**NORTH YORKSHIRE COUNTY COUNCIL**

**INFORMAL MEETING OF EXECUTIVE MEMBERS**

**31 August 2021**

# 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.

Under his delegated decision making powers in the Officers' Delegation Scheme in the Council's Constitution, the Chief Executive Officer has power, in cases of emergency, to take any decision, which could be taken by the Council, the Executive or a committee. Following on from the expiry of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, which allowed for committee meetings to be held remotely, the County Council resolved at its meeting on 5 May 2021 that, for the present time, in light of the continuing Covid-19 pandemic circumstances, remote live-broadcast committee meetings should continue (as informal meetings of the Committee Members), with any formal decisions required being taken by the Chief Executive Officer under his emergency decision making powers and after consultation with other Officers and Members as appropriate and after taking into account any views of the relevant Committee Members. This approach will be reviewed in September 2021.

### Revenue Budget 2021/22

There is an overall projected net underspend of £2,791k against budget for 2021/22 **(paragraph 2.2.1).** The key drivers of the financial position are set out below:

1. Responding to the COVID-19 pandemic continues to bring significant costs and responsibilities leading to overspends in several directorates, which has been largely offset by additional government funding.

2. There is a lot of volatility and uncertainty within the directorate budgets, despite a projected underspend on aggregate.

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

4. There is a proposal to set-aside one-off funding for the transitional arrangements following local government reorganisation in North Yorkshire in **Section 2.5**.

### Capital Plan

1. The Council is currently planning to invest £171.2m on capital schemes across the County in 2021/22 and £252.1m, in total, over the next 5 years**.**

2. Planned financing of the capital spend in 2021/22 **(paragraph 4.5.5 & Appendix E)** includes £17.2m capital receipts. After utilising other estimated capital income (grants, contributions and revenue contributions) totalling £138.5m, the balancing figure of £21.4m is planned to be funded from internal borrowing which has the impact of running down investments.

3. £17.7m 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. External debt stood at £236.0m at 30 June 2021. The average interest rate of this debt was 4.46% (**paragraph 3.19**).

2. The forecast capital borrowing requirement for 2021/22 is £18.5m (**paragraph 3.21**) which will increase the internal borrowing position.

3. Investments outstanding at 30 June 2021 were £480.7m (£479.4m at 31 March 2021) of which £181.4m belonged to other organisations who are part of NYCC's investment pool arrangements, with a daily average balance of £497.1m up to Q1 of 2021/22 (**paragraph 3.15 & Appendix A**).

4. For cash invested the average interest rate achieved in Q4 was 0.18% which exceeded the 7 day benchmark rate of -0.08% and was above bank rate of 0.10%. (**paragraph 3.15**).

RICHARD FLINTON
Chief Executive

GARY FIELDING
Corporate Director, Strategic Resources

County Hall
Northallerton
31 August 2021

**Contents**

## 2.0 REVENUE BUDGET 2021/22

### 2.1 BACKGROUND AND SUMMARY

2.1.1 This section of the report presents details of the projected revenue outturn for the 2021/22 financial year. The latest in-year 2021/22 budget is £400,247k with the net movement since the budget approved by Executive and County Council in February 2020 shown in **Appendix A.**

2.1.2 At the end of Q1, there is a projected net underspend of £2,791k (0.7%) 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 2021/22. The projected revenue outturn indicates a number of variances, which together produce a net projected underspend of £2,791k. Issues of note include:

- Lot of volatility within individual directorates, despite healthy position in aggregate,
- An improvement in the underlying budget position of HAS mainly reflecting the additional funding provided as part of the 2021/22 approved budget, and
- Government funding continues to significantly offset a number of Covid-19 costs.

| Directorate | Budget (£k) | Projected Outturn (£k) | Variance (£k) | *2020/21 Outturn Variance (£k)* |
|---|---|---|---|---|
| HAS Gross | 180,443 | **181,778** | **1,335** | *+8,944* |
| Winter Pressures/ growth | - | **-** | **-** | *-4,000* |
| iBCF funding | - | **(1,335)** | **(1,335)** | *-550* |
| **HAS Net** | **180,443** | **180,443** | **0** | *+4,394* |
| **BES** | **74,402** | **74,519** | **117** | *-22* |
| CYPS | 80,087 | 83,816 | 3,729 | *(2,104)* |
| LA Provision for High Needs | 2,500 | 2,500 | 0 | - |
| **CYPS Net** | **82,587** | **86,316** | **3,729** | *(2,104)* |
| **Central Services** | **69,348** | **68,891** | **(457)** | *+3,948* |
| **Corporate Misc.** | **7,446** | **1,266** | **(6,180)** | *+20,272* |
| **Directorate Totals** | **414,225** | **411,735** | **(2,791)** | *+26,448* |
| Covid19 Grant Funding | -10,860 | (10,860) | **-** | *-35,578* |
| **TOTAL** | **403,365** | **400,875** | **(2,791)** | *-9,090* |

It is also worth noting that a £3.1m 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 2021/22 financial year. In arriving at this figure, the Directorate will use the full £7.1m of additional growth allocated by the County Council. At this stage, most of this is shown separately pending decisions and data prior to allocation to relevant budget lines. The position also reflects use of £1.3m of temporary iBCF (improved Better Care Fund) funding to meet adult social care pressures, as has been the case in previous years.

2.2.3 The Directorate is also continuing to manage a number of specific grants provided by central government to fund costs arising from the COVID-19 pandemic both within the Council and for passporting to external care providers; these have been taken into account in the forecast outturn position. These grants total £10.6m for 21/22 and include Infection Prevention Control, Rapid Testing and Contain Outbreak Management funding (COMF).

2.2.4 In addition, the Directorate is continuing to manage the hospital discharge programme. From 1 April to 30 June 2021, the first six weeks of care package costs for people discharged from hospital or to avoid hospital admissions were funded by the Government, via CCGs. This reduced to the first four weeks of costs between 1 July and 30 September 2021. After this initial period of funding from the CCGs, costs are picked up by the Council, with the expectation that assessments should be completed as soon as is practical to ensure transition from temporary to normal funding arrangements. There is currently uncertainty around funding arrangements post September, if CCG funding does not continue then there will be increased costs to the Council for these care packages, these costs have not been included at this stage, but this will continue to be reviewed throughout the year.

Within the forecast breakeven position are a number of under and overspends against budget, the main variances are detailed below:

- **Care and Support** is showing an overall overspend of £7.2m, although all of this is covered at this stage by the unallocated growth funding. However, the forecast position demonstrates that there continues to be pressure on Care and Support budgets, particularly in Harrogate, including increases in numbers and average costs, Continuing Health Care (CHC) funding and young people transitioning into Care and Support with high costs. Remedial action is underway to attempt to reduce this pressure.

  There are also additional cost pressures as a result of the pandemic including increased staffing costs, loss of income and increased equipment costs. As seen in the Quarterly Performance Report, activity levels are starting to return to (and exceed) pre-pandemic levels and this is reflected in the finance figures.

- **Provider Services & Elderly Care/Personal Care at Home** is showing a forecast overspend of £1.5m. This is mainly as a result of COVID-19 pressures within the service including additional staffing and materials and loss of income as a result of services being stopped or reduced.

- **Other COVID-19 costs** continue to be incurred by the Directorate during 21/22 (£0.5m). These costs include additional staffing and hardship and compensatory payments to support external care providers.

- **Commissioning and quality** are forecasting an underspend of £0.9m. This has arisen mainly as a result of one-off contract savings due to lower volumes of activity and further underspends due to contract efficiencies. In addition, the service is receiving COVID income to fund staff supporting the pandemic.

- **Mental Health Services** are forecasting an overspend of £0.3m in 21/22. This is mainly as a result of an increase in the forecasted Mental Health care packages and placements as a direct consequence of the pandemic.

- **Integration and Engagement** are forecasting an underspend of £0.2m for 21/22 due to staffing vacancies within the service.

2.2.5 Public Health is currently forecasting on budget. As in previous years, this position assumes the planned use of earmarked reserves.

2.2.6 **Appendix C** includes details of the projected variance within **Business and Environmental Services** and includes a forecast net overspend of £117k for 2021/22. Areas of significant variation are;

- **Concessionary Fares** – Grant support from the Department for Transport has been of benefit to operators and to the net budget. The impact of this is a saving of £331k. Additionally, a further saving due to decreased demand is expected of £125k, bringing the overall forecast underspend to £456k.

- **Waste Management** –Increased recycling and green waste tonnages as a result of the COVID-19 lockdowns and post lockdown, along with reduced income from district councils for commercial waste, is driving a forecast pressure of £1,300k. At Q1, a cautious tonnage forecast has been predicted similar to 20/21 tonnages, however as businesses re-open and households return to pre-Covid routines, this could serve to reduce the expected overspend.

  In addition, decreased HWRC recyclate income driven by market prices and increased processing costs are resulting in a forecast overspend of £175k, however the market is currently experiencing an upturn, which is having a positive effect on prices, which is built into this forecast. There is a risk to highlight, as it is currently unknown if this upturn is short-term and so this will be closely monitored as the year progresses.

  An insurance rebate resulted in a £650k return to the authority for this year. Along with an expected underspend due to staffing vacancies of £115k, this serves to reduce the overall forecast overspend in Waste Management to £651k.

- **Highways Fees and Charges –** Additional income from street works licensing and penalty notices (£193k) along with additional income for development management charges (£179k).

- **Street Lighting and Traffic Signals** – Reduced energy usage for traffic signals is resulting in a forecast underspend of £128k. Further energy cost savings for street lighting could continue as in previous years, however a cautious approach of forecasting to budget has been taken until contracts with energy suppliers are finalised for the current year, the extent of this will be known in Q2.

- **Highways maintenance** – A forecast in line with budget is included for highways maintenance at Q1 following a successful launch of NY Highways on 1 June 2021. As it is still early days, a fuller picture should emerge by Q2 reporting, with which to inform the forecast.

- **Growth, Planning & Trading Standards (MAST Team) –** Delays in court trials are impacting the charges collected by the Multi-Agency Safeguarding Team resulting in a forecast overspend of £150k.

2.2.7 A summary of the projected revenue outturn for **Children and Young Peoples Services** (CYPS) is available within **Appendix D** and shows a net overspend position of £3.7m at the end of the 2021/22 financial year. The main areas contributing to the overspend are:

- **Home to School Transport** – Mainstream Transport is running to budget but the service is seeing pressures within the SEN Home to School Transport, from an increased number of requests but also the average cost has slightly increased. This has resulted in an overall predicted overspend of £785k for 2020/21 (3%).

- **Children and Families Service -** The service are currently anticipating an overspend of £566k with the main driver being pressure on staff costs. The Safeguarding team are most impacted by this as they are responding to an increased number of contacts potentially as a result of pent-up demand created by COVID-19. There are currently no vacancies within this area and the budget is based upon a notional vacancy factor. This situation may however change resulting in a reduced overspend through the year.

- **Child Placement –** are predicting an overall overspend of 4% for the year, (£415k). They have seen an increase in costs driven primarily by a single specialist secure placements (£345k).

- **Pooled Budget –** currently forecasting an overspend of £1.2m, which is split between Local Authority and DSG. There are continuing costs from a high cost placement, which started earlier this year, but mainly driven by increased costs resulting from a specific issue following OFSTED intervention with a provider and an unexpected need to provide places for 4 children.

- **Inclusion –** following suppressed demand during last year due to COVID-19, there has been a sharp rise in the demand for Occupational Therapy assessments and equipment creating a projected overspend of £213k.

- **Disabled Children's Service** are looking at a potential overspend of £204k for the current financial year. The main pressures driving this are continuing from the prior years around staffing costs and reduced Health Income Streams. The service are drawing to the end of a review from which there is expected to be recommendations about how best to deliver the service going forward.

- **Adult Learning & Skills Service** (ALSS) is undergoing a restructure in how the service is delivered. In order to achieve the savings they need to get back to a breakeven point and repay the prior year's deficit. Initial predictions for the outturn for the year is a loss of £575k. This is partially driven by the reduced numbers of learners that have been recruited during the pandemic.

- **Outdoor Learning** (£760k overspend), following ceased trading during 2020/21 due to COVID, the centres were able to start to accept some day trips during the summer term 2021, with the aim to continue with these in September. A Strategic Review of the service is being undertaken to look at the future of the service.

2.2.8 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 Phycology and SEN Transport.

- Within High Needs block of the Dedicated Schools Grant (DSG), we have a shortfall in funding to be able to meet demand, so this year have an overspend of £3.3m, which is more than anticipated due to pent up demand from COVID. This is £800k above the £2.5m the LA had budgeted to be overspent on the High Needs block for 2021/22.

- Although we are not able to cover the deficit with Local Authority Funds, an equal and opposite reserve has been established for prudence.

2.2.9 **Central Services** variance details are included within **Appendix E** and includes a forecast net underspend of £457k for 2021/22. Areas of significant variation are;

- **Business Support Services** – Underspend £351k – The ongoing impact of Covid 19 measures are resulting in a forecast underspend for external venues (£296k), staff transport costs (£351k) & office supplies (£80k) in line with savings seen during 2020/21. However, additional costs for staffing (£330k), mainly as a result of additional resource requirements to support Covid 19 recovery partially offset the underspends.

- **Coroners –** Coroners salaries 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 £281k.

- **Registrars –** The forecast is based on the assumption that whilst some venues have restrictions remaining, that ceremonies will continue to go ahead, with minimal impact on the number of ceremonies taking place. The main element of underspend is forecast as a result of additional fees income from registration certificates (£237k).

- **Domestic Abuse (Policy, & Partnerships) –** Additional in year funding has been received towards Domestic Abuse Duty, a portion of this funding will be utilised towards existing contracts in year resulting in a forecast underspend in 2021/22 of existing budget of £519k. A new strategy / commissioning plan is being developed, the delivery of which will require this funding. By Q2 we will have more certainty of timing of spend and it is likely that it will be requested that this underspend is carried forward to 2022/23.

- **COVID Support** - Community Support payments, Small Grants, Food Vouchers and Family Fund Support payments are forecast to continue for the first half of 2021/22 totalling £900k however, central government funding received will be utilised to cover these costs to negate an impact on the 2021/22 outturn.

2.2.10 **Appendix F** provides further details on the variances for **Corporate Miscellaneous** that is projecting a net underspend of £6,180k for 2021/22. Areas of significant variation are;

- General Provision – includes unallocated inflation provision, which is currently not forecast to be required in 2021/22.
- HAS Corporate Contingency – based on the latest information, a £1m underspend is currently forecast.
- Income Guarantee Scheme – Reporting a £715k shortfall, based on revised forecast information relating to collection fund deficits for both Council Tax and Business Rates.
- Treasury Management – forecasting a £593k overspend reflecting loss on interest earned on loans to third parties, offset by an improved position on the property fund valuation.
- Waste Budget Strategy Provision – currently forecasting £821k underspend, however given the pressures highlighted in waste services this decision may need to be reviewed ahead of Q2.

2.2.11 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.

### 2.3 BUDGET/ MTFS SAVINGS TARGETS

2.3.1 The 2021/22 revenue budget reflects previously agreed and updated 2020 North Yorkshire savings targets and these are incorporated into Directorate 2021/22 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 £7,544k, and consist of:

| Item | £m |
|---|---|
| Budget Savings in 2021/22 agreed in the February 2021 budget and earlier years MTFS savings targets: | |
| BES | 0.6 |
| CYPS | 1.5 |
| HAS | 0.4 |
| CS | 1.0 |
| Corporate | 1.0 |
| Shortfall | 3.1 |
| **Total savings reflected in 2021/22 budget** | **7.6** |

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 2021/22. 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 2021/22 | £000's |
|---|---|
| Compass Reach | £75k |
| Policy, Partnerships & Performance | £24k |
| Technology and Change | £84k |
| **TOTAL** | **£183k** |

2.3.3 In addition part of the savings from schemes in earlier years totalling £556k are forecasting to remain unrealised in 2021/22.

| At Risk/Cash-funding of Projects from prior years | £'000's |
|---|---|
| Strength-based assessments | £200k |
| Reablement | £125k |
| Brokerage | £50k |
| Winter Salt Heaps and Bins | £75k |
| Procurement | £77k |
| Strategic Support | £24k |
| Developer's One Stop Shop | £5k |
| **TOTAL** | **£556k** |

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 2021/22 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 2021/22 and Medium Term Financial Strategy, approved by County Council on 17 February 2021, is to maintain the General Working Balance (GWB) at a defined minimum acceptable level.

2.4.2 For 2021/22, 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 2021/22 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 2021/22 is as follows:

| **Strategic Capacity – Unallocated** | |
|---|---|
| Actual Balance as at 31.03.21 | £68,513k |
| Planned MTFS contribution from reserve | (£3,118k) |
| Release of reserves following review | +7,099k |
| Other drawdowns/ releases | +937k |
| Forecast Balance as at 31.03.22 | £73,431 |

2.4.5 The balance of the Strategic Capacity – Unallocated Reserve as at 31 March 2021 was £68,513k. 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 2022 | 68,513 | 8,036 | | (3,118) | 73,431 |
| 31 March 2023 | 73,431 | | | (21,650) | 51,781 |
| 31 March 2024 | 51,781 | | | (18,464) | 33,317 |

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 55% over the existing MTFS period unless there are further savings and/or other funding identified.

**2.5 Local Government Reorganisation**

2.5.1 With the government's recent announcement of support for a single unitary authority covering all of the North Yorkshire County Council footprint thoughts can now turn to progressing the creation of the new authority.

2.5.2 In drawing up the case for new local government structures for North Yorkshire, financial modelling was undertaken by the County Council (using PriceWaterhouseCoopers) to identify the potential costs and savings from any reorganisation. This showed significant ongoing savings from a single unitary model of between £31.9m to £68.5m per annum depending upon the level of achievable transformation. This was estimated to equate to between £133.4m and £259.8m of net savings over a 5 year period. However, it also identified some one off transitional costs to deliver these benefits and they were estimated at £38m in the County Council's business case. Whilst these figures were based on realistic potential scenarios, and informed by experience from previous local government restructures, clearly the actual nature and extent of these costs will only be confirmed as we move towards the new structure.

2.5.3 However, it does give at least an initial figure for financial planning purposes. It is essential that resources are established as early as possible in order to maximise the successful transition. Contributions can be expected from all 8 councils within North Yorkshire but the largest contribution will inevitably come from the County Council. The costs of transition are one-off so it is appropriate to review (one-off) reserves as a source of funding.

2.5.4 A means of accessing the LGR Transition Fund will be needed. This issue will be addressed as part of the joint working of the 8 North Yorkshire councils and will also be addressed in a subsequent LGR themed report to the Executive.

2.5.5 The Table below identifies the identification of up to £34.1m of reserves that can be used for this purpose and it is proposed that they are ringfenced for LGR transitional funding in advance of further discussions taking place with the seven North Yorkshire District Councils about contributions from those councils.

| **Source** | **£000** |
|---|---|
| COVID Reserve | 20,500 |
| Corporate Contingency Budget 21/22 | 10,000 |
| Other reserve releases identified as part of annual reserve challenge sessions | 946 |
| Q1 forecast underspend | 2,791 |
| **Total** | **34,237** |

2.5.6 The key element in this total is a reserve created early in 2020/21 in response to the anticipated impact of the pandemic on our key income sources, council tax and business rates. At that stage, using national data, the anticipated losses were very significant and a reserve of £20.5m was created to offset these. In reality, receipts were much more buoyant and the Government later announced a grant scheme to compensate for these losses on top of our internal provision. The whole of this reserve is therefore available as funding towards the transitional costs.

2.5.7 In addition, based on the current forecast outturn position, the corporate contingency budget will not need to be applied in the current financial year and this, together with any in year budget underspend, could also be used towards funding these transitional costs.

2.5.8 Given the volatility of the current position (namely covid; market conditions; individual supplier issues; demand for services etc) it can not be precluded that these sums will need to be redirected for in-year pressures. This will, however, be monitored closely and reported in remaining Q reports.

## 2.6 Recommendation

That the Executive

(i) notes the latest position for the County Council's 2021/22 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) approves the creation of the Local Government Review transition fund **(paragraphs 2.5.1 to 2.5.7)**

# REVENUE BUDGET APPENDICES

| | |
|---|---|
| A | 2021/22 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 |

.

APPENDIX A

# 2021-22 REVISED ESTIMATE REVENUE BUDGETS AT JUNE 2021

| | Original Budgets agreed by Cty Cncl on 19/02/2020 £000s | Other agreed transfers and adjustments £000s | Latest Revised Budgets £000s |
|---|---|---|---|
| **Children & Young Peoples' Service** | 83,082 | (495) | 82,587 |
| **Business & Environmental Services** | 74,289 | 113 | 74,402 |
| **Health & Adult Services** | 180,792 | (349) | 180,443 |
| **Central Services Directorate** | 69,791 | (443) | 69,348 |
| **Corporate Miscellaneous** | (4,588) | 1,174 | (3,414) |
| **NYES** | - | - | - |
| **Total Directorate Spending** | 403,366 | - | 403,366 |
| **Contribution From (-) General Working Balances** | (3,119) | - | (3,119) |
| **Net Revenue Budget** | **400,247** | **-** | **400,247** |
| Revenue support grant | - | | - |
| Business Rates DCLG Top Up | (48,043) | | (48,043) |
| Business Rates from District Councils | (19,673) | | (19,673) |
| Business Rates Collection Fund Deficit | - | | - |
| Precept on District Councils - Current Year | (332,531) | | (332,531) |
| Council Tax Collection Fund Surpluses | - | | - |
| **=Net Budget Requirement** | **(400,247)** | **-** | **(400,247)** |

## HEALTH AND ADULT SERVICES
**Appendix B**

### 2021-22 REVENUE BUDGET OUTTURN REPORT

| BUDGET HEAD | REVISED BUDGET 2021-22 £000 | FORECAST OUTTURN 2021-22 £000 | VARIANCE (-) = saving £000 | COMMENTS |
|---|---|---|---|---|
| **Care & Support - Area Budgets** | | | | |
| Care & Support - Hambleton & Richmond | 29,292 | 29,153 | (138) | The outturn shows that Care and Support continues to be impacted by wider demographic pressures, particularly in the Harrogate area, including increases in numbers and average costs, Continuing Health Care (CHC) funding and young people transitioning into Care and Support with high costs. There are additional cost pressures attributable to the COVID-19 pandemic including increased staffing costs, income reductions and increased equipment and Direct Payment costs. The overspend will be financed by supplementary Adult Social Care Funding (see below). |
| Care & Support - Selby | 14,753 | 15,323 | 570 | |
| Care & Support - Scarborough, Whitby & Ryedale | 47,884 | 50,852 | 2,968 | |
| Care & Support - Harrogate | 41,716 | 46,476 | 4,761 | |
| Care & Support - Craven | 14,401 | 15,672 | 1,271 | |
| CHC Income and Other Budgets | - | (2,184) | (2,184) | |
| Area Budgets | 148,045 | 155,291 | 7,247 | |
| Provider Services & EC/PCAH | 16,008 | 17,465 | 1,456 | Overspend due to COVID-19 pressures including requirement for additional cost of staffing and materials and loss of income due to the closure of day care services and respite care. |
| Targeted Prevention | 1,563 | 1,502 | (61) | Underspend mainly due to staffing vacancies and reduced non-pay costs. |
| Mental Health Services | 8,196 | 8,466 | 270 | Overspend due to additional cost pressures as a result of COVID-19 in addition to other staffing pressures within the service. |
| Assistant Director/Cross-area budgets | (10,325) | (10,309) | 15 | Small overspend due to staffing pressures mainly as a result of COVID-19. |
| COVID-19 Costs | - | 547 | 547 | Overspend directly attributable to the COVID-19 pandemic including additional staffing, hardship payments and compensatory payments to support providers. |
| **Area Budgets Total** | **163,487** | **172,962** | **9,474** | |
| **Public Health** | | | | |
| **- Spend** | 23,412 | 23,412 | - | |
| **- Income** | (23,412) | (23,412) | - | |
| **Commissioning & Quality** | 7,989 | 7,102 | (888) | Some one-off savings due to contract negotiations, underspends due to contract efficiencies and utilisation of COVID funding for staff supporting the pandemic. |
| **Integration & Engagement** | 956 | 787 | (169) | Underspend primarily due to staffing vacancies. |
| **Resources Unit** | 722 | 718 | (4) | |
| **Director & Cross-Directorate** | 201 | 210 | 8 | |
| **TOTAL** | **173,355** | **181,778** | **8,422** | |
| Growth Funding | 7,087 | - | (7,087) | |
| Supplementary Adult Social Care Grant Funding (IBCF) | - | (1,335) | (1,335) | |
| **REVISED TOTAL** | **180,443** | **180,443** | **0** | |

## BUSINESS & ENVIRONMENTAL SERVICES

**Appendix C**

### 2021-22 REVENUE BUDGET OUTTURN REPORT

| BUDGET HEAD | REVISED BUDGET 2021-22 £000 | FORECAST OUTTURN 2021-22 £000 | VARIANCE (-) = saving £000 | COMMENTS |
|---|---|---|---|---|
| Highways & Transportation | 24,229 | 23,984 | (245) | Underspend as a result of additional income from streetworks licensing/permits (£193) & development fees (£179k) and charges, along with reduced energy costs for traffic signalling (£128k), this is partially offset by provisions in Highways operations teams for additional maintenance costs. |
| Integrated Passenger Transport | 9,454 | 8,941 | (513) | Underspend partially due to reduced concessionary ticket costs and reduced demand for concessionary fares (£125k). Additional support from central government to bus operators as a result of COVID has also reduced the concessionary fare costs (£330k). |
| Trading Standards & Planning Services | 2,556 | 2,780 | 224 | Overspend is due to delays in completion of court cases, impacting income for POCA/MAST team (£165k) and impact of COVID on fees & charges income (£35k). |
| Waste & Countryside Services | 37,437 | 38,087 | 651 | Overspend is due to additional household waste disposal costs and a reduction in charges for commerical waste as a result of COVID-19, along with addtional payments to District Councils for increased Greenwaste and Recyclate collections £1,300k.<br><br>Decreasing market prices & increasing costs for disposal of recyclates at HWRC's have resulted in an overspend of £175k.<br><br>The overspends are partially offset by additional contractual benefits received in year (£650k) & staff vacancies (£115k). |
| Economic Partnership Unit | 205 | 205 | 0 | |
| Resources, Performance & Improvement | 5 | 5 | 0 | |
| Corporate Director of BES | 518 | 518 | - | |
| **TOTAL** | **74,402** | **74,519** | **117** | |

## CHILDREN & YOUNG PEOPLE'S SERVICES
**Appendix D**

## 2021-22 REVENUE BUDGET OUTTURN REPORT

| BUDGET HEAD | REVISED BUDGET 2021-22 £000 | FORECAST OUTTURN 2021-22 £000 | VARIANCE (-) = saving £000 | COMMENTS |
|---|---|---|---|---|
| ***Local Authority*** | | | | |
| **Inclusion** | | | | |
| Inclusion | 2,671 | 2,914 | 242 | £213k overspend in Occupational Therapy equipment |
| Alternative Provision | 83 | 62 | (21) | |
| Early Years | - | - | - | |
| CYPS Commissioning | 926 | 949 | 23 | Compass Reach saving £75k wont be made until 2022 |
| **SEND - Special Education Needs & Disabilities** | | | | |
| High Needs Commissioning | 2,500 | 2,500 | - | |
| Disabled Children's Services | 5,238 | 5,442 | 204 | Cherry Tree Lodge is doing overnights for children that would otherwise be in external placements, extra staff required but less than additional income, reducing potential overspend. Overspend is driven by lower income and increased staffing. |
| Home to School Transport | 27,610 | 28,395 | 785 | £6k Daily Rate increase from April 2021 due to large increase in new SEN transport requests, sligthly higher mileage and transport costs. The increase has resulted in a forecast variance for 2021/22 of £785k. |
| Children & Families | 37,883 | 38,864 | 981 | £415k Child placement overspend driven by child placed in secure custody.<br>£421k overspend Safeguarding staffing is currently at high level to meet demands of increased contacts.<br>£205k residential dovedale and Stephney (holding a place for individual who is causing additional staffing costs but overall cheap than private placement) |
| CYPS Pooled Budgets | 1,528 | 2,047 | 519 | £1.2m split with DSG, higher cost placements following closure of one home and one very high cost placement since January. |
| Director's Unit | 28 | 28 | 0 | |
| **Education & Skills** | - | - | - | |
| Education & Skills Other | 109 | 678 | 569 | Adult Learning Service - £575k estimated overspend, service is undergoing review to reduce costs so they are alined with potential income. |
| School Improvement | 1,426 | 1,219 | (207) | Underspend on School Improvement Core, mainly due to staffing, vacant posts and changes to structure. Locality Boards expecting to spend full budget. |
| Strategic Planning Team | 12 | 11 | (0) | |
| Music Service | - | (136) | (136) | Savings from staff on furlough, venue costs etc. far outweigh loss in revenue of £70k. |
| Outdoor Learning Service | - | 760 | 760 | Income reduced due to Covid, some savings in expenditure reducing the overall loss. Based on residentials restarting with new pricing structure in place, income forecast based on potential bookings spreadsheet held by the service. Includes secondment income and furlough income estimates. Full year forecast outturn for the service is £760k, before taking into account any potential SFC income, this will be accounted for centrally. |
| **Finance & Management Support** | | | | |
| Finance & Management Support | 376 | 386 | 10 | |
| Early Years Review | 18 | 18 | - | |
| Sponsored Academy Deficits | - | - | - | |
| School Redundancies & Employment Related Costs | 1,001 | 1,001 | - | |
| Safeguarding Unit | 1,177 | 1,178 | 1 | |
| Schools & Units | - | - | - | |
| **LA TOTAL** | **82,587** | **86,316** | **3,729** | |
| ***DSG*** | | | | |
| **Inclusion** | | | | |
| Inclusion | 4,211 | 4,472 | 262 | |
| Alternative Provision | 1,649 | 1,573 | (76) | |
| Early Years | - | - | - | |
| CYPS Commissioning | 70 | 70 | - | |
| **SEND - Special Education Needs & Disabilities** | | | | |
| High Needs Commissioning | 49,235 | 49,239 | 4 | |
| LA Contribution to High Needs | - | - | - | |
| Disabled Children's Services | - | - | - | |
| Home to School Transport | - | - | - | |
| Children & Families | 1,330 | 1,350 | 20 | |
| CYPS Pooled Budgets | 1,942 | 2,602 | 660 | See above, split as per DSG budget split. |
| Director's Unit | 207 | 207 | 1 | |
| **Education & Skills** | | | | |
| Education & Skills Other | 329 | 320 | (9) | |
| School Improvement | 150 | 124 | (26) | |
| Strategic Planning Team | 709 | 708 | (1) | |
| Music Service | 65 | 65 | - | |
| Outdoor Learning Service | 44 | 44 | - | |
| **Finance & Management Support** | | | | |
| Sponsored Academy Deficits | - | - | - | |
| Early Years Review | 18 | 18 | - | |
| Finance & Management Support | (60,324) | (60,328) | (4) | |
| School Redundancies & Employment Related Costs | 366 | 366 | (0) | |
| **DSG TOTAL** | **-** | **831** | **831** | |
| DSG Net overspend funded by DSG reserve | | (831) | (831) | |
| **TOTAL** | **82,587** | **86,316** | **3,729** | |

## CENTRAL SERVICES
**Appendix E**

### 2021-22 REVENUE BUDGET OUTTURN REPORT

| BUDGET HEAD | REVISED BUDGET 2021-22 £000 | FORECAST OUTTURN 2021-22 £000 | VARIANCE (-) = saving £000 | COMMENTS |
|---|---|---|---|---|
| **Strategic Resources** | | | | |
| Financial Services | 4,201 | 4,148 | (52) | Underspend due to staffing vacancies and additional income to cover support contracts. |
| Insurances | 3,720 | 3,720 | - | |
| Property Services | 10,765 | 10,765 | (0) | |
| Technology & Change | 17,243 | 17,337 | 94 | Overspend due to additional costs for telephony and WAN to support Covid |
| Safety Risk | 420 | 472 | 52 | Overspend due to additional System Costs (Alert Com). |
| **Business Support & HR** | | | | |
| Business Support Services | 14,652 | 14,302 | (351) | Underspend due to reduced spend on Venues (£296k), Transport Costs (£239k) & Stationary (£80k). These are partially offset by staffing pressures linked to additional hours to support Covid (£330k). |
| HR Services | 3,292 | 3,433 | 141 | Staffing Pressures |
| **Chief Executives Office** | | | | |
| CEO Support Services, Grants & Subscriptions | 440 | 444 | 4 | |
| Communications Unit | 848 | 917 | 69 | Overspend due to staffing pressures. |
| Policy & Partnerships | 3,712 | 3,346 | (367) | Underspend due to additional grant income received to support Domestic Abuse contracts (£519k), partially offset by staffing pressures in Strategy and Performance Team (£120k). |
| **Legal & Democratic Services** | | | | |
| Democratic Services | 1,506 | 1,499 | (7) | |
| Legal Services | 2,401 | 2,445 | 44 | |
| Members Services | 1,138 | 1,105 | (33) | |
| **Library, Customer & Community Services** | | | | |
| Archives & Records Management | 409 | 408 | (0) | |
| Coroners | 747 | 1,027 | 281 | Overspend largely driven by Coroner salaries (£100k) and increased costs on post mortems and forensic testing (£123k). |
| Public Library Service | 4,285 | 4,306 | 21 | |
| Registrars | (431) | (782) | (351) | Underspend due to additional registration certificate income(£237k) & Ceremonies Fees (£114k). |
| **TOTAL** | **69,348** | **68,891** | **(457)** | |

## CORPORATE MISCELLANEOUS
**Appendix F**

### 2021-22 REVENUE BUDGET OUTTURN REPORT

| BUDGET HEAD | REVISED BUDGET 2021-22 £000 | FORECAST OUTTURN 2021-22 £000 | VARIANCE (-) = saving £000 | COMMENTS |
|---|---|---|---|---|
| **ANNUAL BUDGETS AND FUNDING (Excluding PIP)** | | | | |
| **Contingencies** | | | | |
| General Provision | 10,045 | 4,320 | (5,725) | Unallocated inflation provision not currently required |
| HAS Corporate Contingency | 6,100 | 5,100 | (1,000) | Previous year's provision not required by HAS at this stage |
| Brexit Contingency | 3,000 | 3,000 | - | |
| 2020 North Yorkshire | 2,000 | 2,000 | - | |
| Corporate Contingency | 10,000 | 10,000 | - | |
| | **31,145** | **24,420** | **(6,725)** | |
| **Treasury Management** | | | | |
| Capital Financing Costs | 22,130 | 22,128 | (2) | |
| Dividends & Interest Earned | (2,772) | (2,049) | 723 | Includes loss on interest earned on loans to third parties: £372k NyNet, £25k Welcome to Yorkshire Early Redemption and £326k NY Highways slower than forecast drawdown. |
| Commercial Investments | (261) | (488) | (227) | Improved position in property fund valuation. |
| MTFS - Treasury Management Savings | (1,946) | (1,847) | 99 | |
| | **17,151** | **17,744** | **593** | |
| **Corporate Budgets** | | | | |
| Corporate Funds | 400 | 400 | - | |
| Other Corporate Budgets | 341 | 399 | 58 | |
| | **741** | **799** | **58** | |
| **Corporate Funding** | | | | |
| Corporate Grant Funding | (39,632) | (39,632) | - | |
| Other Corporate Funding | (1,495) | (1,495) | - | |
| | **(41,127)** | **(41,127)** | **0** | |
| **Business Rates & Council Tax** | | | | |
| Business Rates Deficit | 1,133 | 1,133 | - | |
| Council Tax Deficit | 5,026 | 5,026 | - | |
| Local Council Tax Support Grant | (4,709) | (4,709) | - | |
| Income Guarantee Scheme | (2,735) | (2,020) | 715 | Revised forecast based on updated data, which represents the compensation the authority will receive against the business rates and council tax collection fund deficit. |
| | **(1,285)** | **(570)** | **715** | |
| **TOTAL - Excluding PIP** | **6,625** | **1,266** | **(5,359)** | |
| Waste Budget Strategy Provision | 821 | - | (821) | Based on latest position, the contingency funding is not required in 21/22. |
| **TOTAL - Including PIP** | **7,446** | **1,266** | **(6,180)** | |
| Covid 19 Grant Funding | (10,860) | (10,860) | (0) | |
| **GRAND TOTAL** | **(3,414)** | **(9,594)** | **(6,180)** | |

## NORTH YORKSHIRE EDUCATION SERVICES
**APPENDIX G**

## 2021-22 REVENUE BUDGET OUTTURN REPORT

| BUDGET HEAD | BUDGET Profit(-) / Loss(+) 2021-22 £000 | FORECAST Profit (-) / Loss (+) 2021-22 £000 | VARIANCE Increase(-) / Decrease (+) £000 | COMMENTS |
|---|---|---|---|---|
| **TRADED SERVICES PROFIT & LOSS SUMMARY** | | | | |
| Building Cleaning Services | (273) | (274) | (1) | |
| County Caterers Service | (550) | (535) | 15 | Early meal uptake was strong, however local pockets of Covid isolation impacting meal uptake towards the end of term. |
| Grounds Maintenance Service | (24) | 25 | 48 | Currently under review for core pricing and cost base; machinery, vehicles and labour hours to support sales pipeline and bring into a viable position. |
| Health and Safety Service (HandS) | (46) | (46) | (0) | |
| Health and Safety Commercial | (43) | (43) | (0) | |
| Energy Traded Service | (24) | (16) | 8 | Sales pipeline and retention stable, with development of the online traded offer to replace the primary package in classrooms working ahead of plans. Service looking to develop the virtual offer further in collaboration with NYES. Variance to budget is currently timing of rebates due from Npower which will be pushed to resolve throughout the financial year. |
| Property Service - Traded | (198) | (198) | (1) | |
| Maintenance and Servicing Scheme | (131) | (131) | - | Budget maintained as new property service is under development. Underspends in the prior financial year look to be replicated in the current year as schools look to prioritise essential work. |
| **Property & Facilities** | **(1,289)** | **(1,219)** | **70** | |
| School Improvement Service | - | - | - | Currently expecting the forecast outturn to be as per £0 target. Staffing costs transferred at set % of occupied posts. As agreed in the staffing structure. 3 new packages gone to CYPLT awaiting approval. |
| LA Clerking Service | (20) | (2) | 18 | Forecast outturn £-2.2k, £17.8k less than target, mainly due to reduction in income, forecasting additional £-60k of income for 21/22. Expecting delivery to be more face to face from Sept. Concentrating on delivering to exisiting customer base as need to ensure school governance is correct. Declined 3 contracts/ bids as can not fill. The service has lost several clerks, it will be recruiting additional clerks. |
| Education Psychology & STS | (14) | (9) | 5 | Currently foregoing work due to capacity contraints in the service, backlog of work brought forward from 2020/21 to be reviewed and communicated to customers. |
| Specailist Careers Service | 5 | (0) | (5) | Forecast outturn is £-45 profit, £4.5k better than expected loss set as target. Expecting face to face delivery from Sept 21. Income expected to be £-123k, this is £-3.5k higher than the 21/22 target. Service to be transferred from the NYES structure throughout the year. |
| **Education & Skills** | **(29)** | **(11)** | **18** | |
| Employment Support Service - Traded | (140) | (190) | (50) | Recent contractual wins absorbed into existing staffing structure, banded pricing allowing for more schools to be absorbed into the offer. |
| Financial Management Services | (214) | (242) | (28) | Forecast outturn £-242k, £28k better than target. Won SMRA contract, this years management fee approx £30k. Will need to recruit additional SMRAs, incremental approach for recruitment throughout the year. A large part of the contract will be subcontracted, we will incurr additional expenditure as well as income. |
| Health and Wellbeing Service | (76) | (139) | (62) | Staffing underspend currently approx £49k and additional surveillance work of £13k. |
| HR Advisory Service | (28) | (37) | (9) | Vacant posts generating staffing savings of £9k |
| Legal Services Traded | (26) | (26) | - | |
| North Yorkshire Procurement Service | (54) | (70) | (16) | |
| Schools ICT Service | (139) | (100) | 39 | Budgeted revenue from Wellspring Acadamy not pursued due to complexities in delivery. Service and NYES looking at pipeline of new work to mitigate the loss of business. |
| Training and Learning | (37) | (25) | 12 | Budgeted revenue from Non Education commercial activity transferred to the core offer in addition to £60k of NY Highways business |
| **Professional Support Services** | **(714)** | **(829)** | **(115)** | |
| | **(2,032)** | **(2,059)** | **(27)** | |
| Balance of Risks | - | - | - | |
| Insurance Services | - | (6) | (6) | |
| Staff Absence Scheme | - | - | - | |
| | **-** | **(6)** | **(6)** | |
| Central Traded Establishment | 835 | 800 | (35) | |
| North Yorkshire Education Solutions (NYES) | 1,197 | 1,270 | 73 | Maternity cover, additional Sales/marketing support and consulting resource totalling £40k, additional marketing spend of £33k. |
| **TOTAL** | **-** | **5** | **5** | Tracking marginally behind with activity underway to increase profitability across the portfolio |

## 3.0 TREASURY MANAGEMENT

### Overview

3.1 This section of the report presents details of the County Council's Treasury Management Activity during Q4 2021/22, 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 Q4 2021/22 up to 30 June 2021**:**

- Bank Rate remained unchanged at 0.1%, with this rate now expected to continue for some time;
- the Bank of England announced it is to undertake a review of its current policy to raise interest rates first before unwinding quantitative easing;
- the annual inflation rate in the United Kingdom rose to 2.1% in May from 1.5% in April: this is the first time that the measure has been above the Bank of England's 2% target since July 2019; and
- COVID-19 vaccines have boosted confidence that life in the UK could largely return to normal during the second half of 2021, with forward looking business surveys anticipating a strong economic recovery.

A more detailed economic commentary on developments during Q1 2021/22 is included in **Appendix E.**

## Interest Rate Forecasts

3.5 The current interest rate forecasts (last update 10 May 2021) of Link Group are as follows

| Link Group Interest Rate View 10.5.21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BANK RATE | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.25 | 0.25 | 0.25 |
| 3 month ave earnings | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.30 | 0.30 | 0.30 |
| 6 month ave earnings | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.20 | 0.30 | 0.40 | 0.40 | 0.40 |
| 12 month ave earnings | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.30 | 0.30 | 0.40 | 0.50 | 0.50 | 0.50 |
| 5 yr PWLB | 1.20 | 1.20 | 1.30 | 1.30 | 1.30 | 1.40 | 1.40 | 1.40 | 1.40 | 1.50 | 1.50 | 1.50 |
| 10 yr PWLB | 1.70 | 1.70 | 1.70 | 1.80 | 1.80 | 1.90 | 1.90 | 1.90 | 2.00 | 2.00 | 2.00 | 2.00 |
| 25 yr PWLB | 2.20 | 2.20 | 2.30 | 2.40 | 2.40 | 2.40 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.60 |
| 50 yr PWLB | 2.00 | 2.00 | 2.10 | 2.20 | 2.20 | 2.20 | 2.30 | 2.30 | 2.30 | 2.30 | 2.30 | 2.40 |

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

3.6 The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings, although some forecasters had suggested that a cut into negative territory could have happened prior to more recent months when strong recovery started kicking in. However, the minutes of the Monetary Policy Committee in February 2021 made it clear that commercial banks could not implement negative rates within six months; by that time the economy would be expected to be recovering strongly and so there would be no requirement for negative rates.

3.7 As shown in the forecast table above, an increase in Bank Rate from 0.10% to 0.25% is now forecasted for September 2023 as an indication that the Bank of England will be moving towards some form of monetary tightening around this time. However, it could well opt for reducing its stock of quantitative easing purchases of gilts as a first measure to use before increasing Bank Rate so it is quite possible that we will not see any increase in Bank Rate in the three-year forecast period shown.

3.8 At the start of 2021, all gilt yields from 1 to 8 years were negative: however, since then all gilt yields have become positive and have risen sharply, especially in medium and longer-term periods. The main driver of these increases has been investors becoming progressively more concerned at the way that inflation has risen sharply in major western economies during 2021, and further increases in inflation are expected.

3.9 As the interest forecast table for PWLB certainty rates, (gilts plus 80bps), above shows, there is likely to be little upward movement in PWLB rates over the next three years as the Bank of England is not expected to raise Bank Rate above 0.25% during that period as inflation is not expected to be sustainably over 2%.

**Annual Investment Strategy**

3.10 The Treasury Management Strategy Statement (TMSS) for 2021/22, which includes the Annual Investment Strategy, was approved by the County Council on 17 February 2021. It sets out the County Council's investment priorities as being:

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

3.11 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.

3.12 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.

3.13 As shown by the interest rate forecasts in section 2, it is now impossible to earn the level of interest rates commonly seen in previous decades as all short-term money market investment rates have only risen weakly since Bank Rate was cut to 0.10% in March 2020. Given this environment and the fact that Bank Rate may only rise marginally, or not at all, before the second half of 2023, investment returns are expected to remain low.

3.14 The approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 June 2021.

3.15 The investment activity up to Q1 2021/22 was as follows:

- Balance invested at 30 June 2021: £480.7m
- Average Daily Balance 2021/22 up to 30 June 2021: £497.1m
- Average Interest Rate Achieved up to 30 June 2021: 0.18%

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.

3.16 The average return to Q1 2021/22 of 0.18% compares with the average LIBID benchmark returns as follows:

- -0.08% 7 day
- -0.07% 1 month
- -0.04% 3 months
- -0.02% 6 months
- 0.04% 12 months

3.17 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 2021 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

3.18 The Approved Lending List as at 30 June 2021 is attached as **Appendix B** with changes made during Q1 2021/22 being reported in **Appendix C**.

### Debt and borrowing

3.19 The County Council's external debt outstanding at 30 June 2021 and forecast position for 2021/22 is as follows:-

| Detail | PWLB | | Money Market Loans | | Total | |
|---|---|---|---|---|---|---|
| | £m | % | £m | % | £m | % |
| **At 31 March 2021** | **216.0** | **4.51** | **20.0** | **3.95** | **236.0** | **4.46** |
| Loan Repayments | | | 0.0 | | | |
| New Loans Taken | 0.0 | | 0.0 | | 0.0 | |
| **= Loans Outstanding at 30 June 2021** | **216.0** | **4.51** | **20.0** | **3.95** | **236.0** | **4.46** |
| Further Scheduled In Year Repayments | 14.1 | | 0.0 | | 14.1 | |
| Forecast Additional Loans to be Taken | 0.0 | | 0.0 | | 0.0 | |
| **= Estimated Loans Outstanding at 31 March 2022** | **201.8** | **4.52** | **20.0** | **3.95** | **221.8** | **4.47** |

3.20 Any change to the forecast debt outstanding by the end of 2021/22 will be largely determined by whether the borrowing requirement for 2021/22 is ultimately financed by external borrowing or internal borrowing.

3.21 Based on the Q1 Capital Plan update the total external borrowing requirement for 2021/22 is currently forecast to be:-

| Detail | £m |
|---|---|
| Internally Financed Capital Expenditure at 31 March 2021 | |
| Internally Financed Borrowing from Previous Years | 52.7 |
| Less Company Loans to be Repaid | -15.1 |
| Less Commercial Investments to be Repaid | -11.9 |
| | **25.7** |
| 2021/22 Borrowing Requirement | |
| Q1 2021/22 Borrowing Requirement | 15.5 |
| Less Company Loans advanced in year to be Repaid | |
| Revenue Provision for Debt Repayment (MRP) | -11.1 |
| Refinance 2021/22 PWLB Loan Repayments | 14.1 |
| **= Total 2021/22 Borrowing Requirement** | **18.5** |

3.22 As shown in the table above, internal capital borrowing (use of cash balances) to part fund the County Council's Capital Financing Requirement was £52.7m at 31 March 2021. 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.

3.23 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.

3.24 New external borrowing rates (fixed interest maturity rates from the PWLB reflecting the 0.2% 'certainty discounts') during Q1 2021/22 were as follows:-

| | 1 Year | 5 Year | 10 Year | 25 Year | 50 Year |
|---|---|---|---|---|---|
| **Low** | 0.78% | 1.12% | 1.60% | 2.03% | 1.83% |
| **Date** | 08/04/2021 | 22/04/2021 | 11/06/2021 | 21/06/2021 | 21/06/2021 |
| **High** | 0.88% | 1.24% | 1.80% | 2.27% | 2.06% |
| **Date** | 21/06/2021 | 13/05/2021 | 13/05/2021 | 13/05/2021 | 13/05/2021 |
| **Average** | 0.81% | 1.18% | 1.68% | 2.14% | 1.94% |
| **Spread** | 0.10% | 0.12% | 0.20% | 0.24% | 0.23% |

3.25 No debt repayment or rescheduling exercises have been effected to date in 2021/22 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

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

3.27 The Prudential Indicators for the three year period 2021/22 to 2023/24 were initially approved by Executive on 26 January 2021 and adopted by County Council on 17 February 2021. These Indicators were subsequently updated to reflect the 2020/21 outturn position and other factors arising in Q1 (see Section 5 of this report).

3.28 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

3.29 Based on the Treasury Management activity at Q1 2021/22 and a forecast for the remainder of the year, the revenue impact is as follows:

While interest rates have remained low throughout 2021 to date, cash balances have continued at relatively high levels. The current forecast for investment returns is £0.9m which equals the budget, however, it is possible that investment returns could be lower than anticipated with no further rise in bank rate expected in 2021/22. Returns will reviewed in advance of Q2 as uncertainties over Coronavirus and Brexit continue.

The forecast outturn for interest paid on long term borrowing is £10.2m.

The forecast outturn for the Minimum Revenue Provision (MRP) is £10.6m.

### Capital Strategy

3.30 The Capital Strategy was included as part of the County Council's Annual Treasury Management and Investment Strategy 2020/21, approved in February 2020. 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.

3.31 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.

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

| Type of Investment | Maximum Limit £m | Invested as at 30/06/2021 £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 | 3.40 |
| **Total Alternative Treasury Instruments** | **80.0** | **5.9** | **3.40** |
| **Alternative Investments** | | | |
| **Loans to Council Companies** | | | |
| - Yorwaste | 25.0 | 6.0 | 4.10 |
| - Brierley | | 8.6 | 6.10 |
| - First North Law | | 0.1 | 4.10 |
| - NY Highways | | 1.8 | 6.60 |
| **Total Loans to Council Companies** | **25.0** | **16.5** | **5.40** |
| **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 | 2.65 |
| **Total Other Alternative Investments** | **45.0** | **11.9** | **2.65** |
| **Total Alternative Investments*** | **60.0** | **28.3** | **4.25** |

* Total Alternative Investments capped at £60m

3.33 The position on Property Funds at 30 June 2021 is as follows:-

In Year Performance

| | | | In Year Performance Q1 2021/22 | | | |
|---|---|---|---|---|---|---|
| Fund | Bwd Investment Valuation | Valuation as at 30/06/21 | Capital Gain / (Loss) | | Revenue Return | |
| | £000 | £000 | £000 | % | £000 | % |
| Blackrock | 2,851.9 | 2,930.8 | 78.9 | 2.8 | 21.6 | 3.0 |
| Threadneedle | 2,769.7 | 2,789.7 | 20.0 | 0.7 | 26.0 | 3.8 |
| Total | 5,621.6 | 5,720.5 | 98.9 | 1.8 | 47.6 | 3.4 |

Total Fund Performance

| Fund | Investment £k | Valuation as at 30/06/21 | Total Performance: Capital Gain / (Loss) | | Total Performance: Forecasted Revenue Return | |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | % | £000 | % |
| Blackrock | 3,003.0 | 2,930.8 | -72.2 | -2.4 | 255.8 | 8.5 |
| Threadneedle | 2,927.1 | 2,789.7 | -137.4 | -4.7 | 333.3 | 11.4 |
| Total | 5,930.1 | 5,720.5 | -209.6 | -3.5 | 589.1 | 9.9 |

3.34 While Property Funds continue to provide a strong revenue return as noted in the table above, the funds have experienced minor capital losses in 2020/21 (£41k) and 2019/20 (£267k), although indications suggest that this trend will not continue in 2021/22. 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.

3.35 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.

3.36 The position on Commercial Property investments at 30 June 2021 is as follows:-

| Property | Investment £k | Valuation as at 31/03/21 | Performance: Total Capital Gain / (Loss) | | Performance: Revenue Return as at 30/06/21 | |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | % | £000 | % |
| Harrogate Royal Baths | 9,504.0 | 7,000.0 | -2,504.0 | -26.3 | 181.4 | 1.91 |
| Bank Unit in Stafford Town Centre | 876.0 | 790.0 | -86.0 | -9.8 | 53.0 | 6.05 |
| Co-op Store in Somercotes | 1,497.3 | 1290.0 | -207.3 | -13.8 | 80.0 | 5.34 |
| Total | 11,877.3 | 9,080.0 | -2,797.3 | 23.6 | 589.1 | 2.65 |

3.37 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.

3.38 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 2021/22 Capital Plan does not include any plans to purchase commercial assets primarily for yield.

**Other Loans**

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

| Lender | Date Advanced | Original Loan | Interest Rate | Loan Outstanding as at 31/06/21 | Revenue Return (as at 30/06/21) | |
|---|---|---|---|---|---|---|
| | | £000 | % | % | £000 | % |
| Welcome to Yorkshire | Sept-19 | 500.0 | 6.6 | 500.0 | 8.2 | 6.6 |
| Ryedale Learning Trust | Feb-21 | 1,455.0 | 3.2 | 1,437.5 | 11.4 | 3.2 |
| | | 1,955.0 | 4.1 | 1,937.5 | 19.6 | 4.1 |

3.40 Welcome to Yorkshire

In November 2015, the County Council agreed to provide a five year secured loan facility of up to £500k to Welcome to Yorkshire in order to enable them to continue to grow the visitor economy and promote the Yorkshire brand. Welcome to Yorkshire drew down this loan in September 2019. The facility was agreed on commercial terms and secured on a property owned by Welcome to Yorkshire. It is expected that this loan is to be repaid in full during 2021/22.

3.41 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**

3.42 During the remainder of 2021/22, the North Yorkshire Pension Fund (NYPF) are to undertake a re-alignment of their Investment Strategy, which will involve sizeable movements in to and out of the NYPF Bank Account. As there are likely to be short term timing differences between dis-investing the funds with one manager and investing those funds with another fund, a review has been undertaken of current cash flow projections and to identify the main risks, of which two were identified:-

i. capacity within the Approved Lending List to accommodate the additional cash temporarily, and

ii. the availability of short term cash for onward investment.

3.43 In order to mitigate these risks, the Corporate Director – Strategic Resources, under delegated authority, has approved the following amendments to the Approved Lending List with effect from 6 July 2021:-

i. addition of the Australia and New Zealand Banking Group (ANZ) to the Lending List, and

ii. increase the Lending Limit on the Money Market Funds from £20m to £40m.

3.44 CIPFA published their response to the Treasury Management Code and Prudential Code consultations on 24 June 2021. Following a review of the initial consultation, CIPFA have confirmed the changes that will be taken forward into revised versions including proposals for strengthening the Prudential and Treasury Management Codes with a focus on proportionality, clarification around the definition of commercial activity and officer/member training. CIPFA intends to publish the revised Codes in December 2021. All changes will then need to be reflected in the 2022/23 Treasury Management Strategy.

3.45 In addition to the changes being introduced by CIPFA, on 28 July 2021 the Ministry of Housing, Communities & Local Government (MHCLG) published a policy paper – Local Authority Capital Finance Framework: Planned Improvements. The paper sets out the government's plans for strengthening the current capital financing system while protecting the principles of local decision making. The paper sets out plans for improving the Government's role as steward of the local government financial system through data collection and risk prevention. The Government are currently reviewing the Prudential Framework and will be engaging with stakeholders on individual proposals as they are developed and through consultation where appropriate.

**RECOMMENDATIONS**

3.46 That Executive

i. notes the position on the County Council's Treasury Management activities during the first quarter of 2021/22

ii. approve the amendments to the Approved Lending List

iii. 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 2021

Appendix B   Approved Lending List with counterparty limits

Appendix C   Changes to the Approved Lending List during Q1 2021

Appendix D   Treasury Management Monitoring and Reporting Arrangements 2021/22

Appendix E   Detailed Economic Commentary on Developments during Q1 2021/22

.

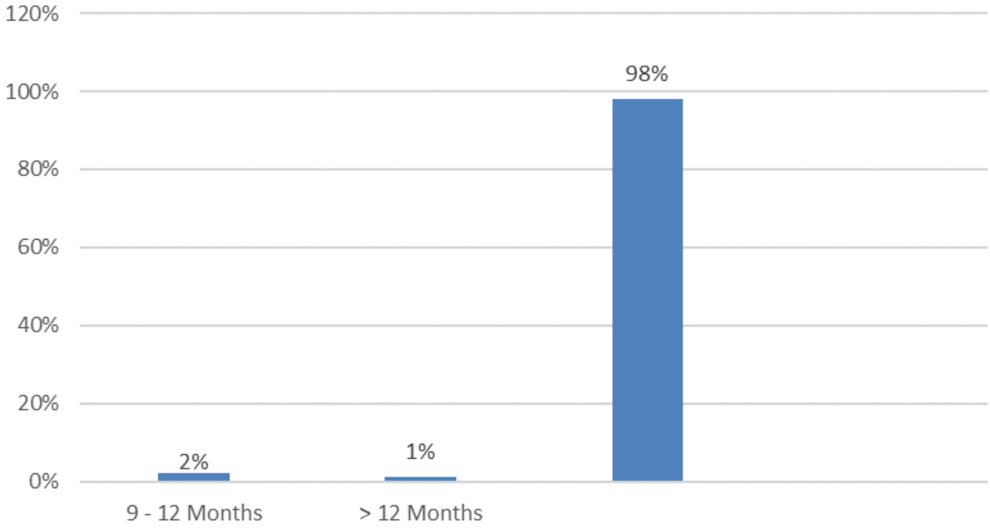
## Analysis of loans outstanding as at 30 June 2021

| Actual Loans Outstanding – Summarised by Organisation | |
|---|---|
| | £m |
| Local Authority | 201.0 |
| Santander | 60.0 |
| Bank of Scotland | 50.0 |
| Standard Chartered | 60.0 |
| Handelsbanken | 10.0 |
| Goldman Sachs | 30.0 |
| National Westminster | 15.0 |
| DBS | 20.0 |
| Barclays | 34.7 |
| Property Funds | 5.9 |
| | **486.6** |

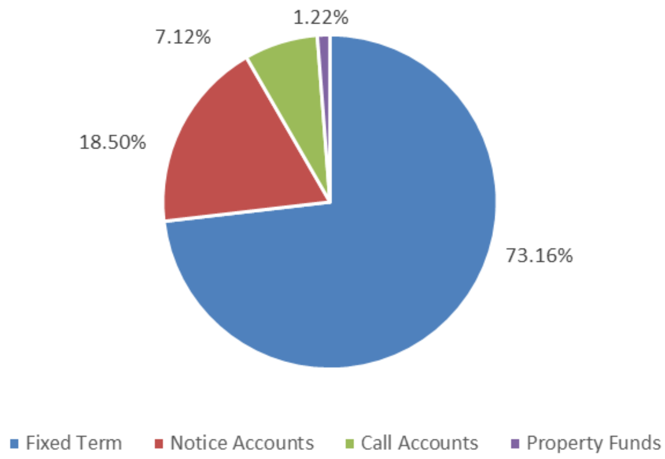
| Other Bodies | 31-Mar-21 | | 30-Jun-21 | |
|---|---|---|---|---|
| | £m | % | £m | % |
| NY Pension Fund | 111.8 | 23 | 83.6 | 17 |
| NY Fire and Rescue Authority | 4.9 | 1 | 6.7 | 1 |
| Yorkshire Dales National Park | 3.5 | 1 | 3.8 | 1 |
| North York Moors National Park | 3.8 | 1 | 4.3 | 1 |
| Peak District National Park | 4.0 | 1 | 7.2 | 1 |
| Selby District Council | 67.0 | 14 | 73.0 | 15 |
| National Parks England | 0.1 | 0 | 0.3 | 0 |
| Align Property Partners | 0.9 | 0 | 0.8 | 0 |
| NYnet Limited | 1.3 | 0 | 1.7 | 0 |
| **Total Other Bodies** | 197.3 | 41 | 181.4 | 36 |
| NYCC Cash | 276.1 | 59 | 305.2 | 64 |
| **Total Investment** | **479.4** | **100** | **486.6** | **100** |

| Rates as at 30 June 2021 | |
|---|---|
| | % |
| Bank Rate | 0.10 |
| Investment Rates | |
| - NYCC overnight (on call) | 0.00 |
| - 1 month | 0.03 |
| - 6 months | 0.11 |
| - 1 year | 0.17 |
| - Government Debt Management Office Account | 0.01 |

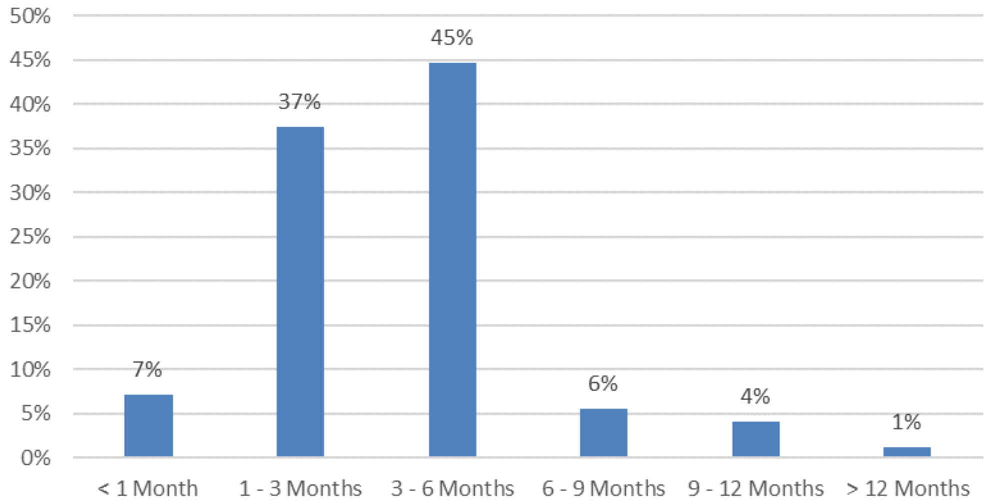
## Institution Type



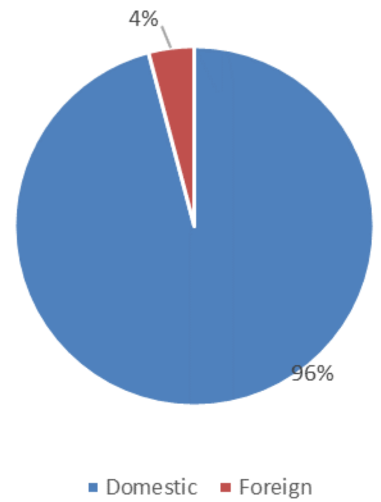

## Portfolio Breakdown




## Maturity Profile




## Country



**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 | 6 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 | | |
| Toronto-Dominion Bank | CAN | 30.0 | 365 days | | |
| Credit Industriel et Commercial | FRA | 30.0 | 6 months | - | - |
| Landesbank Hessen-Thueringen Girozentrale (Helaba) | GER | 30.0 | 6 months | | |
| 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 |
| UK Debt Management Account | | 100.0 | 365 days | 5.0 | 2 years |

* Based on data 25 June 2021

**Appendix C**

## CHANGES TO THE APPROVED LENDING LIST DURING Q1

There has been one change to the Lending List from the 31 March 2021.

| Organisation | Original Investment Limit / Term | Date Amended | Revised Investment Limit / Term | Reason |
|---|---|---|---|---|
| Landesbank Hessen-Thueringen Girozentrale (Helaba) | 365 Days | 24 June 2021 | 6 Months | Downgrading of Long Term and Short Term ratings by S&P Global Ratings |

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 30 June 2021.

**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 2021/22 this report was submitted to Executive on 26 January 2021 followed by County Council on 17 February 2021;

(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 26 January 2021 and County Council on 17 February 2021)

(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 2020/21 were submitted to Executive on 25 May 2021;

(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 2021/22

## 1. Economic Background - UK

### Interest Rates

The 24 June Monetary Policy Committee (MPC) meeting voted unanimously to keep Bank Rate unchanged at 0.10%. They voted by a majority of 8-1 to continue unchanged the existing programme of UK government bond purchases of £875bn which is due to end by the end of this year. In the press release, it was noted that:-

> *"Since May, developments in global GDP growth have been somewhat stronger than anticipated, particularly in advanced economies. Global price pressures have picked up further, reflecting strong demand for goods, rising commodity prices, supply-side constraints and transportation bottlenecks, and these have started to become apparent in consumer price inflation in some advanced economies. Financial market measures of inflation expectations suggest that the near-term strength in inflation is expected to be transitory".*

The MPC noted the developing upside risks in the UK to both activity and inflation. It said that the news on activity "had predominately been to the upside" and that Bank staff had "revised up their expectations for 2021 Q2 GDP growth to 5.5% from 4.25%". For the first time, the policy statement noted that "there are increasing signs of recruitment difficulties for some businesses" and the minutes said, "it was possible that the near-term upward pressure on prices could prove somewhat larger than expected". Indeed, by saying that inflation "is likely to exceed 3% for a temporary period" the MPC admitted the Governor will have to write to the Chancellor later this year explaining why inflation is more than 1% above the 2% target.

The anticipated increase in inflation over the next six months is expected to be short-lived and caused by one-off reopening price rises and supply shortages relative to demand - boosted by consumers having built up huge savings of around £145bn during lockdown. These spikes will drop out of the CPI calculation over the next twelve months.

The minutes said the MPC should "ensure that the recovery was not undermined by a premature tightening in monetary conditions". It also repeated that it will not raise Bank Rate until the 2% inflation target has been attained sustainably i.e. the mere fact that it is forecasting inflation to be over 2% during 2021 and 2022 is not in itself sufficient to justify an increase in Bank Rate in the near future. The MPC indicated in the minutes that some members would prefer to wait for a clearer picture of the underlying pace of the recovery once the furlough scheme expires at the end of September, before making any judgement on medium-term inflationary pressures. This implies that the MPC may be unlikely to be in a position to consider a change in policy until early in 2022 at the earliest.

In addition, the Bank is undertaking a review of its stated current policy to raise Bank Rate first before unwinding quantitative easing (QE) purchases of gilts. It is likely that the Bank could unwind QE first before raising Bank Rate as it QE is seen as a very

useful quick acting weapon to use to combat any sudden dysfunction in financial markets, as happened in March 2020.
Money markets are currently expecting Bank Rate to start rising in mid-2022, however, this expectation is influenced by the US Economy where inflationary pressures are much stronger. Overall, there could be only a minimal increase in Bank Rate in 2023 or possibly no increases before 2024.

**GDP**

The Bank revised up its expectations for the level of UK GDP in 2021 Q2 by around 1.5% since the May Report due to the easing of restrictions on economic activity; this now leaves total GDP in June only around 2.5% below its pre-Covid 2019 Q4 level.

UK GDP grew by 1.5% in the three months to April 2021: this was the first expansion since the three months to December 2020. Forward looking monthly business surveys are running at exceptionally high levels indicating that we are heading into a strong economic recovery. Capital Economics do not think that the UK economy will suffer major scarring from the lockdowns. The one month delay to the final easing of restrictions in July is unlikely to have much effect on the progress of recovery with GDP getting back to pre-Covid levels during August.

**CPI**

The annual inflation rate in the United Kingdom rose to 2.1% in May from 1.5% in April: this is the first time that the measure has been above the Bank of England's 2% target since July 2019.

**Covid-19**

Vaccines have boosted confidence that life in the UK could largely return to normal during the second half of 2021 after a third wave of the virus threatened to overwhelm hospitals in Q1 this year. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The UK has made fast progress, giving both jabs to nearly half of the total population and one jab to two thirds, (84% of all adults). This programme should be completed in the second half of the year.

## 2. Economic Background - Rest of the World

**US**

Since the Democrats won the elections in late 2020 and gained control of both Congress and the Senate, they have passed a $1.9trn (8.8% of GDP) stimulus package in March 2021 on top of the $900bn fiscal stimulus deal passed by Congress in late December. These, together with the vaccine rollout proceeding swiftly to hit the target of giving a first jab to over half of the population within the President's first 100 days, will promote a rapid easing of restrictions and strong economic recovery during 2021. The Democrats are also now negotiating to pass a $1trn fiscal stimulus package aimed at renewing infrastructure over the next decade. Although this package is longer-term, if passed, it would also help economic recovery in the near-term.

In the Fed's June meeting, it continued to forecast strong economic growth this year to have only a transitory impact on inflation which is being temporarily boosted by base effects, spikes in reopening inflation and supply shortages.

**EU**

The roll out and take up of vaccines was disappointingly slow in the EU in the first few months of 2021 but has since been rapidly catching up. This delay will inevitably put back economic recovery after the economy had staged a rapid rebound from the first lockdowns of 2020 but contracted slightly in Q4 to end 2020 only 4.9% below its pre-pandemic level. At its June meeting, the ECB forecast strong economic recovery with growth.

Inflation is likely to rise sharply to around 2.5% during 2021 for a short period, but as this will be transitory, due to one-off factors, it will cause the ECB little concern. It is currently unlikely that it will cut its central rate even further from -0.5%, although the ECB has stated that it retains this as a possible tool to use.

**China**

After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of 2020; this enabled China to recover all the contraction in Q1 2021. Policy makers have implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. After making a rapid recovery in 2020/21, growth is likely to be tepid in 2021/22.

**Japan**

A third round of fiscal stimulus in December 2020 took total fresh fiscal spending in 2020 in response to the virus close to 12% of pre-virus GDP, one of the largest national fiscal responses. The resurgence of Covid in Q1 2021, coupled with a slow roll out of vaccines, has pushed back economic recovery. However, quickening of vaccinations in the second half of 2021 will lead to a strong economic recovery to get back to pre-virus levels by the end of 2021 – around the same time as the US and sooner than the Eurozone.

**World growth**

World growth was in recession in 2020 but should recover during 2021. Inflation is unlikely to be a significant problem in most countries for some years due to the creation of excess production capacity and depressed demand during the coronavirus crisis.

**Deglobalisation**

Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. In March 2021, western democracies implemented limited sanctions against a few officials in charge of government policy; this led to a much bigger retaliation by China which caused considerable consternation in western countries. After the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products and vice versa. This is likely to reduce world growth rates from rates in prior decades.

**Central banks' monetary policy**

During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is, therefore, very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Greater emphasis will also be placed on hitting subsidiary targets e.g. full employment, before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

## 4.0 CAPITAL FIVE YEAR SPENDING PLAN 2021/22

### 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 2021/22, 1 April to 30 June 2021, and reflects the additions and adjustments, including the reprofiling of budgets, since the last version was approved.

4.2.2 The Council is currently planning to invest £171.2m on capital schemes across the County in 2021/22 and £252.1m, in total, over the next 5 years. Included this Quarter, are the unspent capital allocations from 2020/21 which were reported to Executive on 25 May 2021.

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<br>1 April to 30 June 2021 | | | | |
|---|---|---|---|---|---|
| | 2021/22<br>£k | 2022/23<br>£k | 2023/24<br>£k | Later Years<br>£k | Total<br>£k |
| **Business & Environmental Services** | 88,337.3 | 19,031.1 | 227.0 | 1,269.7 | **108,865.1** |
| **Children & Young People's Service** | 51,675.5 | 17,384.8 | 4,600.0 | 15,936.6 | **89,596.9** |
| **Central Services** | 27,183.2 | 1,550.0 | 1,387.0 | 9,379.0 | **39,499.2** |
| **Health & Social Care** | 4,004.3 | 299.4 | 0.0 | 9,845.1 | **14,148.8** |
| | **171,200.3** | **38,265.3** | **6,214.0** | **36,430.4** | **252,110.0** |

**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 earlier reports and new additions that have been added to the Capital Plan this quarter:

| Directorate | Scheme Heading | Scheme Detail | Budget £k |
|---|---|---|---|
| BES | Junction 47 Improvements | Additional Highways England grants confirmed and received in March 2021 to contribute to the additional works. | 2,312.7 |
| CYPS | School Condition Programme 2021/22 | Subject of a separate report to Executive (8 June 2021). Funded from annual DfE School Condition Grant allocation. | 9,783.4 |
| CYPS | Basic Need Grant 2022/23 | Announced February 2021, grant funding to create an additional 250 school places across the county. | 2,980.5 |
| Central | Library Service Property Refurbishments | Funded from Reserves, a 2-year programme to refurbish the public libraries at Northallerton, Ripon and Scarborough. | 290.0 |
| Central | Public Sector Decarbonisation Scheme 2021/22 | Grant received March 2021 to support the decarbonisation of heat in non-domestic public buildings and energy efficiency. | 1,931.2 |
| Central | T&C Projects – Harrogate District WiFi and LoRaWAN | Grant from Harrogate Borough Council to deliver digital networks in support of the Getting Building grant funded Digital Infrastructure Programme. | 350.0 |

**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 2021/22 | | | | |
|---|---|---|---|---|---|
| | Quarter 1<br>1 April to 30 June 2021 | | | | |
| | 2021/22 | 2022/23 | 2023/24 | Later Years | Total |
| | £k | £k | £k | £k | £k |
| **Business & Environmental Services** | | | | | |
| Structural Maintenance of Roads & Bridges | -3,780.2 | 3,780.2 | 0.0 | 0.0 | **0.0** |
| Flood Risk Management | -334.0 | 334.0 | 0.0 | 0.0 | **0.0** |
| Major Highways Schemes | -2,072.1 | 2,172.7 | 0.0 | -100.6 | **0.0** |
| | **-6,186.3** | **6,286.9** | **0.0** | **-100.6** | **0.0** |
| **Children & Young People's Service** | | | | | |
| **Schools** | | | | | |
| Basic Need programme | -2,639.7 | 2,639.7 | 0.0 | 0.0 | **0.0** |
| School Condition Programme | 100.0 | 0.0 | 0.0 | -100.0 | **0.0** |
| | **-2,539.7** | **2,639.7** | **0.0** | **-100.0** | **0.0** |
| **Central Services** | | | | | |
| Loans to Limited Companies | -3,550.0 | 0.0 | 0.0 | 3,550.0 | **0.0** |
| | **-3,550.0** | **0.0** | **0.0** | **3,550.0** | **0.0** |
| **Health & Social Care** | | | | | |
| Maintaining Fabric / Facilities of Properties | -45.9 | 45.9 | 0.0 | 0.0 | **0.0** |
| Extra Care Facilities | -6,645.7 | 0.0 | 0.0 | 6,645.7 | **0.0** |
| | **-6,691.6** | **45.9** | **0.0** | **6,645.7** | **0.0** |
| **Total Capital Expenditure** | **-18,967.6** | **8,972.5** | **0.0** | **9,995.1** | **0.0** |

4.2.7 In Highways, DfT Safer Roads Grant of £2,959.2k (A6108 between Ripon and Scotch Corner now programmed for delivery 2022/23) and £821k (A684 delays due to utilities) have been reprofiled from 2021/22 to 2022/23.

4.2.8 Due to external funding requirements, the need to prioritise flood risk management work locations had resulted in the diversion of resources during 2020/21. Local Growth funded works at Malton, Norton and Old Malton are completing whilst a programme of works in the Lower Aire catchment to deliver the recommendations set out in the Section 19 flood report have been added to the 2021/22 programme. £334k has been reprofiled to 2022/23 to reflect this reprioritisation.

4.2.9 The Transforming Cities Fund Programme of connectivity improvements is now proceeding from feasibility design and first round public consultation to preliminary and detailed design on all scheme elements. The West Yorkshire Combined Authority (WYCA) has completed their appraisal of the Outline Business Cases for Harrogate and Skipton, and approved the release of further development funding. With regard to Selby, WYCA has chosen to delay full consideration of the Outline Business Case pending further work on cost, scope and land acquisition to be undertaken prior to an update in the Autumn. As a result, budget of £2,187k has been reprofiled to reflect the value of 2021/22 development work and 2022/23 delivery.

4.2.10 £100.6k has been reprofiled from Later Years to 2021/22 to fund the 2020/21 overspend on the Bedale Aiskew Leeming Bar major scheme (£33.6k) and planned expenditure in 2021/22 (£67k).

4.2.11 Due to circumstances beyond the Council's control, the anticipated opening of the new North Northallerton primary school has been delayed beyond September 2022. As such £2,639.7k has been reprofiled from 2021/22 to 2022/23 pending further updates.

4.2.12 Updated loan drawdown schedules reflecting the latest NYHighways plans are addressed in the Capital Plan this Quarter following the reprofiling of £3,550k from 2021/22 to Later Years. The planned replacement of vehicles is expected in 2028/29.

4.2.13 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.

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

| SUMMARY OF CHANGES SINCE THE LAST CAPITAL PLAN UPDATE | 2021/22 | 2022/23 | 2023/24 | Later Years | Total |
|---|---|---|---|---|---|
| | Capital Plan as at Q1 2021/22 | | | | |
| | £k | £k | £k | £k | £k |
| | 137,743.0 | 26,168.6 | 6,254.0 | 25,359.4 | 195,525.0 |
| **Changes this Quarter:** | | | | | |
| Total schemes carried forward from 2019/20 | 43,474.1 | 0.0 | 0.0 | 0.0 | 43,474.1 |
| Total reprofiling between years | -18,967.6 | 8,972.5 | 0.0 | 9,995.1 | 0.0 |
| Total variations in the funding of schemes | 8,950.9 | 3,124.2 | -40.0 | 1,075.9 | 13,111.0 |
| **Updated Gross Capital Spend** | 171,200.4 | 38,265.3 | 6,214.0 | 36,430.4 | 252,110.1 |

## Other Capital Updates

## Getting Building Fund

4.2.15 It was reported last year that the YNY Local Enterprise Partnership had been awarded £15.4m over two years from the Government's Getting Building Fund (GBF) for investment in local, 'shovel-ready' infrastructure projects to stimulate jobs and support economic growth in the wake of the Covid 19 pandemic.

4.2.16 The Council's programme is now in its second year and an unallocated balance of £328.3k has been identified as projects within the programme have progressed through the appraisal and contracting stages. The MHCLG has advised that this balance should be directed at existing projects where either Value for Money can be demonstrated or proposals in the original bid were scaled back.

4.2.17 As such, proposals are currently being progressed to award the balance to two existing projects, one of which is the Council's Digital Infrastructure project (£3m awarded of £5m bid for). The scalable nature of this bid has ensured that any risk of underspend on the overall GBF programme can be managed effectively.

4.2.18 An approval of up to £600k (depending on funds available from project savings elsewhere) with an initial available amount of £278-£300k has been approved by the YNY LEP Infrastructure and Joint Assets Board with final formal approval now being sought from BEIS. If approved, the funding adjustment will be made to the Capital Plan at Q2 allowing the project to be extended to deploy public Wi-Fi to another two towns (total 18 of 19 identified originally) and increasing the deployment of local full fibre networks to an additional 3 business parks (total 9 of 10).

**Replacement Primary School, Middle Deepdale, Scarborough**

4.2.19 The new primary school site is on target to open at the beginning of the Autumn despite some delays to the completion of the building largely due to the Covid 19 Pandemic. The project is expected to be delivered within the allocated budget envelope but a small uplift has now been added to cover some of the schools furniture and ICT requirements.

**Selby Free School**

4.2.20 In January 2021, Executive were advised that negotiations were ongoing with the DfE as to the likely funding contribution required from the Council in respect of S278 highways and access works as well as preparing the site for development by the DfE. Executive approved a provision of up to £1m from unallocated Capital Receipts be made available. It is anticipated that DfE will be able to provide some clarity on the level of these abnormal costs in the early Autumn allowing a budget to be loaded in the Capital Plan.

## 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 | | | | | | |
| Structural Maintenance of Roads | x | x | x | x | | x |
| Kex Gill Realignment | | x | x | x | | |
| Children & Young People's Service | | | | | | |
| School Capital Programme | | x | x | x | x | x |

**Structural Maintenance of Roads**

4.3.3 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 scheme thereby reducing costs, (ii) be reprofiled into the following year or (iii) be removed from the programme altogether.

4.3.4 At the time of this report, the current value of the over-programming of approved budget is £6.2m. This is in excess of the agreed tolerances and the programme is now under review to identify schemes that may be slipped into future years. Last year, 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.

4.3.5 On June 1st, NYHighways took over the contract to deliver Highways maintenance and improvement works on behalf of the Council. Originally, NYHighways were expecting to deliver capital works to the value of £26.6m during 2021/22. It has now been established that NYHighways will only be able to deliver and/or arrange the supervision of schemes up to half that value, at most, this year. For Highways to ensure delivery during 2021/22, schemes are being packaged to go out to the market for tender. The risk of doing so is a lack of contractors and/or materials which could result in under-delivery in year.

**Kex Gill Realignment**

4.3.6 A firm funding offer of £56.1m has now been received from the Department for Transport (DfT). The estimated overall project budget currently stands at £61.6m, £4.95m of which is being funded from the Council's Strategic Capacity Reserve with the requirement for an additional £550k.

4.3.7 Officers are currently developing a profile of expenditure pending the outcome of the tender exercise and whether or not a Public Enquiry will be triggered resulting in a delay to commencement on site and possible cost increases.

**Basic Need, School Condition and Capital Planned Maintenance Programmes**

4.3.8 The DfE's School Condition Grant allocation for 2021/2022 is £9,783.4m. The level of funding is now based on a new methodology following the DfE's latest Condition Data Collection which was completed in 2019. Included within this is a transitional amount of £3,413.9k which ensures that no LA will receive less than their 2020/21 allocation. Had transitional funding not been applied, the value of grant received this year would have been almost 35% less than that of 2020/21. Any loss in funding has to be managed across the remaining backlog of works across the school estate.

4.3.9 At 1st July, there are 237 maintained schools in North Yorkshire: 3 Nursery, 207 Primary, 16 Secondary, 7 Special and 4 Pupil Referral Units. Of these, the Council is the responsible body for asset management purposes for 212 of these. Should any of these schools convert to academy status, funding will reduce as the associated grant is redirected to the academy.

4.3.10 There is no indication as to how long transitional funding will remain in place but any reduction or removal will present severe challenges to the Council's programme of delivery. The next Condition Data Collection is not expected to complete before 2026.

**Inflationary Pressures**

4.3.11 It is acknowledged, and was expected, that the UK construction market potentially experience some volatility with post-EU arrangements. This has been further impacted massively due to Covid related disruption to markets. There are resource and supply issues across the global industry including the availability of skilled staff, and the cost and availability of many materials including timber, cement, steel, glass and plastics.

4.3.12 The phased easing of Covid lockdown restrictions has resulted in the industry regaining momentum to levels well above that pre-pandemic.

4.3.13 In any given year, all efforts are made to manage normal annual percentage uplifts for inflation, plant and labour rates within the Capital Programmes of each directorate. However, there are greater risks this year of a negative impact on the ability of the Council to deliver its projects due to a lack of available capital budget.

4.3.14 As a result construction costs and tender prices will be carefully monitored over the next quarter to assess the potential for inflation pressures in the construction market to impact on the delivery of the of the Capital Programme. There are funds earmarked for general price rises that could be applied should the need arise or programmes would potentially have to be curtailed.

## 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 There are no new proposals this quarter.

## 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 66% of the total 2021/22 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 new grant allocations for 2021/22 are shown in the table below:

| Directorate | Grant | Grant Value £ |
|---|---|---|
| BES | Local Transport Plan Grant:<br>- Integrated Transport Block<br>- Highways Maintenance Block – Needs<br>- Highways Maintenance Block - Incentive | <br>3,046,000<br>16,454,000<br>4,113,000 |
| BES | Pothole and Challenge Fund | 16,454,000 |
| CYPS | Basic Need Grant | 3,381,680 |
| CYPS | School Condition Grant | 9,783,428 |
| CYPS | High Needs Provision Grant | 716,840 |
| CYPS | Devolved Formula Capital Grant (Schools) | 1,344,504 |

**Financing the Refreshed Capital Plan**

4.5.5 The following table indicates that there is potentially £17.7m of unallocated capital funding that might become available over the Capital Plan period (depending upon the realisation of forecast capital receipts).

| Source | 2021/22 £k | 2022/23 £k | 2023/24 £k | 2024/25 £k | Later Yrs £k |
|---|---|---|---|---|---|
| **Forecast Sources of Finance** | | | | | |
| Borrowing | 21,357 | -10,326 | -3,206 | 0 | 5,016 |
| Grants and Capital Contributions | 125,872 | 33,153 | 2,060 | 0 | 17,298 |
| Schemes financed from Revenue | 12,605 | 4,213 | 3,467 | 0 | 1,018 |
| Capital Receipts | 17,243 | 13,497 | 3,973 | 0 | 22,600 |
| **= Total Forecast Capital Funding** | **177,077** | **40,537** | **6,294** | **0** | **45,932** |
| - Updated Capital Plan | -171,200 | -38,265 | -6,214 | 0 | -36,430 |
| **= Unallocated Capital Resources** | 5,877 | 2,272 | 80 | 0 | 9,502 |
| Total potentially unallocated available over full capital reserves resources Capital Plan period | 17,731 | | | | |

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**; and

(b) 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

## 2021/22 CAPITAL BUDGET MONITORING - POSITION TO 30 JUNE 2021

## BUSINESS AND ENVIRONMENTAL SERVICES

| ITEM | Total £000 | Expenditure to 31.3.21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | Later Years £000 |
|---|---|---|---|---|---|---|
| **GROSS EXPENDITURE** | | | | | | |
| **HIGHWAYS & TRANSPORTATION ANNUAL PROGRAMME** | | | | | | |
| Structural Maintenance | 114,383 | 51,920 | 58,683 | 3,780 | - | - |
| Integrated Transport | 4,819 | 4 | 4,815 | - | - | - |
| New and Replacement Road Lighting Columns | 9,211 | 8,083 | 1,128 | - | - | - |
| Regional Funding Allocation | 450 | - | 30 | - | - | 420 |
| Overprogrammed Works | 6,160 | - | 6,160 | - | - | - |
| Flood Risk Management | 3,134 | 967 | 1,320 | 648 | 200 | - |
| **HIGHWAYS & TRANSPORTATION MAJOR PROJECTS** | | | | | | |
| Kex Gill Realignment | 4,622 | 2,840 | 1,782 | - | - | - |
| Junction 47 Improvements | 10,372 | 4,801 | 5,511 | 12 | 12 | 36 |
| Harrogate- York Rail Scheme | 9,600 | 9,600 | - | - | - | - |
| Bedale-Aiskew-Leeming Bar Major Scheme | 25,538 | 25,052 | 127 | 40 | - | 319 |
| A174 Sandsend Slope Stabilisation | 7,032 | 7,032 | - | - | - | - |
| Transforming Cities | 18,916 | 1,838 | 2,541 | 14,536 | - | - |
| **WASTE & COUNTRYSIDE SERVICES** | | | | | | |
| Waste Management Service | 621 | 4 | 92 | 15 | 15 | 495 |
| Waste Procurement Project | 5,641 | 5,534 | 107 | - | - | - |
| **ECONOMIC PARTNERSHIP UNIT** | | | | | | |
| Rural Connected Communities (5G) | 810 | 271 | 539 | - | - | - |
| Heritage Services | 162 | - | 162 | - | - | - |
| **GROWTH, PLANNING & TRADED SERVICES** | | | | | | |
| Local Growth Deal | 62,512 | 62,512 | - | - | - | - |
| Getting Building Fund | 5,339 | - | 5,339 | - | - | - |
| **TOTAL GROSS SPEND** | **289,321** | **180,456** | **88,337.3** | **19,031.1** | **227.0** | **1,269.7** |
| Last Update | 244,650 | 153,765 | 76,487 | 12,801 | 227 | 1,370 |
| **CAPITAL GRANTS & CONTRIBUTIONS** | | | | | | |
| Capital Grants | | | | | | |
| - Local Transport Plan Grant | 36,017 CR | 3,931 CR | 32,086 CR | - | - | - |
| - National Productivity Investment Fund | 3,245 CR | 1,160 CR | 2,085 CR | - | - | - |
| - Safer Roads Fund | 11,552 CR | 2,286 CR | 5,486 CR | 3,780 CR | - | - |
| - Highways England Grant | 3,126 CR | 563 CR | 2,563 CR | - | - | - |
| - Section 31 DfT Grants | 23,953 CR | 23,144 CR | 809 CR | - | - | - |
| - Transforming Cities Fund Grant | 18,616 CR | 1,838 CR | 2,541 CR | 14,236 CR | - | - |
| - EA Grant | 5,518 CR | 5,093 CR | 33 CR | 392 CR | - | - |
| - Waste Capital Grants | 411 CR | - | - | - | - | 411 CR |
| - DfT Grant | 16,454 CR | - | 16,454 CR | - | - | - |
| - Local Growth Deal | 103,887 CR | 101,488 CR | 2,399 CR | - | - | - |
| - Getting Building Fund | 11,339 CR | 4,262 CR | 7,077 CR | - | - | - |
| - DCMS Grant | 810 CR | 271 CR | 539 CR | - | - | - |
| Other Capital Grants | 100 CR | - | - | 100 CR | - | - |
| Capital Contributions | 4,081 CR | 2,578 CR | 1,302 CR | - | 200 CR | - |
| S106 Contributions | 629 CR | - | 208 CR | - | - | 420 CR |
| LEP Growing Places Fund/Teckal Loan Repayments | 10,000 CR | 25 CR | 9,976 CR | - | - | - |
| Revenue Contributions | | | | | | |
| - Road Lighting Columns | 8,211 CR | 8,083 CR | 128 CR | - | - | - |
| - Structural Maintenance of Roads | 15,000 CR | 15,000 CR | - | - | - | - |
| - Kex Gill | 4,622 CR | 2,840 CR | 1,782 CR | - | - | - |
| - Flood Risk Management | 1,583 CR | 137 CR | 1,290 CR | 156 CR | - | - |
| - Junction 47 | 1,187 CR | - | 1,127 CR | 12 CR | 12 CR | 36 CR |
| - Transforming Cities | 300 CR | - | - | 300 CR | - | - |
| - BALB (PIP) | 2,288 CR | 1,802 CR | 127 CR | 40 CR | - | 319 CR |
| - Other Revenue Contributions | 663 CR | 492 CR | 142 CR | 15 CR | 15 CR | - |
| **TOTAL GRANTS AND CONTRIBUTIONS** | **283,590 CR** | **174,992 CR** | **88,153 CR** | **19,031 CR** | **227 CR** | **1,186 CR** |
| Last Update | 246,118 CR | 148,304 CR | 83,500 CR | 12,801 CR | 227 CR | 1,287 CR |
| | | | | | | |
| **TOTAL NET EXPENDITURE** | **5,732** | **5,464** | **184.2** | **-** | **-** | **83.5** |
| Last Update | 1,469 CR | 5,461 | 7,012.8 CR | - | - | 83.5 |

APPENDIX B

## 2021/22 CAPITAL BUDGET MONITORING - POSITION TO 30 JUNE 2021

### CHILDREN AND YOUNG PEOPLE'S SERVICE

| ITEM | Total £000 | Expenditure to 31.3.21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | Later Years £000 |
|---|---|---|---|---|---|---|---|
| **GROSS EXPENDITURE** | | | | | | | |
| **NYCC MANAGED SCHOOL SCHEMES** | | | | | | | |
| Basic Need Schemes | 49,217 | - | 21,283 | 12,489 | - | - | 15,445 |
| School Condition Schemes | 21,380 | - | 20,702 | 296 | - | - | 382 |
| Capital Maintenance Programme | 4,469 | - | 4,469 | - | - | - | - |
| General Compliance & Health and Safety | 350 | - | 350 | - | - | - | - |
| Strategic Management of Capital | 348 | - | 348 | - | - | - | - |
| **SCHOOL MANAGED SCHEMES** | | | | | | | |
| Self Help Schemes | 9,025 | - | 3,025 | 3,000 | 3,000 | - | - |
| Devolved Formula Capital Grant Funding | 3,980 | - | 1,260 | 1,360 | 1,360 | - | - |
| **NYCC NON-SCHOOL MANAGED SCHEMES** | | | | | | | |
| Catering Equipment | 720 | - | 240 | 240 | 240 | - | - |
| Prevention & Commissioning | 109 | - | - | - | - | - | 109 |
| **TOTAL GROSS SPEND** | **89,597** | **-** | **51,676** | **17,385** | **4,600** | **-** | **15,937** |
| Last Update | 62,795 | - | 31,380 | 11,815 | 4,640 | - | 14,961 |
| **CAPITAL GRANTS & CONTRIBUTIONS** | | | | | | | |
| **NYCC MANAGED SCHOOL SCHEMES** | | | | | | | |
| Capital Grants | | | | | | | |
| - Basic Need Grant | 18,350 CR | - | 7,427 CR | 8,096 CR | - | - | 2,827 CR |
| - Devolved Capital Grant | 185 CR | - | 185 CR | - | - | - | - |
| - School Condition Grant | 24,397 CR | - | 24,101 CR | 296 CR | - | - | - |
| - Special Provision Capital Fund Grant | 906 CR | - | 906 CR | - | - | - | - |
| - Other Capital Grants | 12 CR | - | 12 CR | - | - | - | - |
| Capital Contributions | | | | | | | |
| - Section 106 Income | 28,591 CR | - | 11,343 CR | 4,393 CR | - | - | 12,855 CR |
| - Other Capital Contributions | 679 CR | - | 679 CR | - | - | - | - |
| Revenue Contributions | | | | | | | |
| **SCHOOL MANAGED SCHEMES** | | | | | | | |
| Capital Grants | | | | | | | |
| - Devolved Capital Grant | 3,980 CR | - | 1,260 CR | 1,360 CR | 1,360 CR | - | - |
| - Sport Organisation Grants | 25 CR | - | 25 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 |
| Capital Contributions | | | | | | | |
| Revenue Contributions | | | | | | | |
| - Catering Equipment | 720 CR | - | 240 CR | 240 CR | 240 CR | - | - |
| - Other Revenue Contributions | - | - | - | - | - | - | - |
| **TOTAL GRANTS AND CONTRIBUTIONS** | **86,954 CR** | **-** | **49,178 CR** | **17,385 CR** | **4,600 CR** | **-** | **15,791 CR** |
| Last Update | 61,402 CR | - | 30,133 CR | 11,815 CR | 4,640 CR | - | 14,815 CR |
| | | | | | | | |
| **TOTAL NET EXPENDITURE** | **2,643** | **-** | **2,498** | **-** | **-** | **-** | **146** |
| Last Update | 1,393 | - | 1,248 | - | - | - | 146 |

| ITEM | 2021/22 CAPITAL BUDGET MONITORING - POSITION TO 30 JUNE 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | CENTRAL SERVICES | | | | | | |
| | Total<br>£000 | Expenditure to 31.3.21<br>£000 | 2021/22<br>£000 | 2022/23<br>£000 | 2023/24<br>£000 | 2024/25<br>£000 | Later Years<br>£000 |
| **GROSS EXPENDITURE** | | | | | | | |
| County Hall Redevelopment | 6,444 | 5,468 | 976 | - | - | - | - |
| Property Rationalisation | 1,500 | 317 | 1,183 | - | - | - | - |
| Library Service Property Schemes | 290 | - | 40 | 250 | - | - | - |
| County Farm Properties | 200 | - | 200 | - | - | - | - |
| Public Sector Decarbonisation Scheme 2021/22 | 1,931 | | 1,931 | - | - | - | - |
| Travellers Sites | - | - | - | - | - | - | - |
| T&C Projects | 350 | - | 350 | - | - | - | - |
| T&C Roadmap 2020/2025 | 3,221 | 71 | 1,189 | 700 | 700 | - | 561 |
| GBF Digital Infrastructure Programme | 3,000 | - | 3,000 | - | - | - | - |
| Super Fast Broadband Scheme | 840 | 154 | - | - | - | - | 686 |
| Library Schemes | 731 | 731 | - | - | - | - | - |
| Purchase of Vehicles, Plant & Equipment | 300 | - | 100 | 100 | 100 | - | - |
| Material Damage Provision | 1,500 | - | 500 | 500 | 500 | - | - |
| Capital Investments | - | - | - | - | - | - | - |
| Capital Loan Provisions | 1,955 | 1,955 | - | - | - | - | - |
| Loans to Limited Companies | 41,737 | 15,803 | 17,715 | - | 87 | - | 8,132 |
| Investments in Limited Companies | 1,000 | 1,000 | - | - | - | - | - |
| **TOTAL GROSS SPEND** | **64,998** | **25,499** | **27,183** | **1,550** | **1,387** | **-** | **9,379** |
| Last Update | 47,148 | 16,963 | 21,669 | 1,300 | 1,387 | - | 5,829 |
| **CAPITAL GRANTS & CONTRIBUTIONS** | | | | | | | |
| Capital Grants | | | | | | | |
| - Getting Building Fund | 3,000 CR | - | 3,000 CR | - | - | - | - |
| - Performance Reward Grant | 3,081 CR | 125 CR | 2,281 CR | - | - | - | 676 CR |
| Capital Contributions | | | | | | | |
| Loan Repayments | 43,691 CR | 1,183 CR | 4,704 CR | 11,861 CR | 3,923 CR | - | 22,020 CR |
| Revenue Contributions | | | | | | | |
| - Revenue Contributions - Property | 6,194 CR | 5,468 CR | 726 CR | - | - | - | - |
| - Revenue Contribution - Technology & Change | 2,790 CR | 100 CR | 1,189 CR | 700 CR | 700 CR | - | 100 CR |
| - Revenue Contribution - Other | 290 CR | - | 40 CR | 250 CR | - | - | - |
| - Revenue Contribution - Library Kiosks | 703 CR | 703 CR | - | - | - | - | - |
| - Revenue Contributions - Limited Companies | 1,000 CR | 1,000 CR | - | - | - | - | - |
| **TOTAL GRANTS AND CONTRIBUTIONS** | **60,749 CR** | **8,579 CR** | **11,939 CR** | **12,811 CR** | **4,623 CR** | **-** | **22,797 CR** |
| Last Update | 51,536 CR | 5,224 CR | 7,658 CR | 12,447 CR | 4,505 CR | - | 21,702 CR |
| | | | | | | | |
| **TOTAL NET EXPENDITURE** | **4,249** | **16,920** | **15,244** | **11,261 CR** | **3,236 CR** | **-** | **13,418 CR** |
| Last Update | 4,389 CR | 11,738 | 14,011 | 11,147 CR | 3,118 CR | - | 15,873 CR |

APPENDIX D

## 2021/22 CAPITAL BUDGET MONITORING - POSITION TO 30 JUNE 2021

### HEALTH AND ADULT SERVICES

| ITEM | Total £000 | Expenditure to 31.3.21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | Later Years £000 |
|---|---|---|---|---|---|---|---|
| **GROSS EXPENDITURE** | | | | | | | |
| Maintaining Fabric / Facilities of Properties | 989 | - | 690 | 299 | - | - | - |
| Extra Care Scheme (Invest to Save) | 13,159 | - | 3,314 | - | - | - | 9,845 |
| **TOTAL GROSS SPEND** | **14,149** | **-** | **4,004** | **299** | **-** | **-** | **9,845** |
| Last Update | 11,660 | - | 8,207 | 254 | - | | 3,199 |
| **CAPITAL GRANTS & CONTRIBUTIONS** | | | | | | | |
| Capital Grants | | | | | | | |
| - PSS Capital Grant | 572 CR | - | 572 CR | - | - | - | - |
| Revenue Contributions | | | | | | | |
| - Revenue Contributions - PIP Funding | 3,877 CR | - | 3,314 CR | - | - | - | 563 CR |
| **TOTAL GRANTS AND CONTRIBUTIONS** | **4,449 CR** | **-** | **3,886 CR** | **-** | **-** | **-** | **563 CR** |
| Last Update | 1,960 CR | - | 1,960 CR | - | - | - | - |
| | | | | | | | |
| **TOTAL NET EXPENDITURE** | **9,700** | **-** | **118** | **299** | **-** | **-** | **9,282** |
| Last Update | 9,700 | - | 6,247 | 254 | - | - | 3,199 |

## FINANCING OF CAPITAL PLAN

### Q1 2021/22

| | 2021/22 £000s | 2022/23 £000s | 2023/24 £000s | 2024/25 £000s | Later Yrs £000s |
|---|---|---|---|---|---|
| **A FORECAST FUNDING AVAILABLE** | | | | | |
| **1 Borrowing** | | | | | |
| Prudential (Unsupported) Borrowing | 2,938 | 486 | 482 | 0 | -46,979 |
| Rephased borrowing (capital expenditure & receipts slippage) | 18,419 | -10,812 | -3,688 | 0 | 51,995 |
| | 21,357 | -10,326 | -3,206 | 0 | 5,016 |
| **2 Capital Grants and Contributions** | | | | | |
| Health & Adult Services | 572 | 0 | 0 | 0 | 0 |
| Business & Environmental Services | 73,582 | 18,508 | 200 | 0 | 831 |
| Children & Young People's Service | 46,438 | 14,645 | 1,860 | 0 | 15,791 |
| Central Services | 5,281 | 0 | 0 | 0 | 676 |
| | 125,872 | 33,153 | 2,060 | 0 | 17,298 |
| **3 Schemes financed from Revenue** | | | | | |
| Health & Adult Services | 3,314 | 0 | 0 | 0 | 563 |
| Business & Environmental Services | 4,596 | 523 | 27 | 0 | 355 |
| Children & Young People's Service | 2,740 | 2,740 | 2,740 | 0 | 0 |
| Central Services | 1,955 | 950 | 700 | 0 | 100 |
| | 12,605 | 4,213 | 3,467 | 0 | 1,018 |
| **4 Capital Receipts available to finance Capital Spending** | | | | | |
| Other capital receipts from sale of properties | 2,564 | 1,636 | 50 | 0 | 580 |
| LEP Growing Places Loan Repayment (classed as capital receipts) | 0 | 0 | 0 | 0 | 0 |
| Highways Teckal Advance Purchase Provision | 9,976 | 0 | 0 | 0 | 0 |
| Company & Other Loan Repayments (treated as capital receipts) | 4,704 | 11,861 | 3,923 | 0 | 22,020 |
| | 17,243 | 13,497 | 3,973 | 0 | 22,600 |
| **= Total Forecast Funding Available** | **177,077** | **40,537** | **6,294** | **0** | **45,932** |
| **B CAPITAL PLAN** Updated gross spend | **-171,200** | **-38,265** | **-6,214** | **0** | **-36,430** |
| **C FUNDING REMAINING** | **5,877** | **2,271** | **80** | **0** | **9,502** |
| **D TOTAL FUNDING REMAINING** | | | | | **17,730** |

## 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 2021/22 to 2023/24 were approved by Executive on 26 January 2021 and subsequently by County Council on 17 February 2021 and were based on a 2020/21 Q3 Capital Plan as at 31 December 2020.

5.3 The Annual Treasury Management and Prudential Indicators report for 2020/21 was submitted to Executive on 25 May 2021. This reported the 2020/21 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 2020/21 outturn report did not however consider any consequential changes to the Indicators set for the three year period 2021/22 to 2023/24.

5.4 It is therefore necessary to consider and revise the Prudential Indicators for the three years up to 31 March 2024. 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 2021

(b) updated Indicators as at August 2021

(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) 2020/21 outturn – capital spending, capital financing and borrowing as reported to Executive on 25 May 2021

(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 2021/22 to 2023/24 as set out in **Appendix A**.

**Appendix A - Prudential Indicators 2021/22 – 2023/24 update**

# PRUDENTIAL INDICATORS UPDATE – FOR 2021/22 TO 2023/24
# (EXECUTIVE – 24 AUGUST 2021)

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 2018/19 and 2019/20 are as follows:

| Year | February 2021 | | Update August 2021 | |
|---|---|---|---|---|
| | **Basis** | **%** | **Basis** | **%** |
| 2020/21 | actual | 10.4 | actual | 10.4 |
| 2021/22 | estimate | 10.7 | estimate | 10.7 |
| 2022/23 | estimate | 10.3 | estimate | 10.6 |
| 2023/24 | estimate | 9.5 | estimate | 9.9 |

(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 2021 | | Update August 2021 | |
|---|---|---|---|---|
| | **Basis** | **%** | **Basis** | **%** |
| 2020/21 | actual | 5.7 | actual | 5.7 |
| 2021/22 | estimate | 5.2 | estimate | 5.5 |
| 2022/23 | estimate | 5.0 | estimate | 5.1 |
| 2023/24 | estimate | 4.6 | estimate | 4.7 |

**Comment**

The estimates of financing costs include current Capital Plan commitments based on the latest 2021/22 Q1 Capital Plan.

The updated estimates for 2021/22 to 2023/24 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 2023/24

(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 2019/20 and 2020/21 and the latest estimates of capital expenditure to be incurred for the current and future years are:

| Year | February 2021 | | Update August 2021 | |
|---|---|---|---|---|
| | **Basis** | £m | **Basis** | £m |
| 2020/21 | actual | 119.6 | actual | 119.6 |
| 2021/22 | estimate | 181.2 | estimate | 171.2 |
| 2022/23 | estimate | 26.2 | estimate | 38.3 |
| 2023/24 | estimate | 6.3 | estimate | 6.2 |

The above figures reflect the updated Capital Plan (Q1 2021/22) 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.

**Comment**

The Indicators approved by Executive on 26 January 2021 were based on a Capital Plan up to 31 December 2020. This Indicator now reflects the Capital Outturn in 2020/21 and the Capital Plan update for Q1 2021/22.

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 2020/21 outturn and Q1 2021/22 to later years

(c) various other Capital approvals and refinements reflected in the latest Capital Plan update

| 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 2021 | | | | Update August 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | **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 21 | actual | 288.7 | 151.6 | 440.3 | actual | 288.7 | 151.6 | 440.3 |
| 31 Mar 22 | estimate | 302.4 | 176.1 | 478.6 | estimate | 293.1 | 176.2 | 469.2 |
| 31 Mar 23 | estimate | 280.0 | 170.6 | 450.6 | estimate | 269.9 | 170.6 | 440.5 |
| 31 Mar 24 | estimate | 266.5 | 165.4 | 431.9 | estimate | 256.3 | 165.4 | 421.6 |

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 2021 figures were based on a Capital Plan approved as at 31 December 2020.

The updated figures reflect the following variations to the February 2021 figures

(a) re-phasing between years of expenditure that is funded from borrowing including slippage between years identified at 2020/21 outturn and Q1 2021/22

(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**<br><br>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 (2020/21), plus the estimate of any additional capital financing requirement for the current (2021/22) and next three financial years (2022/23 to 2023/24). 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.<br><br>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.<br><br>The Corporate Director – Strategic Resources reports that the County Council had no difficulty in meeting this requirement up to 2020/21 nor are any difficulties envisaged for the current or future years of the Medium Term Financial Strategy up to 2023/24. 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 2021/22 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.<br><br>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.<br><br>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.<br><br>This situation, however, could be reversed in future as a result of two key factors:<br><br>(i) externalising some or all of the internally financed CFR together with<br><br>(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).<br><br>This potential situation will be monitored carefully by the Corporate Director – Strategic Resources. |

| Prudential Indicator | Comment |
|---|---|
| **5 Authorised Limit for External Debt**<br><br>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.<br><br>The Prudential Code requires external borrowing and other long term liabilities (PFI and Finance leases) to be identified separately.<br><br>The authorised limit for 2021/22 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 2021/22 Revenue Budget and Medium Term Financial Strategy and with its approved Treasury Management Policy Statement.<br><br>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.<br><br>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 2021 | | | August 2021 | | |
|---|---|---|---|---|---|---|
| | Borrowing | Other Long Term Liabilities (PFI etc) | Total | Borrowing | Other Long Term Liabilities (PFI etc) | Total |
| | £m | £m | £m | £m | £m | £m |
| 2021/22 | 384.3 | 176.2 | 560.5 | 303.3 | 176.2 | 479.5 |
| 2022/23 | 352.2 | 170.6 | 522.8 | 340.7 | 170.6 | 511.3 |
| 2023/24 | 392.4 | 165.4 | 557.8 | 300.2 | 165.4 | 465.5 |

| Prudential Indicator | Comment |
| --- | --- |
| **6 Operational Boundary for External Debt**<br><br>It is recommended that the County Council approves the following Operational Boundary for external debt for the same period.<br><br>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.<br><br>The updated figures reflect refinements which are common to the Capital Financing Requirement (see **Indicator 3** above), together with<br><br>(a) relative levels of capital expenditure funded internally from cash balances rather than taking external debt<br><br>(b) loan repayment cover arrangements and the timing of such arrangements<br><br>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 2021 | | | August 2021 | | |
| --- | --- | --- | --- | --- | --- | --- |
| | **Borrowing** | **Other Long Term Liabilities (PFI etc)** | **Total** | **Borrowing** | **Other Long Term Liabilities (PFI etc)** | **Total** |
| | £m | £m | £m | £m | £m | £m |
| 2021/22 | 364.3 | 176.2 | 540.5 | 283.3 | 176.2 | 459.5 |
| 2022/23 | 332.2 | 170.6 | 502.8 | 320.7 | 170.6 | 491.3 |
| 2023/24 | 372.4 | 165.4 | 537.8 | 280.2 | 165.4 | 445.5 |

| Prudential Indicator | Comment |
|---|---|
| **7 Actual External Debt**<br>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 2021 | | | | Update August 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 21 | actual | 236.0 | 151.6 | 387.6 | actual | 236.0 | 151.6 | 387.6 |
| 31 Mar 22 | estimate | 221.8 | 176.2 | 398.0 | estimate | 221.8 | 176.2 | 398.0 |
| 31 Mar 23 | estimate | 208.5 | 170.6 | 379.1 | estimate | 208.5 | 170.6 | 379.1 |
| 31 Mar 24 | estimate | 208.5 | 165.4 | 373.9 | estimate | 208.5 | 165.4 | 373.9 |

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)**<br>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.<br>The actual position at 31 March 2021 was 8% (£20m out of a total of £236.0) 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**<br><br>The upper and lower limits for the maturity structure of County Council borrowings are as follows:-<br><br>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 21 | Forecast 1 April 22 |
|---|---|---|---|---|
| | % | % | % | % |
| 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 | 4 | 5 |
| 5 years and within 10 years | 0 | 75 | 3 | 11 |
| 10 years and within 25 years | 10 | 100 | 7 | 21 |
| 25 years and within 50 years | 10 | 100 | 74 | 57 |
| | | | 100 | 100 |

| Prudential Indicator | Comment |
|---|---|
| **10 Total Principal Sums Invested for periods longer than 365 days**<br><br>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.<br><br>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.**<br><br>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.<br><br>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.<br><br>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

8.1 The recommendations have been made in the body of the report and are listed again here.

i) The Executive is asked to note:

a) the latest position for the County Council's 2021/22 Revenue Budget, as summarised in **paragraph 2.1.2.**

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

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

d) the position on the County Council's Treasury Management activities during the first quarter of 2021/22

ii) The Executive is also asked to recommend to the Chief Executive Officer that using his emergency delegated powers, he:

e) approves the creation of the Local Government Review transition fund **(paragraphs 2.5.1 to 2.5.7)**

f) approves the amendments to the Approved Lending List

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

h) approves the refreshed Capital Plan summarised at **paragraph 4.2.3**; and

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

j) recommends to the County Council that it approves the revised Prudential Indicators for the period 2021/22 to 2023/24 as set out in **Appendix A**

Richard Flinton
Chief Executive
18 August 2021

Gary Fielding
Corporate Director, Strategic Resources