

REVENUE AND CAPITAL OUTTURN REPORT 2022/23

SECTION 1: SUMMARY

- 1.1 The revenue outturn position for 2022/23 is an overspend of £4.505m. This overspend will reduce the Council's level of reserves at March 2023. It has previously been acknowledged that use of reserves to support the revenue budget is not sustainable.
- 1.2 The overall overspend for 2022/23 has been mitigated by variations within the corporate budgets. These variations are one-off in nature, the most significant variation being in relation to Treasury Management activity, where additional borrowing to fund capital expenditure was deferred and favourable Bank Rate movements increased market returns on investments. The net portfolio variation is an overspend of £10.295m. This includes variances attributable to the settlement of the 2022/23 Local Government Pay Award of £3.171m, as well as those relating to increased energy prices totalling £1.469m.
- 1.3 The key portfolio variations are detailed within section 2.5 of the report.
- 1.4 The budget for 2022/23 included the planned delivery of £6.044m of budget savings. Savings totalling £3.525m which had not been achieved in 2021/22 were also brought forward into 2022/23. Of these savings, it was reported to Cabinet on 22 February 2023 that £3.842m were either forecast to be unachievable or there was a delay in full implementation, £2.429m of which had no identified mitigations. £2.144m of these related to the reduction of placement costs for children looked after within Children's Services.
- 1.5 During 2022/23, a number of unconditional grants and contributions were received against which expenditure is scheduled in future periods. Due to the technical accounting treatment required for unconditional grants and contributions, provision for the earmarking of this funding has been made within the Funding Reform and Volatility Reserve, with a corresponding release of the funding to be made in 2023/24 or future years. This mechanism is purely to reflect the timing difference between funding being received and related expenditure being incurred.
- 1.6 The aftershocks of the global pandemic continued to be felt in 2022/23, for which some provision was made in the budget. It should be noted that there was no additional funding from government to support legacy Covid-19 pressures, which therefore needed to be managed within the Council's overall budget.
- 1.7 Inflationary pressures had an enormous impact in 2022/23, particularly on employee pay and energy costs. The rate of inflation relentlessly moved upwards throughout the year, reaching a 40-year high of 11.1% in October 2022. This was driven by a combination of demand for consumer goods, labour market shortages, the war in Ukraine and rising energy prices. Whilst the rate of inflation has decreased and is forecast to continue on a downward trajectory, these pressures are likely to continue to be felt in 2023/24 and beyond.
- 1.8 The financial environment within which the Council operates presents severe challenges. The Council has never faced a more challenging funding position, after more than a decade of austerity and cuts in government funding. Given the current

inflationary and wider economic environment, the crisis engulfing social care amid continually increasing demand, and the legacy of the global pandemic, 2023/24 is likely to be another financially difficult year. These pressures, coupled with the requirement to deliver £12.353m of savings in 2023/24, will require robust financial management.

SECTION 2: REVENUE BUDGET OUTTURN 2022/23

2.1 The outturn position, subject to audit, is summarised in Table 1. The table shows the position after:

- (i) Neutral adjustments in accounting treatment and movements on uncontrollable budgets (e.g. depreciation and support service recharges)
- (ii) the carry-forward of unspent budget provision (£989k) for schemes funded by earmarked reserves continuing into future years, as detailed in Annex B
- (iii) the acceleration of use of earmarked reserves from future years (£311k), as detailed in Annex B
- (iv) allowing for the earmarking of unconditional grants and contributions and previously approved resources (£1,286k) from 2022/2023 into 2023/24 where funding is required to deliver specific programmes of work

Table 1 - Outturn variations against approved budget 2022/23	Net Outturn Variance 2022/23 + / (-) £000
Economy, Business and Skills	+164
Children and Young People	+7,525
Integrated Care	+1,221
Wellbeing, Communities and Culture	+147
Regeneration and Planning	+1,070
Environment and Transport	+1,211
Finance and Governance	(580)
Transformation	(463)
TOTAL - Portfolio budgets	+10,295
Council-wide budgets	(5,790)
TOTAL - Outturn variations against approved budget 2022/23	+4,505

2.2 As detailed above, the net portfolio spend was above budget by £10.295m. The overall net position for the Council is an overspend of £4.505m, after allowing for £5.790m of variations in council-wide budgets, as detailed in Annex A.

2.3 The portfolio variations include the cost of employee termination payments and pension capital strain costs totalling £0.548m, where decisions have been made in the year to 31 March 2023 to release employees.

2.4 The Council's Financial Procedure Rules and Budget Strategy stipulate that any overspend in one year is funded by a corresponding reduction in the relevant departmental budget in the subsequent year. Given the likelihood of extreme pressures on departmental budgets in 2023/24 and the significant overspend position in 2022/23, it is not recommended that this requirement be adhered to for those budgets whose outturn exceeded budget in 2022/23.

2.5 The key portfolio variations are detailed below.

2.5.1 Economy, Business and Skills

The portfolio's outturn position is an overspend of £164k.

Unachieved staff savings of £56k were mitigated by staff slippage of £158k across the portfolio.

General supplies and services were overspent by £27k, mainly as a result of urgent contaminated land investigation works being required, for which retrospective funding might become available.

There were also income shortfalls within Pest Control (£20k), the Environmental Warden service (£121k), general Environmental Health (£21k) and Licensing & Land Charges (£104k).

These income shortfalls were offset by additional income generated within Trading Standards (£22k) and Economic Development (£5k).

2.5.2 Children and Young People

The budget position in respect of children's social care has been extremely challenging due to the ongoing national increased demand for services seen over the last decade. In particular, the profile of children and young people being accommodated during 2022/23 resulted in a budget pressure of £4.463m, including the delivery of services for those young people leaving care. There was also a pressure of £0.854m on family support packages designed to help young people remain in the family environment and avoid the need to be brought into more expensive fostering or residential care.

The department has been working 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 dependent on the ability to reduce the number of children being brought into care, reduce the number of external residential care placements, and develop lower-cost alternatives such as in-house residential and foster care provision. The Council's Placement Sufficiency Strategy 2022/2023 articulates that the Council will be looking to increase internal children's homes over the next 4 years with a phased increase. In April 2023, Cabinet approved investment totalling £2.379m to deliver up to five additional children's residential homes in-borough over the next 18 months to help deliver this strategy.

The use of agency staff and the engagement of additional short-term social work capacity was necessary to ensure that the required workforce was in place within children's social care to drive forward the necessary changes, as the Council continues its improvement journey following the Ofsted judgement. Consequently, there was a budget pressure of £1.756m in respect of the main frontline social care workforce. This figure includes the impact of the local government pay settlement for 2022/23, which was in excess of budgeted levels to the tune of £0.631m.

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 2022/23 budget contained a challenging programme of efficiencies totalling £3.159m in relation to the delivery of services associated with children looked after, early help/children's centres, family support, education psychology, home to school/college transport, youth services and other management and support services. Work continued throughout 2022/23 to identify savings options in respect of early help/children's centres; however, there was a budget pressure of £0.428m associated with this service.

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

There were a number of other budget variances within the department across a range of services, totalling £0.024m. The overall pressure for the portfolio in 2022/23 was £7.525m.

Restructuring costs within the portfolio totalled £39k.

2.5.3 Integrated Care

The outturn position for the portfolio was an overspend of £1.221m. This included approximately £0.783m in relation to the settlement of the 2022/23 pay award. There was staff slippage of £0.437m which has mitigated the impact of the pay award, with vacancies particularly in Care Management and Occupational Therapy services.

The Learning Disability service overspent by £2.045m, which was primarily due to increased demand in relation to complex cases within commissioned Residential and Supported Living services. This has been offset by underspends within Physical, Sensory and Memory & Cognition services of £2.199m, which is in part due to income from Health to support residential and nursing bed-based placements and hospital discharges.

There was a pressure of £0.395m in relation to Aids & Adaptations to support people to remain in the community.

There was an overspend against the pooled budget with Health, of which the Council's share was £0.152m.

There were also pressures across general supplies and services of circa £0.294m, with other net portfolio variances of £0.188m.

During 2022/23, funding of £0.820m was received to support the pressures within the health and social care system, and to enable more residents to be discharged earlier from hospital with the required level of support.

Restructuring costs within the portfolio totalled £72k.

2.5.4 Wellbeing, Communities and Culture

The Public Health Grant of £15.065m was fully committed in 2022/23. In addition, expenditure was incurred against two grants awarded by the Office for Health Improvement and Disparities to improve local drug treatment services, in accordance with the ambitions of the National Drugs Strategy, and to support employment for people receiving community treatment for drug and alcohol dependence who are either unemployed or at risk of unemployment.

There was an overspend of £147k across the non-Public Health services within the portfolio.

The main area of unachieved saving in the portfolio related to the implementation of the localities model (£640k), which was mitigated by staff slippage across the portfolio of £597k.

Other key variances within the portfolio include a net overspend of £30k on non-employee-related expenditure items, and a shortfall in income of £74k predominantly related to the Indoor Sports & Recreation service (£14k casual income and £60k school swimming).

Restructuring costs within the portfolio totalled £87k.

2.5.5 Finance and Governance

The Finance and Governance portfolio has delivered a budget underspend of £580k. The largest contributor to this was a £397k underspend on staffing budgets, due to departmental restructures and vacancy control. This is the net position after accounting for pay award pressures of £248k.

Further, the supplies and services budgets have underspent by £183k, due to proactive choices made by managers to minimise expenditure, saving around £123k, as well as lower-than-expected expenditure against historic pension costs (£60k).

Restructuring costs within the portfolio totalled £260k.

2.5.6 Transformation

The Transformation portfolio has delivered a budget underspend of £463k. The most significant contributor to this was a £200k underspend on staffing budgets, due to vacancy control in IT, the Contact Centre and Policy Development.

There was also a net £263k underspend on the supplies and services budgets due to managers proactively working to reduce expenditure on non-essential items.

Restructuring costs within the portfolio totalled £60k.

2.5.7 Environment and Transport

Overall, the Environment and Transport portfolio outturn position was an overspend of £1.211m, of which the main inflationary pressures related to settlement of the Local Government Pay Award (£997k), energy costs for Urban Traffic Control and street lighting (£373k), school meals food provisions (£561k) and fuel costs incurred on operating the Council's vehicle fleet (£191k). Further detail on these pressures and other variances is included below.

Parks & Open Spaces overspent by £54k, which is mainly a result of unachieved employee savings within the service.

Cemeteries & Crematorium reported a deficit position of £112k, which predominantly consists of a shortfall in income, with all minor expenditure variances offsetting each other in full.

Street Cleansing overspent by £38k, of which £53k relates to the additional cost of the employee pay award, with an underspend on general supplies and services of £15k offsetting this.

Waste Collection have reported an underspend of £114k, which consists of an underspend on employees (£81k) and general supplies and services (£52k), along with a shortfall in income of £19k.

The Recycling service had an overall overspend of £562k. Pressure on the employee budget accounted for £407k of this, due to the use of agency operatives. A shortfall in income of £308k was partly mitigated by underspends on external vehicle hire (£134k) and tipping fees (£59k), with an overspend on general supplies and services accounting for the remaining £40k.

Parking Services reported an overspend of £42k, with a shortfall in income of £78k being partially mitigated by a net underspend of £36k on other expenditure items.

The Highways Maintenance service has reported an overall underspend of £1.141m, which is mainly a result of significantly increased income generated throughout the year. Excellent performance within the service has seen income targets exceeded for Section 38 development income (£201k), Streetworks income (£325k), Emergency Works and Footway Crossings income (£18k) and capital income (£465k). In addition, there was an underspend on employees of £326k due to vacant posts, which mitigated overspends on Urban Traffic Control energy costs (£97k) and the Winter Maintenance programme (£94k: mainly attributable to the cost of material purchases).

Street Lighting's outturn position was more positive than previously anticipated, with a final overspend total of £310k. Energy costs accounted for £276k of this total, with a net overspend on expenditure of £60k being partly mitigated by additional income of £24k. It should be noted that the Government's Energy Bill Relief Scheme reduced street lighting energy costs by circa £232k for the period October 2022 to March 2023.

Traffic Management and Road Safety are reporting a net underspend of £112k, comprising an overspend on employees of £33k, additional income generated from sales, fees and charges of £90k, and additional capital fee income of £55k.

Within the Direct Services division there was an overall overspend of £1.484m, which is predominantly due to inflationary pressures that arose on employee pay (£646k), school meals food provision (£666k) and vehicle fuel (£191k). Employee slippage across the service of £540k helped mitigate the additional pay costs. Other pressures include £131k on repairs and maintenance of the vehicle fleet, £101k on external vehicle hire, and net overspends on premises (£15k), supplies and services (£33k) and third-party payments (£39k). There was also a net income shortfall across the service of £201k, with £109k of this relating to Grounds Maintenance.

Management & Support Services underspent by £24k as a result of slippage on vacant posts.

2.5.8 Regeneration and Planning

Overall, the Regeneration and Planning portfolio outturn position is an overspend

of £1.070m, which mainly comprises inflationary pressures on employee pay (£159k) and energy costs (£1.096m after relief provided through the Government's Energy Bill Relief Scheme, as discussed below). Further details on these pressures and other variances are included below.

Unachieved staff savings of £317k and the impact of the increased pay award were mitigated by staff slippage across the portfolio of £625k.

Housing Services reported an underspend of £17k, with additional Income of £85k offsetting overspends on expenditure-related budgets of £68k.

The Homelessness service underspent by £64k, with an overspend on temporary accommodation costs of £52k being mitigated by underspends on employees (£72k), general supplies and services (£9k) and additional Housing Benefit income of £35k.

Supporting People contracts reported an underspend of £261k due to demand being less than the budget allocation.

Building Control reported an overspend of £62k, consisting of employee costs (£15k), general supplies and services (£5k) and a shortfall in income (£42k).

Development Control have reported an overspend of £99k, which includes an underspend on employees (£159k), an overspend on consultancy support (£246k) and a shortfall in income of £11k.

Planning have reported an underspend of £140k, consisting of slippage on employee budgets of £73k, an underspend on general supplies and services of £47k, and additional income of £20k.

Estates (Industrial & Commercial Premises), which includes Church Square Shopping Centre and the Hardshaw Centre, reported an overall overspend of £372k. This included a net overspend on premises-related expenditure of £67k, £11k on general supplies and services, and a shortfall in income of £293k.

Market Undertakings have an overall overspend position of £169k, of which £112k related to increased energy costs (gas £48k, electricity £64k), with an increase in void Business Rates of £40k also being incurred.

Economic Development have an overspend of £129k, predominantly caused by the non-achievement of staff savings (£100k) and an overspend on general supplies and services of £29k.

The Growth Delivering Prosperity team recorded an underspend of £8k, due to slippage on employee budgets.

Transport Planning had an underspend of £90k as a result of slippage on vacant posts.

Estates Management overspent by £104k as a result of employing interim staff to progress the property transformation programme, and to cover vacant posts within the service.

Management & Support Services overspent by £69k, with additional employee costs of £23k and a shortfall in income of £46k making up this total.

Building Support have reported a total overspend of £611k, with the main area of overspend relating to the aforementioned energy costs (gas £715k, electricity £249k). These costs were partly offset by underspends on staffing costs (£32k), repairs and maintenance (£201k), water rates (£86k) and general supplies and services expenditure (£34k).

Whilst energy costs accounted for the most significant pressure across the portfolio, it should be noted that the government's Energy Bill Relief Scheme reduced the eventual cost to the Council by circa £854k for the period October 2022 to March 2023 (gas £652k, electricity £202k).

SECTION 3: CAPITAL PROGRAMME OUTTURN 2022/23

- 3.1 The outturn figures for 2022/23, subject to audit, are summarised in Table 2 below. The table shows a net decrease (for 2022/23) of £6.977m from the previously reported position.

Table 2 – Capital Programme summary outturn 2022/23	Approved Provision 2022/23	Provisional Outturn 2022/23	Variance
PORTFOLIO SPENDING	£000	£000	£000
Children and Young People	11,658	10,824	(834)
Integrated Care	41	41	-
Wellbeing, Communities and Culture	636	589	(47)
Finance & Governance	210	104	(106)
Transformation	-	13	+13
Environment and Transport	32,997	28,878	(4,119)
Regeneration and Planning	11,055	9,171	(1,884)
Total	56,597	49,620	(6,977)
FINANCED BY			
Grants and Other Contributions	39,411	35,243	(4,168)
Capital Receipts*	2,551	3,917	+1,366
Revenue Contribution	1,115	940	(175)
Borrowing*	13,520	9,520	(4,000)
Total	56,597	49,620	(6,977)

* The financing profile has been amended to utilise an additional £1.450m of capital receipts to enable savings to be generated against the Council's debt servicing costs in future years.

- 3.2 The net variance for 2022/23 since the previously reported position arises from a combination of factors as detailed in Table 3. Annex C provides further detail.

Table 3 – Variations in 2022/23 Capital Programme spend (outturn compared to previously reported position)	£000
Rephasing of schemes into 2023/24	(7,246)
Rephasing of schemes from future years into 2022/23	885
Additional funding to existing schemes	46
Completed schemes	(94)
Other variations	(568)
TOTAL	(6,977)

SECTION 4: RESERVES AND BALANCES

4.1 General Balances

- 4.1.1 The movement in General Balances is summarised in Table 4. The Revenue and Capital Budget approved by Council on 1 March 2023 noted, after having regard to a series of potential risks, including the deliverability of services within the baseline level of available resources, that an underlying level of approximately £12m General Balances was considered appropriate.
- 4.1.2 On this basis, the outturn position noted in section 2.1 will require the release of £3.369m from earmarked reserves into general balances. As noted within the Revenue and Capital Budget 2023/24, use of reserves to support the revenue budget is not sustainable, and actions to eliminate this and replenish reserve levels form a key part of the Council's Medium Term Financial Strategy.
- 4.1.3 The position summarised in Table 4 also reflects carry-forward of budget provision from 2021/22 into 2022/23 totalling £287k, including £76k in relation to revenue contributions to capital schemes.

Table 4 - Movement in General Balances	£000
General Balances as at 1 April 2022	13,423
Budgeted use of General Balances 2022/23	(287)
Outturn variation against approved budget 2022/23 (see Table 1)	(4,505)
Appropriation from earmarked reserves as detailed above	3,369
General Balances as at 31 March 2023	12,000

4.2 Earmarked Balances

- 4.2.1 The overall position in relation to earmarked balances at 31 March 2023 is provided in Table 5, with Annex D providing further detail. It should be noted there are approved commitments on these reserves extending to 2025/26.

The most significant in-year movements include:

- the approved use of general earmarked reserves in 2022/23 for revenue and capital schemes
- the approved budgeted contributions to general earmarked reserves as detailed in the Revenue and Capital Budget 2022/23 and Medium Term Financial Strategy 2022-2025
- earmarking of unconditional grants and contributions, as noted in section 1.5
- the use of the Covid-19 Reserve in respect of the mechanics of the Collection Fund, as detailed at section 4.2.3
- the approved budgeted contribution from the Covid-19 Reserve of £3.000m to support ongoing additional costs and income losses resulting from the pandemic
- the use of earmarked reserves to smooth the impact of a shortfall in Section 31 grants, as detailed at section 4.2.2

- the release of £3.369m from earmarked reserves into general balances, as detailed in section 4.1

Table 5 – Earmarked Balances	Balance at 1 April 2022 £000	In-year Movement £000	Balance at 31 March 2023 £000
General Earmarked Reserves	48,675	(1,860)	46,815
Covid-19 Reserve - General	9,336	(5,126)	4,210
Covid-19 Reserve - Collection Fund	8,565	(8,077)	488
TOTAL	66,576	(15,063)	51,513

4.2.2 The Council's Medium Term Financial Strategy 2023-2026 noted that use of earmarked reserves would be required in 2022/23 to smooth the impact of a shortfall in Section 31 grants during that year. The Council will receive associated additional Business Rates income in 2023/24 and 2024/25, which will then be used to replenish reserves. As detailed in Section 4.5, £1.373m is required from reserves to meet the deficit of Section 31 grants in 2022/23. This is necessary due to the (prescribed statutory) mechanics of the Collection Fund.

4.2.3 In 2021/22, the Council received Section 31 Grant funding of £8.077m to compensate for Business Rates losses related to the Covid-19 pandemic. The Council was required to earmark this sum to reserves in 2021/22. The sum was subsequently released in 2022/23 to meet the deficit charged on the Business Rates element of the Collection Fund.

4.3 Schools Balances

4.3.1 The position in respect of school balances is detailed in Table 6.

Table 6 – School Balances	£000
School Balances as at 1 April 2022	13,540
In-year movements 2022/23	(1,653)
Balances as at 31 March 2023	11,887

4.3.2 The balances are ringfenced for schools, and in accordance with the requirements of the Department for Education, the local Scheme for Financing Schools makes provision to permit the carry forward of resources into future financial years. This is an important mechanism for schools to support the delivery of a medium-term budgeting strategy.

4.4 Usable Capital Receipts

4.4.1 The position in respect of general capital receipts is detailed in Table 7.

Table 7 - Usable Capital Receipts	£000
Available Capital Receipts brought forward at 1 April 2022	20,817
<u>Receipts generated in year</u>	
Sale of Council Assets and Grant Repayments	2,002
Repaid - Other Loans and Advances	201
Amounts applied to finance new capital investment in the year	(3,917)
Available Balance 31 March 2023 (prior to future commitments)	19,103
Receipts set aside for the Land and Property Acquisition Fund	(10,000)
Capital Receipts set aside in 2023/24 where the use of flexibilities can be applied	(1,000)
Required to fund the Capital Programme in 2023/24 to 2025/26	(931)
Receipts from the repayment of Council grants and loans ringfenced for future years' Housing Programme	(224)
Available Balance (after taking commitments into account)	6,948

4.5 Collection Fund

4.5.1 The position in respect of the Council's Collection Fund is provided in Table 8.

Table 8 - Collection Fund	Surplus / (deficit) 31 March 2023	Surplus / (deficit) included in the approved MTFS	Additional surplus / (deficit) to be carried forward
	£000	£000	£000
Council Tax	(1,495)	(1,478)	(17)
Business Rates	1,766	1,415	351
SUB-TOTAL	271	(63)	334
Section 31	(1,373)	(1,169)	(204)
TOTAL	(1,102)	(1,232)	130

4.5.2 As detailed in section 4.2.2, the use of £1.373m of earmarked reserves is required in 2022/23. Additional Business Rates income will be received in 2023/24 and 2024/25, which will then be used to replenish reserves. This is due to the mechanics of the Collection Fund and the statutory rules regarding when the surplus in Business Rates income must be charged. The use of reserves is required to smooth the impact of a shortfall in Section 31 grants received during the year.

4.5.3 The net outturn position is represented by the additional surplus/(deficit) to be carried forward, as detailed in Table 8. The position includes the 'exceptional' (Covid-19 driven) Collection Fund deficit arising in relation to financial year 2020/21.

SECTION 5: TREASURY MANAGEMENT OUTTURN REPORT 2022/23

- 5.1 A summary of the Council's Treasury position at the end of March 2023 is included in Table 9. The Treasury Management Outturn Report for 2022/23 is included at Annex E.

Table 9 – Treasury position 2022/23	As at 1 April 2022	As at 31 March 2023
Investments Outstanding	£137.4m	£127.0m
Investment Returns (average for the year)	-	2.05%
Borrowing	£140.6m	£137.5m

COUNCIL-WIDE VARIATIONS

Council-Wide Variations	Outturn Variance 2022/23 £000 + /(-)	Explanation of Variances
Business Rates Retention System Levy Account Surplus	(388)	The Department for Levelling Up, Housing and Communities distributed to local authorities a surplus on the Business Rates Retention System Levy Account for 2022/23. The allocation for St Helens was £388k.
Treasury Management	(4,025)	This is primarily a combination of: <ul style="list-style-type: none"> • Reduction in the Minimum Revenue Provision as a consequence of the rephasing of schemes within the 2022/2023 capital programme into future years • Reduction in debt management costs due to the deferral of borrowing, given current PWLB rates • Increased investment interest as a result of market returns available due to the favourable Bank Rate movements
Mid-Mersey Business Rates	(160)	As part of the Mid-Mersey Business Rates pooling arrangement with Warrington and Halton Borough Councils, the Council received a proportionate share of the levy savings that would otherwise have been payable in relation to Warrington's Business Rates growth. This payment relates to a share of the levy savings for previous years.
Restructuring Costs	(1,002)	Corporate budget provision totalling £1,002k for costs associated with restructuring and reconfiguring of Council services was not utilised in 2022/23.
Prepayment of Pensions Contributions	(243)	The Council received an additional discount of £243k from the prepayment of pension contributions for 2022/23.
Other	+28	
Total	(5,790)	

Annex B**CONTINUATION OF FUNDING FROM EARMARKED RESERVES INTO 2023/24 AND ACCELERATION OF FUNDING**

	Continuation of Funding into 2023/24 & beyond			Acceleration of Funding from 2023/24		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Economy, Business and Skills	50	-	50	-	-	-
Children and Young People	9	-	9	-	-	-
Integrated Care	-	-	-	-	-	-
Wellbeing, Communities and Culture	192	-	192	-	-	-
Finance and Governance	43	-	43	-	-	-
Transformation	53	164	217	-	-	-
Environment and Transport	12	129	141	-	311	-
Regeneration and Planning	337	-	337	-	-	-
Total	696	293	989	-	311	311

CAPITAL PROGRAMME VARIATIONS 2022/23

CHILDREN AND YOUNG PEOPLE PORTFOLIO	2022/23		
	Approved Budget Q3	Outturn	Variance
	£000	£000	£000
Primary Schools			
Ashurst Primary Rebuild	6,586	6,204	-382
Bleak Hill Roof Repairs	5	0	-5
Broad Oak Primary WC Refurbishment	60	59	-1
Grange Valley Primary - Remodel Staff Room	1	0	-1
Legh Vale Heating Replacement	50	48	-2
Merton Bank Structural Works	5	1	-4
Queens Park Window Replacement	80	73	-7
Queens Park Roof Replacement	10	0	-10
Rivington Boiler Replacement	5	0	-5
Robins Lane Health & Safety Works	44	40	-4
Sutton Manor Health & Safety Works	5	0	-5
Sutton Oak Boiler Replacement	5	0	-5
Thatto Heath Structural Works	5	0	-5
The District Primary - Nursery Provision	41	0	-41
The District Primary - Roof Replacement	5	0	-5
The District Primary - Fire Doors	72	66	-6
SEND base Wargrave/Grange Valley Partnership	172	184	+12
Secondary Schools			
Cowley Roof Replacement	32	0	-32
Cowley Drainage Works	5	0	-5
Cowley Room Conversion	7	0	-7
Cowley Boiler Replacement	28	26	-2
Haydock High Sports Hall Lighting	1	1	0
De La Salle SEND Base	44	0	-44
Special & Other Schools			
Lansbury Bridge - Refurbishment of classroom	30	18	-12
Penkford Relocation	3,691	3,639	-52
Pupil Referral Heating	5	0	-5
Other Schemes			
Harnessing Technology	5	0	-5
Various Schools Roller Shutters	1	2	+1
Various Schools Fire Risks	10	6	-4
Various Schools Heating	49	41	-8
Various Schools Asbestos Removal	1	1	0
Children and Families Accommodation	19	0	-19
Uncommitted Grant Funding			
School Devolved Formula Capital	450	415	-35
Higher Needs Provision Capital	54	0	-54
Basic Need Uncommitted	30	0	-30
School Condition Funding Uncommitted	45	0	-45
TOTAL	11,658	10,824	-834

INTEGRATED CARE PORTFOLIO	2022/23		
	Approved Budget Q3	Outturn	Variance
	£000	£000	£000
Brookfield Wet Room	41	41	0
TOTAL	41	41	0

WELLBEING, COMMUNITIES AND CULTURE PORTFOLIO	2022/23		
	Approved Budget Q3	Outturn	Variance
	£000	£000	£000
Astro-Turf Pitch - St Augustines	2	0	-2
Sutton Leisure Centre – 3G Pitch	22	22	0
Community Safety Schemes			
CCTV Replacement	75	40	-35
Replacement of Housing & Regulatory Services	281	271	-10
Case Management System			
Remediation - Tickle Avenue	256	256	0
TOTAL	636	589	-47

FINANCE AND GOVERNANCE PORTFOLIO	2022/23		
	Approved Budget Q3	Outturn	Variance
	£000	£000	£000
Finance System (Unit4 ERP)	210	104	-106
TOTAL	210	104	-106

TRANSFORMATION PORTFOLIO	2022/23		
	Approved Budget Q3	Outturn	Variance
	£000	£000	£000
ICT Device Refresh	0	13	+13
TOTAL	0	13	+13

ENVIRONMENT AND TRANSPORT PORTFOLIO	2022/23		
	Approved Budget Q3	Outturn	Variance
	£000	£000	£000
Highway Schemes			
A49 to M6 Junction 22 Link Road	15,038	13,670	-1,368
A49 to M6 Junction 22 Link Road (Junction Mitigation Works)	300	190	-110
A58 Liverpool Rd/A580 East Lancs Rd Junct.Impvts (Pewfall). KRN (Employment Hubs)	13	0	-13
Accessibility Improvements Supporting Regeneration	38	38	0
Active Travel Fund - Tranche 1	24	24	0
Active Travel Fund - Tranche 2	551	548	-3
Active Travel Fund - Tranche 3	450	273	-177
Bridge Strengthening & Maintenance	30	42	+12
Carriageway Maintenance	44	38	-6
Highways Challenge Fund	94	94	0
Highway / Road Investment	453	6	-447
Huskisson Bridge Repairs	950	780	-170
Key Route Network	578	413	-165
LCR Sustainable Urban Development	515	232	-283
Local Safety Schemes	165	92	-73
CRSTS- Active Travel-City Region	380	353	-27
CRSTS- Strategic Maintenance	3,200	2,912	-288
CRSTS - Bridges	600	467	-133
CRSTS - Technology & Comms Upgrade	900	812	-88
CRSTS - Potholes	300	425	+125
CRSTS - Flooding / Drainage	600	567	-33
CRSTS - Resource Funds	760	221	-539
Safer Routes to Schools	152	103	-49
SCP - Amber Flashing Lights	10	10	0
St. Helens Southern Gateway Package	1,900	1,887	-13
Street Lighting	77	60	-17
Traffic Calming & Restraint	31	4	-27
Traffic Signal Improvements on A58 and A572	497	417	-80
Walking & Cycling Measures	30	33	+3
Environmental Schemes			
Climate Change Emergency Response Fund	13	13	0
Haydock KGV Playing Field- Site Improvements	151	23	-128
Recycling & Waste Collection	66	83	+17
Section 106 Arrangements (Non-Highway Schemes)	5	5	0
St. Helens Cemetery-Drainage Scheme	11	9	-2
Play Equipment (S.106) Rainhill	40	42	+2
Two Butt Lane Open Space (S.106)	20	0	-20
Other Schemes			
Fleet Replacement Programme	4,011	3,992	-19
TOTAL	32,997	28,878	-4,119

REGENERATION AND PLANNING PORTFOLIO	2022/23		
	Approved Budget Q3	Outturn	Variance
	£000	£000	£000
Chalon Way Meanwhile Use	185	43	-142
Ground Conditions Survey	81	0	-81
St Helens Town Centre Masterplan	1,484	962	-522
Hardshaw Brook Depot	365	276	-89
Modernisation of St Helens Crematorium	276	318	+42
Registry Office Demolition	33	33	0
The Gamble Building and Earlestown Town Hall	2	6	+4
The Gamble Building (External works)	992	958	-34
The Gamble Building (Phase 4)	224	0	-224
Earlestown Town Hall (External Refurbishment)	1,031	1,275	+244
Earlestown Regeneration	375	80	-295
Town Deal - Glass Futures Ph 2	41	31	-10
Town Deal - Cannington Shaw	356	57	-299
Town Deal - The World of Glass	540	488	-52
Town Deal - Health Hub	85	38	-47
Predevelopment Parkside Regeneration	885	885	0
Parkside Regeneration Equity Investment	850	0	-850
Housing Schemes			
Disabled Facilities Grants and Adaptations	3,000	3,573	+573
General Fund Housing (Housing Assistance)	30	10	-20
Housing Clearance and Enforcement	20	12	-8
Insulation Measures and Fuel Poverty	200	126	-74
TOTAL	11,055	9,171	-1,884
TOTAL ALL PORTFOLIOS	56,597	49,620	-6,977

EARMARKED BALANCES POSITION AT 31 MARCH 2023

	Balance at 1 April 2022	Use of Reserves in year	Transfers to Reserves in year	Re- Alignment of Reserves*	Balance at 31 March 2023
	£000	£000	£000	£000	£000
Transformation Reserve	8,056	(2,135)	250	-	6,171
Growth Reserve	5,930	(1,038)	819	-	5,711
Councillor Improvement Fund	576	(220)	-	-	356
Insurance & Contingent Liability Reserve	3,208	-	-	-	3,208
Waste Management Development Fund	1,204	(557)	-	-	647
Inflation Reserve	3,000	-	1,000	746	4,746
Restructuring Reserve	3,707	-	-	-	3,707
Funding Reform and Volatility Reserve**	2,994	(2,022)	3,527	2,770	7,269
Pensions Reserve	20,000	-	-	(10,000)	10,000
Tax Increment Financing (TIF) Reserve	0	-	-	5,000	5,000
TOTAL (exc. Reserves earmarked for Covid-19)	48,675	(5,972)	5,596	(1,484)	46,815
Covid-19 Reserve - General	9,336	(3,241)	-	(1,885)	4,210
Covid-19 Reserve - Collection Fund	8,565	(8,077)	-	-	488
TOTAL***	66,576	(17,290)	5,596	(3,369)	51,513

* As approved within the Medium Term Financial Strategy 2023-2026 and Revenue and Capital Budget 2023/24

** Includes earmarking of unconditional grants and contributions and other previously approved requests in 2022/23 for use in 2023/24 to deliver specific programmes of work (£1.286m, as detailed in Section 2.1)

*** Includes appropriation of £3.369m to general balances as detailed in Section 4.1

TREASURY MANAGEMENT OUTTURN REPORT 2022/23

- 1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022/23. This report meets the requirements of both the CIPFA *Code of Practice on Treasury Management* ('the Code') and the CIPFA *Prudential Code for Capital Finance in Local Authorities*.
- 1.2 During 2022/23, the minimum reporting requirements were that the full Council should receive the following reports:
- (i) an annual Treasury Management Strategy Statement (approved by Council on 2 March 2022)
 - (ii) a mid-year treasury update report (considered by Audit and Governance Committee on 11 November 2022)
 - (iii) an annual review following the end of the year describing the activity compared to the strategy (this report)
 - (iv) regular treasury management reports to Cabinet via each Financial Monitoring Report
- 1.3 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policies and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 1.4 This Council confirms that it has complied with the requirement under the *Code* to give prior scrutiny to all of the above treasury management reports by Cabinet before they were reported to the full Council.
- 1.5 The main contents of this report are:
- borrowing activity 2022/23
 - investment activity 2022/23
 - effects on the Council budget
 - the Council's treasury position as at 31 March 2023
 - performance measurement
 - compliance with Treasury Limits and Prudential Indicators.

2. BORROWING ACTIVITY 2022/23

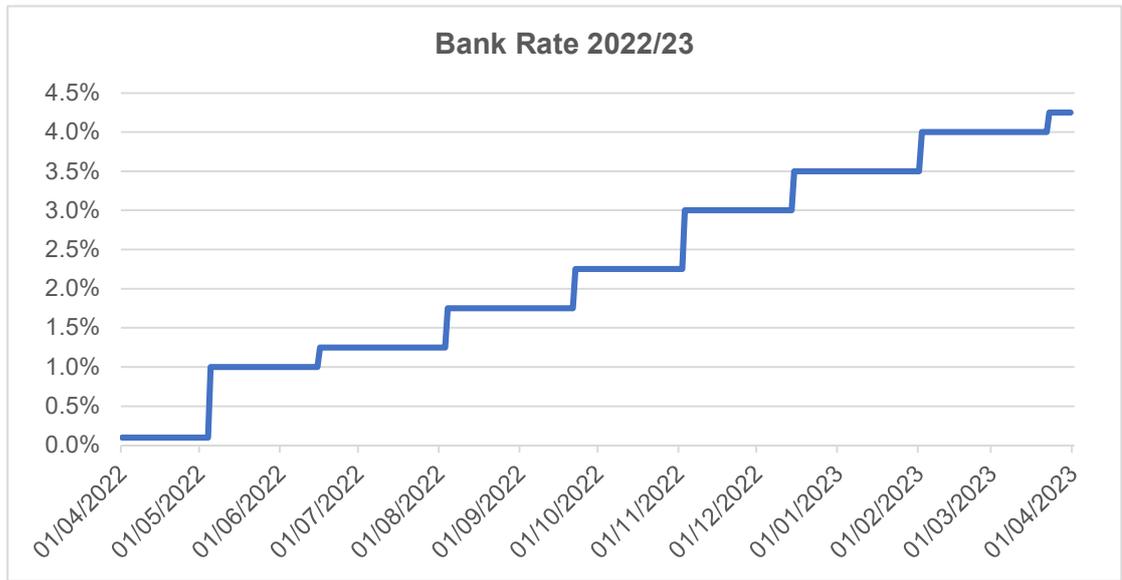
- 2.1 The *Treasury Management Strategy Statement 2022/23* did not propose any new borrowing, other than prudential borrowing agreed for the capital programme. Although the Capital Financing Requirement identified a need to borrow, the Council's strategy has been to defer borrowing by using cash resources from reserves and balances instead. No new borrowing was undertaken during the year, although some may be required in 2023/24.
- 2.2 During the year, the Council monitored Public Works Loan Board (PWLB) certainty rates. Table 1 shows how rates have increased steadily over the year, peaking in Autumn before reducing slightly thereafter.

Table 1 - PWLB borrowing rates 2022/23 for 1, 5, 10, 25 & 50 years					
	1 Year	5 Year	10 Year	25 Year	50 Year
1 April 2022	2.15%	2.50%	2.66%	2.85%	2.58%
31 March 2023	4.98%	2.50%	2.66%	2.85%	2.58%
Low	2.15%	2.38%	2.56%	2.72%	2.45%
Date	1 Apr	13 May	4 Apr	4 Apr	4 Apr
High	5.13%	5.64%	5.65%	6.08%	5.71%
Date	28 Sep	28 Sep	12 Oct	12 Oct	28 Sep
Average	3.77%	3.81%	3.82%	3.82%	3.82%

- 2.3 No PWLB loans were taken out in 2022/23. The current strategy of deferring borrowing by running down cash balances 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. This is consistent with the advice received from our treasury advisers, Link, who recommend considering borrowing at a later date when rates are more favourable.
- 2.4 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.
- 2.5 No debt rescheduling was performed in 2022/23.

3. INVESTMENT ACTIVITY 2022/23

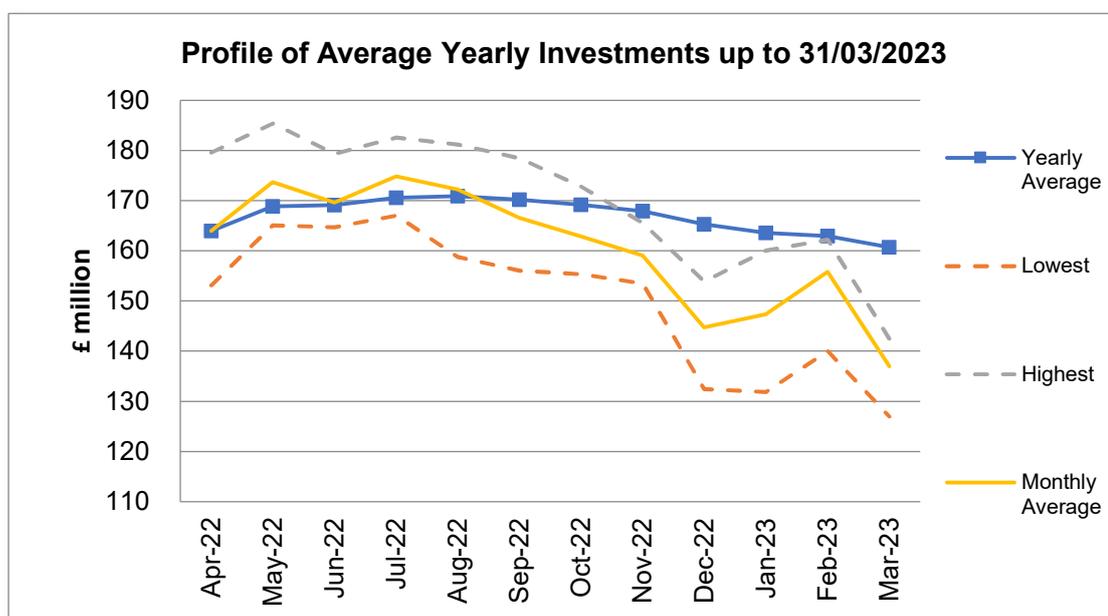
3.1 The Bank Rate was raised eight times in 2022/23 in response to inflation. It was originally cut to a historic low of 0.10% in March 2020 in a bid to minimise the economic effects of the COVID-19 pandemic. The chart below shows Bank Rate increases in 2022/23.



3.2 Since the financial crisis of 2008, financial markets have faced significant uncertainty, which has prompted a cautious approach whereby investments continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates. However, rates of return in 2022/23 were markedly higher than in the previous two years due to an increasing Bank Rate.

3.3 As detailed in the Annual Investment Strategy, the general policy objective of the Council is the prudent investment of its surplus funds. The Council's investment priorities are the security of capital and liquidity of investments. The Council's investment dealings in the year have been undertaken in order to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity, and having properly assessed all inherent risks. All investments made during the year have been made in accordance with this strategy.

- 3.4 The Council maintained an average balance of £160.711m during the year. The chart below profiles the monthly average balances.



4. EFFECTS ON THE COUNCIL BUDGET

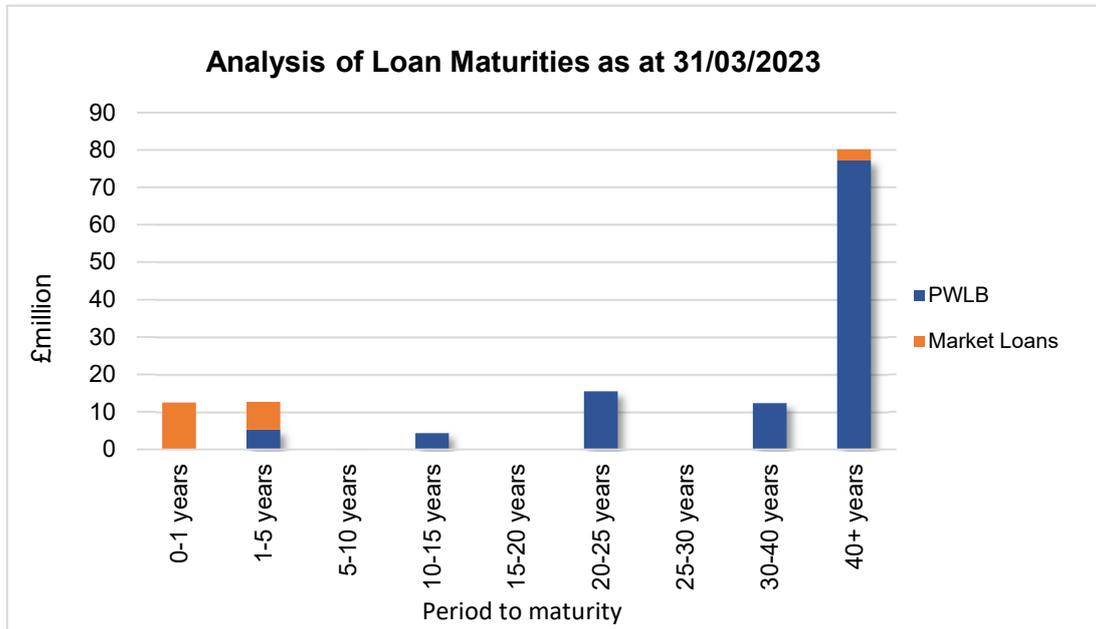
- 4.1 The overall effect on the Council's revenue budget in 2022/23 is shown in Table 2.

Description	Allowed Estimate (£000)	Outturn (£000)	Over/ (Under)spend (£000)
Minimum Revenue Provision (MRP)	3,570	3,471	(99)
Debt Management Costs	8,571	7,225	(1,346)
SUB-TOTAL	12,141	10,696	(1,445)
Investment Income	(887)	(3,467)	(2,580)
NET TREASURY COSTS	11,254	7,229	(4,025)

- 4.2 The Minimum Revenue Provision has reduced by £99k due to the re-phasing of some capital schemes into future years. Debt management costs have reduced by £1.346m as a result of decisions around the continued deferral of additional borrowing, whilst investment income exceeded budget by £2.580m due to an improving Bank Rate throughout the year which resulting in enhanced market returns.

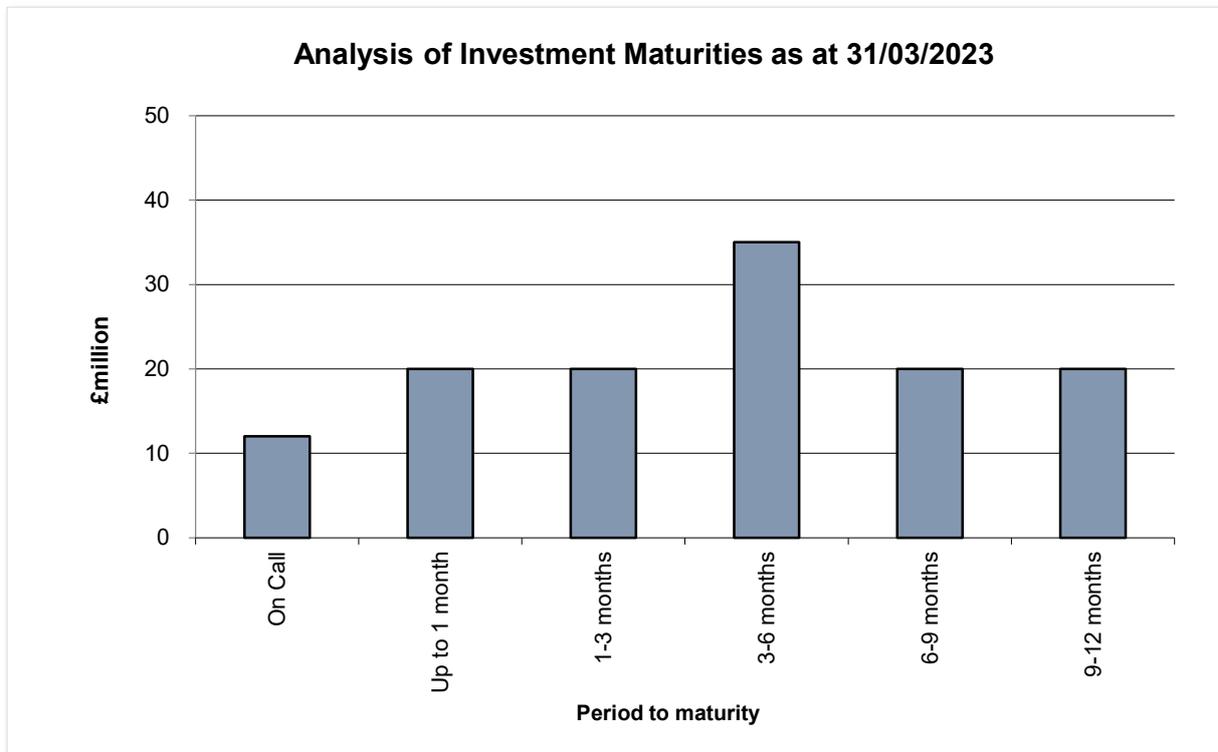
5. COUNCIL'S TREASURY POSITION

5.1 As at 31 March 2023, the Council's debt portfolio comprised PWLB and market debt totalling £137.520m. The maturity profile of the debt outstanding is highlighted in the chart below.

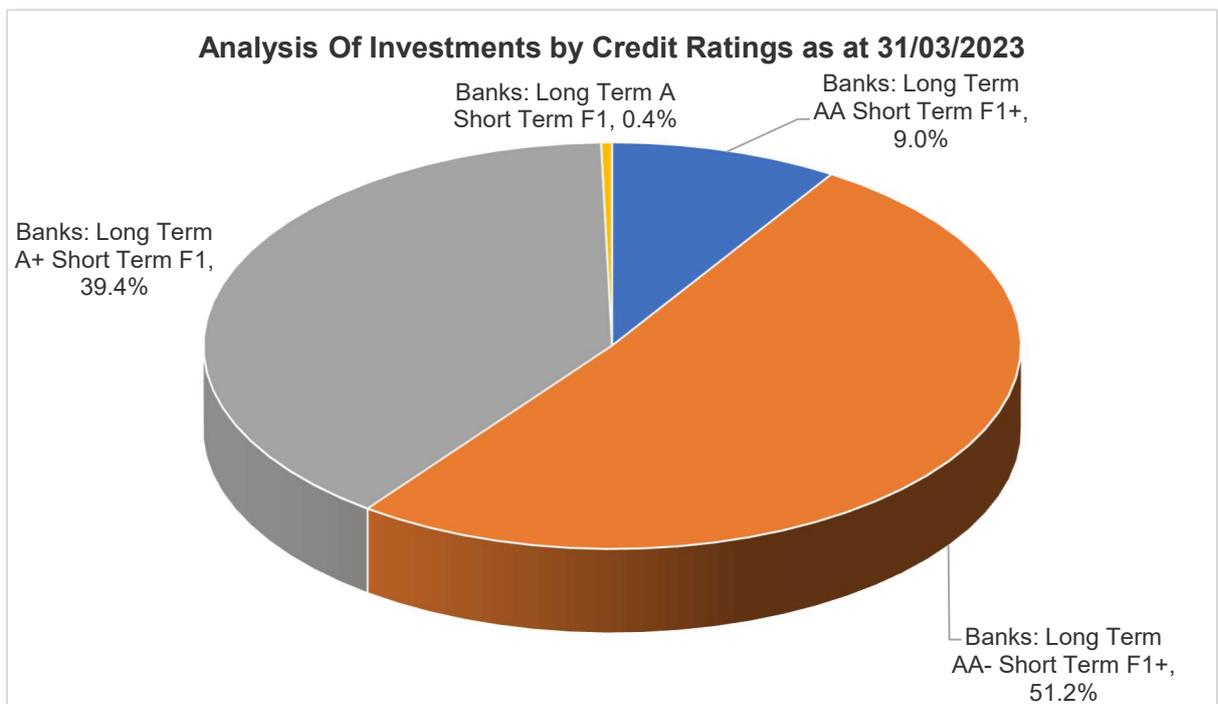


5.2 In accordance with the revised *Code*, the maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment. If the lender does have the right to increase the interest rate payable (as is the case with a Market Loan (LOBO – Lender Option Borrower 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 25+ years. In the current interest climate, it is unlikely that these loans will be called imminently.

5.3 The investments held at 31 March 2023 amounted to £127.000m (including funds held in relation to schools and Merseyside Recycling and Waste Authority). The composition of these are shown in the chart below.



5.4 An analysis of the credit ratings of investment holdings as at 31 March 2023 is included in the chart below.



6. PERFORMANCE MEASUREMENT

- 6.1 The performance measure for any new borrowing is to compare the average rate secured for the year compared to the average available for the year. However, no new borrowing was taken out in 2022/23.
- 6.2 When analysing performance of the Council's investment activity there are more readily identifiable indicators available to determine performance, as detailed in Table 2.

Table 2 - Investment Returns 2022/23					
2022/23	Returns Achieved			Benchmark Returns	Performance relative to Benchmarks
Month	Fixed Term Investments	Call Accounts	Combined Return	Backward-Looking 90-Day SONIA	Overall +/- return
April	0.750%	0.337%	0.641%	0.475%	0.166%
May	0.834%	0.405%	0.722%	0.643%	0.079%
June	0.982%	0.475%	0.859%	0.814%	0.045%
July	1.354%	0.474%	1.123%	0.972%	0.151%
August	1.687%	1.056%	1.557%	1.170%	0.387%
September	1.946%	1.216%	1.816%	1.429%	0.387%
October	2.212%	1.654%	2.121%	1.734%	0.387%
November	2.589%	2.260%	2.531%	2.097%	0.434%
December	2.843%	2.654%	2.823%	2.518%	0.305%
January	3.198%	3.252%	3.208%	2.991%	0.217%
February	3.507%	3.582%	3.525%	3.349%	0.176%
March	3.666%	3.839%	3.690%	3.662%	0.028%
Average rate of return *	2.131%	1.767%	2.051%	1.821%	0.230%

* Inclusive of treasury costs and exclusive of interest from third parties.

- 6.3 Throughout the year, the Council has performed above the accepted benchmark levels. 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, more importantly, managing the liquidity of the authority's investments for cash flow purposes. For a number of years, where possible, the Council has taken advantage of favourable rates and locked into investment deals for longer periods.

7. COMPLIANCE WITH TREASURY LIMITS AND PRUDENTIAL INDICATORS

- 7.1 During 2022/23, the Council complied with its legislative and regulatory requirements. The revised Treasury Limits and Prudential Indicators are included at Annex (i) and, where appropriate, outturn figures for the indicators have been produced by analysis.

Annex (i)

Treasury Limits and Prudential Indicators 2022/23			2022/23 Revised Estimate	2022/23 Outturn
1(i)	Proposed capital expenditure that the Council plans to commit to during the forthcoming and subsequent two financial years.	Capital Expenditure (£m)	56.597	49.618
1(ii)	Additional in-year borrowing requirement for capital expenditure.	In Year Capital Financing Requirement (CFR) (£m)	10.049	7.503
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)	201.937	197.935
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 <u>(140.000)</u> 2.520	137.520 <u>(115.750)</u> 21.770
4	Identifies the impact and trend of the revenue costs of capital financing decisions will have on the General Fund Budget over time.	Ratio of financing cost to net revenue stream	3.89%	4.21%
5	The Council's Budget Strategy with regards to unsupported borrowing is such that there is no incremental impact to Council Tax.	Incremental impact of capital investment decisions (increase in Council Tax Band D equivalent)	NIL	NIL
6	This represents an absolute limit of borrowing at any one point in time. It reflects the level of external debt, which, while not desired, could be afforded in the	Authorised Limit for External Debt (£m)	205.454	Complied within limit

	short term, but is not sustainable in the longer term.			
<u>Treasury Limits and Prudential Indicators 2022/23</u>			2022/23 Revised Estimate	2022/23 Outturn
7	This is the limit beyond which external debt is not normally expected to exceed.	Operational Limit for External Debt (£m)	193.292	Complied within limit
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%	Complied within limit
		Upper Limit for Variable Interest Rate Exposure	50%	Complied within limit
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%	Complied within limit
10	This indicator is used to highlight where an authority may be borrowing in advance of need	Gross Debt and the CFR (£m)	(43.667)	(41.120)