NORTH YORKSHIRE COUNTY COUNCIL

EXECUTIVE

23 August 2022

QUARTERLY PERFORMANCE AND BUDGET MONITORING REPORT

Joint Report of the Chief Executive and
Corporate Director – Strategic Resources

EXECUTIVE SUMMARY

Background

The Quarterly Performance and Budget Monitoring Report seeks to bring together key aspects of the County Council performance on a quarterly basis. The Summary below captures the key points in this Quarterly update as set out in the main body of the attached report.

Performance

1. The in depth focus for the Quarter 1 Performance report is the council plan ambition for Growth.

2. The Quarter 2 report for 2022/23 will focus on the ambition for Healthy and Independent Living.

Revenue Budget 2022/23

There is an overall net underspend of £1,920k against budget for 2022/23 **(paragraph 2.2.1).** The key drivers of the financial position are set out below:

1. A significant number of budget pressures spanning all service directorates which are currently offset by central contingencies. It is likely that the use of contingencies will increase during the course of the year.

2. A breakdown of each Directorates forecast variance is provided in **Appendices B to F** with the financial position for NYES provided in **Appendix G**.

3. An overview is provided on spending relating to the transition to the new unitary council (**Section 2.5**).

4. An overview of targeted intervention for specific areas such as Adult Social Care providers and foster carers is provided **(Section 2.6).**

Capital Plan

1. The Council is currently planning to invest £144.2m on capital schemes across the County in 2022/23 and £278.9m, in total, over the next 5 years (paragraph 4.2.3).

2. Planned financing of the capital spend in 2022/23 (paragraph 4.5.5 & Appendix E) includes £4.8m capital receipts. After utilising other estimated capital income (grants, contributions

and revenue contributions) totalling £126.3m, the balancing figure of £21.6m is planned to be funded from internal borrowing which has the impact of running down investments.

3. £18.9m potential surplus capital resources are available over the Capital Plan period (paragraph 4.5.5). This could be used to fund capital expenditure or to reduce the Council's outstanding debt.

Annual Treasury Management and Prudential Indicators

1. Investments held at 31 June 2022 were £461.3m of which £120.6m belonged to other organisations who are part of NYCC's investment pool arrangements, with a daily average balance of £437.9m up to Q1 of 2022/23 (**paragraphs 3.10 & Appendix A**).
2. For cash invested the average interest rate achieved in Q1 was 0.78% which was below the 7 day benchmark rate of 0.86%. (**paragraphs 3.10 and 3.11**).
3. External debt stood at £221.8m at 30 June 2022. The average interest rate of this debt was 4.47% (**paragraph 3.14**).
4. The forecast capital borrowing requirement for 2022/23 is £16.3m (**paragraph 3.16**) which will increase the internal borrowing position.

RICHARD FLINTON
Chief Executive

GARY FIELDING
Corporate Director, Strategic Resources

County Hall
Northallerton
23 August 2022

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2.0 REVENUE BUDGET 2022/23

2.1 BACKGROUND AND SUMMARY

2.1.1 This section of the report presents details of the projected revenue outturn for the 2022/23 financial year. The latest in-year 2022/23 budget is £421,537k with the net movement since the budget approved by Executive and County Council in February 2022 shown in **Appendix A.**

2.1.2 At the end of Q1, there is a projected net underspend of £1,920k (0.5%) against operational budgets. Further detail is provided in **section 2.2.**

2.2 OPERATIONAL BUDGETS

2.2.1 The table below identifies the operational budgets for each of the Directorates in 2022/23. The projected revenue outturn indicates a number of variances, which together produce a net projected underspend of £1,920k. Issues of note include:

- A significant degree of volatility, with significant overspends reported in each of the service directorates,
- Real pressure within HAS through a combination of increased demand, inflation pressure, market sustainability issues etc. which is currently being contained by using a number of contingencies,
- Significant inflationary pressures included within forecasts, with CPI still rising, therefore could see pressures increase during the course of the year.
- Offset by a number of contingencies held within corporate miscellaneous, which were built in as part of budget setting in response to the number of known risks such as inflation. It should be noted that more of these contingencies might be called upon as the year progresses but there is already limited headroom.

Directorate	**Budget (£k)**	**Projected Outturn (£k)**	**Variance (£k)**	*2021/22 Outturn Variance (£k)*
HAS Gross iBCF funding **HAS Net**	191,523 - **191,523**	**193,316** **(1,793)** **191,523**	**1,793** **(1,793)** **0**	*(5)* - *(5)*
BES	**78,294**	**78,906**	**612**	*(798)*
CYPS LA Provision for High Needs **CYPS Net**	85,641 2,500 **88,141**	90,152 2,500 **92,652**	4,511 0 **4,511**	*2,522* - *2,522*
Central Services	**71,341**	**73,036**	**1,695**	*(2,293)*
Corporate Misc.	**(75)**	**(8,812)**	**(8,737)**	*(10,864)*
TOTAL	**429,225**	**427,305**	**(1,920)**	*(11,438)*

It is also worth noting that a £7.7m transfer from reserves already supports this budget figure.

2.2.2 A summary of the overall **Health and Adult Services (HAS)** position across public health and adult social care (ASC) is outlined in **Appendix B** and shows a forecast breakeven position against the budget for the 2022/23 financial year. However, as set out below, there is a significant risk that, over the next few months the position will deteriorate further.

2.2.3 It is important to note that to arrive at the position shown here, the Directorate will need to utilise most of the additional funds set in the budget:

- the full £5.9m of additional growth allocated by Council
- an additional £3.5m of the corporately held inflation contingency.
- hospital discharge contingency of £1.75m agreed for a one year period.

The position is also dependent on the full use of £1.8m temporary iBCF (improved Better Care Fund) funding.

2.2.4 The **ASC Pressures** predicted, and for which, as above, the Council made some provision as part of the 2022/23 budget setting process, have now started to be evidenced. This can be seen within Care and Support and Provider Services in particular. These are as a result of the following:

- Increased discharge costs and temporary placements following the end of the hospital discharge funding from central government at the end of 2021/22.
- Inflationary pressures arising from cost of living pressures, issues in the provider market and the impact of Cost of Care exercises
- Continuing Covid impact
- Staffing pressures leading to increased agency costs

In addition to these, we have not yet seen the impact of the re-procurement of the Approved Provider List (impact from October) and the implementation of Fair Cost of Care for domiciliary packages (from January, as part of Trailblazer). The pressures listed above are already eating into the funding set aside for Cost of Care and therefore there is a significant risk that, even with full use of the funds set aside, the position will deteriorate further and tip into an overspend.

2.2.5 Since September 2021 we have received 26 sustainability requests from care providers, seeking additional support to continue to operate. Pre-pandemic we would expect to see four or five per year. These requests, where we have agreed support, have resulted in additional costs of approx. £1m and we expect this trend to continue and perhaps accelerate.

2.2.6 NYCC is one of six Trailblazer councils who are working with the Department of Health and Social Care (DHSC) to implement Adult Social Care charging reform ahead of it being rolled out to the rest of the country. The figures presented assume that any costs incurred by the Trailblazer project will be offset in full from additional grant, but this is by no means certain.

2.2.7 Other areas showing a variance to budget are as follows:

Winter Plan/ASC Plan- schemes funded through the winter plan are currently showing a variance of £1.9m. This is mainly due to costs being incurred within the services areas with funding yet to be reallocated and also as a result of some delays in the delivery of projects. The majority of the Winter Plan is funded through COMF and therefore this will not show in the net budget.

Public Health is currently forecasting planned use of the earmarked reserve of £849k. This is to cover agreed investments and projects while the service reduces cost to match grant by 2023/24.

2.2.8 **Appendix C** includes details of the projected variance within **Business and Environmental Services** and includes a net forecast overspend of £612k for 2022/23. Areas of significant variance are;

- **Concessionary Fares** – Financial support continues to be available from the Department for Transport for the 2022/23 financial year. Fixed payments to bus operators, which are set at a proportion of pre Covid actual costs are expected to continue to result in an expected saving of £410k despite the Council continuing to support the sector. It is assumed that passenger numbers will return to pre-pandemic levels during the year, should this not occur the in-year saving will increase, further analysis of passenger numbers will continue throughout the year.

- **Waste Management** – The forecast overspend of £222k is due to increased costs as a result of additional tonnages of residual household waste, along with additional payments to District Councils for increased green waste and recyclate collections. The cost of these is partially offset by the sale of recyclates from HWRCs, the market prices continue to be monitored and should prices remain positive, income forecast could continue to increase, creating a further saving in-year.

- **Highways Fees and Charges –** The overall Highways & Transportation services overspend is £569k. Areas of significant variation are;

  Street Lighting - £303k overspend as a result of increased energy costs.

  Highways maintenance – Contributing factors to the forecast overspend of £1,772k are; increased fuel and material costs - £450k; increased labour costs of £427k associated with the delivery of the highways contract. Gully cleansing continues to be delivered at a cost above budget at £210k, however, investment of £185k in gully review software is currently being trialled in Boroughbridge with an aim to identify efficiencies and allow teams to prioritise gullies requiring attention.

  Highways Fees and Charges - £669k underspend as a result of additional income from Streetworks licensing/permitting and fixed penalty notices.

  Staffing – Temporary vacancies forecast to be £240k across highways teams contribute to offset other areas of overspend within the highways service.

2.2.9 A summary of the revenue outturn for **Children and Young Peoples Services** (CYPS) is available within **Appendix D** and shows a projected net overspend position of £4.5m for the 2022/23 financial year. The main variances areas are as follows:

- **Home to School Transport** – a projected overspend of £2.2m on transporting children to school, offset, in part, by a higher than expected increase in the Extended Rights to Free Travel grant of £293k. The main driver of the projected overspend is the increase in contracted costs for newly negotiated contracts, leading to the daily rate increasing by over £10k since April 2022. It is proposed that the £1.6m corporate contingency for Public Service Vehicles Accessibility Regulations (PSVAR) is released to offset some of the current financial pressures within the Home to School budget.

- **Children and Families Service**
    - **Operational Delivery** – one-off potential savings of £250k due to staffing vacancies.
    - **Child Placement** – lower numbers of children currently requiring placements, especially around bespoke and specialist placements are contributing to the forecasted underspend of £369k. The forecasted figures do include a provision of £90k to potentially increase payments to Foster Carers from October 2022 to reflect the higher costs of living (see **Section 2.6**)

- **Pooled External Placement Budget** – £2.5m projected overspend. The main expenditure drivers are more expensive placements generally and a small number of very expensive care arrangements for children with multiple vulnerabilities and needs. Additionally, we are still experiencing high costs from Agency Nursing Care for a group of children who are still being looked after in our Children's Resource Centres, where alternative placements have been difficult to source.

- **Disabled Children's Service –** the main driver of the projected overspend (£531k) in this area is the continued lower financial contributions being attracted from Health, as part of the individual Continuing Care Plans. There also continues to be an increase in direct payments alongside capacity issues within the Children's Resource Centres (CRCs). The CRCs are also experiencing staffing pressures due to vacancies and sickness, which has resulted in additional hours for existing staff and an increase in the temporary use of agency workers.

- **Inclusion** – similar pressures remain as reported throughout last year, resulting in a forecasted overspend of £161k, with the primary driver being a rise in demand for occupational therapy equipment. The pressure on the Educational Psychology service is expected to continue during 2022/23 with £300k to be funded by one-off directorate resources.

2.2.10 **High Needs Block Funding (HN)**

- As previously reported, the unprecedented demand within the High Needs Block has continued throughout the system with pressures in SEN Assessments, Educational Psychology and SEN Transport.

- Within the High Needs block of the Dedicated Schools Grant (DSG), insufficient funding from DfE continues to place pressure on the LA and schools to be able to meet demand. The overspend on the High Needs block is projected at just over £1m for the financial year 2022/23.

- Although the local authority is prohibited from using LA funds to meet the cost of the deficit, an equal and opposite reserve has been established as a prudent and responsible financial management approach. The high needs reserve balance is forecast to be a deficit £10,863k at the end of 2022/23.

2.2.11 **Central Services** variance details are included within **Appendix E** and includes a net forecast overspend of £1,695k for 2022/23. Areas of significant variance are;

- **Property Service** – Overall overspend of £1,321k is mainly due to increased energy costs of £1,060k above budget for operational properties, this is in addition to the energy costs detailed in **Appendix C** for Street lighting and in **Appendix B** for Elderly Person Homes.

- **Business Support** – Staffing pressures forecast of £569k over budget contribute to the forecast overspend, however this assumes a significant number of vacancies to be filled over the coming months. Should recruitment campaigns not be fully successful, the overspend could be reduced throughout the year due to ongoing vacancies.

  Staffing overspends are offset by in-year savings of £278k on venues, public transport and office consumables bringing the overall overspend to £283k for the service.

- **Legal –** As a result, of increases in counsel spend mainly in the childcare team, it is expected that there will be a £250k overspend for the year based on the current number of cases. The team is working to mitigate some of the overspend and is in discussion with counsel chambers to secure best prices and is recruiting in house resource to create additional capacity within the team. Additional temporary vacancies in the legal team and additional service level agreement income partially offset the expected overspend bringing the total forecast overspend for legal service to £97k.

- **Coroners –** Increasing coroners salaries which are set by the chief coroner are not covered by current budget, along with additional costs for post mortems and forensic testing are resulting in a forecast overspend of £248k.

- **Registrars –** £267k of additional income from increased demand for registration certificates.

2.2.12 **Appendix F** provides further details on the variances for **Corporate Miscellaneous** that is projecting a net underspend of £8,737k for 2022/23. Areas of significant variation are;

- **General Provision** – includes a number of provisions, including inflation provision. The latest forecast indicates that £4,157k underspend, however as CPI continues to rise this will be reassessed ahead of Q2.
- **HAS Corporate Contingency** – as detailed earlier in the report, there are a number of pressures within adult social care. As at Q1, pressures are being contained by deploying a number of corporately held

contingencies, including contingency for inflation and one linked to hospital discharges. At this time, there is forecast to be £2,684k unspent but this is subject to change as we move through the year.

- **Treasury Management** – forecasting a £1,798k underspend reflecting improved rates of return with recent interest rate rises.
- **Corporate Contingency** – in July a proposal was put forward for the 2022/23 pay award which was significantly higher than budget. Although this is not yet finalised it is recognised that there will be a need to draw from this contingency to meet the shortfall.

2.2.13 As noted in **paragraph 2.2.9**, there is a contingency for Public Service Vehicles Accessibility Regulations (PSVAR) of £1.6m within corporate miscellaneous. The contingency was originally put into the budget as the estimated additional cost to procure new vehicles that are fully compliant with accessibility regulations; however, changes to legislation are yet to take effect. It is proposed that this contingency be used to support the Home to School transport budget pressure.

2.2.14 The outturn statement for the County Council's **NYES** traded service is also attached at **Appendix G** for information**.** These services are mainly provided to schools in the County and the figures reported do not have any further impact on those in the above table because, where relevant, the charges are already incorporated in Directorate forecast budget outturn positions. As at Q1, NYES are projecting an overall overspend of £659k.

2.3 BUDGET/ MTFS SAVINGS TARGETS

2.3.1 The 2022/23 revenue budget reflects previously agreed and updated 2020 North Yorkshire savings targets and these are incorporated into Directorate 2022/23 budget control totals shown in the table in **paragraph 2.2.1.** These savings targets (which are in addition to savings targets reflected in previous year's budgets) total £3,697k, and consist of:

Item	£m
Budget Savings in 2022/23 agreed in the February 2022 budget and earlier years MTFS savings targets:	
BES	1.1
CYPS	0.3
HAS	1.5
CS	0.9
Shortfall	7.7
Total savings reflected in 2022/23 budget	**11.5**

2.3.2 Assessment of progress against the targets indicates that there are some areas of the programme where savings are unlikely to be achieved within expected timescales for 2022/23. These are outlined in the table below but it should be noted that the impact of these delays are already incorporated into the projected outturn position in **paragraph 2.2.1**

At Risk/ Cash-funding of Projects in 2022/23	£000's
Extra Care	245
TOTAL	**245**

2.3.3 In addition part of the savings from schemes in earlier years totalling £619k are forecasting to remain unrealised in 2022/23.

At Risk/Cash-funding of Projects from prior years	£'000's
Extra Care	160
Reablement	250
Disabled Children's Services	67
T&C	84
Strategic Support	48
Developer's One Stop Shop	10
TOTAL	**619**

Again, it should be noted that these are already incorporated into the forecast outturn position in **paragraph 2.2.1**

2.3.4 Variances from the 2022/23 budget are being tracked as part of the governance of the 2020 North Yorkshire savings programme. The net position is always reported within the quarterly Revenue Budget monitoring report and details of the variances are included in **Appendices B to F**.

2.3.5 As further savings are required the schemes to achieve these will become more challenging and inevitably contain a higher level of uncertainty and risk. Therefore, it is imperative that delivery of each saving is closely monitored.

2.4 GENERAL WORKING BALANCE

2.4.1 A key feature of the Revenue Budget for 2022/23 and Medium Term Financial Strategy, approved by County Council on 16 February 2022, is to maintain the General Working Balance (GWB) at a defined minimum acceptable level.

2.4.2 For 2022/23, the defined minimum level has been a policy target as follows:

(i) Maintenance of a minimum of 2% of the net revenue budget for the GWB in order to provide for unforeseen emergencies etc. supplemented by;

(ii) An additional (and reviewable) cash sum of £20m to be held back in the event of a slower delivery of savings targets;

and reflects:

(i) The increased number of risk factors which the County Council is facing as set out in Section 10 of the 2022/23 Budget report and in particular;

(ii) Savings targets not being delivered on time;

2.4.3 Taking into account the GWB policy on minimum balances – 2% of the net revenue budget plus £20m – GWB at year-end amounts to £28m. This is held at "policy" level and any unallocated balance in excess of this level is transferred to 'Strategic Capacity – Unallocated'.

2.4.4 The anticipated movement in the balance of the Strategic Capacity – Unallocated reserve over 2022/23 is as follows:

Strategic Capacity – Unallocated	
Actual Balance as at 31.03.22	£84,525k
Planned MTFS contribution from reserve	(£7,687k)
Other drawdowns/ releases	(£1,249k)
Forecast underspend as at Q1	£1,920k
Forecast Balance as at 31.03.23	£77,509k

2.4.5 The balance of the Strategic Capacity – Unallocated Reserve as at 31 March 2022 was £84,525k. The following table provides an initial longer-term forecast for this reserve.

Year End		Latest Forecast			
	Start Year	Funding changes to reserve	Transfer of outturn balance	Use of Strategic Capacity reserve to support the MTFS	End-Year
	£000	£000	£000	£000	£000
31 March 2023	84,525	(1,249)	1,920	(7,687)	77,509
31 March 2023	77,509			(9,231)	68,278
31 March 2024	68,278			(17,974)	50,304

2.4.6 The figures in the table above are based purely on the cumulative shortfalls identified in the current MTFS and show that the strategic capacity reserve would reduce by over 40% over the existing MTFS period unless there are further savings and/or other funding identified.

2.5 LOCAL GOVERNMENT REORGANISATION

2.5.1 As mentioned last quarter, an officers group has been established to consider one-off requests for resources to support the transition to the new unitary. This group is drawn from officers from County and District Councils and the table below summarises the resource requests to date;

Workstream	21/22 £000	22/23 £000	23/24 £000	24/25 £000
Corporate Governance	-	622	196	
Finance	30	1,459	973	
HR	33	649	665	
ICT & Digital	-	1,751	55	
Communication, Brand & Engagement	7	307	65	
Economic Development	-	150	-	
LGR Programme Office	93	3,174	1,649	
Other	59	203	63	22
	223	***8,275***	***3,666***	***22***
Total				**12,186**

2.5.2 Based on the figures above, there have been approvals of circa £1.3m since the last update at Q4.

2.6 MARKET INTERVENTION

2.6.1 The current inflationary environment is creating some significant supply chain pressures. Many contracts are indexed and we will expect to see significant uplifts in future years as inflation filters through. However some areas of the supply chain are more pressed in the short-term and some additional areas of support are proposed as set out below in **paragraphs 2.6.3** to **2.6.6**.

2.6.2 The Council continues to scrutinise market requests for additional financial support through the Supply Chain Resilience Board. This ensures that strong contract management is in place and identifies those areas of greatest financial distress.

2.6.3 In line with recent years, fostering weekly rates were increased by 5.4% (December CPI) for the financial year 2022/23. Since then, inflation has increased significantly to 9.4% (CPI as at June 2022). In order to provide further support to valued North Yorkshire foster carers, it is proposed to increase the weekly rates from October 2022 for the remainder of the financial year. This exceptional proposed measure is intended to ensure that North Yorkshire continues to support and value foster carers, maintain a competitive offer for recruitment and retention of foster carers, and assist foster carers to continue to care for children during the cost of living crisis. The additional cost to the council, based on the current number of children and young people in foster care, is projected to be c. £90k (which is built into the forecasts above).

2.6.4 It is intended that as part of the budget setting process for the financial year 2023/24, the local authority will apply normal uplifting approaches.

2.6.5 Providers of Adult Social Care are also seeing acute financial pressures, due in part to increased fuel and energy costs, and therefore a one-off payment is proposed for residential homes of £500 each, while providers of community-based care will be allocated an amount which equates to a one-off increase of 50p per hour for three months. This will be funded from the Market Sustainability Fund at an expected cost of between £250k and £300k.

2.6.6 NYCC is also aware that the transport market is suffering due to current market factors and so arrangements are being considered to provide a proactive response to the issues being faced.

2.7 RECOMMENDATION

That the Executive

(i) notes the latest position for the County Council's 2022/23 Revenue Budget, as summarised in **paragraph 2.1.2.**

(ii) notes the position on the GWB (**paragraphs 2.4.1 to 2.4.3)**

(iii) notes the position on the 'Strategic Capacity – Unallocated' reserve **(paragraphs 2.4.4 to 2.4.6)**

(iv) notes the latest position regarding the Local Government Review transition fund **(paragraphs 2.5.1)**

(v) Executive are asked to approve the £1.6m PSVAR contingency be repurposed and used to support the Home to School Transport budget **(paragraph 2.1.12)**

(vi) Executive are asked to endorse the exceptional increase in fostering weekly rates from October 2021 outlined in **section 2.6**.

(vii)	Executive are asked to endorse the one-off increase to adult social care providers as detailed in **section 2.6**

REVENUE BUDGET APPENDICES

A	2022/23 Latest Revenue Budgets
B	Health and Adult Services
C	Business and Environmental Services
D	Children and Young Peoples' Service
E	Central Services
F	Corporate Miscellaneous
G	NYES

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APPENDIX A

2022-23 REVISED ESTIMATE REVENUE BUDGETS AT 30/06/2022

	Original Budgets agreed by Cty Cncl on 16/2/2022 £000s	Other agreed transfers and adjustments £000s	Latest Revised Budgets £000s
Children & Young Peoples' Service	88,575	(434)	88,141
Business & Environmental Services	79,460	(1,166)	78,294
Health & Adult Services	194,354	(2,831)	191,523
Central Services Directorate	71,610	(269)	71,341
Corporate Miscellaneous	(4,774)	4,699	(75)
NYES	-	-	-
Total Directorate Spending	429,225	-	429,225
Contribution From (-) General Working Balances	(7,687)	-	(7,687)
Net Revenue Budget	**421,537**	**-**	**421,537**
Business Rates DCLG Top Up	48,043		48,043
Business Rates from District Councils	19,673		19,673
Precept on District Councils - Current Year	351,786		351,786
Cap Compensation	2,036		2,036
=Net Budget Requirement	**421,537**	**-**	**421,537**

HEALTH AND ADULT SERVICES
Appendix B

2022-23 REVENUE BUDGET OUTTURN REPORT

BUDGET HEAD	REVISED BUDGET 2022-23 £000	FORECAST OUTTURN 2022-23 £000	VARIANCE (-) = saving £000	COMMENTS
Care & Support - Area Budgets				
Care & Support - Hambleton & Richmon	22,767	23,484	717	The forecast outturn position for Care and Support shows the increasing pressures impacting the service, particularly in the Harrogate area, including increases in numbers and average costs, increasing hospital discharge costs, inflationary pressures and increasing provider sustainability issues. The overspend will be financed by growth funding, contingencies and other one-off supplementary funding (see below) and funds will be reallocated here during Q2 and Q3.
Care & Support - Harrogate	44,652	52,338	7,686	
Care & Support - Craven	15,352	15,713	362	
Care & Support - Vale of York	35,890	40,153	4,264	
Care & Support - Scarborough & Whitby	39,601	42,619	3,018	
CHC Income and Other Budgets	-	(3,231)	(3,231)	
Area Budgets	**158,262**	**171,078**	**12,815**	
Provider Services & Extra Care/Personal Care at Home	16,275	18,008	1,733	Overspend due to staffing pressures (agency staff covering vacancies), increased energy costs and delays in the achievement of planned savings.
Mental Health Services	8,384	8,317	(67)	
Assistant Director/Cross-area budgets	(11,307)	(11,244)	63	
Prevention & Service Development	10,431	10,385	(47)	
Winter Plan	2,191	292	(1,899)	Some delays in spending on some projects, but the variance is mainly because costs are being incurred in other lines and funding has not yet been reallocated.
Growth Funding	5,950	400	(5,550)	Unallocated growth funding, agreed by Council to fund pressures within the area budgets and to be reallocated to various lines above
Area Budgets Total	**190,186**	**197,234**	**7,048**	
Public Health				
- Spend	23,320	24,169	849	Variance shown is the planned use of public health reserve.
- Income	(23,320)	(24,169)	(849)	
Integration & Engagement	994	893	(101)	Underspend primarily due to staffing vacancies
Resources Unit	134	175	41	
Director & Cross-Directorate	209	230	21	
TOTAL	**191,523**	**198,533**	**7,010**	
Supplementary Adult Social Care Grant Funding (IBCF)	-	(1,793)	(1,793)	Use of temporary IBCF grant to fund increasing adult social care pressures
Discharge to assess funding	-	(1,750)	(1,750)	Use of one-off contingency for increased discharge costs incurred by the Council following the end of the hospital discharge programme funding from Central Government on 31 March 2022.
Inflation Contingency	-	(3,467)	(3,467)	Use of inflation contingency funding to cover increased inflationary pressures as a result of the implementation of increased residential and nursing fee rates following the actual cost of care exercise
REVISED TOTAL	**191,523**	**191,523**	**(0)**	

BUSINESS & ENVIRONMENTAL SERVICES

Appendix C

2022-23 REVENUE BUDGET OUTTURN REPORT

BUDGET HEAD	REVISED BUDGET 2022-23 £000	FORECAST OUTTURN 2022-23 £000	VARIANCE (-) = saving £000	COMMENTS
Highways & Transportation	26,256	26,825	569	The overspend position is due to a combination of several factors: Increased energy costs for road lighting (£303k), Increased fuel and materials costs for highways operations (£450k), investment in gullies review (£185k) and additional costs associated with the delivery of the highways contract (£537k) (Includes increased cost to clean gullies and additional labour costs associated with routine maintenance works) The overspend is partially offset by additional income from street works licensing/permits and Fixed Penalty Notices of (£669k) and temporary vacancies (£240k).
Integrated Passenger Transport	10,100	9,816	(284)	The underspend is due to reduced concessionary ticket costs and passenger numbers remaining low following the pandemic (£410k). This is partially offset by increased costs of fleet including fuel and maintenance
Trading Standards & Planning Services	2,652	2,757	105	Overspend is due to an income shortfall from the Digital Evidence Recovery and Internet Crime Lab £55k and additional income pressures in Food, Farming & Health Team £50k
Waste & Countryside Services	38,546	38,768	222	Overspend is due to expected additional payments to District Councils for increased Green waste and Recyclate collections of £370k, increased tonnage of household residual waste at Allerton Waste Recovery Plant £450k This is partially offset by the following areas of underspend; contractual benefits from commercial contracts received from the waste contract which have led to additional in year income of (£121k), staff vacancies of (£119k) & there has been a decrease in the ongoing Section 106 (agreement between the developer and local planning authority in relation to measures to be taken to reduce the impact on the community) development costs associated with Allerton Waste Recovery Park (£187k). Added to this, market prices for the sale of recyclates from HWRCs have remained positive resulting in an underspend of (£150k).
Economic Partnership Unit	205	205	0	
Resources, Performance & Improvement	5	5	-	
Corporate Director of BES	531	531	-	
TOTAL	**78,294**	**78,906**	**612**	

CHILDREN & YOUNG PEOPLE'S SERVICES
Appendix D

2022-23 REVENUE BUDGET OUTTURN REPORT

BUDGET HEAD	REVISED BUDGET 2022-23 £000	FORECAST OUTTURN 2022-23 £000	VARIANCE (-) = saving £000	COMMENTS
Local Authority				
Inclusion				
Inclusion	2,624	2,789	165	Higher than anticipated spending including Occupational Therapy equipment (£128k), additional staffing costs in the Management Team £30k
Alternative Provision	86	83	(3)	Non-recurring saving on Elective Home Education related to staffing costs.
CYPS Commissioning	969	910	(59)	Contracted savings (£66k) offset, in part, by lower than anticipated fixed penalty notice attendance income.
SEND - Special Education Needs & Disabilities				
High Needs Commissioning	2,500	2,500	-	LA provision to mirror anticipated in-year high needs deficits. The DfE have indicated that the DSG statutory override will cease from end-March 2023.
Disabled Children's Services	5,465	5,996	531	Overspending associated with a projected reduction in financial contributions from Health partners for Continuing Care (£350k). Higher Direct payments and limited capacity in Children's Resource Centres for overnights short breaks and day facilities. Staffing vacancy rates have resulted in the use of temporary agency workers and additional hours by other staff.
Home to School Transport	30,837	32,730	1,893	Contract pressues have increased the daily rate for 2022/23 by in excess of £10k/day since April 2022. Additional staff costs of £137k due to increased number of SEN pupils on transport. The projected overspend is offset, in part, by £293k additional income for Extended rights to free travel.
Children & Families	30,287	30,039	(248)	Projected underspend mainly due to current levels of vacancies in the service, especially around Social Workers
Child Placement	10,080	9,711	(369)	Projected underspend driven by a lower than anticipated number of children currently being cared for
Pooled External Placement Budget	1,606	4,143	2,537	The projected overspend reflects a number of high cost external residential placeements and alternative care solutions have been necessary as local authority demand in the market is much higher than supply.
Director's Unit	29	26	(2)	
Education & Skills				
Education & Skills Other	116	131	15	
School Improvement	936	936	-	
Strategic Planning Team	13	13	0	
Music Service	5	58	53	Projected overspend reflects higher than anticipated staffing costs.
Outdoor Learning Service	-	(73)	(73)	The Outdoor Learning Service is forecasting to breakeven for 2022/23 following resumption of residential visits from Autumn Term 2021. Educational Visits which will be embedded with the OLS from September 2022, is anticipated to make a surplus of £73,000 during the 7 months of the year to the end of 2022/23.
Finance & Management Support				
Finance & Management Support	1,109	1,109	(0)	
Early Years Review	18	18	-	
School Redundancies & Employment Related Costs	1,001	1,074	72	Higher than anticipated cost for historic pension enhancements
Safeguarding Unit	460	459	(1)	
LA TOTAL	**88,141**	**92,652**	**4,511**	
DSG				
Inclusion				
Inclusion	4,511	4,418	(93)	
Alternative Provision	1,678	1,654	(24)	
CYPS Commissioning	70	70	-	
SEND - Special Education Needs & Disabilities				
High Needs Commissioning	55,492	56,299	807	A higher number of children assessed as requiring Education Health and Care Plans continues to place financial pressure on the High Needs Budget.
Children & Families	1,132	1,132	-	
Pooled External Placement Budgets	2,931	3,255	323	Low availability of places for children with more complex needs have led to higher costs of cared for children
Director's Unit	207	189	(17)	
Education & Skills				
Education & Skills Other	12	12	-	
School Improvement	846	846	-	
Strategic Planning Team	712	758	46	
Music Service	65	65	-	
Outdoor Learning Service	44	44	-	
Finance & Management Support				
Finance & Management Support	(67,934)	(67,908)	26	
School Redundancies & Employment Related Costs	233	233	0	
DSG TOTAL	**-**	**1,068**	**1,068**	
DSG Net overspend funded by DSG reserve		(1,068)	(1,068)	
TOTAL	**88,141**	**92,652**	**4,511**	

CENTRAL SERVICES
Appendix E

2022-23 REVENUE BUDGET OUTTURN REPORT

BUDGET HEAD	REVISED BUDGET 2022-23 £000	FORECAST OUTTURN 2022-23 £000	VARIANCE (-) = saving £000	COMMENTS
Strategic Resources				
Financial Services	4,336	4,350	14	
Insurances	4,240	4,240	-	
Property Services	10,684	12,005	1,321	Overspend is due to increased energy costs (£1,060k), expected additional lease commitments (£150k) and additional office furniture (£120k).
Technology & Change	18,386	18,322	(64)	Underspend is a combination of reduced license costs (£173k), increased income (£144k) & Telephony (£33k) offset by staffing pressures in the Customer Service Centre teams (£284k).
Safety Risk	436	466	30	
Business Support & HR				
Business Support Services	15,024	15,308	283	Overspend due to staffing pressures (£569k) offset by reduced spend on Venues (£140k), Transport Costs (£56k), Stationary (£55k) & Document Management services (£27k).
HR Services	3,606	3,602	(4)	
Chief Executives Office				
CEO Support Services, Grants & Subscriptions	457	419	(38)	
Communications Unit	885	920	35	
Policy & Partnerships	3,835	3,935	101	Overspend is due to staffing pressures (£50k) and additional costs asssociated with the Household Support Fund scheme (£50k).
Legal & Democratic Services				
Democratic Services	542	395	(147)	Underspend due to reduced in year expenditure for Local Healthwatch & Signposting.
Legal Services	2,519	2,616	97	Overspend due to additional corporate legal expenses (£250k) offset by temporary staffing vacancies (£153k).
Members Services	1,195	1,195	0	
Library, Customer & Community Services				
Archives & Records Management	425	425	-	
Coroners	777	1,025	248	Overspend due to increased Coroners salaries (£104k), increased spend on Post mortems and forensic testing (£97k) and (£47k) pressure in the cost of inquests and use of mortuaries.
Public Library Service	4,462	4,578	116	Overspend is due to income pressures (£150k) offset by some vehicle expenses.
Registrars	(467)	(766)	(299)	Underspend due to additional service demand, along with increase income for registration certificates
TOTAL	**71,341**	**73,036**	**1,695**	

CORPORATE MISCELLANEOUS
Appendix F

2022-23 REVENUE BUDGET OUTTURN REPORT

BUDGET HEAD	REVISED BUDGET 2022-23 £000	FORECAST OUTTURN 2022-23 £000	VARIANCE (-) = saving £000	COMMENTS
ANNUAL BUDGETS AND FUNDING (Excluding PIP)				
Contingencies				
General Provision	7,157	3,000	(4,157)	Based on latest projections forecast to use £3m during 2022/23. This budget includes provision for Public Services Vehicle Access Regulations (£1.6m) which will be transferred to support Home to School Transport overspend (see Appendix D).
HAS Corporate Contingency	7,901	5,217	(2,684)	There were a number of known pressures including inflation and discharge costs where a contingency was built into the 2022/23 budget. As at Q1, HAS are expecting to require (£5.2m) but this could change as we go through the year. (See appendix B).
Brexit Contingency	1,500	1,500	-	
2020 North Yorkshire	2,000	2,000	-	
Corporate Contingency	10,000	10,000	-	It is anticipated that a large proportion of this contingency will be required to cover the 2022/23 pay award.
	28,558	**21,717**	**(6,841)**	
Treasury Management				
Capital Financing Costs	19,044	18,991	(53)	
Dividends & Interest Earned	(3,085)	(4,883)	(1,798)	Average rate of return higher than budgeted.
Commercial Investments	(600)	(600)	-	
	15,359	**13,508**	**(1,851)**	
Corporate Budgets				
Corporate Funds	400	400	-	
Other Corporate Budgets	668	731	63	
	1,068	**1,131**	**63**	
Corporate Funding				
Corporate Grant Funding	(49,800)	(49,908)	(108)	
Other Corporate Funding	(1,355)	(1,355)	-	
	(51,155)	**(51,263)**	**(108)**	
Business Rates & Council Tax				
Business Rates Deficit	566	566	-	
Council Tax Surplus	4,709	4,709	-	
	5,275	**5,275**	**-**	
TOTAL - Excluding PIP	**(896)**	**(9,633)**	**(8,737)**	
Waste Budget Strategy Provision	821	821	-	
GRAND TOTAL	**(75)**	**(8,812)**	**(8,737)**	

NORTH YORKSHIRE EDUCATION SERVICES
APPENDIX G

2022-23 REVENUE BUDGET OUTTURN REPORT

BUDGET HEAD	BUDGET Profit(-) / Loss(+) 2022-23 £000	FORECAST Profit (-) / Loss (+) 2022-23 £000	VARIANCE Increase(-) / Decrease (+) £000	COMMENTS
TRADED SERVICES PROFIT & LOSS SUMMARY				
Building Cleaning Services	(532)	(267)	265	Catering and Cleaning are largely impacted by the accrued pay award which is more favourable towards the lower spinal points where the majority of the workforce sit. The Cleaning payroll is impacted marginally more than Catering due to the cooks who already sit further up in the pay scales. Inflation continues to increase the cost of service delivery throughout most traded services with Facilities seeing considerable increases to their supply chain expenditure.
County Caterers Service	(255)	(77)	177	As above
Grounds Maintenance Service	(6)	(8)	(2)	
Health and Safety Service (HandS)	(157)	(97)	60	
Health and Safety Commercial	(43)	(63)	(20)	
Energy Traded Service	(24)	(24)	0	
Maintenance and Servicing Scheme	(130)	(100)	30	
Property & Facilities	**(1,147)**	**(636)**	**511**	
LA Clerking Service	-	(7)	(7)	
Education Psychology & STS	(14)	(14)	-	
Education & Skills	**(14)**	**(21)**	**(7)**	
Employment Support Service - Traded	(63)	-	63	
Financial Management Services	(220)	(156)	64	
Health and Wellbeing Service	(145)	(200)	(56)	
HR Advisory Service	(92)	(91)	1	
Legal Services Traded	(26)	(26)	-	
North Yorkshire Procurement Service	(54)	(36)	18	
Schools ICT Service	(76)	0	76	
Training and Learning	(11)	(37)	(26)	
Professional Support Services	**(686)**	**(545)**	**141**	
	(1,847)	**(1,202)**	**645**	
Balance of Risks	-	-	-	
Insurance Services	-	-	-	
Staff Absence Scheme	-	-	-	
	-	**-**	**-**	
Central Traded Establishment	978	979	1	
North Yorkshire Education Solutions (NYES)	900	913	13	
Other adjustments	(31)	(31)	-	
TOTAL	**-**	**659**	**659**	

3.0 **TREASURY MANAGEMENT**

Overview

3.1 This section of the report presents details of the County Council's Treasury Management Activity during Q1 2022/23, changes to the Approved Lending List and other current policy issues and considerations.

3.2 Treasury Management in Local Government is governed by the CIPFA Code of Practice on Treasury Management in the Public Services and in this context is the management of the County Council's borrowing, cash flows, its banking and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks. The County Council has adopted the Code and complies with its requirements.

3.3 The CIPFA Code of Practice for Treasury Management recommends that Members should be informed of Treasury Management activities at least twice a year but preferably quarterly. This report ensures, therefore, that the County Council is adopting Best Practice in accordance with CIPFA's Code of Practice.

Economic Update

3.4 The County Council's treasury advisors, Link Group, summarised the key points associated with economic activity in Q1 2022/23 up to 30 June 2022**:**

- GDP fell by 0.1% m/m in March and by 0.3% m/m in April;
- Consumer Price Index (CPI) inflation rose further to a new 40-year high of 9.1% in May;
- There were the first signs that the weakening in economic activity is filtering into a slightly looser labour market;
- Bank Rate rose to 1.25%, taking it to its highest level since the Global Financial Crisis;

A more detailed economic commentary on developments during Q1 2022/23 is included in **Appendix E.**

Interest Rate Forecasts

3.5 The current interest rate forecasts (21 June 2022) of Link Group are as follows

Link Group Interest Rate View 21.06.22												
	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
BANK RATE	1.75	2.25	2.75	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25
3 month ave earnings	2.00	2.50	2.80	2.80	2.80	2.80	2.60	2.50	2.30	2.30	2.20	2.20
6 month ave earnings	2.50	2.80	3.00	3.00	2.90	2.90	2.80	2.70	2.60	2.50	2.40	2.30
12 month ave earnings	3.10	3.20	3.20	3.20	3.00	2.90	2.80	2.60	2.50	2.40	2.40	2.40
5 yr PWLB	3.20	3.30	3.30	3.30	3.30	3.20	3.10	3.00	3.00	3.00	2.90	2.90
10 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.30	3.20	3.20	3.20	3.10	3.10
25 yr PWLB	3.70	3.70	3.70	3.70	3.70	3.70	3.60	3.50	3.50	3.40	3.40	3.30
50 yr PWLB	3.40	3.40	3.50	3.50	3.40	3.40	3.30	3.20	3.20	3.10	3.10	3.00

* PWLB Rates are shown net of certainty rate 0.2% discount

This reflects the view that the Monetary Policy Committee (MPC) will be keen to further demonstrate its anti-inflation credentials by delivering a 0.25% increase in Bank Rate in August, September, November, December, February and March i.e., the next six MPC meetings.

The CPI measure of inflation is now forecast to rise to close to 11% in Q4 2022 and the MPC will be keen to stifle the prospect of average earnings data (6.8% y/y currently including bonuses) providing further upside risk to inflationary factors that are primarily being driven by supply-side shortages.

Given current economic outlook poses a question as to whether the MPC may shift into protecting economic growth if it flatlines or contracts through 2022. Accordingly, there remains doubt about whether the MPC will increase Bank Rate as far as the market is currently pricing in (3.25% in April 2023).

In the upcoming months, forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies, but the on-going conflict between Russia and Ukraine. Currently, oil, gas, wheat and other mainstream commodities have risen significantly in price and central banks will have to balance whether they prioritise economic growth or try to counter supply-side shock induced inflation.

The yield curve for PWLB has steepened considerably through the quarter and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 2.75% to 3.75%. The markets appear to have built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook.

Annual Investment Strategy

3.6 The Treasury Management Strategy Statement (TMSS) for 2022/23, which includes the Annual Investment Strategy, was approved by the County Council on 16 February 2022. It sets out the County Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

3.7 The County Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

3.8 Significant levels of downgrades to Short and Long Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

3.9 The approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 June 2022.

3.10 The investment activity up to Q1 2022/23 was as follows:

- Balance invested at 30 June 2022: £461.3m
- Average Daily Balance 2022/23 up to 30 June 2022: £437.9m
- Average Interest Rate Achieved up to 30 June 2022: 0.78%

These funds were available on a temporary basis and the level of funds available was mainly dependent on the timing of precept payments, receipt of grant and progress on the capital programme.

3.11 The average return to Q1 2022/23 of 0.78% compares with the backward looking SONIA rates as follows:

- 0.86% 7 day
- 0.80% 1 month
- 0.64% 3 months
- 0.42% 6 months
- 0.23% 12 months

3.12 It is also a key requirement of the CIPFA Code of Practice that annual Treasury Management Strategies should be kept under constant review throughout the year and reported to Members as appropriate. Although there is now great uncertainty in the financial and banking market, both globally and in the UK, **it is considered that the Strategy approved in February 2022 is still fit for purpose in the current economic climate**. No changes are therefore considered necessary to the Strategy at this stage.

Approved Lending List

3.13 The Approved Lending List as at 30 June 2022 is attached as **Appendix B** with changes made during Q1 2022/23 being reported in **Appendix C**.

Debt and borrowing

3.14 The County Council's external debt outstanding at 30 June 2022 and forecast position for 2022/23 is as follows:-

Detail	PWLB		Money Market Loans		Total	
	£m	%	£m	%	£m	%
At 31 March 2022	**201.8**	**4.52**	**20.0**	**3.95**	**221.8**	**4.47**
Loan Repayments	0.0		0.0		0.0	
New Loans Taken	0.0		0.0		0.0	
= Loans Outstanding at 30 June 2022	**201.8**	**4.52**	**20.0**	**3.95**	**221.8**	**4.47**
Further Scheduled In Year Repayments	13.3		0.0		13.3	
Forecast Additional Loans to be Taken	0.0		0.0		0.0	
= Estimated Loans Outstanding at 31 March 2023	**188.5**	**4.36**	**20.0**	**3.95**	**208.5**	**4.32**

3.15 Any change to the forecast debt outstanding by the end of 2022/23 will be largely determined by whether the borrowing requirement for 2022/23 is ultimately financed by external borrowing or internal borrowing.

3.16 Based on the Q1 Capital Plan update the total external borrowing requirement for 2022/23 is currently forecast to be:-

Detail	£m
Internally Financed Capital Expenditure at 31 March 2022	
Internally Financed Borrowing from Previous Years	68.4
Less Company Loans to be Repaid	-28.6
Less Commercial Investments to be Repaid	-11.9
	27.9
2022/23 Borrowing Requirement	
Q1 2022/23 Borrowing Requirement	13.1
Less Company Loans advanced in year to be Repaid	
Revenue Provision for Debt Repayment (MRP)	-10.1
Refinance 2022/23 PWLB Loan Repayments	13.3
= Total 2022/23 Borrowing Requirement	**16.3**

3.17 As shown in the table above, internal capital borrowing (use of cash balances) to part fund the County Council's Capital Financing Requirement was £68.4m at 31 March 2022. Over the next two to three years investment rates are expected to continue to be below long term borrowing rates. A value for money assessment would therefore indicate that value could be best obtained by avoiding/delaying new borrowing and continuing to use internal cash balances to finance new capital expenditure or to replace maturing external debt. This would maximise short term revenue savings and produce other benefits, but is not risk free.

3.18 This Internal Capital Financing option will therefore continue to be actively adopted on an ongoing basis in order to achieve short term revenue savings and mitigate the credit risk incurred by holding investments in the market.

3.19 New external borrowing rates (fixed interest maturity rates from the PWLB reflecting the 0.2% 'certainty discounts') during Q1 2022/23 were as follows:-

	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
High	1.25	1.19	1.29	1.56	2.03	2.69
High Date	16/06/2022	20/06/2022	16/06/2022	29/06/2022	21/06/2022	21/06/2022
Low	0.75	0.69	0.69	0.92	1.20	1.62
Low Date	01/04/2022	28/04/2022	01/04/2022	01/04/2022	07/04/2022	04/04/2022
Average	0.95	0.89	0.99	1.21	1.54	2.00
Spread	0.50	0.50	0.60	0.64	0.83	1.07

3.20 No debt repayment or rescheduling exercises have been effected to date in 2022/23 or are in the pipeline but the situation continues to be monitored to identify any opportunities that may arise. Such opportunities, however, have been limited in the current economic climate and structure of interest rates.

Prudential Indicators

3.21 It is a statutory duty for the County Council to determine and keep under review its *Affordable Borrowing Limits*.

3.22 The Prudential Indicators for the three year period 2022/23 to 2024/25 were initially approved by Executive on 25 January 2022 and adopted by County Council on 16 February 2022. These Indicators were subsequently updated to reflect the 2022/23 outturn position and other factors arising in Q1 and were reported to Members as part of the Q1 Performance Monitoring report on 23 August 2022.

3.23 During the financial year to date, the County Council has operated within the latest Treasury Prudential Indicators approved and in compliance with the County Council's Treasury Management Practices.

Impact of Treasury Management Activities on the Revenue Budget

3.24 Based on the Treasury Management activity at Q1 2022/23 and a forecast for the remainder of the year, the revenue impact is as follows:

Interest rates have been higher than originally forecast due to recent increases in base rate. Consequently, investment returns are forecast to be £4.9m compared to a budget of £3.1m.

Returns will reviewed in advance of Q2 as uncertainties over inflation continue.

The forecast outturn for interest paid on long term borrowing is £9.7m.

The forecast outturn for the Minimum Revenue Provision (MRP) is £10.1m.

Capital Strategy

3.25 The Capital Strategy was included as part of the County Council's Annual Treasury Management and Investment Strategy 2022/23, approved in February 2022. The Capital Strategy sets out how capital expenditure, capital financing and treasury management contribute to the provision of Corporate and service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. It sets out the long term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

3.26 Alternative non-treasury investments are considered as part of the Capital Strategy. Given the technical nature of potential alternative investments and strong linkages to the County Council's Treasury Management function, appropriate governance and decision making arrangements are needed to ensure robust due diligence in order to make recommendations for implementation. As a result, all investments are subject to consideration and where necessary recommendations of the Commercial Investment Board.

3.27 The alternative investments considered by the Commercial Investment Board are as follows:

Type of Investment	Maximum Limit £m	Invested as at 30/06/2022 £m	Rate of Return %
Alternative Treasury Instruments			
Money Market Funds	20.0	0.0	0.00
Enhanced Cash Funds	20.0	0.0	0.00
Certificates of Deposit (CDs)	20.0	0.0	0.00
Property Funds	20.0	5.9	3.44
Total Alternative Treasury Instruments	**80.0**	**5.9**	**3.44**

Alternative Investments			
Loans to Council Companies			
- Yorwaste	25.0	5.6	5.25
- Brierley		16.7	7.25
- First North Law		0.1	5.25
- NY Highways		11.0	7.75
Total Loans to Council Companies	**25.0**	**33.4**	**7.07**
Other Alternative Investments			
Spend to Save	5.0	0.0	0.00
Loans to Housing Associations	10.0	0.0	0.00
Local Economic Growth Projects	15.0	0.0	0.00
Solar Farm (or similar) Projects	5.0	0.0	0.00
Commercial Investments	20.0	11.9	3.54
Total Other Alternative Investments	**45.0**	**11.9**	**3.54**
Total Alternative Investments*	**60.0**	**45.2**	**6.15**

* Total Alternative Investments capped at £60m

3.28 The position on Property Funds at 30 June 2022 is as follows:-

In Year Performance

			In Year Performance Q1 2022/23			
Fund	Bwd Investment Valuation	Valuation as at 30/06/22	Capital Gain / (Loss)		Revenue Return	
	£000	£000	£000	%	£000	%
Blackrock	3,448.9	3,465.5	16.6	0.5	22.0	2.9
Threadneedle	3,163.6	3,291.2	127.6	4.0	28.0	4.0
Total	6,612.5	6,756.7	144.2	2.2	50.0	3.4

Total Fund Performance

			Total Performance			
Fund	Investment £k	Valuation as at 30/06/22	Capital Gain / (Loss)		Forecasted Revenue Return	
	£000	£000	£000	%	£000	%
Blackrock	3,003.0	3,465.5	462.5	15.4	344.3	11.5
Threadneedle	2,927.1	3,291.2	364.1	12.4	454.8	15.5
Total	5,930.1	6,756.7	826.6	13.9	799.1	13.5

3.29 While Property Funds continue to provide a strong revenue return as noted in the table above, the funds experienced minor capital losses in 2020/21 (£41k) and 2019/20 (£267k), and have since recovered. Property funds are long term investments and valuations can, therefore, rise as well as fall, over the period they are held. In order to mitigate any potential future loss, funds will be set aside to ensure there is no impact on the General Fund until units in the funds are sold.

3.30 Given the volatility and risk within the market, both property funds will be reviewed in terms of their strategies to mitigate risk within their portfolios, in the context of the longer term nature of these investments. Should any changes to these investments be considered necessary, these will be reported to the Executive and to Council if required.

3.31 The position on Commercial Property investments at 30 June 2022 is as follows:-

			Performance			
Property	Investment £k	Valuation as at 31/03/22	Total Capital Gain / (Loss)		Forecasted Revenue Return as at 30/06/22	
	£000	£000	£000	%	£000	%
Harrogate Royal Baths	9,504.0	7,000.0	(2,504.0)	(26.3)	293.7	3.10
Bank Unit in Stafford Town Centre	876.0	790.0	(86.0)	(9.8)	50.3	5.75
Co-op Store in Somercotes	1,497.3	1290.0	(207.3)	(13.8)	76.0	5.08
Total	11,877.3	9,080.0	(2,797.3)	(23.6)	420.0	3.54

3.32 The value of Commercial Property investments will continue to be assessed as markets recover from the impact of Covid-19. Commercial Property is a long term investment and valuations can, therefore, rise as well as fall, over the period they are held. In order to mitigate any potential future loss funds will be set aside to ensure that there is no impact on the General Fund at the point of any future sale.

3.33 The County Council continues to review potential commercial investments, but will now consider any potential investment opportunities alongside the implications for PWLB borrowing going forward, however, the 2022/23 Capital Plan does not include any plans to purchase commercial assets primarily for yield.

Other Loans

3.34 The County Council has also provided the following loan facilities:-

Lender	Date Advanced	Original Loan	Interest Rate (as at 31/06/22)	Loan Outstanding as at 30/06/22	Revenue Return (as at 30/06/22)	
		£000	%	%	£000	%
Ryedale Learning Trust	Feb-21	1,455.0	4.35	1,326.8	12.1	0.94

3.35 Ryedale Learning Trust

The Ryedale Federation of four schools (Ryedale School, Helmsley CPS, Sinnington CPS and Kirkbymoorside CPS) converted to a new Multi Academy Trust, The Ryedale Learning Trust, in February 2021. As part of the conversion process, a novation was agreed to transfer the school loans currently in place with the federated schools to the Multi Academy Trust on commercial terms.

Local authorities are prohibited from using resources to financially support academy schools by regulation and, consequently, the loan was funded from General Reserves (not Schools Block Reserves) at a commercial rate of 3.1% + Base Rate. The loan is to be repaid in line with an agreed schedule and fully repaid by 2032/33.

Other Treasury Management Development and Issues

3.36 CIPFA published the updated Treasury Management and Prudential Codes on 20 December 2021. CIPFA has stated that there will be a soft introduction of the codes with local authorities not being expected to have to change their Treasury Management Strategy Statement or Annual Investment Strategy reports for 2022/23: full implementation would be required for 2023/24.

3.37 The Department for Levelling Up, Housing and Communities (DLUHC) is proposing to tighten up regulations around local authorities financing capital expenditure on investments in commercial projects for yield and has already closed access to all PWLB borrowing if such schemes are included in an authority's capital programme. The new CIPFA codes have also adopted a similar set of restrictions to discourage further capital expenditure on commercial investments for yield. However, this does not mean that local authorities may not currently have the legal powers to undertake such capital expenditure despite such guidance and regulation.

3.38 The DLUHC has also commenced a consultation on amending MRP rules, with proposed changes to be in place for the financial year beginning 1 April 2023. It is not the government's intention that changes to MRP rules are applied retrospectively and any changes will therefore be reflected in the 2023/24 Treasury Management Strategy for the new unitary council.

RECOMMENDATIONS

3.39 That Executive

i. notes the position on the County Council's Treasury Management activities during the first quarter of 2022/23

ii. refers this report to the Audit Committee for their consideration as part of the overall monitoring arrangements for Treasury Management.

TREASURY MANAGEMENT APPENDICES

Appendix A   Analysis of investments placed as at 30 June 2022

Appendix B   Approved Lending List with counterparty limits

Appendix C   Changes to the Approved Lending List during Q1 2022/23

Appendix D   Treasury Management Monitoring and Reporting Arrangements 2022/23

Appendix E   Detailed Economic Commentary on Developments during Q1 2022/23

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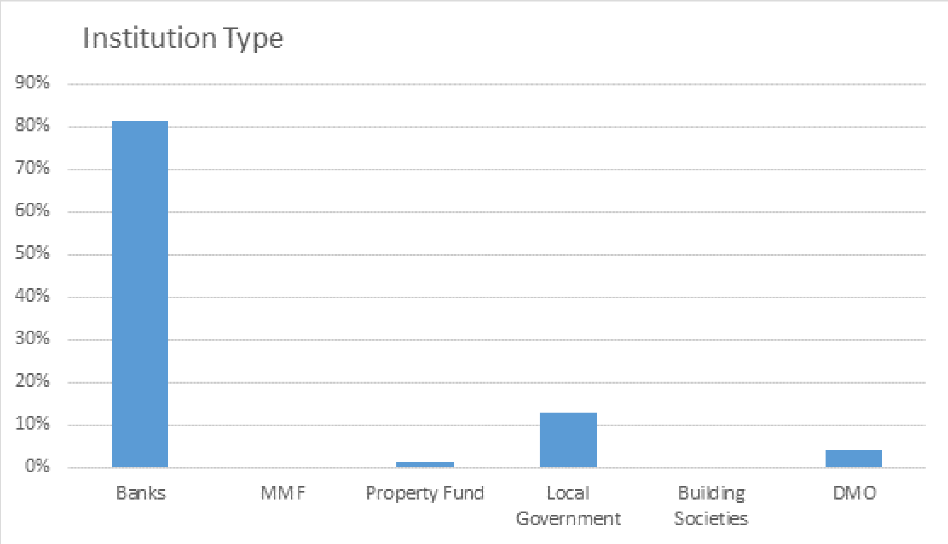
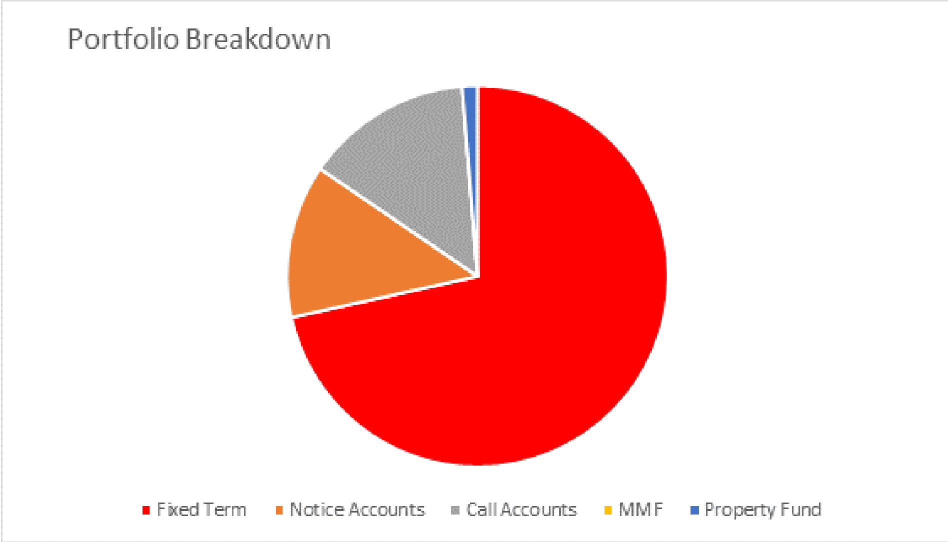
Analysis of loans outstanding as at 30 June 2022

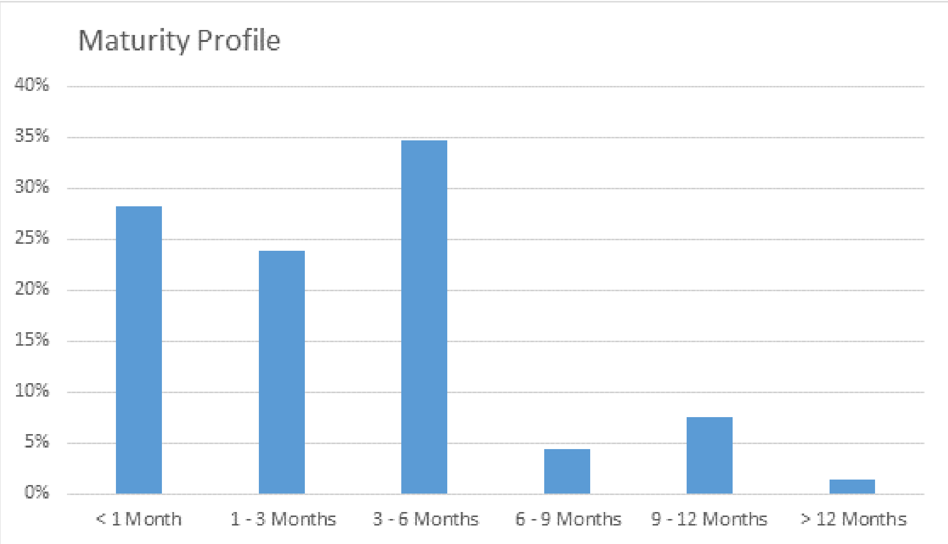
Actual Loans Outstanding – Summarised by Organisation	
	£m
Local Authority	60.0
Santander	60.0
Handelsbanken	7.5
Standard Chartered	60.0
Goldman Sachs	60.0
National Westminster	70.0
Helaba	30.0
DBS	30.0
DMO	20.0
Barclays	57.9
Property Funds	5.9
	461.3

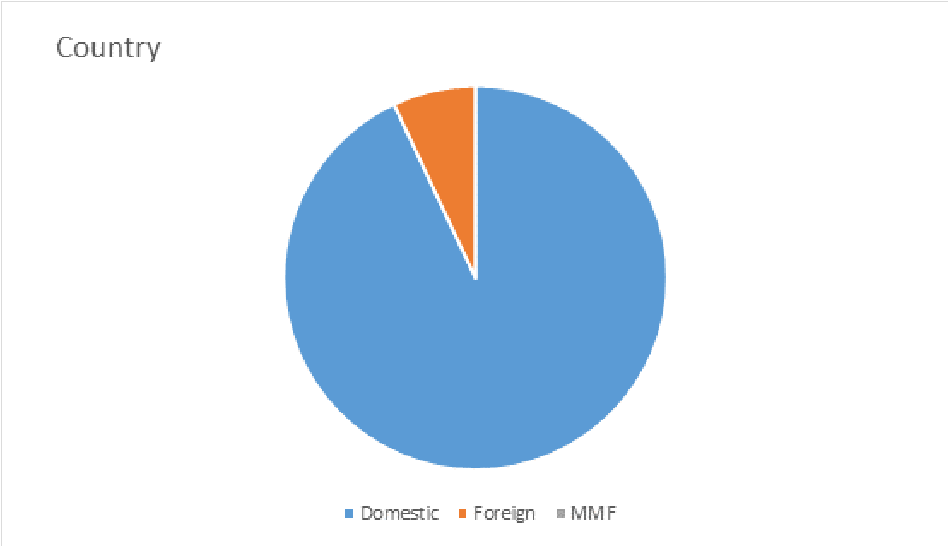
Other Bodies	31-Mar-22		30-Jun-22	
	£m	%	£m	%
NY Pension Fund	21.7	5	7.9	2
NY Fire and Rescue Authority	5.9	1	6.1	1
Yorkshire Dales National Park	4.0	1	4.6	1
North York Moors National Park	4.5	1	5.5	1
Peak District National Park	6.6	2	6.9	2
Selby District Council	80.5	19	78.2	17
National Parks England	0.2	0	0.4	0
Align Property Partners	1.4	0	1.4	0
NYnet Limited	6.0	1	9.6	2
Total Other Bodies	130.9	31	120.6	26
NYCC Cash	286.9	69	340.7	74
Total Investment	**417.8**	**100**	**461.3**	**100**

Rates as at 30 June 2022	
	%
Bank Rate	1.25
Investment Rates	
- NYCC overnight (on call)	1.15
- 1 month	1.10
- 6 months	2.10
- 1 year	2.90
- Government Debt Management Office Account	1.02


Institution Type
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Banks
MMF
Property Fund
Local Government
Building Societies
DMO


Portfolio Breakdown
Fixed Term
Notice Accounts
Call Accounts
MMF
Property Fund


Maturity Profile
40%
35%
30%
25%
20%
15%
10%
5%
0%
< 1 Month
1 - 3 Months
3 - 6 Months
6 - 9 Months
9 - 12 Months
> 12 Months


Country
Domestic
Foreign
MMF

Appendix B

APPROVED LENDING LIST Q1

Maximum sum invested at any time (The overall total exposure figure covers both Specified and Non-Specified investments)

	Country	Specified Investments (up to 1 year)		Non-Specified Investments (> 1 year £40m limit)	
		Total Exposure £m	Time Limit *	Total Exposure £m	Time Limit *
UK "Nationalised" banks / UK banks with UK Central Government involvement					
Royal Bank of Scotland PLC (RFB)	GBR	75.0	365 days	-	-
National Westminster Bank PLC (RFB)	GBR				
UK "Clearing Banks", other UK based banks and Building Societies					
Santander UK PLC (includes Cater Allen)	GBR	60.0	6 months	-	-
Barclays Bank PLC (NRFB)	GBR	75.0	6 months	-	-
Barclays Bank UK PLC (RFB)	GBR				
Bank of Scotland PLC (RFB)	GBR	60.0	6 months	-	-
Lloyds Bank PLC (RFB)	GBR				
Lloyds Bank Corporate Markets PLC (NRFB)	GBR				
HSBC Bank PLC (NRFB)	GBR	30.0	365 days	-	-
HSBC UK Bank PLC (RFB	GBR				
Goldman Sachs International Bank	GBR	60.0	3 months	-	-
Sumitomo Mitsui	GBR	30.0	6 months	-	-
Standard Chartered Bank	GBR	60.0	6 months	-	-
Handlesbanken	GBR	40.0	365 days	-	-
Nationwide Building Society	GBR	40.0	6 months	-	-
Leeds Building Society	GBR	20.0	3 months	-	-
High Quality Foreign Banks					
National Australia Bank	AUS	30.0	365 days	-	-
Commonwealth Bank of Australia	AUS	30.0	365 days	-	-
Australia and New Zealand Banking Group	AUS	30.0	365 days	-	-
Toronto-Dominion Bank	CAN	30.0	365 days	-	-
Credit Industriel et Commercial	FRA	30.0	365 days	-	-
Landesbank Hessen-Thueringen Girozentrale (Helaba)	GER	30.0	365 days	-	-
DBS (Singapore)	SING	30.0	365 days	-	-
Local Authorities					
County / Unitary / Metropolitan / District Councils		20.0	365 days	5.0	2 years
Police / Fire Authorities		20.0	365 days	5.0	2 years
National Park Authorities		20.0	365 days	5.0	2 years
Other Deposit Takers					
Money Market Funds		20.0	365 days	5.0	2 years
Property Funds		5.0	365 days	5.0	10 years

* Based on data 30 June 2022

Appendix C

CHANGES TO THE APPROVED LENDING LIST DURING Q1

There has been one change to the Lending List from the 31 March 2022.

Organisation	Original Investment Limit / Term	Date Amended	Revised Investment Limit / Term	Reason
Goldman Sachs International Bank	6 months	29/04/2022	3 months	Downgrade in Long Term Credit Rating

It should be noted, however, that changes can be made on a daily basis in reaction to market sentiment, with maximum investment durations being adjusted accordingly.

Maximum investment durations for other organisations may have, therefore, been changed during this quarter, but have since returned to the level at 31 March 2022.

Appendix D

Treasury Management and Reporting Arrangements

The current monitoring and reporting arrangements in relation to Treasury Management activities are as follows:

(a) an annual report to Executive and County Council as part of the Budget/MTFS process that sets out the County Council's **Treasury Management and Investment Strategy and Policy** for the forthcoming financial year. For 2022/23 this report was submitted to Executive on 25 January 2022 followed by County Council on 16 February 2022;

(b) an annual report to Executive and County Council as part of the Budget/MTFS process that sets the various **Prudential Indicators** (submitted to Executive on 25 January 2022 and County Council on 16 February 2022)

(c) **annual outturn reports** to the Executive for both Treasury Management and Prudential Indicators setting out full details of activities and performance during the preceding financial year. The outturn reports for 2021/22 were submitted to Executive on 21 June 2022;

(d) a quarterly report on Treasury Management to the Executive (this report) as part of the **Quarterly Performance Monitoring** report;

(e) **periodic meetings** between the Corporate Director – Strategic Resources, the Corporate Affairs Portfolio Holder and the Chairman of the Audit Committee to discuss issues arising from the day to day management of Treasury Management activities;

(f) reports on proposed changes to the County Council's Treasury Management activities are submitted to the **Audit Committee** for consideration and comment. A copy of this report is also provided to Audit Committee Members.

Appendix E

Detailed Economic Commentary on Developments during Q1 2022/23

1. Economic Background - UK

Following the 0.1% m/m fall in GDP in March and the 0.3% m/m contraction in April, the economy is now moving towards a recession (two quarters of falling output in a row).

Services output fell by 0.3% m/m in April. But output in consumer-facing services, conversely, rose by a solid 2.3% m/m in April. And although the Office for National Statistics (ONS) said that some of the fall in manufacturing output was linked to higher prices, it also said that some of the fall in construction output in April was a drop back after the boost in the wake of February's Storm Eunice.

There has been early signs that the recent weakening in economic activity is filtering through into a slightly looser labour market. The unemployment rate rose from 3.7% in the three months to March to 3.8%. The single-month data showed that employment fell by 254,000 in April and the unemployment rate rose from 3.5% to 4.2%. A seasonal adjustment of the single-month data implies that vacancies fell in May for the first time since COVID-19 was prevalent in December.

CPI inflation rose from 9.0% in April to a new 40-year high of 9.1% in May and it is not yet close to its peak. The increase in CPI inflation in May was mainly due to a further increase in food price inflation from 6.7% to a 13-year high of 8.5%. With the influence of increases in agricultural commodity prices yet to fully feed into prices on the supermarket shelves, it is expected that food price inflation will rise above 10% in September. It is also expected that utility prices will rise 40% by October. The further rise in core producer price inflation, from 13.9% to 14.8%, suggests that core goods CPI inflation will probably rise to 14% before long. CPI inflation is expected to peak at around 10.5% in October.

The rise in services CPI inflation from 4.7% in April to 4.9% in May suggests that domestic price pressures are still strengthening.

The MPC has now increased interest rates five times in as many meetings and raised rates to their highest level since the Global Financial Crisis.

But the MPC's new guidance is that if there are signs of "more persistent inflationary pressures" it will, "if necessary act forcefully in response". It is therefore expected that the MPC to continue to raise rates in steps of 25bps rather than 50bps with rates peaking at 2.75% next year. That's higher than the peak of 2.00% forecast by economists, but lower than the peak priced into the financial markets.

Gilt yields have been caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields and 10-year yields took them to their highest level since 2008 and 2014 respectively.

In May, the MPC voted 6-3 vote in favour of a 0.25% increase, but not only was this the first time in its 25-year history that the MPC had raised rates at four meetings in a row but also three members wanted a 0.5% increase. However, GDP growth was forecast to drop to -0.25% in 2023 (+1.25% previously) and only +0.25% in 2024 (+1.00% previously).

At the 16th June MPC meeting, rates were only increased by a further 0.25% due to weak economic data. The vote was again 6-3 (the same as in May) but the words were more hawkish with the Bank strengthening its forward guidance. It deleted the previous phrase that “some degree of further tightening…may still be appropriate” and replaced it with “the scale, pace and timing of any further increases in Bank Rate will reflect the Committee’s assessment of the economic outlook and inflationary pressures” and that “the Committee will be particularly alert to indications of more persistent inflationary pressures, and will, if necessary, act forcefully in response.”

Whereas in May two members objected to the guidance that rates will rise further, it appears that all members are behind this new, stronger guidance. However, the growing evidence that firms’ price and wage expectations have become dislodged from the 2.0% target suggest that the Bank is facing a challenge to determine the appropriate monetary policy response.

4.0 CAPITAL FIVE YEAR SPENDING PLAN 2022/23

4.1 OVERVIEW

4.1.1 The Capital Plan sets out the County Council's longer term capital investment plans. These plans support the Council's strategic and service objectives by maximising the assets and infrastructure necessary to support service delivery whilst minimising the impact on the revenue budget. Sitting behind the Plan is the Council's Capital Strategy which provides a high level overview of how capital expenditure, capital financing and treasury management contribute to this end.

4.2 REFRESHING THE CAPITAL PLAN

4.2.1 The schemes and programmes within the Capital Plan are reviewed regularly to track whether or not they are being delivered to both schedule and budget. Refreshed on a quarterly basis, this report details the Capital Plan for Q1 2022/23, 1 April to 30 June 2022, and reflects the additions and adjustments, including the reprofiling of budgets, since the last version was approved.

4.2.2 The County Council is currently planning to invest £144.2m on capital schemes across the County in 2022/23 and £278.9m, in total, over the next 5 years. These figures do not include the district and borough council capital investment programmes which, together with the County Council's programme, will form the basis of the new Council's Capital Plan for 2023/24 and beyond. Included this Quarter, are the unspent capital allocations from 2021/22 that were reported to Executive on 21 June 2022.

4.2.3 The latest Capital Plan is set out, by directorate, at Appendices A-D. A summary of gross expenditure, by directorate, summarised in the following table:

	Quarter 1 1 April to 30 June 2022				
	2022/23 £k	2023/24 £k	2024/25 £k	Later Years £k	Total £k
Business & Environmental Services	73,753.8	44,494.2	40,094.0	747.0	**159,089.0**
Children & Young People's Service	49,183.2	16,125.2	4,600.0	16,238.2	**86,146.6**
Central Services	17,843.8	1,300.0	1,160.8	886.4	**21,191.0**
Health & Social Care	3,399.4	999.8	0.0	8,096.3	**12,495.5**
	144,180.2	**62,919.2**	**45,854.8**	**25,967.9**	**278,922.1**

Additions to the Capital Plan this Quarter

4.2.4 Only individual additions to the Capital Plan that are of a value in excess of £250k are detailed in this report.

4.2.5 The following table highlights updates referred to in earlier reports and new additions that have been added to the Capital Plan this quarter:

Directorate	Scheme Heading	Scheme Detail	Budget £k
BES	Highways Annual Programme	Local Transport Capital Block Funding 2022/23 confirmed (2023/24 and 2024/25 indicative): - Integrated Transport Block £3,046k pa - Maintenance Block (Needs) £16,454k pa - Maintenance Block (Incentive) £4,113 pa - Potholes £16,454k pa	40,067 pa
BES	Zero Emission Bus Regional Areas Grant	Two year grant investment to deliver battery operated electric buses and associated infrastructure in partnership with local bus operators	7,800.4
CYPS	School Condition Programme 2022/23	School Condition Grant 2022/23	7,337.6
		High Needs Provision Capital Allocations for 2022/23	3,927.8
		High Needs Provision Capital Allocations for 2023/24	4,539.7
		School's Devolved Capital 2022/23	1,303.3
Central	County Hall Redevelopment	Addition of Reserve funding to support the programme of works at County Hall (including £159.5k overspend in 2021/22)	733.6
Central	Public Sector Decarbonisation Scheme 2022/23	Phase 3 of BEIS programme to support the decarbonisation of heat in non-domestic public buildings and energy efficiency in 2022/23. This scheme relates to 3 sites and is supported by Property Reserve (£169.1k).	403.1

Reprofiling of Approved Schemes within the Capital Plan

4.2.6 The following table sets out the reprofiling and accelerated spend since the last Plan was presented to Executive (Reduction (-) or increase in the annual profiled spend):

	REPROFILED EXPENDITURE AS AT Q1 2022/23				
	Quarter 1 1 April to 30 June 2022				
	2022/23 £k	2023/24 £k	2024/25 £k	Later Years £k	Total £k
Business & Environmental Services					
Highways & Transportation Annual Programme	420.2	0.0	0.0	-420.2	**0.0**
Major Highways Schemes	51.2	0.0	0.0	-51.2	**0.0**
	471.4	**0.0**	**0.0**	**-471.4**	**0.0**
Children & Young People's Service					
Schools					
Basic Need programme	1,021.9	500.0	0.0	-1,521.9	**0.0**
	1,021.9	**500.0**	**0.0**	**-1,521.9**	**0.0**
Central Services					
Loans to Limited Companies	3,000.0	0.0	0.0	-3,000.0	**0.0**
	3,000.0	**0.0**	**0.0**	**-3,000.0**	**0.0**
Health & Social Care					
Extra Care Facilities	825.0	0.0	0.0	-825.0	**0.0**
	825.0	**0.0**	**0.0**	**-825.0**	**0.0**
Total Capital Expenditure	**5,318.3**	**500.0**	**0.0**	**-5,818.3**	**0.0**

4.2.7 In Highways, developer contributions of £420.2k have been reprofiled from Later Years to 2022/23 further to the bringing forward of scheme delivery.

4.2.8 £51.2k has been reprofiled from Later Years to 2022/23 to fund the 2021/22 unexpected overspend on the Bedale Aiskew Leeming Bar major scheme relating to land transfers. A review of planned expenditure in 2022/23 is to be undertaken during Q2.

4.2.9 A review of the Basic Need Programme was presented to Executive on 15 March 2022 (link to report). The reprofiling reflects the changes made to create the new 2022-25 programme. Further information is provided at paragraph 4.2.13.

4.2.10 The reprofiling of loan drawdown from Later Years to 2022/23 reflects the earlier than anticipated drawdown of the remaining loan facility by NY Highways.

4.2.11 Extra Care budget has been reprofiled to reflect the latest confirmed commitments pending further updates as to the proposed Extra Care facilities in Harrogate outlined in the MTFS report in January 2021. The budget has been updated to include for the proposed redeployment of Springfield Garth EPH and associated acquisition of Heath Lodge, Harrogate.

4.2.12 The changes to the Capital Plan outlined above are summarised in the table below:

SUMMARY OF CHANGES SINCE THE LAST CAPITAL PLAN UPDATE	2022/23	2023/24	2024/25	Later Years	Total
	Capital Plan as at Q1 2022/23				
	£k	£k	£k	£k	£k
	83,244.1	34,037.5	26,354.8	35,065.9	178,702.3
Changes this Quarter:					
Total reprofiling between years	5,318.3	500.0	0.0	-5,818.3	0.0
Total variations in the funding of schemes	42,909.9	28,381.7	19,500.0	-3,279.7	87,511.9
Updated Gross Capital Spend	144,180.2	62,919.2	45,854.8	25,967.9	278,922.1

Other Capital Updates

Basic Need Programme 2022-25

4.2.13 A three year £44m capital programme for the provision of additional school places between 2018-2021 was approved by the Executive on 24 July 2018. Fourteen of the projects within that programme were delivered at a cost of £24.1m, including four which were added mid-cycle, whilst four were aborted due to the anticipated demand for school places not materialising.

4.2.14 Over time, the requirements for school places across the county is subject to change: some schemes have been delivered ahead of expectations whilst others have been subject to slippage, both as a result of uncertainty over the speed of housing development.

4.2.15 The recent review of the requirement for additional school places has identified a number of new priorities and has resulted in the re-prioritisation of funding to schemes that, on current data, will be required within the next three years. Whilst a total of 12 schemes from the 2018-21 programme have been carried over into the new programme, a further 6 new schemes have been added.

4.2.16 Of those carried forward, the following specific updates in relation to major schemes are provided:

i. **North Northallerton New Primary -** Unexpected land transfer delays have resulted in the target opening date being revised to September 2024.

ii. **Manse Farm New Primary, Knaresborough** – Delays to the housing development site have, in-turn, impacted on the transfer of the school site to the County Council. The delivery of the new school prior to September 2024 is now no longer achievable.

In both cases, the projected pupil growth is not as had been originally anticipated and means that the availability of school places is considered manageable in the interim. The scheme budgets have been uplifted in the new 22-25 programme to allow for construction cost inflation as well as elements of potential re-design to meet revised building regulations and new DfE specification requirements including those for sustainability.

4.2.17 Of those new additions, there remains some uncertainty as to the need for and/or a required delivery date in relation to Kirk Fenton CEPS and Tockwith CEPS such that it is not yet a requirement to commit Basic Need Grant in the 2022-25 programme. Housing developer contributions in relation to sites that would be within their relative catchment areas are expected and so these form the current budgets.

4.2.18 There is a current planning application in relation to the Norton Lodge development site which includes provision for education land. Again, there is uncertainty as to the need for future additional school places following the recent expansion of Norton CPS via a satellite site. In the meantime, the situation will be kept under review and a small feasibility budget has been allocated from Basic Need Grant.

4.2.19 The anticipated housing development at Ripon Barracks is expected to require a new primary school from September 2026. As such, it is expected that some expenditure will arise during this programme period and so an initial funding allocation has been committed. In addition, an initial allocation to allow feasibility and project inception work should additional places at Secondary phase become a requirement in Ripon has also been made.

4.3 RISKS

4.3.1 Every effort is made to identify, assess and minimise the level of risk associated with a scheme or programme within the Capital Plan. Larger schemes and programmes are subject to assessment and monitoring under the Council's Risk Management Strategy.

Current Identified Risks

4.3.2 The following table sets out the types of risk that have been identified against current schemes and programmes within the Capital Plan.

	Over-Programming	Costs	Funding	Time	Receipts	Delivery
Business & Environmental Services						
Annual Highways Programme	x	x	x	x		x
Kex Gill Realignment		x	x			
Transforming Cities Fund		x	x	x		
Children & Young People's Service						
School Capital Programme		x	x	x	x	x
Selby Free School		x	x			
Central Services						
Public Sector Decarbonisation		x	x	x		x

Inflationary Pressures

4.3.3 Increasing costs is currently the most common risk factor across all four directorate Capital Plans. Construction costs and tender prices are being carefully monitored to assess the potential impact on the delivery of the Capital Programme. Funds have been earmarked for general price rises that could be applied, should the need arise, or else programmes would potentially have to be curtailed.

Annual Highways Programme

4.3.4 As previously reported, in order to maximise spend against plan each year, Business and Environmental Services set a rolling two-year capital works programme for Highways which includes additional schemes that, on paper, would result in an over-programming of works against available funding. In reality, this is unlikely to result in a budget overspend as approved schemes will either (i) be programmed together as a single package of works thereby reducing costs, (ii) be reprofiled into the following year or (iii) be removed from the programme altogether.

4.3.5 At the time of this report, the current value of the over-programming of approved budget in 2022/23 is £2.0m. Whilst this is within agreed tolerances (10% of annual grant funding), the programme is kept under constant review so that any required action can be taken when necessary to ensure that any under- or over- spending is managed appropriately. The service continues to prepare a Highways Capital Forward Programme (HCFP) of approved schemes which are 'shovel ready' and can be brought forward into the current annual programme to manage programming, delivery and funding challenges. In 2020, Executive approved the facility of a recurring annual short term cashflow arrangement of up to £2m that would allow Highways to bridge the funding gap over year end until LTP Grant is available to repay the loan amount in the new financial year.

4.3.6 DfT confirmed the funding allocation for 2022/23 and gave indicative allocations for the next two years. Whilst this provides the service with some certainty as to funding levels for programme-planning purposes, the lack of any inflationary growth within those allocations (£40m pa from 2021/22 to 2024/25) indicates a real terms cut in funding which will result in a reduction in programme delivery.

4.3.7 DfT have also stated that they are intending to further incentivise Highways funding from April 2023. Current incentivised funding stands at £4.1m or 10% of the overall grant and it is not yet known what impact this will have on future allocations. The incentivised element in the Capital Plan for the next two years is the indicative allocation of £4.1m.

A59 Kex Gill Diversion

4.3.8 An update report was presented to Executive on 19 July 2022 which highlighted the impact that volatile market conditions have had on tender pricing. Following a recent tender evaluation, officers are now ready to award the contract upon confirmation of the DfT funding of £56.1m once full business case has been appraised.

4.3.9 A funding shortfall of £7.2m has now been identified and the DfT has confirmed that their funding offer is capped at £56.1m. Whilst other external funding options are considered, it is requested that a financial provision up to the project funding shortfall be made from the Brexit Reserve so that the scheme may progress. Should alternative funding sources be secured, whether in part or in full, the Reserve provision will be relinquished.

4.3.10 De-scoping the project to suit available budget is not possible due to fixed tie in location upon the existing highway, however value engineering options are currently being explored. Potential for cost overrun will be managed by engagement of a dedicated site contract supervisory team to ensure the risk budget is not exceeded, however, as with any large-scale construction project there is a risk of unforeseen events leading to increased cost that would fall upon the Council.

Levelling Up

4.3.11 On 5 July 2022, Executive approved the submission of a bid by North Yorkshire County Council (NYCC) to the Levelling Up Fund Round 2 with agreement, in principle, to increase the matched funding commitment of 10% of the scheme cost required from the NYCC Corporate Capital Funding Pot from £3.5m to £3.9m should the bid be successful. The report noted and approved, in principle, that (i) the total NYCC bid is for £39.3m with an additional £3.9m contribution from NYCC and (ii) that the funding route would be set out in the Q1 Finance report to Executive, hence inclusion in this report. Executive is recommended to formally approve the increase in match funding by £424,651 to £3,924,651 to be funded from Strategic Capacity Reserve. If successful, a report will be prepared for Executive approval to accept the funding subject to acceptable Terms and Conditions being received and an affordable deliverable project.

4.3.12 The report also informed Members of other bids intended to be submitted by District and Borough authorities. In relation to the Catterick Garrison Town Centre levelling up bid for submission by Richmondshire District Council, a contribution of £282,075 from North Yorkshire County Council was approved, in principle, following discussion with Executive Members. It is recommended that Executive approve this additional contribution to be funded from available capital resources Strategic Capacity Reserve.

4.3.13 There is a known risk attached to the bids in that the contribution from Government for any successful bids will be fixed and therefore any cost overruns will need to be met from local authority funding in the future.

Basic Need, School Condition and Capital Planned Maintenance Programmes

4.3.14 The DfE's School Condition Grant allocation for 2022/23 is £7,337.6k, £2,445.8k lower than the previous year. A new funding methodology based on the 2019 Condition Data Collection was introduced in 2021/22, which has resulted in a staged reduction in funding. Whilst the 2021/22 and 2022/23 allocations included transitional funding to manage this reduction, it is expected that the overall reduction in the level of grant between 2020/21 and 2025/26 will be c.35%. In addition, should any LA maintained schools convert to academy status in year, funding will also reduce in the following year as the associated grant is redirected to the academy.

4.3.15 This reduction in School Condition funding has been somewhat offset by an increase in High Needs capital funding which, although welcome, has been long in coming. Between 2018/19 and 2021/22, the Council received a total of £1.5m in capital funding specifically for special provision. The allocations for 2022/23 and 2023/24 are £3.9m and £4.5m respectively. In terms of the Basic Need Grant, the Council will not be receiving any further grant after 2022/23 (£3.0m) until at least 2025/26.

4.3.16 Any reduction in funding presents severe challenges to the Council's ability to deliver a programme of works. The 2022/23 School Condition Programme is much leaner than in previous years. The existing backlog of works across the school estate is only increasing as the programme has to be reduced in response to reduced funding and higher prices, which has a knock-on effect on other services within the Council such as Property Services and APP, both of which play a significant role in the delivery of the CYPS Capital Programme. The next Condition Data Collection, which would inform future funding levels, is not expected to complete before 2026.

4.4 CAPITAL FORWARD PLAN

4.4.1 The intention of the Capital Forward Plan is to ensure that there is a methodical approach to developing proposals for new capital schemes to be added to the Capital Plan and, in particular, the process for securing funding.

4.4.2 The Technical (Capital) and Strategic teams within Finance, are the key contacts for officers developing funding proposals that require both grant applications and access to central funding reserves.

4.4.3 In light of local government reorganisation, the Capital Forward Plan and procedures for (i) proposing new schemes for capital investment and for (ii) seeking approval to apply for and accept external funding are currently under review. Further information will be issued in the near future.

4.4.4 New proposals to highlight this quarter are:

i. Levelling Up Fund Round 2 Transport Bid – £39.5m
ii. Local Electric Vehicle Infrastructure (LEVI) Fund Pilot Bid - £2.0m
iii. Foss Catchment Project Environment Agency Bid - £0.2m

4.5 CAPITAL FINANCING

4.5.1 The financing of the Capital Plan is realised, primarily, through the receipt of Government grants. In addition, the Council can utilise revenue contributions, reserves, capital receipts from the sale of assets such as surplus land and buildings, and, as a last resort, it can borrow from either the Public Works Loan Board or money markets.

4.5.2 The main grants received and included in the Capital Plan relate to Highways and Schools and, as such, the Council's Capital Plan can be heavily influenced by Government department priorities. Grants, in total, fund 71% of the total 2022/23 Capital programme. Where confirmed, grants have been added to the Capital Plan in the years to which they are due to be received.

4.5.3 Revenue contributions, whilst reflected in capital budgets, are also addressed in the associated revenue budgets.

4.5.4 Details of confirmed grant allocations for 2022/23 are shown in the table below:

Directorate	Grant	Grant Value £
BES	Local Transport Plan Grant: - Integrated Transport Block - Highways Maintenance Block – Needs - Highways Maintenance Block - Incentive	 3,046,000 16,454,000 4,113,000
BES	Pothole Fund	16,454,000
BES	Zero Emission Bus Regional Areas Grant	7,800,393
CYPS	Basic Need Grant	2,980,535
CYPS	School Condition Grant	7,337,571
CYPS	High Needs Provision Grant	3,927,844
CYPS	Devolved Formula Capital Grant (Schools)	1,303,307
CS	Public Sector Decarbonisation Grant	403,075

Financing the Refreshed Capital Plan

4.5.5 The following table indicates that there is potentially £18.9m of unallocated capital funding that might become available over the Capital Plan period (depending upon the realisation of forecast capital receipts).

Source	2022/23 £k	2023/24 £k	2024/25 £k	2025/26 £k	Later Yrs £k
Forecast Sources of Finance					
Borrowing	21,627	-3,694	-11,997	0	-4,834
Grants and Capital Contributions	113,084	57,635	41,927	0	17,179
Schemes financed from Revenue	13,250	3,767	2,857	0	263
Capital Receipts	4,770	5,911	13,068	0	23,022
= Total Forecast Capital Funding	**152,731**	**63,619**	**45,855**	**0**	**35,630**
- Updated Capital Plan	-144,180	-62,919	-45,855	0	-25,968
= Unallocated Capital Resources	8,551	700	0	0	9,662
Total potentially unallocated available over full capital reserves resources Capital Plan period	18,913				

4.5.6 Some of the forecast receipts making up this ‘Corporate Capital pot’ are not expected to be realised for some time yet. As a result, the availability of this unallocated funding is speculative in terms of both timing and amount. Against this background, any material spending of the ‘pot’ combined with significant reductions in the expected value of potential capital receipts in the pipeline could result in its becoming ‘overdrawn’. Such a scenario would result in the requirement for additional Prudential Borrowing to finance the existing Capital plan.

4.5.7 Assuming that the forecasts remain accurate, the options for this unallocated resource are:

a) To retain, resulting in the earning of short term interest within Corporate Miscellaneous; or
b) To make available for either new capital investment or for reducing Prudential Borrowing which would, in turn, result in financing cost savings in the Revenue Budget.

4.5.8 The current position, as previously agreed by Members, remains to retain any surplus capital funding for the time being.

4.6 RECOMMENDATIONS

4.6.1 The Executive is recommended to:

(a) Approve the refreshed Capital Plan summarised at **paragraph 4.2.3**;

(b) Approve the provision of £7.2m of Brexit Reserve funding to meet the shortfall in relation to the A59 Kex Gill diversion scheme (**paragraph 4.3.9**);

(c) Approve the provision of a further £424.7k Strategic Capacity Reserve in match funding towards the Levelling Up Fund Round 2 bid (**paragraph 4.3.11**); and

(d) Agree that no action be taken at this stage to allocate any additional capital resources (**paragraph 4.5.8**)

APPENDICES TO THE CAPITAL PLAN

A	BUSINESS & ENVIRONMENTAL SERVICES
B	CHILDREN & YOUNG PEOPLE’S SERVICE
C	CENTRAL SERVICES
D	HEALTH & ADULT SERVICES
E	FINANCING OF THE CAPITAL PLAN

APPENDIX A

2022/23 CAPITAL BUDGET MONITORING - POSITION TO 30 JUNE 2022

BUSINESS AND ENVIRONMENTAL SERVICES

ITEM	Total £000	Expenditure to 31.3.22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Later Years £000
GROSS EXPENDITURE						
HIGHWAYS & TRANSPORTATION ANNUAL PROGRAMME						
New and Replacement Road Lighting Columns	1,022	-	1,022	-	-	-
Structural Maintenance - Roads	22,084	-	21,753	331	-	-
Structural Maintenance - Bridges	5,484	-	4,254	1,230	-	-
Integrated Transport Block Provision	7,494	-	1,402	3,046	3,046	-
Central Overheads (inc unprogrammed works in future years)	84,421	-	11,640	35,760	37,021	-
Other Grant Funded Highways	9,127	-	9,127	-	-	-
Other Funded Highways Programme	522	-	522	-	-	-
Flood Risk Management	1,931	-	1,731	200	-	-
HIGHWAYS & TRANSPORTATION MAJOR PROJECTS						
Kex Gill Realignment	5,500	3,487	2,013	-	-	-
Junction 47 Improvements	12,389	11,525	816	12	12	24
Bedale-Aiskew-Leeming Bar Major Scheme	25,652	25,362	61	-	-	228
Transforming Cities	18,871	3,967	14,904	-	-	-
TRAVEL, ENVIRONMENTAL & COUNTRYSIDE SERVICES						
Waste Management Service	621	32	65	15	15	495
Countryside Services	60	48	12	-	-	-
Travel - Zero Emission Bus Regional Areas Grant	7,800	-	3,900	3,900	-	-
GROWTH, PLANNING & TRADED SERVICES						
Rural Connected Communities (5G)	878	672	205	-	-	-
Heritage Services	326	-	326	-	-	-
TOTAL GROSS SPEND	**226,352**	**67,263**	**73,754**	**44,494**	**40,094**	**747**
Last Update	329,058	180,456	87,851	59,278	227	1,218
CAPITAL GRANTS & CONTRIBUTIONS						
Capital Grants						
- Local Transport Plan Grant	73,637 CR	2,269 CR	24,142 CR	23,613 CR	23,613 CR	-
- National Productivity Investment Fund	1,752 CR	1,160 CR	592 CR	-	-	-
- Safer Roads Fund	6,147 CR	-	6,147 CR	-	-	-
- Highways England Grant	3,126 CR	3,126 CR	-	-	-	-
- Section 31 DfT Grants	23,856 CR	23,140 CR	716 CR	-	-	-
- Transforming Cities Fund Grant	18,489 CR	3,885 CR	14,604 CR	-	-	-
- EA Grant	5,218 CR	4,811 CR	407 CR	-	-	-
- Waste Capital Grants	411 CR	-	-	-	-	411 CR
- DfT Grant	49,362 CR	-	16,454 CR	16,454 CR	16,454 CR	-
- ZEBRA Grant	7,800 CR	-	3,900 CR	3,900 CR	-	-
- Local Growth Deal	13,373 CR	13,373 CR	-	-	-	-
- DCMS Grant	878 CR	672 CR	205 CR	-	-	-
Other Capital Grants	100 CR	-	100 CR	-	-	-
Capital Contributions	3,820 CR	2,919 CR	701 CR	200 CR	-	-
S106 Contributions	837 CR	-	837 CR	-	-	-
Revenue Contributions						
- LED Lighting	102 CR	-	102 CR	-	-	-
- Kex Gill	5,500 CR	3,487 CR	2,013 CR	-	-	-
- Flood Risk Management	1,239 CR	-	1,239 CR	-	-	-
- Junction 47	1,500 CR	636 CR	816 CR	12 CR	12 CR	24 CR
- Transforming Cities	300 CR	-	300 CR	-	-	-
- BALB (PIP)	2,402 CR	2,113 CR	61 CR	-	-	228 CR
- Other Revenue Contributions	887 CR	190 CR	366 CR	315 CR	15 CR	-
TOTAL GRANTS AND CONTRIBUTIONS	**220,736 CR**	**61,780 CR**	**73,704 CR**	**44,494 CR**	**40,094 CR**	**664 CR**
Last Update	320,950 CR	172,522 CR	87,761 CR	59,278 CR	227 CR	1,135 CR

APPENDIX B

2022/23 CAPITAL BUDGET MONITORING - POSITION TO 30 JUNE 2022

CHILDREN AND YOUNG PEOPLE'S SERVICE

ITEM	Total £000	Expenditure to 31.3.22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Later Years £000
GROSS EXPENDITURE						
NYCC MANAGED SCHOOL SCHEMES						
Basic Need Schemes	42,501	-	19,991	6,763	-	15,747
School Condition Schemes	24,203	-	19,058	4,762	-	382
Capital Maintenance Programme	4,250	-	4,250	-	-	-
General Compliance & Health and Safety	300	-	300	-	-	-
Strategic Management of Capital	334	-	334	-	-	-
SCHOOL MANAGED SCHEMES						
Self Help Schemes	9,213	-	3,213	3,000	3,000	-
Devolved Formula Capital Grant Funding	4,080	-	1,360	1,360	1,360	-
STRATEGIC PRIORITIES (OTHER)	111	17	94	-	-	-
NYCC NON-SCHOOL MANAGED SCHEMES						
Catering Equipment	720	-	240	240	240	-
Prevention & Commissioning	109	-	-	-	-	109
Outdoor Learning Service	400	57	343	-	-	-
TOTAL GROSS SPEND	**86,221**	**75**	**49,183**	**16,125**	**4,600**	**16,238**
Last Update	94,989	-	38,010	22,066	10,108	20,206
CAPITAL GRANTS & CONTRIBUTIONS						
NYCC MANAGED SCHOOL SCHEMES						
Capital Grants						
- Basic Need Grant	16,999 CR	-	9,035 CR	4,978 CR	-	2,987 CR
- Devolved Capital Grant	150 CR	-	150 CR	-	-	-
- School Condition Grant	18,924 CR	-	18,843 CR	81 CR	-	-
- Special Provision Capital Fund Grant	9,271 CR	-	4,731 CR	4,540 CR	-	-
- Other Capital Grants	6 CR	-	6 CR	-	-	-
Capital Contributions						
- Section 106 Income	23,035 CR	-	8,111 CR	1,927 CR	-	12,996 CR
Revenue Contributions						
- Other Revenue Contributions	560 CR	-	560 CR	-	-	-
SCHOOL MANAGED SCHEMES						
Capital Grants						
- Devolved Capital Grant	4,080 CR	-	1,360 CR	1,360 CR	1,360 CR	-
- Sport Organisation Grants	3 CR	-	3 CR	-	-	-
Capital Contributions						
- Self Help Capital Contributions	1,500 CR	-	500 CR	500 CR	500 CR	-
- School Budgets Revenue Contributions	7,500 CR	-	2,500 CR	2,500 CR	2,500 CR	-
NYCC NON-SCHOOL MANAGED SCHEMES						
Capital Grants						
- Other Capital Grants	109 CR	-	-	-	-	109 CR
Revenue Contributions						
- Catering Equipment	720 CR	-	240 CR	240 CR	240 CR	-
- Other Revenue Contributions	400 CR	57 CR	343 CR	-	-	-
TOTAL GRANTS AND CONTRIBUTIONS	**83,256 CR**	**57 CR**	**46,382 CR**	**16,125 CR**	**4,600 CR**	**16,092 CR**
Last Update	92,346 CR	-	38,010 CR	19,568 CR	10,108 CR	20,060 CR

ITEM	Total £000	Expenditure to 31.3.22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Later Years £000
	2022/23 CAPITAL BUDGET MONITORING - POSITION TO 30 JUNE 2022					
	CENTRAL SERVICES					
GROSS EXPENDITURE						
County Hall Redevelopment	7,178	6,354	824	-	-	-
Property Rationalisation	1,378	878	500	-	-	-
Library Service Property Schemes	450	-	450	-	-	-
Public Sector Decarbonisation Scheme 2021/22	2,503	1,891	612	-	-	-
T&C Projects	350	-	350	-	-	-
T&C Roadmap 2020/2025	3,220	468	1,492	700	561	-
GBF Digital Infrastructure Programme	3,600	3,543	57	-	-	-
Super Fast Broadband Scheme	686	-	-	-	-	686
Purchase of Vehicles, Plant & Equipment	1,870	-	1,670	100	100	-
Material Damage Provision	1,500	-	500	500	500	-
Capital Loan Provisions	1,455	1,455	-	-	-	-
Loans to Limited Companies	41,737	30,148	11,389	-	-	200
TOTAL GROSS SPEND	**65,927**	**44,736**	**17,844**	**1,300**	**1,161**	**886**
Last Update	66,238	25,499	25,316	8,566	1,300	4,396
CAPITAL GRANTS & CONTRIBUTIONS						
Capital Grants						
- Getting Building Fund	3,600 CR	3,543 CR	57 CR	-	-	-
- Performance Reward Grant	3,360 CR	1,891 CR	793 CR	-	-	676 CR
Loan Repayments	43,191 CR	1,683 CR	528 CR	5,551 CR	13,068 CR	22,362 CR
Revenue Contributions						
- Revenue Contributions - Property	7,097 CR	6,354 CR	743 CR	-	-	-
- Revenue Contribution - Technology & Change	2,760 CR	468 CR	1,492 CR	700 CR	90 CR	11 CR
- Revenue Contribution - Other	450 CR	-	450 CR	-	-	-
TOTAL GRANTS AND CONTRIBUTIONS	**60,458 CR**	**14,938 CR**	**4,063 CR**	**6,251 CR**	**13,158 CR**	**23,048 CR**
Last Update	61,049 CR	8,579 CR	8,484 CR	1,504 CR	6,251 CR	23,073 CR

APPENDIX D

2022/23 CAPITAL BUDGET MONITORING - POSITION TO 30 JUNE 2022

HEALTH AND ADULT SERVICES

ITEM	Total £000	2022/23 £000	2023/24 £000	2025/26 £000	Later Years £000
GROSS EXPENDITURE					
Maintaining Fabric / Facilities of Properties	989	489	500	-	-
Extra Care Scheme (Invest to Save)	11,506	2,910	500	-	8,096
TOTAL GROSS SPEND	**12,496**	**3,399**	**1,000**	**-**	**8,096**
Last Update	14,149	4,224	1,000	-	8,925
CAPITAL GRANTS & CONTRIBUTIONS					
Capital Grants					
- PSS Capital Grant	572 CR	489 CR	82 CR	-	-
Revenue Contributions					
- Revenue Contributions - PIP Funding	2,224 CR	2,224 CR	-	-	-
TOTAL GRANTS AND CONTRIBUTIONS	**2,796 CR**	**2,713 CR**	**82 CR**	**-**	**-**
Last Update	4,449 CR	4,106 CR	343 CR	-	-
TOTAL NET EXPENDITURE	**9,700**	**686**	**917**	**-**	**8,096**
Last Update	9,700	118	657	-	8,925

	FINANCING OF CAPITAL PLAN				
	Q1 2022/23				
	2022/23	2023/24	2024/25	2025/26	Later Yrs
A FORECAST FUNDING AVAILABLE	£000s	£000s	£000s	£000s	£000s
1 Borrowing					
Prudential (Unsupported) Borrowing	2,132	482	600	0	-46,979
Rephased borrowing (capital expenditure & receipts slippage)	19,495	-4,176	-12,597	0	42,145
	21,627	-3,694	-11,997	0	-4,834
2 Capital Grants and Contributions					
Health & Adult Services	489	82	0	0	0
Business & Environmental Services	68,806	44,167	40,067	0	411
Children & Young People's Service	42,739	13,385	1,860	0	16,092
Central Services	1,050	0	0	0	676
	113,084	57,635	41,927	0	17,179
3 Schemes financed from Revenue					
Health & Adult Services	2,224	0	0	0	0
Business & Environmental Services	4,899	327	27	0	252
Children & Young People's Service	3,642	2,740	2,740	0	0
Central Services	2,485	700	90	0	11
	13,250	3,767	2,857	0	263
4 Capital Receipts available to finance Capital Spending					
Other capital receipts from sale of properties	4,242	360	0	0	660
Company & Other Loan Repayments (treated as capital receipts)	528	5,551	13,068	0	22,362
	4,770	5,911	13,068	0	23,022
= Total Forecast Funding Available	**152,732**	**63,619**	**45,855**	**0**	**35,630**
B CAPITAL PLAN Updated gross spend	**-144,180**	**-62,919**	**-45,855**	**0**	**-25,968**
C FUNDING REMAINING	**8,551**	**700**	**0**	**0**	**9,662**
D TOTAL FUNDING REMAINING					**18,913**

5.0 PRUDENTIAL INDICATORS

5.1 The Prudential Code requires appropriate arrangements to be in place for the monitoring, reporting and revision of Prudential Indicators previously set and these arrangements were agreed by the County Council in 2004.

5.2 Updated Prudential Indicators for 2022/23 to 2024/25 were approved by Executive on 25 January 2022 and subsequently by County Council on 16 February 2022 and were based on a 2021/22 Q3 Capital Plan as at 31 December 2021.

5.3 The Annual Treasury Management and Prudential Indicators report for 2021/22 was submitted to Executive on 21 June 2022. This reported the 2021/22 outturn position on Prudential Indicators compared with the last updated set of Indicators for the year, as approved by County Council in February 2021. The 2021/22 outturn report did not however consider any consequential changes to the Indicators set for the three year period 2022/23 to 2024/25.

5.4 It is therefore necessary to consider and revise the Prudential Indicators for the three years up to 31 March 2025. As a result of Capital Plan updates and other changes, many of the Prudential Indicators need revising, particularly those for capital spending, the consequential capital financing requirement and authorised debt levels.

5.5 Rather than consider individual Prudential Indicators in isolation a full review of all Indicators has been undertaken as part of the ongoing financial monitoring process.

5.6 A Prudential Indicators update and monitoring report is therefore attached as **Appendix A**. This sets out each Prudential Indicator in terms of the:

(a) Indicators approved in February 2022

(b) updated Indicators as at August 2022

(c) comments on the reasons for significant variations being proposed

5.7 In general the updated Indicators reflect a number of common factors including:

(a) 2021/22 outturn – capital spending, capital financing and borrowing as reported to Executive on 21 June 2022

(b) an updated Capital Plan (per **Section 4** of this report)

(c) latest information and approvals on schemes self funded from grants, contributions and from revenue

(d) updated forecasts of debt charge estimates and interest earned on surplus cash balances

(e) various other miscellaneous refinements

RECOMMENDATION

5.8 The Executive recommends to the County Council that it approves the revised Prudential Indicators for the period 2022/23 to 2024/25 as set out in **Appendix A**.

Appendix A - Prudential Indicators 2022/23 – 2024/25 update

PRUDENTIAL INDICATORS UPDATE – FOR 2022/23 TO 2024/25
(EXECUTIVE – 23 AUGUST 2022)

APPENDIX A

CAPITAL EXPENDITURE & EXTERNAL DEBT INDICATORS	Comment

1 Estimated Ratio of capital financing costs to the net Revenue Budget

(a) *Formally required Indicator*

This reflects capital financing costs (principal plus interest) on external debt plus PFI and finance leasing charges less interest earned on the temporary investment of cash balances.

The estimated ratios of financing costs to the net Revenue Budget for the current and future years, and the actual figure for 2021/22 are as follows:

Year	February 2022		Update August 2022	
	Basis	%	Basis	%
2021/22	probable	10.5	actual	10.1
2022/23	estimate	9.8	estimate	9.3
2023/24	estimate	9.0	estimate	8.5
2024/25	estimate	8.5	estimate	8.0

(b) *Local Indicator*

This local Indicator reflects a policy decision to cap Capital Financing costs at 10% of the net annual Revenue Budget. The Indicator is different to the formally required Indicator at (a) above in that it only reflects the cost components of interest on external debt plus lost interest on internally financed capital expenditure, together with a revenue provision for debt repayment. Unlike the formally required PI it does not reflect interest earned on surplus cash balances or PFI / finance leasing charges.

Year	February 2022		Update August 2022	
	Basis	%	Basis	%
2021/22	probable	5.2	actual	5.2
2022/23	estimate	4.8	estimate	4.8
2023/24	estimate	4.5	estimate	4.4
2024/25	estimate	4.3	estimate	4.2

Comment

The estimates of financing costs include current Capital Plan commitments based on the latest 2022/23 Q1 Capital Plan.

The updated estimates for 2022/23 to 2024/25 reflect the net effect of a range of factors, principally

(a) savings being achieved through the ongoing policy of financing capital borrowing requirements internally from cash balances

(b) variations in the level of annual borrowing requirements resulting from a range of factors, but principally capital expenditure slippage between years

(c) variations in borrowing costs (interest plus a revenue provision for debt repayment) reflecting latest interest rate forecasts to 2024/25

(d) variations in interest earned on cash balances resulting from continuing current historically low interest rates but offset by continuing higher levels of cash balances (formal Indicator only).

Prudential Indicator	Comment
2 Capital Expenditure - Actual and Forecasts The actual capital expenditure that was incurred in 2021/22 and the latest estimates of capital expenditure to be incurred for the current and future years are:	The Indicators approved by Executive on 25 January 2022 were based on a Capital Plan up to 31 December 2021. This Indicator now reflects the Capital Outturn in 2021/22 and the Capital Plan update for Q1 2022/23. The variations are principally a result of:- (a) additional provisions and variations to existing provisions which are self-funded from Capital Grants and Contributions, revenue contribution and earmarked capital receipts (b) Capital expenditure re-phasing between years including slippage from 2021/22 outturn and Q1 2022/23 to later years (c) various other Capital approvals and refinements reflected in the latest Capital Plan update

Year	February 2022		Update August 2022	
	Basis	£m	**Basis**	£m
2021/22	estimate	142.8	actual	130.0
2022/23	estimate	83.2	estimate	144.2
2023/24	estimate	34.0	estimate	62.9
2024/25	estimate	26.4	estimate	45.9

The above figures reflect the updated Capital Plan (Q1 2022/23) together with:-

(i) expenditure on fixed assets funded directly from the Revenue Budget and not included in the Capital Plan.

(ii) an estimated allowance for future expenditure re-phasing between years.

Prudential Indicator	Comment
3 Capital Financing Requirement (CFR)	

Actuals and estimates of the Capital Financing Requirement (CFR) at the defined year ends are as follows:

Date	February 2022				Update August 2022			
	Basis	**Borrowing**	**Other Long Term Liabilities (PFI etc)**	**Total**	**Basis**	**Borrowing**	**Other Long Term Liabilities (PFI etc)**	**Total**
		£m	£m	£m		£m	£m	£m
31 Mar 22	estimate	291.6	176.2	467.8	actual	290.2	147.7	437.9
31 Mar 23	estimate	288.2	170.6	458.8	estimate	293.1	143.6	436.8
31 Mar 24	estimate	273.8	165.4	439.2	estimate	278.9	140.0	418.9
31 Mar 25	estimate	252.4	159.9	412.3	estimate	257.5	136.1	393.6

The CFR measures the underlying need for the County Council to borrow for capital purposes. In accordance with best professional practice, the County Council does not earmark borrowing to specific items or types of expenditure. The County Council has an integrated treasury management approach and has adopted the CIPFA Code of Practice for Treasury Management. The County Council has, at any point in time, a number of cashflows, both positive and negative, and manages its treasury position in terms of its overall borrowings and investments in accordance with its approved Annual Treasury Management Strategy. In day to day cash management, no distinction is made between revenue and capital cash. External borrowing arises as a consequence of all the financial transactions of the County Council as a whole and not simply those arising from capital spending. In contrast, the CFR Indicator reflects the County Council's underlying need to borrow for capital purposes only.

Comment:

The February 2022 figures were based on a Capital Plan approved as at 31 December 2021.

The updated figures reflect the following variations to the February 2022 figures

(a) re-phasing between years of expenditure that is funded from borrowing including slippage between years identified at 2021/22 outturn and Q1 2022/23

(b) capital receipts (including company loans) slippage between years that affect year on year borrowing requirements

(c) variations in the level of the Corporate Capital Pot which is used in lieu of new borrowing until the Pot is required

(d) additions and variations to schemes / provisions approved that are funded from Prudential Borrowing

(e) variations in the annual Minimum Revenue Provision for debt Repayment which arise from the above

(f) Other Long Term Liabilities now include the Allerton Waste Recovery Park PFI Scheme

Prudential Indicator	Comment
4 Gross Debt and the Capital Financing Requirement The Prudential Code emphasises that in order to ensure that over the medium term debt will only be for a capital purpose, the County Council should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the previous year (2021/22), plus the estimate of any additional capital financing requirement for the current (2022/23) and next two financial years (2023/24 to 2024/25). If, in any of these years, there is a reduction in the capital financing requirement, this reduction should be ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with gross external debt. This Prudential Indicator is referred to as gross debt and the comparison with the capital financing requirement (**Indicator 3**) and is a key indicator of prudence. The Corporate Director – Strategic Resources reports that the County Council had no difficulty in meeting this requirement up to 2021/22 nor are any difficulties envisaged for the current or future years of the Medium Term Financial Strategy up to 2024/25. For subsequent years, however, there is potential that the County Council may not be able to comply with the new requirement as a result of the potential for the annual Minimum Revenue Provision (MRP) reducing the Capital Financing Requirement below gross debt. This potential situation will be monitored closely. This opinion takes into account spending commitments, existing and proposed Capital Plans and the proposals in the Revenue Budget 2022/23 and Medium Term Financial Strategy report.	This Prudential Indicator was changed in 2013/14 to reflect the comparison of gross debt (external debt plus other long term liabilities less debt administered on behalf of the Police Authority) with the Capital Financing Requirement (CFR). The comparator debt figure had previously been net debt which was gross debt less investments. The Prudential Code requires that where there is a significant difference between the gross debt and the gross borrowing requirement, as demonstrated by the CFR, then the risks and benefits associated with this strategy should be clearly stated in the annual Treasury Management Strategy. The County Council's gross debt figure is currently significantly below the CFR figures shown in **Indicator 3** because of annual capital borrowing requirements being funded internally from cash balances (i.e. running down investments) rather than taking out new external debt. This situation, however, could be reversed in future as a result of two key factors: (i) externalising some or all of the internally financed CFR together with (ii) the potential for the annual Minimum Revenue Provision (MRP) for debt repayment reducing the CFR below gross debt because the debt cannot readily be prematurely repaid without incurring significant penalties (premiums). This potential situation will be monitored carefully by the Corporate Director – Strategic Resources.

Prudential Indicator	Comment
5 Authorised Limit for External Debt In respect of its external debt, it is recommended that the County Council approves the following Authorised Limits for its total external debt for the next three financial years. The Prudential Code requires external borrowing and other long term liabilities (PFI and Finance leases) to be identified separately. The authorised limit for 2022/23 will be the statutory limit determined under section 3(1) of the Local Government Act 2003.	The Corporate Director – Strategic Resources confirms that these authorised limits are consistent with the County Council's current commitments, updated Capital Plan and the financing of that Plan, the 2022/23 Revenue Budget and Medium Term Financial Strategy and with its approved Treasury Management Policy Statement. The Corporate Director – Strategic Resources also confirms that the limits are based on the estimate of most likely prudent, but not worst case, scenario with sufficient headroom over and above this to allow for operational issues (e.g. unusual cash movements). To derive these limits a risk analysis has been applied to the Capital Plan, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes. The updated figures reflect a number of refinements which are also common to the Capital Financing Requirement (see **Indicator 3**) and Operational Boundary for external debt (see **Indicator 6**). Explanations for these changes are provided under **Indicators 3 and 6** respectively.

Year	February 2022			August 2022		
	Borrowing	**Other Long Term Liabilities (PFI etc)**	**Total**	**Borrowing**	**Other Long Term Liabilities (PFI etc)**	**Total**
	£m	£m	£m	£m	£m	£m
2022/23	395.7	170.6	566.3	362.8	143.6	506.4
2023/24	423.4	165.4	588.8	405.7	140.0	545.6
2024/25	320.7	159.9	480.6	348.5	136.1	484.7

Prudential Indicator	Comment
6 Operational Boundary for External Debt It is recommended that the County Council approves the following Operational Boundary for external debt for the same period. The proposed operational boundary for external debt is based on the same estimates as the Authorised Limit (ie **Indicator 5** above) but also reflects an estimate of the most likely prudent, but not worst case, scenario without the additional headroom included within the Authorised Limit to allow for eg unusual cash flows.	The Operational Boundary represents a key management tool for the in year monitoring of external debt by the Corporate Director – Strategic Resources. The updated figures reflect refinements which are common to the Capital Financing Requirement (see **Indicator 3** above), together with (a) relative levels of capital expenditure funded internally from cash balances rather than taking external debt (b) loan repayment cover arrangements and the timing of such arrangements These two financing transactions affect external debt levels at any one point of time during the financial year but do not impact on the Capital Financing Requirement.

Year	February 2022			August 2022		
	Borrowing	Other Long Term Liabilities (PFI etc)	Total	Borrowing	Other Long Term Liabilities (PFI etc)	Total
	£m	£m	£m	£m	£m	£m
2022/23	375.5	170.6	546.1	342.8	143.6	486.4
2023/24	403.4	165.4	568.8	385.7	140.0	525.6
2024/25	300.7	159.9	460.6	328.5	136.1	464.7

Prudential Indicator	Comment
7 Actual External Debt The County Council's external debt is set out below and consists of external borrowing from the PWLB and money markets plus other long term liabilities such as PFI and finance leases which are classified as external debt for this purpose.	The updated estimates reflect refinements which are common to the Capital Financing Requirement (see **Indicator 3** above) together with the relative levels of capital expenditure internally funded from cash balances rather than taking external debt.

Date	February 2022				Update August 2022			
	Basis	Borrowing £m	Other Long Term Liabilities (PFI etc) £m	Total £m	Basis	Borrowing £m	Other Long Term Liabilities (PFI etc) £m	Total £m
31 Mar 22	actual	221.8	176.2	398.0	actual	221.8	147.7	369.5
31 Mar 23	estimate	208.5	170.6	379.1	estimate	208.5	143.6	352.1
31 Mar 24	estimate	208.5	165.4	373.9	estimate	208.5	140.0	348.5
31 Mar 25	estimate	208.5	159.9	368.4	estimate	208.5	136.1	344.6

It should be noted that actual external debt is not directly comparable to the Authorised Limit (**Indicator 5 above**) and Operational Boundary (**Indicator 6 above**) since the actual external debt reflects a position at one point in time.

Prudential Indicator	Comment
8 Limit of Money Market Loans (Local Indicator) Borrowing from the money market for capital purposes (as opposed to borrowing from the PWLB) is to be limited to 30% of the County Council's total external debt outstanding at any one point in time. The actual position at 31 March 2022 was 9% (£20m out of a total of £221.8m) against an upper limit of 30%	This limit was introduced as a new Local Prudential Indicator in 2009/10, although the 30% limit has featured as part of the Borrowing Policy section of the County Council's Annual Treasury Management and Investment Strategy for many years.

Prudential Indicator	Comment
9 Maturity Structure of Borrowing The upper and lower limits for the maturity structure of County Council borrowings are as follows:- The amount of projected borrowing maturing in each period as a percentage of total projected borrowing that is fixed rate:	These limits are reviewed annually and have been updated to reflect the current maturity structure of the County Council's debt portfolio.

Period	Lower Limit	Upper Limit	Actual 1 April 22	Forecast 1 April 23
	%	%	%	%
under 12 months	0	50	6	6
12 months and within 24 months	0	25	6	0
24 months and within 5 years	0	50	7	5
5 years and within 10 years	0	75	3	11
10 years and within 25 years	10	100	8	21
25 years and within 50 years	10	100	70	57
			100	100

Prudential Indicator	Comment
10 Total Principal Sums Invested for periods longer than 365 days The 2020/21 aggregate limit of £40m for 'non specified' investments longer than 365 days is based on a maximum of 20% of estimated 'core cash funds' up to2022/23 being made available for such investments. The purpose of this prudential limit for principal sums invested for longer than 365 days is for the County Council to contain its exposure to the possibility of loss that might arise as a result of it having to seek early repayment or redemption of principal sums invested.	**No change to this limit is proposed.** Prior to 1 April 2004, Regulations generally prevented local authorities from investing for longer than 364 days. As a result of the Prudential Regime however, these prescriptive regulations were abolished and replaced with Government Guidance from April 2004. This Guidance gives authorities more freedom in their choice of investments (including investing for periods longer than 364 days) and recognises that a potentially higher return can be achieved by taking a higher (ie longer term) risk. This flexibility requires authorities to produce an Annual Investment Strategy that classifies investments as either **Specified** (liquid, secure, high credit rating & less than 365 days) or **Non Specified** (other investments of a higher risk). Non Specified investments are perfectly allowable but the criteria and risks involved must be vigorously assessed, including professional advice, where appropriate. Therefore, investments for 365 days+ are allowable as a Non Specified investment under the Government Guidance. The use of such investments is therefore now incorporated into the County Council's Annual Treasury Management and Investment Strategy.

6.0 Legal Implications

6.1 There are no specific legal implications

7.0 Consultation and Responses

7.1 This report has been the subject of full consultation with Directorates and is agreed by Management Board

8.0 Conclusions and Recommendations

a. notes the latest position for the County Council's 2022/23 Revenue Budget, as summarised in **paragraph 2.1.2.**

b. notes the position on the GWB (**paragraphs 2.4.1 to 2.4.3)**

c. notes the position on the 'Strategic Capacity – Unallocated' reserve **(paragraphs 2.4.4 to 2.4.6)**

d. notes the latest position regarding the Local Government Review transition fund **(paragraphs 2.5.1)**

e. Executive are asked to approve the £1.6m PSVAR contingency be repurposed and used to support the Home to School Transport budget **(paragraph 2.1.12)**

f. Executive are asked to endorse the exceptional increase in fostering weekly rates from October 2021 outlined in **section 2.6**.

g. Executive are asked to endorse the one-off increase to adult social care providers as detailed in **section 2.6**

h. notes the position on the County Council's Treasury Management activities during the first quarter of 2022/23

i. refers this report to the Audit Committee for their consideration as part of the overall monitoring arrangements for Treasury Management.

j. Approve the refreshed Capital Plan summarised at **paragraph 4.2.3**;

k. Approve the provision of £7.2m of Brexit Reserve funding to meet the shortfall in relation to the A59 Kex Gill diversion scheme (**paragraph 4.3.9**);

l. Approve the provision of a further £424.7k Strategic Capacity Reserve in match funding towards the Levelling Up Fund Round 2 bid (**paragraph 4.3.11**); and

m. Agree that no action be taken at this stage to allocate any additional capital resources (**paragraph 4.5.8**)

n. The Executive recommends to the County Council that it approves the revised Prudential Indicators for the period 2022/23 to 2024/25 as set out in **Appendix A**.

Richard Flinton
Chief Executive
23 August 2022

Gary Fielding
Corporate Director, Strategic Resources