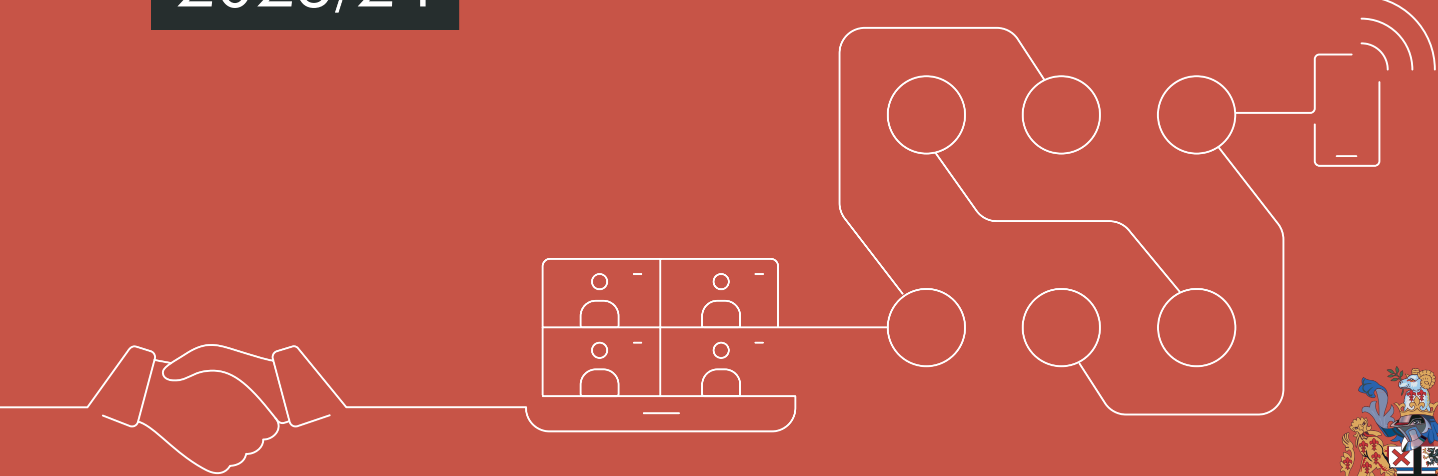
MEDIUM TERM FINANCIAL STRATEGY 2023-2026

AND

REVENUE AND CAPITAL BUDGET 2023/24



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MEDIUM TERM FINANCIAL STRATEGY 2023-2026

INTRODUCTION

1. This Strategy provides an overarching framework setting out the context in which future decisions on resource allocation and budgeting will be taken. The primary purpose of the 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 available to deliver the Council's services and achieve its core strategic objectives.

2. It is considered that the Council has never faced a more challenging funding position, after more than a decade of austerity and continual cuts in government support, with the ongoing legacy of the global pandemic, the current extreme and volatile inflationary and wider economic environment, a funding crisis engulfing the social care system amid continually increasing demand, and the continuing uncertainty surrounding the local government funding position.

3. Consequently, it is imperative that resources are allocated following an assessment of statutory responsibilities and strategic priorities, and that annual budget decisions are aligned to those priorities. The requirement to identify, agree and deliver significant cash savings and cost reductions must be considered in that regard.

4. 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 2023/24 on future years
    - Gap analysis for 2024/25 and 2025/26 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

5. The medium-term financial planning process has been developed for the period 2023-2026. 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 GOVERNMENT FUNDING

6. The Chancellor 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 as part of the Spending Review 2021.

7. In its Autumn Statement 2022, the Government introduced new policy measures intended to consolidate the public finances, with increased taxation and reduced spending designed to limit the Government's borrowing requirements. The material

impact of the consolidation begins in 2024/25, where the net combination of tax rises and spending reductions totals £10bn, gradually increasing to £55bn by the end of 2027/28.

8. The Statement provided no detailed spending plans for the medium term, with real risks for public spending, and a continuing likelihood that local authorities will be increasingly reliant on other revenue sources (including those from local taxes) to meet spending pressures. 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.

9. The Statement made provision for additional social care funding in both 2023/24 and 2024/25 to support discharge from acute hospital settings. In addition, the funding for social care charging reforms, which have been delayed from October 2023 to October 2025 will be maintained to provide additional resources to enable Councils to address some of the current social care demand pressures. There remains uncertainty as the details of individual local authority allocations for 2024/25 have not been confirmed and further specific conditions attached to the funding are anticipated.

10. The 2023/24 Local Government Finance Settlement was published on 6 February 2023. The key headlines are:

- There will be a one-year settlement for 2023/24, with some indications around funding for 2024/25.

- The Government calculated headline Core Spending Power will increase by 9% across England, which includes assumed increases in Council Tax in accordance with the Government's referendum principles.

- The Council Tax referendum threshold will increase from 2% to 3% for 2023/24.

- Councils with social care responsibilities will be able to increase the Social Care Precept by up to 2% in 2023/24.

- A Consumer Price Index (CPI) increase to Revenue Support Grant in 2023/24, with no changes to the distribution methodology used in 2022/23.

- Councils will be compensated for the 2023/24 freeze in Business Rates – equivalent to September CPI inflation.

- Social Care Grant funding will increase in 2023/24 to £3.9bn (prior to the 'rolling-in' of the Independent Living Fund, worth £160m) as a result of savings arising from delays to the rollout of adult social care charging reform.

- Adult Social Care (ASC) Market Sustainability and Improvement will be supported by further ringfenced funding - nationally £400m will be added to the 2023/24 £162m Market Sustainability and Fair Cost of Care Fund.

- The improved Better Care Fund (iBCF) continues into 2023/24, alongside an additional Adult Social Care Discharge Grant, worth £300m, which will be required to be pooled as part of the Better Care Fund.

- Services Grant will reduce by 41% in 2023/24, which equates to a reduction of £1.317m for St Helens.

- The Lower Tier Services Grant, for which St Helens received £291k in 2022/23, will be discontinued.

- There will be a new one-off Funding Guarantee introduced to ensure all authorities receive a minimum 3% increase in their Core Spending Power.

- The New Homes Bonus will continue in 2023/24 as an annual grant. Legacy payments will end, and the future of the grant will be confirmed before the 2024/25 Local Government Finance Settlement.

- Four currently existing grants (worth £239m) will be rolled into Revenue Support Grant / Social Care Grant – including the Local Council Tax Support Administration Subsidy Grant and the Independent Living Fund.

- General Grant funding Tariff and Top-up funding adjustments will be made to ensure the 2023 Business Rates revaluation, as far as practicable, will not impact on the level of retained Business Rates.

- Neither fundamental reform to Relative Needs and Resources assessments, nor the Business Rates system will be implemented in the current Spending Review period.

- Continuation of the existing Business Rates retention arrangements (whereby the authorities in the Liverpool City Region retain 99% of Business Rates) into 2023/24 – during which the Government will review the role of arrangements as a source of income and its impact on local economic growth as part of the devolution arrangements as set out in the Levelling Up white paper.

<u>Levelling Up</u>

11. As part of its levelling up agenda, the Government has launched a series of investment programmes to support communities across the country. These investment programmes include the Levelling Up Fund and the UK Shared Prosperity Fund.

<u>The Levelling Up Fund</u>

12. The £4.8 billion Levelling Up Fund will invest in infrastructure that improves everyday life across the UK, including regenerating town centres and high streets, upgrading local transport, and investing in cultural and heritage assets. The fund will run until 2024/25.

13. In January 2023, St Helens, following a successful round 2 bid, was awarded £20m to invest in the regeneration of Earlestown.

14. The Government has committed to reviewing opportunities to simplify and streamline funding and competitive bidding processes in driving regeneration and growth.

UK Shared Prosperity Fund

15. The UK Shared Prosperity Fund (UKSPF) will provide a national £2.6 billion of National funding for local investment by March 2025.

16. The UKSPF, launched in April 2022, will see all areas of the UK receive an allocation from the Fund via a funding formula, rather than via competition. The Fund primarily operates 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.

IMPACT OF COVID-19

17. The pandemic has been the most challenging emergency that the Council has ever faced. Covid-19 has had far-reaching effects on the economy and communities within the Borough. It has brought many financial challenges and has had a significant impact on the way Council services are delivered. This impact continues to be felt.

18. 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 introduced has been unparalleled.

19. It still remains uncertain how the aftershocks of the pandemic will continue to impact the Borough's residents, businesses and employers. The ongoing impact on the Council's financial position is also difficult to quantify, particularly in terms of the wider economy, customer behaviour and demand for services.

20. As in 2022/23, the Local Government Finance Settlement for 2023/24 does not include any specific funding for legacy Covid-19 and associated pressures.

IMPACT OF INFLATION

21. The rate of inflation has relentlessly moved upwards for a period of 18 months, reaching a 40-year high of 11.1% in October 2022, driven by a combination of demand for consumer goods, labour market shortages, the war in Ukraine and rising energy and petrol prices. The Local Government Association (LGA) have forecast that inflation, energy costs and increases to the National Living Wage will add £3.4 billion of additional cost pressures onto council budgets in 2023/24 alone. These pressures are likely to be compounded in subsequent years.

22. The most material pressure areas for the Council arising as a result of inflation have been identified as:

- Employee pay
- Energy costs, including those associated with street lighting and traffic signalling
- The costs of care provision in both adult and children's social care
- Fuel
- Food

23. Forecasts by the Bank of England and respected economic commentators vary widely in terms of both expected levels and duration of elevated inflation, reflecting the scale of the challenge that the Council faces in forecasting the impact of inflation on its budgets.

24. In November 2022, the 2022/23 Local Government Pay Award was agreed, equating to an average increase of around 7.7%. For 2023/24, unions have submitted a pay claim which exceeds the current Retail Price Index. It is clear that the cumulative impact of pay increases will result in significant pressures over the course of the MTFS.

25. The National Living Wage will increase by 9.7% from 1 April 2023. The Low Pay Commission expects the next two National Living Wage rises to be higher than forecast inflation levels. The impact of this on the Council is most significant through payments made to care providers, and this will link closely to matters relating to the fair cost of care.

26. Rising energy costs are the single most significant contributory factor to the current inflationary environment. The volatility in energy prices continues, having reached record highs, and is extremely sensitive to a number of complex geopolitical influences, including the conflict in Ukraine.

27. In September 2022, the Government announced an Energy Bill Relief Scheme for businesses and other non-domestic customers, providing discounts on energy usage for the period between 1 October 2022 and 31 March 2023. Further support has been announced for 2023/24, though the absolute detail is still unclear. Uncertainty surrounding the future cost of energy presents a serious risk to the Council.

28. Significantly elevated borrowing costs associated with continual Bank Rate increases, alongside surging prices, will have a considerable impact on the affordability of the Council's capital investment aspirations during the lifetime of the MTFS.

29. Government have acknowledged some of the pressures that Councils face as a result of the inflationary environment, and have provided some assistance for 2023/24 as part of the Local Government Finance Settlement. However, the provision of another one-year settlement has left authorities facing significant uncertainty around future levels of funding.

30. Economic forecasters are predicting gradual decreases in the rate of inflation, but the trajectory and accuracy of such predictions are uncertain. As such, any significant changes in the underlying economic conditions that impact on inflation will need to be managed over the course of the MTFS.

31. Inflationary pressures are particularly damaging to Council finances. Unlike in other sectors, Councils have limited ability to absorb such additional cost pressures or passport them directly on to residents or businesses.

CORE SPENDING POWER

32. Core Spending Power is the Government's defined measure of the resources available to local authorities to fund service delivery.

33. The Government's calculation of Core Spending Power 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 in Core Spending Power quoted by the Government also take into account income from sources other than core general Government revenue grant, and do not solely represent changes in levels of direct Government funding.

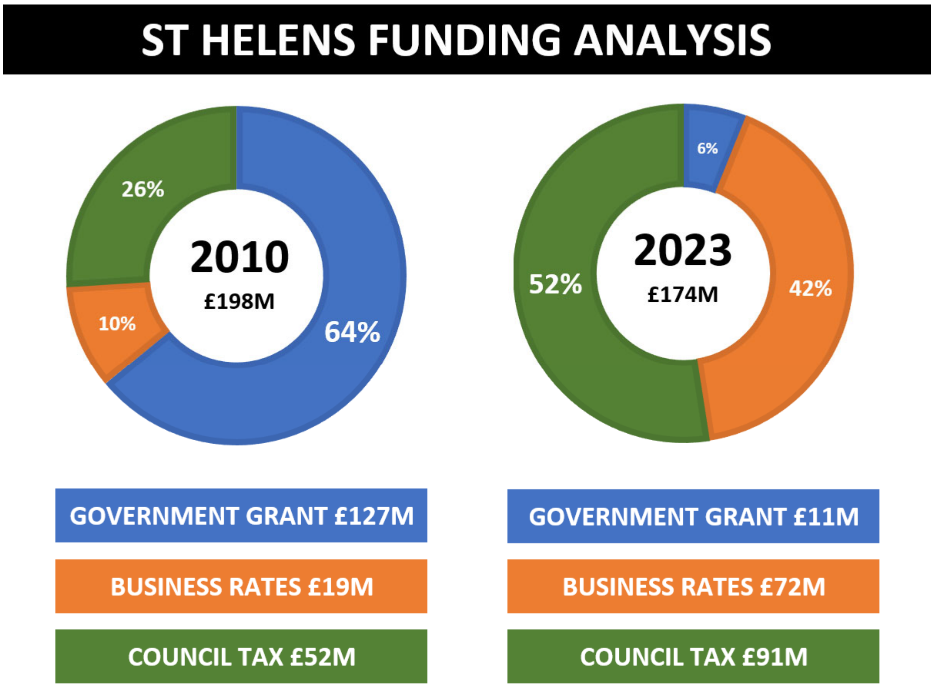
34. The methodology of the Core Spending Power calculation for 2023/24 includes Revenue Support Grant, Business Rates baseline funding, compensation for under-indexing of the Business Rates multiplier, Council Tax, New Homes Bonus, improved Better Care Fund, Social Care Grant, Funding Guarantee, Adult Social Care Discharge Funding and the Adult Social Care Market Sustainability and Improvement Fund.

35. The Government's new Funding Guarantee for 2023/24 will ensure that all councils experience at least a 3% increase in their Core Spending Power before any local decisions about organisational efficiencies, use of reserves or Council Tax levels.

36. The Government's published Core Spending Power figures show an increase of 10.1% for the Council in 2023/24, with Core Spending Power increasing from £176.7m in 2022/23 to £194.4m in 2023/24. This is compared to an 8.4% increase in 2022/23.

37. It is important to note that the use of Core Spending Power as a headline indicator can distort the underlying position. For 2023/24, the Council's Council Tax requirement is £91m, representing 46.8% of the Government's published Core Spending Power figures. The equivalent percentage for 2015/16 was 41.2%, reflecting local authorities' increasing reliance on Council Tax income to deliver services.

38. Since austerity, the direction of travel has been for local government to become increasingly funded from local revenues. The graphic below shows how Government Grant support has reduced over a number of years, with ever-increasing reliance on funding from Business Rates and Council Tax.



39. Whilst this is a national concern, the reduction has greater impact for St Helens, as it is more heavily dependent on Government funding than councils which have greater buoyancy in their Council Tax and Business Rates bases.

40. The Government has been considering a major overhaul of the local government funding mechanism for a number of years. There have been numerous delays to the Government's Review of Relative Needs and Resources (of the methodology determining how much funding each authority receives based on an assessment of its relative needs and resources). Similar delays have been experienced in relation to proposed reforms to Business Rates retention.

41. Along with five 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 to financial planning and sustainability.

42. The Settlement confirms that reforms to local-government funding through the Review of Relative Needs and Resources have been paused, and that a proposed reset of accumulated Business Rates growth has also been paused for the remainder of the 2022-2025 Spending Review. The Government has expressed a commitment to improving the landscape of local-government finance in the next parliament.

BUSINESS RATES RETENTION

43. Since 2017/18, St Helens has participated in a designated Liverpool City Region-wide Business Rates Retention Scheme. 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 2023/24.

44. The estimated benefit for 2023/24 from participation in the scheme is approximately £4.8m. 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.

45. 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.

46. As previously referred, planned reforms to the Business Rates Retention system have been continually deferred. 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.

47. The settlement also allows for the continuation of the Mid Merseyside Business Rates Pool with Halton and Warrington Councils in 2023/24.

48. On 1 April 2023 the next revaluation of properties for business rates will take effect. Detail of the impact of the revaluation and available reliefs to businesses is provided in paragraphs 122 to 126 in the Revenue Budget report.

49. From this point onwards, the Government have announced they will be implementing three-yearly revaluations to ensure rates are more responsive to economic changes.

50. 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.

51. 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.

52. 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.

53. The potential impact of Business Rates reforms, together with the outcome of future government Budgets and the Review of Relative Needs and Resources, 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

54. 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.

55. 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.

56. The provisional results from the 2022 Actuarial Valuation (final schedules will be issued in late February / early March) show 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 2023/24 set at 18.5% - a rate that is deemed sufficient, alongside individual employee contributions, to meet the cost of new benefits being accrued by currently active members. An annual surplus distribution will also be receivable by the Council in each year of the same period based on the calculated funding level.

57. Investment returns can be volatile, and, subject to performance of the Fund during the 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/or reduced surplus distributions / the requirement for deficit payments in the period covered by the 2025 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.

58. Although the Fund is currently in a positive valuation position, given the recent economic conditions, it is possible that assets will underperform against estimates used as part of the 2022 Actuarial Valuation. This introduces a risk that the fund position may not be as positive at the next revaluation and future MTFS will need to make provision for any potential negative movement.

59. By way of example, if assets decreased by 5% the reduction would not change the underlying Pension Fund position from a surplus to a deficit. However, if assets were to decrease by 8% this underlying position would move to a deficit position; requiring additional revenue contributions in order to address the deficit. This is illustrated in the following table.

2022 provisional actuarial valuation sensitivity analysis			
	Base as per 2022 valuation	**5% reduction in asset value**	**8% reduction in asset value**
Assets (£m)	883.5	839.3	812.8
Liabilities (£m)	815.5	815.5	815.5
Surplus / (Deficit) (£m)	68	23.8	(2.7)
Pay (£m)	95	95	95
Recovery period (years)	16	16	16
Surplus Recovery / (Deficit Contributions) (£m)	4.25	1.49	(0.17)
As a % of payroll	4.5%	1.6%	(0.2%)

COUNCIL TAX INCREASES

60. 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 2023/24 Local Government Finance Settlement allows Local Authorities to increase their Council Tax by less than 3% without the need to hold a referendum.

61. The Adult Social Care precept will continue for 2023/24 and Government has allowed an additional 2% of flexibility available for those Authorities with responsibility for Social Care.

62. 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.

63. A Council Tax increase of 4.99% has been factored into the medium-term financial forecast for 2023/24. The Government also confirmed the referendum principles of 4.99% will continue for 2024/25. Clearly, any decisions on setting future Council Tax levels will be considered each year at Budget Council.

64. An increase in Council Tax of 4.99% will generate around £4.3m 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 to the equivalent value.

AN IMPACT ASSESSMENT OF THE REVENUE BUDGET 2023/24 ON FUTURE YEARS

65. The Medium Term Financial Strategy for 2023-2026 is dependent on a number of assumptions within the annual budget for 2023/24. This strategy assumes that:

- an increase of 4.99% is applied to the level of Council Tax for 2023/24 when compared to 2022/23

- the Council will approve an annual budget that delivers savings totalling £10.7m – including individual savings proposals approved as part of previous Medium Term Financial Strategies
- 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, including those related to inflation
- pay negotiations for 2023/24 will result in an average increase in pay of 5%
- general price inflation has been provided at 5%, with separate analysis informing increases for specific spend areas such as fuel and energy, which have been based upon revised assumptions of usage and unit costs
- the Council will contribute £3.0m to reserves in 2023/24, more detail is provided in paragraph 103 of the Revenue Budget report.

66. These assumptions are considered to be 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 forecast indicative budget gaps.

POTENTIAL GAP FOR 2024/25 AND 2025/26

67. The funding gap for 2023-2026, using planning assumptions, and assuming the delivery of proposed 2023/24 savings and other adjustments, is summarised in the following table.

	2023/24 £'000	**2024/25 £'000**	**2025/26 £'000**
FORECAST IN-YEAR BUDGET GAP*	**6,568**	**10,259**	**5,558**
AGGREGATED FORECAST BUDGET GAP	**6,568**	**16,827**	**22,385**
AGGREGATED PROPOSED SAVINGS	**(7,445)**	**(10,357)**	**(11,979)**
RESIDUAL FORECAST BUDGET GAP	**(877)**	**6,470**	**10,406**

* After savings options previously approved for the period 2023/24.

68. Underlying assumptions/matters included within the forecast for 2024/25 & 2025/26 are:

- Council Tax will increase by 2.99% in 2024/25 and 1.99% in 2025/26, with an additional Adult Social Care Precept of 2% in 2024/25 and 1% in 2025/26.
- Increases have been factored in for non-inflationary changes in Council Tax and Business Rates bases.

- The model assumes that New Homes Bonus allocations will be discontinued after 2023/24.
- The annual pay award has been incorporated at 4% for 2024/25 and 2% for 2025/26.
- General price inflation has been built in at 2.5% per annum, with additional provision made for some specific areas of high cost inflation.
- Fees and charges inflation has been incorporated at 2% per annum.
- It has been assumed that any changes arising from the Business Rates retention scheme and/or the Review of Relative Needs and Resources will have neutral impact for the authority.
- Increases to the National Living Wage of 6.3% in 2024/25 and 5% in 2025/26.
- That any additional funding received in relation to social care (e.g. Social Care Grant, Discharge Funding, Better Care Fund and improved Better Care Fund) will be accompanied by additional responsibilities and spending requirements.
- Provision has been built into the model for future capital investment costs to support the pipeline capital schemes reported in Appendix 5.
- The underlying rate of levy (Waste Disposal & Merseytravel) has been assumed to increase at 4% in 2024/25 and at around an average of 2% for 2025/26.
- In previous years, reserves have been rebuilt to afford the Council financial resilience to changes in funding, inflationary pressures and unexpected events, whilst at the same time having sufficient resources to support its priorities. Provision of £3m per annum has been included across 2024/25 and 2025/26.

69. The modelling assumes that potential increases in levels of service demand are managed as part of individual demand management strategies or within additional government funding being made available – particularly those related to social care.

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

Key Assumptions Sensitivity Analysis		
	+/- %	**£m**
Pay award	2	+/- 1.9
Energy & Fuel	10	+/- 0.7
Social Care Provision (incl. Direct Payments)	2	+/- 2.0
Other Price Inflation	2	+/- 1.2
Levies	2	+/- 0.5
Council Tax	2	+/- 1.8
Retained Business Rates	2	+/- 1.5

BALANCING OVER THE MEDIUM TERM

70. The Council continues to operate in an extremely challenging environment. Given the significant reductions in the Council's funding from Government over the last decade, the volatility and uncertainty in the economy, 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 ownership, given the impact of the resultant changes.

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

72. The Council will fully consider its strategic intent and will seek not only to reduce costs and deliver the necessary savings, but also to identify opportunities to use those savings programmes as leverage for wider strategic benefits.

73. The structure of the Council will need to continue to adapt to reflect the challenging operating environment. Furthermore, these structural changes will require 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 reduce back-office workloads and associated costs. This will change the way the Council works, in line with the organisational development strategy and through the promotion of self-service, wherever possible.

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

75. The achievement of approved savings is critical to ensuring that the Council can balance the budget over the medium term. This is of particular relevance to savings that are proposed to be approved in setting the budget for 2023/24, which continue into, and increase in some instances, in future years.

76. The Council has an approved Commercial Strategy, which sets a framework for developing an increasingly commercial approach within the Council. In doing so, it will continue to reduce costs, generate additional income from activities and services, and ensure recovery of full recovery of its costs through its traded services activities. The Council will also continue to become more business-minded, applying best practice from all sectors to add value to services and secure its finances in a way that benefits local businesses and residents.

77. Outcomes from the Government's Spring Budget 2023, and the delayed Review of Relative Needs and Resources and anticipated Business Rates reforms, will be critical to determining the financial horizon for St Helens. In the absence of such, and with yet another single-year settlement for 2023/24, there remains significant uncertainty about the future funding of the Council, which makes it difficult to plan over the medium term. Various scenarios for funding have been presented in this

report, but until indicative allocations are given for future years, that uncertainty will remain.

78. The Council will continue to consider future priorities and demand pressures over the medium term and will factor these into the Medium Term Financial Strategy. Demand-management strategies, particularly in relation to social care, will continue to be critical in ensuring the financial sustainability of the Council.

79. The Medium Term Financial Strategy 2022-2025 allowed for the in-principle addition of a number of strategic capital investment schemes to the capital programme for 2022/23 alongside pipeline schemes for future years, subject to the submission and approval of feasibility, design and detailed scheme plans. These schemes included investment in highways and property assets, regeneration of the Borough and invest-to-save schemes.

80. Potential new schemes continue to be developed for consideration, and, where appropriate, for inclusion as potential pipeline Strategic Capital Investment schemes within the Medium Term Financial Strategy 2023-2026. Provision for the associated debt servicing costs would be incorporated into the modelling included in the revised Medium Term Financial Strategy.

81. It should be noted that the level of uncertainty beyond 2023/24 is significant and further updates of the Medium Term Financial Strategy will be brought back periodically to update on developments.

BUDGET RISK ASSESSMENT

82. 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	Probability	Impact
Asset management	Backlog maintenance (for land, property and infrastructure) is significant and the potential for reactive / responsive repairs increasingly exists. The Council has developed an Asset Strategy and Asset Management Plan for 2023-2026. One of the aims of this is to review all assets across the portfolio over the next three years to develop an appropriate Action Plan. As reviews are undertaken, outcomes will be fed into future Medium Term Financial Strategies. The Strategic Capital Investment Schemes include proposals to invest in a number of the Council's property assets.	Medium	Low
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	Low
Business Rates Retention scheme	Risks relating to the Council's financial position arising from the Government's review of the existing retention scheme.	High	Medium

Risk area	Comment and Mitigation	Probability	Impact
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	Low
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	Medium
General and Commodity / Service specific inflationary pressures, including Fuel and Energy costs	Current extraordinarily 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. The rising costs of capital projects associated with increased interest rates as well as surging costs of delivering the projects (e.g., materials and labour) introduces risk in relation to the affordability of the Council's future capital investment plans. The level of inflation built into budget models allows for a general inflationary provision, and factors in higher anticipated levels of inflation across specific areas of Council spending, including fuel, energy, and care services. The extraordinary cost of living crisis and economic uncertainty is being monitored through financial monitoring and reporting of both revenue and capital budgets. 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	Medium
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. Prior to 2022/23, the Government provided short term funding to support Councils, however, the most recent local government finance settlements have not provided any specific funding for Covid-19 related pressures. Reports will be provided to Members highlighting issues, if and when they arise, which will also consider potential mitigating actions.	Medium	Low

Risk area	Comment and Mitigation	Probability	Impact
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 and changes in customer behaviour may reduce the yield of income streams. This has been magnified in the current economic environment. There is ongoing volatility 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 2023/24. 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 impact of the Business Rates revaluation on 1 April 2023 is likely to generate a significant number of new appeals. The rate of successful appeals is monitored during the year and the impact this may have on the Council's appeals provision. 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	Medium
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	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; Review of Relative Needs and Resources 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	High
Major Projects	Risks of cost escalation (above those arising from inflationary pressures) 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	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. 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	Medium	Medium

Risk Area	Comment and Mitigation	Probability	Impact
	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.		
Pension Fund costs	The 2022 Actuarial Review has set Pension contributions over the period of the Medium Term Financial Strategy, based upon assumptions provided by actuaries and factoring in additional costs relating to 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). A risk exists that the Council's fund position may not be as positive at the next revaluation date and this potential negative impact will need to be considered in future iterations of the MTFS.	Medium	High
Social Care Demand	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 Adults can generate considerable additional cost and it is increasingly evident that the successful 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. The Council's social care services, both adults and children, continue to face significant challenges, the provider market is very fragile and saturated leading to significant increases in costs. There are significant concerns of market sustainability for providers, which has been exasperated further by the current inflationary environment. Additional issues such as workforce retention has destabilised the market further and consequently increased costs, as demand exceeds supply. Funding has been allocated to Local Authorities with social care responsibilities to tackle high pressure issues, however, there is uncertainty of whether the funds will be sufficient, including those to support enhanced levels of hospital discharges.	High	High
Social Care - Integrated Care Boards (ICB)	Under the Health and Care Act 2022, Integrated Care Boards (ICBs) were established on 1 July 2022 to replace the former Clinical Commissioning Groups (CCGs). St Helens Place is one of the nine authorities within the Cheshire and Merseyside ICB. Under the new governance arrangements ICBs will allocate health funding across the nine local authorities. This	Medium	High

Risk Area	Comment and Mitigation	Probability	Impact
	presents a financial risk to the Council due to the uncertainty of on-going funding and new NHS governance / decision making requirements.		
Social Care responsibilities and Funding	Recognising that additional funding will be provided in 2023/24 for Social Care responsibilities, uncertainty around the level of funding to provide a sustainable social care system may still continue. Funding will also be provided in 2024/25, however, significant uncertainty remains over the level of funding and any specific conditions attached to the funding. Local Authorities still have a responsibility to move towards a fair cost of care model and supporting market sustainability.	Medium	High
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	High
Treasury Management	The budget reflects the current Bank Rate and projected movements in interest rates. Economic uncertainty and interest rate movements could negatively impact on either or both investment returns and debt servicing costs. The Council mitigates the risk of downward interest rate movements by locking into fixed term deposits with fixed interest rates. Similarly, borrowing is undertaken with fixed interest rates to provide certainty of future debt servicing costs over the lifetime of the borrowing. The Council's investment counterparty criteria seeks to minimise counterparty risk but cannot completely eliminate it.	Medium	Medium
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	Medium
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	High
Other	Other risks – these are potentially diverse in	Low	

Risk Area	Comment and Mitigation	Probability	Impact
	nature e.g., arising from system failure and recovery or statutory duties to investigate and, where necessary, remediate contaminated land.		

RESERVES & BALANCES

83. Earmarked reserves are held for specific purposes, either as strategic reserves to allow flexibility in the use of corporate resources, or as ringfenced reserves for strategic, priority-driven needs. They should only be used for the specific purpose for which they were set aside. This includes funding non-recurring items and providing time-limited support to manage unexpected financial shocks such as inflation or the withdrawal of funding.

84. The specific purposes for which the Council's reserves are held are included in Appendix 1.

85. It has previously been recognised that the use of reserves to support the revenue budget is not feasible or sustainable. The Council's reserves are not excessive and given the current degree of financial uncertainty and the longer-term risks associated with local-government funding arrangements, it is prudent to protect and enhance earmarked reserves where there are opportunities to do so. In this light, the Council has previously committed to rebuilding its reserves over future years as part of the agreed Medium Term Financial Strategy.

86. The Council recognises that the level of reserves it maintains must have regard to future sustainability and resilience and must reflect the operational and financial risks it faces. These risks will change over time, and the consequences of not having prudent levels of reserves can be significant.

87. The Council maintains General Fund balances 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 Medium Term Financial Strategy, and it is proposed that it should remain at £12m.

88. In view of this, the Revenue & Capital Budget 2023/24 proposes a realignment of earmarked reserves to set General Fund balances at £12m for 2023/24.

89. It is recognised that legacy Covid-19 pressures will continue to be felt during the period of the Medium Term Financial Strategy. The application of Covid-19 reserves will provide resource in relation to associated additional expenditure and income losses.

90. 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 2026. The Reserves Strategy can be found at Appendix 1, which also contains further detail.

	March 2022 £'000	March 2023 £'000	March 2024 £'000	March 2025 £'000	March 2026 £'000
General Earmarked Reserves	48,675	46,146	44,571	46,838	54,448
Earmarked Reserve - Covid-19 Funding	9,336	6,095	1,000	-	-
Subtotal	**58,011**	**52,241**	**45,571**	**46,838**	**54,448**
General Fund Balances	13,423	7,885	12,000	12,000	12,000
Total	**71,434**	**60,126**	**57,571**	**58,838**	**66,448**

MONITORING & REVIEW

91. 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.

92. 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.

93. 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.

94. 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.

95. 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.

96. 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 & CAPITAL BUDGET 2023/24

INTRODUCTION AND BACKGROUND

1. This section of the report provides an update on the latest budget position and seeks approval for a 2023/24 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. The St Helens Inclusive Growth Draft Strategy 2023-2028 has been created with the support of key partners to fit in with the St Helens Borough Strategy 2021-2030. 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. Since declaring a climate emergency in 2019, the Council continues its commitment to achieving net zero by 2040, by working alongside partner organisations to decarbonise the borough, secure funding, and deliver services.

6. The budget has also been produced whilst the Council continues to manage financial pressures arising from the Covid-19 pandemic. The lasting impact of the pandemic on the Council, residents, businesses, partners and communities continues to have an impact on the Council's financial position and budget setting process.

7. The budget has been formulated and agreed against the challenge of significant demand-led pressures, particularly in relation to social care. Opportunities to manage the demand for services through targeted non-statutory, preventative, transformative and early intervention remain key and it is increasingly evident that the successful 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.

8. 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.

   Ofsted's most recent monitoring visit to was undertaken in December 2022. Inspectors reviewed the council's work around planning for children in need and those with child protection plans, leaders' assurances for quality of practice and outcomes and the stability of the workforce. It was positively noted that there has been a continued concerted effort to ensure better quality social work practice and improved outcomes for children and young people.

9. 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".

10. Following the approval of the Medium Term Financial Strategy 2022-2025, Cabinet has approved reports at meetings on 5 October and 9 November 2022 which provided updates and actions in support of the 2023/24 budget position.

11. These reports provided commentary on the revised modelling undertaken to forecast indicative budget gaps for 2023/24. 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 local government finance settlement 2023 to 2024, this report has been produced recognising the outcome of the settlement, the impact on the budget gap and the further actions necessary in relation to addressing the budget gap for 2023/24 and delivering a sustainable, balanced budget.

13. This report 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. The Council launched a public budget consultation exercise on 16 December 2022, seeking the views of residents and businesses on the Council's budget savings options and spending priorities for the 2023/24 financial year. The consultation was aligned to the Council's priorities as set out in the Council's "Our Borough Strategy 2021-2030"., and ran to 15 January 2023, with 983 responses received.

15. The consultation was promoted on the Council's website and was supported by an active social media campaign. Printed copies of the consultation were also available for completion at the Borough's libraries and leisure centres, as well as the Contact Centre.

16. The consultation highlighted the financial challenges that the Council faces, with particular focus on inflationary pressures and the cost-of-living crisis. It also included details of budget savings options being explored. Participants were invited to complete a survey providing feedback on these options.

17. Generally, respondents agreed with the possible savings options. Of the 40 options included in the consultation, 36 received a higher percentage of agreeable responses.

18. The survey also included questions about permissible Council Tax increases and the Council's spending priorities. The survey showed that there was a small majority support for in an increase in Council Tax of 3% plus a 2% increase to the adult social care precept.

19. The detailed outcomes of the public consultation have been posted on the Council's website.

20. The Overview and Scrutiny Commission was requested to set up a budget savings consultation Task Group to review the savings options contained within the consultation.

21. Having conducted its review the Task Group reported back to the Overview and Scrutiny Commission at its meeting on 6 February 2023, setting out its findings and providing recommendations of the savings options it considered should / should not be progressed. The Commission agreed the recommendations and submission to Cabinet and Council for further consideration as part of the budget setting process.

MATTERS IMPACTING UPON PREVIOUS BUDGET ESTIMATES

Levying Bodies

22. The levying bodies have informed the Council of their requirements for 2023/24 and these are provided in the following table.

Levying Body	**Amount £'000**	**Increase / (Decrease) %**
Transport (Mersey Travel)	13,180	5.06%
Merseyside Recycling & Waste Authority (MRWA)	8,878	(5.30%)
Environment Agency*	105	1.25%
Total	**22,163**	**0.63%**

*Indicative Levy Figures

23. The decrease in the MRWA levy relates to a reduction in the volume of residual waste sent to landfill in the most recent complete financial year, coupled with an increase in the volume of recyclable waste, which has a lower cost per tonne. The reduction also reflects a balancing adjustment now that actual 2021/22 tonnage figures are available.

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

Pension Actuarial Revaluation 2022

25. Merseyside Pension Fund have completed their 3 yearly revaluation of the pension fund and have advised the Council of their employer contribution (Future Service Rate) of 18.5% for the three year period from 2023/24. This includes additional costs previously anticipated due to the McCloud judgment.

26. The revaluation also provided confirmation of the surplus offset amount over the valuation period.

27. The proposed 2023/24 revenue budget fully incorporates both of these matters.

Collection Fund 2022/23

28. The Non-Domestic Rate Return for 2023/24 has been submitted in accordance with the delegation provided to the Council's Section 151 Officer at the Cabinet meeting on 11 January 2023, based upon the estimated position at 31 January 2023. Major preceptors have been advised accordingly, and the impact has been fully included within the budget estimates for 2023/24.

29. The estimated Council Tax position of the Collection Fund has also been fully incorporated into the budget estimates.

30. In accordance with Government requirements, 2023/24 is the final year of the three year period whereby the covid-driven 2020/21 'exceptional deficit' is spread. This equates to a charge of £1m and the budget projections reflect this.

31. As reported in the Financial Monitoring Report, the use of £1.169m of earmarked reserves is required in 2022/23 to smooth the impact of a shortfall in Section 31 grants during that year.

32. Associated additional Business Rates income will be recognised in 2023/24, which is to be used to replenish the temporary use of reserves, ensuring neutrality over the two years. This is necessary due to the (prescribed statutory) mechanics of the Collection Fund.

Local Government Finance Settlement 2023/24

33. On 19 December 2022, the Secretary of State for Levelling Up, Housing and Communities published the Provisional Local Government Finance Settlement 2023/24, with a consultation period running through to 16 January 2023. The Local Government Finance Final Settlement was published on 6 February 2023.

34. The settlement only covers a single year, 2023/24. This will result in a fifth consecutive one-year settlement for Councils and continues to limit strategic financial planning and the ability to ensure financial sustainability.

35. Key points of the 2023/24 Local Government Finance Settlement for St Helens are as follows:

    - Inflationary CPI increases to Revenue Support Grant (RSG) which equates to an increase of £1.1m in the Council's allocation when compared to 2022/23. In addition, Local Council Tax Support Admin Subsidy Grant, for authorities with increased business rates retention arrangements, has also been rolled into baseline funding levels, taking the total increase in RSG to £1.390m for 2023/24.

    - The 2023/24 allocation for the Improved Better Care Fund remains the same as 2022/23 at £10.489m.

    - The Services Grant, for which the Council's 2023/24 allocation is £1.869m, is unringfenced and will provide vital resources for local authority services. This is a £1.317m reduction from 2022/23, in part due to the reversal of the National insurance contribution increase and will be partially offset by an estimated reduction in employer National Insurance contributions of £668k.

- Additional funding of £5.805m has been added to the Social Care Grant allocated to St Helens for 2023/24, bringing the Council's total allocation to £17.510m.

  The total allocation includes £1.082m of Independent Living Fund rolled in for 2023/24.

  Government has provided this additional funding to address pressures within care services – whilst an element of the funding will need to be utilised to fund emerging pressures and commitments, modelling has determined that £3m of the funding is available to address some existing budget pressures and reduce the budget gap.

- A further year allocation of New Homes Bonus (NHB) sees a decrease in funding of £1.317m. St Helens' allocation for 2023/24 is £0.027m.

  NHB is paid annually from a top slice of RSG, and whilst the Government has previously committed to reforming the NHB, the method for calculating NHB will not change in 2023/24.

  The government has stated it will set out the future position of New Homes Bonus ahead of the 2024/25 local government finance settlement.

- No specific funding is being provided for Covid-19 related pressures.

- A core principle of up to a 3% increase in the metropolitan district Council Tax levels for 2023/24 to apply, above which referendum requirements are necessary.

- The flexibility for an additional 2% 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 £15 on a band D property and a principle of £5 on a band D property 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 2023/24 and will also continue the deferral of referendum principles for parish councils.

- In 2023/24 Local Authorities continue to be compensated for the freeze in the multiplier used to determine the level of Business Rates income.

- The extension of Business Rates Retention Scheme arrangements for the six authorities in the Liverpool City Region Combined Authority area for 2023/24.

- The continuation of the Mid Merseyside Business Rates Pool with Halton and Warrington Councils in 2023/24.

- The introduction of Adult Social Care Market Sustainability and Improvement Fund during 2023/24 which Government have announced is designed to ensure local authorities can tackle issues such as hospital discharge delays, social care waiting times, low fee rates and workforce pressures, includes funding rolled forward from the 22/23 Market Sustainability and Fair Cost of Care Fund.

The total allocation for St Helens 23/24 is £2.255m.

- New funding of £1.471m in relation the Adult Social Care Discharge Fund, provided to ensure that those who need to access social care when they are discharged from hospital can leave as soon as possible, has been allocated for 2023/24.

  The Discharge funding must be pooled as part of the Better Care Fund.

36. Alongside the Local Government Finance Settlement, the Government announced additional one-off funding of £388k to support the most vulnerable households in St Helens for 2023/24. The Council Tax Support Fund will allow the Council to deliver additional support by way of further reductions of up to £25, in the council tax liability of eligible households.

37. The Lower Tier Services Grant introduced in 2021/22 for local authorities with the responsibility for lower tier services, has been re-purposed to ensure that all councils will see a 3% increase in their core spending power. The Council's allocation for 2022/23 was £0.291m and it will receive no allocation of this grant for 2023/24.

SPECIFIC GRANTS 2023/24

38. The Local Government Finance Settlement section above includes some detail in relation to the following:

    - Revenue Support Grant
    - Services Grant
    - Improved Better Care Fund
    - New Homes Bonus
    - Social Care Grant
    - Improved Better Care Fund
    - Adult social Care Discharge Fund
    - Adult Social Care Market Sustainability and Improvement Fund

39. Commentary is provided below in relation to the most material of the other grant funding expected to be received in 2023/24.

<u>Dedicated Schools Grant</u>

40. The Dedicated Schools Grant (DSG) will continue to comprise four funding blocks in 2023/24:

    - Schools
    - High Needs
    - Early Years
    - Central School Services

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

41. The Department for Education (DfE) have confirmed that they will continue to progress plans to implement a direct national funding formula (NFF), whereby funding will be allocated directly to schools based on a single national formula. The DfE intend to take a gradual approach to transition and in 2023/24, local authorities will continue to utilise a local schools funding formula, but with a requirement to start bringing that formula closer to the NFF.

42. The indicative DSG for St Helens (prior to adjustments for Academy funding, the direct funding of high needs places, and Business Rates) is £184.644m. This represents an increase of approximately £10.533m over the 2022/23 funding level. The increase broadly comprises:

- £9.920m due to the increase in the level of the DSG nationally;
- £0.544m due to changes in St. Helens pupil numbers compared to 2022/23;
- £0.069m technical adjustment relating to the residency of pupils attending provision either inside or outside of the borough.

43. The increase of £9.920m detailed above also includes the Schools Supplementary Grant (£3.886m) and the early years elements of the Teachers' Pay and Pension grants (£0.197m) that have been rolled into DSG for 2023/24. The additional funding is also inclusive of £1.346m High Needs Block funding announced at the Autumn Statement 2022.

44. 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.

Pupil Premium Grant

45. The Pupil Premium Grant is separate funding for schools to raise the attainment of disadvantaged pupils, including those who are looked after by a local authority, and supports children and young people with parents in the regular armed forces. The 2023/24 rates have been confirmed and these are set out below. The DfE have confirmed that they will publish allocations and conditions of grant during spring 2023.

Pupil Premium	**2022/23 £ Per Pupil**	**2023/24 £ Per Pupil**
Primary Pupil	1,385	1,455
Secondary Pupil	985	1,035
Children Looked After / Former Children Looked After	2,410	2,530
Service Child	320	335

Mainstream Schools Additional Grant

The 2022 Autumn Statement announced that the core schools' budget will increase by £2 billion in the 2023/24 financial year, over the totals announced at the Spending Review 2021. Of this, approximately £400m will be allocated to local authorities to help support children with special educational needs or disabilities. Mainstream Schools will be allocated their share of this funding through the Mainstream Schools Additional Grant

(MSAG). This money is in addition to schools' allocations through the DSG funding formula.

46. The DfE currently expect to publish school level allocations for this grant in May 2023. However, indicative allocations have been published at a local authority level, detailing funding in the region of £4.727m for St Helens.

Domestic Abuse Statutory Duty

47. To enable Councils to fulfil the functions of the new statutory duty on Tier 1 Local Authorities relating to the provision of support to victims of domestic abuse and their children residing within safe accommodation. St Helens has been awarded £446k for 2023/24.

Homelessness Prevention Grant

48. The Homelessness Prevention Grant supports local authorities in delivering services to prevent and tackle homelessness. Its intended use is to protect vulnerable people and families from homelessness by providing temporary accommodation, helping with rent arrears and providing deposits on new accommodation. The Council's allocation for 2023/24 is £355k.

Rough Sleeper Initiative (tranche 5)

49. Rough Sleepers Initiative 2022 to 2025 provides funding to reduce rough sleeping, through the provision of emergency beds, off-the-street accommodation, and wrap-around support. The Council's 2023/24 allocation is £394k.

Housing Benefit Subsidy Grant

50. Housing Benefit is a Department for Work & Pensions (DWP) benefit, which is awarded to people on low incomes, to help with their housing costs. All Local Authorities act on behalf of the DWP to administer, calculate and award Housing Benefit (HB) to entitled claimants. The forecast subsidy grant for 2023/24 is £43.023m.

Housing Benefit Admin Subsidy Grant

51. Housing Benefit Admin Subsidy is received as a contribution to the cost for the Council administering Housing Benefit. The 2023/24 allocation is £617k.

Discretionary Housing Payments

52. Discretionary Housing Payments (DHPs) provide financial support to help with rent or housing costs. Grants are awarded to claimants at the discretion of the Council. 2023/24 allocations for Discretionary Payments have not yet been released.

Public Health Grant

53. 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. Further Allocations for 2023/24 have not yet been released.

Household Support Fund

54. The Household Support Fund is distributed by Councils in England to directly help those who need it most. The grant is distributed in small payments to support vulnerable households to meet daily needs, such as food, clothing and utilities. For the financial year 2022/23 St Helens received £3.6m in Household Support Fund. The government has announced a further £1bn to continue the Household Support Fund into 2023/24 and it is anticipated that the Council will receive a similar amount to 2022/23.

BUDGET GAP AND SAVINGS

Budget Gap

55. In setting the budget for 2022/23 and approving the Medium Term Financial Strategy for the period 2022-2025, Cabinet approved the requirement for budget savings to close the budget gap for the period and deliver a sustainable, balanced budget. The budget gap for 2023/24 was estimated as £11.736m.

56. Cabinet approved the Budget Report 2022/23 on 12 January 2022, which reported on progress in identifying potential savings proposals to meet the anticipated budget gap through to 2023/24.

57. The profile of savings over the period was approved within the Medium Term Financial Strategy 2022-2025, with the value of savings agreed to be delivered in 2023/24 totalling £5.300m, leaving a forecast residual budget gap for 2023/24 of £6.436m.

58. The Mid-Year Medium Term Financial Strategy Update report considered by Cabinet on 9 November 2022 updated financial forecasts as a result of underlying economic conditions and extraordinary levels of inflation and projected an updated residual budget gap of £14m.

59. At the time of the production of that report, a number of significant information gaps existed, which would not be resolved until the Provisional Local Government Finance Settlement in December. The most significant being the principles to apply for Council Tax, the level of compensation that would be provided arising from the freeze in the business rates multiplier, and the levels of / conditions associated with social care funding.

60. The Government published the Provisional Local Government Finance Settlement for 2023/24 on 19 December 2022, with the Final Settlement being published on 6 February 2023. The impact of the settlement, in conjunction with revisions to other assumptions within the financial model, was to reduce the budget gap as set out in the following table.

	£000
Residual budget gap as reported in Mid-Year MTFS Update report	**14,003**
Collection Fund (Business rates and council tax)	(4,906)
Revenue Support Grant	(1,141)
Services Grant	1,317
Lower Tier Services Grant	291
New Homes Bonus	973
Treasury Management	(1,985)
Other	516
Revised Budget Gap 2023/24	**9,068**

61. The remodelled position remains based on and sensitive to a series of highly critical assumptions and variables, particularly around inflation and future pay settlements.

62. As explained in paragraph 35, the Government provided additional funding in relation to social care within the Local Government Finance Settlement. Government has provided this additional funding to address pressures within care services – whilst an element of the funding will need to be utilised to fund emerging pressures and commitments, modelling has determined that £3m of the funding is available to address existing budget pressures and contribute to a reduction in the projected budget gap.

63. It is considered that savings of £2.090m which had previously been agreed for 2023/24 in the Children and Young People portfolio are no longer achievable, given the ongoing budget pressures in relation to Children Looked After that the portfolio faces, and which have been reported consistently within Financial Monitoring Reports throughout 2022/23.

64. The table below shows that care placement costs associated with children looked after have increased significantly over the last ten years and that the Council has a significantly high number of children in care (expressed as a rate per 10,000 of the under-18 population) when compared to other local authorities.

		2012/13	2021/22	Current
Annual care placement expenditure		£12.481m	£25.491m	£31.060m
Children Looked After rate per 10,000 children aged under 18	St Helens	121.0	128.0	129.2
	Northwest	79.0	97.0	Not available
	England	60.0	70.0	Not available

65. It should also be noted that costs in relation to children looked after can be volatile and, in addition to the underlying demand for services, are impacted by the needs and demographics of service users. The complexity of support required impacts significantly on placement costs. Other factors such as placement breakdown and the current

residential care market conditions have also resulted in what are considered unavoidable cost pressures.

66. The non-deliverability of the saving, in conjunction with other existing pressures in relation to children looked after, has been identified as a fundamental risk to the modelled position and it is proposed that £4.5m of funding is built into the Children and Young People portfolio budget to deal with these pressures.

67. The result of the utilisation of social care funding and addressing the children looked after pressures is summarised in the following table.

	£000
Revised Budget Gap 2023/24 as per previous table	**9,068**
Utilisation of social care funding	(3,000)
Children looked after pressures	4,500
Revised Budget Gap 2023/24	**10,568**

68. The revised budget gap of £10.568m presents a significant risk to the Council, given the level of savings that have been made over a period of 13 years. It is proposed for the £3m planned contribution into (Inflation and Funding Reform & Volatility) reserves to be applied as a one-off in 2023/24, and for Covid-19 balances of £1m originally planned for 2024/25 to be brought forward to reduce the budget gap for 2023/24, resulting in a final budget gap of £6.568m.

69. In doing so, it is wholly recognised that the level of reserves the Council 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.

Savings

70. As reported previously, on 9 November 2022 Cabinet considered the Mid-Year Medium Term Financial Strategy Update 2022-2025 which projected a significant increase in the projected budget gap for 2023/24, driven entirely by factors outside the Council's control.

71. In response, the Executive Leadership Team worked to identify what were considered acceptable savings options that met the requirements determined by Cabinet. In doing so, full regard was had to such matters 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
- Equality impact
- Social value implications
- Environmental impact
- Localities/asset/property implications
- Health and wellbeing considerations
- Potential/actual risks and actions to mitigate them
- Benchmarking of costs

72. This resulted in savings options of £10.513m being identified for consideration. These savings options were included within a public budget consultation and considered by the Budget Task Group of the Overview & Scrutiny Commission.

73. The identified budget gap for 2023/24, after allowing for £3.210m of previously approved savings to be delivered in the year, and the application of £4m of reserves as detailed above, results in an additional 2023/24 savings requirement / budget gap of £6.568m.

74. Following feedback from the public consultation exercise and the review of budget savings options by the Budget Task Group of the Overview and Scrutiny Commission, each of the potential savings options identified has been further reviewed and considered. Arising from that process, it is proposed to not implement £3.068m of those savings options in 2023/24, leaving proposed savings of £7.445m to be progressed for delivery in the year.

75. The savings options it is proposed to not implement in 2023/24 are set out in the following table.

Saving Title	£000	Rationale
Children's Centres & Early Help Services	450	Impact on family services and children looked after numbers
Staffing budget reductions to reflect vacancy rates	718	Risk and impact on service delivery given reduced staffing resources following previous efficiency savings
Introduction of compulsory unpaid leave for employees	1,200	Risk and impact on staff and service delivery
Annual conference	40	Potential impact on organisational culture
Charging for out-of-Town-Centre parking	200	Impact on local economy and communities
Consideration of further reductions to the Library Service	221	Impact on service delivery for residents
Cessation of the Councillor Improvement Fund	100	Preference to delay and undertake a fundamental review of the scheme
Review of the Economy Service to reduce net cost	139	Impact on ability to deliver economic growth within the borough
TOTAL	**3,068**	

76. If the proposed £7.445m of savings are approved, the additional (£0.877m) savings in excess of the forecast budget gap will be appropriated in 2023/24 to the Inflation Reserve, given the extraordinary economic volatility that the Council faces and the potential impact on budgets moving forward. The sum will then be used to partially offset the savings that will be necessary in relation to 2024/25 and beyond.

77. The resultant savings options that it is proposed to implement to meet the 2023/24 budget gap, and the value of those savings over the period of the Medium Term Financial Strategy, is included in the following table.

Nature of Saving Proposal	2023/24 £000	2024/25 £000	2025/26 £000
Priority 1 – Ensure Children and Young People have a positive start in life			
○ **Considering alternative delivery models for fostering and residential care**	**884**	**1,716**	**1,716**
○ Review of direct payments and contracts with Home Care and Holiday Play providers	**100**	**150**	**150**
○ Reduction of staffing and overhead costs	**198**	**198**	**198**
Priority 2 – Promote good health, independence, and care across our communities			
○ Review of commissioned services, to include retendering of some contracts and adoption of assistive technology	**1,400**	**2,400**	**2,400**
○ Review of Day Care Services	**300**	**400**	**500**
○ Service redesign to reduce dependence on traditional care services	**279**	**476**	**835**
○ Charging some Disabled Facilities Adaptation costs to grants	**135**	**135**	**135**
○ Review of fees and charges	**216**	**366**	**516**
○ Review of contracts with providers for potential efficiencies and redesign	**313**	**580**	**580**
Priority 3 – Create safe and strong communities and neighbourhoods for all			
○ Review of Supporting People Contracts	**182**	**182**	**182**
○ Review of burial and cremation fees to bring charges in line with market averages	**69**	**69**	**69**
Priority 4 – Support a strong, thriving, inclusive and well-connected local economy			
○ Increased legal and surveyors' fees upon sale of surplus land and buildings	**60**	**80**	**80**
○ Disposal of commercial property	**700**	**0**	**0**
○ Removal of cash payment facilities in car parks	**40**	**40**	**40**
○ Increased rental income through lease renewals and extended lease terms	**50**	**50**	**50**
○ Review of leasehold arrangements, moving services to alternative council owned premises and rationalisation of the Council's office space	**210**	**440**	**630**
Priority 5 – Create green and vibrant places that reflect our heritage and culture			
○ Switching off streetlights at night where it is safe to do so	**50**	**50**	**50**
○ Increased income targets for highways developments	**100**	**100**	**0**
○ Charging of some Highways staffing costs to grant funding	**200**	**250**	**250**
○ Streamlining of Green Waste collection schedules	**120**	**120**	**120**
○ Review of allotment fees to recover full costs	**48**	**48**	**48**
○ Increased focus on digitisation and potential reduction to cleansing regimes	**206**	**260**	**356**
○ Charging for maintenance of leased land	**56**	**56**	**56**
Priority 6 – Be a responsible Council			
○ Maximisation of opportunities to generate higher returns on investments	**500**	**500**	**500**
○ Pensions savings, including accessing discounts on employer pension contributions through prepayment arrangements	**290**	**290**	**290**
○ Anticipated saving from move to "all-out" elections	**100**	**100**	**85**
○ Increased project management fees for staff supporting the Council's capital programme	**120**	**120**	**120**
○ Review of IT licences and use of electronic communications	**82**	**107**	**132**
○ Increasing registration fees in line with neighbouring authorities and freezing of Members' allowances (see paragraphs 78 and 79 below)	**28**	**45**	**62**
Cross-cutting Savings			
○ Procurement and commissioning savings through enhanced contract management	**200**	**600**	**1,400**
○ Rationalisation of mailing and postage contracts	**69**	**69**	**69**
○ Maximising letting opportunities and trading more widely	**63**	**235**	**235**

Nature of Saving Proposal	2023/24 £000	2024/25 £000	2025/26 £000
○ Streamlining the Council's internal stores and stock management functions	50	70	70
○ Review of printing facilities	27	55	55
TOTAL	7,445	10,357	11,979

Members' Allowances

78. In relation to the savings option of freezing Members' allowances, Cabinet is invited to recommend to Council that, in acknowledgement of the significant financial pressure facing the Council, approval be given to forego any uplift in Members' allowances in 2023/24.

79. Paragraph 14 of the Council's Members' Allowances Scheme states that the basic and special responsibility allowances within this scheme will be uprated on an annual basis as of 1 April, unless the Council agrees for any year that such uprating shall not take place. The index will be tied to the general rate that the majority of National Joint Council for Local Government Services members receive. A decision of Council is therefore required in relation to any proposal to forego an uplift on Members' allowances.

Council Tax – Second Homes Premium

80. It is proposed that a further savings option will be put forward for consideration for 2024/25 in relation to the revision of the Council policy for Council Tax premiums. The option would generate additional income by implementation of a second homes premium, subject to the introduction of legislation via the Levelling-up and Regeneration Bill.

81. If enacted, the Bill will allow billing authorities to apply a premium of up to 100% on substantially furnished dwellings which may be occupied periodically (e.g. second homes) from 1 April 2024.

82. A billing authority's first determination must be made at least one year before the beginning of the financial year to which it relates. In exercising its functions, a billing authority must have regard to any guidance issued by the Secretary of State. Should a billing authority wish to change the determination, they may make a further determination prior to the start of financial year that it will apply. A public notice should be issued within 21 days of making a determination.

83. Subject to the bill being enacted by 31 March 2023, the Council would seek to issue a determination to apply a 100% Council Tax premium from 1 April 2024 in respect of substantially furnished dwellings where there is no resident occupying the property in accordance with newly inserted section 11C of the Local Government Finance Act 1992 (as amended).

84. There remains uncertainty as to whether the Bill will be enacted prior to 1 April 2023, which is likely to delay the date the savings proposal could be implemented, but in principle agreement at this stage, subject to consultation and further consideration is recommended.

RESERVES & BALANCES

85. The level of reserves that the Council maintains must reflect the financial risks it faces. These risks will change over time, and the consequences of not having sufficient reserves can be significant.

86. In arriving at a view on the adequacy of reserves, it is necessary to take into account:

- The purpose of holding reserves and balances
- The risks and uncertainties that may have financial consequences
- The potential impact of those risks and uncertainties and the likelihood of them arising
- Any mitigations that could limit the impact of risks that crystallise
- The opportunity cost of holding reserves and balances.

87. The Council maintains an appropriate level of reserves as a result of sound financial management. This has safeguarded the Council's financial position when faced with significant reductions in central-government funding and the current economic volatility. Decisions around appropriate levels of reserves form an integral part of the budget-setting process and must be balanced with the need to ensure that resources work towards the delivery of Council priorities.

88. The Council's risk profile must be assessed in the context of previous reductions in spending power, coupled with:

- Increases in general inflation
- Increases in demand and expectation
- Substantial increases in specific commodity prices for energy and fuel
- Any ongoing impacts of the pandemic, including recovery plans to support the Borough's businesses and residents

As reported regularly to Cabinet, local authorities face significant financial challenges that must be factored into decisions around reserves and balances, highlighting the need for a longer-term view.

89. The Medium Term Financial Strategy also provides an updated Budget Risk Assessment. It is important to recognise that this Assessment cannot be considered exhaustive, due to the complexity of the Council's activities and the environment within which it operates.

90. Having due regard to the risks identified in the Budget Risk Assessment, together with the overall budget strategy, it is considered that an underlying level of General Fund balances of £12 million is appropriate when setting the budget for 2023/24. It must also be acknowledged that a number of identified risks are regarded as contingent liabilities, and that a specific reserve exists to assist in addressing any such liabilities that might crystalise.

91. As stated previously, the Council continues to pursue a policy of increasing overall reserve balances in the medium term as part of the Medium Term Financial Strategy.

Capital Receipts

92. The Council holds unapplied capital receipts from the sale of assets it previously owned. These are held to allow the Council to purchase assets, to support capital schemes where prudential borrowing is not considered appropriate, and to provide potential match funding for schemes where no other funding source is available. During 2020/21, the Council set aside £10m of capital receipts for the creation of a Land and Property Acquisition Fund.

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

94. In April 2022, the Secretary of State extended the flexible use of capital receipts scheme to March 2025. This allows capital receipts from the disposal of certain assets to provide an alternative way of funding one-off transformation costs and upfront investment associated with delivery of recurring savings, which are required to deliver a balanced budget in future years.

95. 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 funding and other previously agreed commitments is £8.4 million.

96. The Council is required to produce a Flexible Use of Capital Receipts Strategy for 2023/24. This is included at Appendix 8. Given the continued level of revenue savings required in the medium term, the strategy proposes further use of the flexibility to fund one-off transformation costs in 2023/24.

Earmarked Reserves

97. The Council's Reserves Strategy is focused on supporting performance, transformation, regeneration and growth, as well as ensuring financial sustainability and resilience. The Reserves Strategy is included at Appendix 1.

98. A review of earmarked reserves has been undertaken as part of the budget process. This is to ensure that reserves remain relevant and adequate, particularly in the context of the Council's strategic, operating, financial and risk environments.

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

100. The Pension Reserve was previously created to provide the Council with the opportunity to realise future revenue savings from the prepayment of pension liabilities to Merseyside Pension Fund following actuarial revaluation of the fund. Following the 2022 actuarial valuation, the level of the reserve has been reviewed and it is proposed that it be set at £10m. This is currently considered sufficient to facilitate any future prepayment options through to the 2025 revaluation.

101. Separately, it is proposed that £5m be applied for the creation of a new reserve, the Tax Increment Financing (TIF) Reserve. This reserve will be used to smooth the impact on the revenue budget where there are timing delays between borrowing costs incurred under TIF regulations and Business Rates income from new properties within the boundaries of the Freeport site. The report approved by Cabinet on 22 March 2022 provides more detail in relation to TIF.

102. The Council maintains General Fund balances 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 Medium Term Financial Strategy, and it is proposed that it should remain at £12.0m.

103. Previous Medium Term Financial Strategies have approved making contributions to the Funding Reform & Volatility Reserve and the Inflationary Reserve to enhance resilience to the uncertainties that the Council faces in future changes in Government funding and finance reform, and to address periods of significant inflation. The Medium Term Financial Strategy 2023-2026 proposes the continuation of these contributions.

104. The following table provides details of forecast reserves at 31 March 2024 if the proposed realignment of reserves is approved.

	Estimated Balances at 31 March 2023 £'000	**Proposed Realignment of Reserves £'000**	**Estimated Balances at 1 April 2023 £'000**	**Commitments To/(From) Including Transfers £'000**	**Balances Available for Investment at 31 March 2024 £'000**
Transformation Reserve	5,712	-	5,712	(460)	5,252
Growth Reserve	5,190	-	5,190	189	5,379
Funding Reform & Volatility Reserve	2,976	2,770	5,746	655	6,401
Councillor Improvement Fund	452	-	452	-	452
Waste Management Development Fund	901	-	901	(606)	295
Insurance & Contingent Liability Reserve	3,208	-	3,208	-	3,208
Inflationary Reserve	4,000	-	4,000	877	4,877
Restructuring Reserve	3,707	-	3,707	-	3,707
Pension Reserve	20,000	(10,000)	10,000	-	10,000
Tax Increment Financing (TIF) Reserve	-	5,000	5,000	-	5,000
SUB-TOTAL – General earmarked reserves	**46,146**	**(2,230)**	**43,916**	**655**	**44,571**
Covid-19 Reserve	**6,095**	**(1,885)**	**4,210**	**(3,210)**	**1,000**
SUB-TOTAL – All earmarked reserves	**52,241**	**(4,115)**	**48,126**	**(2,555)**	**45,571**
General Fund Balances	7,885	4,115	12,000	-	12,000
TOTAL – All revenue reserves	**60,126**	**-**	**60,126**	**(2,555)**	**57,571**

**These figures exclude approved and provisional commitments from reserves extending beyond March 2024.*

105. 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 the light of their impact on service provision and/or ability to contribute to, or enable, the delivery of key priorities or objectives.

106. The Covid-19 reserve was created as part of the closure of the 2020/21 accounts. Unutilised unconditional Covid-19 funding received has been carried forward in this

reserve and applied to provide resource cover against ongoing Covid-19 legacy expenditure pressures. It is recognised that these legacy pressures arising are continuing, and the application of the specific Covid-19 reserve during the period of the Medium Term Financial Strategy will therefore provide some resource in relation to the additional expenditure and income losses.

BUDGET POSITION 2023/24

107. Budgets for each portfolio have been calculated with regards to the earlier content of this report, including the proposed savings in relation to the 2023/24 budget. The budgets are 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.

108. The portfolio budgets also reflect all previous decisions for the utilisation of earmarked reserves, alongside the utilisation of social care funding and proposals in relation to the existing children looked after pressures as detailed in paragraph 66.

109. 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.

2023/24 Budget	**2023/24 £000 Estimate**
TOTAL PORTFOLIO BUDGETS (See Appendix 7 for detail)	**175,097**
Levies	22,560
Treasury Management	9,172
Restructure Costs *	1,000
Net contribution from Earmarked reserves	(2,343)
Capital Charges	(15,558)
TOTAL SPEND	**189,928**
New Homes Bonus	(27)
2023/24 Services Grant	(1,869)
Pension recoupment	(3,746)
PFI (Interest) Grant	(2,052)
Formula 'Top Up'	(18,628)
Business Rates/Section 31 Grants	(72,162)
Collection Fund**	(425)
COUNCIL TAX REQUIREMENT	**91,019**

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

** Collection Fund figure includes Tax Income Guarantee allocation and excludes the contribution to reserves referred to in paragraphs 31 of the Budget Report.

110. Portfolio and Priority Budget Summaries are provided at Appendix 7.

111. All actions and decisions related to Treasury Management will be in accordance with the Treasury Management Strategy Statement 2023/24, 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

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

Expenditure by Portfolio	**2023/2024 £'000**	**2024/2025 £'000**	**2025/2026 £'000**
Children & Young People	12,486	1,300	1,300
Integrated Care	25	-	-
Wellbeing, Communities & Culture	2,118	-	-
Finance & Governance	640	-	-
Transformation	1,292	-	-
Environment & Transport	51,807	6,900	6,900
Regeneration & Planning	35,322	4,956	3,168
Total	**103,690**	**13,156**	**11,368**
RESOURCED BY			
Borrowing	40,556	1,002	700
Grants/Other Contributions	61,085	11,898	10,648
Capital Receipts	638	168	20
Revenue Contribution	1,411	88	-
Total *	**103,690**	**13,156**	**11,368**

* Excluding the impact of any other reports that may be considered by Cabinet at its meeting of 22 February 2023

113. The Council has ambitious capital plans over the medium term and a number of potential strategic capital schemes have been identified for 2023/24, alongside pipeline schemes for future years. A summary of the potential investment of the Council over the period 2023 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 potential new schemes which have been brought forward for consideration. Appendix 5 provides further detail.

114. A number of schemes will potentially commence in 2023/24, 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.

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Strategic Capital Investment Schemes – Previously Identified Schemes	38,443	66,463	58,940	4,500
Strategic Capital Investment Schemes – Additional Identified Schemes	249	-	-	-
Total	**38,692**	**66,463**	**58,940**	**4,500**

115. 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.

116. 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.

117. The prudential indicators, their purpose and method of calculation are detailed within The Treasury Management Strategy 2023/24 and are based on the currently approved capital programme and assumptions consistent with the budget. These are provided at Annex 3 of Appendix 2.

118. 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

119. 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 2023/24 Local Government Finance Settlement allows Local Authorities to increase their Council Tax by less than 3% without the need to hold a referendum.

120. 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 2% in 2023/24.

121. It is proposed that a Council Tax increase of 4.99% is agreed, inclusive of the application of a 2% Adult Social Care Precept, with the 2023/24 Band D Council Tax (excluding Parish precepts) being set at £1,707.13. 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 and with the challenging economic / inflationary environment.

BUSINESS RATES REVALUATION AND RELIEFS 2023/24

122. The next Business Rates revaluation will take place on 1 April 2023. The revaluation will adjust rateable values based on property values in April 2021, reflecting economic changes that have taken place since the last valuation date in April 2015.

123. Whist the amount payable by businesses in the borough will increase as a result of the revaluation, the Council's general funding will be adjusted by Government to ensure that, as far as practicable, retained income is no more, or less than it would have been had the revaluation not taken place.

124. Government funded Transitional Relief will be applied to support ratepayers facing large increases to their rates bills as a result of the revaluation. Unlike previous revaluations, the scheme will apply upwards caps to phase increases to bills but there will be no restrictions to the amount rate bills can reduce.

125. Relief for Retail, Hospitality and Leisure sectors will be extended into 2023/24 and increased from 50% to 75%, There will be additional support provided for small businesses who are no longer eligible or facing reduction in Small Business Rates Relief.

126. From this point onwards, the Government have announced they will be implementing three-yearly revaluations to ensure rates are more responsive to economic changes.

ROBUSTNESS OF BUDGET ESTIMATES

127. 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.

128. The Budget has been formulated having regard to factors including statutory responsibilities; unprecedented inflation due to global/geopolitical influences; pressures on the revenue budget in 2023/24; additional resource commitments arising from decisions previously made; financial and operational risks and uncertainties; priorities; funding availability; interest rate and wider economic environments; and demographic and service demand pressures.

129. 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.

130. 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 2023/24.

131. 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 current inflation rate. Work will be undertaken during 2023/24 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.

132. 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.

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

134. Actions to operate within agreed budgets 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 previously approved savings for 2023/24 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.

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

136. The 2023/24 budget is balanced and, in finalising the draft budget, consideration has been given to risks and levels of prudent reserves.

137. 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 form a key part of the Council's Medium Term Financial Strategy.

138. Based on the above evidence, it is the view of the Council's Section 151 Officer that the Council budget for 2023/24 is robust.

APPENDIX 1: RESERVES STRATEGY

BACKGROUND

1. The Council continues to face significant financial challenges and funding uncertainty. Nonetheless, it remains committed to delivering its ambitious strategic priorities and being a modern, efficient Council. In this light, 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 financial buffer and ensure smooth transition as the Council adapts to organisational changes and new ways of working. They offer time-limited opportunities for investment, to aid strategic delivery.

3. It is imperative that the Council has a strong and robust Reserves Strategy that reflects its future needs. Reserves must be set at a level that adequately mitigates against future risks and uncertainties, whilst also providing opportunity for investment within the confines of overall affordability and availability of resource.

4. Given the current environment, it is vital that the Council continues to build reserves over the medium term. Consequently, the Council will look to increase its reserve levels through the Medium Term Financial Strategy and to replenish reserves when finalising the year-end position, where possible. As part of the budget-setting process, a minimum level of general reserves has been determined for the Council to be considered a going concern.

5. This Reserves Strategy sets out the protocol for use of reserves and reassesses 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 reserves levels is therefore a matter of local judgement, bearing in mind the level of risk the Council faces and the requirement to provide non-recurring support for strategic priorities.

9. Reserves management strategies are subjective, particularly within the current challenging financial environment. Professional and regulatory bodies suggest that reserves should be increased over the medium term, to ensure financial sustainability, whilst the Governments have argued that councils should utilise their reserves over the short to medium term.

10. The Council's auditors will assess levels of reserves part of their annual audit, and may make recommendations about the adequacy of those levels 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 it 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 & BALANCES

13. Reserves can be classed as general reserves or earmarked reserves. They 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 act as an emergency fund in exceptional circumstances, and to ensure that the Council remains a going concern. The Council's current level of general reserves is set at £12m. This is considered a prudent level set aside to ensure the Council remains financially liquid. It is a fund of last resort, to be used for unknown risks when all other reserves or budgets have been completely depleted.

15. Earmarked reserves are held:

    - To mitigate against specific risks that the Council faces
    - To cushion against uncertainty
    - To provide for anticipated liabilities
    - To provide for short-term investment in strategic priorities
    - To support the operational delivery of specific services
    - To provide resource cover for invest-to-save opportunities
    - To smooth the impact on the revenue budget where there may be timing differences between expenditure incurred and related income receivable

    These reserves are either held for strategic purposes, to give flexibility in the use of corporate resources, or as ringfenced reserves for operational needs.

16. Given the increased pressures on the annual revenue budget, the Council's ability to augment reserves will become increasingly constrained in future years. Clear protocols therefore must be in place for the use of each earmarked reserve, setting 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 outside the direct control of the Council.	Insurance & Contingent Liability
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 Rates 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 position.	Pension Reserve
Crystallisation of Risks/events of uncertain timing.	Insurance and Contingent Liability
Impact of timing delays between borrowing costs incurred under TIF regulations and the associated receipt of additional Business Rates income.	Tax Increment Financing
Impact of timing delays between costs incurred to deliver other strategic objectives and the associated receipt of additional income.	Funding Reform & Volatility

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 and/or their 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 Operational/Delegated Executive Decision by the 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 the Council's Town Centres and 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 Operational/Delegated Executive Decision by the 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 to smooth out resources during the transition period. It is also used to absorb smoothing related to: (i) 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.

Purpose	Process for Use (subject to statutory and Council decision making protocols e.g., relating to limits of approval) *
(ii) timing delays between costs incurred to deliver strategic objectives and the associated receipt of additional income.	
Councillor Improvement Fund To carry forward unutilised funding (for use in later periods) 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.
Waste Management Development Fund Merseyside Recycling and Waste Authority (MRWA) 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 Operational/Delegated Executive Decision by the Chief Executive, Executive Director of Place Services and Executive Director of Corporate Services.
Pension Reserve 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 also provides 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 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. In addition, the reserve may provide interim support for emerging risks that were unknown at budget setting and are an unavoidable	 The use of the funding will be agreed by the Executive Director of Corporate Services.

Purpose	Process for Use (subject to statutory and Council decision making protocols e.g., relating to limits of approval) *
commitment through regulatory or legislative reform outside the direct control of the Council.	
Inflationary Reserve The use of this reserve is to support services where cost increases are significantly above inflation, and where not allowing 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.
Restructuring Reserve This reserve exists to support the Council's transformation programme in reshaping and modernising service delivery in order to achieve its key strategic priorities.	The use of the funding will be agreed by the Executive Director of Corporate Services.
Tax Increment Financing (TIF) Reserve This reserve is to be used to smooth the impact on the revenue budget where there are timing delays between costs incurred relating to borrowing under TIF regulations, and the receipt of Business Rates income from new properties within the boundaries of the Freeport site.	A future report on the operation of the Tax Increment Financing Reserve will be considered by Cabinet in due course.

* Agreement of the Executive Director of Corporate Services is required as part of the approval/decision making process.

APPENDIX 2: TREASURY MANAGEMENT STRATEGY STATEMENT 2023/24, ANNUAL REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY

1. BACKGROUND

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 2023/24 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 2022/23 to 2025/26

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 and this Strategy is produced in accordance with the 2021 Codes.

1.7 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.

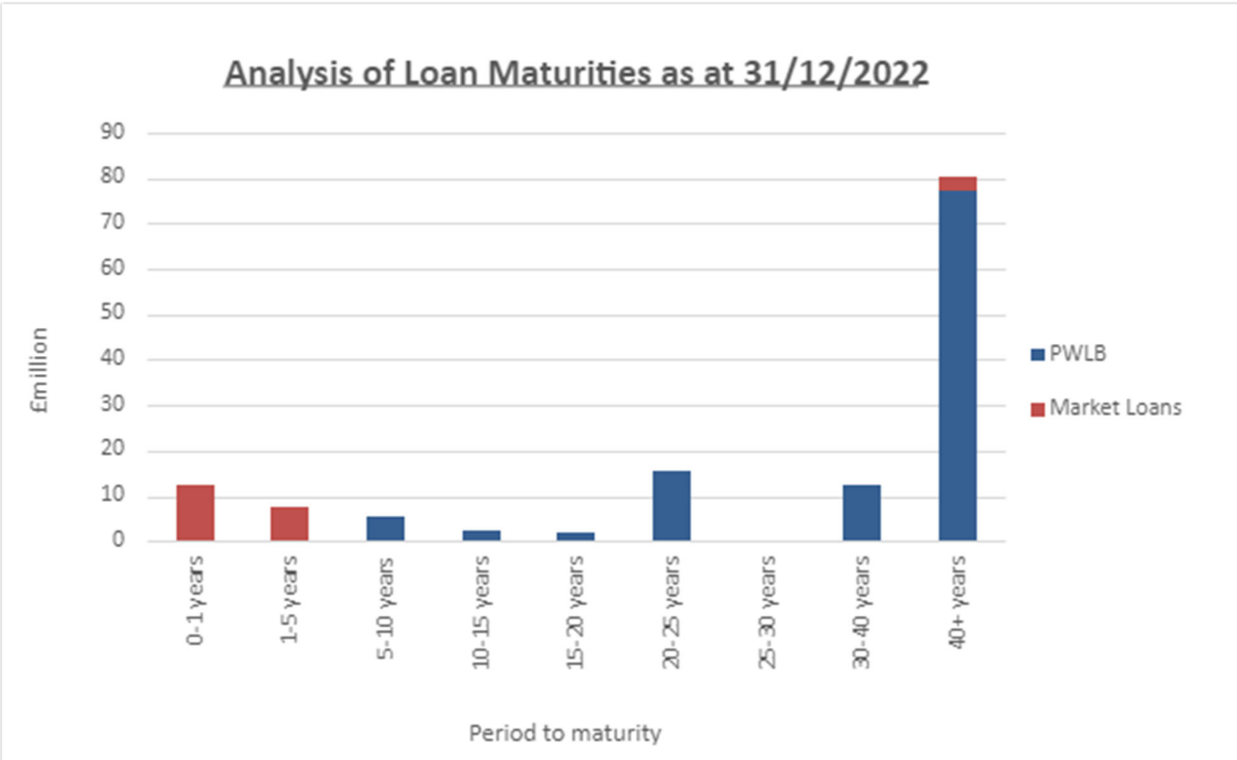
2. CURRENT TREASURY POSITION

Borrowing

2.1 As at 31 December 2022 the Council had outstanding external borrowing of £137.527m, which comprised:

Outstanding Debt at 31/12/2022	**Principal £m**	**Average Rate %**
Public Works Loan Board (PWLB) Debt Market Debt	114.527 23.000	3.395 4.162
Total Debt	137.527	3.523

2.2 £20 million 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.



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. It is considered that 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 existing external debt commitments 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	**2022/23 Actual £m**	**2023/24 Estimate £m**	**2024/25 Estimate £m**	**2025/26 Estimate £m**
Debt as at 1 April	140.627	137.520	137.508	137.495
Forecast Change in Debt	(3.107)	(0.012)	(0.013)	(0.015)
Other Long-Term Liabilities (OLTL)	21.460	20.750	19.980	19.096
Expected Change in OLTL	(0.710)	(0.770)	(0.884)	(0.810)
Projected Gross Debt as at 31 March	**158.270**	**157.488**	**156.591**	**155.766**
Capital Financing Requirement	202.879	239.964	236.712	231.886
(Under) / Over Borrowing	**(44.609)**	**(82.476)**	**(80.121)**	**(76.120)**

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 that 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.

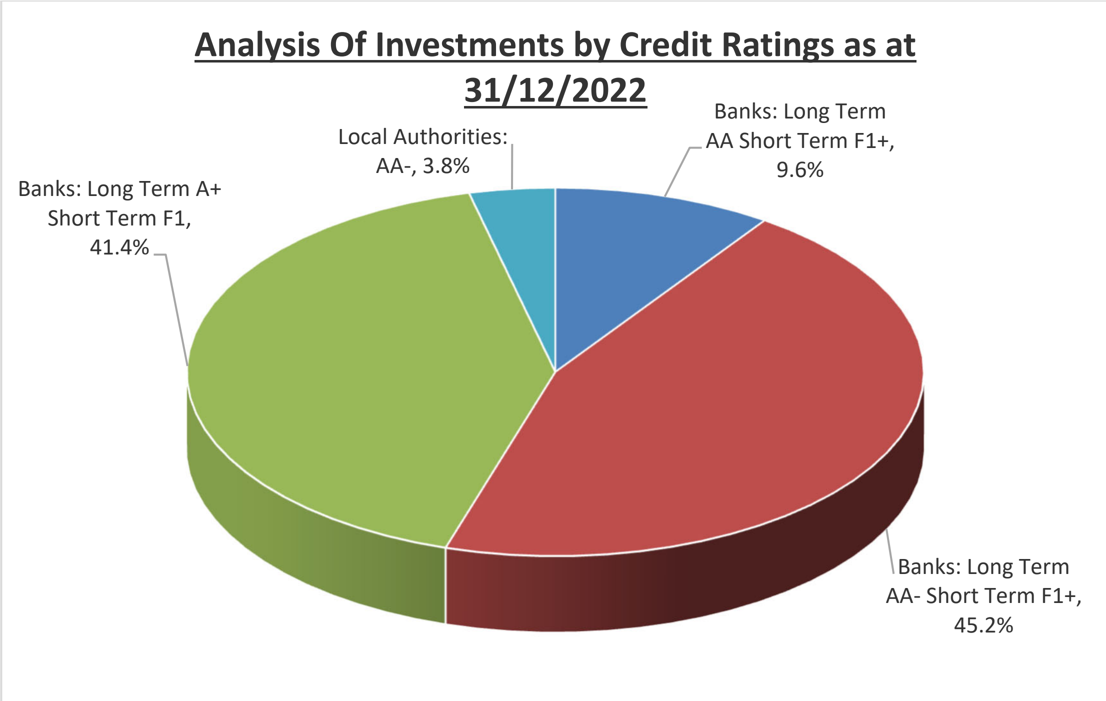
2.5 The Strategy adopted in previous years has proved to be largely successful. However, this flexibility within the Treasury Management Strategy is contingent on the availability of cash-backed reserves to facilitate this strategy. If risks identified within the Council's financial strategy arise or the availability of internal cash resources diminish, then the Council would have the capacity to undertake additional external borrowing to fund such eventualities as a consequence of 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 issues in local audit, the CIPFA Local Authority Accounting Code Board has decided to defer mandatory implementation until 1 April 2024. It is likely that limits will need to be amended in future years to reflect the changes.

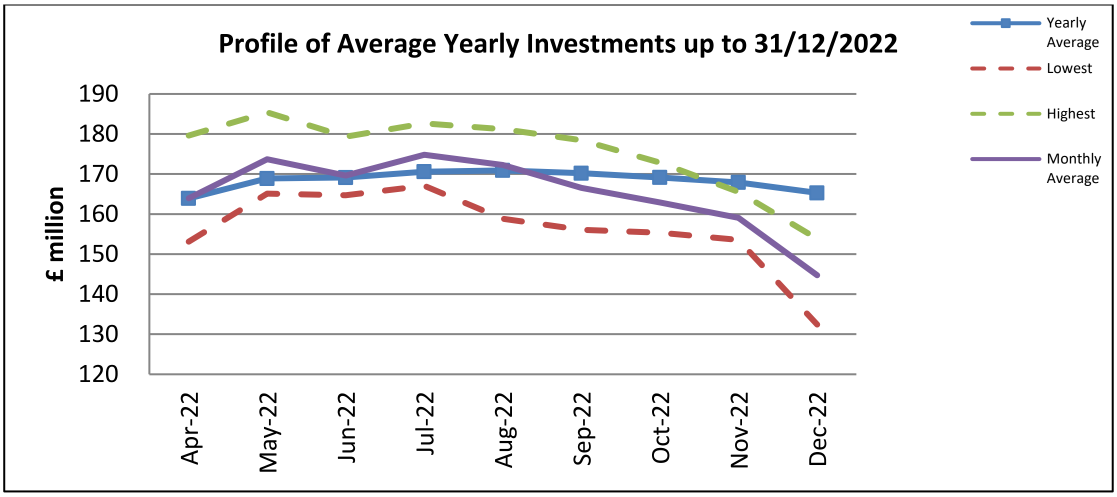
Investments

2.7 As at 31 December 2022 the Council had investments of £132.780m in a range of institutions as follows.



These investments include (circa. £16.6m) 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 2022/23 is around £165.293m 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.

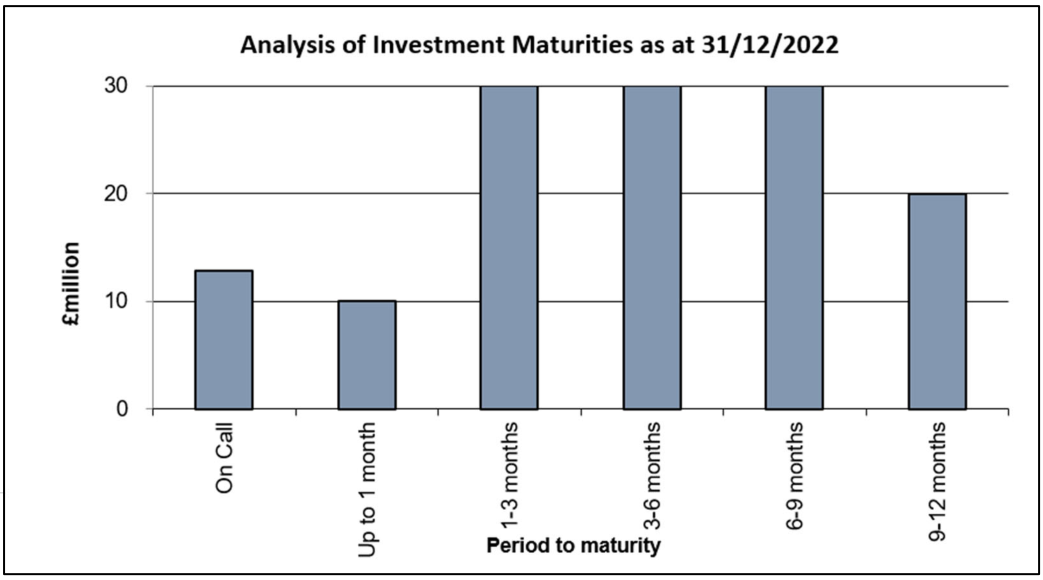


2.9 Levels of investments forecast as at 31 March 2023 are expected to remain at a similar level to the current balance based on current spending plans, the projected receipt of funds and projected use. It is forecast that the balance of funds available for investment during 2023/24 will be also remain at a similar level anticipated at the end of 2022/23. An option to prepay pension contributions to the Merseyside Pension Fund is also being considered by the Council. If this option is taken, the balance to invest will be lower by around £25m over 2023/24.

2.10 Merseyside Recycling and Waste Authority (MRWA), under a Service Level Agreement (SLA), utilise a number of St Helens 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 throughout 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. Since then, interest rates have increased significantly. As a result of this, the Council has sought to make the most of increased rates by making more longer term investments to lock into favourable rates of return. 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 2022 are detailed in the following chart.



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) have demonstrated its heavy focus on combatting the significant inflationary environment by delivering a succession of Bank Rate increases.

3.2 The Bank Rate stands at 4.25% currently but is expected to reach a peak of 4.5% in June 2023. After this a steady decline is forecast lowering to 2.5% in December 2025.

3.3 Link Asset Services anticipate the Bank of England will seek to loosen monetary policy to expand the economy, but that the timing of doing so is impossible to predict with any certainty and will be determined by a number of factors. Reducing the Bank Rate too soon may result in inflationary pressures building up further, whilst reducing too late may prolong any period of downturn or recession.

3.4 The CPI measure of inflation looks to have peaked at 11.1% in Q4 2022 (currently 10.7%). Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market.

3.5 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The forecasts in Annex 1(and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the short to medium term.

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 high during 2023/24, with the potential to lower towards the end of the financial year.

- Borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy.

3.8 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 dip. 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.

	2023/24 £m	2024/25 £m	2025/26 £m
Unsupported Borrowing	40.556	1.002	0.700
Revenue Provision	(3.471)	(4.254)	(5.526)
In-Year Capital Financing Requirement	**37.085**	**(3.252)**	**(4.826)**

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 recent 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 planned and historic activity.

4.6 The need to borrow will be influenced by calls on capital receipts and other reserves and balances. Borrowing is to be timed when rates are considered to be at their most favourable given that rates are projected to fall - flexibility is given by the availability of cash-backed reserves.

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 2023/24 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 had undertaken 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. The issues identified have been considered by the council and the proposed government response to this consultation will be implemented from 1 April 2023.

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 2023/24 will be in accordance with the Annual Investment Strategy, which is detailed at Annex 2.

6.3 The Council has previously (where interest rate forecasts support such a strategy) 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 periods of forecast increases in investment rate and to ensure sufficient liquidity. This practice will continue during 2023/24, subject to:

(i) the outlook for medium term interest rates (i.e. to avoid locking into deals whilst investment rates are lower than forecast 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 cash balances

(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 repaying debt prematurely. 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 2022/23 to 2025/26

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 2022/23 to 2025/26 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 2022/23 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.

<u>Annexes</u>

1. Outlook for Interest Rates
2. Annual Investment Strategy 2023/24
3. Treasury Limits and Prudential Indicators 202Treasury Limits and Prudential Indicators 2022/23 to 2025/26
4. Liability Benchmark
5. Adoption of the CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes
6. Treasury Management Policy Statement

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 2023. 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 2023	Jun 2023	Sep 2023	Dec 2023	Mar 2024	Jun 2024	Sep 2024	Dec 2024	Mar 2025	Jun 2025	Sep 2025	Dec 2025
Bank Rate												
Link Asset Services	4.25%	4.50%	4.50%	4.25%	4.00%	3.75%	3.25%	3.00%	2.75%	2.75%	2.50%	2.50%
Capital Economics	4.50%	4.50%	4.50%	4.50%	4.25%	4.00%	3.50%	3.00%	-	-	-	-
5-year PWLB Rate												
Link Asset Services	4.20%	4.20%	4.10%	4.00%	3.90%	3.80%	3.60%	3.50%	3.40%	3.30%	3.20%	3.10%
Capital Economics	4.00%	3.80%	3.70%	3.60%	3.50%	3.40%	3.40%	3.30%	-	-	-	-
10-year PWLB Rate												
Link Asset Services	4.40%	4.40%	4.30%	4.10%	4.00%	3.90%	3.80%	3.60%	3.50%	3.40%	3.30%	3.30%
Capital Economics	4.00%	3.80%	3.70%	3.60%	3.50%	3.40%	3.40%	3.30%	-	-	-	-
25-year PWLB Rate												
Link Asset Services	4.60%	4.60%	4.50%	4.40%	4.20%	4.10%	4.00%	3.90%	3.70%	3.60%	3.50%	3.50%
Capital Economics	4.40%	4.20%	4.00%	3.80%	3.80%	3.70%	3.60%	3.60%	-	-	-	-
50-year PWLB Rate												
Link Asset Services	4.30%	4.30%	4.20%	4.10%	3.90%	3.80%	3.70%	3.60%	3.50%	3.30%	3.20%	3.20%
Capital Economics	4.10%	4.00%	3.90%	3.80%	3.80%	3.70%	3.60%	3.60%	-	-	-	-

ANNUAL INVESTMENT STRATEGY 2023/24

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 2024 and is complimentary to the Treasury Management Strategy 2023/24 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 ("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 <u>Specified, Loans and Non-Specified Investment Types</u>

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:

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

ii) the investment is not a long-term investment

iii) 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)

iv) 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:

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

ii) 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

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

iv) 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 <u>potentially</u> 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 <u>Credit and Counterparty Policies</u>

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 2023/24 is contained at Annex B.

4.3 The criteria proposed is unchanged from that applied currently.

5.0 <u>Liquidity of Investments</u>

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 or specific circumstances dictate, this general rule will be amended accordingly.

6.0 <u>Investment Strategy - Internally Managed Investments</u>

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 The Council has previously (where interest rate forecasts support such a strategy) sought to lock into longer period fixed rate deals where opportunities and Counterparty criteria permits. This practice will continue during 2023/24, subject to:

i) the outlook for medium term interest rates (i.e., to avoid locking into deals whilst investment rates are at lower than forecast 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 cash balances

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 Council's 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. This report will also be considered by the Audit and Governance Committee.

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 the Council's appointed advisors, 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 INVESTMENT (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 INVESTMENT (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 2023/24

	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				£100m total	
						£15m per LA	12 months
						£5m per LA	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	F1 and above	aa- and above	AA- and above	£25m	2 years
		A and above	F1 and above	a- and above	AA- and above	£15m	12 months
(iv)	Call accounts held with authorised institutions (under the Banking Act 1987) which hold a suitable credit rating **(4)**	A+ and above	F1 and above	aa- and above	AA- and above	£20m	On call
		A and above	F1 and above	a- and above	AA- and above	£15m	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.

<u>Annex 3</u>

TREASURY LIMITS AND PRUDENTIAL INDICATORS 2022/23 to 2025/26

TREASURY LIMITS AND PRUDENTIAL INDICATORS 2022/23 to 2025/26			2022/23 Revised	2023/24 Estimates	2024/25 Estimates	2025/26 Estimates
1(i)	Proposed capital expenditure that the Council plans to commit to during the forthcoming and subsequent two financial years.	**Capital Expenditure (£m)**	56.597	103.690	13.156	11.368
1(ii)	Additional in-year borrowing requirement for capital expenditure.	**In Year Capital Financing Requirement (CFR) (£m)**	10.049	37.085	(3.252)	(4.826)
2	The CFR is an aggregation of historic and cumulative capital expenditure, which has not yet been paid for by either revenue or capital resources.	**Capital Financing Requirement as at 31 March (£m)**	202.879	239.964	236.712	231.886
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)	137.520 (140.000) **2.520**	137.508 (135.000) **2.508**	137.495 (135.000) **2.495**	137.490 (135.000) **2.490**
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**	3.73%	3.05%	3.20%	3.65%

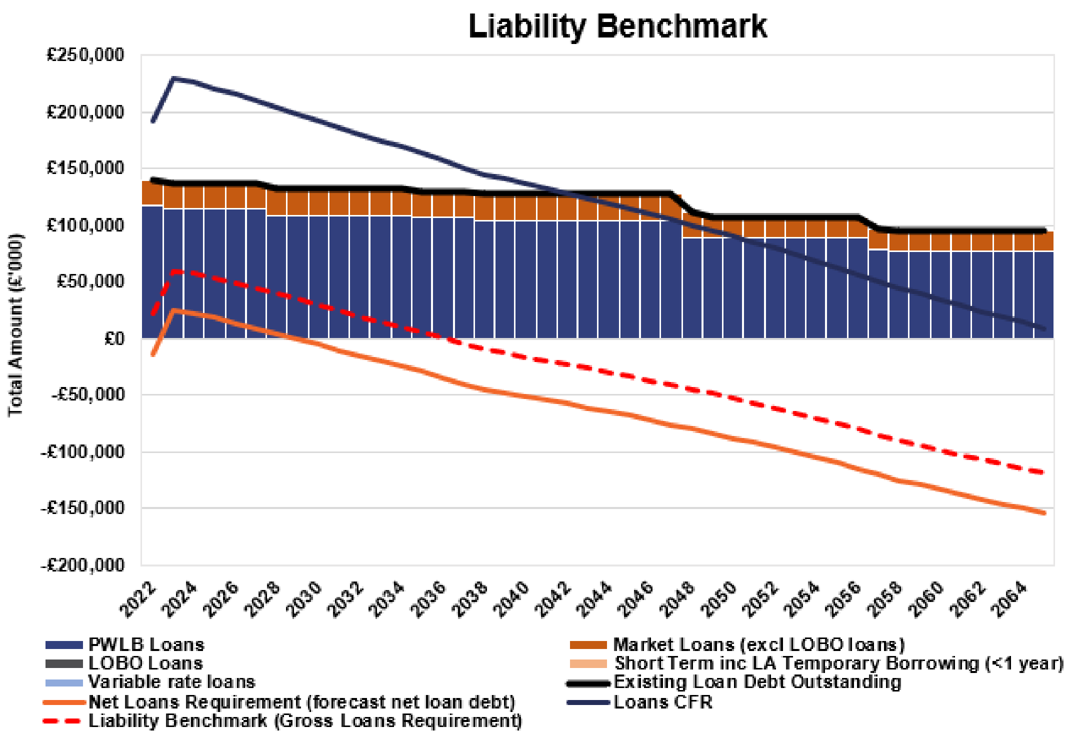
TREASURY LIMITS AND PRUDENTIAL INDICATORS 2022/23 to 2025/26			**2022/23 Revised**	**2023/24 Estimates**	**2024/25 Estimates**	**2025/26 Estimates**
5	The Council's Budget Strategy, as a general principle is that no unsupported borrowing should be undertaken as a means of financing capital expenditure 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)**	205.779	210.174	227.825	225.382
7	This is the limit beyond which external debt is not normally expected to exceed.	**Operational Limit for External Debt (£m)**	193.528	202.676	202.059	200.624
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)**	(44.610)	(82.447)	(80.122)	(76.121)

Liability Benchmark

A new prudential indicator for 2023/24 is the Liability Benchmark. The Authority is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP. Due to only approved prudential borrowing being included in the calculation a peak will appear after four years as no further borrowing will be approved at this point.
3. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast. This becomes a negative due to the position the Authority is in as a result of the balance of treasury investments, which are in excess of borrowing; this allows the Authority flexibility in regard to the timing of taking out future borrowing and therefore allows it to make sound treasury management decisions.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.



Annex 5

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.

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 2023/24 TO 2025/26

Capital Strategy
St. Helens Council
2023/24 to 2025/26

ST HELENS
BOROUGH COUNCIL

1.1 INTRODUCTION

The Capital Strategy gives 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 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 a live document, and it is intended to update this on an ongoing basis and develop it over time.

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 2023/24 and future years. The Council is committed to the regeneration of the borough and transformation of Council services through several initiatives including:

Town Centres

The Council is committed to the redevelopment of both St Helens and Earlestown town centres, which will bring forward significant transformation and the opportunity to stimulate further economic growth across the borough. The Town Centre Masterplan Development Framework has been produced to guide and encourage new development for both town centres. The Masterplans set out the vision, objectives and principles for the delivery of transformational change.

The aim of the St Helens Masterplan Development Framework is to build on the rich industrial heritage and harness the strong community pride and spirit to deliver radical transformation and establish a St Helens that is culturally centred to deliver a range of long lasting economic, social, and environmental benefits that will positively impact the wider borough.

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 Council has been success in securing grant funding from the Levelling Up Fund to support with this transformation.

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. Planning consent has been granted for Phase 1 and work is underway on construction of the Parkside Link Road. The site will be brought forward through a number of phases and capital investment has been committed to this site, 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.

As part of the Freeport arrangements, a Retained Rates Investment Strategy will be developed during the course of 2023/24 whereby the Council has the ability to invest in capital projects aligned to the agreed Freeport objectives and to be funded by future retained business rate income.

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.

Locality Working Model

The council has committed to the development of a Locality Service Delivery Model to improve customer service and address need at a local level. Capital investment will be required to support the delivery of Locality Hubs that meet identified local need and service provision.

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.

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 an 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. 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 below.

Portfolio	**2023/24 £000**	**2024/25 £000**	**2025/26 £000**
Children & Young People	12,486	1,300	1,300
Integrated Care	25	-	-
Wellbeing, Communities and Culture	2,118	-	-
Finance & Governance	640	-	-
Transformation	1,292	-	-
Environment & Transport	51,807	6,900	6,900
Regeneration & Planning	35,322	4,956	3,168
Total	**103,690**	**13,156**	**11,368**

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

Source of Funding	**2023/24 £000**	**2024/25 £000**	**2025/26 £000**
Grant/ Other Contributions	61,085	11,898	10,648
Capital Receipts	638	168	20
Revenue Contribution	1,411	88	-
Borrowing	40,556	1,002	700
Total	**103,690**	**13,156**	**11,368**

The Council has ambitious capital plans over the medium term and a number of potential strategic capital schemes have been identified for 2023/24, alongside pipeline schemes for future years. A summary of the potential costs to the Council over the period 2023 to 2027 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.

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Previously identified Strategic Capital Investment Schemes*	38,443	66,463	58,940	4,500
Additional Identified Strategic Pipeline Schemes	249	-	-	-
Total	**38,692**	**66,463**	**58,940**	**4,500**

*Excluding those now approved and included in the agreed programme

A number of schemes will potentially commence in 2023/24, 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 of 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.

A new Asset Strategy and Asset Management Plan has been adopted for the financial years 2023-26. This sets out the framework for managing the Council's property portfolios over the next three years, including how strategic property decisions are made that will underpin the Council's priorities and ensure that its property portfolios are sustainable, efficient, and fit for the purpose of delivery of vital services to communities.

As well as assessing the suitability and sufficiency of our property portfolios the programme of reviews will challenge the use, utilisation and management of the Council's 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 asset management plan work programme will include a pipeline of property disposals, capital projects, acquisitions and other reviews. The financial implications arising from the asset management plan will be integrated and continuously reviewed within the Capital Programme and MTFS.

1.7 SOURCES OF CAPITAL FUNDING

Borrowing

Local Authorities have access to preferential rates from the Public Works Loan Board (PWLB) to support service spending (Education, Highways and Transport, Social Care etc.), Housing, Regeneration, Preventative Action and Treasury Management. However, since November 2020, the Government has 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:

- On the basis of Invest to Save, where the income or savings are greater than the cost of borrowing
- Where the proposed capital project is assessed to be a strategic priority and the costs can be contained within the overall budget provision
- Where the scheme is essential to meet Council legislative requirements and no other appropriate sources of funding are available

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:

- when they generate income or reduce expenditure which is greater than the loss of investment income

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

- to support schemes of a strategic nature

- 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 budgets. 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 Land and Property Acquisition Strategy sets out the Council's strategy for the acquisition of land, property and infrastructure assets for economic development, regeneration, and future service delivery purposes.

The Land and Property Acquisition Group was established to consider any 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.

Strategic acquisitions will be supported by a Business Case and will be assessed against the criteria set out in the Land and Property Acquisition Strategy, including how it fits with current policies, measurable benefits and furtherance of strategic priorities. The risks, costs, and returns will be taken into consideration and must be funded into the overall resources of the Council.

Cabinet approved the creation of a £10m Land and Property Acquisition Fund to invest in strategic acquisitions. The Council may also fund acquisitions through borrowing or utilising reserves.

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 £5m) 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.

A Post-Project Evaluation will be undertaken on major schemes with a view to identifying where the capital programming and monitoring could be improved. This will 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 Strategic Asset and Investment Group.

1.9 KNOWLEDGE AND SKILLS

The Council employs professionally qualified and experienced staff in senior positions with delegated 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 strategic land and property acquisitions 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 and outturn report post year end.

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 table below 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 (e.g., equity investment in regeneration ventures)	• Regeneration • Economic benefit / Business Rate growth
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 ASSET MANAGEMENT PLAN

The new Asset Management Plan (AMP) sets out the vision, purpose and strategic direction for the effective management of land and buildings. It establishes governance arrangements and the activities that will shape the asset base over the next 3 years. Through a series of reviews, it seeks to align the Council's asset base to the Our Borough Strategy, council priorities and service objectives. The outcome of these reviews will help inform future capital investment.

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, including:

- 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
- Procurement/contractual risk – related to the ability to secure goods or services and for third parties to meet contractual terms
- 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

	2022/23 Estimate	**2023/24 Estimate**
Debt to Net Service Expenditure (NSE)	33.47%	31.68%
Investment Property Income to NSE Ratio	0.17%	0.15%
Loan to Value Ratio	30.03%	28.31%
Gross Income from Investment Properties	£855,000	£767,000
Net Income from Investment Properties	£790,000	£702,000

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 have defined budgets and timescales and any variances are identified and managed

- Risks are identified and appropriate mitigations put in place

- 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

<u>The Gateway Process</u>

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

Gate 2 - Business Case to Strategic Asset & Investment Group (SAIG)

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.

<table>
<tr><th colspan="2">Gate 1</th></tr>
<tr><td colspan="2">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 the Council’s 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.</td></tr>
<tr><td>Outcome</td><td>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.</td></tr>
<tr><th colspan="2">Gate 2</th></tr>
<tr><td colspan="2">The Business Case is submitted to SAIG 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</td></tr>
</table>

- 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 has been designed based on the Treasury's 5 Case Model, with different degrees of detail required based on the value of the project.	
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 appropriate Executive Director in conjunction with the Executive Director of Corporate Services to subsequently undertake an appropriate procurement process and award the contract 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 SAIG 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) - <u>SUMMARY CAPITAL PROGRAMME 2023/24 to 2025/2026</u>

Portfolio	2023/24	2024/25	2025/26
	£000	£000	£000
Children & Young People	12,486	1,300	1,300
Integrated Care	25	0	0
Wellbeing, Communities & Culture	2,118	0	0
Finance & Governance	640	0	0
Transformation	1,292	0	0
Environment & Transport	51,807	6,900	6,900
Regeneration & Planning	35,322	4,956	3,168
TOTAL	**103,690**	**13,156**	**11,368**

Source of Funding	2023/24	2024/25	2025/26
	£000	£000	£000
Grants / Other Contributions	61,085	11,898	10,648
Capital Receipts	638	168	20
Revenue Contribution	1,411	88	0
Borrowing	40,556	1,002	700
TOTAL	**103,690**	**13,156**	**11,368**

APPENDIX 4(b) - DETAILED CAPITAL PROGRAMME 2023/24 TO 2025/26

CHILDREN & YOUNG PEOPLE PORTFOLIO	2023/24	2024/25	2025/26	Total	Funding			
					Borrowing	Capital Receipts	Revenue	Grants / Conts.
	£000	£000	£000	£000	£000	£000	£000	£000
Primary Schools								
Ashurst Primary Rebuild	750	0	0	750	0	0	0	750
Bleak Hill Roof Repairs	45	0	0	45	0	0	0	45
Longton Lane Rebuilding Programme	158	0	0	158	0	0	0	158
Queens Park Roof Replacement	90	0	0	90	0	0	0	90
Sutton Manor Health & Safety Works	45	0	0	45	0	0	0	45
Other Schemes less than £50k	185	0	0	185	0	0	0	185
Secondary Schools								
De La Salle SEND Base	900	0	0	900	0	0	0	900
Special & Other Schools								
Launchpad Roof Renewal	100	0	0	100	0	0	0	100
Other Schemes less than £50k	35	0	0	35	0	0	0	35
Other Schemes								
Various Schools Fire Risks	32	0	0	32	0	0	0	32

CHILDREN & YOUNG PEOPLE PORTFOLIO	2023/24	2024/25	2025/26	Total	Borrowing	Capital Receipts	Revenue	Grants / Conts.
	£000	£000	£000	£000	£000	£000	£000	£000
Uncommitted Grant Funding								
Healthy Pupils Capital Funding	125	0	0	125	0	0	0	125
School Devolved Formula Capital Uncommitted	1,211	300	300	1,811	0	0	0	1,811
Higher Needs Capital Grant	3,610	0	0	3,610	0	0	0	3,610
Basic Need Uncommitted	700	0	0	700	0	0	0	700
School Condition Funding Uncommitted	4,500	1,000	1,000	6,500	0	0	0	6,500
TOTAL	**12,486**	**1,300**	**1,300**	**15,086**	**0**	**0**	**0**	**15,086**

INTEGRATED CARE PORTFOLIO	2023/24	2024/25	2025/26	Total	Borrowing	Capital Receipts	Revenue	Grants / Conts.
	£000	£000	£000	£000	£000	£000	£000	£000
Unallocated Community Capacity Grant	25	0	0	25	0	0	0	25
TOTAL	**25**	**0**	**0**	**25**	**0**	**0**	**0**	**25**

WELLBEING, COMMUNITIES & CULTURE PORTFOLIO	2023/24	2024/25	2025/26	Total	Borrowing	Capital Receipts	Revenue	Grants / Conts.
	£000	£000	£000	£000	£000	£000	£000	£000
Libraries ICT Refresh	44	0	0	44	44	0	0	0
Newton Le Willows Health & Fitness Equipment	65	0	0	65	65	0	0	0
Parr Locality Hub (feasibility)	625	0	0	625	625	0	0	0
Parr Swimming & Fitness Centre Demolition	1,032	0	0	1,032	1,032	0	0	0
Sutton Leisure Centre – Swimming Provision	352	0	0	352	352	0	0	0
TOTAL	**2,118**	**0**	**0**	**2,118**	**2,118**	**0**	**0**	**0**

FINANCE & GOVERNANCE PORTFOLIO	2023/24	2024/25	2025/26	Total	Borrowing	Capital Receipts	Revenue	Grants / Conts.
	£000	£000	£000	£000	£000	£000	£000	£000
Finance System (Unit4 ERP)	640	0	0	640	86	0	554	0
TOTAL	**640**	**0**	**0**	**640**	**86**	**0**	**554**	**0**

TRANSFORMATION PORTFOLIO	2023/24	2024/25	2025/26	Total	Borrowing	Capital Receipts	Revenue	Grants / Conts.
	£000	£000	£000	£000	£000	£000	£000	£000
ICT Device Refresh	1,292	0	0	1,292	764	528	0	0
TOTAL	**1,292**	**0**	**0**	**1,292**	**764**	**528**	**0**	**0**

ENVIRONMENT & TRANSPORT PORTFOLIO	2023/24	2024/25	2025/26	Total	Borrowing	Capital Receipts	Revenue	Grants / Conts.
	£000	£000	£000	£000	£000	£000	£000	£000
Highway Schemes								
A49 to M6 Junction 22 Link Road	29,246	0	0	29,246	13,180	0	0	16,066
A49 to M6 Junction 22 Link Road (Junction Mitigation Works)	5,700	0	0	5,700	0	0	0	5,700
Active Travel Fund – Tranche 3	1,879	0	0	1,879	0	0	0	1,879
Local Transport Plan Unallocated (CRSTS)	6,200	6,200	6,200	18,600	0	0	0	18,600
Section 106 Arrangements	81	0	0	81	0	0	0	81
St Helens Southern Gateway Package	3,314	0	0	3,314	0	0	0	3,314

ENVIRONMENT & TRANSPORT PORTFOLIO	2023/24	2024/25	2025/26	Total	Borrowing	Capital Receipts	Revenue	Grants / Conts.
	£000	£000	£000	£000	£000	£000	£000	£000
Environmental Schemes								
Air Quality	650	0	0	650	0	0	0	650
Climate Change Emergency Response Fund	46	0	0	46	46	0	0	
Recycling & Waste Collection	423	0	0	423	0	0	0	423
Section 106 Arrangements - (Non-Highway Schemes)	48	0	0	48	0	0	0	48
Sherdley Park Skate Park	122	0	0	122	0	0	36	86
Other Schemes								
Fleet Replacement Programme	4,098	700	700	5,498	5,498	0	0	0
TOTAL	**51,807**	**6,900**	**6,900**	**65,607**	**18,724**	**0**	**36**	**46,847**

REGENERATION & PLANNING PORTFOLIO	2023/24	2024/25	2025/26	Total	Borrowing	Capital Receipts	Revenue	Grants / Conts.
	£000	£000	£000	£000	£000	£000	£000	£000
Ground Condition Surveys	20	20	20	60	0	60	0	0
St Helens Town Centre Masterplan	2,354	0	0	2,354	2,354	0	0	0
Modernisation of St Helens Crematorium	150	0	0	150	150	0	0	0
The Gamble Building (Phase 4)	309	0	0	309	309	0	0	0
Town Deal – Glass Futures Phase 2	5,590	0	0	5,590	0	0	131	5,459
Town Deal – Cannington Shaw	1,152	88	0	1,240	0	0	226	1,014

REGENERATION & PLANNING PORTFOLIO	2023/24	2024/25	2025/26	Total	Borrowing	Capital Receipts	Revenue	Grants / Conts,
	£000	£000	£000	£000	£000	£000	£000	£000
Town Deal – The World of Glass	394	0	0	394	0	0	44	350
Town Deal – Digital Infrastructure	1,250	1,250	0	2,500	0	0	0	2,500
Town Deal – Health Hub	1,703	0	0	1,703	0	0	85	1,618
Parkside Regeneration Equity Investment	16,650	0	0	16,650	16,650	0	0	0
Housing Schemes								
Disabled Facilities Grants and Adaptations	5,280	3,248	3,148	11,676	611	0	0	11,065
General Fund Housing (Housing Assistance)	170	100	0	270	200	0	0	70
Housing Clearance and Enforcement	80	50	0	130	130	0	0	0
Insulation Measures and Fuel Poverty	220	200	0	420	162	238	0	20
TOTAL	**35,322**	**4,956**	**3,168**	**43,446**	**20,566**	**298**	**486**	**22,096**

TOTAL	**103,690**	**13,156**	**11,368**	**128,214**	**42,258**	**826**	**1,499**	**83,631**

APPENDIX 5: STRATEGIC CAPITAL INVESTMENT SCHEMES 2023/24 to 2026/27

Table 1 – Previously Identified Pipeline Schemes

Directorate	Service Area	Ref	Scheme Title	2023/24	2024/25	2025/26	2026/27
				£000	£000	£000	£000
Place	Highway Assets - Place Services	PS1	Highway Infrastructure Investment	1,950	5,100	1,800	500
		1	Rainford Junction Station Bridge (177), News Lane- Bridge strengthening	-	750	-	-
		2	A580 Bridges (removal 4 structures)	600	1,500	-	-
		5	East Side Industrial Estates	350	-	-	-
		6	Salt Barn	-	500	-	-
		7	Blindfoot Road / Pasture Lane	-	1,500	1,000	-
		8	Street Lighting- Replacing concrete columns	500	500	500	500
		9	College St. Flood Alleviation	350	350	300	-
		10	Highway Scheme Development funding	150	-	-	-
Place	Property (Operational) - Place Services	PS2	Asset Management – Operational Estate	1,539	5,950	300	-
		1	Investment in Sports Facilities	-	1,000	-	-
		2	Crematorium Land Drainage	189	-	-	-
		3	St Helens Town Hall (Condition)	300	1,700	-	-
		4	Sutton Leisure (Condition)	-	2,900	-	-
		6	Other - investment in statutory compliance	500	-	-	-
		7	Other - to support review process	200	-	-	-
		8	Other - project development, feasibility and planning	350	350	300	-

Directorate	Service Area	Ref	Scheme Title	2023/24	2024/25	2025/26	2026/27
				£000	£000	£000	£000
Place	**Growth (Place Services)**	**PS3**	**Regeneration and Growth TOTAL**	**17,772**	**34,558**	**36,559**	**-**
		1	*ECF phase 1 proposition*	*6,801*	*32,308*	*33,309*	*-*
		3	*Church Square (remaining relocations)*	*1,000*	*-*	*-*	*-*
		5	*Town Centre Bus Station*	*700*	*-*	*-*	*-*
		6	*Earlestown Town Hall*	*926*	*-*	*-*	*-*
		7	*St. Mary's Demolition*	*-*	*1,250*	*1,250*	*-*
		9	*Gamble Building (Internal Works*	*1,530*	*-*	*-*	*-*
		10	*Youth Zone*	*1,000*	*-*	*-*	*-*
		11	*Cowley Hill and College Street Gateway*	*-*	*1,000*	*2,000*	*-*
		12	*Glass Futures Phase 2 (pre-development/ land)*	*5,000*	*-*	*-*	*-*
		13	*Public Realm, street furniture etc.*	*815*	*-*	*-*	*-*
Place	Place Services	PS4	Invest to save opportunities	**4,700**	**2,875**	**4,000**	**4,000**
			Waste Management	4,200	-	-	-
			Localities Model	500	2,875	4,000	4,000
Place	Place Services	PS5	Upgrade of CCTV system	701	-	-	-
Place	Place Services	PS10	Sutton Leisure Centre	-	1,830	-	-
Place	Place Services	PS11	Depot Investment	1,000	5,000	10,000	-
Place	Place Services	PS12	Fleet, Plant, Equipment	857	783	855	-
Place	Place Services	PS13	Climate Change Response Plan	1,100	-	-	-
Place	Place Services	PS14	Earlestown Town Centre Masterplan	3,507	8,517	4,626	-
Place	Place Services	CH4	Demolition of Penkford Special School	500	-	-	-
Corporate	Corporate Services	CS1	IT & Digital transformation	1,403	1,150	800	-

Directorate	Service Area	Ref	Scheme Title	2023/24	2024/25	2025/26	2026/27
				£000	£000	£000	£000
Corporate	Corporate	CS4	Adults Early Intervention System Module	115	-	-	-
Corporate	Corporate	CS5	Replacement of Capita One education management information system.	800	100	-	-
Children's	Children's Services	CH1	Rationalisation of Alternative Education sites	500	-	-	-
Children's	Children's Services	CH6	Children’s Residential Care Homes	600	600	-	-
Adults	Integrated Care & Health	ICH2	Adult Social Care Day Care	100	-	-	-
Adults	Integrated Care & Health	ICH3	Brookfield Resource Centre	50	-	-	-
Adults	Learning Disability / Autism	ICH5	Learning Disability / Autism	1,000	-	-	-
TOTAL PIPELINE SCHEMES PENDING APPROVALS				**38,443**	**66,463**	**58,940**	**4,500**

Table 2 - Additional Identified Pipeline Schemes

				Potential capital funding profile			
Directorate	**Service Area**	**Scheme Ref**	**Scheme Title**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
				£000	**£000**	**£000**	**£000**
Place	Place Services	PS15	Queens Park Leisure Centre Decarbonisation	126	-	-	-
Place	Place Services	PS16	Newton-le-Willows Leisure Centre Decarbonisation	123	-	-	-
Total				**249**	**-**	**-**	**-**

APPENDIX 6: COMMUNITY IMPACT ASSESSMENT

Title of Proposal:	Medium Term Financial Strategy 2023-2026 and Revenue & Capital Budget 2023/24
Service:	Finance & Accountancy
Department:	Corporate Services
Responsible Officer:	Jon Ridgeon
Date Completed:	25 January 2023

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 2023-2026, 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. This is discussed further below on the issue of fair employment. **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. <u>St Helens Population Census 2021 data</u> The Census 2021, records that: Race - Minority Ethnicity: people from Asian, Black, Mixed/Multiple, and Other Ethnic backgrounds (collectively referred to as ‘minority ethnicity’), represent 3.47% of the Borough Population. Disability – Disabled people: 10.8% of the Borough’s population declared they had a long-term health problem or disability that limited their day-to-day activities a lot Religion – Minority Religion: people declaring they have a religion which is in a minority in the borough (Buddhist, Hindu, Jewish, Muslim, All other religions) made up 1.75% of the borough’s population. Sexual orientation – LGB+ orientation: 2.7% of the Borough population aged 16 years and over recorded a LGB+ orientation (“gay or lesbian”, “bisexual”, or “other sexual orientation”) Sex – Female Sex: Women and Girls make up 50.9% of the Borough Population Gender identity - 0.36% of people aged 16 and over in St Helens Borough had a gender identity different to the sex registered for them at birth. 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.

Issue	How will this be taken into account
	To ensure due regard is given to the public sector equality duties, 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. 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. Impacts identified from agreed savings are as follows: - A review of commissioned services within Integrated Care and Health, by their very nature, have an impact in relation to the protected characteristics of disability and/or age. Where a family oversees a service user's finances and the care package is subsequently reduced on reason of the additional cost arising out of this decision, the service user will be referred to care management for assessment to ensure that their social care needs are being met and not neglected. - Within Corporate services several reviews are to be undertaken. A review of junior administration staff will require an equality impact assessment. A number of the staff who are in junior administrative support may be female, have disabilities and be older employees, so we need to ensure that this group is not unfairly discriminated against. Setting Registrar fees in line with the current average fee may impact service users on a reduced income. Those service users will still be entitled to a wedding/civil ceremony within the Council' s Register Office for the statutory fee of £46. A review of Voluntary Sector Contributions and removal/reduction of Business Rates discretionary rate relief will require equality impact assessments to ensure that the proposal does not impact adversely on people with a protected characteristic. - Within Place – Operations; A Car Lease scheme for employees may impact those on lower income as they may find the scheme unaffordable. 3 weekly residual bin collections would require a very detailed equality impact assessment would need to be undertaken prior to agreeing this service change. Ceasing the Councillor Improvement Fund would require an assessment to ensure safety of young people is not compromised by potential reduction in School crossing patrols. This would be mitigated by the introduction of an evidence assessed School crossing policy. Full cost allotment recovery may impact older people as 62% of plot holder are over 60.

Issue	How will this be taken into account
	- Within Place – Communities; A reduction of Supporting People Floating support may impact residents with protected characteristics due to pregnancy / maternity, age and disability. A review of Bereavement Services fees and charges is a cross cutting change to change charging with no direct equality implications for residents with protected characteristics. There may however be implications for those families or individuals on low income struggling to meet funeral costs. Cessation of Environmental Warden services will be universal across the borough however data indicates that specific localities experience a higher level of fly tipping and therefore the cessation of this service may impact disproportionately on specific localities. A transition of Leisure Facilities to a cost neutral and consideration of closures may impact on Younger People, Older People and people with a disability. Consideration for additional library closures will require equality impact assessments to ensure that the proposal does not impact adversely on people with a protected characteristic.
Fair employment	Workforce Profile December 2022 Female Employees – 69.3% Minority ethnic employees - 1.46% Disabled employees 5.34% 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. This includes the offer of redeployment, where available, to staff vulnerable to redundancy. Selection for redundancy is based on clear, fair, and justifiable criteria set out within the Council's Redundancy Policy. Selection for redundancy is not based on age related criteria, or any other criteria linked to one or more protected characteristics, such as disability, sex, or race. Members and Officers making decisions on redundancy must ensure that their decisions are free from the influence of discrimination or prejudicial bias because of protected characteristics.

APPENDIX 7: PORTFOLIO / PRIORITY BUDGET SUMMARIES 2023/24

INDEX OF APPENDIX 7

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

Service Analysis – Economy, Business & Skills Portfolio   Appendix 7(i)

Economy, Business & Skills	Allowed Budget 2023/24 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2023/24 £'000
Children & Young People's Services			
Schools			
Schools Delegated Budget	0	128,477	(128,477)
Schools Total	**0**	**128,477**	**(128,477)**
Non-Schools			
Other Expenditure Attributable to Schools	5,521	8,362	(2,841)
Early Years Development (incl. PVIs)	339	8,106	(7,767)
Support for Children with SEND	2,109	9,376	(7,267)
Behaviour Support Services	52	3,906	(3,854)
Home to School/College Transport	3,665	3,760	(95)
Management & Other Support Services	2,219	4,349	(2,130)
Non-Schools Total	**13,905**	**37,859**	**(23,954)**
Total Children and Young People Department	**13,905**	**166,336**	**(152,431)**
Place Services Directorate			
Employment Skills and Initiatives	0	1,033	(1,033)
Place and Economic Delivery	155	155	0
Environmental Health	1,187	1,686	(499)
Trading Standards	584	599	(15)
Licensing & Land Charges	(18)	659	(677)
Place Services Directorate Total	**1,908**	**4,132**	**(2,224)**
Total	**15,813**	**170,468**	**(154,655)**

Service Analysis – Children & Young People Portfolio Appendix 7(ii)

Children & Young People	Allowed Budget 2023/24 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2023/24 £'000
Children & Young People's Services			
Social Care and Commissioning Teams	12,017	12,441	(424)
Children Looked After	29,184	36,048	(6,864)
Child Protection	1,864	2,021	(157)
Children's Centres/Early Help Service	1,889	2,731	(842)
Support for Disabled Children	1,581	1,930	(349)
Family Support Services	2,853	6,792	(3,939)
Management & Other Support Services	112	1,875	(1,763)
Youth Offending Teams	669	1,722	(1,053)
Total	**50,169**	**65,560**	**(15,391)**

Service Analysis – Integrated Care Portfolio **Appendix 7(iii)**

Integrated Care	Allowed Budget 2023/24 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2023/24 £'000
Integrated Care Services			
Physical Support - Frail and Elderly	14,430	37,795	(23,365)
Sensory Support	1,067	1,321	(254)
Support with Memory and Cognition	8,667	14,134	(5,467)
Learning Disability Support	24,140	35,894	(11,754)
Mental Health Support	3,638	4,526	(888)
Assistive Equipment and Technology	1,093	4,604	(3,511)
Care Management - Assessment and Review	7,135	10,126	(2,991)
Transport and Generic Services	0	1,513	(1,513)
Management, Commissioning and Support Services	0	5,627	(5,627)
Total	**60,170**	**115,540**	**(55,370)**

Service Analysis – Wellbeing, Communities & Culture Portfolio Appendix 7(iv)

Wellbeing, Communities & Culture	Allowed Budget 2023/24 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2023/24 £'000
Integrated Care Services			
Sexual Health	2,035	2,035	0
Primary Care	95	95	0
Public Health Advice	647	647	0
Obesity	1,143	1,143	0
Physical Activity	1,584	1,584	0
Substance Misuse	2,793	3,986	(1,193)
Stop Smoking Services & Interventions	590	590	0
Healthy Child Programme	4,553	4,553	0
Miscellaneous Public Health Services	1,978	2,078	(100)
Management & Support Services	0	2,223	(2,223)
Public Health Grant	(15,418)	0	(15,418)
Public Health Grant-Funded Services	**0**	**18,934**	**(18,934)**
Children and Young People Department			
Adult Community Learning	31	657	(626)
Total Children and Young People Department	**31**	**657**	**(626)**
Place Services Directorate			
Arts Development & Support	306	346	(40)
Archiving	109	219	(110)
Sports Development	(30)	327	(357)
Indoor Sports & Recreation	1,836	5,715	(3,879)
Outdoor Sports & Recreation	356	503	(147)
Library Services	2,535	2,797	(262)
Tourism and Events	276	303	(27)
Community Safety	951	1,560	(609)
Total Communities & Culture Services	**6,339**	**11,770**	**(5,431)**
Total	**6,370**	**31,361**	**(24,991)**

Service Analysis – Finance & Governance Portfolio **Appendix 7(v)**

Finance & Governance	Allowed Budget 2023/24 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2023/24 £'000
Corporate Services Directorate			
Local Tax Collection	1,341	1,341	0
Emergency Planning	130	130	0
Local Welfare Assistance Schemes	190	190	0
Grants and Donations	47	50	(3)
Non-Distributed Costs	1,840	1,857	(17)
Finance	0	9,766	(9,766)
Audit and Risk	0	1,209	(1,209)
Coroners Court Services	270	270	0
Registration of Births, Deaths & Marriages	51	262	(211)
Democratic Representation & Management	1,673	1,673	0
Elections	422	425	(3)
Human Resources	0	2,798	(2,798)
Legal Services	0	1,941	(1,941)
Governance & Administration	0	281	(281)
Housing Benefit Administration	537	44,151	(43,614)
Total	**6,501**	**66,344**	**(59,843)**

Service Analysis – Transformation Portfolio **Appendix 7(vi)**

Transformation	**Allowed Budget 2023/24 £'000**	**Allowed Expenditure 2023/24 £'000**	**Allowed Income 2023/24 £'000**
Corporate Services Directorate			
Corporate Management	1,472	1,472	0
I.T.	0	9,428	(9,428)
Press and Public Affairs	0	1,289	(1,289)
Policy Development	0	2,345	(2,345)
Organisational Development	0	1,180	(1,180)
Other Services	0	129	(129)
Total	**1,472**	**15,843**	**(14,371)**

Service Analysis – Environment & Transport Portfolio **Appendix 7(vii)**

Environment & Transport	**Allowed Budget 2023/24 £'000**	**Allowed Expenditure 2023/24 £'000**	**Allowed Income 2023/24 £'000**
Place Services Directorate			
Parks & Open Spaces	2,274	2,477	(203)
Street Cleansing	1,798	1,977	(179)
Cemetery and Crematorium	(609)	2,015	(2,624)
Waste Collection	2,383	3,059	(676)
Recycling	3,822	6,455	(2,633)
Climate Change	27	52	(25)
Parking Services	266	1,330	(1,064)
Highways Maintenance	9,197	11,385	(2,188)
Street Lighting	2,711	2,869	(158)
Traffic Management & Road Safety	606	783	(177)
Direct Services	(37)	20,343	(20,380)
Management & Support Services	0	1,830	(1,830)
Councillor Improvement Fund	100	100	0
Total	**22,538**	**54,675**	**(32,137)**

Service Analysis - Regeneration & Planning Portfolio **Appendix 7(viii)**

Regeneration & Planning	Allowed Budget 2023/24 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2023/24 £'000
Place Services Directorate			
Building Control	367	733	(366)
Development Control	630	1,604	(974)
Planning Policy	501	676	(175)
Estates - Industrial & Commercial Premises (including Town Centre)	1,436	8,046	(6,610)
Market Undertakings	710	1,073	(363)
Economic Development	34	159	(125)
Management & Support Services	0	609	(609)
Growth Delivering Prosperity	791	791	0
Transport Planning, Policy & Strategy	787	787	0
Building Support Services	0	8,360	(8,360)
Estates Management	0	1,493	(1,493)
Housing Services	1,233	3,333	(2,100)
Homelessness	356	1,263	(907)
Supporting People	5,219	5,219	0
Total	**12,064**	**34,146**	**(22,082)**

Service Analysis **Appendix 7(ix)**

Priority 1 – Ensure children and young people have a positive start in life

	Allowed Budget 2023/24 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2023/24 £'000
Schools Delegated Budgets	0	128,477	(128,477)
Total Schools	**0**	**128,477**	**(128,477)**
Child Protection	1,864	2,021	(157)
Children Looked After	29,184	36,048	(6,864)
Children's Centres / Early Help Service	1,889	2,731	(842)
Early Years Development (incl. PVI's)	339	8,106	(7,767)
Family Support Services	2,853	6,792	(3,939)
Home to School Transport	3,665	3,760	(95)
Management & Other Support Services	2,331	6,224	(3,893)
Other Expenditure Attributable to Schools	5,521	8,362	(2,841)
Behaviour Support Services	52	3,906	(3,854)
Social Care & Commissioning Teams	12,017	12,441	(424)
Support for Children with SEND	2,109	9,376	(7,267)
Support for Disabled Children	1,581	1,930	(349)
Youth Offending Teams	669	1,722	(1,053)
Total Non-Schools	**64,074**	**103,419**	**(39,345)**
Total	**64,074**	**231,896**	**(167,822)**

Service Analysis **Appendix 7(x)**

Priority 2 – Promote good health, independence and care across our communities

	Allowed Budget 2023/24 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2023/24 £'000
Assistive Equipment and Technology	1,093	4,604	(3,511)
Care Management - Assessment and Review	7,135	10,126	(2,991)
Healthy Child Programme	4,553	4,553	0
Learning Disability Support	24,140	35,894	(11,754)
Management, Commissioning and Support Services	0	7,850	(7,850)
Mental Health Support	3,638	4,526	(888)
Miscellaneous Public Health Services	1,978	2,078	(100)
Obesity	1,143	1,143	0
Physical Activity	1,584	1,584	0
Physical Support - Frail and Elderly	14,430	37,795	(23,365)
Primary Care	95	95	0
Public Health Advice	647	647	0
Public Health Grant	(15,418)	0	(15,418)
Sensory Support	1,067	1,321	(254)
Sexual Health	2,035	2,035	0
Stop Smoking Services & Interventions	590	590	0
Substance Misuse	2,793	3,986	(1,193)
Support with Memory and Cognition	8,667	14,134	(5,467)
Transport and Generic Services	0	1,513	(1,513)
Total	**60,170**	**134,474**	**(74,304)**

Service Analysis **Appendix 7(xi)**

Priority 3 – Create safe and strong communities for our residents

	Allowed Budget 2023/24 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2023/24 £'000
Community Safety	951	1,560	(609)
Environmental Health	1,187	1,686	(499)
Homelessness	356	1,263	(907)
Housing Benefits Administration	537	44,151	(43,614)
Housing Services	1,233	3,333	(2,100)
Licensing & Land Charges	(18)	659	(677)
Supporting People	5,219	5,219	0
Trading Standards	584	599	(15)
Total	**10,049**	**58,470**	**(48,421)**

Service Analysis **Appendix 7(xii)**

Priority 4 – Support a strong, diverse and well-connected local economy

	Allowed Budget 2023/24 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2023/24 £'000
Adult & Community Learning	31	657	(626)
Building Control	367	733	(366)
Development Control	630	1,604	(974)
Economic Development	189	314	(125)
Employment & Skills Initiatives	0	1,033	(1,033)
Estates – Industrial & Commercial Premises (including Town Centre)	1,436	8,046	(6,610)
Growth Delivering Prosperity	791	791	0
Management & Support Services	0	609	(609)
Market Undertakings	710	1,073	(363)
Parking Services	266	1,330	(1,064)
Planning Policy	501	676	(175)
Transport Planning, Policy & Strategy	787	787	0
Total	**5,708**	**17,653**	**(11,945)**

Service Analysis **Appendix 7(xiii)**

Priority 5 – Create a green, thriving and vibrant place to be proud of

	Allowed Budget 2023/24 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2023/24 £'000
Archiving	109	219	(110)
Arts Development and Support	306	346	(40)
Climate Change	27	52	(25)
Direct Services	(37)	20,343	(20,380)
Highways Maintenance	9,197	11,385	(2,188)
Indoor Sports & Recreation	1,836	5,715	(3,879)
Library Services	2,535	2,797	(262)
Management & Support Services	0	1,830	(1,830)
Outdoor Sports & Recreation	356	503	(147)
Parks & Open Spaces	2,274	2,477	(203)
Recycling	3,822	6,455	(2,633)
Sports Development	(30)	327	(357)
Street Cleansing	1,798	1,977	(179)
Street Lighting	2,711	2,869	(158)
Tourism & Events	276	303	(27)
Traffic Management & Road Safety	606	783	(177)
Waste Collection	2,383	3,059	(676)
Total	**28,169**	**61,440**	**(33,271)**

Service Analysis **Appendix 7(xiv)**

Priority 6 – Be a modern, efficient and effective Council

	Allowed Budget 2023/24 £'000	Allowed Expenditure 2023/24 £'000	Allowed Income 2023/24 £'000
Audit and Risk	0	1,209	(1,209)
Building Support Services	0	8,360	(8,360)
Estates Management	0	1,493	(1,493)
Cemetery and Crematorium	(609)	2,015	(2,624)
Coroners Court Services	270	270	0
Corporate Management	1,472	1,472	0
Councillor Improvement Fund	100	100	0
Democratic Representation & Management	1,673	1,673	0
Elections	422	425	(3)
Emergency Planning	130	130	0
Finance	0	9,766	(9,766)
Governance & Administration	0	281	(281)
Grants & Donations	47	50	(3)
Human Resources	0	2,798	(2,798)
IT	0	9,428	(9,428)
Legal Services	0	1,941	(1,941)
Local Tax Collection	1,341	1,341	0
Local Welfare Assistance Schemes	190	190	0
Non-Distributed Costs	1,840	1,857	(17)
Organisational Development	0	1,180	(1,180)
Policy Development	0	2,345	(2,345)
Press and Public Affairs	0	1,289	(1,289)
Registrar of Births, Deaths and Marriages	51	262	(211)
Other Services	0	129	(129)
Total	**6,927**	**50,004**	**(43,077)**

APPENDIX 8: FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY 2023/24

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. This flexibility was extended in 2022/23 to cover the financial years until 2024/25.

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 approval was provided to use £1m capital receipts to cover the costs associated with the reconfiguration of services, restructuring or rationalisation. The actual use will be reported to Cabinet at outturn.

For 2023/24, it is proposed to again make use of the flexibility to fund £1m of expenditure 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.

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