Appendix 1

FINANCIAL MONITORING REPORT - PERIOD 2 2022/23

SECTION 1: SUMMARY

Revenue Budget

1.1 This is the second Financial Monitoring Report of 2022/23 and covers the period from April 2022 to September 2022. This report has been prepared excluding the financial implications of any other reports presented on the same agenda which may have budget implications. However, any such reports may be referenced in this report. There will be one further monitoring report covering quarter 3 and a final outturn report covering the full-year financial performance for 2022/23.

1.2 At this stage in the year there is a forecast service overspend of £10.795m against the current net revenue budget of £166.326m. This position includes a forecast of £3.700m in respect of the Local Government Pay Offer. Corporate variances will offset this by £3.099m resulting in a net budget overspend variation of £7.696m.

1.3 The Corporate variations are one off in nature for 2022/23. Without these variations the overall forecast position would have been significantly worse and resulted in a lower forecast level of general fund balances.

1.4 There are adverse forecast movements in a number of portfolios since the last report was considered by Cabinet on 14 July 2022:

(i) Integrated Care and Health (+£0.871m)

(ii) Children and Young People (+£3.846m)

(iii) Environment and Transport (+£0.912m)

(iv) Regeneration and Planning (+£0.619m)

Other portfolios are showing a favourable movement since the previous report.

1.5 The Financial Monitoring Report approved by Cabinet on 13 July 2022 identified the extraordinary inflationary risks to the Council this year and into the future. On 5 October 2022, Cabinet approved an Interim Budget Report providing forecasts of the inflationary implications including a sensitivity analysis for 2022/23. The inflationary financial modelling forecast pressures of £7.5m based on a series of revised assumptions with a risk that the upper exposure could be circa £12m. It must be noted that these figures exclude pressures arising from demand and the implementation of approved budget savings.

1.6 Financial modelling, amid a volatile and uncertain financial outlook, is an ongoing process, to quantify and refine the implications on the revenue budgets. However, this report includes estimates of the current impact of increases in pay, fuel, energy, food, and other commodities. It should be noted some goods and services will be offered some immediate protection against the current volatility, due to the terms of individual contractual arrangements.

1.7 The 2022/23 approved budget allowed for pay inflation to be in the region of 3%. This report includes a forecast in respect of the additional pay costs on portfolio budgets based on the employer pay offer and the financial implication of the government's decision to reverse the 1.25% increase in National Insurance contributions for 2022/23 from 6 November 2022.

1.8 On 22 September 2022 the Health and Social Care Levy (Repeal) Bill was introduced and as a consequence of this measure the 1.25% Health and Social Care Levy introduced by the Health and Social Care Levy Act 2021 will not come into force in April 2023.

1.9 As noted in the Cabinet Report on 5 October 2022, commentaries from respected economists and organisations in relation to forecast inflation vary widely both in terms of the level of inflation and the timeframe over which such elevated levels will be experienced. Such uncertainty and economic volatility demonstrate the financial challenge the Council faces in forecasting the inflationary impact on its budgets with any degree of reasonable certainty.

1.10 At this stage with the exception of funding available through eligibility to the Energy Bill Relief scheme, for which further clarification is required, no further additional government funding has been made available. In the absence of the requisite level of government funding proactive and robust management will be required to identify mitigations that can be put in place to reduce budget pressures and these actions will inevitably need to include further reductions in service provision, which brings consequential impact on the residents of the Borough.

1.11 In addition, it is further likely that the current inflationary environment will see an increase in business failure, which would present further risks to the Council's financial position in terms of reductions in business rate yield and other income receivable via rents, service charges, service contracts and wider fees and charges.

1.12 Inflationary pressures are particularly damaging for Council finances, as unlike some other sectors, councils do not have the ability to passport additional costs pressures on to local residents or businesses. When faced with such an extreme inflationary environment the Council fully recognises the social responsibility to not expect residents, who are facing the biggest cost of living squeeze for decades, to pay for the essential support which they need.

1.13 The gravity of this position cannot be overstated and the Council's ability to absorb the inflationary pressures detailed within this report alongside pressures from increasing demand and the delivery of savings is extremely challenging. Cessation of non-essential expenditure and recruitment freezes remain in place and a series of additional actions to address the forecast budget position are critical in order to reduce the significant financial risks facing the Council and ensure its ongoing financial sustainability and resilience.

1.14 The outlook for the future is one of concern with a number of economists forecasting a period of recession and the likelihood that a period of austerity will follow as the government develops its policies, with the potential for protection of services such as Health and Defence with other government departments facing a reduction in their budgets.

1.15 The Mid-Year Medium Term Financial Strategy Update 2022-2025 is being presented on the same agenda as this report and includes an update on the financial position for the period 2022-2025, including modelling of inflationary, demand, funding and other pressures, uncertainties and risks the Council is facing.

Savings Programme

1.16 The 2022/23 budget was approved by Council on 2 March 2022, and in doing so, members agreed to the delivery of £6.044m savings during the year. In addition to the delivery of the 2022/23 savings, it should be noted that there was a delay in the implementation of a number of 2021/22 savings. Section 3 provides a summary of the latest position and portfolio commentaries provide additional information in relation to the progress towards delivering approved budget savings.

1.17 At the midpoint in the year, £3.396m of savings are either not achievable or there is a delay in full implementation. One-off mitigating actions of £1.172m have been identified for 2022/23. However, at this stage £2.224m of approved savings (2022/23 and 2021/22) have no identified mitigations and this presents a significant risk to the Council's budget position for 2022/23. This position will impact on the 2023/24 budget and at this stage this could potentially be circa £3m.

1.18 It is critical that action plans continue to be addressed and implemented to ensure savings are managed and delivered or alternative permanent reductions in spend can be achieved.

Financial Outlook

1.19 It is recognised that the financial environment within which the Council operates presents significant financial challenges that will continue into the foreseeable future. The inflationary impact is immense, with a high likelihood that there will be some use of reserves given the magnitude of the inflationary pressures being faced this year. It is crucial that decisive and strong actions are taken with immediate effect to minimise the impact on not only the current year's budget position but also next year's budget and the development of the Medium-Term Financial Strategy to ensure the Council remains robust, efficient and financially sustainable.

1.20 In addition, the non-delivery of portfolio savings presents key risks across the Council and other financial risks include those pressures from demand led expenditure budgets, particularly within Adults and Children's social care which may be exacerbated by the cost-of-living crisis as more individuals and families face financial difficulties and become increasingly in need of Council support. Within some income budgets there exists the potential for market volatility and also reduced opportunities for income generation as customers' and residents' spending patterns change and disposable income reduces.

1.21 In addition, with uncertainty over the mechanism and timetable of how funding for local government will change, and how the Levelling Up Agenda will translate into policy nationally and at a local level the financial outlook remains extremely challenging and uncertain.

Capital Budget

1.22 The capital programme covers a three-year period through to 2024/25. The capital budget has been updated and key revisions this quarter relate to the rephasing of schemes to reflect latest forecast activity, the inclusion of a new scheme relating to repairs of Huskisson bridge and increased grant funding for Parkside Link Road mitigation works. Further details are included in Annex F alongside commentary on progress on delivery of the most significant capital schemes.

1.23 The current economic climate is presenting challenges to delivery of the capital programme, including increased costs and delays. In addition, the recent increase in borrowing rates will impact on the affordability of schemes, particularly those in the capital pipeline.

Reserves and Balances

1.24 The report provides detail of the position on the Council's reserves and balances. Members will recall that as part of the Medium-Term Financial Strategy the Council agreed to rebuild reserves over the short to medium term to allow for resources to be available to afford the Council some additional financial resilience from changes in funding, inflationary pressures and unexpected events, whilst at the same time having sufficient resources to support its ambitious strategic priorities. It should be noted that the Council's reserves are not set at an excessive level and it is prudent and important to protect reserves to ensure future financial resilience and sustainability.

1.25 However, given the scale of the inflationary pressures and the challenging financial environment it is highly likely at this stage to result in utilisation of the Council's Reserves in the year. This position is in contrast to the current Reserves Strategy and Medium-Term Financial Strategy noted in 1.24.

1.26 Based on the reported outturn position in Table 1 the level of general fund balances as at March 2023 is forecast to be £5.440m. This is a reduction of £4.873m from the previous report where the level of balances was forecast to be £10.313m.

1.27 Such use of reserves, general or earmarked, to address recurrent pressures is not sustainable and the Council faces difficult and unpalatable decisions in order to deliver its ambitions, ensure its financial sustainability and deliver a balanced budget.

1.28 Section 5.2 provides a summary of general and Covid earmarked reserves until March 2023, whilst Annex E provides details on the forecast level of general earmarked reserves to March 2025.

Treasury Management

1.29 This report provides the Interim Treasury Management Strategy Report 2022/23 included at Annex G.

SECTION 2: REVENUE BUDGET

2.1 The Budget and Forecast Outturn positions for 2022/23 are summarised in Table 1. At the mid-point in the year there are forecast portfolio budget pressures of £10.795m.

2.2 The figures detailed in Table 1 include an estimate of the impact of the local government pay settlement for 2022/23 (£3.7m) based on the employer's final offer of a £1,925 increase per year for all NJC pay points from April 2022, and the financial implication of the government's decision to reverse the 1.25% increase in National Insurance contributions for 2022/23 from 6 November 2022 (£0.250m).

2.3 There are underspends within the corporate budgets of £3.099m, as a result of a reduction in the Minimum Revenue Provision due to a reprofiling of capital schemes during 2021/22, increased investment income as a consequence of higher returns on new investments and reduced borrowing costs due to the deferral of borrowing during the year.

2.4 As highlighted in the previous Financial Monitoring Report presented to Cabinet on 13 July 2022, the impact of inflationary pressures is significant as these pressures crystalise. These inflationary pressures are in addition to current service demand pressures, and pressures arising from the non-delivery and delay in implementation of approved budget savings. For each portfolio, a commentary is provided detailing the impact of the above and highlighting other significant variances against the current budget.

2.5 Work is continuing to refine the level of inflationary pressures the Council is facing, but it must be recognised given the uncertainty and volatility in the economy, financial forecasting is extremely challenging. There is constant flux and change in the economy as the market responds to government policy.

2.6 At this stage, with the exception of reliefs from the Energy Bill Relief Scheme no additional funding has been made available from central government. Further details of the Energy Relief Scheme are awaited, and forecasts will be updated in subsequent Financial Monitoring Reports. Furthermore, it should be noted the scheme will only operate from 1 October 2022 to 31 March 2023.

2.7 The progress towards the delivery of £6.044m 2022/23 portfolio savings is detailed in Section 3. Matters relating to the delivery of £3.525m savings from 2021/22 which were not implemented in full during the last financial year is also detailed in Section 3.

2.8 The current position is extraordinary, with inflation being at its highest for more than 40 years, and the immediate and future impact on the Council's budget position is profound and the financial risks are immense. There is full recognition of the requirement for management to take actions to minimise the financial risk to the Council not only for this year, but in future years, and not only from inflation but also those pressures arising from increasing demand, delivery of savings and other prevailing budget pressures. Inevitably, and regrettably any decisions to reduce / cease spending will impact on the Borough's residents.

Table 1 – Revenue Budget 2022/23	Current Budget (a) £000	Forecast outturn at Q2 (b) £000	Variance at Q2 + / - (b)-(a) £000	Variance at Q1 + / - (b)-(a) £000	Section Reference
Inclusive Economy, Business and Skills	13,101	12,797	(304)	0	2.9
Children and Young People	47,827	52,438	+4,611	+765	2.10
Integrated Care	56,488	58,040	+1,552	+681	2.11
Wellbeing, Culture and Heritage	5,050	4,685	(365)	+678	2.12
Finance and Governance	6,504	6,239	(265)	(70)	2.13
Transformation	1,464	1,411	(53)	(13)	2.14
Environment and Transport	21,600	23,019	+1,419	+507	2.15
Regeneration and Planning	5,228	6,100	+872	+253	2.16
Safer, Stronger Communities	9,064	8,942	(122)	+22	2.17
Pay Award and NI	0	3,450	+3,450	0	2.2
Net Portfolio Budgets	**166,326**	**177,121**	**+10,795**	**+2,823**	
Levies & Precepts	22,718	22,718	0	0	
Treasury Management	11,254	8,155	(3,099)	0	2.18
Restructuring Costs	1,002	1,002	0	0	
Transfers to / (from) Earmarked Reserves - General	(2,321)	(2,321)	0	0	
Transfers to / (from) Earmarked Reserves - Covid	(11,076)	(11,076)	0	0	
Capital Charges	(15,381)	(15,381)	0	0	
Net Corporate Items	**6,196**	**3,097**	**(3,099)**	**0**	
Council Tax / Retained Business Rates	(134,411)	(134,411)	0	0	
Collection Fund Deficit	8,682	8,682	0	0	
Top Up	(21,070)	(21,070)	0	0	
Section 31 Grant	(13,685)	(13,685)	0	0	
2022/23 Services Grant	(3,186)	(3,186)	0	0	
Covid Additional Relief Fund (CARF) Grant	(3,189)	(3,189)	0	0	
Other Funding	(5,376)	(5,376)	0	0	
Funding	**(172,235)**	**(172,235)**	**0**	**0**	
NET POSITION 2022/23	**287**	**7,983**	**+7,696**	**+2,823**	

The previous budget approved by Cabinet on 13 July 2022 has been revised to include:

(i) Approved use of earmarked reserves in the period and rephasing of previously approved use of reserves during 2022/23 into 2023/24.

(ii) Neutral ‘technical adjustments’ between portfolios (e.g. recharges).

Details of portfolio budget movements can be found in Annex A. This report also provides details of the forecast outturn position on a priority basis at Annex B.

Portfolio Budget Position

For 2022/23 an in-year portfolio overspend of £11.045m against the current service budgets is being projected based on the respective forecast outturn positions, as shown in Table 1. Commentary in relation to the key portfolio variations is detailed in sections 2.9 to 2.17.

2.9 Inclusive Economy, Business and Skills

Inclusive Economy, Business and Skills	**Current Expend. Budget 2022/23 £000 (a)**	**Current Income Budget 2022/23 £000 (b)**	**Current Net Budget 2022/23 £000 (c)=(a)+(b)**	**Forecast Outturn 2022/23 £000 (d)**	**Variance Q2 2022/23 £000 (e)=(d)-(c)**	**Variance Q1 2022/23**
Children & Young People Department						
Schools - Devolved Budget						
Schools Dedicated Budget	115,500	(115,500)	0	0	0	0
Schools Total	**115,500**	**(115,500)**				**0**
Non-Schools						
Other Expenditure Attributable to Schools	8,125	(2,901)	5,224	5,174	(50)	(26)
Early Years Development (incl. PVI's)	8,124	(7,813)	311	299	(12)	0
SEND Support for Children	8,843	(7,056)	1,787	1,660	(127)	0
Behaviour Support Services	3,659	(3,607)	52	52	0	0
Home to School/College Transport	3,496	(85)	3,411	3,437	+26	+26
Youth Service	150	(30)	120	120	0	0
Management & Other Support Services	3,860	(2,177)	1,683	1,558	(125)	0
Non Schools Total	**36,257**	**(23,669)**	**12,588**	**12,300**	**(288)**	**0**
Total Children & Young People Department	**151,757**	**(139,169)**	**12,588**	**12,300**	**(288)**	**0**
Place Services Directorate						
Employment and Skills Initiatives	1,402	(1,033)	369	353	(16)	0
Place and Economic Delivery	144	0	144	144	0	0
Total Place Services	**1,546**	**(1,033)**	**513**	**497**	**(16)**	**0**
Total (excl. Schools)	**37,803**	**(24,702)**	**13,101**	**12,797**	**(304)**	**0**

2.9.1 There are projected underspends across a range of education support services (£264k), after budgeted efficiencies totalling £420k. It is currently forecast that there will be a pressure in respect of the budgeted Home to School Transport efficiency (£26k), and these underspends will help to mitigate this. There is also a forecast underspend (£50k) against budget provision for historical retirement costs associated with school-based staff.

2.9.2 The department continues to closely monitor the position in respect of the high needs block of the ring-fenced Dedicated Schools Grant (DSG) to identify financial challenges at the earliest opportunity. The government are currently assessing options to reform the system supporting children and young people with special educational needs and disabilities to help alleviate some of the pressures faced by many local authorities, and also ensure that the additional investment they have made is targeted where it is most needed.

2.9.3 It is currently forecast that there will be an underspend of £304k within the portfolio.

2.10 Children and Young People

Children and Young People	Current Expend. Budget 2022/23 £000 (a)	Current Income Budget 2022/23 £000 (b)	Current Net Budget 2022/23 £000 (c)=(a)+(b)	Forecast Outturn 2022/23 £000 (d)	Variance Q2 2022/23 £000 (e) =(d)-(c)	Variance Q1 2022/23
Social Care and Commissioning Teams	11,750	(391)	11,359	12,405	+1,046	0
Children Looked After	32,165	(3,994)	28,171	30,503	+2,332	+185
Child Protection	2,197	(91)	2,106	2,146	+40	0
Children's Centres / Early Help Service	2,141	(674)	1,467	1,752	+285	0
Support for Disabled Children	1,976	(260)	1,716	1,811	+95	0
Family Support Services	2,913	(562)	2,351	3,234	+883	+600
Management & Other Support Services	1,928	(1,829)	99	79	(20)	0
Youth Offending Teams	1,353	(795)	558	508	(50)	(20)
Total	**56,423**	**(8,596)**	**47,827**	**52,438**	**+4,611**	**+765**

2.10.1 In common with many local authorities, the Council has experienced increased costs over the last 10 years in relation to children's social care, primarily associated with increased service demand. It is currently forecast that there is an overall budget pressure of £4.611m for the portfolio.

2.10.2 In addition, the 2022/23 budget contains a challenging programme of efficiencies totalling £2.739m in relation to the delivery of services associated with looked after children, early help / children's centres and family support.

2.10.3 The most significant aspect of the projected budget pressure is costs relating to children who are, or have been, in the care of the Council. Total expenditure associated with placement costs for these children and young people has been increasing annually and is currently forecast to be in the region of £29.745m. The following tables provide an analysis of forecast placement costs for 2022/23 and an analysis of expenditure over the previous 10 years.

Children Looked After/ Leaving Care Forecast Placement Costs 2022/23	**£000**
Residential Care	14,041
External Fostering	5,675
In House / Kinship Fostering	3,879
Special Guardianship Orders	2,620
Leaving Care / Supported Lodgings	1,610
Adoption Support	670
Staying Put Placements	190
Residence Orders	72
Legal costs associated with above	988
TOTAL	**29,745**

Annual care placement expenditure over the previous 10 years (£000)									
2012/13	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
12,481	13,504	12,612	13,907	17,047	18,383	21,544	25,809	25,822	25,491

2.10.4 Although the 2022/23 budget saw an additional £3.473m invested to support placement costs, the profile of children and young people currently being accommodated, together with the efficiency programme, results in a projected budget pressure of £2.332m (including leaving care services). There is also a pressure on family support packages (£883k) designed to help young people remain in the family environment and avoid the need to be brought into more expensive fostering or residential care.

2.10.5 The Authority has a relatively high number of children in care (expressed as a rate per 10,000 of the under-18 population) when compared to other North West England local authorities. The relatively high level of children in care is the main determinant of the current level of expenditure. The following table details a comparison of Children Looked After aged under 18 per 10,000 population.

Children Looked After per 10,000 children aged under 18						
Area	**2017**	**2018**	**2019**	**2020**	**2021**	**Current**
St Helens	117.0	121.0	127.0	135.0	130.0	128.2
North West	86.0	91.0	94.0	97.0	97.0	n/a
England	62.0	64.0	65.0	67.0	67.0	n/a

2.10.6 Costs in relation to Children Looked After can be volatile and are impacted by the needs and demographics of service users as the complexity of support required can impact significantly on placement costs. Other factors such as placement breakdown and the current residential care market conditions can also result in cost pressures.

2.10.7 The department seeks to address demand for these services in a sustainable and safe way. However, achieving significant reductions in the level of care costs is likely to be a medium- to long-term process that is dependent on being able to reduce the number of children being brought into care, reducing the number of external residential care placements, and the development of lower-cost alternatives such as in-house residential and foster care provision.

2.10.8 A number of panels have been established to review potential new entrants to care to determine whether alternative support can be provided; to consider whether support for young people already in a placement can be safely stepped down, and to review individual high-cost packages of care. The department also continues to assess placements to ensure that the existing in-house residential care provision is used effectively, as well as reviewing options to expand the Council's level of provision.

2.10.9 There remains a financial risk that the department will face additional costs across all types of children looked after placements as a result of national inflationary pressures. This could result from increasing demand, and from providers seeking additional fee income to help address increasing costs associated with the care of existing looked after children, e.g. energy, food, staff pay etc.

2.10.10 The department also continues to develop the delivery of services through the Family Hubs programme. Supporting families with an effective early help and intervention programme is key to helping to mitigate against the need to incur expensive care placement costs in the future.

2.10.11 There is an estimated budget pressure of approximately £880k in respect of the social care workforce. The level of staff turnover and the difficulties in recruiting and retaining experienced and able social workers have, in recent times, had an adverse effect on the service. The associated consequences are higher caseloads and a reliance on temporary (agency) staff. The costs associated with agency staff are notably higher than directly employed staff and result in significant budgetary pressures. The table below sets out the Authority's expenditure on agency staff in recent years:

Annual expenditure on agency staff within children's social care (£000)					
2017/18	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23 (estimate)**
393	753	2,802	1,973	2,128	2,222

2.10.12 It should be noted that the estimated 2022/23 position assumes that the measures, outlined below, to reduce dependency on temporary staff successfully achieve their aims and agency expenditure ceases, unless known otherwise, by the new year. Should the current level of temporary staff remain in position until the end of the financial year, the forecast 22/23 outturn position in the table above would be in the region of £3m.

2.10.13 The use of agency staff has been necessary to ensure that the required workforce is in place to drive forward the necessary changes, as the Council continues its improvement journey following the Ofsted judgement. In addition, there is a risk that the second half of the year may see a spike in the number of referrals into children's social care as the national economic situation places significant financial burdens on families over the winter period. The Authority needs to ensure that it can effectively respond to this.

2.10.14 A workforce strategy has been developed to address the recruitment and retention challenges, and a number of measures are already being implemented:

- a review of the salary levels of qualified social care staff has been completed which consolidates the (previously temporary) recruitment and retention allowances into the substantive pay grade, thereby making the increases permanent. The temporary nature of the allowances has been a barrier to permanent recruitment in some instances

- the recruitment of 10 assistant social worker posts to undertake a range of non-statutory functions that are currently being performed by social workers. This will assist in relieving workload burdens on social workers, help to reduce caseloads, and allow more time to be dedicated to individual cases

- exploring the development of recruitment channels outside of the traditional workforce marketplace

- the engagement of additional short-term social work capacity to alleviate service pressures due to the recruitment and retention challenges. This will enable caseloads to be safely managed while the workforce strategy measures are implemented.

2.10.15 With reference to the final point above, it was originally anticipated that this additional short-term capacity would cease in full during November 2022. However, to help mitigate the adverse impact withdrawal of this support would have at a crucial time for the department, a phased exit plan has been developed that would see the level of support significantly reduced and ended by mid-February 2023. This is particularly important in the context of the issues previously outlined and provides opportunity for the workforce strategy to fully embed. Should this be progressed, the estimated cost of the extension is approximately £200k and is included in the overall forecast outturn position for the portfolio.

2.10.16 Whilst there are a number of other budget pressures within the department totalling £480k, there are also a number of projected underspends (£170k) to help, in part, mitigate the position.

2.11 Integrated Care

Integrated Care	Current Expend. Budget 2022/23 £000 (a)	Current Income Budget 2022/23 £000 (b)	Current Net Budget 2022/23 £000 (c)=(a)+(b)	Forecast Outturn 2022/23 £000 (d)	Variance Q2 2022/23 £000 (e) =(d)-(c)	Variance Q1 2022/23 £000
Physical Support - Frail & Elderly	33,946	(19,706)	14,240	14,171	(69)	+565
Sensory Support	1,182	(224)	958	894	(64)	+10
Support with Memory & Cognition	13,165	(5,096)	8,069	8,198	129	+26
Learning Disability Support	32,291	(9,619)	22,672	23,858	+1,186	+58
Mental Health Support	4,443	(761)	3,682	3,973	+291	+22
Assistive Equipment & Technology	2,978	(2,247)	731	731	+0	0
Care Management - Assessment & Review	8,822	(2,686)	6,136	6,242	+106	0
Transport and Generic Services	1,441	(1,441)	0	0	+0	0
Management & Support Services	5,162	(5,162)	0	(27)	(27)	0
Total	**103,430**	**(46,942)**	**56,488**	**58,040**	**+1,552**	**+681**

2.11.1 At the half-year point, estimates of service demand and package costs show an anticipated pressure for the portfolio of £1.552m.

2.11.2 The pressure reflects estimates of on-going demand for care support and the continued high level of hospital discharge activity. The main area of pressure is within supported living services for people requiring support for Learning Disability needs. Occupancy in residential and nursing for the over 65 age group remains lower than pre-pandemic levels, however, this is being replaced by higher care activity in community settings. The department continues to develop more financially efficient models of support for adults with learning disabilities and adults with mental health issues. On 19 October 2022 a facility for supporting people with mental health issues, Stadium View will open. This facility will provide short- term tenancies with support which will reduce the requirement for more complex and costly specialist out of borough placements. In addition, in April 2023 a facility for adults with learning disabilities with complex needs, Alexander Court will open. Similarly, this facility will reduce the need for more costly specialist out of borough placements

2.11.3 The department has also continued to review the in-house model of day care support and supported living for adults with learning disabilities and will deliver a minimum of £0.125m saving in year.

2.11.4 Since the withdrawal of NHS Hospital Discharge monies in September 2022 the department has re-introduced charging for services at the point of discharge from hospital. This will increase charging revenue in year against all hospital discharges.

2.11.5 The department continues to operate; three panels weekly to ensure that all cost-efficient alternatives have been considered when meeting need; is introducing online self-assessment for financial assessments to speed up charging for support and has electronic domiciliary care monitoring systems in place to ensure the council only pays for care that has been delivered.

2.11.6 The department have also accelerated the assessment of double- handed domiciliary care calls which will deliver further in year efficiencies.

2.11.7 At this point in the year, it is anticipated that budget provision will be adequate to support demand in other service areas, and savings across the portfolio, including those outstanding from 2021/22, are expected to be achieved. Work is continuing, in conjunction with specific project support, to develop the demand management strategy further to address in-year pressures.

2.11.8 However, there are risks to this position during 2022/23 due to uncertainty in some areas outside of the portfolio's control. The reported position assumes that funding from Health partners to support the initial four weeks of care following hospital discharge will continue throughout the year.

2.11.9 The Integrated Care Board (ICB) has been in place from 1 July 2022. It has been confirmed that 2022/23 will be a year of stability with no changes to core Health contributions. The risk regarding the cessation of Health funding for hospital discharge activity from April 2022 was mitigated due to a local agreement for the first half of the year and utilisation of the BCF uplift for the second half of the year. However, there are risks to this position going into 2023/24 due to uncertainty regarding on-going funding. As an integrated function, the portfolio continues to work closely with Health colleagues to ascertain any financial impact in future years.

2.11.10 There are further risks to the position with regards the impact of, and funding available for, both the Fair Cost of Care exercise and the implementation of the Social Care Reforms. A sub-regional approach was taken to the Fair Cost of Care exercise, the approach to which along with recommendations will be subject to an internal report in-year, following legal advice. The level of funding for 2022/23 has already been confirmed and options for utilisation will be brought forward as part of the governance process.

2.11.11 The initial tranche of funding of £98k for the implementation of the Social Care Reforms has been received. A cross-discipline working group is in place within the portfolio and support is being provided regionally and nationally to understand the potential impact on finances, resources and working practices that these complex set of reforms will bring.

2.11.12 The portfolio has also secured additional funding from Health partners to deliver specific programmes of work during 2022/23. This funding was earmarked at the end of 2021/22 and will be drawn down during the year and reported in subsequent Financial Monitoring Reports.

2.12 Wellbeing, Culture and Heritage
(i) Public Health Services

Public Health Services	Current Expend. Budget 2022/23 £000 (a)	Current Income Budget 2022/23 £000 (b)	Current Net Budget 2022/23 £000 (c)=(a)+(b)	Forecast Outturn 2022/23 £000 (d)	Variance Q2 2022/23 £000 (e) =(d)-(c)	Variance Q1 2022/23 £000
Sexual Health	2,037	0	2,037	1,927	(110)	0
Primary Care	95	0	95	95	0	0
Public Health Advice	611	0	611	611	0	0
Obesity	1,086	0	1,086	1,086	0	0
Physical Activity	1,545	0	1,545	1,545	0	0
Substance Misuse	3,442	(642)	2,800	2,877	+77	0
Stop Smoking Services and Interventions	592	0	592	592	0	0
Healthy Child Programme	4,656	0	4,656	4,645	(11)	0
Miscellaneous Public Health Services	1,990	(100)	1,890	1,936	+46	0
Management & Support Services	2,056	(2,056)	0	0	0	0
Public Health Grant	0	(15,312)	(15,312)	(15,814)	(502)	0
Total *	**18,110**	**(18,110)**	**0**	**(500)**	**(500)**	**0**

*Public Health Grant utilisation during the year to deliver Public Health priorities and outcomes across the Council

2.12.1 The outstanding savings for 2021/22 have now been achieved and the rest of the savings programme is largely on track, with some alternative savings to be identified during the year.

2.12.2 The remaining funds for Contain Outbreak Management continue to be managed to provide an on-going outbreak response along with an all-hazards approach. A further update on the Covid-19 response will be brought to senior leaders in the Autumn.

2.12.3 The portfolio has also secured additional funding from Health partners to deliver specific programmes of work during 2022/23. This funding was earmarked at the end of 2021/22 and will be drawn down during the year and reported in subsequent Financial Monitoring Reports.

2.12.4 The previous Financial Monitoring Report noted additional funding to deliver the National Drugs Strategy in St Helens. In total, the Council has been awarded £3.722m for the period 2022 to 2025 to improve local drug treatment services for adults and children and young people. A detailed spending plan has been developed for 2022/23 and agreed by the Office for Health Improvement and Disabilities.

(ii) Culture and Heritage

Culture and Heritage	Current Expend. Budget 2022/23 £000 (a)	Current Income Budget 2022/23 £000 (b)	Current Net Budget 2022/23 £000 (c)=(a)+(b)	Forecast Outturn 2022/23 £000 (d)	Variance Q2 2022/23 £000 (e) =(d)-(c)	Variance Q1 2022/23 £000
Children's Services Department						
Adult Community Learning	637	(617)	20	20	0	0
Place Services Department						
Arts Development & Support	346	(43)	303	303	0	0
Archiving	379	(183)	196	189	(7)	0
Sports Development	619	(384)	235	173	(62)	(62)
Indoor Sports & Recreation	4,800	(3,342)	1,458	1,514	+56	+563
Outdoor Sports & Recreation	477	(146)	331	331	0	0
Library Services	2,380	(144)	2,236	2,384	+148	+177
Tourism & Events	297	(26)	271	271	0	0
Total	**9,935**	**(4,885)**	**5,050**	**5,185**	**+135**	**+678**

2.12.5 This area of the portfolio is currently projecting a pressure of £135k.

2.12.6. The main area of unachieved saving in the portfolio relates to the implementation of the Localities model (£640k) for both 2021/22 and 2022/23. Vacant posts are being held within Libraries and Leisure pending completion of Libraries Strategy and Phase 3 restructure to partly mitigate against the delay in implementation. Delivery of the locality hubs is phased over 1-5 years. However, the Libraries Strategy planned to be implemented from November will be delayed pending further consultation. Some posts will need to be filled temporarily whilst the libraries due to close in November remain open.

2.12.7 Indoor Sports & Recreation are currently projecting an income shortfall of £91k of which £75k is due to capacity constraints within the school swimming programme.

2.13 Finance and Governance

Finance and Governance	Current Expend. Budget 2022/23 £000 (a)	Current Income Budget 2022/23 £000 (b)	Current Net Budget 2022/23 £000 (c)=(a)+(b)	Forecast Outturn 2022/23 £000 (d)	Variance Q2 2022/23 £000 (e)=(d)-(c)	Variance Q1 2022/23 £000
Local Tax Collection	2,419	(847)	1,572	1,562	(10)	(10)
Emergency Planning	117	0	117	117	0	0
Local Welfare Assistance Schemes	192	0	192	192	0	0
Grants & Donations	50	(3)	47	47	0	0
Non-Distributed Costs	2,105	0	2,105	2,045	(60)	(60)
Finance	8,117	(8,117)	0	(223)	(223)	0
Audit & Risk	748	(748)	0	0	0	0
Coroners Court Services	220	0	220	220	0	0
Registration of Births, Deaths & Marriages	261	(199)	62	62	0	0
Democratic Representation & Management	1,721	0	1,721	1,721	0	0
Elections	471	(3)	468	468	0	0
Human Resources	2,916	(2,916)	0	28	+28	0
Legal Services	1,546	(1,546)	0	0	0	0
Governance & Administration	234	(234)	0	0	0	0
Total	**21,117**	**(14,613)**	**6,504**	**6,239**	**(265)**	**(70)**

2.13.1 Based upon current vacancies within portfolios the slippage budgets for some services would not be met. However, from previous years' experience, it is expected that vacancies will arise as the second half of the year progresses due to staff movement and therefore targets will be met. There are a couple of services that are currently forecasting that they will exceed their slippage target, based upon current vacancies and the forecast date for recruitment into posts, including slippage of £10k in Local Tax Collection and £223k in Finance.

2.13.2 The Occupational Health Service is currently forecasting a pressure of £28k, due to the cost of commissioning an external doctor for referrals increasing from previous years.

2.13.3 There is a forecast underspend of £60k for historical pension costs.

2.13.4 Savings within the portfolio are linked to the outcome of the Phase 3 restructure which will be quantified during 2022/23. In the interim, mitigating actions will be taken to minimise spend on supplies and services through improved procurement processes and review of non-essential expenditure to meet the savings target.

2.14 Transformation

Transformation	Current Expend. Budget 2022/23 £000 (a)	Current Income Budget 2022/23 £000 (b)	Current Net Budget 2022/23 £000 (c)=(a)+(b)	Forecast Outturn 2022/23 £000 (d)	Variance Q2 2022/23 £000 (e) =(d)-(c)	Variance Q1 2022/23 £000
Corporate Management	1,464	0	1,464	1,464	0	0
I.T.	9,939	(9,939)	0	(40)	(40)	0
Press and Public Affairs	1,005	(1,005)	0	0	0	0
Policy Development	2,100	(2,100)	0	(13)	(13)	(13)
Other Services	129	(129)	0	0	0	0
Corporate Training	887	(887)	0	0	0	0
Total	**15,524**	**(14,060)**	**1,464**	**1,411**	**(53)**	**(13)**

2.14.1 Based upon current vacancies within the portfolios the slippage budgets for some services would not be met. However, from previous years' experience, it is expected that vacancies will arise as the year progresses due to staff movement and therefore targets will be met. There are a couple of services that are currently forecasting that they will exceed their slippage target, based upon current vacancies and the forecast date for recruitment into posts, including slippage of £13k in Policy Development and £40k in IT.

2.14.2 Savings within the portfolio are linked to the outcome of the Phase 3 restructure which will be quantified during 2022/23. In the interim, mitigating actions will be taken to minimise spend on supplies and services through improved procurement processes and review of non-essential expenditure to meet the savings target.

2.15 Environment and Transport

Environment and Transport	Current Expend. Budget 2022/23 £000 (a)	Current Income Budget 2022/23 £000 (b)	Current Net Budget 2022/23 £000 (c)=(a)+(b)	Forecast Outturn 2022/23 £000 (d)	Variance Q2 2022/23 £000 (e) =(d)-(c)	Variance Q1 2022/23 £000
Parks & Open Spaces	2,416	(135)	2,281	2,432	+151	+189
Street Cleansing	1,809	(170)	1,639	1,649	+10	+8
Cemetery and Crematorium	1,638	(2,515)	(877)	(855)	+22	+2
Waste Collection	3,070	(654)	2,416	2,354	(62)	(77)
Recycling	6,806	(3,015)	3,791	4,115	+324	+200
Climate Change	168	(25)	143	143	0	0
Parking Services	1,409	(1,150)	259	305	+46	+3
Highway Maintenance	10,993	(1,859)	9,134	8,766	(368)	(309)
Street Lighting	2,109	(158)	1,951	2,654	+703	(5)
Traffic Management & Road Safety	886	(211)	675	721	+46	+63
Direct Services	18,329	(18,365)	(36)	533	+569	+433
Management & Support Services	1,761	(1,761)	0	(22)	(22)	0
Councillor Improvement Fund	224	0	224	224	0	0
Total	**51,618**	**(30,018)**	**21,600**	**23,019**	**+1,419**	**+507**

2.15.1 The portfolio is currently projecting an overspend of £1.419m.

2.15.2 The non-achievement of staffing savings is currently being partly offset by vacant posts across the portfolio being held to mitigate the impact of the delay in the implementation of the Phase 3 restructure.

2.15.3 There is currently a projected shortfall in income (£246k) for the Grounds Maintenance Service which is due to limited capacity to deliver external contract work. It is anticipated that this position may improve following the implementation of the Phase 3 restructure, which has now been approved and recruitment has commenced. This will enable more external arborist and Highways capital work to be carried out. However, due to the delay, the shortfall in income may not fully recover.

2.15.4 There is a forecast pressure within the Transport service of £327k due to the increasing cost of fuel. In June 2021 the price per unit for diesel was £0.94 compared to an average price per litre in September 2022 of £1.47, an increase of 56%. This forecast assumes a similar level of throughput to 2021/22 and prices remaining at the current level. In addition, there is a pressure on the costs of external vehicle hire of £100k based on the current number of replacement vehicles that are subject to external hire contracts.

2.15.5 There is a forecast pressure within the School Meals service of £287k due to the increasing cost of food provisions. Upon contract renewal, the school meals service is frequently encountering significant levels of price increases from suppliers, although there are a number of contracts that currently remain protected whilst still in fixed price arrangements.

2.15.6 Street Lighting energy costs are currently forecast to overspend by circa £700k. The details of the Government's Energy Bill Relief Scheme is awaited and clarification is required if the scheme extends to beyond buildings. The scheme may provide some mitigation of this budget pressure and further updates will be provided in the next quarterly Financial Monitoring Report.

2.15.7 The Recycling Service is forecasting a budget pressure of £324k, of which £236k relates to an overspend on employees. A further £60k net shortfall in income is also currently being reported.

2.16 Regeneration and Planning

Regeneration and Planning	Current Expend. Budget 2022/23 £000 (a)	Current Income Budget 2022/23 £000 (b)	Current Net Budget 2022/23 £000 (c)=(a)+(b)	Forecast Outturn 2022/23 £000 (d)	Variance Q2 2022/23 £000 (e) =(d)-(c)	Variance Q1 2022/23 £000
Building Control	692	(359)	333	337	+4	0
Development Control	1,458	(936)	522	580	+58	+51
Planning Policy	814	(175)	639	560	(79)	0
Estates - Industrial & Commercial Premises (including Town Centre)	7,453	(5,777)	1,676	1,872	+196	+70
Market Undertakings	838	(357)	481	639	+158	+32
Economic Development	420	(140)	280	367	+87	+100
Growth Delivering Prosperity	1,569	(711)	858	858	0	0
Management & Support Services	1,213	(1,213)	0	0	0	0
Transport Planning, Policy & Strategy	439	0	439	364	(75)	0
Building Support Services	6,366	(6,366)	0	536	+536	0
Estates Management	668	(668)	0	(13)	(13)	0
Total	**21,930**	**(16,702)**	**5,228**	**6,100**	**+872**	**+253**

2.16.1 The portfolio is currently projecting an overspend of £872k.

2.16.2 The non-achievement of staffing savings is currently partly being offset by vacant posts being held to mitigate the impact of the delay in the implementation of the Phase 3 restructure.

2.16.3 The Estates Service are currently forecasting a budget pressure of £196k, which includes reduced rental and service charge income from Church Square of £97k. There are also void business rates costs of £39k and a shortfall in rental income of £46k forecast across other industrial & commercial premises.

2.16.4 Energy costs within the portfolio are forecast to overspend by approximately £750k. Measures to bring about reductions in energy usage are key to minimising the additional pressure, including the review and rationalisation of the Council’s operational buildings. Whilst the Government's Energy Bills Relief Scheme may help to mitigate against some of this budget pressure there is still uncertainty as to how the scheme will operate and details of its operation are awaited. Further updates will be provided in the next quarterly Financial Monitoring Report.

2.16.5 Following acquisition of the Hardshaw Centre in January of this year, agents were instructed to engage with all tenants to progress vacant possession of the Centre. Over the past 6 months, progress has been made with several business having agreed relocations to Church Square Shopping Centre. Work is ongoing to secure vacant possession of the remaining units but any delay in negotiations is likely to extend the vacant possession timescales. There will be a financial impact of any delays and work is currently on-going to determine the full impact during 2022/23, whilst the MTFS will be updated to reflect the future forecast financial position.

2.17 Safer, Stronger Communities

Safer, Stronger Communities	Current Expend. Budget 2022/23 £000 (a)	Current Income Budget 2022/23 £000 (b)	Current Net Budget 2022/23 £000 (c)=(a)+(b)	Forecast Outturn 2022/23 £000 (d)	Variance Q2 2022/23 £000 (e) =(d)-(c)	Variance Q1 2022/23 £000
Housing Services	2,684	(1,987)	697	760	+63	+11
Homelessness	1,069	(796)	273	208	(65)	0
Housing Benefit Administration	49,668	(49,684)	(16)	(16)	0	0
Supporting People	5,074	0	5,074	4,950	(124)	(64)
Community Safety	2,124	(757)	1,367	1,366	(1)	(7)
Environmental Health	1,626	(504)	1,122	1,204	+82	+104
Trading Standards	598	(15)	583	506	(77)	(50)
Licencing & Land Charges	628	(664)	(36)	(36)	0	+28
Total	**63,471**	**(54,407)**	**9,064**	**8,942**	**(122)**	**+22**

2.17.1 The portfolio is currently projecting an underspend of £122k.

2.17.2 The non-achievement of staffing savings is currently being offset by vacant posts being held to mitigate the impact of the implementation of the Phase 3 restructure.

2.17.3 The budget saving against the Supporting People Programme (£245k) has been achieved as a result of the awarding of two-year contracts to providers for the period 2021- 2023. There is a forecast budget underspend within the Supporting People Programme based on current forecast activity levels.

2.17.4 There is a forecast income shortfall within the Environmental Health Service of £115k which is in relation to the failure to meet income targets in the Environmental Warden Service. This is being offset by two vacant posts within the service (£47k).

2.18 Treasury Management

2.18.1 The forecast Minimum Revenue Provision charge for 2022/23 has reduced by £304k as a consequence of rephasing of schemes within the capital programme into future years, as reported in the Revenue and Capital Outturn Report considered by Cabinet on 22 June 2022.

2.18.2 Debt management costs have been reduced (£545k) to reflect the profile of future capital expenditure funded by borrowing and decisions around the continued deferral of additional borrowing.

2,18.3 Investment interest has increased by £2,250k as a result of the increased bank rate and available market returns.

SECTION 3: IMPLEMENTATION OF 2022/23 SAVINGS PROPOSALS AND OUTSTANDING SAVING PROPOSALS FROM 2021/22

3.1 The Council's 2022/23 approved budget agreed to the delivery of £6.044m savings during the year. Table 1 details progress with the delivery of these savings.

3.2 In addition to the delivery of the 2022/23 savings, it should be noted that there was a delay in the implementation of a number of 2021/22 savings. Table 2 provides a summary of the anticipated impact on the 2022/23 budget position.

3.3 At the midpoint in the year and as summarised in Table 1 and Table 2, £3.396m of savings (red and amber) are either not achievable or there is a delay in full implementation. One-off mitigating actions to £1.172m have been identified for 2022/23. However, at this stage £2.224m of approved savings (2022/23 and 2021/22) have no identified mitigations and this presents a significant risk to the Council's budget position for 2022/23. This position will impact on the 2023/24 budget and at this stage this could potentially be circa £3m.

Budget Savings 2022/23

Table 1 - Budget Savings 2022/23	Total Saving 2022/23 £000	Saving on track to be delivered £000 (a)	Slippage on delivery in year £000 (b)	Saving Unachievable £000 (c)	Mitigation 2022/23 £000 (d)
Children's Services	3,159	794	1,586	779	341
Integrated Care	733	733	-	-	-
Public Health	752	689	-	63	63
Place Services	1,191	853	338	-	338
Corporate Services	209	107	102	-	102
Total	**6,044**	**3,176**	**2,026**	**842**	**844**
%	**100%**	**52.55%**	**33.52%**	**13.93%**	**-**
Total Forecast Financial Saving 2022/23 (a)+(d)	**4,020**				
Total Saving not deliverable (b)+(c)-(d)	**2,024**				

Budget Savings 2021/22

Table 2 - Budget Savings 2021/22 impact on 2022/23 budget	Total Saving 2022/23 £000	Saving on track to be delivered £000 (a)	Slippage on delivery in year £000 (b)	Saving Unachievable £000 (c)	Mitigation 2022/23 £000 (d)
Children's Services	799	799	-	-	-
Integrated Care	917	717	-	200	-
Public Health	389	389	-	-	-
Place Services	1,420	1,092	328	-	328
Total	**3,525**	**2,997**	**328**	**200**	**328**
%	**100%**	**85.03%**	**9.30%**	**5.67%**	**-**
Total Forecast Financial Saving 2022/23 (a)+(d)	**3,325**				
Total Saving not deliverable (b)+(c)-(d)	**200**				

3.4 It must be noted that savings considered deliverable in the year (green) would present a significant financial risk should the saving fail to be implemented. It is critical that action plans continue to be identified, reviewed and implemented to ensure all savings are managed and delivered during 2022/23.

3.5 Within the Public Health Service there is one saving (£0.063m) considered not achievable which is linked to support for the Affordable Warmth Service. Given the current increases in energy costs and the impact on the Borough's residents funding for this service is required at the current level. Options for a permanent alternative saving are being explored.

3.6 Within Children's Services, there are two savings considered to be not achievable:

(i) Review of Early Help and Family Support services (£0.6m)
(ii) Review of Family Support Services (£0.179m)

In addition, savings from the review of Children Looked After Services (£1.560m) will not be deliverable in 2022/23. The department continues to actively progress service reviews and is seeking to limit and mitigate the financial pressures arising from delays in implementation.

3.7 The unachievable savings in Integrated Care (2021/22 saving) relates to commissioned services within the voluntary sector. Work is ongoing to identify permanent alternative savings.

3.8 Within Place Services, there has been a delay in the delivery of some savings, particularly in relation to the delivery of a localities model, service reviews and reductions in staffing costs. Vacant posts are being held to mitigate the impact pending the implementation of the Phase 3 structure. Sections 2.12, 2.15, 2.16 and 2.17 provide further detail.

3.9 There is a potential delay in the delivery of savings within the two Corporate Services portfolios as these are linked to the outcome of the Phase 3 restructure. Management have identified mitigating actions to manage the savings target during 2022/23.

3.10 Annex C details the deliverability of savings for 2022/23 by type of saving proposal.

SECTION 4: CAPITAL PROGRAMME 2022/23 to 2024/25

4.1 The capital budget has been updated and the key revisions to the programme this quarter relate to the rephasing of schemes into future years and the addition of new/revised schemes.

4.2 Rephasing of Schemes

A number of schemes have been rephased across the 3-year programme of which the most significant are:

(i) SEND base at De La Salle High School (£900k to 2023/24) which is currently at design stage

(ii) Uncommitted school grants have been rephased into 2023/24 (£5m)

(iii) Active Travel Fund Tranche 3 (£1.8m to 2023/24) as delivery of schemes is expected to slip due to the interface with existing projects

(iv) Fleet Replacement Programme (£2.9m into 2023/24) due to extended delivery timescales for some vehicles

(v) The Housing Capital programme has been rephased as detailed in the Cabinet Report of 5 October 2022

4.3 Additions to the programme include:

(i) Additional funding of £6m to the 2023/24 programme from the Liverpool City Region Combined Authority to fund mitigation works for the Parkside Link Road as detailed in the report to Cabinet 5 October 2022.

4.4 In setting the 2022/23 budget, a number of potential strategic pipeline investment schemes were identified and would be subject to detailed feasibility and design work, prior to being further considered for approval. The following schemes have been approved in the period with funding from borrowing.

(i) Huskisson Bridge

This scheme is to repair the fire damaged bridge in Newton-le-Willows at a cost of £950k. The Council's Insurance team are seeking to recover these costs. The scheme was approved at Cabinet on 5 October 2022.

(ii) St Helens Town Centre Masterplan

The budget has been increased by £610k to reflect agreed relocation/compensation costs. These are within the funding allocations agreed by Cabinet in October 2021.

(iii) Finance System procurement

Approval via Urgent Leader Decision 14 September 2022 reported to Cabinet 5 October 2022

4.5 Other pipeline schemes will be added to the programme at quarter 3 subject to the required approval being secured.

4.6 Table 4 presents a summary of the Council's current 3-year capital programme. The detailed programme is provided at Annex F.

Table 4 - Capital Programme 2022/23 to 2024/25	2022/23 £000	2023/24 £000	2024/25 £000
Inclusive, Economy, Business and Skills	12,641	10,871	1,300
Children and Young People	19	0	0
Integrated Care	65	0	0
Wellbeing, Culture and Heritage	485	0	0
Transformation	412	880	0
Environment and Transport	47,775	36,907	6,900
Regeneration and Planning	5,781	1,188	20
Safer, Stronger Communities	5,117	4,400	3,598
Total	**72,295**	**54,246**	**11,818**
FINANCED BY			
Grants and Other Contributions	54,523	34,501	10,648
Capital Receipts	2,898	290	168
Revenue Contribution	1,332	0	0
Borrowing	13,542	19,455	1,002
Total	**72,295**	**54,246**	**11,818**

4.7 The increasing level of inflation continues to present a significant financial challenge on the approved capital programme and particularly for the potential 'pipeline' capital investment schemes which have been identified and are subject to detailed feasibility and design work prior to further consideration for approval.

4.8 Many of the schemes in the potential 'pipeline' capital investment programme are funded via prudential borrowing. Recent market conditions have resulted in a significant increase in the rates offered for borrowing. This will increase the impact on the revenue budget of taking out borrowing to fund capital expenditure. This may require schemes to be reprioritised or rephased in order to mitigate the revenue impact. Further work will be undertaken to assess the impact of this and reported through the Council's Medium Term Financial Strategy.

SECTION 5: RESERVES AND BALANCES

5.1 General Balances

The general balances position at 31 March 2023 is forecast to be as follows, having regard to the net current forecast outturn position as detailed in Table 1.

Table 5 – General Balances	Original Estimate £000	Forecast Outturn £000
General Balances at 1 April 2022	12,000	13,423
Net Position 2022/23	-	(7,983)
General Balances at 31 March 2023	**12,000**	**5,440**

5.1.1 The Council recognises that the level of reserves it should maintain must be set having regard to its future sustainability, priorities, and the operational and financial risks facing the authority. The Council's Reserve Strategy is included within the *Medium-Term Financial Strategy (MTFS) 2022-2025 and Revenue and Capital Budget 2022/23* report considered by Cabinet on 23 February 2022 and approved by Council on 2 March 2022.

5.1.2 The movement in 2022/23 is due to the approved carry forward request from 2021/22 of £287k as detailed in the Revenue and Capital Outturn Report (Cabinet Report 14 July 2022 section 2.7 (iv) and 2.9) and the forecast overspend of £7,696k in 2022/23. This level of reserves is significantly less than the £12m detailed in the MTFS and is undesirably low and presents a significant risk to the Council.

5.2 General Earmarked Balances

The forecast position in relation to General Earmarked Balances at 31 March 2023 is provided in Table 6. The position with regard to Covid-19 balances is provided in table 7. Annex D details approved use of General Earmarked Balances during the period and Annex E provides details of General Earmarked Balances to 2024/25.

Table 6 – General Earmarked Balances	£000
General Earmarked Balances at 1 April 2022	48,675
Transfer to / (from) during the year	(2,081)
Forecast General Earmarked Balances at 31 March 2023	46,594

Table 7 – Covid Earmarked Balances	Collection Fund £000	Other £000
Covid Earmarked Balances at 1 April 2022	8,565	9,336
Transfer to / (from) during the year	(8,076)	(3,241)
Forecast Covid Earmarked Balances at 31 March 2023	**489**	**6,095**

5.3 **Schools Balances**

The projected position reflects schools' current spending plans for the financial year, as approved by the individual governing bodies.

Table 8 – School Balances	**£000**
School Balances at 1 April 2022 *	13,540
Forecast Net Position 2022/23	(1,440)
Forecast School Balances at 31 March 2023	**12,100**

* The figure reported in the Cabinet Report of 13 July 2022 was £12.648m. The figure has been amended to reflect an adjustment made during the closure of the 2021/22 accounts.

5.4 **Usable Capital Receipts**

Table 9 – Usable Capital Receipts	**£000**
Capital Receipts brought forward at 1 April 2022	20,817
Receipts generated in year to date from land, property and fleet sales	1,064
Receipts set-aside for the Land and Property Acquisition Fund	(10,000)
Receipts set aside to resource the Transformation Programme where the use of flexibilities can be applied (Council 2 March 2022)	(1,000)
Required to fund Capital Programme 2022/23 to 2024/25 *	(3,356)
Available Balance (after taking commitments into account)	**7,525**

* Excludes building demolition costs at Redbank School site as detailed in the Cabinet Report of the 8th January 2019. The costs of demolition subsequently being reimbursed to the capital receipts reserve upon any future disposal of the site by Redbank Schools Ltd.

SECTION 6: OTHER FINANCIAL MONITORING MATTERS

6.1 External Grant Funding

6.1.1 Rough Sleeper Initiative Round 5

The Council has been awarded £967k Rough Sleeper Initiative Round 5 Funding from the Department for Levelling Up Housing and Communities for the period 2022 to 2025 to deliver new and existing initiatives to prevent and reduce rough sleeping. The Cabinet Report of 13 July 2022 provides further details.

6.1.2 Trailblazer Homelessness Intervention and Prevention Funding

The Council has been awarded £258k funding from Liverpool City Region Combined Authority to continue the delivery of the Homelessness Prevention Trailblazer Programme, which supports residents at an early stage through advice and signposting in order to prevent the risk of homelessness. Delegated Executive Decision 0104 2022/23 provides further details.

6.1.3 National Lottery Heritage Funding (NLHF) - Creative Underground St Helens programme

The Council has been awarded £250k NLHF funding which will provide communities with a unique opportunity to participate in the cultural heritage of St Helens. Further details can be found in Delegated Executive Decision 0103 2022/23.

6.1.4 Homes for Ukraine Scheme

For the period April to September 2022 a sum of £819k will be received in relation to the Councils' support to individuals and families under the Homes for Ukraine scheme. In addition, further funding is provided to support Education and Childcare for children added 2 to 18 who have entered the UK via the Homes for Ukraine visa route.

6.2 St Helens Town Deal Business Case Submissions

Six Full Business Cases were submitted for the St Helens Town Deal Projects Tranche 1 funding for a total of £20.75m. The Council were notified on 21 October 2022 the business cases had passed the Department for Levelling Up, Housing and Communities internal review processes. At the time of drafting this report confirmation of payment details were being awaited. Further details of the projects are provided in the Cabinet Report on13 July 2022.

6.3 Term Time Only Staff Employment Tribunal Claims

Following the Supreme Court judgment in the case of '*Harpur Trust v Brazel' handed* down in July 2022 and the receipt of a number of claims received from term-time only staff, mainly employed in schools, the Council has commissioned specialist external legal advice on the matter and updates will be provided in future Financial Monitoring Reports.

SECTION 7: TREASURY MANAGEMENT POSITION STATEMENT

7.1 A summary of the Council's Treasury position at the end of the reporting period is included in Table 10. The Interim Treasury Management Strategy is included in Annex G.

Table 10 – Treasury Management Position	As at 1 April 2022	AS at Previous Period	As at Current Period
Investments Outstanding	£154.1m	£171.0m	£156.07
Investment Returns (average for the year to date)	-	-	1.1%
Benchmark Returns	-	-	2.3%
Borrowing	£140.6m	£140.60m	£137.53m

<u>Budget Movements since the previous reporting period</u> **<u>Annex A</u>**

PORTFOLIO	Approved Budget £000 *1	Use of Reserves in Period £000 *2	*Technical & Accounting Adjustments £000 *3	Current Budget £000
Inclusive Economy, Business and Skills	13,142	-	(41)	13,101
Children and Young People	46,884	979	(36)	47,827
Integrated Care	56,488	-	-	56,488
Wellbeing, Culture and Heritage	5,050	-	-	5,050
Finance and Governance	6,504	-	-	6,504
Transformation	1,464	-	-	1,464
Environment and Transport	21,553	-	47	21,600
Regeneration and Planning	4,037	646	545	5,228
Safer, Stronger Communities	9,024	-	40	9,064
TOTAL DIRECTORATE BUDGETS	**164,146**	**1,625**	**555**	**166,326**
Council Wide Budgets	(163,859)	(1,625)	(555)	(166,039)
Net Position 2022/23	**287**	**-**	**-**	**287**

*1 Approved budget – Cabinet 14 July 2022
*2 Use of earmarked reserves during the period (see Annex D)
*3 Neutral technical and accounting adjustments (e.g. capital charges)

Annex B

Portfolio Budgets on a Priority Basis

	Current Net Budget 2022/23 £000	Forecast Outturn 2022/23 £000	Variance 2022/23 £000
Priority 1 – Ensure children and young people have a positive start in life	60,415	64,738	+4,323
Priority 2 – Promote good health, independence, and care across our communities	56,488	57,540	+1,052
Priority 3 – Create safe and strong communities and neighbourhoods for all	9,064	8,942	(122)
Priority 4 – Support a strong, thriving, inclusive and well-connected local economy	6,020	6,399	+379
Priority 5 – Create green vibrant places that reflect our heritage and culture	27,024	28,532	+1,508
Priority 6 – Be a responsible Council	7,315	7,520	+205
Pay Award	0	3,450	+3,450
Total	**166,326**	**177,121**	**+10,795**

Annex C

Nature of Saving Proposal 2022/23	Total 2022-23 £000	Green £000	Amber £000	Red £000
Integrated Care Service Reviews				
- Learning Disability Service Reviews	417	417	-	-
- Commissioned Services	191	191	-	-
- Care Packages	125	125	-	-
Total Integrated Care	**733**	**733**	**-**	**-**
Children's Social Care Service Reviews				
- Residential and Foster Care Placement /Young People Leaving Care	1,560	-	1,560	-
- Children's Centres and Early Help Services	700	100	-	600
- Family Support Services	479	300		179
Total Children's Social Care	**2,739**	**400**	**1,560**	**779**
Children's Services Service Reviews				
- Education Services	145	119	26	-
- Young People's Services	150	150	-	-
- Department Wide	125	125	-	-
Total Children's Services	**420**	**394**	**26**	**-**
Public Health Service Reviews				
- Review of Public Health Funded Programmes	752	689	-	63
Total Public Health	**752**	**689**	**-**	**63**
Place Service Reviews				
- Councillor Improvement Fund	75	75	-	-
- Department Wide Service Reviews	771	483	288	-
- Supporting People	245	245	-	-
- Other	100	50	50	-
Total Place Services	**1,191**	**853**	**338**	**-**
Corporate Service Reviews				
- Department Wide	209	107	102	-
Total Corporate Services	**209**	**107**	**102**	**-**
TOTAL	**6,044**	**3,176**	**2,026**	**842**

Utilisation of Earmarked Reserves during the period **Annex D**

This table details the approved decisions to utilise Earmarked Reserves in 2022/23 during the period				
Portfolio / Corporate Items	**Reserve**	**Detail**	**Decision Reference**	**Cash Limit Change 2022/23 £000**
Children & Young People	Transformation	Children's Social Care Project Teams	Cabinet 13 July 2022	+979
Regeneration & Planning	Growth	Medium Term Financial Strategy 2022-2025	Cabinet 23 February 2022	+646
				+1,625

Annex E

EARMARKED BALANCES 2022/23 to 2024/25

Reserve	Balance at 1 April 2022 £000	Balance at 31 March 2023 £000	Balance at 31 March 2024 £000	Balance at 31 March 2025 £000
Transformation Reserve [1]	8,056	5,130	4,623	4,873
Growth Reserve	5,930	5,363	5,411	6,467
Councillor Improvement Fund	576	452	452	452
Insurance & Contingent Liability Reserve	3,208	3,208	3,208	3,208
Waste Management Development Fund	1,204	312	312	312
Inflationary Reserve	3,000	4,000	5,000	6,000
Restructuring Reserve	3,707	3,707	3,707	3,707
Funding Reform Volatility Reserve[1]	2,994	4,422	6,422	8,422
Pension Reserve [3]	20,000	20,000	0	10,000
Subtotal - General Earmarked Balances	**48,675**	**46,594**	**29,135**	**43,441**
Covid-19 Reserve - Collection Fund [2]	**8,565**	**489**	**0**	**0**
Covid-19 Reserve - Other	**9,336**	**6,095**	**4,095**	**0**
TOTAL	**66,576**	**53,178**	**33,230**	**43,441**

1 The balance as at 31 March 2022 includes earmarking of unconditional grants and contributions and other previously approved requests for use in 2022/23 to deliver specific programmes of work (£1,833k). At the time of drafting this report, £879k has been released into revenue budgets in 2022/23 and £954k remains in earmarked reserves.

2 The table above includes the sum required to be set aside in the Covid-19 reserve as at 31 March 2022 to compensate the Council for the Collection Fund deficit arising from the Government introducing additional Business Rate reliefs, and a consequent reduction in the Council's Business Rate income in 2021/22.

3 The table above is prepared on the basis that use of the Pension Reserve will be required to facilitate early payment of Pension Liabilities in 2023/24, with subsequent repayment in 2024/25 & 2025/26.

SUMMARY CAPITAL PROGRAMME 2022/23 to 2024/25

Annex F

Annex G

INTERIM TREASURY MANAGEMENT STRATEGY REPORT 2022/23

1 Background

1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017) was adopted by Council on 28 February 2018.

The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities;
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;
- Consideration of an Annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, an Interim Review Report and an Annual Report (outturn report) covering activities during the previous year;
- Delegation by the Council of responsibilities for implementing and monitoring Treasury Management policies and practices and for the execution and administration of Treasury Management decisions; and
- Delegation by the Council for the role of scrutiny of the Treasury Management Strategy and Policies to a specific named body. For this Council, the delegated body is the Audit and Governance Committee.

1.2 This interim report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An update on Interest Rates and prospects for future Interest Rates;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy and an update on the current investment and borrowing portfolios;
- A review of any debt rescheduling undertaken and any possible opportunities during 2022/23;
- An update on other issues affecting Treasury Management;
- An update on the latest Treasury Management Budget position: and
- A review of compliance with Treasury Limits and Prudential Indicators for 2022/23 and forward Treasury Limits and Prudential Indicators for 2023/24 and 2024/25.

2. Interest Rate Forecasts

2.1 The Council's treasury advisor, Link Asset Services, has provided the following forecast:

%	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24	Q1 25
Bank Rate	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75
5yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.20	3.10
10yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30
25yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60
50yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30

2.2 The Monetary Policy Committee (MPC), reduced bank rate to 0.10% in March 2020 in response to the coronavirus pandemic. The rate remained at this rate through to November 2021 as the uncertainty of the economic impact of COVID and periods of lockdown remained.

2.3 However, at the MPC meeting in December 2021, the bank rate was increased to 0.25%, in response to the recovery of UK GDP from the effects of COVID-19 and the increasing rate of inflation. Since the initial increase in bank rate, the rate has increased at every subsequent meeting of the MPC, reaching 2.25% at the latest committee meeting in September 2022.

2.4 The continuous rate increases have come about in response to the risks around very large increases in wholesale gas prices due to the conflict in Ukraine and the consequent impacts on real incomes for UK households and on CPI inflation. Added to this, sterling has depreciated materially over the period.

2.5 At the time of drafting the initial Treasury Management Strategy, Link Asset Services had envisaged that the bank rate would gradually increase during 2022 and into future years, reaching 1.25% by Quarter 1 of 2025. This forecast was produced prior to the current movements in inflation and was consistent with other forecasters' estimates.

2.6 At the time of the September MPC meeting, the Bank noted that the Government's Energy Price Guarantee support measures had addressed some of the uncertainty around UK retail energy prices and was likely to limit significantly further increases in CPI inflation. However, a cautious note was made regarding the potential impact of the Government's Growth Plan announcement and the need to consider this alongside already announced measures to fully assess the impact on demand and inflation, in order to determine further implications for monetary policy.

2.7 Government's "Fiscal Event" on 23 September 2022 announced a change in economic policies that seek to grow the UK economy. The measures that were announced at the time impacted on market confidence and the pound dropped to an historic low against the dollar. The Bank of England held off making an emergency Bank Rate increase and instead confirmed that it would do everything necessary to ensure headline inflation, on the CPI measure, returns to 2% over a three-year timeline.

2.8 The current forecast is that there will not be an emergency Bank Rate change ahead of the November MPC meeting, but that rates will increase by 1% and 0.75% at the next two committee meetings, with further 0.5% increases in February and March, to reach a peak of 5%.

2.9 Link Asset Services also highlight the fact that, due to uncertainty and potential volatility in markets, there is a wide spread of potential outcomes during the forecast period and forecasting remains difficult. Bank Rate forecasts will be liable to further amendment depending upon how economic data and developments in financial markets transpire over the next year.

.2.10 The above forecasts for PWLB rates are based upon the PWLB certainty rate, which was introduced in November 2012; this rate reduces PWLB borrowing by 0.20% for most local authorities, including St Helens.

2.11 The matters raised above apply equally when forecasting future movements in PWLB borrowing rates.

3 Treasury Management Strategy and Annual Investment Strategy Update

3.1 <u>Investments</u>

The Treasury Management Strategy Statement for 2022/23 was previously considered by Cabinet on 23 February 2022 and approved by Council on 2 March 2022. The Council's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement, outlines the Council's investment priorities as the security of capital and liquidity of investments.

The Council aims to achieve the optimum return (yield) on its investments, commensurate with the proper levels of security and liquidity, and having properly assessed all inherent risks, as detailed in its Treasury Management Practices (TMP's).

Further detail of the Council's investment portfolio is provided to Cabinet and Council as part of each Financial Monitoring Report. The Council held £156.065m of investments at 30 September 2022 (£154.058m at 31 March 2022) and the following table provides details of the investment returns achieved thus far during 2022/23.

At the mid-point in the year, cash holdings are broadly in line with the balances held at the end of 2021/22.

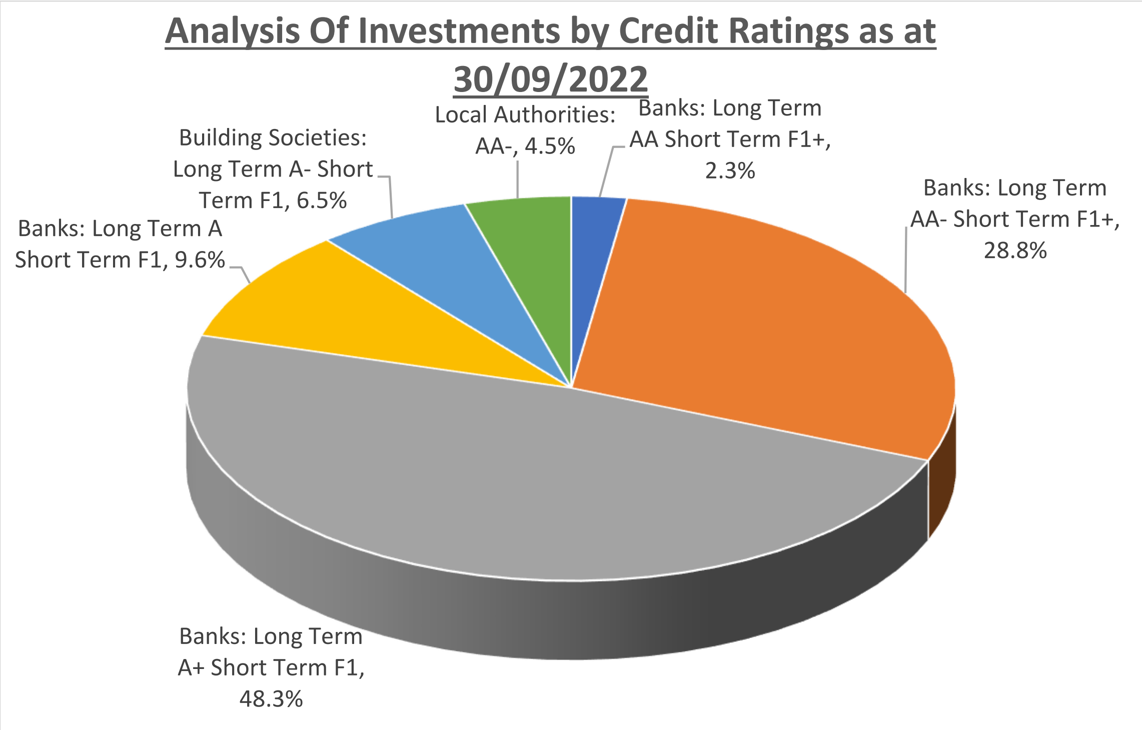
Any sudden changes in rates will impact upon performance against benchmarks as investment decisions need to be made based upon both the desire to maximise interest returns and managing the liquidity of the authority's investments for cashflow purposes, whilst, most importantly, ensuring the security of investments. For a number of years, where possible, the Council has taken advantage of favourable rates and locked into investment deals for longer periods.

The increasing interest rate environment means that, where the Council has locked into investments over a fixed term for the purpose of managing cashflows, it is difficult to achieve benchmark returns.

To ensure that the Council is taking advantage of increasing interest rates on investments, the Council is "laddering" investments, meaning that investments are profiled to mature on a regular basis throughout the year, to ensure that future investments can take advantage of increased rates. This can be exemplified through the interest rate that the Council has achieved on the most recent investment, a 12-month investment on 16 September at 4.20%

Investment Returns 2022/23 up to 30/09/2022									
2022/23	Returns Achieved			Benchmark Returns			Performance relative to Benchmarks		
Month	Fixed Term Investments	Call Accounts	**Combined Return**	1 Year SONIA	Overnight SONIA	**Combined SONIA**	Fixed Term	Call	**Overall +/- return**
April	0.750%	0.266%	**0.602%**	1.730%	0.690%	**1.412%**	(0.980%)	(0.424%)	**(0.810%)**
May	0.833%	0.301%	**0.664%**	1.870%	0.910%	**1.565%**	(1.037%)	(0.609%)	**(0.901%)**
June	0.982%	0.396%	**0.819%**	2.430%	1.060%	**2.050%**	(1.448%)	(0.664%)	**(1.230%)**
July	1.354%	0.449%	**1.112%**	2.560%	1.190%	**2.193%**	(1.206%)	(0.741%)	**(1.081%)**
August	1.687%	1.041%	**1.554%**	3.060%	1.640%	**2.769%**	(1.373%)	(0.599%)	**(1.214%)**
September	1.945%	1.132%	**1.801%**	4.120%	1.840%	**3.715%**	(2.175%)	(0.708%)	**(1.915%)**

The following chart details the split of the Council's investment by type and the credit rating assigned to the different groups of Counterparties.



3.2 Council's Investment Strategy and Counterparty Criteria

The investment strategy approved in the Treasury Management Strategy Statement is currently being adhered to and forming the basis upon which Officers have operated thus far. The counterparty criteria, which practically forms the basis on which Officers make decisions regarding those institutions with whom the Council will deal, is subject to constant review during the year and, through delegation to the Executive Director of Corporate Services, this can be amended by way of Operational Decision.

3.3 Borrowing

The Council has an ambitious Capital Strategy for the next three years, including the programme of Growth / Regeneration for the Borough. External borrowing will be necessary to fund these plans.

Recent significant movements in the financial markets have had an impact on the rates at which the Council would be able to borrow. As shown in section 2.1, current PWLB rates are around the 5% mark, across all time horizons. This compares to borrowing rates of less than 2.5% at the time of approval of the Treasury Management Strategy Statement.

Borrowing should be aligned to the profile of these plans and undertaken at the most opportune time required to fund these schemes / plans, whilst minimising interest rate exposure. Current forecasts, provided by our treasury management advisors and shown in section 2.1, are for a steady decrease in PWLB rates across the next 3 years, from the high levels that they have reached recently. However, as discussed in section 2.9, there is a wide spread of potential outcomes during the forecast period and forecasting remains difficult.

The sharp increase in PWLB rates will mean that the cost of borrowing is now significantly higher. To exemplify this point, an increase of 2.5% on the underlying rates, on a £10m maturity loan, over a 50-year lifetime, would add an additional £0.250m of debt servicing costs each year, equating to a total additional cost of £12.5m over the lifetime.

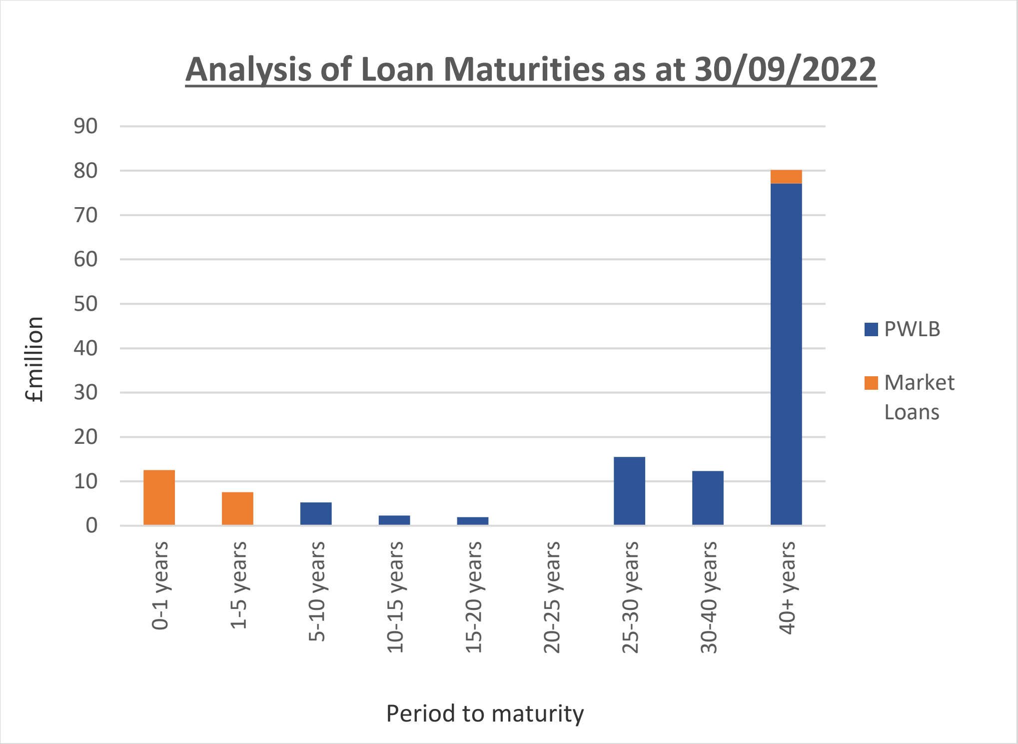
In approving the current Medium Term Finance Strategy, the Council set out and made provision for its ambitious capital plans over the medium term through identification of a number of strategic capital schemes for 2022/23, alongside pipeline schemes for future years. These include investment in highway and property assets, regeneration of the borough and its localities, and invest to save schemes.

Both the significantly elevated rates of borrowing and costs of delivering capital projects in the current inflationary environment will have a considerable negative impact on the affordability of the Council's capital investment aspirations. In addition, there is a high possibility of cuts to government capital funding allocations arising from the need for government to identify efficiencies.

Prioritisation and scaling of strategic capital investment to support or deliver Council priorities will be necessary to ensure that decisions are made within the limited resource availability to ensure the sustainability of the Council's financial position.

The strategy of financing capital expenditure by running down cash balances (i.e. in lieu of new borrowing) was formulated predominantly to minimise credit risks associated with holding investments and to protect the Council's budgetary position against diminishing investment returns. The strategy also allows for borrowing to be undertaken when it is deemed most opportune, based upon current and forecast PWLB interest rates. That rationale still holds good, and, in that context, it is considered that the Borrowing Strategy approved is still fit for purpose. However, it must be noted that this strategy has led to the Council having an "underborrowed" position, in that borrowing to fund historic capital spend has been deferred and may need to be secured at some stage in the future. The issue of when this borrowing may need to be secured needs to be considered in light of the forecast movements in PWLB borrowing rates.

The Council has outstanding debt of £137.527m, with a weighted average rate of borrowing of 3.523%. The following chart shows the maturity profile of the loan portfolio as at 30 September 2022.



In accordance with the revised Prudential Code, the maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment. If the lender does have the right to increase the interest rate payable (as is the case with a Market Loan (LOBO – Lender Option Borrower Option loan)), then this should be treated as a right to require payment. Due to this guidance the maturity dates of the Council's LOBO loans have been profiled as the next call date for each. This has made the Council's position look much more short-term when all of these loans have maturity dates of 30+ years. In the current interest climate, the potential exists that these loans could be called at the next review date for each loan. Work is currently being undertaken to identify potential options if this scenario happens.

In the economic climate that has persisted since October 2010, there have been no viable debt rescheduling opportunities for a number of years. However, now that the whole of the yield curve has shifted higher there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.

3.4 Budget Estimates

The budgeted and projected treasury costs for 2022/23 are detailed in the following Table

Treasury Management Budget 2022/23	2022/23 Allowed Estimate £M	2022/23 Revised Estimate £M	2022/23 Difference £M
Debt Management Costs			
External Interest	8.366	7.821	(0.545)
Revenue Provision (repayment of principal)	3.775	3.471	(0.304)
Investment Interest	(0.749)	(2.999)	(2.250)
Total Treasury Cost	**11.392**	**8.293**	**(3.099)**

3.5 Debt management costs have been reduced to reflect the profile of future capital expenditure funded by borrowing and decisions around the continued deferral of additional borrowing. Revenue provision has reduced as a consequence of the re-phasing of schemes within the 2021/22 capital programme into future years, as reported to Cabinet at its meeting on 22 June 2022. Investment interest has increased as a result of the increases in bank rate throughout the year and available market returns.

4 Treasury Limits and Prudential Indicators

4.1 It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting Regulations for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". The Council's approved Treasury Limits and Prudential Indicators (affordability limits) were outlined in the approved Treasury Management Strategy Statement.

4.2 During the financial year to date, the Council has operated within the Treasury Limits and Prudential Indicators approved by and in compliance with the Council's Treasury Management Practices. A copy of the latest Treasury Limits and Prudential Indicators are attached at Annex 1. Such revisions predominantly arise due to changes in the Council's approved capital programme.

4.3 The pipeline capital schemes included within the Capital Strategy and referenced in Section 4.3.3 are not included within the Treasury Limits and Prudential Indicators in Appendix 1, until such time as they are formally approved and included within the Capital Programme. Amended Treasury Limits and Prudential Indicators will need to be approved as part of that process.

5 Annual Revenue Provision Policy

5.1 The Council is statutorily required to determine its Policy in relation to the method by which it makes charges to the revenue account in respect of capital expenditure financed by borrowing or credit arrangements.

.5.2 The current Annual Revenue Provision Policy was approved by Council on 2 March 2022, having been contained within the Treasury Management Strategy 202/23, which formed part of the *Medium-Term Financial Strategy 2022-2025 and Revenue and Capital Budget 2022/23.*

5.3 Section 5 of that report set out the policy for charging the revenue account with an amount of minimum revenue provision which is deemed to be prudent. Paragraph 5.5 of the report considered the provision policy for Loan Financial Investments and stated that the Council will not make a Revenue Provision charge on the basis that the Loan will be repayable at some stage in the future and any risks regarding no-repayment would be quantified and charged in accordance with *IFRS9 Financial Instruments*, in the year in which they are identified.

5.4 A review of the policy has been undertaken and a revision is proposed to extend this element of the policy to Equity Financial Instruments, using the same rationale. Any equity investment would be made on the basis that the equity would be repaid at a later date, which would cover the repayment of the borrowing.

Appendix 1

1 Treasury Limits and Prudential Indicators 2022/23 to 2024/25

Treasury Limits and Prudential Indicators 2022/23 - 2024/25			2022/23 Estimates	2023/24 Estimates	2024/25 Estimates
1(i)	Proposed capital expenditure that the Council plans to commit to during the forthcoming and subsequent two financial years.	**Capital Expenditure (£m)**	70.735	53.078	11.818
1(ii)	Additional in-year financing/(borrowing) requirement for capital expenditure.	**In Year Capital Financing Requirement (CFR) (£m)**	8.511	13.955	(4.681)
2	The CFR is an aggregation of historic and cumulative capital expenditure, which has yet been paid for by either revenue or capital resources.	**Capital Financing Requirement as at 31 March (£m)**	200.399	214.353	209.672
3	The "net borrowing" position represents the net of the Authority's gross external borrowing and investments sums held.	**Net Borrowing Requirement:** External Borrowing (£m) Investments Held (£m) Net Requirement (£m)	 137.520 (135.000) 2.520	 137.507 (110.000) 27.507	 137.494 (105.000) 32.494
4	Identifies the impact and trend of the revenue costs of capital financing decisions will have on the General Fund Budget over time.	**Ratio of financing cost to net revenue stream**	4.27%	4.76%	4.61%

5	The Council's Budget Strategy, as a general principle is that no unsupported borrowing should be undertaken as a means of financing capital expenditure plans.	**Incremental impact of capital investment decisions (increase in Council Tax Band D equivalent**)	NIL	NIL	NIL
Treasury Limits and Prudential Indicators 2022/23 - 2024/25			2022/23 Estimates	2023/24 Estimates	2024/25 Estimates
6	This represents an absolute limit of borrowing at any one point in time. It reflects the level of external debt, which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.	**Authorised Limit for External Debt (£m)**	205.454	208.933	215.019
7	This is the limit beyond which external debt is not normally expected to exceed.	**Operational Limit for External Debt (£m)**	192.907	196.461	195.131
8	These limits seek to ensure that the authority does not expose itself to an inappropriate level of interest rate risk and has a suitable proportion of debt.	**Upper Limit for Fixed Interest Rate Exposure**	100%	100%	100%
		Upper Limit for Variable Interest Rate Exposure	50%	50%	50%
9	This limit seeks to ensure liquidity and reduce the likelihood of any inherent or associated risk.	**Upper Limit for Sums Invested over 365 Days**	60%	60%	60%

10	This indicator is used to highlight where an authority may be borrowing in advance of need.	**Gross Debt and the CFR** **(£m)**	(42.129)	(56.866)	(53.083)

ANNUAL REVENUE PROVISION STATEMENT

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

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

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

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

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

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

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