

COUNCIL BUDGET - 2022/23 REVENUE AND CAPITAL OUTTURN

Cabinet Member	Councillor Martin Goddard
Cabinet Portfolio	Cabinet Member for Finance
Officer Contact	Andy Evans, Corporate Director of Finance
Papers with report	None

HEADLINES

Summary	<p>This report provides the Council's financial position and performance against the 2022/23 revenue budget and Capital Programme.</p> <p>A net in-year underspend of £127k is reported against General Fund revenue budget normal activities as of March 2023 (Month 12). As a result, unallocated reserves total £26,846k at 31 March 2023. This headline position is a favourable movement of £18k to that reported to Cabinet for February 2023 (Month 11).</p> <p>COVID-19 pressures for the 2022/23 financial year total £14,965k at Month 12, a small adverse movement of £39k, with this position being £3,674k higher than budgeted in February 2022 and therefore being funded from Earmarked Reserves held for this purpose.</p> <p>Exceptional inflationary pressures are being managed from funds set aside to manage this area of risk, with permanent provision for those inflationary pressures which have emerged being factored into the 2023/24 budget that was approved by Council on 23 February 2023.</p> <p>Alongside unallocated General Fund Reserves of £26,846k, the Council retains £20,060k Earmarked Reserves at 31 March 2023 – representing a £1,636k improvement from the position anticipated at the time of setting the 2023/24 budget in February 2023.</p> <p>The outturn positions on other funds and the Capital Programme are detailed within the body of this report.</p>
Putting our Residents First	<p>This report supports the following Council objective of: <i>Strong financial management.</i></p> <p>Achieving Value for Money is an important element of the Council's Medium Term Financial Plan.</p>
Financial Cost	N/A

Relevant Select Committee

Finance & Corporate Services

Relevant Ward(s)

All

RECOMMENDATIONS

That the Cabinet:

- 1. Note the budget position and treasury management update as at March 2023 (Month 12) as outlined in Part A of this report.**
- 2. Approve the financial recommendations set out in Part B of this report.**

Reasons for recommendation

1. The reason for **Recommendation 1** is to ensure that the Council achieves its budgetary objectives, providing Cabinet with the update on performance at Month 12 against budgets approved by Council on 24 February 2022 contained within **Part A** of this report. An update on the Council's Treasury Management activities is included within this section of the report.
2. **Recommendation 2** seeks approval for the range of financial recommendations set out within **Part B** of this report, which may include acceptance of grant funding, revisions to fees & charges and ratification of decisions taken under special urgency provisions.

Alternative options considered / risk management

3. There are no other options proposed for consideration.

Select Committee comments

4. None at this stage.

PART A: MONTHLY BUDGET MONITORING

SUMMARY

GENERAL FUND REVENUE

5. General Fund pressures totalling £14,965k are being declared in relation to the legacy impacts of the COVID-19 pandemic and the ongoing financial impacts facing the Council in 2022/23, with £9,784k added to Service Operating Budgets to cover ongoing financial pressures from the pandemic and a further £1,507k one-off items in respect of pandemic driven Collection Fund losses in the Council's budget approved by Council in February 2022, with the remaining £3,674k being driven by new and emerging pressures relating to the ongoing impact of the pandemic on demand for, and delivery of, local services.
6. With no further Central Government funding being available to support ongoing COVID-19 pressures, the Council is carrying a remaining balance of funding of £4,302k, alongside local funds of £6,868k. Including the Service Operating Budgets for pandemic related pressures of £9,784k, this gives scope to fund pressures of £14,965k for the 2022/23 financial year and leaves reserves at £1,583k by 31 March 2023, with £1,535k of this sum being included in the Council's budget strategy for 2023/24.
7. In view of the unprecedented inflationary pressures experienced during 2022/23 the Council has deployed specific earmarked reserves to mitigate the in-year pressures with actual inflation exceeding the sums built into the Council's current year budget strategy. The main pressures impacting on this outturn position include the pay award, energy, fuel and contracted services in Social Care. A number of additional cost control measures have been implemented in-year to mitigate against these exceptional inflationary pressures, with an allowance for the residual requirement captured in the budget proposals for 2023/24 that were approved by Council on 23 February 2023.
8. The Council has continued to work closely with suppliers of contracted services to ensure that the costs incurred by the Council reflect current market prices and that suppliers are compensated for increased costs, whilst also recognising that some increases may be temporary. The update on the energy cap announced in the Autumn Statement supported the Council for the 2022/23 financial year, with some recent stabilisation in fuel costs helping to mitigate some of this pressure. It remains an ongoing area of risk which will continue to be closely monitored and managed throughout the new financial year.
9. The 2022/23 pay award was higher than anticipated when the budget was set in February 2022, albeit with this pressure partly offset by an in-year reduction in National Insurance contributions from the reversal of the Social Care Levy.
10. After allowing for the ongoing impact of the pandemic and the significant inflationary pressures being funded from releases from Earmarked Reserves, an underspend of £127k is reported across General Fund budgets at Month 12. This position is being driven by a favourable variance from the Council's Treasury activities offsetting pressures within Housing,

Parking Services and Education Services. This position has resulted in unallocated General Balances totalling £26,846k at 31 March 2023.

11. After factoring in the above calls on Earmarked Reserves and other planned use including the funding of the Older People's Discount, the Council retains £20,060k of reserves to support the Council's future financial resilience and offer a level of protection against unforeseen circumstances including price and demand risk that that Council is inherently exposed to. Included in this balance is a contribution of £500k from the Council's 2022/23 General Contingency as the Council was able to contain spend within approved Service Operating Budgets without calling on these funds, a recommendation is included in Part B of this report requesting Cabinet to approve this transfer. This position represents an improvement of £1,636k from the budget strategy position presented to Cabinet in February 2023.
12. This represents an £18k favourable movement on the position presented for Month 11, with an improvement being reported against the Council's Treasury operations and additional income from Health to support Children's Social Care offsetting an adverse movement against Housing Services. Furthermore, funding for Asylum Seekers from the Home Office is continuing to fail to keep pace with increased costs in this area, however, these pressures have been funded through the use of Earmarked Reserves.
13. Within this position, £11,781k of the £13,346k savings planned for 2022/23 are banked or on track for delivery in full at outturn, with £1,565k or 12% tracked as being at an earlier stage of implementation. Where slippage in savings delivery is expected this has been factored into the reported monitoring position, with the full £13,346k savings expected to be delivered in full.
14. Within the Collection Fund, a deficit of £214k is being declared at outturn, representing an adverse movement of £172k from Month 11, with the deficit being derived from a favourable position within Business Rates from an increase in the Council's rating list above the budgeted position approved by Council in February 2022, offset by a slower than budgeted growth in Council Tax, believed to be linked to a slowing down in the construction industry due to the impacts of inflation and economic conditions on the viability of development. This position is compounded by an adverse position reported against Council Tax Support as demand falls at a slower rate than originally forecast with demand for this service starting to see an impact driven by the cost-of-living crisis.
15. The Collection Fund position has high exposure to both COVID-19 legacy impacts and current economic conditions, which have the potential to significantly affect the finances of individual households and businesses, and therefore this area will remain under close review throughout the new financial year. Variances against the Collection Fund do not directly impact upon the 2022/23 monitoring position, but instead this variance up to Month 9 was factored into the Council's budget proposals for the forthcoming year approved by Council on 23 February 2023, with any variances from Month 10 to outturn not impacting until 2024/25 with resulting impacts on MTFF forecasts.

GENERAL FUND CAPITAL

16. An underspend of £30,089k is reported across the £78,015k 2022/23 Capital Programme, consisting of a combination of £3,789k net cost underspends and £26,300k rephasing for projects and programmes continuing into future years, with the level of rephasing being driven by economic conditions and reduced capacity within the construction market. The element of the General Fund Capital Programme financed by Council resources totalled £30,997k. This is funded by £7,069k of capital receipts, £7,270k of CIL receipts and £16,658k of prudential borrowing. Rephasing recommendations are included in Part B of this report.

SCHOOLS BUDGET

17. The DSG had a £23,522k deficit brought forward from 2021/22, which once contributions resulting from Safety Valve agreement, including a reprofiling of an additional £4,000k DfE contribution and in-year performance are considered, results in a cumulative deficit being carried forward to 2023/24 of £21,887k, which is an adverse movement of £629k against the £21,258k budgeted closing balance. This position represents a pressure of £4,279k against the budgeted deficit with an adverse movement of £2,230k from Month 11 on the High Needs block and an outturn overspend of £9,765k at outturn, compared to the budgeted deficit of £5,486k. This overspend is due to ongoing pressures in the cost of High Needs placements, where due to a lack of capacity in borough, the number and average cost of independent placements has increased since the budget was set in combination with wider inflationary pressures across the sector, growth in demand and additional cost pressures on tuition services. Furthermore, analysis of the new demand coming through the system has shown a direct link to the latent Covid pandemic demand with greater levels of need. This will remain an area of significant activity in 2023/24 and beyond in terms of managing out the structural deficit on this account.

HOUSING REVENUE ACCOUNT

18. The Housing Revenue Account (HRA) is declaring a favourable variance of £169k equating to a favourable movement of £78k on Month 11. The 2022/23 closing HRA General Balance is £15,186k at 31 March 2023. The use of reserves is funding investment in new housing stock. An underspend of £2,634k is being reported on the £75,131k 2022/23 HRA Capital Programme, primarily due to rephasing of projects continuing into future years.

FURTHER INFORMATION

General Fund Revenue Budget

19. As noted above and presented in the table below, a £127k underspend is reported across the General Fund at outturn, with the following section of this report providing further information on an exception basis. This position is predicated on the deployment of sums from Earmarked Reserves, which have been set aside for these purposes, to manage inflationary and COVID-19 pressures. In order to manage this call on reserves, a number of initiatives continue to be deployed into the new financial year to reduce costs and mitigate the impacts wherever possible. General Fund Balances are expected to total £26,846k at 31 March 2023 as a result of the outturn position detailed above. This position keeps balances within the recommended range 2022/23 of £20,000k to £39,000k as approved by Cabinet and Council in February 2022.
20. In addition to the General Balances position presented in the table below, the Council holds Earmarked Reserves of £20,060k to support the Council's financial resilience and provide a level of cover against risk. This position is a £1,636k improvement on the position presented to Cabinet in February 2023 as part of the Council's budget strategy.

Table 1: General Fund Overview

Service	Approved Budget £'000	Outturn £'000	Variance (As at Month 12) £'000	Variance (As at Month 11) £'000	Movement from Month 11 £'000
Service Operating Budgets	254,456	254,329	(127)	(109)	(18)
General Contingency	500	500	0	0	0
Unallocated Budget Items	(3,909)	(3,909)	0	0	0
Sub-total Expenditure	251,047	250,920	(127)	(109)	(18)
Corporate Funding	(251,047)	(251,047)	0	0	0
Total Net Expenditure	0	(127)	(127)	(109)	(18)
Balances b/fwd	(26,719)	(26,719)			
Balances c/fwd 31 March 2023	(26,719)	(26,846)			

Service Operating Budgets

21. Service Operating Budgets represent the majority of the Council's investment in day-to-day services for residents. With the cessation of Government funding towards the pandemic, the Council increased Service Operating Budgets by £9,784k to fund the ongoing impacts from COVID-19, these budgeted costs are therefore reported on an exception basis within these budgets by Cabinet Portfolio below. A further £1,507k was included within the Corporate Funding budget to meet one-off reductions in the Council's funding driven by impacts on Council Tax and Business Rates from the pandemic. Any new and emerging pressures are being reported on below under the COVID-19 section of the report. The position presented in Table 2 therefore represents the position reported against normal activities for the Service

Operating Budgets. The salient risks and variances within this position are summarised in the following paragraphs.

Table 2: Service Operating Budgets

Cabinet Member Portfolio		Approved Budget	Outturn	Variance (As at Month 12)	Variance (As at Month 11)	Movement from Month 11
		£'000	£'000	£'000	£'000	£'000
Property, Highways & Transport	Expenditure	19,982	19,815	(167)	(85)	(82)
	Income	(9,042)	(9,148)	(106)	(109)	3
	Subtotal	10,940	10,667	(273)	(194)	(79)
Finance	Expenditure	141,791	141,806	15	95	(80)
	Income	(116,386)	(116,876)	(490)	(439)	(51)
	Subtotal	25,405	24,930	(475)	(344)	(131)
Corporate Services	Expenditure	27,442	27,701	259	129	130
	Income	(2,052)	(2,353)	(301)	(175)	(126)
	Subtotal	25,390	25,348	(42)	(46)	4
Residents' Services	Expenditure	65,487	68,110	2,623	2,582	41
	Income	(35,530)	(37,728)	(2,198)	(2,253)	55
	Subtotal	29,957	30,382	425	329	96
Children, Families & Education	Expenditure	91,366	92,974	1,608	1,314	294
	Income	(22,910)	(24,085)	(1,175)	(732)	(443)
	Subtotal	68,456	68,889	433	582	(149)
Health & Social Care	Expenditure	129,651	129,891	240	257	(17)
	Income	(35,343)	(35,778)	(435)	(693)	258
	Subtotal	94,308	94,113	(195)	(436)	241
Total Service Operating Budgets		254,456	254,329	(127)	(109)	(18)

22. Within the Council budget there is a Managed Vacancy Factor across the board of 3.5%, or £4,243k, to reflect natural levels of turnover and resulting structural underspend in the workforce budgets. This was delivered in full during 2022/23, with post-level establishment controls effectively providing a key mechanism for managing workforce costs at the organisational level.
23. The Council budgeted for a pay award in 2022/23 of 2%, however, due to the exceptional inflationary environment, the agreed pay offer exceeds this sum and equates to approximately 5.9% with an allowance being in place to meet this additional uplift in the Council's workforce expenditure after factoring in the reduction in National Insurance. This increase will be funded by the Council's identified Earmarked Reserve for exceptional inflationary pressures above the Council's approved budget.
24. As can be seen from the table above, the net £127k underspend across Service Operating Budgets represents the cumulative effect of a number of variances which are briefly outlined

below by Cabinet Portfolio. This overall position represents a net £18k improvement on the position forecast at Month 11:

- a. **Property, Highways & Transport** – A net underspend of £273k is reported for the portfolio, with the variance being driven by staffing underspends from a number of vacant posts across the Operational Assets and Planning & Regeneration services, with income reporting a £106k favourable position. The favourable £79k movement in this portfolio is driven by a £82k decrease in expenditure from capital programme fees offset by a minor £3k reduction in income.
- b. **Finance** – A net underspend of £475k is reported at Month 12 with a £131k favourable movement from Month 11 driven by improvements within the Council's treasury position both in terms of expenditure and income received due to a lower borrowing requirement and higher interest on investments. Overall subjective variances are being driven by additional costs incurred by the Finance service as they deliver Government directed programmes such as the Council Tax Energy Rebate offset by the improved treasury position within expenditure, with a favourable variance driven by Government funding from these programmes, compounded by favourable variances against investment income.
- c. **Corporate Services** – a net underspend of £42k is reported at outturn, with the underspend being driven by a number of small variances within the staffing position due to vacancies, with the most material being Human Resources. The movement from Month 11 is an adverse movement of a minor £4k, with this being driven by increased costs within the mortuary offset by increased income in this service area, alongside a number of minor updates, with no other significant movements.
- d. **Residents' Services** – a net overspend of £425k is reported representing an adverse movement of £96k from Month 11, with the large subjective variances being driven by the Housing service where high levels of demand are being partly mitigated through a combination of increased rental income and Government support targeting homelessness and rough sleeping. The adverse movement is being driven predominantly by an increase in homelessness costs compounded by a reduction in rental income in this service area. The net overspend is being driven by the high costs of temporary accommodation in the homelessness services to meet increased demand and offset by increased income, with the service area also experiencing a reduction in parking income in the early part of the financial year.
- e. **Children, Families & Education** – an overspend of £433k is being declared at outturn within this portfolio, with a favourable movement of £149k from Month 11. Additional income is being achieved from a number of sources including Government grant income for schools' attendance and exclusions and FGM support. This is being offset by increased costs, predominantly driven by additional demand for Children's Social Care, including support for safeguarding services and expenditure associated with the delivery of functions funded by the additional grant income. The movement from Month 11 relates to an increase in income within the safeguarding service driven by additional contributions from Health offset by increased expenditure, predominantly within Passenger Services. Within this portfolio, Home Office funding

for Asylum Seekers is failing to keep pace with the cost of supporting this group, however, this has been partly mitigated through the use of Earmarked Reserve funding to support the shortfall.

- f. **Health & Social Care** – an underspend of £195k is reported for this portfolio, with an adverse movement of a minor £241k from Month 11. The subjective variances are largely being driven by increased demand for Adult Social Care services, with expenditure variances related to the additional cost of direct care provision with increased income associated with contributions from Health and client contributions. The movement in this area is being driven by a number of small updates to the position.

Transformation

25. The Council is permitted to finance the costs associated with service transformation from Capital Receipts, with both one-off implementation costs and the support for service transformation being funded from this resource. The final outturn position includes the use of £7,069k for such costs, with all such costs to be funded from the Capital Receipts value reported under General Fund Capital in this report, for full details of this expenditure, see Appendix A1.

Progress on Savings

26. The savings requirement for 2022/23 is £10,647k, furthermore, there are savings of £2,699k brought forward from 2021/22, which gives an overall total of £13,346k reported below. The savings being reported as undelivered in 2021/22 (£2,699k) were directly attributable to the COVID-19 pandemic as the Council continued to need to redirect resources to manage the pandemic for a further year. This value has been added to the budgeted savings agreed as part of the 2022/23 budget.

Table 3: Savings Tracker

Cabinet Member Portfolio	Blue	Green	Amber I	Amber II	Red	Total
	Banked	Delivery in progress	Early stages of delivery	Potential problems in delivery	Serious problems in delivery	
	£'000	£'000	£'000	£'000	£'000	£'000
Cabinet Member for Property, Highways & Transport	(283)	(330)	0	0	0	(613)
Cabinet Member for Finance	(425)	(100)	0	0	0	(525)
Cabinet Member for Corporate Services	(446)	(1,428)	(68)	0	0	(1,942)
Cabinet Member for Residents' Services	(4,026)	(560)	(674)	0	0	(5,260)
Cabinet Member for Children, Families & Education	(34)	(1,579)	(323)	0	0	(1,936)
Cabinet Member for Health and Social Care	0	(1,696)	0	0	0	(1,696)
Cross-Cutting	(874)	0	(500)	0	0	(1,374)
Total 2022/23 Savings Programme	(6,088)	(5,693)	(1,565)	0	0	(13,346)
	46%	43%	12%	0%	0%	100%
Month on Month Movement	(925)	595	330	0	0	0
	7%	-4%	-2%	0%	0%	0%

27. As of Month 12, £6,088k (46%) of the savings programme has already been banked, with a further £5,693k (43%) being reported as delivery in progress and £1,565k (12%) in the early stages of delivery which are ultimately expected to be delivered in full. No savings are being recorded under Amber II or below at outturn.
28. The £1,565k savings being tracked at amber will be carried forward to 2023/24 where progress will continue to be monitored and reported back to Cabinet. The associated pressures with any slippages have been factored into the outturn position discussed above and offset through compensatory underspends. At this time, it is expected that the full £13,346k will ultimately be delivered in full or replaced with alternative measures in the event of any shortfall.

COVID-19 Pressures

Table 4: COVID-19 Pressure Breakdown

Service	Month 12		Variance (As at Month 12)	Variance (As at Month 11)	Movement from Month 11
	Approved Budget	Outturn			
	£'000	£'000			
One-Off Corporate Funding	1,507	1,507	0	0	0
Service Operating Budgets	9,784	9,784	0	0	0
New & Emerging Pressures	0	3,674	3,674	3,635	39
Total Exceptional Items	11,291	14,965	3,674	3,606	39

29. At Month 12, the Council's budgeted COVID-19 pressures are reported in line with the set budget, with the above table reporting new and emerging pressures for 2022/23 totalling £3,674k. The below section provides an update on these reported pressures.
- a. One-Off Corporate Funding - £1,507k is built into the Council's approved budget to fund prior year losses in collection of both Business Rates and Council Tax as these funding streams have a long tail of recovery from the pandemic.
 - b. Service Operating Budgets – The Council funded an additional £9,784k of pandemic related costs within Service Operating Budgets in 2022/23, with additional demand from the pandemic forecast to continue into 2022/23 at the time of budget setting in February 2022 for the following services:
 - i. £4,622k for Adult Social Care
 - ii. £2,165k for Children's Social Care
 - iii. £771k for the Council Tax Reduction Scheme
 - iv. £600k for SEND Transport
 - c. Furthermore, £1,626k was added to Fees & Charges budgets in recognition that demand for some services would recover to pre-pandemic levels at a slower rate or may recover to a lower baseline.
 - d. New & Emerging Pressures – The largest element of the reported pressure is being driven by the Council's leisure centres, with an additional pressure of £1,674k as a result of a slower than budgeted recovery in footfall and demand for these services. A further £1,452k is being reported against Parking income as demand continues to be reported below budgeted levels. Children's Social Care are incurring additional costs of £273k as a result of additional demand and delays in court activity. The remaining £275k relates to smaller pressures reported across a number of service areas.
 - e. Significant capacity was committed to containing the risk of growing pressures in key demand-led budgets, including Adults and Children's Social Care, which stem from a combination of the direct impacts of COVID-19 on clients combined with knock-on effects from pandemic-driven pressures in other public services – notably the health service and courts which result in additional client needs being presented and delays in matching support to clients' changing requirements, this work will continue into the new financial year.
30. In addition to the £9,784k of Service Operating Budgets, the Council holds £4,302k of remaining Government funding and a further £6,868k of Local Funds, taking total pandemic related resources to £20,954k. With total pressures for 2022/23 standing at £14,965k and £4,406k being released from the local reserves to fund the increase in service operating budgets, this leaves a balance of £1,583k of funds at 31 March 2023. With £1,535k of this already committed in the Council's budget strategy, the remaining balance of £48k leaves limited headroom to manage ongoing impacts above those already factored into Service Operating Budgets.
31. Within the £3,674k of new and emerging pressures, these have been factored into the Council's 2023/24 budget setting and overarching budget strategy, with the pressure against
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the Council's leisure centres being covered by a new contract. Furthermore, Social Care demand-led growth models have been rebased and fund the 2022/23 pressures in this area and the rate of the pandemic recovery in parking income have all been factored in and will be monitored throughout 2023/24 as part of the monthly monitoring refresh in the new year.

Collection Fund

32. A deficit of £214k is reported within the Collection Fund at Month 12, translating into an adverse movement of £172k from Month 11. Within the Collection Fund, an adverse position is reported within Council Tax of £3,654k, offset by a favourable position within Business Rates of £3,440k. The pressure in Council Tax is predominantly driven by a reduction in the growth of the taxbase as construction slows down, believed to be linked to inflationary pressures in the sector, compounded by an adverse position within Council Tax Support as the economy recovers from the pandemic at a slower rate than originally budgeted for in February 2022, with this position believed to be impacted by the cost-of-living crisis. The favourable position within Business Rates is being supported by work carried out by the Council to identify properties missing from the rating list, with a one-off increase in income reflecting backdating billing being sufficient to cover the Council Tax deficit in 2022/23.
33. Any deficits within the Collection Fund impact on the Council's future year budgets, with the position reported up to Month 9 impacting on the 2023/24 saving requirement and was included in the Council's budget proposals for the new financial year approved on 23 February 2023, with any further updates between Month 10 and outturn impacting on 2024/25. This position therefore reduced the Council's gross saving requirement by £436k for 2023/24, with the adverse movement of £650k to be factored in the next update to the Council's Budget Strategy for 2024/25.

General Fund Capital Programme

34. An underspend of £30,089k is reported across the £78,015k 2022/23 Capital Programme, consisting of a combination of £3,789k net cost underspends and £26,300k rephasing for projects and programmes continuing into future years. The element of the General Fund Capital Programme financed by Council resources totalled £30,997k. This is funded by £7,069k of capital receipts, £7,270k of CIL receipts and £16,658k of prudential borrowing. A full breakdown is included in Appendix A3.

Capital Programme Overview

35. Table 5 below sets out the outturn position on General Fund capital projects. Forecasts for future years include capital projects and programmes of work approved by Cabinet and Council in February 2022. Projected variance against budget for the 2022/23 financial year are analysed between cost and rephasing, in the case of the latter, budget will only be rolled forward for use in future financial years with the explicit approval of Cabinet, with these recommendations included in Part B of this report.

Table 5: General Fund Capital Programme Summary

	2022/23 General Fund Capital Expenditure Outturn					
	2022/23 Budget £'000	2022/23 Actual £'000	2022/23 Variance £'000	2022/23 Cost Variance £'000	2022/23 Rephasing Variance £'000	Movement from Month 11 £'000
Major Projects	39,201	19,440	(19,761)	98	(19,859)	41
Programme of Works	30,643	21,417	(9,226)	(3,095)	(6,131)	321
General Contingency	1,102	0	(1,102)	(792)	(310)	(792)
Total Capital Programme	70,946	40,857	(30,089)	(3,789)	(26,300)	(430)
Transformation Capitalisation	7,069	7,069	0	0	0	0
Total Capital Outturn	78,015	47,926	(30,089)	(3,789)	(26,300)	(430)
Movement from Month 11 Before Transformation Capitalisation	1,373	(3,085)	(4,458)	(430)	(4,028)	

36. The increase in the revised budget of £8,442k largely relates to the £7,069k Transformation capitalisation budget for year-end financing of transformation costs allowed by statute to be financed from capital receipts. Other adjustments include the final quarter's schools contributions to capital within the Devolved Formula Capital programme and also a new Section 106 project approved in March 2023.
37. The total underspend of £30,089k consists of a combination of net cost underspends amounting to £3,789k and rephasing totalling £26,300k for various projects and programmes continuing into future years. The favourable movement of £430k in cost variances is largely attributable to releasing uncommitted general capital contingency at year end. There is further rephasing of £4,028k reflecting timing related reductions in expenditure from Month 11 (excluding transformation capitalisation) and included in the proposed rephasing approval recommendation.

Capital Financing - General Fund

Table 6: Capital Financing

	Revised Budget 2022/23 £'000	Outturn 2022/23 £'000	Variance £'000	Cost Variance £'000	Rephasing Variance £'000
Capital Receipts	20,396	7,069	(13,327)	0	(13,327)
CIL	8,455	7,270	(1,185)	0	(1,185)
Prudential Borrowing	21,381	16,658	(4,723)	(2,272)	(2,451)
Total Council Resources	50,232	30,997	(19,235)	(2,272)	(16,963)
Grants & Contributions	27,783	16,929	(10,854)	(1,517)	(9,337)
Total Programme	78,015	47,926	(30,089)	(3,789)	(26,300)
Movement	8,442	3,984	(4,458)	(430)	(4,028)

38. Capital receipts applied in year totalled £7,069k for financing transformation costs. Total capital receipts achieved in year amounted to £11,146k with £4,077k banked capital receipts to be rephased to support capital receipts targets for 2023/24. A further £9,250k in unachieved capital receipts will be rephased, largely relating to three identified major disposal sites.
39. Community Infrastructure Levy receipts applied for the year totalled £7,270k net of administration fees, and were utilised to finance the Chrysalis Programme and the new Platinum Jubilee Leisure Centre where construction works are in progress. A total of £16,929k grants and contributions were applied to finance 2022/23 expenditure. The grant financing underspend partly relates to reductions in Transport for London grant award and also underspends on Disabled Facilities Grant, with the latter being carried forward to fund eligible activity in the new financial year.
40. Prudential borrowing was £4,723k below budget due to the overall underspends and rephasing in capital programme expenditure, also taking into account movements on other capital financing sources such as capital receipts and CIL.

Schools Budget

41. The Dedicated Schools Grant (DSG) outturn position is an in-year overspend of £9,765k, compared to the revised budgeted deficit of £5,486k. This overspend is due to ongoing pressures in the cost of High Needs placements, where due to a lack of capacity in borough, the number of independent placements has increased significantly since the budget was set and is a key area of review within the Safety Valve work. In addition to this, inflationary pressures across the sector have continued to increase throughout the year with costs of placements within each type of school setting, significantly higher than budgeted. When the £23,522k deficit brought forward from 2021/22 is taken into account, along with the revised Safety Valve funding for 2022/23, the cumulative deficit carry forward to 2023/24 is £21,887k.

Table 7: DSG Income and Expenditure 2022/23

Funding Block	Month 12		Variance (As at Month 12) £'000	Variance (As at Month 11) £'000	Change from Month 11 £'000
	Revised Budget £'000	Outturn £'000			
Dedicated Schools Grant Income	(323,969)	(323,969)	0	0	0
Schools Block	250,638	250,638	0	0	0
Early Years Block	22,951	22,951	0	0	0
Central Schools Services Block	3,003	3,064	61	13	48
High Needs Block	52,863	57,081	4,218	2,036	2,182
Total Funding Blocks	5,486	9,765	4,279	2,049	2,230
Balance Brought Forward 1 April 2022	23,522	23,522			
Safety Valve Funding	(7,750)	(11,400)			
Balance Carried Forward 31 March 2023	21,258	21,887			

Dedicated Schools Grant Income (nil variance)

42. The Early Years block has been adjusted further to reflect actual numbers accessing the free entitlement in the Spring term, with the outturn position confirming a nil variance against funding.

Schools Block (nil variance)

43. The Schools Block includes all funding paid directly to mainstream schools as part of their delegated budget share, including the funding recouped by the ESFA and paid to mainstream academies.

44. There is also a growth contingency fund which is funded from the Schools Block. Schools that are expanding, in agreement with the local authority, to meet basic need pupil population growth, receive additional funding to provide financial recompense throughout the relevant financial year to cover the cost of this agreed and planned growth.

Early Years Block (nil variance)

45. Two-year-old funding was adjusted in July to reflect the number of children accessing the entitlement based on the January 2021 census. The 3 and 4-year-old funding for both the universal and the additional free entitlement was also adjusted in July following the January 2021 census. This resulted in an increase of £2,796k in the overall Early Years block funding

allocation as the number of children accessing the additional free entitlement has increased significantly over the past year.

Central School Services Block (£61k adverse, £48k adverse movement)

46. The published DSG budget allocations confirmed a 20% decrease in the Central School Services Block provided for historic commitments. This resulted in a £170k reduction in funding, though this was partly offset by £84k of additional funding for pupil growth. This reduction in funding resulted in a budget shortfall for the services funded by the Central School Services block adding to the pressure which has led to an overall deficit DSG being agreed for 2022/23. The main budgetary pressure is in the Looked After Children Education Team with a reported overspend of £61k in this area, representing a £48k adverse movement from Month 11.

High Needs Block (£4,218k adverse, £2,182k adverse movement)

47. The High Needs Block continues to present a significant pressure within the DSG, with an overspend of £4,218k at outturn. The adverse movement from Month 11 relates to an acceleration of growth in referrals and subsequently Education, Health & Care Plans (EHCPs) from quarter three to quarter four, including an increase in the number of higher banded mainstream placements.

48. An analysis of the new plans coming through the system has shown a direct link to the latent Covid pandemic demand. This Covid bulge cohort has been assessed with greater needs, compared with their peers receiving professional intervention in their early years. The financial impact of Covid and inflation between Q3 and Q4 has resulted in an increase in recent EHCPs costs, on average, by 10% per plan, per year.

49. Higher bands are being agreed for the growing number of more complex needs' Covid bulge children requiring EHCPs, predominantly due to the lack of mainstream special school places available. This growth in demand has therefore impacted on the number of children being placed in the independent sector given the constraints on mainstream places and materially exceeds the assumptions made in the original safety valve agreement.

50. This increase in independent placements is particularly significant given they have a much higher unit cost in comparison to mainstream placements with the average placement cost having increased by approximately 15% since the Safety Valve was set clearly outpacing the underlying funding uplifts and reflecting both inflationary pressures and market capacity.

Maintained School Balances & Budgets

51. Maintained schools ended the 2022/23 financial year with a cumulative closing surplus balance of £12.8m (£11.8m revenue and £1m capital). This was a £2.1m decrease from the previous year total. A review of the balances at the end of the 2022/23 financial year identified six schools which ended the year in deficit revenue balances, with 3 of these schools having approved licensed deficits for 2022/23. These three schools all had applied for a licensed deficit at the start of the year having carried forward cumulative deficits from 2021/22. However, two of these schools were able to reduce the cumulative deficit with an in-year surplus achieved in 2022/23.

52. The table below summarises school revenue balances as a percentage of total revenue income plus balances brought forward from 2022/23. Analysis of the data in the table indicates that overall, the number of schools with balances over the recommended 8% (or 5% for secondary schools) is currently 48% compared to 54% in 2021/22. Since the position was previously reported, a further 3 schools are projected to be in deficit, compared to the 3 licensed deficits agreed at the start of the financial year. In addition, the number of schools with balances lower than 2% has reduced from 7 to 3 schools, schools with balances greater than 20% remains at 6.

Table 8: School Balances as a Percentage of Annual Budget

Sector	Number of Schools in Deficit	Number with Balances < 2%	Number with Balances > 2% and < 8%	Number with Balances > 8% and < 20%	Number with Balances > 20%
Nursery	0	0	0	0	1
Primary	5	3	17	15	5
Secondary	1	0	0	1	0
Special	0	0	0	2	0
Total	6	3	17	18	6

53. The 2023/24 budgets for maintained schools will continue to be reviewed, with schools RAG-rated based on their balances position. Schools that are either in deficit or have managed to set a balanced budget but with very low balances, meaning that any significant unplanned change in expenditure could result in the school being in a deficit position are rated red. Officers are closely monitoring these schools to ensure that everything possible is being done to address the situation.

Housing Revenue Account

54. The Housing Revenue Account (HRA) is reporting a favourable variance of £169k compared to the budget and a favourable movement of £78k on Month 11. As a result, the 2022/23 closing HRA General Balance is £15,186k. The use of reserves is funding investment in new housing stock. The table below presents key variances by service area.

Table 9: Housing Revenue Account

Service	Revised Budget	Outturn	Variance (As at Month 12)	Variance (As at Month 11)	Movement from Month 11
	£'000	£'000	£'000	£'000	£'000
Rental Income	(61,689)	(61,575)	114	92	22
Other Income	(6,151)	(5,957)	194	218	(24)
Net Income	(67,840)	(67,532)	308	310	(2)
Housing Management	16,488	16,650	162	377	(215)
Tenant Services	4,410	4,390	(20)	62	(82)
Repairs	8,188	8,987	799	618	181
Planned Maintenance	3,372	2,939	(433)	(441)	8
Capital Programme Funding	19,694	18,194	(1,500)	(1,500)	0
Interest & Investment Income	14,762	14,762	0	0	0
Development & Risk Contingency	1,260	1,775	515	483	32
Operating Costs	68,174	67,697	(477)	(401)	(76)
(Surplus) / Deficit	334	165	(169)	(91)	(78)
General Balance 01/04/2021	(15,351)	(15,351)			
General Balance 31/03/2022	(15,017)	(15,186)	(169)	(91)	(78)

55. Rental Income is reporting a pressure of £114k with Other Income compounding this position with a further £194k, with this position representing a minor £2k movement across net income from Month 11.

56. The number of RTB applications received in the first eleven months of 2022/23 was 131 compared to 168 in 2021/22. There has been 58 RTB completions in 2022/23 compared to 50 in 2021/22, which is 2 lower than forecast at Month 11.

57. The Housing Management Service are declaring an outturn overspend of £162k which is a favourable movement of £215k on Month 11. This is due to a reduced charge for back-office functions within the Council, through efficiencies in this area as part of the 2022/23 saving programme.

58. Tenants' Services are reporting an underspend of £20k, representing an £82k improvement from Month 11.

59. The Repairs and Planned Maintenance Service are reporting an overspend of £366k which is an adverse movement of £189k on Month 11 as outturn costs were confirmed across the service, including an increase in the pest control costs. The underlying pressure reflects increases in voids, disrepair cases and inflationary driven cost uplifts.

60. As at Month 12 the capital programme funding outturn position is an underspend of £1,500k which is no change on the Month 11 variance.
61. As at Month 12 Interest and Investment Income is declaring a breakeven position. Given current economic circumstances this will continue to be closely monitored throughout 2023/24.
62. The Development and Risk Contingency budgets are reporting an overspend by £515k at outturn which represents a £32k adverse movement on the Month 11 position. These budgets include the bad debt provision which will be kept under review in the new financial year and assessed for impacts driven by the cost-of-living crisis.

HRA Capital Expenditure

63. The 2022/23 HRA capital programme is set out in the table below. The spend for the year is £62,763k with a full year variance of £12,368k consisting of a cost underspend of £2,634k and a rephasing variance of £9,734k, a full breakdown is included in Appendix A4.

Table 10: HRA Capital Expenditure

Programme	2022/23 Budget £'000	2022/23 Actual £'000	2022/23 Variance £'000	Cost Variance £'000	Rephasing Variance £'000	Movement from Month 11 £'000
HRA Major Projects	55,170	46,720	(8,450)	(1,974)	(6,476)	(951)
Works to Stock	15,947	12,442	(3,505)	(660)	(2,845)	269
Green Homes Grant	1,514	1,151	(363)	0	(363)	0
Major Adaptations to Property	2,500	2,450	(50)	0	(50)	0
Total Capital Programme	75,131	62,763	(12,368)	(2,634)	(9,734)	(682)
Movement	0	(2,680)	(2,680)	(682)	(1,998)	

64. The 2022/23 Major Projects programme reports an underspend variance of £8,450k, of which £6,476k is rephasing for various projects continuing into future years, including the major Hayes regeneration project, whilst £1,974k represents a net cost underspend. The movement of £951k was largely due to uncommitted Right to Buy Back funding.
65. The Works to Stock (WTS) outturn expenditure is £12,442k with a cost underspend for the year of £660k, the movement of £269k from Month 11 reflecting changes in commitments on various workstreams. Proposed rephasing amounts to £2,845k to continue delivery of numerous programmes including boiler and window replacements and fire safety works.
66. The Social Housing Decarbonisation scheme is in progress with expenditure of £1,151k incurred in year on green homes initiatives and £363k rephasing to complete schemes in 2023/24.

Capital Financing - HRA

67. The HRA capital programme expenditure of £62,763k was funded from various sources consisting of £23,140k contributions from the Major Repairs Reserve, £6,628k from Capital Receipts including £5,575k Right To Buy (RTB) receipts for the replenishment of housing stock. A total of £21,806k from grants was applied towards various projects including Hayes regeneration, buy back and rough sleeper programmes to increase housing stock and green

home initiatives. The buy back programme was partly financed by £10,668k prudential borrowing and £521k Section 106 funding.

68. Total HRA RTB capital receipts for 2022/23 was £13,084k. This included 58 RTB sales totalling £12,665k after admin deductions. There were also non-RTB capital receipts in year of £488k.
69. The Major Repairs Reserve decreased by a net £3,510k from £7,116k as at 1st April 2022 to £3,606k as at 31st March 2023. The net reduction included using £23,140k to fund the HRA capital programme and an increase of £19,630k in Major Repairs Reserve funds (depreciation £12,772k and revenue contribution to capital £6,858k).

Treasury Management Update as at 31 March 2023

70. This report summaries the Council's treasury management activities during 2022/23 and presents details of capital financing, borrowing, debt management and investment transactions alongside an outturn position.
71. Although internal borrowing continued to be utilised during the year, significant external borrowing was also required during 2022/23 to ensure liquidity was maintained. Throughout the period temporary local authority loans were taken, peaking at £100m. Over the year the Council's loan portfolio had an average interest rate of 2.60% (2.47% 2021/22). The loan portfolio decreased by £33.2m as a result of £10m of new PWLB loan term borrowing being taken during 2022/23, £45m of new LA borrowing taken to replace some of the £70m maturing LA borrowing and £18.2m of naturally maturing PWLB debt, leaving a balance at year-end of £323.67m (GF £172.60m, HRA £151.07m). Interest paid over the year totalled £8.8m (GF £3.3m, HRA £5.5m).
72. The investment income return for the year on day-to-day operational treasury balances was 2.13% (0.09% 2021/22), resulting in income for 2022/23 of £1,879k. As part of the Council's investment strategy for 2022/23 a total of £15m continued to be invested in three long-dated strategic pooled funds (£5m in each). During 2022/23 dividends received from these strategic pooled funds totalled £514k with a decrease in fair value of £1,061k in 2022/23 (total decrease in fair value of £1,507k since inception). The nature of this financial instrument means the fair value may rise and fall with short-term security and liquidity being less of a consideration. The key objectives instead being regular revenue income of above £400k a year and long-term price stability. The Council would only seek to sell when market conditions were favourable, and holdings were at or above original investment values.

Table 11: Borrowing Requirement and Debt Management

	Balance on 31/3/2022 £m	New Borrowing £m	Debt Maturing £m	Debt Prematurely Repaid £m	Balance on 31/3/2023 £m	Year-End Average Rate %
CFR	412.06				421.75	
GF Loans						
PWLB Fixed Rate	77.27	10.00	-4.67	-	82.60	2.39
Market Fixed Rate	15.00	-	-	-	15.00	4.28
Temporary LA Borrowing	100.00	45.00	-70.00	-	75.00	2.69
Total GF Loans	192.27	55.00	-74.67	-	172.60	
HRA Loans						
PWLB Fixed Rate	131.57	-	-13.50	-	118.07	3.26
Market Fixed Rate	33.00	-	-	-	33.00	4.03
Total HRA Loans	164.57	-	-13.50	-	151.07	
Total Loans	356.84	55.00	-88.17	-	323.67	3.03
Other Long-Term Liabilities	0.32				0.10	
Total External Debt	357.16				323.77	

73. The Council's underlying need to borrow is measured by the Capital Financing Requirement (CFR) which, as at 31/3/2023, was £421.7m (31/3/2022 £412.1m). The Council's borrowing

requirement, the difference between the CFR and total physical borrowing, increased by £38.08m. This amount represents the level of internal borrowing, primarily supported by the Council's own reserves.

74. As at 31 March 2023, the Council held £200.67m of PWLB debt (£82.60m General Fund and £118.07m HRA) containing a broad range of loan types including both Maturity and EIP loans with fixed rates and with varying maturities. In addition, the Council has £48m of market loans (£15m General Fund and £33m HRA). £12m are fixed-rate loans and £36m are LOBO loans. Out of the LOBO loans, one £5m loan was in their option state in 2022/23. During the year the lender of this loan did not exercise any call options and therefore the loan remains outstanding on the same terms. The General Fund also had £75m of local authority temporary borrowing.
75. The cost of both long and short-term borrowing rose dramatically over the year, with rates at the end of March around 2%-4% higher than those at the beginning of April. Rate rises have been driven primarily by inflation and the need for central banks to control this by raising interest rates. Particularly dramatic rises were seen in September after a number of measures included in the 'mini budget' generated economic volatility. Rates have now fallen from September peaks but remain volatile and well above recent historical norms.
76. As at 31st March 2023, the Council's loan portfolio had an average rate 3.03% with the General Fund Loans average rate of 2.68% and HRA average rate of 3.43%. Although new borrowing, in the form of PWLB loans and local authority temporary loans, has been taken during the year, by using internal resources in lieu of some borrowing, loan interest costs for the year totalled £8.8m, avoiding additional interest costs of approximately £2.8m that would have been incurred otherwise. During the year there was £18.2m of naturally maturing longer term debt and £70m of local authority temporary borrowing maturities.

Borrowing Update

77. CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the Capital Financing Requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.
78. The Council does not plan to borrow to invest primarily for commercial return and so is unaffected by the changes to the Prudential Code. However, the Council holds a £4.0m historic portfolio in commercial investment properties that were purchased prior to the change in the CIPFA Prudential Code. The Council is not actively seeking to increase this type of investment exposure. These assets are not held for normal operational activity but held under long-term commercial leases.
79. A new HRA PWLB rate of gilt yield plus 0.4% (0.4% below the currently available certainty rate) was announced on 15th March 2023. This discounted rate is to support local authorities borrowing for Housing Revenue Accounts and the delivery of social housing and is expected to be available from June 2023, initially for a period of one year.

Investment Activity

80. The table below shows day-to-day operational treasury balances investment balances on 31st March 2023. The weighted average balance of these investments over the year was £88.0m.

Table 12: Investment Activity

Investments	Balance on 31/03/2022 £m	Balance on 31/03/2023 £m
Current Account	0.50	1.00
Call Accounts	0.00	0.00
Money Market Funds	0.00	32.70
Short Term Deposits	46.70	34.00
Total Investments	47.20	67.70
Average Rate % Received	2.13%	0.09%

81. The Bank of England increased Bank Rate from 0.75% at the beginning of the year to 4.25% at the end of March 2023, which resulted in significantly higher investment returns on our day-to-day cash balances.
82. In addition to the day-to-day operational treasury deposits, in April 2022 £15m was placed in three long-dated strategic pooled funds (£5m in each), the Council continued to have holdings in these funds as part of the investment portfolio throughout 22/23. The strategic pooled funds have a 3-5 year investment horizon with dividends being distributed periodically. In 2022/23 dividends received from these strategic pooled funds totalled £514k.
83. For fixed income bond investors, 2022 was a very difficult year - bonds had their worst year of performance in several decades; long-term government bonds had their worst year ever as central banks delivered larger interest rates hikes than initially expected and promised more to combat inflation. UK and global equities remained volatile against a backdrop of high and sticky inflation, rapid policy rates tightening and an increasing risk of recession. This resulted in a decrease of fair value on these funds of £1,061k (£1,507k since inception). However, the long investment horizon should mitigate fluctuations in fair value over the life of the asset.
84. The DLUHC published a consultation on the IFRS 9 pooled investment fund statutory override for English authorities for fair value gains and losses on pooled investment funds which was due to expire with effect from 2023/24. The options under evaluation were to allow the override to lapse, to extend it, or to make it permanent. The override will be extended for two years and therefore remain in place for the 2023/24 and 2024/25 financial years. Under the Regulations, gains and losses resulting from unrealised fair value movements relating to treasury pooled investment funds, that otherwise must be recognised in profit or loss under IFRS 9, are not charges to the revenue account, and must be taken into an unusable reserve account.
85. Security of capital remained the Council's chief investment objective and this was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2022/23. Investments during the year included deposits with the Debt Management Office and Cornwall Council as well as investments in AAA-rated Money Market Funds and Pooled Funds. In addition, instant access balances were held with UK Banks within the Council's counterparty limits. All bank placements held a minimum or higher credit rating of A- for UK counterparties.
86. **Credit Risk:** Counterparty credit quality was assessed and monitored with reference to credit ratings (Council's minimum long-term counterparty rating of A- across all three rating

agencies, Fitch, Standard & Poor's and Moody's). However, reliance does not rest solely with these agencies and are augmented by use of market/economic information, media updates and intelligence from the Council's Treasury Advisors. With the introduction of the Banking Reform Act in January 2015 the Council aims to minimise its exposure to bail-in risk by utilising bail-in exempt instruments and institutions whenever possible. However, funds need to be held in instant access facilities to manage daily cashflow. Therefore, it is therefore not possible to protect Council funds from bail-in risk. At the end of March, 1% of the Council's day-to-day operational treasury investments had exposure to bail-in risk compared to a March benchmark average of 59% in the Local Authority sector (latest benchmark provided quarterly by the Council's treasury advisors Arlingclose). The Council's exposure was significantly lower than in previous years due to concerns around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS, which resulted in the withdrawal of invested funds from all banking institutions and placed in deposits with government institutions. A small balance was held in the Council's current account as part of contingency arrangements. The Council's exposure reduces to 0% once instant access facilities are excluded from the total bail-in percentage.

87. **Liquidity:** In keeping with DLUHC's Guidance on Investments, the Council maintained a sufficient level of liquidity throughout the year using Money Market Funds and targeted maturity deposits.
88. **Yield:** The Council sought to optimise returns commensurate with its objectives of security and liquidity. The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold. This meant short-dated cash rates rose significantly from between 0.7%-1.5% at the beginning of April to around 3.5%. By the end of March 2023, the rates on DMADF deposits were around 4.05% which were similar to and sometimes higher than levels offered on Money Market Funds.
89. During 2022/23 short-term money was placed in instant access Money Market Funds and short-term deposits with the DMADF and a local authority to ensure liquidity was maintained. Rates payable on these activities were comparable with other medium-term duration deposit options and so there was no opportunity cost in keeping cash liquid, which resulted in an average Return on Investments of 2.13%
90. Returns from Strategic Pooled Funds during 22/23 yielded 3.43%, which significantly enhanced investment income for the year.
91. All investments made during the year complied with the Council's agreed Treasury Management Strategy, Treasury Indicators, Treasury Management Practices and prescribed limits. Maturing investments were repaid to the Council in full and in a timely manner.

Compliance

92. The Council can confirm that it complied with the Treasury Indicators for 2022/23, set in February 2022 as part of the Council's Treasury Management Strategy. The levels of debt were measured on an ongoing basis during the year for compliance with the Authorised Limit of £624.8m and the Operational Boundary of £589.8m, the former being somewhat higher to allow for fluctuations in cash-flow. The Council maintained its total external borrowing and other long-term liabilities within both limits; at its peak this figure was £357.4m.

Table 13: Maturity Structure of borrowing:

	Upper limit %	Lower limit %	Actual Borrowing as at 31/3/2023 (£m)	Percentage of total as at 31/3/2023
Under 12 months	50	0	86.50	26.72%
12 months and within 24 months	50	0	22.50	6.95%
24 months and within 5 years	50	0	62.83	19.41%
5 years and within 10 years	100	0	45.83	14.16%
10 years and within 20 years	100	0	65.41	20.21%
20 years and within 30 years	100	0	0.00	0.00%
30 years and within 40 years	100	0	28.60	8.84%
40 years and within 50 years	100	0	8.00	2.47%
50 years and above	100	0	4.00	1.24%

(The above table includes loans at nominal value, excluding accrued interest and premium. It also includes LOBO's at their first Call Option date.)

93. For 2022/23 the Treasury Indicator which limits principal sums invested for periods longer than 364 days was set at £35m. As at the end of 22/23 the £15m held in Strategic Pooled Funds fall into this category of investments.
94. Non-treasury related Prudential Indicators are included in Appendix A2.

Other

95. IFRS 16: Following a consultation in February 2022 CIFPA/LASAAC announced an optional two-year delay to the implementation of the new IFRS 16 Leases accounting standard a decision which was confirmed by the Financial Reporting Advisory Board in early April 2022. This meant authorities could choose to adopt the new standard on 1st April 2022, 1st April 2023 or 1st April 2024. The Council intends to adopt the new standard on 1st April 2024.

Appendix A1 - Transformation Capitalisation Schedule

Portfolio	Saving	2022/23 B/Fwd Saving	2022/23 Savings	2023/24 Savings	2024/25 Savings	Total Saving	Transformation Expenditure
Property, Highways & Transport	Review of Civic Centre Operating Costs	0	325	975	0	1,300	99
Property, Highways & Transport Total							99
Finance	Future of Financial Systems	0	0	300	300	600	301
	E&BAS Service Review	0	200	0	0	200	284
	Damage Control Saving	0	100	0	0	100	24
	Post-Pandemic Reablement	0	0	1,508	0	1,508	14
	SEND Transport Demand	0	188	0	0	188	10
	Management Review of Financial Processes	0	150	0	0	150	9
Finance Total							642
Corporate Services	HR BID review	0	0	206	150	356	737
	Review of Contact Centre Operating Model	513	415	0	0	928	164
	BID Review of Green Spaces	160	447	0	0	607	72
	Review of Tech Admin Operating Model	0	500	0	0	500	88
	Review of Complaints and Member Enquiries	0	90	0	0	90	14
	Democratic Services	0	0	105	0	105	14
	Review of Housing Boundary Review	80	250	0	0	330	12
	Business Performance	0	300	0	0	300	7
		0	0	170	0	170	6
Corporate Services Total							1,114
Residents' Services	Review of Waste Services	150	300	0	0	450	40
	Review of Temporary Accommodation		250			250	36
	Review of Golf Delivery Model	137	130	0	0	267	9
	BID Review of Parking	100	200	0	0	300	9
	Planning - Section 106	0	0	300	0	300	7
	Review of Food Waste & Recycling Initiatives	0	270	0	0	270	1
Residents' Services Total							102

Portfolio	Saving	2022/23 B/Fwd Saving	2022/23 Savings	2023/24 Savings	2024/25 Savings	Total Saving	Transformation Expenditure
Children, Families & Education	Leisure Management	986	0	1,300	0	2,286	44
	Contract Tender Children's Social Care fostering review	0	250	0	0	250	34
	BID Review of the future of the Library Service	0	150	0	0	150	28
	Children's Social Care Commissioning	0	979	0	0	979	37
	Review of Universal Youth Services	100	0	0	0	100	6
Children, Families & Education Total							149
Health & Social Care	Community & Voluntary Grants	0	0	830	175	1,005	47
	BID Review of Early Years Operating Model	0	100	0	0	100	5
Health & Social Care Total							52
Cross-Cutting Savings*		473	1,908	15,097	11,523	29,001	904
Cross-Cutting Savings Support**		0	0	0	0	0	3,098
DSG Safety Valve Support***		0	0	0	0	0	909
Other Savings		0	3,145	0	0	3,145	
Grand Total		2,699	10,647	20,791	12,148	46,285	7,069

*These are savings that span across all of the Council's portfolios

**This covers overarching support to the Council's saving programme

***£10,978k of savings in relation to agreeing the Safety Valve Agreement for the DSG as set out in February 2022 Cabinet

Non-Treasury Prudential Indicators 2022/23

96. Estimated and Actual Capital Expenditure

	2022/23 Estimated £m	2022/23 Outturn £m
General Fund	104.3	40.9
HRA	77.9	62.8
Total	182.2	103.7

97. Estimated and Actual Ratio of Financing Costs to Net Revenue Stream

	2022/23 Estimated %	2022/23 Outturn %
General Fund	5	4
HRA	24	25
Total	29	29

98. Capital Financing Requirement

	Estimated (£m) 2022/23	Outturn (£m) 2022/23
General Fund	288.4	257.6
HRA	192.4	164.2
Total	480.8	421.8

99. The reduction in CFR compared to the estimate is due to the cumulative effect of capital programme rephasing of various projects and programmes to be funded from future borrowing, as reflected in the reported capital outturn.

100. Actual External Debt

As at 31/03/2023	£m
Borrowing	323.67
Other Long-term Liabilities	0.10
Total	323.77

Appendix A3 – 2022/23 General Fund Capital Programme Outturn by Project / Programme

Prior Years Cost	Project	2022/23 Revised Budget	2022/23 Outturn	2022/23 Variance	Cost Variance	Project Re-phasing to future years	2022/23 Project Financed by:		
							Council Resources	Government Grants	Other Cont'ns
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Residents Services								
440	Shopping Parades Initiative	886	368	(518)	(113)	(405)	292	51	25
9,162	Hayes Town Centre Improvements	289	720	431	649	(218)	415	205	100
2,028	Uxbridge Change of Heart	60	72	12	12			72	
0	Tennis Courts Upgrades	270	163	(107)		(107)	44		119
	Children, Families and Education								
28,104	Secondary Schools Expansions	93	16	(77)	20	(97)	16		
0	Additional Temporary Classrooms	20	0	(20)	(20)				
3,132	Schools SRP / SEND	8,184	3,377	(4,807)		(4,807)		3,377	
	Property, Highways and Transport								
1,824	New West Drayton Leisure Centre	15,403	9,586	(5,817)		(5,817)	9,586		
17	Motor Vehicle Workshop	41	30	(11)		(11)	30		
1,961	Yiewsley/W Drayton Comm Centre	153	109	(44)		(44)	109		
1,465	Hillingdon Water Sports Facility	1,507	644	(863)		(863)	0		644
318	Battle of Britain Underground Bunker	276	83	(193)		(193)	83		
1,115	Uxbridge Mortuary Extension	1,839	1,743	(96)		(96)	1,743		
190	Cranford Park Heritage Project	2,800	1,955	(845)		(845)	255		1,700
2,559	Cedars & Grainges Car Park	112	49	(63)		(63)	49		
27	Asha Day Centre refurbishment	573	194	(379)		(379)	194		
0	New Years Green Lane Extension	500	34	(466)	(450)	(16)	34		
161	Battle of Britain Visitors Centre Enhancements	100	42	(58)		(58)	32		10
0	Parking Improvements	345	9	(336)		(336)	9		
0	Civic Centre Transformation	1,500	97	(1,403)		(1,403)	97		
0	Carbon Zero Initiatives	250	145	(105)		(105)	145		
10,142	Housing Company Financing	4,000	0	(4,000)		(4,000)	0		
0	Charville Lane - Children Specialist House	0	4	4		4	4		
62,645	Total Major Projects	39,201	19,440	(19,761)	98	(19,859)	13,137	3,705	2,598

Prior Years Cost £'000	Project	2022/23 Revised Budget £'000	2022/23 Outturn £'000	2022/23 Variance £'000	Cost Variance £'000	Project Re-phasing to future years £'000	2022/23 Project Financed by:		
							Council Resources £'000	Government Grants £'000	Other Cont'ns £'000
	Finance								
N/A	Purchase of Vehicles	1,281	358	(923)	(144)	(779)	358		
	Property, Highways and Transport								
N/A	Highways Structural Works	5,905	4,533	(1,372)	(372)	(1,000)	4,346	177	10
N/A	Highways Bridges and Structures	300	298	(2)	(2)		298		
N/A	Street Lighting Replacement	969	961	(8)	(8)		961		
N/A	Street Lighting LED Upgrade	130	138	8	8		138		
N/A	Road Safety	197	49	(148)		(148)	39		10
N/A	HS2 Road Safety Fund	146	136	(10)		(10)			136
N/A	Transport for London	2,986	986	(2,000)	(1,233)	(767)		986	
N/A	Parking Management Schemes	120	79	(41)	(41)			79	
N/A	Emergency Active Travel	43	2	(41)		(41)		2	
N/A	Highways Section 106 Projects	58	0	(58)		(58)			
N/A	Environmental and Recreational Initiatives - Pollution Screening	652	131	(521)	(521)				131
N/A	Libraries Refurbishment Programme	13	13				13		
N/A	Bowls Clubs Refurbishments	69	17	(52)		(52)	17		
N/A	Property Works Programme	1,364	1,118	(246)	(246)		977	30	111
N/A	Civic Centre Works Programme	267	178	(89)	(89)		178		
N/A	Leisure Centre Refurbishment	2,502	1,702	(800)		(800)	1,702		
N/A	School Building Condition Works	2,224	1,946	(278)		(278)		1,757	189
N/A	Harlington Road Depot Improvements	42	34	(8)	(8)		34		
N/A	Disabled Facilities Grant	2,146	1,377	(769)	(490)	(279)		1,276	101
	Corporate Services								
N/A	Corporate Technology and Innovation	853	515	(338)	(5)	(333)	515		
N/A	Older Peoples Initiatives	200	64	(136)	(136)		64		
	Residents Services								
N/A	Chrysalis Programme	1,014	781	(233)	(63)	(170)	774		7

N/A	Car Park Pay & Display Machines Replacement	35	31	(4)	(4)		31		
N/A	CCTV Programme	259	177	(82)		(82)	175		2
Prior Years Cost	Project	2022/23 Revised Budget	2022/23 Outturn	2022/23 Variance	Cost Variance	Project Re-phasing to future years	2022/23 Project Financed by:		
							Council Resources	Government Grants	Other Cont'ns
N/A	Flood Alleviation Schemes	485	363	(122)	(35)	(87)	162	201	
N/A	Environmental and Recreational Initiatives - Green Spaces	233	135	(98)		(98)	8		127
N/A	Green Spaces Section 106 Projects	563	85	(478)		(478)			85
N/A	Playground Replacement Programme	10	1	(9)	(9)		1		
N/A	HS2 Amenity Fund	313	17	(296)		(296)			17
	Children, Families and Education								
N/A	Youth Provision	400	15	(385)	(10)	(375)			15
N/A	Devolved Capital to Schools	2,505	2,505	0				483	2,022
	Health and Social Care								
N/A	Equipment Capitalisation - Social Care	2,359	2,672	313	313			2,672	
	Total Programme of Works	30,643	21,417	(9,226)	(3,095)	(6,131)	10,791	7,663	2,963
	General Capital Contingency	1,102	0	(1,102)	(792)	(310)			
	Transformation Capitalisation	7,069	7,069	0	0	0	7,069		
	Total Capital Outturn	78,015	47,926	(30,089)	(3,789)	(26,300)	30,997	11,368	5,561

Appendix A4: HRA Capital Programme

Prior Year Cost	Project	2022/23 Revised Budget £'000	2022/23 Actual £'000	2022/23 Variance £'000	2022/23 Cost Variance £'000	Project Re-phasing to future years	2022/23 Project Financed by:			
							Capital Receipts	HRA Revenue Contributions	Grants & S106	Borrowing
	MAJOR PROJECTS									
8,170	Acquisition of Freehold Land at TCM House	686	675	(11)	(11)	0	270	405		
	Acquisitions (GLA Ringfenced and Negotiated Grant)	4,323	4,237	(86)	(86)	0	2,941		1,296	
	Acquisition of 95 & 97 Willow Tree Lane	1,100	1,107	7	7	(0)		775	332	
	Chippendale Waye/Carpenters Court	1,854	1,847	(7)		(7)		708	1,139	
	Acquisition of 74 Chapel Lane	50	0	(50)		(50)				
86	34-44 Sullivan Crescent	101	19	(82)		(82)		19		
57	Petworth Gardens	487	122	(365)		(365)			122	
67,634	Acquisitions (1st 20 units each year)	10,380	12,591	2,211	2,211	0	1,402		521	10,668
567	Acquisition of 2 units at 191 Harefield Road	4	0	(4)	(4)	0				
3,442	Acquisitions at 253 Park Road	186	181	(5)	(5)	0	72	109		
1,590	Packet Boat House Buybacks	260	83	(177)		(177)		58	25	
	Right to Buy Back Fund	5,410	3,379	(2,031)	(1,971)	(60)		2,109	1,270	
366	Rough Sleepers Accommodation Programme	4,984	4,896	(88)	(43)	(45)		2,611	2,285	
2,884	Hayes Estate Regeneration	5,000	3,516	(1,484)		(1,484)			3,516	
3,680	Hayes Estate Regeneration Leaseholder Buybacks	9,700	8,145	(1,555)		(1,555)			8,145	
6,927	Acol Crescent	5	2	(3)	(3)	(0)		2		
359	Maple and Poplar	4,250	3,189	(1,061)		(1,061)		1,781	1,408	
2,476	Willow Tree	78	58	(20)	(20)	0	23	35		
1,489	Nelson Road	1,513	1,569	56	78	(22)	628	941		
680	113-127 Moorfield Road	512	595	83	50	33	238	357		
154	House/Loft Extensions	661	476	(185)		(185)		476		
	Internal Developments	3,626	34	(3,592)	(2,177)	(1,415)		34		
	Total HRA Major Projects	55,170	46,720	(8,450)	(1,974)	(6,476)	5,575	10,419	20,058	10,668

Prior Year Cost	Project	2022/23 Revised Budget £'000	2022/23 Actual £'000	2022/23 Variance £'000	2022/23 Cost Variance £'000	Project Re-phasing to future years	2022/23 Project Financed by:			
							Capital Receipts	HRA Revenue Contributions	Grants & S106	Borrowing
	OTHER PROGRAMMES									
	Works to Stock	15,947	12,442	(3,505)	(660)	(2,845)	1,053	11,271	118	
	Green Homes Initiatives	1,514	1,151	(363)		(363)			1,151	
	Major Adaptations to Property	2,500	2,450	(50)		(50)		1,450	1,000	
	Total HRA Capital Programme	75,131	62,763	(12,368)	(2,634)	(9,734)	6,628	23,140	22,327	10,668

PART B: FINANCIAL RECOMMENDATIONS

That the Cabinet:

- a. Approves the rephasing of £26,300k 2022/23 General Fund Major Projects and £2,266k from the Programme of Works expenditure and associated financing budgets into future years.
- b. Approves the release of the £500k General Contingency budget into the Council's Earmarked Reserve balance.
- c. Approves the rephasing of £9,734k 2022/23 HRA capital expenditure and financing budgets into future years as set out in the report.
- d. Accepts £78k grant funding from the Department for Environment, Food, and Rural Affairs (Defra) for costs associated with the delivery of new post-Brexit port health authority functions at the Heathrow Imported Food Office.
- e. Accepts a grant of £36,962 from North West London Integrated Care Board to fund local initiatives to address health inequalities faced by care leavers.

Reasons for recommendation

101. **Recommendation 2a** seeks approval for the rephasing of £26,300k 2022/23 General Fund Major Projects and £2,266k General Fund Programme of Works (include £1,412k Schools Condition Building Programme funding and £854k Property Works Programme funding) capital expenditure and financing budgets as required to enable existing projects and programmes to be delivered in future years.
102. **Recommendation 2b** seeks approval for the release of the £500k General Contingency budget into the Council's Earmarked Reserve balance to support the Council's future financial resilience and increase the Council's cover against new and emerging risks.
103. **Recommendation 2c** seeks the rephasing of £9,734k HRA capital expenditure and financing budgets are required to enable existing projects and new developments to be delivered in future years.
104. Grant funding has been offered by Defra which, with **recommendation 2d** seeking acceptance by Cabinet, which will enable the grant to be utilised to fund the costs of environmental health and veterinary resources required at the Heathrow Imported Food Office in readiness for the implementation of new port health authority requirements for EU imports, including supporting agencies managing biosecurity risks at the border until new controls are in place.
105. People who have been looked after by a local authority are statistically more likely than the general population to develop poor health outcomes as they get older. **Recommendation 2e** proposes accepting grant funding intended to support work with care leavers to identify solutions to addressing the health inequalities that they may face after leaving local authority care.