maintain must be set having regard to the financial risks facing the authority. These risks can and will change over time and the consequence of not having a prudent level of reserves can be significant.

49. In arriving at a view on the adequacy of reserves it is necessary to take into account the following matters:

    - the purpose of holding reserves and balances
    - the risks and uncertainties that may have financial consequences
    - the potential impact of these and the likelihood of them arising
    - any mitigations that could limit the impacts of risks crystalising
    - the opportunity cost of holding reserves and balances

50. The Council has historically maintained an appropriate level of reserves as a result of its sound financial management which has served to protect the council's financial position over a period that has included significant reductions in central funding and equal pay liabilities arising. The provision of an appropriate level of reserves forms an integral part of the budget setting process, whilst the importance of ensuring that resources are working towards delivery of council priorities is fully understood.

51. The risk profile of the council must be assessed in the context of previous reductions in spending power at the same time of underlying increases in general inflation, demand and expectation, substantial increases in specific commodity prices for energy and fuel, the ongoing impact of the pandemic, and the recovery plans to support business and the borough's residents. As has been reported consistently to Cabinet, local government finances are faced with significant financial challenges and uncertainty in future funding arising from a number of issues which must be factored into the assessment of reserves and balances and highlights the need for a longer-term view when doing so.

52. The Medium Term Financial Strategy provides the updated Budget Risk Assessment. It is also important to recognise this list cannot be seen as exhaustive due to the complexity of the council's activities and the environment within which it operates. Having due regard to these, together with the budget strategy adopted it is considered that an underlying level of general balances of £12m is appropriate when setting the budget for 2022/23. It must also be acknowledged that a number of the identified risks may be classed as contingent liabilities and a specific reserve exists to assist in addressing any contingent liabilities that crystalise.

53. As stated previously, as part of the council's Medium Term Financial Strategy the Council continues to put in place a programme to increase overall reserve balances in the medium term.

Capital Receipts

54. The Council holds Unapplied Capital Receipts from the sale of assets it previously owned. These are held to allow the council to purchase assets, support capital schemes where prudential borrowing is not considered to be appropriate, and to provide potential match funding for schemes where no other funding source is available.

55. Under normal rules, capital receipts can only be used to fund capital expenditure, However, to support local authorities to deliver more efficient and sustainable services, in recent years the Government have provided some opportunity for capital receipts flexibility.

56. The Government announced in the Spending Review 2021 their intent for an extension of the flexible use of capital receipts scheme beyond March 2022. Details of how the scheme will operate have not yet been confirmed. In principle, if the extended scheme is consistent with previous freedoms, this will allow the use of capital receipts from the disposal of certain assets to provide an alternative way of funding one-off transformation costs and up-front investment associated with delivery of recurring savings, which are required to deliver a balanced budget in future years.

57. Given the level of savings required over the medium-term and the plans for achieving financial sustainability, the Cabinet meeting of 14 July 2021 approved the use of these capital receipt flexibilities in support of the council's Medium Term Financial Strategy.

58. The Council is required to produce an annual Flexible Use of Capital Receipts Strategy for 2022/23; this is included at Appendix 8.

59. The use of Capital Receipts is not a free resource, as these funds have been used to 'internally borrow' to reduce the council's exposure to interest rate movements and credit risk. Therefore, as the receipts are used, replacement borrowing may need to be taken out, with consequent additional cost. This is not a barrier to use but must be fully considered when assessing whether they should be used. The current level of capital receipts after taking into account capital commitments is £5.6m.

Earmarked Reserves

60. The Council's Reserves Strategy is primarily focussed on supporting performance, transformation, regeneration and growth. The Reserves Strategy is included at Appendix 1.

61. In assessing the appropriateness of existing levels of each reserve as part of the budget process and specifically in order to ensure that reserves remain relevant and are adequate when considered in the context of the council's strategic, operating, financial and risk environments a review of reserves has been undertaken.

62. A detailed description of reserves, and the process for using them, is given at Appendix 1.

63. The following table provides details of forecast reserves at 31 March 2023.

Earmarked Reserve	Estimated Balances at 31/3/2022 £'000*	Commitments To/(From) Including Transfers £'000	Balances Available for Investment at 31/3/2023 £'000
Transformation Reserve*	8,574	8,211	16,785
Growth Reserve	5,231	(343)	4,888
Funding Reform Volatility Reserve	7,227	2,000	9,227
Essential Equipment Fund	1,247	(984)	263
Councillor Improvement Fund	552	(100)	452
Waste Management Development Fund	1,201	(888)	313
Community Improvement Reserve	713	(126)	587
Insurance & Contingent Liability Reserve	4,518	0	4,518
Inflationary Reserve	2,000	1,000	3,000
Restructuring Reserve	1,617	0	1,617
SUB-TOTAL	**32,880**	**8,770**	**41,650**
COVID-19 Reserve***	6,649	(3,000)	3,649
TOTAL**	**39,529**	**5,770**	**45,299**

* During 2021/22 £9.1m of Transformation Reserve funding was utilised towards a payment to Merseyside Pension Fund which would generate savings against pension contributions over the period 2021 to 2023. This sum will be reimbursed to Reserves during 2022/23.

** These figures exclude approved and provisional commitments from reserves extending beyond March 2023.

*** Excluding the sum required to be set aside in the COVID-19 reserve as at 31 March 2022 to compensate the council for the reduction in Business Rate income as detailed in para 22 and 23 of the report.

64. It is proposed to create a new reserve, the Pensions Reserve created from the transfer of £12m from the Transformation Reserve, £6m from the Funding Reform Volatility Reserve and £2m from the Insurance and Contingent Liability Reserve. The purpose of this new reserve would be to provide opportunity to realise future savings from the prepayment of pension liabilities to Merseyside Pension Fund following the actuarial revaluation of the Pension Fund.

65. It is further proposed to rationalise a number of other reserves in order to focus on the delivery of the council's priorities in the medium to longer term. It is proposed that the Essential Equipment Fund and the Community Improvement Reserve are amalgamated into the Transformation Reserve.

66. The following table provides details of the forecast reserves at 31 March 2023, if the proposed realignment of reserves is approved.

Earmarked Reserve	Estimated Balances at 31/3/2022 £'000	Commitments To/(From) Including Transfers £'000	Balances Available For Investment at 31/03/2023 £'000
Transformation Reserve	8,574	8,211	16,785
Growth Reserve	5,231	(343)	4,888
Funding Reform Volatility Reserve	7,227	2,000	9,227
Essential Equipment Fund	1,247	(984)	263
Councillor Improvement Fund	552	(100)	452
Waste Management Development Fund	1,201	(888)	313
Community Improvement Reserve	713	(126)	587
Insurance & Contingent Liability Reserve	4,518	0	4,518
Inflationary Reserve	2,000	1,000	3,000
Restructuring Reserve	1,617	0	1,617
SUB-TOTAL	**32,880**	**8,770**	**41,650**
COVID-19 Reserve	**6,649**	**(3,000)**	**3,649**
TOTAL	**39,529**	**5,770**	**45,299**

67. The balances shown can be committed in line with the process identified in Appendix 1. Options for the use of the above are considered in light of their impact on service provision and/or ability to contribute to, or enable, the delivery of key priorities or objectives.

68. The COVID-19 reserve was created as part of the closure of the 2020/21 accounts. It is proposed that any non-conditional COVID-19 funding received in 2021/22 which has not been utilised will be set-aside and carried forward in this reserve to be applied against COVID-19 legacy expenditure pressures arising in 2022/23 and beyond. This will be undertaken as part of the closure of the 2021/22 accounts, as appropriate.

69. It is recognised that ongoing legacy pressures arising from COVID-19 will continue and the application of the specific COVID-19 reserve during the period of the Medium Term Financial Strategy will provide some resource in relation to these additional expenditure and income losses.

BUDGET POSITION 2022/23

70. Cash limited budgets for each portfolio have been calculated at a level that is consistent with the detail and information provided in previous budget reports, allowing for technical adjustments for matters such as support service allocations and capital charges - the financial impact of which are neutral.

71. The cash limits also reflect all previous decisions for the utilisation of earmarked reserves, including those referenced in paragraph 61, and the savings proposals referenced in paragraph 45.

72. Having regard to the issues detailed above and the proposals contained elsewhere in the report the overall budget requirement of the council is provided in the following table.

2022/23 Budget	2022/23 £'000 Estimate
Education, Skills & Business	12,663
Children & Young People	46,857
Integrated Care & Health	56,452
Wellbeing, Culture & Heritage	4,714
Finance & Governance	6,443
Reset & Recovery	1,448
Environment & Transport	21,392
Regeneration & Planning	3,483
Safer, Stronger Communities	8,513
Total Portfolio Budgets	**161,965**
Levies	22,382
Treasury Management	11,255
Restructure Costs*	1,000
Net contribution from Earmarked reserves**	(1,879)
Capital Charges	(14,749)
Total Spend	**179,974**
New Homes Bonus	(1,344)
Lower Tier Services Grant	(291)
2022/23 Services Grant	(3,186)
Pension recoupment	(1,618)
PFI (Interest) Grant	(2,122)
Formula 'Top Up'	(21,070)
Business Rates/Section 31 Grants	(61,111)
Collection Fund**	(2,583)
Council Tax Requirement	**86,649**

*Net of sum applied via Flexible Use of Capital Receipts Strategy as detailed in Appendix 8

** Excluding the (neutral) impact of the matter referred to in paragraphs 22-24 re Business Rate reliefs

73. Portfolio and Priority Budget Summaries have been produced and these are provided at Appendix 7.

74. All actions and decisions related to Treasury Management will be in accordance with the Treasury Management Strategy Statement 2022/23, Annual Revenue Provision Policy Statement and Annual Investment Strategy as provided at Appendix 2. The budget proposed is reflective of this.

CAPITAL PROGRAMME AND CAPITAL STRATEGY

75. A summary of the Capital Programme is provided in the following table, with the detailed programme included at Appendix 4(b).

Expenditure by Portfolio	2022/23 £'000	2022/23 £'000	2023/24 £'000
Education, Skills & Business	15,912	3,050	2,300
Children & Young People	30	0	0
Integrated Care & Health	25	0	0
Wellbeing, Culture & Heritage	400	0	0
Reset & Recovery	1,024	180	0
Environment & Transport	41,679	25,520	6,900
Regeneration & Planning	1,473	20	20
Safer, Stronger Communities	4,763	4,296	3,148
Total	**65,306**	**33,066**	**12,368**
RESOURCED BY			
Borrowing	6,632	14,310	700
Grants/Other Contributions	54,216	18,164	11,648
Capital Receipts	2,578	592	20
Revenue Contribution	1,880	0	0
Total*	**65,306**	**33,066**	**12,368**

*Excluding the impact of any other reports that may be considered by Cabinet at its meeting of 23 February 2022

76. The council has ambitious capital plans over the medium term and a number of potential strategic capital schemes have been identified for 2022/23, alongside pipeline schemes for future years. A summary of the potential investment of the council over the period 2022 to 2025 is provided in the following table, which summarises costs for schemes which were considered as part of last year's Medium Term Financial Strategy, and potential new schemes which have been brought forward for consideration. Appendix 5 provides further detail.

77. A number of schemes will potentially commence in 2022/23, subject to approval following the feasibility, design and detailed plans. The costs of the schemes to the council will primarily be funded by way of borrowing. Funding for future schemes is to be identified, and this may include the potential to secure additional funding from external sources. However, some schemes already include external funding in addition to the expenditure shown in the table.

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Strategic Capital Investment Schemes - Previously Identified Schemes	31,930	41,746	40,054	22,156
Strategic Capital Investment Schemes - Additional Identified Schemes	10,738	16,087	10,368	7,355
Total	**42,668**	**57,833**	**50,422**	**29,511**

78. The Local Government Act 2003 introduced the current system of capital financing and control. The basic principle of this system is that the council may incur capital expenditure and set its own overall level of borrowing provided that capital spending plans are affordable, prudent and sustainable.

79. The Council is governed by the Prudential Code for Capital Finance in Local Authorities (the Code), which ensures that the objectives of affordability, prudence and sustainability are met. The Code specifies arrangements for councils to set and monitor prudential indicators and impose limits for the current and next three financial years.

80. The prudential indicators, their purpose and method of calculation are detailed within The Treasury Management Strategy 2022/23 and are based on the currently approved capital programme and assumptions consistent with the budget. These are provided at Annex 3 of Appendix 2.

81. Included at Appendix 3 is a Capital Strategy providing a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services; an overview of how associated risk is managed; and the implications for future sustainability.

COUNCIL TAX LEVEL

82. The Government establish a threshold to limit the level of future Council Tax increases by requiring local authorities to carry out referendums above a certain level of increase. The 2022/23 Local Government Finance Settlement allows Local Authorities to increase their Council Tax by less than 2% without the need to hold a referendum.

83. Similarly, the Government has provided the ability for Local Authorities with responsibility for Social Care to raise a further Adult Social Care Precept of up to 1% in 2022/23.

84. It is proposed that a Council Tax increase of 2.99% is agreed, inclusive of the application of a 1% Adult Social Care Precept, with the 2022/23 Band D Council Tax (excluding Parish precepts) being set at £1,625.99. Increasing the council Tax will provide sustainable income to the council which will help to protect the delivery of statutory functions and other vital services at a time of increasing service demands.

ROBUSTNESS OF BUDGET ESTIMATES

85. To determine the robustness of the budget estimates involves a complex range of information, factors, assumptions, projections, controls, procedures and processes which will inform the council's position. It is not just a financial exercise and requires Council-wide involvement in supporting an integrated approach to the preparation, delivery, monitoring and review of soundly based plans if the budget is to be evidenced as being truly robust.

86. The Budget has been formulated having regard to factors including statutory responsibilities; pressures on the revenue budget in 2021/22; the impact of COVID-19, additional resource commitments arising from decisions previously made; funding availability; financial and operational risks and uncertainties; inflation; priorities; interest rate and wider economic environments; and demographic and service demand pressures.

87. Assumptions about future levels of government funding are based on allocations outlined in the Local Government Finance Settlement, and forecasts based on relevant government pronouncements, including those relating to the council's participation in the Liverpool City Region Business Rate Retention Pilot.

88. Limitations in the ability to accurately project the council's longer-term resource availability are recognised, reported on a regular basis, and are identified as a key risk. Work has been undertaken, acknowledging the multiple reforms and substantial uncertainties that exist, to model the council's revenue financial position beyond 2022/23.

89. This modelling exercise forecasts a shortfall in resources when assessed against the need to spend on services in future years and will add to the pressures related to increasing demands for statutory services and brought about as a consequence of the legacy of the COVID-19 pandemic. Work will be undertaken during 2022/23 that will be pivotal in developing the strategies and actions to protect the council's financial and operational stability over the longer term and reports will be presented to Cabinet in the next financial year to agree future actions.

90. The Council's Constitution contains a clear Budget and Policy Framework, which allows for flexibility in budget management. The budget timetable is well communicated, and mechanisms exist to review options for service delivery which link into the budget process and to facilitate service improvement and investment of resources in current and emerging Council priorities.

91. Executive Directors have processes in place to identify and report budget pressures and risks on an ongoing basis as part of the budget process.

92. Actions to operate within agreed cash limits are regularly approved by Cabinet. Savings options have been considered and formulated having regard to Council priorities and with a primary objective of having the least negative impact on residents. The savings proposals considered in setting the budget for 2021/22 and developing the Medium Term Financial Strategy 2021-2024 were agreed to incorporate a three year period. Therefore, the savings for 2022/23 were covered in this exercise. Impact assessments

relating to all savings proposals were considered and will be updated as part of the decision making process.

93. The Council's Overview and Scrutiny Commission is involved throughout the budget process and provides an additional layer of challenge and assurance.

94. The 2022/23 budget is balanced and, in finalising the draft budget, consideration has been given to risks and levels of prudent reserves.

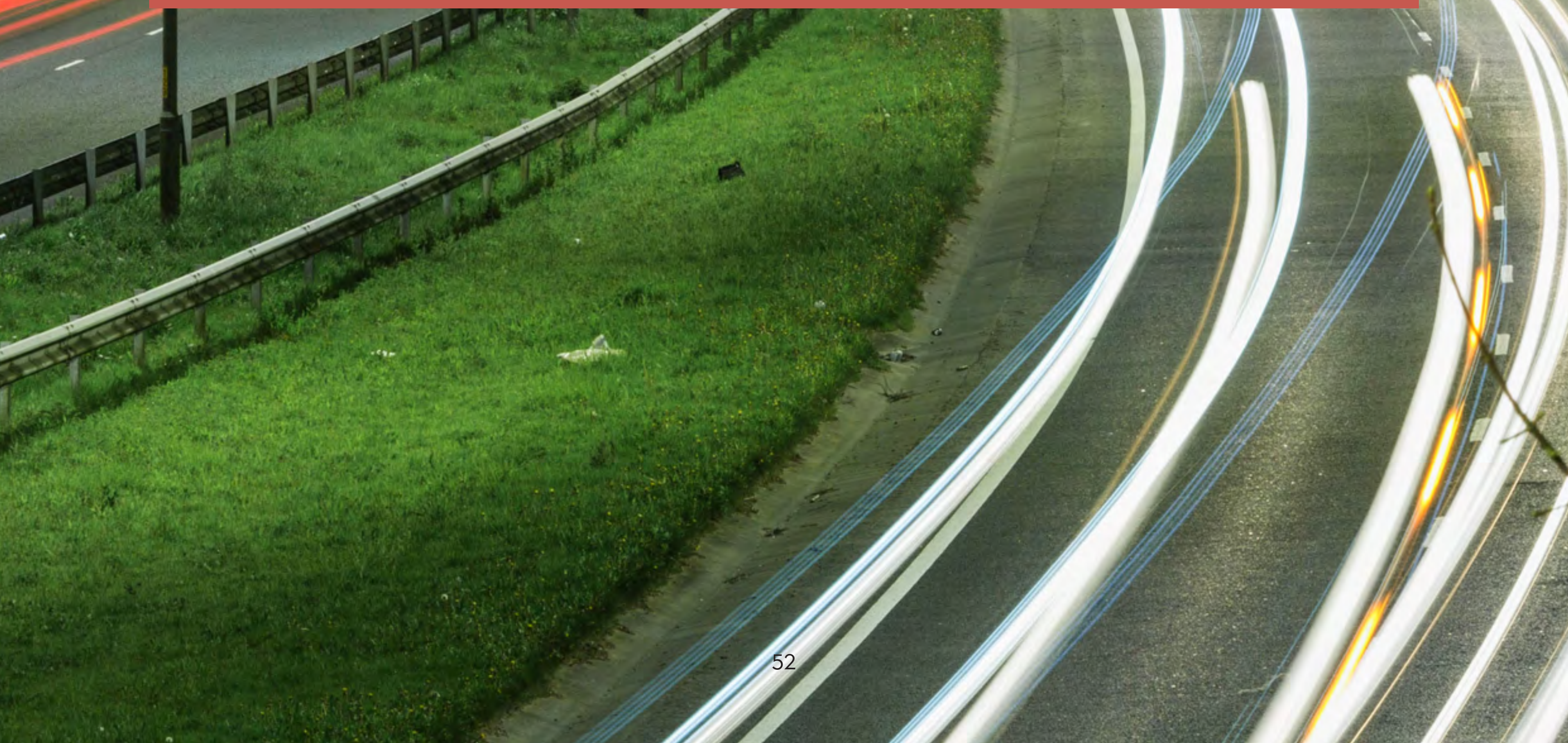
95. The Council recognises that the level of reserves it should maintain must be set having regard to its future sustainability, priorities, and the operational and financial risks facing the authority. Actions to eliminate the underlying, non-sustainable, use of reserves and build up reserve levels have been implemented as part of the council's Medium Term Financial Strategy.

96. Based on the above evidence, it is the view of the Section 151 Officer that the council budget for 2022/23 is robust.

APPENDIX 1: RESERVES STRATEGY

BACKGROUND

1. Whilst the council continues to face significant financial challenges and uncertainty in funding it remains committed to its ambitions of delivering its place shaping strategic priorities and being a modern and efficient council. This means that the council must prioritise resources for key service objectives, whilst at the same time delivering services within budget constraints. Ensuring financial sustainability over the medium term is a priority for the council.
2. Reserves play a vital role in offering transitional support to act as a buffer and to ensure smooth service transition as the council adapts to organisational changes and new ways of working; and to offer time limited opportunity for investment to aid strategic delivery.
3. It is imperative that the council has a strong and robust Reserves Strategy that adequately reflects the future needs of the organisation and that reserves are set at a level that mitigate against future risks and uncertainties and also provide opportunity for investment within the confines of overall affordability and availability of resource.
4. Given the current environment it is imperative that the council continues to build its reserves over the short to medium term, and therefore, the council will look to increase the level of reserves through its Medium Term Financial Strategy. A minimum level of general reserves has been assessed for the council to remain a going concern as part of the budget setting process. As part of the finalisation of the year end position, opportunities will be taken, if possible, to replenish reserves in the light of risk appraisal.
5. This Reserves Strategy sets out the protocol for use of reserves and re-assesses the adequacy of reserves.



LEGISLATIVE/REGULATORY FRAMEWORK

6. The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
7. There are no statutory minimum levels imposed and it is not considered appropriate or practical for the Chartered Institute of Public Finance and Accountancy (CIPFA), or other external agencies, to give prescriptive guidance on the minimum or maximum level of reserves required, either as an absolute amount or a percentage of the budget.
8. The adequacy of the level of reserves is therefore a matter of local judgement bearing in mind the level of risk the council faces together with the requirement to provide any non-recurring support for strategic priorities.
9. Strategies around the management of reserves within the current difficult financial environment are somewhat subjective. Professional and regulatory bodies suggest that reserves should be increasing over the medium term to ensure financial sustainability, whereas the views of Government have historically been that councils should utilise their reserves over the short to medium term.
10. The council's auditors will assess the level of reserves held at local level as part of their annual audit and may make recommendations to the level of the adequacy of those reserves with regard to the financial sustainability of the council.

ROLE OF THE CHIEF FINANCIAL OFFICER

11. Within the existing statutory and regulatory framework it is the responsibility of the Chief Financial Officer to advise the local authority about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use.

12. This requirement is also reinforced by Section 114 of the Local Government Finance Act 1988, which requires the Chief Financial Officer to report to all the authority's councillors, if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year.

PURPOSE OF RESERVES AND BALANCES

13. Reserves can be classed as general reserves or earmarked reserves and represent funds that are not part of the normal recurring budget of the council but are a discrete resource of finite funds.

14. General reserves are set aside to provide a short-term cushion for the impact of uneven cash flow, to provide an emergency fund for exceptional unmitigated circumstances and to ensure that the council remains a going concern. The current level of the council's general reserves is set at £12m. This figure is judged as a prudent level of balance to be set aside to ensure the council remains financially liquid as a going concern. This fund is held as a fund of "last resort" when all other reserves or budgets have been completely depleted for unknown risks.

15. Earmarked reserves are held to mitigate against potential specific risks that the council faces; cushion against uncertainty; provide for anticipated liabilities and short-term investment for strategic priorities or support the operational delivery of specific services. These reserves are held for either strategic purposes to give flexibility in the use of corporate resources or are held as specific ring-fenced reserves for operational needs.

16. Given the increased pressures on the annual revenue budget the ability for the council to build up reserves will become increasingly difficult in future years. Clear protocols therefore should be in place for the use of each earmarked reserve that set out:

    - The reason for/purpose of the reserve
    - How and when the reserve can be used
    - An assessment of the adequacy of the reserve in light of risk factors
    - Procedures for the reserve's management and control
    - A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

RISK FACTORS

17. The table below identifies the key risks that are mitigated and managed through this Reserves Strategy.

Risk	Reserve
Short-term liquidity and cash flow.	General
Unforeseen emergencies.	General
Strategic service transformation and ability to ensure services remain fit for purpose and deliver value for money.	Transformation
Achievement of high priority strategic objectives that require pump priming or inward investment.	Growth/Transformation
Financial risks inherent in major developments and projects that are aligned to strategic priorities.	All reserves as appropriate to project
Provide interim support for emerging risks that were unknown at budget setting and are an unavoidable commitment through regulatory or legislative reform that are outside the direct control of the council.	Inflationary
Fluctuations, loss and uncertainty in funding or income levels coupled with the council's ability to respond in a timely way, thereby providing a buffer to enable the council to adapt.	Funding Reform Volatility
Variations in Business Rate yield due to the impact of appeals and other factors which can reduce funding availability.	Funding Reform Volatility
Cost increases significantly above the inflation provision built into the budget.	Inflationary
Respond to changes in demand for services.	Transformation
Volatility of pension fund performance.	Pensions Reserve
Crystallisation of Risks/Events of uncertain timing.	Insurance and Contingent Liability

REPORTING FRAMEWORK

18. The Medium Term Financial Strategy includes a forward forecast of future balances for the relevant period. The council's annual Revenue Budget includes a statement showing the forecast movements in reserves during the one year budget period.

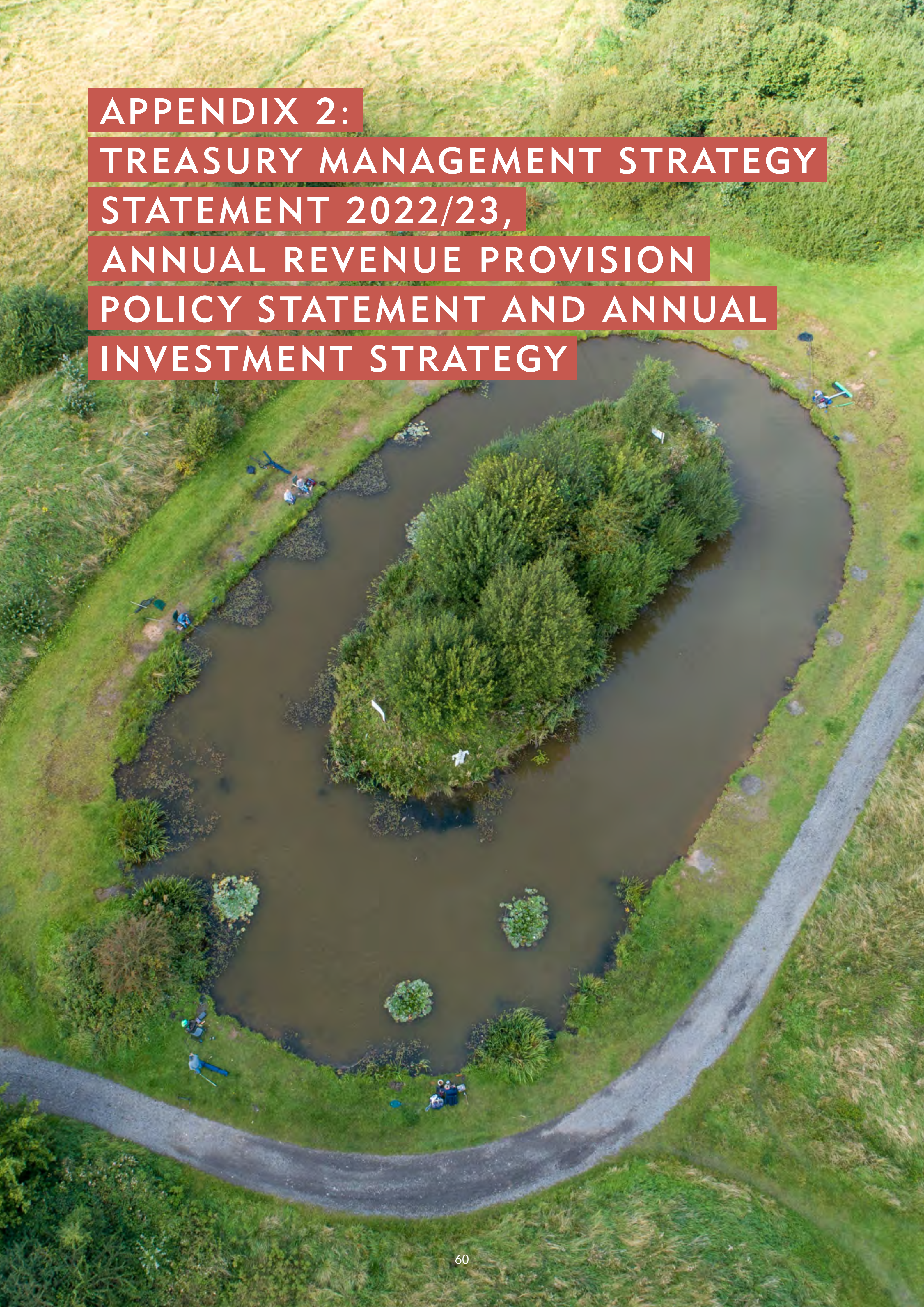
19. The level and utilisation of reserves will be determined formally by the council, informed by the advice and judgement of the Chief Financial Officer or his/her deputy. The protocols covering all reserves are set out in the following table.

EARMARKED RESERVES PROTOCOL

Purpose	Process for Use (subject to statutory and council decision making protocols e.g. relating to limits of approval)
Transformation Reserve Access to the fund is available for services undergoing fundamental change in service delivery and requiring project management and/or specialist activities to achieve new operating models, improved performance or enhanced outcomes. In addition, the fund can also be utilised to ensure equipment supports the latest advancements in technology and/or delivers the council's modernisation programme. The fund may also be accessed to promote the climate change agenda and support the development of services which create a greener and sustainable environment.	Individual projects will require clearly defined and measurable outputs which enable or deliver key transformation objectives. Accessed via Administrative/Delegated Executive Decision by the Chief Executive/Assistant Chief Executive or Executive Directors.
Growth Reserve The use of this reserve will be to support the delivery of developments which would enhance the economic growth of the Borough, attracting new business and employment opportunities and, in addition, secure the long-term viability of St Helens Town Centre and its localities.	Proposed usage must be linked to regeneration of the Borough and demonstrate wider benefits, including supporting the growth agenda and the attraction of new businesses. Accessed via Administrative/Delegated Executive Decision by the Chief Executive/Assistant Chief Executive, Executive Director of Place Services and Executive Director of Corporate Services.
Funding Reform Volatility Reserve The purpose of this reserve is to provide resilience to the council from the uncertainties in future changes in Government funding and finance reform and 'smooth out' resources during the transition period. It is also used to absorb smoothing related to the complex arrangements for Business Rates and the volatility of the Business Rates mechanism, which can involve reconciling payments over a number of years.	The use of the funding must be agreed by the Executive Director of Corporate Services.
Councillor Improvement Fund To provide funding towards projects within local communities proposed by local residents and council taxpayers.	The use of the funding is for projects meeting specific criteria and has been approved by local councillors and is within agreed budgets and timescales.

Purpose	Process for Use (subject to statutory and Council decision making protocols e.g. relating to limits of approval)
Waste Management Development Fund Merseyside Recycling and Waste Authority (MRWA) has resolved for the distribution of its Waste Development Fund to the constituent Districts. In doing so, the council has entered into a Memorandum of Understanding with MRWA as to how these funds should be used to deliver the Joint Recycling and Waste Management Strategy (JRWMS) targets and objectives.	Proposals must relate to necessary service changes to achieve the delivery of the JRWMS. Accessed via Administrative/Delegated Executive Decision by the Chief Executive/Assistant Chief Executive, Executive Director of Place Services and Executive Director of Corporate Services.
Pension Reserve The purpose of this reserve is to provide resilience due to the volatility inherent in the Merseyside Pension Fund, of which St Helens is a member. This reserve exists to potentially smooth out volatility of payments and commitments to the fund, based on changing valuations of the funds' assets and liabilities. The reserve would also provide opportunity to realise future savings from the prepayment of pension liabilities to Merseyside Pension Fund following the actuarial revaluation of the Fund.	The use of the funding will be agreed by the Executive Director of Corporate Services.
Insurance & Contingent Liability Reserve The use of this reserve is to provide resource cover for additional and unforeseen insurance claims which may be brought in the future and also financial risks that the council may face in the form of contingent liabilities.	The use of the funding will be agreed by the Executive Director of Corporate Services.
Inflationary Reserve The use of this reserve is to support services where cost increases are significantly above inflation and not to allow for these costs would have a direct impact on the delivery of essential services.	The use of the funding will be agreed by the Executive Director of Corporate Services.

APPENDIX 2: TREASURY MANAGEMENT STRATEGY STATEMENT 2022/23, ANNUAL REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY



1. BACKGROUND

1.1 1.1 The Local Government Act 2003 (the Act) and the associated CIPFA Prudential Code require the council to set Prudential and Treasury Indicators for the next three years to ensure that the council's capital investment plans are affordable, prudent and sustainable.

1.2 The Act also requires the council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy that sets out the council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

1.3 The Strategy for 2022/23 covers:

- the current treasury position
- prospects for interest rates
- borrowing requirements and strategy
- Annual Revenue Provision policy statement
- the investment strategy
- the extent of debt rescheduling opportunities
- treasury management limits and prudential indicators for the period 2021/22 to 2024/25

1.4 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 for the council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

(i) increases in interest charges caused by increased borrowing to finance additional capital expenditure; and

(ii) any increases in running costs from new capital projects are limited to a level, which is affordable within the projected income of the council for the foreseeable future.

1.5 The Council uses Link Asset Services as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon its external advisors.

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

1.6 In December 2021, CIPFA issued revised Prudential and Treasury Management Codes, which updated the Codes of 2017. The 2021 Codes must be adopted from 1 April 2023, at the latest.

1.7 Since 1 April 2019, all local authorities have been required to prepare an additional report, a Capital Strategy, which provides the following:

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

The aim of the report is to ensure that all Council Members fully understand the overall strategy, governance arrangements, protocols and procedures within which capital decisions will be taken.

2. CURRENT TREASURY POSITION

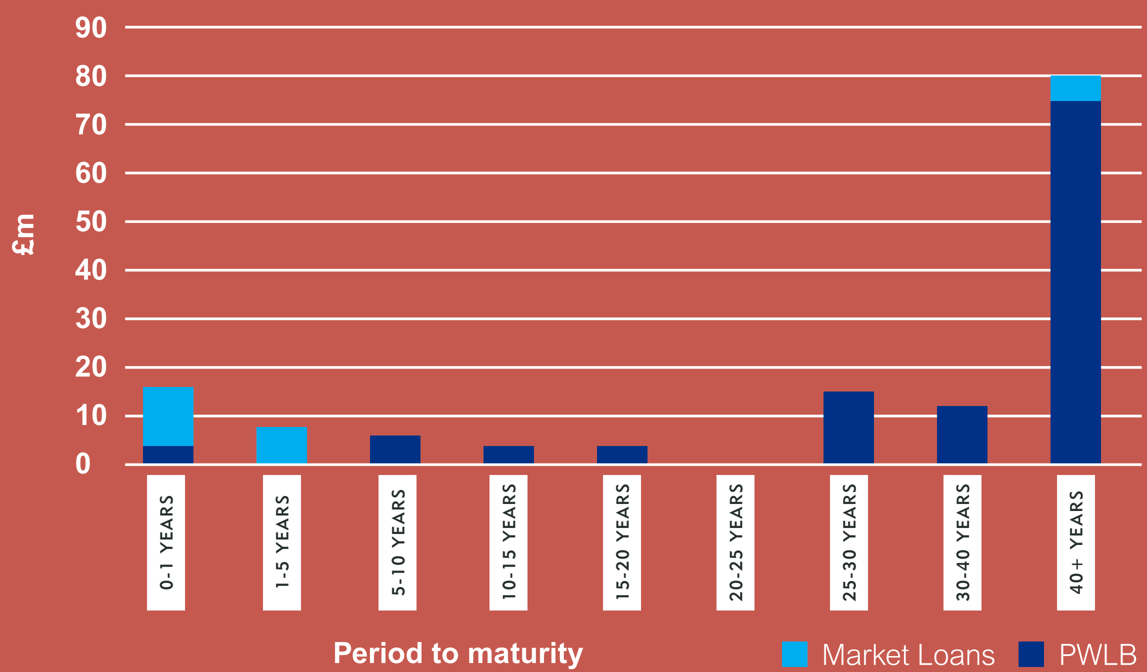
Borrowing

2.1 As at 31 December 2021 the council currently had outstanding external borrowing of £140.632m, which comprised:

Outstanding Debt at 31/12/2021	Principal £m	Average Rate %
Public Works Loan Board (PWLB) Debt	117.632	3.586
Market Debt	23.000	4.162
Total Debt	**121.565**	**3.680**

2.2 £20m of the market debt is held in the form of LOBO loans, where there are certain options on the part of both the council, as borrower, and the lender at specified points in the loans' existence. The profile of the council's borrowing (both market and PWLB) is detailed in the following chart.

ANALYSIS OF LOAN MATURITIES AS AT 31/12/2021



In accordance with the Prudential Code, the maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment. If the lender does have the right to increase the interest rate payable (as is the case with a LOBO loan), then this should be treated as a right to require payment. In accordance with this guidance, the maturity dates of the council's LOBO loans have been taken as the next call date for each loan. In the current interest rate climate, it is unlikely that these loans will be called imminently.

2.3 The council's current external debt position (together with forward projections based on the currently approved capital programme) is detailed below. The table enables a comparison of the levels of external debt against the underlying capital borrowing need, as measured by the Capital Financing Requirement (CFR). This demonstrates the under borrowing when compared to the underlying need.

External Debt	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Debt as at 1 April	121.563	140.627	137.520	137.507
Forecast Change in Debt	19.064	(3.107)	(0.013)	(0.013)
Other Long-Term Liabilities (OLTL)	22.089	21.460	20.750	19.980
Expected Change in OLTL	(0.629)	(0.710)	(0.770)	(0.884)
Projected Gross Debt as at 31 March	**162.087**	**158.270**	**157.487**	**156.590**
Capital Financing Requirement	194.500	197.695	207.904	203.953
(Under) / Over Borrowing	**(32.413)**	**(39.425)**	**(50.417)**	**(47.363)**

2.4 Within the prudential indicators there are a number of key indicators to ensure that the council operates within well-defined limits. One of these is that the council needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. As is detailed by the table above the council's projected gross debt is significantly lower than its CFR over the period. The variance reflects previous strategy decisions to use available resources to negate the need to incur additional borrowing.

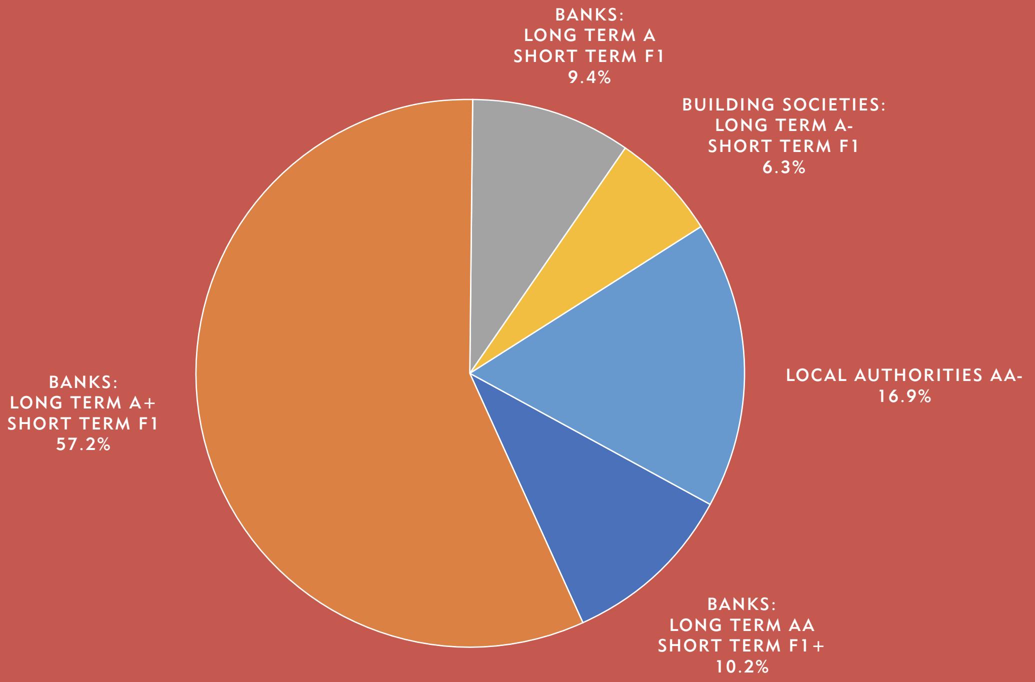
2.5 The Strategy adopted in previous years has proved to be largely successful. However, this flexibility within the Treasury Management Strategy is contingent on the utilisation of capital receipts and other reserves to fund capital activity. If risks identified within the council's financial strategy arise or the availability of internal resources to fund the capital programme diminishes, then the council would have the capacity to undertake additional external borrowing to fund such eventualities or simply address the underlying difference between the CFR and its actual borrowings.

2.6 A new accounting standard (International Financial Reporting Standard 16 - Leases) was due to be introduced with effect from the 1 April 2020. This accounting standard will have the impact of moving leases of a material value from off balance sheet leased assets onto the balance sheet. This will have knock-on implications for a number of the prudential indicators, including the Capital Financing Requirement, External Debt (Other long-term liabilities), the authorised limit and operational boundary. However, due to the COVID-19 pandemic and the impact upon finance functions within local authorities, the date of implementation has been deferred until a future year (as yet to be determined). It is likely that limits will need to be amended in future years to reflect the changes.

Investments

2.7 As at 31 December 2021 the council had investments of £159.506m in a range of institutions as follows.

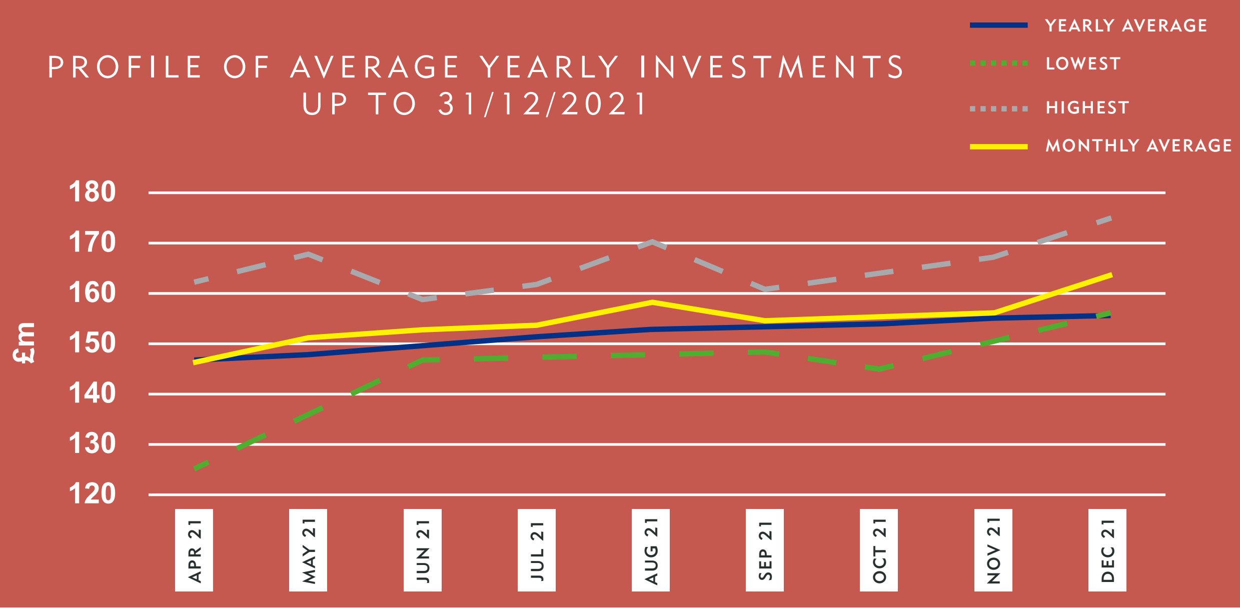
ANALYSIS OF INVESTMENTS BY CREDIT RATINGS
AS AT 31/12/2021



These investments include (circa. £17.8m) funds held on behalf of Schools & MRWA.

2.8 Dependent on the timing of the council's cash flows, this level of investments will rise or fall. The average daily sum invested thus far during 2021/22 is around £154.682m and this level of investments is key to the consequential borrowing considerations as detailed in Paragraphs 2.1 to 2.5. The profile of average investment levels thus far is as detailed in the following chart.

PROFILE OF AVERAGE YEARLY INVESTMENTS
UP TO 31/12/2021



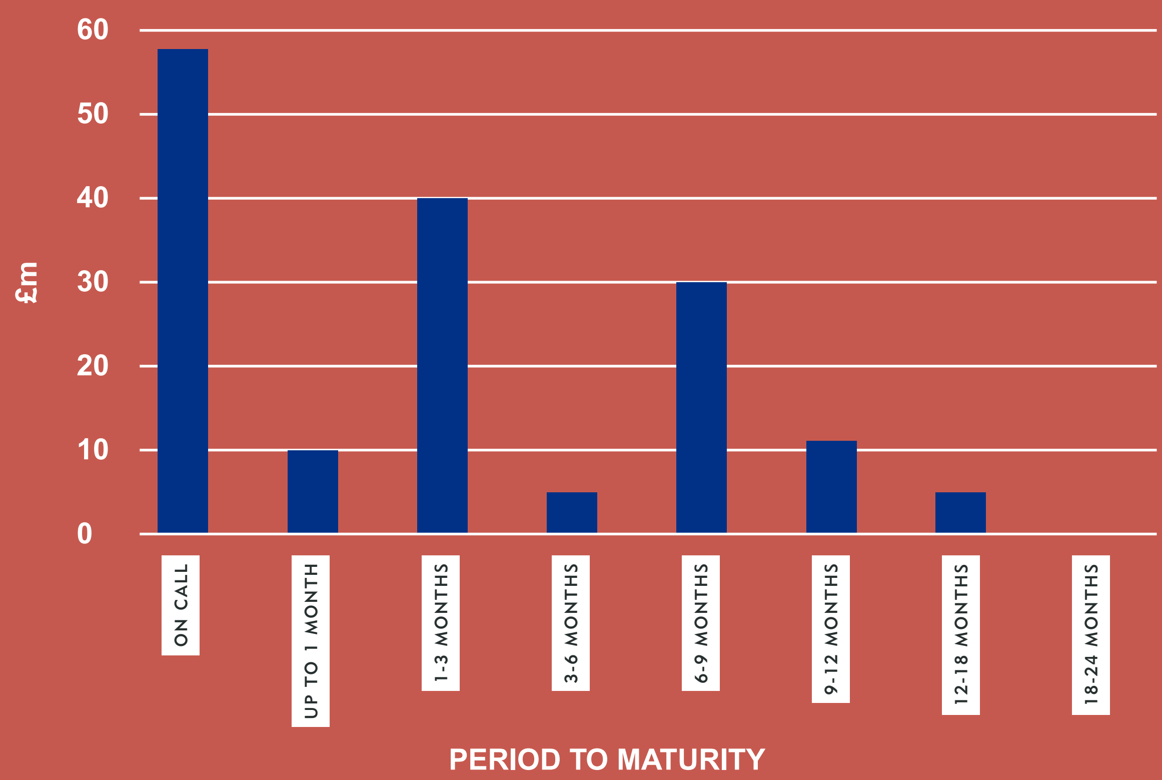
2.9 Levels of investments forecast as at 31 March 2022 are likely to be lower than the current balance based on current spending plans, the projected receipt of funds and projected use. It is forecast that the balance of funds available for investment during 2022/23 will be slightly below the levels anticipated at the end of 2021/22. This is a consequence of plans and commitments faced by the council during the forthcoming financial year.

2.10 Merseyside Recycling and Waste Authority (MRWA), under a Service Level Agreement (SLA), utilise a number of St Helens Borough Council support services. One of those is Treasury Management services. Historically MRWA have had funds which have been invested with the council's investments. This has been the position for the current financial year to date.

2.11 The Bank of England reduced interest rates at the start of the pandemic to historically low levels and current forecasts, as detailed in Section 3, are that rates will increase over the short to medium-term. As a result, the council has sought to hold a balance of short and longer-term fixed terms deposits, to lock into favourable rates of return at the time, whilst retaining flexibility to take advantage if rates increase. However, the profile of investments has been somewhat restricted as security of capital is of paramount importance and, therefore, investment options are limited to a small number of Counterparties.

2.12 The profile of investment maturities as at 31 December 2021 are detailed in the following chart.

ANALYSIS OF INVESTMENT MATURITIES AS AT 31/12/21



3. PROSPECTS FOR INTEREST RATES

3.1 The Council has appointed Link Asset Services as a treasury advisor and part of their service is to assist Officers to formulate a view on interest rates. Annex 1 provides an overview of current City forecasts for both short and longer-term interest rates. As expected, the Monetary Policy Committee (MPC) increased Bank Rate from the historic low rate of 0.10%, which was set as an emergency action in response to the impact of the COVID-19 pandemic and uncertainty around Brexit, to 0.25% in December 2021.

3.2 This increase was followed by a further rise in Bank Rate on 3 February 2022, to 0.50% in response to continuing rising inflation.

3.3 Link Asset Services project that further increases in Bank Rate are expected, with two more increases built into forecasts for 2022/23. These forecasts are based upon the fact that the MPC is heavily focused on combating the current inflationary environment. These predicted rates are broadly in line with other forecasters' estimates.

3.4 The uncertainty that existed around Brexit has played a major part in MPC policy over the past 3 years, combined with the economic downturn on the back of the COVID-19 pandemic. However, the major factors causing uncertainty over future changes to Bank Rate are supply shortages and the current spike in inflation.

3.5 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year.

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

- Investment returns are likely to remain relatively low during 2022/23, despite forecast increases in Bank Rate
- Borrowing rates fell to historically low rates as a result of the COVID-19 pandemic and the quantitative easing operations of the Bank of England
- The reduction in PWLB margins of 1% by Government in November 2020, reversing the increase introduced in October 2019, significantly reduced borrowing rates further. These low rates mean that new borrowing, to address historic under borrowing, will continue to be considered, particularly in light of forecast increases in borrowing rates.

3.7 The Government decision to reduce PWLB borrowing rates by 1% introduced a new restriction, denying access to borrowing from the PWLB for any local authority which had the purchase of assets for yield in its three-year capital programme.

3.8 Over a number of years, the council has deferred new borrowing by utilising cash balances. This policy has served the council well and has allowed the council to recently secure borrowing at historically low rates which would not have been available at the time of incurring the capital expenditure. The Council may, at some point in the future, have an additional need to borrow, at potentially higher rates, to finance new capital expenditure, refinance maturing debt or close the gap between the council's actual borrowings and its CFR.

3.9 There will potentially be a cost of carry to any additional new borrowing undertaken that would increase cash balances at a time when the levels of return available on investment returns remain low. However, there may be longer term benefits in that, over the longer term, the external interest payments made by the council would be lower.

4. BORROWING REQUIREMENT AND STRATEGY

4.1 The council's 'in year' borrowing requirements for the next, and subsequent three financial years, are based on those requirements arising from the proposed capital programme as included in the Budget Report and are calculated as follows.

	2022/23 £m	2023/24 £m	2024/25 £m
Unsupported Borrowing	6.632	14.310	0.700
Revenue Provision	(3.437)	(4.101)	(4.651)
In-Year Capital Financing Requirement	**3.195**	**10.209**	**(3.951)**

4.2 These requirements are calculated as:

(i) that element of the proposed capital programme not financed by specific grant or contributions, capital receipts or earmarked balances

(ii) less the Annual Revenue Provision as calculated by reference to the Capital Finance and Accounting Regulations 2008 (and explained further in section 5)

4.3 As is evident, the in-year Capital Financing Requirement over the three-year period is positive. The council's current borrowing profile, whereby levels of actual borrowing are below the implied underlying need to borrow, puts the council in a sound position and this positive movement increases the council's options around the strategic use of cash.

4.4 The current position is a product of previous strategy decisions to use cash arising from its available reserves and balances to negate the need to borrow. With historically and abnormally low Bank Rates, the avoidance of new external borrowing has reduced costs in the short-term and reduced exposure to interest rate and credit risk.

4.5 There is currently no absolute requirement for the council to undertake new external borrowing to finance ongoing capital programme activity. However, while actual levels of external borrowing remain significantly below the Capital Financing Requirement, there does remain the possibility or absolute need to incur new borrowing to finance historic activity.

4.6 The need to borrow will be influenced by calls on capital receipts and other reserves and balances. As discussed at 3.9, there are recognised benefits of borrowing whilst rates are low, as there is a risk that any absolute future requirement may attract higher rates than are currently available.

4.7 Additional borrowing may be required dependent upon decisions that are made regarding additions to the capital programme, in line with the Capital Strategy and the specified governance arrangements.

4.8 Extreme caution will be adopted with the 2022/23 treasury operations. Officers will continue to monitor prevailing interest rates and market forecasts and will adopt a pragmatic approach to any changing circumstances, with reports submitted on actions taken in line with the reporting requirements of the council's Treasury Management Practices.

5. ANNUAL REVENUE PROVISION STATEMENT

5.1 Under Regulation 27 of the 2003 Capital Finance Regulations, Local Authorities were required to charge their revenue account for each financial year Minimum Revenue Provision (MRP) to account for the repayment of principal in that financial year. The requirement to make this statutory provision was amended under regulation 28 in the Capital Finance and Accounting Regulations 2008. The current regulation 28 sets out a duty for a Local Authority to make an amount of minimum revenue provision, which it considers to be prudent.

5.2 Under regulation 28, Authorities are provided with a number of alternative approaches, which can be adopted for the purpose of calculating a 'prudent provision'. The approach by an authority should be outlined in a statement and submitted to Council for consideration. The statement below outlines the approach that the council has adopted to the calculation of its revenue provision.

5.3 The council will calculate its Annual Revenue Provision (RP) by applying the Asset Life Method, unless the borrowing is for a Loan Financial Investment. Under the guidance there are two approaches which can be applied to calculating the RP charge under the Asset Life Method, those being the Equal Instalment Approach and the Annuity Approach.

5.4 For all borrowing that was previously supported through the Local Government Financial Settlement and the council's Private Finance Initiative scheme, the Annuity Method will be applied to the calculation of an annual RP charge.

5.5 For borrowing undertaken under the Prudential system to fund schemes of a regeneration and/or infrastructure nature, for which there has been/is no Government support, the council will make a provision using the Annuity Method Approach. The use of this method represents a more prudent option for the council for schemes of this nature and has the advantage of linking the revenue charges to the flow of benefits from an asset, where the benefits are expected to increase in later years.

5.6 Where borrowing is undertaken for a Loan Financial Investment, as described in the Ministry of Housing, Communities and Local Government's (MHCLG) Statutory Guidance on Local Government Investments (3rd Edition) but treated as Capital Expenditure in accordance with the Local Government Act 2003, Regulation 25, the council will not make a Revenue Provision charge. This is predicated on the basis that the Loan will be repayable at some date in the future. This is deemed to be prudent because any risks relating to non-repayment will be quantified and charged, using the "expected credit loss" model, in accordance with IFRS 9 Financial Instruments, in the year in which they are identified.

5.7 For all other borrowing undertaken under the Prudential system for which there has been/is no Government support, the council will make a provision using the Equal Instalment Approach; that is to say the RP charge will be calculated based on the estimated life of the asset for which the borrowing is undertaken.

5.8 Government is currently undertaking a consultation exercise to review the statutory MRP guidance to ensure that local authorities are complying with the duty to make a prudent revenue provision. Any changes to the practices that authorities will be required to follow will be implemented from 1 April 2023, with no anticipated requirement for retrospective application.

6. ANNUAL INVESTMENT STRATEGY

6.1 The Council will have regard to the DLUHC Guidance on Local Government Investments and CIPFA's Code of Practice in conducting its investment activity and the overriding priorities are that security and liquidity of funds are of paramount importance.

6.2 In accordance with the above, and in order to minimise the risk to investments, the council has a clearly stipulated minimum acceptable credit quality of Counterparties for inclusion on the council's lending list. The creditworthiness methodology used to create the Counterparty list takes account of the ratings provided by FITCH, one of the three main ratings agencies. All investments made during 2022/23 will be in accordance with the Annual Investment Strategy, which is detailed at Annex 2.

6.3 In keeping with previously approved Treasury Management Strategies, the council has sought to lock into longer period investments where opportunities and Counterparty Criteria permits, whilst maximum strategic use of its call account facilities has been made during the period for cash flow generated balances and to ensure sufficient liquidity. This practice will continue during 2022/23, subject to:

(i) the outlook for medium term interest rates (i.e. to avoid locking into deals whilst investment rates are at historically low levels and there is a forecast pick-up in rates over the medium term)

(ii) the management of counterparty risk

(iii) any opportunities to repay debt using available investments

(iv) the council's liquidity requirements

6.4 DLUHC and CIPFA have previously extended the definition of investments to include non-financial investments which are defined as non-financial assets that organisations hold primarily, or partially, to generate a profit. The strategy in relation to this kind of investment is covered within the Capital Strategy.

7. DEBT RESCHEDULING

7.1 Debt rescheduling has historically been undertaken in order to:

(i) generate cash savings at minimum risk

(ii) amend debt maturity profiles and/or the balance of volatility

(iii) aid fulfilment of the council's overall borrowing strategy

7.2 Consideration will also be given to the potential for making savings by running down investment balances by repaying debt prematurely (as short-term investments are likely to be lower than rates paid on currently held debt). Due to the existence of higher redemption interest rates on PWLB debt, premiums are highly likely to compromise such opportunity.

7.3 It should be noted that the Prudential Code allows for the funding of premium costs arising from debt rescheduling to be financed by usable capital receipts. This adds another option for consideration in that such transactions could serve to reduce the council's liabilities arising from its borrowing activity and reduce revenue costs over the longer term.

7.4 Should rescheduling opportunities arise, prudence will be exercised at all times and any actions by Officers will be reported in accordance with the reporting requirements of the council's Treasury Management Practices.

8. TREASURY LIMITS AND PRUDENTIAL INDICATORS 2021/22 to 2024/25

8.1 It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting Regulations for the council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit".

8.2 The Council must have regard to the Prudential Code when setting this limit. The Code also sets a series of other limits and indicators that the council must consider.

8.3 The proposed limits and indicators required for approval for the period 2021/22 to 2024/25 are contained in Annex 3.

9. CIPFA CODE OF PRACTICE: TREASURY MANAGEMENT IN THE PUBLIC SERVICES (THE CODE)

9.1 Formal adoption of the Code has been reiterated by Council over a number of years, most latterly by council in approving the 2021/22 Treasury Management Strategy.

9.2 All requirements of the Code are implemented through the governance frameworks, policies, systems, procedures and controls in place within the council and will continue to be so. It is an historic requirement of the Code that the council should formally adopt the Code and specifically the four Clauses contained at Annex 4 and the Treasury Management Policy Statement at Annex 5.

ANNEXES

ANNEX 1: OUTLOOK FOR INTEREST RATES

The data below shows a variety of forecasts published by a number of institutions. The table below provides individual forecasts including those of Link Asset Services and Capital Economics (an independent forecasting consultancy).

The data shows rates at the time of issue of the forecasts, February 2022. The forecast within the strategy has been drawn from these diverse sources and Officers' own views.

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1 November 2012.

	Mar 2022	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Dec 2023	Mar 2024	Jun 2024	Sep 2024	Dec 2024	Mar 2025
Bank Rate													
Link Asset Services	0.75%	1.00%	1.00%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Capital Economics	0.75%	1.00%	1.25%	1.25%	1.50%	1.75%	2.00%	2.00%					
5-year PWLB Rate													
Link Asset Services	2.20%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%
Capital Economics	2.10%	2.20%	2.30%	2.40%	2.60%	2.70%	2.80%	3.00%					
10-year PWLB Rate													
Link Asset Services	2.30%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%
Capital Economics	2.20%	2.30%	2.40%	2.50%	2.70%	2.80%	2.90%	3.00%					
25-year PWLB Rate													
Link Asset Services	2.40%	2.50%	2.50%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%
Capital Economics	2.40%	2.50%	2.60%	2.70%	2.80%	3.00%	3.10%	3.20%					
50-year PWLB Rate													
Link Asset Services	2.20%	2.30%	2.30%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%
Capital Economics	2.10%	2.30%	2.40%	2.60%	2.70%	2.90%	3.00%	3.20%					

ANNEX 2:
ANNUAL INVESTMENT STRATEGY 2022/23

1.0 Purpose

1.1 This Strategy is submitted to Council for approval in adherence with the guidance issued by the then ODPM under Section 15(1)(a) of the Local Government Act 2003 and in accordance with the Statutory Guidance on Local Government Investments (3rd Edition), issued in 2018 by the then MHCLG.

1.2 It covers the financial period to 31 March 2023 and is complimentary to the Treasury Management Strategy 2022/23 and the adopted Treasury Management Practices as required by the CIPFA Code of Practice: Treasury Management in the Public Services.

1.3 The Council's investment policy has regard to the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code").

1.4 In doing so the Annual Investment Strategy sets out:

- which investments the council may use for the prudent management of its surplus funds during the period, under the heads of Specified Investments and Non-Specified Investments
- the utilisation of Loan Financial Instruments and the governance arrangements that must be followed when decisions are made
- the procedures for determining the use of each asset class
- the maximum periods for which funds may be prudently committed in each class
- the upper limits to be invested in each class
- the extent to which prior professional advice need be sought from the council's Treasury Advisors prior to the use of each class
- the minimum amount to be held in short-term investments.

2.0 Investment Objectives and Principles

2.1 The general policy objective for the council is the prudent investment of its surplus funds. The council's investment priorities are the security of capital and liquidity of investments.

2.2 The Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity and having properly assessed all inherent risks, as detailed in its Treasury Management Practices.

2.3 The Council will seek to ensure that temporary borrowing will not be made whilst the council has investment funds available and its longer-term borrowing activity will have full regard to the content of CIPFA's Prudential Code and the council's own approved Treasury Strategy. In particular, the council will not engage in treasury borrowing activity that is solely for the purposes of investment or on lending to make a return.

3.0 Specified, Loans and Non-Specified Investment Types

3.1 Financial investment instruments are broadly classified within government guidance as being Specified, Loans or Non-Specified.

3.2 An investment is a Specified Investment if:

a) the investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling

b) the investment is not a long-term investment

c) the making of the investment is not defined as capital expenditure by virtue of Regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 3146 as amended)

d) the investment is made with a body or investment scheme which has been awarded a high credit rating by a credit rating agency or is made with the United Kingdom Government, a Local Authority in England or Wales (as defined in Section 23 of the 2003 Act), a Parish or Community Council

3.3 A local authority may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth. Local authorities can make such loans whilst continuing to have regard to the guidance if they can demonstrate in their Strategy that:

a) Total financial exposure to these types of loans is proportionate

b) They have used an allowed "expected credit loss" model for loans and receivables as set out in International Financial Reporting Standard 9 Financial Instruments as adopted by proper practices to measure the credit risk of the loan portfolio

c) They have appropriate credit control arrangements to recover overdue repayments in place

d) The local authority has formally agreed the total level of loans by type that it is willing to make and their total loan book is within the self-assessed limit.

3.4 Non-specified Investments are those investments not meeting the definition of a specified investment or a loan and, inherently, are subject to greater degrees of treasury risk. They do, however, offer some potential diversification as part of an overall strategy, and as a result, a small number are identified as being potentially suitable for use, subsequent to prior consultation and advice from the council's appointed Treasury Management Advisors.

3.5 In assessing the relative characteristics of each possible instrument type, the risk attached in their use and how their use would assist in the delivery/achievement of the council's investment objectives and principles, Annex A has been prepared to detail those instruments that it is proposed may be used as part of the investment strategy. The utilisation of Loan Financial Instruments have additional restrictions placed upon them and the detail of the decision making process for their use is set out in Section 9.

4.0 Credit and Counterparty Policies

4.1 The council relies on credit ratings published by FITCH, an independent rating agency, to establish the credit quality of Counterparties (issuers and issues) and investment schemes. Credit rating lists are reviewed on an ongoing basis to ensure prompt action to remove institutions whose ratings fall below the council's threshold. The policy is fully documented in the council's Treasury Management Practices.

4.2 Delegation has been granted to the Executive Director of Corporate Services in relation to the criteria by which the council's lending list is compiled for its internally managed investments. The criteria proposed for adoption during 2022/23 is contained at Annex B.

4.3 The criteria proposed is unchanged from that applied currently.

5.0 Liquidity of Investments

5.1 The need to ensure liquidity by the continuous management and monitoring of the council's cash transactions and resource is one of the key objectives of the Treasury function and liquidity risk management is fully considered and documented in the council's Treasury Management Practices.

5.2 The limits included in Annex A are a reflection of the overriding importance of liquidity, and in addition to those, as a general rule, the council will aim to ensure that it has a minimum 15% of its investments held with a maturity period of less than one week at all times. Where cashflow expectations dictate, this general rule will be amended accordingly

6.0 Investment Strategy - Internally Managed Investments

6.1 All investments made during the duration of this Strategy will be in full compliance thereof.

6.2 Decisions, taken within the framework, regarding the period and type of investment, will be taken having regard to future cashflow requirements and likely interest rate movements. A suitable proportion of investments will be held "at call" for contingent purposes to allow for any significant investment opportunities for longer periods that may come available.

6.3 In keeping with the approved Treasury Management Strategies of recent years, the static base rate has led the council to, where possible, seek to lock into fixed rate deals at advantageous rates through the use of special tranche deals. This practice will continue during 2022/23, subject to:

(i) the outlook for medium term interest rates (i.e. to avoid locking into deals whilst investment rates are at historically low levels and there is a forecast pick-up in rates over the medium term)

(ii) the management of Counterparty risk

(iii) any opportunities to repay debt using available investments

(iv) the council's liquidity requirements

6.4 Maximum strategic use will be made of the council's call account facilities and the AAA rated money market funds to which the council has access during the period where prevailing rates are competitive

7.0 Investment Strategy - Externally Managed Funds

7.1 The council currently does not engage any Fund Managers to invest monies on its behalf following a previous review of Fund Manager activity and the decision to repatriate funds held by its then Fund Manager.

7.2 Arrangements for the re-engagement of Fund Managers at some point in the future will be considered in consultation with the appointed Treasury Management advisors. Where it is considered that the engagement of a Fund Manager is warranted, then a full tender exercise will be conducted in accordance with Contract Procedure Rules.

8.0 Reporting Arrangements

8.1 Cabinet will receive reports on Treasury Management activity and risks as part of the Financial Monitoring Report, which shall also be considered by the Overview and Scrutiny Commission.

8.2 Council will receive, via Cabinet, an end of year report in relation to the activity undertaken in the preceding year and a review of performance relative to the approved Strategy.

8.3 As a minimum, a mid-year Strategy review will also be undertaken, and the Audit and Governance Committee will consider this.

9.0 Capacity, Skills and Culture

9.1 The council has a responsibility to ensure that the Members and Officers undertaking decisions in relation to Investments have the necessary amount of training and information to enable them to make informed decisions as to whether to enter into a specific investment and to ensure that governance processes around decision making are robust and appropriate.

9.5 To enable the Members and Senior Officers involved in the investments decision making process to take informed decisions as to whether to enter into a specific investment, to assess individual assessments in the context of the strategic objectives and risk profile of the local authority and to enable them to understand how the quantum of these decisions have changed the overall risk exposure of the local authority, formal training is provided in conjunction with Link Asset Services.

9.6 Due to the complex nature of potential strategic investments, external advice and assessment will be commissioned, where necessary, to ensure that an independent evaluation is undertaken; this may also include support in negotiating commercial deals. In these circumstances, the organisation commissioned to undertake this role will be made aware of the regulatory regime within which the council operates and of the core principles of the prudential framework.

ANNEX A: LOCAL GOVERNMENT INVESTMENTS (ENGLAND) SPECIFIED VERSUS NON-SPECIFIED INVESTMENTS

Previous Guidance has defined Local Government investments as being either 'Specified' or 'Non-Specified'. The Guidance was, however, non-prescriptive in classifying the various investment instruments available into either of these categories. Indeed, in a continually changing market where new innovative 'products' are frequently being introduced it would be extremely problematical, if not impossible, to do so.

Much focus and emphasis is therefore placed on that element of the Guidance which states that Specified investments should require 'minimal procedural formalities'. The council's appointed Treasury Management advisors have discussed this issue with the then DCLG, who have expressed their desire to see Local Authorities apply the spirit of the Guidance rather than focus on a legalistic approach to the meaning of words in the Guidance. The spirit of the Guidance is that investment products, which take on greater risk and therefore should be subject to greater scrutiny should be subject to more rigorous justification and agreement of their use in the Annual Investment Strategy and so should fall into the Non-Specified category.

The latest Statutory Guidance on Local Government Investments by the DLUHC, issued on 2 February 2018, introduced a new category of Financial Investment – Loans; this additional category has been included in the guidance to reflect up to date working practices of Local Authorities and is reflected in the tables below.

The following tables have been drafted on that basis.

LOCAL GOVERNMENT INVESTMENTS (ENGLAND)
SPECIFIED INVESTMENTS

All "Specified Investments" listed below must be sterling-denominated with maturities of up to 1 year

Investment	Repayable/ Redeemable within 12 Months?	Security/ Minimum Credit Rating	Use for Managing Internal Investments?	Maximum Period
Debt Management Agency Deposit Facility (DMADF)	Yes	Govt-backed	Yes	6 months
Term deposits with the UK Government or with UK Local Authorities (i.e. Local Authorities as defined under Section 23 of the 2003 Act) with maturities up to 1 year	Yes	High security although LAs not credit rated	Yes	1 year
Term deposits with credit-rated deposit takers (Banks and Building Societies), with maturities up to 1 year	Yes	See*	Yes	1 year
Money Market Funds CNAV/LVNAV/VNAV (i.e. a collective investment scheme as defined in SI 2004 No. 534) These funds do not have any maturity date	Yes	Yes: AAA	Yes	The period of investment may not be determined at the outset but would be subject to cash flow and liquidity requirements
Forward deals with credit rated Banks and Building Societies < 1 year (i.e. negotiated deal period plus period of deposit)	Yes	See*	Yes	1 year in aggregate
Callable deposits with credit rated Banks and Building Societies, with maturities not exceeding 1 year	Yes	See*	Yes	1 year
Notice Account Facilities with credit rated deposit takers (Banks and Building Societies) (Maximum notice period 180 days)	Yes	See*	Yes	N/A
Call Account Facilities with credit rated deposit takers (Banks and Building Societies)	Yes	See*	Yes	N/A

*Subject to approved credit rating criteria as determined within the Annual Investment Strategy or as a result of delegation exercised by the Executive Director of Corporate Services in accordance with approved Treasury Management Practices

LOCAL GOVERNMENT INVESTMENTS (ENGLAND)
LOAN INVESTMENTS

Investment	Repayable/ Redeemable within 12 Months?	Loan Book Limit	Maximum Maturity of Investments
Loans with joint ventures	No	£45,000,000	10 years

LOCAL GOVERNMENT INVESTMENTS (ENGLAND)
NON-SPECIFIED INVESTMENTS

Investment	Repayable/ Redeemable within 12 Months?	Security/ Minimum Credit Rating	Use for Managing Internal Investments?	Maximum Maturity of Investments
Term deposits with credit rated deposit takers (Banks and Building Societies) with maturities greater than 1 year	No	See*	Yes	2 years
Term deposits with the UK Government or with UK Local Authorities with maturities greater than 1 year	No	High Security although LAs not credit rated	Yes	2 years
Banking facility for Merseyside Recycling and Waste Authority	Potentially	High Security although LAs not credit rated	Yes	N/A
Certificates of Deposit with credit rated deposit takers (Banks and Building Societies) Custodial arrangement required prior to purchase	Potentially	See*	Yes - after consultation with Treasury Advisors	2 years
Callable deposits with credit rated deposit takers (Banks and Building Societies) with maturities greater than 1 year	Potentially	See*	Yes	2 years
Forward deposits with credit rated Banks and Building Societies for periods > 1 year (i.e. negotiated deal period plus period of deposit)	No	See*	Yes - after consultation/advice from Treasury Advisors	2 years in aggregate
Structured Deposits where investment returns are determinant on how specified interest rate structures move over a determined period	Potentially	N/A	Potentially - after consultation with Treasury Advisors	2 years

*Subject to approved credit rating criteria as determined within the Annual Investment Strategy or as a result of delegation exercised by the Executive Director of Corporate Services in accordance with approved Treasury Management Practices

ANNEX B: COUNTERPARTY CRITERIA 2022/23

	Counterparty Category	Credit Ratings				Maximum Investment (1)	Maximum Period
(i)	Money Market Funds (MMF)	AAA Rated **(2)**				£20m per MMF (£40m total)	On call
(ii)	Other Local Authorities and Public Bodies **(3)**	AA Rated				£15m per LA (£100m total)	2 years
	FITCH Ratings	**Long-Term**	**Short-Term**	**Viability**	**Sovereign**		
(iii)	Authorised institutions (under the Banking Act 1987) which hold a suitable credit rating) **(4)**	A+ and above A and above	F1 and above F1 and above	aa- and above a- and above	AA- and above AA- and above	£25m £15m	2 years 12 months
(iv)	Call accounts held with authorised institutions (under the Banking Act 1987) which hold a suitable credit rating **(4)**	A+ and above A and above	F1 and above F1 and above	aa- and above a- and above	AA- and above AA- and above	£20m £15m	On call On call
(v)	Building Societies which hold a suitable credit rating	A- and above	F1 and above	a- and above	AA- and above	£10m (£40m total)	12 months

NOTES TO COUNTERPARTY CRITERIA

1. For each institution meeting the criteria identified above and subject to the limits for maximum investments, no single investment transaction should be undertaken for more than £15m (excluding MRWA).
2. Each individual Money Market Fund used must be separately approved by the Executive Director of Corporate Services by way of an Administrative Decision.
3. The Banking Facilities provided to MRWA are excluded from the Maximum Investment levels and Maximum Period.
4. The legal arrangements of some banks are such that transactions may be available with a subsidiary company that does not have its own viability rating; where this is the case, the viability rating of the parent company will be used to assess the creditworthiness, or otherwise, of the financial institution, against the criteria above. This includes institutions where a viability is not available due to the institutions close links to the presiding Government of the country where the institution is based.

ANNEX 3: TREASURY LIMITS AND PRUDENTIAL INDICATORS 2021/22 TO 2024/25

TREASURY LIMITS AND PRUDENTIAL INDICATORS 2021/22 to 2024/25			2021/22 Revised	2022/23 Estimates	2023/24 Estimates	2024/25 Estimates
1(i)	Proposed capital expenditure that the council plans to commit to during the forthcoming and subsequent two financial years	**Capital Expenditure (£m)**	40.528	65.306	33.066	12.368
1(ii)	Additional in-year borrowing requirement for capital expenditure	**In Year Capital Financing Requirement (CFR) (£m)**	16.747	3.195	10.209	(3.951)
2	The CFR is an aggregation of historic and cumulative capital expenditure, which has yet been paid for by either revenue or capital resources	**Capital Financing Requirement as at 31 March (£m)**	194.500	197.695	207.904	203.953
3	The 'net borrowing' position represents the net of the council's gross external borrowing and investments sums held.	**Net Borrowing Requirement:** External Borrowing (£m) Investments Held (£m) Net Requirement (£m)	140.627 (128.000) **12.627**	137.520 (120.000) **17.520**	137.507 (115.000) **22.507**	137.494 (115.000) **22.494**
4	Identifies the impact and trend of the revenue costs of capital financing decisions will have on the General Fund Budget over time	**Ratio of financing cost to net revenue stream**	5.80%	5.52%	6.70%	7.67%

TREASURY LIMITS AND PRUDENTIAL INDICATORS 2021/22 to 2024/25			2021/22 Revised	2022/23 Estimates	2023/24 Estimates	2024/25 Estimates
5	The council's Budget Strategy, as a general principle is that no unsupported borrowing should be undertaken as a means of financing capital expenditure plans	**Incremental impact of capital investment decisions (increase in Council Tax Band D equivalent)**	Nil	Nil	Nil	Nil
6	This represents an absolute limit of borrowing at any one point in time. It reflects the level of external debt, which, while not desired, could be afforded in the short-term, but is not sustainable in the longer-term	**Authorised Limit for External Debt (£m)**	200.650	206.760	207.580	211.794
7	This is the limit beyond which external debt is not normally expected to exceed	**Operational Limit for External Debt (£m)**	194.104	192.219	194.409	193.180
8	These limits seek to ensure that the council does not expose itself to an inappropriate level of interest rate risk and has a suitable proportion of debt	**Upper Limit for Fixed Interest Rate Exposure**	100%	100%	100%	100%
		Upper Limit for Variable Interest Rate Exposure	50%	50%	50%	50%
9	This limit seeks to ensure liquidity and reduce the likelihood of any inherent or associated risk	**Upper Limit for Sums Invested over 365 Days**	60%	60%	60%	60%
10	This indicator is used to highlight where an authority may be borrowing in advance of need	**Gross Debt and the CFR (£m)**	(32.413)	(39.425)	(50.416)	(47.363)

ANNEX 4: ADOPTION OF THE CIPFA TREASURY MANAGEMENT IN THE PUBLIC SERVICES CODE OF PRACTICE AND CROSS-SECTORAL GUIDANCE NOTES

The CIPFA Code recommends that all public service bodies formally adopt four specific clauses as contained in the Code. All requirements of the Code are implemented through the governance frameworks, policies, systems, procedures and controls in place within the council and will continue to be so. For completeness it is recommended that Council formally approve the following:

1. The council will create and maintain, as the cornerstones for the effective Treasury Management:
    - A treasury management policy statement, stating the policies, objectives and approaches to risk management of its treasury management activities.
    - Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
2. The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
3. The Council delegates responsibility for the implementation and regular monitoring of its Treasury Management policies and practices to the Cabinet, and for the execution and administration of Treasury Management decisions in accordance with its Constitutional provisions to the Strategic Director of Corporate Services, who will act in accordance with the council's approved Policy Statement and TMP's and the CIPFA Standard of Professional Practice on Treasury Management.
4. The Council nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

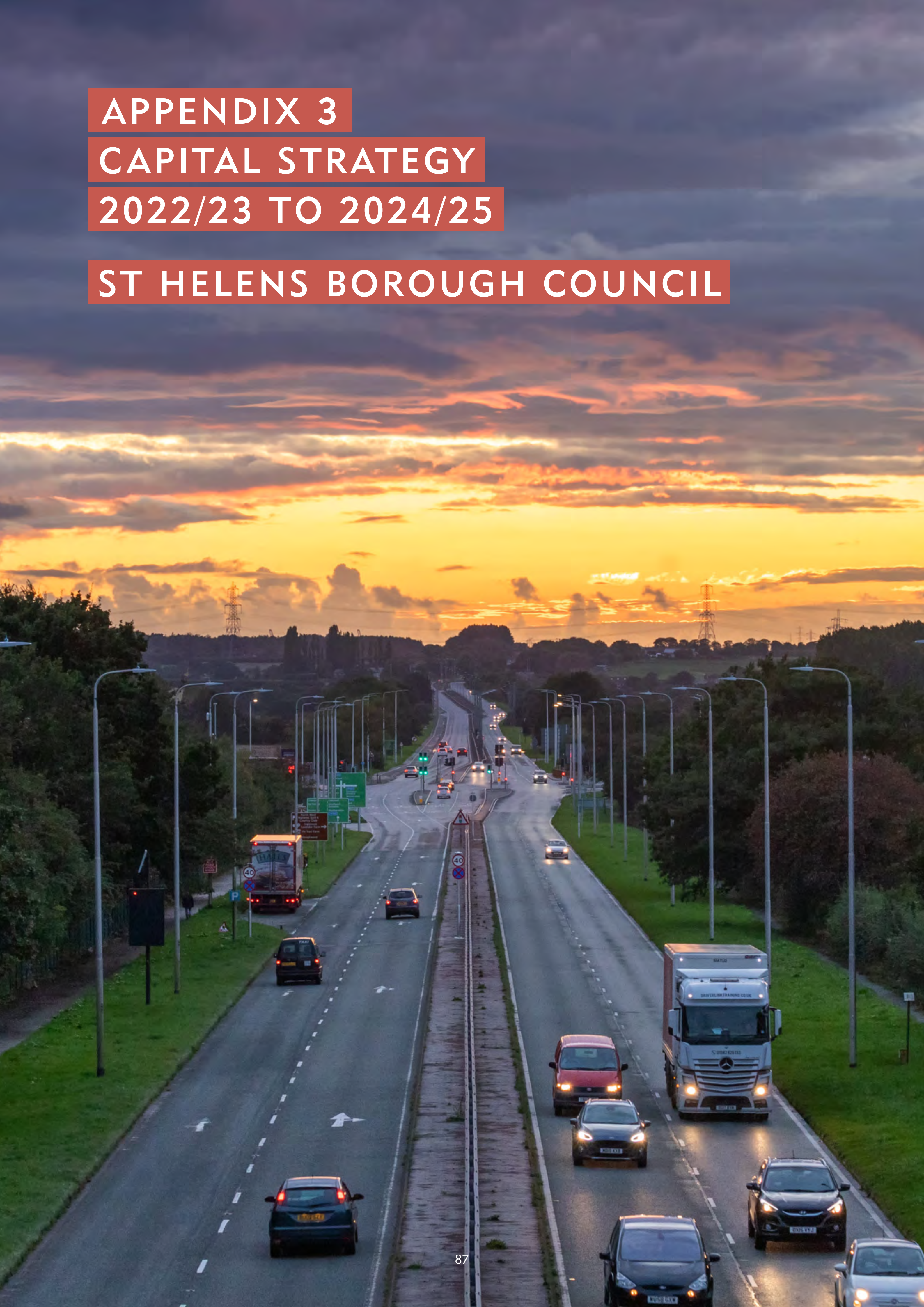
ANNEX 5: TREASURY MANAGEMENT POLICY STATEMENT

The policies and objectives of the Treasury Management function are defined as follows:

1. Treasury Management is "the management of the Authority's investments and cash flows; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
2. The successful identification, monitoring and control of risks are the prime criteria by which the effectiveness of its Treasury Management activities will be measured. Accordingly, the analysis and reporting of Treasury Management activities will focus on their risk implications for the organisation.
3. It is acknowledged that effective Treasury Management will provide support towards the achievement of its business and service objectives and the council is committed to the principles of value for money in Treasury Management, and to employing suitable comprehensive performance measurement techniques within the context of effective risk management.

APPENDIX 3
CAPITAL STRATEGY
2022/23 TO 2024/25

ST HELENS BOROUGH COUNCIL



1.1 INTRODUCTION

The Prudential Code for Capital Finance in Local Authorities was updated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2017. The Capital Strategy was a new requirement from 2019/20 and is intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability. The strategy is a live document, and it is intended to update this on an ongoing basis and develop it over time.

The Capital Strategy outlines the principles and framework that shape the council's capital investment proposals. The Strategy sets the framework within which the council's Investment plans will be delivered.

The Strategy is aligned with the proposed Council Budget, its objectives and priorities. The Strategy also has links to other Council Management Plans and Strategies, such as the Strategic Asset Management Plan; Treasury Management Strategy; Land and Property Acquisition Strategy; IT Strategy and the council's Medium Term Financial Strategy (MTFS). It is an integral part of the MTFS and sets the principles for prioritising capital investment under the prudential system.

1.2 OBJECTIVES

- To provide a clear set of objectives and a framework, within the CIPFA codes and statutory legislation, by which new projects are evaluated to ensure that all new funding is targeted at meeting the strategic aims, objectives and priorities of the council.
- To prioritise projects that focus on delivering a number of long-term benefits:
  - Deliver Corporate objectives
  - Invest to Save (either cost reduction or income generation)
  - Create sustainable income - Business Rates or Council Tax
  - Attract significant grant, third party or private funding
  - Address major infrastructure investment
  - Deliver economic outcomes of jobs growth
  - Deliver Asset Management Plan outcomes
  - Assist in the delivery of Budget decisions

  It should be demonstrated that a rigorous programme of options appraisal has been considered, identifying evidence of need, cost, risk, outcomes and method of financing.
- To consider options available for capital funding and how resources may be maximised to generate investment in the area and to determine an affordable and sustainable funding policy framework, whilst minimising the ongoing revenue implications of any such investment
- To identify resources available for capital investment over the MTFS planning period
- To establish effective arrangements for the management of capital expenditure, including, the assessment of project outcomes, profiling spend against budget, value for money and security of investment
- To identify future asset base requirements and ensure the necessary assets are fit for purpose and available to deliver services.

1.3 PRIORITIES

The council has an approved Capital Programme which has already committed resources to support schemes for 2022/23 and future years. The council is committed to the regeneration of the borough through several initiatives including:

Town Centres

The council recognises that a new approach is required to grow an inclusive economy for the borough which involves working pro-actively with a wide range of stakeholders through strategic partnerships and initiatives to secure social value outcomes that benefit our communities. The objective being to maximise the opportunities presented to deliver significant future growth in St Helens and at the same time deliver key priorities including town centre regeneration, social wellbeing and providing appropriate infrastructure to support future development.

Through this approach, there is an expectation that the council and its partners will work to secure third-party public sector grant and/or institutional funding in order to bring forward regeneration proposals. There may also be a requirement that, where appropriate, the council will use its own resources, or covenant, as a means of overcoming any viability issues where other funding options have been explored and discounted.

The Town Centre Masterplan Development Framework has been produced to guide and encourage new development for both St Helens and Earlestown Town Centres. The Masterplans set out an ambitious long-term vision to guide future development and the transformation of the town centres.

The strategic objectives for St Helens Masterplan Development Framework are to:

- **DELIVER A DIVERSE, VIBRANT AND ANIMATED TOWN CENTRE** consolidating the proportion of retail and concentrating retail provision, encouraging new town centre uses, increasing active frontages and offering spaces that attract the local and independent traders that make St Helens truly unique
- **ESTABLISHING A FOUNDATION FOR FUTURE GROWTH** to attract high-quality employment into the town centre, building on the catalytical impact of Glass Futures and the opportunity to harness innovation and skills for the benefit of the local community
- **PROMOTING HIGH-QUALITY TOWN CENTRE LIVING** delivering a unique, high-quality, residential offer within the town centre that meets housing need and aspiration
- **CREATING A SUSTAINABLE, ACCESIBLE AND CONNECTED TOWN CENTRE** to ensure the town centre maximises the opportunity for net zero carbon development, with sustainability and climate change at the forefront of its transformation
- **POSITIVELY CHANGING PERCEPTIONS OF THE TOWN** through promoting St Helens' heritage, maximising the heritage assets, canal, and cultural offer to provide a distinctive experience for visitors, residents, and businesses
- **TO PROVIDE A HEALTHY AND COMMUNITY-FOCUSED TOWN CENTRE** Creating high-quality spaces and places for independent businesses and community functions to thrive, people to dwell and socialise within, providing opportunities for active travel and leisure, and creating a town centre which the people of St Helens are proud of.

The aim of the Earlestown Masterplan Development Framework is to embrace the town's important heritage assets through repurposing the Town Hall, creating spaces and places that people enjoy spending time in and provide an attractive town centre which is accessible and sustainable for the future. The strategic objectives of the Earlestown Masterplan Development Framework are to:

- **DELIVER A DIVERSE, VIBRANT AND ANIMATED TOWN CENTRE** offering spaces to attract local and independent traders that complement the historic market
- **PROMOTING HIGH-QUALITY TOWN CENTRE LIVING** that meets housing need and diversifies the town centre housing stock
- **CREATING A SUSTAINABLE, ACCESIBLE AND CONNECTED TOWN CENTRE** to make it easier for people to enjoy the services, spaces, and amenities the town has to offer
- **ENCOURAGING CREATIVES AND INDEPENDENTS** building on the success of the historic market, encouraging more creatives and independents to become established
- **POSITIVELY CHANGING PERCEPTIONS OF THE TOWN** through promoting the unique heritage of Earlestown, including the historic Town Hall and Market Place
- **TO PROVIDE A HEALTHY AND COMMUNITY-FOCUSED TOWN CENTRE**
  Creating high-quality spaces for people to thrive, dwell and socialise with each other.

Parkside

The council has made a commitment through its Joint Venture partnership, Parkside Regeneration LLP, to the long-term regeneration of the former colliery site to create future economic activity. Following the grant of planning consent for Phase 1 and the Parkside Link Road, it is proposed that the site will be brought forward through a number of phases which may require future capital investment alongside private sector and Freeport investments in order to deliver the required infrastructure and development to satisfy market demand and occupier requirements for this regionally important economic development site.

Housing

Initiatives involve working with Registered Social Landlords and the Private Sector to deliver affordable homes using a combination of public and private sector funding.

Council Modernisation

The council is progressing an internal modernisation programme which places the customer (our residents, businesses and partners) at the heart of everything we do. The delivery plan is broken down into eight work streams to build a modern, flexible and efficient council. Part of this will include investment in our IT systems and investment and rationalisation of council office buildings.

Prior to the COVID-19 pandemic, the council programme was reviewing agile working arrangements and the plans have progressed at pace since 2020/21. Office based staff are now ‘agile by default’. Staff have been enabled to work flexibly at home, within office based hot desk arrangements and in community bases. Staff delivering front line, public facing services will continue to deliver those services in an appropriate working environment. The change in the ‘ways of working’ will enable rationalisation of the council’s public buildings.

IT Strategy

As the council goes through significant transformation, IT and Digital transformation is a key support and driver of this change.

The council has a new ICT Strategy and Technology Roadmap which covers the period 2022 to 2025. This describes how the council will transform its IT

& Digital platforms over the coming years and highlights the fact that, whereas previously, capital investments would have supported this change, the landscape has now changed to a predominantly revenue-based model.

A more technically integrated and Digital Council will also support the council's interactions with residents.

1.4 GROWTH AND REGENERATION

The council has developed a strategic partnership with English Cities Fund (ECF) that will grow an inclusive economy to maximise the extensive range of opportunities presented to deliver significant future growth in St Helens and deliver key priorities, including town centre regeneration, social wellbeing and provide appropriate infrastructure to support future development. The partnership provides a proven delivery mechanism for the comprehensive regeneration of the borough, including the provision of quality family housing, new commercial activity, upgraded infrastructure and the overall improvement of the social and economic viability of the borough on a phased basis.

ECF is a highly successful Joint Venture Partnership between Muse, Legal & General and Homes England, designed to drive institutional and private investment in English towns and cities to deliver regeneration schemes. Each of the partners bring their own specific areas of expertise with Homes England providing land, funding and best practice, Legal and General offering strategic investment advice and funding support, whilst Muse specialise in site assembly, construction, sales and lettings.

The combination of partners provides a unique capability to deliver exceptional regeneration schemes drawing on ECF's development experience and investment expertise in place-making that has led to true transformational programmes in some of the most challenging and complex areas of the country.

1.5 CAPITAL EXPENDITURE AND FINANCING

Capital Expenditure is where the council spends money on assets, such as property, infrastructure, vehicles or equipment, which will be used for more than one year. The council's currently approved Capital Programme and sources of financing are detailed in the MTFS and summarised in the following tables.

Portfolio	2022/23 £'000	2023/24 £'000	2024/25 £'000
Education, Skills & Business	15,912	3,050	2,300
Children & Young People	30	0	0
Integrated Care & Health	25	0	0
Wellbeing, Culture & Heritage	400	0	0
Reset & Recovery	1,024	180	0
Environment & Transport	41,679	25,520	6,900
Regeneration & Planning	1,473	20	20
Safer, Stronger Communities	4,763	4,296	3,148
Total	**65,306**	**33,066**	**12,368**

The following table summarises how these currently approved capital expenditure plans are financed.

Source of Funding	2022/23 £'000	2023/24 £'000	2024/25 £'000
Grant/Other Contributions	54,216	18,164	11,648
Capital Receipts	2,578	592	20
Revenue Contribution	1,880	0	0
Borrowing	6,632	14,310	700
Total	**65,306**	**33,066**	**12,368**

The council has ambitious capital plans over the medium term and a number of potential strategic capital schemes have been identified for 2022/23, alongside pipeline schemes for future years. A summary of the potential costs to the council over the period 2022 to 2026 is provided in the following table, which summarises costs for schemes which were considered as part of last year's Medium Term Financial Strategy, and new schemes which have been brought forward.

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Previously Identified Strategic Capital Investment Schemes	16,583	50,800	44,150	44,150
Additional Identified Strategic Pipeline Schemes	10,738	16,087	10,368	7,355
Total	**42,668**	**57,833**	**50,422**	**29,511**

A number of schemes will potentially commence in 2022/23, subject to approval following the feasibility, design and detailed plans. The costs of the schemes to the council will primarily be funded by way of borrowing. Funding for future schemes is to be identified, and this may include the potential to secure additional funding from external sources. However, some schemes already include external funding in addition to the expenditure shown in the above table.

1.6 CAPITAL INVESTMENT PRIORITISATION

The first call on resources will be the financing of any previously approved schemes from previous years. Subject to exceptional circumstances, all schemes already approved within the capital programme or contractually committed will be supported and sufficient resources will be provided to proceed or complete.

The strategy requires a mechanism for determining the council's most important schemes that will implement change in council services yet operate within the financial constraints. Potential new schemes will be considered by the Strategic Asset and Investment Group to ensure resources are targeted to priority areas, before recommending them for inclusion into the Capital Programme presented to Cabinet and Council for approval.

The appraisal and prioritisation process will take into account a range of factors, including:

- links to the council's key and strategic objectives
- legislative requirements including those related to Health and Safety
- benefits of the scheme
- affordability, achievability and financial viability
- ability to lever in additional funds
- an assessment of risk
- ability to meet an identified need

Economic Development

The council will seek investment that generates longer term growth. The growth strategy will involve public sector intervention to stimulate private sector investment or take the lead where the market is failing to deliver.

To meet future service requirements, the council will need to rely on tax revenues it can generate locally from Business Rates and Council Tax, which places further emphasis on the growth strategy.

Highways and Transport

The council will work collaboratively to maximise the borough's transportation assets to establish St Helens as a well-connected location for national road and rail, whilst delivering a safe and sustainable transport offer.

Highways schemes are supported by the Department for Transport (DfT) through grants provided to the Liverpool City Region Combined Authority (LCRCA) in the form of the City Region Sustainable Transport Settlement (CRSTS). The CRSTS funding aims to create a more consolidated and devolved model of transport funding, delivering significant improvement for users. In addition, Transforming City Funding (TCF) and Single Investment Funding (SIF) allocations also support major highway infrastructure schemes.

The council is required to submit details of proposed schemes for the CRSTS funding to the LCRCA. The funding has been top sliced to provide an allocation for maintenance of the Key Route Network (KRN).

Officers need to demonstrate which of the City Region Mayor's priorities the schemes meet. These are:

- Linkages to Growth sites
- Promotion of Cycling and Walking
- Public Transport Improvements
- Accessibility/Connectivity
- Reducing Pollution/Carbon
- Improving Road Safety

Street Lighting

The council has embarked on a major investment in street lighting over the last 5 years to replace lanterns with more cost-efficient LED lanterns on an Invest to Save basis in order to reduce energy and carbon costs.

Schools

The council will ensure that capital investment in schools is undertaken in accordance with its relevant statutory responsibilities, particularly in respect of ensuring there are sufficient school places available to meet local demand. Moreover, the council will fulfil its responsibilities in respect of the health and safety of pupils and staff, and the ability of disabled pupils to access education, in determining its capital investment priorities.

In addition to the above, ongoing investment in the maintenance and improvement of the condition of school buildings provides an improved learning environment for pupils.

Housing

Investment in minor adaptations, through the Disabled Facilities Grant process, enables frail or vulnerable residents to be supported in their own homes, and aims to reduce the risk of hospital or residential care admissions arising from falls or accidents.

Capital investment in home insulation and heat efficiency programmes will reduce fuel poverty and lessen the risks posed by cold-related physical and mental health conditions.

Public Buildings

The council has, over a number of years consolidated and rationalised its Estate which has resulted in its occupation of several core buildings within the Town Centre. In addition, the council has worked with partners and co-location of staff and collaborative working has been achieved with the CCG, NHS and the Police. Strong partnership working already exists between the council and its Health partners and opportunities exist to further develop relationships through joint working.

Work has commenced to prepare a new Strategic Asset Management Plan (AMP) for the financial years 2022-25. The aim of the AMP will be to support changes in public services, improve financial efficiency of the estate and help achieve other council priorities including creating commercial income streams. Additional resources will be provided within the Property Services team to support and deliver the plan.

As well as assessing the suitability and sufficiency of our property portfolios the programme of reviews will challenge the use, utilisation and management of our land and buildings. This will focus on the scope for rationalisation and delivering changes required to the portfolios, including potential property disposals, investments required through capital works or acquisitions and facilitate community outcomes through partnership working.

The outputs of the AMP work programme will include a pipeline of property disposals, capital projects, acquisitions and other reviews. The financial implications arising from the AMP will be integrated and continuously reviewed within the Capital Programme and MTFS.

1.7 SOURCES OF CAPITAL FUNDING

Borrowing

Previously, councils could borrow to buy investment assets primarily for yield. In March 2020 the Government published a consultation paper proposing future terms for Public Works Loan Board (PWLB) lending. The consultation paper identified major changes to borrowing due to concerns around the increase in local authority borrowing to buy commercial assets primarily for yield.

On 25 November 2020, the Chancellor announced the Government's response to the consultation and introduced reforms with immediate effect. PWLB will support Service Spending (Education, Highways and Transport, Social Care etc.), Housing, Regeneration, Preventative Action and Treasury Management. However, Government introduced a clause to restrict the use of PWLB borrowing in certain circumstances.

Should the council intend to purchase any assets primarily for yield within a three-year period, irrespective of whether alternative funding sources other than PWLB borrowing are being utilised, the council would not be able to access PWLB borrowing facilities for the three-year period.

The level of borrowing to fund the capital programme must take into account the affordability of ongoing revenue implications. Local Authorities must manage their debt responsibly and decisions about debt repayment should be made through the consideration of prudent treasury management practice and in accordance with the Treasury Management Policy.

Borrowing should only be used on the following basis:

(a) On the basis of Invest to Save, where the income or savings are greater than the cost of borrowing

(b) Where the proposed capital project is assessed to be a strategic priority and the costs can be contained within corporate budget provision or individual services can fund the costs of borrowing from their existing cash limits.

Capital Grants and Contributions

Some capital projects are financed either wholly or partly through external grants and contributions. Government grants to support capital expenditure plans are generally reducing, with a significant proportion being wholly ring-fenced or strictly conditional in relation to the expenditure they support.

Capital Receipts

Capital Receipts from asset disposals represent a finite funding source and it is important that a planned and structured manner of disposals is created to support the priorities of the council. Capital Receipts may be used to fund new capital investment or offset future debt or transitional costs.

The use of Capital Receipts should be judged against the following criteria and should be aligned with scheme prioritisation via the Strategic Asset and Investment Group:

(a) when they generate income or reduce expenditure which is greater than the loss of investment income

(b) when they generate an asset with equal or greater real terms value to the value of capital receipts being used

(c) to support schemes of a strategic nature

(d) to meet legislative requirements when no other source of funding is available.

Private Developer Funding

Contributions from Private Developers are usually provided under Section 106 agreements. These contributions are usually earmarked for specific purposes in planning agreements and often relate to infrastructure projects. Developers may also contribute to Highways Infrastructure through Section 38 and 278 agreements to facilitate their development.

Revenue

Capital expenditure may be funded directly from revenue. In addition to specific earmarked balances previously set aside, such as the Transformation Reserve and Growth Reserve, there may be limited instances where capital expenditure is funded from within specific service revenue cash limits. However, austerity measures and general budget pressures have impacted significantly on the extent to which service revenue budgets can be used as a source of funding.

1.8 GOVERNANCE ARRANGEMENTS

There will be two levels of capital investment, a strategic level and a service level each with their own governance arrangements.

Strategic Level

The Investment, Land and Property Acquisition Strategy was approved at Cabinet on 11 November 2020. Cabinet approved the creation of a £10m Land and Property Acquisition Fund to invest in strategic acquisitions. Cabinet also approved the establishment of a Land and Property Acquisition Group to consider the strategic investment proposals. The group is chaired by the Leader of the council and consists of the Deputy Leader, Cabinet Members for Regeneration and Planning and Finance and Governance, the Executive Director of Place and Executive Director of Corporate Services, with others as appropriate, who will meet to consider and approve acquisitions in a timely manner.

The criteria for the assessment of strategic investments are:

- Overall Fiscal Benefit

  The cost of the investment including interest and repayment and other related costs must be at least matched by additional net revenues, including related local tax revenues.

- Added Value Analysis

  The wider benefits of an investment can be added to the above in terms of job creation, environmental impact etc. However, any net cost of investment must be capable of being funded within the overall Council Budget.

- Benefits Over Time

  Future revenues from investment can be taken into account as long as the risks are identified, and strategies are in place to manage these risks. In addition, the short-term costs must be quantified and funded within the overall resources of the council.

- Business Case Production

  Each key investment would be subject to a rigorous financial assessment and a formal business case would be produced prior to any commitment and subsequent decision.

  The investment must not add to the financial challenges but be part of the solution to those challenges. Financial risk must be managed to ensure unforeseen liabilities do not fall on the taxpayer.

  Governance of the above follows the established decision-making process within the council. The Land and Property Acquisition Group recommends to Cabinet and Council those investments it deems beneficial to the Borough.

Service Level

New schemes will be considered initially by Departmental Management Teams and an Outline submission will be completed to identify outcomes, deliverability, investment case, sources of funding, procurement route and sustainability, before submission to the Strategic Asset and Investment Group (SAIG) (consisting of Executive Directors and other relevant officers), Cabinet and Council for approval.

If approved, a Business Case will be completed to identify the business justification and delivery strategy and presented to the Capital Board. Once approved the report will proceed to Cabinet for approval. The Gateway process is outlined in Annex 2.

Monitoring will be via the Financial Management Report submitted quarterly to Cabinet that identifies any detailed changes to the capital programme to reflect:

- New resource allocations
- Slippage in programme delivery
- Virements between schemes
- Changes to spend profiles and / or funding
- Schemes that have been reduced or removed

Updates will also be provided monthly as part of the Financial Monitoring processes.

Major Capital schemes (those over £2m) will be allocated a project sponsor at Executive Director, Director or Assistant Director level.

Reporting will be an integral part of the project management of major schemes so that members are kept informed of progress and potential problems throughout the duration of the project.

For all major capital schemes, risks should be identified, and costs attributed to those risks. In addition, a sensitivity analysis should be undertaken at the outset of the project.

Post-Project Evaluation – To undertake reviews on major schemes with a view to identifying where the capital programming and monitoring could be improved. To report on the procurement process, timeliness of scheme, final cost against estimate, outputs of scheme compared to targets in the original business case with the results being fed back into the Capital Monitoring Group.

1.9 KNOWLEDGE AND SKILLS

The council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. They follow a Continuous Professional Development Plan (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills.

Where necessary, use is made of external advisors that are specialists in their field. The council currently employ Link Asset Services as treasury management advisors to provide advice on capital and treasury implications when considered necessary. Other advisors have been, and will continue to be, engaged to provide advice on the significant regeneration projects being undertaken by the council.

Training will be provided to members to ensure they have the up to date skills to make capital and treasury decisions.

1.10 CONSIDERATIONS AND RISK IN PROPERTY ACQUISITIONS

Any property investments will be undertaken having given due consideration to the specific risks involved, in accordance with the Land & Property Acquisition Strategy.

The strategy for acquiring property assets for holding and regeneration purposes is therefore for:

- Place making, as part of regeneration and economic development activity
- Development in our Town Centres to improve economic performance and encourage future private sector investment
- Economic Development - to ensure an adequate supply of employment and housing sites allowing creation and retention of high-quality sustainable homes and employment within the borough
- Opportunities that have strategic importance within St Helens and address issues such as heritage and culture, social welfare, deprivation and protecting the most vulnerable
- Supporting environmental sustainability.

1.11 TREASURY MANAGEMENT & PRUDENTIAL INDICATORS

The Treasury Management Strategy is also approved by Full Council annually as part of the Budget setting process.

The Strategy is also considered by the Audit and Governance Committee annually, with an interim report submitted mid-year.

Quarterly updates on the Treasury Management position are included within the Financial Monitoring Reports presented to Cabinet and considered further by the Overview and Scrutiny Commission.

Treasury Management is subject to regular Internal and External Audit review.

There are close links between the Capital Strategy, the Treasury Management Strategy and the Medium Term Financial Strategy. The Capital Strategy will determine the underlying and future borrowing needs of the council, with the Treasury Management Strategy addressing financing and cash flow planning to ensure that the council can meet its capital spending obligations, whilst the Medium Term Financial Strategy will manage debt servicing resource cover and the affordability of capital investment insofar as the revenue budget is concerned.

The Treasury Management Strategy includes a set of Prudential Indicators that demonstrate that the capital investment plans of the council are affordable, prudent and sustainable.

Contribution from Investments

Investments can take different forms and be held for different purposes. The following table shows the different types of investment that the council currently holds and the contribution that these investments make towards service delivery objectives and/or place making role of the local authority.

Type of Investment	Purpose
Treasury Management Investments	To support effective treasury management activities
Other Investments	
Non-financial investments (Investment Properties)	• Economic benefit/Business Rate growth • Yield/profit
Loans	• Regeneration • Economic benefit/Business Rate growth • Responding to local market failure

1.12 STRATEGIC ASSET MANAGEMENT PLAN

The developing Strategic Asset Management Plan (AMP) will provide an overview of the council's future vision for its asset base and a framework within which the council can secure the operational and financial benefits of an Estate which aspires to best practice standards. It will address the need to secure the maximum financial benefit whilst supporting the delivery of the council's objectives through service delivery, community participation, growth and regeneration. The current asset base consists of Operational Property, Investment Estate, Community Estate, Highways and Green Spaces and Development/ Surplus Property.

1.13 SECTION 151 OFFICER ASSURANCE

This Capital Strategy is compiled in line with the requirements of the current CIPFA Prudential and Treasury Management Codes. The Section 151 Officer views the Strategy to be prudent, affordable and integrated with the council's Medium Term Financial Strategy, Treasury Management Strategy and other Strategic Plans.

1.14 RISK

There are a number of risks that the council could be exposed to:

- Financial risk - related to the investment of the council's assets and cash flow, market volatility, currency etc.
- Macroeconomic risk - related to the growth or decline of the local economy, interest rates, inflation and the wider national economy
- Credit risks - related to investments, loans to institutions
- Operational risks - related to operational exposures within the council, its 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 meet the council's goals
- Reputational risk - 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 risk - 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.

Managing the council's risk is an area of significant focus for senior management and Members, with the aim of minimising its exposure to risk.

ANNEX 1: QUALITATIVE INDICATORS

	2021/22 Estimate	2022/23 Estimate
Debt to Net Service Expenditure (NSE)	26.94%	30.63%
Investment Property Income to NSE Ratio	0.19%	0.15%
Loan to Value Ratio	23.92%	26.75%
Gross Income from Investment Properties	£978,804	£810,165
Net Income from Investment Properties	£874,561	£703,837

The indicators above provide information in regard to the council's reliance upon investments to fund service expenditure and the exposure of the council to borrowing.

ANNEX 2: CAPITAL PROJECT GATEWAY PROCESS

The purpose of the Gateway Process is to ensure that:

- Projects find their way into the programme in a consistent, structured and objective way
- Officers are clear as to the governance route for accessing capital funding
- Projects are delivered efficiently on time and to an agreed budget
- The council is protected against risks
- Before a project is accepted into the capital programme -
    - appropriate feasibility works are commissioned and completed to provide cost certainty/deliverability
    - the costs, benefits and risks are properly assessed
    - there is a proper assessment of readiness to deliver
    - the procurement route is determined
- Projects continue to meet corporate objectives and provide value for money as they proceed to the delivery stage
- Lessons are learned and disseminated across the council.

The Gateway Process

Gate 1 - Proposal to Strategic Asset & Investment Group (SAIG)

Gate 2 - Business Case to Capital Board

Gate 3 - Approval of scheme, submission of Report to Cabinet or via delegated executive decision (as appropriate)

Gate 4 - Tender evaluation report

Gate 5 - Lessons learned report to Capital Board

The information required at each Gate will be commensurate with the size and complexity of the project in question. SAIG may agree that for the purposes of this gateway process projects may, where appropriate, be combined.

GATE 1

Following consideration at the respective Directorate's DMT, the proposal is submitted to SAIG for assessment, along with any supporting evidence.

Submissions

Proposal

Evaluation Criteria

At this stage proposal should be evaluated and reviewed to consider:

- Strategic Fit with Councils Priorities
- Fit with Internal & External Partners
- Economic Value
- Risk & Deliverability
- Financial Implications
- Social Value
- Borough Priorities
- Timescales
- General Affordability

At this stage, it should be considered whether a feasibility study will be required. This should include a proposed timescale in which it will be carried out and funding for the feasibility study identified. The scheme will be evaluated and prioritised against other current and future financial commitments.

Outcome

Proceed to Gate 2 or reject.

SAIG may make recommendations for amendments or further information to be included in the proposal. Gateway 1 should be repeated until SAIG provide confirmation that the proposal may proceed to Gate 2.

Funding for feasibility costs need to be identified as part of this gateway.

GATE 2

The Business Case is submitted to the Capital Board for review.

Submissions

Full Business Case - including Procurement Proposals & detailed Timescales

Resource & Funding Plans

Options Appraisal & Feasibility Assessment (if required)

Risk Register

Evaluation Criteria

- Cross portfolio Strategic fit with other projects and strategies
- Fit with Capital Strategy
- Human Resource Requirements
- Deliverability and Resource Requirements
- Cost forecasts & budgets
- Amount and source of any required funding
- Full lifetime costing of the project or asset
- Impact of capital financing costs on the revenue budget where borrowing is used
- Planned outcomes to be delivered
- A full risk assessment including mitigating actions
- Appropriate due diligence in the form of financial and legal scrutiny (including external support when appropriate)
- The revenue impact and financial affordability
- VAT Implications including partial exemption implications.

A business case model will be designed (to be determined) based on the Treasury's 5 Case Model.

Outcome

Proceed to Gate 3 or reject.

Confirmation granted that the project will be recommended for inclusion in the Capital Programme or whether the project will be deferred.

GATE 3

A detailed report is submitted to Cabinet requesting formal approval for the project to be included in the capital programme with approved capital budget or provisional capital allocation. The report should also provide for delegation to the Executive Director in conjunction with the Executive Director of Corporate Services to subsequently award the tender via delegated executive decision.

Submissions

Business Case

Resource Plan

Procurement Strategy

Confirmed Budgets and Costs

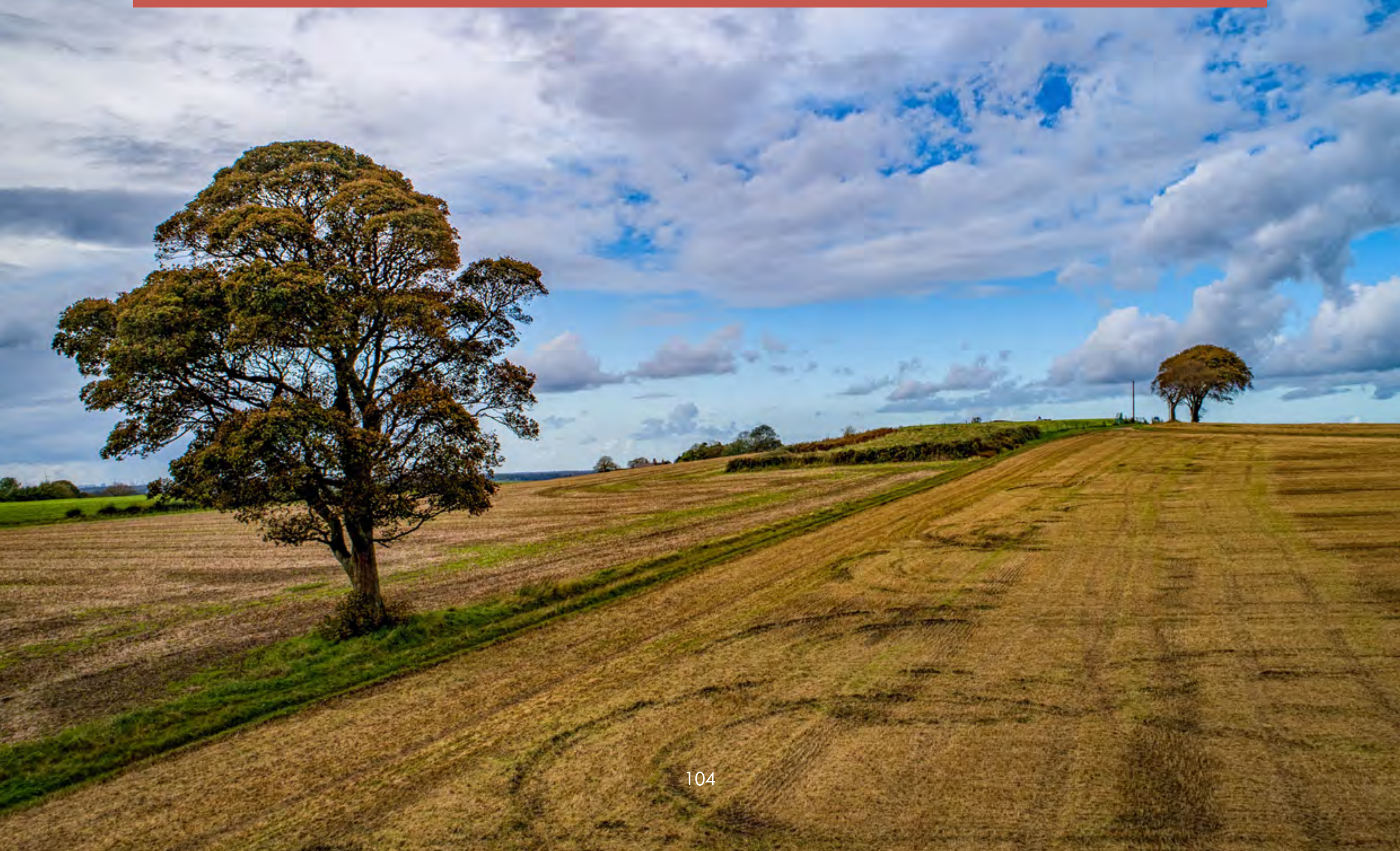
Evaluation Criteria

- Strategic Fit with Capital Programme
- Strategic Fit with Councils Priorities
- Formal Financial approval

Outcome

Proceed to Gate 4 or reject.

The project is included in the Capital Programme along with budget approval. The project may proceed to procurement in accordance with the procurement proposals outlined in the business case & procurement strategy.



GATE 4

A tender evaluation report including details of all tenders received, the evaluation process used for selection and reasons for selecting the preferred tender. This report should be approved via delegated executive decision with reference to the Cabinet report and delegations previously approved.

Submissions

Tender Evaluation Report

Evaluation Criteria

- Delivery Resource Requirements
- Affordability against Budget

Outcome

The contract is awarded to the preferred tender option.

Proceed to Gate 5

GATE 5

A benefits review should be carried out and be submitted to the Capital Board post project to review how the project has met the desired outcomes.

Submissions

Lessons Learned Report

Performance Review Report

Benefits Realisation Report

Evaluation Criteria & Actions

Assess whether the anticipated outcomes are being achieved

Assess how realistic the justifications within the business case were

Share Lessons Learned Report

Share Benefits Review

Include Project in Annual Performance Review

Outcome

Confirmation received that the reports are satisfactory and that no further information is required.

Project Close.

APPENDIX 4(A): SUMMARY CAPITAL PROGRAMME 2022/23 TO 2024/25

Portfolio	2022/23 £'000	2023/24 £'000	2024/25 £'000
Education, Skills & Business	15,912	3,050	2,300
Children & Young People	30	0	0
Integrated Care & Health	25	0	0
Wellbeing, Culture & Heritage	400	0	0
Reset & Recovery	1,024	180	0
Environment & Transport	41,679	25,520	6,900
Regeneration & Planning	1,473	20	20
Safer, Stronger Communities	4,763	4,296	3,148
Total	**65,306**	**33,066**	**12,368**

Source of Funding	2022/23 £'000	2023/24 £'000	2024/25 £'000
Grants/Other Contributions	54,216	18,164	11,648
Capital Receipts	2,578	592	20
Revenue Contribution	1,880	0	0
Borrowing	6,632	14,310	700
Total	**65,306**	**33,066**	**12,368**

APPENDIX 4(B) DETAILED CAPITAL PROGRAMME 2022/23 TO 2024/25

Education, Skills & Business Portfolio	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000	FUNDING Borrowing £'000	Capital Receipts £'000	Revenue £'000	Grants/ Conts. £'000
Primary Schools								
Ashurst Primary Rebuild	6,424	750	-	7,174	-	-	-	7,174
Bleak Hill Roof Repairs	50	-	-	50	-	-	-	50
Broad Oak Primary Playing Field Drainage	3	-	-	3	-	-	-	3
Legh Vale Heating Replacement	45	-	-	45	-	-	-	45
Longton Lane Rebuilding Programme	150	-	-	150	-	-	-	150
Moss Bank Structural Works	25	-	-	25	-	-	-	25
Queens Park Window & Roof Replacement	190	-	-	190	-	-	-	190
Queens Park Health & Safety Works	20	-	-	20	-	-	-	20
Rivington Boiler Replacement	30	-	-	30	-	-	-	30
Robins Lane Health & Safety Works	45	-	-	45	-	-	-	45
Sutton Manor Health & Safety Works	45	-	-	45	-	-	-	45
Sutton Oak Boiler Replacement	40	-	-	40	-	-	-	40
Thatto Heath Structural Works	20	-	-	20	-	-	-	20
The District Roof Replacement	40	-	-	40	-	-	-	40
SEND Base Wargrave/ Grange Valley Partnership	86	-	-	86	-	-	-	86
Secondary Schools								
Haydock High Lift / DDA	14	-	-	14	-	-	-	14

Education, Skills & Business Portfolio	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000	FUNDING Borrowing £'000	Capital Receipts £'000	Revenue £'000	Grants/ Conts. £'000
Primary Schools								
Cowley Roof Replacement	60	-	-	60	-	-	-	60
Special & Other Schools								
Launchpad Roof Renewal	100	-	-	100	-	-	-	100
Penkford Relocation	3,820	-	-	3,820	2,328	784	85	623
Pupil Referral Heating	40	-	-	40	-	-	-	40
Other Schemes								
Taylor Park Youth Service Base - Condition Works	30	-	-	30	-	-	-	30
Various Schools Fire Risks	100	-	-	100	-	-	-	100
Various Schools Heating	49	-	-	49	-	-	-	49
Uncommitted Grant Funding								
Healthy Pupils Capital Funding	125	-	-	125	-	-	-	125
School Devolved Formula Capital Uncommitted	506	300	300	1,106	-	-	-	1,106
SEND Capital Grant	514	-	-	514	-	-	-	514
Basic Need Uncommitted	705	1,000	1,000	2,705	-	-	-	2,705
School Condition Funding Uncommitted	2,650	1,000	1,000	4,650				
Total	**15,912**	**3,050**	**2,300**	**21,262**	**2,328**	**784**	**85**	**18,065**

Children & Young People Portfolio	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000	Borrowing £'000	Capital Receipts £'000	Revenue £'000	Grants/ Conts. £'000
Children & Families Accommodation	30	-	-	30	-	-	-	30
Total	**30**	**0**	**0**	**30**	**0**	**0**	**0**	**30**

Integrated Care & Health Portfolio	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000	Borrowing £'000	Capital Receipts £'000	Revenue £'000	Grants/ Conts. £'000
Unallocated Community Capacity Grant	25	-	-	25	-	-	-	25
Total	**25**	**0**	**0**	**25**	**0**	**0**	**0**	**25**

Wellbeing, Culture & Heritage Portfolio	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000	Borrowing £'000	Capital Receipts £'000	Revenue £'000	Grants/ Conts. £'000
Libraries ICT Refresh	50	-	-	50	50	-	-	-
Sutton Leisure Centre - Swimming Provision	350	-	-	350	350	-	-	-
Total	**400**	**0**	**0**	**400**	**400**	**0**	**0**	**0**

Reset & Recovery Portfolio	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000	Borrowing £'000	Capital Receipts £'000	Revenue £'000	Grants/ Conts. £'000
ICT Device Refresh	1,024	180	-	1,204	-	440	764	-
Total	**1,024**	**180**	**0**	**1,204**	**0**	**440**	**764**	**0**

Environment & Transport Portfolio	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000	Borrowing £'000	Capital Receipts £'000	Revenue £'000	Grants/ Conts. £'000
Highway Schemes								
A49 to M6 Junction 22 Link Road	25,478	18,620	-	44,098	13,180	-	-	30,918
Carriageway Maintenance	250	-	-	250	-	-	-	250
Highways Challenge Fund	44	-	-	44	44	-	-	-
Key Route Network	434	-	-	434	123	311	-	-
Local Transport Plan - Unallocated	6,200	6.200	6,200	18,600	-	-	-	18,600
Safer Routes to Schools	100	-	-	100	35	-	15	50
SCP Amber Flashing Lights	10	-	-	10	-	-	10	-
Section 106 Arrangements	81	-	-	81	-	-	-	81
St Helens Southern Gateway Package	4,414	-	-	4,414	-	-	-	4,414
Traffic Signal Improvements on A58 and A572	500	-	-	500	-	-	-	500
Environmental Schemes								
Climate Change Emergency Response Fund	12	-	-	12	12	-	-	-
Haydock KGV Playing Field - Site Improvements	128	-	-	128	-	-	78	50
Recycling & Waste Collection	800	-	-	800	-	45	755	-
Section 106 Arrangements - (Non-Highway Schemes)	53	-	-	53	-	-	-	53
Other Schemes								
Vehicle Replacement Programme	3,175	700	700	4,575	3,284	1,118	173	-
Total	**41,679**	**25,520**	**6,900**	**74,099**	**16,678**	**1,474**	**1,031**	**54,916**

Regeneration & Planning Portfolio	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000	Borrowing £'000	Capital Receipts £'000	Revenue £'000	Grants/ Conts. £'000
Ground Condition Surveys	81	20	20	121	21	100	-	-
Hardshaw Brook Depot Review	405	-	-	405	405	-	-	-
Earlestown Town Hall (External Works)	987	-	-	987	987	-	-	-
Total	**1,473**	**20**	**20**	**1,513**	**1,413**	**100**	**0**	**0**

Safer, Stronger, Communities Portfolio	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000	Borrowing £'000	Capital Receipts £'000	Revenue £'000	Grants/ Conts. £'000
Housing Schemes								
Disabled Facilities Grants and Adaptations	4,050	3,604	3,148	10,802	30	130	-	10,642
General Fund Housing (Housing Assistance)	100	100	-	200	100	50	-	50
Housing Clearance and Enforcement	50	50	-	100	100	-	-	-
Insulation Measures and Fuel Poverty	400	470	-	870	358	212	-	300
Other Schemes								
Replacement of Housing & Regulatory Services Case Management System	163	72	-	235	235	-	-	-
Total	**4,763**	**4,296**	**3,148**	**12,207**	**823**	**392**	**0**	**10,992**

Total	**65,306**	**33,066**	**12,368**	**110,740**	**21,642**	**3,190**	**1,880**	**84,028**

APPENDIX 5: STRATEGIC CAPITAL INVESTMENT SCHEMES 2022/23 TO 2025/26

TABLE 1 - PREVIOUSLY IDENTIFIED PIPELINE SCHEMES

				Potential Capital Spend Profile			
Directorate	**Service Area**	**Scheme Ref**	**Scheme Title**	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**
Place	**Highway Assets - Place Services**	**PS1**	**Highway Infrastructure Investment TOTAL**	**4,100**	**4,100**	**1,800**	**500**
			Rainford Junction Station Bridge (177), News Lane - bridge strengthening	750	-	-	-
			A580 Bridges (removal 4 structures)	1,000	1,100	-	-
			Huskisson Bridge (Junction Lane) fire damage repairs	950	-	-	-
			East Side Industrial Estates	350	-	-	-
			Salt Barn	-	350	-	-
			Blindfoot Road/ Pasture Lane	-	1,500	1,000	-
			Street Lighting - replacing concrete columns	500	500	500	500
			College Street Flood Alleviation	350	350	300	-
			Highway Scheme Development funding	200	150	-	-

				Potential Capital Funding Profile			
Directorate	**Service Area**	**Scheme Ref**	**Scheme Title**	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**
Place	**Property (Operational) Place Services**	**PS2**	**Asset Management Operational Estate TOTAL**	**3,889**	**3,900**	**-**	**-**
			Sports Facilities at Ruskin Leisure Centre	-	1,000	-	-
			Crematorium Land Drainage	189	-	-	-
			St Helens Town Hall (Condition)	500	1,500	-	-
			Sutton Leisure (Condition)	1,500	1,400	-	-
			Other - investment in statutory compliance	500	-	-	-
			Other - to support review process	200	-	-	-
			Other - project development and planning	1,000	-	-	-

				Potential Capital Funding Profile			
Directorate	**Service Area**	**Scheme Ref**	**Scheme Title**	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**
Place	**Growth (Place Services)**	**PS3**	**Regeneration and Growth TOTAL**	**18,737**	**26,750**	**30,000**	**17,756**
			ECF Phase 1 proposition*	5,000	23,000	30,000	17,756
			Church Square (remaining relocations)	1,000	-	-	-
			Town Centre Bus Station	1,000	-	-	-
			Earlestown Town Hall	1,013	-	-	-
			St Mary's Market Demolition	1,250	1,250	-	-
			Gamble Building (internal works)	2,074	-	-	-
			Youth Zone	500	500	-	-
			Cowley Hill and College Street Gateway	1,000	2,000	-	-
			Glass Futures Phase 2 (pre-development/land)	5,000	-	-	-
			Public Realm, street furniture etc.	900	-	-	-

				Potential Capital Funding Profile			
Directorate	**Service Area**	**Scheme Ref**	**Scheme Title**	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**
Place	**Place Services**	**PS4**	**Invest to save opportunities TOTAL**	**600**	**4,500**	**7,200**	**3,900**
			Waste Management	500	500	3,200	-
			Localities Model	100	4,000	4,000	3,900
Place	Place Services	PS5	Upgrade of CCTV system	751	-	-	-
Place	Place Services	PS7	Climate Change	100	500	-	-
Place	Place Services	PS8	Tickle Avenue	250	-	-	-
Corporate	Corporate Services	CS1	IT & Digital Transformation	2,203	1,346	654	-
Children's	Children's Services	CH1	Rationalisation of Alternative Education sites	500	-	-	-
Children's	Children's Services	CH4	Demolition of Penkford Special School	250	250	-	-
Children's	Children's Services	CH6	Children's Residential Care Homes	400	400	400	-
Adults	Integrated Care & Health	ICH2	Adult Social Care Day Care	100	-	-	-
Adults	Integrated Care & Health	ICH3	Brookfield Resource Centre	50	-	-	-
Totals				**31,930**	**41,746**	**40,054**	**22,156**

*The council's Medium Term Financial Strategy approved by Council on 2 March 2021, included an indicative allocation built into the list of potential Strategic Capital Investment pipeline schemes on the basis of it being delivered by a hybrid revenue and capital model. Following further analysis and review of funding options, it is proposed that a singular capital financing model is adopted. The figures in the table are reflective of this (allowing for scheme costs already committed and incorporated into the 2021/22 capital programme).

TABLE 2 - ADDITIONAL IDENTIFIED PIPELINE SCHEMES

				Potential Capital Funding Profile			
Directorate	**Service Area**	**Scheme Ref**	**Scheme Title**	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**
Place	Leisure	New	Parr Swimming & Fitness Centre - Demolition	850	-	-	-
Place	Leisure	New	Sutton Leisure Centre	1,450	380	-	-
Place	Operations	New	Hardshaw Brook Depot Investment	1,000	5,000	5,000	5,000
Place	Operations	New	Fleet, Plant and Equipment	3,788	357	783	1,355
Place	Climate Change	New	Climate Change Response Plan	250	250	-	-
Place	Growth	New	Earlestown Town Centre Masterplan	1,600	10,000	4,585	1,000
Integrated Health & Social Care	Learning Disability/ Autism	New	Learning Disability/Autism	1,000	-	-	-
Corporate	Corporate	New	Replacement of Capita One education management information system	800	100	-	-
Totals				**10,738**	**16,087**	**10,638**	**7,355**

APPENDIX 6:
COMMUNITY IMPACT ASSESSMENT

Title of Proposal: Medium Term Financial Strategy 2022-2025 and Revenue & Capital Budget 2022/23

Service: Finance & Accountancy

Department: Corporate Services

Responsible Officer: Jon Ridgeon

Date Completed: 25 January 2022

1. Aims:

The aim of the Budget is to provide, within the overarching financial constraints that exist, the most appropriate balance of resources to deliver the council's statutory responsibilities and to set a foundation for, and facilitate, the delivery of the council's key ambitions, its existing and emerging corporate priorities and borough level strategic objectives.

2. Community Impact Assessment

The Impact Assessment tool helps to identify the benefits to the local community of the work. All policies, decisions or functions will have an impact on the local community in St Helens. This tool acts as a prompt to identify what difference the work will make and how.

It provides an opportunity to think about where we might be able to reduce negative impacts, identify missed opportunities, and capitalise on positive impacts. It will build broader portfolio support for our work.

Community:

The council remains dedicated to the ongoing review and evolution of its form and function as it responds to the challenges facing the council and the wider local government sector. A council wide transformation programme incorporating digitalisation and modernisation, alongside the continuing review of working practices under the Ways of Working project is proving key in ensuring that residents, businesses, partners and communities are provided with the best possible services.

In supporting this agenda, the council continues to deliver major changes in the integration of Social Care, Housing, Health and other public services within an Accountable Care System, incorporating an Integrated Care System and Integrated Care Partnership, allowing partner organisations to manage demand, reduce costs and improve people's outcomes through integrated provision of high quality care and support.

The council continues to prioritise the Growth and Regeneration agenda aimed at delivering the economic activity across the borough which will provide local jobs, opportunities and skills and generate the local revenues to support services in the future. This will include continued working with the Liverpool City Region Combined Authority and other partners to promote jobs, growth and investment across the borough.

The council continues to work closely through the Children's Improvement Board to prioritise actions and deliver new models of practice to ensure that all children and young people in the borough receive the support, care and protection they need and deserve.

3. Publishing the results of the assessment

Issue	How will this be taken into account
Advancing Equality of Opportunity in service access, quality and outcome	The budget has been produced against a background of significant rising demand in social care services. This increase in demand leads to rising costs for those services. The budget acknowledges these increases in costs and proposes budgets are set at a realistic level to meet the current level of demand. This budget position attempts to provide a sustainable position. However, if demand continues to increase in the future, the position will need to be reviewed and managed accordingly. When looking at the impact of budget savings across the period 2022-2025, the following stakeholders in particular are likely to be affected: **Staff -** The savings proposals considered are likely to have an impact on staff through loss of employment or associated restructuring and change. **Service users/their carers -** Outcomes of service reviews can vary greatly and service users, both now and in the future, may find that some aspects of service provision will change: some services may be delivered in a very different way; some may introduce or revise charges, and the eligibility of some service users may be reviewed. **Organisations working with or supported by the council -** Whilst difficult to quantify, changes in service provision by the council may have an effect on the demands for the services provided by partner organisations. **Members of the general public -** are likely to be affected by proposed reviews of fees and charges. We do not anticipate that the budget savings proposals, as a collective, will have had a disproportionate impact in relation to: race, religion, sex (gender), gender reassignment, sexual orientation, pregnancy and maternity, or marriage and civil partnership. A review of commissioned services within Integrated Care and Health and Children's Services will, by their very nature, have an impact in relation to the protected characteristics of disability and/or age. Equality Impact Assessments will be used to inform each savings proposal, as necessary, from its outset to enable 'equality' considerations to be taken into account from the very beginning of the review process - through its development, consultation, and option appraisal - to its outcome.

Issue	How will this be taken into account
	It is not a foregone conclusion that the impact for protected characteristics will be a negative one. The review process will encourage stakeholders and service user to express their views, identify opportunities and influence options. This can lead to service users experiencing positive changes, such as increased independence, access to employment, and greater participation in public life. Where an Equality Impact Assessment does identify a potential adverse impact for people who share a protected characteristic, then the council will give due regard to that adverse impact; which means assessment of the extent, nature and duration of that impact, and the identification of measures to mitigate (remove or minimise) any disadvantage. The Service Review's 'impact' and 'mitigation' will be recorded within the Equality Impact Assessment report. Finally, the Equality Impact Assessment report will be attached as an appendix to a Service Review Report, ensuring the Decision Maker is fully aware of the equality implications of the proposal at the time they make their decision.
Fair employment	The current, and future, savings proposals are likely to have an impact on staff. Any service review that identifies implications for staff will be developed with guidance from the council's Human Resources officers, in accordance with relevant policies, and in consultation with Unions, where necessary.

APPENDIX 7: PORTFOLIO/PRIORITY BUDGET SUMMARIES 2022/23

Index of Appendix 7

The following tables analyse portfolio and priority budgets across services and detail the nature of expenditure and income.

Service Analysis - Education, Skills & Business Portfolio

Education, Skills & Business	Allowed Budget 2022/23 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2022/23 £'000
Children & Young People's Services			
Schools			
Schools Delegated Budget	0	126,748	(126,748)
Schools Total	**0**	**126,748**	**(126,748)**
Non Schools			
Other Expenditure Attributable to Schools	5,225	8,126	(2,901)
Early Years Development (incl PVI's)	311	8,124	(7,813)
Support for Children with SEND	1,732	8,787	(7,055)
Behaviour Support Services	52	3,876	(3,824)
Home to School/College Transport	3,411	3,496	(85)
Youth Service	120	150	(30)
Management & Other Support Services	1,668	3,877	(2,209)
Non Schools Total	**12,519**	**36,436**	**(23,917)**
Total Children and Young People Department	**12,519**	**163,184**	**(150,665)**
Place Services Directorate			
Employment Skills and Initiatives	0	1,033	(1,033)
Place and Economic Delivery	144	144	0
Place Services Directorate Total	**144**	**1,177**	**(1,033)**
Total	**12,663**	**164,361**	**(151,698)**

APPENDIX 7(ii)

Service Analysis - Children & Young People Portfolio

Children & Young People	Allowed Budget 2022/23 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2022/23 £'000
Children & Young People's Services			
Social Care and Commissioning Teams	10,384	10,775	(391)
Children Looked After	28,182	32,159	(3,977)
Child Protection	2,100	2,191	(91)
Children's Centres/Early Help Service	1,467	2,141	(674)
Support for Disabled Children	1,716	1,976	(260)
Family Support Services	2,351	2,913	(562)
Management & Other Support Services	99	1,928	(1,829)
Youth Offending Teams	558	1,340	(782)
Total	**46,857**	**55,423**	**(8,566)**

APPENDIX 7(iii)

Service Analysis - Integrated Care & Health Portfolio

Children & Young People	Allowed Budget 2022/23 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2022/23 £'000
Integrated Care & Health Services			
Physical Support - Frail and Elderly	14,384	34,049	(19,665)
Sensory Support	1,012	1,236	(224)
Support with Memory and Cognition	8,186	13,242	(5,056)
Learning Disability Support	22,384	32,053	(9,669)
Mental Health Support	3,629	4,480	(851)
Assistive Equipment and Technology	731	2,978	(2,247)
Care Management - Assessment and Review	6,126	8,812	(2,686)
Transport and Generic Services	0	1,440	(1,440)
Management, Commissioning and Support Services	0	5,156	(5,156)
Total	**56,452**	**103,446**	**(46,994)**

APPENDIX 7(iv)

Service Analysis - Wellbeing, Culture & Heritage Portfolio

Wellbeing, Culture & Heritage	Allowed Budget 2022/23 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2022/23 £'000
Integrated Care & Health Services			
Sexual Health	2,028	2,028	0
Primary Care	101	101	0
Public Health Advice	613	613	0
Obesity	1,036	1,036	0
Physical Activity	1,492	1,492	0
Substance Misuse	2,674	2,674	0
Stop Smoking Services & Interventions	549	549	0
Healthy Child Programme	4,720	4,720	0
Miscellaneous Public Health Services	1,852	1,952	(100)
Management & Support Services	0	2,056	(2,056)
Public Health Grant	(15,065)	0	(15,065)
Public Health Grant Funded Services	**0**	**17,221**	**(17,221)**
Children and Young People Department			
Adult Community Learning	20	637	(617)
Total Children and Young People Department	**20**	**637**	**(617)**
Place Services Directorate			
Arts Development & Support	445	485	(40)
Archiving	175	328	(153)
Sports Development	18	425	(407)
Indoor Sports & Recreation	1,279	4,610	(3,331)
Outdoor Sports & Recreation	325	471	(146)
Library Services	2,203	2,346	(143)
Tourism and Events	249	275	(26)
Total Culture & Heritage Services	**4,694**	**8,940**	**(4,246)**
Total	**4,714**	**26,798**	**(22,084)**

APPENDIX 7(v)

Service Analysis - Finance & Governance Portfolio

Finance & Governance	Allowed Budget 2022/23 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2022/23 £'000
Corporate Services Directorate			
Local Tax Collection	1,541	2,388	(847)
Emergency Planning	117	117	0
Local Welfare Assistance Schemes	191	191	0
Grants and Donations	47	50	(3)
Non-Distributed Costs	2,076	2,076	0
Finance	0	7,779	(7,779)
Audit and Risk	0	1,100	(1,100)
Coroners Court Services	220	220	0
Registration of Births, Deaths & Marriages	62	261	(199)
Democratic Representation & Management	1,721	1,721	0
Elections	468	471	(3)
Human Resources	0	2,953	(2,953)
Legal Services	0	1,546	(1,546)
Governance & Administration	0	234	(234)
Total	**6,443**	**21,107**	**(14,664)**

APPENDIX 7(vi)

Service Analysis - Reset & Recovery Portfolio

Reset & Recovery	Allowed Budget 2022/23 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2022/23 £'000
Corporate Services Directorate			
Corporate Management	1,448	1,448	0
I.T	0	9,742	(9,742)
Press and Public Affairs	0	1,005	(1,005)
Policy Development	0	2,086	(2,086)
Organisational Development	0	887	(887)
Other Services	0	129	(129)
Total	**1,448**	**15,297**	**(13,849)**

Service Analysis - Environment & Transport Portfolio

Environment & Transport	Allowed Budget 2022/23 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2022/23 £'000
Place Services Directorate			
Parks & Open Spaces	2,278	2,357	(79)
Street Cleansing	1,640	1,810	(170)
Cemetery and Crematorium	(876)	1,629	(2,505)
Waste Collection	2,378	3,032	(654)
Recycling	3,757	6,522	(2,765)
Climate Change	101	126	(25)
Parking Services	256	1,406	(1,150)
Highways Maintenance	9,143	11,003	(1,860)
Street Lighting	1,950	2,108	(158)
Traffic Management & Road Safety	620	831	(211)
Direct Services	(55)	18,310	(18,365)
Management & Support Services	0	1,761	(1,761)
Councillor Improvement Fund	200	200	0
Total	**21,392**	**51,095**	**(29,703)**

APPENDIX 7(viii)

Service Analysis - Environment & Transport Portfolio

Regeneration & Planning	Allowed Budget 2022/23 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2022/23 £'000
Place Services Directorate			
Building Control	333	692	(359)
Development Control	501	1,437	(936)
Planning Policy	481	656	(175)
Estates - Industrial & Commercial Premises (including Town Centre)	485	5,446	(4,961)
Market Undertakings	481	838	(357)
Economic Development	9	149	(140)
Management & Support Services	769	769	0
Growth Delivering Prosperity	0	1,213	(1,213)
Transport Planning, Policy & Strategy	424	424	0
Building Support Services	0	6,336	(6,336)
Estates Management	0	668	(668)
Total	**3,483**	**18,628**	**(15,145)**

APPENDIX 7(ix)

Service Analysis - Safer, Stronger Communities Portfolio

Safer, Stronger Communities	Allowed Budget 2022/23 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2022/23 £'000
Place Services Directorate			
Housing Services	656	2,596	(1,940)
Homelessness	274	728	(454)
Housing Benefit Administration	(16)	49,668	(49,684)
Supporting People	5,074	5,074	0
Community Safety	925	1,525	(600)
Environmental Health	1,069	1,573	(504)
Trading Standards	583	598	(15)
Licensing & Land Charges	(52)	612	(664)
Total	**8,513**	**62,374**	**(53,861)**

Service Analysis
Priority 1 - Ensure children and young people have a positive start in life

	Allowed Budget 2022/23 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2022/23 £'000
Schools Delegated Budgets	0	126,748	(126,748)
Total Schools	**0**	**126,478**	**(126,478)**
Child Protection	2,100	2,191	(91)
Children Looked After	28,182	32,159	(3,977)
Children's Centres / Early Help Service	1,467	2,141	(674)
Early Years Development (incl. PVI's)	311	8124	(7,813)
Family Support Services	2,351	2,913	(562)
Home to School Transport	3,411	3,496	(85)
Management & Other Support Services	1,767	5,805	(4,038)
Other Expenditure Attributable to Schools	5,225	8,126	(2,901)
Behaviour Support Services	52	3876	(3,824)
Social Care & Commissioning Teams	10,384	10,775	(391)
Support for Children with SEND	1,732	8,787	(7,055)
Support for Disabled Children	1,716	1,976	(260)
Youth Service	120	150	(30)
Youth Offending Teams	558	1340	(782)
Total Non-Schools	**59,376**	**91,859**	**(32,483)**
Total	**59,376**	**218,607**	**(159,231)**

Service Analysis
Priority 2 - Promote good health, independence and care across our communities

	Allowed Budget 2022/23 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2022/23 £'000
Assistive Equipment and Technology	731	2,978	(2,247)
Care Management - Assessment and Review	6,126	8,812	(2,686)
Healthy Child Programme	4,720	4,720	0
Learning Disability Support	22,384	32,053	(9,669)
Management, Commissioning and Support Services	0	7,212	(7,212)
Mental Health Support	3,629	4,480	(851)
Miscellaneous Public Health Services	1,852	1,952	(100)
Obesity	1,036	1,036	0
Physical Activity	1,492	1,492	0
Physical Support - Frail and Elderly	14,384	34,049	(19,665)
Primary Care	101	101	0
Public Health Advice	613	613	0
Public Health Grant	(15,065)	0	(15,065)
Sensory Support	1,012	1,236	(224)
Sexual Health	2,028	2,028	0
Stop Smoking Services & Interventions	549	549	0
Substance Misuse	2,674	2,674	0
Support with Memory and Cognition	8,186	13,242	(5,056)
Transport and Generic Services	0	1,440	(1,440)
Total	**56,452**	**120,667**	**(64,215)**

APPENDIX 7(xii)

Service Analysis
Priority 3 - Create safe and strong communities and neighbourhoods for all

	Allowed Budget 2022/23 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2022/23 £'000
Community Safety	925	1525	(600)
Environmental Health	1,069	1,573	(504)
Homelessness	274	728	(454)
Housing Benefits Administration	(16)	49,668	(49,684)
Housing Services	656	2596	(1,940)
Licensing & Land Charges	(52)	612	(664)
Supporting People	5,074	5,074	0
Trading Standards	583	598	(15)
Total	**8,513**	**62,374**	**(53,861)**

APPENDIX 7(xiii)

Service Analysis
Priority 4 - Support a strong, thriving, inclusive and well-connected local economy

	Allowed Budget 2022/23 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2022/23 £'000
Adult & Community Learning	20	637	(617)
Building Control	333	692	(359)
Development Control	501	1,437	(936)
Economic Development	9	149	(140)
Employment & Skills Initiatives	144	1,177	(1,033)
Estates – Industrial & Commercial Premises (including Town Centre)	485	5,446	(4,961)
Growth Delivering Prosperity	769	769	0
Management & Support Services	0	1,213	(1,213)
Market Undertakings	481	838	(357)
Parking Services	256	1,406	(1,150)
Planning Policy	481	656	(175)
Transport Planning, Policy & Strategy	424	424	0
Total	**3,903**	**14,844**	**(10,941)**

Service Analysis
Priority 5 - Create green vibrant places that reflect our heritage and culture

	Allowed Budget 2022/23 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2022/23 £'000
Archiving	175	328	(153)
Arts Development and Support	445	485	(40)
Climate Change	101	126	(25)
Direct Services	(55)	17,365	(17,420)
Highways Maintenance	9,143	11,003	(1,860)
Indoor Sports & Recreation	1279	4610	(3,331)
Library Services	2,203	2,346	(143)
Outdoor Sports & Recreation	325	471	(146)
Parks & Open Spaces	2,278	2,357	(79)
Recycling	3,757	6,522	(2,765)
Sports Development	18	425	(407)
Street Cleansing	1,640	1,810	(170)
Street Lighting	1,950	2,108	(158)
Tourism & Events	249	275	(26)
Traffic Management & Road Safety	620	831	(211)
Waste Collection	2,378	3,032	(654)
Total	**26,506**	**54,094**	**(27,588)**

APPENDIX 7(xv)

Service Analysis
Priority 6 - Be a responsible Council

	Allowed Budget 2022/23 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2022/23 £'000
Audit and Risk	0	1,100	(1,100)
Building Support Services	0	6,336	(6,336)
Estates Management	(876)	1,629	(2,505)
Cemetery and Crematorium	220	220	0
Coroners Court Services	1,448	1,448	0
Corporate Management	200	200	0
Councillor Improvement Fund	1,721	1,721	0
Democratic Representation & Management	0	945	(945)
Direct Services	468	471	(3)
Elections	117	117	0
Emergency Planning	0	668	(668)
Finance	0	7,779	(7,779)
Governance & Administration	0	234	(234)
Grants & Donations	47	50	(3)
Human Resources	0	2,953	(2,953)
IT	0	9,742	(9,742)
Legal Services	0	1,546	(1,546)
Local Tax Collection	1,541	2,388	(847)
Local Welfare Assistance Schemes	191	191	0
Management & Support Services	0	1,761	(1,761)
Non-Distributed Costs	2,076	2,076	0
Organisational Development	0	887	(887)
Policy Development	0	2,086	(2,086)
Press and Public Affairs	0	1,005	(1,005)
Registrar of Births, Deaths and Marriages	62	261	(199)
Other Services	0	129	(129)
Total	**7,215**	**47,943**	**(40,728)**

APPENDIX 8: FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY 2022/23

The Government have provided a time limited flexibility to use capital receipts from the disposal of property, plant and equipment assets to fund the revenue cost of service transformation and costs that support invest-to-save and efficiency projects designed to provide revenue savings in the future.

Revenue expenditure qualifies to be funded from the capital receipt flexibility if it has been incurred on any project that is designed to generate ongoing revenue savings in the delivery of services and/or transform service delivery in a way that reduces costs or demand for services in future years for the council or any of its public sector delivery partners.

The flexibility provides an alternative way of funding the one-off transformation costs and up-front investment associated with delivery of recurring savings which are required to deliver a balanced budget in future years.

As previously agreed, the council's Medium Term Financial Strategy includes a requirement for council wide revenue savings from the restructuring and reconfiguring of council services to meet the existing and forecast future funding gaps.

For 2022/23 it is proposed to use £1m capital receipts to cover the costs associated with the reconfiguration of services, restructuring or rationalisation.

The council will have due regard to the requirements of the Prudential Code and the impact on its prudential indicators from implementing this Strategy. The expenditure to be incurred will be included in the capital programme to be funded by capital receipts generated in the financial year. The capital expenditure prudential indicators will be calculated, amended and approved as appropriate.

These receipts have not been earmarked for any other proposed capital expenditure and therefore there is no anticipated additional impact on the council's prudential indicators as set out in the council's Treasury Management Strategy.

The council will also have due regard to the Local Authority Accounting Code of Practice when determining and including the entries required within the council's Statement of Accounts.

This strategy will be monitored throughout the financial year.

Note: The Government announced in the Spending Review 2021 their intent for an extension of the scheme beyond March 2022. Details of how the scheme will operate have not yet been confirmed. It is assumed that similar principles will be announced.

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