

MANAGEMENT ACCOUNTS SUMMARY 2022/23

	2022/23 Final Budget £'000	2022/23 Final Out-turn £'000	Variance £'000
Portfolio			
Children & Young People	166,485	165,563	(922)
Adult Social Care & Public Health	246,733	242,368	(4,365)
Transport & Environment	119,520	119,601	81
Communities	18,938	18,927	(11)
Economic Development & Asset Management	25,317	20,631	(4,686)
Deputy Leader & Transformation	5,177	4,398	(779)
Finance	17,881	17,975	94
Personnel	28,277	27,070	(1,207)
Net Portfolio Total	628,328	616,533	(11,795)
Schools Budget (after Dedicated Schools Grant)	1,228	1,228	-
Net Schools total	1,228	1,228	-
Trading Services	(1,180)	1,357	2,537
Central Items Managed through Finance Portfolio			
Capital Charges included in Portfolios	(49,326)	(49,326)	-
Statutory Provision for Debt Redemption	12,682	12,135	(547)
Interest and Dividends	16,641	13,754	(2,887)
Contingency	2,528	-	(2,528)
Flood Defence Levies	309	309	-
Pension Enhancements	2,050	1,699	(351)
Trading Organisations	1,300	657	(643)
Miscellaneous Inc and Exp / Write Offs	-	(1,089)	(1,089)
New Homes Bonus	(1,637)	(1,637)	-
Other Government Grants	(7,507)	(11,089)	(3,582)
Adult Social Care Support Grant	(33,461)	(33,461)	-
Central Items	(56,421)	(68,048)	(11,627)
Expenditure prior to Use of Reserves	571,955	551,070	(20,885)

Reserves and Balances

Transfer to /(from) Corporate Reserves

PFI Reserves:

East Leake PFI	4	60	56
Bassetlaw PFI	53	40	(13)
Waste PFI	110	516	406
NDR pool projects	(930)	(430)	500
Earmarked Reserves	-	7,264	7,264
Business Rates Relief Equalisation	-	3,027	3,027
Traders Resilience	-	4,000	4,000
Capital Projects	-	118	118
COVID Recovery	-	(5,669)	(5,669)
Workforce Reserve	-	652	652
Council Tax Equalisation	(1,175)	(1,175)	-
Net transfer to /(from) Corporate Reserves	(1,938)	8,403	10,341

Transfer to /(from) Departmental Reserves

Children & Young People	752	752	-
Adult Social Care & Public Health	(11,089)	(8,157)	2,932
Transport & Environment	(1,128)	726	1,854
Communities	29	30	1
Economic Development & Asset Management	338	4,451	4,113
Finance	(50)	(41)	9
Traders Reserves	603	603	-
Net transfer to /(from) Departmental Reserves	(10,545)	(1,636)	8,909

Transfer to/(from) General Fund

- 1,635 1,635

Funding Required

559,472 559,472 -

Funding

Council Tax/Surplus on Collection	431,369	431,369	-
Revenue Support Grant/Business Rates	128,103	128,103	-

Total Funding

559,472 559,472 -

SUMMARY OF REVENUE RESERVES

	Brought Forward 01/04/2022 £'000	Use (-) in 2022/23 £'000	Contribution (+) 2022/23 £'000	Transfers 2022/23 £'000	Carry Forward 31/03/2023 £'000
General Fund Balances	35,224	-	1,635	-	36,859
Schools Reserves	30,087	(16)	11,854	-	41,924
Insurance Reserves	39,373	(273)	2,345	-	41,445
Other Earmarked Reserves					
Corporate Reserves					
Earmarked Reserves	3,204	-	7,264	5,681	16,149
Capital Projects	15,769	(2,735)	217	807	14,058
NDR Pool Reserve	12,119	(430)	3,641	-	15,330
East Leake PFI	2,899	(161)	59	-	2,797
Bassetlaw Schools PFI	1,738	-	343	-	2,081
Waste PFI	24,443	-	516	-	24,959
Workforce Reserve	6,623	-	653	-	7,276
COVID Recovery Reserve	5,669	(5,669)	-	-	-
Business Rates Relief Equalisation Reserve	5,631	-	3,027	-	8,658
Strategic Development Fund	17,915	-	-	-	17,915
Council Tax Equalisation Reserve	2,350	(1,175)	-	-	1,175
Highways & Environment Reserve	15,000	(5,984)	-	(750)	8,266
Traders Resilience Reserve	-	-	4,000	-	4,000
Section 256 Grants	5,046	(378)	325	-	4,993
Earmarked for Services Reserves					
Trading Activities	204	-	603	-	807
Earmarked for Services Reserves	12,669	(331)	872	(5,681)	7,529
Revenue Grants	20,515	(4,853)	10,356	-	26,018
Section 256 Grants	33,423	(11,214)	2,121	-	24,330
Subtotal Other Earmarked Reserves	185,217	(32,930)	33,997	57	186,341
Total Usable Revenue Reserves	289,901	(33,219)	49,830	57	306,569

EARMARKED FOR SERVICES RESERVES DETAIL

	Brought Forward 01/04/2022 £'000	Use (-) in 2022/23 £'000	Contribution (+) 2022/23 £'000	Transfers 2022/23 £'000	Carry Forward 31/03/2023 £'000
Adult Social Care and Public Health					
Trading Activities	-	-	-	-	-
Earmarked for Services Reserves	9,254	-	-	(5,681)	3,573
Revenue Grants	15,094	(3,052)	3,988	-	16,030
Section 256 Grants	33,423	(11,214)	2,121	-	24,330
Children and Family Services					
Trading Activities	143	-	603	-	746
Earmarked for Services Reserves	1,328	(302)	126	-	1,152
Revenue Grants	3,447	(993)	1,920	-	4,374
Section 256 Grants	-	-	-	-	-
Place and Communities					
Trading Activities	-	-	-	-	-
Earmarked for Services Reserves	2,050	(29)	738	-	2,759
Revenue Grants	1,975	(808)	4,447	-	5,614
Section 256 Grants	-	-	-	-	-
Chief Executives					
Trading Activities	61	-	-	-	61
Earmarked for Services Reserves	36	-	9	-	45
Revenue Grants	-	-	-	-	-
Section 256 Grants	-	-	-	-	-
Total Earmarked For Services Reserves	66,811	(16,398)	13,952	(5,681)	58,684

ALLOCATIONS FROM CONTINGENCY

		2022/23	
		£000	£000
Opening Contingency Budget			17,265
Approved contingency requests			
Pay Award 21/22		(3,261)	
Tour of Britain		(100)	
Graduate trainees		(58)	
Armed Forces Community Budget		(20)	
Platinum Jubilee		(75)	
County Day		(25)	
Members Allowances/New Gov Structure		(160)	
ICT Staffing - Service Desk Hybrid/AV broadcast		(308)	
NET Saving adjustment		890	
Whole Safeguarding review - Essex CC		(21)	
Leadership Development Programme		(159)	
Sustainable Procurement		(43)	
Pay Award 22/23		(11,198)	
Democratic Services - Staffing		(7)	
External review of Traders operating model		(68)	
School Employee Con't		(124)	
Total Approved contingency requests			(14,737)
Reported under/ (over) spend on contingency			2,528

VARIATIONS TO THE CAPITAL PROGRAMME**Appendix D**

Portfolio	Project/ Programme	Value (£000)	Funded by:
Children & Young People's	New CYP System	93	Revenue
Transport & Environment	Salix Funded Street Lighting	293	Capital Allocation
Transport & Environment	Street Lighting Renewal	(293)	Capital Allocation
Transport & Environment	Integrated Transport Measures	(51)	External Funding
Transport & Environment	Bus Service Improvement Programme	51	External Funding
Transport & Environment	Major Infrastructure Projects	122	External Funding
Economic Devt & Asset Mngt	County Enterprise Foods	13	Revenue

The above variations to the capital programme have been approved by the Service Director - Finance, Infrastructure & Improvement

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

MONITORING OF 2022/23 PRUDENTIAL INDICATORS

1. To provide an update to the County Council's current position in terms of capital expenditure, external debt, financing costs as a percentage of net revenue stream and the capital financing requirement relative to the Prudential Code indicators identified in the 2022/23 budget report.

Background

2. The Prudential Code for Capital Finance in Local Authorities was developed by CIPFA as a professional code of practice to support local authorities in determining their programmes for capital investment. Local authorities are required by regulation to have regard to the Prudential Code under Part 1 of the Local Government Act 2003. Individual local authorities are responsible for deciding the level of their affordable borrowing, having regard to the Prudential Code. The Executive Summary of the Code states that "The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice."
3. In particular, the Prudential Code requires the Council to be aware of the impact of financing capital expenditure on its overall revenue expenditure position. The costs of financing additional capital expenditure are the interest payable to external lenders and the amounts set aside to reduce the level of borrowing. In deciding whether or not borrowing is affordable, prudent and sustainable, the most important consideration is whether, over the term of the borrowing, these costs can be met from the revenue budget without unacceptable consequences.

Prudential Indicators

4. Monitoring Requirements

Under the Prudential Code, an authority is required to establish indicators that are sufficiently robust and credible for it to be able to use them to form a judgement as to whether its proposed capital investment is affordable, prudent and sustainable. The Prudential Code requires that the prudential indicators are monitored regularly throughout the year and that the actual values of some of them are reported at year end.

This report is concerned only with prudential indicators relating to capital investment.

5. Overview of Prudential Indicators

The following prudential indicators, whose actual values must be reported at year end, relate to affordability and prudence.

6. Estimate of capital expenditure

In any year, the level of capital expenditure is likely to deviate from the estimate in the budget report as a result of new additions to the Capital Programme, cancellations of schemes, and slippage, acceleration and changing specifications of projects. The Capital Programme is monitored on a monthly basis and variations to the Capital Programme are reported to Finance Committee.

7. Estimate of the capital financing requirement (CFR)

The capital financing requirement is a measure of the Authority's underlying need to borrow for capital purposes. This relates to capital expenditure which has not yet been financed by capital receipts, capital grants or contributions from revenue income. This is not the same as external debt since the Authority manages its position in terms of borrowings and investments in accordance with its integrated treasury management strategy and practices. For example, rather than borrowing from an external body, the Authority may judge it prudent to make use of cash that it has already invested for long-term purposes, such as reserves, for 'internal borrowing'. This means that there is no immediate link between the need to borrow to pay for capital spending and the level of external borrowing.

In order to ensure that, over the medium term, net borrowing will only be for a capital purpose, the local authority should ensure that net debt does not, except in the short term, exceed the total of the capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

8. External debt

External debt includes gross borrowing and other long-term liabilities.

9. Operational boundary for external debt

The operational boundary is the estimated maximum level of external debt in the most likely (i.e. prudent, but not worst-case) scenario. The operational boundary is a key management tool for in-year monitoring. It will probably not be significant if the external debt temporarily breaches the operational boundary on occasions due to variations in cash flow. However, a sustained or regular trend above the operational boundary would be significant and would require investigation and possible action (e.g. to ensure that borrowing, other than temporary borrowing, is not undertaken for purposes other than funding approved capital expenditure).

10. Authorised limit for external debt

The authorised limit is the intended absolute limit for external debt and exceeds the operational boundary by an amount that provides sufficient headroom for events such as unusual cash movements. If it appears that the authorised limit might be breached, the Service Director – Finance, Infrastructure and Improvement has a duty to report this to the County Council for appropriate action to be taken.

11. Financing costs as a percentage of net revenue stream

The Prudential Code requires the Council to be aware of the impact of financing capital expenditure on its overall revenue expenditure position. The relevant indicator is the financing costs of capital expenditure expressed as a percentage of the net revenue stream, where:

- the costs of financing capital expenditure are interest payable to external lenders less interest earned on investments plus amounts set aside to reduce the level of borrowing; and
- the net revenue stream is the amount of the revenue budget to be met from government grants and local taxpayers.

12. Prudential Indicators: Monitoring against 2022/23 Budget

The following table shows monitoring against those indicators that were approved for 2022/23 in the Budget Report to Council in February 2022.

Indicator	Comments												
Estimated capital expenditure (excluding Schools Devolved Formula Capital and schools' capital expenditure funded from their own revenue budget) 2022/23 Budget: £126.879m 2022/23 Actual: £90.097m	Capital programme is £36.782m less than anticipated, as explained in the table: <table border="1"> <thead> <tr> <th>Reason</th><th>£m</th></tr> </thead> <tbody> <tr> <td>Slippage from 2021/22 to 2022/23</td><td>19.473</td></tr> <tr> <td>Re-phasing/slippage approved in-year</td><td>(56.255)</td></tr> <tr> <td>TOTAL</td><td>(36.782)</td></tr> </tbody> </table>	Reason	£m	Slippage from 2021/22 to 2022/23	19.473	Re-phasing/slippage approved in-year	(56.255)	TOTAL	(36.782)				
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Slippage from 2021/22 to 2022/23	19.473												
Re-phasing/slippage approved in-year	(56.255)												
TOTAL	(36.782)												
Estimated capital financing requirement (taking into account PFI Finance Lease Liabilities) 2022/23 Budget: £868m 2022/23 Actual: £786m	The actual level of the capital financing requirement was £82m less than the indicator, as explained in the table: <table border="1"> <thead> <tr> <th>Reason</th><th>£m</th></tr> </thead> <tbody> <tr> <td>Borrowing below budgeted level in 2021/22 (primarily due to slippage of expenditure funded by borrowing)</td><td>(33)</td></tr> <tr> <td>IFRS16 Lease standard delay</td><td>(7)</td></tr> <tr> <td>Variance in capital receipt income</td><td>5</td></tr> <tr> <td>Borrowing below budgeted level in 2022/23 (primarily due to slippage of capital expenditure funded by borrowing and maximisation of capital grant usage)</td><td>(47)</td></tr> <tr> <td>TOTAL</td><td>(82)</td></tr> </tbody> </table>	Reason	£m	Borrowing below budgeted level in 2021/22 (primarily due to slippage of expenditure funded by borrowing)	(33)	IFRS16 Lease standard delay	(7)	Variance in capital receipt income	5	Borrowing below budgeted level in 2022/23 (primarily due to slippage of capital expenditure funded by borrowing and maximisation of capital grant usage)	(47)	TOTAL	(82)
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TOTAL	(82)												

Indicator	Comments
<p>External debt (incl. PFI Finance Lease Liabilities)</p> <p>Authorised limit for borrowing: £602m Authorised limit for other long-term liabilities: £106m Authorised limit for external debt: £708m</p> <p>Operational boundary for borrowing: £577m Operational boundary for other long-term liabilities: £106m Operational boundary for external debt: £683m</p> <p>Actual borrowing: £493m Actual other long-term liabilities: £97m Total actual debt at 31/03/23: £590m</p>	<p>The actual level of external debt was below both the authorised limit of £720m and the operational boundary of £695m throughout 2022/23.</p>
<p>Financing costs as a percentage of net revenue stream (incl. impact of PFI Finance Lease Liabilities)</p> <p>2022/23 Budget: 9.6% 2022/23 Actual: 7.8%</p>	<p>The total of actual financing costs as a percentage of net revenue stream was below the budgeted figure as a result of lower than expected interest charges.</p>

13. Summary

The Prudential Code indicators will continue to be monitored and reported against budgeted figures.

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT

TREASURY MANAGEMENT OUTTURN REPORT 2022/23

1. Purpose

To provide a review of the Council's treasury management activities for the year to 31 March 2023.

Information and Advice

2. Background

2.1 Treasury management is defined as 'the management of the council's investments and cashflows; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.

2.2 The Council's Treasury Management Strategy is approved annually by Full Council and there is also a mid-year report which goes to Full Council. Responsibility for the implementation, scrutiny and monitoring of treasury management policies and practices is delegated to the *Treasury Management Group*, comprising:

- the Service Director (Finance, Infrastructure & Improvement)
- the Group Manager (Financial Services)
- the Senior Accountant (Pensions & Treasury Management)
- the Senior Accountant (Financial Strategy & Accounting)
- the Investments Officer.

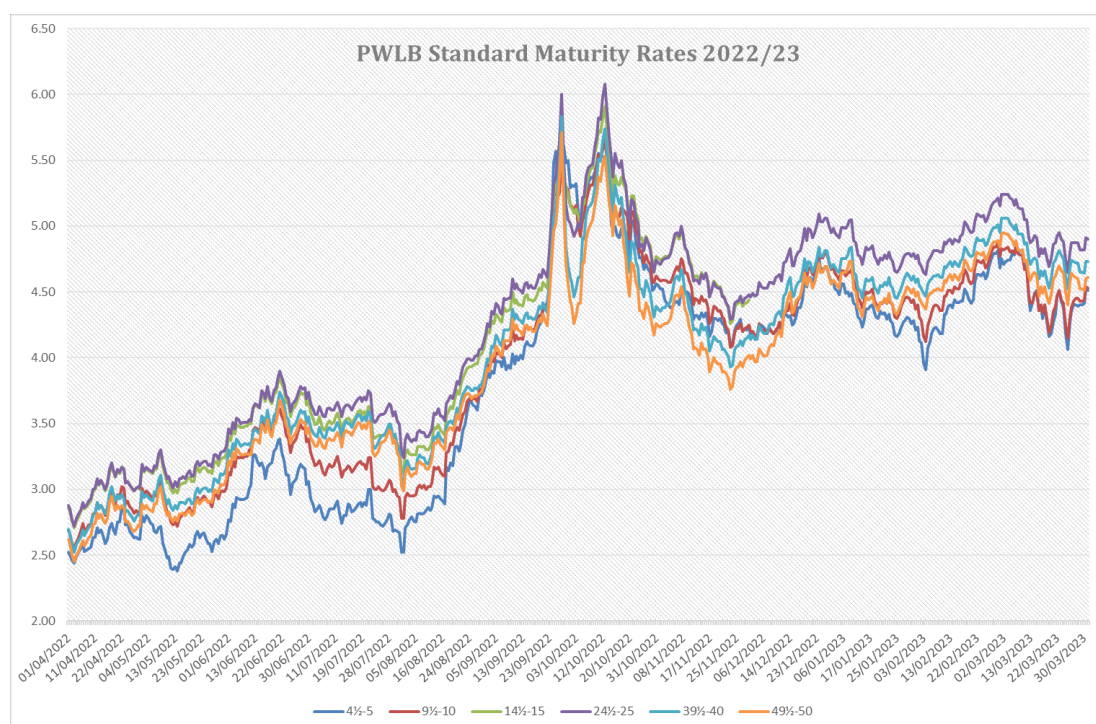
2.3 During 2022/23, borrowing and investment activities were in accordance with the approved limits as set out in the Council's Treasury Management Policy and Strategy. The main points from this report are:

- All treasury management activities were carried out by authorised officers within the limits agreed by the Council.
- All investments were made to counterparties on the Council's approved lending list.
- The Council's net external borrowing decreased by £10.8m during the financial year.
- Over the course of the year the Council earned 2.13% on its cash investments, exceeding the adjusted average Sterling Overnight Index Average (SONIA) rate for 2022/23 which was 2.11%

3. Outturn Treasury Position

3.1 The Council's treasury management strategy and associated policies and practices for 2022/23 were approved in February 2022 by Full Council. The Service Director (Finance, Infrastructure & Improvement) complied with the strategy throughout the financial year.

- 3.2 The movement in PWLB standard maturity rates during 2022/23 is shown in the chart below. This shows that at the start of the year the average maturity loan rate was 2.74% but this had increased to 4.74% by year-end, as inflationary pressures mounted in the wider economy.



- 3.3 Table 1 below shows the Council's treasury portfolio position on 31 March 2023.

Table 1: Treasury Position at 31 March 2023	£m	Average interest rate
External Borrowing		
PWLB	393.6	3.87%
LOBOs	60.0	3.85%
Market	-	
Short-term	-	
Total external borrowing	453.6	
Other Long-Term Liabilities	97.0	
Total Gross Debt	550.6	
Less: Investments	-198.8	3.82%
Total Net Debt	351.8	

- 3.4 The Council continues to make use of temporary 'internal borrowing' wherever possible, as new external borrowing would be costlier, at least in the short-term. It also results in lower overall cash balances thereby reducing the Council's exposure to credit risk.

4. Treasury Management Activities 2022/23

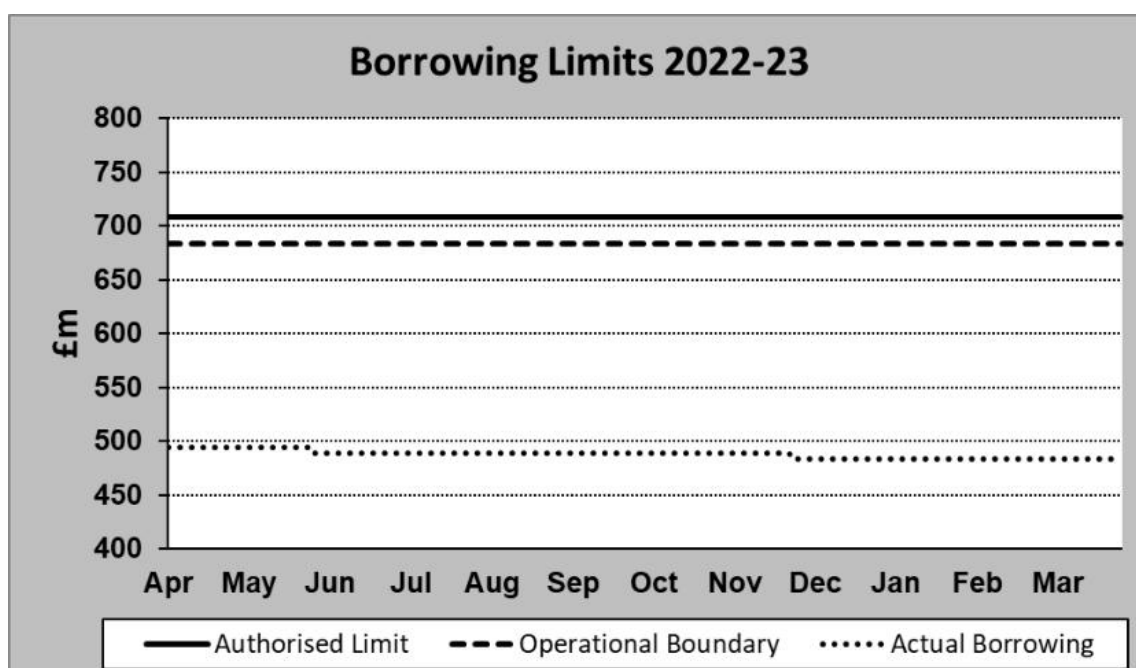
- 4.1 The Council manages its cash flows through borrowing and lending activities on the wholesale money markets. The Council has an approved list of counterparties for investment and aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity.
- 4.2 A summary of this activity is provided in Table 2 below.

Table 2: Summary of TM activity 2022/23	Fixed Term Investments	Call Accounts / Money Market Funds	Total
	£000	£000	£000
Outstanding 31 March 2022	80,000	94,800	174,800
Amount deposited during 22/23	425,000	795,000	1,220,000
Amount redeemed during 22/23	-380,000	-816,000	-1,196,000
Outstanding 31 March 2023	125,000	73,800	198,800
Average balance	114,726	96,507	211,233
Interest earned	3,064	1,438	4,502
Average return rate	2.67%	1.49%	2.13%
Adj. average SONIA rate	2.11%	2.11%	2.11%

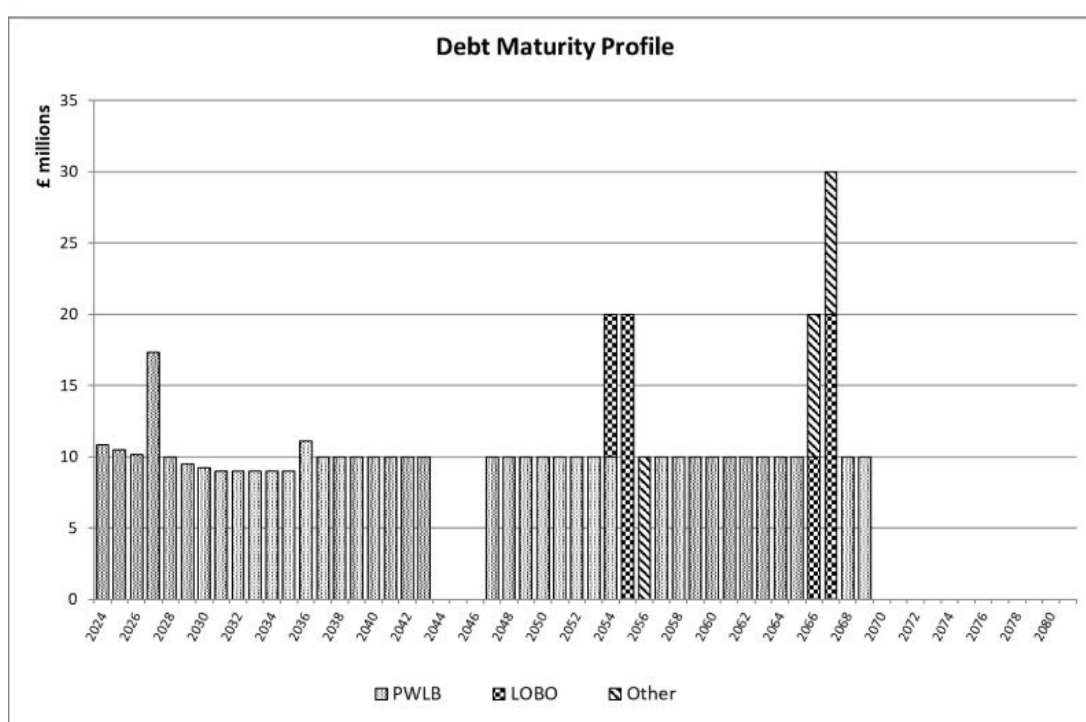
- 4.3 Deposits totaling £1.22bn were made over the course of the year (although much of this cash was recycled). The Council's average cash balance over 2022/23 was £211.2m (compared with £159.0m in 2021/22). The return achieved on this balance over the course of the year averaged 2.13%, against the adjusted SONIA benchmark of 2.11%.

5. Long Term Borrowing

- 5.1 The Treasury Management Strategy for 2021/22 presented to Council in February 2022 outlined the Council's long-term borrowing strategy for the year. Long-term borrowing is sourced from either the market (including other local authorities) or from the PWLB.
- 5.2 The Treasury Management Strategy for 2022/23 identified a need to borrow approximately £20m over the course of the year to (a) fund the capital programme, (b) replenish internal balances and to (c) replace maturing debt. However, due to slippage and higher than expected cash balances, no new long-term loans needed to be taken. In other words, the Council was able to use its cash balances to temporarily postpone its entire £20m borrowing requirement.
- 5.3 Total external borrowing stood at £453.6m on the 31 March 2023 which is within the operational boundary of £683m agreed by the Council. The chart below shows that the level of external debt throughout the year was below the key treasury indicators of the authorised limit and the operational boundary, demonstrating that borrowing was well within plan during the year. Further details on these treasury prudential indicators are provided in another appendix.



- 5.4 The slight downward trend in actual borrowing represents £10.8m of PWLB loans that matured during 2022/23. This was the only borrowing repaid during the year.
- 5.5 The chart below shows the debt maturity profile at 31 March 2023. This is spread fairly evenly until 2044, thereby minimising refinancing risk. In this chart it is assumed that the remaining LOBO loans will run to maturity, and not be called (if the lender so chooses) at an earlier date. The average rate on all outstanding external debt at year-end was 3.87% (compared to 3.92% in 2021/22), reflecting the higher rates of the Council's maturing debt.



- 5.6 The Council has always had the option of rescheduling its existing PWLB debt should market conditions indicate opportunities for savings. This would be

achieved by redeeming fixed rate debt and raising new debt at a lower rate of interest. However, for a number of years now the PWLB has charged a prohibitive premium on early redemptions. No financially attractive opportunities for debt rescheduling therefore arose over the reporting period.

6. Prudential Indicators for Treasury Management

- 6.1 The table below shows how the treasury management outturn position compares with the prudential indicators for the year. The objective of these indicators is to manage treasury management risks effectively. No indicators were breached during the year.

TREASURY MANAGEMENT INDICATORS 2022/23	Approved limits	Outturn
Authorised Limit for external debt	£708m	£483.6m
Operational Boundary for external debt	£683m	£483.6m
Upper limit for Rate Exposure – Fixed	100%	100%
Upper limit for Rate Exposure - Variable	75%	0%
Upper limit for principal sums invested for over 364 days	Higher of £20m and 15%	£0m

- 6.2 The table below shows how the Council's debt portfolio is managed with regard to maturity structure. The aim here is to ensure that the risk of the Council having to replace maturing debt in any one year is minimised, as part of an overall Treasury Management risk strategy.

Maturity structure of fixed rate borrowing	Approved Lower limit	Approved Upper limit	22/23 Outturn
under 12 months	0%	25%	3.5%
12 months and within 24 months	0%	25%	2.1%
24 months and within 5 years	0%	75%	7.6%
5 years and within 10 years	0%	100%	9.3%
10 years and above	0%	100%	77.5%
Adoption of CIPFA's Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes			Adopted